



Arizona Department of Education

The Audit Unit

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Average Daily Membership Audit Report James Sandoval Preparatory High School Fiscal Years 2013, 2014 and 2015

Report Number—16-19

January 29, 2016



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Diane Douglas
Superintendent of
Public Instruction

January 29, 2016

Steve Durand, Director
James Sandoval Preparatory High School
4802 N 59th Ave
Phoenix, AZ 85033

Dear Mr. Durand,

The Arizona Department of Education Audit Unit has conducted an audit of the James Sandoval Preparatory High School (School) Average Daily Membership for Fiscal Years 2013, 2014 and 2015. The purpose of the audit was to address whether the School properly reported student enrollment and attendance data and to determine if it received the correct amount of Basic State Aid.

Auditors determined that the School did not accurately report some student enrollment data for FY2013, FY2014 and FY2015, which resulted in an overstatement of 0.783 ADM. As a result, the School was overfunded by \$4,977.28, 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,

Lisa Eddy,
Chief Auditor

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INTRODUCTION AND BACKGROUND

The Arizona Department of Education (ADE) Audit Unit has conducted an Average Daily Membership (ADM) audit of James Sandoval Preparatory High School (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 FY2013 through FY2015.

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 information—The School, located in Phoenix, Arizona, maintained one high school during the fiscal years audited. Table 1 presents the School’s unaudited student, staffing and financial information for FY2013, FY2014 and FY2015.

Table 1

**James Sandoval Preparatory High School
Total Students, Staffing, Revenues and Expenditures
FY2013, FY2014 and FY2015
(Unaudited)**

	FY2013	FY2014	FY2015
Students Enrolled	126	106	80
Number of Teachers	7	8	0
Revenue			
Local	\$13,157	\$7,385	\$4,474
County	930	0	0
State	912,864	799,275	617,616
Federal	199,385	332,446	188,068
Total Revenues	<u>\$1,126,336</u>	<u>\$1,139,106</u>	<u>\$810,158</u>
Total Expenditures	<u>\$1,036,690</u>	<u>\$1,064,926</u>	<u>\$619,795</u>

Source: Annual Report of the Arizona Superintendent of Public Instruction for FY2013, FY2014 and FY2015.

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 (USFR) and its own policies and procedures for FY2013, FY2014 and FY2015.

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 reviewed the high school bell schedules and 103 student schedules and attendance reports to determine whether the School reported the correct entry and exit dates, the correct full time enrollment (FTE) and the correct attendance data to ADE. Depending on the number of classes needed to have a 1.0 FTE, auditors recalculated the actual FTE for the students based on the number of classes the students were taking during the year. When the audited FTE was different from the reported FTE for a student, auditors recalculated the ADM. In addition, auditors reviewed absences to ensure they were reported correctly.
- ***Instructional hours*** – Auditors reviewed the bell schedules and calendars for the School's one high school for FY2013, FY2014 and FY2015. 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.
- ***Withdrawal Forms*** – Auditors reviewed the withdrawal forms and documentation for 6 students who withdrew during the fiscal years audited. Auditors did not identify any significant errors.

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 INCORRECTLY REPORTED STUDENT ENROLLMENT DATA RESULTING IN OVERFUNDING OF \$4,977.28

Auditors determined that the School incorrectly reported to ADE the enrollment data for 13 high school students, resulting in the School's ADM being overstated by a total of 0.783 for the three fiscal years audited. This occurred because the School failed to comply with statute and ADE guidelines when calculating the FTE status, withdrawal date of these students and reporting of absences. As a result, the School was overfunded by \$4,977.28 in Basic State Aid. According to A.R.S. § 15-915, ADE needs to recover these monies from the School. Additionally, the School needs to ensure it complies with statute and ADE guidelines to properly calculate and report student FTE, properly withdraw and report absences.

The School Incorrectly Reported Student FTE for 2 Students

Auditors identified two high school students whose FTE status was calculated and reported to ADE incorrectly. The School did not follow statute and ADE guidelines when calculating and reporting student FTE for some students. According to A.R.S. § 15-901, a high school student must be scheduled for at least 720 instructional hours during the year and at least 4 courses, each of which meets for at least 123 instructional hours, for the student to be reported as 1.0 FTE. A student who does not meet these requirements is considered a part-time student and their FTE status is reduced based on the number of instructional hours provided.¹ Auditors determined that in FY2013, the School misreported 2 students' FTE due to data errors. In FY2013, students were reported as attending full-time (1.0 FTE) when enrolled in less than four courses. As a result of providing some students with insufficient instructional hours, the School's ADM was overstated by 0.173.

The School Incorrectly Reported Student Withdrawal Dates for 5 Students

Auditors determined that two students in FY2013 and three students in FY2014 had an incorrect withdrawal date reported and funded in SAIS. According to A.R.S. § 15-901, the withdrawal date for students is the last day of actual attendance or excused absence. However, the School did not always report all students' withdrawal dates correctly. Four of these students withdrew later, and one withdrew earlier than the date entered in SAIS. This resulted in the School's ADM being understated by a net of 0.300.

¹ Pursuant to A.R.S. § 15-901, a full time student (1.0 FTE) in grades 9 through 12 must be scheduled for and attending at least 720 hours of instruction and at least 4 courses, a 0.75 FTE student must be scheduled for at least 540 hours of instruction and at least 3 courses, a 0.50 FTE student must be scheduled for at least 360 hours of instruction and at least 2 courses and a 0.25 FTE student must be scheduled for at least 180 hours of instruction and at least 1 course.

The School Misreported Student Absences for 6 Students

In addition, auditors determined that six students attending the School had misreported excused absences during FY2013, FY2014 and FY2015 that should have instead been reported as unexcused absences. According to A.R.S. § 15-901, (A)(1), The Department of Education defines an excused absence as being an absence due to illness, doctor appointment, bereavement, family emergencies and out-of-school suspensions. This affects ADM when there are 10 unexcused absences in a row, or when the student has unexcused absences prior to withdrawing from the school. However, the School was reporting an absence as excused as long as a parent called in, without consideration for the purpose of the absence. As a result, the School's ADM was overstated by 0.910.

The School Must Reconcile Its Enrollment Data With SAIS

The School can avoid errors in the future by ensuring it regularly and correctly reconciles its data to the data contained in SAIS. The School should 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.

The School Was Overpaid \$4,977.28 in Basic State Aid

As a result of the School improperly reporting student FTE for 2 students, incorrect exit date for 5 students and not reporting 6 student absences properly, the School was overpaid \$4,977.28 in Basic State Aid. Table 2 illustrates ADM adjustments and the total overpayment. According to A.R.S. § 15-915, ADE needs to recoup \$4,977.28 in overpaid Basic State Aid from the School for the three fiscal years audited.

Table 2

**James Sandoval Preparatory High School
ADM Adjustment and Associated Funding Adjustment
FY2013, FY2014 and FY2015**

	FY2013	FY2014	FY2015	Total
Incorrect FTE	0.173	0	0	0.173
Incorrect Exit Date	(0.430)	0.130	0	(0.300)
Misreported Absences	0.040	0.210	0.660	0.910
ADM Adjustment	(0.218)	0.340	0.660	0.783
Funding Adjustment	\$(1,524.35)	\$1,572.78	\$4,928.85	<u>\$4,977.28</u>

Source: Auditor analysis of School records, A.R.S. § 15-901 and EX-18.

Recommendations:

1. ADE needs to recoup \$4,977.28 in overpaid Basic State Aid from the School for the three fiscal years audited.
2. The School needs to properly calculate and report students' FTE according to statute.
3. The School needs to properly report correct exit dates to SAIS according to statute.
4. The School needs to properly report student absences according to statute.

ADM AND FUNDING ADJUSTMENTS

Basic State Aid adjustment of \$4,977.28 required to be repaid to ADE—Auditors identified an overall funding adjustment of \$4,977.28 for the School for the three fiscal years audited due to incorrect enrollment data.

Table 3 lists the ADM adjustments and the associated Basic State Aid adjustments for the School for FY2013, FY2014 and FY2015.

Table 3

**James Sandoval Preparatory High School
ADM and Funding Adjustments Required for
FY2013, FY2014 and FY2015**

	FY2013	FY2014	FY2015	Total Funding Adjustment
ADM	(0.218)	0.340	0.660	<u>0.783</u>
Funding	\$(1,524.35)	\$1,572.78	\$4,928.85	<u>\$4,977.28</u>

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