



# Arizona Department of Education

The Audit Unit

1535 W. Jefferson St., Bin 19

Phoenix, Arizona 85007

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## Average Daily Membership Audit Report Athlos Traditional Academy Fiscal Years 2012, 2013 and 2014

**Report Number—16-14**

November 24, 2015



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Diane Douglas  
Superintendent of  
Public Instruction

November 24, 2015

Nicole McMillian, Principal  
Athlos Traditional Academy  
3201 S. Gilbert Rd, Building A  
Chandler, AZ 85286

Dear Principal McMillian,

The Arizona Department of Education Audit Unit has conducted an audit of the Athlos Traditional Academy (School) Average Daily Membership (ADM) for Fiscal Years 2012, 2013 and 2014. The purpose of the audit was to address whether the School properly reported student enrollment to determine if it received the correct amount of Basic State Aid.

Auditors determined that the School improperly reported the entry or exit data for nine students, which resulted in the net ADM being overreported by 3.14 over the fiscal years audited. Additionally, seven students were not funded in SAIS over the three years audited, which resulted in the net ADM being underreported by 6.61. As a result, the School underreported ADM by 3.47 and received an underpayment of Basic State Aid of \$18,611.38, which must be repaid to the School pursuant to state law.

We appreciate the cooperation and assistance provided by the School's administration during the course of the audit.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lisa Eddy".

Lisa Eddy,  
Chief Auditor

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# INTRODUCTION AND BACKGROUND

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The Arizona Department of Education (ADE) Audit Unit has conducted an Average Daily Membership (ADM) audit of Athlos Traditional Academy (School) pursuant to Arizona Revised Statutes (A.R.S.) § 15-239. This audit focused on whether the School properly reported enrollment and attendance data to ADE and received the correct amount of Basic State Aid for FY2012 through FY2014 data.

***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 or charter school's information funded in ADE's student data system, the Student Accountability Information System (SAIS), to information found on the original records kept at the school. If auditors find that the school district 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 financial and other data*—The School is located in Chandler, Arizona. For the three fiscal years audited, the School maintained one campus serving K-8 students.

Table 1 presents the School’s unaudited student, staffing and financial information for FY2012, FY2013 and FY2014.

**Table 1**  
**Athlos Traditional Academy**  
**Total Students, Staffing, Revenues and Expenditures**  
**FY2012, FY2013 and FY2014**  
**(Unaudited)**

	<b>FY2012</b>	<b>FY2013</b>	<b>FY2014</b>
<b>Fall Enrollment</b>	<b>398</b>	<b>1,060</b>	<b>1,138</b>
<b>Number of Teachers</b>	-	54	51
<b>Revenue</b>			
Local	\$172,408	\$ 557,836	\$ 604,652
County	-	-	-
State	2,372,391	5,696,663	6,496,421
Federal	86,135	221,334	181,414
<b>Total Revenues</b>	<b><u>\$2,630,934</u></b>	<b><u>\$6,475,833</u></b>	<b><u>\$7,282,487</u></b>
<b>Total Expenditures</b>	<b><u>\$3,134,598</u></b>	<b><u>\$6,241,063</u></b>	<b><u>\$6,589,904</u></b>

Source: Annual Report of the Arizona Superintendent of Public Instruction for FY2012, FY2013 and FY2014.

## 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 (USFR) and its own policies and procedures for FY2012, FY2013 and FY2014.

To conduct this audit, auditors used a variety of methods, including examining School and SAIS records for enrollment. Auditors also reviewed state statutes and School policies and procedures, and interviewed School management and staff. Specifically:

- ***Enrollment Data***—Auditors compared the School’s student management system to SAIS and identified 252 students for further evaluation. Each student’s attendance was compared for each fiscal year. Auditors reviewed these 252 student profiles to determine if the enrollment data funded in ADE was accurate. Auditors compared the student profiles and schedules to SAIS to determine if the entry and exit date was accurate. When the entry or exit dates were different from the reported dates for a student, auditors recalculated the ADM and made appropriate adjustments to the funded ADM.
- ***Special Education Data***—In addition, auditors reviewed the adjusted students to determine if any were also funded for one of the special education categories. Auditors determined that there were no special education adjustments.
- ***Limiting***—Auditors reviewed the total ADM for each student in the School to ensure that they were limited by SAIS and did not identify any errors.
- ***Instructional Hours***—In addition, auditors reviewed the School’s bell schedules and calendars for the fiscal years audited and determined that the School provided at least the minimum number of instructional hours as required by statute for each grade level.

The Audit Unit expresses its appreciation to the Athlos Traditional Academy’s administration and staff members for their cooperation and assistance throughout the audit.

# **FINDING 1: THE SCHOOL DID NOT ACCURATELY REPORT SOME STUDENT DATA RESULTING IN AN UNDERPAYMENT OF \$18,611.38**

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The School inaccurately reported the student enrollment data for 16 of the School's students for FY2012, FY2013 and FY2014. Specifically, auditors determined that nine students had either an incorrect entry or withdrawal date, and seven students were not funded in SAIS. As a result of these errors, the School's ADM was understated by 3.47 for the three fiscal years audited. Due to the inaccurate enrollment data, the School received a net underpayment of \$18,611.38 in Basic State Aid for the three fiscal years audited which must be paid by ADE to the School pursuant to A.R.S. § 15-915.

## **The School Inaccurately Reported Some Student Enrollment Data**

The School inaccurately reported the enrollment data for 16 students to ADE due to various errors, which resulted in the School's ADM being underreported by 3.47. Auditors determined that nine of the students had incorrect entry and exit dates, while seven students were not funded in SAIS.

*The School inaccurately reported entry and exit dates for nine students*—ADE External Guideline and Procedures GE-17<sup>1</sup> states that, with the exception of pre-enrolled students, the enrollment date for a student is the first day of actual attendance. According to A.R.S. § 15-901, the withdrawal date for students for FY2012 and FY2013 is the last day of actual attendance. For FY2014, the withdrawal date for students is the last day of actual attendance or excused absence. However, the School did not always adhere to these requirements. Auditors identified two students in FY2012 and seven students in FY2013 who were funded in SAIS with either an incorrect entry or withdrawal date, which resulted in the School's ADM being overstated by 3.14.

*The School did not report seven students to SAIS*—In addition to the inaccurate entry and exit date reporting, seven students were not funded in SAIS. One student in FY2012 and three students in each of FY2013 and FY2014 were not funded in SAIS. As a result, the School's ADM was understated by 6.61 for the three fiscal years audited.

*The School's ADM was inaccurate*—Due to the inaccurate enrollment data, the School's ADM was inaccurately reported. As shown in Table 2 (see page 5), data reporting errors resulted in a net ADM understatement of 3.47 for FY2012, FY2013 and FY2014.

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<sup>1</sup> ADE External Guidelines and Procedures GE-17 states: "For the purposes of determining Average Daily Membership (ADM) for a given school year at a given public school pursuant 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."



**Table 2**

**Athlos Traditional Academy  
ADM Adjustments Due to Enrollment Data Errors  
FY2012, FY2013 and FY2014**

	<b>FY2012</b>	<b>FY2013</b>	<b>FY2014</b>	<b>Total</b>
Incorrect entry or withdrawal date	(0.02)	(3.16)	-	3.14
Not In SAIS	(1.00)	(2.61)	(3.00)	(6.61)
<b>Enrollment Data Errors</b>	<b><u>(1.02)</u></b>	<b><u>0.55</u></b>	<b><u>(3.00)</u></b>	<b><u>(3.47)</u></b>

Source: Auditor analysis of School records and SAIS data for FY2012, FY2013 and FY2014.

### **The School Must Accurately Report Student Enrollment Data**

The School can likely avoid errors in the future by ensuring it properly captures the correct entry and exit dates of students to ensure accurate funding and reporting of data. The School should review its internal and reporting practices to ensure that it properly documents the actual entry and exit dates of students pursuant to statute. Additionally, the School should review its reconciliation practices to ensure that they properly review the reports produced by SAIS and reconcile them to the School's SMS data to identify any discrepancies that would affect funding and correct any errors identified. According to School staff, new policies have been implemented to conduct additional internal audits of student enrollment data, and to conduct student level reconciliations in order to avoid the errors identified by auditors. The School should continue to identify and implement procedures to ensure its data is accurate in the future.

### **The School Was Underfunded by \$18,611.38**

Auditors determined that the School did not receive the correct amount of Basic State Aid due to the inaccurate enrollment data for FY2012, FY2013 and FY2014. The enrollment data errors reported by the School resulted in its ADM being understated by 3.47 for the three fiscal years audited. As shown in Table 3 (see page 6), the School was underfunded by \$18,611.38 in Basic State Aid, which must be paid by ADE to the School pursuant to A.R.S. § 15-915.

**Table 3**

**Athlos Traditional Academy  
ADM and Funding Adjustments Due to  
Enrollment Data Errors  
FY2012, FY2013 and FY2014**

<b>Fiscal Year</b>	<b>ADM Adjustment</b>	<b>Funding Adjustment</b>
2012	(1.02)	\$ (4,785.08)
2013	0.55	2,786.07
2014	<u>(3.00)</u>	<u>(16,612.37)</u>
<b>Total</b>	<b><u>(3.47)</u></b>	<b><u>\$(18,611.38)</u></b>

Source: Auditor analysis of School records and SAIS data for FY2012, FY2013 and FY2014.

**Recommendations:**

1. ADE must repay the School \$18,611.38 in Basic State Aid due to incorrectly reported enrollment data.
2. The School must ensure that a process is in place that captures the correct entry and exit dates of students to ensure proper funding and reporting of data.
3. The School must review its reconciliation practices to ensure that they properly review the reports produced by SAIS and reconcile them to the School's SMS data to identify any discrepancies that would affect funding and correct any errors identified.

# ADM and Funding Adjustments

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A.R.S. § 15-915 requires that ADE makes corrections for audit findings to Basic State Aid. Auditors identified an overall funding increase of \$18,611.38 in Basic State Aid to the School for the three fiscal years audited due to erroneous student data.

Table 4 lists the ADM adjustments and the associated Basic State Aid adjustments for the School for FY2012, FY2013 and FY2014.

**Table 4**

**Athlos Traditional Academy  
ADM and Funding Adjustments  
FY2012, FY2013 and FY2014**

	FY2012		FY2013		FY2014		Total
	ADM	Funding	ADM	Funding	ADM	Funding	
Enrollment Data Errors	(0.02)	\$ (93.83)	3.16	\$16,007.24	-	\$-	\$ 15,913.41
Not in SAIS	<u>(1.00)</u>	<u>(4,691.25)</u>	<u>(2.61)</u>	<u>(13,221.17)</u>	<u>(3.00)</u>	<u>(16,612.37)</u>	<u>(34,524.79)</u>
<b>Total Adjustment</b>	<b><u>(1.02)</u></b>	<b><u>\$(4,785.08)</u></b>	<b><u>0.55</u></b>	<b><u>\$ 2,786.07</u></b>	<b><u>(3.00)</u></b>	<b><u>\$(16,612.37)</u></b>	<b><u>\$(18,611.38)</u></b>

Source: Auditor analysis of SAIS and School student and financial data for FY2012, FY2013 and FY2014.

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