

ASD INTERNAL AUDIT REPORT

ASD 2025-01

Correspondence Allotment Spending Audit

Anchorage School District

May 27, 2025

MUNICIPALITY OF ANCHORAGE
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MUNICIPALITY OF ANCHORAGE
MAYOR SUZANNE LAFRANCE

OFFICE OF INTERNAL AUDIT

May 27, 2025

Anchorage School District Superintendent and Members of the School Board:

I am pleased to present for your review **ASD Internal Audit Report 2025-01, Correspondence Allotment Spending Audit, Anchorage School District**. A summary of the report is presented below.

We have completed an audit of the Anchorage School District's, Correspondence Allotment Spending Audit. The objective of this audit was to determine if the Anchorage School District properly monitors and accounts for correspondence allotment spending. To achieve our objective, we selected and reviewed reimbursed allotment spending to ensure that the spending complied with the applicable Correspondence Program State Regulations and Anchorage School District policies. In addition, we visited the three correspondence schools and interviewed staff to understand the school's correspondence spending process and reviewed the higher dollar purchases for each correspondence school.

Our audit found that the Anchorage School District's controls over correspondence allotment spending needs improvements. Specifically, we identified some inconsistent practices in reimbursing educational expenses among the correspondence schools and multiple purchases that appeared to include curriculum that was purchased from religious organizations with student allotment funds. In addition, we identified some instances where reimbursements appeared excessive and did not always appear to serve the public's interest. Moreover, our review revealed the correspondence schools did not require non-consumable materials to be returned to the Anchorage School District when students withdrew from the program. Furthermore, we identified correspondence school purchase request procedures were not always followed. Finally, we found there were no clear guidelines to define core course requirements. As a result, it was difficult to determine if academic goals were being met.

There were six findings in connection with this audit. Management was responsive to the findings and recommendations.

Alden P. Thern
Director, Internal Audit



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Internal Audit Report 2025-01
Correspondence Allotment Spending Audit
Anchorage School District

Introduction. The Anchorage School District (District) participates in the State of Alaska (State) Correspondence School Allotment Program (Program) by supporting three schools that provide correspondence learning. The District's first correspondence school, Family Partnership Correspondence School, began in 1997 with the objective to "provide a parent-driven and student-centered program that sets and achieves goals for academic performance." As of November 2024, the three correspondence schools had over 2,000 enrolled, offering those students a homeschool style of learning by providing student allotment funds to cover qualifying education related expenses such as textbooks, school supplies, instructional services, and technology. State funding for the correspondence schools is based on a specific formula that accounts for the average enrollment and base student allocation to determine the amount of funding each correspondence school receives. Once the funding amount is determined, the individual correspondence schools then decide how much to provide for the student allotment amounts. The student allotment amount can vary depending on the student's grade level and the correspondence school, with amounts ranging from \$2,100 to \$4,000 for elementary students, to \$2,600 to \$4,500 for high school students. Upon enrollment into a correspondence school, each student is assigned a certified teacher who works with the parent or guardian to create the student's individual learning plan (ILP), including selecting curriculum and budgeting the student allotment funds for the school year. Parents or guardians can utilize the student allotment funds by completing a reimbursement or requisition request that directly ties to the students' ILP. The reimbursement process includes the parent or guardian paying for the approved school materials and then requesting to be reimbursed by the District. The requisition process includes the correspondence schools working with the Districts Purchasing (Purchasing) department to create a purchase order to buy the materials from approved education vendors. Both the reimbursement and requisition requests are reviewed and approved by the Districts Accounting (Accounting) department prior to payment.

For the audit period of July 1, 2023, to June 30, 2024, the District reimbursed a total of \$2,628,520

between the three correspondence schools and \$2,997,808 for requisition requests, for a combined total of \$5,626,328 that was paid to cover student allotment funds for the over 2,000 students enrolled in the program.

Objective and Scope. The objective of this audit was to determine if the District properly monitors and accounts for correspondence allotment spending. To achieve our objective, we selected and reviewed reimbursed allotment spending to ensure that the spending complied with the applicable Correspondence Program State Regulations (Regulations) and District policies (Policies). In addition, we visited the three correspondence schools and interviewed staff to understand the schools' correspondence spending process and reviewed the higher dollar purchases for each correspondence school.

We conducted this performance audit in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The audit was requested by the Anchorage School Board Finance Committee.

Overall Evaluation. Our audit found that the District's controls over correspondence allotment spending needs improvements. Specifically, we identified some inconsistent practices in reimbursing educational expenses among the correspondence schools and multiple purchases that appeared to include curriculum that was purchased from religious organizations with student allotment funds. In addition, we identified some instances where reimbursements appeared excessive and did not always appear to serve the public's interest. Moreover, our review revealed the correspondence schools did not require non-consumable materials to be returned to the District when students withdrew from the program. Furthermore, we identified correspondence school purchase request procedures were not always followed. Finally, we found there were no clear guidelines to define core course requirements. As a result, it was difficult to determine if academic goals were being met.

FINDINGS AND RECOMMENDATIONS

1. Inconsistent Practices Among Correspondence Schools.

- a. **Finding.** We identified some inconsistent practices in reimbursing educational expenses among the correspondence schools. Specifically, we found the following:

- ***Reimbursement Practices for Technology Purchases Were Not Consistent***
Reimbursement practices for technology purchases were not consistent between the correspondence schools. For example, one correspondence school offered a reimbursement amount of \$500 once every three years for computers, while a different correspondence school offered a reimbursement amount of \$1,500 once every three years. As a result, the correspondence school that offered the \$1,500 in technology reimbursements had one purchase that included \$7,500 in computer reimbursements, as one household purchased five computers for all five students in the same year. However, if the same computers were purchased at the other correspondence school, only \$2,500 would have been reimbursed in the same year.
- ***Correspondence Schools Tracked Curriculum Differently***
Each correspondence school tracked curriculum differently making it unclear if the curriculum would be allowed. For example, curriculum that was purchased from a vendor was listed at one correspondence school as not allowed to purchase with allotment funds for being a religious curriculum, while a different correspondence school listed detailed information on the vendor with the webpage, making it appear as if the curriculum could be purchased.
- ***Allotment Fund Transfers and Yearly Rollover Were Not Consistent Between Correspondence Schools***
When allotment funds were transferred from one household member to another

enrolled in the same correspondence school, the one correspondence school that allowed transferring of funds did not include a limit for the allowed amount to transfer. For example, one student only spent \$445 of the \$3,000 allotment provided for the school year as \$2,475 was transferred to cover another household member's ballet course. Furthermore, we found two of the correspondence schools did not have a limit set on the student allotment amounts allowed to roll over from one school year to the next. It appeared with no limit set on the roll over amount, the allotment funds could be accumulated to a large sum. For example, we identified multiple purchases that included higher dollar reimbursements such as \$12,730 to a private school and a \$8,750 purchase to a different private school all due to allotment funds being rolled over and accumulated over the school years. In addition, one household with seven students enrolled in the correspondence school had a combined allotment totaling \$49,741, with \$34,354 being reimbursed in the 2023-2024 school year. While there are no limit set in the Regulations for the amount allowed to be transferred from one household member to another or rolled over from year to year, if the District had an amount limit set, it would potentially assist with avoiding higher dollar reimbursements in the future.

- b. **Recommendation.** We recommend the District work with the correspondence school to create practices that are consistent among the correspondence schools.
- c. **Management Comments.** Management stated, "Management Response:
- Management generally agrees that there should be consistency between schools about which curriculums are not allowable as there should be a minimum standard.
 - Management generally disagrees with the assertion that correspondence programs should be standardized as the programs have been developed to provide different services to different families based on the needs of those

individuals. Differentiation among programs allows more options for parents/guardians to tailor their students' education.”

- d. **Evaluation of Management Comments.** Management comments were partially responsive to the audit finding and recommendation.

2. **Curriculum Appeared to Be Purchased From Religious Organizations With Student Allotment Funds.**

- a. **Finding.** Our review identified multiple purchases that appeared to include curriculum that was purchased from religious organizations with student allotment funds. The Regulation states “An employee of the district, including a certificated staff member, may not advocate religious, partisan, sectarian, or denominational doctrine as part of the employee's instructional or other duties. Nothing in this subsection prevents a parent from providing supplemental instruction to the parent's own child using materials of the parent's choice, if the materials were not purchased with money provided by the department or district.” The program workflow includes parents or guardians inputting the purchases into ILP software that is then reviewed by the certified teacher. However, if materials are added to the ILP and not reviewed in depth prior to being approved, there is potential for approving curriculum that appears to be religious. For example, curriculum was purchased using student allotment funds from a vendor whose webpage references the curriculum methodology as “Creation-based with a Biblical worldview”. In addition, curriculum was also purchased from another vendor whose webpage references “Christian Homeschool Curriculum & Programs”. Furthermore, while reviewing the curriculum resource lists created by the correspondence schools, these vendors were listed as “Cannot use school funding”; however, the purchases were reimbursed by the District.
- b. **Recommendation.** We recommend the District work with correspondence schools to create a thorough curriculum resource list to ensure religious, partisan, sectarian, or

denominational doctrine materials are not included. In addition, we recommend not allowing purchases from faith-based organizations as it gives the impression of providing religious-based curriculum.

- c. **Management Comments.** Management stated, "Purchasing religious materials is strictly prohibited. However, Statute 14.03.210B expressly allows parents to purchase non-religious materials from private and religious organizations. To ensure full compliance with the legal prohibition on purchasing religious materials, we will implement clear guidelines, including thorough review processes, training for staff on permissible purchases, and consistent monitoring to uphold these standards."
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

3. **Some Reimbursements Appeared Excessive and May Not Serve the Public's Interest.**

- a. **Finding.** During our review, we identified some instances where reimbursements appeared excessive and did not always appear to serve the public's interest. These reimbursed expenses ranged from \$13,504 to a ski club for one household, \$6,300 for a hair design course for one student, to a purchase for 21 Lego sets that were reimbursed for \$597 to one household. The Regulations state, "A correspondence study program may not pay for or provide money for services or materials that do not reasonably relate to the delivery of the students' instructional needs. Funding for other materials or services requires the approval of the correspondence program director or the director's trained designee and the valid instructional purpose served by the expenditure must be noted." To enforce the Regulations, each correspondence school created a handbook that lists allowable purchases; however, we did not always find a valid instructional purpose included in the student's ILP for these purchases. Principal approval was included in the supporting documentation for the ski club. However, the amount reimbursed appeared excessive for a physical education expense for four students as

each student needed additional allotment amounts deposited by the correspondence school fund account to cover the cost of the ski club which ranged from \$2,400 to \$4,500 per student. Furthermore, due to one household purchasing 21 Lego sets for three students, the purchases appeared excessive and did not include a valid instructional purpose.

- b. **Recommendation.** We recommend the District review the correspondence schools' allowable purchases to ensure appropriate limits are set and a valid instructional purpose included with each purchase.
- c. **Management Comments.** Management stated, "Correspondence schools are generally allowed to set their own allotment amounts and State Statute AS 14.03.310(d) requires that unexpended student allotments be carried forward until the student is no longer enrolled in the program. This structure creates the opportunity for families to accrue higher balances that can be spent in a single year later on, making some reimbursements appear excessive. The goal of correspondence/homeschool programs is to allow parents the flexibility to educate their children as they deem appropriate within the confines of State Statute, Board Policy, and Program regulations."
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

4. **Correspondence Schools Did Not Require Non-Consumable Materials to Be Returned to the District**

- a. **Finding.** Our review revealed the correspondence schools did not require non-consumable materials to be returned to the District when students withdrew from the program. The Regulation specific to non-consumables materials states, "Textbooks, equipment, and other curriculum materials purchased with state money, including money provided to the parent through a fund account, are property of the district.

Materials that are not consumables must be returned to the district when the student leaves the program for any reason.” The correspondence school’s handbooks define non-consumable materials as “Typically (but not always) non-consumable items exceed \$200.00”, while consumable materials are defined as “items which are marked in (workbooks and lab manuals), put together permanently (i.e. models)”. One version of the handbook also includes “All non-consumable materials purchased with District funds are property of the school and must be returned to the office upon withdrawal.” Some handbooks state non-consumables are “expected to be returned at the end of the semester/course for which they are purchased.” However, all three correspondence schools were not enforcing the policies for non-consumable materials. While the software the correspondence schools use has the capability of tracking non-consumable materials, none of the schools were using the feature. Examples of non-consumable materials not returned include a computer for \$989 that was reimbursed in November 2023, a reimbursement for \$1,690 to one household for cameras with the price of each camera ranging from \$270 to \$450, and a \$796 reimbursement for fitness trackers for four students in one household.

- b. **Recommendation.** We recommend the District work with the correspondence schools to create a policy for non-consumable materials to be tracked and maintained at the correspondence school level and returned to the correspondence school upon completion of use.
- c. **Management Comments.** Management stated, “Management agrees with the recommendation and will work with the correspondence schools to develop a comprehensive policy for non-consumable materials, acknowledging the difficulties with storage, refurbishment, and tracking needing to be considered.”
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

5. **Correspondence School Purchase Request Procedures Were Not Always Followed.**

- a. **Finding.** During our review, we identified correspondence school purchase request procedures (procedures) were not always followed. The specific procedures that were not always followed include:

- ***Reimbursement Submission Deadline Not Always Met***

Reimbursements were not always submitted by the Finance deadline, 60 days from the date of purchase. Instead, expenses from the 2021-2022 school year were submitted and reimbursed in the 2023-2024 school year. For example, a purchase for \$1,460 included expenses from 2021-2022 that was not submitted to Accounting until July 2023.

- ***Personal Account Reimbursed When a Business Account Made the Purchase***

A reimbursement was made to a personal account when a business purchased the school material. The Procedures state “If a business made the purchase, the business will need to be reimbursed regardless if it is the parent that owns the business”. For example, we found a purchase for a subscription that was made with a business account; however, the personal account was reimbursed, not the business account that was used for the purchase.

- ***Disallowed Purchase Methods Used***

Payment methods that are not accepted by the District such as Venmo, PayPal, and other Digital Wallets were used repeatedly to purchase school materials. We found the policies for the different payment methods are not always definitive and instead state “may be approved on a one-time basis or under special circumstances”. The handbooks also contain language stating, “Digital wallet payments (Venmo, PayPal...) purchases were not guaranteed”, making it appear as if those payment methods may still be used. We found that when

these payment methods were used, there was no evidence of approval included in the supporting documentation.

- ***Reimbursement Detail Sheet Not Always Submitted As Required***

The procedures state, “if reimbursement back up has more than 10 receipts, please attach detail sheet to the PR as additional back up.” Although some purchases included less than 10 receipts, the purchases did typically include over 25 pages in supporting documents making review and approval process difficult. As a result, some overpayments were caused. For example, one purchase included an overpayment of \$123 as some of the materials were subtotaled using a ten key calculator instead of a detail sheet and were accidentally included twice in the calculation. The error was not discovered until the time of the audit. We also identified a second overpayment for \$912 that was corrected by the Accounting department within the school year. In addition, due to the number of pages included in the supporting documentation, it took Accounting additional time to review the purchases, creating a backlog for the reimbursement process.

- b. **Recommendation.** The District should ensure each correspondence school implements procedures to ensure the reimbursement timeframe is being met, the correct party is reimbursed, and adding more definitive language on Digital Wallet payment methods for readers to better understand. Lastly, the District should consider implementing a detail sheet for every purchase to make the review process simpler.
- c. **Management Comments.** Management stated, “Management agrees with the recommendation and will work with the correspondence schools to ensure compliance with existing policies and procedures. Additionally, management will clarify the usage of digital wallets and consider implementing detail sheets as recommended.”

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

6. **No Clear Guidelines on Core Course Requirements.**

- a. **Finding.** We found that there were no clear guidelines to define core course requirements. As a result, it was difficult to determine if academic goals were being met. The Regulations state, “A student enrolled in a correspondence study program, whether full-time or part-time, must take at least 50 percent of the student's coursework that the student takes through the correspondence study program in core courses. In this section, ‘core course’ means a course of study in English; mathematics; social studies; science; technology; world languages.” The Regulations also state, “Core course work performed outside the student's correspondence study program may not count towards the requirements set out”. However, we identified some purchases that appeared to include mostly elective or physical education courses with none or minimal core courses included in the purchases for the school year. For example, one student’s entire allotment was spent on physical education and art, which included \$2,280 in reimbursements to athletic clubs and a \$640 reimbursement for art classes. The software the correspondence schools use did not include a feature that could easily track students’ academic progress, making it difficult to review if additional curriculum was completed to ensure the core course requirements were being met. For example, some of the supporting documentation received included a word document with “Shark Reff puzzle backyard disc” that was listed under “Science” but did not list any clear information on how the items related to the science course.
- b. **Recommendation.** We recommend the District work with the correspondence schools to create a feature within the software that would allow for a more thorough review process to ensure the Regulations are being met for core course requirements.
- c. **Management Comments.** Management stated, “Management Response:

We would like to clarify that the Anchorage School District has established core course requirements within our existing documentation:

1. Handbooks and Program of Studies:

- Our Elementary, Middle, and High School Handbooks clearly outline the core course requirements for each educational level.
 - i. Our staff also align with the Pre-K-Kindergarten state handbook along with State Standards
- The High School Program of Studies specifies the appropriate coursework required for graduation, including the corresponding credits for each course.

2. Implementation in Correspondence Schools:

- Our correspondence schools utilize these established guidelines to determine course completion and allowances, taking into account the student's age, grade level, and course progression.
- In lower grades, report cards and handbooks serve as key tools for tracking student progress and verifying that core requirements are being met.
- This practice ensures consistency across programs and adherence to the academic standards required for each educational level."

Management also stated "We are committed to maintaining rigorous academic standards while supporting our correspondence programs. By adhering to established protocols and leveraging our existing resources, we ensure that all students receive a high-quality education."

- d. **Evaluation of Management Comments.** Management comments were generally responsive to the audit finding and recommendation.

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Anchorage School District
May 27, 2025

Discussion With Responsible Officials. The results of this audit were discussed with appropriate Anchorage School District officials on April 9, 2025.

Audit Staff:
Meredith Basdaras

Attachment A
Top 20 Vendors Paid Via Reimbursement
July 1, 2023, through June 30, 2024

<u>Merchant Name</u>	<u>Merchant Description</u>	<u>Total Reimbursement</u>
Grace Christian School	Academic Instruction	\$ 42,466
Alyeska Ski Resort	Physical Education Courses	\$ 41,482
Anchorage Hockey Association	Physical Education Courses	\$ 34,369
GCI Internet	Telecommunication Provider	\$ 32,792
Costco	Wholesale Retailer	\$ 28,578
Hilltop Ski Area	Physical Education Courses	\$ 20,498
Amazon	Online Retailer	\$ 20,027
Alaska Rock Gym	Physical Education Courses	\$ 19,614
University of Alaska Anchorage	University Courses	\$ 17,633
Club Sports Alaska	Physical Education Courses	\$ 17,574
Pacific Northern Academy	Academic Instruction	\$ 17,561
Alaska Oilers Hockey Association	Physical Education Courses	\$ 17,339
Aurora Kids Inc	Physical Education Courses	\$ 16,184
Acellus Academy	Academic Instruction	\$ 16,082
The Alaska Club	Physical Education Courses	\$ 15,896
Holy Rosary Academy	Academic Instruction	\$ 15,384
Cook Inlet Soccer Club	Physical Education Courses	\$ 14,554
Chugiak Aquatics Swim Club	Physical Education Courses	\$ 13,629
St. Elizabeth Ann Seton Catholic School	Academic Instruction	\$ 10,752
Anchorage Gymnastics Association	Physical Education Courses	\$ 9,914

Source: Auditor analysis of unaudited Business Plus data

Attachment B
Top 20 Vendors Paid Via Requisition
July 1, 2023, through June 30, 2024

<u>Merchant Name</u>	<u>Merchant Description</u>	<u>Total Requisitions</u>
University of Alaska ¹	University Courses	\$113,400
Catherine Gilliland Education Services	Academic Instruction	\$ 88,160
Lindsey Dudley Studio with AK Homeschool Classes	Academic Instruction	\$ 84,800
Aurora Kids Inc	Physical Education Courses	\$ 77,605
Giovanni De Vera with AK Homeschool Classes	Academic Instruction	\$ 70,420
For the Love of Learning LLC	Academic Instruction	\$ 69,400
University of Alaska Anchorage ¹	University Courses	\$ 69,108
Alaska Rock Gym	Physical Education Courses	\$ 67,500
Design Kids Studio	Art Courses	\$ 65,000
University of Alaska Fairbanks ¹	University Courses	\$ 62,694
Nova Education	Academic Instruction	\$ 62,000
Spanish Nuts and Bolts	Foreign Instruction/Tutoring	\$ 61,000
Alaska School of Music	Music Instruction/Tutoring	\$ 60,000
Arctic Gymnastics LLC	Physical Education Courses	\$ 58,620
Heidi L Asay with The Alaska Kinder Garden	Academic Instruction	\$ 55,000
Create with Jess	Art Courses	\$ 50,000
Muse School of Music	Music Instruction/Tutoring	\$ 50,000
G. Kevin Holthaus with Socratic Focus	Academic Instruction	\$ 48,300
Alaska Youth Educational Services	Academic Instruction	\$ 48,000
Tayman Tutoring	Academic Instruction	\$ 47,700

Source: Auditor analysis of unaudited Business Plus data

¹ Includes campuses under University of Alaska

Attachment C
Top 20 Vendors Paid Via Purchase Card
July 1, 2023, through June 30, 2024

<u>Merchant Name</u>	<u>Merchant Description</u>	<u>Total Purchase Card</u>
Amazon.com LLC ¹	Online Retailer	\$138,493
Lighthouse Learning	Academic Instruction	\$70,968
Timberdoodle Company	Academic Instruction	\$52,849
Best Buy Business Advantage Account	Electronics Retailer	\$43,564
University of Alaska	Academic Instruction	\$39,686
Bookshark	Academic Instruction	\$36,370
Williamburg Academy	Academic Instruction	\$31,995
Rainbow Resource Center	Academic Instruction	\$31,551
Sylvan Learning Center	Academic Instruction	\$24,285
Moving Beyond The Page	Academic Instruction	\$21,680
Anchorage Music And Dance Center	Music Instructions	\$20,157
Yukon Koyukuk School District	Academic Instruction	\$16,400
AK Grad	Academic Instruction	\$15,325
Moose Creek Creations	Art Courses	\$10,880
Oak Meadow Inc	Academic Instruction	\$10,668
Anchorage Brazilian Jiu Jitsu LLC	Physical Education Course	\$9,674
Alaska Safe Driver Academy LLC	Elective Instruction	\$9,501
North Dakota Center	Academic Instruction	\$9,364
Reading Write Alaska	Academic Instruction	\$8,390
Lakeshore Learning Materials LLC	Academic Instruction	\$8,046

Source: Auditor analysis of unaudited Business Plus data

¹ May possibly include educator expenses