RULES

OF THE

AUDITOR GENERAL

CHAPTER 10.850

AUDITS OF CHARTER SCHOOLS AND CHARTER TECHNICAL CAREER CENTERS, THE FLORIDA VIRTUAL SCHOOL, AND VIRTUAL INSTRUCTION PROGRAM PROVIDERS

EFFECTIVE 6-30-26

RULES OF THE AUDITOR GENERAL
CHAPTER 10.850

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PREFACE TO RULES

Annual financial audits of charter schools and charter technical career centers are required by Section 218.39(1)(e) and (f), Florida Statutes. An audit of the Florida Virtual School, including Florida Virtual School Global,[1] is required by Section 1002.37(6), Florida Statutes. Audits of virtual instruction program providers are required by Section 1002.45(2)(a)10., Florida Statutes. Auditors are cautioned that, in general, these rules do not repeat nor paraphrase the various laws, rules, and regulations governing the operations of the charter schools and similar entities. Hence, knowledge of legal provisions governing charter schools and similar entities, the Florida Virtual School, including Florida Virtual School Global, and virtual instruction program providers is the responsibility of individual auditors.

These rules are intended to and do implement, interpret, or make specific, certain statutory provisions that are within the authority of the Auditor General to implement, interpret, or make specific. However, the rules are not intended to supersede, nor do the rules impinge on, the authority of the Board of Accountancy in the regulation of the practice of accountancy as authorized by Chapter 473, Florida Statutes.

Note: All statutory references are to the 2026 Florida Statutes.

History: New 07-01-99
Last Amended 06-30-26

[1] Florida Virtual School Global operates within the Florida Virtual School and has historically been reported as the Global Services Division as part of the Florida Virtual School's proprietary activities.

10.851 PURPOSE

(1) Charter schools and charter technical career centers located in Florida are required by Florida law (Sections 218.39(1)(e) and (f), Florida Statutes) to have an annual "financial audit." Under Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as applicable, a charter school or charter technical career center may also be required to have an audit of Federal awards.

(2) Under the provisions of Section 1002.37(6), Florida Statutes, these rules are made applicable to the Florida Virtual School, including Florida Virtual School Global, referred to in Section 1002.37, Florida Statutes.

(3) Under the provisions of Section 1002.45(2)(a)10., Florida Statutes, these rules are made applicable to the virtual instruction program providers approved to offer virtual instruction programs pursuant to Section 1002.45(2), Florida Statutes.

(4) The Comptroller General of the United States has adopted professional auditing standards for the audit of entities receiving Federal awards. These standards are contained in the publication titled *Government Auditing Standards*.

(5) The Auditor General has adopted the auditing standards set forth in *Government Auditing Standards* as the standards for auditing charter schools, charter technical career centers, the Florida Virtual School (including Florida Virtual School Global) and the virtual instruction program providers pursuant to Florida law. Hence, the same auditing standards are applicable to both Federal awards audits and financial audits required by Florida law and should eliminate duplication of audit activity.

(6) There are statutory differences between Federal and Florida audit requirements as to what is to be audited. There may also be differences in the way similar terms are defined in Federal law and Florida law. Auditors shall preserve these distinctions.

(7) The purpose of these rules is to implement, interpret, or make specific, various provisions of Sections 11.45, 218.39,1002.37, and 1002.45, Florida Statutes.

(8) These rules will also form the basis of the review of charter school and charter technical career center audit reports pursuant to Section 11.45(7)(b), Florida Statutes.

General Authority and Law Implemented - Sections 11.45, 1002.37(6), and 1002.45(2)(a)10., Florida Statutes.
History: New 07-01-99
Last Amended 06-30-20

10.852 RULES OF CONSTRUCTION

(1) Applicable provisions of Florida law and expressed provisions of these rules shall prevail over conflicting provisions of material incorporated by reference.

(2) Audits of non-Federal resources shall be guided by Florida law and these rules, and audits of Federal awards shall be guided by Federal law and applicable provisions of Florida law.

General Authority and Law Implemented - Sections 11.45, 1002.37(6), and 1002.45(2)(a)10., Florida Statutes.
History: New 07-01-99
Last Amended 06-30-19

10.853 PUBLICATIONS INCORPORATED BY REFERENCE

For purposes of these rules, the following material, as in effect for the fiscal year audited, is incorporated by reference and shall be followed when applicable.

(1) *Codification of Governmental Accounting and Financial Reporting Standards* promulgated by the Governmental Accounting Standards Board (GASB).

(2) *AICPA Professional Standards* promulgated by the American Institute of Certified Public Accountants.

(3) *Government Auditing Standards* issued by the Comptroller General of the United States.

(4) *Audit & Accounting Guide—State and Local Governments* promulgated by the American Institute of Certified Public Accountants.

(5) *Audit & Accounting Guide—Not-for-Profit Entities* promulgated by the American Institute of Certified Public Accountants.

(6) *Audit Guide—Government Auditing Standards and Single Audits* promulgated by the American Institute of Certified Public Accountants.

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

(8) *Accounting Standards Codification* promulgated by the Financial Accounting Standards Board.

(9) *Financial and Program Cost Accounting and Reporting for Florida Schools* and amendments thereto, as published by the Florida Department of Education.

General Authority and Law Implemented - Sections 11.45, 1002.37(6), and 1002.45(2)(a)10., Florida Statutes.

History: New 07-01-99
Last Amended 06-30-26

10.854 DEFINITIONS

(1) As used in these rules, the term:

(a) "Auditor" means an independent certified public accountant licensed pursuant to Chapter 473, Florida Statutes, and retained and paid by a charter school or charter technical career center to perform a financial audit pursuant to Sections 218.39(1)(e) or (f), Florida Statutes; the Florida Virtual School, including Florida Virtual School Global, pursuant to Section 1002.37(6), Florida Statutes; or virtual instruction program providers pursuant to Section 1002.45(2)(a)10., Florida Statutes.

(b) "Deteriorating financial condition" means a circumstance determined as of the fiscal year end that significantly impairs a charter school's or charter technical career center's ability to generate enough revenues to meet its expenditures without causing a condition described in Section 218.503(1), Florida Statutes, to occur.

(c) "Generally accepted accounting principles" are those accounting principles generally accepted in the United States, as defined by FASB *Accounting Standards Codification*, Topic 105 *Generally Accepted Accounting Principles* or the GASB *Codification of Governmental Accounting and Financial Reporting Standards*, Section 1000 *The Hierarchy of Generally Accepted Accounting Principles*.

(d) "*Government Auditing Standards*" are those audit standards set forth in the publication *Government Auditing Standards* (2018 Revision) issued by the Comptroller General of the United States.

(e) "Management letter" means a written statement of the auditor's comments and recommendations. This letter shall be prepared and included as a part of each financial audit report pursuant to Section 218.39(4), Florida Statutes, and Rule 10.856(2)(d). The management letter shall include, but not be limited to:

1. A statement as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report, not otherwise addressed in the auditor's report pursuant to Rule 10.856(2)(b). If an audit finding in the preceding financial audit report is uncorrected, the auditor shall determine whether the finding was also included in the second preceding fiscal year financial audit report. Uncorrected findings in the current fiscal year audit report shall cite the finding reference numbers used in the preceding and, as applicable, the second preceding fiscal year financial audit reports.
2. A statement describing the results of the auditor's determination pursuant to Rule 10.855(11) as to whether or not the charter school or charter technical career center met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. (See also Rule 10.857(2))
3. Any recommendations to improve the entity's financial management.
4. Noncompliance with provisions of contracts or grant agreements, or fraud, waste, or abuse, that has occurred or is likely to have occurred,

that has an effect on the financial statements that is less than material but warrants the attention of those charged with governance. **Note:** Fraud, noncompliance with provisions of laws or regulations and contracts or grant agreements, or waste or abuse that does not warrant the attention of those charged with governance, or internal control deficiencies that are not material weaknesses or significant deficiencies may be reported in the management letter based on professional judgment.

5. The name or official title of the entity and, for charter schools and charter technical career centers, the school code assigned by the Florida Department of Education.

6. For charter schools and charter technical career centers:

   a. A statement that the auditor applied financial condition assessment procedures pursuant to Rule 10.855(12).

   b. If a deteriorating financial condition(s) is noted, a statement that the charter school's or charter technical career center's financial condition is deteriorating and a description of conditions causing the auditor to make this conclusion. If the auditor has reported that the charter school or charter technical career center has met one or more of the conditions specified in Section 218.503(1), Florida Statutes (see Rule 10.854(1)(e)2. above), this statement shall indicate whether such condition(s) resulted from a deteriorating financial condition(s). Findings regarding deteriorating financial conditions shall be prepared in accordance with Rule 10.856(3).

7. For charter schools, a statement describing the results of the auditor's determination pursuant to Rule 10.855(13) as to whether or not the charter school maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

General Authority and Law Implemented - Sections 11.45, 1002.37(6), and 1002.45(2)(a)10., Florida Statutes.

History: New 07-01-99
Last Amended 05-31-22

10.855 SCOPE OF THE FINANCIAL AUDIT

(1) It is the intent of these rules to make *Government Auditing Standards* applicable in the State of Florida to audits of charter schools and charter technical career centers pursuant to Section 218.39(1)(e) and (f), Florida Statutes; to audits of the Florida Virtual School, including Florida Virtual School Global, pursuant to Section 1002.37(6), Florida Statutes; and to audits of virtual instruction program providers pursuant to Section 1002.45(2)(a)10., Florida Statutes.

(2) The scope of a "financial audit" shall include:

(a) An examination of financial statements to determine whether they are presented, in all material respects, in conformity with generally accepted accounting principles.

(b) An examination to determine whether operations are properly conducted in accordance with legal and regulatory requirements.

(c) An examination of any additional financial information necessary to comply with generally accepted accounting principles.

(3) Section 1002.33(12)(i), Florida Statutes, provides that a charter school shall be organized as, or be operated by, a nonprofit organization. A charter school also may be operated by a municipality or other public entity. Based on the guidance provided in the American Institute of Certified Public Accountants *Audit & Accounting Guide — Not-for-Profit Entities*, and the provisions of Section 1002.33(9), Florida Statutes, an individual charter school established as a separate legal entity (i.e., organized as a separate nonprofit organization) generally is a governmental organization for financial reporting purposes. In these circumstances, the financial statements referred to in paragraph (2)(a) should be prepared following the hierarchy of generally accepted accounting principles (GAAP) applicable to state and local governments (governmental accounting model).

If the individual charter school is not organized as a separate legal entity (i.e., it is operated by a nonprofit organization that operates other charter schools or carries on other functions or is operated by a municipality or other public entity), financial statements for the charter school should be prepared in accordance with the GAAP hierarchy required for the entity that operated the charter school. The auditor's report on the financial statements should be prepared in accordance with *AICPA Professional Standards*, AU-C Section 805. Since standalone financial statements for college-sponsored charter technical career centers and university-sponsored charter laboratory schools do not constitute a complete presentation of the sponsoring college or university, the financial statement audit opinion should include an emphasis of matter paragraph consistent with the *AICPA Professional Standards*, AU-C Section 805A.34 (see illustration 5).

(4) For a charter school organized as a separate legal entity and reporting under the governmental accounting model, the financial statements referred to in paragraph (2)(a) are the basic financial statements as identified by Section 2200.102b. of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*. For other charter schools, the financial statements referred to in paragraph (2)(a) are financial statements that do not constitute a complete presentation of the organization that operates the charter school but otherwise constitute financial statements in conformity with generally accepted accounting principles. The financial statements, as

described in paragraph (2)(a), should present the charter school's financial position including the charter school's current and capital assets and current and long-term liabilities and net assets, changes in financial position, and cash flows.

(5) For standalone financial statements related to college-sponsored charter technical career centers and university-sponsored charter laboratory schools, assets and liabilities attributable to the center or school should be presented to the extent possible. Liabilities, such as pension and other post-employment benefits (OPEB) liabilities, do not have to include prorated amounts of the sponsor; however, any amount reported should be estimated using a reasonable documented method. The required supplementary information (RSI) pension and OPEB schedules may be, but are not required to be, included in the center or school's financial statements. If portions of the pension and OPEB liabilities are not allocated and reported as liabilities of the center or school, or RSI pension and OPEB schedules are not included in the center or school's financial statements, the related note disclosures should indicate such and reference the sponsoring college or university's financial statement audit, in which complete pension and OPEB disclosures are reported.

(6) Section 1002.34(7), Florida Statutes, provides that a charter technical career center shall be organized as a nonprofit organization and is a body corporate and politic. Based on the guidance provided in the American Institute of Certified Public Accountants *Audit & Accounting Guide—Not-for-Profit Entities*, and the provisions of Sections 1002.34(9) and (15), Florida Statutes, a charter technical career center generally is a governmental organization for financial reporting purposes. In these circumstances, the financial statements referred to in paragraph (2)(a) should be prepared following the hierarchy of GAAP applicable to state and local governments (governmental accounting model).

(7) Section 1002.37(2), Florida Statutes, provides that the Florida Virtual School shall be governed by a board of trustees appointed by the Governor and the board of trustees shall be a public agency. Also, Section 1002.37(2)(l), Florida Statutes, provides that the financial records and accounts of the school shall be maintained under the uniform system of financial records and accounts for the schools of the State. Based on the guidance provided in the American Institute of Certified Public Accountants *Audit & Accounting Guide—Audits of State and Local Governments*, and the provisions of Section 1002.37, Florida Statutes, the Florida Virtual School would be considered a governmental organization for financial reporting purposes. In these circumstances, the financial statements referred to in paragraph (2)(a) should be prepared following the hierarchy of GAAP applicable to state and local governments (governmental accounting model).

(8) For those charter schools, charter technical career centers, and the Florida Virtual School that follow the governmental accounting model, the basic financial statements should be accompanied by: (1) management's discussion and analysis, as identified by Section 2200.102a. of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*, and (2) other required supplementary information, as identified by Section 2200.102c. of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*.

(9) Section 1002.45, Florida Statutes, establishes requirements for each school district to offer virtual instruction programs to public school students within its boundaries. To be approved by the Florida Department of Education as a virtual instruction program provider, Section 1002.45(2), Florida Statutes, requires a provider to document

adherence to a number of criteria, one of which is to provide for an annual financial audit. Financial statements of virtual instruction program providers subjected to audit should be prepared in conformity with the *Accounting Standards Codification* promulgated by the Financial Accounting Standards Board effective for the applicable fiscal year.

(10) The scope of the financial audit shall include any additional activities necessary to establish compliance with the term "financial statement audit" as defined and used in G*overnment Auditing Standards*.

(11) When applicable, the scope of the financial audit shall encompass the additional activities necessary to establish compliance with Uniform Guidance and other applicable Federal law.

For charter schools and charter technical career centers, the scope of the financial audit shall include appropriate procedures, based on the auditor's professional judgment, to determine whether or not the charter school or charter technical career center met one or more of the conditions described in Section 218.503(1), Florida Statutes.

(12) For charter schools and charter technical career centers, the scope of the financial audit shall include the use of financial condition assessment procedures in determining whether deteriorating financial conditions exist pursuant to Section 218.39(5)(a), Florida Statutes. The auditor is responsible for assessing financial condition and the methodology used is a matter of professional judgment. The financial condition assessment shall be done as of the fiscal year end; however, the auditor shall give consideration to subsequent events, through the date of the audit report, that could significantly impact the charter school's or charter technical career center's financial condition.

(13) For charter schools, the scope of the financial audit shall include appropriate procedures, based on the auditor's professional judgment, to determine whether or not the charter school maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

General Authority and Law Implemented - Sections 11.45, 1002.37(6), and 1002.45(2)(a)10., Florida Statutes.

History: New 07-01-99
Last Amended 06-30-21

10.856 AUDIT REPORT

(1) Each audit report shall comply with the applicable reporting standards as contained in the publications referenced in Rule 10.853.

(2) Each audit report submitted pursuant to Sections 218.39(7), 1002.37(6), or 1002.45(2)(a)10., Florida Statutes, and these rules, shall be a single document and contain at least the following:

(a) A table of contents.

(b) The auditor's report on the basic financial statements and report on internal control and compliance. The reports shall be based on an audit of the financial statements conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in G*overnment Auditing Standards*.

(c) Any other auditor's reports, related financial information, and auditee-prepared documents required pursuant to Uniform Guidance and other applicable Federal law.

(d) The "management letter" required by Section 218.39(4), Florida Statutes, and defined in Rule 10.854(1)(e).

(e) The basic financial statements and required supplementary information required by generally accepted accounting principles.

(f) The written statement of explanation or rebuttal required by Rule 10.857(2). Such written statement of explanation or rebuttal should include the finding reference number used by the auditor in the auditor's report. (See also Rule 10.856(3)(g).)

(3) Audit findings contained in reports, schedules, and management letters shall include the following specific information:

(a) The criteria or specific requirement upon which the audit finding is based, including statutory, regulatory, or other citation.

(b) The condition found, including facts that support the condition identified in the audit finding.

(c) The cause, or the reason or explanation for the condition or the factor(s) responsible for the difference between the situation that exists (condition) and the required or desired state (criteria).

(d) The effect or potential effect (i.e., outcome or consequence) of the condition. This should include information to provide proper perspective for judging the prevalence and consequences of the audit finding, such as whether the audit finding represents an isolated instance or a systemic problem. Where appropriate, instances identified shall be related to the universe and the number of cases examined, and shall be quantified in terms of dollar value.

(e) Recommendations to prevent future occurrences of the deficiency identified in the audit finding.

(f) Views of responsible officials of a school or center and, if applicable, an explanation as to why the auditor disagrees with views of responsible officials when there is disagreement with the audit finding.

(g) Reference number.

General Authority and Law Implemented - Sections 11.45, 1002.37(6), and 1002.45(2)(a)10., Florida Statutes.

History: New 07-01-99
Last Amended 06-30-20

10.857 DELIVERY OF AUDIT REPORT AND MANAGEMENT'S RESPONSE

(1) When financial audits reveal that one or more of the conditions specified in Section 218.503(1), Florida Statutes, have occurred or will occur if action is not taken to assist the charter school or charter technical career center, the auditor shall notify the governing body of the charter school or charter technical career center, the sponsor, and the Commissioner of Education within 7 business days after the finding is made. (Section 1002.345(2)(a)1., Florida Statutes.)

(2) To promote uniformity in the conduct of financial audits and to provide the public with management's explanations of corrective action designed to prevent recurrence of any findings in the auditor's reports and management letter, a written statement of explanation or rebuttal concerning the auditor's findings and recommendations, including corrective action to be taken, shall be filed with the governing body, and with the charter school's or charter technical career center's sponsor, within 30 days after delivery of the auditor's findings to be included in the auditor's report or management letter prepared pursuant to Section 218.39(4), Florida Statutes. For charter schools and charter technical career centers, the written statement shall include corrective actions taken, or to be taken, regarding one or more conditions reported by the auditor pursuant to Rule 10.854(1)(e)2. or 10.857(1), and determined to be the result of a deteriorating financial condition reported pursuant to Rule 10.854(1)(e)6.b. (Section 218.39(6) and (7), Florida Statutes.)

(3) The auditor shall provide a copy of the audit report to management; each member of the governing body; the charter school's or charter technical career center's sponsor; each member of an audit committee charged with governance as defined in *AICPA Professional Standards,* AU-C Section 260; and the Florida Department of Education. For the Florida Virtual School, including Florida Virtual School Global, the auditor shall deliver a copy of the audit report as specified in Section 1002.37(6), Florida Statutes, and to management, each member of the governing body, and each member of an audit committee charged with governance as defined in *AICPA Professional Standards,* AU-C Section 260. For virtual instruction program providers, the auditor shall deliver a copy of the audit report to management, each member of the governing body, and each member of an audit committee charged with governance as defined in *AICPA Professional Standards,* AU-C Section 260.

(4) One paper copy and one electronic copy of the audit report required by Rule 10.856, including management's responses thereto, shall be submitted to the Auditor General within 45 days after delivery of the audit report to the governing body, but no later than 9 months after the end of the charter school's or charter technical career center's fiscal year. The date that the audit report was delivered to the governing body shall be indicated by the entity in the submittal checklist (form located on FLAuditor.gov under Technical Guidance) accompanying the audit report submitted to the Auditor General pursuant to Section 218.39(7), Florida Statutes. The paper copy and the electronic copy

of the audit report shall be submitted to the Auditor General at the following mailing address and e-mail address, respectively:

Auditor General
Local Government Audits/251
Claude Pepper Building, Room 401
111 West Madison Street
Tallahassee, Florida 32399-1450

flaudgen_dsb_charter@aud.state.fl.us

General Authority and Law Implemented - Sections 11.45, 1002.37(6), and 1002.45(2)(a)10., Florida Statutes.

History: New 07-01-99
Last Amended 06-30-23

10.858 EFFECTIVE DATE

These rules, as amended, shall take effect for fiscal years ending June 30, 2026, and thereafter.

General Authority and Law Implemented - Sections 11.45, 1002.37(6), 1002.45(2)(a)10., Florida Statutes.

History: New 07-01-99
Last Amended 06-30-26