



Arizona Department of Education

The Audit Unit

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Average Daily Membership Audit Report Legacy Traditional School- Goodyear Fiscal Years 2020, 2021 and 2022

Report Number—24-10

October 3, 2023



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Arizona Department of Education Audit Unit

October 3, 2023

Ingmar Berg, CFO
Legacy Traditional School – Goodyear
C/O Vertex Education
3125 S. Gilbert Road
Chandler, AZ 85286

Dear Mr. Berg:

The Arizona Department of Education Audit Unit has conducted an audit of the Legacy Traditional School - Goodyear (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 three students, which resulted in its ADM being overstated by 0.14. As a result, the School was overfunded by \$1,025.81 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,

Ross Begnoche,
Chief Financial Officer

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 Legacy Traditional School-Goodyear (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 those 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 Goodyear, Arizona, offered instruction in grades Kindergarten through 8 during the fiscal years audited. They had one elementary school. Table 1 presents the School’s unaudited student, staffing and financial information for FY2020, FY2021 and FY2022.

Table 1

**Legacy Traditional School- Goodyear
Total students, revenues and expenditures
Fiscal years 2020, 2021 and 2022
(Unaudited)**

	2020	2021	2022
Students enrolled	428	535	592
Number of teachers	23	24	27
Revenue			
Local	\$251,424	\$158,597	\$608,378
Intermediate	\$ 0	\$0	\$0
State	\$2,898,577	\$3,670,192	\$4,865,808
Federal	\$154,854	\$598,555	\$734,338
Total revenues	<u>\$3,304,855</u>	<u>\$ 4,427,344</u>	<u>\$6,208,524</u>
Total expenditures	<u>\$4,115,717</u>	<u>\$4,926,466</u>	<u>\$5,778,292</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 184 of 1830 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. 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.
- **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 material findings were identified for this area.

- ***Instructional Time Model (ITM)*** – Auditors reviewed the ITM that was in place for FY22 that was used to provide education to students. Auditors determined if the ITM contained the required elements as well as sufficient detail to be properly implemented. Auditors determined that the ITM had the required elements and was sufficiently detailed.
- ***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 \$1,025.81

Auditors determined that the School inaccurately reported the student data for three students for FY2020, FY2021 and FY2022. Specifically, auditors found that the school misreported two students with incorrect entry and exit dates and one student with excessive absences. As a result of these errors, the School's ADM was overreported by 0.14. As a result, the School was overfunded by \$1,025.81 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 three student's enrollment data to ADE, which resulted in the School's ADM being overstated by 0.14.

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 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. However, the School did not always adhere to these requirements.

Auditors determined that the school had misreported its ADM in each of the three fiscal years due to two students reported with an incorrect entry/exit date in FY2021 and FY2022 and one student with excessive absences in FY2020. As shown in Table 2 (see page 6), data reporting errors resulted in an ADM overstatement 0.14 for the three fiscal years audited.

Table 2

**Legacy Traditional School- Goodyear
ADM adjustments due to enrollment data errors
Fiscal years 2020, 2021 and 2022**

	2020	2021	2022	Total
Incorrect entry/exit date	-	0.03	0.01	0.04
Excessive absence	0.10	-	-	0.10
Total	0.10	0.03	0.01	0.14

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 enrollment data.

Auditors determined that the School misreported the enrollment data of three students. 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. The School incorrectly reported the entry/exit dates of two students.

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 and incur 10 or more consecutive absences will generate non-fundable ADM intervals. One student had 10 consecutive absences beyond the 10% threshold resulting in a non-fundable ADM interval.

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

The School was overfunded by \$1,025.81

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 0.14. As a result, the School was overfunded by \$1,025.81 in Basic State Aid, which ADE must recoup from the School. Table 3 (see page 7) shows the ADM and funding adjustments required for the School for FY2020, FY2021 and FY2022.

Table 3

**Legacy Traditional School- Goodyear
ADM and funding adjustments
Fiscal years 2020, 2021 and 2022**

	ADM adjustment	Total
2020	0.10	\$732.22
2021	0.03	\$219.40
2022	0.01	\$74.19
Total	0.14	\$1,025.81

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

Recommendations:

1. The School must repay to ADE \$1,025.81 in Basic State Aid due to incorrectly reported student data.
2. The School must reconcile to ensure that enrollment dates are reported accurately pursuant to A.R.S. § 15-901.

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, 11 of the student files did not have the proper residency documentation, two of the student files did not have the residency reaffirmed annually, six did not have a birth certificate in their file and six student files did not have immunization record documentation in their file. Table 4 (see page 9) lists the student file documentation maintained by the School for FY2020, FY2021 and FY2022.

Table 4

**Legacy Traditional School- Goodyear
Student cumulative file documentation
Fiscal years 2020, 2021 and 2022**

	Total sampled	Missing residency documentation	Residency not reaffirmed	Missing birth certificate	Missing immunization
2020	50	5	-	6	6
2021	50	3	2	-	-
2022	50	3	-	-	-
Total	<u>150</u>	<u>11</u>	<u>2</u>	<u>6</u>	<u>6</u>

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.

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.

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 \$1,025.81 required to be paid to ADE—Auditors identified an overall funding adjustment of \$1,025.81 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 FY2020, FY2021 and FY2022.

Table 5

**Legacy Traditional School- Goodyear
ADM and funding adjustments
Fiscal years 2020, 2021 and 2022**

	2020	2021	2022	Total
ADM adjustment	0.10	0.03	0.01	0.14
Funding adjustment	\$732.22	\$219.40	\$74.19	\$1,025.81

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