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STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

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March 26, 2010

The Honorable Judy Burges, Chair
Joint Legislative Audit Committee

The Honorable Thayer Verschoor, Vice Chair
Joint Legislative Audit Committee

Dear Representative Burges and Senator Verschoor:

Our Office has recently completed the 4th followup of the Arizona Department of Education, State Board of Education, and State Board for Charter Schools' implementation status for the 20 audit recommendations (including sub-parts of the recommendations) presented in the performance audit report on the Technology Assisted Project-Based Instruction Program released in October 2007. As the attached grid indicates:

- 10 recommendations have been implemented;
- 8 recommendations are in the process of being implemented; and
- 2 recommendations are no longer applicable due to statutory changes made in 2008 and 2009.

Unless otherwise directed by the Joint Legislative Audit Committee, this report concludes our follow-up work on the Department's and Boards' efforts to implement the recommendations resulting from the October 2007 performance audit.

Sincerely,

Ross Ehrick, CPA
Director, Division of School Audits

RE:bl

Enclosure

cc: The Honorable Tom Horne, State Superintendent of Public Instruction
Arizona Department of Education
Mr. Vince Yanez, Executive Director
Arizona State Board of Education
Ms. DeAnna Rowe, Executive Director
Arizona State Board for Charter Schools

TECHNOLOGY ASSISTED PROJECT-BASED INSTRUCTION PROGRAM

Auditor General Performance Audit Report Issued October 2007 4th Follow-Up Report

Recommendation	Status/Additional Explanation
CHAPTER 1: Fiscal year 2006 TAPBI ADM overfunded by about \$6.4 million	
<p>1. To ensure that the TAPBI Program is appropriately funded, the Legislature should:</p> <p>a. Consider whether the current ADM method is the best basis for TAPBI funding given differences of the online learning environment. If the Legislature decides that the ADM funding method is appropriate, it could consider adding other funding criteria, such as requiring students to complete courses for schools to receive funding.</p> <p>b. Consider specifically addressing whether it intends for a TAPBI student to generate more than 1.0 ADM in funding that is allowed for traditional students and whether summer classes are included in that 1.0 ADM.</p>	<p>Implemented at 18 months</p> <p>Implemented at 18 months</p>
<p>2. To ensure that TAPBI ADM is properly calculated and funded, ADE should:</p> <p>a. Ensure that SAIS is programmed to identify and calculate necessary funding adjustments for TAPBI concurrent enrollments and summer school programs.</p> <p>b. Make appropriate adjustments to TAPBI funding for the fiscal year 2006 ADM calculation errors and any similar errors made in fiscal year 2007.</p> <p>c. Monitor whether TAPBI schools adhere to statutory enrollment limitations, including the requirements that 80 percent of new students must have been previously enrolled in a public school, that kindergarten students must have a sibling enrolled in the program, and that enrollment growth must not exceed 100 percent in a year for individual TAPBI schools.</p>	<p>Implementation in process ADE has made significant improvements in how it calculates ADM for TAPBI concurrent enrollments and summer school programs. The Department is continuing to make additional adjustments to improve the process and accuracy of ADM calculations.</p> <p>No longer applicable Laws 2008, 2nd Regular Session, Chapter 287, Section 49, prohibits ADE from adjusting TAPBI funding for ADM calculation errors pertaining to concurrent enrollment made in fiscal years 2006 and 2007.</p> <p>No longer applicable Laws 2009, 1st Regular Session, Chapter 95, Section 27 eliminated the statutory enrollment limitations requiring that 80 percent of new students must have been previously enrolled in a public school, that kindergarten students must have a sibling enrolled in the program, and that enrollment growth must not exceed 100 percent in a year for individual TAPBI schools.</p>

Recommendation	Status/Additional Explanation
3. ADE should seek legal advice to determine if the overfunding related to noncompliance with these enrollment limitations should be recovered from the TAPBI schools.	<p>Implemented at 6 months ADE sought legal advice from its Attorney General Representative. Based on that advice, ADE does not plan to pursue recovering overfunding from prior fiscal years.</p>
4. ADE should determine whether to recover TAPBI funding paid to the Humanities and Sciences Academy Arizona for fiscal years 2006 and 2007 that was not based on student logs of actual instruction time.	<p>Implemented at 6 months Based on advice from its Attorney General Representative, ADE has determined it will not recover TAPBI funding from Humanities and Sciences Academy Arizona that was not based on students' logs of actual instruction time. However, ADE plans to monitor and ensure compliance when specific SAIS programming and attendance guidelines are in place.</p>

CHAPTER 2: TAPBI schools' operations cost less, but further savings may exist

1. To ensure compliance with statutory reporting requirements and to improve the accuracy of costs, the following actions should be considered:	Implemented at 12 months
a. In reviewing and compiling the annual TAPBI self-reports, the State's education boards should ensure that TAPBI schools are properly allocating costs between TAPBI and non-TAPBI operations, using an allocation basis that best reflects how the costs are incurred.	Implemented at 6 months
b. To facilitate this cost accounting, the Auditor General's Office and ADE should add a specific TAPBI program code to the Chart of Accounts provided in the Uniform Systems of Financial Records for Arizona School Districts and for Charter Schools.	Implemented at 12 months
c. To help TAPBI schools accurately report their costs in the Annual TAPBI Report, the state education boards should consider aligning the Report's cost categories to the Uniform Charts of Accounts.	Implemented at 12 months
d. The State Board for Charter Schools should consider requiring the TAPBI Charter Schools to follow the Uniform Chart of Accounts for TAPBI programs.	Implementation in process
2. In reviewing whether to allow the TAPBI schools to continue in the TAPBI program, the State's education boards should assess the schools' cost-effectiveness, including the level of administration expenditures and the fiscal impact of software or management agreements on costs.	<p>The State's education boards have collected data on the TAPBI schools' cost-effectiveness. However, according to board officials, due to limited staff and resources, the boards have not yet analyzed the data.</p>

Recommendation

Status/Additional Explanation

CHAPTER 3: Student achievement measures and practices can be improved

1. To better measure TAPBI schools' effect on student achievement, the State's education boards should consider the following:

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

Implementation in process

The State's education boards have determined that it is possible to compare full-time TAPBI student assessment results with state-wide averages. However, according to board officials, due to limited staff and resources, the boards have not yet performed this comparison.

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

Implementation in process

The State's education boards continue to discuss other indicators of TAPBI school performance. However, according to board officials, due to limited staff and resources, the boards have not yet implemented other performance indicators.

2. In reviewing whether to allow the TAPBI schools to continue in the TAPBI program, the State's education boards should consider whether the TAPBI schools' policies and procedures support student achievement, including the following:

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

Implemented at 18 months

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

Implementation in process

The State's education boards have discussed the need to review TAPBI schools' procedures to determine which are most effective and can be easily replicated. However, according to board officials, due to limited staff and resources, the boards have not yet performed this review.

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

Implementation in process

The State's education boards have determined that TAPBI schools' policies and performance measures regarding the frequency of teacher-to-student contact are not sufficient. However, according to board officials, due to limited staff and resources, the boards have not yet reviewed TAPBI schools' other student-teacher communication related policies and performance measures to evaluate the quality of teacher-to-student communication.

Recommendation	Status/Additional Explanation
<p>d. Policies and procedures for training teachers to instruct students in an online environment.</p>	<p>Implementation in process The State's education boards have identified external resources that may be used to provide quality professional development opportunities for TAPBI teachers. The boards will continue working with ADE to determine how these resources can be made available to TAPBI teachers.</p>
<p>3. ADE should ensure that TAPBI courses provide students with at least the minimum instruction hours required by statute.</p>	<p>Implemented at 24 months ADE officials do not believe they have statutory authority to ensure that TAPBI schools provide students with at least the minimum instruction hours required by statute. ADE stated that because TAPBI students self-report attendance hours, TAPBI students, teachers, and school administrators all share responsibility for ensuring that students are attending the minimum instructional hours required by statute. However, ADE has now issued guidelines specifying the minimum instruction hours and what constitutes instruction hours as required by statute.</p>
<p>4. ADE should determine whether Arizona Distance Learning and Pinnacle Education Virtual Academy have sufficient student enrollment records to demonstrate compliance with statutory minimum instruction hour requirements.</p>	<p>Implementation in process ADE completed an audit of Arizona Distance Learning and found that its student enrollment records were not sufficient to demonstrate compliance with statutory minimum instruction hour requirements. ADE is scheduled to audit Pinnacle Education Virtual Academy.</p>