



## Arizona Department of Education

The Audit Unit

1535 W. Jefferson St., Bin 19

Phoenix, Arizona 85007

602-364-4036

# Average Daily Membership Audit Report Pillar Charter School Fiscal Years 2017, 2018 and 2019

Report Number—20-44

June 23, 2020



**CONTACTING  
THE AUDIT UNIT**

Angel Santiago, Audit Supervisor

Phone: 602-364-4061

Email: [Angel.Santiago@azed.gov](mailto:Angel.Santiago@azed.gov)

Fax: (602) 364-3264

Mail: 1535 W. Jefferson St., Bin 19  
Phoenix, AZ 85007-3209

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## Arizona Department of Education

Audit Unit

June 23, 2020

Richard Hay, Charter Representative  
Pillar Charter School  
8433 N Black Canyon HWY STE 160  
Phoenix, AZ 85021

Dear Charter Representative Hay:

The Arizona Department of Education Audit Unit has conducted an audit of the Pillar Charter School (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 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 properly maintain some student records as required by statute and guideline.....</b>	<b>5</b>
The School did not properly maintain student file documentation.....	5
Recommendations .....	6

# TABLE OF CONTENTS (CONT'D)

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	<u>Page</u>
<b>Tables:</b>	
1 Pillar Charter School Total students, revenues and expenditures Fiscal years 2017, 2018 and 2019 (Unaudited) .....	2
4 Pillar Charter School Student cumulative file documentation Fiscal years 2017, 2018 and 2019.....	6

# 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 Pillar Charter School (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 has two schools, a brick and mortar school located in Mohave Valley, Arizona and an AOI; which both offered instruction in grades 9 through 12 during the fiscal years audited. Table 1 presents the School’s unaudited student, staffing and financial information for FY2017, FY2018 and FY2019.

**Table 1**

**Pillar Charter School  
Total students, revenues and expenditures  
Fiscal years 2017, 2018 and 2019  
(Unaudited)**

	2017	2018	2019
<b>Students enrolled</b>	<b>51</b>	<b>40</b>	<b>42</b>
<b>Number of teachers</b>	<b>1</b>	<b>3</b>	<b>3</b>
<b>Revenue</b>			
Local	\$1,189	\$1,621	\$925
State	\$404,402	\$313,529	\$342,183
Federal	\$75,045	\$67,585	\$35,177
<b>Total revenues</b>	<b><u>\$480,636</u></b>	<b><u>\$382,735</u></b>	<b><u>\$378,285</u></b>
<b>Total expenditures</b>	<b><u>\$383,299</u></b>	<b><u>\$346,657</u></b>	<b><u>\$366,214</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 FY2017, FY2018 and FY2019.

To conduct this audit, auditors used a variety of methods, including examining School and ADE records to review all 184 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. No findings were identified for this area.
- **Arizona Online Instruction (AOI) data** – Auditors compared 100% of the Arizona Online Instruction data that was reported to ADE to the AOI data from the District. Auditors reviewed instructional time reported as well as the full or part time status that was reported for each student. 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.
- **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. No findings were identified for this area.
- **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.
- **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 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. 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.

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 72 brick and mortar student files, 11 student files had residency documentation that did not meet requirements or was missing. Of the 112 AOI student files, 10 student files had residency documentation that did not meet requirements or was missing. In addition, two of these 10 student files were also missing a birth certificate and an immunization record

Table 2 lists the student file documentation maintained by the School for FY2017, FY2018 and FY2019.

**Table 2**

**Pillar Charter School  
Student Cumulative File Documentation  
Fiscal years 2017, 2018 and 2019**

	<b>B&amp;M</b>				<b>AOI</b>				<b>Combined</b>
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>Total</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>Total</b>	<b>Total</b>
<b>Total Student Files</b>	30	20	22	<b>72</b>	38	36	38	<b>112</b>	<b>184</b>
<b>Missing Birth Certificate</b>	0	0	0	<b>0</b>	1	0	1	<b>2</b>	<b>2</b>
<b>Missing Immunization Record</b>	0	0	0	<b>0</b>	1	0	1	<b>2</b>	<b>2</b>
<b>Missing or Unapproved Residency Documentation</b>	4	4	3	<b>11</b>	6	2	2	<b>10</b>	<b>21</b>

Source: Auditor analysis of Charter records for FY2017, FY2018 and FY2019

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 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.