



Financial Highlights

Career Tech High Academy Charter School Financial Audit

Fiscal Years 2021 and 2022

June 6, 2025

The Career Tech High Academy Charter School (CTHACS) received a disclaimer of opinion on its financial statements and report on compliance and internal control for fiscal years (FY) ended September 30, 2021 and 2022, from independent auditors Ernst & Young, LLP (EY). Due to the significance of the matters outlined in the Basis for Disclaimer of Opinion section, EY has not been able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion. Therefore, they did not express an opinion on the financial statements.

For FY 2021, EY identified two internal control deficiencies as material weaknesses. CTHACS closed the year with a negative net position of \$32 thousand (K). This audit marked the school's first financial audit.

For FY 2022, EY identified one deficiency in internal control as a material weakness. CTHACS closed FY 2022 with a net position of \$51K, an increase from FY 2021's negative net position of \$32K.

Basis for Disclaimer of Opinion

During FY 2021, CTHACS was under a different management, and lacked procedures to ensure that sufficient accounting records were maintained to support the amounts recorded in the financial statements. As of September 30, 2021, CTHACS has not completed a bank reconciliation. EY could not confirm or verify the completeness of liabilities as they could not examine supporting documents for subsequent disbursements totaling \$43K. EY was also unable to confirm or verify the appropriations revenue for FY 2021 by alternative means and were unable to examine supporting documents for expenses aggregating to approximately \$17K. As a result of these conditions, EY was unable to determine whether any adjustments might have been found necessary for the amounts included in the basic financial statements. Due to the significance of the matter described above, EY has not been able to obtain sufficient audit evidence to provide a basis for an audit opinion and, therefore did not express an opinion on the financial statements.

Up to FY 2022, CTHACS remained under a different management and continued to lack procedures to ensure sufficient accounting records were maintained to support the amounts recorded in the financial statements. As of fiscal year end, a bank reconciliation had still not been completed. EY could not verify the completeness of liabilities as they could not examine supporting documents for subsequent disbursements totaling \$47K. EY was also unable to confirm or verify the appropriations revenue by alternative means or examine supporting documents for expenses aggregating to approximately \$7K. In addition, EY was unable to verify \$190K recorded as payroll expense. As a result, EY could not determine whether any adjustments might have been necessary for the amounts included in the basic financial statements. Due to the significance of the

matter described above, EY has not been able to obtain sufficient audit evidence to provide a basis for an audit opinion and, once again, does not express an opinion on the financial statements.

Delayed Financial Audit

Between April 2022 and early 2024, the Office of Public Accountability (OPA) worked with CTHACS to address the school's need to comply with financial audit requirements in accordance with Guam law. The process began in 2022 when the OPA initially contacted the CTHACS principal and management to initiate the procurement for financial audit services. However, there was no progress in the procurement of such services until a year later when a change in leadership occurred and the new principal reached out to OPA for guidance on achieving audit compliance in accordance with Guam law.

The procurement process encountered several challenges including the prior management's failure to initiate the procurement process and current management's inexperience with procurement procedures. Despite extended deadlines and continuous communication, no proposals were initially received from potential vendors, requiring OPA to reissue the request for proposal. The procurement process, from the re-issuance process and subsequent steps leading up to the finalization of the RFP and signing of the audit contract for the financial audit services lasted from December 2023 to September 2024.

From August 2024 through January 2025, OPA facilitated entrance and status update meetings to monitor progress. However, the audit process was further complicated by management's difficulty in providing adequate and appropriate supporting documentation, which delayed the audit process. In April 2025, EY submitted draft financial statements to OPA.

Funding and Economic Dependency

For FY 2021 and 2022, CTHACS received financial support in monthly allotments from the General Fund of the Government of Guam (GovGuam) via the GDOE finance administrative and general expenses on a reimbursable basis. According to the GovGuam General Appropriations Act, the amounts approved for FY 2021 and FY 2022 were \$6,150 and \$6,200 per pupil, respectively. In FY 2021, CTHACS had 25 enrolled students in FY 2021, with a maximum of 100 students authorized per school year. In FY 2022, the total enrollment of 75 students was five above the authorized level of 70 students. Government appropriations were calculated by multiplying the number of enrolled students by the per-pupil rate, resulting in total appropriations of approximately \$213K in FY 2021 and \$465K in FY 2022.

CTHACS received all of its annual revenue from the Guam Legislature under the Guam Academy Charter School Act through a five-year charter agreement. Beginning on the date the charter is granted or renewed, the Guam Academy Charter School Council is required to conduct a review every five years to determine whether the charter should be revoked for material violations of laws and the terms of the agreement or failure to meet the goals and student academic achievement expectations.

Material Weaknesses Found in Report on Internal Control Over Financial Reporting

For FY 2021, EY identified two deficiencies in internal control as material weaknesses relative to CTHACS's internal control over financial reporting as follows:

1. Finding 2021-001, Supporting Documents Not Kept in a Manner That Supports the Amounts Recorded in the Financial Statements

EY found that CTHACS was under different management and there were no procedures to ensure that sufficient accounting records are kept to support the amount recorded in the financial statements. Supporting documents were unable to be provided for audit examination for the following items:

- Bank reconciliation statement
- Appropriations revenues
- Operating expenses aggregating to \$17K
- Disbursements amounting to \$43K
- Accounts receivable/revenue confirmation letter to verify the account balances as of and for the period under audit
- Enrollment contracts

EY recommended that CTHACS management perform monthly reconciliation of supporting schedules to general ledger balances; ensure that all financial transactions, policies, and procedures are thoroughly documented and easily accessible; and allocate sufficient time and resources to prepare for audits in order to minimize delays and ensure thorough evidence collection.

2. Finding 2021-002, Appropriation Revenue Recorded in the Wrong Accounting Period

EY identified certain appropriation revenue transactions that were recorded during the wrong accounting period. Specifically, revenue from appropriations amounting to \$26K for FY 2021 was recorded as revenues when it was received in FY 2022. The misstatement was due to inadequate cutoff procedures and a lack of awareness regarding the timing of revenue recognition for appropriations, as CTHACS did not consistently apply guidelines set forth in GASB Statement No. 33, leading to errors in the recording of revenue.

The misclassification of the appropriation revenue resulted in an understatement of total revenues for FY 2021 by \$26K. This error could mislead stakeholders regarding the financial position and performance of CTHACS, affecting decision-making processes. EY recommended that management develop and document clear policies and procedures for revenue recognition and cutoff, including guidelines for handling measurement periods.

For FY 2022, EY identified one deficiency in internal control as a material weakness relative to CTHACS's internal control over financial reporting as follows:

1. Finding 2022-001, Discrepancies in Bank Reconciliation Statements and Depreciation Expense Records

For FY 2022, EY found that up until September 30, 2022, (FY 2022), CTHACS was under different management and there were no procedures in place to ensure that sufficient accounting records are kept to support the amount recorded in the financial statements.

Supporting documents were unable to be provided for audit examination for the following items:

- Appropriations revenues
- Understatement of payroll expenses
- Operating revenues aggregating to \$7K
- Disbursements amounting to \$47K
- Bank reconciliation
- FY 2023 allotment verification letters
- Depreciation expense sub-ledger and general ledger difference amounting to \$1K
- Enrollment listing and enrollment contracts

EY recommended that CTHACS management perform monthly reconciliation of supporting schedules to general ledger balances; ensure that all financial transactions, policies, and procedures are thoroughly documented and easily accessible; and allocate sufficient time and resources to prepare for audits in order to minimize delays and ensure thorough evidence collection.

For more details, refer to CTHACS's FY 2021 and FY 2022 Financial Statements, Report on Internal Control Over Financial Reporting and On Compliance, and Auditor's Communication With Those Charged With Governance at www.opaguam.org.