



Arizona Department of Education

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Average Daily Membership Audit Report Phoenix School of Academic Excellence Fiscal Years 2009, 2010 and 2011

Report Number—12-2

May 15, 2012

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John Huppenthal
Superintendent of
Public Instruction

May 15, 2012

Nathan Palma, Director
Phoenix School of Academic Excellence
5310 N 12th Street
Phoenix, AZ 85014

Dear Director Palma:

The Arizona Department of Education Audit Unit has conducted an audit of the Phoenix School of Academic Excellence'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 reported some inaccurate data to ADE and had errors with enrollment and withdrawal dates as well as attendance. As a result of these findings, the School was overfunded \$29,947.04 for the three fiscal years. The audit 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 black ink, appearing to read "Arthur E. Heikkila".

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 Phoenix School of Academic Excellence (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 not, 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 excess 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 Phoenix, Arizona, maintained one school during the fiscal years audited for students in grades 7 through 12. In FY2011, the School enrolled a total of 94 students. Table 1 (see page 2) presents the School’s student, staffing and financial information for FY2009, FY2010 and FY2011.

Table 1

**Phoenix School of Academic Excellence
Students, Staffing, Revenues and Expenditures
FY2009, FY2010 and FY2011
(Unaudited)**

| | FY2009 | FY2010 | FY2011 |
|---------------------------|-------------------------|-------------------------|-------------------------|
| Students Enrolled | 120 | 101 | 94 |
| Total Teachers | 2 | 2 | 5 |
| Revenue | | | |
| Local | \$13,845 | \$11,813 | \$16,969 |
| County | \$0 | \$0 | \$0 |
| State | \$832,714 | \$592,288 | \$675,830 |
| Federal | \$87,154 | \$264,043 | \$102,684 |
| Total Revenues | <u>\$933,713</u> | <u>\$868,144</u> | <u>\$795,483</u> |
| Total Expenditures | <u>\$875,507</u> | <u>\$896,369</u> | <u>\$806,419</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 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 areas:

- **Student Enrollment and Withdrawal Errors**—To determine whether the School received the correct amount of Basic State Aid from ADE, auditors reviewed each student’s enrollment and withdrawal information for each fiscal year audited. Auditors obtained the student attendance sheets and compared these to the School’s Student Management System (SMS) and SAIS.
- **Attendance errors**—To determine whether the School reported the correct number of absences, auditors reviewed a sample of 56 students’ attendance as reported on the School’s attendance sheets. Auditors then compared this information to SAIS to determine if any discrepancies existed.

The Audit Unit expresses its appreciation to the Phoenix School of Academic Excellence’s administration and staff members for their cooperation and assistance throughout the audit.

FINDING 1: THE SCHOOL DID NOT ACCURATELY REPORT SOME ENROLLMENT AND WITHDRAWAL DATES TO ADE

The School did not accurately report some student enrollment and withdrawal dates to ADE for FY2009, FY2010 and FY2011. As a result, the School over-reported its ADM by a total of 4.35 for the three fiscal years audited. Due to the inaccurate enrollment and withdrawal dates reported to ADE, the School received an overpayment of Basic State Aid of \$29,947.04 that ADE will need to recoup.

Some Enrollment and Withdrawal Dates Inaccurately Reported

The School inaccurately reported some students' enrollment or withdrawal dates to the 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 continuing or pre-enrolled students, the enrollment date for a student is the first day of actual attendance.

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

- **Enrollment Date After Actual Attendance:** 14 Students were reported with an enrollment date after the first day of actual attendance. This resulted in an understatement of ADM by 0.41.
- **Enrollment Date Prior to Actual Attendance:** 45 Students were reported with an enrollment date prior to the first day of actual attendance. This resulted in an overstatement of ADM by 2.77.
- **Withdrawal Date After Actual Attendance:** 12 Students were reported with a withdrawal date after the last day of actual attendance. This resulted in an overstatement of ADM by 2.06.
- **Withdrawal Date Prior to Actual Attendance:** 35 Students were reported with a withdrawal date prior to the last day of actual attendance. This resulted in an understatement of ADM by 0.63.

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."

- **No Attendance Documentation:** 2 Students were reported to SAIS; however, neither attended during the year in which they were reported. This resulted in an overstatement of ADM by 0.56.

As shown in Table 2, enrollment and withdrawal errors resulted in a net ADM overstatement of 4.35 for the three fiscal years audited.

Table 2

**Phoenix School of Academic Excellence
ADM Adjustments Due to Enrollment and Withdrawal Errors
FY2009, FY2010 and FY2011**

| | FY2009 ADM Adjustment | FY2010 ADM Adjustment | FY2011 ADM Adjustment | Total for the Three Fiscal Years |
|--|--------------------------------------|--------------------------------------|--------------------------------------|---|
| Enrollment Date After Actual Attendance | 0.19 | 0.07 | 0.15 | 0.41 |
| Enrollment Date Prior to Actual Attendance | (0.69) | (0.43) | (1.65) | (2.77) |
| Withdrawal Date After Actual Attendance | (0.08) | (0.12) | (1.86) | (2.06) |
| Withdrawal Date Prior to Actual Attendance | 0.01 | 0.24 | 0.38 | 0.63 |
| No Attendance Documentation | 0.00 | (0.25) | (0.31) | (0.56) |
| Total: | (0.57) | (0.49) | (3.29) | (4.35) |

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

**The School Was Overpaid \$29,947.04
For The Three Fiscal Years Audited**

The School did not receive the correct amount of Basic State Aid due to the inaccurate enrollment and withdrawal dates reported to ADE for the three fiscal years audited. The net overall ADM reported by the School was overstated by 0.57, 0.49 and 3.29 for FY2009, FY2010 and FY2011, respectively. This resulted in the Basic State Aid being overfunded by \$29,947.04. Pursuant to A.R.S. § 15-915, ADE must recoup this overpayment. Table 3 (see page 6) shows the ADM and funding adjustments required for the School for FY2009, FY2010 and FY2011.

Table 3

**Phoenix School of Academic Excellence
ADM and Funding Adjustments Due to
Enrollment and Withdrawal Errors
FY2009, FY2010 and FY2011**

| Enrollment and Withdrawal Errors | ADM Adjustment | Funding Adjustment |
|---|-----------------------|-----------------------------|
| FY2009 | (0.57) | (\$4,195.27) |
| FY2010 | (0.49) | (\$3,179.27) |
| FY2011 | (3.29) | (\$22,572.50) |
| Total | <u>(4.35)</u> | <u>(\$29,947.04)</u> |

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

Recommendations:

1. ADE needs to recoup the \$29,947.04 total in Basic State Aid overpayments.
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: HIGH PERCENTAGE OF ERRORS IMPACTED ENROLLMENT AND ATTENDANCE DATA ACCURACY

The audit found a significant percentage of errors in the School's enrollment and attendance reporting. Specifically, a sample of students' attendance data identified error rates of 21.05% and 65.0% for two of the three fiscal years audited. Additionally, a review of all students' enrollment information found reporting errors for 108 of its 447 students for the three fiscal years audited. In the future, the School needs to develop and implement procedures to help ensure that it properly reports attendance and enrollment to ADE.

No Procedures in Place To Ensure Accurate Data

Accurate enrollment and attendance reporting is vital in ensuring that schools receive the appropriate amount of Basic State Aid. This responsibility resides with the schools and adequate procedures should be implemented and utilized to make sure that the data is accurate. The School did not have adequate procedures in place, and as a result, the audit found a fairly high percentage of errors as shown in the following sections. The School needs to develop and implement procedures to identify and correct errors.

Errors in Attendance Reported To SAIS

Auditors determined that the School's attendance data contained numerous errors in student attendance and absences, which resulted in inaccurate absence reporting to SAIS in FY2009 and FY2011. Errors resulted in both overstated and understated ADM for reporting purposes. If a school district or charter school has excessive absences that exceed the thresholds determined in statute, its funding is adjusted through a formula that considers both ADM and Average Daily Attendance, resulting in a school district or charter school being funded on adjusted ADM. However, since the School was not funded on adjusted ADM in either of these fiscal years, and since the data errors found by auditors did not result in the School exceeding the absence threshold in statute, the errors did not result in any funding adjustments.

In addition to the errors in reporting absence and attendance information in both FY2009 and FY2011, auditors determined that the School reported all absences in FY2011 as .25 day absences instead of full day absences for students who did not attend any classes during that day. Of the 20 students sampled for that fiscal year, 13 students, or 65%, were reported incorrectly for absences, resulting in a net underreporting of 33 absences. According to the School, this error had been detected in the School's SMS by the School's administration in the prior year and, although not corrected by the School in FY2011 data submissions, had been corrected for FY2012. The School provided student attendance samples to auditors to reflect the corrections made for FY2012.

As shown in Table 4, based on the selected student sample, auditors determined that the School had underreported its absences in both FY2009 and FY2011. In total, auditors found 17 errors in the 56 student sample, an error rate exceeding 30%.

Table 4

**Phoenix School of Academic Excellence
Absences, Total Errors and Percentage of Errors
FY2009, FY2010 and FY2011**

| Absences | | | | |
|--|---------------|---------------|---------------|---------------|
| | FY2009 | FY2010 | FY2011 | Total |
| Students Sampled | 19 | 17 | 20 | 56 |
| Students with Underreported Absence Errors | 4 | 0 | 12 | 16 |
| Students with Overreported Absence Errors | 0 | 0 | 1 | 1 |
| Total Student Absence Errors | 4 | 0 | 13 | 17 |
| Total Absence Days Underreported | -6.5 | 0 | -33 | -39.5 |
| Percentage of errors | 21.05% | 0% | 65.00% | 30.36% |

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

Errors in Enrollment Reported To SAIS

As shown in Table 5, auditors determined that the School either underreported or over reported entry and exit dates for 108 of the 447 students for the three fiscal years audited, resulting in a net error rate of 24.16%. The School must properly report entry and exit dates to the ADE in order to ensure accurate funding.

Table 5

**Phoenix School of Academic Excellence
Student Reporting Errors
FY2009, FY2010 and FY2011**

| | FY2009 | FY2010 | FY2011 | Total |
|------------------------------------|---------------|---------------|---------------|---------------|
| Total Students | 167 | 138 | 142 | 447 |
| Total Errors | 24 | 18 | 66 | 108 |
| Percentage of Students with Errors | 14.37% | 13.04% | 46.48% | 24.16% |

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

Recommendation:

1. The School should develop and implement procedures to help ensure that it reports correct student attendance and enrollment data to SAIS.

ADM FUNDING ADJUSTMENTS

This audit identified an overall funding reduction of \$29,947.04 for the three fiscal years audited for student reporting errors.

Additionally, statutes and rules provide for a formal appeal process through the Office of Administrative Hearings if the School disagrees with the audit results. The School has thirty (30) days from the issuance of the audit report to request an appeal.

Table 6 lists the ADM adjustments that affect state funding and the associated Basic State Aid adjustments for the School for FY2009, FY2010 and FY2011.

Table 6

**Phoenix School of Academic Excellence
ADM and Funding Adjustments Required for
FY2009, FY2010 and FY2011**

| | FY2009 | | FY2010 | | FY2011 | | Total Adjustment |
|--------------------------|---------------|---------------------|---------------|---------------------|---------------|----------------------|----------------------|
| | ADM | Funding | ADM | Funding | ADM | Funding | |
| Student Reporting Errors | (0.57) | \$(4,195.27) | (0.49) | \$(3,179.27) | (3.29) | \$(22,572.50) | \$(29,947.04) |
| Total | (0.57) | \$(4,195.27) | (0.49) | \$(3,179.27) | (3.29) | \$(22,572.50) | \$(29,947.04) |

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