

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2020-195
April 2020

STEP UP FOR STUDENTS, INC.



Sherrill F. Norman, CPA
Auditor General

President and Board of Directors

During the period March 2018 through February 2019, 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
Richard Outram
Paul Sherman
Curtis Stokes

The team leader was Donald D. Hemmingway, CPA, and the audit was supervised by Derek H. Noonan, CPA.

Please address inquiries regarding this report to Michael J. Gomez, CPA, Audit Manager, by e-mail at mikegomez@aud.state.fl.us or by telephone at (850) 412-2881.

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STEP UP FOR STUDENTS, INC.

SUMMARY

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, the Gardiner Scholarship Program, the Hope Scholarship Program, and the Reading Scholarship Accounts,¹ including Step Up compliance with applicable laws and rules. The audit also included follow-up on the findings noted in our report No. 2020-020. Our audit disclosed the following:

Finding 1: Step Up continued to collect student social security numbers on scholarship applications without notifying applicants of the purpose for collecting the numbers, contrary to State law; and grant certain employees unnecessary information technology access privileges to sensitive personal information of students.

Finding 2: Step Up did not always promptly credit Gardiner Scholarship Program student accounts after materials purchased via the Step Up online ordering system were returned.

RELATED INFORMATION SUMMARY

State law² requires our audit to include a determination of Step Up compliance with certain Florida Tax Credit Scholarship Program provisions. Our audit procedures and tests of selected Step Up records and accounts found that Step Up generally complied with the applicable provisions of State law.³

State law⁴ provides that, as part of our audit, we are to verify the total number of students served for the Gardiner Scholarship and the Hope Scholarship Programs and transmit that information to the Florida Department of Education (FDOE). For these two programs we verified the total number of students served and the program scholarship awards paid during the period March 2018 through February 2019, as summarized in Table 1.

Table 1
Step Up Gardiner and
Hope Scholarship Program
Students Served and Awards Paid

For the Period March 2018 through February 2019

Scholarship Program	Number of Students Served	Program Scholarship Awards Paid
Gardiner	11,520	\$93,952,797
Hope	29	\$ 35,662

¹ Chapter 2018-6, Laws of Florida, created the Hope Scholarship Program and Reading Scholarship Accounts, effective July 1, 2018.

² Section 11.45(2)(l), Florida Statutes.

³ Section 1002.395, Florida Statutes.

⁴ Sections 1002.385(14)(a) and 1002.40(12), Florida Statutes.

State law also requires us to verify the eligibility of reimbursements made by Step Up for the Gardiner Scholarship Program and transmit that information to the FDOE. Our tests of Step Up records found that the Gardiner Scholarship Program scholarship payments selected for audit were eligible Program disbursements.

BACKGROUND

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.⁵ 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. State law⁶ also requires the Florida Department of Education (FDOE) to determine, and annually verify, the eligibility of each SFO, and the FDOE recognized Step Up as an eligible SFO for the 2017-18 and 2018-19 fiscal years.

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 organization's performance. The Board also appoints the Step Up President, who is responsible for daily operations. During the period March 2018 through February 2019, Step Up helped administer the Florida Tax Credit Scholarship (FTC) Program for low-income families, the Gardiner Scholarship Program for children with certain special needs, the Hope Scholarship Program for students who were subjected to certain incidents,⁷ and the Reading Scholarship Accounts for students with reading difficulties.

FTC Program

State law⁸ 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 law⁹ 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.¹⁰ During the period March 2018 through February 2019, five donors contributed approximately 53 percent of the contributions received by Step Up. Table 2 shows the contribution amounts received by Step Up from those five donors during that period.

⁵ Section 1002.395(2)(f), Florida Statutes.

⁶ Section 1002.395(9)(b), Florida Statutes.

⁷ According to Section 1002.40(3), Florida Statutes, "incident" means battery, harassment, hazing, threat or intimidation, and various other physical offenses.

⁸ Section 1002.395(3)(a), Florida Statutes.

⁹ Section 1002.395(6)(d), Florida Statutes.

¹⁰ Lab schools are defined in Section 1002.32, Florida Statutes, as public developmental research schools that provide sequential instruction and are affiliated with the college of education within the State university of closest geographic proximity.

Table 2
Step Up FTC Program
Top Five Donor Contribution Amounts
For the Period March 2018 through February 2019

	Amount	Percentage of Total Contributions
Donor 1	\$150,850,000	26%
Donor 2	66,943,000	11%
Donor 3	42,038,523	7%
Donor 4	30,633,304	5%
Donor 5	21,951,900	4%

Source: Step Up records.

During the period March 2018 through February 2019, Step Up received a total of \$589,246,553 in contributions, Program funds from the FDOE, and transfers from another SFO¹¹ and paid tuition scholarships totaling \$633,707,752. For comparison purposes, Table 3 summarizes Step Up FTC Program activities during the periods March 2016 through February 2017, March 2017 through February 2018, and March 2018 through February 2019.

Table 3
FTC Program Activities

	March 2016 – February 2017	March 2017 – February 2018	March 2018 – February 2019
Funds collected ^a	\$523,160,248	\$592,292,268	\$589,246,553
Total tuition scholarships paid	\$508,683,331	\$617,506,011	\$633,707,752
Number of students awarded tuition scholarships	115,447	124,903	121,270
Number of private schools paid	1,766	1,870	1,896
Total transportation scholarships paid	\$ 8,750	\$ 14,125	\$ 12,845
Number of students awarded transportation scholarships	62	88	34

^a Includes contributions, Program funds received from the FDOE, and transfers from another SFO.

Source: Step Up records.

For the 2017-18 and 2018-19 fiscal years, the maximum scholarship awards for eligible students' private school tuition were \$7,208 and \$7,112, respectively, and the maximum transportation scholarship award was \$750. The scholarship amount was limited to \$750 for a student enrolled in a public school located outside the district in which the student resides or in a lab school.¹² While Step Up served FTC Program students residing in 67 counties during the period March 2018 through February 2019, over 55 percent of the FTC Program students served by Step Up resided in five counties. Table 4 shows the number of FTC Program students served by Step Up in each of those five counties during that period.

¹¹ Section 1002.395(6)(j)2., Florida Statutes, limits the amount of eligible net contributions after administrative expenses that SFOs may carryforward each State fiscal year but provides that SFOs may transfer excess amounts over those limits to other SFOs by September 30 of each fiscal year. In July 2018, Step Up received from another SFO \$8,481,132, which was that SFO's net contribution excess amount remaining on June 30, 2018.

¹² Section 1002.395(11)(a)1.b., Florida Statutes (2018), and Section 1002.395(12)(a)1.b., Florida Statutes (2017).

Table 4
FTC Program
Top Five Counties by Number of Students Served
For the Period March 2018 through February 2019

	County	Number of Students Served
1	Miami-Dade	28,934
2	Orange	11,743
3	Broward	11,374
4	Duval	8,925
5	Hillsborough	6,197

Source: Step Up records.

Gardiner Scholarship Program

State law¹³ 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. Gardiner Scholarship Program moneys may be used for:

- Instructional materials including digital devices and other assistive technology devices.
- 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 records for the period March 2018 through February 2019, Step Up received \$121,184,855 in Gardiner Scholarship Program funds from the FDOE and \$14,520 from another SFO, transferred \$113,757 to another SFO, served 11,520 active students, and made Gardiner Scholarship Program payments totaling \$93,952,797 for those students. The scholarship award amounts ranged from \$3,345 to \$22,556, depending on the student's date of application, county of residence, grade level, and disability type.

Table 5 shows the amounts of Gardiner Scholarship Program funds received and disbursed and the number of students awarded scholarships by Step Up during the periods March 2016 through February 2017, March 2017 through February 2018, and March 2018 through February 2019.

¹³ Section 1002.385(1), Florida Statutes.

**Table 5
Gardiner Scholarship Program Activity**

	March 2016 – February 2017	March 2017 – February 2018	March 2018 – February 2019
Program funds received	\$78,808,036	\$97,261,870	\$121,199,375
Program funds disbursed	\$51,369,111	\$71,646,888	\$ 93,952,797
Program funds transferred to another SFO	\$ 52,696	\$ 37,520	\$ 113,757
Number of students awarded scholarships	8,047	9,705	11,520

Source: Step Up records.

Step Up served Gardiner Scholarship Program students in 66 counties¹⁴ during the period March 2018 through 2019. Table 6 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.

**Table 6
Gardiner Scholarship Program
Top Five Counties by Number of Students Served
For the Period March 2018 through February 2019**

	County	Number of Students Served
1	Miami-Dade	1,545
2	Orange	914
3	Broward	710
4	Palm Beach	618
5	Hillsborough	616

Source: Step Up records.

Hope Scholarship Program

The Hope Scholarship Program was created, pursuant to State law,¹⁵ effective July 1, 2018, to provide the parent of a public school student who was subjected to certain specified incidents an opportunity to transfer the student to another public school or to request a scholarship for the student to enroll in and attend an eligible private school. The Program is funded through contributions of up to \$105 per motor vehicle at the time of purchase.¹⁶ Table 7 displays, for the period July 2018 through February 2019, the Program funds received and disbursed by Step Up and the number of students that Step Up awarded Program scholarships.

¹⁴ Step Up did not serve any Gardiner Scholarship Program students residing in Franklin County.

¹⁵ Chapter 2018-06, Laws of Florida.

¹⁶ Section 1002.40(13), Florida Statutes.

Table 7
Hope Scholarship Program Activity
For the Period July 2018 through February 2019

Program funds received	\$19,344,840
Program funds disbursed	\$ 35,662
Number of students awarded scholarships	29

Source: Step Up records.

Reading Scholarship Accounts Program

Effective July 1, 2018, the Reading Scholarship Accounts Program was created by State law to provide educational options for students with reading difficulties. Contingent upon available appropriated funds, and on a first-come, first-served basis, each student in grades 3 through 5 who is enrolled in a Florida public school is eligible for a reading scholarship account if the student scored below a Level 3 on the grade 3 or grade 4 Statewide, standardized English Language Arts assessment in the prior school year. An eligible student who is classified as an English Language Learner and is enrolled in a program or receiving services that are specifically designed to meet the instructional needs of English Language Learner students shall receive priority. Table 8 shows the amount received and paid by Step Up to or on behalf of students for the period July 2018 through February 2019.

Table 8
Reading Scholarship Accounts Activity
For the Period July 2018 through February 2019

Program funds received	\$2,405,500
Program funds disbursed	31,790
Number of students awarded scholarships	135

Source: Step Up records.

FINDINGS AND RECOMMENDATIONS

Finding 1: Sensitive Personal Information of Students

The Legislature has recognized in State law¹⁷ 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 public entity¹⁸ are required to provide extra care in collecting and maintaining such information to ensure its confidential status.

Pursuant to State law,¹⁹ entities may not collect an individual’s SSN unless the entity has stated in writing the purpose for its collection and unless it is specifically authorized by law to do so, or it is imperative for

¹⁷ Section 119.071(5)(a)1., Florida Statutes.

¹⁸ The Attorney General opined in Attorney General Opinion No. 94-32 that State public records laws apply to “any other public or private agency...or business entity acting on behalf of any public agency.”

¹⁹ Section 119.071(5)(a)2., Florida Statutes.

the performance of the entity's duties and responsibilities prescribed by law. If an entity 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.²⁰ In addition, effective controls over sensitive personal information, such as SSNs, restrict employees from accessing information unnecessary for their assigned duties and provide for documented, periodic evaluations of information technology (IT) user access privileges to help prevent access of information inconsistent with their duties.

Our examination of Step Up records and discussions with Step Up personnel confirmed that, as of October 2019, Step Up had established procedures to ensure that new employees were provided written statements regarding the authorization and purpose for collecting SSNs. However, procedures had not been established to require and ensure that Step Up provided scholarship applicants written statements indicating the authorization and purpose for collecting SSNs. Step Up collected 206,012 student SSNs on scholarship applications during the period March 2018 through February 2019. In response to our inquiries, Step Up personnel indicated that the required statements would be added to the applicable 2020-21 school year scholarship applications.

Our examination of Step Up records also disclosed that Step Up established a remediation plan in August 2019 to strengthen controls over IT user access privileges to ensure that privileges are appropriate based on employee job assignments and to require periodic evaluations of these privileges. In July 2019 we requested Step Up records to quantify the number of employees who had access privileges to student SSNs but, according to Step Up personnel, such records were not readily available and, as of October 2019, Step Up had begun but not completed an evaluation of those privileges to determine whether such privileges were appropriate.

Effective controls to ensure compliance with statutory requirements and 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 continue efforts to ensure compliance with State law and provide to scholarship applicants written statements indicating the authorization and purpose for collecting SSNs. Step Up should also continue efforts to ensure that only those employees who have a demonstrated need to access sensitive personal information of students have such access. Such efforts should include periodic evaluations of IT user access privileges to this information to determine whether such privileges are necessary and timely removal of any inappropriate or unnecessary privileges detected.

Finding 2: Gardiner Scholarship Program Returned Purchases

State law²¹ requires that Gardiner Program funds be used to meet the individual educational needs of an eligible student and allows Program funds to be spent to purchase educational materials, including digital and assistive technology devices used to access instruction or instructional content and training. During May 2018, Step Up implemented an online order system so that families could use Gardiner Program

²⁰ Section 119.071(5)(a)3., Florida Statutes

²¹ Section 1002.385(5), Florida Statutes.

moneys to directly purchase eligible items from preapproved vendors. If purchases are returned to vendors, vendors issue credit memos to Step Up and, according to Step Up procedures²² it may take up to 14 days for the funds to be credited to the student's Gardiner Scholarship Program account.

During the period March 2018 through February 2019, purchases through the online order system totaled approximately \$12.9 million and credit memos for returned purchases totaled \$147,303. To determine whether Step Up promptly credited student accounts for returned purchases, we examined Step Up records supporting 40 selected credit memos totaling \$16,327 for 30 students. We noted that 22 credit memos totaling \$7,840 were not promptly credited to student accounts as credits were posted 2 to 55 days after the 14-day period or an average of 18 days after that period.

In response to our inquiries, Step Up personnel indicated that the student accounts were not always promptly credited because the Supervisor of Program Payments, who is responsible for restoring the Gardiner moneys to the student accounts, was not aware of the 14-day period specified in Step Up procedures. Step Up personnel also indicated that procedures were revised in October 2019 to process credit memos once per week and the weekly processing schedule will enable Step Up to promptly credit student accounts. Promptly crediting student accounts for returned purchases ensures appropriate funds are available for educational materials and services.

Recommendation: Step Up should continue efforts to promptly credit Gardiner Scholarship Program student accounts for returned purchases.

RELATED INFORMATION

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 State law.²³

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 2018 through February 2019, and examined documentation for selected scholarship payments to determine whether the payments were eligible program disbursements. Our procedures disclosed that, during this period, 11,520 students received Gardiner Scholarship Program scholarships totaling \$93,952,797. Our tests of Step Up records found that the Gardiner Scholarship Program scholarship payments selected for audit were eligible Gardiner Scholarship Program disbursements.

Also, as described in the ***OBJECTIVES, SCOPE, AND METHODOLOGY*** section of this report, we performed procedures to verify the number of students who received Hope Scholarship Program scholarships during the period March 2018 through February 2019. Our tests of Step Up records disclosed that 29 students received Hope Scholarship Program scholarships totaling \$35,662.

²² 2018-19 Gardiner Scholarship Program Parent Handbook.

²³ Section 1002.395, Florida Statutes.

PRIOR AUDIT FOLLOW-UP

Except as indicated above, Step Up management had taken corrective actions for the findings included in our report No. 2020-020.

OBJECTIVES, SCOPE, AND METHODOLOGY

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 law²⁴ requires us to conduct annual operational audits of the accounts and records of scholarship funding organizations (SFOs) participating in the Florida Tax Credit Scholarship Program (FTC Program), Gardiner Scholarship Program, and Hope Scholarship Program.

We conducted this operational audit from May 2019 to October 2019 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.

This operational audit of Step Up focused on selected administrative activities and management's performance related to the FTC Program, Gardiner Scholarship Program, Hope Scholarship Program, and the Reading Scholarship Accounts, 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, 1002.395, 1002.40, and 1002.411, 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. 2020-020.

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

²⁴ Sections 11.45(2)(l), 1002.385(14)(a), and 1002.40(12)(a), Florida Statutes.

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 2018 through February 2019, 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 Program, Gardiner Scholarship Program, Hope Scholarship Program, and Reading Scholarship Accounts and interviewed Step Up personnel to gain an understanding of Step Up scholarship-related operations and evaluate the adequacy of the operations.
- Obtained an understanding of Step Up internal controls and evaluated the effectiveness of key FTC Program, Gardiner Scholarship Program, Hope Scholarship Program, and Reading Scholarship Account 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.
- Examined Step Up records, including scholarship applications and supporting documentation, for 30 selected students from the 155,844 FTC Program applications, including 2019-20 fiscal year applications submitted during but not awarded and paid until after the audit period, to determine whether Step Up documented student program eligibility as required by Section 1002.395(6)(j)3., Florida Statutes.
- Examined Step Up records for the 2017-18 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.
- Examined Step Up records for the audit period to determine whether FTC Program interest earnings were expended for FTC Program purposes.
- Examined Step Up records to determine whether Step Up provided to a private school the majority of the Gardiner Scholarship Program scholarship funding exceeding \$250,000 during the

2017-18 fiscal year, which, pursuant to Section 1002.385(8)(e), Florida Statutes (2017), required the private schools to contract with an independent certified public accountant to perform agreed-upon procedures. From the 1,021 eligible private schools paid a total of \$48.8 million from Gardiner Scholarship Program moneys, we examined documentation for 25 schools that collectively received \$9.3 million during the 2017-18 fiscal year, to determine whether Step Up adequately monitored the performance of agreed-upon procedures for applicable private schools pursuant to Section 1002.385(8)(e), Florida Statutes (2017).

- Examined Step Up records supporting the 11,520 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 State Board of Education Rule 6A-6.0961(4)(a), Florida Administrative Code.
- From the Gardiner Scholarship Program scholarship payments totaling \$94 million made during the audit period, examined documentation for 30 selected scholarship payments totaling \$87,673 to determine whether the payments were eligible Gardiner Scholarship Program disbursements and were not reduced by administrative expenses.
- Obtained an understanding and evaluated the reasonableness of Step Up policies and procedures to ensure that:
 - Credits for returned items purchased with Gardiner Scholarship Program funds via the Step Up online ordering system are made to student accounts within 14 days after the items are returned to vendors.
 - Tuition amounts charged by eligible private schools to Gardiner Scholarship Program scholarship recipients did not exceed tuition amounts charged to other students.
 - Upon parental notification of intent to remove a student from the Gardiner Scholarship Program, Step Up timely closes student accounts and returns Program funds to the Florida Department of Education to be made available for additional Gardiner Scholarship Program scholarships.
- Examined documentation for 10 students, selected from the 29 students who received Hope Scholarship Program awards during the audit period, to determine whether Step Up documented student program eligibility as required by Section 1002.40(11), Florida Statutes.
- 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 findings and recommendations that are included in this report and which describe the matters requiring corrective action. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

AUTHORITY

Section 11.45(2)(l), 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, Sections 1002.385(14)(a) and 1002.40(12)(a), Florida Statutes, require 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 and Hope Scholarship Programs, respectively. 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 initial 'S'.

Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



April 17, 2020

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 March 19, 2020.

As always, we appreciate the professionalism and collegiality of your staff. We value the insights and recommendations that contribute to process improvements that strengthen our organization.

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

cc: Board Members

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Finding #1: Sensitive Personal Information of Students

Management Response

This recommendation originated in the August 2019 Auditor General's Report No. 2020-020. At the time the report was published plans for remediation were being developed.

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.

The addition of an explanation as to why a social security number is being requested has been added to program applications. The development of this remediation began shortly after the prior year's report was published in August 2019 and was deployed in January with the launch of the 2020-21 application season as the 2019-20 processing season had already ended.

Step Up was able to identify the employees with system access that allowed access to scholarship student's SSN, but the data was not readily available in a format that was auditable. In order to provide the Auditor General's team, the information in a format they needed to review and test, a new report format had to be created. Once created, the information was provided to the Auditor General's team for review.

At the time of the original request for the information, Step Up began to develop and prioritize a plan to completely restructure system permissions. This project was indicated as a priority and the timeline for completion estimated to be in the second quarter of 2020.

The plan includes measures to strengthen our systems user roles, including reviewing business needs for various permission levels, building newly defined permission levels that more closely align with job titles and responsibilities, creating a more streamlined process for review and assignment of system permissions for staff members moving internally to new roles, and periodic audits of system permissions. This plan was provided to the Auditor General's team.

Finding #2: Gardiner Scholarship Program Returned Purchases

Management Response

A new process has been implemented to ensure credit memos are applied once per week. An initiative to automate application of credit memos as they are received from the vendor is in progress.