

THE SCHOOL DISTRICT OF OSCEOLA COUNTY, FLORIDA

817 Bill Beck Boulevard • Kissimmee • Florida 34744-4492
Phone: 407-870-4600 • Fax: 407-870-4010 • www.osceolaschools.net

SCHOOL BOARD MEMBERS

- District 1 – Teresa “Terry” Castillo – Chair
407-577-5022
District 2 – Julius Melendez
321-442-2862
District 3 – Jon Arguello
407-433-9082
District 4 – Heather Kahoun
689-241-7822
District 5 – Erika Booth – Vice Chair
321-442-1341



Superintendent of Schools
Dr. Debra P. Pace

AGENDA

Audit Advisory Committee Meeting
Friday, February 24, 2023
2:00 p.m. – 4:00 p.m.
Bill Collins Conference Room

1. Call to order
2. Approval of the August 1, 2022, Meeting Minutes
3. External Audits
 - a. FY 2022 Annual Comprehensive Financial Report (ACFR)
 - b. FY 2022 Charter Schools Audit Summary
 - c. FY 2022 School Internal Accounts Audit
 - d. FY 2022 Four Corners Charter Schools, Inc.
 - e. FY 2022 The Foundation for Osceola Education, Inc.
4. Internal Audit Updates
 - a. American Classical Charter Academy, Inc. Close Out Audit
 - b. St. Cloud Preparatory Academy, Inc. Close Out Audit
 - c. FY 2022-23 Internal Audit Plan – Status Update
5. Next Meeting Date: TBD
6. Adjourn

**Audit Advisory Committee Meeting
Minutes**

August 1, 2022

Members Present: Terry Castillo, Kevin Crawford, James Mantia, and Lori Giambrone

Members Absent: Mark Cross, Javier Paz

Others/Guests: SDOC – Debra Pace, Sarah Graber, Peter Thorne, Edward Parker, and Angela Barner
RSM – Laura Manlove, Weiss Campbell, Clara Ewing, John Hughes, and Ryan Moore (WebEx)

1. Call to Order

Ms. Giambrone called the meeting to order at 2:03 p.m.

2. Approval of the June 20, 2022, Meeting Minutes

A motion to approve the minutes for the June 20, 2022, meeting was made by Kevin Crawford. The motion was seconded by Lori Giambrone. The motion carried 4-0.

3. Internal Audit Update

a. FY 2022-23 Risk Assessment Update and Proposed Internal Audit Plan for Fiscal Year 2022-23

RSM presented their proposal of the top 10 high risk area internal audits and requested direction from the committee for internal audits to be performed during fiscal year 2022-23.

The committee prioritized the top four areas of focus and requested that RSM submit the scope of work and cost related to these internal audits:

- Cybersecurity & Privacy – Penetration Testing
- Cybersecurity & Privacy – Incident Response Playbook
- Cybersecurity & Privacy – Social Engineering
- Business & Fiscal Services – Stimulus Funding

b. Purchasing – Competitive Solicitations

RSM presented the results of the Purchasing-Competitive Solicitations audit and shared management's plan of action. Comments and questions from the committee were received and answered by RSM.

4. Next Meeting Date: TBD

The meeting was adjourned at 3:06 p.m.



School District of
OSCEOLA COUNTY
FLORIDA

The School District of Osceola County, Florida Specific Review of American Classical Charter Academy

February 3, 2023

TABLE OF CONTENTS

Transmittal Letter	1
Background, Objectives, and Approach	3
Fact Sheet	6
Results	8

TRANSMITTAL LETTER

February 3, 2023

Audit Advisory Committee
School Board of Osceola County, Florida
817 Bill Beck Blvd.
Kissimmee, Florida 34744-4492

Pursuant to the executed Internal Audit Services agreement dated November 8, 2022, we hereby submit our report on the specific areas of concern regarding American Classical Charter Academy (the "School") as identified by the Sponsor, the School Board of Osceola County (the "District"). The objective of this engagement was to determine on a sample basis if expenses incurred by the School during the period of July 1, 2021 through July 29, 2022 were reasonable, appropriate, and compliant with Florida Statute 1002.33 and charter school agreements. This report will be presented at the next regularly scheduled Audit Advisory Committee meeting on February 24, 2023.

Summary of Results

School Cash Account Closeout and Potential Noncompliance with Florida Statute 1002.33

- There was no bank to general ledger reconciliation performed for July 2022 to determine outstanding transactions for a cash closeout. In addition, no funds have been reverted to the District as of the date of this report.

Reasonable Legal Fees and Potential Noncompliance with Florida Statute 1002.33

Upon initial notification of nonrenewal, closure, or termination of its charter, a charter school may not expend more than \$10,000 per expenditure without prior written approval from the sponsor unless such expenditure was included within the annual budget submitted to the sponsor or for reasonable attorney fees during the pendency of any appeal.

- We identified one (1) transaction over \$10,000 for the School that does not appear in compliance with the Statute.

Detailed Testing of Expenditures – Supporting Documentation

- Four (4) of the fifteen (15) transactions reviewed did not provide sufficient documentation.
- Three (3) of the fifteen (15) samples reviewed did not provide sufficient documentation to determine business need (i.e. no invoice or receipt with details).

Summary of Results (Continued)

Detailed Testing of Outstanding Accounts Payable

- All five (5) invoices that the District requested confirmation of payment were found as outstanding nor listed on an outstanding accounts payable list.
- A lack of procedures documented for procurement requirements including the use of purchase orders was noted.

Detailed Testing of Expenditures – Authorization

- Seven (7) out of fifteen (15) expenditures sampled did not have required pre-approvals documented for payments to be processed.
- One (1) out of fifteen (15) expenditures sampled did not have check documentation retained to verify dual signatures for approval.

Additional Observations Noted

- Conflict of interest with Mark Gotz who performed authorization for payments and was the owner of School Development Group, Inc., a consulting firm contracted with the School as a vendor.
- Related party relationship and undefined roles and responsibilities as Mark Gotz appeared to be acting in the capacity of both a School staff member and vendor providing services to the School.

Our procedures were not designed to detect fraud and based on the information provided we did not detect fraud. Our scope and results are limited due to the lack of requested documentation reviewed. Had we received all documentation requested and completed our procedures, the results may have differed.

The District may consider pursuing additional options for further investigation of matters noted in this report. Additional details of our findings are included within this report. We would like to thank all those who assisted in this specific review of the American Classical Charter Academy.

Respectfully,

RSM VS LLP

Internal Auditors

BACKGROUND, OBJECTIVES AND APPROACH

Background

On April 5, 2022, the School Board of Osceola County approved the termination of the charter contract with American Classical Charter Academy, Inc. The School appealed the termination but was denied and the charter contract was terminated with an effective date of July 29, 2022. Per discussion with the District during the closeout process of the School, once the appeal for charter contract termination was denied, the School did not provide any official documentation for students or financial records to the District. District personnel visited the physical school site after the School was closed and found records left behind consisting primarily of student or employee records in a total of six (6) bankers' boxes.

Significant Vendors:

In order to supplement the limited financial records obtained from the School by the District, we requested documentation and maintained open lines of communication with the School's former vendors.: School Financial Services and King and Walker LLC.

- School Financial Services contracted with the School to perform payroll processing, accounts payable, 1099, employee tax, budget, and financial statement preparation for the School through June 30, 2022. The School approved and sent invoices for payment by email, which were entered into the system and processed as paper checks. The contracted agreement with School Financial Services ended on June 30, 2022, and School Financial Services was not able to provide us with information related to any School operations after the contract end date. The following documents were provided from School Financial Services:

School Bylaws and Articles of Incorporation	General Ledger between July 1, 2021-June 30, 2022
Vendor Listing Report as of June 30, 2022	Chart of Accounts as of June 30, 2022
Budget Amendment February 4, 2022, Approved March 29, 2022 Budget FY22 FTE May 24, 2021, Approved May 25, 2021	Audit Report as of June 30, 2022
Truist Bank Statements between July 1, 2021-June 30, 2022	Vendor Listing as of June 30, 2022
Monthly Unaudited Financial Statements between July 1, 2021-June 30, 2022	Check Register between July 1, 2021-June 30, 2022
Employee Listing Report as of June 30, 2022	Accounts Payable Report as of June 30, 2022

- King and Walker LLC performed the external audit of the School's financial statements through June 30, 2022. It was noted within the audited financial report for the fiscal year ending June 30, 2022, that the external auditors did not express an opinion on the financial statements of the School due to "Management's refusal to provide written representations that it had fulfilled its responsibility 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error." As a result, sufficient and appropriate audit evidence was not obtained. In addition, Management omitted the Budgetary Comparison Schedule that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements.

BACKGROUND, OBJECTIVES AND APPROACH – CONTINUED

Background (Continued)

Significant Vendors (Continued):

- Findings noted during King and Walker LLC’s external audit include: lack of documented Board meeting minutes, lack of transparency regarding posting of Board meeting documentation, lack of budget requirements for budget to actual comparison, and financial emergency due to unpaid outstanding accounts payable and notes payable balances.
- The School entered into a contract with School Development Group, Inc. (“SDG”) for the period of August 2021 through July 30, 2022, to manage and consult on business operations for the School. The agreement could be renewed or extended by mutual agreement. An annual fee of \$50,000 was paid in monthly installments of \$4,166.66. The total amount incurred under this agreement during the year ending June 30, 2022, was \$50,000, which was paid in full prior to the School closing. Mark Gotz, the Founder and Business Manager for the School is listed as the owner of School Development Group, Inc., per Sunbiz.com. It was noted during testing that an additional \$60,000 was paid to School Development Group, Inc. during our scope review period of the 2021-22 fiscal year until the School closed on July 29, 2022. These transactions were listed with a description of “Nov21prloan” in the check register, later voided, and then appear to be reissued directly to Mark Gotz, however, documentation was limited to explain the nature of these payments.

School’s Significant Financial Obligations

During the 2019-20 fiscal year, the School received a loan of \$155,000 from Charter One, LLC (the School’s former management company) to cover operating costs during the fiscal year. The School entered into an additional promissory note payable for \$81,005 in that year. The remaining balance on these notes payable as of June 30, 2022, is \$236,005. In the 2020-21 fiscal year, the School entered into an additional promissory note payable of \$742,467 for expenses incurred during the fiscal year, from Charter One, LLC. On December 14, 2021, the School was provided written notice from Charter One, LLC that in accordance with the Promissory Note and Forbearance Agreement, the School was in default and the balance of all remaining principal and accrued interest owed was due and payable within thirty (30) days. The remaining balance of this note payable was \$721,826 and the total outstanding notes payable as of June 30, 2022 was \$957,831. The School made five (5) payments for a total amount of \$58,500 to Charter One for the note between October 2021 and April 2022. Of the \$58,500 paid, \$20,641 was toward the principle balance while \$37,859 was for interest owed.

Since the School’s closing, the District has received five (5) invoices totaling \$422,138.36 from vendors requesting payment for outstanding balances.

BACKGROUND, OBJECTIVES AND APPROACH – CONTINUED

Objectives and Approach

This review focused on determining, on a sample basis, if expenses incurred by American Classical Charter Academy during the period of operation were reasonable, appropriate, and compliant with Florida Statute 1002.33.

To review and test these areas, a kickoff meeting was held on November 28, 2022, with representatives of the District. The scope review period was July 1, 2021, through closeout of operations on July 29, 2022. We reviewed documentation provided by the District and the School's former vendors, School Financial Services and King and Walker LLC.

Specific procedures performed include, but are not limited to:

- Review of documents provided by School Financial Services between December 2022 and January 2023.
- Search of six (6) boxes onsite at the District on January 11, 2023 that were recovered from School site upon closeout.
- Review of traced expenses back to the bank statements and supporting documentation as appropriate.
- Review of policies and procedures for procurement approval process.
- Inquiry with the District and contracted financial vendors to research any unrecorded invoices during the fieldwork.
- Analysis of the School's audited financial reports with the final approved budget to determine if any expense categories were significantly above or below budgeted amounts, and if so, conducted follow up as appropriate to understand the circumstances around such expense categories.
- Review of employee listings and payroll journals that provided employee names, positions, and addresses. All of the office and executive personnel names were searched within the general ledger, check register, and bank statements for names and addresses to identify payments.
- Interviews with a School Financial Services' representative to review and discuss the received documents on December 14, 2022.
- Review of School bank statements and general ledger to determine payment of five (5) invoices provided by the District from vendors claiming nonpayment from the School.
- Research of Sunbiz.com to determine business legitimacy of School Development Group, Inc. and its ownership.
- Review of payment details and supporting documentation for payments to School Development Group, Inc. that were part of the monthly payments for the FY2022 operating agreement.
- Review of bank statement information through July 29, 2022 for 1) any unusual activity and 2) viewed the amount of funds potentially owed to the District.
- Performed detailed testing of a sample of expenses incurred by the School during the scope review period to verify the reasonableness and appropriateness of each expense including compliance with Florida Statute 1002.33.
 - We selected a sample of fifteen (15) expense transactions from the general ledger within the scope period and evaluated for sufficient documentation, proper approvals, dual check signatures, reasonableness of business need, timeliness of payment, invoice and check image accuracy compared to the accounting record, and expenses were consistent with budget.

Upon completing our procedures, we documented our results into this written report and conducted exit conferences with the District leadership.

FACT SHEET

School Grades per Florida Department of Education*

2021-22	B
---------	---

*Per the FDOE website, no information was available for prior years

School Board Members and Staff per Documentation Provided

School Board Members	
Name	Position
Michael Loeb	Board Chair / President
Steven Allen	Vice Chairperson / Treasurer
George Jackow	Board Member / Secretary
Heather Nadolny	Parent Representative

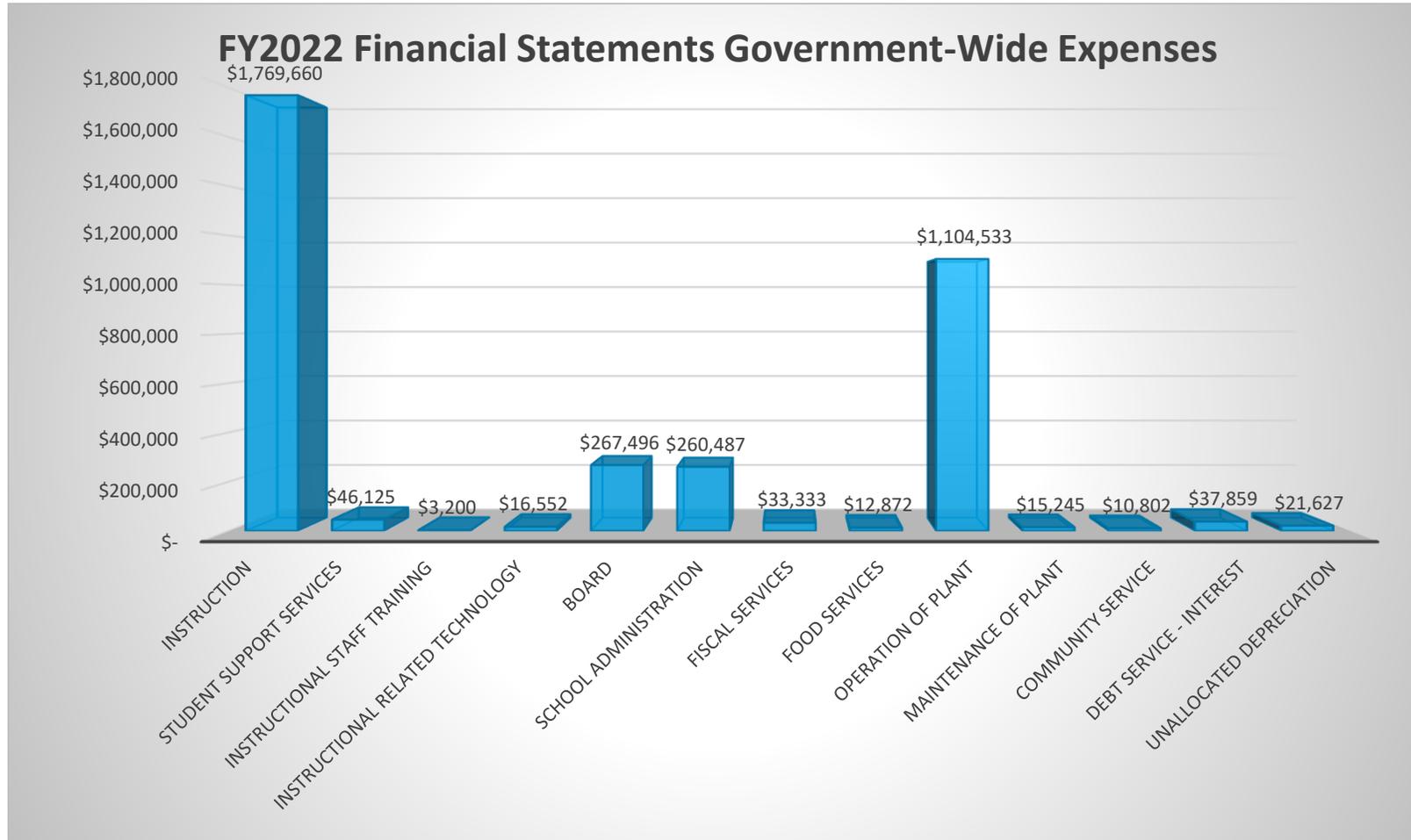
School Staff Members	
Name	Position
Mark Gotz	Business Manager
Leslie Bolte	Principal
Samantha Killete	Office
Desiree Pagan-Prieto	Office

School Financial Data

FY2022 Audited Government Wide Financial Analysis – Net Position	
Assets	6/30/2022
Current and Other Assets	\$ 169,254
Capital Assets, Net	\$ 105,096
Total Assets	\$ 274,350
Liabilities	
Current Liabilities	\$ 1,339,416
Noncurrent Liabilities	\$ 236,005
Total Liabilities	\$ 1,575,421
Net Position	
Net Investment in Capital Assets	\$ 105,096
Unrestricted	\$ (1,406,167)
Total Net Position	\$ (1,301,071)

FACT SHEET – CONTINUED

School Financial Data (Continued)



RESULTS

School Cash Account Closeout and Noncompliance with Florida Statute 1002.33

Florida Statute 1002.33 states *“When a charter is not renewed or is terminated, the school shall be dissolved under the provisions of the law under which the school was organized, and any unencumbered public funds, except for capital outlay funds and federal charter school program grant funds, from the charter school shall revert to the sponsor.”*

In the closeout of the School, all final transactions should be completed by the School prior to closeout and, apart from the specific funds noted, any remaining cash reverted to the sponsor, the District.

Per review of the School bank statement for July 29, 2022, the ending balance totaled \$114,556.75. Since the School terminated services with School Financial Services as of June 30, 2022 there was no bank reconciliation to the general ledger or monthly financial report provided to the District, resulting in no written documentation of explanation of the nature and purpose of the transactions in the bank account during the month of July 2022. Therefore, the amount of cash at the School’s closeout, which should have reverted back the District, is unknown. We recommend that the District should consult with legal counsel to determine how to obtain final bank account status including any movement or closure of cash.

School Cash Account Closeout	
Per July 2022 Bank Statement	
Bank Account Balance as of 07/29/22	\$ 114,556.75
Deposits in Transit	unknown
Outstanding Checks	unknown
Reconciled Bank Balance:	unknown
Total Cash Reverted to District at Closeout:	\$ 0.00

RESULTS – CONTINUED

Legal Fees and Potential Noncompliance with Florida Statute 1002.33

Florida Statute 1002.33 states “upon initial notification of nonrenewal, closure, or termination of its charter, a charter school may not expend more than \$10,000 per expenditure without prior written approval from the sponsor unless such expenditure was included within the annual budget submitted to the sponsor or for reasonable attorney fees during the pendency of any appeal.”

We reviewed the general ledger and bank statements for the School to identify expenditure payments over \$10,000, which were issued after the initial notification closing date of April 5, 2022. There were four (4) payments identified which were reviewed for compliance based on the statute requirements of: if the expenditure was documented with a written approval from the sponsor, if it was included in the total expenses of approved budget documents provided or if the expenditure appeared reasonable for attorney fees during the appeal process.

- We noted one (1) transaction over \$10,000 which did not meet all requirements of the Statute as no prior written approval from the sponsor was noted nor was it clear that this expense was included in the annual budget. We were also unable to be determined if these expenses were reasonable attorney fees due to the appeal. This transaction was paid to Mark Gotz on June 20, 2022 for \$15,000, which was documented in the general ledger as a reimbursement for payment to Haber Law. Per the legal hearings for the School occurred on June 28, 29, 30, 2022 and on July 6, 2022, the School respondents were listed as Nardella & Nardella, PLLC and Fernandez Legal. Haber Law was not identified as representing the School for the appeal. We reviewed the general ledger and bank statements and noted no other reimbursements to Mark Gotz for associated legal fees. It was also noted that there was not any supporting documentation (i.e. invoice with description of services from vendor) for this reimbursement and therefore, it could not be determined if this expenditure complies with Florida Statute.

While legal fees were listed in the budget documents and the School did file an appeal of the School closure, the total amount of legal fees incurred by the School exceeded the School’s budget for the 2021-2022 fiscal year. The original budget amount for Legal and Audit Expenses account 7100 (Board) was listed as \$23,930 per the Operating Budget for period July 1, 2021, through June 30, 2022, while actual legal expenses in the general ledger were \$152,058.33, 635% over the budgeted amount for both legal and audit expenses. Due to lack of documentation, the nature of the legal services provided is unable to be determined.

Legal Vendors in General Ledger	Dates of Service	Budget Total	Total Invoice Amounts	General Ledger Comments
Fernandez Legal	April 2022	\$23,930.00	\$8,025.00	School Board Meeting referenced appeal
Gray Robinson	November '21 - April '22		\$40,000.00	
Gray Robinson	April - June 2022		\$38,256.02	Outstanding Invoices
Haber Law	May - June 2022		\$17,005.11	Includes above \$15,000 Transaction
Nardella & Nardella	February - March 2022		\$20,803.50	Negotiations w/ Landlord & Appeal
Litigation Resolution Inc.	July 2021		\$1,300.00	Charter One, School Development & School House vs ACCA
		Total	\$152,058.33	

RESULTS – CONTINUED

Detailed Testing of Expenditures – Supporting Documentation

During our detailed testing of source documents, a lack of sufficient supporting documentation for expenses at the School was noted. Samples were selected for testing to determine if sufficient documentation, proper approvals, dual check signatures, reasonableness of business need, timeliness of payment, invoice and check image accuracy compared to the accounting record, and expenses were consistent with budget.

Our sample was comprised of fifteen (15) check transactions and totaled \$121,920.32 in purchases. Of the fifteen (15) samples, seven (7) samples are noted below as exceptions to our detailed testing, and total \$69,760.18 of the \$121,920.32, or 57% of the total sample amount tested.

- For four (4) expenditures, insufficient or no supporting documentation was obtained. No invoice or receipt was available to provide details of the purchases.
 - 09/16/2021 reimbursement check #10413 to Mark Gotz in the amount of \$2,477.50 for two-way radios
 - 04/09/2022 check #10683 for \$40,000 to SH ACCA for facility lease
 - 04/09/2022 check #10684 for \$10,000 to Charter One toward the note payment
 - 06/20/2022 reimbursement check #10750 in the amount of \$15,000 to Mark Gotz for Haber Law reimbursement
- For three (3) expenditures, an invoice or receipt was obtained but the documentation was insufficient to support the business need for these purchases.
 - 09/16/2021 reimbursement check #10413 to Mark Gotz for Residence Inn in Orlando, FL in the amount of \$781.90
 - 09/28/2021 reimbursement check #10434 to Leslie Bolte for Residence Inn in Orlando, FL totaling \$718.88
 - 09/28/2021 reimbursement check #10437 to Mark Gotz for Residence Inn in Orlando, FL totaling \$781.90

During review of the reimbursement to Mark Gotz on 09/16/2021, "Principal Housing" was listed as the description of the expense provided. This purchase was in reference to hotel accommodations for Leslie Bolte, who was the Principal for the School. In reviewing the documentation, on more than one instance in which hotel accommodations were arranged for Leslie Bolte, a hotel room and rental car purchase was made in the name of "Stephen Bolte." Due to the lack of documentation provided for review, it is unclear whether a business reason exists to house Leslie Bolte or Stephen Bolte on behalf of the School.

RESULTS – CONTINUED

Detailed Testing of Outstanding Accounts Payable

Unrecorded Accounts Payable

After the School closure on July 29, 2022, the District obtained five (5) invoices from various vendors claiming non-payment from the School. The District requested that RSM review the available School records to determine if there was any additional information related to these outstanding invoices (i.e. purchase orders, contracts, etc.), and determine payment status. A search was performed of the check register, general ledger, and bank statements by invoice number, vendor name, and dollar amount.

It was noted that none of the five (5) invoices were listed on the outstanding accounts payable list as of July 7, 2022, retained by the School. No other documentation was found related to the purchases.

The five (5) invoices totaled \$422,138.30 in unrecorded outstanding accounts payable:

- 07/07/2019 – 07/31/2019 invoice 10 to School House Development totaling \$264,600.19 for “construction contractor application payment”
- 08/01/2019 invoice 29437 to Signature Products Inc. totaling \$148,139.76
- 08/08/2019 invoice 29489 to Signature Products Inc. totaling \$2,330.20
- 09/08/2021 invoice SIN36176 to Editorial Projects Education Inc. totaling \$3,000.00
- 03/22/2022 invoice 68735 to Onward Technology totaling \$4,068.21

Lack of Procurement Procedures and Incomplete Recordkeeping

Per review of the Articles of Incorporation and Bylaws, a handbook of procedures was mentioned. However, neither the District, external auditor, nor the contracted financial services provider were able to provide such written procedures. Thus, we were unable to review any documented understanding of procurement procedures relating to the purchase of goods and services provided by a vendor. In similar organizations, this authorization process would be completed through a purchase order process to document the approval, reserve the funds through encumbrance against budgeted funds, and document the School’s open obligation to a vendor for requested goods or services.

School Financial Services recorded \$483,102.08 in outstanding aged accounts payable as of June 30, 2022, however, the vendor relied on the School to provide invoices to be entered into the financial system as due. The District has been made aware of, at minimum, an additional \$422,138.30 in outstanding accounts payable to vendors that requested payment since the School’s closure. It is unknown the total amount of outstanding payments due to a lack of documentation and procedures related to tracking and verifying information.

RESULTS – CONTINUED

Detailed Testing of Expenditures – Authorization

Pre-Approval

Per the Bylaws of the School, “checks, drafts, and orders for the payment of money may be signed by the Treasurer and countersigned by the President or a Vice President. All checks will have two parties who sign the check, one of which will be the vendor who handles payroll and other expenses.” Although this procedure is written in the bylaws, it is our understanding this process was not followed. Per discussion with the representative of School Financial Services, the payments were prioritized to be processed for checks via an email being received from School leadership (usually Mark Gotz) to School Financial Services for approval of transactions.

- For seven (7) of fifteen (15) expenditures tested, no evidence of direct approval was documented nor retained for payments to be processed appropriately. Thus, we could not verify that these expenditures were properly preapproved.
 - 09/16/2021 reimbursement check #10413 to Mark Gotz in the amount of \$781.90
 - 09/16/2021 reimbursement check #10413 to Mark Gotz in the amount of \$2,477.50 for “two-way radios”
 - 12/21/2021 reimbursement check #10549 to Mark Gotz in the amount of \$2,143.05 for “staff Christmas presents”
 - 02/28/2022 check #10636 in the amount of \$5,000 to Gray Robinson
 - 04/09/2022 check #10683 in the amount of \$40,000 to SH ACCA (This check also did not have evidence of dual signatures, see below)
 - 04/09/2022 check #10684 in the amount of \$10,000 to Charter One
 - 06/24/2022 check #10764 to School Development in the amount of \$12,499.99 (Mark Gotz owned company)

Dual Check Signatures

Per the Bylaws mentioned above, checks required dual signatures and proper approvals. It was noted for fourteen (14) of the fifteen (15) cancelled checks tested that the dual check signers were consistently Michael Leob (President) and Keith Spence (School Financial Services).

As of July 31, 2022, the last bank statement provided, one (1) check had not cleared and verification of dual signatures was not available to be completed. 04/09/2022 check #10683 in the amount of \$40,000 to SH ACCA (This check also did not have evidence of preapproval, see above)

RESULTS – CONTINUED

Additional Observations Noted

Conflict of Interest / Management Override

Per review of documentation and interviews with School vendors, Mark Gotz was identified as the initial approver for payments processed and was the sole decision maker on choosing which vendors were paid under a financial emergency procurement. At the end of the School's operations, the School was unable to pay vendors for operational expenses. In review of the accounts payable aging report, there were no outstanding payments to Mark Gotz or School Development Group, Inc., while other vendors had not received payment as June 30, 2022.

Mark Gotz, the founder and Business Manager for the School is also documented as the owner of School Development Group, Inc., per Sunbiz.com. The School entered into a contract with School Development Group, Inc., from August 2021 to June 2022 for a total of \$50,000 to perform consulting services. However, per the check register, there were two additional checks issued to School Development Group, Inc. in the amount of \$30,000 each dated November 17, 2021 and were both voided on December 3, 2021. When reviewing the documentation for these checks, it was determined they were reissued in a single, \$60,000 check with a description, "reissue originally made payable to school devel" with a description of "Nov21prloan" on December 8, 2021 directly to Mark Gotz. Documentation was limited in providing explanation the nature of these payments.

Best practice to avoid conflicts of interest or management override of controls is to require a second/alternate approver for all payments to the individual/vendor who is also responsible for approving the payment itself.

Related Party Relationships and Defined Roles and Responsibilities

In addition to a loan repayment paid directly to Mark Gotz, there were twenty-four (24) personal reimbursement transactions totaling \$27,739.29 during the 2021-2022 fiscal year. It is unusual for reimbursements to be paid directly to an individual who is a contracted vendor for the School. Typically, such reimbursements would be processed through an invoice procedure so as to not confuse the relationship of the involved parties. It is unclear the role that Mark Gotz held because he was listed as a contracted vendor but also received direct reimbursement checks.

As a related party relationship, based on the limited documentation and interviews we held, the roles and responsibilities of Mark Gotz and School Development Group to the School were not well defined.



RSM US LLP
7351 Office Park Place
Melbourne, Florida 32940-8229
(321) 751-6200
www.rsmus.com

www.rsmus.com

RSM US LLP is a limited liability partnership and the U.S. member firm of RSM International, a global network of independent audit, tax and consulting firms. The member firms of RSM International collaborate to provide services to global clients, but are separate and distinct legal entities that cannot obligate each other. Each member firm is responsible only for its own acts and omissions, and not those of any other party.

For more information, visit rsmus.com/aboutus for more information regarding RSM US LLP and RSM International.

© 2023 RSM US LLP. All Rights Reserved.



School District of
OSCEOLA COUNTY
FLORIDA

The School District of Osceola County, Florida Specific Review of St Cloud Preparatory Academy

February 3, 2023

TABLE OF CONTENTS



Transmittal Letter	1
Background, Objectives, and Approach	3
Fact Sheet.....	6
Results	9

TRANSMITTAL LETTER

February 3, 2023

Audit Advisory Committee
School Board of Osceola County, Florida
817 Bill Beck Blvd.
Kissimmee, Florida 34744-4492

Pursuant to the executed Internal Audit Services agreement dated November 8, 2022, we hereby submit our report on the specific areas of concern regarding St. Cloud Preparatory Academy (the "School") as identified by the Sponsor, the School Board of Osceola County (the "District"). The objective of this engagement was to determine on a sample basis if expenses incurred by the School during the period of July 1, 2021 through June 30, 2022 were reasonable, appropriate, and compliant with Florida Statute 1002.33 and charter school agreements. This report will be presented at the next regularly scheduled Audit Advisory Committee meeting on February 24, 2023.

Summary of Results

School Cash Account Closeout and Potential Noncompliance with Florida Statute 1002.33

- There was not a bank to general ledger reconciliation performed for June 2022 to determine outstanding transactions for a cash closeout. In addition, no funds have been reverted to the District as of the date of this report.

Detailed Testing of Expenditures – Supporting Documentation

- Insufficient documentation was provided for ten (10) of fifteen (15) transactions reviewed.

Detailed Testing of Outstanding Accounts Payable

- Seven (7) out of ten (10) invoices the District requested confirmation of payment were found as not paid nor noted on an outstanding accounts payable list.
- W2 documentation for School employees was not distributed by January 31, 2022 for the 2022 tax year due to outstanding accounts receivable of the payroll processing vendor.
- A lack of procedures documented for procurement requirements including the use of purchase orders was noted.

Summary of Results (Continued)

Detailed Testing of Expenditures – Authorization

- Ten (10) out of fifteen (15) expenditure samples reviewed did not have documentation to verify appropriate approvals of debit card payments.
- The School does not appear to have a formal oversight process of debit card purchases, including purchases not requiring documented preapproval and a lack of follow-up to include monitoring and reporting.

Additional Observations Noted

- No clear separation of duties was noted for payment authorization as John D'Amico performed approvals in both roles as the administrative personnel and a Board member, including payments to himself.
- A potential conflict of interest exists with undefined roles and responsibilities of John D'Amico who held the roles of Administrator and Board President of the School while also receiving consulting payments directly as a vendor and payroll deposits as an employee within the same school year. It was unclear if the payments overlapped due to a lack of retained documentation.

Our procedures were not designed to detect fraud and based on the information provided we did not detect fraud. Our scope and results are limited due to the lack of requested documentation reviewed. Had we received all documentation requested and completed our procedures, the results may have differed.

The District may consider pursuing additional options for further investigation of matters noted in this report. Additional details of our findings are included within this report. We would like to thank all those who assisted in this specific review of St. Cloud Preparatory Academy.

Respectfully,

RSM VS LLP

Internal Auditors

BACKGROUND, OBJECTIVES AND APPROACH

Background

St. Cloud Preparatory Academy, Inc. (the “School”) was a not-for-profit corporation that operated as an elementary school in St. Cloud, Florida, a component of the School District of Osceola County, Florida (the “District”). The not-for-profit was organized in December 2013 pursuant to Chapter 617, Florida Statutes, Florida Not-For Profit Corporation Act and the governing body of the School consisted of a Board of Directors with three members. On May 17, 2022, the School Board of Osceola County approved the termination of the charter contract with St. Cloud Preparatory Academy, Inc. and the School ceased operations on June 30, 2022. Per discussion with the District during the closeout process with the School, the School failed to provide any official documentation and records maintained encompassing the operation of the school. District personnel visited the physical school site after the closure and found thirty-nine (39) banker boxes of records outside of the school, on the road and in trash bins, consisting mostly of student or employee records.. Most financial records were not located and this review was performed only with financial documentation that was stored electronically by Building Hope, at the District, and/or with Moss Krusick, LLC.

Significant Vendors:

- Building Hope contracted with the School to perform financial management through June 30, 2022. During testing, we reviewed electronic check payments, debit card and wire purchases. Building Hope only housed documentation encompassing the electronic check payments. The payment process initiated once an invoice was entered and approved within the Charter Ace System by the School staff for electronic check payments. It appeared that the School operated with seven (7) separate bank accounts named Operating, AG, Funding, MM, Payroll, Aftercare and Rent. There was debit card activity noted in the Operating, AG and Aftercare accounts. Any financial transactions after the contract termination date with Building Hope was unable to be reviewed.
- Moss, Krusick & Associates, LLC performed the final external audit for the School’s financial statements through June 30, 2022. It was noted within the audited financial report for the fiscal year ended June 30, 2022, their final report, the external auditors expressed an opinion that the financial statements were presented fairly and in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School and there were no findings reported.

BACKGROUND, OBJECTIVES AND APPROACH - CONTINUED

Background (Continued)

The following documents were provided for the scope review period of July 1, 2021, through closeout of operations.

Building Hope	Moss Krusick	District
PNC Bank Statements between July 1, 2021-June 30, 2022	Spreadsheet titled Budget with Statement of Revenue, Expenditures, and Change in Fund Balance (Unaudited) for the Month or Quarter Ended and the Year Ending June 30, 2022, which included % of YTD Actual to Annual Budget.	Payroll Journal reports for checks dated January 28, 2022 for the January 1, 2022-January 15, 2022 period.
General Ledger between July 1, 2021-June 30, 2022	Monthly Unaudited Financial Statements between July 1, 2021-June 30, 2022	School Bylaws
Vendor Listing as of June 30, 2022	Trial balance as of June 30, 2022	
Check Register between July 1, 2021-June 30, 2022	Audit Report as of June 30, 2022	

School's Significant Financial Obligations

On May 7, 2022, the School entered into a settlement agreement with Southcrest Management LLC., in the amount of \$70,000 for expenses which had been incurred by Southcrest Management, in relation to the development and construction of a high school. The initial payment on the note was due upon the settlement agreement execution in the amount of \$10,000, followed by monthly payments of \$2,500 until the note matures on June 1, 2023. The note has a 0% interest rate and upon any default of a payment, Southcrest Management is entitled to the original amount demanded from the School in the amount of \$175,757.

In addition, the District has received ten (10) invoices from various vendors totaling \$11,665.20 since the School has closed requesting payment for outstanding balances.

BACKGROUND, OBJECTIVES AND APPROACH - CONTINUED

Objectives and Approach

This review focused on determining, on a sample basis, if expenses incurred by St Cloud Preparatory Academy during the period of operation were reasonable, appropriate, and compliant with Florida Statute 1002.33.

To review and test these areas, we held a kickoff meeting on November 28, 2022, with representatives from the District. Documentation provided by the District and the contracted companies to perform financial services for the School, included bank statements, audited financial statements, monthly unaudited financial reports, budgets, by-laws, general ledgers, and check registers was reviewed and fieldwork was conducted.

Specific procedures performed include, but are not limited to:

- Review of documents provided by the District, Building Hope, and Moss, Krusick between December 2022 and January 2023.
- Search of thirty-nine (39) boxes onsite at the District on January 11, 2023, that were recovered from School site upon closeout.
- Review of traced expenses back to the bank statements and supporting documentation as appropriate.
- Review of policies and procedures for procurement approval process.
- Inquiry with the District and contracted financial vendors of any unrecorded invoices during the fieldwork.
- Analysis of the School's audited financial reports to include the final approved budget to determine if any expense categories were significantly above or below budgeted amounts, and if so, followed up as appropriate to understand the circumstances around such expense categories.
- Review of payroll journal that detailed employee names, positions, and addresses. All of the office and executive personnel were searched within the general ledger, check register, and bank statements for names and addresses to identify payments.
- Interview with a representative of Building Hope for access to the Charter Ace and Bill.com systems for electronic testing of payment documents on December 14, 2022.
- Review of ten (10) invoices provided by the District from vendors claiming nonpayment from the School and reviewed the School's bank statements and general ledger detail to determine if they had been paid.
- Research consisting of a Sunbiz search of Administrator John D'Amico, for any related party transactions and the total amount paid to vendor as it was determined John D'Amico was receiving payments directly.
- Review of payment details and traced to supporting documentation for payments to John D'Amico.
- Obtained bank statement information through June 30, 2022 to view the amount of funds potentially owed to the district.
- Performed detailed testing of a sample of expenses incurred by the School during the in-scope review period to verify the reasonableness and appropriateness of each expense, including compliance with Florida Statute 1002.33.
 - We selected a sample of fifteen (15) expense transactions from the general ledger within the scope review period and tested for sufficient documentation, proper approvals, dual payment approvals, reasonableness of business need, timeliness of payment, invoice payment accuracy compared to the accounting record, and expenses' consistency with budget.

Upon completing our procedures, we documented our results into this written report and conducted exit conferences with District leadership.

FACT SHEET

School Grades per Florida Department of Education*

2019-20	C
2021-22	C

*Pursuant to FDOE Emergency Order No. 2021-EO-02, only schools for which an opt-in request was submitted by the school district superintendent or charter school governing board have a letter grade assigned for the 2020-21 school year.

School Board Members and Staff per Documentation Provided

School Board Members	
Name	Position
John D'Amico	Board Chair / President
Tammy Raz	Vice Chairperson / Treasurer
Michele Nelson	Board Member / Secretary
Vacant	Parent Representative

School Staff Members	
Name	Position
Canaan Coakley	Office Personnel
Belinda Gentes	
Rebecca Gerue	
Krista McFadden	
Tiffanie Miller	

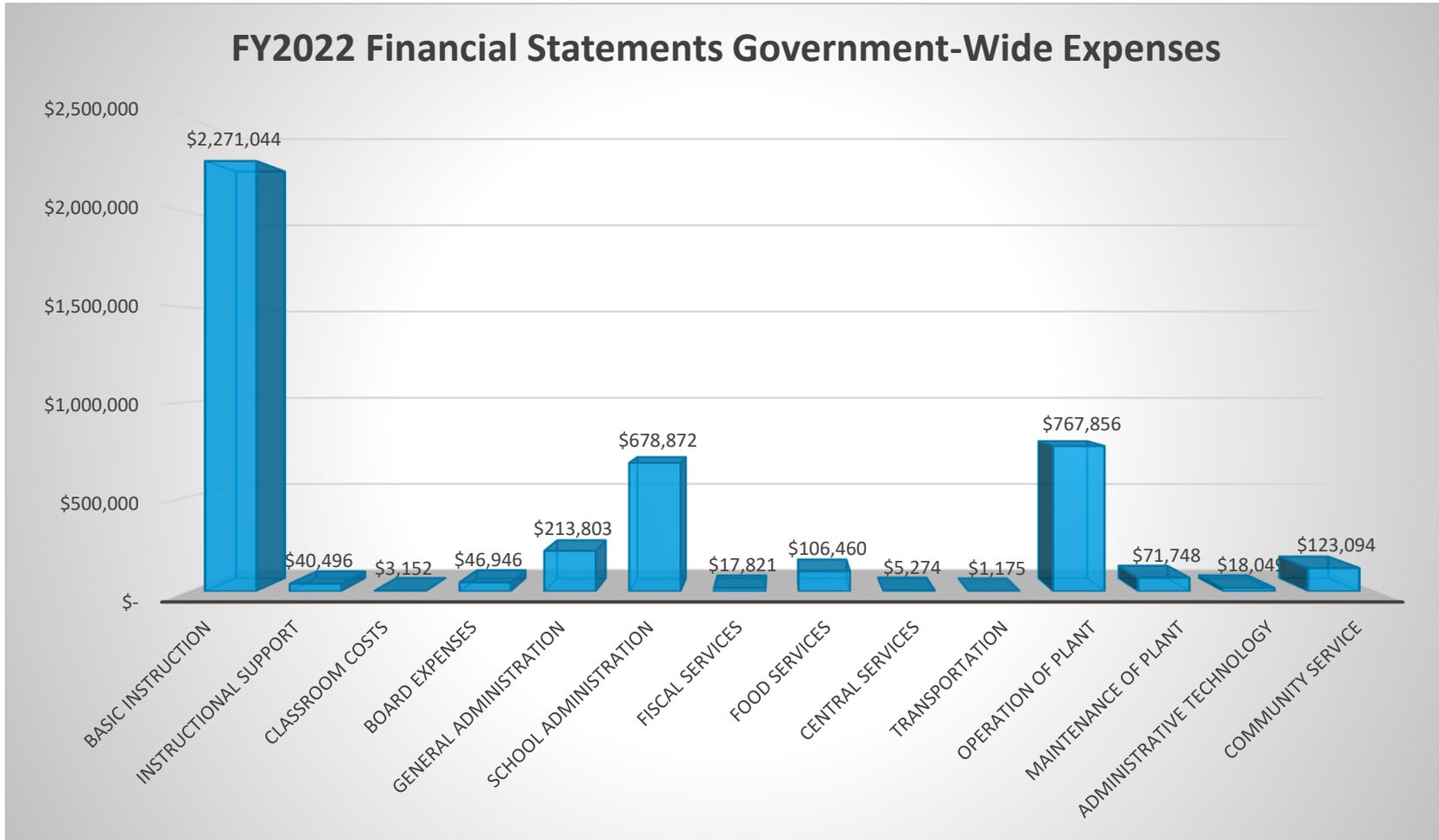
FACT SHEET - CONTINUED

School Financial Data

FY2022 Audited Government Wide Financial Analysis – Net Position	
Assets	6/30/2022
Current and Other Assets	\$ 61,235
Capital Assets, Net	\$ -
Total Assets	\$ 61,235
Liabilities	
Current Liabilities	\$ 126,645
Noncurrent Liabilities	\$ 27,500
Total Liabilities	\$ 154,145
Net Position	
Net Investment in Capital Assets	\$ -
Unrestricted	\$ (92,820)
Total Net Position	\$ (92,820)

FACT SHEET - CONTINUED

School Financial Data (Continued)



RESULTS

School Cash Account Closeout and Noncompliance with Florida Statute 1002.33

Florida Statute 1002.33 states *“When a charter is not renewed or is terminated, the school shall be dissolved under the provisions of the law under which the school was organized, and any unencumbered public funds, except for capital outlay funds and federal charter school program grant funds, from the charter school shall revert to the sponsor.”*

In the closeout of the School, all final transactions should be completed by the School prior to closeout and, apart from the specific funds noted, any remaining cash reverted to the sponsor, the District.

It was noted that the School’s bank statements for June 30, 2022 had a total ending balance of \$42,693.01, however, the District did not receive any bank closure confirmation nor was in receipt of any funds that should have reverted to the District. We recommend that the District should consult with legal counsel to determine how to obtain final bank account status including any movement or closure of cash.

School Cash Closeout								
Per June 30, 2022 Monthly Financials								
	Operating	AG	Funding	MM	Payroll	Aftercare	Rent	Total
Bank Account Balance as of 06/30/22	\$ 27,285.63	\$169.58	\$ -	\$ -	\$15,234.68	\$ -	\$3.12	\$42,693.01
Deposits in Transit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Outstanding Checks	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Bank Balance:	\$ 27,285.63	\$169.58	\$ -	\$ -	\$15,234.68	\$ -	\$3.12	\$42,693.01
Total Cash Available at Closeout:	\$ 27,285.63	\$169.58	\$ -	\$ -	\$15,234.68	\$ -	\$3.12	\$42,693.01

RESULTS – CONTINUED

Detailed Testing of Expenditures – Supporting Documentation

During our detailed testing of source documents, a lack of sufficient supporting documentation for expenses at the School was noted. Samples were selected for testing to determine if supporting documentation existed, supporting documentation amounts tied to general ledger/check register, if there was a business need for the transaction, and if an invoice/receipt amount could be confirmed on the bank statement.

The sample reviewed comprised of five (5) online payments, two (2) wire payments, and eight (8) debit card purchases totaling \$83,672.70 in purchases. Of the fifteen (15) samples, ten (10) samples are noted below as exceptions to our testing, and total \$70,685.36 of the \$83,672.70, or 84% of the amount tested.

- For ten (10) expenditures, no supporting documentation was provided to demonstrate the nature and details of the purchases:
 - 10/07/2021 a debit purchase to Amazon in the amount of \$2,270.24
 - 11/05/2021 a debit purchases tor UPS in the amount of \$611.08
 - 03/11/2022 a debit purchase to Amazon in the amount of \$12,667.20
 - 03/28/2022 a wire transfer to DELL for “computer equipment” in the amount of \$22,113.90
 - 04/11/2022 a debit purchase to Amazon in the amount of \$1,021.80
 - 04/27/2022 a debt purchase to Kommander in the amount of \$1,419.60
 - 04/28/2022 a debit purchase to Amazon in the amount of \$152.96
 - 05/09/2022 a debt purchase to Wal-Mart in the amount of \$321.62
 - 05/20/2022 a miscellaneous wire transfer from Operating account to unknown party in the amount of \$29,934.98
 - 05/25/2022 a debit purchase to Amazon in the amount of \$171.98

RESULTS – CONTINUED

Detailed Testing of Outstanding Accounts Payable

Unrecorded Accounts Payable

After the School closure on June 30, 2022, the District received ten (10) invoices from various vendors claiming non-payment from the School. The District requested that RSM review the available school records to determine if there was any additional information related to these outstanding invoices (i.e. purchase orders, contracts, etc.), or, if it could be determined that the invoices had been paid. A search of the check register, general ledger and bank statements by invoice number, vendor name and dollar amount were conducted. The ten (10) invoices totaled \$11,665.20.

- For seven (7) of the ten (10) invoices we could not find evidence that these had been paid. No other documentation was found related to the purchases, including a purchase order or contract with vendor.
 - 01/21/2022 invoice 12936 for American Fire Systems totaling \$295.00
 - 01/26/2022 invoice 44763 for Park Avenue Limousines totaling \$900.00
 - 03/28/2022 invoice 10555835 for Impact Fire totaling \$723.00
 - 05/13/2022 invoice 44878 for Park Avenue Limousines totaling \$700.00
 - 05/01/2022 invoice 44868 for Park Avenue Limousines totaling \$2,100.00
 - 06/09/2022 invoice 31814836 for Great American Financial Services totaling \$1,396.02
- For three (3) of the ten (10) invoices the District requested confirmation of payment, payment was identified within Charter Ace and corresponding bank statements.
 - 03/28/2022 invoice 10555833 for Impact Fire totaling \$1,123.00
 - 06/24/2022 invoice 10560620 for Impact Fire totaling \$300.00
 - 06/24/2022 invoice 10557615 for Impact Fire totaling \$823.00

In addition, the District understands that W2 documentation for School employees has not been distributed for the 2022 tax year as of January 31, 2022. The School had contracted with PayChex to perform payroll services, however, due to an outstanding accounts receivable balance between PayChex and the School, PayChex had not performed any services related to the School's account.

RESULTS – CONTINUED

Detailed Testing of Outstanding Accounts Payable (Continued)

Lack of Procurement Procedures

Per review of the By-Laws of the School, *"Except as otherwise provided in these Bylaws, the Board of Directors may authorize any Officer or agent to enter into any contract or execute and deliver any instrument in the name and on behalf of the Corporation, and such may be general or confined to a specific instance. Unless so authorized by the Board of Directors, no officer, employee, agent or representative shall have the power or authority to bind the Corporation by any contract or engagement, or to pledge its credit, or render it liable pecuniarily for any purpose or to any amount."*

It was unknown how a vendor was determined "authorized to initiate services or goods" requested by the School. Standard practice of this authorization process would be handled through a purchase order process to document the approval, reserve the funds through encumbrance against budgeted funds, and documented as the School's open obligation to a vendor for requested services or goods. Building Hope relied on all documents to be entered by the School office personnel and did not track any outstanding accounts payable invoices. The District identified \$9,419.20 in outstanding accounts payable for vendors that requested payment since the School closed. The total amount of outstanding payments due to vendors for services requested is unknown.

RESULTS – CONTINUED

Detailed Testing of Expenditures – Authorization

Pre-Approval

Per the By-Laws of the School, *“All checks, drafts, or orders for the payment of money, notes, or other evidence of indebtedness issued in the name of the Corporation shall be signed by such officers or officers, agent or agents of the Corporation and in such manner as the Board of Directors from time to time shall determine by resolution. In the absence of such determination, such instruments shall require the signatures of both the President and the Treasurer of the Corporation.”*

It was noted during the review that the following persons were listed in the following roles to perform authorizations: John D’Amico, President and Tammy Raz, Treasurer.

- For ten (10) out of fifteen (15) expenditures tested, no evidence of any approvals was documented or retained for payments to be processed. Thus, we could not verify that these expenditures were properly approved.
 - 10/07/2021 a debit purchase to Amazon in the amount of \$2,270.24
 - 11/05/2021 a debit purchase to UPS in the amount of \$611.08
 - 03/11/2022 a debit purchase to Amazon in the amount of \$12,667.20
 - 03/28/2022 a wire transfer to DELL for “computer equipment” in the amount of \$22,113.90
 - 04/11/2022 a debit purchase to Amazon in the amount of \$1,021.80
 - 04/27/2022 a debt purchase to Kommander in the amount of \$1,419.60
 - 04/28/2022 a debit purchase to Amazon in the amount of \$152.96
 - 05/09/2022 a debit purchase to Walmart in the amount of \$321.62
 - 05/20/2022 a miscellaneous wire transfer from Operating account to unknown party in the amount of \$29,934.98
 - 05/25/2022 a debit purchase to Amazon in the amount of \$171.98

Lack of Formal Monitoring Process for Debit Card Purchases and Wire Payments

Per review of the School’s financial policies, all purchases, regardless of purchasing instrument, should follow preapproval and authorization requirements. We tested expenditures as noted previously in this report and noted that zero (0) of the two (2) wire payments and eight (8) debit card purchases had prior authorization documented. Building Hope confirmed that no authorization process was followed for debit card purchases or wire transfers. We also noted that there was no formal monitoring of wire or debit card purchases to include appropriate reporting. Per Building Hope, only John D’Amico and the Principal had access to the cards for the operating bank account, however, there was debit card activity also noted in the Aftercare and AG bank accounts.

RESULTS – CONTINUED

Additional Observations

Lack of Segregation of Duties – Dual Check Approvals

Per the By-Laws of the School, *“All checks, drafts, or orders for the payment of money, notes, or other evidence of indebtedness issued in the name of the Corporation shall be signed by such officers or officers, agent or agents of the Corporation and in such manner as the Board of Directors from time to time shall determine by resolution. In the absence of such determination, such instruments shall require the signatures of both the President and the Treasurer of the Corporation.”*

It was noted during our review that the following persons were listed in the following roles to perform authorizations: John D’Amico President, Treasurer, Tammy Raz, Treasurer, and, Michele Nelson, Secretary.

Per the interview conducted with a representative of Building Hope, John D’Amico and Michele Nelson were programmed in the Charter Ace and Bill.com system as approvers for Administrator and John D’Amico was the only individual programmed as a Board-level approver. Payments were required to have dual approvals of one (1) Administrator approver and one (1) Board approver. However, since John D’Amico was granted approval permissions in both roles, he had the ability to fully approve electronic payments. It was noted during the testing of online check payments that all five (5) verified transactions reviewed were approved by only John D’Amico, serving as both the Administrator and Board approvers.

- For five (5) expenditures reviewed, John D’Amico signed off as both the Administrator and Board approvers within the Charter Ace system for a total of \$12,987.34.
 - 11/30/2021 an online payment to Home Depot in the amount of \$644.68
 - 10/05/2021 an online payment to Charter School Capitol, Inc. in the amount of \$2,000.00
 - 01/28/2022 an online payment to H Wire Technology Solutions in the amount of \$7,831.32
 - 05/25/2022 an online payment to Harper in the amount of \$ 1,717.80
 - 06/28/2022 an online payment to Verizon Wireless in the amount of \$793.54

RESULTS – CONTINUED

Additional Observations

Related Party Relationships and Defined Roles and Responsibilities

A Sunbiz search was conducted for John D'Amico after reviewing consulting invoices within the Charter Ace system, with John D'Amico as the vendor. Due to multiple listings with the same name on Sunbiz.com, it was undetermined whether a consulting firm may belong to John D'Amico. Ten (10) payments from August 31, 2020 through May 6, 2021 were paid directly to John D'Amico with nine (9) of the ten (10) payments for \$2,500 and one (1) payment for \$750 (August pro-rated) totaling \$23,250. John D'Amico signed off as both the Administrator and Board approvers within the Charter Ace system for each of these ten payments. After reviewing payroll records, John D'Amico was paid through the School's payroll during January 1-15, 2022, for \$2,500 as a gross amount. Through conversation with the District we learned that John D'Amico was asked to halt the consultant payments through the Charter Ace system and instead be added to payroll to avoid the conflict of interest relative to payment approvals. Since the January 1-15, 2022 was the only payroll documentation provided, we were unable to determine the range of time he was paid through payroll and the total amount he received through payroll during the scope review period.



RSM US LLP
7351 Office Park Place
Melbourne, Florida 32940-8229
(321) 751-6200
www.rsmus.com

www.rsmus.com

RSM US LLP is a limited liability partnership and the U.S. member firm of RSM International, a global network of independent audit, tax and consulting firms. The member firms of RSM International collaborate to provide services to global clients, but are separate and distinct legal entities that cannot obligate each other. Each member firm is responsible only for its own acts and omissions, and not those of any other party.

For more information, visit rsmus.com/aboutus for more information regarding RSM US LLP and RSM International.

© 2023 RSM US LLP. All Rights Reserved.