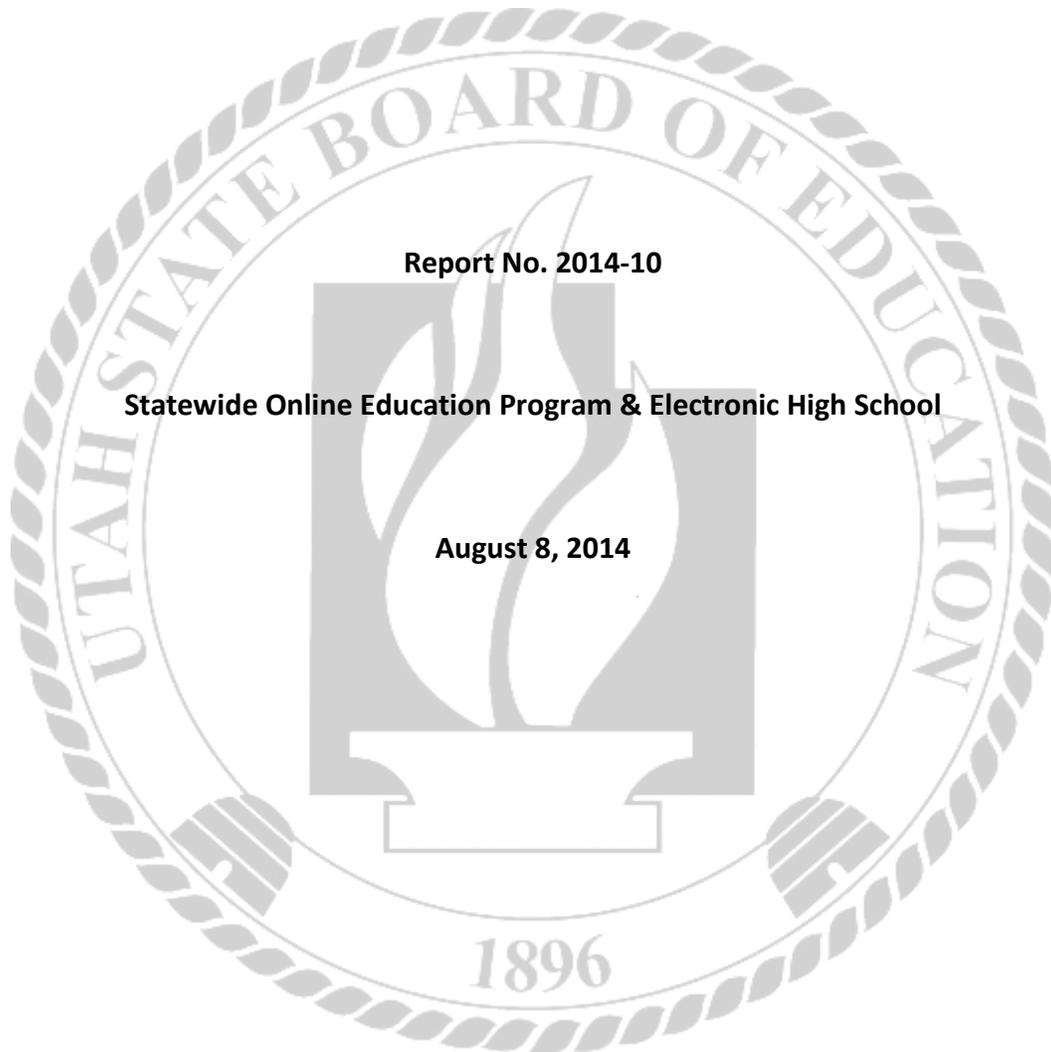


**REPORT TO THE
UTAH STATE BOARD OF EDUCATION**



Report No. 2014-10

Statewide Online Education Program & Electronic High School

August 8, 2014

**Audit performed by:
Utah State Board of Education's Internal Auditors**

Report 2014-10

August 8, 2014

Utah State Board of Education
250 East 500 South
Salt Lake City, Utah 84114

Dear Board Members:

As part of the work performed on the *Distance and Online Education Programs in Utah Schools* performance audit released in February 2014, the Utah State Office of Education's (USOE) Internal Audit department (IA) also gained an understanding of and reviewed the Statewide Online Education Program (SOEP) and Electronic High School (EHS), as authorized by the Utah State Board of Education (the Board) *Administrative Rule 277-116-4(E)*.

IA contacted and met with those responsible for the management of both the SOEP and EHS in order to gain an understanding of the programs. We reviewed many of the same aspects of the SOEP and EHS that were reviewed during our visits to LEA online programs throughout the state. These two programs are funded differently and have other various differences when compared to online programs run by LEAs. These differences and our findings will be discussed in the report, which follows.

These procedures were more limited than would be necessary to express an audit opinion on compliance or on the effectiveness of the USOE's internal control or any part thereof. Furthermore, these procedures were not designed to provide assurance that no errors or misappropriations occurred. Accordingly, we do not express such opinions. Alternatively, we have identified the procedures we performed and the findings resulting from those procedures. Had we performed additional procedures or had we conducted an audit of the effectiveness of internal controls, other matters might have come to our attention that would have been reported.

This report is intended solely for the information and use of the USOE and the Board and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Natalie Grange CPA, CFE
Internal Auditor, Utah State Office of Education

Statewide Online Education Program

Utah Code 53A-15-1203 establishes the Statewide Online Education Program (SOEP) and R277-726 establishes additional rules regarding the program. The SOEP currently serves about 800 students and provides a link between two LEAs when a student wishes to complete parts of their high school education through online programs offered by an LEA other than the LEA where the student is currently enrolled. The SOEP serves students in grades 9-12, with a small number of 7-8 graders who are ahead of grade level and who receive approval from their primary LEA based on their SEOP.

LEAs providing courses through the SOEP are responsible for hiring teachers and ensuring that they are highly qualified, licensed, and have background checks. Additionally, the provider LEA is responsible to determine the curriculum to be used and to ensure that it meets Utah Core standards. The provider LEA is also responsible to ensure that all required assessments for each course are administered and to report scores and grades of each student to the LEA of enrollment.

In order to become a provider LEA for the SOEP, an LEA must submit an application to the SOEP Program Specialist. This application requires the provider LEA to provide the following:

- A certification that the school or program is accredited
- A description of the curriculum to be used
- What the LEA will use to determine “active participation” in the program for funding purposes
- A description of the method of instruction of the program and how the method will allow the instructor and the student to have ongoing interaction with each other for purposes of teaching, evaluating, and providing assistance to the student throughout the course
- How the LEA will ensure that all third parties used by the LEA will satisfy all board requirements for criminal background checks of employees and documentation of student enrollment and participation
- A certification that the LEA will administer all required state assessments

Once an application is received, the information received is reviewed and approved prior to an LEA becoming an SOEP provider. It appears that the application’s questions cover the key parts of the provider requirements outlined in R277-726-7.

Utah Code 53A-15-1206 establishes a payment schedule for courses provided through the SOEP. There are different fees for various course types, ranging anywhere from \$200 to \$350 per .5 credit. While the student is enrolled in an online course through the SOEP, they are counted fully in the membership of the primary LEA. However, when the primary LEA receives

their transfer of Minimum School Program (MSP) funding, a deduction is made for fees described above. These deducted funds are then pooled and used to pay the provider LEAs the applicable course fees for the classes provided. These payments are made as part of the monthly MSP transfers.

In order to participate in the SOEP, a student and/or the student's primary LEA of enrollment must complete a course credit acknowledgement (CCA), which contains the student's information, current school, and the classes the student wishes to take. This CCA is then sent to the provider LEA, who accepts it and enrolls the student in the desired classes. Once the class is completed, the provider updates the CCA to show that the student has earned the desired credit.

Beginning in June 2013, Utah statute allows private school and home school students to participate in the SOEP and take up to 4 credits of courses. However, because homeschool and private school students do not have a primary LEA of enrollment, the funding for these students is provided by a separate appropriation from the legislature. Statute requires that the Legislature establish a plan for the payment of online courses taken by these students. In FY14, \$300,000 was appropriated by the legislature for these students. For FY15, \$500,000 was appropriated as an ongoing appropriation along with a \$150,000 supplement in one time funding.

Findings and Recommendations:

1. Currently, there are no controls in place to limit the number of homeschool/private school students who enroll in the SOEP in a situation where there is not sufficient funding to cover the course fees for all students who wish to enroll. The SOEP Program Specialist has been instructed to not refuse enrollment to homeschool and private school students. The specialist closely monitors the fund balance remaining and the payments that are due to LEAs for their services. When the balance gets low, additional instruction of how to handle the situation is requested from the superintendent. The decision made in FY14 was to continue to enroll the students, and to inform the legislature of any problems that this created.

We recommend that the USOE consider developing a budgetary control, lottery, or prioritization process and document this process in board rule to ensure that the program expenditures for the home school and private school SOEP enrollments stay within the amount appropriated for the current fiscal year. If enrollments exceed the funds appropriated this procedure would provide instruction to both USOE staff and parents until further funding is appropriated to meet demand.

2. We noted 12 Carson Smith Scholarship (CSS) recipients in the 2013-2014 school year who were also taking at least one class through the SOEP (as a private school student). The CSS program was created to help provide opportunities for students with disabilities to attend a private school equipped to help them with their specific needs. *Utah Code* 53A-1a-704 states that a student who receives funding under the CSS program “may not participate in a dual enrollment program pursuant to Section 53A-11-102.5.” Section 53A-11-102.5 is the section of statute which allows students enrolled in a private school to also be enrolled in a public school. Because CSS recipients are specifically disallowed from dual enrolling under this statute, it seems to logically follow that these students would be disallowed from participation in the SOEP (a public school program) as a private school student.

The USOE paid a total of \$52,182 in CSS funds in 2013-2014 for these 12 students. These same students were enrolled in a total of 17 classes through the SOEP during the same time period, resulting in the USOE making payments totaling \$3,493.50 to provider LEAs for their courses.

There do not appear to be internal controls to ensure that CSS students are not also enrolled in the SOEP. Furthermore, the CSS and the SOEP statutes appear to conflict, which makes determining compliance and allowing enrollment in both programs appear to be a violation of both of the statutes.

We recommend that the Board clarify with legislative research the applicability of these two statutes and seek clarifying language or establish a clear policy in Board rule to guide USOE staff and program participants.

3. We noted various SOEP students at provider LEAs who did not have the “school of record” field correctly marked as “N” in the LEA’s Student Information System. An “N” in this field indicates that the LEA is not the primary provider of educational services to the student, and UTREx does not count the student’s membership in the provider LEA’s total membership. When this field is not correctly entered, UTREx is not able to distinguish that the student is participating in the SOEP at a provider LEA, and the student’s membership could be double counted (both at the primary LEA and at the provider LEA). In these cases, the SOEP Program Specialist has to manually alter this field for these students to ensure that membership is correctly calculated. We noted that there are training materials and instructions on the SOEP website which explain to provider LEAs how to correctly enter students into their SIS, including instructions for the “school of record” field.

We recommend that the USOE continue to work with provider LEAs to ensure that they have viewed the available materials on the SOEP website and are properly trained and understand how to enter SOEP students into their SIS. Additionally, we recommend that USOE staff follow up with LEAs who continue to input data incorrectly, and document this reconciliation process in a procedures manual.

Electronic High School

Electronic High School (EHS) has been in existence since 1994 and has made various changes over its 20 years of operation. EHS currently has 17 teachers, including part-time and full-time teachers. The number of students enrolled in EHS varies greatly throughout the year, based on needs for graduation and other factors.

EHS does not function like other online or distance programs throughout the state. It receives its own appropriation each year from the legislature and is not funded on a per student basis. Basically, the EHS program functions as a resource for students to both make up missed credits or to earn extra credits in an effort to graduate from high school early.

The EHS website states that their mission is “to educate, remediate, accelerate, and graduate Utah’s diverse learners.” The primary student population served is high school students in need of credit recovery and students who wish to graduate early. In the past, EHS offered a diploma track to a limited group of homeschool and dropout students. However, they have currently suspended this option due to decreased funding. There are also a number of adults who sign up to take classes through EHS as part of their credits to obtain their high school diploma.

EHS classes are delivered in an online environment, with assignments and quizzes submitted electronically. Courses offered through EHS include physical education, language arts, math, science, computer education, and various social studies courses. Each course requires a student to pass a proctored final exam in order to pass the course and earn credit. EHS operates on an open-entry/open-exit basis, allowing students to enroll any time throughout the year. Following an audit performed by the Legislative Auditor General in February 2013, EHS implemented a 10-week policy, which required all students to complete a course within 10 weeks of the start date. If a student has not completed the course within the 10 week period, they are dropped from the course. However, the students’ progress is saved if he/she has completed at least 3 assignments, and they can re-enroll in the course later and pick up where they left off.

As mentioned above, in February 2013, the Legislative Auditor General performed a review of EHS. After this review, EHS was closed from July through September of 2013 to make changes

and reorganize. As part of these changes, EHS implemented an improved policy for ensuring that all students who enroll with EHS are residents of Utah. When a student enters enrollment information on the EHS website and attempts to enroll in a class, the system checks to see if they have an SSID number and are actively enrolled at an LEA in the state. If they are, then they are enrolled. If not, EHS follows the same processes as LEAs to verify residency in Utah (by requesting proof of residency, etc.) and subsequently issues the student an SSID.

It appears that EHS has also improved the process whereby each student's progress and grades are reported to the LEA of enrollment. Periodically, counselors at each school which has students enrolled in the EHS program receive a progress report which shows progress students are making in their classes, enabling them to help each student plan for graduation. When a student finishes a course and earns credit, the Movelt system is used to send the grades to each LEA so they can be added to their transcript.

EHS works closely with the staff at the USOE to ensure that all curriculum used by EHS aligns with the core and meets all state standards. The curriculum was written by teachers, and is periodically updated and changed as needed to ensure that it continues to meet the necessary standards.

Because EHS does not receive funding on a per-student basis, R277-419 (the board rule regarding membership & funding) is not applicable to EHS. EHS is not required to calculate membership, take attendance, or provide other data which LEAs would be required to provide for funding purposes. Additionally, EHS does not administer state testing to students in the program, as the LEA of enrollment for each student is responsible to ensure that all required state tests are administered. Therefore, many of the issues and recommendations discussed in the Online and Distance Education performance audit are not applicable to the EHS program.