

Audit calls for more staff for voucher program

By: Dillon Rosenblatt | April 13, 2020



An audit into the state's Empowerment Scholarship Accounts program management shows that the Arizona Department of Education needs 21 full-time employees in order to run it smoothly.

The audit covered fiscal-year 2018 through fiscal-year 2020 and focused on how money was spent and how employees operated when dealing with parents. Auditors also looked into the January "data breach" of ESA families' information provided to Arizona Capitol Times and other media.

Additionally, the Arizona Department of Education spent money that was supposed to be allocated for program-related costs on staffing, auditors said.

The Joint Legislative Audit Committee asked for the audit in October after several parents complained about wait times and missed deadlines in the ESA program. Rep. Kelly Townsend, R-Mesa first requested the audit in late August in response to a series of accusations that the Department of Education was trying to undermine the state's ESA program through mismanagement and administrative bureaucracy.

Not every member of the JLAC was on board, but the audit continued anyway.

The audit found parents dealt with an average wait time of 24 minutes on the phone before being helped, and that it took the department roughly five workdays to respond via email. Still, department officials "provided some customers with poor-quality information," the audit states.

The Arizona Department of Education also missed its 45-day deadline to accept or reject ESA applications on average 55 percent of the time between July 2017 and October 2019. The department's inability to meet that statutory requirement resulted in one parent missing out on a full quarter of the program, or about \$1,500, for example. Another parent was not able to pay for their child's private school tuition with the program money and, once those funds were approved,



Kathy Hoffman

could not reimburse themselves.

The auditor general sent the department recommendations on how to appropriately improve administering the program, and the department said it would work on implementing those changes.

The auditors found the department would need 21 full-time employees in the ESA division to complete all necessary tasks for fiscal-year 2021. Those positions will be made up of one program director, an auditor, an administrative assistant, three managers, and 15 positions assigned to performing key tasks. Still, the auditors said the department should be able to afford those new positions with the annual funds the program receives from the Legislature already, in addition to the \$800,000 in new

funding written in Sen. Sylvia Allen's SB 1224. It currently has 13 employees and would need to hire an additional eight.

A 2016 audit of the ESA program warned the department about training employees on how to properly redact records, and the new audit says they made progress but problems still persist.

Capitol Times received records pertaining to ESA account balances in January that were improperly redacted, making it easy to see what was supposed to be hidden. Improper redactions were also a feature of former Republican Superintendent of Public Instruction Diane Douglas' administration, the audit notes.

"As of our 24-month followup, the Department had yet to fully implement our recommendation to develop and implement policies and procedures for safeguarding sensitive and personally identifiable information," it reads.

In its response, the department said it has already begun to implement new safeguards to protect the private information in public records requests, including a "peer review process."

The auditors recommended implementing a system to properly redact records without giving away private information and a secondary review of all records before they go out. Additionally, auditors said the department should institute a tracking system so records are fulfilled in a timely manner.

The audit also hits on account holders misspending ESA funds, but points to the transition into ClassWallet as a solution to most, if not all, of the misspending.

ClassWallet is being used to help provide oversight of how parents spend money in their ESA accounts in real time, and could reduce the administrative burden of auditing ESA expenses. Under the previous system, which used debit cards through Bank of America, there was a higher risk for fraud and misspending whether families meant to or not.

"The Department's inadequate oversight of Program debit cards had allowed misspending to occur, including nearly 900 successful transactions at unapproved merchants totaling more than \$700,000," the audit found.

The department is still conducting its own audit into misspending that will be complete sometime this month.

While auditors said the department was not able to catch all of the misspending, they pointed to the transition to ClassWallet as a good solution, when that transition is complete.

"Department's implementation of ClassWallet could alleviate misspending and expense report review issues, but its time frame for full implementation is unclear."



Diane Douglas

In its response letter, the department said roughly half of the accounts have been transitioned into ClassWallet and the rest will transition over in the coming months, but noted that the Board of Education took on additional oversight responsibilities under Allen's bill.

In its response to auditors, the department pointed to administrative problems early in Superintendent of Public Instruction Kathy Hoffman's tenure, as well as incompetence in the prior administration, as explanations for the audit's findings.

"In the early weeks of Superintendent Hoffman's administration, the ESA program director resigned – leaving a leadership vacuum that the Department rapidly filled with an experienced director who had previously led the program," Hoffman's new chief of staff Claudio Coria wrote. "The new administration also quickly discovered the impact a lack of leadership by the previous administration, a history of erratic policy changes, and underfunding of the program's administration had on the Department's ability to serve the families relying on the ESA program for their children's education."

The Arizona Department of Education blamed the Legislature again for not providing it with the necessary funding allowed (though the department is eligible to keep 4 percent of the program's funds for administration, lawmakers have only allowed it to keep 1.5 percent).







The Department of Education also noted that upon Hoffman's arrival, the department had 37,000 expense reports that were not reviewed by Diane Douglas or her team. But beneath the excuses and reasoning for why it feels the program was not run at its best, the department agreed to follow through with the auditor general's recommendations.

"The recommendations made in this report will be implemented with fidelity to the extent possible given legislative changes and the transition to a new system for financial transactions," the response stated.

Editor's note: This story has been corrected to clarify the program does not need to hire 21 additional employees but have 21 total employees. It would need to add eight to reach 21.

Issue:

ARIZONA AUDITOR GENERAL	ARIZONA DEPARTMENT OF EDUCATION	BOARD OF EDUCATION	CLASSWALLET	CLAUDIO CORIA	DIANE DOUGLAS
EMPOWERMENT SCHOLARSHIP ACCOUNT	JOINT LEGISLATIVE AUDIT COMMITTEE	KATHY HOFFMAN			

			
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