



Arizona Department of Education

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Average Daily Membership Audit Report Bradley Academy of Excellence, Inc. Fiscal Years 2015, 2016, and 2017

Report Number—19-9
August 31, 2018



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State of Arizona
Department of Education



Diane Douglas
Superintendent of
Public Instruction

August 31, 2018

Daniel Hughes, CEO
Bradley Academy of Excellence, Inc.
16060 W Lower Buckeye Rd
Goodyear, AZ 85338

Dear Mr. Hughes,

The Arizona Department of Education (ADE) Audit Unit has conducted an audit of the Bradley Academy of Excellence, Inc. (School) Average Daily Membership (ADM) for fiscal years 2015, 2016, and 2017. 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 fiscal years 2015, 2016, and 2017, and falsely reported student enrollment for fiscal year 2017, which resulted in an overstatement of 195.86 ADM. As a result, the School was overfunded by \$1,159,185.03, which the School must pay to ADE.

Sincerely,

A handwritten signature in blue ink, appearing to read "Melissa Moreno".

Melissa Moreno,
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 Bradley Academy of Excellence, Inc. (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 fiscal years 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 information—In fiscal years 2015, 2016, and 2017, the School offered instruction in preschool, kindergarten, and grades 1 through 8 in Goodyear, Arizona.

Table 1 presents the School’s unaudited student, staffing and financial information for fiscal years 2015, 2016, and 2017.

Table 1

**Bradley Academy of Excellence, Inc.
Total students, revenues and expenditures
Fiscal years 2015, 2016, and 2017
(Unaudited)**

	2015	2016	2017
Students enrolled	446	412	652
Number of teachers	20	37	37
Revenue			
Local	132,076	464,621	1,164,743
County	-	-	5,250
State	2,570,313	3,118,893	3,608,571
Federal	<u>567,851</u>	<u>619,165</u>	<u>1,301,853</u>
Total revenues	<u>3,270,240</u>	<u>4,202,679</u>	<u>6,080,417</u>
Total expenditures	<u>3,058,719</u>	<u>4,642,553</u>	<u>4,918,184</u>

Source: Annual Report of the Arizona Superintendent of Public Instruction for fiscal years 2015, 2016, and 2017.

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 fiscal years 2015, 2016, and 2017.

To conduct this audit, auditors used a variety of methods, including examining School and ADE 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 School’s bell schedules and calendars for fiscal years 2016 and 2017 and determined that the School provided at least the minimum number of instructional hours as required by statute for each grade level. Fiscal year 2015 bell schedules were not provided and could not be audited.
- ***Enrollment data***—Auditors compared the School’s student management system to ADE’s system for further evaluation for 100% of the student population. Auditors reviewed these student profiles to determine if the enrollment data reported to ADE was accurate. Auditors compared the student profiles to ADE’s information system to determine if the entry and exit date was correct. When the audited entry or exit dates were different from the reported dates auditors recalculated the ADM and made appropriate adjustments to the funded ADM.
- ***False students***—Auditors reviewed student files and a school document listing false students to identify students that did not attend the School or did not exist. When a student was identified as false, auditors made appropriate adjustments to the funded ADM.
- ***Student files***—Auditors reviewed student files to ensure that they maintained required documentation, including birth certificates, immunization, and residency documentation, and to ensure student enrollment dates reported to ADE were accurate.
- ***Special education (SPED) data***—Auditors reviewed the students to determine if any were also funded for one of the special education categories. No SPED adjustments were identified.
- ***Limiting***—Auditors reviewed the total ADM for each enrolled student to ensure that they were appropriately limited. No findings were identified for this area.

FINDING 1: THE SCHOOL REPORTED FALSE STUDENT ENROLLMENT TO ADE RESULTING IN AN OVERPAYMENT OF \$951,778.55

The School reported 191 fictitious students for fiscal year 2017. These students were funded by ADE but evidence shows that these students did not exist and therefore did not attend. Due to the false enrollment data, the School received a net overpayment of \$951,778.55 in Basic State Aid for fiscal year 2017 which the School must pay to ADE pursuant to A.R.S. § 15-915.

The School reported false student enrollment data

The School reported enrollment data for 191 fictitious students to ADE which resulted in the School's ADM being overstated by 162.21.

For all students reported as being enrolled, auditors reviewed student testing information and student cumulative files, which included the student birth certificate, student entry and withdrawal dates, and residency documentation. In addition, auditors looked at state assessment data and student reenrollment to other schools or districts upon withdrawing from the School. Furthermore, for fiscal year 2017 the School maintained a list of students they identified as falsified students. Auditors compared the student enrollments reported to ADE to the School system enrollment information, as well as the documentation reviewed to determine if a student did not exist and was falsely enrolled. 191 students were listed on the School's false student list and did not have documentation to prove the student actually existed or attended the School.

As shown in Table 2, data reporting errors resulted in a net ADM overstatement of 162.21 for fiscal year 2017.

Table 2

**Bradley Academy of Excellence, Inc.
ADM adjustments due to false students
Fiscal year 2017**

	2017
Student count	191
ADM	162.21

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

The School was overfunded by \$951,778.55

Auditors determined that the School did not receive the correct amount of Basic State Aid due to the false student enrollment data reported to ADE for fiscal year 2017. The false enrollment data reported by the School resulted in its ADM being overstated by 162.21 for fiscal year 2017. As a result, the School was overfunded by \$951,778.55 which the School must pay to ADE pursuant to A.R.S. § 15-915.

Table 3

**Bradley Academy of Excellence, Inc.
ADM and funding adjustments due to false students
Fiscal year 2017**

	2017
ADM	162.21
Total funding adjustments	\$ 951,778.55

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

Recommendations:

1. The School must pay ADE \$951,778.55 in Basic State Aid due to enrollment data reported for false students.

FINDING 2: THE SCHOOL DID NOT ACCURATELY REPORT SOME STUDENT DATA RESULTING IN AN OVERPAYMENT OF \$207,406.48

The School inaccurately reported the student enrollment data for 204 of its students for fiscal years 2015, 2016, and 2017. Specifically, auditors determined that 36 students had duplicate enrollments reported to ADE with different State ID's, 92 students had incorrect enrollment dates, 11 students were reported to ADE's System for funding but did not attend, and 65 students were not reported to ADE's System for funding but attended. In total, the School's ADM was overstated by 33.65 for its students for the three fiscal years audited. Due to the inaccurate enrollment data, the School received a net overpayment of \$207,406.48 in Basic State Aid for the three fiscal years audited which the School must pay to ADE pursuant to A.R.S. § 15-915.

The School inaccurately reported some student enrollment data

The School inaccurately reported the enrollment data for 204 students to ADE due to various errors, which resulted in the School's ADM being overstated by 33.65. ADE External Guideline and Procedures GE-17¹ 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 is the last day of actual attendance or excused absence. However, the School did not always adhere to these requirements. Specifically:

- 36 students had duplicated enrollments reported, which resulted in the School's ADM being overstated by 34.49.
- 92 students had incorrect enrollment dates, which resulted in the School's ADM being overstated by 11.83.
- 11 students were reported to ADE's System; however, the student did not attend and no documentation showed the students as being enrolled and attending, which resulted in the School's ADM being overstated by 4.54.

¹ 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."

- 65 students were not reported to ADE’s System; however, documentation showed the students as being enrolled and attending, which resulted in the School’s ADM being understated by 17.21.

As shown in Table 4, data reporting errors resulted in a net ADM overstatement of 33.65 for fiscal years 2015, 2016, and 2017.

Table 4

**Bradley Academy of Excellence, Inc.
ADM adjustments due to enrollment data errors
Fiscal years 2015, 2016, and 2017**

	2015	2016	2017	Total
Duplicated	-	34.48	0.01	34.49
Enrollment dates	3.37	4.43	4.03	11.83
Did not attend	1.68	0.80	2.06	4.54
Attended	(1.00)	(15.17)	(1.04)	(17.21)
Total	4.05	24.54	5.06	33.65

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

The School was overfunded by \$207,406.48

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 fiscal years 2015, 2016, and 2017. The enrollment data errors reported by the School resulted in its ADM being overstated by 33.65 for the three fiscal years audited. As a result, the School was overfunded by \$207,406.48 which the School must pay to ADE pursuant to A.R.S. § 15-915.

Table 5

**Bradley Academy of Excellence, Inc.
ADM and funding adjustments due to enrollment data errors
Fiscal years 2015, 2016, and 2017**

	2015	2016	2017	Total
ADM	4.05	24.54	5.06	33.65
Total funding adjustments	\$ 24,585.07	\$ 153,123.46	\$ 29,697.95	\$ 207,406.48

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

Recommendations:

2. The School must pay ADE \$207,406.48 in Basic State Aid due to incorrectly reported enrollment data.

ADM AND FUNDING ADJUSTMENTS

A.R.S. § 15-915 requires that ADE makes corrections for audit findings to state aid. ADE’s School Finance Unit’s Memo 13-011 informs LEAs of these statutory requirements:

A.R.S. §15-915, as amended by Laws 2012, Chapter 357, Section 3, requires the superintendent of public instruction, when it is determined that state aid or budget limits have been calculated in error, within the prior 3 years, to make corrections to budget limits and state aid in the current year. (Hardship application may be approved by the superintendent). Effective for audits initiated during FY2013 and continuing in subsequent years, corrections for audit findings to both budget capacity and state aid (when applicable) will be made.

Basic State Aid adjustment of \$1,159,185.03 required to be paid to ADE—Auditors identified an overall funding adjustment of \$1,159,185.03 for the three fiscal years audited due to false and inaccurate student enrollment.

Table 6 lists the ADM adjustments and the associated Basic State Aid adjustments for the School for fiscal year 2015, 2016, and 2017.

Table 6

**Bradley Academy of Excellence, Inc.
ADM and funding adjustments
Fiscal years 2015, 2016, and 2017**

	2015		2016		2017		Total
	ADM	Funding	ADM	Funding	ADM	Funding	
False students	-	\$ -	-	\$ -	162.21	\$ 951,778.55	\$ 951,778.55
Enrollment data	<u>4.05</u>	<u>24,585.07</u>	<u>24.54</u>	<u>153,123.46</u>	<u>5.06</u>	<u>29,697.95</u>	<u>207,406.48</u>
Total funding adjustment	4.05	\$ 24,585.07	24.54	\$ 153,123.46	167.27	\$ 981,476.50	\$ 1,159,185.03

Source: Auditor analysis of ADE and School student and financial data for fiscal years 2015, 2016, and 2017.