



Arizona Department of Education

The Audit Unit

1535W. Jefferson St., Bin 19

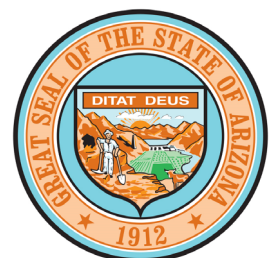
Phoenix, Arizona 85007

602-364-4036

Average Daily Membership Audit Report Little Lamb Community School Fiscal Years 2018, 2019 and 2020

Report Number—21-34

April 1, 2021



**CONTACTING
THE AUDIT UNIT**

Melissa Muñoz, Audit Manager

Phone: (601) 542-8932

Email: Melissa.Munoz@azed.gov

Fax: (602) 364-3264

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

OBTAINING ADDITIONAL COPIES

To obtain additional copies of this report, please submit a formal request to the address below:

Arizona Department of Education—The Audit Unit
1535 W. Jefferson Street, Bin 19
Phoenix, AZ 85007-3209



Arizona Department of Education

Audit Unit

April 1, 2021

JoDene Tryon, Executive Director
Little Lamb Community School
12990 E. Shea Boulevard
Scottsdale, AZ 85259

Dear Director Tryon:

The Arizona Department of Education Audit Unit has conducted an audit of the Little Lamb Community School (School) Average Daily Membership (ADM) for Fiscal Years 2018, 2019 and 2020. 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 six students, which resulted in its ADM being overstated by 0.36. As a result, the School was overfunded by \$4,509.07 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

1535 West Jefferson Street • Phoenix Arizona 85007 • (602) 542-5460 • www.azed.gov

TABLE OF CONTENTS

	<u>Page</u>
Introduction and background	1
Scope and methodology.....	3
Finding 1: The School did not accurately report some student data, resulting in an overpayment of \$4,509.07	4
The School inaccurately reported some student data.....	4
The School failed to comply with statute and ADE guidelines	5
The School was overfunded by \$4,509.07.....	6
Recommendations	6
ADM and funding adjustments	7

TABLE OF CONTENTS (CONT'D)

	<u>Page</u>
Tables:	
1 Little Lamb Community School Total students, revenues and expenditures Fiscal years 2018, 2019 and 2020 (Unaudited)	2
2 Little Lamb Community School ADM adjustments due to enrollment data errors Fiscal years 2018, 2019 and 2020.....	5
3 Little Lamb Community School ADM and funding adjustments Fiscal years 2018, 2019 and 2020.....	6
4 Little Lamb Community School ADM and funding adjustments Fiscal years 2018, 2019 and 2020.....	7

INTRODUCTION AND BACKGROUND

The Arizona Department of Education (ADE) Audit Unit has conducted an Average Daily Membership (ADM) audit of the Little Lamb Community 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) 2018 through 2020.

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 Scottsdale, Arizona, offered instruction in grades KG through 8 during the fiscal years audited. They operated one elementary school. Table 1 presents the School’s unaudited student, staffing, and financial information for FY 2018, FY 2019, and FY 2020.

Table 1

**Little Lamb Community School
Total students, revenues and expenditures
Fiscal years 2018, 2019 and 2020
(Unaudited)**

	2018	2019	2020
Students enrolled	242	226	209
Number of teachers	20	18	12
Revenue			
Local	\$ 497,930	\$ 618,871	\$ 383,979
Intermediate	\$ -	\$ -	\$ -
State	\$ 1,812,121	\$ 1,906,229	\$ 1,796,970
Federal	\$ 30,699	\$ 37,325	\$ 71,185
Total revenues	<u>\$ 2,340,750</u>	<u>\$ 2,562,425</u>	<u>\$ 2,252,134</u>
Total expenditures	<u>\$ 2,355,524</u>	<u>\$ 2,329,602</u>	<u>\$ 1,727,580</u>

Source: Annual Report of the Arizona Superintendent of Public Instruction for fiscal years 2018, 2019 and 2020.

SCOPE AND METHODOLOGY

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 2018, FY 2019, and FY 2020.

To conduct this audit, auditors used a variety of methods, including examining School and ADE records to review 150 of 726 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 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. No material findings were identified for this area.
- **Instructional hours** – Auditors reviewed the bell schedules and calendars for the School for FY 2018, FY 2019, and FY 2020. 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 \$4,509.07

Auditors determined that the School inaccurately reported the student data for six students for FY 2018 and FY 2020. Specifically, auditors found that three students incurred 10 consecutive unexcused absences and should have been withdrawn, one student was reported who had not attended the School, one student was reported with an incorrect exit date, and one student was reported with an incorrect FTE. As a result of these errors, the School's ADM was overreported by 0.36. As a result, the School was overfunded by \$4,509.07 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 six students' enrollment data to ADE, which resulted in the School's ADM being overstated by 0.36.

Pursuant to A.R.S. §15-901(A)(2), students absent for ten (10) consecutive school days, except for excused absences, shall be withdrawn from the school. 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. 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:

- 3 students incurred 10 consecutive unexcused absences and should have been withdrawn. As a result, the ADM for the School was overreported by 0.30.
- 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 exit date. As a result, the ADM for the School was overreported by 0.02.
- 1 student was reported with an incorrect FTE. As a result, the ADM for the School was underreported by 0.05.

As shown in Table 2, data reporting errors resulted in an ADM overstatement of 0.36 for the FY 2018 and FY 2020.

Table 2

**Little Lamb Community School
ADM adjustments due to enrollment data errors
Fiscal years 2018, 2019 and 2020**

	2018	2019	2020	Total
10 Day Absence	0.10	-	0.20	0.30
Incorrect Exit Date	-	-	0.02	0.02
Did Not Attend	-	-	0.09	0.09
Incorrect FTE	(0.05)	-	-	(0.05)
Total	0.05	-	0.31	0.36

Source: Auditor analysis of School records, ADE data for fiscal years 2018, 2019 and 2020.

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 enrollment data.

The School failed to properly withdraw students with excessive absences. According to A.R.S. §15-901 (A)(2), students absent for ten (10) consecutive school days, except for excused absences, shall be withdrawn from the school based on the last day of attendance or excused absence. The School failed to properly withdraw three students with 10 consecutive unexcused absences.

The School misreported the enrollment data of two students. According to ARS § 15-901 (A)(1), the effective date of withdrawal shall be retroactive to the last day of actual attendance of the student or excused absence. The School incorrectly reported the exit date of one student and one student was reported to ADE that did not attend.

The School misreported the full-time enrollment (FTE) of 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 report the correct FTE for one student. As a result, the School underreported 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 student enrollment data.

The School was overfunded by \$4,509.07

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 2018 and FY 2020. The student data incorrectly reported by the School resulted in its ADM being overstated by 0.36. As a result, the School was overfunded by \$4,509.07 in Basic State Aid, which ADE must recoup from the School. Table 3 shows the ADM and funding adjustments required for the School for FY 2018 and FY 2020.

Table 3

**Little Lamb Community School
ADM and funding adjustments
Fiscal years 2018, 2019 and 2020**

	ADM Adjustment	Total
2018	0.05	\$353.13
2019	-	-
2020	0.31	\$4,155.94
Total	0.36	\$4,509.07

Source: Auditor analysis of School and ADE records for fiscal years 2018, 2019 and 2020.

Recommendations:

1. The School must repay to ADE \$4,509.07 in Basic State Aid due to incorrectly reported student data.
2. The School should ensure that students with excessive absences be properly withdrawn and that excused and unexcused absences be reported correctly.
3. The School must reconcile their data to ensure that enrollment dates are reported accurately pursuant to A.R.S. § 15-901.
4. The School needs to ensure that it properly calculates and reports students' FTE pursuant to statute and ADE guidelines.

ADM AND FUNDING ADJUSTMENTS

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 \$4,509.07 required to be paid to ADE—Auditors identified an overall funding adjustment of \$4,509.07 for the two of the three fiscal years audited due to inaccurate student enrollment data.

Table 4 lists the ADM adjustments and the associated Basic State Aid adjustments for the School for fiscal years 2018 and 2020.

Table 4

**Little Lamb Community School
ADM and funding adjustments
Fiscal years 2018, 2019 and 2020**

	2018	2019	2020	Total
ADM adjustment	0.05	-	0.31	0.36
Funding adjustment	\$353.13	-	\$4,155.94	\$4,509.07

Source: Auditor analysis of ADE and School student and financial data for fiscal years 2018, 2019 and 2020.