



An initiative of the Florida Tax Credit Scholarship

October 30, 2015

Commissioner Pam Stewart
Florida Department of Education, Office of the Commissioner
Turlington Building, Suite 1514
325 West Gaines Street
Tallahassee, FL 32399

Dear Commissioner Stewart:

We hereby submit the initial results of the 2014-15 financial accountability testing for private schools that participate in the Florida Tax Credit Scholarship for low-income students through Step Up For Students. This is the fifth year under the accountability requirement and the number of schools meeting the reporting threshold has more than tripled in that time. Encouragingly, the percentage of schools reporting material exceptions this year decreased to 7.1 percent. Though the percentage of schools with incomplete reports increased this year, we trace most of that change to a new test provision that was put into effect in March.

This financial oversight requirement is described in Florida Statute 1002.395(6)(o), and requires each school receiving more than \$250,000 of scholarship funds in a single year to engage an independent Certified Public Accountant (CPA) to determine whether the school had adequate accounting and internal control systems, appropriate processes to deposit and classify funds, and that scholarship funds were spent on education-related expenses. The CPA must complete a set of Agreed-Upon Procedures that are filed with the commissioner and submit a full report to the Scholarship Funding Organization (SFO) that provides the majority of the school's scholarship funds. The deadline for that submission is the first September 15th after the close of the preceding school year. In turn, the SFO must notify the commissioner by October 30th of that year of any schools that fail to submit the report and of any schools with material exceptions noted in the reports.

In 2014-15, a total of 1,533 private schools throughout the state served 69,950 low-income scholarship students and received Tax Credit Scholarship funds. Of those, Step Up For Students identified 465 that received more than \$250,000 – or 110 more schools than the previous year. We communicated with these schools through email, phone calls, and hosted webinars to notify them of their obligations under the law, and are pleased to report that all but one submitted a report. The school that did not is Zephyrhills Christian Academy (4168) which continues to enroll scholarship students.

Of the 464 reports we received, 33 contained material exceptions that ranged from inadequate segregation of duties to not utilizing an operating budget. Of the 33 reports containing material exceptions, 20 met the \$250,000 threshold for the first time. This year, a new requirement was added to the Agreed-Upon Procedures and schools were notified of this change in March 2015. The new requirement asks the CPA to examine the school's tuition and fee schedule and compare that to a sample of scholarship recipients –this ensures scholarship recipients are being charged the appropriate amount. Of the 50 schools that submitted incomplete reports 34 of these were the result of the updated requirements. Per existing departmental policy, the schools have been granted until December 31 to complete the missing parts of their reports. We, in turn, will notify you by February 1 whether any of these 50 schools have reports that contain material exceptions.

We do want to call your attention to two of the schools that appear on the material exception list –Baptist Temple School (3248) and Cutler Ridge Christian Academy (2984). Cutler Ridge has had material exceptions in its financial reports for three consecutive years, and this year's report reflects a lack of financial control as it relates to the scholarship warrants.



An initiative of the Florida Tax Credit Scholarship

We plan to visit this school to educate the staff on the importance of this process. Baptist Temple received scholarship funds that exceeded their 2014-15 education-related expenses by \$15,782.

The following schools have had a material exception as noted by their CPA for two consecutive years:

- Bishop Larkin Catholic School (0674)
- Bridge to Independence Inc. (4186)
- Heritage Academy (3334)
- Hernando Christian Academy (0894)
- Nicaea Academy, Inc. (1176)
- S.H.I.P Academy (5500)
- Saint Joseph's School (1432)
- Southside Christian Academy (4170)

We would like to work with the department and the schools on their Corrective Action Plan.

With this letter, we attach all 33 reports with material exceptions to allow your agency to review them closely. We also attach four different lists for your reference:

- The one school that did not file a report,
- 381 schools that filed reports that contained no material exceptions,
- 33 schools with material exceptions, and
- 50 schools with incomplete reports.

This is the fifth year for this financial reporting process, and it appears to be serving the purpose the Legislature intended. We thank you for your support of our program and education choice.

Sincerely,

A handwritten signature in black ink that reads 'Doug Tuthill'.

Doug Tuthill, President
Step Up For Students

A handwritten signature in black ink that reads 'Joe Pfountz'.

Joe Pfountz, Chief Financial Officer
Step Up For Students

Enclosure (4)