

# STATE OF FLORIDA AUDITOR GENERAL

## Operational Audit

Report No. 2020-020  
August 2019

### STEP UP FOR STUDENTS, INC.



Sherrill F. Norman, CPA  
Auditor General

## **President and Board of Directors**

During the period March 2017 through February 2018, Doug Tuthill served as President for Step Up For Students, Inc. and the following individuals served as Members of the Board of Directors:

John Kirtley, Chair  
Allison Hertog  
Terry Jove  
Alfred "Al" Lawson Jr.  
John Legg from April 25, 2017<sup>a</sup>  
Richard Outram  
Paul Sherman  
Curtis Stokes

<sup>a</sup>New Board Member approved on that date.

The team leader was Nicholas A. Druash and the audit was supervised by Derek H. Noonan, CPA.

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# STEP UP FOR STUDENTS, INC.

## **SUMMARY**

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This operational audit of Step Up For Students, Inc. (Step Up) focused on selected administrative activities and management's performance related to the Florida Tax Credit Scholarship (FTC) Program and the Gardiner Scholarship Program, including Step Up compliance with applicable laws and rules. The audit also included follow-up on the findings noted in our report No. 2019-012. Our audit disclosed the following:

**Finding 1:** Step Up did not always properly evaluate the household income of FTC Program scholarship applicants to ensure that scholarships were only awarded to eligible students. A similar finding was noted in our report No. 2019-012.

**Finding 2:** As similarly noted in our report No. 2019-012, Step Up procedures do not require and ensure that records of attendance and time worked by exempt employees, reviewed and approved by applicable supervisors, be maintained.

**Finding 3:** Step Up did not notify employees and students of the purpose for collecting social security numbers. In addition, some unnecessary information technology (IT) user access privileges existed that increased the risk that unauthorized disclosure of the sensitive personal student information may occur.

**Finding 4:** Application processing errors caused a delay in funding for certain students eligible for the Gardiner Scholarship Program.

**Finding 5:** Step Up procedures did not always identify private schools receiving more than \$250,000 in scholarship funds in a fiscal year to verify that those schools contract with an independent certified public accountant for an agreed-upon procedures engagement pursuant to State law.

**Finding 6:** Step Up expended \$280,000 in FTC Program earnings for non-FTC programs.

## **RELATED INFORMATION**

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Section 11.45(2)(k), Florida Statutes, requires our audit to include a determination of Step Up compliance with certain Florida Tax Credit Scholarship Program provisions. Except for the noncompliance cited in Finding 1 relating to ineligible scholarship recipients, our audit procedures and tests of selected Step Up records and accounts found that Step Up generally complied with the applicable provisions of Section 1002.395, Florida Statutes.

Section 1002.385(14)(a), Florida Statutes, provides that, as part of our audit, we are to verify the total number of students served and eligibility of reimbursements made by Step Up for the Gardiner Scholarship Program and transmit that information to the Florida Department of Education. Our audit procedures disclosed that, for the Gardiner Scholarship Program during the period March 2017 through February 2018, Step Up served 10,601 students and paid Program scholarship awards totaling \$71,646,888 for those students. In addition, our tests of Step Up records found that the Gardiner Scholarship Program scholarship payments selected for audit were eligible Program disbursements.

## BACKGROUND

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Step Up For Students, Inc. (Step Up) is a nonprofit scholarship funding organization (SFO), incorporated on February 18, 2000, and operating pursuant to State law.<sup>1</sup> Step Up's stated mission is to help public education fulfill the promise of equal opportunity by empowering parents to pursue and engage in the most appropriate learning options for their children, with emphasis on families who lack the financial resources to access these options. Step Up is a State-approved SFO that helps administer scholarship programs for Florida schoolchildren. During the period March 2017 through February 2018, Step Up helped administered the Florida Tax Credit Scholarship (FTC) Program for low-income families and the Gardiner Scholarship Program for children with certain special needs. The governing body of Step Up is the Board of Directors (Board), composed of seven to ten members who each serve 1 to 3-year terms. New members are elected by the Board. The Board sets policy, approves strategic plans and related resource allocations, and is responsible for the performance of the organization as a whole; whereas, the President is responsible for day-to-day operations.

State law<sup>2</sup> established the FTC Program to expand educational opportunities for children of families with limited financial resources. The FTC Program provides that eligible nonprofit SFOs may solicit and receive eligible contributions. Such contributions entitle donors to a 100 percent State tax credit against corporate income tax, insurance premium tax, alcoholic beverage excise tax, direct-pay sales tax, and oil and gas severance tax. State law<sup>3</sup> requires the SFOs to use the contributions received for eligible students' private school tuition, transportation to public schools outside their districts, or transportation to lab schools.<sup>4</sup> During the period March 2017 through February 2018, five donors contributed approximately 53 percent of the contributions to Step Up. Table 1 shows the contribution amounts received by Step Up from those five donors during that period.

**Table 1**  
**Step Up FTC Program**  
**Top Five Donor Contribution Amounts**  
**For the Period March 2017 Through February 2018**

	Amount	Percentage of Total Contributions
Donor 1	\$150,000,000	25.3%
Donor 2	65,000,000	11.0%
Donor 3	47,720,000	7.7%
Donor 4	30,000,000	5.1%
Donor 5	22,000,000	3.7%

Source: Step Up records.

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<sup>1</sup> Section 1002.395(2)(f), Florida Statutes.

<sup>2</sup> Section 1002.395(3)(a), Florida Statutes.

<sup>3</sup> Section 1002.395(6)(d), Florida Statutes.

<sup>4</sup> Pursuant to Section 1002.395(11)(a)1.b., Florida Statutes (2016), the scholarship amount awarded to a student enrolled in a public school located outside the district in which the student resides or in a lab school, as defined in Section 1002.32, Florida Statutes, was limited to \$500. Chapter 2017-166, Laws of Florida increased the amount to \$750, effective July 1, 2017.

State law<sup>5</sup> requires the Florida Department of Education (FDOE) to determine, and annually verify, the eligibility of the SFOs, and the FDOE recognized Step Up as an eligible SFO for the 2016-17 and 2017-18 fiscal years.<sup>6</sup> Table 2 shows Step Up FTC Program activity during the periods March 2016 through February 2017 and March 2017 through February 2018.

**Table 2  
FTC Program Activities**

	March 2016 - February 2017	March 2017 - February 2018
Contributions collected	\$523,160,248	\$592,292,268
Total scholarships paid	\$508,683,331	\$617,506,011
Number of students awarded tuition scholarships	115,447	124,903
Number of private schools paid	1,766	1,870
Total transportation scholarships paid	\$8,750	\$14,125
Number of students awarded transportation scholarships	62	88

Source: Step Up records.

For the 2016-17 and 2017-18 fiscal years, the maximum scholarship awards for eligible students' private school tuition were \$5,886 and \$7,208, respectively, and the maximum transportation scholarship awards were \$500 and \$750, respectively. While Step Up served FTC Program students residing in 67 counties during the period March 2017 through February 2018, over 56 percent of the FTC Program students served by Step Up resided in five counties. Table 3 shows the number of FTC Program students served by Step Up in each of those five counties during that period.

**Table 3  
FTC Program  
Top Five Counties by Number of Students Served  
For the Period March 2017 Through February 2018**

	County	Number of Students Served
1	Miami-Dade	31,146
2	Orange	12,105
3	Broward	11,632
4	Duval	9,233
5	Hillsborough	5,887

Source: Step Up records.

State law<sup>7</sup> established the Gardiner Scholarship Program to help meet the educational needs of students who have a specified intellectual disability such as autism, cerebral palsy, or Down syndrome. State law requires Gardiner Scholarship Program moneys to be used for:

- Instructional materials including digital devices and other assistive technology devices.

<sup>5</sup> Section 1002.395(9)(b), Florida Statutes.

<sup>6</sup> Step Up's fiscal year ends on June 30.

<sup>7</sup> Section 1002.385(1), Florida Statutes.

- Curriculum and any required supplemental materials.
- Specialized services by approved providers selected by the parent.
- Enrollment in an eligible private school, an eligible postsecondary institute, an authorized private tutoring program, or a virtual instruction program offered by an FDOE-approved provider.
- Examination fees for specified tests and assessments.
- Contributions to the Prepaid College Program.
- Contracted services provided by a public school.
- Tuition and fees for part-time tutoring services provided by a person who holds a valid Florida educator’s certificate.

As an SFO participating in the FTC Program, Step Up qualified to participate in the Gardiner Scholarship Program. According to Step Up accounting records for the period March 2017 through February 2018, Step Up received \$97,214,716 in Gardiner Scholarship Program funds from the FDOE and \$47,154 from another SFO, transferred \$37,520 to another SFO, served 9,705 active students, and paid Gardiner Scholarship Program funds totaling 71,646,888 for those students. The scholarship award amounts ranged from \$1,098 to \$22,060, depending on the student’s date of application, county of residence, grade level, and disability type.

Table 4 shows the amounts of Gardiner Scholarship Program funds received and disbursed and the number of students awarded scholarships by Step Up during March through February of the 2015-16, 2016-17, and 2017-18 years.

**Table 4  
Gardiner Scholarship Program Activity**

	March 2015 – February 2016	March 2016 – February 2017	March 2017 – February 2018
Program funds received	\$43,402,394	\$78,752,340	\$97,214,716
Program funds disbursed	22,391,090	51,369,111	71,646,888
Number of students awarded scholarships	3,358	8,047	9,705

Source: Step Up records.

Step Up served Gardiner Scholarship Program students in 66 counties<sup>8</sup> during the period March 2017 through February 2018. Table 5 shows the five counties with the greatest number of Gardiner Scholarship Program students served by Step Up and the number of students served in each of those five counties.

<sup>8</sup> Step Up did not serve any Gardiner Scholarship Program students residing in Franklin County.

**Table 5**  
**Gardiner Scholarship Program**  
**Top Five Counties by Number of Students Served**  
**For the Period March 2017 Through February 2018**

	County	Number of Students Served
1	Miami-Dade	1,591
2	Orange	994
3	Broward	744
4	Palm Beach	697
5	Hillsborough	644

Source: Step Up records.

## FINDINGS AND RECOMMENDATIONS

### Finding 1: Florida Tax Credit Scholarship Program Eligibility

To be eligible for a scholarship from the FTC Program, State law<sup>9</sup> requires students to meet one or more of the following criteria:

- Be listed on the direct certification list<sup>10</sup> or have household income that does not exceed 185 percent of the Federal poverty level.
- Be currently placed, or during the previous State fiscal year placed, in foster care or in out-of-home care.
- Have household income greater than 185 percent of the Federal poverty level up to 260 percent of the Federal poverty level for the 2017-18 and 2018-19 school years. Scholarship awards based on this criterion are calculated in reduced amounts depending on the household income and respective poverty level.

According to State law, “household income” has the same meaning as the term “income” defined in the income eligibility guidelines (IEG) under the National School Lunch Program and published in the Federal Register by the United States Department of Agriculture (USDA). In addition, the USDA annually publishes the *Eligibility Manual for School Meals - Determining and Verifying Eligibility (Eligibility Manual)*, which provides guidance for determining eligibility based on household income. For example, the *Eligibility Manual* provides that income determinations for households that receive income from multiple sources and with varying frequencies be annualized by multiplying:

- Weekly income by 52.
- Bi-weekly income (received every 2 weeks) by 26.
- Semi-monthly income (received twice a month) by 24.
- Monthly income by 12.

<sup>9</sup> Section 1002.395(3) and (12), Florida Statutes.

<sup>10</sup> Section 1002.395(2)(c), Florida Statutes, defines “direct certification list” as the certified list of children who qualify for certain public assistance programs, including the food assistance program, the Temporary Assistance to Needy Families Program, or the Food Distribution Program on Indian Reservations provided to the FDOE by the Florida Department of Children and Families.

To determine whether Step Up properly awarded FTC Program scholarships totaling \$218.3 million during the period March 2017 through February 2018, we examined Step Up records supporting 30 selected scholarship recipients who received FTC Program awards totaling \$168,956. We found that Step Up based:

- The household income of 1 scholarship recipient on four weekly pay stubs that were totaled as a single month's income instead of projecting the household income on a weekly income basis in accordance with the IEG. Utilizing the IEG, the household's weekly income exceeded 260 percent of the Federal poverty level<sup>11</sup> by \$285 and the applicant was not eligible for an award. As a result of incorrectly projecting the household income, Step Up improperly awarded the recipient a scholarship of \$3,259.
- Another scholarship recipient's household income, which was received from different sources and in different frequencies, as a single month's income, contrary to the *Eligibility Manual* that requires each income source to be annualized in determining household income. When properly annualizing the household income of the scholarship recipient, the income exceeded 260 percent of the Federal poverty level by \$5,140. As a result of incorrectly determining household income, Step Up improperly awarded the recipient a scholarship of \$3,259.

Absent documented consideration of appropriate eligibility criteria, such as frequencies in household income, during the eligibility determination process, there is an increased risk that scholarships will be awarded to ineligible recipients or for incorrect amounts.

In our report No. 2019-012, we recommended that Step Up identify and report to the FDOE all incorrect 2015-16 and 2016-17 fiscal year FTC Program scholarship awards and request direction regarding how to remedy those awards. According to Step Up management, Step Up did not contact the FDOE regarding the errors found in calculating eligibility for 2015-16 and 2016-17 awards or request direction regarding how to remedy those awards. Insofar as the FDOE has direct oversight of the FTC Program, we continue to believe that FDOE input should be solicited in resolving FTC Program eligibility errors.

**Recommendation: Step up should ensure that FTC Program scholarships are only awarded to eligible students in the appropriate amounts. In addition, Step Up should implement effective system edit controls to prevent improper scholarship awards. Such enhancements should include documented, independent review of the information entered into the Scholarship Administration System data fields to confirm the accuracy of the scholarship eligibility determination and award amount. Further, we continue to recommend that Step Up consult with the FDOE to ensure that scholarship award eligibility errors noted during our audits are satisfactorily resolved.**

## **Finding 2: Payroll Processing – Time Records**

Effective internal controls require that time records document the time worked and leave used by employees and require supervisory approval of such time to ensure that compensation payments are appropriate and leave balances are accurate. Step Up paid exempt employees<sup>12</sup> on a payroll-by-exception basis whereby employees are paid a fixed authorized gross amount for each payroll period unless the amount is altered. A payroll-by-exception methodology assumes, absent any payroll

<sup>11</sup> Section 1002.395(3)(b), Florida Statutes, provides that applicants are eligible for full scholarships if household income does not exceed 185 percent of the Federal poverty level and that applicants are eligible for partial scholarships of various amounts if household income exceeds 185 percent, but does not exceed 260 percent, of the Federal poverty level.

<sup>12</sup> Step Up classifies employees as either "salaried" or "hourly," and the "salaried" employees are the exempt employees.



action to the contrary, that an employee worked or used available accumulated leave for the required number of hours in the pay period.

During the period March 2017 through February 2018, Step Up had 106 exempt employees and compensated those employees a total of \$10.7 million. The exempt employees included the Director of Professional Development, Director of Policy and Public Affairs, and Student Learning Coordinators, who worked onsite at the Step Up administrative offices in Jacksonville or St. Petersburg, and 29 exempt employees, including the Senior Director of Development, Development Officers, Director of Marketing, and Managers of Community Outreach, who worked from home in Florida, Georgia, or Pennsylvania.

In response to our inquiry, Step Up personnel indicated that various practices were used to monitor exempt employee work efforts and leave usage. For example, as of February 2019, supervisors monitored work activities based on work assignments completed and electronically documented supervisory review and approval of leave taken. Notwithstanding, given Step Up's responsibility to monitor exempt employee attendance and time worked and the significant salary costs associated with these employees, records of attendance and time worked by exempt employees, reviewed and approved by applicable supervisors, would provide crucial additional assurances regarding the accuracy of employee leave records and that the services provided by exempt employees were consistent with management's expectations, and also provide more reliable records in the event of a salary or leave dispute. A similar finding was also noted in our audit report No. 2019-012.

**Recommendation: We continue to recommend that Step Up require exempt employees to prepare reports of time worked and also require supervisory personnel to certify the accuracy of the time reported.**

#### **Follow-Up to Management's Response**

*In the written response, Management respectfully disagreed with this finding and described various practices to document efforts to monitor exempt employees' work efforts and leave usage. Such efforts included, for example, manager use of modern technology to know if employees had been off-line for an extended period without a business reason and supervisory approval of paid time off (PTO) requests. However, although we requested, records were not provided to demonstrate how managers used technology to monitor employee attendance, identify employee absences, or reconcile identified absences to PTO requests. Accordingly, our finding and recommendation stand as presented.*

### **Finding 3: Sensitive Personal Information of Employees and Students**

The Legislature has recognized in State law<sup>13</sup> that social security numbers (SSNs) can be used to acquire sensitive personal information, the release of which could result in fraud against individuals or cause other financial or personal harm. Therefore, public entities and private entities acting on behalf of any

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<sup>13</sup> Section 119.071(5)(a), Florida Statutes.

public entity<sup>14</sup> are required to provide extra care in maintaining such information to ensure its confidential status. Effective controls restrict employees from accessing information unnecessary for their assigned job responsibilities and provide for documented periodic evaluations of information technology (IT) user access privileges to ensure that employee access remains necessary and appropriate.

Pursuant to State law<sup>15</sup> Step Up may not collect an individual's SSN unless Step Up has stated in writing the purpose for its collection and unless it is specifically authorized by law to do so or is imperative for the performance of Step Up duties and responsibilities as prescribed by law. In addition, if Step Up collects an individual's SSN, the individual must be provided with a written statement indicating whether the collection of the SSN is authorized or mandatory under Federal or State law and identifying the specific Federal or State law governing the collection, use, or release of SSNs for each purpose for which the SSN is collected.

During the period March 2017 through February 2018, Step Up collected SSNs from 38 new employees on forms to document, for example, employee insurance selections, withholding taxes, immigration status, and background checks. Also, during that period, Step Up collected SSNs from 124,197 students on FTC and Gardiner Scholarship Program applications. However, Step Up did not provide to employees or the individuals completing the applications written statements regarding the authorization and purpose for collecting the SSNs.

In response to our inquiry in June 2018, Step Up management indicated that Step Up would include language on the 2019-20 school year FTC and Gardiner Scholarship Program applications to specify that student SSN information is collected to enable Step Up to report student information to the FDOE pursuant to State Board of Education (SBE) rules.<sup>16</sup> However, Step Up management also indicated that employees understand why they are required to submit their SSNs and that they believe no written notification is required.

To determine whether Step Up employees with access to employee or student SSNs needed such access to effectively perform their jobs, we evaluated Step Up records supporting the job responsibilities for 5 of the 8 employees with IT user access privileges to employee SSNs in June 2018 and 30 of the 230 employees with IT user access privileges to student SSNs in July 2018. While our procedures disclosed that the employees needed access to employee SSNs, we found that 3 employees (two Service Ambassadors and one Grant Writing and Research Manager), did not require access to student SSNs to perform their job responsibilities. Step Up personnel agreed with our conclusions regarding the 3 employees and indicated that Step Up had not established procedures to periodically evaluate IT user access privileges but would develop a process to ensure that employee access remains necessary and appropriate.

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<sup>14</sup> According to Section 119.011(2), Florida Statutes, "agency" means any state, county, district, authority, or municipal officer, department, division, board, bureau, commission, or other separate unit of government created or established by law including, for the purposes of this chapter, the Commission on Ethics, the Public Service Commission, and the Office of Public Counsel, and any other public or private agency, person, partnership, corporation, or business entity acting on behalf of any public agency. Further, the Attorney General opined in Attorney General Opinion No. 94-32 that public records laws apply to "any other public or private agency...or business entity acting on behalf of any public agency."

<sup>15</sup> Section 119.071(5)(a), Florida Statutes.

<sup>16</sup> SBE Rule 6A-6.0960 and 6A-6.0961, Florida Administrative Code.

Effective controls to properly monitor the need for and use of SSNs and ensure compliance with statutory requirements reduce the risk of unauthorized disclosure of student SSNs and the possibility that sensitive personal information may be used to commit a fraud against Step Up students and others.

**Recommendation: Step Up should establish policies and procedures governing the collection and retention of employee and student SSNs to ensure that only those employees who have a demonstrated need to access sensitive personal information have such access. Also, Step Up should perform periodic evaluations of IT user access privileges to this information to determine whether such privileges are necessary and ensure the timely removal of any inappropriate or unnecessary access privileges detected.**

#### **Finding 4: Gardiner Scholarship Program Funding Delays**

State law<sup>17</sup> provides that a scholarship-funding organization (SFO), such as Step Up, may establish Gardiner Program scholarships for eligible students by:

- Receiving applications and determining student eligibility in accordance with the requirements of State law. When an application is approved, Step Up must provide the FDOE with information about the student to enable the FDOE to determine the appropriate amount to fund the student.
- Notifying parents of their receipt of a scholarship on a first-come, first-served basis, based upon the funds provided.

The FDOE requires Step Up to certify for approved applications that Step Up received appropriate verification documentation, pursuant to State law,<sup>18</sup> if verification is completed before the beginning of the school year. After the FDOE confirms program eligibility, the FDOE transmits the scholarship money to Step Up and Step Up establishes individual student scholarship accounts. Any missing student information from the approved applications provided to the FDOE, such as a blank verification documentation certification field, delays the student from receiving Gardiner Scholarship Program funding until the information is provided or, because funding is on a first-come, first-served basis and may be depleted, the student may not receive a Program scholarship.

In July 2018, Step Up uploaded 2018-19 school year approved application data to the FDOE for 9,917 students. The FDOE provided scholarship funding for 9,334 of those students but did not provide funding the remaining 583 students because the verification documentation certification fields for those students did not indicate that a verification document was provided. Step Up records indicated that the required verification document was received and approved for all students; however, according to Step Up personnel, Step Up Application Processors forgot to check the verification documentation certification fields in the application system before the data was uploaded. In addition, Step Up had not established supervisory review and approval procedures to confirm the accuracy and completeness of the application data before, or detect any incorrect or missing information after, the data was uploaded to the FDOE.

According to Step Up personnel, in August 2018 a parent of one of the 583 students who did not receive scholarship funding telephoned Step Up and requested an explanation for why funding was not provided.

<sup>17</sup> Section 1002.385, Florida Statutes.

<sup>18</sup> Section 1002.385(3)(b), Florida Statutes.

After that discussion, Step Up personnel identified the processing error and other affected students, correctly checked the verification documentation certification fields in the application system and uploaded the corrected data, and the FDOE provided scholarship funding for the 583 students. Step Up personnel notified the applicable parents of the application processing errors and that scholarship funding for the 2018-19 school year would be provided. Notwithstanding, since scholarship funding is on a first-come, first-served basis, there is an increased risk that students experiencing an application processing delay for Gardiner Program Scholarships may not receive funding. According to Step Up records, during the 2018-19 school year, initial funding for the Gardiner Scholarship Program was exhausted in August 2018, resulting in approximately 800 students being placed on a waiting list.

For the 2019-20 school year, Step Up personnel indicated that application process changes were implemented to require Step Up Application Processors to definitively designate the presence or absence of a verification document.

**Recommendation: Step Up should continue efforts to ensure that all required information for students eligible for Gardiner Program scholarships is accurate and complete before the information is uploaded to the FDOE for scholarship funding. Such efforts should include documented supervisory review and approval of the application data.**

#### **Finding 5: Gardiner Scholarship Program Agreed-Upon Procedures Engagements**

State law<sup>19</sup> provides that a private school receiving more than \$250,000 in scholarship funds from the Gardiner Scholarship Program in a State fiscal year must contract with an independent certified public accountant (CPA) to perform an agreed-upon procedures (AUP) engagement<sup>20</sup> conducted in accordance with attestation standards established by the American Institute of CPAs. A private school subject to an AUP engagement must annually submit a report of the AUP results by September 15 (i.e., September 15, 2017, for the 2016-17 fiscal year) to the SFO awarding the majority of the school's scholarship funds. In addition, SFOs are required to monitor private school compliance regarding AUP engagements and annually report to the Commissioner of Education any private school that fails to submit an AUP report, or any private school submitting a report containing material exceptions.<sup>21</sup>

Our examination of Step Up records and discussions with Step Up personnel indicated that Step Up provided participating schools with instructions for executing AUP engagements. Step Up personnel also indicated that they monitor scholarship funds distributed to the private schools during the first 3 quarters of each fiscal year, make efforts to identify schools most likely to exceed the \$250,000 threshold, and send an e-mail to the school explaining that, based on funding levels, an AUP engagement may be required. However, Step Up had not established procedures for monitoring the cumulative amount of scholarship funds distributed to private schools after the third quarter to determine whether the schools received more than \$250,000.

<sup>19</sup> Section 1002.385(8)(e), Florida Statutes (2017).

<sup>20</sup> Section 1002.395(6)(o), Florida Statutes, provides that the agreed-upon procedures must uniformly apply to all private schools and must determine, at a minimum, whether the private school has been verified as eligible by the FDOE under Section 1002.421, Florida Statutes; has an adequate accounting system, system of financial controls, and process for deposit and classification of scholarship funds; and has properly expended scholarship funds for education-related expenses.

<sup>21</sup> Section 1002.395(6)(o)1.c, Florida Statutes.

In response to our inquiry, Step Up personnel provided a listing, prepared as of January 25, 2017, which identified 9 private schools that received scholarship funds exceeding \$250,000 from the Gardiner Scholarship Program during the 2016-17 fiscal year and submitted the required AUP report. However, our examination of Step Up records disclosed 12 other private schools that received more than \$250,000 in scholarship funds from the Gardiner Scholarship Program and did not submit the required AUP report. Because Step Up did not have procedures for monitoring the cumulative amounts of scholarship funds distributed to private schools after the third quarter, Step Up did not identify the additional 12 schools required to contract for AUP engagements.

In addition, as of December 2018, Step Up had not reported to the Commissioner of Education the schools that, contrary to State law, did not submit an AUP report for the 2016-17 fiscal year, nor had Step Up notified the schools to obtain 2016-17 fiscal year AUP reports. According to Step Up personnel, the 2016-17 fiscal year AUP reports were unnecessary since the schools had contracted for 2017-18 fiscal year AUP reports. Notwithstanding, as scholarship fund exceeded \$250,000 for the 2016-17 fiscal year, the schools were required by State law to contract for an AUP engagement for the 2016-17 fiscal year and submit to Step Up a report of the AUP results.

**Recommendation: Step Up should establish policies and procedures to monitor scholarship funding and timely identify private schools that receive more than \$250,000 in scholarship funds during a fiscal year to determine whether those schools contract for AUP engagements and receive and submit AUP reports to Step Up. In addition, Step Up should notify the Commissioner of Education of the 12 schools that did not submit an AUP report for the 2016-17 fiscal year.**

#### **Finding 6: FTC Program Interest Earnings**

State law<sup>22</sup> requires that FTC Program contributions received by an SFO be deposited in interest bearing accounts and the Attorney General has opined on numerous occasions that interest earned on invested public funds is typically subject to the same restrictions as the principal.<sup>23</sup> According to Step Up records, interest totaling \$0.4 million and \$1 million was earned on idle FTC Program moneys for the fiscal years ended June 30, 2017, and 2018, respectively.

Our examination of Step Up records and discussions with Step Up personnel disclosed that, although Step Up did not expend the interest earned on FTC Program moneys during the 2016-17 fiscal year, Step Up expended interest earnings totaling \$280,000 during the 2017-18 fiscal year for non-FTC programs, including \$196,000 for capital assets, such as a Web-based application system, that were not exclusively used for the FTC Program.

In response to our inquiries in June 2019, Step Up management indicated that, due to the lack of statutory guidance concerning the use of interest generated from idle FTC Program contributions, the interest earnings were used for capital assets; however, Step Up will restore to the FTC Program the interest earnings expended for the benefit of other Florida scholarship program activities. For the 2016-17 and 2017-18 fiscal years, the maximum FTC Program scholarship award amounts were \$5,886 and \$7,208,

<sup>22</sup> Section 1002.395(13), Florida Statutes.

<sup>23</sup> Attorney General Opinions 77-26, 92-13, and 00-32.

respectively, and the \$1.4 million of interest earned on idle FTC Program moneys could have been used to fund approximately 194 to 237 additional full scholarships for eligible students during those fiscal years.

**Recommendation:** Step Up should ensure that interest earned on FTC Program contributions is used only to benefit the FTC Program, and Step Up should reimburse FTC Program interest earnings expended for non-FTC programs to the FTC Program.

## ***RELATED INFORMATION***

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As described in the ***OBJECTIVES, SCOPE, AND METHODOLOGY*** section of this report, we performed procedures to determine Step Up compliance with various statutory provisions related to the Florida Tax Credit Program. Our audit procedures and tests of selected Step Up records and accounts found that Step Up generally complied with the applicable provisions of Section 1002.395, Florida Statutes.

In addition, as also described in the ***OBJECTIVES, SCOPE, AND METHODOLOGY*** section of this report, we performed procedures to verify the number of students who received Gardiner Scholarship Program scholarships during the period March 2017 through February 2018 and examined documentation for selected scholarship payments to determine whether the payments were eligible program disbursements. Our procedures disclosed that, during that period, 9,705 students received Gardiner Scholarship Program scholarships totaling \$71,646,888. Our tests of Step Up records found that the Gardiner Scholarship Program scholarship payments selected for audit were eligible Gardiner Scholarship Program disbursements.

## ***PRIOR AUDIT FOLLOW-UP***

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Except as indicated above, Step Up management had taken corrective actions for the findings included in our report No. 2019-012.

## ***OBJECTIVES, SCOPE, AND METHODOLOGY***

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The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations. State law<sup>24</sup> requires us to conduct annual operational audits of the accounts and records of scholarship funding organizations (SFOs) participating in the Florida Tax Credit Scholarship (FTC) and Gardiner Scholarship Programs.<sup>25</sup>

We conducted this operational audit from March 2018 to November 2018 in accordance with applicable generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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<sup>24</sup> Sections 11.45(2)(k) and 1002.385(14)(a), Florida Statutes.

<sup>25</sup> Sections 1002.385 and 1002.395, Florida Statutes.

This operational audit of Step Up focused on selected administrative activities and management's performance related to the FTC and Gardiner Scholarship Programs, including Step Up compliance with applicable laws and rules. The overall objectives of the operational audit were to:

- Evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, including applicable provisions of Sections 1002.385 and 1002.395, Florida Statutes; rules; regulations; contracts; grant agreements; and other guidelines.
- Examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, reliability of records and reports, and the safeguarding of assets, and identify weaknesses in those controls.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.
- Determine whether management had corrected, or was in the process of correcting, the deficiencies noted in our report No. 2019-012.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, deficiencies in management's internal controls; instances of noncompliance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines; and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

As described in more detail below, for those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit's findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included transactions, as well as events and conditions, occurring during the audit period of March 2017 through February 2018, and selected Step Up actions taken prior and subsequent thereto. Unless otherwise indicated in this report, these records and transactions were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature does not include a review of all records and actions of entity management, staff, and vendors, and, as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, waste, abuse, or inefficiency.

In conducting our audit, we:

- Reviewed applicable laws, rules, regulations, and Step Up policies and procedures applicable to the FTC and Gardiner Scholarship Programs and interviewed Step Up personnel to gain an understanding of Step Up scholarship-related operations and evaluated the adequacy of the operations.
- Obtained an understanding of Step Up internal controls and evaluated the effectiveness of key FTC and Gardiner Scholarship Program processes, policies, and procedures for ensuring compliance with significant governing laws, economic and efficient operations, reliability of records and reports, and the safeguarding of assets.
- Determined whether the 20 Step Up bank accounts used for FTC and Gardiner Scholarship Program moneys for the audit period were administered through a qualified public depository pursuant to Section 1002.395(14), Florida Statutes, and whether separate accounts were established for scholarship and operating funds as required by Section 1002.395(6)(k), Florida Statutes. We also determined whether Step Up personnel periodically reviewed banking agreements for sufficiency of the safeguards provided.
- Assessed the sufficiency of Step Up controls for electronic transfers and for transmitting funds through the Automated Clearing House for recipients of Gardiner Scholarship Program scholarships.
- Examined Step Up records for the audit period to identify any investments, and determined whether:
  - Step Up had developed and maintained comprehensive investment policies and procedures and taken actions to maximize investment earnings while maintaining sufficient security and liquidity.
  - FTC Program interest earnings were used for FTC Program purposes.
  - Gardiner Scholarship Program interest earnings were allocated to individual student accounts as required by Section 1002.385, Florida Statutes.
- Evaluated Step Up's compliance with Section 1002.395(6)(b), Florida Statutes, to determine whether the three Step Up owners or operators had not filed for personal bankruptcy or corporate bankruptcy in a corporation of which he or she owned more than 20 percent in the last 7 years.
- Determined whether the Step Up surety bond obtained pursuant to its 2018-19 fiscal year renewal application submitted to the Florida Department of Education (FDOE) in September 2017 was still maintained as of June 2018 and in the amount required by Section 1002.395(6)(p), Florida Statutes.
- Examined Step Up records, including scholarship applications and supporting documentation, for 30 selected recipients from the population of 34,591 FTC Program income-eligible scholarship recipients (i.e., excluding students who were eligible because they received public assistance or were categorically eligible because they were placed in foster care or in out-of-home care) during the audit period to determine whether the recipients met the eligibility requirements established by Section 1002.395(3)(b), Florida Statutes.
- From the population of FTC Program scholarship payments totaling \$621 million made during the audit period, examined Step Up documentation for scholarship payments totaling \$93,634 made on behalf of 30 students to determine whether:
  - The payments were used for students to attend eligible private schools or for transportation to a public school outside of the recipient's district or to a lab school pursuant to Section 1002.395(6)(d), Florida Statutes.



- The scholarship recipients were not prohibited from receiving scholarships pursuant to Section 1002.395(4), Florida Statutes.
- Step Up obtained verification from the private school of the student's continued attendance pursuant to Section 1002.395(12)(c) Florida Statutes.
- Examined Step Up records to determine whether the FTC Program reports required to be filed on March 15, 2017, August 15, 2017, October 15, 2017, and January 15, 2018, were timely submitted to the FDOE and contained the information required by Section 1002.395(9)(m) (2017) or Section 1002.395(9)(i) (2018), Florida Statutes, and State Board of Education (SBE) Rule 6A-6.0960(2)(a) through (d), Florida Administrative Code.
- Examined Step Up records for the 2016-17 fiscal year to determine whether Step Up complied with the carryforward limitations on unexpended FTC Program moneys pursuant to Section 1002.395(6)(j)2., Florida Statutes.
- Determined whether Step Up provided to the FDOE, no later than 15 days after the last payment date of the school year, a summary of the FTC Program scholarship amount paid for each student and the school attended as required by SBE Rule 6A-6.0960(2), Florida Administrative Code.
- Evaluated Step Up policies and procedures regarding the collection and retention of social security numbers (SSNs) from both employees and scholarship student applicants to determine compliance with Section 119.071(5), Florida Statutes.
  - From the population of 8 employees who had access to SSNs in human resource applications, we examined Step Up records supporting the access privileges of 5 selected employees to determine the appropriateness and necessity of the access based on employees' job duties and user account functions.
  - From the population of 230 employees having access to student SSNs, we examined Step Up records supporting the access privileges of 30 selected employees to determine whether Step Up controls restricted access to student SSNs to individuals who had a demonstrated need for such access.
- Examined Step Up records for the audit period to determine whether Step Up was eligible to use FTC and Gardiner Scholarship Program moneys for administrative expenses pursuant to Sections 1002.395(6)(j)1. and 1002.385(13)(g), Florida Statutes. Additionally, from the population of administrative expenses totaling \$16.5 million charged to the FTC Program and \$2.8 million charged to the Gardiner Scholarship Program, we examined Step Up records supporting 32 selected expenses totaling \$856,705 to determine whether the expenses complied with the requirements of Sections 1002.395(6)(j)1. and 1002.385(13)(g), Florida Statutes.
- Determined whether Step Up charged an application fee, contrary to Sections 1002.395(6)(j)1. and 1002.385(13)(g), Florida Statutes, for FTC Program and Gardiner Scholarship Program applicants, respectively.
- Examined Step Up records to determine whether Step Up provided to a private school the majority of the FTC Program funding or Gardiner Scholarship Program scholarship funding exceeding \$250,000 during the 2016-17 fiscal year, which, pursuant to Sections 1002.395(6)(o) and 1002.385(8)(e), Florida Statutes (2017), respectively, required the private schools to contract with an independent certified public accountant to perform agreed-upon procedures (AUP). In addition:
  - From the population of 675 eligible private schools paid a total of \$433 million from FTC Program moneys, we examined documentation for 30 schools that collectively received \$24.4 million during the 2016-17 fiscal year to determine whether Step Up adequately monitored the performance of AUP for applicable private schools pursuant to Section 1002.395(6)(o), Florida Statutes (2017).

- From the population of 917 eligible private schools paid a total of \$59 million from Gardiner Scholarship Program moneys, we examined documentation for 21 schools that collectively received \$7.7 million during the 2016-17 fiscal year, to determine whether Step Up adequately monitored the performance of AUP for applicable private schools pursuant to Section 1002.385(8)(e), Florida Statutes (2017).
- Inquired of Step Up personnel to determine whether Step Up reported to the Commissioner of Education those applicable private schools that did not submit an AUP report as required by Sections 1002.395(6)(o)1.c., Florida Statutes.
- Examined Step Up documentation to determine whether the Gardiner Scholarship Program reports required to be submitted on April 30, 2017, June 30, 2017, October 30, 2017, and January 30, 2018, were timely submitted to the FDOE and contained the information required by Section 1002.385(9)(d), Florida Statutes, and SBE Rule 6A-6.0961(5), Florida Administrative Code.
- Examined Step Up records supporting the population of 9,705 students who received a Gardiner Scholarship Program scholarship during the audit period, as well as documentation for 30 selected students, to verify the number of students served and to determine whether Step Up complied with applicable Program eligibility requirements established in Section 1002.385(3)(a), Florida Statutes, and SBE Rule 6A-6.0961(4)(a), Florida Administrative Code.
- From the population of Gardiner Scholarship Program scholarship payments totaling \$71.6 million made during the audit period, examined documentation for 30 scholarship payments totaling \$61,326, made on behalf of 30 eligible students, to determine whether the payments were eligible Gardiner Scholarship Program disbursements and were not reduced by administrative expenses.
- Determined whether Step Up had established procedures to notify parents of Gardiner Scholarship Program scholarship awards and to provide a date for parents to confirm initial or continuing program participation pursuant to Section 1002.385(12)(b) and (c), Florida Statutes.
- Evaluated Step Up policies and procedures for the return of unused Gardiner Scholarship Program funds to the FDOE and determined whether any amounts were required to be returned pursuant to Section 1002.385(6)(b) and (12)(g), Florida Statutes.
- From the population of 136 Gardiner Scholarship Program recipients identified by the FDOE in their October 2017 and February 2018 surveys as potentially being enrolled in a Florida public school, examined documentation for 15 selected students to determine whether Step Up timely returned program funds, if applicable, to the FDOE.
- Determined whether Step Up had established procedures to notify the parent of the availability of, and the requirements associated with requesting, an initial individual education plan (IEP) or IEP reevaluation at least every 3 years pursuant to Section 1002.385(12)(h), Florida Statutes.
- Examined Step Up records and inquired of Step Up personnel regarding an allegation related to a delay in obtaining scholarship funding for certain Gardiner Scholarship Program applicants for the 2018-19 school year.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish objectives of the audit.
- Prepared and submitted for management response the finding and recommendation that is included in this report and which describe the matter requiring corrective action. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

## ***AUTHORITY***

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Section 11.45(2)(k), Florida Statutes, requires the Auditor General to annually conduct an operational audit of the accounts and records of eligible nonprofit scholarship-funding organizations receiving eligible contributions under Section 1002.395, Florida Statutes, including any contracts for services with related entities. Similarly, Section 1002.385(14)(a), Florida Statutes, requires the Auditor General to annually conduct an operational audit of the accounts and records of each eligible scholarship funding organization that participates in the Gardiner Scholarship Program. Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is written in a cursive style with a large, sweeping initial "S".

Sherrill F. Norman, CPA  
Auditor General

## MANAGEMENT'S RESPONSE

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August 26, 2019

Ms. Sherrill F. Norman  
Auditor General  
Claude Denson Pepper Building, Suite G74  
111 West Madison Street  
Tallahassee, FL 32399-1450

Re: Response to Preliminary and Tentative Findings

Dear Ms. Norman,

Enclosed is our response to the preliminary and tentative audit findings and recommendations that we received on July 25, 2019.

As always, we appreciate the professionalism and collegiality of your staff. Our continual process improvement efforts are strengthened by their insightful feedback and recommendations.

If you have any questions regarding our responses, please do not hesitate to let us know.

Sincerely,

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

Doug Tuthill  
President  
Step Up For Students

c: Board members

**Finding 1:**

*Step Up did not always properly evaluate the household income of FTC Program scholarship applicants to ensure that scholarships were only awarded to eligible students. A similar finding was noted in our report No. 2019-012.*

Beginning with the 2019-20 school year application submission (October 10-29-19), the following changes were made to the process of determining household income:

- Monthly income amounts, frequency, and type submitted by the applicant is annualized based on the frequency of income receipt as follows:
  - 1 time monthly = x 12
  - 2 times monthly = x 24
  - Bi-weekly = x 26
  - Weekly = X 52
- Sum of projected annualized income is calculated and compared to the annual poverty guidelines based on household size, up to 260% of FPGL

A series of automated exception reports were also designed to monitor the accuracy of this processing system.

**Finding 2:**

*As similarly noted in our report No. 2019-012, Step Up procedures do not require and ensure that records of attendance and time worked by exempt employees, reviewed and approved by applicable supervisors, be maintained.*

Step Up For Students respectfully disagrees with this finding. Step Up operates with a one-to-three percent administrative fee, which is the lowest in the country. Therefore, we must be as effective and efficient as possible.

We have developed comprehensive and robust management practices to ensure that our exempt employees provide services consistent with our high expectations. All exempt employees must submit request for paid time off (PTO) for approval by their supervisors and are responsible, with their managers, for maintaining accurate PTO balances through this approval process in our payroll system.

Our exempt employees are hired to deliver results based on statutory requirements and organizational priorities, and they consistently go above and beyond to do so. While a timesheet for an exempt employee may track hours claimed to be worked by the employee, it does not indicate value or standards

met/exceeded for performance, which is most critical when ensuring the appropriate return on investment for dollars spent. A timesheet is a weak internal control. It is an honor system that only tracks quantity of hours and not quality. We prefer to use best practices when managing our employees.

Our remote employees, highlighted in the finding, are held to the same high performance standards as all other employees, and stay connected to their teams through various technologies and management practices. Virtual

and in-person individual and team meetings, goal setting and review, feedback and project updates all combine to ensure employees and teams are delivering the value expected. Modern technology gives managers the visibility to know if their employees have been off-line for an extended period without a business reason. As an example, our development team, which consists of a majority of remote employees, has had tremendous success raising funds for the tax credit scholarship program for many years through these and other modern management practices.

More specifically, to ensure that exempt employees' services are provided consistent with Step Up For Students' expectations, the following management practices are available to supervisors of exempt employees, located both in the office and remotely, and help provide continuous support to their direct reports and maintain lines of communication to identify obstacles to success, performance opportunities, and put plans in place to help employees achieve their goals and drive performance in way a timesheet cannot. Examples of these are:

**Regular one-on-one meetings** – Many managers have regular one-on-one meetings with their direct reports, on frequencies determined necessary by the manager and employee. These meetings are an opportunity for managers to determine the employee's performance on assigned work and for employees to share concerns and obstacles to fulfilling their responsibilities.

**Personal development plans** – Employees and managers can create specific goals and discuss progress against those goals, offer feedback and coaching to address issues and identify successes. This also enables goals to be adjusted as organizational priorities change.

**Coaching** – Leadership coaching is available for all employees, to address concerns with performance and provide guidance with goal setting, communication and to ensure new employees are set up for success with Step Up For Students. Employees can request coaching and/or a manager can request coaching to assist an employee in strengthening their performance.

**New Employee Onboarding** – Through individual 30- and 90-day discussions with new employees, we work with them and their managers to identify areas of concern and/or point out performance strengths to keep an employee on a successful performance path.

**360-degree feedback surveys** – Our employees participate in 360-degree feedback surveys, through which their peers, direct reports and supervisors provide feedback on their performance, including what they should start, stop and continue doing to be more effective and successful in their roles.

**Performance Plans** – If an employee is not meeting expectations, despite coaching and other practices, a performance success plan may be implemented to drive necessary improvements. If an employee is unsuccessful

despite a performance plan being put in place, it may be necessary to terminate the employee. We take that action when necessary with exempt employees.

In summary, we have implemented the appropriate management practices to ensure our exempt employees are efficiently providing services consistent with our high expectations. Further, our focus on continuous improvement leads us to refine these practices as needed. A timesheet for exempt employees does nothing to ensure the quality of services delivered and is a waste of valuable resources.

**Finding 3:**

*Step Up did not notify employees and students of the purpose for collecting social security numbers. In addition, some unnecessary information technology (IT) user access privileges existed that increased the risk that unauthorized disclosure of the sensitive personal student information may occur.*

While the mandatory federal forms that require the collection of social security numbers explain this requirement, new notices have been added to hiring documents to further explain why the applicant's social security number is being requested.

Program applications requiring a social security number explanation of why the information is being requested will be added on the 2020-21 applications.

Step Up has taken a number of measures to strengthen our system user roles, including reviewing business needs for various permission levels. Additional steps are in process to build newly defined permission levels that more closely align with additional job titles and responsibilities. We will also maintain periodic audits of these permissions to ensure they continue to be appropriate to ensure optimum levels of security.

**Finding 4:**

*Application processing errors caused a delay in funding for certain students eligible for the Gardiner Scholarship Program.*

Effective with the opening of the 2019-20 school year processing for the Gardiner scholarship program (1-15-19), system business rules were updated, and employees were trained to address this issue.

**Finding 5:**

*Step Up procedures did not always identify private schools receiving more than \$250,000 in scholarship funds in a fiscal year to verify that those schools contract with an independent certified public accountant for an agreed-upon procedures engagement pursuant to State law.*

Step Up staff reviewed the scholarship funds received and forecasted the amounts anticipated to be received for the remainder of the school year by participating private schools in January of 2018. However, twelve schools had additional scholarship funding receipts after January which made these schools subject to the agreed-upon procedures requirement for that school year. Step Up has subsequently notified the Department of Education (DOE) of these schools' reporting requirement. The DOE is requiring no further action be taken. Process improvements have been implemented to address this issue.

**Finding 6:**

*Step Up expended \$280,000 in FTC Program earnings for non-FTC programs.*

Step Up respectfully disagrees with this finding. State law, including the statute governing the Florida Tax Credit scholarship (FTC) program, does not specify that interest earned on FTC scholarship funds be spent on FTC-related expenditures. In addition, the Attorney General opinions cited in this finding relate to public funds, whereas the Florida Supreme Court has established that FTC donations have been found to be private funds donated to a private non-profit organization.

The Florida Legislature has established three new programs in the last 5 years but hasn't provided the SFOs with start-up funding. Each new program requires the establishment of policies, procedures, processes and systems, and the hiring and training of personnel to administer the program. Scholarship applications must be accepted, processed, and award determinations made for the program's first year, *prior to* receiving any administrative funds.

While Step Up has raised more than \$6.5 million in private funds since the inception of the Gardiner (formerly PLSA) program to cover some start-up costs, this approach is not sufficient nor sustainable. Therefore, as permitted by law, Step Up uses the interest earned on the investment of FTC funds to help pay for the start-up implementation and improvement of new Florida programs.

While Step Up acted in accordance with State law, we have used other unrestricted funds to return the disputed interest income and our board has restricted such funds for FTC purposes.