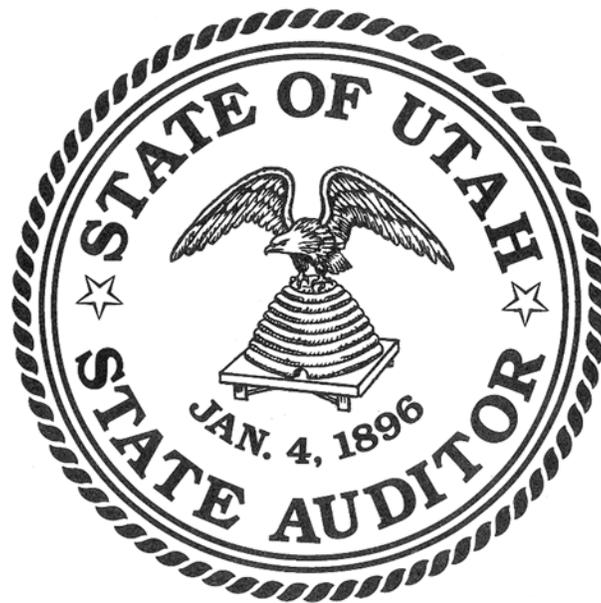


UTAH STATE BOARD OF EDUCATION

Minimum School Program

Report on Limited Review of
Statutory Distributions for Fiscal Year 2017 and
Projections for Fiscal Year 2019

Report No. 17-30



OFFICE OF THE
STATE AUDITOR

AUDIT LEADERSHIP:

John Dougall, State Auditor
Hollie Andrus, CPA, Audit Director
Sean Clayton, Audit Senior

UTAH STATE BOARD OF EDUCATION

Minimum School Program

Statutory Distributions for Fiscal Year 2017 and
Projections for Fiscal Year 2019

TABLE OF CONTENTS

	<u>Page</u>
AUDITOR’S REPORT ON LIMITED REVIEW OF STATUTORY DISTRIBUTIONS FOR FISCAL YEAR 2017 AND PROJECTIONS FOR FISCAL YEAR 2019	1
FINDING AND RECOMMENDATION:	
INCORRECT MINIMUM SCHOOL PROGRAM FUNDING CALCULATIONS FOR CONVERTED CHARTER SCHOOLS	3
RESPONSE FROM USBE	Attachment A



OFFICE OF THE
STATE AUDITOR

March 2, 2018

To the Members of the Utah State Board of Education and Audit Committee
and
Sydnee Dickson, State Superintendent of Public Instruction
Utah State Board of Education

We have performed a limited review of the application of Minimum School Program (MSP) statutory distribution formulas and allocations to school districts and charter schools. The procedures described below were applied to certain aspects of compliance for the MSP Fiscal Year 2017 (FY17) Final Report and the MSP Fiscal Year 2019 (FY19) Legislative Budget Projections. We performed the following procedures at the State Board of Education for a sample of school districts and charter schools:

1. We reviewed the MSP FY17 Final Report for eight programs to ensure that the allocations to school districts and charter schools for each selected program were made in compliance with the related statute and did not exceed amounts allowable by law. The programs selected were as follows:
 - Grades K-12
 - Special Education Add-on WPU's
 - Professional Staff
 - Career & Technical Education - District Add-on
 - Class Size Reduction
 - Enhancement for At-Risk Students
 - K-3 Reading Improvement Program
 - Teacher Supplies and Materials

We found USBE improperly calculated FY17 MSP funding for converted charter schools (see attached Finding and Recommendation).

2. We reviewed the MSP FY19 Legislative Budget Projections for four programs to ensure that the projections of the allocations to school districts and charter schools for each selected program were made in compliance with the related statute and were reasonable. The programs selected were as follows:
 - Grades K-12
 - Professional Staff
 - Career & Technical Education - District Add-on
 - Class Size Reduction

We found no exceptions in the projections of allocations to school districts and charter schools resulting from the above procedures.

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. Had we performed additional procedures, 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. We appreciate the courtesy and assistance extended to us by the personnel of the State Board of Education during the course of the review, and we look forward to a continuing professional relationship. If you have any questions, please contact me.

Sincerely,

A handwritten signature in cursive script that reads "Hollie Andrus".

Hollie Andrus, CPA
Audit Director
801-801-0467
handrus@utah.gov

cc: Scott Jones, Deputy State Superintendent, Utah State Board of Education
Natalie Grange, Associate Superintendent of Public Instruction, Utah State Board of Education
Debbie Davis, Director of Internal Audit, Utah State Board of Education
Kristen Cox, Executive Director, Governor's Office of Management and Budget
Jonathan Ball, Director, Office of Legislative Fiscal Analyst

FINDING AND RECOMMENDATION

INCORRECT MINIMUM SCHOOL PROGRAM FUNDING CALCULATIONS FOR CONVERTED CHARTER SCHOOLS

The Utah State Board of Education (USBE) currently uses the same methodology applicable to all charter schools to calculate Minimum School Program Funding for charter schools that have either converted from district schools or operate in district facilities without paying “reasonable rent.” *Utah Code 53A-1-513-2(b)*, by pointing to *Utah Code 53A-1a-515(3)*, authorizes such charter schools to receive funding through the school district on the same basis as received prior to conversion to a charter school or on the same basis that other district schools receive funding (for those charter schools not paying reasonable rent). As of June 30, 2017, 8 charter schools have either converted from district schools or operated in district facilities without paying reasonable rent. However, USBE calculated these schools’ funding using the methodology applicable to traditional charter schools. USBE should comply with *Utah Code* by allocating funding for such charter schools as outlined in statute. Failure to comply with state law in funding public education may result in these charter schools being improperly funded, potentially causing other charter schools or school districts to receive less funding.

Recommendation:

We recommend USBE: 1) comply with *Utah Code 53A-1a-513(2)(b)* and *53A-1a-515 (3)* for funding of certain charter schools or obtain a legislative waiver in regards to the applicable statutes and 2) correct the affected allocations for such charter schools.

Response from USBE:

See Attachment A



UTAH STATE BOARD OF EDUCATION

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February 28, 2018

Hollie Andrus, CPA
Office of the Utah State Auditor
Utah State Capitol Complex
East Office Building, Suite E310
P.O. Box 143210
Salt Lake City, UT 84114-2310

Dear Ms. Andrus:

The Utah State Board of Education (USBE) received your request for responses to the finding noted during the FY2017 USBE Single Audit number 2017-30. We appreciate the opportunity to respond to the finding.

Finding 1 Incorrect Minimum School Program Funding Calculations for Converted Charter Schools

View of Responsible Officials: The USBE concurs with this finding.

The USBE concurs that current statute 53G-5-305 outlines a separate funding formula for charters that are authorized by a local school board. The USBE acknowledges the finding of the Office of the State Auditor (OSA) that the USBE is not calculating the Minimum School Program funding differently or separately for converted Charter Schools. USBE staff cannot find documentation of processes followed to establish “reasonable rent” when charter schools were originally authorized/converted as far back as 2003.

The USBE is presently seeking modification to this section of code through legislation that will eliminate the requirement to apply this funding methodology. If legislation does not pass during the 2018 session the USBE will continue to study the code, define the standard by which the calculations will occur, and continue to seek legislative change. We will provide updates to our board and your office on our progress.

Ms. Hollie Andrus
February 28, 2018
Page 2

Sincerely,

A handwritten signature in black ink, appearing to read "Scott Jones". The signature is written in a cursive style with a large initial "S" and a long, sweeping tail.

Scott Jones
Deputy Superintendent of Operations
Utah State Board of Education

cc: Mark Huntsman, Utah State Board of Education, Board Chair
Sydnee Dickson, State Superintendent of Public Instruction
Natalie Grange, Assistant Superintendent of Financial Operations
Debbie Davis, Director of Internal Audit