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Pam Stewart
Commissioner of Education

June 17, 2016

Ms. Christina B. Smith, Director
Division of Accounting and Auditing
Department of Financial Services
200 East Gaines Street
Tallahassee, Florida 32399-0353

Dear Ms. Smith:

The following responses are offered with respect to findings in your audit report issued May 20, 2016, in reference to an on-site review of selected Department of Education (department) contracts and grants that were active January 1, 2015, through December 31, 2015, and their related management activities.

Finding:

Verification of Eligibility

Section 1002.385, F. S., established the Florida Personal Learning Scholarship Accounts Program to provide the option for a parent to better meet the individual educational needs of his or her eligible child. Subsection 1002.385(13)(b), F. S required that funding for the students be released based on the scholarship funding organization's student eligibility determination. The Department's verification of eligibility occurred subsequently throughout the school year based on public school student enrollment lists and the listing of students enrolled in other school choice scholarship programs.

Between September 2015 and November 2015, the Department made four (4) payments to the scholarship funding organization Step Up for Students totaling $37,977,030 to fund 3,647 Personal Learning Scholarship Accounts (PLSA) and pay associated administrative fees. In December 2015, the Department compared the students who received PLSA's against students enrolled in public school as of October, 2015 as reported by the school districts and discovered that 114 of the 3,647 students were identified as being enrolled in public schools and, therefore, not eligible under the program.

In a letter dated February 2, 2016, the Department asked Step Up for Students to reimburse $1,203,999 ($1,168,931 scholarships, plus $35,068 in administrative fees), which represented payments made earlier for the 114 students The Department included a spreadsheet identifying the ineligible 114 students, the month the Department was

invoiced for each student, the scholarship amount, the associated administrative fees and the name of the public school where the student was enrolled.

On February 18, 2016, Step Up for Students refunded a total of $1,066,920; $137,079 short of the total refund requested by the Department. When asked about the discrepancy, the Department responded by saying: "The difference is the cumulative amount of funds expended by the 114 students prior to their being found ineligible to continue participation in the program."

In addition, along with the refund, Step Up identified 113 of the 114 students, the scholarship funds returned for each student, and the associated 3% administrative allowance. Step Up did not provide supporting documentation for the $137,079 not returned to the Department such as the funds expended for the students and the students' dates of enrollment in the scholarship program. Without the actual dates of enrollment and the expenditure data for the students making up the $137,079, the Department has no way to verify that the students were ever eligible for the program and that the amount of the refund was correct.

On January 21, 2016, Chapter 2016-2, Laws of Florida, made a number of changes to Section 1002.385, F.S. Effective July 1, 2016, parents who file a final verification document shall receive scholarship funds before the Department confirms program eligibility. The final verification document must consist of one of the following items:

- A completed withdrawal form from the school district, if the student was enrolled in a public school before the determination of program eligibility;
- A letter of admission or enrollment from an eligible private school for the fiscal year in which the student wishes to participate and, if applicable, a copy of the notification from the private school that the student has withdrawn from the John M. McKay Scholarships Program or the Florida Tax Credit Scholarship Program; or
- A copy of the notice of the parent's intent to establish and maintain a home education program or the annual educational evaluation of the student in a home education program.

For those parents who have not submitted a final verification document, the Department is not required to release scholarship funds prior to determining student eligibility.

Response: As indicated in our earlier responses, the department distributed scholarship funds in strict accordance with section 1002.385, Florida Statutes (F.S.). The letter sent to Step Up for Students on February 2, 2016, included a requested reimbursement amount based upon the total amount of scholarship funds released by the department. At that time, the department did not, and could not, know the exact amount remaining in each of the scholarship accounts of the students whose accounts were being closed. As previously explained, section 1002.385(12)(g), F.S., requires the Scholarship Funding Organization (SFO) to return any unused funds to the

department when the student is no longer eligible for a personal learning scholarship account. The SFO returned all unused funds remaining in the specified scholarship accounts.

When the department directs an SFO to close accounts in the future, it will also require the SFO to provide a student level expenditure report and reconciliation to ensure that the account balance is zero upon the account's closure, as well as an affirmation from the SFO that all expenditures occurred prior to receiving notification to close the scholarship account.

Finding:

Monitoring

CFO Memo No. 6 (2011-2012) requires the Department to have a formal contract monitoring process that includes an established monitoring plan, monitoring procedures and criteria, and evidence to support conclusions reached during its monitoring process.

The Department conducted three site visits to The Seed School of Miami and documented observations on a "Site Visit Report"; however, the report did not evidence the Department's verification of student eligibility, enrollment, or other programmatic requirements established in the agreement. Upon the auditor's inquiry, the Department stated that there is no formal monitoring plan or written monitoring procedures specific to the agreement.

Additionally, the Department stated that they engaged in ongoing communications with the Miami Dade School District to monitor for any concerns or issues that may need to be addressed with The Seed School and relied on the school district's regular monitoring of The Seed School of Miami. The contract management file, however, contained no documentation of the school district's monitoring visits or the on-going communications with the school district.

Response: The department verified student enrollment during the deliverable review process. As provided for in the contract between The SEED School of Miami and the State Board of Education (#14-821), "the basis for each quarterly payment shall be $6,250 per unweighted full-time equivalent (FTE) student, up to the maximum number of students shown for each year of the Contract in Exhibit 1." Additionally, the contract indicates that payments are adjusted to reflect the actual FTE that is reported to the department through the official state survey process.

As explained earlier, the department verified the FTE that was reported by conducting a random sampling of student identification numbers and verifying that they accurately reflected students enrolled in the school. Additionally, the department further verified FTE totals through the department's official FTE reports.

All deliverables, as required by the contract, were fully reviewed prior to payments being made.

The department will develop a formal monitoring protocol that will include site visits. The protocol will be in place by the beginning of the 2016-17 school year.

Finding:

Vendor Recipient Determination Checklist
Chapter 69I-5.006, Florida Administrative Code (F.A.C.) requires the use of the Florida Single Audit Act Checklist for Non-State Organizations, Recipient /Subrecipient vs. Vendor Determination. The checklist is designed to determine the applicability of the Florida Single Audit Act to non-state organizations. State agencies, recipients, and subrecipients that provide state financial assistance to non-state organizations shall complete this form and retain it in their records.

The Department's agreement with Edward Waters College provides state financial assistance for student access and retention and direct instruction. At the time of the audit the contract management file did not contain the required checklist. Instead, the Department completed the form upon the auditor's request for the document on January 26, 2016.

Response: The department has had a long-standing relationship with Edward Waters College and the nature of this relationship, with respect to providing state financial assistance, has not changed throughout the years; thus, we have not completed a new Subrecipient vs. Vendor Determination (checklist) each year for this and other entities. Since the original checklist was not transferred each year to the new grant file, we will implement a procedure to ensure the completeness of the department's grant and contract files by using a list of all required documentation. The checklist will be incorporated into the final application review/approval process. If the checklist is not in the file, a new one will be completed.

Finding:

Travel Reimbursements
Section 112.061(11), F.S. requires the use of the State's travel voucher (form) when submitting travel expenses for approval and payment. Use of an alternate form may be approved by the Department of Financial Services (Department) pursuant to Chapter 69I-42(4), F.A.C. The form must include the purpose of the travel, the traveler's signature certifying that the claim is true and correct, that the travel expenses were actually incurred by the traveler and were necessary in the performance of official duties, and that the voucher conforms in every respect with the requirements of the statute.

The Department reimbursed Redlands Christian Migrant Association (RCMA) for travel expenditures without the submission of the State's travel voucher or an approved alternate form. Instead, the Department approved reimbursement for travel upon the submission of receipts and mileage logs that did not include dates of travel, departure or arrival times, mileage, per diem rates, the purpose of the travel, or evidence of program activities during the travel period.

In addition, mileage logs for daily travel did not contain documentation necessary to verify the distance driven between the point of origin and the destinations, but relied on odometer readings instead of calculating mileage based on Florida Department of

Transportation's map mileage or other map program to calculate and document mileage as required by statute.

Response: The department does not entirely concur with this finding. All reimbursement for travel submitted by RCMA includes the submission of an RCMA travel voucher reimbursement form indicating the purpose of the travel, the traveler's signature certifying the claim is true and correct, dates of travel, departure and return times, mileage calculated at the state rate of .445 per mile, per diem rates, and/or evidence of program activities during the travel period and supporting receipts for overnight travel. However, the department acknowledges RCMA was not reimbursed for travel expenditures on the state's travel voucher.

Subsequent to DFS's communication of preliminary findings, the department began the process of obtaining approval from DFS to utilize an approved RCMA alternate travel reimbursement form.

Again, the department does not entirely concur with this finding. Per section 112.061(7)(d)3., F.S., "All mileage shall be shown from point of origin to point of destination and, when possible, shall be computed on the basis of the current map of the Department of Transportation." The daily mileage logs submitted by RCMA staff include the beginning and ending odometer readings along with starting location/ending location and purpose of travel. The majority of the cities traveled to by RCMA staff are not included on the Florida Department of Transportation's map mileage. Subsequently, the department began requesting that RCMA provide printouts of MapQuest or other map program's mileage to accompany the daily mileage logs.

Finding:

Risk Analyses

The Department's Project Application and Amendment Procedures for Federal and State Programs (Green Book) requires the completion of a risk analysis by school districts, state colleges, state universities, state agencies and governmental and non-governmental entities. A portion of each risk analysis is completed by the provider and returned to the Department for review. The risk analysis serves as a tool for the contract manager to use to assess the frequency of monitoring and to prioritize the specific requirements of the agreement to be included in the monitoring plan. Approval of the completed risk analysis must be gained prior to a project award being issued.

The risk analyses for Step Up for Students and Edward Waters College were not found in the contract management files. The Department stated that the assessments were due from the providers on July 1, 2015 however; each provider had been given an extension through January 15, 2016. As of February 7, 2016, the Department had not provided the assessments.

Response: The 2015-16 project year was a transition year during which the department made substantive changes to many policies and procedures through a series of revisions to the Project Application and Amendment Procedures for Federal and State Programs (Green Book).

Included in the changes were revisions to the risk analyses. Because of these changes, all of the recipients and subrecipients were provided additional time to submit their risk analyses. The department took a number of steps to provide training and technical assistance to secure appropriately completed risk analyses. Moving forward, the department will require compliance through strict adherence to the rules and regulations as outlined in the Green Book. Projects will be awarded only upon the submission of an appropriately completed risk analysis.

If you need additional information, please feel free to contact Martha K. Asbury, Assistant Deputy Commissioner, Finance and Operations, at [redacted] or via email at [redacted].

Sincerely,

[redacted]

Pam Stewart
Commissioner

PS/tln

cc: Linda Champion, Deputy Commissioner, Finance and Operations
Mike Blackburn, Inspector General
Martha Asbury, Assistant Deputy Commissioner, Finance and Operations
Janice Brown, Chief, Bureau of Contracts, Grants and Procurement
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