



Arizona Department of Education

The Audit Unit

1535 W. Jefferson St., Bin 19

Phoenix, Arizona 85007

602-364-2097

Average Daily Membership Audit Report Bradley Academy of Excellence, Inc. Fiscal Years 2010, 2011 and 2012

Report Number—13-1

May 24, 2013

**CONTACTING
THE AUDIT UNIT**

Arthur E. Heikkila, Chief Auditor

Phone: (602) 364-2097
Email: Arthur.Heikkila@azed.gov
Fax: (602) 542-2734
Mail: 1535 W. Jefferson St., Bin 19
Phoenix, AZ 85007-3209

OBTAINING ADDITIONAL COPIES

To obtain additional copies of this report, please submit a formal request to the address below:

Arizona Department of Education—The Audit Unit
Attn: Linda Norgren
1535 W. Jefferson Street, Bin 19
Phoenix, AZ 85007-3209
Phone: (602) 364-4063



State of Arizona
Department of Education
The Audit Unit
1535 W. Jefferson St, Bin 19 • Phoenix, AZ 85007
Phone (602) 364-2097 Fax (602) 542-2734

John Huppenthal
Superintendent of
Public Instruction

May 24, 2013

Dr. Robert Dryzgula, Principal
Bradley Academy of Excellence, Inc.
16060 W. Lower Buckeye Parkway
Goodyear, AZ 85338

Dear Dr. Dryzgula,

The Arizona Department of Education Audit Unit has conducted an audit of the Bradley Academy of Excellence (School) Average Daily Membership for Fiscal Years 2009, 2010 and 2011. The purpose of the audit was to address whether the School properly reported student enrollment and attendance and to determine if it received the correct amount of Basic State Aid.

The audit found that the School did not accurately report some student enrollment and withdrawal data to ADE. Additionally, the audit found that the School did not provide all of its students with sufficient instructional hours as required by statute. As a result of these findings, the School was overfunded \$79,228.31 for the three fiscal years. The Notice of Audit Findings and Required Reimbursement issued concurrently with this report becomes final 30 days after issuance, unless the School files an appeal.

We appreciate the cooperation and assistance provided by the School's administration during the course of the audit.

Sincerely,

A handwritten signature in cursive script, appearing to read "Arthur E. Heikkila".

Arthur E. Heikkila
Chief Auditor

TABLE OF CONTENTS

	<u>Page</u>
Introduction and Background.....	1
Scope and Methodology.....	3
Finding 1: The School Did Not Accurately Report Some Student Data Resulting In an Overpayment of \$58,425.53	4
Student Enrollment and Withdrawal Data Errors Were Identified.....	4
The School Was Overpaid \$58,425.73 for FY2010	5
Recommendations.....	6
Finding 2: Some Students Not Provided Sufficient Instructional Hours	7
The School Failed to Provide Some Students With Sufficient Instructional Hours.....	7
The School Inappropriately Counted Non-Instructional Time	8
The School Limited Educational Opportunities for Some of Its Students	8
The School was Overpaid \$20,802.58 In Basic State Aid.....	8
Recommendations.....	9
ADM and Funding Adjustments	10

TABLE OF CONTENTS

	<u>Page</u>
Tables:	
1 Bradley Academy of Excellence, Inc. Total Students, Staffing, Revenues and Expenditures FY2010, FY2011 and FY2012 (Unaudited)	2
2 Bradley Academy of Excellence, Inc. ADM Adjustments Due to Enrollment and Withdrawal Errors FY2010.....	5
3 Bradley Academy of Excellence, Inc. ADM and Funding Adjustments Due to Enrollment and Withdrawal Errors FY2010.....	5
4 Bradley Academy of Excellence, Inc. Instructional Hours Required, Instructional Hours Provided, Percentage of Requirement and ADM Adjustment For Grade 7 and 8 Students FY2010 and FY2011	7
5 Bradley Academy of Excellence, Inc. ADM Overstatement and Funding Adjustment Due to Insufficient Instructional Hours for Grade 7 and 8 Students FY2010 and FY2011.....	9
6 Bradley Academy of Excellence, Inc. ADM and Funding Adjustments Required for FY2010, FY2011 and FY2012	10

INTRODUCTION AND BACKGROUND

The Arizona Department of Education (ADE) Audit Unit has conducted an Average Daily Membership (ADM) audit of the Bradley Academy of Excellence, Inc. (School) pursuant to Arizona Revised Statutes (A.R.S.) § 15-239. This audit focused on whether the School properly reported enrollment and attendance data to ADE and received the correct amount of Basic State Aid for FY2010 through FY2012.

Average Daily Membership audits of district and charter holder funding—Pursuant to A.R.S. § 15-239, ADM audits help ensure the appropriate distribution of Basic State Aid provided annually to school districts and charter schools. School districts and charter schools receive Basic State Aid based on several factors related to student enrollment and attendance. To receive funding, school districts and charter schools report enrollment and attendance data to ADE. ADE processes that data, determines payment amounts according to the relevant statutory funding formulas and distributes payments to schools up to twelve times each year.

The ADM audit process determines whether payments were correct or if an adjustment is needed. The audit process compares the school district or charter school's information reported to ADE's student data system, the Student Accountability Information System (SAIS), to information found on the original records kept at the school. If the audit finds that the school district or charter school's reported information does not match the original documentation, the audit will calculate and report the funding adjustment needed to the school district's or charter school's Basic State Aid. These funding adjustments can be positive or negative, depending upon the audit findings. The audit findings are written and compiled into a report that is then issued to the audited entity.

Superintendent's legal notice links the audit and appeals processes—In addition to the report, the audited entity also receives The Notice of Audit Findings and Required Reimbursement (Notice) that details the audit findings and determination of the Superintendent of Public Instruction regarding adjustments to be made to the school district or charter school pursuant to A.R.S. § 15-915. As described in the next paragraph, the audited entity may appeal the Superintendent's decision in the Notice.

Opportunity to appeal the audit—A.R.S. § 41-1092.03 provides the audited school district or charter school that disagrees with the Superintendent's decision in the Notice with the opportunity to file a formal appeal within thirty (30) days after the report was issued. If an appeal is filed, the school district or charter school and ADE may reach agreement in an informal settlement conference. If an agreement is not reached at the informal settlement conference, the appeal will be adjudicated by the Office of Administrative Hearings.

Funding adjustment process and timeframes—When the Notice is finally settled or adjudicated, if ADE has determined that a school district or charter school received an incorrect amount of Basic State Aid, A.R.S. § 15-915 directs that corrections to schools' funding be made in the current budget year. In case of hardship, schools may request that the Superintendent of Public Instruction allow a correction to be made partly in the current budget year and partly in the following budget year.

School financial and other information—The School, located in Goodyear, Arizona, maintained one campus during the fiscal years audited for students in kindergarten programs and grades 1 through 8. In FY2012, the School enrolled a total of 525 students. Table 1 presents the School’s unaudited student, staffing and financial information for FY2010, FY2011 and FY2012.

Table 1

**Bradley Academy of Excellence, Inc.
Total Students, Staffing, Revenues and Expenditures
FY2010, FY2011 and FY2012
(Unaudited)**

	FY2010	FY2011	FY2012
Students Enrolled	152	174	525
Number of Teachers	9	9	20
Revenue			
Local	\$ 5,468	\$ 14,453	\$ 138,900
Intermediate	\$ 0	\$ 0	\$ 0
State	\$ 22,457	\$1,015,026	\$2,778,093
Federal	\$ 333,661	\$ 146,050	\$ 147,520
Total Revenues	<u>\$1,061,586</u>	<u>\$1,175,529</u>	<u>\$3,064,513</u>
Total Expenditures	<u>\$ 953,274</u>	<u>\$ 980,436</u>	<u>\$2,945,136</u>

Source: Annual Report of the Arizona Superintendent of Public Instruction for FY2010, FY2011 and FY2012.

SCOPE AND METHODOLOGY

The audit focused on whether the School accurately reported its enrollment data to ADE and received the correct amount of Basic State Aid in accordance with statutes, the Uniform System of Financial Records (USFR) and its own policies and procedures for FY2010, FY2011 and FY2012.

To conduct this audit, auditors used a variety of methods, including examining School and SAIS records for enrollment and attendance. Auditors also reviewed state statutes and School policies and procedures, and interviewed School management and staff.

Additionally, auditors performed specific tasks for the following finding areas:

- **Enrollment and Withdrawal**—To determine whether the School reported the correct enrollment and withdrawal dates, auditors reviewed a sample of student cumulative files. There were immaterial differences in FY2011 and FY2012. However, for FY2010, there were significant errors so auditors expanded the sample for FY2010 and reviewed the daily attendance sheets for 100% of the students. The first and last days of attendance were then compared to the enrollment and withdrawal dates that were reported to SAIS. When there were discrepancies, auditors recalculated the ADM for each student based on the actual enrollment period.
- **Instructional Hours**—To determine whether the School met the statutory instructional hours requirement for each grade, auditors obtained academic calendars and bell schedules for FY2010, FY2011 and FY2012. Auditors calculated the instructional hours for all grades to determine if sufficient instructional hours were provided. In addition, auditors interviewed School personnel to obtain additional information regarding the schedules for the years audited. Auditors then compared the calendars and bell schedules to the requirements mandated by statute and GE-18.

The Audit Unit expresses its appreciation to the School's administration and staff members for their cooperation and assistance during the course of the audit.

FINDING 1: THE SCHOOL DID NOT ACCURATELY REPORT SOME STUDENT DATA RESULTING IN AN OVERPAYMENT OF \$58,425.53

The School did not accurately report some student enrollment and withdrawal dates to ADE for FY2010. Specifically, auditors found that the School misreported enrollment and withdrawal dates for 107 students. As a result, the School's ADM was overstated by a total of 8.46 for FY2010. Due to the inaccurate enrollment and withdrawal dates reported to ADE, the School received an overpayment of Basic State Aid of \$58,425.73 for the three fiscal years audited.

Student Enrollment and Withdrawal Data Errors Were Identified

The School inaccurately reported 107 students' enrollment or withdrawal dates to ADE. According to A.R.S. § 15-901, the withdrawal date for students is the last day of actual attendance. Additionally, ADE Guideline GE-17¹ states that, with the exception of pre-enrolled students, the enrollment date for a student is the first day of actual attendance.

However, the School did not always adhere to these requirements. For 107 students, the School did not report the correct enrollment or withdrawal dates to ADE. This resulted in a net overstatement of the School's ADM. Specifically:

- 58 students had either an entry date that was after the date that was reported to SAIS, or a withdrawal date that was prior to the date reported to SAIS, which resulted in the School's ADM being overstated by 9.085.
- 35 students had either an entry date that was prior to the date that was reported to SAIS, or a withdrawal date that was after the date reported to SAIS, which resulted in the School's ADM being understated by 2.195.
- 8 students did not have any attendance documentation that indicated they ever attended the School, which resulted in the School's ADM being overstated by 3.405.
- 6 students were not reported to SAIS; however, the attendance documentation listed the student as being enrolled and attending the School, which resulted in the School's ADM being understated by 1.835.

¹ ADE Guideline GE-17 states: "For the purposes of determining Average Daily Membership (ADM) for a given school year at a given public school pursuant to ARS § 15-901 (A)(2), the first day of membership for continuing or pre-enrolled students, shall be defined as either the first day a student physically attends school or the first day that classroom instruction is offered, provided that such students physically attend school within the first ten school days. For all other students, the first day of membership shall be defined as the first day a student physically attends school."

As shown in Table 2, enrollment and withdrawal errors resulted in a net ADM overstatement of 8.46 for FY2010.

Table 2

**Bradley Academy of Excellence, Inc.
ADM Adjustments Due to Enrollment and Withdrawal Errors
FY2010**

	Students	ADM
Entry date after what was reported to SAIS or Withdrawal date prior to what was reported to SAIS	58	9.085
Entry date prior to what was reported to SAIS or Withdrawal date after what was reported to SAIS	35	(2.195)
Did not attend the School, but was in SAIS	8	3.405
Attended the School, but was not in SAIS	<u>6</u>	<u>(1.835)</u>
Total	<u>107</u>	<u>8.460</u>

Source: Auditor analysis of School records and SAIS data for FY2010.

**The School Was Overpaid
\$58,425.73 for FY2010**

Auditors determined that the School did not receive the correct amount of Basic State Aid due to the inaccurate enrollment and withdrawal dates reported to ADE for FY2010. The data errors reported by the School resulted in its ADM being overstated by 8.46 for FY2010. This resulted in the Basic State Aid being overfunded by \$58,425.73, which ADE needs to recoup. Table 3 shows the ADM and funding adjustments required for the School for FY2010.

Table 3

**Bradley Academy of Excellence, Inc.
ADM and Funding Adjustments Due to
Enrollment and Withdrawal Errors
FY2010**

	FY2010
Total ADM Adjustment	8.46
Total Funding Adjustment	\$58,425.73

Source: Auditor analysis of School records and SAIS data for FY2010.

Recommendations:

1. ADE needs to recoup \$58,425.73 for incorrectly reported enrollment and withdrawal dates.
2. The School should comply with A.R.S. § 15-901 and GE-17 to ensure enrollment and withdrawal dates are reported accurately.

FINDING 2: SOME STUDENTS NOT PROVIDED SUFFICIENT INSTRUCTIONAL HOURS

The School failed to provide the statutorily-required minimum number of instructional hours to its students in grades 7 and 8 in FY2010 or FY2011. Auditors determined that a number of classes offered during FY2010 and FY2011 failed to meet the instructional hour requirements as determined by GE-18. As a result, the School limited educational opportunities for some of its students and was overpaid more than \$20,000 in Basic State Aid. According to A.R.S. § 15-915, ADE needs to recover these monies from the School. Additionally, the School needs to ensure its bell schedules provide all of its students with at least the minimum number of statutorily-required instructional hours.

The School Failed to Provide Some Students With Sufficient Instructional Hours

Although all schools are required by statute to provide a minimum number of instructional hours to students, the School failed to meet this requirement for students in grades 7 and 8 during FY2010 and FY2011, resulting in an ADM overstatement of 3.125. Specifically, A.R.S. § 15-901 required public schools to provide at least 1,068 instructional hours in FY2010 and 1,000 instructional hours in FY2011 for all students in grades 7 and 8. However, the School did not meet this statutory requirement for its grade 7 and 8 students for those two fiscal years. As a result, the School's ADM was overstated by 2.699 in FY2010 and by .426 in FY2011. Table 4 shows the ADM adjustments resulting from insufficient instructional hours in FY2010 and FY2011.

Table 4

**Bradley Academy of Excellence, Inc.
Instructional Hours Required, Instructional Hours Provided,
Percentage of Requirement and ADM Adjustment
for Grade 7 and 8 Students
FY2010 and FY2011**

Fiscal Year	Instructional Hours Required	Instructional Hours Provided	Percentage of Requirement	ADM Adjustment
FY2010	1,068	970.33	90.9%	2.699
FY2011	1,000	984.17	98.4%	0.426
Total				3.125

Source: Auditor analysis of the School's bell schedules, GE-18 and A.R.S. § 15-901.

The School Inappropriately Counted Non-Instructional Time

This audit found that the School failed to provide the minimum number of instructional hours to its students in grades 7 and 8 in both FY2010 and FY2011. Auditors analyzed the School's bell schedules and calendars for all three fiscal years audited and compared that information to the instructional hour requirements in GE-18.

For FY2010, the School counted two time periods on its bell schedule that auditors determined did not meet instructional hours requirements as established in GE-18. Auditors interviewed the charter holder and determined that the School provided its students both an assembly and a homeroom period daily. However, according to Arizona Department of Education External Guidelines GE-18², assembly and homeroom periods are not considered instructional time.

For FY2011, the School improperly counted four periods of time that did not meet the requirements of GE-18 for instructional time. Therefore, these classes did not count towards the minimum instructional hours requirements contained in GE-18.

The School needs to comply with GE-18's requirement to provide all students with at least the statutorily-required number of instructional hours.

The School Limited Educational Opportunities for Some of Its Students

Since the School provided fewer instructional hours than required by statute for its students attending grades 7 and 8 for two fiscal years, it inappropriately limited the amount of some of its students' education. Assuming that more time spent in the classroom results in a better education, some of the School's students received less educational opportunities because the School did not provide all of its students with the statutorily-required minimum number of instructional hours.

The School was Overpaid \$20,802.58 in Basic State Aid

As a result of providing insufficient instructional hours for students in grades 7 and 8 for FY2010 and FY2011, the School's ADM was overstated, resulting in the School being overpaid Basic State Aid.³ As

² ADE External Guideline GE-18 states "Instructional hours do not include periods of the day in which an instructional program or course of study is not being offered. If the period of the day is not included in the State Board of Education's approved minimum course of study, then that period of the day is not instructional time...Instructional time does not include: ii. ADE has made the determination that homeroom period, study hall periods, early release and late start hours are not instructional time".

³ ADE External Guideline GE-18 provides directions for determining the ADM adjustment based on insufficient instructional hours. According to the Guideline, "If school districts or charter holders are not in compliance with the requirements for annual classroom instruction hours pursuant to A.R.S. §§15-901(A)(2)(a), (b) and (c), then annual equalization funding will be prorated accordingly. Example: A school with deficient annual hours will have their reported membership decreased based on the actual amount of instruction hours provided compared to the required annual hours. For instance, a school that provides 90 percent of the required hours will have the reported membership days reduced by 10 percent, thus ADM will be reduced by 10 percent. Annual equalization will be based on this revised ADM."

shown in Table 5, the School's insufficient instructional hours resulted in ADM being overstated by a total of 3.125, requiring the School's Basic State Aid to be reduced by \$20,802.58. According to A.R.S. § 15-915, ADE needs to recoup \$20,802.58 in overpaid Basic State Aid from the School for insufficient instructional hours in FY2010 and FY2011.

Table 5

**Bradley Academy of Excellence, Inc.
ADM Overstatement and Funding Adjustment Due to
Insufficient Instructional Hours for Grade 7 and 8 Students
FY2010 and FY2011**

	FY2010	FY2011	Total
Reported ADM	29.511	26.912	56.423
Instructional Hours Percentage Provided	90.9%	98.4%	-
Audited ADM	26.812	26.486	53.298
ADM Overstated	2.699	0.426	3.125
Funding Adjustment	\$18,637.53	\$2,165.05	\$20,802.58

Source: Auditor analysis of SAIS and School student data for FY2010 and FY2011.

Recommendations:

1. ADE needs to recoup \$20,802.58 in overpaid Basic State Aid from the School for failing to offer sufficient instructional hours in FY2010 and FY2011.
2. The School needs to ensure that it provides all students with at least the statutorily-required minimum number of instructional hours.

ADM AND FUNDING ADJUSTMENTS

This audit identified an overall funding reduction of \$79,228.31 for the three fiscal years audited:

- \$58,425.73 for enrollment and withdrawal reporting errors, and;
- \$20,802.58 for not providing the required instructional hours.

Table 6 lists the ADM adjustments and the associated Basic State Aid adjustments for the School for FY2010, FY2011 and FY2012.

Table 6

**Bradley Academy of Excellence, Inc.
ADM and Funding Adjustments Required for
FY2010, FY2011 and FY2012**

	FY2010		FY2011		FY2012		Total Adjustment
	ADM	Basic State Aid	ADM	Basic State Aid	ADM	Basic State Aid	
Enrollment and Withdrawal	8.460	\$ 58,425.73	0	\$ 0.00	0	\$0.00	\$58,425.73
Instructional Hours	<u>2.699</u>	<u>\$ 18,637.53</u>	<u>0.426</u>	<u>\$2,165.05</u>	<u>0.00</u>	<u>\$0.00</u>	<u>\$20,802.58</u>
Total	<u>11.159</u>	<u>\$77,063.26</u>	<u>0.426</u>	<u>\$2,165.05</u>	<u>0.00</u>	<u>\$0.00</u>	<u>\$79,228.31</u>

Source: Auditor analysis of SAIS and School student and financial data for FY2010, FY2011 and FY2012.