



# Arizona Department of Education

The Audit Unit

1535 W. Jefferson St., Bin 19

Phoenix, Arizona 85007

602-364-2097

## Average Daily Membership Audit Report Maya Public Charter High School Fiscal Years 2004 and 2005

Report Number—09-03

April 1, 2009

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April 1, 2009

Mr. William Coats  
The Leona Group, LLC  
1313 E. Osborn Road, Suite 100  
Phoenix, AZ 85014

Dear Mr. Coats:

The Arizona Department of Education Audit Unit has conducted a limited scope audit of the Maya Public Charter High School's Average Daily Membership for Fiscal Years 2004 and 2005. The audit focused on whether the School properly reported student attendance and to determine if it received the correct amount of State Aid.

The audit found that the School slightly over-reported its student attendance and received an overpayment of State Aid.

The audit becomes final 30 days after issuance, unless the School files an appeal. Appendix A in the report provides rules governing the appeals process.

We appreciate the excellent cooperation and assistance provided by the administrators and staff during the course of the audit. My staff and I will be pleased to discuss or clarify items in the report.

Sincerely,

Arthur E. Heikkila  
Chief Auditor

# TABLE OF CONTENTS

	<u>Page</u>
<b>Introduction and Background</b> .....	<b>1</b>
<b>Scope and Methodology</b> .....	<b>2</b>
<b>Finding 1: The School Over-Reported Attendance and Was Overpaid State Aid for FY2004 and FY2005</b> .....	<b>3</b>
The School Over-Reported Attendance for FY2004 and FY2005.....	3
School’s ADM Was Overstated Resulting In Overpayment for Both Fiscal Years Audited .....	4
School Should Properly Retain Attendance Records.....	4
Recommendations .....	5
<b>ADM Funding Adjustments</b> .....	<b>6</b>
<b>Appendix A</b> .....	<b>a-i</b>
State Rules for Appealing Audits.....	a-i
<b>Tables:</b>	
1 Maya Public Charter High School Enrollment, Staffing, Revenues and Expenditures FY2004 and FY2005 (Unaudited).....	1
2 Maya Public Charter High School Student Membership Days for Sampled Students Reported, Audited, and Over-Reported FY2004 and FY2005 .....	3

# TABLE OF CONTENTS (CONCL'D)

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**Page**

**Tables (Concl'd)**

3	Maya Public Charter High School Reported, Audited, and Overstated Adjusted ADM and State Aid Adjustments FY2004 and FY2005 .....	4
4	Maya Public Charter High School ADM Overstatement and Funding Adjustments Required FY2004 and FY2005 .....	6

# INTRODUCTION AND BACKGROUND

The Arizona Department of Education has conducted a limited scope Average Daily Membership (ADM) audit of the Maya Public Charter High School, (the School) pursuant to the provisions of A.R.S. §§15-183(E)(6) and 15-901(A)(2). The audit focused on whether the School accurately reported attendance data for FY2004 and FY2005.

Average Daily Membership (ADM) audits help ensure the appropriate distribution of nearly \$5 billion in State Aid provided annually to schools in Arizona. Schools receive State Aid based on several factors related to student attendance.<sup>1</sup> To receive funding, schools report their attendance data to ADE. ADE then processes that data, determines payment amounts according to the relevant statutory funding formula(s), and distributes payments to schools 10 times each year.

**Audit and appeal processes** —The ADM audit process determines whether payments were correct or if an adjustment is needed, and provides for an appeal process if the school disagrees with the audit finding(s). ADM audits compare the school’s reported information to the original records kept at the school. If the audit finds that the school’s reported information does not match the original documentation, the audit will identify and report the funding adjustment needed to the school’s State Aid. These funding adjustments can be positive or negative, depending on the audit finding(s).

After the audit is published, statutes provide schools that disagree with the audit findings the opportunity to file a formal appeal within 30 days after the report was issued. The school and ADE may reach agreement in an informal settlement conference. If not, the appeal will be adjudicated by the Office of Administrative Hearings. If it has been determined that a school received excess State Aid, statutes allow schools to have their future funding adjusted over a 12-month period to compensate for the overpayment. In case of hardship, schools may request that the Superintendent of Public Instruction allow the adjustment to occur over a 24-month period.

**Table 1**

**Maya Public Charter High School  
Enrollment, Staffing, Revenues, and Expenditures  
FY2004 and FY2005  
(Unaudited)**

	FY2004	FY2005
<b>Students Enrolled</b>	598	667
<b>Staff</b>	30	21
<b>Revenue</b>		
Local	\$ 21,915	\$ 14,318
State	3,227,423	3,341,074
Federal	453,461	323,278
<b>Total Revenues</b>	<b>\$3,702,799</b>	<b>\$3,678,670</b>
<b>Total Expenditures</b>	<b>\$3,686,795</b>	<b>\$3,632,478</b>

Source: “Annual Report of the Arizona Superintendent of Public Instruction,” for FY2004 and FY2005.

**School financial and other information**—The School is located in Phoenix and provides instruction to students in grades 9 through 12. In FY2005, the School enrolled approximately 670 students. Table 1 presents the School’s student enrollment, staffing, and financial information for FY2004 and FY2005.

<sup>1</sup> Charter schools are funded based on “student count”, which is defined in A.R.S. §15-185(B)(2) as Average Daily Membership (ADM) for the current fiscal year. ADM is determined based on student enrollment and other attendance factors. Schools are required every 20 days to submit daily attendance information to ADE for each student enrolled. Attendance information is used by ADE to calculate ADM.

## SCOPE AND METHODOLOGY

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The audit reviewed whether the School received the correct amount of State Aid based on the student data it reported to ADE during FY2004 and FY2005.

To determine whether the School received the correct amount of State Aid based on its reported student attendance, auditors reviewed the accuracy of the data that comprises the School's Average Daily Membership (ADM) and then calculated the School's ADM. Auditors selected a sample of 82 students from FY2004 and FY2005. For this sample, auditors compared the number of reported student membership days (days students were enrolled at the School) from the School's student records to records from ADE's Student Attendance Information System (SAIS), to determine if any discrepancies existed. Additionally, auditors compared ADE's attendance reports to the School's records for FY2004 and FY2005 to determine if the School correctly reported student absences.

To determine whether the School provided a sufficient number of instructional hours to its students, auditors reviewed the School's bell schedules and calendars for FY2004 and FY2005. The bell schedules included class times for regular and early release days and specified any non-instruction time for students, such as lunch time. Auditors then compared each of the School's number of instruction days and hours to the statutory requirements and determined that the School was providing the statutorily-mandated number of instructional hours.

Auditors also reviewed the School's absence data to determine if the School was reporting it correctly to ADE. Because the School exceeded the State's absence threshold for all three fiscal years audited, auditors multiplied the School's reported attendance by a statutorily-prescribed weight to arrive at the "Adjusted ADM", which is the School's ADM, given that it exceeded the statutory absence threshold. Finally, auditors determined the amount of the School's funding adjustment by comparing the School's reported adjusted ADM and audited adjusted ADM.

The Audit Unit expresses its appreciation to The Leona Group, LLC and the administrators and staff of the Maya Public Charter High School for their cooperation and assistance during this audit.

# FINDING 1: THE SCHOOL OVER-REPORTED ATTENDANCE AND WAS OVERPAID STATE AID FOR FY2004 AND FY2005

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The School over-reported its student attendance for FY2004 and FY2005, and as a result, received an overpayment of State Aid that ADE needs to recover. The School's overstated attendance caused its Average Daily Membership (ADM) to be slightly over-reported by 1.65 for FY2004 and by 1.86 for FY2005. As a result, the School received an overpayment of State Aid totaling \$11,517.28. Additionally, the School did not properly retain its original attendance records, and in the future should ensure that it retains them for at least four years.

## The School Over-Reported Attendance for FY2004 and FY2005

Auditors reviewed the School's attendance records for a sample of 82 students (42 from FY2004 and 40 from FY2005). As shown in Table 2, auditors found that the School over-reported its student attendance days by a total of 1,567 for FY2004 and FY2005.

**Table 2**

**Maya Public Charter High School  
Student Membership Days for Sampled Students  
Reported, Audited, and Over-Reported  
FY2004 and FY2005**

FY	Student Membership Days		
	Reported	Audited	Over-Reported
2004	3,582	2,654	928
2005	3,555	2,916	639
<b>Total</b>	<b>7,137</b>	<b>5,570</b>	<b>1,567</b>

Auditors found that the School over-reported its student attendance days for two reasons and both of them relate to the School's practices for recording student attendance. First, although required to do so by A.R.S. §15-901(A)(2), the School did not properly withdraw some students with 10 or more consecutive unexcused absences. Specifically, out of 82 records reviewed, auditors identified this problem in 28 records. Additionally, auditors found that the School reported 24 students as being enrolled even though they were actually no longer enrolled at the School. In these cases, the School did not withdraw students at the time that the students withdrew from the School.

Source: Auditor analysis of ADE attendance reports and the School's student records for FY2004 and FY2005.

## School's ADM Was Overstated Resulting In Overpayment for Both Fiscal Years Audited

Because the School over-reported its student attendance days, the School's ADM was overstated and it was overpaid State Aid for both fiscal years audited. To determine the audited ADM, auditors incorporated the reduced member days identified. In addition, because the School's absence rate exceeded the statutory threshold of six percent, auditors further adjusted the School's ADM to account for the excessive absences.<sup>2</sup> After making these adjustments, auditors determined that the School's final audited adjusted ADM was overstated by a total of 3.51 for both fiscal years audited. Specifically, as shown by Table 3, the School's adjusted ADM was overstated by 1.65 for FY2004 and by 1.86 for FY2005. As a result of the School's overstated adjusted ADM, the School was overpaid \$11,517.28 in State Aid that ADE should recover from the School.

**Table 3**

**Maya Public Charter High School  
Reported, Audited, and Overstated Adjusted ADM and  
State Aid Adjustments  
FY2004 and FY2005**

<b>Fiscal Year</b>	<b>Reported Adjusted ADM</b>	<b>Audited Adjusted ADM</b>	<b>Overstated Adjusted ADM</b>	<b>Overpaid State Aid</b>
2004	583.83	582.18	1.65	\$ 5,201.10
2005	<u>590.75</u>	<u>588.89</u>	<u>1.86</u>	<u>6,316.18</u>
<b>Total</b>	<u>1,174.58</u>	<u>1,171.07</u>	<u>3.51</u>	<b><u>\$11,517.28</u></b>

Source: Auditor analysis of ADE attendance reports and the School's student records for FY2004 and FY2005.

## School Should Properly Retain Attendance Records

In addition to over-reporting its student attendance, auditors found that the School did not properly retain its attendance records. Auditors found that the School's practice was to dispose of all original attendance records at the end of each school year. However, the Arizona State Library, Archives and Public Records agency rules require all school districts and charter schools to maintain these records for at least four years. According to School officials, it has begun to save these records in its computer system to ensure they will be retained properly. The School should continue this practice and ensure that the records are properly maintained.

<sup>2</sup> According to A.R.S. §15-902(A) and (B), if a school has excessive absences (over 8.5 percent for a high school and over 6.0 percent for an elementary or middle school), its ADM must be adjusted. To adjust a school's ADM for excessive student absences, auditors calculate the ADM, the Average Daily Attendance (ADA), and the absence to attendance ratio. The ADA will be multiplied by 1.085 if the school is a high school and will be multiplied by 1.060 if the school is an elementary or middle school.

**Recommendations:**

1. ADE should recover \$11,517.28 in State Aid that the School was overpaid for FY2004 and FY2005.
2. The School should ensure that it accurately reports its attendance to ADE.
3. The School should retain its original teacher attendance records for at least four years.

# ADM Funding Adjustments

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This audit identified an overall funding adjustment of \$11,517.28 that ADE needs to recover from the school. Statutes allow repayment in 12 months, or 24 months for hardship situations with the approval of the State Superintendent of Public Instruction.

Statutes and rules also provide for a formal appeal process through the Office of Administrative Hearings if the School disagrees with the audit results. The School has 30 days from the issuance of the audit to request an appeal. Appendix A (see page a-i) presents rules that govern the appeals process.

Table 4 lists the overstated ADM and associated State Aid adjustments for the School for FY2004 and FY2005.

**Table 4**

**Maya Public Charter High School  
ADM Overstatement and Funding Adjustments Required  
FY2004 and FY2005**

<b>FY</b>	<b>ADM Overstatement</b>	<b>Funding Adjustment</b>
2004	1.65	\$ 5,201.10
2005	1.86	6,316.18
<b>Total</b>	<b>3.51</b>	<b>\$11,517.28</b>

Source: Auditor analysis of SAIS and School student and financial data for FY2004 and FY2005.

# APPENDIX A

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## State Rules for Appealing Audits

The audit determination pursuant to A.R.S. §15-915 is an agency action for which you can file an appeal. The audit report and cover letter, along with this information, serves as notice of your appeal rights under A.R.S. §41-1092.04. Your right to a hearing and right to an informal settlement conference are described below in detail per Arizona Revised Statutes.

### **A.R.S. §41-1092.03. Notice of appealable agency action; hearing; informal settlement conference; applicability**

- A. An agency shall serve notice of an appealable agency action pursuant to section 41-1092.04. The notice shall identify the statute or rule that is alleged to have been violated or on which the action is based and shall include a description of the party's right to request a hearing on an appealable agency action and to request an informal settlement conference pursuant to section 41-1092.06.
- B. A party may obtain a hearing on an appealable agency action by filing a notice of appeal with the agency within thirty days after receiving the notice prescribed in subsection A of this section. The notice may be filed by a party whose legal rights, duties or privileges were determined by the appealable agency action. A notice of appeal also may be filed by a party who will be adversely affected by the appealable agency action and who exercised any right to comment on the action provided by law or rule, provided that the grounds for appeal are limited to issues raised in that party's comments. The notice of appeal shall identify the party, the party's address, the agency and the action being appealed and shall contain a concise statement of the reasons for the appeal. The agency shall notify the office of the appeal and the office shall schedule a hearing pursuant to section 41-1092.05, except as provided in section 41-1092.01, subsection F.
- C. If good cause is shown an agency head may accept an appeal that is not filed in a timely manner.

### **A.R.S. §41-1092.06. Appeals of agency actions; informal settlement conferences; applicability**

- A. If requested by the appellant of an appealable agency action, the agency shall hold an informal settlement conference within fifteen days after receiving the request. A request for an informal settlement conference shall be in writing and shall be filed with the agency no later than twenty days before the hearing. If an informal settlement conference is requested, the agency shall notify the office of the request and the outcome of the conference, except as provided in section 41-1092.01, subsection F. The request for an informal settlement conference does not toll the sixty day period in which the administrative hearing is to be held pursuant to section 41-1092.05.
- B. If an informal settlement conference is held, a person with the authority to act on behalf of the agency must represent the agency at the conference. The agency representative shall notify the appellant in writing that statements, either written or oral, made by the appellant at the conference, including a written document, created or expressed solely for the purpose of settlement negotiations are inadmissible in any subsequent administrative hearing. The parties

participating in the settlement conference shall waive their right to object to the participation of the agency representative in the final administrative decision.