



Arizona Department of Education

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Average Daily Membership Audit Report Harvest Power Community Development Group, Inc. Fiscal Years 2020, 2021 and 2022

Report Number—23-38
May 23, 2023



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Arizona Department of Education Audit Unit

May 23, 2023

Deborah Ybarra, Executive Director
Harvest Power Community Development Group, Inc.
350 E. 18th Street
Yuma, AZ 85364

Dear Executive Director Ybarra:

The Arizona Department of Education Audit Unit has conducted an audit of the Harvest Power Community Development Group, Inc. (School) Average Daily Membership (ADM) for Fiscal Years 2020, 2021 and 2022. 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 51 students, which resulted in its ADM being overstated by 3.83. Additionally, auditors determined that the School did not maintain proof of residency for two students, which resulted in its ADM being overstated by 0.25. As a result, the School was overfunded by \$28,223.67 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

Tom Horne, Superintendent of Public Instruction

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INTRODUCTION AND BACKGROUND

The Arizona Department of Education (ADE) Audit Unit has conducted an Average Daily Membership (ADM) audit of the Harvest Power Community Development Group, 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) 2020 through 2022.

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 Yuma, Arizona, offered instruction in grades Kindergarten through 12 during the fiscal years audited. The School had two campuses. Table 1 presents the School’s unaudited student, staffing and financial information for FY2020, FY2021 and FY2022.

Table 1

**Harvest Power Community Development Group, Inc.
Total students, revenues and expenditures
Fiscal years 2020, 2021 and 2022
(Unaudited)**

	2020	2021	2022
Students enrolled	1,619	1,685	1,692
Number of teachers	79	79	79
Revenue			
Local	\$ 354,659	\$ 191,626	\$ 400,757
Intermediate	\$ 0	\$ 0	\$ 0
State	\$ 12,757,848	\$ 13,372,478	\$ 14,572,226
Federal	\$ 1,919,757	\$ 2,228,920	\$ 3,072,858
Total revenues	<u>\$ 15,032,264</u>	<u>\$ 15,793,024</u>	<u>\$ 18,045,841</u>
Total expenditures	<u>\$ 14,107,086</u>	<u>\$ 13,795,135</u>	<u>\$ 16,864,075</u>

Source: Annual Report of the Arizona Superintendent of Public Instruction for FY2020, FY2021 and FY2022.

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 FY2020, FY2021 and FY2022.

To conduct this audit, auditors used a variety of methods, including examining School and ADE records to review 544 of 5,366 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.
- **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. When the FTE was incorrect, auditors made an adjustment.
- **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 FY2020, FY2021 and FY2022. The total instructional hours offered for each grade met the minimum required by statute for each of the three fiscal years audited.
- **Distance Learning Plans** – Auditors reviewed the Distance Learning Plans (DLP) for FY2021 that were used to provide education to students. In addition, auditors reviewed the percentage of learning that was distance learning or in person to determine if this was reported correctly. No findings were identified for this area.
- **SPED data** – Auditors determined whether an adjusted student had also been funded for a special education (SPED) category. When students with a special

education category also had an adjustment, auditors made an adjustment to the special education weight as well.

- **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 \$26,427.30

Auditors determined that the School inaccurately reported the student data for 51 students for FY2020, FY2021 and FY2022. Specifically, auditors found that 22 students were reported with incorrect enrollment dates, 20 students had 10 or more consecutive unexcused absences and should have been withdrawn, five students were reported but did not attend, two students attended but were not funded, one student had an incorrectly reported FTE, and one student generated a non-fundable interval. As a result of these errors, the School's ADM was overreported by 3.83. As a result, the School was overfunded by \$26,427.30 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 51 student's enrollment data to ADE, which resulted in the School's ADM being overstated by 3.83.

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. Additionally, A.R.S. § 15-901 states that a student with 10 consecutive unexcused absences must be withdrawn, and School Finance Manual (G) states that students who have reached the 10% threshold for cumulative absences (excused or unexcused) based on the number of instructional calendar days at their school and incur 10 or more consecutive absences will generate non-fundable ADM intervals. Furthermore, for common schools, a part-time student is a student enrolled for less than the total time for a full-time student as defined by A.R.S. § 15-901. However, the School did not always adhere to these requirements. Specifically, for the students that were sampled:

- 22 students were reported with incorrect enrollment dates. As a result, the ADM for the School was overreported by 0.76.
- 20 students had 10 or more consecutive unexcused absences and should have been withdrawn. As a result, the ADM for the School was overreported by 2.93.
- 5 students were reported as attended but did not actually attend the School. As a result, the ADM for the School was overreported by 0.06.

- 2 students attended the School, but were not reported and funded as being enrolled in the School. As a result, the ADM for the School was underreported by 1.00.
- 1 student had an incorrect FTE reported. As a result, the ADM for the School was overreported by 0.32.
- 1 student had excessive absences which resulted in a non-fundable period. As a result, the ADM for the School was overreported by 0.15.
- 5 of the students that had data reported incorrectly were also funded with a SPED category. As a result, the weighted SPED ADM for the School was overreported by 0.61.

As shown in Table 2, data reporting errors resulted in an ADM overstatement of 3.83 for the three fiscal years audited.

Table 2

**Harvest Power Community Development Group, Inc.
ADM adjustments due to enrollment data errors
Fiscal years 2020, 2021 and 2022**

	2020	2021	2022	Total
Incorrect enrollment dates	0.22	0.52	0.02	0.76
10 day absence	0.47	2.35	0.11	2.93
Did not attend	0.05	-	0.01	0.06
Attended	(1.00)	-	-	(1.00)
Incorrect FTE	-	-	0.32	0.32
Excessive absence	0.15	-	-	0.15
SPED	0.01	0.60	-	0.61
Total	(0.10)	3.47	0.46	3.83

Source: Auditor analysis of School records, ADE data for FY2020, FY2021 and FY2022.

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.

Auditors determined that one of the School's students did not meet the statutory and ADE guideline requirements for full time enrollment (FTE). The FTE that was reported for one student was not correct based on the number annual instructional hours the students was enrolled in. As a result, the School overreported the FTE for the student.

Additionally, the School misreported the enrollment data of 50 students. According to ARS § 15-901 and ADE guidelines, ADM is based on the first 100 days of the school year, using the enrollment date and the withdrawal date of the student. Further, A.R.S. § 15- 901 states that a student with 10 consecutive unexcused absences must be withdrawn, and School Finance Manual (G) states that students who have reached the 10% threshold for cumulative absences and incur 10 or more consecutive absences will generate non-fundable ADM intervals. The School incorrectly reported the enrollment dates of 22 students, did not withdraw 20 students with 10 or more unexcused absences, reported five students that did not attend, did not receive funding for two students that attended, and generated a non-fundable interval for one student.

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

The School was overfunded by \$26,427.30

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 FY2020, FY2021 and FY2022. The student data incorrectly reported by the School resulted in its ADM being overstated by 3.83. As a result, the School was overfunded by \$26,427.30 in Basic State Aid, which ADE must recoup from the School. Table 3 shows the ADM and funding adjustments required for the School for FY2020, FY2021 and FY2022.

Table 3

**Harvest Power Community Development Group, Inc.
ADM and funding adjustments
Fiscal years 2020, 2021 and 2022**

	ADM adjustment	Total
2020	(0.10)	\$(226.52)
2021	3.47	\$23,270.26
2022	0.46	\$3,383.56
Total	3.83	\$26,427.30

Source: Auditor analysis of School and ADE records for FY2020, FY2021 and FY2022.

The School failed to properly maintain records

Auditors found that the School failed to maintain sufficient documentation to support the data submitted to ADE for funding purposes as required by both statute and ADE guidance. Per School Finance Initial Guidance on H.B. 2862 for SY 2021-2022, there must be an instructional time value associated with the ITM to ensure the student has received the total number of hours to fulfill statutory requirements for full or part-time status and each method of taking attendance through an ITM must outline the number of

instructional hours associated with each day of education and be maintained by the school district or charter district. Additionally, according to ADE School Finance Manual, section D-1, all original attendance records, whether in paper or electronic format, must be maintained pursuant to a records retention schedule, which is established by the Arizona State Library, Archives and Public Records. For school districts and charter schools the records retention schedule for student records, Schedule Number GS-1074, requires schools to maintain daily attendance records and excused absence reports for four fiscal years. However, the School did not include all required elements of the FY22 ITM and did not properly maintain ITM attendance records.

In the future, the School should properly document and track instructional hour documentation, enrollment and attendance for the classes during all days.

Recommendations:

1. The School must repay to ADE \$26,427.30 in Basic State Aid due to incorrectly reported student data.
2. The School must ensure that it properly 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 records are retained pursuant to the record retention schedule.

FINDING 2: THE SCHOOL DID NOT PROPERLY MAINTAIN SOME STUDENT RECORDS AS REQUIRED BY STATUTE AND GUIDELINE

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. § 15-823 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, the student file must contain a photocopy of the student's birth certificate, other reliable proof of the student's identity and age and an affidavit explaining the inability to provide a birth certificate, or a letter from an authorized agency with custody of the student.

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 150 students sampled, eight of the student files did not have the proper residency documentation, two did not have a birth certificate and two did not have immunization records. Table 4 (see page 10) lists the student file documentation maintained by the School for FY2020, FY2021 and FY2022.

Table 4

**Harvest Power Community Development Group, Inc.
Student cumulative file documentation
Fiscal years 2020, 2021 and 2022**

	Total sampled	Missing residency documentation	Missing birth certificate	Missing immunization
2020	50	2	1	1
2021	50	3	1	1
2022	50	3	0	0
Total	150	8	2	2

Source: Auditor analysis of School records for FY2020, FY2021 and FY2022.

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 documentation and immunization documentation as required by law.

The School was overfunded by \$1,796.37

Auditors determined that the School did not receive the correct amount of Basic State Aid due to failing to maintain residency documentation to prove Arizona residency for students. The School’s failure to collect proper residency documentation for two students resulted in the School’s ADM being overstated by 0.25. As a result, the School was overfunded by \$1,796.37. Table 5 shows the ADM adjustment due to improper residency documentation for FY2020, FY2021 and FY2022.

Table 5

**Harvest Power Community Development Group, Inc.
Student residency ADM funding adjustment
Fiscal years 2020, 2021 and 2022**

	Students	ADM	Funding adjustment
2020	-	-	\$-
2021	1	0.05	\$335.19
2022	1	0.20	\$1,461.18
Total	2	0.25	\$1,796.37

Source: Auditor analysis of School records for FY2020, FY2021 and FY2022.

Recommendations:

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.
2. The School must repay to ADE \$1,796.37 in Basic State Aid due to improperly maintained residency documentation.

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 \$28,223.67 required to be paid to ADE—Auditors identified an overall funding adjustment of \$28,223.67 for the three fiscal years audited due to inaccurate student enrollment and residency.

Table 6 lists the ADM adjustments and the associated Basic State Aid adjustments for the School for FY2020, FY2021 and FY2022.

Table 6

**Harvest Power Community Development Group, Inc.
ADM and funding adjustments
Fiscal years 2020, 2021 and 2022**

	2020		2021		2022		Total	
	ADM	Funding	ADM	Funding	ADM	Funding	ADM	Funding
Inaccurate enrollment data	(0.10)	\$(226.52)	3.47	\$23,270.26	0.46	\$3,383.56	3.83	\$26,427.30
Residency	-	\$-	0.05	\$335.19	0.20	\$1,461.18	0.25	\$1,796.37
Total funding adjustment	(0.10)	\$(226.52)	3.52	\$23,605.45	0.66	\$4,844.74	4.08	\$28,223.67

Source: Auditor analysis of ADE and School student and financial data for FY2020, FY2021 and FY2022.