



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Performance Audit Division

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Performance Audit

# Arizona Department of Education

Department Should Improve K-3 Reading Program  
Administration and Oversight to Help Ensure Consistent  
Implementation of the Program

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Report No. 16-101



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Auditor General

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March 30, 2016

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Ms. Diane Douglas  
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Arizona Department of Education

Mr. Greg Miller, President  
Arizona State Board of Education

Dr. Karol Schmidt, Executive Director  
Arizona State Board of Education

Transmitted herewith is a report of the Auditor General, *A Performance Audit of the Arizona Department of Education—K-3 Reading Program*. This report is in response to A.R.S. §41-2958 and was conducted under the authority vested in the Auditor General by Arizona Revised Statutes §41-1279.03. I am also transmitting within this report a copy of the Report Highlights for this audit to provide a quick summary for your convenience.

As outlined in its response, although the Arizona Department of Education disagrees with some of the findings, it plans to implement most of the recommendations directed to it. The Arizona State Board of Education has also provided a response to the report.

My staff and I will be pleased to discuss or clarify items in the report.

Sincerely,

Debbie Davenport  
Auditor General

Attachment

cc: Arizona State Board of Education members



**REPORT HIGHLIGHTS**  
PERFORMANCE AUDIT

**K-3 reading program oversight and administration should be improved**

**Our Conclusion**

The K-3 Reading Program (Program) is intended to improve the reading proficiency of kindergarten through third grade (K-3) students in Arizona. We reviewed a random sample of public school districts and public charter schools (school districts and charter schools) and found that nearly all spent program monies consistent with statute, but overall, program implementation has been inconsistent. The Arizona Department of Education (Department) should take steps to improve program administration and oversight, which would help ensure school districts' and charter schools' consistent program implementation. The Legislature should also consider various statutory changes to help improve program oversight. In addition, the Department should prioritize enrollment in and increase access to its reading trainings for school district and charter school educators, take steps to ensure that its use of reading-training-fee monies is consistent with statute, and align its reading-training fees with its costs to provide these trainings.

In 2012, the Legislature enacted the Program and has appropriated approximately \$40 million annually, beginning in fiscal year 2013, for school districts' and charter schools' K-3 reading programs. The Arizona State Board of Education (Board), in collaboration with the Department, was required to establish the Program. In fiscal years 2013 through 2015, the Board administered the Program. In October 2015, the Board directed the Department to administer the Program. The Program is sometimes referred to as the Move On When Reading Program because it is designed to help ensure that third grade students are reading well enough to "move on" to fourth grade. Statute requires each school district and charter school with K-3 students to annually submit a plan (annual reading plan) for improving the reading proficiency of its K-3 students to the Board by October 1. These annual reading plans must include information on the reading proficiency of K-3 students; reading screenings, assessments, and interventions; and program expenditures. The Board must approve the annual reading plans for school districts and charter schools with C, D, or F letter grades or with more than 10 percent of students reading far below grade level (lower-performing school districts and charter schools) before they may receive program monies.

**Sampled school districts and charter schools spent program monies consistent with statute, but inconsistently implemented the Program**—We reviewed the use of program monies and program implementation for a random sample of 12 school districts and 8 charter schools. We found that 19 of the 20 school districts and charter schools spent nearly all program monies consistent with statute. These 19 school districts and charter schools used program monies for items related to K-3 reading, including salaries and benefits for reading specialists who provided student instruction and teacher support for K-3 reading, and for reading materials such as books and curricula. One sampled charter school did not provide any documentation of its fiscal year 2015 program expenditures. Additionally, overall, program implementation by the school districts and charter schools reviewed was inconsistent. For example, we found that 13 of the 20 sampled school districts and charter schools did not meet the deadline for submitting at least one element of their annual reading plans as required by statute.

**Improved program administration and oversight would help ensure consistent program implementation**—We identified several areas of inconsistent administration and oversight, including inconsistent enforcement of program reporting requirements, inconsistent review of program information, insufficient program guidance, and no assessment of program outcomes. Therefore, since the Department is now responsible for program administration, it should take steps to address program oversight and administration, including developing guidance to help school districts and charter schools effectively implement the Program, and developing and implementing written policies and procedures related to validating and verifying school districts' and charter schools' program implementation and assessing program outcomes.

**Legislature should consider statutory changes to improve program oversight**—Although the Board must approve lower-performing school districts' and charter schools' annual reading plans before they can receive program monies, annual reading plans submitted by school districts and charter schools with A and B letter grades are



2016

automatically approved for program funding. Because of the effort involved in preparing and submitting these plans, the Legislature may want to consider revising statute by requiring only lower-performing school districts and charter schools to submit annual reading plans; requiring school districts and charter schools with A and B letter grades to submit annual reading plans less often; or requiring all school districts and charter schools to submit annual reading plans and receive funding only after board approval. Additionally, the Legislature should consider revising the deadline for school districts and charter schools to submit annual reading plans to allow the Department time to review these plans before distributing any program monies and consider requiring the Department to annually report program information to it.

## Recommendations

The Department should:

- Develop and implement guidance to help school districts and charter schools implement the Program; and
- Develop and implement written policies and procedures for administering and overseeing the Program.

The Legislature should consider the following statutory changes:

- Revise the annual reading plan submission requirements for school districts and charter schools;
- Modify the deadline for submission of annual reading plans; and
- Require the Department to annually report program information to the Legislature.

## Department should increase access to reading trainings and improve fee-setting process

**Department can improve access to reading trainings**—The Department provides reading trainings that may help school districts and charter schools more effectively implement the Program. It hires contractors to conduct these trainings primarily in Phoenix and Tucson, generally on weekdays during the school year. However, the Department does not prioritize reading-training enrollment for educators from lower-performing school districts and charter schools that would benefit most from the training. Some educators may also face barriers to attending reading trainings because their schools districts and charter schools may incur additional expenses related to traveling to the trainings and hiring substitute teachers in order for educators to attend.

To improve access to its trainings, the Department should identify and establish participant categories that will be given priority for enrolling in its reading trainings. It should also take steps to reduce enrollment barriers by continuing to allow requests for alternative reading training locations or schedules.

**Department should ensure that reading-training fees are appropriately used and aligned with costs**—Statute requires the Department to deposit any revenues from fees it charges for providing professional development into a specific fund. The Department must also receive a legislative appropriation to spend these monies. However, the Department has not deposited reading-training-fee revenues into the appropriate fund, and it has not received a legislative appropriation prior to spending these monies. Additionally, the Department has not conducted a complete analysis to ensure that all of its reading-training fees are appropriately aligned with its costs. The Department should ensure that its use of reading-training-fee monies is consistent with statute, conduct a full analysis of its reading-training costs, and align its reading-training fees with these costs.

## Recommendations

The Department should:

- Establish participant categories that will be given priority for enrolling in its reading trainings;
- Take steps to reduce barriers to enrolling in reading trainings;
- Ensure its use of training-fee monies is consistent with statute; and
- Conduct a full analysis of its reading-training costs and align its reading-training fees with these costs.

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## INTRODUCTION

Scope and Objectives

The Office of the Auditor General has conducted a performance audit of the Arizona Department of Education's (Department) K-3 Reading Program (Program), pursuant to Arizona Revised Statutes (A.R.S.) §41-2958. This audit was conducted under the authority vested in the Auditor General by A.R.S. §41-1279.03 and is the first in a series of two reports on the Department. The second audit report will address Empowerment Scholarship Accounts.

This audit reviewed the Program's implementation by several Arizona public school districts and public charter schools (school districts and charter schools), the Arizona State Board of Education's (Board) and Department's administration and oversight of the Program, and the reading training that the Department provides to school district and charter school educators.

# Program designed to improve public school students' reading proficiency

## K-3 reading program history and provisions

The Legislature established the Program to improve Arizona public school students' reading proficiency. Specifically, in 2012, the Legislature enacted A.R.S. §15-211, which requires the Board, in collaboration with the Department, to establish a program to improve the reading proficiency of kindergarten through third grade (K-3) students in Arizona's school districts and charter schools. To help facilitate the Program's implementation, for fiscal years 2013 through 2016, the Legislature appropriated approximately \$40 million annually to the State's school districts and charter schools to use on their K-3 reading programs.

The Program is sometimes referred to as the Move On When Reading Program because it is designed to help ensure that third grade students are reading well enough to "move on" to fourth grade. Specifically, A.R.S. §15-701(A)(2)(a) prohibits any third grade student who scores below the minimum proficiency level on a state-wide standardized test from being promoted to the fourth grade (see textbox for more information on the state-wide standardized test).<sup>1</sup> According to the Department's Web site, the Program's goal is to have all K-3 students in school districts and charter schools reading proficiently by the third grade. A.R.S. §15-211 outlines program responsibilities for the school districts and charter schools that receive program monies, the Department, and the Board, as follows:

### State-wide standardized

**test**—A.R.S. §15-755 requires that all Arizona school districts and charter schools administer a standardized, nationally normed, written test of academic subject matter at least once a year for all Arizona public school children in 2nd through 12th grades. According to A.R.S. §15-741, the Board must adopt this test.

Source: Auditor General staff analysis of A.R.S. §§15-755 and 15-741.

- **School district and charter school responsibilities**—All school districts and charter schools that teach K-3 students are required to submit an annual plan to the Board for improving K-3 students' reading proficiency (annual reading plan). The annual reading plan should include information on program expenditures from the previous year, a budget for planned program expenditures for the current year, and updated data on K-3 students' reading proficiency (see Finding 1, pages 7 through 8, for more information on how the Board implemented this reporting requirement).

<sup>1</sup> According to A.R.S. §15-701(2)(a), the Board determines the minimum level of reading proficiency for third grade students. Additionally, this statute allows for some exemptions from the third-grade promotion requirement for students with special education needs or a significant reading impairment, such as dyslexia.

Additionally, school districts and charter schools are required to use program monies only on reading programs for K-3 students, with particular emphasis on students in kindergarten through second grade.

- **Department responsibilities**—The Department is responsible for distributing program monies to qualifying school districts and charter schools and soliciting gifts, grants, and donations from any lawful public or private source in order to provide additional funding for the Program.
- **Board responsibilities**—The Board is responsible for approving the annual reading plans submitted by school districts and charter schools with C, D, or F letter grades and those that have more than 10 percent of their students reading below grade level before these school districts and charter schools can receive program monies (see textbox for more information on the letter grading system for school districts and charter schools).

**Letter grades**—A.R.S. §15-241 requires the Department to assign A through F letter grades to school districts and charter schools based on information such as each school's state-wide standardized test scores, dropout rates, and graduation rates. However, Laws 2015, Ch. 76, prohibited the Department from assigning letter grades to school districts and charter schools in the 2014-2015 and 2015-2016 school years in order to allow the Department to develop a revised mechanism for measuring the performance of school districts and charter schools, subject to board approval. Additionally, for the Program's purposes, in fiscal years 2016 and 2017, the Board was directed to use the letter grades assigned in the 2013-2014 school year.

Source: Auditor General staff analysis of A.R.S. §15-241 and Laws 2015, Ch. 76.

## Program administration and staffing

Responsibility for program administration has shifted since program inception. Although A.R.S. §15-211 does not specifically assign responsibility for program administration to either the Board or the Department, in fiscal years 2013 through 2015, the Legislature authorized the Board to spend up to \$1.5 million of program monies annually for providing technical assistance and administering the Program. With these monies, in fiscal year 2013, the Board established two positions with specific responsibilities related to the Program: a K-3 Reading Director and a Deputy Director. According to board records, the K-3 Reading Director was responsible for overseeing and administering the Program, including facilitating reviews of annual reading plans, making recommendations to the Board for approving annual reading plans so program monies could be distributed to school districts and charter schools, and providing technical assistance to school districts and charter schools. The Deputy Director was responsible for supervising the Program's administration and other duties related to board operations, such as conducting policy research. In addition, in fiscal years 2013 through 2015, the Board used some of the program administration monies to hire contractors to assist board staff in reviewing school districts' and charter schools' annual reading plans.

However, in fiscal year 2016, the Legislature discontinued the Board's authorization to spend program monies and instead, for the first time, authorized the Department to spend monies related to the Program. Specifically, Laws 2015, Ch. 310, authorized the Department to spend

up to \$500,000 of program monies for technical assistance and the Program's administration.<sup>1</sup> Additionally, this law required the Department to submit an expenditure plan for using these monies to the JLBC before spending any of the \$500,000.

In June 2015, the Department presented its expenditure plan to the JLBC, and the JLBC voted to give the Department's expenditure plan a favorable review. The expenditure plan indicated that in fiscal year 2016, the Department would spend \$284,300 to hire consultants who, according to a department official, would conduct reading trainings for school districts and charter schools with D and F letter grades (see Finding 2, pages 25 through 32, for more information on the Department's reading trainings). In addition, the expenditure plan indicated that the Department would spend approximately \$171,000 for one full-time staff position and two part-time positions, totaling 2.0 full-time equivalent (FTE) positions, but it did not describe specific job responsibilities for these positions. However, according to a department official, the Department planned to spend program monies to administer reading trainings. In addition, the expenditure plan did not include any administrative costs for reviewing annual reading plans submitted by school districts and charter schools, or for maintaining the electronic, online portal (portal) through which school districts and charter schools submit their annual reading plans. As a result, the Department reported that it believed that it was not authorized to spend program monies for program administration activities other than conducting and administering reading trainings. Subsequent to the approval of the Department's expenditure plan, according to the Board, its Deputy Director and K-3 Reading Director, who were responsible for supervising and administering the Program, resigned, and in October 2015, the Board directed the Department to administer the Program.

The Department reported that it had also taken some steps in fiscal year 2016 to begin reviewing school districts' and charter schools' annual reading plans. Specifically, according to the Department, in January 2016, it hired a K-3 Early Literacy Specialist, accounting for 1.0 FTE paid for with program monies, and, although this staff member was hired to help administer the Department's reading trainings, it has assigned this staff member to assist school districts and charter schools with their annual reading plans and provide assistance with other issues related to program implementation. Additionally, according to the Department, it had divided funding for the other 1.0 FTE position paid for with program monies between four department staff, as follows:

- Data analyst—Responsible for researching how school districts and charter schools are implementing the Program;
- Director of K-12 English, Language Arts, and Humanities—Responsible for coordinating and administering the Department's reading trainings, including reviewing participant feedback, assessing state-wide reading training needs, and assisting in the refinement of reading trainings as needed;
- Education program specialist—Responsible for coordinating and administering the Department's reading trainings and refining reading trainings as needed; and

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<sup>1</sup> According to Joint Legislative Budget Committee (JLBC) records, in fiscal year 2016, the Board also received \$90,400 in program monies to fund its deputy director position, which had been funded through the Program since the Board established the position. According to a board official, the Board has revised the deputy director job description to focus on policy research and development and expects to complete the hiring process and fill this position in spring 2016.

- Deputy associate superintendent of K-12 Academic Standards—Responsible for assisting with the coordination of the Department’s reading trainings, including reviewing participant feedback, and working with the Director of K-12 English, Language Arts, and Humanities to assess state-wide reading training needs.

## Program statistics

Most school districts and charter schools that have K-3 students were eligible to receive program monies. Specifically, according to department records, in fiscal year 2015, 191 of 200 school districts that teach K-3 students in the State were eligible to receive program monies. These school districts accounted for an estimated 239,427 of 239,500, or nearly 100 percent, of K-3 students in school districts in the State. In addition, according to department records, in fiscal year 2015, 245 out of a total of 246 charter schools that teach K-3 students in the State were eligible to receive program monies, accounting for an estimated 50,105 of 50,107, or nearly 100 percent, of K-3 students in charter schools. According to the Department, the school districts and charter schools that were not eligible to receive program monies were those that required board approval of their annual reading plans, but did not submit a required element of their annual reading plans (see Finding 1, pages 13 through 14, for more information on school districts and charter schools that did not submit one required element of their annual reading plans and therefore were not eligible to receive program monies).

## Program funding and budget

To operate schools and provide educational services to students, school districts receive local and state revenues and charter schools receive state revenues based on an equalization formula set by state law.<sup>1</sup> This equalization formula provides the base-support-level funding for school districts through locally levied property taxes and State General Fund appropriated monies, and for charter schools through State General Fund appropriated monies (see textbox for more information on base support level). Beginning in fiscal year 2013 and continuing for each fiscal year thereafter, the Legislature provided funding for the Program by adding a K-3 reading per student base support level funding increase to the equalization formula.<sup>2</sup> This addition to the equalization formula provides both locally levied property taxes and State General Fund appropriated monies to school districts and State General Fund appropriated monies to charter schools for the Program. For example, as shown in Table 1 (see page 5), in fiscal year 2015, total program

**Base support level**—Base support level is the per-student amount of monies, established by the Legislature, that school districts and charter schools receive for the day-to-day operations of schools. The largest amount of these monies pays for the salaries and benefits of teachers and administrators.

Source: Auditor General staff review of information on the Department’s Web site.

<sup>1</sup> The state equalization formula is intended to ensure that all school districts and charter schools receive equal funding on a per student basis.

<sup>2</sup> A multiplier of 0.04 was added to the equalization formula for the K-3 reading per student-base-support level funding increase.

**Table 1: Total equalization formula program monies and administrative costs  
Fiscal years 2014 through 2016  
(Unaudited)**

|   | 2014<br>(Actual)            | 2015<br>(Actual)            | 2016<br>(Estimate)          |
|---|-----------------------------|-----------------------------|-----------------------------|
| K-3 Reading Program monies determined through the equalization formula for: |                             |                             |                             |
| School districts  | \$ 34,433,776               | \$ 33,238,073               | \$ 35,896,940               |
| Charter schools   | <u>6,161,334</u>            | <u>6,764,709</u>            | <u>7,372,141</u>            |
| <b>Total program monies for K-3 students</b>                                | <b><u>40,595,110</u></b>    | <b><u>40,002,782</u></b>    | <b><u>43,269,081</u></b>    |
| State administrative costs:   |                             |                             |                             |
| Personal services and related benefits                                      | 258,709                     | 249,846                     | 170,373                     |
| Professional and outside services   | 97,546                      | 133,033                     | 284,350                     |
| Travel  | 3,354                       | 1,612                       | 3,500                       |
| Other operating   | 651,281                     | 235,748                     | 40,527                      |
| Equipment and software  | <u>1,783</u>                | <u>-</u>                    | <u>1,250</u>                |
| <b>Total state administrative costs</b>                                     | <b><u>1,012,673</u></b>     | <b><u>620,239</u></b>       | <b><u>500,000</u></b>       |
| <b>Total program monies and administrative costs</b>                        | <b><u>\$ 41,607,783</u></b> | <b><u>\$ 40,623,021</u></b> | <b><u>\$ 43,769,081</u></b> |

Source: Auditor General staff analysis of the Arizona Financial Information System Accounting Event Transaction File for fiscal years 2014 and 2015 and department-prepared financial information for fiscal years 2014 through 2016.

monies available to school districts and charter schools from state and local sources through the equalization formula were about \$40 million. This amount is estimated to increase to more than \$43 million for fiscal year 2016. In addition, the Legislature has authorized either the Board or the Department to spend program monies on program-related activities (see pages 2 through 4 for more information on these activities). Table 1 shows the State’s actual and estimated administrative costs for the Program in fiscal years 2014 through 2016. These costs totaled more than \$1 million in fiscal year 2014 and approximately \$620,000 in fiscal year 2015. According to department records, in fiscal years 2014 and 2015, program administrative costs included department administrative costs of approximately \$760,000 and \$340,000, respectively. The Department reported that it incurred these costs for work related to the Program, including conducting and administering reading trainings and developing and maintaining the portal. For fiscal year 2016, program administrative costs are estimated to total \$500,000.



## FINDING 1

The Arizona Department of Education (Department) should improve its administration and oversight of the K-3 Reading Program (Program), and the Legislature should also consider statutory changes to improve it. The Arizona State Board of Education (Board) has established requirements directing the program information that public school districts and public charter schools (school districts and charter schools) with kindergarten through third grade (K-3) students must provide to it and the Department to demonstrate program implementation. Auditors' review of a random sample of school districts and charter schools found that they spent nearly all program monies consistent with statute, but that overall, program implementation has been inconsistent. The Department should take steps to address program administration and oversight, which would help ensure school districts' and charter schools' consistent program implementation. The Legislature should also consider various statutory changes to improve program oversight.

## K-3 reading program oversight and administration should be improved

### School districts and charter schools required to submit program information to Board

As explained in the Introduction (see page 1), Arizona Revised Statutes (A.R.S.) §15-211 requires school districts and charter schools with K-3 students to submit an annual plan to improve their K-3 students' reading proficiency (annual reading plan). In implementing this requirement, the Board has required school districts and charter schools to submit the following self-reported information as part of their annual reading plans:

- **Literacy plans**—School districts and charter schools are required to submit annual literacy plans detailing how they plan to monitor and improve K-3 reading proficiency. Consistent with statute, the Board requires these plans to address the following:<sup>1</sup>
  - Scientifically based K-3 reading curriculum(s) used;
  - Screenings and assessments used;
  - Interventions and remedial strategies used for students identified as having reading deficiencies;
  - Interventions and remedial strategies used for third graders not promoted to fourth grade; and
  - Professional development provided for K-3 reading teachers.

School districts and charter schools must submit their annual literacy plans using an electronic, online portal (portal) on the Department's Web site by October 1 each year.

- **Program expenditure report and budget**—School districts and charter schools are required to submit a program expenditure report from the previous school year and a budget for planned use of program monies for the current school year by October 1 of each year. The Board has directed school districts and charter schools to submit program expenditure and budget information to the Department's school finance division.

<sup>1</sup> Information required in the literacy plans is consistent with requirements related to K-3 reading instruction in A.R.S. §§15-701 and 15-704.

- **Assessment data**—School districts and charter schools are required to report the percentage of their K-3 students reading at or near grade level and the percentage of K-3 students at risk for not reading at grade level. School districts and charter schools must submit their assessment data at the beginning, middle, and end of each school year using the portal on the Department’s Web site. The assessment data must be submitted by October 1, February 1, and June 1 of each school year.

## School districts and charter schools reviewed inconsistently implemented Program

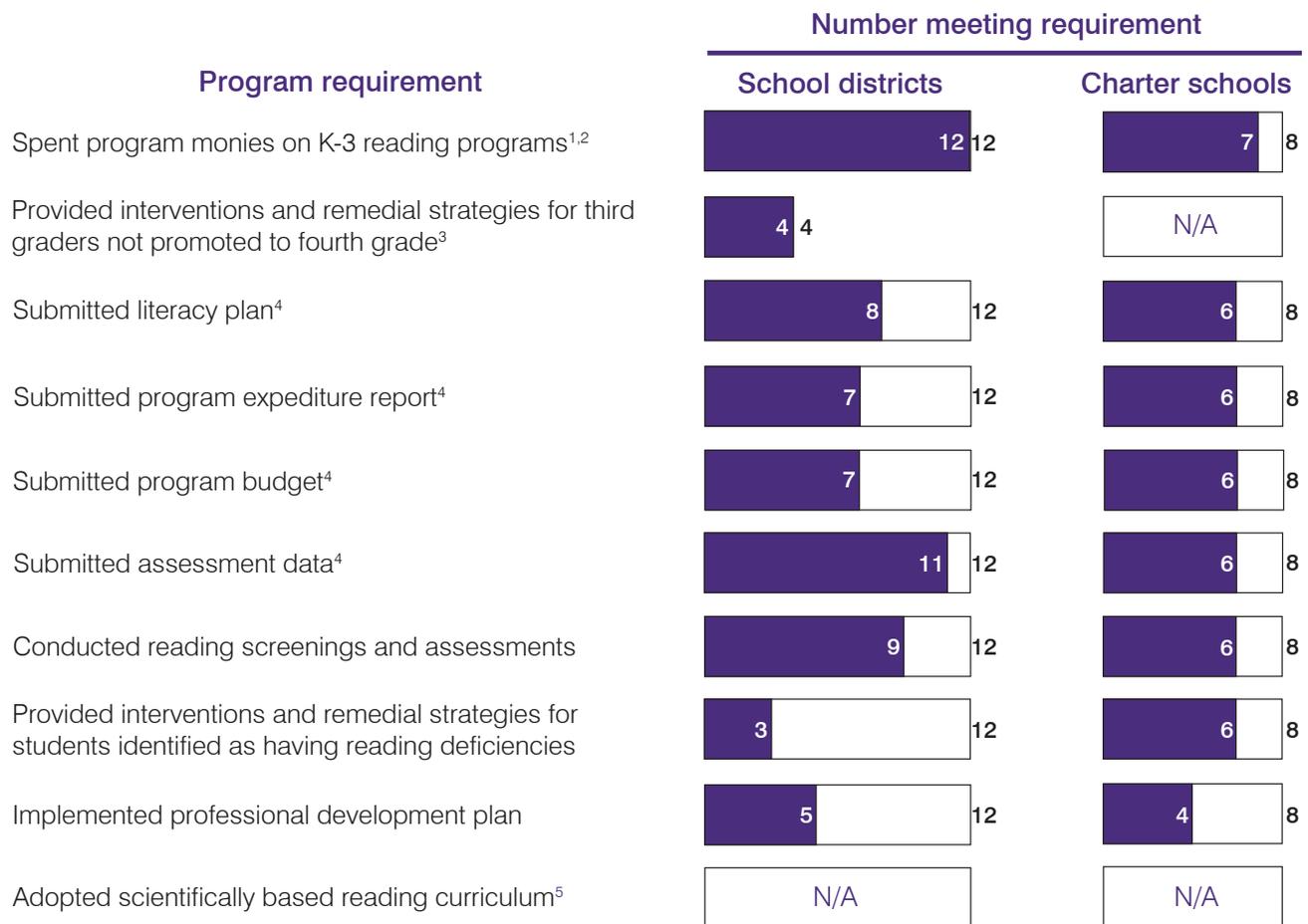
Although school districts and charter schools that auditors reviewed have complied with some program requirements, school districts’ and charter schools’ program implementation has been inconsistent. Specifically, auditors’ review of a random sample of 20 school districts and charter schools found that they spent most program monies consistent with statute, and that 4 of the sampled school districts and charter schools that did not promote third grade students to the fourth grade provided the required interventions and remedial strategies. However, some of these sampled school districts and charter schools implemented reading programs that were inconsistent with program requirements. Inconsistent program administration and oversight have contributed to these program implementation issues.

School districts’ and charter schools’ program implementation has been inconsistent—Although most school districts and charter schools that auditors reviewed have implemented some program requirements, overall, program implementation among these school districts and charter schools was inconsistent. Specifically, auditors reviewed use of program monies in fiscal year 2015 and program implementation in school year 2015-2016 for a random sample of 12 school districts and 8 charter schools (sampled school districts and charter schools). See Figure 1, page 9, for a summary of sampled school districts’ and charter schools’ compliance and noncompliance with program requirements.<sup>1</sup> The sample included 13 school districts and charter schools with A or B letter grades and 7 school districts and charter schools with C or D letter grades (see Introduction, page 2, for more information on letter grades assigned to school districts and charter schools). Auditors’ review of the sampled school districts and charter schools determined that they had largely complied with two program requirements, as follows:

- **Nineteen of 20 sampled school districts and charter schools spent nearly all program monies consistent with statute, but 1 did not provide documentation to demonstrate compliance**—As previously discussed (see Introduction, page 2), A.R.S. §15-211 requires school districts and charter schools to use program monies on only reading programs for K-3 students with particular emphasis on kindergarten through second grade. Statute does not list specific items that are allowable program expenditures. Therefore, auditors assessed sampled school districts’ and charter

<sup>1</sup> One required element of the literacy plans is listing at least one scientifically based reading curriculum for K-3 reading instruction. Statute provides general criteria for what constitutes scientifically based research, but neither the Board nor the Department has developed guidance to aid school districts and charter schools in adopting a scientifically based reading curriculum. As a result, auditors could not independently determine if a sampled school district’s or charter school’s reading curriculum satisfied these criteria because these criteria are relatively subjective (see page 16 for more information on the lack of guidance related to curriculum).

**Figure 1: Compliance/noncompliance with program requirements  
School year 2015-2016**



<sup>1</sup> Auditors reviewed the program monies spent in fiscal year 2015, which covered the 2014-2015 school year, the last full fiscal year records were available.

<sup>2</sup> One sampled school district inappropriately spent \$170 of program monies, and one sampled charter school did not provide documentation of its program expenditures and therefore did not demonstrate compliance (see page 10 for more information).

<sup>3</sup> According to A.R.S. §15-701, this requirement applies only to school districts and charter schools that had third grade students who were not promoted to the fourth grade. As a result, auditors assessed implementation of this requirement at four sampled school districts that reported having third grade students who were not promoted to the fourth grade. No sampled charter schools reported having third grade students who were not promoted to the fourth grade. Additionally, as required by A.R.S. §15-701, the requirement to hold back third grade students was not in effect in the 2015-2016 school year because test scores were not available at the beginning of the school year. Therefore, auditors assessed this requirement for the 2014-2015 school year.

<sup>4</sup> Sampled school districts' and charter schools' submission of required information was tested as of October 1, 2015.

<sup>5</sup> Although sampled school districts and charter schools reported using scientifically based reading curricula, auditors could not independently assess implementation due to a lack of program guidance (see footnote 1, page 8, and page 16 for more information).

Source: Auditor General staff analysis of A.R.S. §15-211 and review of information obtained from sampled school districts and charter schools and documents on the Department's Web site.

schools' use of program monies by determining if they spent program monies to implement their annual literacy plans or to otherwise implement the general statutory requirements for teaching K-3 reading outlined in A.R.S. §15-704. As indicated in Figure 1 (see page 9), 7 of the 20 sampled school districts and charter schools did not submit a program expenditure report for spending fiscal year 2015 program monies. Therefore, to conduct this assessment, auditors requested and reviewed fiscal year 2015 program expenditure documentation, such as invoices, receipts, and other accounting records, from the sampled school districts and charter schools.

Auditors found that with one minor exception, all 19 of the sampled school districts and charter schools that provided documentation of program expenditures spent program monies on items related to implementing their literacy plans or to meet the statutory requirements for teaching K-3 reading (see Figure 2, page 11, for more information on program expenditures). For example, auditors found that the 19 sampled school districts and charter schools used program monies for the following:

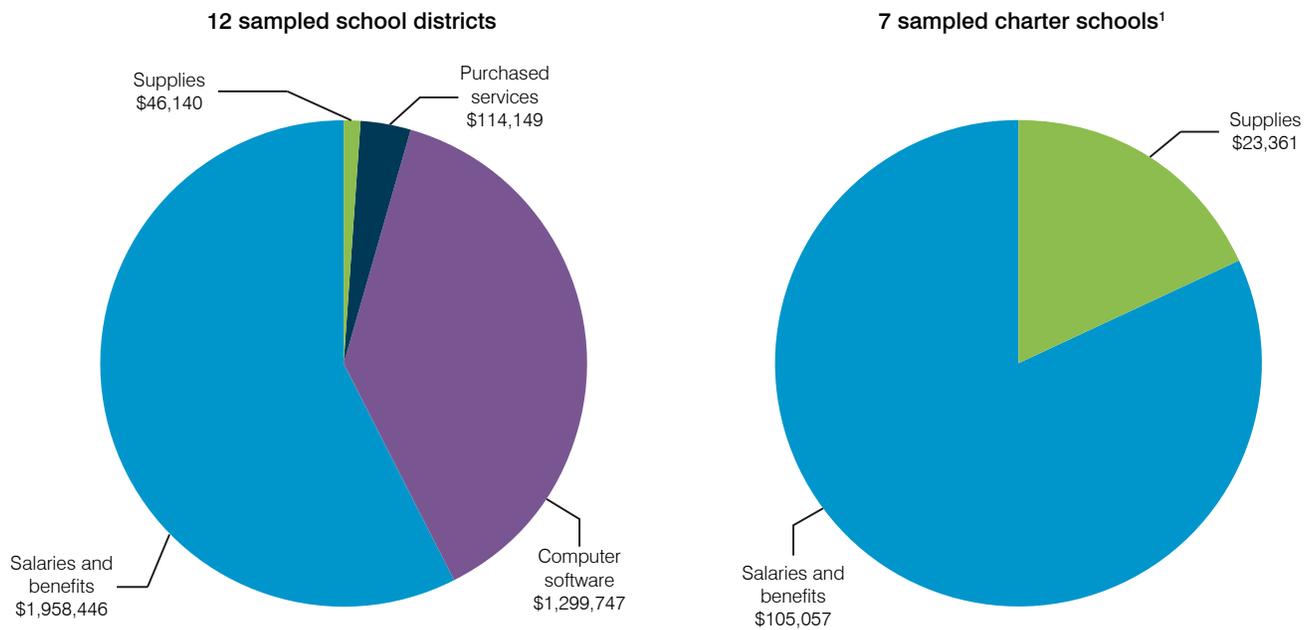
- Salaries and benefits for reading specialists who provided student instruction and teacher support for K-3 reading;
- Salaries and benefits for classroom teachers who taught K-3 reading;
- Supplies for teaching K-3 reading, including reading materials such as books and curricula;
- Computer software for providing reading instruction, screening, and progress monitoring for K-3 students; and
- Purchased services related to K-3 reading, including costs associated with professional development for reading teachers and others involved in implementing the Program.

However, one sampled school district inappropriately spent a small amount of program monies, and a sampled charter school did not provide documentation of its expenditures. Specifically, auditors determined that one of the sampled school districts spent approximately \$170 for travel that was unrelated to the Program. This school district spent approximately \$4,800 in program monies in fiscal year 2015. Additionally, one sampled charter school did not provide any documentation of its fiscal year 2015 program expenditures, which totaled approximately \$8,400, and therefore could not demonstrate compliance.

- **All four of the sampled school districts that did not promote third grade students to the fourth grade provided the required interventions and remedial strategies<sup>1</sup>**—As required by the Board and consistent with A.R.S. §§15-701 and 15-704, annual literacy plans must detail school districts' and charter schools' provision of intervention and remedial strategies to third grade students who were not promoted to the fourth grade for the purposes of the Program. Of the sampled school districts and charter schools, only four school districts reported that they had retained third grade students. Auditors

<sup>1</sup> None of the sampled charter schools reported retaining any third grade students for the purposes of the Program.

**Figure 2: Program expenditures of sampled school districts and charter schools  
Fiscal year 2015**



<sup>1</sup> One sampled charter school did not provide auditors with documentation of its use of program monies.

Source: Auditor General staff analysis of fiscal year 2015 financial accounting records for sampled school districts and charter schools.

determined that all four of these school districts provided the required interventions and remedial strategies.

Although sampled school districts and charter schools had largely complied with these two program requirements, for the 2015-2016 school year, implementation of other program requirements was inconsistent. Specifically, auditors' review of the sampled school districts and charter schools identified the following:

- Seven of 20 sampled school districts and charter schools met the deadline for submitting all required elements of their annual reading plan, but 13 did not meet the deadline for submitting at least one required element of their annual reading plan**—As previously indicated (see pages 7 through 8), consistent with A.R.S. §15-211, the Board has established requirements directing the program information that school districts and charter schools must provide to it and the Department by October 1 of each year. Although some sampled school districts and charter schools complied with these requirements, others did not. Specifically, 13 of the 20 sampled school districts and charter schools, consisting of both school districts and charter schools with A or B letter grades and those with C or D letter

grades either did not submit the required information or submitted it after the deadline, as follows (see Figure 1, page 9):

- Six did not submit a literacy plan explaining planned efforts for implementing program requirements;
- Seven did not submit program expenditure reports detailing their use of program monies in the previous school year;
- Seven did not submit program budgets detailing their planned use of program monies in the coming school year; and
- Three did not submit assessment data at the beginning of the school year to establish a baseline level for the reading proficiency of their K-3 students.

As of January 2016, 7 of the 13 sampled school districts and charter schools that did not meet the October 1 deadline had yet to submit at least one required element of their annual reading plan.

- **Fifteen of 20 sampled school districts and charter schools conducted reading screenings and assessments, but 5 did not provide documentation demonstrating compliance with this requirement**—As required by the Board and consistent with A.R.S. §15-704, annual literacy plans must detail school districts' and charter schools' use of screenings and assessments for determining each K-3 student's reading proficiency level and for monitoring student progress.<sup>1</sup> Auditors found that 15 of the 20 sampled school districts and charter schools had implemented this required element of the annual literacy plans. For example, sampled school districts and charter schools that provided documentation administered screenings to students at the beginning of the school year in order to determine a baseline reading level for each K-3 student, conducted diagnostic assessments to identify specific skill areas in which students needed additional reading instruction, and performed ongoing monitoring assessments to help determine the effectiveness of instruction and monitor student progress. Although the remaining five sampled school districts and charter schools reported that they provided initial screenings and ongoing reading assessments, one did not provide auditors with documentation of the screenings and assessments that were conducted, while four provided documentation that was insufficient to demonstrate implementation of screenings and assessments. These five sampled school districts and charter schools included both those with A or B letter grades and those with C or D letter grades.
- **Nine of 20 sampled school districts and charter schools provided reading interventions for students identified as having reading deficiencies, but 11 did not provide documentation demonstrating provision of the required interventions**—As required by the Board and consistent with A.R.S. §§15-701 and 15-704, annual literacy plans must detail school districts' and charter schools' provision of intervention and

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<sup>1</sup> A.R.S. §15-704 requires all school districts and charter schools that provide K-3 reading instruction to administer screening, ongoing diagnostic, and classroom-based instructional reading assessments to monitor student progress and plan appropriate and effective intervention.

remedial strategies to students identified as having reading deficiencies.<sup>1</sup> Auditors determined that 9 of the 20 sampled school districts and charter schools had provided interventions for students identified as having reading deficiencies. For example, one school district provided a report that listed the intervention strategies selected for two students, the goals for these students, and the progress made with the interventions. Although the remaining 11 sampled school districts and charter schools, consisting of both school districts and charter schools with A or B letter grades and those with C or D letter grades, reported that they provided the required interventions, they did not provide documentation of the implemented interventions.

- **Nine of 20 sampled school districts and charter schools implemented professional development plans, but 11 did not provide documentation of compliance with this requirement**—As required by the Board and consistent with A.R.S. §15-704, annual literacy plans must detail school districts' and charter schools' professional development plans for K-3 reading teachers.<sup>2</sup> Auditors determined that 9 of the 20 sampled school districts and charter schools had implemented professional development plans. For example, they used a variety of resources to provide professional development, such as trainings with reading curriculum specialists and attendance at the Department's Teaching Reading Effectively trainings (see Finding 2, pages 25 through 32, for more information on the Department's reading trainings). The remaining 11 sampled school districts and charter schools, consisting of both school districts and charter schools with A or B letter grades and those with C or D letter grades, reported that they provided professional development for K-3 reading teachers. However, 7 did not provide documentation of this professional development, and 4 provided insufficient documentation to demonstrate their provision of professional development. For example, some sampled school districts and charter schools reported that they provided internal trainings but did not provide documentation to support providing the training, such as an attendance form or training content.

**Inconsistent program administration and oversight have contributed to the identified program implementation issues**—Although the Board has established requirements directing the program information that school districts and charter schools must provide, inconsistent program administration and oversight have contributed to the program implementation issues auditors identified. As previously mentioned (see Introduction, pages 2 through 3), in fiscal years 2013 through 2015, the Board administered the Program. In October 2015, the Board directed the Department to administer the Program.<sup>3</sup> Although responsibility for program administration has shifted since program inception, auditors identified several areas of inconsistent administration and oversight, including:

- **Inconsistent enforcement of program reporting requirements**—Although the Board and the Department have enforced some program reporting requirements, in other cases, enforcement has not occurred. As indicated in the Introduction (see page 2), A.R.S. §15-211 requires the Board to approve annual reading plans submitted by school districts and charter

<sup>1</sup> A.R.S. §§15-701 and 15-704 require all school districts and charter schools to provide students identified as having reading deficiencies with intervention and remedial strategies, such as intensive reading instruction.

<sup>2</sup> A.R.S. §15-704 requires all school districts and charter schools that provide K-3 reading instruction to provide ongoing teacher training based on scientifically based reading research (see Appendix A, page a-1, for the statutory definition of scientifically based reading research).

<sup>3</sup> In fiscal year 2016, the Legislature discontinued the Board's authorization to spend program monies and instead authorized the Department to spend monies related to the Program. The Joint Legislative Budget Committee favorably reviewed the Department's plan to spend these monies primarily to administer reading trainings.

schools with C, D, or F letter grades and those with more than 10 percent of their third grade students reading below grade level (lower-performing school districts and charter schools) prior to these school districts and charter schools receiving program monies. Department records indicate that school districts and charter schools that did not submit literacy plans—one of the required elements of their annual reading plans—were not eligible to receive program monies. For example, in fiscal year 2015, ten lower-performing school districts and charter schools did not submit annual literacy plans. The Board did not authorize these school districts and charter schools to receive program monies and, as a result, these lower-performing school districts and charter schools did not participate in the Program. However, program monies have been available to other lower-performing school districts and charter schools without first submitting other required elements of their annual reading plans. Specifically, department records indicate that:

- In fiscal year 2014, 37 lower-performing school districts and charter schools were eligible to receive approximately \$1.4 million in program monies without submitting program expenditure reports;<sup>1</sup> and
- In fiscal year 2015, 9 lower-performing school districts and charter schools were eligible to receive approximately \$141,000 in program monies without submitting assessment data by the October 1 deadline.

By inconsistently enforcing program requirements and not ensuring that all required elements of the annual reading plans are submitted, such as the requirement that school districts and charter schools submit program expenditure and assessment information, both the Board and the Department cannot ensure that all school districts and charter schools are appropriately implementing the Program.

- **Inconsistent review of program information**—The review and assessment of program implementation has been inconsistent, and in some cases, has not occurred at all. Specifically, auditors identified inconsistencies in the following areas:
  - *Review of lower-performing school districts' and charter schools' literacy plans*—As previously discussed (see Introduction, pages 2 through 3), prior to fiscal year 2016, the Board administered the Program. In fiscal years 2014 and 2015, board staff stated that they and several contractors reviewed literacy plans submitted by lower-performing school districts and charter schools to determine compliance with program requirements prior to forwarding these plans to the Board for approval. Additionally, the Board's contractors visited at least one school district to provide assistance with implementing its literacy plan. However, in fiscal year 2016, neither board staff nor department staff conducted a review of lower-performing school districts' and charter schools' literacy plans before forwarding them to the Board for approval.

These reviews did not occur for several reasons. First, in July 2015, the Department requested that it and the Board enter into an intergovernmental agreement whereby the Board would agree to pay the Department for the costs of maintaining the portal

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<sup>1</sup> The Department's school finance division prepared a report listing the school districts and charter schools that did not submit expenditure reports in fiscal year 2014. However, as of January 2016, it had not prepared a similar report for fiscal year 2015.

through which school districts and charter schools submit their annual literacy plans.<sup>1</sup> However, the Board did not enter into this agreement, and board staff were unable to access the portal to view the literacy plans until September 2015, which, according to the Department, was the earliest time it was able to provide access to the portal because of technical problems. Second, according to the Board, its Deputy Director and K-3 Reading Director, who were responsible for supervising and administering the Program, resigned in August 2015 and October 2015, respectively. The Board stated that, as of February 2016, neither position has been filled.<sup>2</sup> Finally, at its October 2015 meeting, the Board directed the Department to take all steps necessary to administer the Program and report to the Board which school districts and charter schools had submitted annual reading plans that were ready for board approval going forward. According to the Department, when the Board took this action, it had yet to establish a process for reviewing reading plans. Additionally, according to the Department, it believed that changing the review process for literacy plans in the middle of the school year would have been inequitable for some school districts and charter schools. Therefore, it continued to follow the same procedure used by board staff, and thus, annual reading plans were forwarded to the Board for approval without review for compliance with program requirements.

Without a comprehensive or thorough review of their annual literacy plans, school districts and charter schools may not be receiving the assistance they need to help ensure their plans are designed to improve K-3 students' reading proficiency. For example, officials at some sampled school districts and charter schools reported that they were uncertain if elements of their annual literacy plans were compliant with program requirements, and they did not know if their plans were being reviewed. However, as discussed in the Introduction (see page 3), the Department hired a K-3 Early Literacy Specialist in January 2016, and although this staff member was hired to help administer the Department's reading trainings, it reported that it assigned this staff member to assist school districts and charter schools with their annual reading plans.

- *Review of program expenditure data*—A.R.S. §15-211 requires school districts and charter schools to use program monies only on reading programs for K-3 students, with particular emphasis on kindergarten through second grade. However, as of January 2016, neither the Board nor the Department had implemented a process for reviewing these expenditures for compliance with statute. Although auditors found that sampled school districts and charter schools spent nearly all program monies consistent with statute, without an expenditure review process, the Board and the Department cannot ensure that all school districts and charter schools spend program monies consistent with statute.
- **Insufficient program guidance for school districts and charter schools**—School districts and charter schools have not received sufficient guidance to help ensure appropriate program implementation. This insufficient guidance includes the following:

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<sup>1</sup> Since the Program began in fiscal year 2013, the Board's appropriation was included as a line item in the Department's appropriation. However, in fiscal year 2016, the Legislature separated the Board's and the Department's appropriations. Therefore, according to the Department, it requested the intergovernmental agreement to cover the cost of maintaining the portal.

<sup>2</sup> According to a board official, the Board has revised the deputy director job description to focus on policy research and development and expects to complete the hiring process and fill this position in spring 2016. The job description for the K-3 reading program director has been revised to a director of special projects to also assist with policy research and development and the Board anticipates filling this position by summer 2016.

- *Assessing whether their reading curricula are scientifically based*—A.R.S. §15-704 requires school districts and charter schools to use curriculum for K-3 reading instruction that is based on scientifically based reading research. Although A.R.S. §15-704 lists six criteria that define scientifically based reading research (see Appendix A, page a-1), the statute provides only a general overview of these criteria. For example, one statutory requirement specifies that scientifically based reading research “applies rigorous, systematic, and objective procedures to obtain valid knowledge relevant to reading development, reading instruction, and reading difficulties.” However, neither the Board nor the Department has established more specific criteria or guidance to assist school districts and charter schools in developing, selecting, or using scientifically based reading curricula. Instead, guidance documents designed to assist school districts and charter schools in completing their annual literacy plans include links to external information to use in determining if a reading curriculum is scientifically based. These resources may offer some guidance for school districts and charter schools to determine whether a curriculum is research-based. However, these resources were developed by organizations other than the Department and do not provide guidance on assessing all of the components of scientifically based reading research as it is defined in statute. As a result, school districts and charter schools may be using curricula that are not consistent with Arizona statute.
  - *Ensuring that teacher professional development includes scientifically based reading research*—A.R.S. §15-704 requires all school districts and charter schools to provide ongoing training for K-3 reading teachers that is based on scientifically based reading research. The Board requires school districts and charter schools to include a teacher professional development plan in their annual literacy plans. As discussed in Finding 2 (see pages 25 through 32), the Department hires contractors to provide reading trainings, and school districts and charter schools can include attendance at these trainings to satisfy the professional development plan requirement in their annual literacy plans. However, neither the Board nor the Department has developed any guidance indicating that school districts’ and charter schools’ use of the Department’s reading trainings satisfies statutory requirements or to help school districts and charter schools identify other professional development options for K-3 reading teachers that meets statutory requirements. Additionally, because the Board and the Department have not developed any guidance, they cannot review teacher professional development identified in the literacy plans against the guidance and, ultimately, statutory requirements.
- **Lack of policies and procedures for verifying or validating program implementation**—Program information school districts and charter schools submit is self-reported. As of January 2016, neither the Board nor the Department had implemented policies and procedures for validating or verifying the information that school districts and charter schools have submitted, such as requesting documentation to support submitted information, conducting random compliance reviews, or conducting site visits.<sup>1</sup> As a result, program implementation problems may be going undetected. For example, as previously mentioned (see pages 11 through 13), auditors found that many of

<sup>1</sup> Board staff developed a checklist for conducting program site visits, and as previously discussed (see page 14), the Board’s contractors used this checklist to provide assistance to at least one school district.

the sampled school districts and charter schools were unable to provide documentation supporting implementation of program requirements, such as conducting screenings and assessments, providing interventions to students with reading deficiencies, and providing teacher professional development.

- **No process for assessing program outcomes**—Finally, the assessment data that school districts and charter schools have submitted has not been used to determine program outcomes. Although school districts and charter schools are required to submit assessment data three times a year, as of January 2016, neither the Board nor the Department had developed a process for using the assessment data to analyze and report on program outcomes. As a result, neither the Board nor the Department know whether the Program is improving the State’s K-3 students’ reading proficiency. According to the Department, it has not developed a process for using assessment data to analyze and report on program outcomes because it was not responsible for collecting data until October 2015. However, the Department hired a half-time program data analyst in October 2015 whose job duties include analyzing program outcomes, and as of January 2016, the Department reported that it was working to assess how best to use available data to determine program outcomes.

## Department should strengthen program oversight and assess program outcomes

The Department should take the following steps to strengthen its program administration and oversight:

- **Develop program implementation guidance**—Similar to guidance developed by the Florida Department of Education, which has implemented a similar reading program, the Department should develop and implement guidance in several areas to help Arizona school districts and charter schools effectively implement the Program. Specifically, in 2001, the Florida Department of Education implemented a reading program for students in kindergarten through 12th grades similar to Arizona’s program. Florida’s program, Just Read, Florida!, has established an office that provides technical assistance for and oversight of schools’ annual reading plans, and helps to ensure that all Florida schools implement its program as required by Florida state law. In addition, the Just Read, Florida! Office (Office) has provided Florida schools with a number of guidance documents, including guidance for the development of annual reading plans, curriculum and assessment decision trees, and other technical assistance documents.<sup>1</sup>

Similarly, the Department should develop and implement guidance for:

- Selecting and adopting a reading curricula that is scientifically based, as defined in A.R.S. §15-704; and

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<sup>1</sup> According to an office official, when the Office was established, it employed approximately 11 full-time equivalent (FTE) staff to administer Florida’s reading program. However, the official reported in the years since 2009, its FTEs were reduced, and as of March 2016, the Office employed 6.5 FTE staff.

- Providing and/or promoting teacher professional development that is based on scientifically based reading research, as defined in A.R.S. §15-704.

Additionally, school districts and charter schools may benefit from guidance related to determining appropriate program expenditures. As previously discussed (see pages 8 through 10), although A.R.S. §15-211 does not specifically identify allowable program expenditures, auditors assessed sampled school districts' and charter schools' use of program monies by determining if they spent program monies to implement their annual literacy plans or to otherwise implement the general statutory requirements for teaching K-3 reading outlined in A.R.S. §15-704. School districts and charter schools could use this same criteria to help ensure they appropriately spend program monies. However, an official at one of the sampled school districts reported confusion on what are considered allowable expenditures. For example, the sampled school district official reported that the school district assumed that program monies could be used only on program supplies. Therefore, to help ensure that school districts and charter schools appropriately spend program monies, the Department should develop and implement guidance for identifying appropriate program expenditures, consistent with A.R.S. §15-211.

- **Develop and implement written policies and procedures related to program administration and oversight**—The Department should develop and implement written policies and procedures for the following:
  - Requiring all school districts and charter schools to submit all of the required components of their annual reading plans in a timely manner and conducting followup of school districts and charter schools that are untimely or submit incomplete information. These policies and procedures should require school districts and charter schools to provide information on how their teacher professional development will be based on scientifically based reading research, as defined in A.R.S. §15-704;
  - Guiding department staff's review of all of the required information submitted by school districts and charter schools, including the development of various checklists as appropriate;
  - Validating and verifying program implementation by requesting and reviewing documentation from school districts and charter schools, conducting random compliance reviews, and conducting site visits, similar to the Florida Department of Education, which monitors its program implementation by conducting site visits and analyzing expenditure data. In developing these policies and procedures, the Department should develop and implement appropriate tools to guide staff, such as checklists and risk-based review schedules, and develop guidance for school districts and charter schools on the documentation they should maintain and submit to the Department to demonstrate implementation of various program requirements; and
  - Assessing program outcomes, similar to the Florida Department of Education, which tracks reading improvements in Florida with data from state-wide standardized test results, and monitors and oversees individual school districts' tracking of program outcomes. These policies and procedures should address the Department's

processes for collecting, assessing the reliability of, and analyzing the assessment data school districts and charter schools submitted, and its analysis of state-wide standardized test results to determine program outcomes. Additionally, the Department should develop and implement a process to monitor and oversee school districts' and charter schools' tracking of their program outcomes.

The Department reported that it may be difficult to use the assessment data submitted by school districts and charter schools to assess overall program outcomes because the school districts and charter schools use a variety of different assessments. Thus, results from one school district's or charter school's assessments may not be comparable to another school district's or charter school's results. However, despite this drawback, the Department should use the data to identify the most effective interventions and remedial strategies school districts and charter schools use to improve the reading proficiency of K-3 students with reading deficiencies.

As previously discussed (see Introduction pages 2 through 3), although A.R.S. §15-211 does not specifically assign responsibility for program administration to either the Board or the Department, in fiscal years 2013 through 2015, the Board administered the Program and in October 2015, the Board directed the Department to administer the Program.<sup>1</sup> However, according to the Department, it believes that it needs statutory authority to administer the Program because it believes statute assigns responsibility for administering the Program to the Board. Legislation introduced in the 2016 legislative session would assign the Department responsibility for the Program, among other provisions. As of March 2016, the Arizona Legislature was still considering this legislation. If this legislation is not passed, and if the Department believes it needs statutory authority to administer and oversee the Program, it should work with the Legislature to modify statute as needed.

Finally, the Department reported that its \$500,000 appropriation for program administration is not sufficient to appropriately administer and oversee the Program. Therefore, the Department should assess its resources and staffing needs to appropriately administer and oversee the Program, which would include the implementation of the recommendations made in this finding. This assessment should include an analysis of the efficiency of the Department's current use of program monies, and a documented workload analysis that compares the Department's program workload, including an estimate of future workload, with its staff resources. The Department should then take appropriate action based on the results of this analysis. If the Department determines that additional staff resources are needed, it should first identify additional department resources and/or monies that might be available to help with program administration and oversight. Then, if necessary, it could work with the Legislature to seek additional funding through the appropriations process. Alternatively, if additional staff resources are occasionally needed to address workload fluctuations, the Department could consider using contract help as needed and identify additional department monies or work with the Legislature, as appropriate, to provide additional funding for contractors if necessary.

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<sup>1</sup> In fiscal year 2016, the Legislature discontinued the Board's authorization to spend program monies and instead authorized the Department to spend monies related to the Program. The Joint Legislative Budget Committee favorably reviewed the Department's plan to spend these monies primarily to administer reading trainings.

## Legislature should consider statutory changes to improve program oversight

The Legislature should consider various revisions to statute that would also improve program oversight as follows:

- **Revising annual reading plan requirements**—As previously discussed, A.R.S. §15-211 requires all school districts and charter schools to submit an annual reading plan to the Board. The Board must review and approve the annual reading plans lower-performing school districts and charter schools submit prior to the distribution of program monies to these school districts and charter schools. However, this statute does not include a similar requirement for reviewing and approving annual reading plans school districts and charter schools with A and B letter grades submit. Additionally, annual reading plans submitted by school districts and charter schools with A and B letter grades and that have less than 10 percent of their third grade students reading below grade level are automatically accepted by the portal on the Department’s Web site without review. As a result, some school districts and charter schools may be expending time and effort to complete and submit annual reading plans that are not necessary to receive program monies and are not reviewed. Therefore, the Legislature should consider the following options for revising statute:
  - *Requiring only school districts and charter schools with C, D, or F letter grades and those with more than 10 percent of their third grade students reading below grade level to submit annual reading plans*—This option would allow school districts and charter schools with A and B letter grades that have 10 percent or less of their third grade students reading below grade level to receive program monies without having to expend the resources to prepare and submit program information. However, the Department would no longer receive information from these school districts and charter schools that might be important for providing program oversight or assessing program outcomes, such as expenditure reports and assessment data.
  - *Requiring A and B letter grade school districts and charter schools that have 10 percent or less of their third grade students reading below grade level to submit information less often*—This option would allow school districts and charter schools with A and B letter grades that have 10 percent or less of their third grade students reading below grade level to receive program monies without having to expend the resources to prepare and submit program information as often as currently required. However, the Department would still continue to receive information from these school districts and charter schools that might be important for providing program oversight or assessing program outcomes, such as expenditure reports and assessment data. Legislation introduced in the 2016 legislative session would modify A.R.S §15-211 to require school districts and charter schools with A and B letter grades to submit annual reading plans every odd-numbered year instead of annually.
  - *Requiring all school districts and charter schools to submit all elements of their annual reading plans, and that the annual reading plans be reviewed and approved prior to distributing program monies*—For example, Florida statute requires that its

school districts submit reading plans, which the Just Read, Florida! Office reviews prior to distributing program funding. This option would help ensure that the Department receives information from all school districts and charter schools that might be important for overseeing the Program and assessing program outcomes. Specifically, as previously discussed (see pages 11 through 13), auditors found inconsistent implementation of program requirements at sampled school districts and charter schools that was not limited to lower-performing school districts and charter schools.

- **Modifying the deadline for submission of annual reading plans**—A.R.S. §15-211 requires school districts and charter schools to submit their annual reading plans by October 1 of each year. According to the Department, it begins distributing program monies to school districts and charter schools with A and B letter grades in July, 3 months before they are required to submit their annual reading plans. However, according to statute, the Board must approve lower-performing school districts' and charter schools' annual reading plans before they can receive program monies, and these school districts and charter schools generally must wait until after October 1 to receive program monies. To address this disparity, the Legislature should consider revising the annual reading plan submission deadline to allow the Department time to review annual reading plans before beginning distribution of any program monies. For example, Florida statute requires the submission of school districts' annual reading plans in May of the previous school year, providing the Just Read, Florida! Office time to review the plans, provide feedback to schools on needed revisions, and approve plans before the beginning of the school year. However, according to the Board, results from the state-wide standardized test provide information to school districts and charter schools that is needed to complete portions of their annual reading plans. As a result, one option would be to revise statute to make the annual reading plan submission deadline a specified number of days after the release of state-wide standardized test results.
- **Requiring the Department to report program information to the Legislature**—To help ensure it is fully informed of the Program's accomplishments and any implementation challenges, the Legislature should consider modifying statute to require the Department to annually provide it with program information. For example, Florida statute requires the Florida Department of Education to annually report information on school districts' program implementation, compliance, and outcomes to the Florida State Legislature, including reporting findings from the monitoring and tracking of each school district's reading plan, the results of site visits, and program outcomes. A similar requirement for the Department could also alert the Legislature to potential issues, such as the previously mentioned issue of lower-performing school districts and charter schools that have not submitted one required element of their annual reading plans and are thus not participating in the Program (see pages 13 through 14).

## Recommendations:

- 1.1. To help strengthen its program administration and oversight, the Department should develop and implement guidance to help Arizona school districts and charter schools effectively implement the Program, including guidance for:

- a. Selecting and adopting a reading curriculum that is scientifically based, as defined in A.R.S. §15-704;
  - b. Providing and/or promoting teacher professional development that is based on scientifically based reading research, as defined in A.R.S. §15-704; and
  - c. Identifying appropriate program expenditures, consistent with A.R.S. §15-211.
- 1.2. The Department should develop and implement the following written policies and procedures related to program administration and oversight:
- a. Requiring all school districts and charter schools to submit all of the required components of their annual reading plans in a timely manner and conducting followup of school districts and charter schools that are untimely or submit incomplete information. These policies and procedures should require school districts and charter schools to provide information on how their teacher professional development will be based on scientifically based reading research, as defined by A.R.S. §15-704;
  - b. Guiding department staff's review of all of the required information school districts and charter schools submit, including the development of various checklists as appropriate;
  - c. Validating and verifying program implementation by requesting and reviewing documentation from school districts and charter schools, conducting random compliance reviews, and conducting site visits. In developing these policies and procedures, the Department should develop and implement appropriate tools to guide staff, such as checklists and risk-based review schedules, and develop guidance for school districts and charter schools on the documentation they should maintain and submit to the Department to demonstrate implementation of various program requirements;
  - d. Assessing program outcomes. These policies and procedures should address the Department's processes for collecting, assessing the reliability of, and analyzing the assessment data school districts and charter schools submit, and its analysis of state-wide standardized test results to determine program outcomes;
  - e. Developing and implementing a process to monitor and oversee school districts' and charter schools' tracking of their program outcomes; and
  - f. Using assessment data school districts and charter schools provide to identify the most effective interventions and remedial strategies school districts and charter schools use to improve the reading proficiency of K-3 students with reading deficiencies.
- 1.3. If legislation introduced in the 2016 legislative session that would assign the Department responsibility for the Program is not passed, and if the Department believes it needs

statutory authority to administer and oversee the Program, it should work with the Legislature to modify statute as needed.

- 1.4. The Department should assess its resources and staffing needs to appropriately administer and oversee the Program, which would include implementing the recommendations made in this finding. This assessment should include an analysis of the efficiency and effectiveness of the Department's program administration and a documented workload analysis that compares the Department's program workload, including an estimate of future workload, with its staff resources. The Department should then take appropriate action based on the results of this analysis. If the Department determines that additional staff resources are needed, it should first identify additional department resources and/or monies that might be available to help with program administration and oversight. Then, if necessary, it could work with the Legislature to seek additional funding through the appropriations process. Alternatively, if additional staff resources are occasionally needed to address workload fluctuations, the Department could consider using contract help as needed and identify additional department monies or work with the Legislature, as appropriate, to seek additional funding for contractors if necessary.
- 1.5. The Legislature should consider the following statutory changes to improve program oversight:
  - a. Revising annual reading plan submission requirements by either:
    - Requiring only school districts and charter schools with C, D, or F letter grades and those with more than 10 percent of their third grade students reading below grade level to submit annual reading plans;
    - Requiring A and B letter grade school districts and charter schools that have 10 percent or less of their third grade students reading below grade level to submit information less often; or
    - Requiring all school districts and charter schools to submit all elements of their annual reading plans, and that the annual reading plans be reviewed and approved prior to distributing program monies.
  - b. Revising the deadline for school districts and charter schools to submit annual reading plans to allow the Department time to review annual reading plans before beginning distribution of any program monies; and
  - c. Requiring the Department to annually provide the Legislature with program information, such as findings from the Department's monitoring and tracking of each school district's and charter school's annual reading plan, the results of site visits, and program outcomes.



## FINDING 2

The Arizona Department of Education (Department) should take steps to improve its delivery of reading trainings and its process for setting the fees for these trainings. Although the Department conducts reading trainings that may help public school districts and public charter schools (school districts and charter schools) more effectively implement the K-3 reading program (Program), it should prioritize participant enrollment in and increase access to these trainings. Additionally, the Department charges fees for reading trainings but may not use the monies as required by statute and has not ensured that these fees accurately reflect its costs for providing these trainings. Therefore, the Department should take steps to ensure that its use of fee monies is consistent with statute, and it should establish a formal fee-setting process to help ensure that its fees are aligned with its reading-training costs.

## Department should increase access to reading trainings and improve fee-setting process

### Department should take steps to enhance access to reading trainings

The Department should take steps to improve access to its reading trainings throughout the State. The Department hires contractors to conduct reading trainings primarily designed for school district and charter school teachers and other educators (educators), including those involved in implementing program requirements, but it does not prioritize training enrollment for educators from lower-performing school districts and charter schools, and the trainings may not be accessible to some educators in the State.<sup>1</sup> Therefore, the Department should establish enrollment priorities for its reading trainings and improve accessibility to its reading trainings.

Department provides reading trainings that may help school districts and charter schools more effectively implement program requirements—Although not required by statute, the Department provides two types of reading trainings that are related to the Program: Teaching Reading Effectively (TRE) and Trainer of Trainers (TOT) (see textbox for information about these trainings).<sup>2</sup> The Department indicated that it has chosen to provide these trainings because they may help school districts and charter schools comply with some of the Program's statutory requirements. For example, these reading trainings discuss the six principles of effective reading instruction for at-risk students, which may enhance

#### **Teaching Reading Effectively (TRE)**—

This training features current research and evidence-based practices that are designed to develop a student's oral language, decoding and encoding skills, academic vocabulary, and reading comprehension. These trainings generally include 5 days of classes that may be scheduled over the course of 1 week to 8 months.

**Trainer of Trainers (TOT)**—This training is designed to teach participants how to instruct and deliver TRE trainings at their schools. This training also includes 5 days of classes that may be scheduled over the course of 1 to 2 weeks.

Source: Auditor General staff review of department information.

<sup>1</sup> As discussed in Finding 1 (see page 14), lower-performing school districts and charter schools are school districts and charter schools assigned a letter grade of C, D, or F or that have more than 10 percent of their students in third grade reading far below the third grade level.

<sup>2</sup> Although the Department provides other reading trainings, it stated that only the TRE and TOT trainings are specifically related to program implementation.

participants' ability to provide intensive reading instruction to students who read below their grade level.<sup>1,2</sup>

The Department hires contractors to provide these reading trainings primarily in Phoenix and Tucson. Specifically, the Department hires contractors to provide reading trainings at its offices in Phoenix. For these Phoenix trainings, participants must enroll through the Department's online event management system and pay a training fee to the Department (see pages 29 through 31 for more information on the Department's fees). Additionally, the Department hires contractors to provide reading trainings at the Southern Arizona Regional Education Center (Center) located in Tucson. For these Tucson trainings, participants must enroll through the Center's Web site and pay a training fee to the Center (see page 31 for more information on the Center's fees).<sup>3</sup> Although the reading trainings are designed primarily for educators, department and center staff stated that they do not restrict enrollment in the trainings to only those involved with reading instruction. All reading trainings consist of 5 days of classes that are generally scheduled on weekdays during the school year over several weeks or months.

These reading trainings may help school districts and charter schools implement the Program. As indicated in Finding 1 (see page 7), the Board requires school districts and charter schools to submit an annual literacy plan—one of the three elements the Board requires school districts and charter schools to submit as part of their annual reading plans. The literacy plans detail the steps school districts and charter schools will take to improve the reading proficiency of K-3 students, and they must include a professional development plan for teachers. Some school districts and charter schools reported that the reading trainings have helped to improve K-3 reading instruction. Auditors' interviews with the educators from a random sample of 12 school districts and 8 charter schools (sampled school districts and charter schools) found that educators from 7 of the 12 sampled school districts and 1 of the 8 sampled charter schools reported that they attended the Department's reading trainings and that they considered these trainings beneficial for improving K-3 reading instruction.<sup>4</sup> For example, one charter school educator reported that the TRE training had helped staff understand how children develop the ability to read and how to identify red flags that might indicate difficulties in learning how to read.

**Reading trainings not prioritized for lower-performing school districts and charter schools and may not be accessible to some educators—**Despite the benefits the Department's reading trainings may offer to school district and charter school educators, the Department does not prioritize educators who may benefit the most from reading trainings for training enrollment, and some educators may face barriers to attending its reading trainings. Specifically:

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<sup>1</sup> These six principles emphasize teaching phonemic awareness and sound-spelling relationships, providing opportunities for children to practice these abilities, and using interesting stories to develop language comprehension.

<sup>2</sup> Arizona Revised Statutes (A.R.S.) §15-704(D) states that a third grade student who does not meet or exceed the reading standards measured by the state-wide standardized test approved by the Arizona State Board of Education (Board) shall be provided intensive reading instruction as defined by the Board until this student meets these standards.

<sup>3</sup> The Center is one of five Arizona Regional Service Centers (regional education centers) created by the State's County School Superintendents and an alliance of education service agencies to provide accessible professional development, educational services, and technical assistance to local education agencies, including school districts and charter schools. The other four regional education centers are located in Globe, Holbrook, Phoenix, and Prescott.

<sup>4</sup> See Appendix B, page b-1, for more information on the random sample of school districts and charter schools selected for review.

- **Training enrollment not prioritized**—As indicated in the Introduction (see page 2), the Department has assigned A through F letter grades to school districts and charter schools based on student performance data. Educators at lower-performing school districts and charter schools may benefit the most from reading trainings because these trainings may help these educators provide effective reading instruction to improve reading proficiency at their schools. However, the online event management system that the Department uses to manage enrollment for its Phoenix reading trainings does not prioritize participants' enrollment based on any criteria, such as educators from lower-performing school districts and charter schools. Instead, the system registers participants on a first-come, first-serve basis and closes training sessions for enrollment when each session reaches its maximum capacity. Auditors' review of department training enrollment data indicates that approximately 65 percent of the Department's Phoenix reading trainings conducted between August 2013 and January 2016 were filled to capacity. Although the Department reported that it adds additional trainings when its scheduled trainings near capacity, educators from lower-performing school districts and charter schools who may benefit the most from these reading trainings may be denied the opportunity to enroll in these trainings if they cannot take a class at another time. For example, if an educator identified a specific time frame he/she was available to attend a training but the classes offered during that time frame were filled to capacity, he/she would not have the opportunity to benefit from the training.<sup>1</sup>
- **Some participants may face barriers to attending trainings**—The Department has primarily scheduled its trainings in Phoenix and Tucson on weekdays during the school year. Therefore, school districts and charter schools outside of Phoenix and Tucson may incur additional costs, such as travel and lodging costs, each time their educators attend these trainings. Because of these additional costs, school districts and charter schools may not be able to send their educators to these trainings. For example, one charter school in northern Arizona reported it could not afford to send educators to Phoenix for reading trainings, citing the additional costs. Additionally, because the trainings are generally held on school days, some school districts and charter schools may hesitate to send their educators. Specifically, officials at 2 of the 12 sampled school districts and 5 of the 8 sampled charter schools reported that they did not send their teachers to the Department's trainings because they could not afford to pay related costs, such as hiring substitute teachers.

The Department reported that it has offered reading trainings to school districts and charter schools in the State's rural areas upon request. For example, in fiscal year 2016, the Department provided a TRE training in La Paz County that consisted of six sessions over 3 months to accommodate the needs of educators in nearby schools. La Paz County officials reported that in addition to travel cost savings, the Department scheduled sessions for this TRE training on Fridays and Saturdays so that nearby school districts, many of which did not have classes on Friday, would not need to hire substitute teachers. However, although the Department reported that other educational agencies in the State, such as the Center, help to advertise that it can accommodate requests for trainings in rural areas, it does not advertise on its Web site that it can accommodate these requests.

<sup>1</sup> The Department reported that for school years 2013-2014 and 2014-2015, approximately 33 percent of TRE training participants were from lower-performing school districts and charter schools.

Additionally, as previously discussed (see page 26), the Department offers reading trainings in Tucson that are hosted by the Center, which is one of five regional education centers throughout the State. However, as of February 2016, the Department had not offered any reading trainings at the other four regional education centers. According to the Department, it has periodically contacted the other four regional education centers to inquire about offering reading trainings at these locations but reported that none of them has expressed interest in hosting these trainings.

Department should increase access to trainings—To improve access to its reading trainings, the Department should:

- **Prioritize enrollment based on need**—The Department should identify and establish participant categories that will be given priority for enrolling in its reading trainings. For example, the Department might prioritize participants for enrollment based on their school districts' or charter schools' letter grades, reading screening and assessment data, or percentages of students identified as having reading deficiencies. Additionally, the Department could consider prioritizing training enrollment for school district and charter school staff who are directly involved in implementing their school districts' or charter schools' annual literacy plan. Once identified and established, the Department should also work with the Center to determine if the Center can prioritize these same participant categories for enrollment in Tucson reading trainings.
- **Reduce barriers to enrolling in trainings**—The Department should continue to allow school districts and charter schools to request alternative reading training locations or schedules that meet their needs and advertise this option on its Web site and in its communications to school districts and charter schools. In order to provide this option, the Department could consider scheduling reading trainings on days or during times when school district and charter school educators would not need to take time off, such as during professional development days. Additionally, it could consider scheduling reading trainings in other locations besides Phoenix and Tucson at school districts' and charter schools' request. Further, the Department should continue working with regional education centers and county superintendents to offer reading trainings in rural areas. Finally, the Department reported that its TOT trainings, which are designed to teach participants how to instruct and deliver TRE trainings, can help school districts and charter schools provide TRE trainings using their own instructors. Therefore, the Department should work with school districts and charter schools to identify educators that may be interested in serving as TRE instructors and enroll these educators in TOT trainings.

Pursuing any of the above-mentioned options would provide additional opportunities for educators throughout the State to attend department trainings and reduce school districts' and charter schools' costs related to these trainings, including costs for hiring substitutes and staff travel.

## Department should ensure it appropriately uses reading-training-fee monies and aligns fees with training costs

The Department should take steps to ensure that its use of reading-training-fee monies is consistent with statute and that these fees accurately reflect its training costs. Although the Department is authorized to charge participants a training fee for attending its reading trainings, it has not remitted training-fee monies to the statutorily required fund, received the required legislative appropriation to use these monies, and undertaken a formal fee-setting process to ensure its training fees align with its training costs. Therefore, the Department should ensure its use of reading-training-fee monies complies with statute and establish a formal fee-setting process to align its training fees with its costs.

**Department's use of reading-training-fee monies inconsistent with statute—**The Department charges participant fees for the reading trainings it delivers. A.R.S. §15-237.01(A) provides the Department with the authority to charge tuition to offset the costs of providing professional development trainings and requires it to deposit tuition monies into the Professional Development Revolving Fund (Fund). However, the Department has not deposited and accounted for reading training monies through the Fund. Instead, the Department has deposited and accounted for these monies through an account associated with an internal services fund, the K-12 Academic Standards conference account (K-12 account).<sup>1</sup> Specifically in fiscal year 2016, as of February 2016, the Department has deposited more than \$83,000 in training fees into the K-12 account, including \$18,400 from reading-training fees.

Additionally, the Department has been spending these fee monies without receiving the necessary legislative appropriation. Specifically, A.R.S. §15-237.01(C) states that the Fund is subject to legislative appropriation. Therefore, the Department must receive a legislative appropriation in order to spend monies from reading-training fees and other training fees that should have been placed in the Fund. However, the Department spent these monies without receiving the required legislative appropriation. Specifically, in fiscal year 2016, as of February 2016, the Department spent more than \$30,500 from the K-12 account, which may include reading-training monies, without a legislative appropriation allowing it to do so. The Department has primarily used these K-12 account monies on professional and outside services, internal printing, and books and instructional materials that, according to department staff, are for trainings that the Department delivers and may include its reading trainings.

The Department stated that it did not deposit these monies into the Fund because it does not consider the training fees to be tuition, but simply reimbursement for its costs related to holding trainings, such as internal printing costs and course books. However, these items represent the costs of providing professional development training, and therefore, any fee charged to offset these costs meets the statutory definition of tuition. As a result, the Department should ensure that its use of reading-training-fee monies is consistent with statute. Specifically, the Department should first remit fee monies from reading trainings to the Fund, as required by A.R.S. §15-237.01. Additionally, the Department should review its records from previous fiscal years to determine

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<sup>1</sup> According to the Department's Web site, the Department's K-12 Academic Standards section provides professional development, instructional resources, and information to support the development and implementation of Arizona's K-12 Academic Standards in English language arts, literacy, mathematics, science, social studies, and educational technology. As part of these efforts, the K-12 Academic Standards section oversees the reading trainings.

if any reading-training monies should be remitted to the Fund and, if any such monies are identified, the Department should remit them to the Fund accordingly. Finally, the Department should request the necessary legislative appropriation to use training-fee monies from the Fund.

Department should establish a formal fee-setting process to help ensure reading-training fees reflect actual costs—The Department has not conducted a complete cost analysis of its reading trainings to support the basis for its reading-training fees. The Department charges an \$80 fee for TRE trainings and a \$100 fee for TOT trainings offered in Phoenix. The Department pays for the contracted trainers and textbooks for the reading trainings that it offers in Phoenix and Tucson. It also charges fees for the Phoenix trainings that are intended to cover the following training costs:

- Participant notebooks;
- Classroom materials;
- Printing costs; and
- Maintenance of its online event management system.

Although the Department incurs costs for the reading trainings and has analyzed some of its training costs, it has not conducted a complete analysis to ensure that all of its training costs are as low as possible and that its fees are appropriately aligned with these costs. For example, the Department charges each Phoenix reading training participant \$20 to cover the costs of maintaining the online event management system that it uses to manage training enrollment.<sup>1</sup> The Department conducted a cost analysis to help ensure that this \$20 charge is aligned with its costs for maintaining the online event management system. However, it has not conducted a similar analysis for other portions of its reading training fees.

Therefore, the Department should conduct a full analysis of its reading-training costs and align its reading-training fees with these costs. Best practices for government fee setting developed by several government and professional organizations state that user fees should be determined based on the costs of providing a service.<sup>2</sup> Specifically, in conducting the analysis, the Department should take the following steps:

- Ensure its delivery of reading trainings is as efficient as possible to help ensure that training costs are as low as possible;
- Develop and implement a method for determining and tracking the direct and indirect costs for providing its reading trainings, and create policies and procedures for using this method;

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<sup>1</sup> In August 2015, the Department began using its online event management system to manage its Phoenix reading trainings. According to the Department, it increased its TRE training fee by \$15, from \$65 to \$80, to include an additional \$20 charge to cover the cost of maintaining this system. Additionally, the Department reported that it concurrently lowered the portion of its fee intended to pay for classroom materials from \$25 to \$20 per participant. Otherwise, the new TRE training fee might have been \$85.

<sup>2</sup> Auditors reviewed fee-setting guidelines from the Arizona State Agency Fee Commission, the Government Finance Officers Association, the Mississippi Joint Legislative Committee on Performance Evaluation and Expenditure Review, the U.S. Government Accountability Office, and the U.S. Office of Management and Budget. See Appendix B, page b-2, for specific citations.

- After developing this cost methodology, determine the appropriate fees to charge for TRE and TOT trainings, and set fees accordingly; and
- Consider the effect the proposed fee changes may have on training participants and obtain their input when reviewing the fees. If proposed fees are significantly higher, the Department might consider increasing fees gradually.

As an example, the Center indicated that it has adjusted its reading-training fees over time based on its actual costs for hosting these trainings. As previously indicated, the Department pays for the cost of the contracted trainers and textbooks for the reading trainings that it offers, including those in Tucson that the Center hosts. However, the Center charges fees to offset its costs for hosting these trainings, such as those for classroom materials and participant registration, and it reported that it has adjusted these fees as its costs have changed. Specifically, the Center stated that its TRE training fee ranged from \$0 to \$125 in fiscal year 2015 because its actual costs for hosting the trainings varied throughout the year.<sup>1</sup> Conversely, as of January 2016, the Center reported that it has consistently charged \$50 per participant because its costs for hosting the training have not varied in fiscal year 2016. Additionally, center staff indicated that the Center is planning to lower its costs for hosting the Department's trainings by internally printing some training notebooks, rather than purchasing them from the Department.

## Recommendations:

2.1. To improve access to its reading trainings, the Department should:

- Identify and establish participant categories that will be given priority for enrolling in its Phoenix reading trainings and work with the Southern Arizona Regional Education Center to determine if the Center can prioritize these same participant categories for enrollment in Tucson reading trainings;
- Continue to allow school districts and charter schools to request alternative reading training locations or schedules that meet their needs and advertise this option on its Web site as well as in its communications to school districts and charter schools;
- Continue working with regional education centers and county superintendents to schedule reading trainings in rural areas; and
- Work with school districts and charter schools to identify educators interested in serving as TRE instructors and enroll these educators in TOT trainings.

2.2. The Department should ensure that its use of reading-training-fee monies is consistent with statute by:

<sup>1</sup> The Center indicated that its TRE training fees in fiscal year 2015 varied depending on whether the fees included the cost of parking and food service. Additionally, the Santa Cruz County School Superintendent's Office assumed the Center's costs for one TRE training that was delivered at its office, but the Center registered the participants and provided classroom materials. Therefore, participants did not pay a fee for this reading training.

- a. Remitting fee monies from reading trainings to the appropriate accounts associated with the Fund, as required by A.R.S. §15-237.01;
  - b. Reviewing its records from previous fiscal years to determine if any reading-training monies should be remitted to the Fund in accordance with A.R.S. §15-237.01, and if any such monies are identified, remit those monies to the Fund; and
  - c. Requesting the necessary legislative appropriation to use training-fee monies from the Fund.
- 2.3. The Department should conduct a full analysis of its reading-training costs by taking the following steps:
- a. Ensuring its delivery of reading trainings is as efficient as possible to help ensure that training costs are as low as possible;
  - b. Developing and implementing a method for determining and tracking the direct and indirect costs for providing its reading trainings, and create policies and procedures for using this method;
  - c. After developing this cost methodology, determining the appropriate fees to charge for TRE and TOT trainings and setting training fees accordingly; and
  - d. Considering the effect the proposed fee changes may have on training participants and obtaining their input when reviewing the fees. If proposed fees are significantly higher, the Department might consider increasing fees gradually.

Arizona Revised Statutes §15-704 states that each public school district or charter school that provides instruction for students in kindergarten through third grade shall conduct a curriculum evaluation and adopt a scientifically based reading curriculum that includes the essential components of reading instruction. This statute further defines this requirement as follows:

- **Scientifically based reading research**—Reading research that is scientifically based meets all of the following requirements:
  - Applies rigorous, systematic, and objective procedures to obtain valid knowledge relevant to reading development, reading instruction, and reading difficulties;
  - Employs systematic empirical methods that draw on observation or experiment;
  - Involves rigorous data analyses that are adequate to test the stated hypotheses and justify the general conclusions drawn;
  - Relies on measurements or observational methods that provide valid data across evaluators and observers and across multiple measurements and observations;
  - Has been accepted by a peer-reviewed journal or approved by a panel of independent experts through a comparably rigorous, objective, and scientific review; and
  - Contains all of the elements of the essential components of reading instruction (see below).
- **Essential components of reading instruction**—The essential components of reading instruction are defined as explicit and systematic instruction in the following:
  - Phonemic awareness;
  - Phonics;
  - Vocabulary development;
  - Reading fluency; and
  - Reading comprehension.



## APPENDIX B

## Methodology

This appendix provides information on the methods auditors used to meet the audit objectives.

This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The Auditor General and staff express appreciation to the Arizona Superintendent of Public Instruction, Arizona Department of Education (Department) staff, the Arizona State Board of Education (Board) and its staff, and officials from a random sample of Arizona public school districts and public charter schools (school districts and charter schools) for their cooperation and assistance throughout the audit.

Auditors used various methods to study the issues addressed in this report. These methods included reviewing statutory K-3 Reading Program (Program) requirements for school districts and charter schools, the Department, and the Board; reviewing department and board policies and procedures and the Department's Web site; interviewing department staff and board members and staff; and reviewing department and board documentation related to the Program.

Additionally, auditors used the following specific methods to meet the audit's objectives:

- To assess school districts' and charter schools' financial compliance and implementation of the Program, auditors selected a random sample of 12 school districts and 8 charter schools (sampled school districts and charter schools) in Arizona that provided services to kindergarten through third grade (K-3) students and were thus eligible for program monies in the 2015-2016 school year. Specifically, auditors selected a stratified sample of 12 school districts from the population of 191 school districts serving K-3, based on the percentage of total state-wide K-3 school district population in each county.<sup>1</sup> In addition, auditors randomly selected 8 charter schools from the population of 351 Arizona charter schools serving grades K-3.
- To assess the implementation of program requirements within the sampled school districts and charter schools, auditors interviewed sampled school district and charter school officials and reviewed documents related to the Program, including school year 2015-2016 literacy plans, class schedules, assessment data, and intervention documents such as after-school tutoring logs and summer school class rosters. To assess sampled school districts' and charter schools' professional development efforts for its teachers, auditors reviewed documentation including teacher training invoices, training sign-in sheets, and training materials. To determine whether sampled school districts and charter schools were complying with program financial reporting requirements, auditors reviewed department records of school districts' and charter schools' submittals of program budgets, program expenditure reports, and department program calculations to these school districts and charter schools during the 2015-2016 school year. To determine whether sampled school districts and charter schools were spending program monies in accordance with statutory requirements, auditors reviewed program expenditure documentation, such as invoices, receipts, and

<sup>1</sup> Auditors excluded two school districts because these school districts had ten or fewer students.

other accounting records, from sampled school districts and charter schools from fiscal year 2015, which covered the 2014-2015 school year.

- To assess the Department's administration of reading trainings, auditors interviewed staff at the Southern Arizona Regional Education Center and staff at school districts and charter schools whose educators had attended these reading trainings. Auditors also reviewed department documents related to reading trainings, including a participant notebook, fee-justification sheets, and invoices, as well as analyzed the Department's fee revenue deposits and expenditures and department data on training enrollment. Additionally, auditors reviewed best practices for fee setting from the Arizona State Agency Fee Commission, the Government Finance Officers Association, the Mississippi Joint Legislative Committee on Performance Evaluation and Expenditure Review, the U.S. Government Accountability Office, and the U.S. Office of Management and Budget.<sup>1,2,3,4,5</sup>
- To obtain information for the Introduction section of the report, auditors compiled and analyzed unaudited information from the Arizona Financial Information System *Accounting Event Transaction File* for fiscal years 2014 and 2015, department-prepared financial information for fiscal years 2014 through 2016, and the *State of Arizona Appropriations Report* for fiscal years 2014 through 2016. In addition, auditors reviewed department-provided information about full-time equivalent positions at the Department and analyzed department-provided financial information to determine program statistics.
- Auditors' work on internal controls included reviewing the Department's processes for calculating K-3 program monies to school districts and charter schools and receiving school districts' and charter schools' program budgets and expenditure reports. Additionally, auditors reviewed the Department's handling of program assessment data and practices related to providing reading trainings, including practices for charging training fees and using fee revenues. Auditors also reviewed program implementation and compliance among sampled school districts and charter schools in the 2014-2015 and 2015-2016 school years.<sup>6</sup> Auditors' conclusions on internal controls can be found in Findings 1 and 2 of the report.

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<sup>1</sup> Arizona State Agency Fee Commission. (2012). *Arizona State Agency Fee Commission report*. Phoenix, AZ.

<sup>2</sup> Michel, R.G. (2004). *Cost analysis and activity-based costing for government*. Chicago, IL: Government Finance Officers Association.

<sup>3</sup> Joint Legislative Committee on Performance Evaluation and Expenditure Review. (2002). *State agency fees: FY 2001 collections and potential new fee revenues*. Jackson, MS.

<sup>4</sup> U.S. Government Accountability Office. (2008). *Federal user fees: A design guide*. Washington, DC.

<sup>5</sup> U.S. Office of Management and Budget. (2004). *OMB Circular No. A-25 Revised*. Washington, DC.

<sup>6</sup> Auditors assessed implementation of most program requirements for the 2015-2016 school year. However, as required by Arizona Revised Statutes §15-701, the requirement to hold back third grade students was not in effect in the 2015-2016 school year because test scores were not available at the beginning of the school year. Therefore, auditors assessed the requirement for school districts and charter schools to provide interventions to students who were not promoted to the fourth grade for the 2014-2015 school year. Additionally, auditors assessed sampled school districts' and charter schools' use of program monies in school year 2014-2015, the last full school year for which information was available.

# AGENCY RESPONSE

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State of Arizona  
Department of Education  
Office of Diane M. Douglas  
Superintendent of Public Instruction



March 25, 2016

Debbie Davenport  
Auditor General  
2910 North 44th Street, Suite 410  
Phoenix, Arizona 85018

Dear Ms. Davenport:

The Department of Education has reviewed the preliminary draft of the Performance Audit of the K-3 Reading Program. As requested, our written response is detailed below.

Before responding to the individual findings outlined herein, the Department would like to address the Auditor General's decision to make the Department the primary focus of this audit's findings. It is important to note that the State Board of Education was responsible for the administration of the K-3 Reading Program from its inception until the Board voted to transfer oversight of the program to the Department less than six months ago. In fact, as of this date the Department still has not received full statutory authority to administer the program. Therefore, the Department strongly disagrees with the audit's conclusion that the responsibility for the program's perceived shortcomings lies with the Department as opposed to the Board.

1.1 To help strengthen its program administration and oversight, the Department should develop and implement guidance to help Arizona school district and charters effectively implement the program, including guidance for:

- a. Selecting and adopting a reading curriculum that is scientifically based, as defined in A.R.S. §15-704.

***Department Response:*** *The finding of the Auditor General is agreed to and the audit recommendation will be implemented provided that the Department receives additional funding from the Legislature. Additional funding is required to hire the necessary staff resources to develop guidance to assist schools with the selection of a scientifically-based reading program, as defined in A.R.S. 15-704. However, while the Department can provide guidance to assist schools with the selection of a scientifically-based reading program, curriculum is locally determined.*

- b. Providing and/or promoting teacher professional development that is based on scientifically based reading research, as defined in A.R.S. §15-704.

**Department Response:** *The finding of the Auditor General is agreed to and the audit recommendation will be implemented provided that the Department receives additional funding from the Legislature. Although the Department is already providing teacher professional development based on scientifically-based reading research as defined in A.R.S. 15-704, it requires additional funding to develop guidance for these functions.*

- c. Identifying appropriate program expenditures, consistent with A.R.S. §15-211.

**Department Response:** *The finding of the Auditor General is agreed to and the audit recommendation will be implemented provided that the Department receives additional funding from the Legislature. Additional funding is required to hire the necessary staff resources to develop guidance to identify appropriate program expenditures, consistent with A.R.S. 15-211.*

1.2 The Department should develop and implement the following written policies and procedures related to program administration and oversight:

- a. Requiring all school districts and charter schools to submit all of the required components of their annual reading plans in a timely manner and conducting follow up of schools that are untimely or submit incomplete information. These policies and procedures should require school districts and charter schools to provide information on how their teacher professional development will be based on scientifically based reading research, as defined by A.R.S. §15-704.

**Department Response:** *The finding of the Auditor General is agreed to and the audit recommendation will be implemented provided that the Department receives additional funding from the Legislature. Additional funding is required for the Department to develop and implement policies and procedures for the submission of literacy plans in a timely manner as well as follow up with schools that are untimely. Additionally, funding is needed in order to make changes to the Department's current literacy plan submission form on the ADE Connect portal.*

- b. Guiding Department staff's review of all the required information school districts and charter schools submit, including the development of various checklists as appropriate.

**Department Response:** *The finding of the Auditor General is agreed to and the audit recommendation will be implemented provided that the Department receives additional funding from the Legislature. Additional funding is needed for the Department to develop policies and procedures to guide staff on reviewing all of the required information school districts and charter schools submit, including the development of various checklists as appropriate.*

- c. Validating and verifying program implementation by requesting and reviewing documentation from school districts and charter schools, conducting random compliance reviews, and conducting site visits. In developing these policies and procedures, the Department should develop and implement appropriate tools to guide staff, such as

checklists and risk-based review schedules, and develop guidance for school districts and charter schools on the documentation they should maintain and submit to the Department to demonstrate implementation of various program requirements.

***Department Response:*** *The finding of the Auditor General is agreed to and the audit recommendation will be implemented provided that the Department receives additional funding from the Legislature. Additional funding is necessary for the Department to develop policies and procedures and to hire the staff resources necessary to request and review documentation from school districts and charter schools, conduct random compliance reviews and to conduct site visits.*

- d. Assessing program outcomes. These policies and procedures should address the Department's processes for collecting, assessing the reliability of, and analyzing the assessment of data school districts and charter schools submit, and its analysis of state-wide standardized test results to determine program outcomes.

***Department Response:*** *The finding of the Auditor General is agreed to and the audit recommendation will be implemented provided that the Department receives additional funding from the Legislature. Additional funding is necessary for the Department to develop and implement policies and procedures for assessing program outcomes by collecting, assessing the reliability of, and analyzing the assessment of data that school districts and charter schools submit.*

- e. Developing and implementing a process to monitor and oversee school districts' and charter schools' tracking of their program outcomes.

***Department Response:*** *The finding of the Auditor General is agreed to and the audit recommendation will be implemented provided that the Department receives additional funding from the Legislature. Additional funding is necessary for the Department to develop and implement a process to monitor and oversee school districts' and charter schools' tracking of their program outcomes.*

- f. Using assessment data school districts and charter schools provide to identify the most effective interventions and remedial strategies schools use to improve the reading proficiency of K-3 students with reading deficiencies.

***Department Response:*** *The finding of the Auditor General is agreed to and the audit recommendation will be implemented provided that the Department receives additional funding from the Legislature. Additional funding is necessary for the Department to use assessment data from school districts and charter schools to identify the most effective interventions and remedial strategies schools could use to improve the reading proficiency of K-3 students with reading deficiencies.*

1.3 If legislation introduced in the 2016 legislative session that would assign the Department responsibility for the Program is not passed, and the Department believes it needs statutory authority to administer and oversee the Program, it should work with the Legislature to modify statute as needed.

***Department Response:*** *The finding of the Auditor General is agreed to and the audit recommendation will be implemented. The Department is already working with the Legislature and has cases pending in court to determine the authority to administer the Program.*

1.4 The Department should assess its resources and staffing needs to appropriately administer and oversee the program, which would include implementing the recommendations made in this finding. This assessment should include an analysis of the efficiency and effectiveness of the Department's program administration, and a documented workload analysis that compares the Department's program workload, including an estimate of future workload, with its staff resources. The Department should then take appropriate action based on the results of this analysis. If the Department determines that additional staff resources are needed, it should first identify additional department resources and/or monies that might be available to help with program administration and oversight. Then, if necessary, it could work with the Legislature to seek additional funding through the appropriations process. Alternatively, if additional staff resources are occasionally needed to address workload fluctuations, the Department could consider using contract help as needed and identify additional department monies or work with the Legislature, as appropriate, to seek additional funding for contractors if necessary.

***Department Response:*** *The finding of the Auditor General is agreed to and the audit recommendation will be implemented provided that the Department receives additional funding from the Legislature. Additional funding is necessary for the Department to be able to fully implement and administer the Program.*

2.1 To improve access to its trainings, the Department should:

- a. Identify and establish participant categories that will be given priority for enrolling in its Phoenix reading trainings and work with the Southern Arizona Regional Education Center to determine if the Center can prioritize these same participant categories for enrollment in Tucson reading trainings.

***Department Response:*** *The finding of the Auditor General is not agreed to, but the recommendation will be implemented. The Department currently adds additional trainings when scheduled trainings reach capacity, and will explore options to prioritize the trainings. However, the current capability of the Department's online event management system does not allow for the prioritization of participants. Modifications to the system would require additional funding from the Legislature. In addition, it should be noted that the Department does not have the authority to dictate the terms of trainings provided by the regional Centers.*

- b. Continue to allow school districts and charter schools to request alternative reading training locations or schedules that meet their needs and advertise this option on its website as well as in its communications to school districts and charter schools.

**Department Response:** *The finding of the Auditor General is not agreed to, but the recommendation will be implemented. The Department already allows districts and charters to request alternative training locations and schedules. However, the Department requires additional funding from the Legislature to allow all requests from school districts and charter schools to be met.*

- c. Continue working with regional education centers and county superintendents to schedule reading trainings in rural areas.

**Department Response:** *The finding of the Auditor General is not agreed to, but the recommendation will be implemented. The Department already works with regional centers and county superintendents. However, the Department requires additional funding from the Legislature to allow all requests from school districts and charter schools to be met.*

- d. Work with school districts and charter schools to identify educators interested in serving as TRE instructors and enroll these educators in TOT trainings.

**Department Response:** *The finding of the Auditor General is not agreed to, but the recommendation will be implemented. The Department already works with school districts and charter schools to identify educators interested in serving as TRE instructors.*

2.2 The Department should ensure that its use of reading training fee monies is consistent with statute by:

- a. Remitting fee monies from reading trainings to the appropriate accounts associated with the Fund, as required by A.R.S. §15-237.01.

**Department Response:** *The finding of the Auditor General is not agreed to and the recommendation will not be implemented. According to the Department's Assistant Attorney General's opinion, A.R.S. § 15-237.01 was sought by the Department and passed so that the Department could charge tuition for online professional development and cover costs related to the operation and running of the Department's LMS and EMS systems, and other agency overhead. The Department does not believe that this applies to the K-3 Reading trainings since they are conducted outside of these systems. All K-3 Reading training fees are appropriately accounted for in the Arizona Financial Information System (AFIS).*

- b. Reviewing its records from previous fiscal years to determine if any reading trainings monies should be remitted to the Fund in accordance with A.R.S. §15-237.01, and if any such monies are identified, remit those monies to the Fund.

**Department Response:** *The finding of the Auditor General is not agreed to and the recommendation will not be implemented. According to the Department's Assistant Attorney General's opinion, A.R.S. § 15-237.01 was sought by the Department and passed so that the Department could charge tuition for online professional development and cover costs related to the operation and running of the Department's LMS and EMS systems, and other agency overhead. The Department does not believe that this applies to the K-3 Reading trainings since they are conducted outside of these systems. All K-3 reading training fees are appropriately accounted for in the Arizona Financial Information System (AFIS).*

- c. Requesting the necessary legislative appropriation to use training fee monies from the Fund.

**Department Response:** *The finding of the Auditor General is not agreed to, but the recommendation will be implemented. The Department is already seeking legislative clarification of statute.*

2.3 The Department should conduct a full analysis of its reading training costs by taking the following steps:

- a. Ensuring its delivery of reading trainings is as efficient as possible to help ensure that training costs are as low as possible.

**Department Response:** *The finding of the Auditor General is not agreed to, but the recommendation will be implemented. The Department already ensures the delivery of reading trainings is efficient and that trainings costs are as low as possible, as evident by the five days of training provided at a total cost of only \$80 to the participant.*

- b. Developing and implementing a method for determining and tracking the direct and indirect costs for providing its reading trainings, and create policies and procedures for using this method.

**Department Response:** *The finding of the Auditor General is not agreed to, but the recommendation will be implemented. The Department already has methods for tracking costs of the reading trainings in the AFIS, and the policies and procedures will be documented.*

- c. After developing this cost methodology, determining the appropriate fees to charge for TRE and TOT trainings and setting training fees accordingly.

**Department Response:** *The finding of the Auditor General is not agreed to, but the recommendation will be implemented. The Department already has methods to determine the costs of reading trainings, and currently set fees appropriately.*

- d. Considering the effect the proposed fee changes may have on training participants and obtaining their input when reviewing the fees. If proposed fees are significantly higher, the Department might consider increasing fees gradually.

*Department Response: The finding of the Auditor General is not agreed to, but the recommendation will be implemented. The Department already considers the effect of proposed fee changes, as evident by the five days of training provided at a total cost of only \$80 to the participant.*

Sincerely,

Michael Bradley  
Chief of Staff



Arizona State Board of Education

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March 24, 2016

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

Dear Ms. Davenport:

On behalf of the State Board of Education, I appreciate the opportunity to review the findings and recommendations included in the *Performance Audit of the Arizona Department of Education – K-3 Reading Program*. The thoughtful recommendations will enhance and improve the K-3 Reading Program. The Board and its staff commend the professionalism of the audit team in conducting the audit, and the willingness of the audit team to engage in dialogue to ensure accuracy and understanding. The Board looks forward to the implementation of the recommendations in the report.

Sincerely,

Greg Miller  
President, State Board of Education

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*Board Members:* **President Greg Miller**    **Vice President Reginald Ballantyne III**  
Tim Carter    Dr. Michael Crow    Amy Hamilton  
Roger Jacks    Charles Schmidt    Jared Taylor    Dr. James Rottweiler    Vacancy  
**Superintendent of Public Instruction Diane Douglas**  
*Executive Director: Dr. Karol Schmidt*

## Performance Audit Division reports issued within the last 12 months

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| <b>15-101</b>     | Arizona Department of Child Safety—Child Abuse or Neglect Reports, Substantiation Rate, and Office of Child Welfare Investigations  |
| <b>15-102</b>     | Arizona Department of Administration—State-wide Procurement   |
| <b>15-103</b>     | Arizona Medical Board—Licensing and Registration Processes  |
| <b>15-104</b>     | Arizona Department of Transportation—Motor Vehicle Division   |
| <b>15-105</b>     | Arizona Department of Revenue—Use of Information Technology   |
| <b>15-CR1</b>     | Independent Review—Arizona’s Child Safety System and the Arizona Department of Child Safety   |
| <b>15-CR1SUPP</b> | Supplemental Report to the Independent Review—Arizona’s Child Safety System and the Arizona Department of Child Safety  |
| <b>15-106</b>     | Arizona State Retirement System   |
| <b>15-CR2</b>     | Independent Operational Review of the Arizona State Retirement System’s Investment Strategies, Alternative Asset Investment Procedures, and Fees Paid to External Investment Managers         |
| <b>15-107</b>     | Arizona Sports and Tourism Authority  |
| <b>15-108</b>     | Arizona Department of Administration—Personnel Reform Implementation  |
| <b>15-109</b>     | Arizona Department of Administration—Sunset Factors   |
| <b>15-110</b>     | Arizona Foster Care Review Board  |
| <b>15-111</b>     | Public Safety Personnel Retirement System   |
| <b>15-CR3</b>     | Independent Operational Review of the Public Safety Personnel Retirement System Investment Strategies, Alternative Asset Investment Procedures, and Fees Paid to External Investment Managers |
| <b>15-112</b>     | Arizona Commerce Authority  |
| <b>15-113</b>     | Arizona Department of Transportation—Transportation Revenues  |
| <b>15-114</b>     | Arizona Department of Transportation—Sunset Factors   |
| <b>15-115</b>     | Arizona Radiation Regulatory Agency, Arizona Radiation Regulatory Hearing Board, and Medical Radiologic Technology Board of Examiners   |
| <b>15-116</b>     | Arizona Department of Revenue—Security of Taxpayer Information  |
| <b>15-117</b>     | Arizona Department of Revenue—Sunset Factors  |
| <b>15-118</b>     | Arizona Department of Child Safety—Child Safety, Removal, and Risk Assessment Practices   |
| <b>15-119</b>     | Arizona Department of Environmental Quality— Vehicle Emissions Inspection Program   |
| <b>15-120</b>     | A Comparison of Arizona’s Two State Retirement Systems  |
| <b>15-121</b>     | Alternatives to Traditional Defined Benefit Plans   |

## Future Performance Audit Division reports

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Arizona Department of Child Safety—Differential Response and Case Screening