

SCHOOL FINANCIAL REPORT REQUIREMENT

Florida Tax Credit Scholarship Program

March 15, 2017

Fiscal Accountability for Participating Schools Guidelines and Procedural Requirements Guide

Overview

The Florida Tax Credit Scholarship was enacted in 2001 to provide educational options to make scholarships available to children whose household income qualifies them for free or reduced-price lunch. In 2010, the Legislature added a new provision, 1002.395(8)(e), that requires participating schools receiving more than \$250,000 in scholarship money during the fiscal year July 1 to June 30 to file an accountability report. This accountability report focuses on the use of the scholarship money and the financial procedures and controls in place at the schools. The report, in the form of Agreed-Upon Procedures (AUPs), is to be completed by an independent and active, Florida Certified Public Accountant (CPA). The CPA must ensure that staff visiting the school comply with the school's policy for screening and managing visitors.

The AUPs are developed and revised jointly in a biennial review by all state-approved nonprofit Scholarship Funding Organizations that have provided more than \$250,000 in Tax Credit Scholarships in the year prior to each biennial review. The revised Agreed-Upon Procedures below were developed in accordance with the standards established by the American Institute of Certified Public Accountants in Statements on Standards for Attestation Engagements (AT Sec. 201) and following the input of accrediting associations that are members of the Florida Association of Academic Nonpublic Schools.

Each school receiving more than \$250,000 in a fiscal year, July 1 to June 30, is required to submit an original copy of the Independent Accountant's Report on Applying AUPs (the "Report") to the Scholarship Funding Organization (the "SFO") that provides more than half its scholarship receipts by September 15, following the end of that fiscal year. Faxed copies will not be accepted and will be discarded upon receipt. In return, the SFO must report to the Commissioner of Education by October 30 of that year: 1) A school's failure to file the Report; and 2) Any Material Exceptions set forth in Report. Reportable Exceptions set forth in the Report will be reviewed by the SFO, which may provide a recommendation for corrective action to the school. If the same or substantially the same Reportable Exception is reported in three consecutive years, that same or substantially same exception should be reported as a Material Exception by the CPA in the third year and each year thereafter that it remains uncorrected.

The Agreed Upon Procedures

I. School Eligibility

A. Obtain the compliance letter –or other proof of eligibility from the Florida Department of Education and note that the proof of eligibility covers the school year to which the AUPs are being performed, and include copies with the report. Report any exceptions found as Material Exceptions.

II. Adequate Accounting System:

- A. Identify and document the accounting software or systems used to maintain the school’s financial records.
- B. Determine if the accounting software or systems being used allows the school to record financial transactions conducted by the school including deposits and disbursements in a complete and self-balancing accounting system and it is capable of generating a trial balance, financial statements and student account statements and other subledger reports. If a separate non-self-balancing system for student account statements is used, note whether it is regularly reconciled to the general ledger. Report any exceptions found as Material Exceptions.

III. Adequate System of Financial Controls:

- A. Cash Balances:
 - 1. By inquiry, determine whether the school’s scholarship funds are held at a federally insured depository institution;
 - 2. Review three months’ bank statements (including the state fiscal year-end bank statement) and determine that the daily account balance did not exceed the FDIC limit of \$250,000 during the school year being tested;
 - 3. Report any exceptions found as Reportable Exceptions.
- B. Non-school Expenses:
 - 1. By inquiry, note if non-school expenses are disbursed from the school’s bank account and if so, note whether they are being identified and/or tracked separately from the school’s expenses;
 - 2. Select a sample of 5 non-school expenses and determine whether they are being identified and tracked separately from school expenses.
 - 3. Report any exceptions found as Material Exceptions.
- C. Internal Controls:
 - 1. By inquiry, determine if the school has written policies or standard practices to establish proper financial controls including segregation of duties and the policies or practices are being consistently followed for:
 - i. Cash Receipts
 - ii. Capital Expenditures;
 - iii. Payroll –including time and attendance, calculations and pay rate and deduction changes;
 - iv. Operating Expenditures; and
 - v. Shared costs - Costs shared by the school with another organization (administrative salaries, facilities, etc.) should be allocated between the organizations in a systematic and rational approach.
 - 2. In the absence of written policies, briefly describe the standard practices used to establish proper financial controls over the transactions listed in III.C.1 above;
 - 3. See testing procedures in step VI. B-C and V.B;
 - 4. Report any exceptions found in steps III.C.1-3 as Material Exceptions.

D. Bank Reconciliations:

1. By inquiry, note whether reconciliations of all bank accounts are completed within 60 days of each month end including an independent review done by the school's management and resolution of any reconciling items are in process prior to the Bank's deadline for reporting errors;
2. Using the bank statements reviewed in step III.A.2 above, review the associated bank reconciliations and determine whether they were completed within the guidelines outlined in III.D.1 above;
3. Report any exceptions found in steps III.D.1-2 as Material Exceptions.

E. Budgets and Financial Statements:

1. By inquiry, determine whether an annual budget is prepared and approved by the school's governing body before the start of each fiscal year, and any budget amendments thereafter, and actual results are periodically reviewed in comparison to budget and reported to the school's governing body at least twice annually;
2. Review all minutes of the meetings of the school's governing body that occurred during the current school year, and those immediately preceding it, and determine adherence with step III.E.1;
3. Report any exceptions found in steps III.E.1-2 as Reportable Exceptions.

IV. Adequate Process for Deposit and Classification of Scholarship Funds:

- A. Obtain the Scholarship Funding Organization's Check Cashing Policy (the "Check Cashing Policy") and inquire if the school is following the Check Cashing Policy and complying with section 1002.395 (12)(b) F.S. (see attached) to include obtaining the guardian's signatures and depositing the check into the school's bank account. Report any exceptions found as Material Exceptions.
- B. Arrange to visit the school on a day that an FTC scholarship deposit will be made. Observe the deposit process and determine the check cashing policy and statute referenced in step IV (A) were followed. Determine whether the parent or guardian endorsement matches the named payee on the check or the name of a power of attorney on file granted to a person that is not related to the school and matches the information in the student's file with the school. Report any exceptions as Material Exceptions.
- C. Select a sample of the greater of 10 students or 5% of the scholarship student population. Test the sample students' scholarship checks and ascertain the funds are classified in general ledger as tuition, books and fees payments and the corresponding general ledger bank account. Also, determine whether the funds are posted to each student's tuition account/statement and whether the funds are deposited into the school's bank account. Report any exceptions as Material Exceptions.

V. Properly Expended Scholarship Funds for Education-Related Expenses:

- A. Obtain the dollar value of the Florida Tax Credit Scholarships (the "FTC Scholarships") received for students attending the school. By scanning the general ledger, identify and prepare a list of education-related expenses and determine that the total of education-related expenses is at least equal to the dollar value of the FTC Scholarships received. Education-related expenses include but are not limited to school-related personnel expenses, curriculum, classroom technology, building expenses (rent, mortgage interest, property taxes, insurance and maintenance costs associated with the school facilities) and classroom instructional resources.

- B. Using the list developed in step V.A. above, select a sample of education-related expenditures incurred during the school year using the table below. For each item sampled, scan supporting documentation and determine whether the expenditure is education-related, was properly authorized in accordance with the policies identified in step III.C above, is properly classified in the general ledger and was paid timely and accurately from the school's bank account(s). For payroll expenditures sampled, also re-calculate pay based on corresponding time and attendance, pay rate and deductions records properly authorized in accordance with the policies identified in step III.C above.

Value of Total Education-Related Expenditures		Sample
From	To	Size
\$ 250,000	\$ 500,000	30
\$ 500,000	\$ 750,000	45
\$ 750,000	\$750,000+	60

Each of the categories listed in section III.C.1 ii-v, if applicable, must be represented in the selected sample by at least 10% of the number of items selected.

- C. Report any exceptions found as a result of applying procedures in Section V A-B as Material Exceptions.

VI. Other Procedures:

- A. Obtain a copy of the tuition & fees schedule for the school year being tested. Using the sample selected for step IV.C., confirm the tuition charged the sample students is consistent with the tuition policy for all students. Report any exceptions found as Reportable Exceptions;
- B. Obtain the school's student attendance policy. Determine if the policy for Florida Tax Credit Scholarship Students is consistent with the policy for all students and is consistent with state law. Using the sample selected for step IV.C., scan the attendance records for each selected student and determine whether they meet the school's attendance policy. Report any exceptions found as Material Exceptions;
- C. Without advance notice to the school of the sample of students, select 10 students from the scholarship payment history and confirm the student's presence in school that day. If the student is not present, determine whether the student is listed as absent on the school's attendance record. Report any exceptions found as Material Exceptions.

Specific Guidelines Governing the Reportability of Exceptions

Exceptions found in the course of performing the AUPs fall into one of two categories depending on the significance of the attributes being tested to the integrity of the program: Material Exceptions or Reportable Exceptions. The guidelines for each procedure indicate whether exceptions found during the performance of the procedure are Material Exceptions or Reportable Exceptions. All Material Exceptions will be reported to the Department of Education by the SFO and will require preparation and submission of a Corrective Action Plan by the school to the SFO outlining the steps the school plans to take to correct the Material Exception.

Reportable Exceptions should be reported to the SFO, which may provide a recommendation for corrective action to the school. If the same or substantially the same Reportable Exception is reported in three consecutive years, that same or substantially same exception should be reported as a Material Exception in the Report for the third year in which that exception is reported and for each year thereafter that it remains uncorrected.

Independent Accountant's Report
on Applying Agreed-Upon Procedures

To (name of Scholarship Funding Organization):

We have performed the procedures enumerated below, which were agreed to by (name of Scholarship Funding Organization), solely to assist the specified parties in evaluating (name of school)'s compliance with the requirements of Florida Statute 1002.395(6)(o)1.a during the school year ended (Date). We are not responsible for (Name of school)'s compliance with those requirements, which is the responsibility of (name of school)'s management. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

(List procedures and findings).

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of (name of Scholarship Funding Organization), Florida Department of Education and (Name of School)'s management and is not intended to be and should not be used by anyone other than these specified parties.

[Signature]

[City,State]

[Date]