

**AAA SCHOLARSHIP
FOUNDATION – FL, LLC**



Sherrill F. Norman, CPA
Auditor General

President and Board of Directors

During the period March 2015 through February 2016, 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:

Dwight Glisson to September 21, 2015^a

Teri L'Homme

Becky Burress from May 8, 2015^b

^a Board member position remained vacant from September 22, 2015, through February 29, 2016.

^b Board member position was vacant through May 7, 2015.

The team leader was Brian Werthmiller, 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 or by telephone at (850) 412-2881.

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State of Florida Auditor General

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AAA SCHOLARSHIP FOUNDATION – FL, LLC

SUMMARY

This operational audit of AAA Scholarship Foundation – FL, LLC (AAA) focused on selected administrative activities and management’s performance related to the Florida Tax Credit Scholarship (FTC) and Florida Personal Learning Scholarship Accounts (PLSA)¹ Programs, including AAA’s compliance with applicable laws and rules, and included a follow-up on the finding noted in our report No. 2016-054. Our audit disclosed the following:

Finding 1: Although State Board of Education rules require AAA to obtain from the parent of each first-time FTC Program student who was enrolled in a Florida public school in the prior school year a written statement that the parent has informed the student’s school district that the child will be attending an eligible private school, AAA did not obtain the required written statements from the parents of 171 first-time FTC Program students.

Finding 2: AAA procedures could be enhanced to ensure that FTC Program checks are endorsed in accordance with State law.

Related Information

Section 11.45(2)(k), 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, except as noted in Findings 1 and 2, AAA generally complied with the applicable provisions of Section 1002.395, Florida Statutes.

Section 1002.385(14)(a), Florida Statutes, provides that, as part of our audit, we are to verify the total amount of students served and eligibility of reimbursements made by AAA for the PLSA Program and transmit that information to the Florida Department of Education. Our audit procedures disclosed that, for the PLSA Program during the period March 2015 through February 2016, AAA served 278 students and approved the payment of PLSA Program scholarship awards totaling \$2,039,175 for those students. In addition, our tests of AAA records found that the PLSA Program scholarship payments selected for audit were eligible PLSA Program disbursements.

BACKGROUND

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.² AAA’s stated mission is to provide economic and other assistance to economically disadvantaged families and families of disabled students to enable them to select the best schools for

¹ Effective July 1, 2016, Chapter 2016-2, Laws of Florida, changed the PLSA Program name to the Gardiner Scholarship Program.

² Section 1002.395(2)(f), Florida Statutes.

their children. AAA is a State-approved nonprofit SFO that helps administer two scholarships for Florida schoolchildren: the Florida Tax Credit Scholarship (FTC) Program for low-income families and the Florida Personal Learning Scholarship Accounts (PLSA) Program³ for children with certain special needs. 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 law⁴ established the FTC Program to expand educational opportunities for children of families with limited financial resources. 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. State law⁵ 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.

State law⁶ also requires the Florida Department of Education (FDOE) to determine, and annually verify, the eligibility of the SFOs, and the FDOE recognized AAA as an eligible SFO for the 2014-15 and 2015-16 fiscal years. Table 1 shows AAA’s FTC Program activity for the period March 2015 through February 2016.

Table 1
AAA FTC Program Activities

For the Period March 2015 through February 2016

Contributions collected	\$1,751,461
Total scholarships paid	\$1,664,586
Number of students awarded scholarships	470
Number of private schools paid	178

Source: AAA records.

For the 2014-15 and 2015-16 fiscal years, eligible students received from the FTC Program maximum scholarship awards of \$5,272 and \$5,677, respectively, to attend eligible private schools. AAA did not award any scholarships for transportation expenses for the 2014-15 or 2015-16 fiscal years.

Additionally, State law⁷ established the PLSA 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 requires the PLSA Program moneys to be used for:

- Instructional materials including digital devices and other assistive technology devices;
- Curriculum and any required supplemental materials;

³ Effective July 1, 2016, Chapter 2016-2, Laws of Florida, changed the PLSA Program name to the Gardiner Scholarship Program.

⁴ Section 1002.395(3)(a), Florida Statutes.

⁵ Section 1002.395(6)(d), Florida Statutes.

⁶ Section 1002.395(9)(b), Florida Statutes.

⁷ Section 1002.385(1), Florida Statutes (2015).

- Specialized services by approved providers selected by the parent;
- Enrollment in 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; and
- Tuition and fees for part-time tutoring services provided by a person who holds a valid Florida educator's certificate.

As an SFO participating in the FTC Program, AAA qualified to participate in the PLSA Program. According to AAA accounting records for the period March 2015 through February 2016, AAA received \$3,118,111 in PLSA Program funds from the FDOE and \$57,794 from another SFO, served 278 students, and approved the payment of PLSA Program scholarship awards reimbursements totaling \$2,039,175 for those students. The scholarship award amounts ranged from \$9,587 to \$20,546, depending on the student's county of residence, grade level, and disability type.

FINDINGS AND RECOMMENDATIONS

Finding 1: Parental Written Statements

State Board of Education (SBE) rules⁸ require scholarship funding organizations (SFOs) to obtain from the parent of each first-time Florida Tax Credit (FTC) Program student who was enrolled in a Florida public school in the prior school year a written statement that the parent has informed the student's school district that the child will be attending an eligible private school. The SFO is to maintain this written statement on file for no less than 3 years or until such time as the student graduates or otherwise exits the program.

AAA requires parents to sign the FTC Program application and school commitment forms that both require parents to follow the rules and responsibilities listed in AAA's *Parent and School Handbook*. According to the *Handbook*, parents are required to inform the student's school district when a student is withdrawn to attend an eligible private school; however, AAA had not established procedures to obtain written statements from parents to confirm that the parents informed the student's school district.

For the 2014-15 and 2015-16 school years, AAA records identified 15 and 156 first-time FTC Program students, respectively, (171 total students) who attended a Florida public school in the prior school year. However, our discussions with AAA personnel disclosed that AAA did not obtain the required written statements from the students' parents. Without the written statements, AAA did not comply with SBE rules and has limited assurance that the parent informed the student's school district that the child will be attending an eligible private school.

Subsequent to our audit inquiry, in June 2016, AAA mailed letters to parents of the 171 first-time FTC Program students requesting the required written statements from the parents.

⁸ SBE Rule 6A-6.0960(2)(a), Florida Administrative Code.

Recommendation: AAA should establish procedures to obtain and maintain the required written statements from parents of first-time FTC Program students previously enrolled in a Florida public school to evidence that the parent informed the student's school district that the child will be attending an eligible private school. AAA should also continue efforts to obtain the required written statements from the parents of the 171 students and appropriately maintain the statements received.

Finding 2: Check Endorsements

State law⁹ requires a student who participates in the FTC Program to attend an eligible private school selected by the student's parent. State law also requires that, upon receipt of a FTC Program payment (check) from an SFO, the parent to whom the check is made payable must restrictively endorse the check to the private school for deposit into the school's account. Pursuant to State law,¹⁰ the SFO must ensure that the parent restrictively endorsed the check to the private school for deposit into the school's account. Additionally, according to a Florida Department of Financial Services (DFS) report,¹¹ the SFO may sample a portion of the check population as a reasonable basis for conclusions about whether checks are properly endorsed.

When evaluating less than 100 percent of a population, it is important that the sample items selected for evaluation be representative of the population. When there are test exceptions in the initial sample selected, tests are typically expanded to include additional sample items so that a better understanding of the population can be obtained and appropriate conclusions about the population can be made.

To test whether parents restrictively endorsed checks to private schools for deposit into the schools' accounts, AAA personnel selected 39 FTC Program checks totaling \$59,440 from the 832 checks totaling \$1,664,586 paid during the period March 2015 through February 2016. According to AAA personnel, they also attempted to compare the parent endorsements on the 39 checks to parent signatures on the applicable FTC Program applications and school commitment forms for consistency. As a result of these procedures, AAA personnel identified 3 checks totaling \$3,623 that were not properly endorsed at three private schools. Specifically, 2 of the 3 checks lacked parent endorsement and the third check did not evidence the private school's endorsement. AAA sent a written notice to each of the three private schools to inform the schools of the improper endorsements and that, according to AAA's policy, after two written warnings for improper endorsements the school would become ineligible to receive AAA scholarship payments. However, according to AAA personnel, they conducted no further tests to determine whether the 39 checks tested were representative of the population or whether additional endorsement exceptions existed in the check population.

As part of our test of FTC Program check endorsements, we selected and examined 60 FTC Program checks totaling \$146,258 that were issued during the period March 2015 through February 2016, including 2 checks totaling \$2,402 that were included in the sample of 39 checks tested by AAA personnel. Our test results confirmed that the 2 checks previously tested by AAA personnel were properly

⁹ Section 1002.395, Florida Statutes.

¹⁰ Section 1002.395(12)(b), Florida Statutes.

¹¹ The DFS report, *Corporate Tax Credit Scholarship Program*, dated December 2003, indicated that SFOs should establish a process for review and follow-up of cleared scholarship checks and that periodically selecting and reviewing a sample of endorsements on checks that have cleared the bank account can accomplish this process.

endorsed; however, our test results related to the other 58 checks identified 4 checks totaling \$17,143 that were not properly endorsed at two private schools. Specifically, we noted that 3 checks lacked the required parent endorsement¹² and one check lacked the private school endorsement. We expanded our audit procedures to test the 10 remaining checks endorsed at the two private schools and found that 6 additional checks totaling \$10,232 were not properly endorsed, including 2 checks that lacked the required parent endorsement¹³ and 4 checks that lacked the private school endorsement.

To determine whether the students benefited from the 10 FTC Program checks totaling \$27,375 by attending the two private schools, we examined the two schools' payment verification reports that were signed by school employees with direct knowledge of the students' attendance. Subsequent to our audit inquiry, in June 2016, AAA sent written notices to inform the two schools of the improper endorsements and the consequences for future recurrences (i.e., ineligibility for AAA scholarship payments after two written warnings).

The restrictive endorsement of FTC Program checks by both a parent and the private school:

- Documents compliance with State law.
- Provides assurance that the parent consents to the payment for FTC Program services provided by the private school for their child and the private school accepts payment for the services provided.
- Reduces the risk for individuals to fraudulently cash checks or deposit the checks into unauthorized bank accounts.

Recommendation: AAA should continue efforts to ensure FTC Program checks are endorsed in accordance with State law. If such efforts employ sampling techniques, the sample of checks tested should be representative of the check population, which may require expanded tests of additional checks and related endorsements to better understand whether the sample is representative of the population and to make appropriate conclusions about the population.

RELATED INFORMATION

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. Except as noted above, 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.

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 Florida Personal Learning Scholarship Accounts (PLSA) Program¹⁴ scholarships during the period March 2015 through February 2016, and examined documentation for selected scholarship payments to determine whether

¹² The 3 checks without parent endorsements were for one of the private schools cited by AAA for not including the parent endorsement on 1 of the checks included in the AAA check endorsement test.

¹³ The 2 checks without parent endorsement were for the same private school cited by AAA and mentioned in the previous footnote.

¹⁴ Effective July 1, 2016, Chapter 2016-2, Laws of Florida, changed the PLSA Program name to the Gardiner Scholarship Program.

the payments were eligible PLSA Program disbursements. Our procedures disclosed that, during the period, 278 students received PLSA Program scholarships totaling \$2,039,175. In addition, our tests of AAA records found that the PLSA Program scholarship payments selected for audit were eligible PLSA Program disbursements.

PRIOR AUDIT FOLLOW-UP

AAA management had taken corrective actions for the finding included in our report No. 2016-054.

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 law¹⁵ requires us to conduct annual operational audits of the accounts and records of scholarship funding organizations (SFOs) participating in the Florida Tax Credit (FTC) and Florida Personal Learning Scholarship Accounts (PLSA) Programs.¹⁶

We conducted this operational audit from March 2016 to June 2016 in accordance with applicable 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 the AAA focused on selected administrative activities and management's performance related to the FTC and PLSA Programs, including AAA's compliance with applicable laws and rules. The overall objectives of the operational 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 Sections 1002.385 and 1002.395, 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, reliability of records and reports, and the safeguarding of assets, and identify weaknesses in those controls.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

Our audit also included steps to determine whether management had corrected, or was in the process of correcting, the deficiency noted in our report No. 2016-054.

¹⁵ Sections 11.45(2)(k) and 1002.385(14)(a), Florida Statutes.

¹⁶ Section 1002.385, Florida Statutes (2015), and Section 1002.395, 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; 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; 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 2015 through February 2016, 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 entity 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, regulations, and AAA policies and procedures applicable to the FTC and PLSA Programs and interviewed AAA personnel to gain an understanding of AAA's 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 and PLSA 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.
- Determined whether the three AAA bank accounts used for FTC and PLSA Program moneys for the audit period were administered through a qualified public depository pursuant to Section 1002.395(14), Florida Statutes, and whether separate accounts were established for scholarship and operating funds as required by Section 1002.395(6)(k), Florida Statutes. We also determined whether AAA personnel periodically reviewed banking agreements for sufficiency of the safeguards provided.
- Assessed the sufficiency of AAA's controls for electronic transfers and transmitting funds via the Automated Clearing House to students for the PLSA Program.

- Examined AAA's records during the audit period to determine whether AAA had any investments using FTC or PLSA Program funds.
- Examined documentation to determine whether AAA obtained required level 2 background screenings and verified that there were no bankruptcies associated with the two AAA owners or operators as required by Section 1002.395(6), Florida Statutes.
- Confirmed with the surety that the surety bond AAA obtained pursuant to its 2016-17 fiscal year renewal application submitted to the Florida Department Of Education (FDOE) in September 2015 was still maintained as of June 2016 and was in the amount required by Section 1002.395(6)(p), Florida Statutes.
- Examined documentation for selected accounts receivable to determine whether AAA's collection efforts complied with established policies and procedures and good business practices.
- Examined documentation for 60 students, selected from the population of 470 students who received FTC Program scholarship awards during the audit period, to determine whether AAA documented student program eligibility as required by Section 1002.395(6)(j)3., Florida Statutes.
- From the population of FTC Program scholarship payments totaling \$1,664,586 made during the audit period, examined AAA documentation for scholarship payments totaling \$146,258 made on behalf of 60 students to determine whether the payments were used for students to attend eligible private schools or for transportation to a public school outside of the recipient's district or to a lab school pursuant to Section 1002.395(6)(d), Florida Statutes.
- Examined AAA documentation to determine whether the FTC Program reports required to be filed on August 15, 2015, October 15, 2015, and January 15, 2016, were timely submitted to the FDOE and contained the information required by Section 1002.395(9)(m), Florida Statutes, and State Board of Education (SBE) Rule 6A-6.0960(2)(b), Florida Administrative Code (FAC).
- Examined AAA's records for the 2014-15 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.
- Determined whether AAA provided the FDOE a summary of the FTC scholarship amount paid for each student and the school attended, no later than 30 days after the last payment date of the school year, as required by SBE Rule 6A-6.0960(2)(c), FAC.
- Examined AAA's records to determine whether AAA obtained from each parent of first time FTC Program students written statements that they had informed the student's school district that the child will be attending an eligible private school.
- Examined AAA records for the audit period to determine whether AAA was eligible to use FTC Program moneys for administrative expenses.
- Examined AAA records for the 2014-15 fiscal year to determine whether AAA provided the majority of the FTC and PLSA Program scholarship funding to any school receiving scholarship payments exceeding \$250,000 during the 2014-15 fiscal year and, therefore, was required to ensure that private schools contracted with an independent certified public accountant to perform agreed upon procedures for the FTC and PLSA Programs pursuant to Sections 1002.395(8)(e) and 1002.385(8)(e), Florida Statutes, respectively.
- Examined AAA documentation to determine whether the PLSA Program reports required to be submitted on April 30, 2015, June 30, 2015, October 30, 2015, and January 30, 2016, were timely submitted to the FDOE and contained the information required by Section 1002.385(9)(d), Florida Statutes, and SBE Rule 6A-6.0961(6), FAC.
- Examined AAA records supporting the population of 278 students who received PLSA Program scholarships during the audit period, as well as documentation for 60 selected students to verify the number of students served and to determine whether AAA complied with applicable Program

eligibility requirements established in Section 1002.385(3)(a), Florida Statutes, and SBE Rule 6A-6.0961(5)(a), FAC.

- From the population of PLSA Program scholarship payments totaling \$2,039,175 made during the audit period, examined documentation for 60 scholarship payments totaling \$159,344 to determine whether the payments were eligible PLSA Program disbursements and were not reduced for administrative expenses.
- Determined whether AAA had established procedures to notify parents of PLSA Program scholarship awards and to provide a date for parents to confirm initial or continuing program participation pursuant to Section 1002.385(12)(b) and (c), Florida Statutes.
- Reviewed AAA's policies and procedures for the return of unused PLSA Program funds to the FDOE and determined whether any amounts were required to be returned pursuant to Section 1002.385(12)(g) and (13)(c), Florida Statutes.
- From the population of 20 PLSA students identified by the FDOE in its October 2015 and February 2016 surveys as potentially being enrolled in a Florida public school, examined documentation to determine whether AAA timely returned program funds, if applicable, to the FDOE.
- 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 objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

AUTHORITY

Section 11.45(2)(k), Florida Statutes, requires 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, requires the Auditor General to annually conduct an operational audit of the accounts and records of each eligible scholarship funding organization that participates in the Florida Personal Learning Scholarship Accounts 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

MANAGEMENT'S RESPONSE



October 17, 2016

Sherrill F. Norman, CPA
Florida Auditor General
Claude Pepper Building, Suite G74
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Ms. Norman,

Please accept this letter in response to your October 10, 2016 preliminary and tentative audit finding and recommendation. In that document, you list the following:

Finding 1: Although State Board of Education rules require AAA to obtain from the parent of each first-time FTC Program student who was enrolled in a Florida public school in the prior school year a written statement that the parent has informed the student's school district that the child will be attending an eligible private school, AAA did not obtain the required written statements from the parents of 171 first-time FTC Program students.

Recommendation: AAA should establish procedures to obtain and maintain the required written statements from parents of first-time FTC Program students previously enrolled in a Florida public school to evidence that the parent informed the student's school district that the child will be attending an eligible private school. AAA should also continue efforts to obtain the required written statements from the parents of the 171 students and appropriately maintain the statements received.

In response to Finding 1 and Recommendation, we have enhanced our procedures to require an additional separate written statement confirming the parent has informed the prior public school district that the student will not be returning before scholarship funds are disbursed for that student. We will retain an electronic copy of each statement on our secure server for at least three years. In addition, we will continue our efforts to obtain the required written statements from the parents of the 171 students and will retain electronic copies of those statements on our secure server for at least three years as well.

Finding 2: AAA procedures could be enhanced to ensure that FTC Program checks are endorsed in accordance with State law.

Recommendation: AAA should continue efforts to ensure FTC Program checks are endorsed in accordance with State law. If such efforts employ sampling techniques, the sample of checks tested should be representative of the check population, which may require expanded tests of additional checks and related endorsements to better understand whether the sample is representative of the population and to make appropriate conclusions about the population.

Florida Auditor General
October 17, 2016
Page 2

In response to Finding 2 and Recommendation, as we do intend to continue to employ sampling techniques we will ensure that our supporting documentation clearly explains how the sample of checks tested is representative of the population and will expand testing of additional checks and related endorsements when appropriate.

We believe this letter provides you with the requested explanations and corrective action, however, please do not hesitate to contact us if you have any questions or need additional information.

Sincerely,

AAA Scholarship Foundation, Inc.


Kimberly Dyson
CEO & President

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