



## Arizona Department of Education

The Audit Unit  
1535 W. Jefferson St., Bin 19  
Phoenix, Arizona 85007  
602-364-4061

# Average Daily Membership Audit Report Pathfinder Charter School Foundation Cortez Park Elementary Fiscal Years 2013, 2014 and 2015

**Report Number—17-10**

October, 24 2016



**CONTACTING  
THE AUDIT UNIT**

Matt Boucher, Audit Manager

Phone: (602) 542-8815

Email: [Matt.Boucher@azed.gov](mailto:Matt.Boucher@azed.gov)

Fax: (602) 364-2334

Mail: 1535 W. Jefferson St., Bin 19  
Phoenix, AZ 85007-3209

---

**OBTAINING ADDITIONAL COPIES**

*To obtain additional copies of this report, please submit a formal request to the address below:*

Arizona Department of Education—The Audit Unit  
1535 W. Jefferson Street, Bin 19  
Phoenix, AZ 85007-3209

---



State of Arizona  
Department of Education  
The Audit Unit  
1535 W. Jefferson St, Bin 19 • Phoenix, AZ 85007  
Phone (602) 364-4061 Fax (602) 542-2734

Diane Douglas  
Superintendent of  
Public Instruction

October, 24 2016

Pathfinder Charter School Foundation  
Jason Whitaker, Principal – Cortez Park  
18052 N. Black Canyon Highway  
Phoenix, AZ 85053

Dear Principal Whitaker,

The Arizona Department of Education Audit Unit has conducted an audit of the Pathfinder Charter School Foundation (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 Fiscal Years 2013, 2014 and 2015. As a result, the School's ADM was understated by 4.89 and it was underfunded by \$19,584.73, which the ADE must repay to the School.

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

# TABLE OF CONTENTS

---

	<u>Page</u>
<b>Introduction and Background .....</b>	<b>1</b>
<b>Scope and Methodology.....</b>	<b>3</b>
<b>Finding 1: The School Did Not Accurately Report Some Student Data Resulting In An Underfunding of \$19,584.73</b>	<b>4</b>
Some Student Enrollment Data Was Inaccurately Reported .....	4
The School Must Reconcile Its Enrollment Data With SAIS .....	5
The School Was Underfunded by \$19,584.73 .....	5
Recommendations.....	5
<b>ADM and Funding Adjustments .....</b>	<b>6</b>

# TABLE OF CONTENTS (CONT'D)

---

**Page**

**Tables:**

1	Pathfinder Charter School Foundation Total Students, Staffing, Revenues and Expenditures FY2013, FY2014 and FY2015 (Unaudited) .....	2
2	Pathfinder Charter School Foundation ADM Adjustments Due to Enrollment Data Errors FY2013, FY2014 and FY2015 .....	4
3	Pathfinder Charter School Foundation ADM and Funding Adjustments Due to Enrollment Data Errors FY2013, FY2014 and FY2015 .....	5
4	Pathfinder Charter School Foundation ADM and Funding Adjustments FY2013, FY2014 and FY2015 .....	6

# INTRODUCTION AND BACKGROUND

---

The Arizona Department of Education (ADE) Audit Unit has conducted an Average Daily Membership (ADM) audit of the Pathfinder Charter School Foundation – Cortez Park Elementary (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**— Pathfinder Charter School Foundation is located in Phoenix, Arizona and maintained one public school serving grades KG-5 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**

**Pathfinder Charter School Foundation  
Total Students, Staffing, Revenues and Expenditures  
FY2013, FY2014 and FY2015  
(Unaudited)**

	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>
<b>Students Enrolled</b>	<b>621</b>	<b>627</b>	<b>595</b>
<b>Number of Teachers</b>	25	25	n/a
<b>Revenue</b>			
Local	\$241,313	\$232,199	\$268,173
County	-	-	-
State	3,536,580	3,608,629	3,592,622
Federal	1,092,845	1,094,985	1,076,214
<b>Total Revenues</b>	<b><u>\$4,870,738</u></b>	<b><u>\$4,935,513</u></b>	<b><u>\$4,937,009</u></b>
<b>Total Expenditures</b>	<b><u>\$4,448,570</u></b>	<b><u>\$4,684,765</u></b>	<b><u>\$4,700,261</u></b>

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 the 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.
- **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 was one student in FY2015 with an ADM adjustment of 3.01.
- **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 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 UNDERFUNDING OF \$19,584.73**

---

Auditors determined that the School inaccurately reported some student enrollment data for five students in Fiscal Years 2013, 2014 and 2015. Specifically, auditors found that two students were reported with an incorrect entry or exit date and three students were not reported to SAIS. Of these affected students, one student generated an additional Special Education (SPED) ADM weight. As a result of these errors, the School’s ADM was understated by 4.89. Due to the inaccurate enrollment data, the School received a net underpayment of \$19,584.73 in Basic State Aid which the ADE must repay to the School.

## **Some Student Enrollment Data Was Inaccurately Reported**

Auditors determined that the School inaccurately reported five students’ enrollment data to ADE due to various errors, which resulted in the School’s ADM being understated by 4.89. Specifically, two students were reported with an incorrect entry or exit date as a result of failure to properly withdraw students which resulted in the School’s ADM being understated by 0.61. Additionally, three students were not reported to SAIS; however School documentation showed the students had attended the School, which resulted in the School’s ADM being understated by 1.27.

As shown in Table 2, these data reporting errors resulted in a net ADM understatement of 4.89 for the three fiscal years audited.

**Table 2**

**Pathfinder Charter School Foundation  
ADM Adjustments Due to Enrollment Data Errors  
FY2013, FY2014 and FY2015**

	<b>Incorrect Enrollment Dates</b>	<b>Not in SAIS</b>	<b>SPED</b>	<b>Total</b>
2013	0.02	(0.92)	-	(0.90)
2014	-	(0.35)	-	(0.35)
2015	<u>(0.63)</u>	=	<u>(3.01)</u>	<u>(3.64)</u>
<b>Total</b>	<b>(0.61)</b>	<b>(1.27)</b>	<b>(3.01)</b>	<b>(4.89)</b>

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 Underfunded by \$19,584.73

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 audited fiscal years. The enrollment data errors reported by the School resulted in its ADM being understated by 4.89. As a result, the School was underfunded by \$19,584.73 in Basic State Aid, which ADE must pay to the School. Table 3 shows the ADM and funding adjustments required for the School for FY2013, FY2014 and FY2015.

**Table 3**

**Pathfinder Charter School Foundation  
ADM and Funding Adjustments Due to  
Enrollment Data Errors  
FY2013, FY2014 and FY2015**

<b>Fiscal Year</b>	<b>ADM Adjustment</b>	<b>Funding Adjustment</b>
2013	(0.90)	\$ (3,462.14)
2014	(0.35)	\$ (2,103.71)
2015	(3.64)	\$ (14,018.88)
<b>Total</b>	<b>(4.89)</b>	<b>\$( 19,584.73)</b>

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

### Recommendations:

1. ADE must pay the School \$19,584.73 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.
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 \$19,584.73 required to be repaid to the School*—Auditors identified an overall funding adjustment of \$19,584.73 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**

**Pathfinder Charter School Foundation  
ADM and Funding Adjustments  
FY2013, FY2014 and FY2015**

	<b>Incorrect Enrollment Dates</b>		<b>Not in SAIS</b>		<b>SPED</b>		<b>Total</b>
2013	0.02	\$58.09	(0.92)	\$(3,520.23)	-	\$-	\$(3,462.14)
2014	-	\$-	(0.35)	\$(2,103.71)	-	\$-	\$(2,103.71)
2015	<u>(0.63)</u>	\$2,429.19)	=	\$-	<u>(3.01)</u>	\$(11,589.69)	\$(14,018.88)
<b>Total</b>	<b>(0.61)</b>	<b>\$(2,371.10)</b>	<b>(1.27)</b>	<b>\$(5,623.94)</b>	<b>(3.01)</b>	<b>\$(11,589.69)</b>	<b>\$(19,584.73)</b>

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