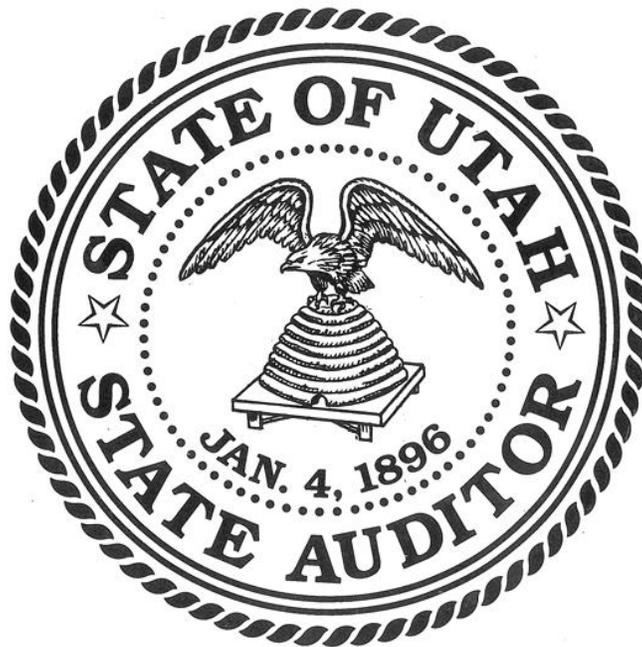


OFFICE OF EDUCATION

Minimum School Program

Report on Audit Procedures Related to
Statutory Distributions for Fiscal Year 2013 and
Projections for Fiscal Year 2015
with Related Finding

Report No. 13-45



OFFICE OF THE
UTAH STATE AUDITOR

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AUDIT LEADERSHIP:

Jon T. Johnson, CPA, Audit Director
Jolene Cooley, Audit Senior



OFFICE OF THE
UTAH STATE AUDITOR

January 24, 2014

To the Members of the Utah State Board of Education and Audit Committee
and
Martell Menlove, Ph.D, State Superintendent of Public Instruction
Utah State Office of Education

We have performed a 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 FY13 Final Report and the MSP FY15 Legislative Budget Projections. We performed the following procedures at the Utah State Office of Education for a sample of school districts and charter schools:

1. We reviewed the MSP FY13 Final Report for nine 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 do not exceed amounts allowable by law. The programs selected were as follows:
 - Grades K-12
 - Special Education Add-On
 - Professional Staff
 - Pupil Transportation To & From School
 - Charter School Local Replacement Funding
 - Enhancement for At-Risk Students
 - K-3 Reading Improvement Program
 - School Land Trust Program
 - Matching Fund for School Nurses

2. We reviewed the MSP FY15 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
 - Voted and Board Leeway
 - Necessarily Existent Small Schools
 - Administrative Costs

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 finding resulting from those procedures. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

One finding resulting from the above procedures is included with this report.

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 the personnel of the Utah State Office 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,



Jon T. Johnson, CPA
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cc: Bruce Williams, Associate Superintendent for Business Services, Utah State Office of Education
David Roberts, School Finance Director, Utah State Office of Education
Natalie Grange, Internal Audit Director, Utah State Office of Education
Kristen Cox, Executive Director, Governor's Office of Management & Budget
Jonathan Ball, Director, Office of Legislative Fiscal Analyst

OFFICE OF EDUCATION
MINIMUM SCHOOL PROGRAM

FINDING RELATED TO
STATUTORY DISTRIBUTIONS FOR FISCAL YEAR 2013 AND
PROJECTIONS FOR FISCAL YEAR 2015

NONCOMPLIANCE OF ALLOCATION TO CHARTER SCHOOLS (Repeat Finding)

The Utah State Office of Education (USOE) did not calculate the fiscal year 2013 actual final allocation of funds to charter schools for the Grades K-12 Program in compliance with Utah law in effect at the time. At the time the allocation was calculated, *Utah Code* 53A-1a-513 and 53A-17a-106(3) required charter school funding to be allocated using the same method as school districts based on the prior year average daily membership (ADM) plus a growth factor based on the increase in October headcount in the current year as compared to the prior year. Instead of using the required method, the USOE allocated funds to charter schools based on the greater of prior year ADM (without a growth factor) or the current year October headcount.

We recalculated the fiscal year 2013 final allocation for the Grades K-12 Program funding for nine charter schools and determined that the schools were allocated \$747,920 or 3.8% more than if the allocation had been done in accordance with the law. The total amount allocated to charter schools for the Grades K-12 Program in fiscal year 2013 was \$137,847,954; therefore, we estimated that the total amount of excess allocation to all charter schools for the Grades K-12 Program in fiscal year 2013 was \$5.3 million. If funds had been allocated to charter schools in compliance with the law in effect at that time, a lower budget projection for fiscal year 2015 would also have resulted. However, during the 2013 Legislative General Session, the USOE worked with the Legislature on SB 272 – Public School Funding Amendments – the passage of which amended *Utah Code* 53A-1a-513 to reflect the actual methods used by the USOE to allocate charter school Grades K-12 Program funding. As such, there is no longer an inconsistency between the USOE’s methodologies and the statute.

Recommendation:

Because the charter school Grades K-12 Program allocation methodologies were amended in the 2013 Legislative General Session to reflect actual methods used by the USOE, no recommendation is deemed necessary.