

# STATE OF FLORIDA AUDITOR GENERAL

## Operational Audit

Report No. 2022-072  
December 2021

### STEP UP FOR STUDENTS, INC.



Sherrill F. Norman, CPA  
Auditor General

## **President and Board of Directors**

During the audit period, 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 Nick Druash.

Please address inquiries regarding this report to Derek H. Noonan, CPA, Audit Manager, by e-mail at [dereknolan@aud.state.fl.us](mailto:dereknolan@aud.state.fl.us) or by telephone at (850) 412-2864.

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**State of Florida Auditor General**

**Claude Pepper Building, Suite G74 · 111 West Madison Street · Tallahassee, FL 32399-1450 · (850) 412-2722**

# 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, Family Empowerment Scholarship (FES) Programs and Reading Scholarship Accounts, including Step Up’s compliance with applicable laws and rules. The audit also included a follow-up on findings noted in our report No. 2021-142. 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 (2020).

Section 1002.385(14)(a), Florida Statutes (2020) provided<sup>1</sup> and Section 1002.40(12)(a), Florida Statutes, provides that, as part of our audit, we were 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 2020 through February 2021, as summarized in Table 1.

**Table 1**  
**Step Up Gardiner Scholarship and Hope Scholarship Programs**  
**Students Served and Awards Paid**  
**For the Period March 2020 through February 2021**

Scholarship Program	Number of Students Served	Program Scholarship Awards Paid
Gardiner	18,211	\$134,086,894
Hope	526	\$ 2,474,434

Section 1002.385(14)(a), Florida Statutes (2020), also required 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, 2021, Chapter 2021-27, Laws of Florida, repealed Section 1002.385, Florida Statutes, The Gardiner Scholarship. 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.

## **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> 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 2019-20 and 2020-21 fiscal years.

The governing body for Step Up is the Board of Directors (Board). This eight-member Board sets policy, develops and approves strategic plans and the related allocation of resources, and is responsible for the organization's performance. During the period March 2020 through February 2021, 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.

**Florida Tax Credit Program.** State law<sup>5</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>6</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 2 shows the top five donor contribution amounts received by Step Up during the period March 2020 through February 2021.

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<sup>2</sup> Section 1002.395(2)(f), Florida Statutes (2020).

<sup>3</sup> Section 1002.395(9)(b), Florida Statutes (2020).

<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 (2020).

<sup>6</sup> Section 39.01, Florida Statutes.

**Table 2**  
**FTC Program**  
**Top Five Donor Contribution Amounts**  
**For the Period March 2020 through February 2021**

	Amount	Percentage of Total Contributions
Donor 1	\$154,250,000	22%
Donor 2	75,876,000	11%
Donor 3	36,365,000	5%
Donor 4	28,225,000	4%
Donor 5	27,000,000	4%

Source: Step Up records.

State law<sup>7</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>8</sup> For Step Up'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. For the 2019-20 and 2020-21 fiscal years, the transportation scholarship award amount was set at \$750.

Table 3 shows Step Up'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 3**  
**FTC Program Activity**

	March 2018 – February 2019	March 2019 – February 2020	March 2020 – February 2021
Funds collected <sup>a</sup>	\$589,246,553	\$668,355,603	\$685,795,248
Total tuition scholarships paid	\$633,707,752	\$652,167,081	\$610,114,028
Number of students awarded tuition scholarships	121,270	128,144	122,720
Number of private schools paid	1,896	1,945	1,983
Total transportation scholarships paid	\$ 12,845	\$ 57,829	\$ 132,250
Number of students awarded transportation scholarships	34	168	289

<sup>a</sup> Includes contributions, Program funds received from the FDOE, and transfers from another SFO.<sup>9</sup>

Source: Step Up records.

Table 4 shows the top five counties by number of FTC Program students served by Step Up during the period March 2020 through February 2021.

<sup>7</sup> Section 1002.395(6)(d), Florida Statutes (2020).

<sup>8</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.

<sup>9</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.

**Table 4**  
**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	28,927
2	Broward	11,409
3	Orange	11,289
4	Duval	9,356
5	Hillsborough	6,720

Source: Step Up records.

**Florida Empowerment Scholarship Program.** State law<sup>10</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>11</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>12</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 to transfer the scholarship awards to a separate account for the FES Program for quarterly disbursement to parents of participating students. Table 5 summarizes FES Program eligibility determinations and awards during the periods July 2019 through February 2020 and March 2020 through February 2021.

**Table 5**  
**FES Program Eligibility Determinations and Awards**

	July 2019 – February 2020	March 2020 – February 2021
Students with Household Income Verified by Step Up	47,717	53,723
Students Determined to be Eligible by the FDOE	35,891	49,971
Students Determined to be Ineligible by the FDOE	11,826	10,337
Scholarships Awarded by the FDOE	\$244,463,273	\$338,881,621

Source: Step Up and FDOE records.

**Gardiner Scholarship Program.** State law<sup>13</sup> established the Gardiner Scholarship Program to help meet the educational needs of students who have a specified intellectual disability such as autism, cerebral

<sup>10</sup> Effective July 1, 2019, Chapter 2019-23, Laws of Florida, established the FES Program (Section 1002.394, Florida Statutes).

<sup>11</sup> Section 1002.394(10)(a), Florida Statutes.

<sup>12</sup> Section 1002.394(7)(b), and (11)(e), Florida Statutes.

<sup>13</sup> Section 1002.385(1), Florida Statutes (2020).

palsy, or Down syndrome. State Law<sup>14</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, 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 or who is otherwise qualified to provide the services.

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 2020 through February 2021, Step Up received \$188,493,672 in Gardiner Scholarship Program funds from the FDOE and \$224,339 from another SFO, awarded scholarships to 17,760 students, and made Gardiner Scholarship Program payments totaling \$134,086,894 for 18,211 students served. The scholarship award amounts ranged from \$4,617 to \$22,579, depending on the student’s date of application, county of residence, grade level, and disability type.

Table 6 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 2018 through February 2019, March 2019 through February 2020, and March 2020 through February 2021.

**Table 6  
Gardiner Scholarship Program Activity**

	<b>March 2018 – February 2019</b>	<b>March 2019 – February 2020</b>	<b>March 2020 – February 2021</b>
Program funds received <sup>a</sup>	\$121,199,375	\$144,990,925	\$188,493,672
Program funds disbursed	\$ 93,952,797	\$109,490,125	\$134,086,894
Program funds transferred to another SFO	\$ 113,757	\$ 20,872	\$ 0
Number of students awarded scholarships	11,520	13,552	17,760

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

Source: Step Up records.

While Step Up served Gardiner Scholarship Program students in 66 counties<sup>15</sup> during the period March 2020 through February 2021, over a third of the Gardiner Program students served by Step Up

<sup>14</sup> Section 1002.385(5), Florida Statutes (2020).

<sup>15</sup> Step Up did not serve any Gardiner Scholarship Program students residing in Franklin County.

resided in 5 counties. Table 7 shows the 5 counties with the greatest number of Gardiner Scholarship Program students served by Step Up and the number of students served in each of those 5 counties.

**Table 7**  
**Gardiner Scholarship 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	2,444
2	Orange	1,396
3	Broward	1,193
4	Hillsborough	1,027
5	Brevard	1,025

Source: Step Up 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 FES Program.

**Hope Scholarship Program.** The Hope Scholarship Program was created, effective July 1, 2018, pursuant to State law,<sup>16</sup> 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>17</sup>

Table 8 displays, for the periods July 2018 through February 2019, March 2019 through February 2020, and March 2020 through February 2021, the Hope Scholarship Program funds received and disbursed by Step Up and the number of students that Step Up awarded Program scholarships.

**Table 8**  
**Hope Scholarship Program Activity**

	July 2018 – February 2019	March 2019 – February 2020	March 2020 – February 2021
Program funds received	\$19,344,840	\$69,111,701	\$69,167,777
Program funds disbursed	\$ 35,662	\$ 1,057,996	\$ 2,474,434
Number of students awarded scholarships	29	337	526

Source: Step Up records.

**Reading Scholarship Accounts.** The Reading Scholarship Accounts were created by State law<sup>18</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

<sup>16</sup> Chapter 2018-06, Laws of Florida.

<sup>17</sup> Section 1002.40(13), Florida Statutes.

<sup>18</sup> Section 1002.411(2), Florida Statutes.



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 9 shows the amounts received and disbursed by Step Up to or on behalf of students for the periods July 2018 through February 2019, March 2019 through February 2020, and March 2020 through February 2021.

**Table 9**  
**Reading Scholarship Accounts Activity**

	July 2018 – February 2019	March 2019 – February 2020	March 2020 – February 2021
Program funds received	\$2,405,500	\$3,442,000	\$1,003,500
Program funds disbursed	\$ 31,790	\$ 518,898	\$2,141,349
Number of students awarded scholarships	135	1,287	1,911

Source: Step Up records.

## FINDINGS AND RECOMMENDATIONS

### Finding 1: Sensitive Personal Information

The Legislature has recognized in State law<sup>19</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>20</sup> are required to provide extra care in maintaining such information. Effective controls restrict employees from accessing information unnecessary for their assigned duties, provide for documented periodic evaluations of information technology (IT) user access privileges, and establish a reasonable retention period for documents containing sensitive personal information, including SSNs.

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>21</sup> for the Florida Department of Education. To help determine student scholarship eligibility based on household income determinations, documentation showing parent, guardian, and other household member SSNs is linked in SAS. Step Up uses SAS to 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. While, as of the end of March 2021, Step Up had developed procedures to require periodic evaluations of IT user access privileges to ensure that such access is necessary based upon employee job duties, SAS does not differentiate access privileges to former, prospective, and current

<sup>19</sup> Section 119.071(5)(a), Florida Statutes.

<sup>20</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>21</sup> For example, State Board of Education Rule 6A-6.0960(2)(a), Florida Administrative Code, *Florida Tax Credit Scholarship Program*.

scholarship recipient student information, and employees who had such access did not always need access to former scholarship recipient student information to perform their duties.

In response to our inquiries, Step Up personnel indicated that, as of June 2021, SAS included the SSNs of 694,666 former students and their parents or guardians. As of June 2021, Step Up personnel 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 are continuing to research SAS configuration options with IT personnel.

Step Up approved policies<sup>22</sup> in April 2020 to maintain the documents linked in SAS for 5 years. As part of our audit, we reviewed SAS documents to verify that all linked documents older than 5 years were purged and noted that, as of March 2021, Step Up had purged all linked documents older than the 2015-16 school year; however, we also noted that the SSNs of students from those school years were retained in SAS student record fields. Step Up management explained that the removal of all student level information, including SSNs is still planned and should be completed by the end of the 2021 calendar year.

Unnecessary access to the sensitive personal information of former students and their parents or guardians and prolonged retention of records for former scholarship participants and information for applicants who do not receive scholarships increase 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 fraud against students served by Step Up or others. A similar finding was noted in our audit report No. 2021-142.

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

- **Retaining records only for the time needed and purging student and household member SSNs from SAS for students no longer participating in scholarship programs.**
- **Upgrading SAS to differentiate access privileges to prospective, current, and former scholarship recipient student information.**

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

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Step Up management had not fully taken corrective action for Finding 1 in our report No. 2021-142 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 (2020).

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<sup>22</sup> *Records, Documents, Communication and Data Governance Policy.*

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 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, 18,211 students were served by Gardiner Scholarship Program scholarships totaling \$134,086,894. 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 2020 through February 2021. Our tests of Step Up records disclosed that 526 students received Hope Scholarship Program scholarships totaling \$2,474,434.

## **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 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 2021 to October 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.

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

For those areas addressed by this audit, our objectives were to:

- Evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, including applicable provisions of Sections 1002.385 and 1002.395, Florida Statutes (2020); Sections 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.

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<sup>23</sup> Sections 11.45(2)(l) and 1002.385(14)(a), Florida Statutes (2020); and Section 1002.40(12)(a), Florida Statutes.

- Determine whether management had corrected, or was in the process of correcting, the deficiency disclosed in our report No. 2021-142.
- 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, 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 2020 through February 2021, 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 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, 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 awards paid by Step Up for the Gardiner Scholarship and Hope Scholarship Programs.

- Examined documentation to determine whether Step Up personnel complied with Section 1002.395(6)(b), Florida Statutes, by obtaining results of the required level 2 background screenings for the 12 Step Up owners or operators and verifying that the owners or operators had not filed for personal or corporate bankruptcies in the last 7 years.
- Examined Step Up records, including scholarship applications and supporting documentation, for 30 selected students from the 93,900 FTC Program applications, including 2021-22 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 2019-20 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 5,164 students Step Up determined during the audit period to be eligible for a Gardiner scholarship during the audit period, examined Step Up records for 31 selected students to determine whether Step Up complied with the 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 Gardiner Scholarship Program scholarship payments totaling \$134.1 million made during the audit period, examined documentation for 30 scholarship payments totaling \$396,302 to determine whether the payments were eligible Gardiner Scholarship Program disbursements and were not reduced by administrative expenses.
- Examined documentation for 30 students, selected from the 526 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.
- Examined Step Up records for the 2019-20 fiscal year to determine whether Step Up complied with the carryforward limitations on unexpended Hope Scholarship Program moneys pursuant to Section 1002.40(11)(h)(i), Florida Statutes.
- From the 44,615 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 1002.394(10)(a)., Florida Statutes.
- From the 2,932 students who were determined to be eligible but did not receive funding or were determined to be eligible and were funded for a Reading Scholarship Account during the audit period, examined records for 15 selected students to determine whether Step Up complied with applicable Program eligibility requirements established in Section 1002.411(3)(a), Florida Statutes, and State Board of Education Rule 6A-6.0962, Florida Administrative Code.
- From the Reading Scholarship Accounts payments totaling \$2.1 million made during the audit period, examined documentation for 15 scholarship payments totaling \$4,559 to determine whether the payments were eligible Reading Scholarship Accounts disbursements.
- 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>24</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)<sup>25</sup> and 1002.40(12)(a), Florida Statutes (2020), 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 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

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<sup>24</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>25</sup> Chapter 2021-27, Laws of Florida, repealed Section 1002.385, Florida Statutes (2020).

# MANAGEMENT'S RESPONSE

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December 16, 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 November 30, 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,

DocuSigned by:  
  
FD8E198E872E4A4...

Doug Tuthill  
President

cc: Board Members

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

Step Up For Students response:

The current Step Up policy for retention of documents and data related to eligibility determination is five (5) years. As noted earlier in this document, in alignment with this policy Step Up has removed all documentation, which includes information with sensitive personal information, from all eligibility records older than five (5) years. As the second phase of implementation of the policy, the personal data on applications older than five (5) years is scheduled to be retained in aggregate but removed from retained records by the end of Q2 of 2022 (June 2022).

Because scholarship students may exit the program and return in future years, Step Up does not consider it “unnecessary” for staff members whose job function requires them to review student information for eligibility determination to have access to historical data for those students. That access may include sensitive personal information retained in the system for the timeframe referenced above. Step Up does recognize there may be a need to limit the specificity of the historical information available. To that end, review of current systems and conversations about how to integrate mechanisms that limit the visibility of specific sensitive personal information have begun and will be part of the planned modernization of our current Scholarship Administration System (SAS). This work will take approximately 24-36 months to complete once the business requirements have been developed.