



Arizona Department of Education

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Average Daily Membership Audit Report Dysart Unified School District Fiscal Years 2011, 2012 and 2013

Report Number—14-4

March 4, 2014

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John Huppenthal
Superintendent of
Public Instruction

March 4, 2014

Gail Pletnick, Superintendent
Dysart Unified School District
15802 North Parkview Place
Surprise, AZ 85374

Dear Superintendent Pletnick,

The Arizona Department of Education Audit Unit has conducted an audit of the Dysart unified School District (School) Average Daily Membership for Fiscal Years 2011, 2012 and 2013. The purpose of the audit was to address whether the School properly reported student enrollment and attendance and to determine if it received the correct amount of Basic State Aid.

Auditors determined that the School was underfunded due to incorrectly calculating the FTE and not reporting student enrollment data correctly. As a result of these findings, the School was underfunded \$36,745.07 in Basic State Aid for all three fiscal years. The Notice of Audit Findings and Required Reimbursement issued concurrently with this report becomes final 30 days after issuance, unless the School files an appeal.

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 the Dysart Unified School District (District) pursuant to Arizona Revised Statutes (A.R.S.) § 15-239. This audit focused on whether the District properly reported enrollment and attendance data to ADE and received the correct amount of Basic State Aid for FY2011 through FY2013.

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 also receives The Notice of Audit Findings and Required Reimbursement (Notice) that details the audit findings and determination of the Superintendent of Public Instruction regarding adjustments to be made to the school district or charter school pursuant to A.R.S. § 15-915. As described in the next paragraph, 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 of Public Instruction allow a correction to be made partly in the current budget year and partly in the following budget year.

In addition, ADE will adjust the District's budget capacity if required. ADE School Finance Memorandum 13-011 summarizes the budget capacity adjustment authorized by statute:

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 FY 2013 and continuing in subsequent years, corrections for audit findings to both budget capacity and state aid (when applicable) will be made.

District financial and other information—The District, located in Surprise, Arizona, maintained 19 K-8 schools and four high schools during the fiscal years audited. The District also had one Arizona Online Instruction (AOI) school, and early childhood education center and an alternative education school. Table 1 presents the District's unaudited student, staffing and financial information for FY2011, FY2012 and FY2013.

Table 1

**Dysart Unified School District
Total Students, Staffing, Revenues and Expenditures
FY2011, FY2012 and FY2013
(Unaudited)**

	FY2011	FY2012	FY2013
Students Enrolled	24,451	24,883	26,226
Number of Teachers	1,206	1,237	1,268
Revenue			
Local	\$ 92,440,216	\$ 86,344,631	\$ 94,562,232
County	\$ 7,543,422	\$ 7,629,197	\$ 7,700,677
State	\$ 84,513,413	\$ 82,513,608	\$ 88,604,451
Federal	\$ 20,505,189	\$ 17,501,872	\$ 18,328,136
Total Revenues	\$205,002,240	\$193,989,308	\$209,195,496
Total Expenditures	\$206,665,042	\$194,818,501	\$235,287,966

Source: Annual Report of the Arizona Superintendent of Public Instruction for FY2011, FY2012 and FY2013.

SCOPE AND METHODOLOGY

The audit focused on whether the District 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 FY2011, FY2012 and FY2013.

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

Additionally, auditors performed specific tasks for the following finding areas:

- **FTE Data Errors**—To determine whether the District reported the correct student FTE to ADE, auditors reviewed a sample of 176 high school student schedules. Auditors recalculated the actual FTE for these 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.
- **Enrollment Data Errors**—To determine whether the District reported the correct enrollment data to ADE, auditors reviewed a sample of 312 student schedules. The actual first and last days that students were enrolled in classes were then compared to the enrollment and withdrawal dates that were reported to SAIS. When discrepancies were identified, auditors recalculated the ADM for each student based on the actual enrollment period.

The Audit Unit expresses its appreciation to the District's administration and staff members for their cooperation and assistance during the course of the audit.

FINDING 1: THE DISTRICT INCORRECTLY CALCULATED AND REPORTED FTE FOR 68 STUDENTS RESULTING IN UNDERFUNDING OF \$105,766.98

Auditors determined that the District incorrectly calculated and reported to ADE the enrollment status of 41 Valley Vista High School students and 27 other students within the District, resulting in the District's ADM being overstated by a total of 8.409 for the three fiscal years audited. This occurred because the District incorrectly counted four classes as full time instead of five classes for students attending Valley Vista High School, and it failed to comply with statute and ADE guidelines when calculating the FTE status of these students. Although the District's ADM was over reported by 8.409, the District was underfunded by \$105,766.98 in Basic State Aid due to changes in the growth calculation in the statutory funding formula because of the ADM change. According to A.R.S. § 15-915, ADE needs to pay these monies to the District. Additionally, the District needs to ensure it complies with statute and ADE guidelines to properly calculate and report student FTE.

The District Incorrectly Reported 41 Students as Full-time at Valley Vista High School

Auditors determined that the District incorrectly reported the FTE status for 41 students at Valley Vista High School. This occurred because the District improperly treated a student to be full-time based on enrolling in four classes for FY2012 and FY2013. However, auditor analysis determined that the four classes did not provide the statutorily mandated total of 720 instructional hours, resulting in an ADM overstatement of 10.055.¹

41 Valley Vista High School students' FTE was over reported—41 students were identified by auditors as being improperly calculated for FTE status, resulting in the ADM being overstated by 10.055:

- 23 students in FY2012 were improperly calculated, resulting in the District's ADM being overstated by 6.140, and
- 18 students were improperly calculated in FY2013, resulting in the District's ADM being overstated by 3.915.

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 20 hours per week, a 0.75 FTE student must be scheduled for at least 540 hours of instruction and at least 15 hours per week, a 0.50 FTE student must be scheduled for at least 360 hours of instruction and at least 10 hours per week and a 0.25 FTE student must be scheduled for at least 180 hours of instruction and at least 5 hours per week.

District incorrectly reported students with a full-time enrollment status—The 41 students were incorrectly reported as attending full-time (1.0 FTE) if they were enrolled in four or more classes. However, according to analysis of the District’s bell schedule and calendar, students attending Valley Vista High School would have needed to take at least five classes each week in order to be counted as enrolled full-time pursuant to statute and ADE guidelines. As shown in Table 2, the District misreported FTE for students enrolled in less than five classes. The District needs to ensure it complies with statute and ADE guidelines to properly calculate and report FTE.

Table 2

**Dysart Unified School District
Valley Vista High School
Number of Classes, Actual Instructional Hours Provided Per Week,
Incorrect FTE Calculated and Reported by District to ADE, and
Correct FTE That Should Have Been Reported to ADE
FY2011, FY2012 and FY2013**

Number of Classes	Actual Instructional Hours Provided Per Week	Incorrect FTE Calculated and Reported by District to ADE	Correct FTE That Should Have Been Reported to ADE
1	4.8	0.25	0.00
2	9.6	0.50	0.25
3	14.4	0.75	0.50
4	19.1	1.00	0.75
5 or more	23.9	1.00	1.00

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

The District Incorrectly Reported FTE Status for 30 Other Students

Auditors identified an additional 30 students that the District miscalculated the student FTE status. This resulted in the ADM reported for these students being understated by 1.647:

- 17 students in FY2011 were improperly calculated, resulting in the District’s ADM being understated by 0.662,
- 3 students in FY2012 were improperly calculated, resulting in the District’s ADM being understated by 0.023, and
- 10 students were improperly calculated in FY2013, resulting in the District’s ADM being understated by .962.

The District's ADM Overstated by a Total of 8.409

Because of the District's miscalculation of ADM for 41 Valley Vista High School students and 27 other students within the District, the District's ADM was overstated by a total of 8.409, as shown in Table 3.

Table 3

**Dysart Unified School District
Number of Students with Incorrect FTE and ADM Adjustment
FY2011, FY2012 and FY2013**

	FY2011	FY2012	FY2013	Total
Number of other District Students with Incorrect FTE	17	3	10	30
ADM Adjustment	(0.662)	(0.023)	(0.962)	(1.647)
Number of Valley Vista High School Students with Incorrect FTE	-	23	18	41
ADM Adjustment	=	<u>6.140</u>	<u>3.915</u>	<u>10.055</u>
Total ADM Adjustment	(0.662)	<u>6.118</u>	<u>2.953</u>	<u>8.409</u>

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

The District Was Underpaid \$105,766.98 in Basic State Aid

As a result of the District improperly calculating and reporting the FTE status for 71 students, the District's ADM was overstated by 8.409, resulting in an overfunding of Basic State Aid by \$38,292.63. However, adjusting the District's ADM by these amounts also resulted in a funding increase of \$144,059.61 due to the statutory growth formula adjustment. As a result, the net funding adjustment for improperly calculated FTE results in an underpayment of Basic State Aid to the District of \$105,766.98. Table 4 (see page 7) illustrates the adjustments per fiscal year and the total underpayment. According to A.R.S. § 15-915, ADE needs to repay \$105,766.98 in underpaid Basic State Aid to the District for incorrectly reported FTE for all three fiscal years audited.

Table 4

**Dysart Unified School District
ADM Adjustment Due to Miscalculated FTE and Funding Adjustment
FY2011, FY2012 and FY2013**

	FY2011	FY2012	FY2013	Total
ADM Adjustment Due to Miscalculated FTE	(0.662)	6.118	2.953	8.409
Funding Adjustment	\$(2,922.16)	\$ 28,862.98	\$12,351.81	\$ 38,292.63
Growth Adjustment	\$(2,592.43)	\$(154,466.93)	\$12,999.76	\$(144,059.61)
Net Funding Adjustment	\$(5,514.60)	\$(125,603.95)	\$25,351.57	\$(105,766.98)

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

Recommendations:

1. ADE needs to repay \$105,766.98 in underpaid Basic State Aid to the District for incorrectly reported FTE for all three fiscal years audited.
2. The District needs to ensure that it properly calculates and reports students' FTE status pursuant to statute and ADE guidelines.

FINDING 2: THE DISTRICT DID NOT ACCURATELY REPORT SOME STUDENT DATA RESULTING IN AN OVERPAYMENT OF \$69,021.91

The District did not accurately report enrollment data for 93 students to ADE for FY2011, FY2012 and FY 2013. Specifically, auditors found that the District misreported enrollment and withdrawal dates for 64 students, reported 6 students who did not attend a District school, failed to report 21 students who did attend the District, reported one student that was not eligible for funding due to their participation in a private special education placement program and reported one student twice. As a result of all these errors, the District's ADM was understated by 16.21 for the three fiscal years audited. Due to the inaccurate enrollment data reported to ADE, the District received a net overpayment of \$69,021.91 in Basic State Aid for the three fiscal years audited which ADE needs to recoup from the District.

The District Inaccurately Reported Student Enrollment Data

The District inaccurately reported 93 students' enrollment data to ADE due to various errors. As a result, the District understated its ADM in the three fiscal years audited by 16.21.

ADE Guideline GE-17² states that, with the exception of pre-enrolled students, the enrollment date for a student is the first day of actual attendance. Additionally, according to A.R.S. § 15-901, the withdrawal date for students is the last day of actual attendance. However, the District did not always adhere to these requirements. Specifically:

- 21 students were not reported to SAIS; however, District attendance documentation listed the student as being enrolled and attending, which resulted in the District's ADM being understated by 14.23.
- 64 students had either an incorrect entry date or withdrawal date that was reported to SAIS, which resulted in the District's ADM being understated by 8.62.
- 6 students did not have any attendance documentation that indicated they had attended the District, which resulted in the District's ADM being overstated by 2.64.

² ADE Guideline 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."

- 1 student was reported to SAIS for all three fiscal years audited; however, this student was participating in a private special education placement program and, as a result, was ineligible for funding. This resulted in the District's ADM being overstated by 3.00.
- 1 student was reported to SAIS twice in FY2013 with two different SAIS numbers, which resulted in the District's ADM being overstated by 1.00.

As shown in Table 5, enrollment data errors resulted in a net ADM understatement of 16.21 for FY2011, FY2012 and FY2013.

Table 5

**Dysart Unified School District
ADM Adjustments Due to Enrollment Data Errors
FY2011, FY2012 and FY2013**

	2011	2012	2013	Total
Attended the District, but was not in SAIS	(6.70)	(7.53)	0.00	(14.23)
Incorrect entry or withdrawal date	(2.69)	(1.74)	(4.19)	(8.62)
Did not attend the District, but was in SAIS	0.74	1.16	0.74	2.64
EDP Program, ineligible for funding	1.00	1.00	1.00	3.00
Duplicated in SAIS	0.00	0.00	1.00	1.00
Total	(7.65)	(7.11)	(1.45)	(16.21)

Source: Auditor analysis of District records and SAIS data for FY2011, FY2012 and FY2013.

The District Needs to Reconcile Its Enrollment Data With SAIS

The District can avoid errors in the future by ensuring it correctly reconciles its data to the data contained in SAIS. If the District had properly reconciled its data to SAIS, these enrollment errors could likely have been identified, and the District would not have been underfunded because of these errors. The District should review the reports produced by SAIS and reconcile them to the District's SMS data to identify any discrepancies that would affect funding.

The District Was Overfunded by \$69,021.91

Auditors determined that the District did not receive the correct amount of Basic State Aid due to the inaccurate enrollment data reported to ADE for FY2011, FY2012 and FY2013. The data errors reported by the District resulted in its ADM being understated by 16.21 for the three fiscal years audited. As a result, the District's Basic State Aid was underfunded by \$72,567.25. However, due to the statutory growth formula adjustment, adjusting the District's ADM by these amounts also resulted in an overpayment of \$141,589.16. These calculations resulted in a net total overfunding of \$69,021.91, which

ADE needs to recoup from the District. Table 6 shows the ADM and funding adjustments required for the District for FY2011, FY2012 and FY2013.

Table 6

**Dysart Unified School District
ADM and Funding Adjustments Due to
Enrollment Data Errors
FY2011, FY2012 and FY2013**

Fiscal Year	ADM Adjustment	Basic State Aid Adjustment	Growth Adjustment	Total Funding Adjustment
2011	(7.65)	\$(33,791.12)	\$ (29,978.19)	\$(63,769.31)
2012	(7.11)	\$(33,543.82)	\$179,517.53	\$145,973.71
2013	(1.45)	\$ (5,232.31)	\$ (7,950.18)	\$(13,182.49)
Total	(16.21)	\$(72,567.25)	\$141,589.16	\$ 69,021.91

Source: Auditor analysis of District records and SAIS data for FY2011, FY2012 and FY2013.

Recommendations:

1. ADE needs to recoup from the District \$69,021.91 in overfunding due to incorrectly reported enrollment and withdrawal dates.
2. The District should reconcile its data each year to ensure it complies with A.R.S. § 15-901 and GE-17.

ADM AND FUNDING ADJUSTMENTS

Statutes require that ADE makes corrections for audit findings to both budget capacity and state aid. A.R.S. § 15-915, authorizes and provides direction for adjusting 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 FY 2013 and continuing in subsequent years, corrections for audit findings to both budget capacity and state aid (when applicable) will be made.

Budget capacity adjustment required—The District must adjust its budget capacity for the three years audited. Budget capacity adjustment calculations for the District will be made by ADE once the audit is finalized.

Basic State Aid adjustment of \$36,745.07 required to be paid to District—Auditors identified an overall funding increase of \$36,745.07 for the three fiscal years audited:

- \$(105,766.98) for incorrect FTE status reported to ADE;
- \$69,021.91 for inaccurate enrollment data reported to ADE.

Table 7 lists the ADM adjustments and the associated Basic State Aid adjustments for the District for FY2011, FY2012 and FY2013.

Table 7

**Dysart Unified School District
ADM and Funding Adjustments Required for
FY2011, FY2012 and FY2013**

	FY2011		FY2012		FY2013		Total
	ADM	Funding	ADM	Funding	ADM	Funding	
Incorrect FTE	(0.66)	\$ (5,514.60)	6.12	\$(125,603.95)	2.95	\$ 25,351.57	\$(105,766.98)
Data Errors	(7.65)	\$(63,769.31)	(7.11)	\$ 145,973.71	(1.45)	\$(13,182.49)	\$ 69,021.91
Total Funding Adjustment	(8.31)	\$(69,283.91)	(0.99)	\$ 20,369.76	1.50	\$ 12,169.08	\$ (36,745.07)

Source: Auditor analysis of SAIS and District student and financial data for FY2011, FY2012 and FY2013.