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Career Ladder Program Audit Report
East Valley Institute of Technology
Fiscal Years 2005, 2006 and 2007

Report Number 08-06

Report Date: May 15, 2008

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Tom Horne
Superintendent of
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May 15, 2008

Governing Board
East Valley Institute of Technology
1601 W. Main Street
Mesa, AZ 85201

Dear Members of the Board and Superintendent:

The Arizona Department of Education Audit Unit has conducted an audit of EVIT's Career Ladder Program for Fiscal Years 2005, 2006 and 2007. The purpose of the audit was to determine whether the School was appropriately utilizing its Career Ladder funds and ensuring that its Career Ladder Program was in compliance with Arizona Revised Statutes and State Board of Education requirements.

The audit found that EVIT inappropriately expended Career Ladder funds for non-Career Ladder related expenses; did not appropriately and consistently conduct its Career Ladder teacher placement; and needs to return $1,049,830 in Career Ladder Funding that ADE mistakenly distributed to EVIT in Fiscal Years 2005 and 2006.

The audit becomes final 30 days after issuance, unless the District files an appeal. Appendix A in the report provides rules governing the appeals process.

We appreciate the excellent cooperation and assistance provided by the Superintendent and staff during the course of the audit. My staff and I will be pleased to discuss or clarify items in the report.

Sincerely,

Arthur E. Heikkila
Chief Auditor

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INTRODUCTION AND BACKGROUND

The Arizona Department of Education (ADE) has conducted an audit of the East Valley Institute of Technology (EVIT) Career Ladder Program, pursuant to the provisions of Arizona Revised Statutes (A.R.S.) §§15-915, 15-918, 15-919, 15-920 and State Board Requirements. This audit focused on whether EVIT was appropriately utilizing its Career Ladder funds and ensuring its Career Ladder Program was in compliance with Arizona Revised Statutes and State Board of Education requirements.

Overview of Arizona's Career Ladder Program

Arizona's Career Ladder Program is a performance-based compensation program that allows Arizona's school districts to provide financial incentives to teachers who make career advancements without leaving either the classroom or the teaching profession. The Career Ladder Program is intended to promote the professional development of teachers by financially compensating them according to their attainment of certain skills and demonstrated student academic progress, rather than advancing only based on a salary schedule according to seniority and educational credits.

The Legislature created the Career Ladder Program in 1984. A.R.S. §15-918 defines a district's Career Ladder Program as one that:

- Establishes a multi-level system of teaching positions.
- Provides opportunities to teachers for continued professional advancement.
- Requires at least improved or advanced teaching skill for advancement to a higher level and other components, such as additional higher level instructional responsibilities and demonstration of pupil academic progress.
- Uses a performance based compensation system to reward teachers who improve their teaching skills.

Career Ladder Program under State Board of Education—Statutes provide The State Board of Education authority to approve and oversee the Career Ladder programs. The Board approves annual district applications to participate in the Career Ladder Program, and also provides additional Career Ladder Program requirements. For example, the Board has stated that districts may spend Career Ladder Program monies only on expenses directly related to their Career Ladder Program, including but not limited to: salaries and benefits for teachers in the Career Ladder Program, evaluation, training, program administration, supplies, and capital items. Further, districts are prohibited from using their Career Ladder Program monies for salary increases for teachers not in the Career Ladder Program or for other district expenditures not directly related to Career Ladder.

To participate in the Career Ladder Program, a district is required to develop a plan to guide Career Ladder. A district's plan must address the operation and specific needs for its program and it must annually submit its plan to the Career Ladder Advisory Committee (CLAC) for approval.

CLAC and ADE assist State Board—Statutes also created the CLAC, which is composed of 15 members from the educational, business, and the general community, to assist the Board with overseeing the Career Ladder program. CLAC is responsible for reviewing each district's annual career ladder plan to help ensure compliance with all statutory program requirements. In addition to reviewing each district's plan, CLAC also provides recommendations to the State Board regarding the implementation, operation, and monitoring of each district's Career Ladder Program. Further, the Arizona Department of Education's Highly Qualified Unit provides oversight and technical assistance to the districts participating in the Career Ladder Program.

Career Ladder funding—The Career Ladder Program is funded by state monies. In FY2007, the state allocated approximately $39.2 million to 28 participating districts statewide. Statutes provide the method for funding Career Ladder Programs. The funding method increases schools' base level amount by up to 5.5%. The percentage increase varies depending upon the number of schools within a district participating in Career Ladder.

EVIT's Career Ladder Program

The East Valley Institution of Technology (EVIT), which began operating in August 1991, is a Joint Technical Education District (JTED) located in Mesa that provides vocational education for high school students ranging from 10th through 12th grades. EVIT's students come from ten participating school districts (see page 19 for list of districts). EVIT offers a variety of vocational programs, including cosmetology, nursing, and automotive technology.

EVIT began participating in the Career Ladder Program in FY1994 and over the last three fiscal years, has received an average of $1.3 million annually in state funds for its Career Ladder Program. EVIT has allocated over half of this amount to salaries for its teachers who participate in the Career Ladder Program as compensation for their participation and additional work. The remainder of the District's Career Ladder Program expenditures was spent for non-salary items directly related to a teacher's participation in Career Ladder, such as professional development expenditures. Of EVIT's 64 eligible employees in FY2007, 56 of them participated in the Career Ladder Program. According to EVIT's records, the teachers and other staff participating in EVIT's Career Ladder Program generally choose to remain in the Career Ladder Program.

Similar to other districts participating in the Career Ladder Program, EVIT follows an annual review process prescribed by the State Board and CLAC. Specifically, EVIT has annually submitted its Career Ladder Program plan to both the State Board and CLAC for their review and the Board's approval. Additionally, EVIT has implemented an annual review process to review and evaluate its teachers participating in the Career Ladder Program to determine what

level and additional compensation they should receive. For example, according to EVIT's Career Ladder Program Handbook, participating teachers are required to be evaluated yearly. Table 1 lists pertinent EVIT Career Ladder Program information.

Table 1

East Valley Institute of Technology
Career Ladder Program
Staff, Budget, and Expenditures
Fiscal Years 2005 through 2007

	FY2005	FY2006	FY2007
Staff			
Eligible Staff	72	66	64
Participating Staff	56	53	56
Participation Percentage	**77.78%**	**80.30%**	**87.50%**
State Funding Provided	**$1,192,739**	**$1,575,003**	**$1,114,718**
Beginning Budget	**$1,293,209**	**$1,632,239**	**$1,096,534**
Expenditures			
Career Ladder Non-Salary Expenditures	$ 114,959	$ 127,010	$ 9,156
Career Ladder Salary Expenditures	806,587	891,437	724,633
Passed Through to Member Districts	313,661	537,123	324,305
Total Expenditures	**$1,235,207**	**$1,555,570**	**$1,058,094**
Balance Retained	**$58,002**	**$76,669**	**$38,440**

Source: EVIT Budget and Expenditure Reports for FY2005, FY2006, and FY2007.

SCOPE AND METHODOLOGY

The audit reviewed whether EVIT's Career Ladder Program was in compliance with statutory, State Board, and Handbook requirements for FY2005, FY2006, and FY2007. The audit addressed whether expenditures were appropriate, whether EVIT correctly followed the teacher placement process, whether EVIT received appropriate funding, and whether ADE is providing sufficient direction to Career Ladder programs. In addition, missing records significantly impacted auditors' ability to assess teacher placement, and assess the validity of some expenditures.

- **Expenditures**—To determine whether EVIT appropriately spent Career Ladder funding, auditors reviewed all of the District's Career Ladder transactions for both salary and non-salary expenditures in FY2005, FY2006, and FY2007. Auditors obtained EVIT's expenditure reports and supporting documentation, such as purchase orders and invoices and determined if the expenditures were appropriate for the Career Ladder Program. Auditors also consulted staff from ADE's Highly Qualified Unit, who provided assistance in determining if the expenditures should have been made using Career Ladder funds.

- **Process**—To determine whether EVIT followed state as well as District requirements for placing and maintaining teachers at the specified levels in the Career Ladder Program, auditors reviewed applicable statutes, the State Board of Education requirements pertaining to teacher placement, and EVIT's Career Ladder Handbook and compared them to EVIT's practices. Auditors also interviewed EVIT staff members, including instructors, counselors, and administrators to gain an understanding of the processes used in evaluating and placing teachers into a specific level within the Career Ladder program. Additionally, auditors reviewed EVIT's evaluations and other Career Ladder Program documentation that were used to determine teachers' Career Ladder placement to verify that all requirements were met for the level each teacher was placed at. Finally, auditors verified the accuracy of calculations that were made in the evaluation process.

- **Funding**—To determine whether EVIT received the correct amount of Career Ladder Program funding, auditors reviewed ADE's calculations that determined the amount of Career Ladder Program funding EVIT received for FY2005, FY2006, and FY2007. Auditors also reviewed documentation and conducted interviews with ADE management and staff regarding EVIT Career Ladder funding.

- **Oversight**—To determine whether ADE provided sufficient direction to Career Ladder districts, auditors interviewed ADE's Highly Qualified Unit management and staff, and also reviewed existing guidance provided by ADE to the districts with Career Ladder Programs.

- **Missing Records**—Missing or incomplete records critical to documenting EVIT's Career Ladder teacher placement were identified for each of the fiscal years audited. EVIT could not provide any documentation to support FY2005 Career Ladder decisions regarding teacher placement. Information such as evaluations and teacher portfolios, the primary basis of

evaluation, were missing. For FY2006, only 4 of 53 teacher evaluations were available. For FY2007, some of the portfolios were missing one or more of the required components.

The Audit Unit expresses its appreciation to the East Valley Institute of Technology Superintendent and staff members as well as management and staff from the Arizona Department of Education for their cooperation and assistance throughout the audit.

FINDING 1: EVIT INAPPROPRIATELY SPENT APPROXIMATELY$152,000 OF ITS CAREER LADDER FUNDS

The audit found that EVIT inappropriately spent $151,959.56 of its Career Ladder funding for FY2005, FY2006, and FY2007. Specifically, EVIT inappropriately spent $128,981.56 on non-salary expenditures and $22,978.00 on salary expenditures. EVIT should ensure that it follows statutory, State Board and EVIT's Handbook requirements for the Career Ladder Program expenditures. In addition, EVIT needs to recode the inappropriately spent monies, making them Maintenance and Operations expenditures, and putting these monies back into its Career Ladder fund. Further, ADE should develop and provide additional guidelines to assist District compliance with Career Ladder requirements.

Many Non-Salary Expenditures Inappropriate

Auditors found that EVIT improperly spent a total of $128,981.56 on non-salary expenditures that were not appropriate for the Career Ladder program for FY2005, FY2006, and FY2007. These inappropriate expenditures included, for example, travel, training, website licenses and special projects. As shown in Table 2 (see page 8), auditors found that EVIT inappropriately spent $64,911.89 in FY2005, $63,492.61 in FY2006, and $577.06 in FY2007.

Inappropriate travel, training, website and other expenditures—EVIT inappropriately spent Career Ladder monies on a variety of non-salary purchases. Auditors used statutes and State Board requirements to determine expenditure appropriateness. Before making a final determination on expenditures, auditors had ADE's Highly Qualified Unit management and staff performed a further review of the expenditures to ensure accuracy. Auditors also met with EVIT management to obtain their input and justification for the expenditures. The auditors concluded that EVIT inappropriately spent $128,981.56 for non-salary expenditures during the three fiscal years. For example,

- EVIT inappropriately spent $10,798.26 of its Career Ladder funds for teachers' travel expenditures to student competitions. Auditors identified nine inappropriate transactions for FY2005 totaling $6,124.26 and six inappropriate transactions for FY2006 totaling $4,674.00. However, EVIT should not have used Career Ladder funds for any of these expenditures because the teachers' primary purpose on this type of trip was to supervise the students. Although Career Ladder professional development opportunities were available at the

student competitions, most of the teachers interviewed did not attend workshops and if they did, they could not document their attendance. Further, this professional development would have needed to be part of the approved teacher's development plan.[1]

- EVIT inappropriately spent $6,972.51 on 11 transactions for teachers that were not participating in the Career Ladder program. These transactions included travel expenditures, dues and fees, and professional services. However, State Board Requirements do not allow districts to use their Career Ladder funds for teachers not in the Program.

- EVIT inappropriately spent $2,954 of its Career Ladder monies in FY2005 and FY2006 for Structured English Immersion (SEI) Training. However, this training is mandatory for all classroom teachers and administrators statewide.

- EVIT inappropriately spent $2,377.73 on software and site licenses to benefit students instead of teachers. Specifically, in FY2005 and FY2007, EVIT used Career Ladder funds to pay for website expenses such as software and a Career Cruising site license to help improve career guidance for students. However, because these items were not intended to improve Career Ladder teachers' professional development, EVIT should not have purchased them with Career Ladder funds.

Inappropriate special projects expenditures—EVIT inappropriately made 56 transactions totaling $90,199.70 for expenditures related to 31 special projects. Much of the expenditures were for supplies used in the classroom, and were not specific to the Career Ladder Program. In addition, in many cases, EVIT did not follow its own application and approval process.

The *FY2005 EVIT Handbook* had a provision for special projects that allowed EVIT to pay for certain special projects with Career Ladder funding. According to the Handbook, the purpose of such special projects was to facilitate pupil progress and increase students' academic and technical understanding. However, the Handbook required such projects to be directly related to program-related competencies and the outcome must show student gains. Teachers were to apply for the funding of the supplies for the special project by submitting a proposal to their supervisor and EVIT's Career Ladder Steering Committee for approval.

Auditors found 56 special projects invoices for items that should not have been paid for with Career Ladder monies because they were either required for the teacher's class or included no specific provisions for a project. For example:

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[1] EVIT also lacked supporting documentation for travel invoices related to these trips. Specifically, auditors identified two transactions that totaled $4,487 in FY2005 that EVIT was not able to provide any supporting documentation. While EVIT's expenditure report indicated that the transactions were for the travel expenditures for a student competition, EVIT should have retained documentation associated with these expenditures.

- Green Douglas Firs $8,032.85
- Olympian Manikin $2,649.59
- Floor Finish, Super Strip $3,290.93
- Pigskin Firewall Glove $3,572.95
- Culinary Rubber Glove $9,698.94
- Polo Shirts for Law Enforcement $1,367.86
- Dial Thermometers $2,015.84

Further, EVIT did not always adhere to the special projects requirements as outlined in its Handbook. These requirements were designed to help ensure that proposed special projects and expenditures were appropriate and included review and sign-off provisions. Auditors, however, found many instances of non-compliance with the procedures. For example:

- EVIT's Handbook requires that each special project proposal include a cover page to document designated review and approval. However, auditors identified 14 of the 31 special project proposals that were missing the required cover page.

- Only 10 of 31 special projects included the required signature of the teacher's supervisors.

- None of the 31 special project proposals included the required signature from EVIT's Steering Committee indicating approval of the project.

Table 2 lists inappropriate Career Ladder non-salary expenditures for the three fiscal years audited.

Table 2

East Valley Institute of Technology
Inappropriate Career Ladder Non-Salary Expenditures
Fiscal Years 2005 through 2007

Description	FY2005	FY2006	FY2007	Total
Other Professional Services	$ 0.00	$ 1,295.00	$ 0.00	$ 1,295.00
Software Licenses & Maintenance	565.00	1,240.73	565.00	2,370.73
Printing and Binding	74.00	0.00	0.00	74.00
Travel	8,584.26	9,162.75	0.00	17,747.01
General Supplies	55,313.63	46,059.13	12.06	101,384.82
Dues and Fees	375.00	5,735.00	0.00	6,110.00
Professional Education Services	0.00	0.00	0.00	0.00
Totals	$64,911.89	$63,492.61	$ 577.06	$128,981.56

Source: District's expenditure reports and Career Ladder records.

Some Teacher Salary Expenditures Inappropriate

In addition to inappropriate non-salary expenditures, EVIT improperly expended some Career Ladder teacher salary monies. The audit identified a total of $22,978.00 in inappropriate

expenditures from FY2005 and FY2006 for teachers who were either not in the Career Ladder Program at all or who were performing non-Career Ladder related responsibilities.

Inappropriate salary expenditures—Six EVIT employees that were not Career Ladder teachers were inappropriately paid a total of $8,228.00 out of Career Ladder funds in FY2005 and 2006. Also in FY2006, eight Career Ladder teachers were paid for duties and responsibilities that were not appropriate for the Career Ladder program. EVIT paid these teachers for curriculum development, which is a required part of a teacher's job duties. Since it is not considered professional development, EVIT should not have used Career Ladder funds to pay for it. Table 3 illustrates the improper salary expenditures.

Table 3

East Valley Institute of Technology
Inappropriate Salary Expenditures
Fiscal Years 2005 and 2006

FY2005			
Employees	**Paid For**	**Reason**	**Amount**
3	Stipend	Not CL Teacher	$226.00
3			$226.00
FY2006			
8	Curriculum	Curriculum	$14,750.00
1	Mentee Program	Not CL Teacher	$ 3,000.00
1	Mentor Program	Not CL Teacher	$ 3,002.00
1	Curriculum	Not CL Teacher	$ 2,000.00
11			$22,752.00

Source: District's expenditure reports and Career Ladder records.

Inappropriately exceeded incentive program expenditures—In addition to expending Career Ladder funds inappropriately, EVIT overspent its Additional Incentive Program budget. As outlined in the State Board Requirements, the Additional Incentive Program rewards EVIT's entire staff for meeting certain District-wide goals by distributing monies to all staff. Monies distributed by the program cannot exceed 20% of a District's total Career Ladder Budget without written justification in its proposed Career Ladder budget. However, EVIT had no written justification for the excess incentive expenditures in FY2006 (23.90%), or FY2007 (30.72%). Table 4 (see page 10) illustrates the excess Additional Incentive Program expenditures.

Table 4

East Valley Institute of Technology
Excess Additional Incentive Program Expenditures
Fiscal Years 2005 through 2007

	FY2005	FY2006	FY2007
Budget	$1,293,209.00	$1,632,239.07	$1,096,534.15
Less Tuition to Other Districts	($313,660.86)	($537,122.76)	($324,304.50)
Total Career Ladder Budget	$ 979,548.14	$1,095,116.31	$ 772,229.65
Additional Incentive	$0.00	$227,510.01	$203,176.00
Incentive Benefits	$0.00	$34,240.26	$34,031.98
Total	$0.00	$261,750.27	$237,207.98
Percentage	0.00%	23.90%	30.72%
Excess Percentage	0.00%	3.90%	10.72%
Excess Dollars Not Justified	$0.00	$42,709.54	$82,783.02

Source: District's Expenditure Reports for FY2005, FY2006, and FY2007.

EVIT Should Ensure That It Follows All Career Ladder Rules Regarding Expenditures

Because it is important that Career Ladder funds are used only for allowable purposes, EVIT should take further action to ensure that it follows all rules and guidelines related to the Career Ladder Program. Statutes, the State Board and EVIT's own Handbook provide guidelines that define allowable and prohibited expenditures. EVIT should ensure that it follows these guidelines. Specifically, EVIT should:

- Ensure Career Ladder monies are spent only on allowable non-salary and salary items, as required by the State Board.

- Ensure that the Career Ladder Steering Committee reviews and approves all teachers' applications for Career Ladder funding as outlined in the EVIT's Handbook.

- Maintain all supporting documentation such as purchase requests, purchase orders, and invoices for a minimum of four years.

To ensure that all state and EVIT guidelines for the Career Ladder Program are complied with, EVIT should again employ a Career Ladder Coordinator to administer its Career Ladder Program. This position could keep track of all Career Ladder Program requirements and help ensure that EVIT follows all requirements. Additionally, this position could serve as EVIT's liaison and Career Ladder Program contact person with ADE and could help ensure that EVIT receives technical assistance and clarification when necessary from ADE. EVIT previously employed Career Ladder Coordinators, but does not do so at this time. Finally, EVIT should ensure that it includes the required justification for its Additional Incentive Program.

EVIT Needs to Address Inappropriately Expended Career Ladder Funds

EVIT needs to address inappropriately expended Career Ladder monies. For the three fiscal years audited, this amount totals $151,959.56. EVIT needs to transfer the inappropriate expenditures from its Career Ladder fund to its Maintenance & Operations Fund. This will increase EVIT's Career Ladder fund balance by $151,959.56.

ADE's Highly Qualified Unit Needs to Provide Additional Guidance to Career Ladder Districts

Because it is important that school districts are aware of the specific requirements and allowable uses of Career Ladder monies, ADE's Highly Qualified Unit needs to improve its guidance to school districts that have Career Ladder Programs. Although some oversight and assistance is provided, more needs to be done to help ensure that participating Career Ladder districts comply with statutes and State Board requirements.

Some guidance to Career Ladder Districts—ADE's Highly Qualified Unit already performs some activities intended to assist the districts in implementing and maintaining their Career Ladder Programs. According to Highly Qualified Unit staff, the Unit:

- Reviews districts' Career Ladder applications and provides recommendations to the Career Ladder Advisory Committee and State Board for approval;
- Provides technical assistance to districts about Career Ladder Program implementation and operation on the telephone and by email; and
- Makes site visits to monitor and assist districts in appropriately administering their Career Ladder Program.

No formal ADE guidelines written or issued for Career Ladder Districts—Although the Highly Qualified Unit at ADE already provides some technical assistance to the districts and administers the program, it has not developed or issued any written or formal guidelines to ensure that districts comply with Career Ladder Program requirements.[2] Formal written guidelines distributed to participating Career Ladder districts could help ensure compliance. However, without receiving written or formalized guidance from ADE, the districts have only limited guidance to rely on when implementing and operating their Career Ladder Programs.

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[2] Although ADE's Highly Qualified Unit has not written or issued any guidelines for the Career Ladder Program, the State Board of Education has developed some requirements to serve as guidance for Career Ladder districts. According to the Highly Qualified Deputy Associate Superintendent (DAS), the guidelines are intended to help Career Ladder districts ensure that their programs are in line with statutes. The requirements address important aspects of districts' Career Ladder programs and include: elements of the structure of a district's Career Ladder Program, including criteria for placing a Career Ladder teacher at each level and for each step on a level; requirements for assessing students' progress as it applies to a teacher's advancement on the Career Ladder; conditions relating to giving Career Ladder teachers a salary increase based on their performance; and conditions relating to non-classroom instructional personnel who may be in the Career Ladder program.

Specifically:

- **Highly Qualified Unit has not developed any written guidelines**—The Highly Qualified Unit has not developed any written guidelines for Career Ladder districts. In addition, although the Highly Qualified Unit stated it has sent out emails in the past on various issues, they do not keep documentation of their correspondences with districts.

- **Guidelines needed to help ensure compliance**—As shown in this report's three findings, one Career Ladder district, EVIT, misspent approximately $152,000 in Career Ladder Funds, did not appropriately conduct teacher Career Ladder placement, and received excess Career Ladder funding. Guidelines need to be written to help ensure that participating districts receive appropriate and needed direction to properly conduct their Career Ladder program.

Additional review and oversight could increase program compliance—In addition to developing written guidelines, ADE's Highly Qualified Unit needs to increase site visits to ensure that districts are complying with program requirements. For example, expenditures could be reviewed for appropriateness, the teacher placement process could be reviewed to ensure that it meets statutory and State Board requirements, and teacher evaluations and portfolios could be reviewed to ensure compliance with the district's handbook.

Recommendations:

1. EVIT should ensure that funding from the Career Ladder Program is used only for allowable expenditures for both salary and non-salary items.

2. EVIT should consider employing a Career Ladder Coordinator to oversee its program and help ensure compliance with Statutory, State Board and EVIT requirements.

3. EVIT should ensure that it includes the required justification for its Additional Incentive Program.

4. EVIT needs to transfer the inappropriate expenditures from its Career Ladder Fund to its Maintenance & Operations Fund.

5. The State Board of Education and its Career Ladder Advisory Committee should direct ADE's Highly Qualified Unit to develop written guidelines to help participating Career Ladder districts comply with various statutory and other requirements, and also help improve the program's effectiveness.

6. ADE's Highly Qualified Unit needs to perform additional site visits to further ensure that districts are appropriately implementing the Career Ladder Program.

FINDING 2: TEACHER PLACEMENT IN CAREER LADDER QUESTIONABLE DUE TO NUMEROUS FLAWS FOUND IN THE PLACEMENT PROCESS

The audit found that EVIT's Career Ladder teacher placement process was flawed. Specifically, Career Ladder teacher placement was inconsistent and inappropriate in some instances, resulting in some teachers placed at the wrong level and receiving an incorrect amount of compensation. In addition, EVIT did not follow critical statutory requirements and its own procedures for teacher evaluations, and failed to follow its teacher appeals process in two instances. Further, vital information documenting teacher placement was missing entirely for FY2005 and in most cases for FY2006.

Flawed Implementation of Career Ladder Requirements Resulted in Some Inappropriate Teacher Placements

EVIT did not place some teachers in the Career Ladder Program at the appropriate level based on criteria such as years of experience, evaluation scores, and other factors. Auditors identified a total of 15 teachers that did not have the required number of Career Ladder teaching year's experience, two teachers that were placed at an incorrect level based on the evaluation score they should have received, and 15 instances where a teacher's salary was incorrectly reduced because of other factors.

Some teachers placed at levels inconsistent with their years of teaching experience— According to EVIT's Career Ladder Handbook, teachers must have the requisite teaching experience in the Career Ladder program to be placed at any level in the Career Ladder Program.

However, auditors found that some teachers were placed at higher levels without the required years of experience, and received higher compensation associated with the higher level. As shown in Table 5 (see page 14), auditors identified 13 teachers in FY2005 that EVIT placed at an inappropriately higher level than their years of experience allowed. The additional compensation these teachers received for FY2005 totaled $74,000 and for FY2006 totaled $6,000.

Because EVIT strengthened its placement process in FY2006, improper placement based on teacher experience decreased to only two teachers in FY2006. By FY2007, none of the teachers in Career Ladder were inappropriately placed based on years of experience. EVIT needs to continue to ensure that it follows its Handbook and places teachers at Career Ladder levels that are consistent with their years of teaching experience.

Table 5

East Valley Institute of Technology
Inappropriate Career Ladder Placement Based on Years of Experience
Fiscal Years 2005 and 2006

Level	Teachers per Level	Required Years of Experience	Actual Years of Experience	Total Excess Pay
FY2005				
2	2 teachers	3 years	2 years	$ 5,000
3	1 teacher	4 years	3 years	2,000
4	10 teachers	5 years	2-4 years	67,000
Total				**$74,000**
FY2006				
3	1 teacher	4 years	3 years	$2,000
4	1 teacher	5 years	3 years	4,000
Total				**$6,000**

Source: EVIT's Career Ladder records and expenditure reports for FY2005 and FY2006.

Some teachers placed at inappropriate levels due to inconsistent rounding of evaluation scores—A.R.S. §15-918.02 requires that districts implement "procedures for ensuring the fair and objective placement of teachers on the career ladder." This type of direction is critical in helping to ensure accurate and consistent scoring and subsequent placement. EVIT's Handbook, however, did not address whether or how evaluation scores should be rounded. As a result, EVIT's team leaders inconsistently determined some evaluation scores, and thus impacted teacher salaries. For example,

- One teacher's evaluation score was calculated as 3.53, but was rounded up to 3.6 by the team leader. This placed the teacher at the higher level 4, resulting in an additional $2,000 in salary.

- Two other teacher evaluations were calculated at 3.567, but were rounded down by their team leaders to 3.5, resulting in a level 3 placement.

- Another teacher received a score of 3.4 on the evaluation, and was placed by EVIT at a level 4, resulting in an additional $2,000 in salary.

EVIT's inconsistency with evaluation scores, rounding and the resultant Career Ladder placement may have been ameliorated with the adoption and use of State Board-mandated steps within each level. According to the State Board's Career Ladder requirements, each district must have "career levels and steps on those levels for horizontal movement", so that teachers can move to various steps within the levels. With steps within each level, EVIT could more precisely correlate evaluation scores and salaries. EVIT did include steps in its FY2005 Handbook, but did not utilize them for FY2006 and FY2007. To ensure compliance with the State Board requirements, EVIT should amend its Handbook to include steps within the Career Ladder levels.

Retention and enrollment factors were not applied consistently for all teachers—For FY2007, EVIT selected enrollment and retention as two additional factors to determine teachers' Career Ladder salary amount. According to EVIT's Handbook, it is required to reduce Career Ladder teachers' additional salary if their classroom enrollment and retention scores did not meet minimum standards set by EVIT. EVIT established a minimum requirement of at least a 70% retention rate and an enrollment of 42 students. Not meeting these standards should have resulted in Career Ladder salary reductions of 25% for each factor.

- **Retention**—Auditors identified instances where the teachers' retention rate factor was improperly calculated, resulting in inappropriate Career Ladder salary adjustments for 8 teachers. Specifically,

  - EVIT did not properly calculate the retention rate for all six teachers in the Cosmetology Department. EVIT incorrectly calculated their rate at 78.75%, whereas auditors determined it should have been 69.35%, which is below the 70% minimum requirement. However, none of the teachers' Career Ladder salaries were reduced.

  - Two other teachers' retention rates were incorrectly calculated at 69% and 68%; however, both of these numbers should have been 71.43%. As a result, both of these teachers had 25% of their Career Ladder salary incorrectly reduced.

  These errors resulted in a total of $10,500 overpaid to some teachers, while others were paid a total of $3,750 less than what they should have received based on proper application of the retention factor.

- **Enrollment**—The Career Ladder salary reduction for one teacher that did not meet the enrollment requirement was 33% instead of the 25% that should have been taken. As a result, this teacher received $750 less than he or she should have.

Flawed Implementation of Teacher Evaluation Process

EVIT did not always follow statutes and its own Handbook for its evaluation and appeals processes. Not following evaluation standards raises questions about the validity of teacher evaluations. In addition, EVIT did not follow the designated procedures for two teachers' appeals of evaluation scores.

Three significant problems placed teacher evaluation integrity at risk—Because the evaluation is such a critical component in the placement of teachers, it is important that there are, according to A.R.S. §15-918.02(A)(4)(d), "procedures for ensuring the fair and objective placement of teachers on the career ladder including the establishment of inter-rater reliability among persons responsible for determining placement." EVIT developed procedures in its Handbook to implement the law; however, those procedures were not followed. For example:

- **Only one evaluator used instead of the two required**—To implement this statutory mandate, EVIT developed a process stated in its Career Ladder handbook: "More than one

person is responsible for determining the placement of the teacher on the Career Ladder. Two evaluators make independent ratings on the EVIT Career Ladder Assessment Tool." This would help ensure that the score received by a teacher would be more objective than one evaluation. However, in practice, EVIT used only one evaluation to determine teacher placement each year instead of the two required by the Handbook.

- **Qualified evaluators not used**—According to the FY2006 and FY2007 EVIT Handbooks, "Career Ladder Evaluators must attain one of the two highest levels on the EVIT Career Ladder." In FY2006, members of the steering committee, who were also teachers with the appropriate high level in the career ladder program, were designated to perform the evaluations. They were also provided training for this purpose. However, according to EVIT officials, the trained evaluators were uncomfortable with evaluating their peers. Instead, team leads not in the Career Ladder program performed the Career Ladder teacher evaluations. This practice continued into FY2007 where non-career ladder team leads once again conducted the evaluations.

- **Required evaluator training not taken**—The FY2007 Handbook also requires that "ADA Qualified Evaluator training is a prerequisite to becoming a qualified Career Ladder evaluator." However, EVIT's team leads, who were the evaluators in FY2007, did not receive any training on how to perform evaluations prior to evaluating the teachers, even though such training was required by EVIT's Handbook. As a result, the Career Ladder teachers received evaluations from individuals who were not as familiar with the Career Ladder Program.

Appeals process not properly followed for two teachers—Two appeals were submitted by teachers, but were not conducted appropriately as required by EVIT's Handbook. According to A.R.S. §15-918.02(A)(4)(c) EVIT must have "an appeal process which includes both teachers and administrators to review situations in which teachers disagree with their placement." Additionally, the FY2006 EVIT Handbook states:

> "Career Ladder participants may file a placement appeal (in writing) to the Career Ladder Steering Committee by May 30. The entire Career Ladder Steering Committee and members of the Administrative Team will review appeals. A written response will be issued within three business days. The decision of the Career Ladder Steering Committee is final."

While there were some appeals submitted and heard through this process, auditors found two appeals that did not follow this process. The teachers appealed within the designated timeframe, submitting their written appeal on May 26th. However, neither of these appeals was heard by the Career Ladder Steering Committee, and the Steering Committee was not involved in the determination or the issuance of the written response as required by the Handbook. Instead, EVIT administrators handled the appeal. Further, instead of issuing the response within the mandatory three days, the responses were issued nine days later, six days beyond the Handbook requirement.

Teacher Evaluations and Portfolio Documentation Missing

Raising further questions about the integrity of Career Ladder teacher placement, auditors found that all of EVIT's documentation for the Career Ladder Program for FY2005 was missing; much of the documentation was missing for FY2006, as well as some of the elements of the required documentation for FY2007.

The two most important components of the Career Ladder Program are the evaluations and the teacher portfolios because they contain all the documentation of what the teacher has done throughout the year to meet the requirements for being placed at a specific level within the Program. It is important that EVIT's documentation is complete to provide support for decisions to place teachers at a particular level on the Career Ladder.

Retention of documents is important. In fact, EVIT's Career Ladder application states that EVIT will "maintain adequate documentation for audit and monitoring purposes." However, auditors found most documentation missing for two of the three fiscal years audited, and gaps in the information in the third year.

- FY2005—For FY2005, the evaluations as well as the portfolios were missing and could not be located by EVIT for all of the 56 teachers that participated in EVIT's Program that year.

- FY2006—For FY2006, EVIT could locate only 4 of the 53 teacher evaluations. However, teacher portfolios were on file for that year.

- FY2007—For FY2007, there was one missing evaluation of the 56 evaluations completed for the Career Ladder teachers. However, auditors identified 7 out of the 56 teacher portfolios that were missing at least one of the required documents. Further, in one case, auditors found evidence that a teacher did not complete one of the requirements for being placed at the program's highest level, but was placed at that level anyway.

EVIT should ensure that all of the decisions made for placing teachers at a particular level are clearly documented and that supporting documentation for the placement of all teachers in the program is complete.

Recommendations:

1. EVIT should ensure that it follows its Handbook and places teachers at Career Ladder levels that are consistent with their years of teaching experience.

2. EVIT should develop specific procedures to help ensure that all evaluation scores are rounded consistently.

3. To adhere to State Board Requirements, EVIT needs to develop and include Career Ladder Steps in its Handbook.

4. EVIT should ensure that it properly implements enrollment and retention factors according to guidelines from its Handbook.

5. EVIT needs to follow its teacher evaluation process by:

    a. Ensuring that two evaluations are given for each teacher;
    b. Appropriate Career Ladder teachers perform the evaluations; and
    c. Evaluators receive the mandated evaluation training.

6. EVIT needs to appropriately follow its appeals process for all teachers.

7. EVIT needs to secure and retain all Career Ladder placement documentation.

FINDING 3: ADE NEEDS TO RECOUP THE $1,049,830 IN CAREER LADDER OVERFUNDING EVIT RECEIVED

ADE needs to recover the total of $1,049,830 in Career Ladder overfunding that it mistakenly distributed to EVIT in fiscal years 2005 and 2006. The overfunding was discovered by ADE in FY2006, and ADE adjusted EVIT's FY2007 funding correctly. ADE, however, needs to recoup the excess Career Ladder monies that EVIT received for FY2005 and FY2006.

EVIT Retained Excess Career Ladder Funding Received

EVIT retained the excess Career Ladder funding that it received for FY2005 and FY2006. EVIT inappropriately received Career Ladder "pass-through" monies for nine of its member districts, even though as shown by Table 6, only 4 districts were eligible for the funds. Rather than return the excess funding to ADE, EVIT retained the excess funding provided for the five non-eligible districts.

Table 6

East Valley Institute of Technology
EVIT Member Districts
Career Ladder Funding Analysis
Fiscal Years 2005 and 2006

EVIT Member Districts	Career Ladder Participant	EVIT Received Career Ladder Funding	EVIT Passed-through Career Ladder Funding to Authorized Member District	EVIT Retained Career Ladder Funding for Non-Authorized Member District
Apache Junction Unified	Yes	Yes	Yes	
Chandler Unified	Yes	Yes	Yes	
Fountain Hills Unified	No	Yes	No	Yes
Gilbert Unified	No	Yes	No	Yes
Higley Unified	No	Yes	No	Yes
Mesa Unified	Yes	Yes	Yes	
Queen Creek Unified	No	Yes	No	Yes
Scottsdale Unified	Yes	Yes	Yes	
Tempe Union High	No	Yes	No	Yes
J. O. Combs	No	No	No	

Source: ADE School Finance and EVIT Career Ladder records.

EVIT receives Career Ladder funding for its own program and for its satellite schools operating in its member districts that participate in the Career Ladder Program. EVIT's Inter-governmental agreements with the member districts provide for the member districts' Career Ladder funds and ADM payments for their satellite schools to pass through EVIT to the member districts. EVIT made its monthly accounting transactions to appropriately distribute ADM and Career Ladder funds to the four participating member districts.

However, EVIT did not include Career Ladder funds when distributing monies to the five non-participating districts, because EVIT was aware those member districts were not participating in the Career Ladder program. EVIT distributed the ADM monies to those five districts, and retained the excess Career Ladder funding. EVIT should have informed ADE of this situation and returned the excess funding.

Excess Funding Due to ADE Mistakenly Including All EVIT Member Districts in Its Career Ladder Funding Calculation

EVIT's Career Ladder funding should have been adjusted downward by ADE in fiscal years 2005 and 2006. Statutes require downward adjustments if all of the schools in a district do not participate in Career Ladder. However, when ADE performed its Career Ladder funding calculations, it mistakenly included all EVIT member districts, and subsequently distributed Career Ladder funds to EVIT for all its member districts.

Statutes require Career Ladder funding reduction if all schools do not participate—For districts that do not have all schools participating in the Career Ladder program, statutes require the funding be reduced proportionally by ADE based on the ratio of student count in participating schools to the district's count as a whole. A.R.S. §15-918.04 states that districts that implement the Career Ladder program in all of their schools may have their base level funding increased up to a maximum of 5.5%. The percentage increase in the base level amount is multiplied by the student count and other factors that are in the calculation of basic state aid to determine the amount of Career Ladder funding for each district. However, A.R.S. §15-918.04(B) states that if fewer than all of the schools in a district implement a Career Ladder Program, then the percentage increase in the district's base level funding should be reduced by an amount based on the ratio of the student count in the career ladder schools to the student count of the school district as a whole.

ADE overfunded EVIT's Career Ladder Program—ADE mistakenly calculated EVIT's funding to include all member districts. Thus, when making the EVIT funding calculations for FY2005 and FY2006, ADE did not reduce the percentage given for Career Ladder funding when all member districts do not participate. ADE used the 5.5% maximum multiplier in its calculations, whereas it should have used 3.3% in FY2005, and 3.5% in FY2006. These smaller multipliers are a result of reducing the 5.5% maximum multiplier proportionately downward to reflect participating Career Ladder district reported ADM verses total district ADM. For example in FY2005, participating Career Ladder districts represented 60.57% of the total member district ADM. Therefore, EVIT's funding multiplier should have been 60.57% of the statutory 5.5% maximum, or 3.3%. As a result, ADE overfunded EVIT's Career Ladder Program by $1,049,830

for the two fiscal years. ADE recognized the calculation error in FY2006, and properly calculated EVIT's FY2007 funding. Table 7 illustrates the ADM percentage, the corrected calculations for the two fiscal years, and the amounts overpaid by ADE. To ensure that this situation does not occur again, ADE needs to establish and document appropriate procedures to ensure that Career Ladder funding is properly calculated and distributed.

Table 7

East Valley Institute of Technology
Excess Funding Received for Career Ladder
Fiscal Years 2005 and 2006

	FY2005	FY2006
Career Ladder Districts ADM	3,021.6	4,044.3
Total Districts ADM	4,988.3	6,360.9
Percentage of Career Ladder District ADM to the Total District ADM	60.57%	63.58%
Funding Level Provided by ADE	5.50%	5.50%
Corrected Funding Level Percentage	3.33%	3.50%
Career Ladder Funding provided by ADE	$1,192,739	$1,575,003
Career Ladder Funding that should have been provided	$715,628	$1,002,283
Excess Funding Received	**$477,110**	**$572,720**

Source: SAIS ADMS45-1 reports for FY2005 and FY2006 as of February 13, 2008.

ADE Needs to Recover the Overpaid Funds

EVIT was overfunded a total of $1,049,830 for FY2005 and FY2006 and ADE needs to recover the excess funding. EVIT retained the funding and used it partially for its own Career Ladder Program. During those same two fiscal years, auditors found that EVIT inappropriately expended approximately $152,000 in Career Ladder funds that did not qualify as Career Ladder expenditures (see Finding 1, pages 6 through 12). In addition, other Career Ladder monies were not appropriately expended due to improper teacher placement (see Finding 2, pages 13 through 18). A.R.S. §15-915 allows ADE to recoup miscalculated funds, and provide several alternatives for repayment. ADE needs to recover the excess funding provided to EVIT.

Recommendations:

1. ADE needs to establish and document appropriate procedures to ensure that Career Ladder funding is properly calculated and distributed.

2. ADE needs to recover the excess funding of $1,049,830 distributed to EVIT in FY2005 and FY2006.

Appendix A:

State Rules For Appealing Audits

The audit determination pursuant to A.R.S. §15-915 is an agency action to which you can file an appeal. The audit report and letter, along with this information, serves as notice of your appeal rights under §41-1092.04. Your right to a hearing and right to an informal settlement conference are described below in detail per Arizona Revised Statutes.

A.R.S. §41-1092.03. Notice of appealable agency action; hearing; informal settlement conference; applicability

A. An agency shall serve notice of an appealable agency action pursuant to section 41-1092.04. The notice shall identify the statute or rule that is alleged to have been violated or on which the action is based and shall include a description of the party's right to request a hearing on an appealable agency action and to request an informal settlement conference pursuant to section 41-1092.06.

B. A party may obtain a hearing on an appealable agency action by filing a notice of appeal with the agency within thirty days after receiving the notice prescribed in subsection A of this section. The notice may be filed by a party whose legal rights, duties or privileges were determined by the appealable agency action. A notice of appeal also may be filed by a party who will be adversely affected by the appealable agency action and who exercised any right to comment on the action provided by law or rule, provided that the grounds for appeal are limited to issues raised in that party's comments. The notice of appeal shall identify the party, the party's address, the agency and the action being appealed and shall contain a concise statement of the reasons for the appeal. The agency shall notify the office of the appeal and the office shall schedule a hearing pursuant to section 41-1092.05, except as provided in section 41-1092.01, subsection F.

C. If good cause is shown an agency head may accept an appeal that is not filed in a timely manner.

A.R.S. §41-1092.06. Appeals of agency actions; informal settlement conferences; applicability

A. If requested by the appellant of an appealable agency action, the agency shall hold an informal settlement conference within fifteen days after receiving the request. A request for an informal settlement conference shall be in writing and shall be filed with the agency no later than twenty days before the hearing. If an informal settlement conference is requested, the agency shall notify the office of the request and the outcome of the conference, except as provided in section 41-1092.01, subsection F. The request for an informal settlement conference does not toll the sixty day period in which the administrative hearing is to be held pursuant to section 41-1092.05.

B. If an informal settlement conference is held, a person with the authority to act on behalf of the agency must represent the agency at the conference. The agency representative shall notify the appellant in writing that statements, either written or oral, made by the appellant at the conference, including a written document, created or expressed solely for the purpose of settlement negotiations are inadmissible in any subsequent administrative hearing. The parties participating in the settlement conference shall waive their right to object to the participation of the agency representative in the final administrative decision.

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