



## Arizona Department of Education

The Audit Unit

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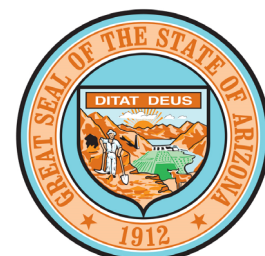
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# Average Daily Membership Audit Report The Griffin Foundation, Inc. Fiscal Years 2017, 2018 and 2019

Report Number—21-15

October 27, 2020



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## Arizona Department of Education

Audit Unit

October 27, 2020

Lee Griffin, Superintendent  
The Griffin Foundation, Inc.  
1844 S. Alvernon Way  
Tucson, AZ 85711

Dear Superintendent Griffin:

The Arizona Department of Education Audit Unit has conducted an audit of The Griffin Foundation, 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 the enrollment data, which resulted in its ADM being overstated by 0.17. As a result, the School was overfunded by \$1,130.31 which the School must repay to ADE. Additionally, auditors found that the School failed to protect FY 2017 electronic student data. Lastly, 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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# TABLE OF CONTENTS

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	<u>Page</u>
<b>Introduction and background .....</b>	<b>1</b>
<b>Scope and methodology.....</b>	<b>3</b>
<b>Finding 1: The School did not accurately report some student data, resulting in an overpayment of \$1,130.31 .....</b>	<b>4</b>
The School inaccurately reported some student data.....	4
The School failed to comply with statute and ADE guidelines .....	5
The School was overfunded by \$1,130.31.....	5
The School failed to properly protect electronic student data .....	6
Recommendations .....	7
<b>Finding 2: The School did not properly maintain some student records as required by statute and guideline .....</b>	<b>8</b>
The School did not properly maintain student file documentation .....	8
Recommendations .....	9
<b>ADM and funding adjustments .....</b>	<b>10</b>

# TABLE OF CONTENTS (CONT'D)

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		<u>Page</u>
<b>Tables:</b>		
1	The Griffin Foundation, Inc. Total students, revenues and expenditures Fiscal years 2017, 2018 and 2019 (Unaudited) .....	2
2	The Griffin Foundation, Inc. ADM adjustments due to enrollment data errors Fiscal years 2017, 2018 and 2019.....	5
3	The Griffin Foundation, Inc. ADM and funding adjustments Fiscal years 2017, 2018 and 2019.....	6
4	The Griffin Foundation, Inc. Student cumulative file documentation Fiscal years 2017, 2018 and 2019.....	9
5	The Griffin Foundation, Inc. ADM and funding adjustments Fiscal years 2017, 2018 and 2019.....	10

# 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 Griffin Foundation, 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 Tucson, Arizona, offered instruction in grades K through 8 during the fiscal years audited. They operated one elementary school and one middle school. Table 1 presents the School’s unaudited student, staffing and financial information for FY 2017, FY 2018 and FY 2019.

**Table 1**

**The Griffin Foundation, 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>238</b>	<b>198</b>	<b>211</b>
<b>Number of teachers</b>	<b>18</b>	<b>12</b>	<b>12</b>
<b>Revenue</b>			
Local	\$108,286	\$120,542	\$126,772
Intermediate	\$0	\$0	\$0
State	\$1,674,938	\$1,489,486	\$1,624,483
Federal	\$310,600	\$340,253	\$444,947
<b>Total revenues</b>	<b><u>\$2,093,824</u></b>	<b><u>\$1,950,281</u></b>	<b><u>\$2,196,202</u></b>
<b>Total expenditures</b>	<b><u>\$2,113,666</u></b>	<b><u>\$1,940,713</u></b>	<b><u>\$1,929,609</u></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 FY 2017, FY 2018 and FY 2019.

To conduct this audit, auditors used a variety of methods, including examining School and ADE records to review 150 of 763 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.
- **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 FY 2017, FY 2018 and FY 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 material 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 \$1,130.31**

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Auditors determined that the School inaccurately reported the student data for two students for FY 2017 and FY 2019. Specifically, auditors found that one student was reported as attending who had not actually attended the School and one student had an incorrectly reported FTE. As a result of these errors, the School's ADM was overreported by 0.17. As a result, the School was overfunded by \$1,130.31 in Basic State Aid. According to A.R.S. § 15-915, ADE needs to recover these monies from the School. In addition, auditors found that the School failed to properly protect and retain electronic student data in FY 2017. This occurred because the School experienced a ransomware attack and failed to properly report it. The School had failed to properly implement and maintain reasonable security procedures to protect its data. As a result, auditors had difficulty obtaining FY 2017 electronic student data from the School.

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

The School inaccurately reported two students' enrollment data to ADE, which resulted in the School's ADM being overstated by 0.17.

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. In addition, A.R.S. § 15-901 states that a part-time student will be funded as, "one-fourth, one-half or three-fourths of a full-time student if the student is enrolled in an instructional program that is at least one-fourth, one-half or three-fourths of the time a full-time student is enrolled." A student who does not meet these requirements is considered a part-time student and their FTE status must be reduced based on the number of actual instructional hours provided. However, the School did not always adhere to these requirements. Specifically, for the students that were sampled:

- 1 student was reported as attended but did not actually attend the School. As a result, the ADM for the School was overreported by 0.09.
- 1 student was reported with an incorrect FTE. As a result, the ADM for the School was overreported by 0.08.

As shown in Table 2 (page 5), data reporting errors resulted in an ADM overstatement of 0.17 for the three fiscal years audited.

**Table 2**

**The Griffin Foundation, Inc.  
ADM adjustments due to enrollment data errors  
Fiscal years 2017, 2018 and 2019**

	<b>Did Not Attend</b>	<b>FTE</b>	<b>Total</b>
2017	0.09	-	0.09
2018	-	-	-
2019	-	0.08	0.08
<b>Total</b>	<b>0.09</b>	<b>0.08</b>	<b>0.17</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 FTE or student enrollment data.

The School misreported the enrollment data of one student. According 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. The School incorrectly reported one student to ADE that did not attend.

Auditors also determined that the School failed to correctly adjust the full-time enrollment (FTE) status for one student. A.R.S. § 15-901 states that a part-time student will be funded as, “one-fourth, one-half or three-fourths of a full-time student if the student is enrolled in an instructional program that is at least one-fourth, one-half or three-fourths of the time a full-time student is enrolled.” The School failed to properly reduce the FTE for a student that was not enrolled full time. As a result, the School overreported the FTE for one student.

In the future, the School must ensure it complies with statute and ADE guidelines to properly calculate and report FTE and report student enrollment.

**The School was overfunded by \$1,130.31**

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 FY 2017 and FY 2019. The student data incorrectly reported by the School resulted in its ADM being overstated by 0.17. As a result, the School was overfunded by \$1,130.31 in Basic State Aid, which ADE must

recoup from the School. Table 3 shows the ADM and funding adjustments required for the School.

**Table 3**

**The Griffin Foundation, Inc.  
ADM and funding adjustments  
Fiscal years 2017, 2018 and 2019**

	<b>ADM Adjustment</b>	<b>Total</b>
2017	0.09	\$596.23
2018	-	-
2019	0.08	\$534.08
<b>Total</b>	0.17	\$1,130.31

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

**The School failed to properly protect electronic student data**

The School failed to properly retain and protect FY 2017 electronic student data. A.R.S. § 15-1046 states that operators should implement and maintain reasonable security procedures and practices that are designed to protect student data from unauthorized access, destruction, use, modification or disclosure. The School failed to maintain proper reasonable security procedures such as having a backup drive in a secure location, separate from its main server. As a result, the School failed to maintain sufficient student level data documentation security as required in statute. In the future, the School must ensure that it properly maintains reasonable security procedures and practices to prevent corruption of electronic student data pursuant to statute.

In addition, according to the Ransomware Guide published by the Cybersecurity and Infrastructure Security Agency (CISA) paying a ransom will not ensure that the data will be decrypted or that data will no longer be compromised. Furthermore, CISA and federal law enforcement do not recommend paying ransom in these circumstances. Lastly, CISA recommends that data breaches should be reported to stakeholders as soon as the data breach is discovered. However, the School hired an insurance company to help them obtain a copy of the decrypted student data by paying a ransom in Bitcoin. The School was unable to obtain a copy of the decrypted student data after paying the ransom. In the future, the School must properly report any student data breaches to ADE, Arizona State Board for Charter Schools and any other stakeholders as soon as the breach is discovered.

## **Recommendations:**

1. The School must repay to ADE \$1,130.31 in Basic State Aid due to incorrectly reported student data.
2. The School needs to ensure that it properly calculates and reports students' FTE pursuant to statute and ADE guidelines.
3. The School must reconcile to ensure that enrollment dates are reported accurately pursuant to A.R.S. § 15-901.
4. The School must ensure that it properly maintains reasonable security procedures and practices to prevent corruption of electronic student data pursuant to A.R.S. § 15-1046.
5. The School must properly report and document any electronic student data breaches to ADE, Arizona State Board for Charter Schools and any other stakeholders as soon as the breach is discovered.

## **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. Of the 45 students sampled, 2 of the student files did not have the proper residency documentation and 1 student file did not have a birth certificate in their file. Table 4 (page 9) lists the student file documentation maintained by the School for FY 2017, FY 2018 and FY 2019.

**Table 4**

**The Griffin Foundation, 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>
2017	15	0	0
2018	15	1	0
2019	15	1	1
<b>Total</b>	<b><u>45</u></b>	<b><u>2</u></b>	<b><u>1</u></b>

Source: Auditor analysis of Charter 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 as required by law.

**Recommendations:**

1. The School must comply with statute and collect and maintain in each student's cumulative file copies of verifiable residency and birth certificate documentation as required by law.
2. The School must properly reaffirm Arizona residency during the annual registration process and maintain evidence of this process.

# 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 \$1,130.31 required to be paid to ADE**—Auditors identified an overall funding adjustment of \$1,130.31 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 2017 and 2019.

**Table 5**

**The Griffin Foundation, Inc.  
ADM and funding adjustments  
Fiscal years 2017, 2018 and 2019**

	2017	2018	2019	Total
ADM adjustment	0.09	-	0.08	0.17
<b>Funding adjustment</b>	<b>\$596.23</b>	-	<b>\$534.08</b>	<b>\$1,130.31</b>

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