

# STATE OF FLORIDA AUDITOR GENERAL

## Operational Audit

Report No. 2021-142  
March 2021

### STEP UP FOR STUDENTS, INC.



Sherrill F. Norman, CPA  
Auditor General

## **President and Board of Directors**

During the period March 2019 through February 2020, 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	John Legg
Allison Hertog	Richard Outram
Terry Jove	Paul Sherman
Alfred "Al" Lawson Jr.	Curtis Stokes

The team leader was Daniel P. O'Donnell, CPA, 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 selective administrative activities and Step Up management’s performance related to the Florida Tax Credit Scholarship (FTC), Gardiner Scholarship, Hope Scholarship, and Family Empowerment Scholarship (FES)<sup>1</sup> Programs and Reading Scholarship Accounts, including Step Up’s compliance with applicable laws and rules. The audit also included follow-up on findings noted in our report No. 2020-195. Our audit disclosed the following:

**Finding 1:** Step Up continued to grant certain employees unnecessary information technology access privileges to sensitive personal information.

## RELATED INFORMATION SUMMARY

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Section 11.45(2)(l), Florida Statutes, 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 Section 1002.395, Florida Statutes.

Sections 1002.385(14)(a) and 1002.40(12)(a), Florida Statutes, provide that, as part of our audit, we are to verify the total number of students served for the Gardiner Scholarship and 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 by Step Up during the period March 2019 through February 2020, as summarized in Table 1.

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

**For the Period March 2019 through February 2020**

Scholarship Program	Number of Students Served	Program Scholarship Awards Paid
Gardiner	21,635	\$109,490,125
Hope	339	\$ 1,076,630

Section 1002.385(14)(a), Florida Statutes, 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.

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<sup>1</sup> Effective July 1, 2019, Chapter 2019-23, Laws of Florida, established the FES Program (Section 1002.394, Florida Statutes).

## **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>2</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. State law<sup>3</sup> 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 2018-19 and 2019-20 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 2019 through February 2020, Step Up helped administer the Florida Tax Credit Scholarship (FTC) and Family Empowerment Scholarship (FES) Programs for lower-income families, the Gardiner Scholarship Program for children with certain special needs, the Hope Scholarship Program for students who were subject to certain incidents,<sup>4</sup> and the Reading Scholarship Accounts for students with reading difficulties.

### **FTC Program**

State law<sup>5</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>6</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>7</sup> During the period March 2019 through February 2020, five donors contributed approximately 48 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.

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

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

<sup>4</sup> According to Section 1002.40(3), Florida Statutes, "incident" means battery, harassment, hazing, threat or intimidation, and various other physical offenses.

<sup>5</sup> Section 1002.395(3)(a), Florida Statutes.

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

<sup>7</sup> 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 2019 through February 2020**

	Amount	Percentage of Total Contributions
Donor 1	\$149,220,000	22%
Donor 2	70,397,000	11%
Donor 3	35,080,000	5%
Donor 4	33,000,000	5%
Donor 5	30,000,000	5%

Source: Step Up records.

During the period March 2019 through February 2020, Step Up received a total of \$668,355,603 in contributions, Program funds from the FDOE, and transfers from another SFO<sup>8</sup> and paid tuition scholarships totaling \$652,167,081. For comparison purposes, Table 3 summarizes Step Up FTC Program activities during the periods March 2017 through February 2018, March 2018 through February 2019, and March 2019 through February 2020.

**Table 3**  
**Step Up FTC Program Activities**

	March 2017 – February 2018	March 2018 – February 2019	March 2019 – February 2020
Funds collected <sup>a</sup>	\$592,292,268	\$589,246,553	\$668,355,603
Total tuition scholarships paid	\$617,506,011	\$633,707,752	\$652,167,081
Number of students awarded tuition scholarships	124,903	121,270	128,144
Number of private schools paid	1,870	1,896	1,945
Total transportation scholarships paid	\$ 14,125	\$ 12,845	\$ 57,829
Number of students awarded transportation scholarships	88	34	168

<sup>a</sup> Includes contributions, Program funds received from the FDOE, and transfers from another SFO.

Source: Step Up records.

For the 2018-19 and 2019-20 fiscal years, the maximum scholarship awards for eligible students' private school tuition were \$7,112 and \$9,197, respectively. The transportation scholarship award amount for a student enrolled in a public school located outside the district in which the student resides or in a lab school<sup>9</sup> was up to \$750 for the 2018-19 fiscal year; whereas, for the 2019-20 fiscal year, the award amount was set at \$750. While Step Up served FTC Program students residing in 67 counties during the period March 2019 through February 2020, 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.

<sup>8</sup> 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 2019, Step Up received from another SFO \$4,886,275, which was that SFO's net contribution excess amount remaining on June 30, 2019.

<sup>9</sup> Section 1002.395(11)(a)1.b., Florida Statutes (2018), and Section 1002.395(12)(a)1.b., Florida Statutes (2017).

**Table 4**  
**Step Up FTC Program**  
**Top Five Counties by Number of Students Served**  
**For the Period March 2019 through February 2020**

	County	Number of Students Served
1	Miami-Dade	29,456
2	Broward	12,263
3	Orange	12,047
4	Duval	9,665
5	Hillsborough	6,932

Source: Step Up records.

### **Gardiner Scholarship Program**

State law<sup>10</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. 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 2019 through February 2020, Step Up received \$144,990,925 in Gardiner Scholarship Program funds from the FDOE and \$90,385 from another SFO, transferred \$20,872 to another SFO, awarded scholarships to 13,552 students, and made Gardiner Scholarship Program payments totaling \$109,490,125 for 21,635 students served. The scholarship award amounts ranged from \$4,779 to \$22,711, 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 2017 through February 2018, March 2018 through February 2019, and March 2019 through February 2020.

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<sup>10</sup> Section 1002.385(1), Florida Statutes.

**Table 5**  
**Step Up Gardiner Scholarship Program Activity**

	March 2017 – February 2018	March 2018 – February 2019	March 2019 – February 2020
Program funds received	\$97,261,870	\$121,199,375	\$144,990,925
Program funds disbursed	\$71,646,888	\$ 93,952,797	\$109,490,125
Program funds transferred to another SFO	\$ 37,520	\$ 113,757	\$ 20,872
Number of students awarded scholarships	9,705	11,520	13,552

Source: Step Up records.

While Step Up served Gardiner Scholarship Program students in 66 counties<sup>11</sup> during the period March 2019 through February 2020, over a third of the Gardiner Program students served by Step Up resided in five counties. 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**  
**Step Up Gardiner Scholarship Program**  
**Top Five Counties by Number of Students Served**  
**For the Period March 2019 through February 2020**

	County	Number of Students Served
1	Miami-Dade	2,715
2	Orange	1,660
3	Broward	1,242
4	Hillsborough	1,120
5	Brevard	1,114

Source: Step Up records.

### **Hope Scholarship Program**

The Hope Scholarship Program was created, pursuant to State law,<sup>12</sup> 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 designated sales tax contributions of up to \$105 per motor vehicle purchased.<sup>13</sup> Table 7 displays, for the periods July 2018 through February 2019 and March 2019 through February 2020, the Program funds received and disbursed by Step Up and the number of students that Step Up awarded Program scholarships.

<sup>11</sup> Step Up did not serve any Gardiner Scholarship Program students residing in Franklin County.

<sup>12</sup> Chapter 2018-06, Laws of Florida.

<sup>13</sup> Section 1002.40(13), Florida Statutes.

**Table 7  
Step Up Hope Scholarship Program Activity**

	July 2018 – February 2019	March 2019 – February 2020
Program funds received	\$19,344,840	\$69,111,701
Program funds disbursed	\$ 35,662	\$ 1,057,996
Number of students awarded scholarships	29	337

Source: Step Up records.

**Reading Scholarship Accounts**

Effective July 1, 2018, Reading Scholarship Accounts were created by State law<sup>14</sup> 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 and March 2019 through February 2020.

**Table 8  
Step Up Reading Scholarship Accounts Activity**

	July 2018 – February 2019	March 2019 – February 2020
Program funds received	\$2,405,500	\$3,442,000
Program funds disbursed	\$ 31,790	\$ 518,898
Number of students awarded scholarships	135	1,287

Source: Step Up records.

**Florida Empowerment Scholarship Program**

State law<sup>15</sup> established the Family Empowerment Scholarship (FES) Program to provide children of families with limited financial resources with educational options to achieve success in their education. The scholarship funds must be used to pay for tuition and fees for an eligible private school.

State law<sup>16</sup> requires SFOs to verify the household income level of students and submit a list of verified students and related documentation to the FDOE. State law<sup>17</sup> also requires the FDOE to cross-check the list of participating scholarship students with the public school enrollment lists before each scholarship payment to avoid duplication and requires the FDOE to transfer the scholarship awards to a separate account for the FES Program for quarterly disbursement to parents of participating students. For the

<sup>14</sup> Section 1002.411, Florida Statutes.

<sup>15</sup> Effective July 1, 2019, Chapter 2019-23, Laws of Florida, established the FES Program (Section 1002.394, Florida Statutes).

<sup>16</sup> Section 1002.394(10)(a), Florida Statutes.

<sup>17</sup> Section 1002.394(7)(b), and (11)(e), Florida Statutes.

students with household incomes verified by Step Up, Table 9 shows FES Program eligibility determinations and awards during the period July 2019 through February 2020.

**Table 9**  
**FES Program Eligibility Determinations and Awards**

	July 2019 – February 2020
Students with Household Income Verified by Step Up	47,717
Students Determined to be Eligible by the FDOE	35,891
Students Determined to be Ineligible by the FDOE	11,826
Scholarships Awarded by the FDOE	\$244,463,273

Source: Step Up and FDOE records.

## ***FINDINGS AND RECOMMENDATIONS***

### **Finding 1: Sensitive Personal Information**

The Legislature has recognized in State law<sup>18</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 agencies and private entities acting on behalf of any public agency<sup>19</sup> are required to provide extra care in maintaining such information. Effective controls restrict employees from accessing information unnecessary for their assigned duties and provide for documented, periodic evaluations of information technology (IT) user access privileges.

According to Step Up personnel, Step Up obtains student SSNs and records the SSNs in the Scholarship Administration System (SAS) as a reporting requirement<sup>20</sup> for the Florida Department of Education. To help determine student scholarship eligibility based on household income determinations, SAS also includes linked documentation showing parent, guardian, and other household member SSNs. However, as of December 2020, Step Up had not established procedures to require periodic evaluations of IT user access privileges to ensure that such access is necessary based upon employee job duties.

In addition, Step Up uses SAS to indefinitely maintain records of former scholarship participants (i.e., participants who transfer to another scholarship funding organization or withdraw from the various scholarship programs) and prospective scholarship recipients who apply for scholarships but either are determined to be ineligible or decide not to accept the scholarships. SAS does not differentiate access privileges to former, prospective, and current scholarship recipient student information, and employees who had such access did not always need continuous access to former scholarship recipient student information to perform their duties.

<sup>18</sup> Section 119.071(5)(a), Florida Statutes.

<sup>19</sup> According to Section 119.011(2), Florida Statutes, “agency” means, for example, any 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>20</sup> For example, State Board of Education Rule 6A-6.0960(2)(a), Florida Administrative Code, *Florida Tax Credit Scholarship Program*.

In response to our inquiries, Step Up personnel indicated that, as of July 2020, SAS included the SSNs of 635,969 former students and their parents or guardians, the SSNs of 475,089 prospective and current students and their parents or guardians, and the SSNs of an unknown number of other household members on documents linked to student records. To determine whether the 56 Step Up employees with IT user access privileges to those SSNs needed continuous access to effectively perform their duties, we requested for evaluation Step Up records supporting the duties for 20 selected employees with IT user access privileges to SSNs in July 2020. We found that 8 of the 20 employees<sup>21</sup> with IT user access privileges to SSNs and documents linked in SAS did not require the access privileges to perform their duties. Step Up personnel agreed with our conclusions regarding the unnecessary access of the 8 employees and removed the unnecessary access privileges in August 2020.

According to Step Up records and Step Up personnel, 12 of the 20 employees required continuous access to records with current and prospective student SSNs because the employees continuously process or service student accounts. For example, customer resolution specialists and E-service specialists routinely answer parent questions related to their child's application process and must access records containing SSNs. According to Step Up personnel, they did not know whether SAS could be configured to allow access to current and prospective scholarship recipient information while restricting access to former scholarship recipient information, but would research SAS configuration options with IT personnel.

Step Up approved policies<sup>22</sup> in Spring 2020 to maintain the linked documents for 5 years; however, as of November 2020, Step Up had not begun the process of purging documents older than 5 years. The existence of unnecessary IT user access privileges and prolonged retention of records for former scholarship participants and information for applicants who do not receive scholarships increases the risk of unauthorized disclosure of sensitive personal information of students, parents, guardians, and other household members and the possibility that the information may be used to commit a fraud against students served by Step Up or others. A similar finding was noted in our audit report No. 2020-195.

**Recommendation: Step up should continue efforts to ensure that sensitive personal information is properly safeguarded by:**

- **Evaluating IT user access privileges to SAS for the remaining 36 employees to ensure that such access is necessary based upon employee job duties. In addition, Step Up should establish procedures to document periodic evaluations of the necessity for IT user access privileges and timely remove any inappropriate or unnecessary access privileges detected.**
- **Limiting retention of records only for the time needed and purging student and household member SSNs from SAS and the linked documents for students no longer participating in scholarship programs.**
- **Upgrading SAS to differentiate access privileges to prospective, current, and former scholarship recipient student information.**

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<sup>21</sup> The 8 employees with unnecessary access privileges included, for example, the Controller, Finance Generalist, Accounting Generalist, Advocacy Team Support Coordinator, and other finance-related staff.

<sup>22</sup> *Records, Documents, Communication and Data Governance Policy*, effective April 2, 2020.

- **Granting access privileges only for the time needed when an employee only requires occasional access to sensitive personal information of former scholarship recipients, their parents or guardians, and other household members.**

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

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Step Up management had taken corrective action for Finding 2 in our report No. 2020-195; however, Finding 1 in that report was not corrected as noted in Finding 1 of this report.

## ***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 2019 through February 2020, and examined documentation for selected scholarship payments to determine whether the payments were eligible program disbursements. Our procedures disclosed that, during this period, 21,635 students were served by Gardiner Scholarship Program scholarships totaling \$109,490,125. 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 2019 through February 2020. Our tests of Step Up records disclosed that 337 students received Hope Scholarship Program scholarships totaling \$1,057,996.

## ***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>23</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 Program (FTC Program), Gardiner Scholarship Program, and Hope Scholarship Program.

We conducted this operational audit from March 2020 to September 2020 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

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<sup>23</sup> Sections 11.45(2)(l), 1002.385(14)(a), and 1002.40(12)(a), Florida Statutes.

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, Reading Scholarship Accounts, and Florida Empowerment Scholarship (FES) Program, 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, 1002.394, 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, the reliability of records and reports, and the safeguarding of assets, and identify weaknesses in those internal controls.
- Determine whether management had corrected, or was in the process of correcting, the deficiencies disclosed in our report No 2020-195.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

In planning and conducting our audit, we assessed whether internal controls were significant to our audit objectives by considering the internal control integrated framework established by the Committee of Sponsoring Organizations (COSO)<sup>24</sup> and adapted for a government environment within the *Standards for Internal Control in the Federal Government* issued by the United States Government Accountability Office. That framework is illustrated in the following table.

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<sup>24</sup> The Committee of Sponsoring Organizations (COSO) of the Treadway Commission was established in 1985 to develop guidance in the areas of risk and control which enable good organizational governance and reduction of fraud. Pursuant to their mission, COSO developed a framework for internal control that consists of five components and 17 underlying principles.

## COSO Internal Control Integrated Framework

Internal Control Component	Description	Underlying Principles (To be Applied by the Step Up Board and Management)
<b>Control Environment</b>	Standards, processes, and structures that provide the basis for carrying out internal control across the organization. Represents the foundation on which an effective internal control system is built.	<ul style="list-style-type: none"> <li>• Demonstrate commitment to integrity and ethical values.</li> <li>• Exercise oversight responsibility.</li> <li>• Establish structures and reporting lines and assign authorities and responsibilities.</li> <li>• Demonstrate commitment to a competent workforce.</li> <li>• Hold individuals accountable for their responsibilities.</li> </ul>
<b>Risk Assessment</b>	Management's process to consider the impact of possible changes in the internal and external environment and to consider actions to mitigate the impact. The basis for how risks will be managed.	<ul style="list-style-type: none"> <li>• Establish clear objectives to define risk and risk tolerances.</li> <li>• Identify, analyze, and respond to risks.</li> <li>• Consider the potential for fraud.</li> <li>• Identify, analyze, and respond to significant changes that impact the internal control system.</li> </ul>
<b>Control Activities</b>	Activities in the form of policies, procedures, and standards that help management mitigate risks. Control activities may be preventive in nature or detective in nature and may be performed at all levels of the organization.	<ul style="list-style-type: none"> <li>• Design control activities to achieve objectives and respond to risks.</li> <li>• Design control activities over technology.</li> <li>• Implement control activities through policies and procedures.</li> </ul>
<b>Information and Communication</b>	Information obtained or generated by management to support the internal control system. Communication is the dissemination of important information to help the organization meet requirements and expectations.	<ul style="list-style-type: none"> <li>• Use relevant and quality information.</li> <li>• Communicate necessary information internally to achieve entity objectives.</li> <li>• Communicate necessary information externally to achieve entity objectives.</li> </ul>
<b>Monitoring</b>	Periodic or ongoing evaluations to verify that the internal control system is present and functioning properly.	<ul style="list-style-type: none"> <li>• Conduct periodic or ongoing evaluations of the internal control system.</li> <li>• Remediate identified internal control deficiencies on a timely basis.</li> </ul>

We determined that the internal control components significant to our audit objectives included control activities, and information and communication. The associated underlying principles significant to our objectives included:

- Management design of control activities to achieve Step Up's objectives and respond to risks.
- Management design of controls over technology.
- Management establishment of policies and procedures to implement internal control activities.
- Management use of relevant and quality information to achieve Step Up's objectives.
- Management activities to monitor Step Up's internal control system and evaluate the results.
- Management remediation of identified internal control deficiencies on a timely basis.

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 significant to our audit objectives, instances of noncompliance with applicable governing laws, rules, or contracts, 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; identifying and evaluating internal controls significant to our audit objectives; 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 2019 through February 2020, and selected Step Up actions taken prior and subsequent thereto. Unless otherwise indicated in this report, these transactions and records 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 agency management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, abuse, or inefficiency.

In conducting our audit, we:

- Reviewed applicable laws, rules, Step Up policies and procedures, and other guidelines, 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's internal controls and evaluated the effectiveness of key FTC Program, Gardiner Scholarship Program, Hope Scholarship Program, Reading Scholarship Accounts, and FES 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.
- Examined Step Up records to verify the total number of students served and program scholarship award paid by Step Up for the Gardiner Scholarship and Hope Scholarship Programs.
- Examined Step Up records, including scholarship applications and supporting documentation, for 30 selected students from the 91,489 FTC Program applications, including 2020-21 fiscal year applications received during the audit period but not 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's records for the 2018-19 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.
- From the population of 5,640 students Step Up determined during the audit period to be eligible for a Gardiner scholarship during that period, examined Step Up records for 30 selected students 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 \$109.5 million made during the audit period, examined documentation for 30 scholarship payments totaling \$180,173 to determine whether the payments were eligible Gardiner Scholarship Program disbursements and were not reduced by administrative expenses.

- From the population of 1,191 credit memos for returned purchases totaling \$335,015 purchased using the Gardiner Program online ordering system, examined records supporting 30 selected credit memos totaling \$8,520 for 30 students to determine whether Step Up promptly credited student accounts for the returned purchases.
- Examined documentation for 30 students, selected from the 337 students who received Hope Scholarship Program scholarship awards during the audit period, to determine whether Step Up documented student program eligibility as required by Section 1002.40(11)., Florida Statutes.
- From the 13,115 new students whose household incomes were verified by Step Up during the audit period and provided to the Florida Department of Education for FES Program award eligibility determination during the audit period, examined records for 30 selected students to determine whether Step Up complied with applicable Program eligibility requirements established in Section 1002.394(10)(a), 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 the 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 actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

## **AUTHORITY**

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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, Section 1002.385(14)(a) and 1002.40(12)(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 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.



Sherrill F. Norman, CPA  
Auditor General

# MANAGEMENT'S RESPONSE

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March 2, 2021

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 February 10, 2021.

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

[www.StepUpForStudents.org](http://www.StepUpForStudents.org)  
1901 Ulmerton Road, Suite 180 • Clearwater, FL 33762  
4655 Salisbury Road, Suite 400 • Jacksonville, FL 32256

### **Finding 1: Sensitive Personal Information of Students**

Step Up should continue efforts to ensure that sensitive personal information is properly safeguarded by:

#### **Evaluating IT user access privileges to SAS for the remaining 36 employees to ensure that such access is necessary based upon employee job duties.**

Step Up Response: This evaluation has been completed and the system permissions have been updated based on the employees' current job duties.

#### **In addition, Step up should establish procedures to document periodic evaluations of the necessity for IT user access privileges and timely remove any inappropriate or unnecessary access privileges deterred.**

Step Up Response: An automated process has been established that allows updates for internal user permissions as frequently as nightly, to keep the system in sync with any changes in staff or their roles within the organization.

#### **Limiting retention of records only for the time needed and purging student and household member SSNs from SAS and the linked documents for students no longer participating in scholarship programs.**

Step Up Response: A record governance policy was adopted by the Board of Directors during the meeting held April 2, 2020. The first phase of the implementation of the newly adopted policy is the removal of any PDF documents associated with any and all applications received by Step Up for students that are older than five (5) years; those awarded, denied or incomplete. This project has been prioritized to be completed 03/31/2021.

#### **Upgrading the SAS to differentiate access privileges to former, prospective, and current scholarship recipient student information.**

Step Up Response: This recommendation is being reviewed and technical solutions are being considered.

#### **Granting access privileges only for the time needed when an employee only requires occasional access to sensitive personal information of former scholarship recipients, their parents or guardians, and other household members.**

Step Up Response: A process has been established to allow users occasional system access if their responsibilities require such access but adding a date to the request for the additional access that removes the access as of that date.