*****Massachusetts Department of***

***Elementary and Secondary Education***

### 75 Pleasant Street, Malden, Massachusetts 02148-4906 Telephone: (781) 338-3000 TTY: N.E.T. Relay 1-800-439-2370

|  |  |
| --- | --- |
| Jeffrey C. Riley  *Commissioner* |  |

# MEMORANDUM

|  |  |
| --- | --- |
| **To:** | Charter School Leaders, Board Chairs, and Business Managers |
| **From:** | Joanna Laghetto, Finance and Data Coordinator |
| **Date:** | September 8, 2023 |
| **Subject:** | Overview and Instructions for the FY23 Charter School Audit |

In accordance with M.G.L. c. 71, § 89 and 603 CMR 1.00, every Massachusetts Charter School is required to file an independent financial audit (audit) each year.[[1]](#footnote-1) This year, all schools will be required to electronically file the FY23 audit by **Wednesday,** **November 1, 2023**.

**In this Memorandum:**

* [**Updates to the FY23 Audit Guide**](#_Changes_to_the_1)
* [**Naming Conventions**](#_Naming_Conventions_1)
* [**Submission Instructions**](#_Submission_Instructions)
* **[State and Federal Submission Requirements](#_Naming_Conventions)**

**[Updates to the FY23 Audit Guide](#_Changes_to_the_1)**

The revised [FY23 Audit Guide](https://www.doe.mass.edu/charter/finance/auditing/audit-guide.docx) contains a few revisions, detailed below. The [Audit Reference Guide](https://www.doe.mass.edu/charter/finance/auditing/audit-reference-guide.docx) contains important information and areas that require special attention. Please ensure your auditor has reviewed both documents.

DESE has made several changes to the Guide and the accompanying sample audits.

In the FY23 Guide, Section 401 *Charter School Responsibilities* (page 10) and Section 502 *Auditor’s Responsibility* (page 14) have been updated to reflect current accepted language. Please make sure both management and the auditor are aware of these updates.

The sample audits linked below have also been updated in the following two areas:

1. the *Report on the Financial Statements* have been updated to reflect current accepted language, and
2. the *Summary of Significant Accounting Policies* has been updated to contain the following lease policy:

*The School implemented GASB Statement No. 87, Leases, which enhances the relevance and consistency of information of the School’s leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.*

**[Naming Conventions](#_Naming_Conventions)**

**Please be sure to use the following naming conventions when you submit the following documents, as applicable.**

|  |  |  |  |
| --- | --- | --- | --- |
| **Submission** | **File Format** | **Naming Convention** | **Instructions** |
| Audit Report | PDF | **FY23Audit\_School Name\_ ####** | When naming the file, #### represents the school’s four digit LEA code.  Please do not include the words *Public* or *Charter School*. For example: if your school’s name is *Malden Village Public Charter School* with an LEA code of 4545 it should be named: *FY23Audit\_Malden Village\_4545.* |
| Management Letter (if issued) | PDF | **FY23mgtltr\_School Name\_####** |
| CSP Agreed Upon Procedure (if issued) | PDF | **FY23CSP\_AUP\_School Name\_####** |
| Signed Board Acceptance Letter | PDF | **FY23BOTltr\_School Name\_####** |

**[Submission Instructions](#_Submission_Instructions)**

**All** documents must be submitted to the Department in electronic format (PDF for audits and signature page) via the Charter School File Exchange Drop Box in the Department’s [Security Portal](https://gateway.edu.state.ma.us/). Please ensure that the audit is saved as a PDF and not as an image file. Image files are often too large to upload to the Drop Box.

**Do Not Mail Hard Copies**

The **Department will not collect any hard copies** of the audit packages. Please ensure the auditor or school staff **do not mail** **hard copies to the Department** as it creates an additional burden on all parties.

**[State and Federal Submission Requirements](#_State_and_Federal)**

* The Audit or Financial Review and any Management Letter must also be submitted to the Office of the State Auditor. Please submit via email to [Auditor@sao.state.ma.us](mailto:Auditor@sao.state.ma.us)
* Uniform Guidance (formerly referred to as Single Audits), if applicable, performed in accordance with the Office of Management and Budget (OMB) Uniform Guidance must also be filed with the Federal Audit Clearinghouse. Please refer to the [Uniform Guidance](https://www2.ed.gov/policy/fund/guid/uniform-guidance/index.html) for the federal filing requirements.

Additional guidance, including sample audit reporting packages, can be found in the [Audit and Accounting](http://www.doe.mass.edu/charter/finance/auditing/) section of our website.

The Department will not grant deadline extensions for audits; all documents must be submitted by the due dates outlined in this memorandum. If you anticipate or experience problems with the timely, accurate completion of your audit, please contact Joanna Laghetto at 781-873-9521 or [Joanna.C.Laghetto@mass.gov](mailto:Joanna.C.Laghetto@mass.gov) or James DiMaio at 781-338-3228 or [James.Dimaio2@mass.gov](mailto:James.Dimaio2@mass.gov).

Thank you for your cooperation and assistance in providing this important financial data.

1. [M.G.L. c. 71, §89 (jj)](https://malegislature.gov/Laws/GeneralLaws/PartI/TitleXII/Chapter71/Section89) Each charter school shall keep an accurate account of all its activities and all its receipts and expenditures and shall annually cause an independent audit to be made of its accounts. Such audit shall be filed annually on or before January 1 with the department and the state auditor and shall be in a form prescribed by the state auditor. The state auditor may investigate the budget and finances of charter schools and their financial dealings, transactions and relationships, and shall have the power to examine the records of charter schools and to prescribe methods of accounting and the rendering of periodic reports.

   [603 CMR 1.08 (3)](https://www.doe.mass.edu/lawsregs/603cmr1.html?section=08)Financial Audits**:** In accordance with M.G.L. c. 71, § 89, every charter school shall have an independent audit conducted of its accounts, consistent with generally accepted government auditing standards and any guidelines issued by the Department. Audits shall be filed annually by November 1st with the Department and the Office of the State Auditor. Districts are required to assist Horace Mann charter schools to the fullest extent possible in providing them in a timely fashion with the financial, payroll, and personnel records required for a complete audit. A network, as defined by 603 CMR 1.00, may submit a combined annual independent audit report, provided that each entities' financials are discretely presented within the audit report to ensure that it complies with M.G.L. c. 71, § 89; 603 CMR 1.00; and any guidelines issued by the Department.

   603 CMR 1.08 (4) End of Year Financial Report: Every charter school shall submit an end of year financial report based on audited financial figures in accordance with guidelines issued by the Department. [↑](#footnote-ref-1)