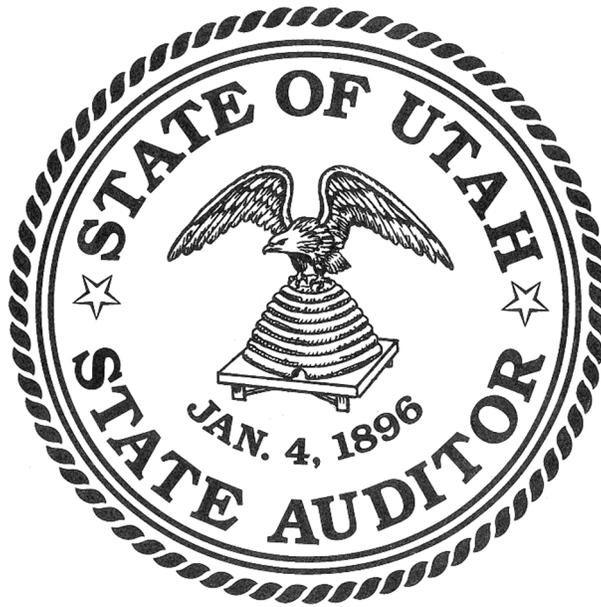


UTAH STATE BOARD OF EDUCATION UPSTART Program

Report on a Limited Review of Contractor's Use of UPSTART Funds
and
Findings and Recommendations
For the Year Ended June 30, 2018

Report No. 18-37



OFFICE OF THE STATE AUDITOR

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UTAH STATE BOARD OF EDUCATION
UPSTART Program
FOR THE YEAR ENDED JUNE 30, 2018

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OFFICE OF THE
UTAH STATE AUDITOR

January 28, 2019

Members of the Utah State Board of Education

Sydnee Dickson, State Superintendent of Public Instruction
Utah State Board of Education

Tom Ness, Chief Financial Officer
Waterford Institute

We have applied the procedures described below to certain aspects of the Waterford Institute's (Waterford) use of funds for the UPSTART Program for the period of July 1, 2017 through June 30, 2018 (fiscal year 2018). The procedures performed were selected based on our determination of significant compliance requirements. We determined the significant compliance requirements by reviewing *Utah Code* 53F-4-401 through 407 and the amended contract between Waterford and the Utah State Board of Education (USBE) related to the UPSTART Program. The significant compliance requirements included the following four areas: 1) Use of Funds, 2) Number of Children Served, 3) Low-income Family Participation, and 4) Limitation of Funding for Program Evaluation. We requested and obtained the necessary documentation from Waterford and the USBE. The results of our procedures are as follows:

1. Use of Funds

The contract and related amendments provide a detailed budget for allowable expenditures including licenses, internet, hardware, personnel, etc. We obtained a listing from the USBE of reimbursements paid to Waterford for fiscal year 2018. Of the 8 reimbursements paid to Waterford, we selected and reviewed 4 reimbursements (50% of the invoices and 73% of the dollars spent for the program). For the items selected, we obtained the detailed documentation from Waterford to ensure that the expenditures were in compliance with the related contract/amendments. Based on the procedures performed, we noted potential unallowable expenditures (see Finding No. 1). We determined that the total annual expenditures did not exceed budgeted amounts established by the contract.

2. Number of Children Served

The contract and related amendments require that Waterford serve a minimum number of children in the UPSTART Program for fiscal year 2018 (budgeted for 7,390 children). We were unable to verify a complete listing of students who participated in the program during fiscal year 2018. Therefore, we were unable to determine whether Waterford served the minimum number of students as required by the contract (see Finding No. 1).

3. Low-income Family Participation

Utah Code 53F-4-404(2.b.ii) requires that at least 30% of the preschool children participating in the UPSTART program be from low-income families (defined by *Utah Code* as below 185% of the federal poverty guideline). Such eligible families are provided with computers and internet service to operate the instructional software. Because we could not verify a complete listing of student participants, we were unable to determine whether the students were from low-income families. Therefore, we were unable to determine whether students from low-income families constituted at least 30% of the student participants (see Finding No. 1).

4. Limitation of Funding for Program Evaluation

Utah Code 53F-4-406(3) requires that no more than 7.5% of the money appropriated by the Utah State Legislature for the UPSTART Program, excluding funds used to provide computers, peripheral equipment, and internet service to families, be used for the evaluation of the program. USBE oversees the evaluation of the program and, based on our review of the contract/amendments and related expenditures through June 30, 2018, has complied with the funding limitation for program evaluation.

Our procedures were more limited than would be necessary to express an audit opinion on compliance. Accordingly, we do not express an opinion. Alternatively, we have identified the procedures we performed and the findings resulting from those procedures. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is a matter of public record and its distribution is not limited.

By its nature, this report focuses on exceptions, weaknesses, and problems. This focus should not be understood to mean there are not also various strengths and accomplishments. We appreciate the courtesy and assistance extended to us by both Waterford and USBE personnel during the course of the review, and we look forward to a continuing professional relationship. If you have any questions, please contact me.

Sincerely,



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FINDINGS AND RECOMMENDATIONS

1. INADEQUATE VERIFICATION OF STUDENTS SERVED AND FAMILY INCOME

The Utah State Board of Education (USBE) could not reconcile in a timely manner the fiscal year 2018 (FY18) (Cohort 9) list of students served under UPSTART as reported by Waterford. It compared the list of 12,831 students served for FY18 as reported by Waterford against the October 1, 2018 kindergarten headcount and matched 9,804 of the students reported by Waterford, leaving 3,027 students unmatched. USBE requested that Waterford resolve the 3,027 unmatched students by January 31, 2019. The delay in resolving the disparity caused the following issues:

- a. We could not validate the FY18 “License Fees” paid to Waterford. USBE reimbursed Waterford “License Fees” for 11,309 students, a potential overpayment totaling \$1,213,030 (1,505 unmatched students multiplied by \$806 blended license fee).
- b. We were unable to test for and determine compliance with the low-income family participation requirement. According to *Utah Code 53F-4-404(2.b.ii)*, at least 30% of the preschool children who participate in UPSTART must be from low-income families. Failure to verify students served could cause noncompliance with the low-income family participation requirements.

Recommendation:

We recommend USBE implement procedures to independently reconcile in a timely manner the students served and family income levels of UPSTART participants.

Response from USBE:

The USBE partially concurs with this finding.

Corrective Action Plan:

The USBE notes concern with the language used in the audit finding. The agency is seeking clarification on the expectation of “timely manner” related to data validation and would seek action regarding the creation of a time-certain audit in statute from the Utah State Legislature.

Related to the data validation, the USBE has developed and implemented a Memorandum of Understanding (USBE180088MOU) with UPSTART provider, Waterford. The MOU speaks to a timeline associated with the data verification process to match UPSTART students with the USBE SSID system for validation. The key dates for this process are outlined below:

- *Cohort information for purposes of SSID matching submitted by Waterford to USBE annually by August 31.*

- *USBE returns cohort match information annually to Waterford by November 30 to determine over or under on the 5 percent match.*

The audit specifically calls attention to cohort 9 (2017-18 service year). Currently, we have 12,831 students served in Waterford records for both CORE and TANF programs for cohort 9. However, the USBE has only shown that 9,804 have an enrollment record in our Kindergarten SSID system. That is 3,027 students that do not match our SSID (state student identification) system. Reasons for this may include the following:

- 1. The student may have moved out of state.*
- 2. The student may be attending a private Kindergarten program.*
- 3. The student may not be attending Kindergarten at all, as it is not compulsory.*
- 4. The student may not have matching information between the Waterford UPSTART registration data and the USBE SSID system. This occurs when Waterford's registration data does not exactly match our SSID system data (ex. first name Michael vs. Mike), and therefore, the USBE does not show them as a match.*

We have sent the list of the 3,027 students back to Waterford for further review and follow up with parents (December 2018). Waterford is in process of contacting the families that did not match to verify information prior to a resubmission to the USBE for matching. We are continuing the verification process and are making data and statistics expertise from the agency available to support the matching process.

Our agency action to address the data matching concern in the future is in RFP/contract design in the December 2018 UPSTART RFP. The recent RFP included an additional data request for each registered student in the UPSTART program. Future cohort registration will require the following for each student:

- *First Name*
- *Middle Name*
- *Last Name*
- *Date of Birth*
- *Street Address*
- *Zip Code*
- *NEW: For Utah-born participants: State File Number from Utah Birth Certificate*

This will provide an additional data factor to aid in the matching and validation process for future cohorts.

In addition, the RFP and draft scope of work includes a clawback provision for refunding student license costs that do not match when that number exceeds 10 percent of the total population served. The agency expects that the financial impact will aid in the data verification procedures on the registration of students by the provider and help to decrease the number of students that do not match.

Finally, the USBE is seeking a legislative code change for 53F-4-406, to allow for administrative costs to be allowable within the 7.5 percent that is available for the evaluation of the program. The USBE does not currently have personnel funded for program administration, which has grown to serve over 14,000 families each year. The allowance of existing funds to support the administration of the UPSTART program would aid the agency with implementing the corrective action proposed in the audit.

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