



Arizona Department of Education

The Audit Unit

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Average Daily Membership Audit Report Premier Charter High School Fiscal Years 2013, 2014 and 2015

Report Number—17-07
September 28, 2016



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Diane Douglas
Superintendent of
Public Instruction

September 28, 2016

Debbie Petersen, Principal
Premier Charter High School
7544 W Indian School Rd. Ste. #2A
Phoenix, AZ 85033

Dear Ms. Petersen,

The Arizona Department of Education Audit Unit has conducted an audit of the Premier Charter High School (School) Average Daily Membership (ADM) for Fiscal Years 2013, 2014 and 2015. 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 some students' FTE status, which resulted in an overstatement of 0.11 ADM and an overfunding of \$657.55 in Basic State Aid, which must be repaid to ADE as required by statute.

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 Students' FTE Resulting in an Overfunding of \$657.55	4
The School Inaccurately Reported Some Students' FTE	4
The School Must Properly Reduce and Report Student FTE Status.....	5
The School Was Overfunded by \$657.55	5
Recommendations	6
ADM and Funding Adjustments	7
Tables:	
1 Premier Charter High School Total Students, Revenues and Expenditures FY2013, FY2014 and FY2015 (Unaudited)	2
2 Premier Charter High School ADM Adjustments Due to FTE Status Errors FY2013, FY2014 and FY2015.....	5

TABLE OF CONTENTS (CONT'D)

	<u>Page</u>
3 Premier Charter High School ADM and Funding Adjustments Due to FTE Status Errors FY2013, FY2014 and FY2015.....	6
4 Premier Charter High School 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 Premier Charter High School (School) pursuant to Arizona Revised Statutes (A.R.S.) § 15-239. This audit focused on whether the School properly reported enrollment 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's information—The School is located in Phoenix, Arizona. In FY2013, FY2014 and FY2015, the School offered instruction in grades 9 through 12. Table 1 presents the School's unaudited student, staffing and financial information for FY2013, FY2014 and FY2015.

Table 1

**Premier Charter High School
Total Students, Revenues and Expenditures
FY2013, FY2014 and FY2015
(Unaudited)**

	FY2013	FY2014	FY2015
Students Enrolled	266	243	217
Number of Teachers	12	10	12
Revenue			
Local	\$ 3,052	\$ 389	\$ 95,706
Intermediate	1,535	1,481	-
County	-	-	-
State	1,929,969	1,798,470	1,729,358
Federal	167,764	165,628	135,942
Total Revenues	<u>2,102,320</u>	<u>1,965,968</u>	<u>1,961,006</u>
Total Expenditures	<u>\$ 1,889,855</u>	<u>\$ 1,868,340</u>	<u>\$ 2,051,317</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 for Arizona Charter Schools (USFRCS) 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:

- ***Instructional hours***—Auditors reviewed the bell schedules and calendars for the charter school 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.

Enrollment data— Auditors compared the School’s student management system to SAIS and identified 103 of 491 students in FY2013, 92 of 414 students in FY2014 and 103 of 420 students in FY2015 for a total of 298 students for further evaluation. Auditors reviewed these 298 student profiles to determine if the enrollment data reported to ADE was accurate. Auditors compared the student profiles to SAIS to determine if the entry and exit date was correct. When the audited entry or exit dates were different from the reported dates or the audited FTE differed from the funded FTE for a student, auditors recalculated the ADM and made appropriate adjustments to the funded ADM.

- ***Special Education Data***—Auditors reviewed the students to determine if any were also funded for one of the special education categories. Auditors determined that there were no special education adjustments.
- ***Limiting***—Auditors reviewed the total ADM for each enrolled student to ensure that they were appropriately limited by SAIS. No findings were identified for this area.

The Audit Unit expresses its appreciation to Premier Charter High School’s administration and staff members for their cooperation and assistance throughout the audit.

FINDING 1: THE SCHOOL DID NOT ACCURATELY REPORT SOME STUDENTS' FTE RESULTING IN AN OVERFUNDING OF \$657.55

Auditors determined that the School misreported the FTE status for 4 students for the three fiscal years audited. As a result of these errors, the School's ADM was overstated by 0.11 for the fiscal years audited. Due to the inaccurate FTE statuses, the School was overfunded by \$657.55 in Basic State Aid, which according to A.R.S. § 15-915, the School must repay to ADE.

The School Inaccurately Reported Some Students' FTE

Due to the misapplication of FTE, the School did not appropriately reduce the FTE of students enrolled in less than four cumulative classes, which was necessary for a student to generate a 1.0 FTE in an ADE approved alternative school. The FTE calculation employed by the School supported accurate data reporting; however, when a student failed to achieve the requisite program of study to generate a 1.0 FTE, the School did not appropriately reduce respective students' FTE.

Auditors determined that the School misreported 4 students' FTE to ADE, which resulted in the School's ADM being overstated by 0.11. According to A.R.S. § 15-901¹, a high school student must be enrolled in at least 720 instructional hours annually in an instructional program of at least four or more subjects, each of which, if taught each school day for the minimum number of days required in a school year would meet a minimum of 123 hours annually. However, the School did not always adhere to these requirements. Specifically, 4 students were reported to SAIS as full-time students without having met the criteria established in Statute, which resulted in the School's ADM being overstated by 0.11.

As shown in Table 2 (see page 5), this data reporting error resulted in a net ADM overstatement of 0.11 for the three fiscal years audited.

¹ A.R.S. § 15-901 states that full-time student means: For high schools, a student enrolled in at least an instructional program of four or more subjects, each of which, if taught each school day for the minimum number of days required in a school year, would meet a minimum of one hundred twenty-three hours a year, or the equivalent, that meets for a total of at least seven hundred twenty hours for a one hundred eighty day school year. The average daily membership of a full-time high school student shall be 1.0 if the student is enrolled in at least four subjects that meet at least seven hundred twenty hours for a one hundred eighty day school year. Fractional student means: For high schools, the average daily membership of a part-time high school student shall be 0.75 if the student is enrolled in an instructional program of three subjects that meet at least five hundred forty hours for a one hundred eighty day school year. The average daily membership of a part-time high school student shall be 0.5 if the student is enrolled in an instructional program of two subjects that meet at least three hundred sixty hours for a one hundred eighty day school year. The average daily membership of a part-time high school student shall be 0.25 if the student is enrolled in an instructional program of one subject that meets at least one hundred eighty hours for a one hundred eighty day school year.

Table 2

**Premier Charter High School
ADM Adjustments Due to FTE Status Errors
FY2013, FY2014 and FY2015**

	FY2013	FY2014	FY2015	Total
Incorrect FTE	0.10	0.01	-	0.11

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

**The School Must Properly Reduce
And Report Student FTE Status**

The School can likely avoid errors in the future by ensuring it properly evaluates the bell schedules and calendars each year in the calculation of FTE to ensure it meets the requirements prescribed in Statute and ADE Guidelines. Further, by establishing policies and procedures that would identify students that fail to meet the threshold for full-time status, the School will likely be able to appropriately report fractional FTE students to ADE.

**The School Was
Overfunded by \$657.55**

Auditors determined that the School did not receive the correct amount of Basic State Aid due to the inaccurate FTE data reported to ADE for the three fiscal years audited. The FTE data errors reported by the School resulted in its ADM being overstated by 0.11. As a result, the School was overfunded by \$657.55 in Basic State Aid, which must be repaid by the School to ADE as required by A.R.S. § 15-915. Table 3 (see page 6) shows the ADM and funding adjustments required for the three fiscal years audited.

Table 3

**Premier Charter High School
ADM and Funding Adjustments Due to
FTE Status Errors
FY2013, FY2014 and FY2015**

Fiscal Year	ADM Adjustment	Net Funding Adjustment
2013	0.10	\$630.50
2014	0.01	27.05
<u>2015</u>	=	=
Total	0.11	\$657.55

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

Recommendations:

1. The School must comply with A.R.S. § 15-901 when calculating and reporting FTE status.
2. The School must repay the ADE \$657.55 in Basic State Aid due to incorrectly reported FTE status enrollment data.

ADM and Funding Adjustments

Auditors identified an overall funding decrease of \$657.55 for the three fiscal years audited due to inaccurate student FTE status data as reported by the School.

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

Table 4

**Premier Charter High School
ADM and Funding Adjustments
FY2013, FY2014 and FY2015**

	FY2013		FY2014		FY2015		Total
	ADM	Funding	ADM	Funding	ADM	Funding	
Funding Adjustment	0.10	\$ 630.50	0.01	\$ 27.05	-	\$ -	\$657.55

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