

**REVIEW OF
DISTRICT SCHOOL BOARD,
CHARTER SCHOOL, AND
CHARTER TECHNICAL CAREER CENTER
AUDIT REPORTS FOR THE
FISCAL YEAR ENDED JUNE 30, 2022**

Pursuant to Section 11.45(7)(b), Florida Statutes



Sherrill F. Norman, CPA
Auditor General

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REVIEW OF DISTRICT SCHOOL BOARD, CHARTER SCHOOL, AND CHARTER TECHNICAL CAREER CENTER AUDIT REPORTS FOR THE FISCAL YEAR ENDED JUNE 30, 2022

SUMMARY

State law¹ requires all charter schools and charter technical career centers (hereafter collectively referred to as charter schools) and certain district school boards to provide for annual financial audits conducted by independent certified public accountants (CPAs). Audit reports are required to be filed with us within 45 days after delivery of the audit report to the charter school or district school board's governing body, but no later than 9 months after the end of the fiscal year.²

During the fiscal year ended June 30, 2022, there were 67 district school boards and 695 charter schools in operation in the State of Florida. Pursuant to State law,³ we reviewed the 2021-22 fiscal year audit reports filed with us through June 9, 2023, including audit reports for 21 district school boards⁴ and 688 charter schools, and determined that the information was generally presented in accordance with generally accepted accounting principles (GAAP) and the audit reports generally complied with generally accepted government auditing standards (GAGAS) and Rules of the Auditor General.⁵ However, we noted the following instances in which audit reports were not filed, not filed timely, or not prepared in accordance with all applicable requirements:

Finding 1: Seven charter schools and 1 district school board did not file audit reports with us. In addition, 2 other charter schools and another district school board did not file the required audit report with us within 45 days after delivery of the audit report to the entity's governing body and by the March 31, 2023, deadline. Five district school boards filed the required audit report with us within 45 days after delivery of the audit report to the entity's governing board but after the March 31, 2023, deadline. Further, while 12 charter schools and 3 district school boards filed audit reports with us by the March 31, 2023, deadline, the reports were not filed within 45 days of the audit report delivery to the entity's governing body.

Finding 2: Our completeness reviews of the audit reports disclosed instances of noncompliance with certain requirements, primarily related to the independent auditor's reports and financial statement note disclosures.

Finding 3: Our comprehensive reviews of 21 district school board audit reports and selected charter school audit reports disclosed certain instances of noncompliance with GAAP and GAGAS.

¹ Section 218.39(1), Florida Statutes.

² Section 218.39(7), Florida Statutes.

³ Section 11.45(7)(b), Florida Statutes.

⁴ Of the 67 district school boards, 22 were subject to 2021-22 fiscal year financial audits conducted by CPAs other than the Auditor General.

⁵ Chapters 10.800 and 10.850, Rules of the Auditor General.

BACKGROUND

State law⁶ requires annual financial audits of each charter school and charter technical career center (hereafter collectively referred to as charter schools) and district school board. State law⁷ defines a financial audit as an examination of financial statements in order to express an opinion on the fairness with which the statements are presented in conformity with generally accepted accounting principles (GAAP) and an examination to determine whether operations are properly conducted in accordance with legal and regulatory requirements. Financial audits must be conducted in accordance with auditing standards generally accepted in the United States and generally accepted government auditing standards (*Government Auditing Standards* issued by the Comptroller General of the United States).⁸

State law establishes several other requirements that independent certified public accountants (CPAs) must follow when conducting financial audits of charter schools and district school boards. For example, the CPAs performing these financial audits must:

- Prepare a management letter that is included as a part of the financial audit report.⁹
- Discuss with the appropriate officials all findings that will be included in the financial audit report.¹⁰
- Conduct the audits in accordance with the Rules of the Auditor General.¹¹

Additionally, State law¹² requires the appropriate entity officer to provide a written statement of explanation or rebuttal concerning the audit findings, including corrective action to be taken. The officer's written statement is to be filed with the entity's governing body within 30 days after the delivery of the findings.

To assist auditors in complying with the requirements of generally accepted government auditing standards (GAGAS) and applicable laws, rules, and regulations, and pursuant to State law,¹³ we developed rules¹⁴ and audit report review guidelines that provide, among other things, procedural guidance for CPAs to follow to ensure compliance with financial audit requirements. The rules require that the scope of a financial audit include: an examination of the financial statements in order to express an opinion on them; an examination to determine whether operations are properly conducted in accordance with legal and regulatory requirements; an examination of any additional financial information necessary to comply with GAAP; and, when applicable, the additional activities necessary to determine compliance with Federal Uniform Guidance.¹⁵ The rules were adopted in consultation with the Board of Accountancy, and the rules and guidelines are available on our Web site.

⁶ Sections 11.45(2)(d) and 218.39(1), Florida Statutes.

⁷ Section 218.31(17), Florida Statutes.

⁸ *Government Auditing Standards* incorporate by reference the auditing standards generally accepted in the United States (i.e., *American Institute of Certified Public Accountants Statements on Auditing Standards*).

⁹ Section 218.39(4), Florida Statutes.

¹⁰ Section 218.39(5), Florida Statutes.

¹¹ Section 218.39(7), Florida Statutes.

¹² Section 218.39(6), Florida Statutes.

¹³ Section 11.45(8), Florida Statutes.

¹⁴ Chapters 10.800 and 10.850, Rules of the Auditor General.

¹⁵ Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

FINDINGS AND RECOMMENDATIONS

Finding 1: Noncompliance – Audit Report Filing Requirements

State law¹⁶ requires district school boards and charter schools to file with us the audit report and a written response to any report or management letter findings within 45 days after delivery of the audit report to the entity’s governing body, but no later than 9 months after the end of the fiscal year. As district school boards and charter schools have a June 30 fiscal year end,¹⁷ the reports are to be filed with us no later than March 31 each year.

For the 2021-22 fiscal year, 22 district school boards and 695 charter schools were required to file financial audit reports with us. Table 1 quantifies, as of June 9, 2023, the number of district school boards and charter schools that did not comply with the 2021-22 fiscal year audit report filing requirements.

**Table 1
Noncompliance with Audit Report
Filing Requirements**

Description of Noncompliance	District School Boards	Charter Schools
Audit required but report not filed.	1	7
Audit report filed more than 45 days after the report was delivered to the entity’s governing body and after March 31, 2023.	1	2
Audit report filed within 45 days after the report was delivered to the entity’s governing body but after March 31, 2023.	5	-
Audit report filed by March 31, 2023, but more than 45 days after the report was delivered to the entity’s governing body.	3	12

Regarding the noncompliance shown in Table 1:

- 1 district school board (Polk District School Board) and 7 of the 695 charter schools¹⁸ in operation during the 2021-22 fiscal year did not file the required audit report with us.
- 1 district school board (Martin County District School Board) and 2 charter schools (Florida State University School and City of Hialeah Educational Academy) did not file the required audit report with us within 45 days after delivery of the audit report to the entity’s governing body or by March 31, 2023. The three audit reports were filed with us from 25 to 166 days after the 45-day deadline and 10 to 21 days after March 31, 2023, respectively.
- 5 district school boards (Alachua County District School Board, Clay County District School Board, Indian River County District School Board, Okaloosa County District School Board, and Pinellas

¹⁶ Section 218.39(7), Florida Statutes.

¹⁷ Charter schools that close or are terminated before June 30 must file reports with us no later than 9 months after their respective closure or termination date.

¹⁸ The 7 charter schools that did not file an audit report were Alpha International Academy, IDEA Hope, IDEA Victory, Renaissance Learning Academy, Renaissance Learning Center, Sunfire High School of Fort Lauderdale, and Toussaint L'Ouverture High.

County District School Board) filed the required audit report with us within 45 days after delivery of the audit report to the entity's governing board but 7 to 38 days after March 31, 2023.

- Although audit reports for 15 district school boards and 686 charter schools were filed with us by March 31, 2023, the reports for 3 of the 15 district school boards and 12 of the 686 charter schools were filed 53 to 191 days after the delivery of the audit report to the entity's governing body. A listing of these entities that shows the number of days each entity's audit report was filed late is included as **EXHIBIT A** to this report.

District school boards and charter schools that fail to provide for financial audits may be subject to consequences prescribed by State law.¹⁹ Timely audits are necessary to ensure that management and those charged with governance are promptly informed of control deficiencies and financial-related noncompliance. Additionally, timely filed audit reports provide for timely review by appropriate Federal and State oversight agencies.

Recommendation: Management of the district school boards and charter schools should ensure that audits are timely completed, and audit reports are filed in accordance with State law.

Finding 2: Completeness Reviews

We performed completeness reviews of the 21 district school board and 688 charter school audit reports filed with us as of June 9, 2023, to determine whether the audit reports included the financial statements, note disclosures, reports, and other items required by GAAP and the Rules of the Auditor General, and the extent to which the audit reports complied, for selected significant matters, with GAAP, GAGAS, and Rules of the Auditor General. State law²⁰ requires us to request from the district school boards and charter schools any significant items omitted from audit reports. The district school boards and charter schools are to provide us with the requested items no later than 45 days after the date of our request.

Most of the audit reports subjected to our completeness reviews included audited financial statements and the required notes thereto, the required independent auditor's reports on the financial statements and on internal control over financial reporting and compliance (compliance report), and the independent accountant's report of district school board compliance with investment requirements in State law, as applicable. Additionally, most of the reports reviewed were generally presented in accordance with GAAP, GAGAS, and Rules of the Auditor General. However, we noted certain instances of noncompliance, many of which related to independent auditor's reports and financial statement note disclosures. For example:

- The independent auditors for 67 (10 percent) of the 665 applicable charter school audit reports we reviewed did not opine on all opinion units or opined on opinion units (i.e., aggregate remaining fund information) that did not exist on the financial statements. Consequently, these audit opinions did not correctly identify the opinion units upon which the auditor should have opined.
- The independent auditor's reports on the financial statements for 40 (50 percent) of the 80 applicable charter school audit reports we reviewed did not address the auditor's responsibility for the supplementary information presented.

¹⁹ Section 11.40(2), Florida Statutes.

²⁰ Section 11.45(7)(b), Florida Statutes.

- Financial statement note disclosures for 56 (8 percent) of the 661 applicable charter school audit reports we reviewed did not disclose whether settlement amounts exceeded insurance coverage for each of the past 3 years and, if applicable, the excess amounts.

EXHIBIT B to this report provides, by entity type, a summary of the deficiencies disclosed by our completeness reviews along with comparative prior year information.

We also noted that the audit reports for 1 district school board and 57 charter schools omitted significant items. We sent letters to the district school board and charter schools requesting the items and concurrently provided copies of the letters to the respective entity auditors. The items requested included, for example, the submittal checklist identifying the date the auditor delivered the report to the entity and missing disclosures to clarify whether audit findings from the preceding financial audit report had been corrected and identification of any uncorrected audit findings from the two preceding financial audit reports.

As of May 31, 2023, 12 charter schools had not provided the requested items, although 45 days or more had elapsed since the dates of our requests. Pursuant to State law, we notified the Legislative Auditing Committee. **EXHIBIT C** to this report provides a listing of the charter schools.

External parties rely on audits to provide independent assessments of the accuracy and completeness of the financial statements, as well as to provide a means for evaluating the effectiveness of an entity's internal controls and the extent to which an entity has complied with applicable laws, rules, regulations, contractual requirements, and bond covenants. Accordingly, it is important that the components of the audit report, such as the independent auditor's reports and management letter, financial statements, and notes to financial statements, be presented in accordance with GAAP, GAGAS, and Rules of the Auditor General so that the reader can form appropriate conclusions related to the audited entity.

Recommendation: District school boards, charter schools, and their auditors should ensure that audit reports contain all the required information presented in accordance with applicable requirements.

Finding 3: Comprehensive Reviews

In addition to completeness reviews, we performed comprehensive reviews of selected audit reports for the 2021-22 fiscal year and noted certain errors and deficiencies. Specifically, we reviewed:

- Audit reports for the 21 district school boards and 60 selected charter schools to determine the extent of compliance, on a comprehensive basis, with GAAP, GAGAS, and Rules of the Auditor General, and noted deficiencies pertaining to financial statements, note disclosures, and required supplementary information (RSI). For example, the audit reports for 11 (18 percent) of the 60 applicable charter school audit reports and 6 (29 percent) of the 21 applicable district school board reports contained information that was not mathematically accurate.
- Audit reports for the 21 district school boards and 41 charter schools that obtained Federal Single Audits to determine the extent of compliance, on a comprehensive basis, with Federal Uniform Guidance.²¹ For example, the schedule of expenditures of Federal awards included with the audit reports for 6 (25 percent) of the 24 applicable charter school reports that received Federal awards

²¹ Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

through one or more pass-through entities did not include the name of the pass-through entity or the identifying number assigned by the pass-through entity.

EXHIBIT D to this report provides a summary, by entity type, of the deficiencies disclosed by our comprehensive reviews. Because of the limited number of reports reviewed for each entity type, **EXHIBIT D** does not present comparative prior year information.

Recommendation: Management of district school boards and charter schools should ensure that financial statements, note disclosures, and schedules of expenditures of Federal awards are presented in accordance with GAAP and Uniform Guidance, as applicable.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of this project were to determine whether the district school board and charter school audit reports filed with us for our review:

- Complied with generally accepted governmental auditing standards (GAGAS), generally accepted accounting principles (GAAP), and Rules of the Auditor General.²²
- Were prepared by independent certified public accountants (CPAs) properly licensed by the Florida Board of Accountancy.

The scope of this project included a review of the financial audit reports prepared by independent CPAs and filed with us by June 9, 2023, for 21 district school boards and 688 charter schools for the fiscal year ended June 30, 2022.

Our review was necessarily limited to the contents of the audit reports filed with us and did not extend to an examination of the CPAs' working papers or a determination of whether the auditors followed all GAGAS in the actual conduct of the audits. Because our review was limited to the contents of the audit reports filed with us, the review cannot be used as the basis for determining the extent of an entity's compliance with applicable laws, rules, regulations, charters, contractual requirements, or bond covenants. Likewise, our review would not disclose whether the auditor reported all instances of noncompliance or reportable internal control deficiencies noted during the audit, or whether certain required financial disclosures were completely omitted from the audit report.

To assist with the conduct of our review, we established a completeness review checklist and various comprehensive review checklists with evaluation criteria from our rules and report review guidelines (as discussed in the **BACKGROUND** section of this report). Due to the number of reports included in this review, we applied the comprehensive review checklists to the district school board and selected charter school audit reports. Specifically, for the district school board and charter school audit reports filed with us through June 9, 2023, we completed:

- A comparison of the dates the audit report was delivered to the entity's governing body and the date the audit report was filed with us to determine, for each of the 21 district school board and 688 charter school audit reports, whether the audit report was filed with us no later than 45 days after delivery to the entity's governing body and no later than 9 months after the end of the entity's fiscal year.

²² Chapters 10.800 and 10.850, Rules of the Auditor General.

- Completeness review checklists for the 21 district school board and 688 charter school audit reports.
- Comprehensive review checklists for:
 - The financial statements for the 21 district school board and 60 selected charter school audit reports.
 - Financial statement note disclosures and required supplementary information for the 21 district school board and 60 selected charter school audit reports.
 - Federal Uniform Guidance²³ reporting requirements for the 21 district school board audit reports and the 41 applicable charter school audit reports.

AUTHORITY

Section 11.45(7)(b), Florida Statutes, requires the Auditor General to review, in consultation with the Florida Board of Accountancy, all district school board, charter school, and charter technical career center financial audit reports prepared by independent certified public accountants (CPAs) and filed pursuant to Section 218.39, Florida Statutes. Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our review of district school board, charter school, and charter technical career center audit reports prepared by independent CPAs for the fiscal year ended June 30, 2022.



Sherrill F. Norman, CPA
Auditor General

²³ Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

EXHIBIT A

DISTRICT SCHOOL BOARD AND CHARTER SCHOOL 2021-22 FISCAL YEAR AUDIT REPORTS FILED BY MARCH 31, 2023, BUT MORE THAN 45 DAYS AFTER REPORT WAS DELIVERED TO THE ENTITY'S GOVERNING BODY

	District School Board	Number of Days Audit Report	
		Filed After Delivery to Entity's Governing Body	Filed Late
1	Broward County District School Board	92	47
2	Hillsborough County District School Board	71	26
3	St. Johns County District School Board	55	10
Charter School			
1	Florida Southwestern Collegiate High School - Charlotte Campus	111	66
2	Florida Southwestern Collegiate High School - Lee Campus	111	66
3	Gulfstream L.I.F.E. Academy	181	136
4	Imagine Schools Chancellor Campus	180	135
5	New Dimensions High School	191	146
6	Pepin Academies	63	18
7	Pepin Academies of Pasco County	103	58
8	Sarasota Academy of the Arts	136	91
9	Somerset Preparatory Academy Silver Palms at Princeton	53	8
10	Tallahassee Classical School	54	9
11	The Heights Charter School	187	142
12	Waypoint Charter Academy	83	38

15 Total Number of Audit Reports Not Filed Within 45 Days After the Report was Delivered to the Entity's Governing Body (Reports were Filed by March 31, 2023)

EXHIBIT B

SUMMARY OF DEFICIENCIES NOTED DURING COMPLETENESS REVIEWS OF 2021-22 FISCAL YEAR AUDIT REPORTS

Description of Deficiencies	District School Board Audit Reports ^a				Charter School Audit Reports ^b			
	Number of Reports to Which Criteria Applied	Number of Reports with Deficiencies	Percent	Prior Fiscal Year Percent	Number of Reports to Which Criteria Applied	Number of Reports with Deficiencies	Percent	Prior Fiscal Year Percent
Auditor's Report on the Financial Statements: The opinion on the financial statements did not correctly identify the applicable opinion units upon which the auditor should have opined.	21	-	-	-	665	67	10	26
The introductory paragraph of the report did not correctly identify the individual opinion units.	21	-	-	-	665	67	10	26
The report did not disclose the auditor's responsibility for the supplementary information presented.	21	-	-	-	80	40	50	68
Management Letter The management letter did not include a statement as to whether or not corrective actions had been taken to address significant findings and recommendations made in the preceding audit report.	7	-	-	-	44	9	20	15
The management letter did not include a written statement or explanation or rebuttal concerning findings presented in the letter.	3	-	-	-	33	5	15	9
The management letter did not include a reference number for each finding presented in the letter.	3	-	-	-	34	3	9	13
Financial Statements: The financial statements did not include a statement of fiduciary net position for one or more fiduciary funds.	21	-	-	-	36	4	11	-
The financial statements did not include a statement of changes in fiduciary net position for one or more fiduciary funds.	21	-	-	-	36	5	14	-
Notes to Financial Statements: The notes did not include a description of the type of investments authorized by legal or contractual provisions.	21	1	5	-	25	8	32	50
The notes did not include the fair value of investments.	21	-	-	-	25	4	16	-
The notes did not include a description of the applicable investment risk categories by investment type.	21	-	-	-	25	5	20	23
The notes did not identify the governmental funds typically used to liquidate long-term liabilities.	21	-	-	-	133	37	28	24

Description of Deficiencies	District School Board Audit Reports ^a				Charter School Audit Reports ^b			
	Number of Reports to Which Criteria Applied	Number of Reports with Deficiencies	Percent	Prior Fiscal Year Percent	Number of Reports to Which Criteria Applied	Number of Reports with Deficiencies	Percent	Prior Fiscal Year Percent
Notes to Financial Statements (continued):								
The notes did not disclose the purposes of interfund balances.	21	-	-	-	459	54	12	10
The notes did not disclose a description of the principal purposes of the school's interfund transfers.	21	-	-	-	403	39	10	11
The notes did not disclose whether the amounts of settlements exceeded insurance coverage for each of the past 3 years and, if applicable, the excess amounts.	21	-	-	9	661	56	8	7

^a A total of 21 district school board audit reports were included in our completeness reviews.

^b A total of 688 charter school audit reports were included in our completeness reviews.

EXHIBIT C

EDUCATIONAL ENTITY 2021-22 FISCAL YEAR AUDIT REPORTS MISSING SIGNIFICANT ITEMS AS OF MAY 31, 2023

Charter Schools

1	Beulah Academy of Science
2	Bridgeprep Academy of Hollywood Hills
3	Econ River High School
4	Jackie Harris Preparatory Academy
5	Olympus International Academy
6	Pepin Academies of Pasco County
7	Richard Milburn Academy
8	Sarasota Military Academy
9	Sheeler High School
10	Summit Academy Charter School
11	Treasure Coast Classical Academy
12	Victory Ridge Academy
<u>12</u>	Total Number of Educational Entities' 2021-22 Fiscal Year Audit Reports Missing Significant Items as of May 31, 2023.

EXHIBIT D

SUMMARY OF DEFICIENCIES NOTED DURING COMPREHENSIVE REVIEWS OF 2021-22 FISCAL YEAR AUDIT REPORTS

Description of Deficiencies	District School Board Audit Reports ^a			Charter School Audit Reports ^a		
	Number of Reports to Which Criteria Applied	Number of Reports with Deficiencies	Percent	Number of Reports to Which Criteria Applied	Number of Reports with Deficiencies	Percent
Financial Statements: Financial statements contained mathematical errors (nonrounding).	21	6	29	60	11	18
Notes to Financial Statements (Other than Pension Plan and Other Postemployment Benefit (OPEB) Plan Note Disclosures): The notes did not disclose the interfund balances by showing amounts due from other funds, by individual major fund, and by nonmajor governmental funds, nonmajor enterprise funds, and internal service funds, in the aggregate, and by fiduciary fund type.	21	-	-	37	3	8
The notes did not disclose the policy for calculation for depreciation expense.	21	-	-	59	4	7
The notes did not disclose the nature and extent of the restrictions for restricted cash shown on the balance sheet or statement of net position.	10	5	50	-	-	-
Schedule of Expenditures of Federal Awards: The schedule of expenditures of federal awards did not include the name of the pass-through entity or the identifying number assigned by the pass-through entity.	21	-	-	24	6	25

^a Finding 3 and the **OBJECTIVES, SCOPE, AND METHODOLOGY** section of this report identify the number of audit reports we selected for comprehensive reviews.