**DESE
Massachusetts Department of Elementary and Secondary Education
FY24 Audit Reference Guide**

**Purpose of this Reference Guide:**

This reference guide highlights revisions and important areas of the [FY24 Audit Guide](https://www.doe.mass.edu/charter/finance/auditing/audit-guide.docx) (Guide) that should be clearly understood by charter schools, school business managers, and auditors. For example, the review of past audits has revealed inconsistencies in the review and reporting of some audit sections. As always, the Guide should be carefully reviewed by the school business manager and the entirety of the audit team to ensure proper auditing procedures, reporting, and submission to the Department of Elementary and Secondary Education (Department).

**Charter School Audit Overview:**

In 1993, the Commonwealth of Massachusetts enacted Massachusetts General Laws (M.G.L.) c. 71§ 89, with the uniform rules and procedures governing the establishment of charter schools provided by 603 CMR 1.00. The charter school statute and regulations stipulate various requirements for charter schools and include a provision that requires every charter school to keep an accurate account of all of its financial activities and *provide for an annual independent audit of its financial statements.*

**There are no material revisions to the FY24 Audit Guide.**

For Charter School Program grant recipients: Testing of inventory processes was added to the Agreed Upon Procedure section of the Guide for Charter School Program subgrantees.

**FY24 Key Reminders:**

**Schedule of Findings**

The *Schedule of Findings and Questioned Costs* (section 808) 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.

The *Schedule of Prior Audit Findings* (section 809) reports the auditors’ assessment of the status of all findings included within the prior year’s Schedule of Findings and Questioned Costs.

**Please include a *Schedule of Findings and Questioned Costs and a Schedule of Prior Audit Findings* in the final audit report regardless of whether findings exist. If there are no findings in one or both of these sections, this should be clearly stated.**

**Related Party Transactions:**

Please ensure familiarity with *Section 1003 Related Party Transactions* that includes the following recommended Audit procedures:

* 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.

**Please note that a *Related Party Transactions* section should be included in all audited financial reports. If related party information is presented in the notes or other audit sections, this information should also be referenced in the *Related Party Transactions* section. If the auditor deems that there are no material related party transactions, a statement similar to one of the following examples should be included within the *Related Party Transactions* section:**

*We have reviewed all the related party transactions presented from management.*

OR 

*No related party transactions were presented by management for review.*

**Note to Auditors:**

The Department relies upon auditors to properly complete the charter school's annual audit in accordance with guidance and in conjunction with current audit standards and accounting principles. An accurate, complete, and aligned audit ensures that charter schools are meeting their obligation for an annual independent audit, as required by statute. Additionally, an accurate audit allows the Department to ascertain if the school is organizationally viable, properly staffed, and fiscally sound. The Department relies upon auditors to conduct a full and comprehensive audit including all pertinent notes and findings; without a complete audit, the Department is unable to carry out its charter authorizing role.

**Of Note**

* Each year, the Department conducts a finance webinar to review any relevant changes to the Audit Guide and CSEOYFR and to answer questions and offer guidance. This year, this webinar will take place in August. Schools will be notified about the webinar once it is scheduled. The Department will also post an [informational memorandum](https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fwww.doe.mass.edu%2Fcharter%2Ffinance%2Fauditing%2Foverview-instructions.docx&wdOrigin=BROWSELINK) to remind schools of deadlines, review relevant changes, and provide the audit submission instructions.
* The FY24 finance webinar will include some reminders of best practices regarding each school’s Fiscal Policies and Procedures. The purpose will be to ensure proper internal controls are being followed in the areas of access to bank accounts, paid time off tracking, and payroll processes.
* The Board of Trustees Chairperson or designee must sign off on the audit after it is finalized and by November 1. Please ensure a full board of trustees or committee meeting is planned on time to meet this deadline.