# Arizona Department of Education

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# Average Daily Membership Audit Report El Centro for the Study of Primary and Secondary Education, Inc. Fiscal Years 2011, 2012 and 2013


Report Number—14-11

April 4, 2014

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John Huppenthal
Superintendent of
Public Instruction

April 4, 2014

Dr. Pepe Barron, CEO/Superintendent
El Centro for the Study of Primary and Secondary Education, Inc.
2797 N. Introspect Dr.
Tucson, AZ 85745

Dear Dr. Barron,

The Arizona Department of Education Audit Unit has conducted an audit of El Centro for the Study of Primary and Secondary Education, Inc.'s Average Daily Membership for Fiscal Years 2011, 2012 and 2013. 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.

Auditors determined that the School was overfunded due to incorrect entry dates and students who did not attend the School, but were reported to SAIS for funding. As a result of these findings, the School was overfunded $6,628.38 in Basic State Aid for all three fiscal years. The Notice of Audit Findings and Required Reimbursement issued concurrently with this report becomes final thirty (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,

Lisa Eddy,
Chief Auditor

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# INTRODUCTION AND BACKGROUND

The Arizona Department of Education (ADE) Audit Unit has conducted an Average Daily Membership (ADM) audit of El Centro for the Study of Primary and Secondary Education, 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 FY2011 through FY2013.

***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 auditors find 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 Tucson, Arizona, maintained one campus during the fiscal years audited for students in grades 3 through 8. In FY2013, the School enrolled a total of 76 students. Table 1 presents the School's unaudited student and financial information for FY2011, FY2012 and FY2013.

**Table 1**

**El Centro for the Study of Primary and Secondary Education, Inc.**
**Total Students, Revenues and Expenditures**
**FY2011, FY2012 and FY2013**
**(Unaudited)**

| | FY2011 | FY2012 | FY2013 |
|---|---|---|---|
| **Students Enrolled** | **101** | **89** | **76** |
| **Revenue** | | | |
| Local | $ 34,828 | $ 10,000 | $ 76,884 |
| Intermediate | $ 0 | $ 0 | $ 0 |
| State | $637,656 | $635,000 | $529,169 |
| Federal | $259,508 | $ 71,711 | $121,310 |
| **Total Revenues** | **$931,992** | **$716,711** | **$727,363** |
| **Total Expenditures** | **$959,012** | **$706,861** | **$788,529** |

Source: Annual Report of the Arizona Superintendent of Public Instruction for FY2011and FY2013, and the School's adopted budget for FY2012.

# SCOPE AND METHODOLOGY

The audit focused on whether the School accurately reported its 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 FY2011, FY2012 and FY2013.

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 to determine whether the School reported the correct enrollment data to ADE. Auditors reviewed 65 student profiles to determine if and when students attended the School. The first and last days of attendance were then compared to the enrollment and withdrawal dates that were reported to SAIS. When discrepancies were identified, auditors recalculated the ADM for each student based on the actual enrollment period.

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 $6,628.38

The School did not accurately report to ADE some student enrollment data for FY2011, FY2012 and FY2013. Specifically, auditors found that the School misreported enrollment dates for three students and reported one student who did not attend the School. As a result, the School's ADM was overstated by 1.07 for the three fiscal years audited. Due to this inaccurate enrollment data reported to ADE, the School received a net overpayment of $6,628.38 in Basic State Aid for the three fiscal years audited, which must be recouped by ADE.

## The School Inaccurately Reported Student Enrollment Data

The School inaccurately reported the enrollment data for four students to ADE. As a result, the School overstated its ADM in all three fiscal years by 1.07.

ADE External Guidelines and Procedures GE-17[1] (GE-17) states that, with the exception of pre-enrolled students, the enrollment date for a student is the first day of actual attendance. Additionally, according to A.R.S. § 15-901, the withdrawal date for students is the last day of actual attendance. However, the School did not always adhere to these requirements. Specifically:

- 3 students had an incorrect entry date that was reported to SAIS, which resulted in the School's ADM being overstated by 0.07.
- 1 student did not have any attendance documentation that indicated they had attended the School, which resulted in the School's ADM being overstated by 1.00.

As shown in Table 2 (see page 5), enrollment data errors resulted in a net ADM overstatement of 1.07 for FY2011, FY2012 and FY2013.

[1] ADE External Guidelines and Procedures GE-17 states: "*For the purposes of determining Average Daily Membership (ADM) for a given school year at a given public school pursuant to A.R.S. § 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.*"

**Table 2**

**El Centro for the Study of Primary and Secondary Education, Inc.**
**ADM Adjustments Due to Enrollment Data Errors**
**FY2011, FY2012 and FY2013**

| | 2011 | 2012 | 2013 | Total |
|---|---|---|---|---|
| Incorrect entry | 0.02 | 0.00 | 0.05 | 0.07 |
| Did not attend the School, but was in SAIS | 0.00 | 1.00 | 0.00 | 1.00 |
| **Total** | **0.02** | **1.00** | **0.05** | **1.07** |

Source: Auditor analysis of School records and SAIS data for FY2011, FY2012 and FY2013.

## The School Should Reconcile Its Data With SAIS

The School can avoid errors in the future by ensuring it correctly reconciles its data to the data contained in SAIS. If the School had properly reconciled its data to SAIS, these enrollment errors could likely have been identified, and the School would not have been overfunded because of these errors. The School should review the reports produced by SAIS and reconcile them to the School's SMS data to identify any discrepancies that would affect funding.

## The School Was Overpaid $6,628.38 for FY2011, FY2012 and FY2013

Auditors determined that the School did not receive the correct amount of Basic State Aid due to the inaccurate enrollment data reported to ADE for FY2011, FY2012 and FY2013. The data errors reported by the School resulted in its ADM being overstated by 1.07 for the three fiscal years audited. This resulted in the Basic State Aid being overfunded by $6,628.38, which ADE must recoup. Table 3 shows the ADM and funding adjustments required for the School for FY2011, FY2012 and FY2013.

**Table 3**

**El Centro for the Study of Primary and Secondary Education, Inc.**
**ADM and Funding Adjustments Due to Enrollment Data Errors**
**FY2011, FY2012 and FY2013**

| | ADM | Funding |
|---|---|---|
| 2011 | 0.02 | $ 123.49 |
| 2012 | 1.00 | $6,193.94 |
| 2013 | 0.05 | $ 310.95 |
| **Total** | **1.07** | **$6,628.38** |

Source: Auditor analysis of School records and SAIS data for FY2011, FY2012 and FY2013.

## Recommendations:

1. The School must repay $6,628.38 in overfunding due to incorrectly reported enrollment data.

2. The School should reconcile its data each year to ensure it complies with A.R.S. § 15-901 and GE-17.

# ADM AND FUNDING ADJUSTMENTS

This audit identified an overall funding reduction of $6,628.38 for the three fiscal years audited:

- $123.49 for FY2011;
- $6,193.94 for FY2012; and
- $310.95 for FY2013.

Table 4 lists the ADM adjustments and the associated Basic State Aid adjustments for the School for FY2011, FY2012 and FY2013.

**Table 4**

**El Centro for the Study of Primary and Secondary Education, Inc.**
**ADM and Funding Adjustments Required for**
**FY2011, FY2012 and FY2013**

| | FY2011 | | FY2012 | | FY2013 | | |
|---|---|---|---|---|---|---|---|
| | ADM | Basic State Aid | ADM | Basic State Aid | ADM | Basic State Aid | Total Adjustment |
| Incorrect entry | 0.02 | $123.49 | 0.00 | $0.00 | 0.05 | $310.95 | $ 434.44 |
| Did not attend the School, but was in SAIS | 0.00 | $ 0.00 | 1.00 | $6,193.64 | 0.00 | $ 0.00 | $6,193.94 |
| **Total** | **0.02** | **$123.49** | **1.00** | **$6,193.94** | **0.05** | **$310.95** | **$6,628.38** |

Source: Auditor analysis of SAIS and School student and financial data for FY2011, FY2012 and FY2013.