



## Arizona Department of Education

The Audit Unit  
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Phoenix, Arizona 85007  
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# Average Daily Membership Audit Report Legacy Traditional School - Laveen Village Fiscal Years 2017, 2018 and 2019

Report Number—20-32  
March 24, 2020



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## Arizona Department of Education

Audit Unit

March 24, 2020

Anastasia Hawkins, Compliance Director  
Legacy Traditional School - Laveen Village  
3125 S. Gilbert Road  
Chandler, AZ 85286

Dear Compliance Director Anastasia:

The Arizona Department of Education Audit Unit has conducted an audit of the Legacy Traditional School - Laveen Village (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 the enrollment data of five students, which resulted in its ADM being overstated by 0.29. As a result, the School was overfunded by \$1,778.09 which the School must repay to ADE.

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 Legacy Traditional School - Laveen Village (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 Laveen, Arizona, offered instruction in Kindergarten and grades 1 through 8 during the fiscal years audited Table 1 presents the School’s unaudited student, staffing and financial information for fiscal years 2017, 2018 and 2019.

**Table 1**

**Legacy Traditional School - Laveen Village  
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>938</b>	<b>1,053</b>	<b>1,217</b>
<b>Number of teachers</b>	<b>39</b>	<b>49</b>	<b>56</b>
<b>Revenue</b>			
Local	\$ 659,933	\$ 572,386	\$ 619,041
Intermediate	\$ 0	\$ 0	\$ 0
State	\$ 5,839,040	\$ 7,268,857	\$ 8,368,831
Federal	\$ 288,875	\$ 449,099	\$ 776,799
<b>Total revenues</b>	<b>\$ 6,787,848</b>	<b>\$ 8,290,342</b>	<b>\$ 9,764,671</b>
<b>Total expenditures</b>	<b>\$ 6,152,047</b>	<b>\$ 7,857,797</b>	<b>\$ 8,643,306</b>

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

To conduct this audit, auditors used a variety of methods, including examining School and ADE records to review 359 of 3586 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 enrollment dates to determine if an adjustment was necessary. Auditors also reviewed absences to ensure that they were reported correctly.
- **Student files** – Auditors reviewed student files to ensure that they maintained required documentation such as birth certificates, immunization records, and supporting residency documentation. No findings were identified for this area.
- **Instructional hours** – Auditors reviewed the bell schedules and calendars for the School for fiscal years 2017, 2018 and 2019. 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 determined whether an adjusted student had also been funded for a special education (SPED) category. No findings were identified for this area.
- **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 SOME STUDENT DATA, RESULTING IN AN OVERPAYMENT OF \$1,778.09**

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Auditors determined that the School inaccurately reported the student data for five students for fiscal years 2017, 2018 and 2019. Specifically, auditors found that three homebound students did not receive at least 4 hours of instruction per week or did not have documentation showing homebound enrollment and two students attended the school but were not funded. As a result of these errors, the School's ADM was overreported by 0.29 and the School was overfunded by \$1,778.09 in Basic State Aid. According to A.R.S. § 15-915, ADE needs to recover these monies from the School.

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

The School inaccurately reported five student's enrollment data to ADE, which resulted in the School's ADM being overstated by 0.29.

According to ADE External Guideline and Procedures GE-17 and A.R.S. § 15-901, 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. However, the School did not always adhere to these requirements. Specifically, for the students that were sampled:

- 3 students did not receive at least 4 hours of instruction per week or did not have homebound enrollment documentation. As a result, the ADM for the School was overreported by 1.79.
- 2 students attended the School but were not funded. As a result, the ADM for the School was underreported by 1.50.

As shown in Table 2 (page 5), data reporting errors resulted in an ADM overstatement of 0.29 for the three fiscal years audited.

**Table 2**

**Legacy Traditional School - Laveen Village  
ADM adjustments due to enrollment data errors  
Fiscal years 2017, 2018 and 2019**

	<b>Homebound</b>	<b>Attended</b>	<b>Total</b>
2017	0.91	(1.50)	(0.59)
2018	0.88	-	0.88
2019	-	-	-
<b>Total</b>	<b>1.79</b>	<b>(1.50)</b>	<b>0.29</b>

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

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

The School did not follow statute and ADE guidelines when calculating and reporting student enrollment data.

The School misreported three homebound students. According to ARS § 15-901, a homebound student must be certified by a medical doctor as being unable to attend regular classes for a period of not less than three school months during a school year. A homebound student can be counted as in attendance for each day in a week where at least four hours of instruction were provided. However, the School incorrectly reported one student as being homebound without the proper certification and did not provide at least four hours of instruction for two students. As a result, the School overreported ADM for three homebound students.

Additionally, two students attended the School, but the School did not receive funding for these students. As a result, the School underreported ADM for two students.

In the future, the School must ensure it complies with statute and ADE guidelines to properly report student enrollment and homebound data. Furthermore, the School should reconcile to ensure that enrollment data is reported accurately.

**The School was overfunded by \$1,778.09**

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 fiscal year 2017, 2018 and 2019. The student data incorrectly reported by the School resulted in its ADM being overstated by 0.29. As a result, the School was overfunded by \$1,778.09 in Basic State Aid, which ADE must recoup from the School. Table 3 (page 6) shows the ADM and funding adjustments required for the School for fiscal years 2017, 2018 and 2019.

**Table 3**

**Legacy Traditional School - Laveen Village  
ADM and funding adjustments  
Fiscal years 2017, 2018 and 2019**

	<b>ADM Adjustment</b>	<b>Total</b>
2017	(0.59)	\$ (3,453.76)
2018	0.88	\$ 5,231.85
2019	-	-
<b>Total</b>	<b>0.29</b>	<b>\$ 1,778.09</b>

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

**Recommendations:**

1. The School must repay to ADE \$1,778.09 in Basic State Aid due to incorrectly reported student data.
2. The School must provide at least four hours of instruction per week and collect proper documentation for students certified as homebound pursuant to A.R.S § 15-901.
3. The School must reconcile to ensure that enrollment data is reported accurately pursuant to A.R.S. § 15-901.

# 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 \$1,778.09 required to be paid to ADE**—Auditors identified an overall funding adjustment of \$1,778.09 for the three fiscal years audited due to inaccurate student enrollment and homebound data.

Table 4 lists the ADM adjustments and the associated Basic State Aid adjustments for the School for fiscal years 2017, 2018 and 2019.

**Table 4**

**Legacy Traditional School - Laveen Village  
ADM and funding adjustments  
Fiscal years 2017, 2018 and 2019**

	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>Total</b>
ADM adjustment	(0.59)	0.88	-	0.29
<b>Funding adjustment</b>	<b>\$ (3,453.76)</b>	<b>\$ 5,231.85</b>	-	<b>\$ 1,778.09</b>

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