



Arizona Department of Education

The Audit Unit

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Average Daily Membership Audit Report Gateway Early College High School Fiscal Years 2013, 2014 and 2015

Report Number—17-18

December 16, 2016



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Diane Douglas
Superintendent of
Public Instruction

December 16, 2016

Lisa Smith, Principal
Gateway Early College High School
108 North 40th Street
Phoenix, AZ 85034

Dear Ms. Smith,

The Arizona Department of Education Audit Unit has conducted an audit of the Gateway Early College 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 data for Fiscal Years 2013, 2014 and 2015. As a result, the School's ADM was overstated by 1.38 and it was overfunded by \$7,956.27, 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,

A handwritten signature in blue ink that reads "Lisa Eddy". The signature is written in a cursive, flowing style.

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 the Gateway Early College 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 is located in Phoenix, Arizona. In FY2013, FY2014 and FY2015, the School offered instruction in grades 9 through 12. Table 1 presents the School’s unaudited student, staffing and financial information for FY2013, FY2014 and FY2015.

Table 1

**Gateway Early College High School
Total Students, Staffing, Revenues and Expenditures
FY2013, FY2014 and FY2015
(Unaudited)**

	FY2013	FY2014	FY2015
Students Enrolled	262	261	248
Number of Teachers	12	13	13
Revenue			
Local	\$559	\$715	\$1,281
County	-	-	-
State	1,836,174	1,985,689	2,120,486
Federal	130,640	129,779	243,919
Total Revenues	<u>\$1,967,373</u>	<u>\$2,116,183</u>	<u>\$2,365,686</u>
Total Expenditures	<u>\$1,875,446</u>	<u>\$2,050,186</u>	<u>\$2,167,646</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 compared the School’s student management system to SAIS and identified 54 of 267 students in FY2013, 53 of 264 students in FY2014, and 52 of 260 students in FY2015, for a total of 159 students for further evaluation. Auditors reviewed these 159 student profiles 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. Auditors also reviewed attendance records to ensure that absences were reported correctly. In addition, auditors reviewed class schedules to determine whether the School reported the correct full time enrollment (FTE) data to ADE.
- ***Instructional hours*** – Auditors reviewed the bell schedules and calendars for each of the schools 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.
- ***Special Education Data***—Auditors reviewed the students to determine if any were also funded for one of the special education categories. Auditors determined that there was one student in FY2015 with a 0.001 ADM special education adjustment.
- ***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.

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.

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 OVERFUNDING OF \$7,956.27

Auditors determined that the School inaccurately reported some student enrollment data for ten students in Fiscal Years 2013, 2014 and 2015. Specifically, auditors found that eight students were reported with an incorrect FTE and one student was not reported to SAIS. As a result of these errors, the School's ADM was overstated by 1.38. Due to the inaccurate enrollment data, the School received a net overpayment of \$7,956.27 in Basic State Aid which the School must repay to ADE.

Some Student Enrollment Data Was Inaccurately Reported

Auditors determined that the School inaccurately reported nine students' enrollment data to ADE due to various errors, which resulted in the School's ADM being overstated by 1.38. According to A.R.S. § 15-901 and ADE Guidelines and Procedures GE-18 (GE-18), for a high school student to be reported as a 1.0 FTE, the student must be enrolled in at least four courses, which meet at least 123 hours annually each, and total at least 720 instructional hours for the year. A student who does not meet these requirements is considered a fractional, or part-time, student and their FTE status must be reduced based on the number of actual instructional hours provided and courses enrolled.¹

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

- Eight students were reported with an incorrect FTE as a result of not appropriately reporting fractional students, which resulted in the School's ADM being overstated by 1.46.
- One student was not reported to SAIS; however, School documentation showed the students had attended one of the school sites, which resulted in the School's ADM being understated by 0.09.

As shown in Table 2 (page 5), these data reporting errors resulted in a net ADM overstatement of 1.38 for the three fiscal years audited.

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 four courses each of which meets for at least 123 hours annually; a 0.75 FTE student must be scheduled for at least 540 hours of instruction and at least three courses each of which meets for at least 123 hours annually, a 0.50 FTE student must be scheduled for at least 360 hours of instruction and at least two courses each of which meets for at least 123 hours annually and a 0.25 FTE student must be scheduled for at least 180 hours of instruction and at least one course which meets for at least 123 hours annually.

Table 2

**Gateway Early College High School
ADM Adjustments Due to Enrollment Data Errors
FY2013, FY2014 and FY2015**

	Incorrect FTE	Not in SAIS	Total
2013	0.08	-	0.08
2014	0.26	-	0.26
2015	<u>1.12</u>	<u>(0.09)</u>	<u>1.04</u>
Total	1.46	(0.09)	1.38

Source: Auditor analysis of School records and SAIS data for FY2013, FY2014 and FY2015.

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. Further, the School should review its reconciliation practices to ensure that its staff 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.

The School Was Overfunded by \$7,956.27

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 the audited fiscal years. The enrollment data errors reported by the School resulted in its ADM being overstated by 1.38. Due to auditor applied adjustments in FY2013, the base support level weight changed, which resulted in an overreported ADM but an underfunded adjustment. As a net result, the School was overfunded by \$7,956.27 in Basic State Aid, which ADE must recoup from the School. Table 3 (page 6) shows the ADM and funding adjustments required for the School for FY2013, FY2014 and FY2015.

Table 3

**Gateway Early College High School
ADM and Funding Adjustments Due to
Enrollment Data Errors
FY2013, FY2014 and FY2015**

Fiscal Year	ADM Adjustment	Funding Adjustment
2013	0.08	\$ (322.70)
2014	0.26	1,815.23
<u>2015</u>	<u>1.04</u>	<u>6,463.74</u>
Total	1.38	\$ 7,956.27

Source: Auditor analysis of School records and SAIS data for FY2013, FY2014 and FY2015.

Recommendations:

1. ADE must recoup from the School \$7,956.27 in Basic State Aid due to incorrectly reported enrollment data.
2. The School must properly reconcile its data each year to ensure it complies with A.R.S. § 15-901.

ADM and Funding Adjustments

Basic State Aid adjustment of \$7,956.27 required to be repaid to ADE—Auditors identified an overall funding adjustment of \$7,956.27 for the three fiscal years audited due to inaccurate student enrollment data.

Table 4 lists the ADM adjustments and the associated Basic State Aid adjustments for the School for FY2013, FY2014 and FY2015.

Table 4

**Gateway Early College High School
ADM and Funding Adjustments
FY2013, FY2014 and FY2015**

	FY2014		FY2015		FY2016		Total
	ADM	Funding	ADM	Funding	ADM	Funding	
Funding Adjustment	<u>0.08</u>	<u>\$ (322.70)</u>	<u>0.26</u>	<u>\$ 1,815.23</u>	<u>1.04</u>	<u>\$ 6,463.74</u>	<u>\$ 7,956.27</u>

Source: Auditor analysis of SAIS and School student and financial data for FY2013, FY2014 and FY2015.