



## Arizona Department of Education

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# Average Daily Membership Audit Report Center for Academic Success Fiscal Years 2013, 2014 and 2015

Report Number—17-12  
October 31, 2016



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Diane Douglas  
Superintendent of  
Public Instruction

October 31, 2016

Mr. Stephen Huff, Principal  
Center for Academic Success  
900 Carmelita Drive  
Sierra Vista, AZ 85635

Dear Mr. Huff,

The Arizona Department of Education Audit Unit has conducted an audit of the Center for Academic Success (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 student data, which resulted in an overstatement of 3.348 ADM and an overfunding of \$19,706.05 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 blue ink that reads "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 Center for Academic Success (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 has five school sites located in Sierra Vista and Douglas, Arizona. In FY2013, FY2014 and FY2015, the School offered instruction in kindergarten and grades 1 through 12. Table 1 presents the School's unaudited student, staffing and financial information for FY2013, FY2014 and FY2015.

**Table 1**

**Center for Academic Success  
Total Students, Revenues and Expenditures  
FY2013, FY2014 and FY2015  
(Unaudited)**

	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>
<b>Students Enrolled</b>	<b>1,070</b>	<b>1,079</b>	<b>1,162</b>
<b>Number of Teachers</b>	44	42	50
<b>Revenue</b>			
Local	\$ 121,256	\$ 117,756	\$ 110,956
County	-	-	-
State	6,308,737	6,667,422	7,193,724
Federal	1,796,558	1,812,412	2,144,196
<b>Total Revenues</b>	<b><u>8,226,551</u></b>	<b><u>8,597,590</u></b>	<b><u>9,448,876</u></b>
<b>Total Expenditures</b>	<b><u>\$ 6,920,816</u></b>	<b><u>\$ 7,733,667</u></b>	<b><u>\$ 8,468,414</u></b>

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

## 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 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. Auditors identified a shortage in the provision of instructional hours for grades 7<sup>th</sup> and 8<sup>th</sup> in FY2014 and FY2015.
- ***Enrollment data***—Auditors compared SAIS data to the School’s SMS and identified a 10% sample of students for review. This included 120 of 1200 students in FY2013, 120 of 1193 students in FY2014 and 129 of 1224 students in FY2015 for a total of 369 students for further evaluation. 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 all sampled 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.
- ***SPED Data***—Auditors determined whether an adjusted student had also been funded for a special education category. Auditors calculated the special education adjustment based on the SPED category and service code and applied this adjustment to each respective student’s recalculated ADM and made appropriate adjustments to the funded ADM.
- ***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.

Adjustments to ADM are based solely on those identified students that the auditors evaluated further and are not extrapolated to create findings for the entire student population.

The Audit Unit expresses its appreciation to Center for Academic Success’s administration and staff members for their cooperation and assistance throughout the audit.

# **FINDING 1: THE SCHOOL FAILED TO ACCURATELY REPORT SOME STUDENT DATA RESULTING IN AN OVERFUNDING OF \$9,439.33**

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Auditors determined that the School inaccurately reported the student enrollment data for 13 students for the three fiscal years audited. Specifically, auditors found five students were reported with an incorrect FTE, six students were reported with an incorrect entry or exit date, and two students were reported to SAIS but did not attend the school. As a result of these errors, the School's ADM was overstated by 1.553 for the fiscal years audited. Due to this inaccurate enrollment data, the School was overfunded by \$9,439.33 in Basic State Aid, which according to A.R.S. § 15-915, the School must repay to ADE.

## **The School Failed To Accurately Report Some Student Enrollment Data**

Auditors determined that the School inaccurately reported 13 students' enrollment data to ADE due to various errors, which resulted in the School's ADM being overstated by 1.553. ADE External Guideline and Procedures 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. According to A.R.S. § 15-901, the withdrawal date for students for FY2013 is the last day of actual attendance. For FY2014 and thereafter, the withdrawal date for students is the last day of actual attendance or excused absence. Additionally, the FTE status of a student must be reported according to A.R.S. § 15-901. However, the School did not always adhere to these requirements. Specifically:

- Five students had an incorrect FTE reported, which resulted in the School's ADM being overstated by 0.168.
- Six students were reported with an incorrect entry or exit date, which resulted in the School's ADM being overstated by 0.235.
- Two students were reported to SAIS but did not attend the schools, which resulted in the School's ADM being overstated by 1.150.

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<sup>1</sup> 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 Failed to Comply With Statute and ADE Guidelines

The School did not follow statute and ADE guidelines when calculating and reporting student FTE or student enrollment data.

Auditors determined that five of the School’s students did not meet the statutory and ADE guideline requirements for full time enrollment (FTE). According to analysis of the School’s bell schedule and calendar for the School’s high schools, auditors determined that as long as a student was enrolled in five courses each semester, they would receive enough hours and courses to be considered full time. However, the FTE that was reported for five students was not correct based on the number of classes the students were enrolled in. The School overreported the FTE for five students.

According 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 misreported the enrollment date of eight students.

In the future, the School must ensure it complies with statute and ADE guidelines to properly calculate and report FTE and properly report student enrollments.

As shown in Table 2, these data reporting errors resulted in a net ADM overstatement of 1.553 for the three fiscal years audited.

**Table 2**

**Center for Academic Success  
ADM Adjustments Due to Student Data Errors  
FY2013, FY2014 and FY2015**

	<b>Incorrect FTE</b>	<b>Incorrect Entry/Exit</b>	<b>Did Not Attend</b>	<b>Total</b>
FY2013	0.338	0.195	-	0.533
FY2014	(0.170)	(0.070)	1.150	0.910
FY2015	-	0.110	-	0.110
<b>Total</b>	<b><u>0.168</u></b>	<b><u>0.235</u></b>	<b><u>1.150</u></b>	<b><u>1.553</u></b>

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

## The School Was Overfunded by \$9,439.33

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 the fiscal years audited. The enrollment data errors reported by the School resulted in its ADM being overstated by 1.553. As a result, the School was overfunded by \$9,439.33 in Basic State Aid, which must be repaid by the School to ADE as required by A.R.S. § 15-915. Table 3 shows the ADM and funding adjustments required for the fiscal years audited.

**Table 3**

**Center for Academic Success  
ADM and Funding Adjustments Due to  
Student Data Errors  
FY2013, FY2014 and FY2015**

	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>	<b>Total</b>
ADM Adjustments	0.533	0.910	0.110	<u>1.553</u>
Funding Adjustments	\$3,644.53	\$5,162.24	\$632.56	<u>\$9,439.33</u>

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

### Recommendations:

1. ADE must recoup from the School \$9,439.33 in Basic State Aid due to incorrectly reported student data.
2. The School needs to ensure that it properly calculates and reports students' FTE pursuant to statute and ADE guidelines.
3. The School must properly reconcile its data each year to ensure it complies with A.R.S. § 15-901 and GE-17.
4. The School must comply with A.R.S. § 15-901 when reporting entry and exit dates to SAIS.

## **FINDING 2: SOME STUDENTS WERE NOT PROVIDED SUFFICIENT INSTRUCTIONAL HOURS**

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The School failed to provide the statutorily-required minimum number of instructional hours for some students in grades 7 and 8 in FY2014 and FY2015. Auditors determined that the School failed to account for the periods of non-instruction time within its instructional program. As a result, the School was overpaid \$10,266.72 in Basic State Aid. In accordance with A.R.S. § 15-915, ADE needs to recover these monies from the School. Additionally, the School needs to ensure its bell schedules and calendar compositions provide all of its students with at least the minimum number of statutorily-required instructional hours.

### **The School Failed to Provide Some 7<sup>th</sup> and 8<sup>th</sup> Grade Students With Sufficient Instructional Hours**

Although all public schools are required by statute to provide a minimum number of instructional hours to students, the School failed to meet this requirement for some students in grades 7 and 8 in FY2014 and FY2015, resulting in an ADM overstatement of 1.795. Specifically, A.R.S. § 15-901 required public schools to provide at least 1,000 instructional hours in FY2014 and FY2015 for all 7<sup>th</sup> and 8<sup>th</sup> grade students. For 2 of the 3 years audited the School failed to provide 1,000 instructional hours to these grades at one of the two middle schools. Instead the School only offered 984 instructional hours in FY2014 and FY2015. As a result, the School's ADM was overstated by 0.727 in FY2014 and 1.068 in FY2015. Table 4 shows the ADM adjustments resulting from insufficient instructional hours.

**Table 4**

**Center for Academic Success  
Instructional Hours Required, Actual Instructional Hours Provided,  
and ADM Adjustment  
for All 7<sup>th</sup> and 8<sup>th</sup> Grade Students  
FY2014 and FY2015**

<b>Fiscal Year</b>	<b>Instructional Hours Required</b>	<b>Instructional Hours Provided</b>	<b>ADM Adjustment</b>
FY2014	1,000	984	0.727
FY2015	1,000	984	1.068
Total	-	-	1.795

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Source: Auditor analysis of the School's bell schedules, GE-18, GE-19, and A.R.S. § 15-901.

## **The School Must Ensure That All Students Meet the Required Instructional Hours**

The School failed to provide sufficient instructional hours for all its 7<sup>th</sup> and 8<sup>th</sup> grade students in FY2014 and FY2015 because it erroneously included non-instructional time when calculating the hours for the year. According to GE-18, instructional hours do not include periods of the day in which an instructional program or course of study is not being offered, specifically excluding lunch, recess, homeroom periods and study hall periods.

Although the School claimed that one of its schools offered a homeroom period that occurred before the regular daily schedule started, auditors determined that this period actually occurred later and would be excluded from the school's instructional hours. During the audit, the School provided multiple bell schedules that all reflected that there was a 15 minute homeroom period from 8:00-8:15 am. Additional documentation reviewed by the auditors further reflects that the school day began at 8:00 am during the audited years. However, the School provided a letter sent to parents suggesting that school started at 7:45 am instead of 8:00 am. Upon review of all of the available documentation regarding the School's bell schedule, auditors determined that the homeroom period occurred at 8:00 am and excluded these 15 minutes when calculating instructional hours for the two years.

In the future, the School needs to comply with the requirements of GE-18 and A.R.S. § 15-901 to provide all students with at least the statutorily-required number of instructional hours.

## **The School Was Overfunded \$10,266.72**

As a result of providing insufficient instructional hours for 7<sup>th</sup> and 8<sup>th</sup> grade students in FY2014 and FY2015, the School's ADM was overstated, resulting in the School being overfunded. In FY2014 the ADM was overreported by 0.727, which resulted in a funding adjustment of \$4,123.35. In FY2015 the ADM was overreported by 1.068, which resulted in a funding adjustment of \$6,143.37. In total, the School's insufficient instructional hours resulted in its ADM being overstated by 1.795, requiring the School's Basic State Aid to be reduced by \$10,266.72 as shown in Table 5 (see page 9). According to A.R.S. § 15-915, ADE needs to recoup \$10,266.72 in overpaid Basic State Aid from the School for insufficient instructional hours in FY2014 and FY2015.

**Table 5**

**Center for Academic Success  
ADM Overstatement and Funding Adjustment Due to  
Insufficient Instructional Hours for 7<sup>th</sup> and 8<sup>th</sup> Grades  
FY2014 and FY2015**

	<b>Instructional Hours Provided</b>	<b>ADM Overstated</b>	<b>Funding Adjustment</b>
<b>FY2014</b>	984	0.727	\$4,123.35
<b>FY2015</b>	984	<u>1.068</u>	<u>\$6,143.37</u>
<b>Total</b>	-	<u>1.795</u>	<u>\$10,266.72</u>

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

**Recommendations:**

1. ADE needs to recoup \$10,266.72 in overpaid Basic State Aid from the School for not providing sufficient instructional hours in FY2014 and FY2015.
2. The School must to ensure that it provides all students with at least the statutorily-required minimum number of instructional hours.
3. The School must ensure it complies with A.R.S. § 15-901, GE-18 when establishing its instructional program each year.

# ADM and Funding Adjustments

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*Basic State Aid adjustment of \$19,706.05 required to be repaid to ADE*—Auditors identified an overall funding adjustment of \$19,706.05 for the School for three fiscal years audited due to inaccurate student enrollment data as reported by the School and instructional hour deficiencies.

Table 6 lists the ADM adjustments and the associated Basic State Aid adjustments for the School for FY2013, FY2014 and FY2015.

**Table 6**

**Center for Academic Success  
ADM and Funding Adjustments  
FY2013, FY2014 and FY2015**

	FY2013		FY2014		FY2015		Total
	ADM	Funding	ADM	Funding	ADM	Funding	
Enrollment Data Errors	0.533	\$ 3,644.53	0.910	\$ 5,162.24	0.110	\$ 632.56	\$ 9,439.33
Instructional Hours Shortage	=	=	<u>0.727</u>	<u>4,123.35</u>	<u>1.068</u>	<u>6,143.37</u>	<u>10,266.72</u>
<b>Funding Adjustment</b>	<b><u>0.533</u></b>	<b><u>\$3,644.53</u></b>	<b><u>1.637</u></b>	<b><u>\$ 9,285.59</u></b>	<b><u>1.178</u></b>	<b><u>\$ 6,775.93</u></b>	<b><u>\$19,706.05</u></b>

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