



# **SCHOOL DISTRICT PERFORMANCE AUDIT REPORT**

**K-12 Education:  
Reviewing Issues Related to Virtual Schools**

## ***Executive Summary*** ***with Conclusions and Recommendations***

**A Report to the Legislative Post Audit Committee  
By the Legislative Division of Post Audit  
State of Kansas  
April 2007**

# ***Legislative Post Audit Committee***

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## ***Legislative Division of Post Audit***

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April 24, 2007

To: Members of the Kansas Legislature

This report contains the findings, conclusions, and recommendations from our completed performance audit, *K-12 Education: Reviewing Issues Related to Virtual Schools*.

This report also contains appendices including a complete list of the enrollments for each Kansas virtual school from 1998-99 to 2006-07 and a summary of 22 states' on-line state policies and practices.

The report includes several recommendations for the Department of Education, a recommendation for the Legislative Post Audit Committee to request an interim study, as well as a recommendation for the Mullinville school district. We would be happy to discuss these recommendations or any other items in the report with any legislative committees, individual legislators, or other State officials.

If you would like a copy of the full audit report, please call our office and we will send you one right away.

A handwritten signature in black ink that reads "Barbara J. Hinton". The signature is written in a cursive, flowing style.

Barbara J. Hinton  
Legislative Post Auditor



**EXECUTIVE SUMMARY**  
LEGISLATIVE DIVISION OF POST AUDIT

**Question 1: How Prevalent Are Virtual Schools in Kansas,  
What Do They Cost, And How Have Their Students Performed?**

**Kansas currently has 28 virtual schools that provide a variety of educational services.** *In 2006-07, 26 school districts and service centers operated 28 virtual schools across the State. The most common subjects taken by virtual students included language arts, social sciences, and math.* ..... page 3

**In Kansas, virtual students are a very small but rapidly growing student population.** *Since the first virtual school opened in the 1998-99 school year, virtual school enrollment has increased from about 60 full-time-equivalent (FTE) students to more than 2,000. Even so, virtual students still represent only about 1% of Kansas' total student population.* ..... page 6

*Virtual schools attract many students who previously weren't part of the public school system, including non-traditional and home-schooled students. Eight of 12 school districts with virtual schools draw most of their students locally, while other virtual schools draw students from all over the State. In addition, virtual school enrollment represents a significant share of the overall enrollment for four of the six schools districts that had the largest virtual student population. For example, virtual students in Mullinville represented almost 60% of the district's total enrollment, while virtual students in the Elkhart, Cherryvale, and Basehor-Linwood school districts represented about 20% of these districts' total enrollments.*

**Virtual schools are funded in much the same way as traditional schools, but cost less to operate.** *Based on expenditures reported to us by the nine school districts with at least 20 virtual FTE students, virtual schools cost less to operate than traditional schools. Their operating expenditures were between \$300 and \$5,000 per student lower than costs for traditional students in 2005-06. Service centers that run virtual schools generally charged school districts an amount equal to Base State Aid Per Pupil for each virtual student in 2005-06.* ..... page 10

**Although the data are limited, virtual students scored lower on State assessments than traditional students in 2005-06.** *Virtual students scored lower on State assessment tests at the elementary and high school levels – especially on the math assessments. However, the assessment data for virtual students are limited, and the demographics of the two student populations may not be comparable.* ..... page 12

**Question 1 Conclusion.** *Virtual schools have grown tremendously over the last decade—from 63 students in 1998-99 to more than 2,000 students in the current school year. All indications are that they will* ..... page 14

only become more prevalent in the future. This development could have big implications for educational funding. As this audit showed, it costs schools less to operate a virtual program, but they get the same amount for virtual students as for traditional students. Also, by attracting some student populations who previously weren't part of the public school system, legislators will want to stay ahead of the growth curve, and consider policy implications for how the State funds virtual students.

The growth of virtual student population also has implications for educational quality. Unfortunately, there is not much information on how these students perform academically, and the data that are available suggest those students don't perform as well as traditional students on State assessment tests. We don't know if that's a function of the quality of education being provided through virtual schools, the types of students enrolling in those schools, or some other factors. But these data do suggest policymakers will need to watch this area closely as virtual schools will play a more prominent role in Kansas' public school system in the future.

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## **Question 2: Do the Laws and Regulations that Govern Virtual Schools in Kansas Provide Sufficient Oversight, and How Do They Compare To Those Adopted by Other States?**

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**The Department has developed good policies for general oversight of virtual schools, but often doesn't follow them.** ..... page 15  
*The Department has established comprehensive policies and procedures to provide general oversight of virtual schools. These include policies on funding, teaching and curriculum standards, accountability for student achievement, equity and access, and annual reporting requirements. In 2005-06, these policies and procedures were recognized as some of the strongest in the country.*

However, Kansas' actual oversight of virtual schools is weak because the Department often hasn't carried out the policies it has established. For example, the Department had lost track of which virtual schools were registered, more than 60% of the registration forms for the current school year were missing, and the Department hadn't conducted many of the on-site visits as outlined in its process.

**Many of the specific risks inherent in operating virtual schools aren't adequately addressed, especially at the State level.** ..... page 18  
*There are unique risks with virtual schools that don't exist with traditional schools because virtual students work from their homes, on their own schedules, and without direct supervision from teachers.*

For the 2006-07 school year, the Department relaxed or eliminated several requirements in the areas of student testing and attendance, as well as teacher training and response times, which used to provide good guidance to virtual schools. For example, the Department used to require virtual schools to show how they ensured students were regularly engaged in the program, a requirement that was eliminated for 2006-07. Also, the Department hasn't directly addressed the risk that districts could manipulate virtual schools for financial gain.

**Mullinville’s practice of “giving” its virtual students to nearby districts isn’t allowed by law, and highlights the need for better oversight of virtual schools.** *Most students enrolled in the Mullinville virtual school should have been counted for funding purposes in that district, because that’s where they attended. However, over the last five years the Mullinville school district has “given” 130 of its virtual students to three nearby districts to count as their students for funding purposes—Comanche County, Haviland, and Pawnee Heights. This information is shown in the following figure.*

**Figure 2-3  
Number of Virtual Students the Mullinville School District  
Gave to Three Nearby School Districts  
2001-02 to 2006-07 School Years**

School Year	Total Virtual FTE Attending Mullinville Virtual School	# of Virtual Students Mullinville Gave to... (Funding Kept After Service Center Was Paid - Per Student and in Total)						Total FTE Given To Other Districts	Total FTE Mullinville Kept
		Haviland		Comanche County		Pawnee Heights			
2001-02	22.0		0.0		0.0		0.0	0.0	22.0
2002-03	59.3		14.0		2.0		0.0	16.0	43.3
2003-04	123.4		14.0		4.9		4.0	22.9	100.5
2004-05	99.0		16.6		5.7		2.6	24.9	74.1
2005-06	80.6		21.9		3.6		7.0	32.5	48.1
2006-07	121.0	FTE	8.8	FTE	8.3	FTE	16.3	33.4	87.6
		\$ / FTE	\$3,552	\$ / FTE	\$2,066	\$ / FTE	\$3,505		
		Total \$	\$31,258	Total \$	\$17,148	Total \$	\$57,132		
<b>Total:</b>	<b>505.3</b>		<b>75.3</b>		<b>24.5</b>		<b>29.9</b>	<b>129.7</b>	<b>375.6</b>

Source: LPA summary of self-reported student information provided by Mullinville virtual school officials.

*The three receiving districts got all the State aid those students generated, and kept what was left after paying a fee to the service center that runs the virtual school for Mullinville.*

*The Mullinville Superintendent cited a number of reasons for giving students to other districts, including trying to help these districts financially. From what we can tell, it didn’t appear to be intended to financially benefit either the Superintendent or the Mullinville district. Even so, allowing districts to decide where virtual students are counted creates the risk that districts could manipulate State funding (by shifting students to generate the most funding) or State assessment results.*

**Question 2 Conclusion.** *Virtual education is a growing alternative to traditional schooling, with the potential to provide educational opportunities to a variety of students, including many who currently are outside the public school system. The fact that students don’t have to be physically present to attend a virtual school gives this form of education a tremendous amount of flexibility—students can go to school at anytime and in anyplace. Unfortunately, when students don’t have to be physically present, it also creates certain risks to both the quality of the student’s education, and to the integrity of the public school system as a whole.*

*As this audit has shown, this form of education presents many challenges which have not yet gotten sufficient attention from the Department or the Legislature. In addition, districts with a virtual population can manipulate the student counts to result in inappropriate funding, which can undermine the faith and confidence in the system. To preserve the integrity and promise of this alternative form of education, and to ensure that funding for this virtual student population is based on sound policy and practice, the Legislature and the Department of Education will need to take stringent measures to address inherent risks to minimize the opportunities for abuse.*

**Recommendations.** *We recommend the Legislative Post Audit Committee request an interim study of virtual education in Kansas that addresses such issues as the growth of virtual schools, the funding of virtual students, and accountability for the quality and integrity of virtual education.* ..... page 30

*We also recommend the Department establish requirements and develop guidance for how virtual schools should address each of the risk areas highlighted in this report, such as conducting on-site visits to the newly registered schools, continuing on-site visits periodically, and making sure all documentation is submitted timely and accurately.*

*Also, the Department should modify the KIDS system to be able to identify virtual students and for Department auditors to review their residency, and should ensure that districts are counting virtual students for funding purposes either in the district they attend, or the one they live in, if legal inter-district agreements allow for it.*

*Finally, we recommend that the Mullinville school district bring its enrollment practices in line with the State law by counting its virtual students in its own enrollment, unless it is giving those students back to the district in which they live as part of a legal inter-district agreement.*

**APPENDIX A:** *Scope Statement* ..... page 34

**APPENDIX B:** *History of the Number of Virtual Schools and their FTE Student Enrollment* ..... page 35

**APPENDIX C:** *Summary of State Policies on Virtual Schools* ..... page 37

**APPENDIX D:** *Department of Education and School Districts' Responses* ..... page 42

This audit was conducted by Katrin Osterhaus, Brenda Heafey, Dan Bryan, and Heidi Zimmerman. Scott Frank was the audit manager. If you need any additional information about the audit's findings, please contact Katrin at the Division's offices. Our address is: Legislative Division of Post Audit, 800 SW Jackson Street, Suite 1200, Topeka, Kansas 66612. You also may call us at (785) 296-3792, or contact us via the Internet at LPA@lpa.state.ks.us.