



OFFICE OF THE
STATE AUDITOR



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Utah State Board of Education

Minimum School Program

For the year ended June 30, 2023

Limited Review

Report No. 24-02

Office of the State Auditor

Audit Leadership:

John Dougall, State Auditor

Doug Seager, CPA, Audit Director

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OFFICE OF THE
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Management Letter

September 24, 2024

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 (1) the application of Minimum School Program (MSP) statutory distribution formulas and allocations to local education agencies (LEAs); and (2) MSP programs. The procedures performed are detailed below:

1. We reviewed the MSP Fiscal Year 2023 Final Report for six programs to ensure the allocations to LEAs were made in compliance with related statute. These programs were:
 - Grades K-12
 - Student At-Risk Add-On
 - Concurrent Enrollment
 - Early Literacy (K-3 Reading Improvement)
 - Digital Teaching and Learning Program
 - Public Education Capital and Technology
2. We reviewed various MSP programs at 12 LEAs for compliance with applicable State statute and administrative rule. The selected LEAs included charter schools and school districts of various sizes from a broad geographical range. We also reviewed expenditures for several programs. The expenditures were selected from fiscal year 2023 (July 1, 2022 through June 30, 2023) and the first nine months of fiscal year 2024 (July 1, 2023 through March 31, 2024). The programs reviewed were the same programs identified in procedure 1.

Our procedures resulted in four findings that are detailed in the body of the report. 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, additional 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 Utah State Board of Education (USBE) and LEA 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,



Doug Seager
Audit Director
801-808-0507
dseager@utah.gov

cc: Scott Jones, Deputy Superintendent of Operations, Utah State Board of Education
Patty Norman, Deputy Superintendent of Student Achievement, Utah State Board of Education
Sam Urie, School Finance Director, Utah State Board of Education
Debbie Davis, Chief Audit Executive, Utah State Board of Education
Sophia DiCaro, Executive Director, Department of Government Operations
Jonathan Ball, Director, Office of Legislative Fiscal Analyst

Findings & Recommendations

Finding 1. USBE Misallocated Minimum School Program Funds to LEAs

We reviewed USBE's calculations and allocations of MSP funds to LEAs for fiscal year 2023 under Utah Code. We identified the following:

Early Literacy

- USBE's calculated weighted pupil units (WPU) for 20 LEAs did not match the WPU used to calculate the respective LEA allocation. This miscalculation, caused by a formula error, resulted in individual LEAs to be misallocated MSP funds ranging from \$17 to \$20,627 (includes over and under allocations to LEAs). The aggregate absolute value of the misallocations totaled \$148,135.
- Due to a formula error, USBE miscalculated the local required match for all LEAs under *Utah Code* 53F-2-503(8)(d). The miscalculation caused individual LEA local match understatements ranging from \$544 to \$127,211. The aggregate understatements totaled \$863,066.

Digital Teaching and Learning

- USBE could not provide the statutorily required digital readiness assessment for 1 of 10 LEAs selected for review. *Utah Code* 53F-2-510(6) stipulates USBE require an LEA to complete a digital readiness assessment the first time an LEA applies for a grant. Since a digital readiness assessment was not available for our review, we were unable to verify statutory compliance for this LEA.
- USBE misallocated funds by excluding one participating LEA and including one non-participating LEA. USBE also used the incorrect student headcounts. A recalculation with the correct headcounts identified that misallocated funds ranged from \$1 to \$74,217 (includes over and under allocations to LEAs). The aggregate absolute value of the misallocations totaled \$131,342.

State statute and other guidance outline participation requirements as well as the inputs and methods for calculating complex MSP allocations. USBE's process for calculating the MSP allocations has a demonstrated propensity for introducing calculation errors. Without an accurate and reliable process, USBE risks materially misallocating future MSP funds.

Recommendation:

We recommend USBE follow State statute and other guidance to appropriately allocate MSP funds and assess methods to improve its allocation processes. A particular emphasis should be made toward eliminating spreadsheet formula errors and using accurate input data for the allocation calculations.

Finding 2. USBE Did Not Monitor At-Risk Program Learning Effectiveness

As required by *Utah Code* 53F-2-314, USBE did not monitor the learning outcomes resulting from LEA use of At-Risk Program (Program) funds. State statute requires each LEA to annually report intervention effectiveness related to the use of each LEA's allocated Program funds. USBE personnel identified the requirement in legislation passed in 2021, but it was not identified or performed by subsequent personnel due to staff turnover. Failure to monitor Program effectiveness may result in poor program quality and effectiveness, as well as the misuse of public education funds.

Recommendations:

We recommend USBE annually monitor the learning outcomes resulting from the LEA use of At-Risk Program funds.

Finding 3. LEAs Misspent Minimum School Program Funds

We selected and reviewed MSP expenses for 12 LEAs to evaluate compliance with State statute for fiscal years 2023 and 2024. We identified the following:

- For the At-Risk program, 1 of 12 LEAs allocated Special Education expenses totaling \$23,688 to its At-Risk funds. Special Education program expenses do not meet At-Risk program requirements under *Utah Code* 53F-2-314.

State statute and related Administrative Rules guidance provide LEAs with MSP purposes, including the use of funds. USBE has the statutory responsibility to determine allowability of expenses as well as the recovery of misspent funds. An LEA's failure to follow MSP guidance may result in the misuse of public education funding.

Recommendation:

We recommend USBE review the identified LEA expenses, determine allowability, and provide additional guidance to LEAs for MSP spending.

Finding 4. LEAs Did Not Comply with USBE and Transparent Utah Reporting Requirements

As part of our annual review of MSP, we selected 12 LEAs to evaluate MSP compliance using uniform accounting data submitted to Transparent Utah, the State's public finance website.

Utah Code 53G-4-303(5) and 53G-5-404(4) require LEAs to use uniform accounting forms, including the USBE uniform chart of accounts, to gather, record, and report MSP expenses. *Utah Code* 67-3-12(6) also requires LEAs to submit and ensure the accuracy of their financial data to Transparent Utah for public reporting.

We noted the following noncompliance with LEA Transparent Utah data reporting:

Table 1. Issues with Transparent Utah reporting and number of noncompliant LEAs.

| Noncompliance Issue | Number of Noncompliant LEAs |
|---|-----------------------------|
| At-Risk expenditures incorrectly coded in data upload | 2 |
| Program expenditures not identified in data upload but identified in LEA's general ledger | 1 |
| Concurrent Enrollment expenditures not identified in data upload or LEA's general ledger | 1 |

These errors occurred because LEAs neglected to use the appropriate chart of accounts for Transparent Utah, and in one case did not update their general ledger, to reflect MSP spending properly.

Additionally, two LEAs submitted financial data to Transparent Utah. However, upon request, they were unable to provide support from their financial systems because expense data was changed after uploading to Transparent Utah. These LEAs' financial systems did not adequately maintain historical records of the original expenses following any changes to the applicable expense transactions.

LEAs that do not maintain adequate records or comply with Transparent Utah or USBE reporting requirements impair users' ability to access, compare, and reference the use of public funds. This can also lead to a lack of compliance with the use of public education funds.

Recommendation:

We recommend USBE enforce proper and consistent application of its chart of accounts, and provide additional accounting guidance as necessary, to LEAs.



September 20, 2024

Doug Seager, Audit Director
Office of the State Auditor
Utah State Capitol Complex
East Office Building, Suite E310
Salt Lake City, UT 84114

Dear Mr. Seager,

Please find the response to report 24-02 *A Limited Review of the Minimum School Program* below.

We appreciate the findings in the report as identified risks that must be assessed and responded to appropriately. We further acknowledge the related recommendations in the report as recommended risk responses.

| Finding | Finding Description | Risk Assessment | Risk Responses |
|----------------|---|------------------------|-----------------------|
| Finding 1 | USBE Misallocated Minimum School Program (MSP) Funds to Local Education Agencies (LEAs) | Low | See page 3 |
| Finding 2 | USBE Did Not Monitor At-Risk Program Learning Effectiveness | High | See page 4 |
| Finding 3 | LEAs Misspent Minimum School Program Funds | Medium | See page 4 |
| Finding 4 | LEAs Did Not Comply with USBE and Transparent Utah Reporting Requirements | Medium | See page 5 |

This response is provided as requested, with recognition that given protections of draft audit reports under the Government Records Access and Management Act (UCA 63G-2-305), the Utah State Board of Education (Board) has not had the opportunity to review the report nor the response. Therefore, corrective actions outlined in the response may be revised subject to Board direction.

Mr. Doug Seager
September 23, 2024
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With appreciation,

A handwritten signature in black ink that reads "Scott Jones". The signature is written in a cursive style with a large initial "S" and "J".

Scott Jones
Deputy Superintendent of Operations

cc: Molly Hart, Board Vice Chair and Audit Committee Chair
Sydnee Dickson, State Superintendent of Public Instruction
Patty Norman, Deputy Superintendent of Student Achievement
Debbie Davis, Chief Audit Executive

| Finding | Finding Description | Risk Assessment |
|-----------|--|-----------------|
| Finding 1 | USBE Misallocated Minimum School Program (MSP) Funds to LEAs | Low |

Recommendation: We recommend USBE follow State statute and other guidance to appropriately allocate MSP funds and assess methods to improve its allocation processes. A particular emphasis should be made toward eliminating spreadsheet formula errors and using accurate input data for the allocation calculations.

USBE Response

USBE agrees with OSA’s recommendation that it “appropriately allocate MSP funds and assess methods to improve its allocation processes. A particular emphasis should be made toward eliminating spreadsheet formula errors and using accurate input data for the allocation calculations.”

To that end, USBE has implemented additional safeguards, such as standardized data tables and more rigorous reviews, to ensure accurate data inputs are used. Additionally, USBE is rolling out MSP Automated, a system that automates the downloading of data and calculations for the MSP. This will further eliminate spreadsheet errors.

Additionally, the table below compares the total discrepancies identified by OSA to their respective program totals.

| Absolute Value Discrepancy | Total Program Amount | % |
|----------------------------|----------------------|-------|
| \$148,135 | \$14,550,000 | 1.02% |
| \$863,066 | \$37,097,820 | 2.33% |
| \$131,342 | \$19,852,400 | 0.66% |

In context, comparing the discrepancies to their program totals, the discrepancies are very small. When compared to the FY23 MSP appropriation of just over \$6 billion, these discrepancies represent less than 0.02%.

Because of the safeguards implemented as indicated above, as well as the automation that will be implemented, USBE believes the risk of misallocating funds has been, and will further be, mitigated. The anticipated completion date of the automation of the entire MSP is July 1, 2026. This date is due to recent and continuing changes to the MSP due to legislation and the resulting effects on formulas and distribution.

USBE Contact: Dale Frost, MSP Coordinator
MSP Automation Timeline: July 2026

| Finding | Finding Description | Risk Assessment |
|-----------|---|-----------------|
| Finding 2 | USBE Did Not Monitor At-Risk Program Learning Effectiveness | High |

Recommendation: We recommend USBE annually monitors the learning outcomes resulting from the LEA use of At-Risk Program funds.

USBE Response

USBE agrees with OSA’s recommendation that USBE annually monitor the learning outcomes resulting from the LEA use of At-Risk Program funds. USBE Student Support personnel have been identified to perform the tasks to complete the requirement from legislation passed in 2021 and are prepared to monitor the learning outcomes. We must ensure the following is noted by the auditor(s) and the public. Currently, there is no method of directly correlating student outcomes with the amount of funds spent on students who are determined to be ‘at risk’ by the LEA. There lacks any standard of baseline data to use, standards for what is expected the student should achieve, and or adequate systems such as one Student Information System to ensure consistency, accuracy, and reliability of the data that would demonstrate the Return on Investment (ROI) of the amount of funds for the ‘at risk’ program and the academic results of the students the funding is used for.

USBE Contact: Assistant Superintendents Leah Voorhies and Deborah Jacobson
Anticipated Timeline: 2024-2025 School Year

| Finding | Finding Description | Risk Assessment |
|-----------|--|-----------------|
| Finding 3 | LEAs Misspent Minimum School Program Funds | Medium |

Recommendation: We recommend USBE review the identified LEA expenses, determine allowability, and provide additional guidance to LEAs for MSP spending.

USBE Response

The USBE provides both general and specific training to LEAs regarding use of funds. For example, on October 1, 2024, USBE will host a Fall Finance Training for business administrators and managers. USBE also reviews annual LEA external audits and requires

LEAs to respond to USBE with plans to correct any findings identified by external auditors. USBE will review the expenses identified in this finding, determine allowability, and require repayment from LEAs as necessary.

USBE Contact: Sam Urie, USBE Director of School Finance
Anticipated Timeline: June 2025

| Finding | Finding Description | Risk Assessment |
|-----------|---|-----------------|
| Finding 4 | LEAs Did Not Comply with USBE and Transparent Utah Reporting Requirements | Medium |

Recommendation: We recommend USBE enforce proper and consistent application of its chart of accounts, and provide additional accounting guidance as necessary, to LEAs.

USBE Response

The USBE provides both general and specific training to LEAs regarding proper and consistent application of the chart of accounts and will incorporate this recommendation into those trainings. For example, on October 1, 2024, USBE will host a Fall Finance Training for LEA business administrators and managers. The issue is not with the adherence to the chart of accounts, the issue is with lack of timely reconciliations prior to the submission of the data, also recognizing that transparency data is “raw, unaudited, and unconsolidated data”. Those reconciliations are simply not happening nor is their adherence to the requirements of program level accounting where, at the time of transaction, the expenditure is correctly coded to the program.

Additionally, while the current State Compliance Audit Guide (SCAG) published by OSA for annual audits of LEAs includes a step for audit firms to consider LEA compliance with the chart of accounts, USBE will also consider this recommendation while working on suggested updates to the SCAG that will be provided to the Local Government Division of the OSA later this year.

USBE Contact: Sam Urie, USBE Director of School Finance
Anticipated Timeline: December 2024