



Arizona Department of Education

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Average Daily Membership Audit Report Mohave Accelerated Learning Center Fiscal Years 2016, 2017 and 2018

Report Number—19-22
January 11, 2019



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Arizona Department of Education

Audit Unit

January 11, 2019

Casey Mulligan, Superintendent
Mohave Accelerated Learning Center
625 Marina Blvd.
Bullhead City, AZ 86442

Dear Superintendent Mulligan,

The Arizona Department of Education Audit Unit has conducted an audit of the Mohave Accelerated Learning Center (School) Average Daily Membership (ADM) for fiscal years 2016, 2017 and 2018. 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 incorrectly reported some enrollment data, which resulted in an overstatement of 0.84 ADM and an overfunding of \$3,576.22 in Basic State Aid, which the School must pay ADE as required by statute. Furthermore, auditors determined that the School failed to properly maintain some required documentation in student cumulative files.

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

Sincerely,

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

Melissa Moreno,
Chief Auditor

Kathy Hoffman, Superintendent of Public Instruction

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Introduction and Background

The Arizona Department of Education (ADE) Audit Unit has conducted an Average Daily Membership (ADM) audit of Mohave Accelerated Learning Center (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 2016, 2017 and 2018.

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 2016, 2017 and 2018, the School offered instruction in grades 6 through 12 in Bullhead City, Arizona.

Table 1 presents the School’s unaudited student, staffing and financial information for fiscal years 2016, 2017 and 2018.

Table 1

**Mohave Accelerated Learning Center
Total students, revenues and expenditures
Fiscal years 2016, 2017 and 2018
(Unaudited)**

	2016	2017	2018
Students enrolled	478	478	471
Number of teachers	26	25	23
Revenue			
Local	\$ 961,421	\$ 763,074	\$ 1,357,819
County	0	0	0
State	3,591,344	3,703,526	3,746,282
Federal	<u>806,794</u>	<u>994,205</u>	<u>958,178</u>
Total revenues	<u>5,359,559</u>	<u>5,460,805</u>	<u>6,062,279</u>
Total expenditures	<u>\$ 3,443,373</u>	<u>\$ 4,498,822</u>	<u>\$ 3,898,202</u>

Source: Annual Report of the Arizona Superintendent of Public Instruction for fiscal years 2016 and 2017; and Mohave Accelerated Learning Center Annual Expenditure Budget and CHAR 55-1 reports for FY2018.

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 2016, 2017 and 2018.

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:

- **Enrollment data**— Auditors reviewed student schedules, enrollment dates, and attendance data to determine if the enrollment data reported to ADE was correct. Auditors compared the entry and exit dates to determine if an adjustment was necessary. Auditors also reviewed absences to ensure that they were reported correctly and made adjustments if they were needed.
- **Student files**—Auditors reviewed student files to ensure that they maintained required documentation, including birth certificates, immunization, and residency documentation. Auditors identified files that did not contain all of the documentation that was required to be kept in them by statute and ADE guidelines.
- **FTE calculations** – Auditors reviewed the bell schedules and student schedules to determine whether the School reported the correct full-time enrollment (FTE) data to ADE. Auditors calculated the FTE based on the classes and time a student was enrolled in the School and compared the FTE to what was reported to ADE. When the FTE was incorrect, auditors made an adjustment.
- **Instructional hours**—Auditors reviewed the School’s bell schedules and calendars for the fiscal years audited and determined that the School provided at least the minimum number of instructional hours as required by statute for each grade level.
- **Special education (SPED) data**— Auditors reviewed the students to determine if any were also funded for one of the special education categories. When students with a special education category also had an adjustment, auditors made an adjustment to the special education weight as well.
- **Limiting**—Auditors reviewed the total ADM for each enrolled student to ensure that they were appropriately limited. No findings were identified for this area.

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.

The Audit Unit expresses its appreciation to the Mohave Accelerated Learning Center’s administration and staff members for their cooperation and assistance throughout the audit.

FINDING 1: THE SCHOOL DID NOT ACCURATELY REPORT SOME STUDENT DATA RESULTING IN AN OVERPAYMENT OF \$3,576.22

The School inaccurately reported the student enrollment data for 9 of its students for fiscal years 2016, 2017 and 2018. Specifically, auditors determined that 7 students had FTE reported incorrectly and 2 students had incorrect enrollment dates. Furthermore, 1 student had an additional Special Education adjustment, which resulted in the School's Special Education weighted ADM being overstated by 0.02. In total, the School's ADM was overstated by 0.84 for its students for the three fiscal years audited. Due to the inaccurate enrollment data, the School received a net overpayment of \$3,576.22 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 9 students to ADE due to various errors, which resulted in the School's ADM being overstated by 0.84. According to A.R.S. § 15-901, the withdrawal date for students is the last day of actual attendance or excused absence. Additionally, A.R.S. § 15-901 states that, 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.¹ ADE External Guideline and Procedures GE-17² states that, with the exception of pre-enrolled students, the enrollment date for a student is the first day of actual attendance. However, the School did not always adhere to these requirements. Specifically:

- 7 students had FTE reported incorrectly, which resulted in the School's ADM being overstated by 1.41.
- 2 students had incorrect enrollment dates, which resulted in the School's ADM being understated by 0.59.

¹ 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.

² 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."

- 1 student had an additional Special Education adjustment, which resulted in the School's Special Education weighted ADM being overstated by 0.02.

As shown in Table 2, data reporting errors resulted in a net ADM overstatement of 0.84 for fiscal years 2016, 2017 and 2018.

Table 2

**Mohave Accelerated Learning Center
ADM adjustments due to enrollment data errors
Fiscal years 2016, 2017 and 2018**

	FY2016	FY2017	FY2018	Total
Incorrect FTE	0.89	-	0.52	1.41
Enrollment dates	-	(0.59)	-	(0.59)
SPED	0.02	-	-	0.02
Total	0.91	(0.59)	0.52	0.84

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

The School must properly reconcile its enrollment data with ADE

The School must ensure that a process is in place that captures the proper entry and exit dates of students to ensure proper funding and reporting of data. Additionally, the School must ensure it complies with statute and ADE guidelines to properly calculate and report student FTE. Finally, the School should review its reconciliation practices to ensure that its staff properly review the reports produced by ADE's System 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 overfunded by \$3,576.22

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 2016, 2017 and 2018. The enrollment data errors reported by the School resulted in its ADM being overstated by 0.84 for the three fiscal years audited. As a result, the School was overfunded by \$3,576.22 which the School must pay to ADE pursuant to A.R.S. § 15-915.

Table 3

**Mohave Accelerated Learning Center
ADM and funding adjustments due to enrollment data errors
Fiscal years 2016, 2017 and 2018**

	FY2016	FY2017	FY2018	Total
ADM	0.91	(0.59)	0.52	0.84
Total funding adjustments	\$ 2,716.04	\$ (3,058.28)	\$ 3,918.46	\$ 3,576.22

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

Recommendations:

1. The School must pay ADE \$3,576.22 in Basic State Aid due to incorrectly reported enrollment data.
2. The School must ensure that it properly calculates and reports students' enrollment dates and FTE pursuant to statute and ADE guidelines.

FINDING 2: THE SCHOOL DID NOT PROPERLY MAINTAIN SOME STUDENT RECORDS AS REQUIRED BY STATUTE AND GUIDELINE

Auditors determined that the School failed to properly collect and maintain student documentation as required by statute and ADE guidelines. The School failed to properly maintain a copy of a birth certificate for 13 students and the residency documentation for 39 students. In the future, the School should properly maintain these documents to ensure compliance with statute and ADE guidelines.

The School did not properly maintain student documentation

Auditors determined that the School failed to maintain documentation for some students as required by statute and ADE guidelines. According to A.R.S. § 15-802 and the ADE Arizona Residency Guideline, school districts and charter schools are required to maintain verifiable documentation of Arizona residency in the student's cumulative file. This documentation must be provided each time a student enrolls in a school district or charter school and reaffirmed during the annual registration process. The ADE Arizona Residency Guideline identifies an approved list of options a parent or legal guardian may provide to the school district or charter school to meet these requirements.

The School did not maintain proper residency documentation required by statute and ADE's residency guideline. Of the 75 student files sampled, 39 student files did not have proper residency documentation. The School needs to ensure that it collects proof of residency for each student as required by ADE's residency guideline.

Auditors also determined that the School failed to maintain birth certificate documentation for 13 students. According to A.R.S. § 15-828, a photocopy of the student's birth certificate or other reliable proof of the student's identity and age must be placed in the student's file. The School should ensure that it collects and maintains birth certificates for each student.

The School did not maintain the proper documentation required by statute and ADE guidelines. Of the 75 students sampled, 39 students did not have proper residency documentation and 13 students did not have birth certificate documentation. Table 4 (page 8) lists the student file documentation maintained by the School for fiscal years 2016, 2017 and 2018.

Table 4

**Mohave Accelerated Learning Center
Student cumulative file documentation
Fiscal years 2016, 2017 and 2018**

	Total sampled	Missing birth certificate	Missing immunization	Missing or unapproved residency documentation
FY2016	25	2	-	14
FY2017	25	6	-	10
FY2018	25	5	-	15
Total	75	13	-	39

Source: Auditor analysis of School records and ADE data for fiscal years 2016, 2017 and 2018.

Recommendation:

1. The School must comply with statute and collect and maintain in each students' cumulative file appropriate copies of verifiable residency and birth certificate documentation as required by law.

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 \$3,576.22 required to be paid to ADE—Auditors identified an overall funding adjustment of \$3,576.22 for the three fiscal years audited due to inaccurate student enrollment.

Table 5 lists the ADM adjustments and the associated Basic State Aid adjustments for the School for fiscal year 2016, 2017 and 2018.

Table 5

**Mohave Accelerated Learning Center
ADM and funding adjustments
Fiscal years 2016, 2017 and 2018**

	FY2016	FY2017	FY2018	Total
ADM adjustments	0.91	(0.59)	0.52	0.84
Funding adjustments	\$2,716.04	\$(3,058.28)	\$3,918.46	\$3,576.22

Source: Auditor analysis of ADE and School student and financial data for fiscal years 2016, 2017 and 2018.