



Arizona Department of Education

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Average Daily Membership Audit Report E. Q. Scholars, Inc. Fiscal Years 2009, 2010, and 2011

Report Number—12-3

July 11, 2012

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John Huppenthal
Superintendent of
Public Instruction

July 11, 2012

Steve McClenning, Principal
E. Q. Scholars, Inc.
P.O. Box 3475
Quartzsite, AZ 85359

Dear Principal McClenning:

The Arizona Department of Education Audit Unit has conducted an audit of the E. Q. Scholars, Inc.'s (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 inappropriately enrolled non-resident students and received Basic State Aid for these students. Additionally, student attendance documentation was destroyed and manipulated without documentation to support changes. Finally, the School failed to comply with state laws in maintaining some necessary documentation for some students. As a result of these findings, the School was overfunded \$564,715.32 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,

Arthur E. Heikkila
Chief Auditor

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INTRODUCTION AND BACKGROUND

The Arizona Department of Education (ADE) has conducted an Average Daily Membership (ADM) audit of the E. Q. Scholars, Inc. (School) pursuant to the provisions of A.R.S. § 15-239. This audit focused on whether the School accurately reported enrollment and attendance data to ADE in FY2009, FY2010, and FY2011.

Average Daily Membership audit conducted—ADM audits help ensure the appropriate distribution of Basic State Aid provided annually to school districts and charter schools. Districts receive Basic State Aid based on several factors related to student attendance. To receive funding, school districts and charter schools report enrollment and attendance data to ADE’s Student Accountability Information System (SAIS). ADE then processes that data, determines payment amounts according to the relevant statutory funding formulas and distributes payments to schools up to twelve times each year.

Audit, appeal and Basic State Aid adjustment processes—The ADM audit process determines whether payments were correct or if an adjustment is needed pursuant to A.R.S. § 15-915, and provides for an appeal process if the school district or charter school disagrees with the findings. ADM audits compare the school district’s or charter school’s information reported to SAIS to information found on the original records kept at the school. If the audit finds that the school district’s or charter school’s reported information does not match the original documentation, the audit will identify and report the funding adjustment needed to Basic State Aid. These funding adjustments can be positive or negative, depending upon the audit findings. The Notice of Audit Findings and Required Reimbursement (Notice) details the audit findings and determination of the Superintendent of Public Instruction regarding adjustments to be made to the school district or charter school.

A.R.S. § 41-1092.03 provides the audited school district or charter school that disagrees with the Superintendent’s decision in the Notice the opportunity to file a formal appeal within thirty (30) days after the Notice 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. When the Notice is finally settled or adjudicated, if ADE has determined that a school district or charter school received incorrect amounts 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 Quartzsite, Arizona, maintained one campus during the fiscal years audited for students in grades 7 through 12. In FY2011, the School enrolled a total of 113 students. Table 1 (see page 2) presents the School’s unaudited student, staffing and financial information for FY2009, FY2010, and FY2011.

Table 1

**E.Q. Scholars, Inc.
Students, Staffing, Revenues and Expenditures
FY2009, FY2010, and FY2011
(Unaudited)**

	FY2009	FY2010	FY2011
Students Enrolled	125	111	113
Number of Teachers	6	7	6
Revenue			
Local	\$15,377	\$11,440	\$16,286
Intermediate	\$0	\$0	\$0
State	\$917,475	\$700,974	\$891,808
Federal	<u>\$121,657</u>	<u>\$372,697</u>	<u>\$146,812</u>
Total Revenues	<u>\$1,054,509</u>	<u>\$1,085,111</u>	<u>\$1,054,906</u>
Total Expenditures	<u>\$945,674</u>	<u>\$1,278,812</u>	<u>\$1,141,861</u>

Source: "Annual Report of the Arizona Superintendent of Public Instruction," for FY2009, FY2010, and FY2011

SCOPE AND METHODOLOGY

The audit focused on whether the School accurately reported enrollment and attendance data to ADE and received the correct amount of Basic State Aid in accordance with statutes, the Uniform System of Financial Reporting (USFR) and its own policies and procedures. The School staff had thrown away the original attendance records for two and a half of the three audited years, and this limited the audit's scope. As a result, this prevented auditors from comparing original attendance information to the information submitted to ADE for funding. The audit reviewed data for FY2009, FY2010 and FY2011.

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:

- **Residency**—To determine whether the School ensured that the students who were enrolled were residents of Arizona, auditors reviewed all 247 student files for the three fiscal years audited. In addition, auditors performed site visits and interviews at addresses claimed in student files, as well as obtained student address documentation from the post offices in Ehrenburg and Quartzsite in order to verify students' state residency status. In addition, auditors requested from School management any additional documentation that could be provided that would show the student resided in Arizona. Based on the student files, site visits, interviews, post office documentation, and any additional documentation that School management could provide, auditors determined if the student was a resident of Arizona.
- **Attendance and enrollment records**—To determine whether the School reported accurate attendance and enrollment information, auditors reviewed the School's procedures and compared them to the School's practices in these areas. Since auditors found that the School did not maintain students' original attendance documentation for all but one-half year audited, they were unable to verify the accuracy of attendance that the School reported to SAIS. In addition, auditors examined teacher records, identified any discrepancies in the documentation and interviewed school staff to determine whether students were being enrolled and withdrawn properly.
- **Student cumulative files**—To determine whether the School appropriately maintained documents required by state law to be in student cumulative files, auditors reviewed all 247 of the student cumulative files. Auditors reviewed whether the student files contained birth certificates, immunization forms and enrollment forms.

The Audit Unit expresses its appreciation to the E.Q. Scholars, Inc.'s administration and staff members for their cooperation and assistance throughout the audit.

FINDING 1: THE SCHOOL IMPROPERLY RECEIVED \$564,715.32 IN BASIC STATE AID FOR ENROLLING NON-RESIDENT STUDENTS

The School improperly received \$564,715.32 over a three fiscal year period for improperly submitting non-resident students to ADE for Basic State Aid. A review of all student files for FY2009, FY2010, and FY2011, plus additional fieldwork, determined that the School claimed Basic State Aid for a total of 82 non-resident students for one or more of the three fiscal years audited. In order to address this problem, the School should develop and implement procedures as required by statute to verify student residency. In addition, if School management wants to enroll non-resident students, they need to follow provisions in statute that require payment of tuition by non-resident students. Pursuant to A.R.S. § 15-915, the School must repay the State \$564,715.32 in Basic State Aid it received for enrolling and being funded for 82 non-resident students for one or more fiscal years audited.

Students Must Be Arizona Residents To Receive a Free Public Education

Case law has established that only Arizona residents are eligible for a tuition-free education, and state statute provides some direction to school districts and charter schools regarding student enrollment. In 1998, the Arizona Court of Appeals stated that “*the right to a tuition-free public education is reserved to the residents of this state.*”¹ Pursuant to A.R.S. § 15-821(A), all Arizona school districts are required to admit students between the ages of 6 and 21 years who reside within the school district’s boundaries. Additionally, A.R.S. § 15-823(J) states that “*a charter school shall not include pupils who are not residents of this state in the . . . charter school’s student count and shall not obtain state funding for those pupils.*”

School Claimed Basic State Aid For A Total of 82 Non-Resident Students Over A Three Year Period

Although both case law and state law require students to be a resident of the state of Arizona in order to be eligible for state funding, the School enrolled and inappropriately claimed Basic State Aid for a total of 82 non-resident students during one or more of FY2009, FY2010, and FY2011. These students were deemed as non-residents for a variety of reasons, as shown in Table 2 (See page 5). Auditors determined non-resident status through a review of student cumulative files and other processes and methods. School officials were apprised of the non-residency issue during the audit and given the opportunity to provide any additional residency information for the students listed in this finding, but did not provide any additional valid documentation for these 82 students.

¹ See *Sleeseman v. State Bd. of Educ.*, 156 Ariz. 496, 498, 753 P.2d 186, 188 (App. 1988).

Table 2

**E. Q. Scholars, Inc.
Number of Students and Reasons for Non-Resident Determination
FY2009, FY2010, and FY2011**

	FY2009	FY2010	FY2011	
Reasons for Non-Resident Determination	Number of Students	Number of Students	Number of Students	Total
No Enrollment Form	3	0	0	3
No Physical Address on Enrollment Form	6	6	9	21
Out-of-State Address in Blythe, California	6	1	9	16
Invalid Address in Buckeye, Arizona	0	0	3	3
Invalid Address in Cibola, Arizona	0	0	1	1
Invalid Address in Ehrenberg, Arizona	12	13	16	41
Invalid Address in Quartzsite, Arizona	2	6	6	14
Address in Ehrenberg, Arizona was actually located in Blythe, California	<u>2</u>	<u>5</u>	<u>5</u>	<u>12</u>
Total¹	31	31	49	111

¹ The three year total of 111 students reported for funding represents 82 actual students. The three year total is greater because some of the 82 actual students attended multiple years at the School.

Source: Auditor analysis of School records for FY2009, FY2010, and FY2011, Post Office records, interviews with the School business manager, principal and former staff, auditor interviews with residents at recorded addresses or neighbors and auditor visits to recorded addresses.

Auditors identified 82 non-resident students using a variety of methods—As a result of the review of all 247 student cumulative files, auditors identified 82 students who were determined to be non-residents by performing the following methods:

- Reviewing the cumulative files and determining that some students claimed to reside in Blythe, California, or Cibola or Buckeye, Arizona. Buckeye, Arizona is located approximately 2 hours to the east of Quartzsite, Arizona, and Cibola is located approximately 45 minutes south; however, the business manager stated that the School had not enrolled any students who lived in Cibola in many years. Additionally, some student cumulative files did not contain enrollment forms or contained enrollment forms without listing any physical residential address, which is necessary to validate actual residency in Arizona;
- Looking up the address listed on the enrollment form as being located in Ehrenberg on a map and finding that the physical address was actually located in Blythe, California;
- Driving to and interviewing persons who actually resided at the address claimed, and who either did not know the students at all or knew them, but told auditors that they lived in Blythe, California;

- Obtaining address verification from the United States Post Offices in both Ehrenberg and Quartzsite. In order for someone to obtain a post office box, the person must provide their physical address to the Post Office. Information provided by both post offices found that some students or their parents had obtained an Arizona post office box but were actually residing in California; and
- Driving to the listed address and finding that it was a business, that the house appeared vacant or that a claimed residential space in a mobile home lot or trailer park did not appear to exist.

School management given opportunity to provide additional residency information—School management was not able to provide any additional residency information for the students listed in this finding. During the course of the audit, auditors provided School officials a list of 93 students determined to be non-residents based on the information provided and the additional audit work performed. School officials were able to provide sufficient documentation to verify residency for 11 of these students. However, School officials did not provide any additional valid information for the remaining 82 students.

The School Was Overfunded By \$564,715.32

As a result of the School reporting non-resident students for funding in each of the three fiscal years audited, the School was overfunded Basic State Aid by a total of \$564,715.32. Pursuant to A.R.S. § 15-915, the School must repay the State \$564,715.32 in Basic State Aid it received for enrolling and being funded for non-resident students. Table 3 illustrates the number of non-resident students reported by the School for funding for the three fiscal years audited, along with the associated ADM and overfunding.

Table 3

**E. Q. Scholars, Inc.
Non-Resident ADM Adjustment and Funding Adjustment
FY2009, FY2010, and FY2011**

	Non-Resident Students Reported	Non-Resident ADM Adjustment	Funding Adjustment
FY2009	31	25.89	\$(173,954.16)
FY2010	31	21.49	\$(142,554.58)
FY2011	49	36.74	\$(248,206.58)
Total	<u>111</u>	<u>84.12</u>	<u>\$(564,715.32)</u>

Source: Auditor analysis of School records and ADE records for FY2009, FY2010, and FY2011.

The School Did Not Exercise Due Diligence In Determining Student Residency

The School was improperly funded for 82 students over a three year period who were not residents of Arizona because it failed to exercise due diligence in determining the residency of students. The School enrolled non-resident students as residents as long as they provided the School with a post office box in Arizona. In addition, the School allowed non-resident students to enroll because they stated they were going to move to Arizona, but did not subsequently verify that the students indeed moved. The School needs to develop and implement procedures to effectively determine and document student residency. These procedures should reflect State law and ADE guidelines regarding residency documentation requirements, and if non-residents are enrolled, follow statutory requirements regarding the payment of a reasonable tuition.

The School did not have a residency procedure in place—Although the School required some documentation when enrolling students, it did not have effective procedures to ensure residency of students. After obtaining the student cumulative files, auditors interviewed the business manager and the principal to determine the School’s enrollment practices and procedures. According to School officials, when parents and students applied for admission to the School, they were told by School officials that they only needed a post office box in Arizona. The School officials thought that this would be sufficient to consider the students as residents of Arizona. However, as stated previously, students must actually reside in this state in order to obtain a free public education.

The School knowingly enrolled non-resident students—In addition, according to School officials, many students who enrolled in the School lived across the state border in California, but stated that they were planning to move to Arizona. The students were enrolled and were expected to update the School when their address changed. However, according to School officials, the School rarely or never followed up with parents or students to ensure that they had physically relocated to Arizona. Thus, non-resident students were allowed to remain in the School and generate ADM and Basic State Aid funding because School officials failed to ensure that the students were indeed residents.

Residency documentation procedures that reflect both State law and ADE guidelines needed—The School should implement a residency verification procedure to ensure the appropriate residency status. These procedures should include residency documentation requirements listed in both statute and ADE guidelines. A.R.S. § 15-802 requires school districts and charter schools to require and maintain verifiable documentation of residency in Arizona for pupils who enroll in a school district or charter school. In addition, ADE issued Arizona Residency Guidelines on September 22, 2011 designed to assist school districts and charter schools in meeting the legal requirements of this statute. If the School enrolls non-resident students, it needs to charge an appropriate tuition amount as designated in the tuition process outlined in A.R.S. § 15-823.

Recommendations:

1. ADE needs to recoup the total of \$564,715.32 in Basic State Aid overpayments for the three fiscal years audited.
2. The School needs to implement effective enrollment procedures to ensure the appropriate residency of its students. These procedures should include residency documentation requirements listed in both A.R.S. § 15-802 and ADE residency guidelines.
3. If the School enrolls non-resident students, it must charge an appropriate tuition as outlined in A.R.S. § 15-823.

FINDING 2: THE SCHOOL DID NOT RETAIN ATTENDANCE RECORDS AND IMPROPERLY ENROLLED AND WITHDREW SOME STUDENTS

The School failed to follow statutes regarding attendance and enrollment records. Instead of adhering to the statutory mandate of retaining these records for four fiscal years, the School had disposed of all the original attendance documentation taken by teachers for two and one half of the three fiscal years audited. In addition, other information gathered raised questions about the accuracy of the attendance data that the School reported to ADE. Moreover, for some students, the School did not always report accurate enrollment or withdrawal information to ADE. As a result, auditors could not verify that the School's Basic State Aid was correct for the fiscal years audited.

The School Failed To Maintain Most Of Its Attendance Records As Required By State Law

The School failed to maintain attendance documentation as required by state law. Both law and guidelines require schools to retain student attendance and enrollment information for four years. These requirements are reiterated in ADE Guideline and Procedure EX-34 (EX-34) that states "*all original attendance records, whether paper or paperless, must be maintained for four years.*" This requirement is also maintained in Guideline and Procedure EX-18 (EX-18), A.R.S. § 41-151.12 and Arizona State Library, Archives and Public Records Schedule Number 000-11-53.

However, according to the business manager, the School regularly disposed of its attendance documentation for FY2009 and FY2010, and the first half of FY2011. During this timeframe, the School used a manual system in which teachers took attendance utilizing paper forms and submitted them daily to the office to be entered into the School's SMS. According to the business manager who entered this information, the original attendance documentation was thrown away at the end of each week. She indicated that she was not aware of the requirement to keep the original records and thought the information in the SMS was sufficient. For the second half of FY2011, the School moved to a computer-based system that tracked attendances and absences directly from teachers. The School needs to ensure compliance with EX-34 by maintaining all original attendance documentation for at least four years.

Other Information Gathered Raised Questions Regarding The Accuracy Of Attendance Data That Was Submitted To ADE

Although the School had disposed of most of its original attendance information related to the audit timeframe, other information gathered indicated that the attendance data submitted to ADE may not have accurately reflected the original data. From a former teacher, auditors obtained photocopies of

some original attendance records that showed some discrepancies between the original information and the attendance information the School reported to SAIS. In addition, according to the business manager, she made changes to attendance and absences based on memory or perceived logic after the original records were disposed.

Some absence information maintained by a former teacher indicates potentially higher absence rate than was reported—Auditors did obtain photocopies of some original attendance sheets from a former teacher for parts of one fiscal year audited. The former teacher had maintained her own copies of attendance sheets she submitted to the School office. An analysis of these original records compared to what was in the School's SMS showed many discrepancies. For example, the School's SMS showed a student present on some days where the teacher had marked the student absent. Although the available original information included only a small portion of the total attendance, this information indicated that the attendance data in the SMS was not completely accurate.

Original attendance information for some students changed haphazardly—The attendance records of some students were changed many weeks and months after the attendance or absence was originally recorded. The business manager stated that she was aware that absences affected the School's funding, so after receiving the attendance reports from ADE, she would change attendance and absences recorded in the School's system that she felt were inaccurate. She stated that she changed the attendance for students she could recall being in class in previous months on specific days. She would also use her judgment based on students being reported in the School's SMS as present for some classes but not others to assume students were in attendance the entire day. However, she made all of these changes without any documentation to prove the student was actually in attendance because the original attendance records had been thrown away.

Overall, according to the business manager, the records in SAIS for which the School was funded were probably not 100% accurate for the three fiscal years audited due to the attendance and absence changes that she made without being based on any verifiable documentation. Because these changes would be done weeks and months after the original attendance or absence was recorded by the teacher, she told auditors that she did the best she could using her judgment to make changes to absences. However, according to the business manager, she might not have made all of the changes correctly.

The School Also Did Not Properly Enroll Or Withdraw Some Students

In addition to not maintaining attendance records correctly, the School also failed to properly report the enrollment and withdrawals for some students. Some students were reported as being enrolled and in attendance when they were actually only provided some work packets to do at home. In addition, students who were enrolled in fewer than the 720 instructional hours required to be considered a full-time student were still reported as a 1.0 Full Time Equivalent (FTE). Withdrawals for students who left and returned to the School during the year were also not being reported appropriately to SAIS.

Students who were given work packets for home were reported as being enrolled and in attendance the entire year—Some students were inaccurately reported to SAIS as being enrolled in and attending the School for the year, although these students did not actually attend the classes in which they were enrolled. According to the business manager, these were students who had not completed all the requirements for graduation in one or more classes from the previous semester or year. The School would provide packets of work for these students to do outside of the school. When they completed a packet of work, they would return it to the School. According to the business manager these students were left on the teacher rosters even though they did not attend classes with those teachers. The business manager stated that because these students had not graduated yet and since the School was providing some services, she felt the School should receive funding for them. However, since these students were not actually attending any classes at the school, they should not have been reported as students for funding. Additionally, since the business manager did not separately track these students, she could not provide auditors with a number or the names of the students who met these criteria. The School must report only those students who are actually attending the School.

Some students were enrolled inaccurately—The School improperly enrolled some students as full-time when they were only attending school part-time. According to A.R.S. § 15-901, “*The average daily membership of a full-time high school student shall be 1.0 if the student is enrolled in at least four subjects that meet at least seven hundred twenty hours for a one hundred eighty day school year, or the equivalent instructional hours prescribed in this section.*” The high school class periods at the School were not long enough for four classes to provide students with at least 720 hours of instruction during the year, and so to be a 1.0 FTE students would have to be enrolled in more than four classes. However, there were some students who were enrolled in only four classes reported with a 1.0 FTE. According to the business manager, she was aware of the four class requirement, but the 720 hour requirement did not occur to her when determining the FTE for students. The School needs to properly report students with the actual FTE as required by statute.

Some students were not always withdrawn appropriately—According to the business manager, some students at the School would quit school, some of them multiple times per year, but were not reported by the School as having withdrawn. While these students should have been withdrawn from the School and then reenrolled when they returned, according to the business manager, this created a lot of paperwork that was difficult to keep up with. If she thought they were going to return, she would not withdraw them from the School and thus the School continued to improperly report and receive funding for them. In cases where these students never returned, she told auditors that she would properly withdraw them based on their last day of actual attendance. However, if the students did return, she would not report the student as having withdrawn and would instead keep them as having been enrolled the entire time. While she told auditors that she knew that the proper way to report these students to SAIS was to withdraw them and reenroll them, she stated that this was much more difficult and it impacted the School’s funding. Again, since the business manager did not separately track these students, she could not provide auditors with a number or the names of the students who met these criteria. The School needs to properly withdraw students who leave the School and properly reenroll those students if they return.

Without Accurate Student Information, The State Cannot Ensure That The School Received The Appropriate Funding

Missing or inaccurate attendance data impacts the accuracy of school funding. During each of the three fiscal years audited, the School exceeded the absence threshold, which resulted in its ADM being adjusted for excessive absences.² Since Basic State Aid for the School was based on attendance for the three fiscal years audited, any discrepancies in attendance between original attendance records and SAIS could have affected the Basic State Aid provided to the School. Therefore, accurate attendance reporting and retention of the original documentation were vital to ensure that the School was being funded on the actual attendance of students. Additionally, any changes to the attendance or absence of a student should have had proper documentation to verify the need for the change. However, since the School did not retain any original attendance documentation, auditors could not verify that any of the changes were made appropriately.

Recommendations:

1. The School needs to ensure compliance with EX-34 by maintaining all original attendance documentation for at least four years.
2. The School needs to report students who are actually attending the school for attendance.
3. The School needs to report students with their actual FTE.
4. The School needs to properly report students who leave the School during a part of the year as having withdrawn and reenrolled based on actual attendance dates.

² For a common or a unified school district in which the average daily membership through the first one hundred days or two hundred days in session, as applicable, of the current year has exceeded the average daily attendance through the first one hundred days or two hundred days in session, as applicable, of the current year by more than six per cent, the student count shall be determined by an adjusted average daily membership computed by multiplying the actual average daily attendance by one hundred six per cent. A.R.S. § 15-902(A) (this statute was repealed as of July 1, 2011, but was in effect for the years covered by this audit).

FINDING 3: MANY OF THE SCHOOL’S STUDENT FILES WERE INCOMPLETE AND NOT IN COMPLIANCE WITH STATUTORY REQUIREMENTS

For some students, the School failed to obtain important information required by law in order to enroll students and receive Basic State Aid for them. Although required by law and School policies, the School failed to obtain and maintain copies of some students’ birth certificates and immunization records yet admitted and enrolled these students anyway. Additionally, the School failed to maintain enrollment forms for three students.³

Many Student Cumulative Files Missing Birth Certificates

A.R.S. § 15-828 requires a school district or charter school to obtain either a certified copy of a student’s birth certificate or other reliable proof of the student’s age and identity upon enrollment. Additionally, a photocopy of the document is required to be placed in the student’s file and the original returned. Birth certificates or other reliable proof are necessary to ensure the identity and age of the students enrolling in the schools. The School’s FY2009-2010 Student Handbook reflects statutory requirements and states the documentation required for enrollment:

“In order to register for school at The Scholars’ Academy parents must provide the school with the proper documentation. This documentation includes a copy the child’s birth certificate, immunization records and complete transcripts or academic history. No child will be admitted without the proper documentation.”

However, the School failed to comply with both state law and its own policies, as auditors determined that 39 of 247 student cumulative files, or 15.8%, were missing birth certificate documentation. Although School officials indicated that they were collecting these documents, the fact that the School did not obtain and maintain these documents in the student cumulative file indicates a lack of due diligence on behalf of School officials to ensure these documents were actually collected and retained. The School needs to follow the law, and only enroll students who provide sufficient documentation.

Some Student Cumulative Files Missing Immunization Records

The School did not ensure that immunization records were maintained in student cumulative files, as required by statute and School policy. Statute prohibits a pupil from attending school without submitting

³ Another important component of a student’s cumulative file is residency information and documentation. Auditors identified significant problems with the School meeting this documentation requirement. However, since auditors addressed this issue in Finding 1, (See pages 4 through 8), it was not included in this finding.

either documentary proof of immunization or an exemption from immunization. As required by A.R.S. § 15-872(D):

“On enrollment, the school administrator shall suspend that pupil if the administrator does not have documentary proof and the pupil is not exempted from immunization, pursuant to section 15-873.”

As noted in the previous section, the School maintained a policy requiring submission of immunization records or the child would not be admitted into the School. However, auditors determined that 20 of 247 student cumulative files, or 8.1% of the student population audited, did not have either the proof of immunization or the exemption from immunization as required by law. Similar to the problems identified with obtaining birth certificate documentation, although School officials indicated that they were collecting these documents, the fact that the School could not locate these documents indicates a lack of due diligence on behalf of School officials to ensure these documents were actually collected and retained. In the future, the School should not allow students to attend without providing the proper immunization documentation as required by law.

Three Student Cumulative Files Missing Enrollment Forms

As noted in Finding 1 (see pages 4 through 8), the School failed to maintain an enrollment form for three students. According to A.R.S. § 41-151.12, Arizona State Library, Archives and Public Records Schedule Number 000-11-53 and EX-18, all schools are required to maintain an enrollment/registration form for first time enrollments for a period of four years following the fiscal year of last attendance. Failure to obtain or maintain this documentation prohibits ensuring accuracy in enrollment, withdrawal, residency, contact information and much more related to the student and the associated Basic State Aid and other funding. Without proper documentation of the physical address of the student, auditors could not verify the residency status of these students. During the course of the audit, auditors informed School officials of the problem and provided them an opportunity to obtain this information. However, School officials failed to provide this information for these students.

Recommendations:

1. The School must comply with statute and its own policies and collect and maintain copies of certified copies of birth certificates or other identification documentation required by law.
2. The School must comply with statute and its own policies and collect and maintain copies of immunization records or exemptions from immunization as required by law.
3. The School must ensure that it collects and maintains enrollment forms from each student as required by State law.

ADM FUNDING ADJUSTMENTS

This audit identified an overall funding reduction of \$564,715.32 for the three fiscal years audited for inappropriately enrolling and obtaining Basic State Aid for non-resident students.

Table 4 lists the ADM adjustments that affect state funding and the associated Basic State Aid adjustments for the School for FY2009, FY2010, and FY2011.

Table 4

**E.Q. Scholars, Inc.
ADM and Funding Adjustments Required for
FY2009, FY2010, and FY2011**

	FY2009		FY2010		FY2011		Total Adjustment
	ADM	Funding	ADM	Funding	ADM	Funding	
ADM for Non-Resident Students	25.89	\$173,954.16	21.49	\$142,554.58	36.74	\$248,206.58	\$564,715.32
Total	25.89	\$173,954.16	21.49	\$142,554.58	36.74	\$248,206.58	\$564,715.32

Source: Auditor analysis of SAIS and School student and financial data for FY2009, FY2010, and FY2011.