



# Arizona Department of Education

The Audit Unit

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## Average Daily Membership Audit Report Yuma Private Industry Council, Inc. Fiscal Years 2011, 2012 and 2013

Report Number—14-15

May 23, 2014

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John Huppenthal  
Superintendent of  
Public Instruction

May 23, 2014

John Morales, Executive Director  
Yuma Private Industry Council, Inc.  
3834 W. 16th St.  
Yuma, AZ 85364

Dear Mr. Morales,

The Arizona Department of Education Audit Unit has conducted an audit of the Yuma Private Industry Council, Inc. 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 had not accurately reported the enrollment data for 89 students for the three fiscal years audited. However, the School's audited ADM exceeded the enrollment cap that was in place for the three fiscal years, and no Basic State Aid adjustments are necessary.

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 "Lisa Eddy".

Lisa Eddy,  
Chief Auditor

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# INTRODUCTION AND BACKGROUND

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The Arizona Department of Education (ADE) Audit Unit has conducted an Average Daily Membership (ADM) audit of the Yuma Private Industry Council, 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, auditors 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 receives The Notice of Audit Findings and Required Reimbursement (Notice) that details the audit findings and determination of the Superintendent of Public Instruction (Superintendent) regarding adjustments to be made to the school district or charter school pursuant to A.R.S. § 15-915. 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 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 Yuma, Arizona, maintained one campus during the fiscal years audited for students in grades 9 through 12. In FY2013, the School enrolled a total of 112 students. Table 1 presents the School's unaudited student, staffing and financial information for FY2011, FY2012 and FY2013.

**Table 1**

**Yuma Private Industry Council, Inc.  
Total Students, Staffing, Revenues and Expenditures  
FY2011, FY2012 and FY2013  
(Unaudited)**

|                           | <b>FY2011</b>           | <b>FY2012</b>           | <b>FY2013</b>           |
|---------------------------|-------------------------|-------------------------|-------------------------|
| <b>Students Enrolled</b>  | <b>105</b>              | <b>116</b>              | <b>112</b>              |
| <b>Number of Teachers</b> | <b>5</b>                | <b>5</b>                | <b>5</b>                |
| <b>Revenue</b>            |                         |                         |                         |
| Local                     | \$ 859                  | \$ 1,526                | \$ 1,976                |
| Intermediate              | 0                       | 0                       | 0                       |
| State                     | 746,524                 | 763,824                 | 775,444                 |
| Federal                   | 121,933                 | 63,512                  | 78,452                  |
| <b>Total Revenues</b>     | <b><u>\$869,316</u></b> | <b><u>\$828,862</u></b> | <b><u>\$855,872</u></b> |
| <b>Total Expenditures</b> | <b><u>\$805,457</u></b> | <b><u>\$807,363</u></b> | <b><u>\$872,664</u></b> |

Source: Annual Report of the Arizona Superintendent of Public Instruction for FY2011, FY2012 and FY2013.

## SCOPE AND METHODOLOGY

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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 for the finding. To determine whether the School reported the correct enrollment data to ADE, auditors reviewed 111 student profiles. The first and last days of attendance were then compared to the enrollment and withdrawal dates that were reported to SAIS. Additionally, auditors reviewed the student schedules to determine whether the School accurately reported the full-time enrollment (FTE) status of students. When discrepancies were identified, auditors recalculated the ADM for each student based on the actual enrollment period and FTE status.

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 OVERSTATEMENT OF 4.858 ADM**

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The School did not accurately report student enrollment data for 89 students to ADE for FY2011, FY2012 and FY2013. Specifically, auditors found that the School misreported enrollment and withdrawal dates for 58 students, failed to withdraw four students who had not attended the School, failed to report 16 students who had attended the School and improperly reported the FTE status for 11 students. As a result, the School's ADM was overstated by 4.858 for the three fiscal years audited. Despite these errors, as a result of the School's audited ADM surpassing the School's enrollment cap, there is no financial adjustment.

### **The School Inaccurately Reported Student Data**

The School misreported student data for a total of 89 students for all three fiscal years. The School misreported student enrollment data for 78 students resulting in an overstatement of 5.514 ADM. Additionally, the School incorrectly reported the FTE status for 11 students resulting in an understatement of 0.656 ADM. As a result, the School overstated its ADM in all three fiscal years by 4.858.

*The School misreported the enrollment data for 78 students*—The School misreported the enrollment data for 78 students for all three fiscal years, which resulted in the School's ADM being overstated by 5.514. ADE Guideline GE-17<sup>1</sup> 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:

- 58 students had either an incorrect entry or withdrawal date reported to SAIS, which resulted in the School's ADM being overstated by 5.244.
- 4 students did not have any attendance documentation that indicated they had attended the School, which resulted in the School's ADM being overstated by 1.300.
- 16 students were not reported to SAIS; however, School attendance documentation listed the students as being enrolled and attending, which resulted in the School's ADM being understated by 1.030.

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<sup>1</sup> 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, student enrollment data errors resulted in a net ADM overstatement of 5.514 for FY2011, FY2012 and FY2013.

**Table 2**

**Yuma Private Industry Council, Inc.  
ADM Adjustments Due to Enrollment Data Errors  
FY2011, FY2012 and FY2013**

| Fiscal Year  | Incorrect Entry/Exit Date |              | Did not attend     |              | On SMS, not on SAIS |                | Total ADM Adjustment |
|--------------|---------------------------|--------------|--------------------|--------------|---------------------|----------------|----------------------|
|              | Number of Students        | ADM          | Number of Students | ADM          | Number of Students  | ADM            |                      |
| 2011         | 9                         | 3.065        | 2                  | 1.120        | 9                   | (0.380)        | 3.805                |
| 2012         | 3                         | 0.283        | -                  | -            | -                   | -              | 0.283                |
| 2013         | 46                        | 1.896        | 2                  | 0.180        | 7                   | (0.650)        | 1.426                |
| <b>Total</b> | <b>58</b>                 | <b>5.244</b> | <b>4</b>           | <b>1.300</b> | <b>16</b>           | <b>(1.030)</b> | <b>5.514</b>         |

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

***FTE status for 11 students incorrectly reported***—In addition to the data reporting errors, the School did not accurately report the FTE status for 11 students to ADE. According to A.R.S. § 15-901 and ADE External Guidelines and Procedures EX-18 (EX-18), a high school student must be scheduled for at least 720 instructional hours during the year and at least 20 hours per week for the student to be reported as 1.0 FTE<sup>2</sup>. In FY2012, due to the length of each course daily, a student needed to be enrolled in at least four courses to be reported as a 1.0 FTE. However, seven students were found by auditors to have been enrolled in less than four courses for at least a portion of the school year. These seven students were calculated and reported incorrectly, which resulted in the underreporting of ADM by the School by 0.513. In FY2013, due to the length of each course daily, the School only needed a student to be enrolled in three courses to constitute a 1.0 FTE. However, the School calculated and reported the FTE status of four students based on four classes equaling 1.0 FTE, which led to the students' FTE status being underreported. As a result, the School improperly reduced the FTE status of students who attended only three courses, which led to the underreporting of ADM by 0.143. As shown in Table 3 (see page 6), these errors resulted in a net understatement of the School's ADM by 0.656.

<sup>2</sup> Pursuant to A.R.S. § 15-901, a full time student (1.0 FTE) in grades 9 through 12 must be scheduled for and attending at least 720 hours of instruction and at least 20 hours per week, a 0.75 FTE student must be scheduled for at least 540 hours of instruction and at least 15 hours per week, a 0.50 FTE student must be scheduled for at least 360 hours of instruction and at least 10 hours per week and a 0.25 FTE student must be scheduled for at least 180 hours of instruction and at least 5 hours per week.

**Table 3**

**Yuma Private Industry Council, Inc.  
ADM Adjustments Due to Incorrectly Reported FTE  
FY2011, FY2012 and FY2013**

| <b>Fiscal Year</b> | <b>Number of Students with Incorrect FTE</b> | <b>ADM Adjustment</b> |
|--------------------|--|-----------------------|
| <b>2011</b>        | -  | -                     |
| <b>2012</b>        | 7  | (0.513)               |
| <b>2013</b>        | 4  | (0.143)               |
| <b>Total</b>       | <b>11</b>                                    | <b>(0.656)</b>        |

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

*Inaccurately reported student data resulted in overreported ADM*—As a result of the inaccuracies identified by auditors in the reporting of student data, the School’s ADM was overstated. As shown in Table 4, the School’s ADM was overstated in both FY2011 and FY2013, and understated in FY2012. In total, the School’s ADM was overstated by a net 4.858 for all three fiscal years.

**Table 4**

**Yuma Private Industry Council, Inc.  
ADM Adjustments Due to Data Reporting Errors  
FY2011, FY2012 and FY2013**

|                               | <b>FY2011</b> | <b>FY2012</b>  | <b>FY2013</b> | <b>Total</b> |
|-------------------------------|---------------|----------------|---------------|--------------|
| <b>Enrollment Data Errors</b> | 3.805         | 0.283          | 1.426         | 5.514        |
| <b>Incorrect FTE</b>          | -             | (0.513)        | (0.143)       | (0.656)      |
| <b>Total</b>                  | <b>3.805</b>  | <b>(0.230)</b> | <b>1.283</b>  | <b>4.858</b> |

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

**The School Must Reconcile  
Its Reported Data With SAIS**

The School can likely avoid errors in the future by ensuring it correctly reconciles its data to the data contained in SAIS. According to School officials, they did not perform reconciliation of their SMS data to the data reported to and funded in SAIS, as they were not aware of this process. However, new practices are being implemented as a result of this audit to reconcile School data to the data reported to SAIS in order to ensure accuracy in data submission in the future. If the School had properly reconciled its data to SAIS, these enrollment errors could likely have been identified. Under new practices being implemented, 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's Funding Remains Unchanged

Auditors determined that as a result of the School's ADM cap, the School's Basic State Aid does not require an adjustment. As part of the Arizona State Board for Charter Schools' application process, a charter applicant must identify their enrollment cap, which is the maximum amount of ADM the charter school is eligible to receive for Basic State Aid. As shown in Table 5, the School's reported ADM exceeded the audited ADM and the audited ADM exceeded the enrollment cap, therefore, there can be no ADM adjustments to the enrollment cap. As a result, the errors identified by auditors did not result in any adjustments to Basic State Aid.

**Table 5**

**Yuma Private Industry Council, Inc.  
Funded ADM, Reported ADM, Audited ADM and  
ADM Exceeding Enrollment Cap  
FY2011, FY2012 and FY2013**

| <b>Fiscal Year</b> | <b>Funded/Capped</b> | <b>Reported</b> | <b>Audited</b> | <b>ADM Exceeding Cap</b> |
|--------------------|----------------------|-----------------|----------------|--------------------------|
| <b>2011</b>        | 105.000              | 112.574         | 108.742        | 3.742                    |
| <b>2012</b>        | 105.000              | 118.058         | 118.288        | 13.288                   |
| <b>2013</b>        | 105.000              | 115.673         | 114.390        | 9.390                    |

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

### **Recommendations:**

1. The School must ensure it complies with A.R.S. § 15-901 and ADE Guideline GE-17 when reporting entry and exit dates to SAIS.
2. The School must ensure it complies with A.R.S. § 15-901 and ADE Guideline EX-18 when calculating and reporting FTE status.
3. The School must reconcile its data each year to ensure it complies with statute and ADE guidelines.

# ADM AND FUNDING ADJUSTMENTS

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Auditors identified no funding adjustment to Basic State Aid for the three fiscal years audited due to the School's enrollment cap.

Table 6 lists the ADM adjustments and the associated Basic State Aid adjustments for the School for FY2011, FY2012 and FY2013.

**Table 6**

**Yuma Private Industry Council, Inc.  
ADM and Funding Adjustment Due to Data Reporting Errors  
FY2011, FY2012 and FY2013**

|                       | FY2011              |         | FY2012                |         | FY2013              |         | Total   |
|-----------------------|---------------------|---------|-----------------------|---------|---------------------|---------|---------|
|                       | ADM                 | Funding | ADM                   | Funding | ADM                 | Funding | Funding |
| <b>Data Reporting</b> | <u>3.805</u>        | \$-     | <u>(0.230)</u>        | \$-     | <u>1.283</u>        | \$-     | \$-     |
| <b>Total</b>          | <u><b>3.805</b></u> | \$-     | <u><b>(0.230)</b></u> | \$-     | <u><b>1.283</b></u> | \$-     | \$-     |

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