



Arizona Department of Education

The Audit Unit

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Average Daily Membership Audit Report Legacy Traditional School - Maricopa Fiscal Years 2013, 2014 and 2015

Report Number—16-33

June 15, 2016



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Diane Douglas
Superintendent of
Public Instruction

June 15, 2016

Mr. William Bressler, Superintendent
Legacy Traditional School - Maricopa
17760 N Regent Drive,
Maricopa, AZ 85138

Dear Mr. Bressler,

The Arizona Department of Education Audit Unit has conducted an audit of the Legacy Traditional School - Maricopa (School) Average Daily Membership for Fiscal Years 2013, 2014 and 2015. 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.

Auditors determined that the School did not accurately report some student data for FY2013. As a result, the School's ADM was overstated by 0.37 and it was overfunded by \$2,122.19, which the School must repay to ADE.

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

TABLE OF CONTENTS

	<u>Page</u>
Introduction and Background	1
Scope and Methodology.....	3
Finding 1: The School Did Not Accurately Report Some Student Data Resulting In An Overfunding of \$2,122.19	4
Some Student Enrollment Data Was Inaccurately Reported	4
The School Must Reconcile Its Enrollment Data With SAIS	5
The School Was Overfunded by \$2,122.19	5
Recommendations.....	6
ADM and Funding Adjustments	7

TABLE OF CONTENTS (CONT'D)

Page

Tables:

1	Legacy Traditional School - Maricopa Total Students, Staffing, Revenues and Expenditures FY2013, FY2014 and FY2015 (Unaudited)	2
2	Legacy Traditional School - Maricopa ADM Adjustments Due to Enrollment Data Errors FY2013, FY2014 and FY2015	4
3	Legacy Traditional School - Maricopa ADM and Funding Adjustments Due to Enrollment Data Errors FY2013, FY2014 and FY2015	5
4	Legacy Traditional School - Maricopa ADM and Funding Adjustments FY2013, FY2014 and FY2015	7

INTRODUCTION AND BACKGROUND

The Arizona Department of Education (ADE) Audit Unit has conducted an Average Daily Membership (ADM) audit of the Legacy Traditional School - Maricopa (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 FY2013 through FY2015.

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 Maricopa, Arizona, maintained up to three schools, grades K-8 during the three fiscal years audited. Table 1 presents the School’s unaudited student, staffing and financial information for FY2013, FY2014 and FY2015.

Table 1

**Legacy Traditional School - Maricopa
Total Students, Staffing, Revenues and Expenditures
FY2013, FY2014 and FY2015
(Unaudited)**

	FY2013	FY2014	FY2015
Students Enrolled	3,005	2,109	1,156
Number of Teachers	137	92	47
Revenue			
Local	\$1,207,058	\$595,084	\$421,569
County	0	0	0
State	16,468,737	12,105,318	6,758,825
Federal	991,787	590,226	419,136
Total Revenues	<u>\$18,667,582</u>	<u>\$13,290,628</u>	<u>\$7,599,530</u>
Total Expenditures	<u>\$17,354,297</u>	<u>\$12,419,819</u>	<u>\$6,653,620</u>

Source: Annual Report of the Arizona Superintendent of Public Instruction for FY2013, FY2014 and FY2015.

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 FY2013, FY2014 and FY2015.

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 reviewed student profiles 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. Auditors also reviewed attendance records to ensure that absences were reported correctly.
- ***Instructional hours*** – Auditors reviewed the bell schedules and calendars for each of the schools for FY2013, FY2014 and FY2015. The total instructional hours offered for each grade met the minimum required by statute for each of the three fiscal years audited. No findings were identified for this area.

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 OVERFUNDING OF \$2,122.19

Auditors determined that the School inaccurately reported some student enrollment data for four students in FY2013. Specifically, auditors found that the exit date for one student was misreported and three students had absences that were counted as excused that should have been unexcused. No errors were identified for FY2014 or FY2015. As a result of these errors, the School’s ADM was overstated by 0.37. Due to the inaccurate enrollment data, the School received a net overpayment of \$2,122.19 in Basic State Aid which the School must repay to ADE.

Some Student Enrollment Data Was Inaccurately Reported

The enrollment data for four students was incorrectly reported due to various errors, which resulted in the School’s ADM being overstated by 0.37. 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. In addition, EX-1 also limits excused absences to ten percent of the school days. However, the School did not always adhere to these requirements. Specifically:

- 1 student had an incorrect exit date, which resulted in the School’s ADM being overstated by 0.04.
- 3 students had absences that were improperly counted as excused when they should have been considered unexcused. This resulted in the School’s ADM being overstated by 0.33.

As shown in Table 2, data reporting errors resulted in a net ADM overstatement of 0.37 for the three fiscal years audited.

Table 2

**Legacy Traditional School - Maricopa
ADM Adjustments Due to Enrollment Data Errors
FY2013, FY2014 and FY2015**

	Incorrect Exit	Absences	Total
FY2013	0.04	0.33	0.37
FY2014	-	-	-
FY2015	-	-	-
Total	<u>0.04</u>	<u>0.33</u>	<u>0.37</u>

Source: Auditor analysis of School records and SAIS data for FY2013, FY2014 and FY2015.

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. Further, the School should review its reconciliation practices to ensure that its staff properly 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 Overfunded by \$2,122.19

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 FY2013. The enrollment data errors reported by the School resulted in its ADM being overstated by 0.37. As a result, the School was overfunded by \$2,122.19 in Basic State Aid, which ADE must recoup from the School. Table 3 shows the ADM and funding adjustments required for the School for FY2013, FY2014 and FY2015.

Table 3

**Legacy Traditional School - Maricopa
ADM and Funding Adjustments Due to
Enrollment Data Errors
FY2013, FY2014 and FY2015**

Fiscal Year	ADM Adjustment	Funding Adjustment
2013	0.37	\$2,122.19
2014	-	-
2015	-	-
Total	<u>0.37</u>	\$2,122.19

Source: Auditor analysis of School records,
A.R.S. § 15-901 and EX-18.

Recommendations:

1. ADE must recoup from the School \$2,122.19 in Basic State Aid due to incorrectly reported enrollment data.
2. The School must properly reconcile its data each year to ensure it complies with A.R.S. § 15-901 and EX-1.
3. The School must review its internal and reporting practices to ensure that it properly reports absences for each student.

ADM and Funding Adjustments

Basic State Aid adjustment of \$2,122.19 required to be repaid to ADE—Auditors identified an overall funding adjustment of \$2,122.19 for the three fiscal years audited due to inaccurate student enrollment data.

Table 4 lists the ADM adjustments and the associated Basic State Aid adjustments for the School for FY2013, FY2014 and FY2015.

Table 4

**Legacy Traditional School - Maricopa
ADM and Funding Adjustments
FY2013, FY2014 and FY2015**

	FY2013	FY2014	FY2015	Total Adjustment
ADM	0.37	-	-	0.37
Funding	\$2,122.19	-	-	\$2,122.19

Source: Auditor analysis of SAIS and School student and financial data for FY2013, FY2014 and FY2015.