



## Arizona Department of Education

The Audit Unit

1535 W. Jefferson St., Bin 19

Phoenix, Arizona 85007

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# Average Daily Membership Audit Report George Gervin Youth Center, Inc. Fiscal Years 2017, 2018 and 2019

Report Number—20-17

November 25, 2019



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## Arizona Department of Education

Audit Unit

November 25, 2019

Superintendent Barbara Hawkins  
George Gervin Youth Center, Inc.  
2801 E. Southern Avenue  
Phoenix, Arizona 85040

Dear Superintendent Hawkins:

The Arizona Department of Education Audit Unit has conducted an audit of the George Gervin Youth Center, Inc. (School) Average Daily Membership (ADM) for fiscal years 2017, 2018 and 2019. The purpose of the audit was to address whether the School properly reported student enrollment, and to determine if it received the correct amount of Basic State Aid.

Auditors determined that the School incorrectly reported calendar days for FY2017 and FY2019, which caused 48 students to be reported with incorrect enrollment dates. Furthermore, one student had attended but was not reported, and one student was reported but did not attend. As a result, the School was underfunded by \$6,005.70 due to an understatement of 0.94 ADM, which the State must repay to the School. Additionally, auditors determined that the School failed to properly maintain some required documentation in five student's cumulative files.

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, appearing to read "Melissa Moreno".

Melissa Moreno,  
Chief Auditor

**Kathy Hoffman, Superintendent of Public Instruction**

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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 George Gervin Youth 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) 2017 through 2019.

***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**—The School, located in Phoenix, Arizona, offered instruction in grades KG through 8 at one elementary school during the fiscal years audited. Table 1 presents the School’s unaudited student, staffing and financial information for FY2017, FY2018 and FY2019.

**Table 1**

**George Gervin Youth Center, Inc.  
Total students, revenues and expenditures  
Fiscal years 2017, 2018 and 2019  
(Unaudited)**

	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>Students enrolled</b>	<b>216</b>	<b>211</b>	<b>217</b>
<b>Number of teachers</b>	<b>14</b>	<b>17</b>	<b>16</b>
<b>Revenue</b>			
Local	\$ 24,587	\$ 254,708	\$ 366,102
Intermediate	\$ 0	\$ 0	\$ 0
State	\$ 1,472,784	\$ 1,631,016	\$ 1,302,660
Federal	\$ 574,761	\$ 413,917	\$ 469,756
<b>Total revenues</b>	<b><u>\$ 2,072,132</u></b>	<b><u>\$ 2,299,641</u></b>	<b><u>\$ 2,138,518</u></b>
<b>Total expenditures</b>	<b><u>\$ 2,070,505</u></b>	<b><u>\$ 2,214,832</u></b>	<b><u>\$ 1,953,360</u></b>

Source: Annual Report of the Arizona Superintendent of Public Instruction for fiscal years 2017 and 2018 and the Annual Financial Report for 2019.

## 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 FY2017, FY2018 and FY2019.

To conduct this audit, auditors used a variety of methods, including examining School and ADE records to review 150 of 720 students over the three fiscal years audited. 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:

- **Enrollment data** – Auditors reviewed student schedules, enrollment histories 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.
- **Instructional hours** – Auditors reviewed the bell schedules and calendars for the School for FY2017, FY2018 and FY2019. The total instructional hours offered for each grade met the minimum required by statute for each of the three fiscal years audited.
- **Calendars** – Auditors reviewed the calendars for the School for FY2017, FY2018 and FY2019. Auditors identified discrepancies between the calendars reported to ADE for FY2017 and FY2019 and the School's instructional days offered and made adjustments if they were needed.
- **Student files** – Auditors reviewed student files to ensure that they maintained required documentation such as birth certificates, immunization records, and supporting residency documentation. Auditors identified files that did not contain all the documentation that was required to be kept in them by statute and ADE guidelines.
- **SPED data** – Auditors determined whether an adjusted student had also been funded for a special education (SPED) category. When students with a special education category also had an adjustment, auditors made an adjustment to the special education weight as well.

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 UNDERPAYMENT OF \$6,005.70**

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Auditors determined that the School inaccurately reported the student data for 50 students for FY2017, FY2018 and FY2019. Specifically, auditors found that 48 students were impacted by incorrect calendar dates, one student was reported as attending but had not attended the School, and one student was not reported to the State but was in attendance. As a result of these errors, the School's ADM was underreported by 0.94 and the School was underfunded by \$6,005.70 in Basic State Aid. According to A.R.S. § 15-915, ADE needs to repay these monies to the School.

### **The School inaccurately reported some student data**

The School inaccurately reported 50 student's enrollment data to ADE, which resulted in the School's ADM being understated by 0.94.

In accordance with A.R.S. §15-1042 Local Educational Agencies (LEA) are required to submit their data electronically in order to receive funding for their cost of educating students. The LEA Calendar plays a critical role in calculating aggregate membership and attendance from individual records. ADE uses the first 100 instructional days to calculate ADM for each school, and AzEDS uses the instructional calendar to validate data quality.

A.R.S. § 15-901 states that, with the exception of pre-enrolled students, the enrollment dates for a student are the first day of actual attendance and the last day of actual attendance or excused absence. The School did not always adhere to these requirements. Specifically, for the students that were sampled:

- 48 students were impacted due to the inaccuracy of the calendars the School reported to the State in comparison to instructional days offered. As a result, the ADM for the School was underreported by 0.14.
- 1 student was reported as attended but did not actually attend the School. As a result, the ADM for the School was overreported by 0.02.
- 1 student attended the School but was not reported and funded as being enrolled in the School. As a result, the ADM for the School was underreported by 1.00.
- 5 of the students that had data reported incorrectly were also funded with a SPED category. As a result, the weighted SPED ADM for the School was overreported by 0.18.

As shown in Table 2, data reporting errors resulted in an ADM understatement of 0.94 for the three fiscal years audited.

**Table 2**

**George Gervin Youth Center, Inc.  
ADM adjustments due to enrollment data errors  
Fiscal years 2017, 2018 and 2019**

	<b>Calendar</b>	<b>Did not attend</b>	<b>Attended</b>	<b>SPED</b>	<b>Total</b>
2017	(0.58)	0.02	(1.00)	(0.00)	(1.57)
2018	-	-	-	-	-
2019	0.45	-	-	0.18	0.63
<b>Total</b>	<b>(0.14)</b>	<b>0.02</b>	<b>(1.00)</b>	<b>0.18</b>	<b>(0.94)</b>

Source: Auditor analysis of School records, ADE data for fiscal years 2017, 2018 and 2019.

**The School must properly reconcile its enrollment data with ADE**

The School can likely avoid errors in the future by ensuring it regularly and correctly reconciles its data to the data contained in ADE’s system. Additionally, the School must ensure that a process is in place that captures the proper calendar and entry and exit dates of students to ensure proper funding and reporting of data. The School should review its reconciliation practices to ensure that its staff properly review the reports produced by ADE and reconcile them to the School’s SMS data to identify any discrepancies and correct any errors identified.

**The School was underfunded by \$6,005.70**

Auditors determined that the School did not receive the correct amount of Basic State Aid due to the inaccurate student data reported to ADE for FY2017, FY2018 and FY2019. The calendar and student data incorrectly reported by the School resulted in its ADM being understated by 0.94. As a result, the School was underfunded by \$6,005.70 in Basic State Aid, which ADE must repay to the School. Table 3 shows the ADM and funding adjustments required for the School for FY2017, FY2018 and FY2019.

**Table 3**

**George Gervin Youth Center, Inc.  
ADM and funding adjustments  
Fiscal years 2017, 2018 and 2019**

	<b>ADM Adjustment</b>	<b>Funding Adjustment</b>
2017	(1.57)	\$ (10,049.82)
2018	-	\$ -
2019	0.63	\$ 4,044.12
<b>Total</b>	<b>(0.94)</b>	<b>\$ (6,005.70)</b>

Source: Auditor analysis of School and ADE records for fiscal years 2017, 2018 and 2019.

**Recommendations:**

1. ADE must pay to the School \$6,005.70 in Basic State Aid due to incorrectly reported student data.
2. The School must ensure that instructional days are properly reported to ADE.
3. The School must reconcile to ensure that enrollment dates are reported accurately pursuant to A.R.S. § 15-901.

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

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Auditors determined that the School failed to properly maintain residency, birth certificate and immunization documentation for some students as required by statute and ADE guidelines. 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 file documentation**

Auditors determined that the School failed to maintain residency 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.

Auditors also determined that the School failed to maintain birth certificate documentation for some students as required by statute. 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.

In addition, auditors determined that the School failed to maintain immunization documentation for some students as required by statute. According to A.R.S. § 15-872, "A pupil shall not be allowed to attend school without submitting documentary proof to the school administrator unless the pupil is exempted from immunization pursuant to section 15-873."

The School did not maintain the proper documentation required by statute and ADE's residency guideline. Of the 60 students sampled, four of the student files did not have the proper residency documentation, three did not have a birth certificate in their file and two students did not have immunization record documentation in their file. Table 4 lists the student file documentation maintained by the School for FY2017, FY2018 and FY2019.

**Table 4**

**George Gervin Youth Center, Inc.  
Student cumulative file documentation  
Fiscal years 2017, 2018 and 2019**

	<b>Total sampled</b>	<b>Missing residency documentation</b>	<b>Missing birth certificate</b>	<b>Missing immunization</b>
2017	20	2	1	1
2018	20	1	1	-
2019	20	1	1	1
<b>Total</b>	<b>60</b>	<b>4</b>	<b>3</b>	<b>2</b>

Source: Auditor analysis of School records for fiscal years 2017, 2018 and 2019.

In the future, the School must ensure that it complies with statute by collecting and maintaining in each student's cumulative file copies of verifiable residency, birth certificate documentation and immunization documentation as required by law.

**Recommendation:**

1. The School must comply with statute by collecting and maintaining in each student's cumulative file copies of verifiable residency, birth certificate and immunization documentation as required by law.

# ADM AND FUNDING ADJUSTMENTS

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A.R.S. § 15-915 requires that ADE makes corrections for audit findings to both budget capacity and 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 2013 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 \$6,005.70 required to be paid to the School**—Auditors identified an overall funding adjustment of \$6,005.70 for the three fiscal years audited due to inaccurate calendar reporting and student enrollment.

Table 5 lists the ADM adjustments and the associated Basic State Aid adjustments for the School for fiscal years 2017, 2018 and 2019.

**Table 5**

**George Gervin Youth Center, Inc.  
ADM and funding adjustments  
Fiscal years 2017, 2018 and 2019**

	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>Total</b>
ADM adjustment	(1.57)	-	0.63	(0.94)
<b>Funding adjustment</b>	<b>\$ (10,049.82)</b>	-	<b>\$ 4,044.12</b>	<b>\$ (6,005.70)</b>

Source: Auditor analysis of ADE and School student and financial data for fiscal years 2017, 2018 and 2019.