



State of Arizona
Department of Education

Tom Horne
Superintendent of
Public Instruction

October 24, 2007

Ms. Debra K. Davenport, CPA
Auditor General
Office of the Auditor General
2910 North 44th Street, Suite 410
Phoenix, Arizona 85010

Dear Ms. Davenport:

The Arizona Department of Education is providing the enclosed response to the Auditor General's performance audit of the Technology Assisted Project-Based Instruction Program.

We appreciate your work on this performance audit, your consideration of our previous comments and suggestions and your acknowledgement of the quality and variety of work already provided by the Arizona Department of Education.

Please feel free to call me at (602) 364-2339 if any additional information is needed.

Sincerely,

Margaret Garcia Dugan
Deputy Superintendent

Enclosure



State of Arizona
Department of Education

Tom Horne
Superintendent of
Public Instruction

ADE GENERAL COMMENT

Before SAIS, schools were paid on the basis of the aggregate number of students that were reported by those schools. The State had no way to verify numbers and was unable to deduct for concurrent enrollment.

SAIS was first implemented in 2003 to the point where payment could be made on the State's records rather than on the schools' self-reported records. For the first time, it was possible to deduct for concurrent enrollments. SAIS has numerous other advantages over the previous system. These include, but are not limited to the following:

- SAIS allows verification that the required number of instructional days is being met.
- SAIS allows for exclusion of students over the age of 22.
- SAIS allows for more accurate and consistently calculated graduation rates and related cohort year information.
- SAIS allows for more detailed audits, saving the State many millions of dollars.

The deductions for concurrencies have not been perfect. Still, the current situation is a vast improvement over the situation before SAIS, where payment was made on self-reported numbers by schools. Imperfections are caused in part by the need to make adjustments for changes in legislation. Further, the consequences of change can increase over time, as new programs grow. These all require further improvements to SAIS to catch all concurrencies. We have given this the highest priority and will correct the problems described in the Auditor General's report.

Arizona began developing its automated student data collection system in 1997, before TAPBI legislation existed. The system's design was based on business rules reflecting previous administrations' views on school funding. The system was named the Student Accountability Information System, or SAIS. When TAPBI legislation passed in 1998, these previous administrations decided not to incorporate TAPBI into the SAIS system because they determined that the funding rules for TAPBIs were sufficiently different from regular schools. Since TAPBI schools still needed a way to report student data to the state, ADE created a separate web-based student data entry system for TAPBI schools.

In late 2005, recognizing that student populations in TAPBI were growing and concurrency (multiple enrollment) was becoming an issue, ADE began manual checks of TAPBI data. Those

manual checks enabled ADE to deduct concurrencies from TAPBI schools. However, for technical reasons, this couldn't be done for district schools. Since SAIS's fundamental design excluded TAPBIs, SAIS could not be readily adapted for TAPBI concurrency validation.

Because of TAPBI issues and other SAIS shortcomings, ADE determined last year that a comprehensive rewrite of SAIS programming was needed, rather than attempting a "Rube Goldberg" approach that would "band-aid" each problem as it arose. In fact, in the private sector, a ten-year-old major system like SAIS would normally be re-written due to changing system requirements and the evolution of technology. Short-term patchwork repairs are time consuming and expensive. These types of quick fixes can also impact data integrity, because of the myriad of data linkages that determine how state aid is distributed.

Last year ADE requested \$1.036 million, including 13 staff, in a Decision Package that would have allowed, among other things, the SAIS rewrite to begin. This was not granted. The Department is not complaining, and understands legislative priorities. However, this resulted in the necessity to triage competing SAIS priorities such as security, AIMS accuracy, school achievement profiles, teacher certification changes, No Child Left Behind requirements, federal requirements such as EDEN and EdFacts, legislative changes, audit support, legal support, school Safety, data pulls for open records law requests, etc.

ADE has now made addressing TAPBI concurrencies its highest SAIS priority. This reprioritization will mirror ADE's swift response to security-related recommendations made in the 2006 performance audit on Information Management. ADE information technology management focused staff resources on making security-related upgrades to fully protect all sensitive information entrusted to ADE.

Even giving the TAPBI concurrency issue the highest priority, implementing these changes will take six months. The implementation phase will give the Legislature time to consider whether it wishes to revise applicable statutes prior to the implementation date. Eliminating TAPBI concurrencies utilizing the patchwork approach will have a negative impact on the monthly window of time schools have to submit their student data to the department. In order to meet the statutory payment deadline, the department will have to reduce the schools' timeframe for submitting data by as much as a full week. A comprehensive rewrite of SAIS would address this.

ADE COMMENTS REGARDING CHAPTER 1: PAGES 13 -19

Chapter 1, Recommendation 2

To ensure that TAPBI ADM is properly calculated and funded, ADE should:

- a. Ensure that SAIS is programmed to identify and calculate necessary funding adjustments for TAPBI concurrent enrollments and summer school programs.
- b. Make appropriate adjustments to TAPBI funding for the fiscal year 2006 ADM calculation errors and any similar errors made in fiscal year 2007.
- c. Monitor whether TAPBI schools adhere to statutory enrollment limitations, including the requirements that 80 percent of new students must have been previously enrolled in a

public school, that kindergarten students must have a sibling enrolled in the program, and that enrollment growth must not exceed 100 percent in a year for individual TAPBI schools.

ADE Response

The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

- a. ADE will program SAIS to address TAPBI funding adjustments. To accomplish this, ADE will re-prioritize existing IT resources to address these additional TAPBI programming requirements. ADE may again seek legislative support for additional resources to address TAPBI and other SAIS concerns. Last year's budget request for additional SAIS support was not approved.
- b. In the short-term, ADE will implement procedures that will address TAPBI funding adjustments for fiscal years 2006 and 2007. ADE expects to complete development of these procedures by April, 2008. Once developed, ADE will calculate and make the funding adjustments to the LEA's affected. ADE will notify the districts and schools affected, and will make the funding adjustments based on statutory guidelines.
- c. ADE's Information Technology Unit has developed SAIS programming to monitor both the 80 percent rule and the kindergarten sibling rule. ADE is in the process of implementing these programming changes. In addition, ADE will develop guidelines for TAPBI schools' data submission so that the ADE Audit Unit can verify compliance with these requirements.

ADE disagrees with the Auditor General's report regarding two schools exceeding the TAPBI enrollment limits for these two schools. In a response to ADE's questions regarding Senate Bill 1422, 1st Regular Session, 2005, the Attorney General stated that 1) Fiscal Year 2006 should be used as the base year for calculating subsequent 100 percent growth limitations; and 2) that the Superintendent of Public Instruction has the authority to establish and set the allowable cap for districts. ADE assigned a 450 student allowable cap enrollment for both the Peoria Unified School District and the Tucson Unified School District, and neither exceeded the allowable cap enrollment.

Chapter 1, Recommendation 3

ADE should seek legal advice to determine if the over-funding related to non-compliance with these enrollment limitations should be recovered from the TAPBI schools.

ADE Response

The finding of the Auditor General is agreed and the audit recommendation will be implemented.

ADE will seek an Attorney General opinion to help determine whether over funding related to non-compliance with enrollment limitations should be recovered from TAPBI schools. However, as indicated in our response to Chapter 1, Recommendation 2.C., ADE did not over fund the schools listed in the report.

Chapter 1, Recommendation 4

ADE should determine whether to recover TAPBI funding paid to the Humanities and Sciences Academy Arizona for fiscal years 2006 and 2007 that was not based on student logs of actual instruction time.

ADE Response

The finding of the Auditor General is agreed and the audit recommendation will be implemented.

ADE will audit Humanities and Sciences Academy Arizona to determine whether to recover TAPBI funding for fiscal years 2006 and 2007.

ADE COMMENTS REGARDING CHAPTER 2: PAGES 21 - 28

Chapter 2, Recommendation 1.b

To ensure compliance with statutory reporting requirements and to improve the accuracy of costs, the following actions should be considered:

- b. To facilitate this cost accounting, the Auditor General's Office and ADE should add a specific TAPBI program code to the Charts of Accounts provided in the Uniform Systems of Financial Records for Arizona School Districts and for Charter Schools.

ADE Response

The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

ADE will work with the Auditor General's Office to add specific TAPBI program codes to the Charts of Accounts provided in the Uniform Systems of Financial Records for Arizona School Districts and for Charter Schools.

ADE COMMENTS REGARDING CHAPTER 3: PAGES 29 – 39

Chapter 3, Recommendation 3

ADE should ensure that TAPBI courses provide students with at least the minimum instruction hours required by statute.

ADE Response

The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Currently, ADE is distributing Basic State Aid to TAPBI schools based on reported instructional hours. Thus, for example, if a high school student is attending less than 720 hours per year, the TAPBI school receives reduced funding based on statutory requirements.

ADE will request an Attorney General opinion as to whether the instructional hours mandated in the statutes also apply to TAPBI schools.

Chapter 3, Recommendation 4

ADE should determine whether Arizona Distance Learning and Pinnacle Education Virtual Academy have sufficient student enrollment records to demonstrate compliance with statutory minimum instruction hour requirements.

ADE Response

The finding of the Auditor General is agreed to and the audit recommendation will be implemented

ADE will audit the Arizona Distance Learning and Pinnacle Education Virtual Academy to determine whether they have sufficient student enrollment records to demonstrate compliance with attendance reporting requirements for funding. If it is deemed that statutorily-mandated instructional hours are education-based, then ADE will audit the entity to determine compliance.

Arizona State Board for Charter Schools

1700 W. Washington Street, Room 164
Phoenix, AZ 85007



Phone: (602) 364-3080
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September 26, 2007

Debbie Davenport
Auditor General
Office of the Auditor General
2910 N. 44th Street, Suite 410
Phoenix, AZ 85018

Dear Ms. Davenport:

Thank you for the opportunity to provide comments on the performance audit of the Technology Assisted Project-Based Instruction (TAPBI) program conducted in response to Laws 2005, Chapter 323, §2. I appreciated the opportunity to discuss the content of the entire document and the clarification provided during that dialog.

The Arizona State Board for Charter Schools believes that high quality TAPBI charter schools provide not only an additional choice for parents, but also an additional means to improve pupil achievement. As stated in the responses below, the Board will give serious consideration to the recommendations provided by your office to ensure that there is a continued focus on reliable and consistent information regarding the effectiveness of participating schools which may be used to determine whether to renew a school's participation in the program.

Please feel free to contact me at (602) 364-3080 if you have any questions.

Sincerely,

DeAnna Rowe
Executive Director

cc: Lynne Adams, President State Board for Charter Schools
Vince Yanez, Executive Director State Board of Education

Arizona State Board for Charter Schools
Technology Assisted Project-Based Instruction Program Performance Audit
Agency Response

CHAPTER 1

As these recommendations are addressed to the Legislature and the Arizona Department of Education and not the Arizona State Board for Charter Schools (ASBCS), following the instructions provided to the ASBCS, a response to the recommendations in this chapter is not provided.

CHAPTER 2, Recommendation 1a:

To ensure compliance with statutory reporting requirements and to improve the accuracy of costs, the following actions should be considered:

- a. In reviewing and compiling the annual TAPBI self-reports, the state education Boards should ensure that TAPBI schools are properly allocating costs between TAPBI and non-TAPBI operations, using an allocation basis that best reflects how the costs are incurred.

ASBCS Response:

The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

The ASBCS understands the need for stakeholders to have reliable cost information upon which to base decisions and evaluations of the TAPBI program. To that end, and to the extent possible, the ASBCS will consider and work with the State Board of Education (SBE) to consider and develop a cost allocation format in the annual TAPBI report template, providing clarification for the TAPBI charter schools to help ensure that shared costs between their TAPBI and non-TAPBI operations are properly categorized.

CHAPTER 2, Recommendation 1b:

To ensure compliance with statutory reporting requirements and to improve the accuracy of costs, the following actions should be considered:

- b. To facilitate this cost accounting, the Auditor General's Office and ADE should add a specific TAPBI program code to the Chart of Accounts provided in the Uniform Systems of Financial Records for Arizona School Districts and for Charter Schools.

ASBCS Response:

As these recommendations are addressed to the Auditor General's Office and the Arizona Department of Education and not the ASBCS, following the instructions provided to the ASBCS, a response to the recommendations in this chapter is not provided.

CHAPTER 2, Recommendation 1c:

To ensure compliance with statutory reporting requirements and to improve the accuracy of costs, the following actions should be considered:

- c. To help TAPBI schools accurately report their costs in the Annual TAPBI Report, the state education Boards should consider aligning the Report's cost categories to the Uniform Chart of Accounts.

ASBCS Response:

The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

The ASBCS will consider the recommendation and work with the SBE to align the report's cost categories to the Uniform Chart of Accounts to the extent possible. Because charter schools may be exempt from certain accounting provisions, some allowances may need to be considered. Further, due to the differences between TAPBI and traditional brick-and-mortar schools, some variation of the Uniform Chart of Accounts may be necessary. Additional analysis will be required.

CHAPTER 2, Recommendation 1d:

To ensure compliance with statutory reporting requirements and to improve the accuracy of costs, the following actions should be considered:

- d. The State Board for Charter Schools should consider requiring the TAPBI Charter Schools to follow the Uniform Chart of Accounts for their TAPBI programs.

ASBCS Response:

The finding of the Auditor General is agreed to and a different recommendation will be implemented.

As the Auditor General's report states, pursuant to A.R.S. § 15-183(E)(6), the ASBCS has previously granted the seven TAPBI charter schools exceptions to the requirements of the Uniform System of Financial Records for Charter Schools. Rather than requiring the TAPBI charter schools to follow the Uniform Chart of Accounts, the ASBCS believes that other alternatives exist to provide reliable and consistent charter school data that will allow for accurate comparisons between TAPBI schools.

CHAPTER 2, Recommendation 2:

In reviewing whether to allow the TAPBI schools to continue in the TAPBI program, the state education Boards should assess the schools' cost effectiveness, including the level of administration expenditures and the fiscal impact of software or management agreements on costs.

ASBCS Response:

The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

The ASBCS believes that A.R.S. § 15-808(B) currently requires a school's cost effectiveness to be reviewed as part of the decision about whether a school should continue in the TAPBI program. The ASBCS will work cooperatively with the SBE and, to the extent possible, incorporate the collection of this information into the annual TAPBI report.

CHAPTER 3, Recommendation 1a:

To better measure TAPBI schools' effect on student achievement, the state education Boards should consider the following:

- a. Whether they can more accurately analyze standardized test results, such as only comparing test scores for full-time TAPBI students to statewide averages.

ASBCS Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

To the extent possible, the ASBCS will work with the SBE and consider whether there can be a better method to more accurately analyze standardized test results given certain limitations, such as concurrent and summer enrollments.

Chapter 3, Recommendation 1b:

To better measure TAPBI schools' effect on student achievement, the state education Boards should consider the following:

- b. Whether there are other indicators of a TAPBI school's performance, such as credits recovered contributing to on-time graduations; advanced classes made available that were not available in the student's traditional school; or changes to students' learning assessment scores.

ASBCS Response:

The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

The ASBCS will work cooperatively with the SBE to explore other indicators of a TAPBI school's performance to the extent possible.

Chapter 3, Recommendation 2a:

In reviewing whether to allow the TAPBI schools to continue in the TAPBI program, the state education Boards should consider whether the TAPBI schools' policies and procedures support student achievement, including the following:

- a. Procedures for ensuring minimum required instruction hours are met.

ASBCS Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

If the Arizona Department of Education implements Recommendation #3 (see below), the ASBCS will also request and consider the conclusions reached by ADE as to whether the courses provided by each TAPBI charter school have provided students with at least the minimum instruction hours as required by statute.

Chapter 3, Recommendation 2b:

In reviewing whether to allow the TAPBI schools to continue in the TAPBI program, the state education Boards should consider whether the TAPBI schools' policies and procedures support student achievement, including the following:

- b. Procedures for ensuring academic integrity, such as establishing controls for limiting student access to online grades, requiring students to take exams in person in a proctored environment, and requiring students to demonstrate proficiency through proctored course exams to pass a course.

ASBCS Response:

The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

The ASBCS agrees that ensuring the academic integrity of each TAPBI program is important to its continuation. The ASBCS will look at ways to ensure the academic integrity of the TAPBI program while considering the inherent nature of the program and preserving the fundamental intent of the program.

Chapter 3, Recommendation 2c:

In reviewing whether to allow the TAPBI schools to continue in the TAPBI program, the state education Boards should consider whether the TAPBI schools' policies and procedures support student achievement, including the following:

- c. Policies and performance measures regarding the frequency of teacher-to-student contact.

ASBCS Response:

The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Recommendation 2d:

In reviewing whether to allow the TAPBI schools to continue in the TAPBI program, the state education Boards should consider whether the TAPBI schools' policies and procedures support student achievement, including the following:

- d. Policies and procedures for training teachers to instruct students in an online environment.

ASBCS Response:

The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Recommendation 3:

ADE should ensure that TAPBI courses provide students with at least the minimum instruction hours required by statute.

ASBCS Response:

As this recommendation is addressed to the Arizona Department of Education and not the ASBCS, following the instructions provided to the ASBCS, a response to the recommendations in this chapter is not provided.

Recommendation 4:

ADE should determine whether Arizona Distance Learning and Pinnacle Education Virtual Academy have sufficient student enrollment records to demonstrate compliance with statutory minimum instruction hour requirements.

ASBCS Response:

As this recommendation is addressed to the Arizona Department of Education and not the ASBCS, following the instructions provided to the ASBCS, a response to the recommendations in this chapter is not provided.



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September 26, 2007

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Ms. Debbie Davenport
Auditor General
Office of the Auditor General
2910 North 44th Street, Suite 410
Phoenix, AZ 85018

Dear Ms. Davenport:

On behalf of the State Board of Education (the "Board"), I would like to thank the Office of the Auditor General for the opportunity to respond to the audit of the Technology Assisted Project-Based Instruction Program. The Board appreciates the professionalism and courtesy of the auditors responsible for this report.

I have attached a detailed response to each recommendation applicable to the Board's duties and responsibilities. As you will see, the recommendations are agreed to, and the Board will see that each is implemented as soon as possible. Consistent with instructions provided by your office the Board did not respond to those recommendations addressed to the Arizona Department of Education or the State Board for Charter Schools.

If you have any questions please contact me at (602)542-5057.

Sincerely,

Vince Yanez
Executive Director

cc: Members, State Board of Education
Deanna Rowe, State Board for Charter Schools

**ARIZONA STATE BOARD OF EDUCATION
TECHNOLOGY ASSISTED PROJECT-BASED INSTRUCTION PROGRAM AUDIT
AGENCY RESPONSE**

CHAPTER 1

No recommendations applicable to the State Board of Education ("SBE").

CHAPTER 2, RECOMMENDATION 1A:

To ensure compliance with statutory reporting requirements and to improve the accuracy of costs the state Boards of education should ensure that TAPBI schools are properly allocating costs between TAPBI and non-TAPBI operations, using an allocation basis that best reflects how costs are incurred.

SBE Response:

The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

The SBE will work cooperatively with the State Board for Charter Schools ("SBCS") to modify the reporting format to accurately and uniformly capture the primary shared costs realized by most TAPBI programs. Due to the unique structure and organization of the various TAPBI programs is difficult to define all areas where shared costs are realized.

Additionally, the SBE is required to ensure compliance through the development and execution of the annual TAPBI report. The SBE is not resourced to conduct onsite audits for each of the TAPBI schools to verify the provided information.

CHAPTER 2, RECOMMENDATION 1C:

To help TAPBI schools accurately report their costs in the annual TAPBI report, the state education Boards should consider aligning the report's cost categories to the Uniform Charts of Accounts.

SBE Response:

The finding of the Auditor General is agreed to and the audit recommendation will be implemented. The SBE recognizes the importance of ensuring that TAPBI schools report their costs in a consistent manner. As the SBE moves to implement this recommendation it is important to note that traditional public

schools and charter schools are not subject to the same requirements with respect to accounting practices. Charter schools (and therefore seven of the fourteen TAPBI programs) may be exempt from certain accounting provisions which apply to traditional public schools. Further analysis is needed to assess whether the annual TAPBI report can be aligned strictly to the Uniform Chart of Accounts, or whether some allowances will have to be made to account for specific charter school exemptions. The SBE will work closely with the SBCS to implement this recommendation to the extent possible.

CHAPTER 2, RECOMMENDATION 2:

In reviewing whether to allow the TAPBI schools to continue in the TAPBI program, the state education Boards should assess the schools' cost effectiveness, including the level of administration expenditures and the fiscal impact of software or management agreements on costs.

SBE Response:

The finding of the Auditor General is agreed to and the audit recommendation will be implemented. Arizona Revised Statute § 15-808 (B) requires the SBE and SBCS to review the effectiveness of each TAPBI school and other information that is contained in the annual report when considering whether to renew a school's participation in the program. The SBE will comply with the provisions of this law and, to the extent possible, incorporate assessments of programs' administrative expenditures and software or management agreement costs.

CHAPTER 3, RECOMMENDATION 1A:

To better measure TAPBI schools' effect on student achievement, the state education Boards should consider the following:

- a. Whether they can more accurately analyze standardized test results, such as only comparing test scores for full-time TAPBI students to statewide averages.
- b. Whether there are other indicators of a TAPBI school's performance, such as credits recovered contributing to on-time graduations; advanced classes made available that there not available in the student's traditional school; or changes to students' learning assessment scores.

SBE Response:

The finding of the Auditor General is agreed to and the audit recommendation will be implemented. The SBE will work cooperatively with the SBCS to consider the Auditor General's recommendations to improve how TAPBI student achievement is assessed. Measuring TAPBI student achievement presents several challenges. It difficult to gauge the benefits of online course delivery because the majority of students enrolled in a district TAPBI program are also taking courses in traditional classroom settings. Concurrent enrollment complicates the SBE's ability to assign students' academic gains or losses to either TAPBI programs or to the work done in traditional classrooms. The SBE will analyze whether there is a sufficient sample of full-time TAPBI students to provide a reliable measure of student achievement.

The SBE will incorporate alternative measures of student performance in its annual review of TAPBI programs. These measures shall include: credits recovered contributing to on-time graduations and advanced classes made available that were not available in the student's traditional school.

CHAPTER 3, RECOMMENDATION 2:

In reviewing whether to allow the TAPBI schools to continue in the TAPBI program, the state education Boards should consider whether the TAPBI schools' policies and procedures support student achievement, including the following:

- a. Procedures for ensuring minimum required instruction hours are met.
- b. Procedures for ensuring academic integrity, such as establishing controls for limiting student access to online grades, requiring students to take exams in person in a proctored environment, and requiring students to demonstrate proficiency through proctored course exams to pass a course.
- c. Policies and performance measures regarding the frequency of teacher-to-student contact.
- d. Policies and procedures for training teachers to instruct students in an online environment.

SBE Response:

The finding of the Auditor General is agreed to and the audit recommendation will be implemented. The SBE will work cooperatively with the SBCS to consider these recommendations and implement them to the extent possible.

When evaluating whether a TAPBI school's procedures support student achievement the SBE must consider the legislature's original intent of TAPBI

schools to “improve pupil achievement and extend academic options beyond the four walls of the traditional classroom¹.” Therefore, with respect to the recommendations concerning proctoring student exams, it will be necessary to consider alternative methods that both improve academic integrity and uphold the stated intent of TAPBI schools.

¹ 1998 Ariz. Sess. Laws Ch. 224, § 3.