



Arizona Department of Education

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Average Daily Membership Audit Report Tucson International Academy, Inc. Fiscal Years 2012, 2013 and 2014

Report Number—15-32

April 30, 2015



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Diane Douglas
Superintendent of
Public Instruction

April 30, 2015

Jennifer Herrera, Superintendent
Tucson International Academy, Inc.
2700 W. Broadway
Tucson, AZ 85745

Dear Superintendent Herrera,

The Arizona Department of Education Audit Unit has conducted an audit of the Tucson International Academy, Inc.'s (School) Average Daily Membership (ADM) for Fiscal Years 2012, 2013 and 2014. The purpose of the audit was to address whether the School properly reported student enrollment to determine if it received the correct amount of Basic State Aid.

Auditors determined that the School did not accurately report the entry or exit date for seven students over the three fiscal years audited, which resulted in an underreporting of 0.52 ADM and an underpayment of \$3,016.98 in Basic State Aid. Additionally, the School failed to properly maintain supporting documentation as required for withdrawal forms. In total, the School was underfunded by \$3,016.98 in Basic State Aid, which must be repaid by ADE pursuant to state law.

We appreciate the cooperation and assistance provided by the School's administration during the course of the audit.

Sincerely,

A handwritten signature in cursive script that reads "Lisa Eddy".

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 Tucson International Academy, 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 data.

Average Daily Membership audits of School 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 districts 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 districts 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 districts 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 districts 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 districts 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 districts 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 and financial data—The School, as shown in Figure 1, is located in Tucson, Arizona. For the three fiscal years audited, the School maintained three K-12 school sites and one K-10 site.

Table 1 presents the School’s unaudited student, staffing and financial information for FY2012, FY2013 and FY2014.

Table 1
Tucson International Academy, Inc.
Total Students, Staffing, Revenues and Expenditures
FY2012, FY2013 and FY2014
(Unaudited)

	FY2012	FY2013	FY2014
Fall Student Enrollment	415	435	496
Number of Teachers	-	29	-
Revenue			
Local	\$ 66,435	\$ 148,768	\$80,971
County	-	-	-
State	2,619,359	2,875,733	3,356,471
Federal	<u>477,057</u>	<u>566,214</u>	<u>568,727</u>
Total Revenues	<u>\$3,162,851</u>	<u>\$3,590,715</u>	<u>\$4,006,169</u>
Total Expenditures	<u>\$3,162,237</u>	<u>\$3,477,798</u>	<u>\$3,965,194</u>

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:

- **Enrollment Data**—Auditors compared SAIS data to the School’s SMS and identified 171 students for further review. Auditors obtained the student profiles from the School’s SMS and reviewed them to determine if the enrollment data reported to ADE was correct. Auditors compared the entry and exit dates to the student profiles to determine if an adjustment was necessary. In addition, auditors reviewed the student schedules for high school students to determine if the full time equivalency (FTE) reported to ADE was correct. Depending on the number of classes needed to have a 1.0 FTE, auditors recalculated the actual FTE for the students based on the number of courses the students were taking during the year. When the audited FTE or entry or exit dates were different from the reported FTE for a student, auditors recalculated the ADM and made appropriate adjustments to the funded ADM.
- **Withdrawal forms**—Auditors selected two high school students for each fiscal year audited and obtained the withdrawal form and any supporting documentation from the student’s cumulative file. Auditors compared the withdrawal code entered by the School’s staff on the withdrawal form to the withdrawal code reported to SAIS. Finally, auditors compared this information to the requirements contained within the Official Notice of Pupil Withdrawal form required by statute and ADE.
- **SPED Data**—Additionally, for the seven students where an ADM adjustment was made, auditors determined whether the student had also been funded for a special education category. Auditors calculated the special education adjustment and determined that the amount was materially insignificant.
- **Limiting**—Auditors reviewed the total ADM for each enrolled student to ensure that they were limited by SAIS.
- **Instructional hours**—Auditors reviewed the School’s bell schedules and calendars for the fiscal years audited and determined that the School provided at least the minimum number of instructional hours as required by statute for each grade level.

The Audit Unit expresses its appreciation to the Tucson International Academy, Inc.’s administration and staff members for their cooperation and assistance throughout the audit.

FINDING 1: THE SCHOOL DID NOT ACCURATELY REPORT SOME STUDENT DATA RESULTING IN AN UNDERPAYMENT OF \$3,016.98

The School inaccurately reported the student enrollment data for seven of the School’s students for FY2012, FY2013 and FY2014. Specifically, auditors determined that these seven students had either an incorrect entry or withdrawal date. As a result of these errors, the School’s ADM was understated by 0.52 for the three fiscal years audited. Due to the inaccurate enrollment data, the School received a net underpayment of \$3,016.98 in Basic State Aid for the three fiscal years audited which ADE must repay to the School pursuant to A.R.S. § 15-915.

The School Inaccurately Reported Some Student Enrollment Data

The School inaccurately reported the student enrollment data for seven students to ADE due to incorrect entry or exit dates reported to SAIS. These errors resulted in the School’s ADM being underreported by 0.52. ADE External Guideline and Procedures GE-17¹ states that, with the exception of pre-enrolled students, the enrollment date for a student is the first day of actual attendance. According to A.R.S. § 15-901, the withdrawal date for students for FY2012 and FY2013 is the last day of actual attendance. For FY2014, the withdrawal date for students is the last day of actual attendance or excused absence. However, the School did not always adhere to these requirements. Auditors determined that seven students had either an incorrect entry or withdrawal date that was reported to SAIS, which resulted in the School’s ADM being understated by 0.52.

As shown in Table 2, data reporting errors resulted in a net ADM understatement of 0.52 for FY2012, FY2013 and FY2014.

Table 2

**Tucson International Academy, Inc.
ADM Adjustments Due to Enrollment Data Errors
FY2012, FY2013 and FY2014**

	FY2012	FY2013	FY2014	Total
Incorrect entry or withdrawal date	(0.69)	0.15	0.02	(0.52)
Total Enrollment Data Errors	(0.69)	0.15	0.02	(0.52)

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

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 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.”

The School Must Properly Report its Enrollment Data to SAIS

The School must ensure that a process is in place that captures the proper entry and exit dates of students to ensure proper funding and reporting of data. The School should review its internal and reporting practices to ensure that it properly documents the actual entry and exit dates of students pursuant to statute.

The School Was Underfunded by \$3,016.98

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 FY2012, FY2013 and FY2014. As shown in Table 3, the enrollment data errors reported by the School resulted in its ADM being understated by 0.52 for the three fiscal years audited. As a result, the School was underfunded by \$3,016.98 in Basic State Aid, which ADE must repay to the School as required by A.R.S. § 15-915.

Table 3

**Tucson International Academy, Inc.
ADM and Funding Adjustments Due to
Enrollment Data Errors
FY2012, FY2013 and FY2014**

Fiscal Year	ADM Adjustment	Net Funding Adjustment
2012	(0.69)	\$(4,248.34)
2013	0.15	895.09
2014	<u>0.02</u>	<u>336.27</u>
Total	<u>(0.52)</u>	<u>\$(3,016.98)</u>

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

Recommendations:

1. ADE must repay the School \$3,016.98 in Basic State Aid due to incorrectly reported enrollment data.
2. The School must properly ensure that it reports the entry and exit dates of students according to A.R.S. § 15-901 and GE-17.

FINDING 2: THE SCHOOL DID NOT PROPERLY MAINTAIN SOME STUDENT RECORDS AS REQUIRED BY STATUTE AND GUIDELINE

The School did not properly maintain some student records required by statute and ADE guidelines. The School did not properly complete and maintain the official withdrawal form for some students as well as maintain supporting documentation in the student's cumulative file. In the future, the School should properly maintain these documents to ensure compliance with statute and ADE guidelines.

The School Did Not Properly Maintain the Withdrawal Form

The School did not maintain appropriate documentation to support the reported withdrawal code for some students sampled. These requirements are outlined A.R.S. § 41-151.12 and in Arizona State Library, Archives and Public Records Schedule Number 000-11-53. According to EX-18 School Finance Procedures Manual, "*As documentation helps to ensure uniform and comparable data across schools, districts and charters are required to use the form: Official Notice of Pupil Withdrawal when a student withdraws during the school year.*" Auditors reviewed a sample of six students and determined:

- 3 students did not have any documentation to support the withdrawal code reported to ADE. School districts and charter schools are required to obtain official written documentation that a student has transferred to another school or to an educational program that culminates in the award of a regular high school diploma.
- 1 student was recorded on the official withdrawal form and reported to SAIS with an incorrect withdrawal code. The School recorded the student withdrawal as a W1 code, or 'transfer to another school.' However, supporting documentation showed that the student should have been recorded and reported as a W10, or 'TRANSFER: Detention'. It is imperative to ensure accuracy in reporting of proper withdrawal codes because the W10 code is used by ADE to determine dropout rates for a school district or charter school but the W1 code is not part of this calculation.

The School must ensure that it collects and maintains proper documentation to support the withdrawal code reported to ADE.

Recommendations:

1. The School must ensure that it collects and maintains proper documentation to support the withdrawal code reported to ADE.
2. The School must ensure that it reports the proper withdrawal code to SAIS as was recorded on the withdrawal form.

ADM and Funding Adjustments

A.R.S. § 15-915 requires that ADE makes corrections for audit findings to both budget capacity and Basic State Aid. ADE’s School Finance Unit’s Memo 13-011 informs LEAs of these statutory requirements:

A.R.S. §15-915, as amended by Laws 2012, Chapter 357, Section 3, requires the superintendent of public instruction, when it is determined that state aid or budget limits have been calculated in error, within the prior 3 years, to make corrections to budget limits and state aid in the current year. (Hardship application may be approved by the superintendent). Effective for audits initiated during FY2014 and continuing in subsequent years, corrections for audit findings to both budget capacity and state aid (when applicable) will be made.

Basic State Aid adjustment of \$3,016.98 required to be repaid—Auditors identified an overall funding increase to the School of \$3,016.98 for the three fiscal years audited due to erroneous student data.

Table 4 lists the ADM adjustments and the associated Basic State Aid adjustments for the School for FY2012, FY2013 and FY2014.

Table 4

**Tucson International Academy, Inc.
ADM and Funding Adjustments
FY2012, FY2013 and FY2014**

	FY2012		FY2013		FY2014		Total
	ADM	Funding	ADM	Funding	ADM	Funding	
Enrollment Data Errors	<u>(0.69)</u>	<u>\$(4,248.34)</u>	<u>0.15</u>	<u>\$ 895.09</u>	<u>0.02</u>	<u>\$336.27</u>	\$(3,016.98)
Total Adjustments	<u>(0.69)</u>	<u>\$(4,248.34)</u>	<u>0.15</u>	<u>\$ 895.09</u>	<u>0.02</u>	<u>\$336.27</u>	<u>\$(3,016.98)</u>

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

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