



Arizona Department of Education

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Average Daily Membership Audit Report Arizona Agribusiness & Equine Center, Inc. Fiscal Years 2015, 2016 and 2017

Report Number—18-27
May 15, 2018



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Diane Douglas
Superintendent of
Public Instruction

May 15, 2018

Linda Proctor-Downing, Executive Director
Arizona Agribusiness & Equine Center – Estrella
3400 Dysart Road, Buildings A-D
Avondale, Arizona 85007

Dear Ms. Proctor-Downing,

The Arizona Department of Education Audit Unit has conducted an audit of the Arizona Agribusiness & Equine Center, Inc. (School) Average Daily Membership (ADM) for Fiscal Years 2015, 2016 and 2017 (CTD 07-85-87). 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 FY2015, FY2016 and FY2017, which resulted in an overstatement of 0.42 ADM. As a result, the School was overfunded by \$4,740.74, 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,

Tammy Seilheimer
Chief Auditor

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INTRODUCTION AND BACKGROUND

The Arizona Department of Education (ADE) Audit Unit has conducted an Average Daily Membership (ADM) audit of the Arizona Agribusiness & Equine Center, Inc. (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 Fiscal Years (FY) 2015, 2016 and 2017.

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's 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's 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 Avondale, Arizona. In FY2015, FY2016 and FY2017, the School offered instruction in grades 9 through 12. Table 1 presents the School's unaudited student, staffing and financial information for FY2015, FY2016 and FY2017.

Table 1

**Arizona Agribusiness & Equine Center, Inc.
Total Students, Revenues and Expenditures
FY2015, FY2016 and FY2017
(Unaudited)**

	FY2015	FY2016	FY2017
Students Enrolled	450	479	480
Number of Teachers	15	16	17
Revenue			
Local	\$ 57,677	\$ 55,614	\$ 58,957
Intermediate	1,438	0	0
State	3,345,497	3,583,896	3,636,837
Federal	82,807	125,943	132,579
Total Revenues	<u>\$ 3,487,419</u>	<u>\$ 3,795,453</u>	<u>\$ 3,828,373</u>
Total Expenditures	<u>\$ 2,912,799</u>	<u>\$ 3,038,543</u>	<u>\$ 3,369,074</u>

Source: Annual Report of the Arizona Superintendent of Public Instruction for FY2015, FY2016 and FY2017.

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 Fiscal Years 2015, 2016 and 2017.

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 Fiscal Years 2015, 2016 and 2017. 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 reviewed 148 of 1,464 students over the three years audited. 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***—Auditors reviewed the student schedules for all sampled high school students to determine if the full-time equivalency (FTE) reported to ADE was correct. No findings were identified for this area.
- ***Statutory Change***—A new law was passed in FY2017 that applied retroactively to June 30, 2010. Based on this new law, data that was reported during the years audited would not have been correct for any students that were also enrolled in a community college. Auditors determined how many hours students were enrolled in both the high school and the community college in order to recalculate the actual ADM for each of these students and made appropriate adjustments to the funded ADM.
- ***Student Files***—Auditors reviewed student files to ensure that they maintained required residency documentation. No findings were identified for this area.
- ***SPED Data***—Auditors determined whether an adjusted student had also been funded for a special education category. No findings were identified for this area.

The Audit Unit expresses its appreciation to Arizona Agribusiness & Equine Center, Inc.'s administration and staff members for their cooperation and assistance throughout the audit.

FINDING 1: STATUTORY CHANGES AFFECTED THE SCHOOL'S ADM FOR CONCURRENT STUDENTS, RESULTING IN AN OVERFUNDING OF \$4,740.74

Auditors determined that due to a retroactive change in statute A.R.S. § 15-901.07, the School's ADM for students concurrently enrolled in community college classes was inaccurate for 11 students in FY2015, FY2016 and FY2017. As a result of the change in statute, the School's ADM was overstated by 0.42 and it received a net overpayment of \$4,740.74 in Basic State Aid which ADE must recoup from the School.

Some students' ADM was inaccurate

Auditors determined that the School's ADM for concurrently enrolled students was incorrect in each of the three years audited. A new law was passed in 2017, applied retroactively to June 30, 2010, which changed how ADM was calculated for students that were concurrently enrolled in a community college. As a result of this change in ADM calculations, auditors identified 11 students whose ADM was different than what was initially reported to ADE. As shown in Table 2, this resulted in a net ADM overstatement of 0.42 for the three fiscal years audited.

Table 2

**Arizona Agribusiness & Equine Center, Inc.
Students and ADM Adjustments for Concurrent Enrollments
FY2015, FY2016 and FY2017**

	Students	ADM Adjustment
2015	1	0.04
2016	5	(0.56)
2017	<u>5</u>	<u>0.94</u>
Total	11	0.42

Source: Auditor analysis of School records and ADE's System data for FY2015, FY2016 and FY2017.

Statutory changes affected the way ADM should be calculated

When the data was initially reported to ADE, the School had improperly counted community college courses towards the FTE for students. At the time, community college courses were only eligible for funding if they met the requirements for dual enrollment as established in A.R.S. § 15-1821.01. These courses did not meet the requirements set for dual enrollment, and so did not qualify for ADM funding.

However, in 2017 a new law was passed amending section A.R.S. § 15-901.07 to allow for the time a student is concurrently enrolled in a community college to be counted towards a student's ADM. This law applied retroactively to June 30, 2010, and so it should be applied to each of the years included in the audit. As a result, the way ADM for these students is calculated is different than what would initially have been reported.

Under A.R.S. § 15-901.07, the combined hours a student is enrolled in at the School and at the community college is divided by 720 hours, or 900 hours if the student also enrolled in an AOI during the year. Since this ADM calculation is different than would have been applied at the time the data was submitted to ADE, the ADM for 11 of the concurrently enrolled students must be adjusted based on the new calculation.

In the future, the School should ensure it complies with statute and ADE guidelines to properly calculate and report ADM for students that are concurrently enrolled in the community college.

The School was overfunded by \$4,740.74

Auditors determined that the School did not receive the correct amount of Basic State Aid due to the inaccurate ADM for concurrent students for the audited fiscal years. This resulted in the School's ADM being overstated by 0.42. As a net result, the School was overfunded by \$4,740.74 in Basic State Aid, which the School must repay to ADE. Table 3 shows the ADM and funding adjustments required for the School for FY2015, FY2016 and FY2017.

Table 3

**Arizona Agribusiness & Equine Center, Inc.
ADM and Funding Adjustments for Concurrent Enrollments
FY2015, FY2016 and FY2017**

Fiscal Year	ADM Adjustment	Funding Adjustment
2015	0.04	\$ 291.86
2016	(0.56)	\$ (2,257.60)
<u>2017</u>	<u>0.94</u>	<u>\$ 6,706.48</u>
Total	0.42	\$ 4,740.74

Source: Auditor analysis of School records and ADE's System data for FY2015, FY2016 and FY2017.

Recommendations:

1. The School must repay to ADE \$4,740.74 in Basic State Aid due to the change in ADM calculations for concurrently enrolled students.
2. The School should ensure in the future it accurately calculates and reports student ADM for concurrently enrolled students each year to ensure it complies with A.R.S. § 15-901.07.

ADM and Funding Adjustments

A.R.S. § 15-915 requires that ADE make corrections for audit findings to Basic State Aid. Auditors identified an overall funding decrease of \$4,740.74 in Basic State Aid to the School for the three fiscal years audited due to erroneous student data.

Table 4 lists the ADM adjustments and the associated Basic State Aid adjustments for the School for Fiscal Years 2015, 2016 and 2017.

Table 4

**Arizona Agribusiness and Equine Center, Inc.
ADM and Funding Adjustments
FY2015, FY2016 and FY2017**

	FY2015	FY2016	FY2017	Total
ADM	0.04	(0.56)	0.94	0.42
Funding	<u>\$ 291.86</u>	<u>\$ (2,257.60)</u>	<u>\$ 6,706.48</u>	<u>\$ 4,740.74</u>

Source: Auditor analysis of SAIS and School student and financial data for FY2015, FY2016 and FY2017.