



# Arizona Department of Education

The Audit Unit

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Phoenix, Arizona 85007

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## Average Daily Membership Audit Report Eduprize Schools, LLC Fiscal Years 2012, 2013 and 2014

**Report Number—16-17**

December 23, 2015



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Diane Douglas  
Superintendent of  
Public Instruction

December 23, 2015

Dr. Lynn Robershotte, CEO/Superintendent  
Eduprize Schools, LLC  
4567 W Roberts  
Queen Creek, AZ 85242

Dear Dr. Robershotte,

The Arizona Department of Education Audit Unit has conducted an audit of the Eduprize Schools, LLC (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 did not accurately calculate and report some student enrollment data for FY2013 and FY2014, which resulted in the School's ADM being understated by 2.53. As a result, the School was underfunded by \$14,140.92, which ADE must repay to the School.

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 the Eduprize Schools, LLC (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 FY2012 through FY2014.

***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 reported to 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's information***—The School has two sites, which are located in Gilbert and Queen Creek, Arizona. In FY2012, the School offered instruction in kindergarten programs and grades 1 through 8 at its Queen Creek site. In FY2013, the School expanded to the Gilbert site, and provided instruction in K-8 at both sites. In FY2014, the School began an Arizona Online Instruction site. The Queen Creek location continued to offer instruction in K-8, and the Gilbert site offered instruction in K-9. Table 1 presents the School's unaudited student, staffing and financial information for FY2012, FY2013 and FY2014.

**Table 1**

**Eduprize Schools, LLC  
Total Students, Revenues and Expenditures  
FY2012, FY2013 and FY2014  
(Unaudited)**

	<b>FY2012</b>	<b>FY2013</b>	<b>FY2014</b>
<b>Students Enrolled</b>	<b>1,801</b>	<b>3,261</b>	<b>3,749</b>
<b>Number of Teachers</b>	88.50	173	178
<b>Revenue</b>			
Local	\$ 272,162	\$ 988,577	\$ 1,104,074
County	-	-	-
State	9,639,220	17,980,038	22,002,345
Federal	-	-	-
<b>Total Revenues</b>	<b><u>\$9,911,382</u></b>	<b><u>\$18,968,615</u></b>	<b><u>\$23,106,419</u></b>
<b>Total Expenditures</b>	<b><u>\$8,628,833</u></b>	<b><u>\$16,978,524</u></b>	<b><u>\$20,653,935</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 SAIS data to the School’s SMS and identified 301 students for review. Auditors obtained the student profiles from the School’s SMS and reviewed them to determine if the enrollment data reported to ADE was correct. Auditors compared the entry and exit dates to the student profiles to determine if an adjustment was necessary. In addition, auditors reviewed the student schedules for all sampled high school students to determine if the full time equivalency (FTE) reported to ADE was correct. Depending on the number of courses required to report a 1.0 FTE, auditors recalculated the actual FTE for the students based on the number of courses the students were taking during the year. When the audited FTE or entry or exit dates were different from the reported FTE for a student, auditors recalculated the ADM and made appropriate adjustments to the funded ADM.
- ***Instructional hours*** – Auditors reviewed the bell schedules and calendars for each of the school sites for FY2012, FY2013 and FY2014. The total instructional hours offered for each grade met the minimum required by statute for each of the three fiscal years audited. No findings were identified for this area.
- ***SPED Data***—Additionally, auditors determined whether an adjusted student had also been funded for a special education category. Auditors calculated the special education adjustment based on the SPED category and service code and applied this adjustment to each respective student’s recalculated ADM and made appropriate adjustments to the funded ADM. 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 SAIS. No findings were identified for this area.

The Audit Unit expresses its appreciation to Eduprize Schools, LLC’s administration and staff members for their cooperation and assistance throughout the audit.



## **FINDING 1: THE SCHOOL DID NOT ENSURE ACCURACY OF ITS DATA RESULTING IN AN UNDERFUNDING OF \$14,530.14**

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Auditors determined that the School did not ensure the accuracy of its data for three students, which resulted in the School's ADM being understated by 2.61 for the three fiscal years audited. As a result, the School was underfunded by \$14,530.14 in Basic State Aid. According to A.R.S. § 15-915, ADE needs to repay these monies to the School.

### **The School Was Not Properly Funded for Three Students**

Auditors determined that for FY2013 the School underreported its ADM because it did not ensure that the student enrollment data reported to ADE was accurate for three students. None of these three students were funded in SAIS. However, the School's attendance documentation showed the students as being enrolled and attending. As a result, the School's ADM was understated by 2.61, as shown in Table 2.

**Table 2**

**Eduprize Schools, LLC  
ADM Adjustments Due to Enrollment Data Errors  
FY2012, FY2013 and FY2014**

	<b>FY2012</b>	<b>FY2013</b>	<b>FY2014</b>	<b>Total</b>
Not in SAIS	-	(2.61)	-	(2.61)
<b>Enrollment Data Errors</b>	<b>=</b>	<b><u>(2.61)</u></b>	<b>=</b>	<b><u>(2.61)</u></b>

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

### **The School Must Reconcile Its Enrollment Data With SAIS**

The School can likely avoid errors in the future by ensuring it properly reconciles its SMS data to the SAIS data to ensure accuracy of student level data for funding purposes. 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, and correct any errors identified.

## The School Was Underfunded by \$14,530.14

Auditors determined that the School did not receive the correct amount of Basic State Aid due to the inaccurate enrollment data reported to ADE for one of the three fiscal years audited. The enrollment data errors reported by the School resulted in its ADM being understated by 2.61. As a result, the School was underfunded by \$14,530.14 in Basic State Aid. According to A.R.S. § 15-915, ADE must repay the School \$14,530.14 in underfunded Basic State Aid for data enrollment errors. Table 3 shows the ADM and funding adjustments required for the School for FY2013.

**Table 3**

**Eduprize Schools, LLC  
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	-	\$ -
2013	(2.61)	(14,530.14)
2014		=====
<b>Total</b>	<b><u>(2.61)</u></b>	<b><u>\$(14,350.14)</u></b>

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

### Recommendations:

1. ADE must repay the School \$14,350.14 in Basic State Aid due to inaccurate student enrollment data.
2. 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, and correct any errors identified.

## **FINDING 2: THE SCHOOL DID NOT ACCURATELY REPORT SOME AOI DATA RESULTING IN AN OVERFUNDING OF \$389.22**

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The School did not accurately report attendance data for some of its AOI students to ADE for FY2014. Specifically, auditors identified six students whose AOI attendance data was not accurately reported to ADE by the School, which resulted in the School's AOI ADM being overstated by 0.08. This inaccuracy in AOI data reporting by the School led to the School being overfunded by \$389.22 in Basic State Aid, which the School must repay to ADE according to A.R.S. § 15-915.

### **The School Inaccurately Reported AOI Enrollment Status for Six Students**

Auditors determined that the School inaccurately reported some AOI student data, which led to the School's AOI ADM being overreported by 0.08<sup>1</sup>. Six students were reported to ADE as being full-time. However, the School's documentation showed the students had participated in the AOI as part-time students<sup>2</sup>. This error occurred because the School did not properly report the enrollment status of the students to SAIS. As a result of the data reporting error, the School's AOI ADM was overstated in FY2014 by 0.08.

Properly reporting a student's enrollment status is important because full-time and part-time AOI students are funded at different levels. Pursuant to A.R.S. § 15-808, a full-time student is funded at 95% of the Base Support Level and a part-time student is funded at 85% of the Base Support Level. As a result of the AOI data reporting error, the School's AOI ADM was overstated by 0.08 for the three fiscal years audited as shown in Table 4 on page 7. The School must ensure that it properly reports the enrollment status of its AOI students to ensure accurate funding.

### **The School Was Overfunded by \$389.22**

Auditors determined that the School did not receive the correct amount of Basic State Aid due to the inaccurate AOI student data reported to ADE. As a result, the School was overfunded by \$389.22 in Basic State Aid in FY2014, which the School must repay ADE pursuant to A.R.S. § 15-915. Table 4 (see page 7) shows the ADM and funding adjustments required for the School its AOI errors.

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<sup>1</sup> According to A.R.S. § 15-808, high school AOI ADM is calculated by dividing the total instructional hours as reported in a daily log for the entire fiscal year by 900.

<sup>2</sup> According to A.R.S. § 15-808, "Full-time student" means a student who is enrolled in at least four courses throughout the year that meet at least 900 during the fiscal year.

**Table 4**

**Eduprize Schools, LLC  
AOI ADM and Funding Adjustments  
Due to Data Reporting Errors  
FY2014**

<b>Fiscal Year</b>	<b>ADM Adjustment</b>	<b>Funding Adjustment</b>
2014	<u>0.08</u>	<u>\$389.22</u>
<b>Total</b>	<b><u>0.08</u></b>	<b><u>\$389.22</u></b>

**Recommendations:**

1. The School must repay ADE \$389.22 in Basic State Aid due to incorrectly reported AOI data.
2. The School must comply with A.R.S. § 15-901 when calculating and reporting AOI data.

# ADM and Funding Adjustments

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Auditors identified an overall funding increase of \$14,140.92 for the three fiscal years audited due to inaccurate student enrollment data and inaccurately reported AOI data.

Table 5 lists the ADM adjustments and the associated Basic State Aid adjustments for the School for FY2012, FY2013 and FY2014.

**Table 5**

**Eduprize Schools, LLC  
ADM and Funding Adjustments  
FY2012, FY2013 and FY2014**

	FY2012		FY2013		FY2014		Total
	ADM	Funding	ADM	Funding	ADM	Funding	
Inaccurate Enrollment Data	-	\$ -	(2.61)	\$(14,530.14)	-	\$ -	\$(14,530.14)
Inaccurate AOI Data	=	\$ -	=	\$ -	0.08	\$389.22	\$ 389.22
<b>Funding Adjustment</b>	<b>=</b>	<b>\$ -</b>	<b>(2.61)</b>	<b>\$(14,530.14)</b>	<b>0.08</b>	<b>\$389.22</b>	<b>\$(14,140.92)</b>

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