SCHOOL FINANCIAL REPORT REQUIREMENT
Florida School Choice Programs

March 15, 2026

Fiscal Accountability for Participating Schools
Guidelines and Procedural Requirements Guide

Overview

Florida Statute 1002.421(1)(q) requires schools participating in educational scholarship programs established pursuant to Chapter 1002, specifically, the Florida Tax Credit Scholarship (now including Hope Scholarships), Family Empowerment Scholarship for Educational Options, Family Empowerment Scholarship for Students with Unique Abilities (formerly known as Gardiner and McKay scholarships[1]), and the Personalized Education Program Scholarship (collectively, the "Scholarships") and receiving more than $250,000 in funds from the Scholarships awarded during the state 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 annually. The fiscal accountability report focuses on the use of the Scholarship funds and the financial procedures and controls in place at the schools.

The participating school must engage with an independent Certified Public Accountant (the "CPA") firm currently licensed to perform attest engagements in Florida to 1) perform an Agreed-Upon Procedures ("AUPs") engagement in accordance with the standards established by the American Institute of Certified Public Accountants in Statements on Standards for Attestation Engagements (SSAE No. 21 AT-C Section 105 and SSAE No. 19 AT-C Section 215), and 2) prepare an Independent Accountant's Report on Applying Agreed-Upon Procedures (the "AUP Report"). The CPA's staff must comply with the school's policy for screening and managing its visitors.

The school is required to have an original copy of the AUP Report submitted to the state-approved nonprofit Scholarship Funding Organization ("SFO") that provided it the majority of the Scholarship funds awarded during that Fiscal Year. The AUP Report is due to the SFO by September 15 following the end of that Fiscal Year.

The SFO must annually report to the Commissioner of Education by October 30 of that year: 1) a school's failure to file the AUP Report, and 2) any Material Exceptions set forth in the AUP Report. Reportable Exceptions set forth in the AUP Report will be reviewed by the SFO, 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 following revised AUPs were developed by eligible SFOs participating in a joint biennial review as required by Florida Statute 1002.395(6)(o)(1)(b) and include input from the accrediting associations that are members of the Florida Association of Academic Nonpublic Schools and the Florida Department of Education.

[1] In the 2021-22 school year, the Gardiner Scholarship Program became part of the Family Empowerment Scholarship Program and was renamed Family Empowerment Scholarship for Students with Unique Abilities or "FES-UA". In the 2022-23 school year all John M. McKay Scholarships for Students with Disabilities also became part of FES-UA and were administered by the SFOs.

The Agreed-Upon Procedures for the 2026-27 and 2027-28 school years

I. School Eligibility

A. Obtain and include a copy of the compliance letter or other proof of eligibility from the Florida Department of Education.

B. Verify the proof of eligibility covers the Fiscal Year and Scholarships for which the AUP is performed.

C. Report any exceptions found as Material Exceptions.

II. Adequate Accounting System:

A. Inquire and document the name of the accounting software or systems used to maintain the school's financial records.

B. Verify the accounting software or systems allows the school to record financial transactions conducted, including deposits and disbursements, in a complete and self-balancing accounting system. The software or system should be capable of generating a trial balance, financial statements, student account statements and other sub-ledger reports.

C. If a separate non-self-balancing system for student account statements is used, inquire whether student accounts are regularly reconciled to the general ledger. If yes, inspect a reconciliation for one month.

D. Report any exceptions found as Material Exceptions.

III. Adequate System of Financial Controls:

A. Cash Balances:

1. Inquire, verify, and document whether 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 of the school's statements (including the June 30th 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 months' statements being inspected.
    i. If the FDIC limit is exceeded, inspect, and include documentation indicating that the school annually reviews the bank's rating by a reputable ratings provider, which may include, but is not limited to Bauer Financial, Fitch, Moody's, Standard and Poor's.
        a. Confirm if the rating is within the top two ratings of the provider's scale.
    ii. If the school took no such action to protect the scholarship funds or the rating is below the top two ratings of the scale, report as a Reportable Exception.

B. Bank Reconciliations:

1. Obtain the bank reconciliations associated with the bank statements inspected in step III (A) (2) above. Observe whether reconciliations of all bank accounts holding scholarship funds were completed for these three months within 60 days of each month end and if reconciling items were resolved prior to the bank's deadline for reporting errors.
2. Inquire and verify the bank reconciliations are independently reviewed by the school's

management.
3. Report any exceptions found as Material Exceptions.

C. Non-Education Related Expenses:
   1. Inspect the school's general ledger and observe if there are expenses with a description that is not education related. (see Appendix 2)
   2. If there are, select a sample of 5 non-education related expenses. Observe whether these 5 expenses are identified and reported separately from education-related expenses.
   3. Report any exceptions found as Material Exceptions.

D. Shared Expenses:
   1. Inquire if the school shares expenses (i.e., administrative salaries, facilities costs) with another organization(s) (i.e., affiliated church, day care or other school).
      If costs are shared, inspect the general ledger and observe if the shared expenses are allocated and tracked separately from non-shared expenses.
   2. List the organization(s) and expense types shared.
   3. Inquire and document the methodology used to allocate shared expenses.
   4. Report any exceptions found as Material Exceptions.

E. Internal Controls:
   1. Inquire and observe if the school has written policies or standard practices to adequately establish proper financial controls including segregation of duties and if 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
      v. Shared Expenses - Costs shared by the school with another organization 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 above.
   3. Report any exceptions found as Material Exceptions.

F. Budgets and Financial Statements:
   1. Inquire if an annual budget is prepared and approved by the school's governing body prior to July 1st each school year. If the school does not have a board of directors, the school must document the estimated budget on school letterhead prior to July 1st. This should be dated and signed by administration along with the additional reviews in step III(F)(2).
   2. Inquire if any budget amendments were made and approved by the school's governing body thereafter, and if actual results are periodically reviewed in comparison to budgeted amounts and reported to the school's governing body at least twice annually.
   3. 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(F)(1-2).
   4. Report any exceptions found as Reportable Exceptions.

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

A. Document the total number of students participating in each of the Scholarships and the total value of scholarship funds received from each of the Scholarships.

B. For Scholarship payments received as **Electronic Funds:**

1. From IV (A) select a sample of the greater of 10 electronic funds transfers 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. Observe and confirm whether the sampled students' scholarship payments were recorded in accordance with the policies or standard practices identified in section III (E)(1)(i) and whether the funds are classified in the general ledger as tuition, books and fees payments and recorded in the corresponding general ledger bank account.
3. Observe and confirm whether the funds are deposited into the school's bank account and posted to each student's tuition account/statement.
4. Report any exceptions as Material Exceptions.

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

A. By inspecting the general ledger, identify and document a list of the total Fiscal Year (*July 1 – June 30*) education-related expenses by category (see Appendix 2). Include a summarized list with the report. Do not include non-education related expenses.

B. Calculate the school's total education-related expenses for the Fiscal Year. Document if the total expenses are equal to or greater than the dollar value of the Scholarship funds received including any excess funds carried over from the previous year. Document any excess funds from the previous year that are included.

If funds received exceed the total education-related expenses and are not returned, the school must prepare a detailed list of the education-related expenses that are (or will be) funded in the subsequent year with the expected date of use. Include the school prepared list with the AUP Report.

C. Using the list developed in V (A) above, select a sample of education-related expenses incurred during the Fiscal Year using the table below to determine sample size. Select samples from each category shown in III (E)(1) For each item sampled, inspect supporting documentation and confirm whether the expenditure:

1. Is education related.
2. Was authorized in accordance with the policies identified in III (E) above.
3. Is classified appropriately 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, re-calculate pay based on corresponding time and attendance, pay rate and deductions records properly authorized in accordance with the policies identified in III (E) above.

Value of Total Education-Related Expenditures		Sample Size
From	To	
$ 250,000	$ 500,000	30
$ 500,001	$ 750,000	45
$ 750,001	$ 750,001+	60

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

Combined Expenses: When multiple schools are managed by a single system and cannot be identified separately in the general ledger, a separate and equal sample for each school must be taken based on the total combined education-related expenses. List the combined schools.

Report any exceptions found in V (B-C) as Material Exceptions.

VI. Other Procedures:

A. Obtain by inquiry and record the total number of Scholarship and Non-scholarship students attending the school during the year being reported on..

B. Obtain a copy of the tuition & fees schedule for the school year being reported on. Select a sample of 10 scholarship students or 5% of the total number of scholarship students (whichever is greater). Compare the tuition and fees charged and confirm the sampled students' tuition and fees are consistent with the tuition and fees for non-scholarship students. Report any exceptions found as Reportable Exceptions.

C. Obtain the school's calendar. Calculate the school's operating term (school year). Compare the school's operating term 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 4-12. Report any exceptions found as Material Exceptions.

D. Inspect the school's attendance policy and confirm they maintain attendance records.
Using the sample selected from VI (B) observe the attendance records for each selected students and observe that attendance was taken for the selected students on one randomly selected school day in each quarter of the school year being reported on and during which that student was enrolled. Report any exceptions found as Material Exceptions.

E. Without advance notice to the school of the student names, select 10 scholarship students and observe the students' 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. **This procedure must be done before the end of the school year being reported on**.
    1. Document the date the on-site visit was performed.

2. Determine if the student's attendance was accurately recorded for the day.
3. Report any exceptions found as Material Exceptions.

Appendix 1

Scholarship Program Name Acronyms

FTC - Florida Tax Credit Scholarship

FES-EO - Family Empowerment Scholarship for Educational Options

FES-UA - Family Empowerment Scholarship for Students with Unique Abilities

PEP – Personalized Education Program Scholarship

Scholarship Funding Organizations

AAA – AAA Scholarship Foundation

SUFS – Step Up For Students

Appendix 2

Examples of Education-Related Expenses

(including but not limited to)

- **Payroll**
  - Salaries for teachers and substitutes
  - Salaries for administration and office staff
  - Salaries for food service personnel
  - Salaries for custodial and maintenance staff
  - Salaries for tutoring, therapy and counseling

- **Payroll benefits and taxes**
  - Payroll taxes
  - Unemployment taxes
  - Workers' compensation
  - Employee health insurance and other benefits

- **Instructional supplies and equipment**
  - Classroom materials and course supplies
  - Testing fees
  - Library books and supplies
  - Technology equipment and software licensing fees

- **Office & Administration**
  - Office supplies
  - Postage
  - Printing and copying
  - Bank fees
  - Licenses and fees
  - Credit card fees
  - Payroll processing fees
  - Background checks
  - Accreditation fees
  - Audit, legal and other professional services

- **Facilities expenses**
  - Rent or mortgage payments.
  - Utilities
  - Property insurance
  - Repairs and maintenance
  - Custodial supplies
  - Security equipment and services
  - Capital improvements

Examples of Education-Related Expenses (continued)

- **Miscellaneous**
  - Graduation expenses
  - Education-related field trips
  - Parent/teacher meeting expenses
  - After school education
  - Standard transportation costs

Examples of Non-Education Related Expenses

(including but not limited to)

- Fundraising expenses and events
- Athletic programs and sporting events
- Senior trip expenses
- Summer camps
- Non-education related school trips
- Transportation costs for extracurricular activities
- School store and logo merchandise
- School sponsored shows and events
- School clubs
- After school care program costs
- Gift cards and promotional material
- Conferences, training, and professional development for **administrative** personnel
- Advertising
- Bad debt expense
- Depreciation
- Amortization

Appendix 3

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.

Material Exceptions will be reported to the Commissioner of Education by the SFO 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, 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.