



School District of
OSCEOLA COUNTY
FLORIDA

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

February 3, 2023

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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	

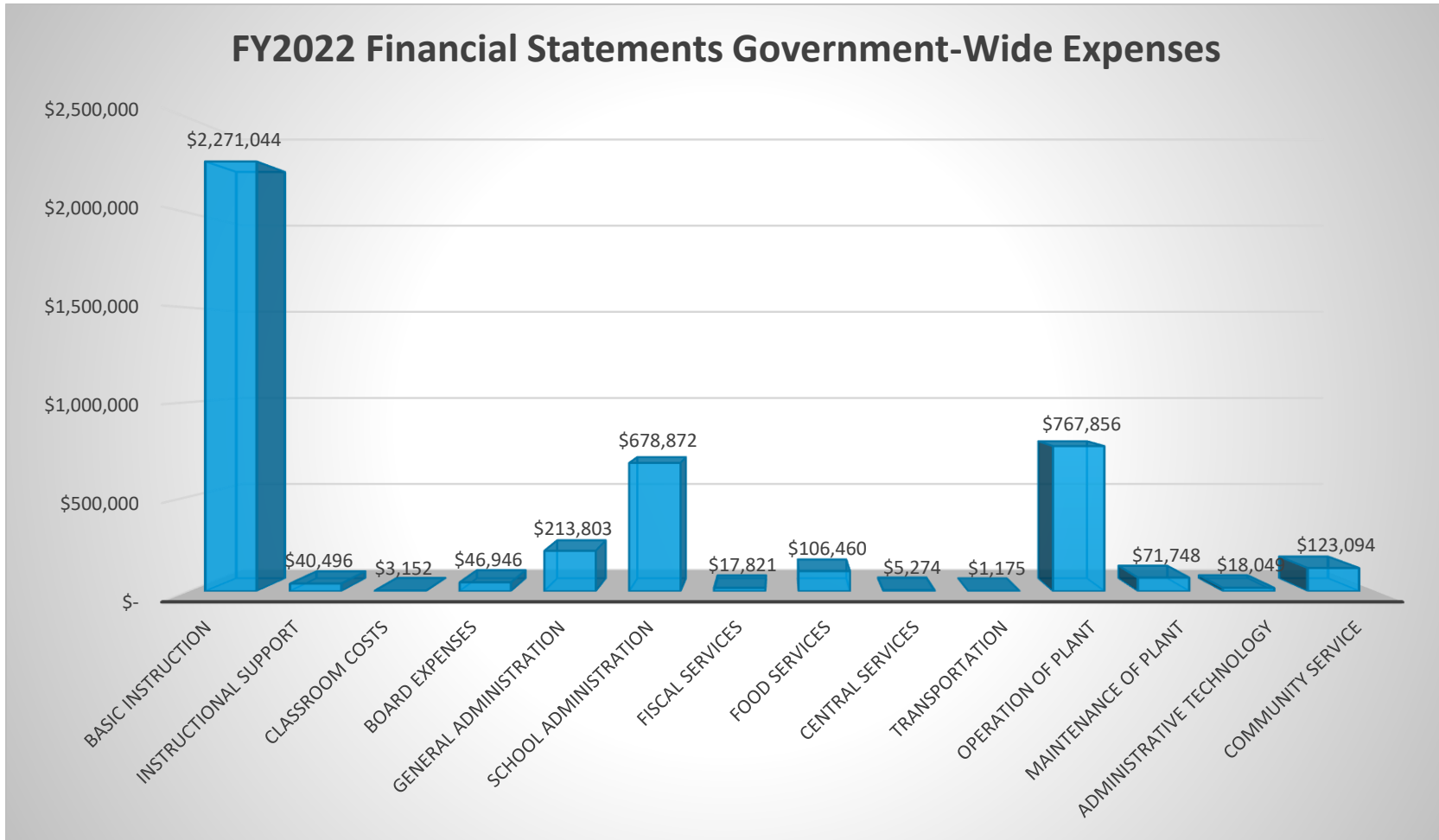
FACT SHEET - CONTINUED

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

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