



An initiative of the Florida Tax Credit Scholarship

October 25, 2017

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 2016-17 financial accountability testing for private schools that participate in the Florida Tax Credit Scholarship for low-income students and the Gardiner Scholarship through Step Up For Students. This is the seventh year under the accountability requirement for the Florida Tax Credit Scholarship and the number of schools meeting the reporting threshold has more than quadrupled in that time. This is the second year Step Up For Students had schools that met the reporting requirement for the Gardiner Scholarship.

This financial oversight requirement is described in Florida Statutes 1002.395(6)(o) and 1002.385(8)(e), 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 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 2016-17, a total of 1,726 private schools throughout the state served 98,984 low-income scholarship students and received Tax Credit Scholarship funds. Including both scholarship programs, Step Up For Students identified 689 schools that received more than \$250,000 or 132 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.

As of this date, we have yet to receive reports from 31 schools, primarily due to delays caused by Hurricane Irma. Hurricane Irma greatly impacted Florida, including large areas of electrical outages and areas where access was limited or nonexistent. We've found that both schools and CPA firms in some areas were without electricity for an extended period of time. In some cases, restoration of internet access significantly lagged behind restoration of electrical service, making it more difficult for CPAs who evacuated to continue to coordinate with school staff. In the aftermath of the hurricane, the schools requested an extension. After discussion, we offered them a one week grace period to 9/22/17 and notified the Department that we were doing so. Additionally, we gave a grace period of 9/29/17 to 3

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schools we felt were warranted after discussion with them. The schools and CPAs continue to work to complete the reports.

Of the 658 reports we received, 166 contained material exceptions that ranged from inadequate segregation of duties to not utilizing an operating budget. We feel that the large number of material exceptions are due to stronger review procedures that were revised March 15, 2017 as part of the biennial review.

There were 280 schools that submitted incomplete reports. We feel that the large number of incomplete reports are due to stronger review procedures mentioned above. Per existing departmental policy, they have been granted until December 30th to complete the missing parts of their reports. We will notify you by February 1st whether any of these schools have reports that contain material exceptions. We are also attaching seven different lists for your reference:

- The schools with clean reports for the Florida Tax Credit Scholarship,
- The schools that did not file a report for the Florida Tax Credit Scholarship,
- The schools with material exceptions for the Florida Tax Credit Scholarship,
- The schools with incomplete reports for the Florida Tax Credit Scholarship,
- The one school that did not file a report for the Gardiner Scholarship,
- The one school with an incomplete report for the Gardiner Scholarship,
- The four schools who have material exceptions and the one school that is currently incomplete, but will have a material exception that already have Corrective Action Plans for the same exception.

Of the 166 schools with material exceptions, 4 already have Corrective Action Plans (see attached list). Additionally, one school with an incomplete report also has a material exception for which the school already has a corrective action plan. For those who do not have one in place, we would like to work with the department and the schools on their Corrective Action Plan. This is the seventh 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 your support of promoting education choice.

Sincerely,



Joe Pfountz, Chief Financial Officer
Step Up For Students

Enclosure (1)

