

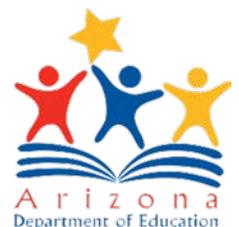


## Arizona Department of Education

The Audit Unit  
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Phoenix, Arizona 85007  
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# Average Daily Membership Audit Report Kingman Academy of Learning Fiscal Years 2014, 2015 and 2016

**Report Number—18-2  
August 31, 2017**



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Diane Douglas  
Superintendent of  
Public Instruction

August 31, 2017

Susan Chan, Director  
Kingman Academy of Learning  
3410 N. Burbank Street  
Kingman, AZ 86409

Dear Director Chan,

The Arizona Department of Education Audit Unit has conducted an audit of the Kingman Academy of Learning (School) Average Daily Membership (ADM) for Fiscal Years 2014, 2015 and 2016. 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 enrollment data for FY2014, FY2015 and FY2016, which resulted in an overstatement of 26.72 ADM. As a result, the School was overfunded by \$168,570.08, which the School must pay to ADE.

We appreciate the cooperation and assistance provided by the School's administration during the course of the audit.

Sincerely,

Ross Begnoche,  
Associate Superintendent,  
Business and Finance

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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 Kingman Academy of Learning (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 FY2014 through FY2016.

***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 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 Kingman, Arizona. In FY2014, FY2015 and FY2016, the School offered instruction in grades KG through 12. Table 1 presents the School's unaudited student, staffing and financial information for FY2014, FY2015 and FY2016.

**Table 1**

**Kingman Academy of Learning  
Total Students, Revenues and Expenditures  
FY2014, FY2015 and FY2016  
(Unaudited)**

	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>
<b>Students Enrolled</b>	<b>1,380</b>	<b>1,386</b>	<b>1,346</b>
<b>Number of Teachers</b>	66	66	67
<b>Revenue</b>			
Local	\$ 1,371,532	\$ 1,755,469	\$ 1,632,278
Intermediate	-	-	-
State	8,762,040	8,820,878	9,055,923
Federal	421,860	546,615	439,355
<b>Total Revenues</b>	<b><u>10,555,432</u></b>	<b><u>11,122,962</u></b>	<b><u>11,127,556</u></b>
<b>Total Expenditures</b>	<b><u>\$ 8,910,274</u></b>	<b><u>\$ 9,291,911</u></b>	<b><u>\$ 9,046,263</u></b>

Source: Annual Report of the Arizona Superintendent of Public Instruction for FY2014, FY2015 and FY2016.

## 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 for Arizona Charter Schools (USFRCS) and its own policies and procedures for FY2014, FY2015 and FY2016.

To conduct this audit, auditors used a variety of methods, including examining School and ADE's System records for enrollment. 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. 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 FY2014, FY2015 and FY2016. 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 ADE's System data to the School's SMS and identified 445 students for review. 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; no findings were identified for this area.
- **FTE calculations**—In addition, auditors reviewed the student schedules for all sampled high school 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 was different from the reported FTE for a student, auditors recalculated the ADM and made appropriate adjustments to the funded ADM.
- **SPED Data**—Additionally, auditors determined whether an adjusted student had also been funded for one of the special education categories. Auditors determined that there were no material special education adjustments.
- **Limiting**—Auditors reviewed the total ADM for each enrolled student to ensure that they were appropriately limited by ADE's System. No findings were identified for this area.

The Audit Unit expresses its appreciation to Kingman Academy of Learning's administration and staff members for their cooperation and assistance throughout the audit.

# **FINDING 1: THE SCHOOL DID NOT ACCURATELY REPORT SOME STUDENT FTEs RESULTING IN AN OVERFUNDING OF \$168,570.08**

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Auditors determined that the School inaccurately reported some student enrollment data for 98 students in Fiscal Years 2014, 2015 and 2016. Specifically, auditors found that 98 students were reported with an incorrect FTE. As a result of these errors, the School’s ADM was overstated by 26.72. Due to the inaccurate enrollment data, the School received a net overpayment of \$168,570.08 in Basic State Aid which the School must repay to ADE.

## **Some Student FTEs Were Inaccurately Reported**

Auditors determined that the School improperly calculated the FTE status for some of its high school students for all three years audited. Auditors identified 98 students whose FTE status was reported to ADE incorrectly. As shown in Table 2, these data reporting errors resulted in a net ADM overstatement of 26.72 for the three fiscal years audited.

**Table 2**

**Kingman Academy of Learning  
ADM Adjustments Due to Incorrect FTE  
FY2014, FY2015 and FY2016**

	Incorrect FTE
2014	8.66
2015	11.15
2016	<u>6.91</u>
Total	<b>26.72</b>

Source: Auditor analysis of School records and ADE’s System data for FY2014, FY2015 and FY2016.

## **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 for some students. According to A.R.S. § 15-901 and ADE Guidelines and Procedures GE-18 (GE-18), for a high school student to be reported as a 1.0 FTE, the student must be enrolled in at least four courses, which meet at least 123 hours annually each, and total at least 720 instructional hours for the year. A student who does not meet these requirements is considered a fractional, or part-time, student and their FTE status must be reduced based on the number of

actual instructional hours provided and courses enrolled.<sup>1</sup>

Auditors determined that 98 of the School's students were not reported correctly based on the statutory and ADE guideline requirements for full time enrollment. According to analysis of the School's bell schedule and calendar for the School's high school, auditors determined that as long as a student was enrolled in four courses each semester, they would receive enough hours and courses to be considered full time. However, one of the courses offered by the School was a Job Assignment. According to documentation provided for this course, auditors determined that because there was no instruction taking place, and that no assessments were completed to ensure course objectives were met, that this course did not qualify as instructional. As a result, the FTE that was reported for 98 students was not correct based on the number of classes the students were enrolled in.

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

### **The School Was Overfunded by \$168,570.08**

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 incorrect FTE reported by the School resulted in its ADM being overstated by 26.72. As a net result, the School was overfunded by \$168,570.08 in Basic State Aid, which ADE must recoup from the School. Table 3 shows the ADM and funding adjustments required for the School for FY2014, FY2015 and FY2016

**Table 3**

**Kingman Academy of Learning  
ADM and Funding Adjustments Due to  
Incorrect FTE  
FY2014, FY2015 and FY2016**

<b>Fiscal Year</b>	<b>ADM Adjustment</b>	<b>Funding Adjustment</b>
2014	8.66	\$ 53,158.12
2015	11.15	69,497.51
2016	6.91	45,914.45
<b>Total</b>	<b>26.72</b>	<b>\$ 168,570.08</b>

Source: Auditor analysis of School records and ADE's System data for FY2014, FY2015 and FY2016.

<sup>1</sup> Pursuant to A.R.S. § 15-901, a full time student (1.0 FTE) in grades 9 through 12 must be scheduled for and attending at least 720 hours of instruction and at least four courses each of which meets for at least 123 hours annually; a 0.75 FTE student must be scheduled for at least 540 hours of instruction and at least three courses each of which meets for at least 123 hours annually, a 0.50 FTE student must be scheduled for at least 360 hours of instruction and at least two courses each of which meets for at least 123 hours annually and a 0.25 FTE student must be scheduled for at least 180 hours of instruction and at least one course which meets for at least 123 hours annually.

**Recommendations:**

1. The School must calculate and report student FTE each year to ensure it complies with A.R.S. § 15-901.
2. ADE must recoup from the School \$168,570.08 in Basic State Aid due to incorrectly reported enrollment data.

# ADM and Funding Adjustments

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Auditors identified an overall funding decrease of \$168,570.08 for the three fiscal years audited due to inaccurate student data as reported by the School.

Table 4 lists the ADM adjustments and the associated Basic State Aid adjustments for the School for FY2014, FY2015 and FY2016.

**Table 4**

**Kingman Academy of Learning  
ADM and Funding Adjustments  
FY2014, FY2015 and FY2016**

	FY2014		FY2015		FY2016		Total
	ADM	Funding	ADM	Funding	ADM	Funding	
<b>Total Adjustment</b>	<b>8.66</b>	<b>\$ 53,158.12</b>	<b>11.15</b>	<b>\$ 69,497.51</b>	<b>6.91</b>	<b>\$ 45,914.45</b>	<b>\$ 168,570.08</b>

Source: Auditor analysis of ADE's System and School student and financial data for FY2014, FY2015 and FY2016.