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|  | Charter School Audit Guide |
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| The Audit Guide provides detailed information on the financial reporting and audit requirements of charter schools.Effective July 2024 |
| Massachusetts Department of Elementary and Secondary Education135 Santilli Highway, Everett MA 02149Phone 781-338-3000 TTY: N.E.T. Relay 800-439-2370[www.doe.mass.edu](http://www.doe.mass.edu) |
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### **100 Introduction**

The Commonwealth of Massachusetts in 1993 enacted Massachusetts General Laws (M.G.L.) c. 71, Education Reform Act, § 89, which authorized the establishment of charter schools within the Commonwealth. The uniform rules and procedures governing the establishment of charter schools are provided by 603 CMR 1.00 which is promulgated under the authority of M.G.L. c. 71. These statutes stipulate various requirements for charter schools and include a provision that requires charter schools to keep an accurate account of all its activities and provide for an annual independent audit of its financial statements.

In an effort to support these requirements, the Commonwealth of Massachusetts Department of Elementary and Secondary Education (the Department) has developed the charter school *Audit Guide (Guide)* to provide all charter schools within the Commonwealth of Massachusetts and their independent auditors with a resource of audit requirements including illustrative financial statement formats. The requirements contained in this *Guide* must be followed by all charter schools; however, items may be added or modified to meet the charter school’s needs and independent auditor’s professional judgment.

**101 *Scope and Organization***

 The *Guide* contains two sections; Part I includes the audit policies and procedures and Part II includes auditing and reporting guidelines.

**102 *Purpose***

 The purpose of the *Guide* is to provide procedures to properly complete the charter school's annual audit and provides a uniform approach to the financial statement formats and the related notes to the financial statements. The *Guide* provides recommendations and requirements that will meet the individual charter school’s needs to prepare and submit the annual audit report in conformity with laws, regulations and administrative policies governing Massachusetts charter schools.

The *Guide* also provides detailed information on the financial reporting and audit requirements of the charter school, including applicable laws and regulations regarding audits of grants awarded by the U.S. Government and other funding sources.

The *Guide* is to be used in conjunction with current audit standards and accounting principles generally accepted in the United States of America and is not intended to supplant these standards and principles. These standards and principles may have been updated or revised and new guidance may have been issued subsequent the issuance of this *Guide*. The charter school and its auditors are required to apply all applicable current standards to the audit performed. The *Guide* requires the auditor to properly plan and perform the audit and encourages professional judgment in determining the audit steps necessary to accomplish the audit objectives. Any recommendations or suggestions to improve this *Guide* should be sent to the Massachusetts Department of Elementary and Secondary charterschools@mass.gov.

**103 *Amending the Guide***

 This *Guide* contains the minimum audit policies and procedures for the charter school, as of the date of its promulgation. From time to time, as additional matters require or changes to this *Guide* are appropriate, the Department will amend this *Guide.* The amendments will be published on the Department’s web site at [www.doe.mass.edu/charter](http://www.doe.mass.edu/charter) and should be reviewed annually by the charter school and their auditor to ensure that theaudit requirements are maintained on a current basis. **It is the charter school’s responsibility to conform to the current reporting requirements of the Department. Incomplete or incorrect annual audit reports will be rejected by the Department and will require resubmission.**

**104 *Effective Date***

**The *Guide* will be effective for all charter schools with fiscal years ending on or after June 30, 2024, in which an audit is required (See Section 300), with the exception of Charter School Program Grant reporting requirements (See Appendix B).**

**105 *Background***

In accordance with M.G.L. c. 71, § 89, each charter school must have an independent audit conducted of its accounts, consistent with auditing standards generally accepted in the United States of America, and consistent with any guidelines the Department may issue. Audits must be filed annually on or before November 1st with the Department and the Commonwealth of Massachusetts Office of the State Auditor.

As a special purpose governmental unit, the charter school will follow the requirements of the Governmental Accounting Standards Board (GASB). GASB is the recognized standard setting body for establishing governmental accounting and financial reporting principles. This *Guide* includes the issuance of GASB Statement No. 97 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment to GASB No. 68.*

**105 *Background - continued***

The charter school’s activities should be accounted for as a *Business-Type Entity* and report all activity within the Proprietary Fund. The charter school will maintain their accounting records and related financial reports on the accrual basis of accounting. Also pursuant to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989 FASB and American Institute of Certified Public Accountants (AICPA) Pronouncements*, the charter school should elect to apply the provisions of all Financial Accounting Standards Board (FASB) Statements and Interpretations, APB Opinions and ARB’s of the Committee on Accounting Procedures, except for those that conflict with or contradict GASB pronouncements.

### **200 Contracting the Audit**

The charter school’s board of trustees contracts annually with a qualified certified public accounting firm to conduct the audit of the charter school’s financial statements in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards* issued by the Comptroller General of the United States; and if applicable the *U.S Office of Management and Budget’s Uniform Guidance.* The selected audit firm must be familiar with these standards and related Commonwealth of Massachusetts charter school regulations, in order to properly conduct the audit engagement.

While not an audit standard of *Government Auditing Standards*, sound procurement practices for goods and services should be followed. The Department recommends that management document the factors considered, and the conclusions reached concerning the auditor’s acceptance and retention. The review of retention factors and the acceptance decision should be made in light of the knowledge about the auditor obtained from the prior audit(s) and consideration of matters that may have occurred since the prior audit.

If the audit process is to be bid, then a formal request for proposal should be prepared and all bidders should be evaluated based on a set of criteria that should include, past experience, qualification of the assigned staff, references from similar organizations, professional affiliations, technical abilities, peer review opinion and fee. This process should document how the successful bidder was determined to ensure a fair and objective selection process.

The independent auditor engaged to conduct the charter school audit must be: (a) licensed certified public accountants or persons working for a licensed certified public accounting firm; or (b) public accountants licensed on or before December 31, 1970, or persons working for a public accounting firm licensed on or before December 31, 1970.

Accountants and accounting firms meeting these licensing and independence requirements must also comply with applicable provisions of the public accountancy law and rules of the jurisdiction(s) where the audit is being conducted and the jurisdiction(s) in which they are licensed. The Commonwealth of Massachusetts must license public accountants and accounting firms engaged to conduct audits in Massachusetts.

The auditor and the charter school must fully understand and comply with the independence standards contained within *Government Auditing Standards (2018 Revision)* and the *United States Government Accountability Office (GAO) Government Auditing Standards Answers to Independence Questions.* These documents are available at the GAO web site <http://www.gao.gov/> and should be reviewed prior to contracting the independent auditor.

Auditors should determine whether identified threats to independence are at an acceptable level or have been eliminated or reduced to an acceptable level. A threat to independence is not acceptable if the threat either (a) could impact the auditor's ability to perform an audit without being affected by influences that compromise professional judgment or (b) could expose the auditor or audit organization to circumstances that would cause a reasonable and informed third party to conclude that the integrity, objectivity, or professional skepticism of the audit firm, or a member of the audit team, had been compromised.

### **200**  **Contracting the Audit – continued**

When an auditor identifies threats to independence and based on an evaluation of those threats, determines that they are not at an acceptable level, the auditor should determine whether appropriate safeguards are available and can be applied to eliminate the threats or reduce them to an acceptable level. The auditor should exercise professional judgment in making that determination and should take into account whether both independence of mind and independence in appearance are maintained. The auditor should evaluate both qualitative and quantitative factors when determining the significance of a threat.

The auditor is required to document threats to independence that require the application of safeguards and the safeguards applied. For nonaudit services, regardless of whether threats to independence are determined to be significant, the auditor is required to document (1) the understanding established with the audited entity regarding the nonaudit services to be performed and (2) management’s ability to effectively oversee the nonaudit services, including whether management possesses suitable skills, knowledge, or experience to do so. The auditor also should establish and document in writing his or her understanding with the charter school regarding (1) the objectives of the nonaudit service, (2) the services to be performed, (3) the charter school’s acceptance of its responsibilities, (4) the auditor’s responsibilities, and (5) any limitations of the nonaudit service.

In order to conform to the AICPA Statement on Auditing Standard No. 114 (AU Section 380) *The Auditor’s Communication With Those Charged With Governance, and Government Auditing Standards* the auditor must reach a clear understanding with the client about the services to be performed for the engagement and should document their understanding in a written engagement letter. The engagement letter should include: the objective and scope of the audit, including the financial statements and supplemental information, if any, to be opined on and the auditing standards to be complied with; management’s responsibilities, including internal control over financial statement presentation, compliance and fraud and provide documentation for completion of the audit; auditor’s responsibilities, audit procedures for financial statements and compliance and limitations; administrative issues, including the audit fee, workpaper retention, copy of the firm’s peer review opinion and letter of comments, if any and the start and delivery dates for the audit report including the draft and final dates. This understanding should be reached prior to the start of the audit process.

### **201 Administering the Audit**

The board of trustees should appoint an audit/finance subcommittee to monitor the audit process. This subcommittee will contract the independent auditor and review the scope and results of the audit. The audit/finance subcommittee also receives notice of any consequential irregularities and findings that the auditor noted during the engagement. Additionally, the subcommittee will develop a Corrective Action Plan to address all relevant findings noted by the auditor. The audit/finance subcommittee will also review all financial information of the charter school and provide recommendations to the full board of trustees. Further, the Board of Trustees may delegate responsibility to accept the audit to the audit/finance committee who will acknowledge their acceptance of the audit by signing the Acceptance of the Board of Trustees Letter (Appendix A), which will be attached to the final audit package for submission to the Department. If the audited financial statements contain findings consisting of Material Weakness, Significant Deficiency, Non-compliance, and/or Questioned Costs, the Audit/Finance Committee has two options to obtain the full Board of Trustee’s approval. The Audit/Finance Committee must **either** present the audit to the full Board of Trustees for a vote to accept or the full Board of Trustees must vote to approve the Corrective Action Plan that results from the Department’s review of submitted audited financial statements.

### **300 Filing Requirements - Who Must File**

**In accordance with M.G.L. c. 71, § 89, each Commonwealth of Massachusetts charter school shall have an annual independent audit conducted of its accounts, consistent with auditing standards generally accepted in the United States of America, *Government Auditing Standards* and any guidelines the Department or the Office of the State Auditor may issue.**

During the charter school’s planning period—the time between the granting of the charter and the opening of the charter school to enrolled students—the charter school may request to have an independent accountant’s review performed, which is less in scope than an audit, in lieu of an audit. The review must be performed by a certified public accountant in accordance with the *Statements on Accounting and Review Services* issued by the American Institute of Certified Public Accountants. If a review is performed, Section 1000 of this *Guide* is not applicable, and the Acceptance of Board of Trustees (*Appendix A*) must be modified to describe the scope of services provided. Additionally, if during the planning period the charter school expends in excess of the threshold set by OMB Uniform Guidance (currently $750,000) in federal expenditures an audit must be performed in accordance with OMB Uniform Guidance. (The auditors should be aware of any subsequent changes to the threshold).

**If a charter school wishes to have a review performed in lieu of an audit during the planning period, a formal request by the charter school’s board of trustees should be made in writing to the Department at least three months prior to the filing deadline (See Section 301 ‘When to File’). The Department’s approval must be obtained prior to contracting for the services.**

**Additionally, a separate an agreed upon procedures may be required for charter schools that receive funding under the Federal Charter Schools Program (CSP). (See Section 303).**

**301** ***When to File***

In accordance with 603 CMR 1.09(3), a Commonwealth of Massachusetts charter school shall have its independent audit filed annually on or before **November 1st** following the fiscal year end.

If an agreed upon procedures report is required for a charter that receive CSP funding the agreed upon procedures report shall be filed on or before November 1st following the fiscal year end.

**302** ***What and Where to File***

A charter school must submit a completed *Reporting Package,* which must adhere to the format described in the *Guide* (See Section 800 *Reporting Package*). An incomplete or incorrect annual *Reporting Package* will be rejected and require correction and/or resubmission. The audit will not be considered submitted to the Department until a complete *Reporting Package* is submitted as follows:

**Papers copies of the reporting package will not be accepted; therefore, the audit will not be considered submitted until the electronic copy is uploaded via the portal.**

**One** **(1)** electronic copy of the completed *Reporting Package,* including management letter, if any, must be filed via email to the Office of the State Auditor at the following email address:

Auditor@sao.state.ma.us

(Please note: this filing information may be updated annually).

**One** electronic copy of the completed *Reporting Package* in PDF format must be submitted via the Department’s Security Portal. (The Security Portal is accessible through the Department’s website - See [MA Education Security Portal (state.ma.us)](https://gateway.edu.state.ma.us/stardust/login))

**The Charter School Year End Report** (See Section 900) –file must be submitted via the Department’s Security Portal.

**The Charter School Year End Report** (See Section 900) signed certification statement must be submitted via the Department’s Security Portal.

An auditperformed in accordance with the *Office of Management and Budget Uniform Guidance* *Audits of States, Local Governments, and Non-Profit Organizations (OMB Uniform Guidance)* must be filed with the Federal Audit Clearinghouse. Please refer to *OMB Uniform Guidance* for the federal filing requirements (See Section 500).

<https://www.whitehouse.gov/omb/>

Please note that updated filing instructions may be provided annually by the Department.

**303 *Additional Reporting – Charter School Program (CSP) Funding***

If the School receives federal Charter Schools Program funds (CSP) (CFDA No. 84.282) directly from the Department, and the School **does not** meet the threshold for an OMB Uniform Guidance audit, an accountants agreed upon procedures report specific to this funding is required.

If the School **does meet** the threshold of an OMB Uniform Guidance audit, and the CSP funding does not meet the criteria for a major program the auditor has the option of either including the CSP funding as a major program and testing accordingly, or performing the accountants agreed upon procedures report. See Appendix Bfor agreed upon procedures and sample report. The agreed upon procedures report is due November 1st following the fiscal year end and is required to be submitted as follows:

**One** electronic copy of the completed *Agreed Upon Procedures Reporting Package* (see Appendix B) in PDF format must be submitted via the Department’s Security Portal. (The Security Portal is accessible through the Department’s website - See [MA Education Security Portal (state.ma.us)](https://gateway.edu.state.ma.us/stardust/login)).

**304** ***Penalty for Noncompliance***

The charter school must file an annual audit report by the stated filing deadline to comply with the Commonwealth of Massachusetts statutory and regulatory requirements. The Department reserves the right to sanction any charter school that does not comply with this requirement, including but not limited to withholding payment of state funds, conditions, probation or revocation of the charter.

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### **400 Audit Objective**

The objective of the audit is as follows: the expression of an opinion that provides reasonable assurance that the financial statements and notes present fairly, in all material respects, the financial position, results of operations and cash flows of the charter school, in conformity with accounting principles generally accepted in the United States of America; provides limited assurance on the management discussion and analysis; provides no assurance on the Department’s supplemental information. The auditor will also report on the charter school’s internal control related to the financial reporting and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance which could have a material effect on the financial statements in accordance with Government Auditing Standards.

If the audit is to be performed in accordance with the Single Audit Act Amendments of 1996 and OMB Uniform Guidance, the auditor will also report on the charter school’s internal control related to its major programs and provide an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program.

**401 *Charter School Responsibility***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently know information that may raise substantial doubt shortly thereafter. The auditor will require that the charter school management confirm this responsibility through a management representation letter to be issued to the auditor at the end of the engagement.

**402 *Auditor Responsibility***

The AICPA through the Auditing Standards Board issues Statements on Auditing Standards, which provide audit standards and identify the responsibilities of the auditor when issuing an opinion on financial statements, in accordance with auditing standards generally accepted in the United States of America. The auditor is expected to possess adequate professional proficiency and understanding of these Statements on Auditing Standards’, and specific proficiency as it relates to the Commonwealth of Massachusetts charter school regulations, prior to accepting the audit engagement.

**402 *Auditor Responsibility - continued***

The general audit standards under *Government Auditing Standards* require that the audit be performed by personnel who collectively have the necessary technical skills, maintain independence, exercise due professional care in properly planning, conducting and reporting the results of the audit and the audit firm has an appropriate quality control system that is supported by an external quality control review. In order to conform to the *Government Auditing Standards* technical skills requirement, the audit staff must maintain professional proficiency through continuing professional education (CPE) and training. A component of this training requires that each audit staff responsible for planning, directing, performing fieldwork or reporting on the audit must complete every two years, at least 80 hours of CPE, of which 24 hours of the 80 must be directly related to government auditing, the governmental environment, or specific or unique environment in which the audited entity operates.

*Government Auditing Standards* fieldwork standardsrequire that the auditor plan and perform the audit to obtain sufficient appropriate audit evidence so that audit risk will be limited to a low level that is, in their professional judgment, appropriate for expressing an opinion on the financial statements. *Government Auditing Standards* incorporate the AICPA fieldwork and reporting standards and prescribes additional standards for financial audits performed in accordance with *Government Auditing Standards*.

The fieldwork standards include the following:

* The audit is properly planned and supervised
* A sufficient understanding of the entity and its environment, including its internal control, is obtained in order to assess the risk of material misstatement of the financial statements whether due to error or fraud, and to design the nature timing and extent of further audit procedure.
* Sufficient appropriate audit evidence must be obtained by performing auditor procedures to afford a reasonable basis for an opinion regarding the financial statement under audit.
* An evaluation as to whether the charter school has taken appropriate corrective action to address findings and recommendations from previous engagements that could have a direct and material effect on the financial statements.
* The audit is designed to provide reasonable assurance of detecting misstatements that result from violation of provisions of contracts or grant agreements that could have a direct and material effect on the financial statements.

The auditor is required to express an opinion or disclaim an opinion on the financial statements and notes to the financial statements of the charter school. These financial statements generally include of the Statement of Net Position and the related Statements of Revenue, Expenses and Changes in Net Position and Cash Flows. In conjunction with the financial statements, the report will include the Management Discussion and Analysis (unaudited), The accuracy of the 20% Excess Surplus Carryover Calculation will be reviewed as part of the compliance procedures performed in the subsequent year (see Section 1012).

**403 *Working Papers***

Government Auditing Standards require that working papers contain sufficient information to enable an experienced auditor, having no previous connection with the charter school audit, to ascertain from them the nature, timing and extent of the procedures performed, audit evidence obtained, and the results or conclusions reached on significant matters. This allows the Department or other appropriate oversight officials, to adequately review the auditor’s work and related conclusions*.* Working papers must be retained by the auditor for a minimum of five years after the issuance date or longer if the Department notifies the auditor.

### **500 Federal Single Audit**

A charter school that expended $750,000 (currently the fiscal year threshold) or more of federal awards through a combination of direct programs from the federal government, pass-through awards from the Commonwealth of Massachusetts Departments, pass-through awards from other entities, such as other state or local governments and nonprofit organizations are subject to the audit provisions of the Single Audit Act and OMB Uniform Guidance. Information regarding OMB Uniform Guidance can be found at <https://www.whitehouse.gov/omb/>

If the charter school is required to perform an audit in conformity with OMB Uniform Guidance, these requirements must be included in the School’s audit report submitted to the Department. This includes, but is not limited to the Independent Auditors' Report, the Basic Financial Statement, Notes to the Financial Statements, Supplemental Information - Schedule of Expenditures of Federal Awards, Notes to Schedule of Expenditures of Federal Awards, *Independent Auditors Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*, *Independent Auditors Report On Compliance for Each Major Program And On Internal Control Over Compliance Required by OMB Uniform Guidance,* Summary of Audit Results, Schedule of Findings and Questioned Costs and Acceptance by the Board of Trustees.

**501 *Charter School Responsibility under OMB Uniform Guidance***

The provisions of OMB Uniform Guidance require the charter school to:

* Identify, in its accounts, all federal awards received and expended and the federal programs under which they were received. Federal program and award identification shall include, as applicable, the Catalog of Federal Domestic Assistance (CFDA) title and number, award/contract number and year, name of the federal agency, and name of the pass-through entity.
* Document the funding source for all funding received, including the amount of federal funding expended and the extent to which the charter school is subject to an audit in accordance with OMB Uniform Guidance.
* Maintain internal control over federal programs that provides reasonable assurance that the charter school is managing the federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.
* Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its federal programs.

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* Prepare appropriate financial statements, including the *Schedule of Expenditures of Federal Awards* in accordance with the provisions of OMB Uniform Guidance.
* Ensure audits required by OMB Uniform Guidance are properly performed and submitted when due.
* Follow up and take corrective action on audit findings, including preparation of a summary schedule of prior audit findings and a corrective action plan in accordance with the provisions of OMB Uniform Guidance.
* Electronically prepare, sign and submit the Form SF-SAC *Data Collection Form for Reporting on Audits of States, Local Governments, and Non-Profit Organizations*.

**502 *Auditor Responsibilities***

It is the auditor’s responsibility to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable person based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, the auditor must:

* Exercise professional judgment and maintain professional skepticism throughout the audit.
* Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
* Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization’s internal control. Accordingly, no such opinion is expressed.
* Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
* Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which raise substantial doubt about the organization’s ability to continue as a going concern for a reasonable period of time.

**503 *OMB Uniform Guidance Penalties***

No audit costs may be charged to federal awards when audits required by OMB Uniform Guidance have not been made or have been made, but not in accordance with the provisions of OMB Uniform Guidance. In cases of continued inability or unwillingness to have an audit conducted in accordance with OMB Uniform Guidance, the circular indicates that federal agencies and pass-through entities shall take appropriate action using sanctions such as:

* Withholding a percentage of federal awards until the audit is completed satisfactorily.
* Withholding or disallowing overhead costs.
* Suspending federal awards until the audit is conducted.
* Terminating the federal award.

**PART II AUDITING AND REPORTING GUIDELINES**

### **600 Accounting Policies - Financial Reporting Entity**

The charter school is classified as a special purpose government entity and operates as a business type entity within the Commonwealth of Massachusetts. GASB Codification Section 2100 ‘Defining the Financial Reporting Entity’ should be referred to when determining the reporting entity for the School.

The financial reporting entity consists of organizations for which the School is [financially accountable](https://checkpoint.riag.com/app/main/docLinkNew?DocID=iGASB%3A750.1040&SrcDocId=T0GASB%3A750.1040-1&feature=ttoc&lastCpReqId=1113277&pinpnt=GASB%3A750.1258&d=d" \l "GASB:750.1258" \t "_top). The School may determine through the exercise of management's professional judgment that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. (see Section 701). In such circumstances, that organization should be included as a component unit.

An organization other than a primary government (such as other stand-alone governments) serves as a nucleus for its reporting entity when it issues financial statements. The financial reporting entity consists of the stand-alone governments and all component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the stand-alone government are such that exclusion would cause the charter school’s financial statements to be misleading. Any stand-alone government with a voting majority of its governing board appointed by a primary government should disclose that accountability relationship in its financial statements.

**601 *Accounting Principles***

The accounting principles of the charter school must conform to accounting principles generally accepted in the United States of America (GAAP) that are applicable to a special purpose governmental entity. Therefore, revenues and expenses are recorded using the accrual basis of accounting and requires that revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period in which goods or services are received or incurred.

### **602 Auditing Standards and Guidance**

The charter school shall maintain their financial records in accordance with GAAP and conduct an annual independent audit in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States of America. These standards incorporate all the AICPA generally accepted auditing standards for fieldwork and reporting, as well as the related AICPA Statement on Auditing Standards’. *Government Auditing Standards* prescribes general standards and additional fieldwork and reporting standards beyond those provided by the AICPA when performing financial audits.

### **602 Auditing Standards and Guidance - continued**

#### In accordance with the AICPA, the first audit fieldwork standard requires that the audit be properly planned. In planning the audit, the auditor should, at a minimum, become familiar with this Guide and the following:

* AICPA Professional Standards
* AICPA Audit and Accounting Guide for States and Local Government Units
* Financial Accounting Standards Board Accounting Standards Codification
* Governmental Accounting Standards Board Current Text
* Government Accounting Standards Board Codification
* OMB Uniform Guidance: Audits of Institutions of States, Local Governments and Non-Profit Organization
* OMB Uniform Guidance, Compliance Supplement
* OMB Circular A-87, Cost Principles for State and Local Governments
* Common Rule for Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments
* Commonwealth of Massachusetts, Charter School Regulations
* General Laws of Massachusetts c. 71, § 89
* 603 CMR 1.00 Charter Schools

Technical Advisories issued by the Commonwealth of Massachusetts Department of Elementary and Secondary Education

### **603 Audit Objectives**

The primary audit objectives when performing an audit of a charter school are to determine whether:

* The financial statements and related notes are presented fairly, in all material respects, in conformity with GAAP.
* The charter school has implemented and utilized reasonable financial and administrative procedures and internal controls to adequately safeguard assets.
* State and Federal reports and claims for advances or reimbursements contain accurate and reliable financial data and are presented in accordance with the terms of applicable agreements.
* State and Federal funds are being expended in accordance with the terms of applicable agreements and those provisions of laws or regulations that could have a direct and material effect on the financial statements and related notes.

### **700 Financial Statement Considerations–Comparative Financial Statements**

GASB standards requires, subsequent to the first year of operation, that the charter school issue either comparative or summarized comparative financial statements depending on whether the charter school has a component unit or not.

**701 *Component Unit Consideration***

In accordance with GASB, with the exception of a charter school that is part of a network of charter schools (see Section 702 for treatment of a network of charter schools), the charter school is considered the primary government. Numerous charter schools within the Commonwealth of Massachusetts have associated non-profit organizations. These organizations should be evaluated during the planning stage of the audit to determine whether or not they should be considered a component unit of the charter school, and how they should be reported in the audit. The financial information for these component units should be reported in conjunction with the charter school's financial statements and accounted for in accordance with *GASB Codification Section 2600.* See Appendix D for more information about identifying component units.

In accordance with GASB, component units can be either be treated as (1) “blended” with the charter school or (2) “discretely presented” from the charter school. Regardless of treatment, the financial information for the charter school and each component unit should be presented in individual columns in the financial statements in order to separately distinguish the balances and transactions of the charter school and the component unit(s). As required by GASB, the auditor should opine on the financial activity of the charter school and component units based on the treatment of component units.

If the charter school has a relationship with a separate non-profit or governmental entity, but the entity does not meet the criteria for including the reporting entity’s financial statements as a component unit of the charter school, then all the transactions incurred between the organization and the charter school should be evaluated as related party transactions and disclosed in accordance with GAAP and the *Guide*. The Department requires that all related party transactions, whether material or immaterial be disclosed in the notes to the financial statements.

**702 *Considerations for a Network of Charter Schools***

A network of charter schools is made up of multiple charter schools which are governed by one board of trustees. As required by GASB, the board of trustees, which oversees the network of charter schools, is considered the primary government for auditing purposes. The financial information for each charter school in the network should be presented in individual columns in the financial statements in order to separately distinguish the balances and transactions of each charter school. However, as required by GASB, the auditor is required to opine on the combined total all of all the charter schools’ financial activity.

### **800 Reporting Package**

The illustrative reporting packages presented on the Department’s website at <http://www.doe.mass.edu/charter/finance/auditing/> are provided as a guide to the financial reporting format for a charter school within the Commonwealth of Massachusetts. The reporting package format of your charter school depends on whether the charter school is a part of a network of charter schools, has to conduct an audit in accordance with OMB Uniform Guidance, and/or has a component unit. The appropriate reporting package applicable to the School should be submitted.

Some variations from the illustrations may be appropriate, to conform to proper disclosures required by the charter school, GAAP and this *Guide*. The reporting package to be submitted to the Department must include the following:

**Minimum Reporting Package** - *No**OMB Uniform Guidance audit required*:

* Management Discussion and Analysis
* Independent Auditors’ Report
* Statement of Net Position
* Statement of Revenues, Expenses and Changes in Net Position
* Statement of Cash Flows (Direct Method)
* Notes to Financial Statements
* Independent Auditors Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
* Schedule of Findings and Questioned Costs
* Schedule of Prior Audit Findings
* Board of Trustees Acceptance letter *(See Appendix A*)

**Reporting** Package - OMB Uniform Guidance audit required

In additional to the items listed above in the ‘Minimum Reporting Package’, the following should be included if an OMB Uniform Guidance audit is required:

* Schedule of Expenditures of Federal Awards
* Notes to Schedule of Expenditures of Federal Awards
* Independent Auditors’ Report on Compliance for Each Major Program and On Internal Control Over Compliance Required by OMB Uniform Guidance
* Summary of Auditors’ Results
* Schedule of Findings Relating to the Financial Statement Audit
* Schedule of Findings and Questioned Costs Relating to Federal Programs
* Schedule of Prior Audit Findings
* Board of Trustees Acceptance letter
* Summary Schedule of Prior Year Audit Findings
* Charter School’s Corrective Action Plan, if any (may be included within the Schedule of Findings and Questioned Costs listed above)
* Form SF-SAC *Data Collection Form for Reporting on Audits of States, Local Governments, and Non-Profit Organizations*. See [The Federal Audit Clearinghouse (fac.gov)](https://www.fac.gov/) for copy of report and instructions for filing *(does not have to be submitted to the Department)*

**800 *Reporting Package – continued***

**Other Reporting Requirements by the Department:**

* Management Letter, if any (under separate cover)
* Charter School End of Year Financial Report (See Section 900)
* Federal Charter School Program agreed upon procedures report, if necessary (see Section 303)

**801  *Management Discussion and Analysis***

The Management Discussion and Analysis (MD & A) is prepared by the charter school’s management to introduce the basic financial statements and provides an analytical overview of the charter school’s financial activities. Although not part of the basic financial statements, the MD & A is considered required supplemental information for all charter schools and is presented before the basic financial statements. The auditor should follow the guidance of SAS 120 *Required Supplementary Information*.

**802**  ***Basic Financial Statements***

The following sections will provide a summary of each of the basic financial statements issued by the charter school.

**803 *Statement of Net Position***

The *Statement of Net Position* reports all financial and capital resources of the charter school and reflects the difference between assets and liabilities as net position. GASB requires that the *Statement of Net Position* be presented using the following categories: *Current Assets, Non-Current Assets, Deferred Outflow of Resources, Current Liabilities, Non-Current Liabilities Deferred Inflow of Resources* and *Net Position.*

School should determine the classification of transactions as Assets, Deferred Outflows of Resources, Liabilities or Deferred Inflows of Resources. The following are provided as basic definitions:

Assets – Resources with present service capacity that the government presently controls

Liabilities – present obligations to sacrifice resources that a School has little or no discretion to avoid.

Deferred Outflows of Resources – consumption of assets by a School that is applicable to a future reporting period

Deferred Inflows of Resources – acquisition of assets by a School that is applicable to a future reporting period.

**803 *Statement of Net Position - continued***

The following is a list of common current and non-current assets and liabilities. The list is for illustrative purposes only and is not considered to be all-inclusive.



**803 *Statement of Net Position - continued***

The following ***do not*** meet the definition of Deferred Outflows of Resources and Deferred Inflow of Resources as they have present service capacity or represent a present obligation to sacrifice resources.

*Deferred Outflows of Resources*

* Prepayments

*Deferred Inflows of Resources*

* Resources received in advance of an exchange transaction

Amounts included within the *Net Position* should be broken down into the following three categories:

* *Net Investment in Capital Assets* - Includes capital assets, including restricted capital assets, net of accumulated depreciation and reduced by any debt attributable to the acquisition, construction or improvement of those assets.

The *Net Invested in Capital Assets, Net of Related Debt* should be calculated using the formula below and disclosed in the notes to the financial statements:

Cost of Capital Assets Acquired

**Less:** Accumulated Depreciation

**Less:** Outstanding Debt Related to Capital Assets

**Equals**: Net Investment in Capital Assets

* *Restricted Net Position* – Includes net position by major categories of the restrictions, if any, either on the face of the Statement of Net Position or in the notes to the financial statements.
* *Unrestricted Net Position* – Includes net position that does not meet the definition of *Net Investment in Capital Assets, Net of Related Debt* or *Restricted Net Position.*

**804 *Statement of Revenue, Expenses and Changes in Net Position***

The *Statement of Revenue, Expenses and Changes in Net Position* reflects the operating and non-operating activities of the charter school. The statement distinguishes between operating and non-operating revenues and expenses, which should be presented under the captions *Operating Revenues,* *Operating Expenses* and *Non-Operating Revenues and Expenses*. Revenues from Capital Contributions, special and extraordinary items and transfers should be reported separately in the statement after the *Non-Operating Revenues and Expenses* section.

**804 *Statement of Revenue, Expenses and Changes in Net Position - continued***

The following is a list of typical charter school revenue and expense items by classification. The listing is presented for illustrative purposes only as management should use their judgment when determining which revenue and expense categories should be included within this statement.

The definition of operating activity must be disclosed in the notes to the financial statements.



**805 *Statement of Cash Flows***

The *Statement of Cash Flows* summarizes cash inflows and outflows from operating, investing and financing activities that occurred during the accounting period. The charter school, in accordance with GASB is required to prepare the *Statement of Cash Flows* using the direct method. The direct method reports cash receipts and cash disbursements from operating activities for the fiscal year. This method also requires that a reconciliation be prepared that agrees the change in operating net position to the net cash provided by or used in operating activities.

The *Statement of Cash Flows* consists of the following classifications of cash flow:

1. Cash Flows from Operating Activities

2. Cash Flows from Non-Capital Financing Activities

3. Cash Flows from Capital and Related Financing Activities

4. Cash Flows from Investing Activities

* *Operating Activities* – Includes cash from operating activities including the following:



* *Non-Capital Financing Activities* - Includes cash flows related to non operating grants received from or provided to other governments as well as other non-operating revenues and expenses and borrowing money for purposes other than buying or building capital assets.
* *Capital and Related Financing Activities* - Includes cash flows related to borrowing and repaying debt for purchasing and constructing capital assets.
* *Investing Activities* - Include cash flow from the purchases and sales of all investments and any dividends or interest earned on these investments.

**806 *Required Disclosures – Notes to the Financial Statements***

The following are required disclosures and/or presentations that must be reported in addition to the disclosures required by GAAP:

* Disclosure of management fees paid, or management fees received by a School during the fiscal year and the nature of the service(s) provided and any amounts owed at the end of the fiscal year.
* Management fees paid or received as a separate line item in the Statement of Revenue, Expenses and Changes in Net Position.
* Related party transactions, whether material or not***`***
* Management Discussion and Analysis – explanation of any operational loss and statement if it was budgeted for.
* Management Discussion and Analysis – Explanation of methodology how the School projected their budgeted tuition amount.

See Illustrative Notes to Financial Statements included on the Department’s website at

 <http://www.doe.mass.edu/charter/finance/auditing/>

**807 *20% Excess Carryover Calculation***

In accordance with M.G.L. c. 71, § 89 (hh), there is a cap on the amount of cumulative surplus revenue to be retained by the charter school. If a Commonwealth charter school’s cumulative surplus revenue from tuition as adjusted exceeds the imposed cap, the amount in excess of the cap shall be returned by the charter school to the sending district or districts and the state in proportion to their share of tuition paid during the fiscal year. Consequently, all Commonwealth charter schools must present a cumulative surplus revenue schedule using the prescribed Department format.

Please note that as of FY2014, surplus schedules are no longer a required to be included in charter school audit reports. This information is required to be reported through the Charter School End of Year Financial Report (CSEOYFR), which is discussed in further detail in section 900 of this guide. As outlined in section 1012 of this guide, auditors must check the accuracy of the previous year’s surplus calculation as part of compliance testing.

The Department will review the calculation annually to ensure it is appropriate and will notify the charter school of the approved surplus and if applicable the amount to be remitted to the sending district by December 31, following the end of the charter school’s year end.

The total surplus calculation is performed in a prescribed template included in the CSEOYFR. The calculation only allows for cumulative surpluses to be carried forward from year to year. Any cumulative deficits are reports as $0 for the subsequent year.

* The calculation begins with the surplus from the prior year (with no negative carryover), plus the change in net position for the year.

**807 *Supplemental Schedule – 20% Excess Carryover Calculation – continued***

* Non-tuition revenues (e.g., interest income, contributions, capital expenses, principal payments on debt, deposits to reserve funds for capital projects and debt arrangements) as specified in the CSEOYFR template are subtracted.
* Depreciation on fixed assets purchased after July 1, 2010, and expenses related to raising non-tuition revenues are added back in.
* A school’s year-end surplus tuition revenue is calculated. Unless a portion of the current-year tuition is returned to the sending district (because it exceeds the allowable carryover amount), this end-of-year surplus review becomes the beginning-of-year amount for the following year’s calculation.
* Any additions to the capital reserve account must be approved by a formal vote of the board of trustees of the school
* This calculation is performed only for charter schools, not for associated foundations or any other entities affiliated with the school.
* Surplus calculations for the current year are unaudited within that year but will be tested for compliance in the following year, as outlined in section 1012 of this guide.

**808**  ***Schedule of Findings and Questioned Costs***

The *Schedule of Findings and Questioned Costs* must identify significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to financial statements for which *Government Auditing Standards* requires reporting.

In addition, if an audit is required to be conducted in accordance with OMB Uniform Guidance this section should identify the federal audit findings required to be reported by section 501(a) of OMB Uniform Guidance, including significant deficiencies, material weaknesses and material instances of noncompliance, questioned costs, as well as any abuse involving federal awards that are material to the major programs. The results of the audit should be included in the *Summary of Audit Results* section.

Audit findings that relate to both the financial statements and the federal awards should be reported in both sections listed above. Findings should be presented in the following format:

|  |  |
| --- | --- |
| *Condition:*  | Detail description of the condition. |
| *Effect:*  | Effect of the condition on the charter school’s operation. |
| *Cause:*  | Reason for the existence of the condition. |
| *Criteria:* | Regulation, law, contractual provision, internal control etc. used for the determination of the finding. |
| *Recommendation:*  | Recommendation to correct the condition. |
| *Corrective Action Plan:* | Charter school’s plan to correct the condition. |
| *Responsibility:*  | Individual at the charter school responsible for the implementation of the corrective action. |
| *Timing:*  | Timeframe for implementation of corrective action. |

**809 *Schedule of Prior Audit Findings***

The *Schedule of Prior Audit Findings* reports the auditors’ assessment of the status of all findings included within the prior year’s Schedule of Findings and Questioned Costs.

**810 *Schedule of Expenditures of Federal Awards***

The *Schedule of Expenditures of Federal Awards* reports all federal activity within the charter school, inclusive of federal expense transactions associated with grants, cost reimbursement contracts, cooperative agreements and direct appropriations; the disbursement of funds passed through to subrecipients; the use of proceeds under loan and loan guarantee programs; the receipt of surplus property; the receipt or use of surplus income; and the distribution or consumption of food commodities.

**811 *SF-SAC* *Data Collection Form for Reporting on Audits of States, Local Governments, and Non-Profit Organizations*. *(Data Collection Form)***

The *Data Collection Form* provides required information about the charter school audit inclusive of the federal awards it administers and the audit results in accordance with OMB Uniform Guidance. This information is required by OMB Uniform Guidance to be prepared at the completion of each audit and submitted, along with the audit report to the Federal Audit Clearinghouse electronically.

**812 *Board of Trustees Acceptance Letter***

The Department requires that each charter school include a *Board Acceptance Letter* certifying that the board of trustees accepts the information included in the *Reporting Package*. The board of trustees will acknowledge that the audit was performed in accordance with *Government Auditing Standards* and the guidelines set forth in this *Guide*. The letter must be signed by either the President of the board of trustees, the Treasurer or a designated representative. *(See Appendix A)*

**813 *Management Letter***

Issues identified that are not material but more than inconsequential may be communicated in a management letter. In addition, items identified that may improve operational efficiency and effectiveness or otherwise improve the charter school’s internal control may also be communicated in a management letter. When a management letter is issued only for the purpose of providing management with efficiency comments or to communicate nonsignificant deficiencies a reference to the management letter does not need to be made in the *Independent Auditors Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. Otherwise, a reference to the management letter should be made in the body of this report.

### **900 Charter School End of Year Financial Report**

The charter school is required to submit a *Charter School End of Year Financial Report (CSEOYFR)* to the Department on a date annually determined by the Department, but generally on or before December 1 of each year. The Department has developed a prescribed reporting format contained in the *CSEOYFR.* Please note as outlined in section 807, the CSEOYFR contains the required annual surplus calculation. Information about the prescribed reporting format templates along with the filing instructions are available at <https://www.doe.mass.edu/charter/finance/revexp/>.

At the time of the publication of this Guide, the prescribed format consists of the following schedules, though this is subject to change:

Schedule 1 – *Statement of Net Position*

Schedule 2 – *Statement of Revenue, Expenses and Changes in Net Position*

Schedule 3 – *Schedule of Functional Expenses*

Schedule 4 – *Schedule of Surplus Tuition, 20% Excess Carryover*

Schedule 5 *– Schedule B Charter School Building Information*

Schedule 6 - *Schedule 7C, Charter School Transportation Expenditures*

Schedule 7 – *Audit Questionnaire*

Schedule 8 – *Certification, Checks and Comments*

The CSEOYFR is not complete unless the signed Certification Statement is sent to the Department via upload through the security portal.

**The CSEOYFR is considered unaudited information for purposes of the *Reporting Package* but does require compliance testing as noted in Section 1011 of this *Guide*.**

### **1000 Compliance Requirements**

The compliance requirements identified below have been developed by the Department and the Office of the Inspector General of the Commonwealth of Massachusetts as being inherently risky and highly susceptible to non-compliance. The audit procedures associated with these compliance requirements are intended to be illustrative and are not to be considered comprehensive. The design of appropriate audit tests to satisfy these requirements should be based upon the auditors’ professional judgment.

The compliance requirements below are not applicable to a closeout audit being performed. The applicable compliance requirements for a closeout audit are included in **Appendix C**.

**1001 *Internal Controls***

In accordance with the Department’s charter school regulations the charter school, under the direction of the board of trustees, is required to establish and maintain adequate accounting records and internal control procedures. A charter school receiving federal financial assistance must adhere to the internal control requirements contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments (amended May 10, 2004)*. Auditors should consult the compliance supplement for OMB Uniform Guidance for more information concerning specific internal control requirements, if applicable.

Internal control should consist of the following five components: control environment, risk assessment, control activities, information and communication and monitoring. The objectives of internal control relate to proper financial reporting, efficient operations and compliance with grant and management requirements.

Prior to reviewing and evaluating internal control the auditor should review the AU Section 314 Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatements the 2011 revision of the *Government Auditing Standards.*

*Recommended Audit Procedures:*

* Review and determine if written internal control policies are available.
* Assess the adequacy of the internal controls in accordance with AU 314 and OMB Circular A-87, if applicable.
* Assess the adequacy of the internal controls pertaining to compliance requirements for OMB Uniform Guidance, if applicable.
* Determine if the School operates in accordance with its credit card policies to ensure procurement and travel policies are not circumvented. Determine if school operated in accordance with its policy for emergency purchases made with a credit card that would otherwise follow the School’s procurement policy.
* Select a sample of 5 credit card transactions (a combination of emergency and regular purchases) to determine if the Schools policies were being followed.

**1002 *Record Keeping***

In accordance with the Department’s charter school regulations the charter school is required to maintain their financial system and records in accordance with accounting principles generally accepted in the United States of America. Financial books and records of the charter school must reflect the source of all assets, liabilities, net position, revenues, and expenses recorded during the fiscal year. For network schools, each school must maintain a separate financial system to record the financial activity of each school.

*Recommended Audit Procedures:*

* Determine whether the charter school maintains a financial system of recording and documenting all financial transactions.
* Review supporting documentation for selected transactions during the audit to determine if they are properly supported.
* Determine that the financial system properly tracks and reports each school separately

**1003 *Related Party Disclosure***

In accordance withthe Commonwealth of Massachusetts Charter School *Recommended Fiscal Policies and Procedures Guide* the charter school will follow M.G.L. Chapter 268A, the conflict of interest law and file financial disclosures pursuant to G.L. c. 71, s 90(u)." The charter school may not be operated for the benefit of an affiliated or unaffiliated organization or an individual in his or her own private capacity or individuals related to the charter school or members of its management. Thus, the charter school will be guided by the principle of arms-length standards with all affiliated or unaffiliated organizations or with a private or related individual(s).

*Recommended Audit Procedures*:

* Review and become familiar with the requirements and recommendations as codified in the AICPA Statement of Auditing Standards, FASB Accounting Standards Codification 850 *Related Party Disclosures, Government Auditing Standards* and the requirements of M.G.L. Chapter 268A.
* Obtain a listing of the related party transaction that occurred during the year whether material or not.
* Determine if the building is leased from a related party. If so, determine if the rent paid is the market rate for the area.
* Obtain representation from management and the board of trustees as to whether they or any other related party engaged in any transactions with the charter school during the year and disclosed **all** the required transactions in the accompanying notes to the financial statements.
* Determine that all transactions, between the network schools and other component units are properly disclosed in the notes to the financial statements

**1004 *Reporting***

In accordance with the provisions of 603 CMR 1.09 the charter school is required to submit both financial and non-financial reports. These reports include the *Annual Report and Enrollment Reports.*

*Enrollment Reports* – The charter school shall submit a Pre-Enrollment Report to the Department in accordance with the deadlines set by the Department.

*Capital Plan (contained within the Annual Report)* – Approved capital plan for the next fiscal year including the amount held in reserve for the purchase or renovation an academic facility pursuant to the capital plan. A vote of the charter school’s board of trustees is required to designate funds to be held in reserve for such purposes. These reserve funds should be reported as an adjustment to the Supplemental Schedule of 20% Excess Carryover Calculation and also reflected in the Statement of Net Position. If exact amounts for designated reserves cannot be determined prior to the close of the fiscal year, adjustments may be made by boards of trustees after June 30 but prior to the finalization of financial statements for the fiscal year. All designations **must be** certified by a board vote.

*Financial Audit* – Each charter school shall have an independent audit conducted of its accounts consistent with GAAS, *Government Auditing Standards* and any guidance issued by the Department or the State Auditor.

*Recommended Audit Procedures:*

* Review the charter school's procedures, if applicable, for preparing these required reports.
* Examine a sample of the enrollment reports, along with any supporting schedules used to prepare them and determine if the reports were prepared in accordance with the charter school's procedures, were properly supported and filed in a timely manner.
* Determine if the prior year audit report was submitted to the Department in a timely manner, including approved extensions.
* Review approval received for capital plan submitted.

**1005 *Required Policies***

In accordance with the Department regulations the charter school must have formalized policies/procedures relating to: student code of conduct (including criteria and procedures for expulsion); enrollment policy; criminal background checks; complaint procedures and multi-hazard evacuation plan.

*Recommended Audit Procedures:*

* Determine if the policies/procedures described above have been developed and documented.

**1006  *Board of Trustees***

In accordance with the Commonwealth of Massachusetts’ M.G.L. c. 30A, §§18-25, Open Meetings of Governmental Bodies, the charter school shall conduct public meetings.

*Recommended Audit Procedures:*

* Become familiar with M.G.L. c. 30A, §§18-25, Open Meetings of Governmental Bodies.
* Examine evidence and determine that public meetings were properly conducted in accordance with the above requirements.

**1007  *Occupancy***

In accordance with the provisions of 603 CMR 1.05 the charter school shall provide written documentation that the facility to be used is approved for use as a school by the building inspector in the municipality in which the charter school is located.

*Recommended Audit Procedures:*

* Examine current occupancy permit and determine if the permit is current and displayed in an accessible area.
* Examine the safety/fire inspection certificate.
* Examine the license to use explosives and flammable compounds in educational programs, if applicable.
* Examine the evidence of insurance coverage.

**1008  *Procurement Policy***

In accordance withChapter 46 of the acts of 1997, the charter school regulations state that the charter school administrator who serves as procurement officer must obtain a Massachusetts Certified Public Purchasing Official (MCPPO) certificate. (Horace Mann Charter school administrators are also required to obtain an MCPPO certificate.) There is not a requirement to be MCPPO designated; the law requires that the administrator responsible for procurement receives a MCPPO certificate stating that they have successfully completed either the Public Contracting Overview seminar or the Charter School Procurement seminar.

*Recommended Audit Procedures:*

* Examine evidence and determine that the charter school administrator who serves as procurement officer has participated and obtained the certificate of completion of either the Public Contracting Overview seminar or the Charter School Procurement seminar. If the individual has not participated in the required seminars, determine if the individual in enrolled in or on waitlists for the required seminar.

**1009 *Charter Amendments***

In accordance with the provisions of 603 CMR 1.11 any major changes in the charter school’s operation must be approved by the Commonwealth of Massachusetts Board of Elementary and Secondary Education prior to the changes becoming effective. Major changes are described as those that fundamentally affect a charter school’s mission, organizational structure, or educational program. If the charter school makes a minor change in its operations the board of trustees must submit a request to amend their charter to the commissioner for approval. Minor changes include revisions to by-laws, the schedule, enrollment process, expulsion policy, school's name, and board membership.

*Recommended Audit Procedures:*

* Determine if the charter school made any changes to their programs or initial governance that requires an amendment to their charter. If so, determine if the board of trustees approved the amendment request, communicated the changes to the Department, and subsequently received approval from the Commissioner and/or Board of Elementary and Secondary Education (603 CMR, § 1.11).

**1010 *Massachusetts Teachers Retirement System***

In accordance with M.G.L. c. 32, the Commonwealth’s public retirement statute, 807 CMR, the section of the Code of Massachusetts regulations that pertains to the teachers retirement system and Massachusetts Teachers Retirement Board’s (MTRB) business practices, all employees who qualify must be enrolled within 30 days of employment.

*Recommended Audit Procedures:*

* Review and become familiar with 808 CMR 4.00 – *Eligibility for Membership*, M.G.L. c. 32 and MTRB business practices.
* Determine by selecting a sample of employees that eligible employees are contributing to the plan and the appropriate percentage of their salary is being withheld.
* Examine evidence that eligible employees are enrolled in MTRS within 30 days of employment and that payroll deductions are being withheld and remitted to MTRB on a monthly basis by the 10th day of the month following the reporting period.
* Determine the extent of any outstanding payments owed to MTRB by the charter school.

**1011 *Charter School End of Year Financial Report***

The charter school is required to submit a *Charter School End of Year Financial Report* (*CSEOYFR*) to the Department following its fiscal year end (See Section 900). The Department has developed a standard reporting format for the *CSEOYFR*. The *Recommended Audit Procedures* listed below should be applied to the report submitted for the previous fiscal year end. (i.e., as part of the fiscal year 2024 audit, the *CSEOYFR* report for the year ended June 30, 2023 will be examined).

*Recommended Audit Procedures:*

* Determine if the financial information was prepared on the accrual basis of accounting.
* Trace the amounts reported to the audited financial statements and verify agreement or perform alternative procedures to verify the accuracy and completeness of the amounts reported.
* Test mathematical accuracy of the schedules and supporting worksheets.
* For financial data, review accounting records and ascertain if all applicable accounts were included in schedules 1,2,3, and 6. (There is additional guidance for schedule 4 in section 1012).
* Please review schedules 5 and 7 to ascertain if the factual data contained in these schedules is correct.
* Obtain written representation from management that the reports are the actual copies submitted to the Department and contain accurate data.

**1012 *20% Excess Carryover Calculation within the Charter School End of Year Financial Report (CSEOYFR)***

In accordance with M.G.L. c. 71, § 89 any cumulative tuition revenue surplus in excess of 20% of its operating budget and its capital costs must be returned by a Commonwealth charter school to the sending district(s). The charter school must calculate the cumulative tuition revenue surplus using the prescribed Department format and include this schedule as part of the CSEOYFR

 The current year’s surplus calculation will be contained only in the CSEOYFR. The surplus calculation from the previous year must be audited and include the following procedures:

*Recommended Audit Procedures:*

* Trace the amounts reported on the schedule to the respective line items in the audited financial statements or perform alternative procedures to verify the completeness and accuracy of the amounts.
* If applicable, determine if the Department adjusted the prior year carryover surplus and agree the amount to the schedule.
* If applicable, determine if a liability is properly disclosed and if necessary, reported within the financial statements.
* If a payment to the sending district(s) is approved determine if payment was made in a timely manner.
* If applicable, determine if the boards of trustees’ minutes reflect adherence and/or

acceptable revisions to the capital plan and review the school’s relevant annual reports to ensure the capital plans align with the surplus report.

**1013 *Networks of Charter Schools***

In accordance with M.G.L. c. 71, § 89 more than one charter school may be managed by a single board of trustees. Funding for a charter school managed by a single board of trustees may not be transferred among individual schools with the network unless such schools are located within the same school district.

*Recommended Audit Procedures:*

* Determine if there is a written cost allocation plan for costs shared between network schools and properly disclose all transactions between the schools in the notes to the financial statements.
* Determine if any shared costs between schools not located within the same district are based on actual costs incurred or a reasonable allocation plan consistently applied (reasonable basis of allocation includes number of students, number of employees or some other reasonable basis as determined by management).
* Determine that funding is not transferred among individual schools within the network unless such schools are located within the same sending district and all transfers are approved by a vote of the board of trustees
* If funds are loaned to schools, whether in district or out of district, they are approved by a vote of the board of trustees and documented by an agreement stating the terms and conditions

### **APPENDIX A**

*Print on letterhead of School*

**ACCEPTANCE OF THE BOARD OF TRUSTEES**

We, the board of trustees of ABC Charter School or designee, have voted to accept the representations of management and the expression of the opinions made by (Insert Auditors Name) as embodied in the financial statements and independent auditor's reports for the year ended June 30, 20XX (Insert both years if comparative).

We also certify that the representations made by management and the disclosures in the financial statements are accurate and have been correctly and completely disclosed as required by accounting principles generally accepted in the United States of America and the *Commonwealth of Massachusetts Charter School Audit Guide* for the period ended June 30, 20XX. (Insert both years if comparative).

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Board President or Treasurer

or Other Designated Person

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Date

### **APPENDIX B**

**Agreed-Upon Procedures for CSP Funding**

1. Obtain a copy of the CSP grant award, inclusive of any amendments.
2. Obtain the detail of expenditures incurred for the period under review relating to the CSP grant and reconcile the total expenditures incurred to the CSP grant revenue recorded by the charter school in its general ledger and investigate the differences.
3. Ascertain if school exercised flexibilities allowed by the US Department of Education under the Every Student Succeeds Act (ESSA) for minor facility repairs, necessary renovations, and one-time transportation cost and if so, obtain evidence that guidelines and instructions were followed in accordance with Part III of the RFP.
4. Compare the approved CSP budget to the actual expenditures incurred and investigate any differences greater than 10% of the total budget.
5. Obtain a copy of the school’s inventory of purchases with CSP funds and ensure items are properly tagged.
6. Select a sample of expenditures from the detail expenditures incurred during the period based on the criteria set forth below:
	1. Payroll - Select 10 items or 10% of the total number of payroll items charged to the CSP grant, whichever is less.
	2. Other expenses – Select 10 items or 10% of the total number of items charged to the CSP grant, whichever is less.

And determine the following:

* + 1. The expenditure is in accordance with the purpose of the grant and that pre-opening expenditures are charged to the pre-opening periods. (See non-regulatory guidance on the CSP grant at <http://www2.ed.gov/programs/charter/nonregulatory-guidance.html>
		2. the expenditure was charged to the proper budget category.
		3. the expenditure was charged to the appropriate fiscal period.
1. Obtain Request for Funds forms (RF 1) submitted to the Department during the period under review.
	1. Trace the amounts reported in the RF1 to the listing of expenditures and determine if any discrepancies.
	2. If items have not yet been requested for reimbursement, inquire of responsible charter school officials as to the plan for requesting reimbursement, and determine if a receivable is recorded within its general ledger, if appropriate.
	3. If RF 1 forms include amounts for cash advances (Cash Expenditures Anticipated During Next Month), determine if the total of the funds expended in the month subsequent to the date of the request is equal to or exceeds the amount requested.

**APPENDIX B**

**Template for Independent Accountant’s Report on**

**Agreed Upon Procedures for CSP Funding**

CPA letterhead

To the Board of Trustees of ABC Charter School and

The Department of Elementary and Secondary Education

*Independent Accountant’s Report on Applying Agreed Upon Procedures*

We have performed the procedures enumerated below, which were agreed to by the management of ABC Charter School (the School) and the Commonwealth of Massachusetts Department of Elementary and Secondary Education (the Department), (the specified parties) solely to assist in evaluating the School’s assertion to the Department that it has complied with the requirements of the Federal Charter Schools Program grant (CSP), inclusive of Federal and Department guidelines in managing the CSP grant. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representations regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures are as follows:

1. Obtain a copy of the applicable Request for Proposal (RFP), the CSP grant award, inclusive of any amendments.
2. Obtain the detail of expenditures incurred for the period under review relating to the CSP grant reconcile the total expenditures incurred to the CSP grant revenue recorded the Charter School and investigate the differences.
3. Ascertain if school exercised flexibilities allowed by the US Department of Education under the Every Student Succeeds Act (ESSA) for minor facility repairs, necessary renovations, and one-time transportation cost and if so, obtain evidence that guidelines and instructions were followed in accordance with Part III of the RFP.
4. Compare the approved CSP budget to the actual expenditures incurred and investigate any differences greater than 10% of the total budget.
5. Obtain a copy of the school’s inventory of purchases with CSP funds and ensure items are properly tagged.
6. Select a sample of expenditures from the detail expenditures incurred during the period based on the criteria set forth below:
	1. Payroll - Select 10 items or 10% of the total number of payroll items charged to the CSP grant, whichever is less
	2. Other expenses – Select 10 items or 10% of the total number of items charged to the CSP grant, whichever is less

And determine the following:

* + 1. the expenditure is in accordance with the purpose of the grant and that pre-opening expenditures are charged to pre-opening periods. (See non-regulatory guidance on the CSP grant at <http://www2.ed.gov/programs/charter/nonregulatory-guidance.html>
		2. the expenditure was charged to the proper budget category
		3. the expenditure was charged to the appropriate fiscal period
1. Obtain Request for Funds forms (RF 1) submitted to the Department during the period under review.
	1. Trace the amounts reported in the RF1 to the listing of expenditures and determine if any discrepancies.
	2. If items have not yet been requested for reimbursement, inquire of responsible School officials as to the plan for requesting reimbursement, and determine if a receivable is recorded, if appropriate.

The results of performing these procedures are presented in the accompanying *Results of Procedures*.

We were not engaged to and did not conduct an audit of the CSP grant, the objective of which would be the expression of an opinion on ABC Charter School’s compliance with the requirements of the CSP grant. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of ABC Charter School and the Commonwealth of Massachusetts Department of Elementary and Secondary Education, and it is not intended to be and should not be used by anyone other than those specified parties.

CPA Signature

Date

**APPENDIX B**

**Results of Procedures:**

The following will provide the results of our agreed upon procedures:

Procedure #1:

Result:

Procedure #2:

Result:

Procedure #3:

Result:

Procedure #4:

Result:

Procedure #5:

Result:

### **APPENDIX C**

**School Closeout Procedures**

**Purpose**: The purpose is to provide standard procedures for closing a school when the charter has been surrendered by the charter school or revoked by the Board of Elementary and Secondary Education (Board). The procedures indicated may be supplemented by procedures determined relevant based on the auditor’s professional judgment or additional procedures required by the Board or by the Department of Elementary and Secondary Education (DESE).

**Note: the audit closeout period should be determined by the auditor in consultation with DESE.**

**Responsibilities:**

School management/board of trustees:

* Develop control procedures to properly safeguard assets;
* Designate an individual who is responsible for the accuracy and timeliness of the closeout process;
* Assign a Trustee or authorize another individual to perform the disbursement of any funds;
* Providing an accurate accounting of the school’s federal and state grants;
* Providing an accurate accounting of all financial activities of the school through the agreed upon audit period; and
* Take an accurate inventory of assets held at the audit period end date and properly account for any assets sold after the notice of the charter revocation has been received

In certain situations, the Massachusetts Department of Elementary and Secondary Education may:

* Determine the audit period and timing
* Coordinate with the charter school regarding the school’s hiring the CPA to perform the closeout audit

Auditors:

* Render an opinion on the financial statement of the school
* Issue a report in accordance with Government Auditing Standards on the school’s internal control over financial reporting and on tests of compliance with certain laws, provisions, regulations, contracts, grant agreements, and other matters
* If applicable, issue a report on in accordance with OMB Uniform Guidance

**APPENDIX C**

**Compliance Requirements**

**Applicable to Closeout Audits**

*2000 Compliance Requirements*

The compliance requirements identified below have been developed by the Department and the Office of the Inspector General of the Commonwealth of Massachusetts as being inherently risky and highly susceptible to non-compliance. The audit procedures associated with these compliance requirements are intended to be illustrative and are not to be considered comprehensive. The design of appropriate audit tests to satisfy these requirements should be based upon the auditors’ professional judgment.

*2001 Internal Controls*

In accordance with the Department’s charter school regulations the charter school, under the direction of the board of trustees, is required to establish and maintain adequate accounting records and internal control procedures. A charter school receiving federal financial assistance must adhere to the internal control requirements contained in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments (amended May 10, 2004). Auditors should consult the compliance supplement for OMB Uniform Guidance for more information concerning specific internal control requirements, if applicable.

Internal control should consist of the following five components: control environment, risk assessment, control activities, information and communication and monitoring. The objectives of internal control relate to proper financial reporting, efficient operations and compliance with grant and management requirements.

Prior to reviewing and evaluating internal control the auditor should review the AU Section 314 Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatements the 2011 revision of the Government Auditing Standards.

*Recommended Audit Procedures:*

* Review and determine if written internal control policies are available.
* Assess the adequacy of the internal controls in accordance with AU 314 and OMB Circular A-87, if applicable.
* Assess the adequacy of the internal controls pertaining to compliance requirements for OMB Uniform Guidance, if applicable.

*2002 Record Keeping*

In accordance with the Department’s charter school regulations the charter school is required to maintain their financial system and records in accordance with accounting principles generally accepted in the United States of America. Financial books and records of the charter school must reflect the source of all assets, liabilities, net position, revenues, and expenses recorded during the fiscal year.

*Recommended Audit Procedures:*

* Determine whether the charter school maintains a financial system of recording and documenting all financial transactions.
* Review supporting documentation for selected transactions during the audit to determine if they are properly supported.

*2003 Related Party Disclosure*

In accordance withthe Commonwealth of Massachusetts Charter School *Recommended Fiscal Policies and Procedures Guide*,charter school in the Commonwealth of Massachusetts will follow M.G.L. Chapter 268A, the conflict of interest law. The charter school may not be operated for the benefit of an affiliated or unaffiliated organization or an individual in his or her own private capacity or individuals related to the charter school or members of its management. The charter school must have an arms-length relationship with all affiliated or unaffiliated organizations or with a private or related individual(s), particularly when agreements exist with the other entities.

*Recommended Audit Procedures*:

* Review and become familiar with the requirements and recommendations as codified in the AICPA Statement of Auditing Standards, FASB Accounting Standards Codification 850 *Related Party Disclosures, Government Auditing Standards* and the requirements of M.G.L. Chapter 268A., conferring with the State Ethics Commission as necessary.
* Obtain a listing of the related party transaction that occurred during the year whether material or not.
* Determine if each member of the board of trustees has been approved by the Commissioner of Elementary and Secondary Education and has filed an annual financial disclosure form as required by M.G.L. c. 71, § 89(u).
* Determine if the building is leased from a related party. If so, determine if the rent paid is the market rate for the area.
* Obtain representation from management and the board of trustees as to whether they or any other related party engaged in any transactions with the charter school during the year and disclosed **all** the required transactions in the accompanying notes to the financial statements.

*2004 Board of Trustees*

In accordance with the Commonwealth of Massachusetts’ M.G.L. c. 30A, §§18-25, Open Meetings of Governmental Bodies, the charter school shall conduct public meetings.

*Recommended Audit Procedures:*

* Become familiar with M.G.L. c. 30A, §§18-25, Open Meetings of Governmental Bodies, consulting with the Office of the Attorney General as needed.
* Examine evidence and determine that public meetings were properly conducted in accordance with the above requirements.
* Determine that the board members are current on the required document submissions by obtaining a report from the Board Member Management System.

*2005 Massachusetts Teachers Retirement System*

In accordance with M.G.L. c. 32, the Commonwealth’s public retirement statute, 807 CMR, the section of the Code of Massachusetts regulations that pertains to the teachers retirement system and Massachusetts Teachers Retirement Board’s (MTRB) business practices, all employees who qualify must be enrolled within 30 days of employment.

*Recommended Audit Procedures*

* Review and become familiar with 808 CMR 4.00 – *Eligibility for Membership*, M.G.L. c. 32 and MTRB business practices.
* Determine by selecting a sample of employees that eligible employees are contributing to the plan and the appropriate percentage of their salary is being withheld.
* Examine evidence that eligible employees are enrolled in MTRS within 30 days of employment and that payroll deductions are being withheld and remitted to MTRB on a monthly basis by the 10th day of the month following the reporting period.
* Determine the extent of any outstanding payments owed to MTRB by the charter school.

*2006 Charter School End of Year Financial Report*

The charter school is required to submit a *Charter School End of Year Financial Report* (*CSEOYFR*) to the Department following its fiscal year end (See Section 900). The Department has developed a standard reporting format for the *CSEOYFR*. The *Recommended Audit Procedures* listed below should be applied to the report submitted for the previous fiscal year end. (i.e., as part of the fiscal year 2024 audit, the *CSEOYFR* report for the year ended June 30, 2023 will be examined).

*Recommended Audit Procedures*

* Determine if the financial information was prepared on the accrual basis of accounting.
* Trace the amounts reported to the audited financial statements and verify agreement or perform alternative procedures to verify the accuracy and completeness of the amounts reported.
* Test mathematical accuracy of the schedules and supporting worksheets.
* For financial data, review accounting records and ascertain if all applicable accounts were included in the schedules.
* Obtain written representation from management that the reports are the actual copies submitted to the Department and contain accurate data.

*2007 Closeout Procedures*

The following procedures are to be performed when a school’s charter has been surrendered or revoked to ensure that assets are properly safeguarded, and the Government’s interest is properly protected.

* Obtain the contact information of the individual or entity appointed by the Board of Trustees as responsible for the accuracy and timeliness of the closeout process;
* Obtained the contact information of the individual or entity appointed by the Board of Trustees for the dissolution of any remaining assets;
* Closeout date and audit period agreed upon with the Department;
* Examine final grant reports for all federal and state grants and determine if reports have been submitted and if so, any excess funds received and not expended were properly accounted for or remitted to the funding source;
* Review plan for disposition of assets and determined if has been reviewed by the board of trustees and approved by the Department;
* Review listing of assets sold and determine if funds properly received and deposited;
* Review a sample of disbursements made subsequent to revocation of the charter and determine if payments were properly authorized and prioritized;
* Determine that all related tax filing (W-2’s, 1099’s) were prepared
* Determine that all related payroll liabilities, inclusive of salaries, payroll accruals, MTRS payments and accrued vacation were properly identified and accounted for in the closing year.
* Obtain listing of payables and related party debt and confirm all payables greater than $1,000;
* Determine that the board authorized an individual, or entity to maintain student and school records inclusive of payroll records (10 years), student records (60 years);
* Determine that the school has procedures in place to properly ensure the confidentiality of the student records and personnel files;
* Determine if any cash on hand at the end of the audit period that they have been transferred to the Department or the designated receiver to determine appropriate distribution based on approval by the Department; and
* Determine that the Board of Trustees established a separate checking account with an amount of funds set aside, as determined in consultation with the Department, for final legal, accounting, audit, and any other necessary expenses.

### **APPENDIX D**

**Component Units**

The following information from *GASB Codification Section 2600* should be considered when determining the proper treatment for charter schools with component units:

**Component unit defined –** Organizations that are legally separate organizations from the PG for which the primary government is financially accountable or closely related. In addition, other legally separate organizations where the nature and significance of their relationship with the primary government is such that exclusion of the organization from the reporting entity would cause the reporting entity’s financial statements to be misleading are considered component units.

The PG is financially accountable if:

1. The primary government appoints a voting majority of the organizations governing board and:
	* + 1. Is able to impose its will on the organization
			2. Is in a relationship of financial benefit or burden with the organization
2. The organization is fiscally dependent upon the primary government and the PG is in a relationship of financial benefit/burden with the organization.

Organization is fiscally dependent if the primary government must

* + - Approve the organizations budget
		- Approve the organizations levy, tax rates or other charges
		- Approve organizations debt

Organization has a financial benefit/burden relationship if any one of the following

occurs:

* + - PG is legally entitled to or can otherwise access the organization’s resources
		- PG is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to the organization
		- PG is obligated in some manner for the organization’s debt
1. And/or the primary government’s financial statements will be misleading if excluded

Entities that do not met the financial accountability criteria may still be included as a component unit if they are closely related to or are financially integrated with the PG. Determination is based on professional judgment, given the nature, facts and circumstances and significance of the relationship between the PG and the component unit.

Reporting Requirement

A legally separate, tax exempt organization should be reported as a component unit of the School if all of the following criteria are met

* + - The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the PG
		- The PG is entitled to, or has the ability to otherwise access a majority of the economic resources received or held by the organization
		- The economic resources received or held by the organization that the PG is entitled to or has the ability to otherwise access, are significant to the PG

*Criteria for blended treatment:*

Component unit’s governing board is substantially the same as that of the PG and:

* + - There is a financial benefit/burden relationship between the PG and the component unit, or (2) management of the PG has operational responsibility for the component unit (management has operational responsibility for a component unit if it manages the activities of the component unit in essentially the same manner in which it manages its own programs). Management consists of persons below the level of the governing board, responsible for the day-to-day activities of the PG
		- The component unit provides services almost entirely to the PG, or almost exclusively benefits the PG, or the component unit’s debt outstanding, including leases, is expected to be repaid entirely or almost entirely with resources of the PG.
		- The component units total outstanding debt, including leases is expected to be repaid entirely, or almost entirely with the resources of the PG

*Criteria for discrete treatment:*

* + - All other non blended component units
		- Entities that should be included based on professional judgment based on the nature and significance to the PG