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**The Audit Unit**
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# Average Daily Membership Audit Report Ahwatukee Foothills Prep, Inc. Fiscal Years 2012, 2013 and 2014

Report Number—15-26
March 25, 2015

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Diane Douglas
Superintendent of
Public Instruction

March 25, 2014

Leanne Bowley
Ahwatukee Foothills Prep, Inc.
5835 W. Ray Rd.
Chandler, AZ 85226

Dear Ms. Bowley,

The Arizona Department of Education Audit Unit has conducted an audit of the Ahwatukee Foothills Prep, Inc. (School) Average Daily Membership for Fiscal Years 2012, 2013 and 2014. The purpose of the audit was to address whether the School properly reported student enrollment and attendance data 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 data to ADE. As a result of this finding, the School was underfunded $532.59 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,

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 the Ahwatukee Foothills Prep, 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 FY2012 through FY2014.

***Average Daily Membership audits of district and charter holder funding***—Pursuant to A.R.S. § 15-239, ADE may conduct ADM audits, which 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 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 information***—The School, located in Chandler, Arizona, maintained one brick and mortar school one online school during the fiscal years audited. Table 1 presents the School's unaudited student and financial information for FY2012, FY2013 and FY2014.

**Table 1**

**Ahwatukee Foothills Prep, Inc.**
**Total Students, Revenues and Expenditures**
**FY2012, FY2013 and FY2014**
**(Unaudited)**

| | **FY2012** | **FY2013** | **FY2014** |
|---|---|---|---|
| **Students Enrolled** | **365** | **277** | **302** |
| **Revenue** | | | |
| Local | $131,390 | $28,889 | $23,252 |
| County | $0 | $0 | $0 |
| State | $2,304,327 | $1,620,435 | $1,742,177 |
| Federal | $374,224 | $294,611 | $219,379 |
| **Total Revenues** | **$2,809,941** | **$1,943,935** | **$1,984,808** |
| **Total Expenditures** | **$3,271,309** | **$2,975,699** | **$2,901,685** |

Source: Annual Report of the Arizona Superintendent of Public Instruction for FY2012, FY2013 and FY2014.

# 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 FY2012, FY2013 and FY2014.

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

- ***Instructional hours*** – Auditors reviewed the bell schedules and calendars for the School for FY2012, FY2013 and FY2014. The total instructional hours offered for each grade met the minimum required by statute. No findings were identified for this area.

- ***Enrollment data*** – Auditors reviewed 50 student files to determine if the enrollment data reported to ADE was correct. Auditors compared the entry and exit dates to the enrollment and withdrawal forms to determine if an adjustment was necessary. When a date was misreported, auditors recalculated the ADM that should have been funded for that student.

- ***AOI data–*** Auditors compared 100% of the Arizona Online Instruction (AOI) data that was reported to ADE to the AOI data from the School. Auditors reviewed instructional time reported as well as the full or part time status that was reported for each student. If the data reported to ADE was incorrect, an adjustment was determined.

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 UNDERPAYMENT OF $532.59

The School inaccurately reported the student enrollment data for 32 students for FY2012 and FY2014. Specifically, auditors found that the AOI data for 29 students was misreported, and the enrollment data for three students was reported incorrectly. As a result of these errors, the School's ADM was understated by 0.08 for FY2012, FY2013 and FY2014. Due to the inaccurate data, the School received a net underpayment of $532.59 in Basic State Aid for FY2012, FY2013 and FY2014 which ADE must repay to the School.

## The School Inaccurately Reported Some Student Enrollment Data

The School inaccurately reported data to ADE due to various errors, which resulted in the School's ADM being understated by 0.08. The AOI data for 29 students was misreported, resulting the School's ADM being understated by 0.18. In addition, the enrollment data for three students was reported incorrectly, resulting in the School's ADM being overstated by 0.10.

***The School Inaccurately Reported AOI Instructional Hours for 29 Students –*** Auditors determined that the School inaccurately reported some AOI student data, which led to the School's AOI ADM being understated by 0.18. Auditors identified 29 students during the three fiscal years audited that the School misreported student instructional time. The School inaccurately reported the AOI enrollment data for 29 students as follows:

- 21 students were reported to SAIS with incorrect AOI minutes, which resulted in the School's ADM being overstated by 0.22 for FY2012.

- 8 students had submitted daily logs for a week; however, the School had misplaced these logs and did not find them until the audit. This resulted in the School's ADM being understated by 0.40 for FY2014.

As shown in Table 2 (see page 5), for the three fiscal years audited, the School's ADM was understated by a total of 0.18.

**Table 2**

**Ahwatukee Foothills Prep, Inc.**
**AOI ADM Adjustments**
**FY2012, FY2013 and FY2014**

| | FY2012 | FY2013 | FY2014 | Total |
|---|---|---|---|---|
| Incorrectly reported minutes | 0.22 | 0.00 | 0.00 | 0.22 |
| Misplaced logs | 0.00 | 0.00 | (0.40) | (0.40) |
| **Total** | **0.22** | **0.00** | **(0.40)** | **(0.18)** |

Source: Auditor analysis of School records and SAIS data for FY2012, FY2013 and FY2014.

***The enrollment data for three students was misreported by the School*** – A.R.S. § 15-901 states that the withdrawal date for students is the last day of actual attendance, and the enrollment date is the first day of actual attendance. No issues were identified for FY2013 and FY2014. However, the School did not always adhere to these requirements in FY2012. Specifically:

- 2 students had an incorrect enrollment or withdrawal date that was reported to SAIS, which resulted in the School's ADM being overstated by 0.02.

- 1 student was funded, but School documentation showed that the student did not attend the School during the year, which resulted in the School's ADM being overstated by 0.08.

As shown in Table 3, data reporting errors resulted in a net ADM overstatement of 0.10 for FY2012.

**Table 3**

**Ahwatukee Foothills Prep, Inc.**
**ADM Adjustments Due to Enrollment Data Errors**
**FY2012**

| | FY2012 |
|---|---|
| Incorrect enrollment/withdrawal date | 0.02 |
| Did not attend | 0.08 |
| **Enrollment Data Errors** | **0.10** |

Source: Auditor analysis of School records and SAIS data for FY2012, FY2013 and FY2014.

## The School Must Reconcile Its Enrollment Data With SAIS

The School can avoid errors in the future by ensuring it regularly and correctly reconciles its data to the data contained in SAIS. 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 and correct any errors identified.

## The School Was Underfunded by $532.59

Auditors determined that the School did not receive the correct amount of Basic State Aid due to the inaccurate AOI and enrollment data reported to ADE for FY2012, FY2013 and FY2014. The data errors reported by the School resulted in its ADM being understated by 0.08. As a result, the School was underfunded by $532.59 in Basic State Aid, which ADE must repay to the School. Table 4 shows the ADM and funding adjustments required for the School for FY2012, FY2013 and FY2014.

**Table 4**

**Ahwatukee Foothills Prep, Inc.**
**AOI ADM Adjustments Due to Data Reporting Errors**
**FY2012, FY2013 and FY2014**

| | FY2012 | FY2013 | FY2014 | Total |
|---|---|---|---|---|
| Incorrect AOI data | 0.22 | 0.00 | (0.40) | (0.18) |
| Incorrect enrollment data | 0.10 | 0.00 | 0.00 | 0.10 |
| **Total ADM Adjustment** | **0.32** | **0.00** | **(0.40)** | **(0.08)** |
| **Total Funding Adjustment** | **$1,970.83** | **$0.00** | **$(2,503.42)** | **$(532.59)** |

Source: Auditor analysis of School records and SAIS data for FY2012, FY2013 and FY2014.

## Recommendations:

1. ADE must repay to the School $532.59 in Basic State Aid due to incorrectly reported AOI and enrollment data.

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

3. The School must comply with A.R.S. § 15-901 when reporting entry and exit dates to SAIS.

4. The School must comply with A.R.S. § 15-901 when calculating and reporting AOI instructional time.

# ADM AND FUNDING ADJUSTMENTS

***Basic State Aid adjustment of $532.59 required to be repaid to the School*****—**Auditors identified an overall funding adjustment of $532.59 for the three fiscal years audited due to inaccurate AOI and enrollment data.

Table 5 lists the ADM adjustments and the associated Basic State Aid adjustments for the School for FY2012, FY2013 and FY2014.

**Table 5**

**Ahwatukee Foothills Prep, Inc.**
**ADM and Funding Adjustments Required for**
**FY2012, FY2013 and FY2014**

| | FY2012 | | FY2013 | | FY2014 | | |
|---|---|---|---|---|---|---|---|
| | **ADM** | **Funding** | **ADM** | **Funding** | **ADM** | **Funding** | **Total** |
| AOI Errors | 0.22 | $1,354.19 | 0.00 | $0.00 | (0.40) | $(2,503.42) | $(1,149.23) |
| Enrollment Errors | 0.10 | $616.64 | 0.00 | $0.00 | 0.00 | $0.00 | $616.64 |
| **Total Funding Adjustment** | **0.32** | **$1,970.83** | **0.00** | **$0.00** | **(0.40)** | **$(2,503.42)** | **$(532.59)** |

Source: Auditor analysis of SAIS and School student and financial data for FY2012, FY2013 and FY2014.