

# STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2022-002  
July 2021

## AAA SCHOLARSHIP FOUNDATION – FL, LLC



Sherrill F. Norman, CPA  
Auditor General

## **President and Board of Directors**

During the period March 2020 through February 2021, Kim Dyson served as President and Chief Executive Officer for AAA Scholarship Foundation – FL, LLC and the following individuals served as Members of the Board of Directors:

Toni Cardamone  
Teri L'Homme  
Kimberly Perry

The team leader was Sarah Polo, 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](mailto:mikegomez@aud.state.fl.us) or by telephone at (850) 412-2881.

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# AAA SCHOLARSHIP FOUNDATION – FL, LLC

## **SUMMARY**

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This operational audit of AAA Scholarship Foundation – FL, LLC (AAA) focused on selected administrative activities and AAA management’s performance related to the Florida Tax Credit Scholarship (FTC), Gardiner Scholarship, and Family Empowerment Scholarship (FES) Programs, including AAA’s compliance with applicable laws and rules. Our audit did not disclose any findings and recommendations regarding AAA’s processes and administrative activities included within the scope of our audit that must be reported in writing.

## **RELATED INFORMATION SUMMARY**

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Section 11.45(2)(l), Florida Statutes, requires our audit to include a determination of AAA’s compliance with certain FTC Program provisions. Our audit procedures and tests of selected AAA records and accounts found that AAA generally complied with the applicable provisions of Section 1002.395, Florida Statutes (2020).

Section 1002.385(14)(a), Florida Statutes (2020),<sup>1</sup> provided that, as part of our audit, we were to verify the total number of students served and the eligibility of reimbursements made by AAA for the Gardiner Scholarship Program and transmit that information to the Florida Department of Education. Our audit procedures disclosed that, during the period March 2020 through February 2021, AAA served 1,512 students<sup>2</sup> who received Gardiner Scholarship Program awards totaling \$7,479,646. In addition, our tests of AAA records found that the scholarship payments selected for audit were eligible Gardiner Scholarship Program disbursements.

## **BACKGROUND**

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AAA Scholarship Foundation, Inc. (Corporation), was incorporated in Georgia in 2010 and is registered in Florida as a foreign nonprofit corporation. AAA Scholarship Foundation – FL, LLC (AAA), a wholly owned subsidiary of the Corporation, is a Florida nonprofit scholarship funding organization (SFO) registered on December 10, 2013, as a single-member limited liability company, and operating pursuant to State law.<sup>3</sup> AAA’s stated mission<sup>4</sup> is to promote:

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<sup>1</sup> Chapter 2021-27, Laws of Florida, repealed Section 1002.385, Florida Statutes (2020). The Gardiner Scholarship, and, effective July 1, 2021, students formerly served by the Gardiner Scholarship Program are eligible to be served under the Family Empowerment Scholarship Program established by Section 1002.394, Florida Statutes.

<sup>2</sup> The 1,512 students did not include eligible students who did not receive or did not use scholarship funds during the period March 2020 through February 2021.

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

<sup>4</sup> AAA revised its mission statement in November 2020. Prior to November 2020, AAA’s stated mission was to provide economic and other assistance to economically disadvantaged families and families of disabled students to enable them to select the best schools for their children.

- Relief of the poor, the distressed, or the underprivileged by providing economic and other assistance to low-income families to empower them to be able to choose the best educational setting for their children’s learning needs; and
- Advancement of education by administering legislatively-authorized learning opportunities that give families the freedom to choose the educational options that best suit their children.

The governing body of AAA is the Corporation’s Board of Directors (Board), composed of two to five members who each serve a 1-year term. 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 Chief Executive Officer is responsible for day-to-day operations.

State law<sup>5</sup> requires the Florida Department of Education (FDOE) to determine, and annually verify, the eligibility of each SFO, and the FDOE recognized AAA as an eligible SFO for the 2019-20 and 2020-21 fiscal years. As a State-approved nonprofit SFO, AAA administers three scholarships for Florida schoolchildren: the Florida Tax Credit Scholarship and the Family Empowerment Scholarship for low-income families and the Gardiner Scholarship for children with certain special needs.

**Florida Tax Credit Program.** State law<sup>6</sup> established the Florida Tax Credit (FTC) Program to expand educational opportunities for children of families with household incomes below specified poverty levels or students currently placed, or were placed during the previous State fiscal year, in foster care or out-of-home care as defined by State law.<sup>7</sup> 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. Table 1 shows the top five donor contribution amounts received by AAA during the period March 2020 through February 2021.

**Table 1**  
**FTC Program**  
**Top Five Donor Contribution Amounts**  
**For the Period March 2020 through February 2021**

Donor	Amount	Percentage of Total Contributions
Donor 1	\$15,000,000	33
Donor 2	6,300,000	14
Donor 3	3,400,000	7
Donor 4	3,200,000	7
Donor 5	3,200,000	7

Source: AAA records.

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

<sup>6</sup> Section 1002.395(3), Florida Statutes (2020).

<sup>7</sup> Section 39.01, Florida Statutes.

State law<sup>8</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>9</sup> For AAA's fiscal years ended June 30, 2020, and 2021, eligible students received from the FTC Program maximum scholarship awards of \$9,197 to attend eligible private schools. AAA did not award any FTC Program scholarships for transportation expenses for these fiscal years.

Table 2 shows AAA's FTC Program activity during the three 12-month periods March 2018 through February 2019, March 2019 through February 2020, and March 2020 through February 2021.

**Table 2  
FTC Program Activities**

	March 2018 – February 2019	March 2019 – February 2020	March 2020 – February 2021
Contributions Collected	\$33,413,000	\$20,679,138	\$45,664,816
Total Scholarships Paid	\$15,423,766	\$22,680,770	\$15,145,945
Number of Students Awarded Scholarships	5,405	5,893	4,487
Number of Private Schools Accepting Scholarships	658	884	740

Source: AAA records.

Table 3 shows the top five counties by number of FTC Program students served by AAA during the period March 2020 through February 2021.

**Table 3  
FTC Program  
Top Five Counties by Number of Students Served  
For the Period March 2020 through February 2021**

	County	Number of Students Served
1	Miami-Dade	666
2	Broward	448
3	Orange	405
4	Hillsborough	340
5	Duval	238

Source: AAA records.

While State law<sup>10</sup> limits the amount of net eligible contributions after administrative expenses that SFOs may carryforward each State fiscal year, SFOs may transfer excess amounts over those limits by September 30 of each year to other SFOs. Accordingly, on September 30, 2020, and pursuant to State law, AAA transferred \$10,256,800, which was the net contribution excess amount remaining on June 30, 2020, to another SFO.

<sup>8</sup> Section 1002.395(6)(d), Florida Statutes.

<sup>9</sup> Pursuant to Section 1002.395(11)(a)3., Florida Statutes, 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 \$750.

<sup>10</sup> Section 1002.395(6)(j)2, Florida Statutes.

**Family Empowerment Scholarship Program.** State law<sup>11</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>12</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>13</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 that the FDOE transfer the scholarship awards to a separate account for the FES Program for quarterly disbursement to parents of participating students. Table 6 shows FES Program eligibility determinations during the period March 2020 through February 2021.

**Table 6  
FES Program Eligibility Determinations**

	March 2020 – February 2021
Students with Household Income Verified by AAA	106
Students Determined to be Eligible by the FDOE	104
Students Determined to be Ineligible by the FDOE	2
Scholarships Awarded by the FDOE	\$322,733

Source: AAA records.

**Gardiner Scholarship Program.** State law<sup>14</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<sup>15</sup> required Gardiner Scholarship Program moneys be used, in part, 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 a home education program, an eligible private school, an eligible postsecondary institute, an authorized private tutoring program, a virtual instruction program offered by an FDOE-approved provider.
- Examination fees for specified tests and assessments.
- Contributions to the Florida 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.

<sup>11</sup> Section 1002.394(1), Florida Statutes.

<sup>12</sup> Section 1002.394(10)(a), Florida Statutes.

<sup>13</sup> Section 1002.394(7)(b), and (11)(e), Florida Statutes.

<sup>14</sup> Section 1002.385(1), Florida Statutes (2020).

<sup>15</sup> Section 1002.385(5), Florida Statutes (2020).

As an SFO participating in the FTC program, AAA qualified to participate in the Gardiner Scholarship Program. According to AAA accounting records for the period March 2020 through February 2021, AAA received \$11,212,917 in Gardiner Scholarship Program funds from the FDOE, transferred \$224,339 to another SFO, served 1,512 students,<sup>16</sup> and paid Gardiner Scholarship Program funds totaling \$7,479,646 for those students. The scholarship award amounts ranged from \$3,200 to \$22,579, 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 AAA during the three 12-month periods March 2018 through February 2019, March 2019 through February 2020, and March 2020 through February 2021.

**Table 4  
Gardiner Scholarship Program Activity**

	March 2018– February 2019	March 2019 – February 2020	March 2020 – February 2021
Program Funds Received <sup>a</sup>	\$8,953,084	\$9,427,873	\$11,212,917
Program Funds Disbursed	\$5,728,575	\$7,790,158	\$7,479,646
Program Funds Transferred to Another SFO	\$14,520	\$90,385	\$224,339
Number of Students Awarded Scholarships	901	967	1,512

<sup>a</sup> Amounts include Program funds received from the FDOE and Program funds transferred from another SFO.

Source: AAA records.

Table 5 shows the top five counties by number of Gardiner Scholarship Program students served by AAA during the period March 2020 through February 2021.

**Table 5  
Gardiner Scholarship Program  
Top Five Counties by Number of Students Served  
For the Period March 2020 through February 2021**

	County	Students Served
1	Hillsborough	108
2	Miami-Dade	98
3	Orange	84
4	Palm Beach	81
5	Pinellas	78

Source: AAA records.

Chapter 2021-27, Laws of Florida, repealed the Gardiner Scholarship Program, effective July 1, 2021. Effective July 1, 2021, students formerly served by the Gardiner Scholarship Program are eligible to be served under the Family Empowerment Scholarship Program.

<sup>16</sup> The 1,512 students did not include eligible students who did not receive or did not use scholarship funds during the period March 2020 through February 2021.

## **AUDIT RESULTS**

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Our audit did not disclose any findings and recommendations that must be reported in writing regarding management's performance related to the Florida Tax Credit (FTC), Family Empowerment Scholarship (FES), and Gardiner Scholarship Programs or the selected AAA administrative activities included within the scope of our audit. Nothing came to our attention through our audit procedures to indicate that AAA controls, as designed and implemented, were not adequate to ensure that the FTC, FES, and Gardiner Scholarship Programs or the selected administrative activities were properly administered by AAA and related laws, rules and other guidelines were followed. As such, we are not making any recommendations.

## **RELATED INFORMATION**

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As described in the **OBJECTIVES, SCOPE AND METHODOLOGY** section of this report, we performed procedures to determine AAA's compliance with various statutory provisions related to the Florida Tax Credit Program. Our audit procedures and tests of selected AAA records and accounts found that AAA generally complied with the applicable provisions of Section 1002.395, Florida Statutes (2020).

As 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 2020 through February 2021, and examined documentation for selected scholarship payments to determine whether the payments were eligible program disbursements. Our procedures disclosed that, during this period, 1,512 students<sup>17</sup> received Gardiner Scholarship Program scholarships totaling \$7,479,646. Our tests of AAA records found that the scholarship payments selected for audit were eligible Gardiner Scholarship Program disbursements.

## **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>18</sup> required us to conduct annual operational audits of the accounts and records of scholarship funding organizations (SFOs) participating in the Florida Tax Credit (FTC) and Gardiner Scholarship Programs.

We conducted this operational audit from March 2021 to June 2021 in accordance with 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>17</sup> The 1,512 students did not include eligible students who did not receive or did not use scholarship funds during the period March 2020 through February 2021.

<sup>18</sup> Sections 11.45(2)(l) and 1002.385(14)(a), Florida Statutes (2020).



This operational audit of AAA focused on selected administrative activities and management's performance related to the FTC, Florida Empowerment Scholarship (FES), and Gardiner Scholarship Programs, including AAA's compliance with applicable laws and rules.

For those areas addressed by this audit, our objectives 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 Section 1002.385, Florida Statutes (2020); Section 1002.394, Florida Statutes, and Section 1002.395, Florida Statutes (2020); 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.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This audit was designed to identify, for those programs, activities, and functions included within the scope of the audit, weaknesses in management's internal controls significant to our audit objectives; 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; 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 2020 through February 2021, and selected AAA 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 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, AAA policies and procedures, and other guidelines, and interviewed AAA personnel to gain an understanding of AAA scholarship-related operations and evaluate the adequacy of the operations.
- Obtained an understanding of AAA's internal controls and evaluated the effectiveness of key FTC, FES, 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.
- Examined documentation to determine whether AAA personnel complied with Section 1002.395(6)(b), Florida Statutes, by obtaining results of the required level 2 background screenings for the two AAA owners or operators and verifying that the owners or operators had not filed for personal or corporate bankruptcies in the last 7 years.
- Examined AAA records supporting the eligibility of 30 selected students from the 4,487 students who received FTC Program scholarship payments or were awarded FTC Program scholarships during the audit period to determine whether AAA documented student eligibility as required by Section 1002.395(6)(j)3, Florida Statutes.
- Examined AAA records for the 2019-20 fiscal year to determine whether AAA complied with the carryforward limitations on unexpended FTC Program moneys pursuant to Section 1002.395(6)(j)2, Florida Statutes.
- Examined AAA records supporting the number of students served by the Gardiner Scholarship Program, including the 1,068 students who were determined to be eligible for a scholarship during the audit period, to verify the number of students served. We also examined documentation for 30 selected students to determine whether AAA complied with applicable Program eligibility requirements established in Section 1002.385(3)(a), Florida Statutes (2020), and State Board of Education Rule 6A-6.0961(4)(a), Florida Administrative Code.
- From the population of Gardiner Scholarship Program scholarship payments totaling \$7,479,646 made during the audit period, examined documentation for 30 scholarship payments totaling \$217,676 to determine whether the payments were eligible Gardiner Scholarship Program disbursements and were not reduced by administrative expenses.
- Examined AAA records for the audit period to determine whether AAA was eligible to use FTC Program and Gardiner Scholarship Program moneys for administrative expenses pursuant to Sections 1002.395(6)(j)1. and 1002.40(11)(g), Florida Statutes. Additionally, from the population of administrative expenses totaling \$855,550 and \$284,920, charged to the FTC Program and Gardiner Scholarship Program, respectively, we:
  - Examined AAA records supporting 30 expenses directly charged to the FTC Program or Gardiner Scholarship Program and totaling \$302,623 to determine whether the expenses complied with the requirements of Sections 1002.395(6)(j)1 and 1002.40(11)(g), Florida Statutes.
  - Evaluated AAA policies and procedures for allocating indirect administrative costs to the FTC Program to determine whether the allocation methodology was reasonable and performed analytical procedures related to the \$371,353 of indirect administrative costs allocated to the FTC Program to determine whether the costs were properly allocated.
- Examined AAA records supporting the population of 106 students whose household incomes were verified by AAA and provided to the FDOE for an FES Program scholarship during the audit period and the records for the 104 students deemed eligible to verify the number of students served. From the 104 students deemed eligible for FES Program scholarships, we selected 25 students and examined supporting documentation to determine whether AAA 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.
- Obtained management's views concerning the conclusions in this audit report, prepared a summary of management's comments, and provided a copy of the summary to management to verify that the comments were accurately represented. In addition, we included the summary of management's response in this report under the heading **MANAGEMENT'S RESPONSE**.

## **AUTHORITY**

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Section 11.45(2)(l), Florida Statutes (2020),<sup>19</sup> required 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 (2020),<sup>20</sup> required 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.



Sherrill F. Norman, CPA  
Auditor General

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<sup>19</sup> Chapter 2021-27, Laws of Florida, amended Section 11.45(2)(l), Florida Statutes (2020), effective July 1, 2021, to provide that the Auditor General shall, at least once every 3 years, conduct operational audits of the accounts and records of eligible nonprofit scholarship-funding organizations receiving eligible contributions under Section 1002.395, Florida Statutes.

<sup>20</sup> Chapter 2021-27, Laws of Florida, repealed Section 1002.385, Florida Statutes (2020).

**MANAGEMENT'S RESPONSE**

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AAA management concurred with the audit results.