

SCHOOL FINANCIAL REPORT REQUIREMENT

Florida School Choice Programs

September 15, 2018

Fiscal Accountability for Participating Schools Guidelines and Procedural Requirements Guide

Overview

ALL
OLD
GRAMS

Florida Statute 1002.421(1)(q) requires schools participating in educational scholarship programs established pursuant to Chapter 1002, specifically, the Florida Tax Credit Scholarship, the Gardiner Scholarship, the John M. McKay Scholarships for Students with Disabilities and the Hope Scholarship (the "Scholarships"), and receiving more than \$250,000 in funds from the Scholarships awarded during the fiscal year from July 1 of a calendar year to June 30 of the next calendar year (a "Fiscal Year") to file a fiscal accountability report. This accountability report focuses on the use of the Scholarship funds and the financial procedures and controls in place at the schools. The report, in the form of Agreed-Upon Procedures (the "AUPs"), is to be completed by an independent, currently active Florida Certified Public Accountant (the "CPA"). The CPA must ensure that staff visiting the school comply with the school's policy for screening and managing visitors.

The AUPs are developed jointly by all state-approved nonprofit Scholarship Funding Organizations (SFO). A biennial review includes an SFO whose organization provided more than \$250,000 in scholarship funds to an eligible private school during the state fiscal year preceding the biennial review, along with input from the Florida Association of Academic Nonpublic Schools (FAANS) and the Florida Department of Education (the Department). The revised AUPs below were developed in accordance with the standards established by the American Institute of Certified Public Accountants in Statements on Standards for Attestation Engagements (AT-C Sections 105 and 215).

Each school receiving more than \$250,000 in Scholarships in a Fiscal Year is required to submit an original copy of the Independent Accountant's Report on Applying AUPs (the "Report") to the Scholarship Funding Organization (the "SFO") that provided the school the majority of the Scholarships awarded during that Fiscal Year, by September 15 following the end of that Fiscal Year. However, a school receiving more than \$250,000 in Scholarship funds only through the John M. McKay Scholarships for Students with Disabilities must submit an original copy of the Report to the Department. Faxed copies will not be accepted and will be discarded upon receipt. In return, the SFO or Department must report to the Commissioner of Education by October 30 of that year: 1) A school's failure to file the Report; and 2) Any Material Exceptions set forth in the Report. Reportable Exceptions set forth in the Report will be reviewed by the SFO or Department, which may provide a recommendation for corrective action to the school. If the same or substantially the same Reportable Exception is reported in three consecutive years, that same or substantially same exception should be reported as a Material Exception by the CPA in the third year and each year thereafter that it remains uncorrected.

The Agreed Upon Procedures

I. School Eligibility

Obtain the compliance letter or other proof of eligibility from the Florida Department of Education and determine whether the proof of eligibility covers the Fiscal Year to which the AUPs are being performed and include copies with the report. Report any exceptions found as Material Exceptions.



II. Adequate Accounting System:

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

III. Adequate System of Financial Controls:

A. Cash Balances:

1. Verify if the school's Scholarship Funds are held at a federally insured depository institution. If funds are not held at a federally insured depository institution, report as a Reportable Exception.
2. Inspect three months' statements (including the Fiscal year-end statement) for all bank and investment accounts holding Scholarship Funds and determine whether the average daily account balance exceeded the FDIC limit of \$250,000 during the month's statements being inspected;
 - i. If the FDIC limit is exceeded, inspect the documentation indicating that the school annually reviews the bank's rating by a reputable ratings providers, which may include, but is not limited to Bauer Financial, Fitch, Moody's, Standard and Poor's;
 - a. If the rating is lower than the top two ratings on the scale, report as a Reportable Exception.
 - b. If the school took no such action to protect the Scholarship Funds, report as a Reportable Exception.

* FDIC

B. Non-school Expenses:

1. Inquire if non-school expenses are disbursed from the school's bank account and if so, inquire if they are being identified and/or tracked separately from the school's expenses;
2. Select a sample of 5 non-school expenses and determine whether they are being identified and tracked separately from school expenses.
3. Report any exceptions found as Material Exceptions.

C. Internal Controls:

1. Inquire if the school has written policies or standard practices to establish proper financial controls including segregation of duties and the policies or practices are being consistently followed for:
 - i. Cash Receipts
 - ii. Capital Expenditures;
 - iii. Payroll –including time and attendance, calculations and pay rate and deduction changes;
 - iv. Operating Expenditures; and
 - v. Shared costs - Costs shared by the school with another organization (administrative salaries, facilities, etc.) should be allocated between the organizations in a systematic and rational approach.
2. In the absence of written policies, briefly describe the standard practices used to establish proper financial controls over the transactions listed in III.C.1 above;
3. See associated procedures in step VI. B-C and V.B;
4. Report any exceptions found in steps III.C.1-3 as Material Exceptions.

D. Bank Reconciliations:

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

E. Budgets and Financial Statements:

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

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

A. For Scholarship payments received as checks:

- * ALL PROGRAMS!
1. Obtain the SFOs' or the Department's Check Cashing Policies (the "Check Cashing Policies") and inquire if the school is following the Check Cashing Policies and complying with section 1002.395 (11)(b) F.S. (see attached) to include obtaining the guardian's signatures and depositing the check into the school's bank account.
 2. Select a sample of the greater of 10 Scholarship students or 5% of the Scholarship student population. The sample should include at least 2 students (or one if only one student participating in a given program attends the school) from each Scholarship program in which the school participates that distributes funds by check. Determine whether the Check Cashing Policies and statute referenced in step IV(A)(1) were followed. Determine whether the parent or guardian's endorsement is reasonably similar to the signature in the student's school file of the named payee or of their power of attorney (granted to a person that is not related to the school).
 3. Using the sample selected in section IV(A)(2) above, obtain the sample students' Scholarship checks and determine whether the funds are classified in general ledger as tuition, books and fees payments and the corresponding general ledger bank account. Also, determine whether the funds are posted to each student's tuition account/statement and whether the funds are deposited into the school's bank account.
 4. Report any exceptions as Material Exceptions.

* B. For Scholarship payments received as electronic funds:

- ALL PROGRAMS *
1. Select a sample of the greater of 10 Scholarship students or 5% of the Scholarship student population. The sample should include at least 2 students (or one if only one student participating in a given program attends the school) from each Scholarship program in which the school participates that distributes funds by electronic funds.
 2. Determine whether the sampled students' scholarship payments were recorded in accordance with the policies or standard practices identified in section III(C)(1)(i) and whether the funds are classified in the general ledger as tuition, books and fees payments and the corresponding general ledger bank account.
 3. Determine whether the funds are posted to each student's tuition account/statement and whether the funds are deposited into the school's bank account.
 - * 4. For electronic funds received from AAA, determine whether the parent or guardian endorsement on the Payment Received Form is reasonably similar to the signature of the named payee on file with the school;
 5. Report any exceptions as Material Exceptions.

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

- TIMELY PAID = *
- A. Obtain the dollar value of the Scholarship funds received for students attending the school.
 - B. By scanning the general ledger, identify and prepare a list of Fiscal Year-to-Date Education-Related Expenses and determine that the total of Education-Related Expenses is at least equal to the dollar value of the Scholarships received. Education-Related Expenses include but are not limited to school-related personnel expenses, curriculum, classroom technology, building expenses (rent, mortgage interest, property taxes, insurance and maintenance costs associated with the school facilities) and classroom instructional resources.
 - C. Using the list developed in step V(B) above, select a sample of Education-Related Expenditures incurred during the Fiscal Year using the table below. For each item sampled, scan supporting documentation and determine whether the expenditure is Education-Related, was properly authorized in accordance with the policies identified in step III(C) above, is properly classified in the general ledger and was paid timely and accurately from the school's bank account(s). For this purpose, paid timely means no more than 10% of the sample size is paid greater than 30 days after the due date. For payroll expenditures sampled, also re-calculate pay based on corresponding time and attendance, pay rate and deductions records properly authorized in accordance with the policies identified in step III(C) above.

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

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

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

VI. Other Procedures:

- ATTENDANCE *
- ALL PROGRAMS *
- A. Obtain a copy of the tuition & fees schedule for the school year being tested. Using the sample selected for step IV(C), determine the tuition charged the sample students is consistent with the tuition policy for all students. Report any exceptions found as Reportable Exceptions;
 - B. Obtain the school's student attendance policy. Determine if the policy for Scholarship students is consistent with the policy for all students and with State Board of Education Rule 6A-1.09512 of at least 170 actual school days and 540 net instructional hours for students in kindergarten, 720 net instructional hours for students in grades 1-3, and 900 net instructional hours for students in grades 4-12¹ⁱ. Report any exceptions found as Material Exceptions;
 - C. Using the sample selected for step IV(C), observe the attendance records for each selected student and determine whether they meet the school's attendance policy. Report any exceptions found as Material Exceptions;
 - D. Without advance notice to the school of the sample of students, select 10 students from the Scholarship payment history and observe the student's presence in school that day. The sample should include at least 2 students (or one if only one student participating in a given program attends the school) from each Scholarship program in which the school participates. If the student is not present, determine whether the student is listed as absent on the school's attendance record. Report any exceptions found as Material Exceptions.

Specific Guidelines Governing the Reportability of Exceptions

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

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

¹ <https://www.flrules.org/gateway/ruleno.asp?id=6A-1.09512>

Independent Accountant's Report
on Applying Agreed-Upon Procedures

To (name of Scholarship Funding Organization or Florida Department of Education, whichever is applicable):

We have performed the procedures enumerated below, which were agreed to by (name of Scholarship Funding Organization or Florida Department of Education, whichever is applicable), solely to assist the specified parties in evaluating (name of school)'s compliance with the requirements of Florida Statute 1002.421(1)(q) during the school year ended (Date). (Name of school)'s management are responsible for compliance with those requirements. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

(List procedures and findings).

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institution of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with the requirements of Florida Statute 1002.421(1)(q) during the school year ended (Date). Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

[Signature]

[City,State]

[Date]
