



## Arizona Department of Education

The Audit Unit

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Phoenix, Arizona 85007

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# Average Daily Membership Audit Report Lifelong Learning Research Institute Inc. Fiscal Years 2016, 2017 and 2018

Report Number—20-23

December 13, 2019



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## Arizona Department of Education

Audit Unit

December 13, 2019

Mary Lou Klem, Director  
Lifelong Learning Research Institute, Inc.  
3295 W Orange Grove Rd  
Tucson, AZ 85741

Dear Director, Klem:

The Arizona Department of Education (ADE) Audit Unit has conducted an audit of the Lifelong Learning Research Institute, Inc. (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, and to determine if it received the correct amount of Basic State Aid.

Auditors determined that the School incorrectly reported the Special Education (SPED) data of 29 students, which resulted in its ADM being overstated by 98.04. As a result, the School was overfunded by \$357,918.72 which the School must repay to ADE. Additionally, 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 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 Lifelong Learning Research Institute, 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) 2016 through 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**—The School, located in Tucson, Arizona, offered instruction in grades Kindergarten through 8 during the fiscal years audited. They have one Charter School. Table 1 presents the School’s unaudited student, staffing and financial information for FY2016, FY2017 and FY2018.

**Table 1**

**Lifelong Learning Research Institute, Inc.  
Total students, revenues and expenditures  
Fiscal years 2016, 2017 and 2018  
(Unaudited)**

	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Students enrolled</b>	<b>23</b>	<b>12</b>	<b>10</b>
<b>Number of teachers</b>	<b>3</b>	<b>3</b>	<b>2</b>
<b>Revenue</b>			
Local	\$ 85,522	\$66,539	\$60,036
State	\$218,052	\$278,834	\$229,528
Federal	\$0	\$0	\$2,241
<b>Total revenues</b>	<b>\$ 303,574</b>	<b>\$345,373</b>	<b>\$291,805</b>
<b>Total expenditures</b>	<b>\$290,343</b>	<b>\$323,016</b>	<b>\$274,187</b>

Source: Annual Report of the Arizona Superintendent of Public Instruction for fiscal years 2016, 2017 and 2018.

## 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 FY2016, FY2017 and FY2018.

To conduct this audit, auditors used a variety of methods, including examining School and ADE records to review all 49 students over the three fiscal years audited. 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. No findings were identified for this area.
- **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.
- **Instructional hours** – Auditors reviewed the bell schedules and calendars for the School for FY2016, FY2017 and FY2018. The total instructional hours offered for each grade met the minimum required by statute for each of the three fiscal years audited.
- **SPED Data** – Auditors reviewed documentation for SPED students to verify the category that was reported and the enrollment dates in SPED. Auditors made an adjustment to the special education weight when documentation did not match what was reported.
- **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 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 SPED STUDENT DATA, RESULTING IN AN OVERPAYMENT OF \$357,918.72

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Auditors determined that the School inaccurately reported the SPED student data for 29 students for FY2016, FY2017 and FY2018. Specifically, the School could not provide auditors with the required documentation in accordance with state and federal regulations nor did the School provide supporting documentation that such services were provided. As a result of these errors, the School's weighted SPED ADM was overreported by 98.04. As a result, the School was overfunded by \$357,918.72 in Basic State Aid. According to A.R.S. § 15-915, ADE needs to recover these monies from the School.

## The School inaccurately reported SPED student data

The School inaccurately reported 29 students' SPED data to ADE, which resulted in the School's weighted SPED ADM being overstated by 98.04.

When a student is determined to qualify for a SPED category, they must have an Individualized Education Program (IEP). IDEA<sup>1</sup> requires that an IEP must include the student need and "the projected date for the beginning of the services and modifications and the anticipated frequency, location, and duration of those services and modifications. [34 C.F.R. § 300.320(a)(7)]" The IEP is a written statement for each child with a disability that is developed, reviewed, and revised in a meeting with the IEP Team<sup>2</sup> in accordance with §§ 300.320 through 300.324. The IEP should be signed by the parent or guardian and updated annually for each student.

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<sup>1</sup> Individuals with Disabilities Education Improvement Act 20 U.S.C. 1400 et seq. and its implementing regulations 34 CFR 300.1 et seq.

<sup>2</sup> 34 CFR 300.321 IEP Team (a) *General*. The public agency must ensure that the IEP Team for each child with a disability includes

- (1) The parents of the child;
- (2) Not less than one regular education teacher of the child (if the child is, or may be, participating in the regular education environment);
- (3) Not less than one special education teacher of the child, or where appropriate, not less than one special education provider of the child;
- (4) A representative of the public agency who -
  - (i) Is qualified to provide, or supervise the provision of, specially designed instruction to meet the unique needs of children with disabilities;
  - (ii) Is knowledgeable about the general education curriculum; and
  - (iii) Is knowledgeable about the availability of resources of the public agency.
- (5) An individual who can interpret the instructional implications of evaluation results, who may be a member of the team described in paragraphs (a)(2) through (a)(6) of this section;
- (6) At the discretion of the parent or the agency, other individuals who have knowledge or special expertise regarding the child, including related services personnel as appropriate; and
- 7) Whenever appropriate, the child with a disability.

The auditors found that the School could not provide proof that 29 students were evaluated and determined eligible to receive special education services through an IEP nor did the School provide proof that such services were provided. As a result, auditors determined that the School had overreported its weighted SPED ADM in the three fiscal years by 98.04, as shown in the Table 2.

**Table 2**

**Lifelong Learning Research Institute, Inc.  
Weighted SPED ADM adjustments with student counts  
Fiscal years 2016, 2017 and 2018**

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Total</b>
<b>Student count</b>	10	12	7	<b>29</b>
<b>ADM</b>	12.07	46.03	39.94	<b>98.04</b>

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

**The School failed to comply with statute and ADE guidelines**

The School did not follow statute and ADE guidelines when documenting Special Education Student data.

Auditors determined that 29 of the School’s students did not meet the statutory and ADE guideline requirements for Special Education (SPED). Auditors requested copies of the originally signed IEPs for each Special Education student reported with an additional weighted SPED category. Adjustments were made to the SPED ADM for students that the School could not provide copies of the IEPs showing that these students were evaluated and provided Special Education services at the School.

In the future, the School must ensure it complies with statute and ADE guidelines to properly document and report Special Education students and services provided.

**The School was overfunded by \$357,918.72**

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 FY2016, FY2017 and FY2018. The student data incorrectly reported by the School resulted in its weighted SPED ADM being overstated by 98.04. As a result, the School was overfunded by \$357,918.72 in Basic State Aid, which ADE must recoup from the School. Table 3 shows the ADM and Basic State Aid adjustments required for the School for FY2016, FY2017 and FY2018.

**Table 3**

**Lifelong Learning Research Institute, Inc.  
ADM and basic state aid adjustments  
Fiscal years 2016, 2017 and 2018**

	<b>ADM Adjustment</b>	<b>Basic State Aid Adjustment</b>
2016	12.07	\$43,456.42
2017	46.03	\$167,355.57
2018	39.94	\$147,106.73
<b>Total</b>	<b>98.04</b>	<b>\$357,918.72</b>

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

**Recommendations:**

1. The School must repay to ADE \$357,918.72 in Basic State Aid due to incorrectly reported SPED student data.
2. The School needs to ensure that it properly document and maintain Special Education student records pursuant to statute and ADE guidelines.

## **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 and birth certificate documentation for some students as required by statute and ADE guidelines. The School did not properly maintain required documentation in some of its student cumulative files. 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.

The School did not maintain the proper documentation required by statute and ADE's residency guideline. Auditors selected all students for fiscal years 2016, 2017 and 2018 totaling 49 students for the student file review. Of the 49 files reviewed, 39 of the student files did not have the proper residency documentation and two did not have a birth certificate in their file. Table 4 lists the student file documentation maintained by the School for FY2016, FY2017 and FY2018.

**Table 4**

**Lifelong Learning Research Institute, Inc.  
Student cumulative file documentation  
Fiscal years 2016, 2017 and 2018**

	<b>Total Sampled</b>	<b>Missing Residency Documentation</b>	<b>Missing Birth Certificate</b>
2016	24	21	2
2017	14	11	-
2018	11	7	-
<b>Total</b>	<b><u>49</u></b>	<b><u>39</u></b>	<b><u>2</u></b>

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

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 and birth certificate 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 and birth certificate 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 \$357,918.72 required to be paid to ADE**—Auditors identified an overall funding adjustment of \$357,918.72 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 years 2016, 2017 and 2018.

**Table 5**

**Lifelong Learning Research Institute, Inc.  
ADM and funding adjustments  
Fiscal years 2016, 2017 and 2018**

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Total</b>
ADM adjustment	12.07	46.03	39.94	98.04
<b>Funding adjustment</b>	<b>\$43,456.42</b>	<b>\$167,355.57</b>	<b>\$147,106.73</b>	<b>\$357,918.72</b>

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