



# Arizona Department of Education

The Audit Unit  
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## Average Daily Membership Audit Report Red Mesa Unified School District Fiscal Years 2009, 2010 and 2011

Report Number—12-4

August 7, 2012

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John Huppenthal  
Superintendent of  
Public Instruction

August 7, 2012

Dr. Tommy Yazzie, Superintendent  
Red Mesa Unified School District  
HC 61 Box 40  
Teec Nos Pos, AZ 86514-9701

Dear Superintendent Yazzie:

The Arizona Department of Education Audit Unit has conducted an audit of the Red Mesa Unified School District's Average Daily Membership for Fiscal Years 2009, 2010 and 2011. Additionally, auditors reviewed selected FY2012 documentation. The purpose of the audit was to address whether the District properly reported student enrollment and attendance and to determine if it received the correct amount of Basic State Aid. This audit was conducted in response to the District reporting to ADE its concerns regarding its enrollment of non-resident students and its desire to correct any problems related to that issue.

The audit found that the District inappropriately enrolled and transported non-resident students and received Basic State Aid for these students. Additionally, auditors determined that the District had made data reporting errors. As a result of these findings, the District was overfunded by a total of \$2,388,221.66 for the three fiscal years. Additionally, the District had continued these practices in FY2012 and if not corrected, the District will be overfunded by approximately \$505,884.54 in FY2013. The Notice of Audit Findings and Required Reimbursement issued concurrently with this report becomes final 30 days after issuance, unless the District files an appeal. District officials indicated that they would seek legislation to extend the timeframe for repayment due to the large amount owed. ADE would support legislation extending the repayment timeframe.

We appreciate the cooperation and assistance provided by the District's administrators and staff during the course of the audit.

Sincerely,  
  
Arthur E. Heikkila  
Chief Auditor

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# INTRODUCTION AND BACKGROUND

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The Arizona Department of Education (ADE) has conducted an Average Daily Membership (ADM) audit of Red Mesa Unified School District (District) pursuant to the provisions of A.R.S. § 15-239. This audit was conducted in response to the District's self-identification of inappropriate enrollment and funding of non-resident students in FY2012. The District reported these concerns to ADE and requested assistance in rectifying the problems. Therefore, this audit focused on whether the District accurately reported enrollment and attendance data to ADE for FY2009, FY2010 and FY2011. In addition, the audit reviewed FY2012 documentation to assist the District in identifying data corrections that need to be submitted to ADE to prevent inappropriate funding of non-resident students in FY2013.

***Average Daily Membership audit conducted***—ADM audits help ensure the appropriate distribution of Basic State Aid provided annually to school districts and charter schools. Districts receive Basic State Aid based on several factors related to student attendance. To receive funding, school districts and charter schools report enrollment and attendance data to ADE's Student Accountability Information System (SAIS). ADE then processes that data, determines payment amounts according to the relevant statutory funding formulas and distributes payments to schools up to twelve times each year.

***Audit, appeal and Basic State Aid adjustment processes***—The ADM audit process determines whether payments were correct or if an adjustment is needed pursuant to A.R.S. § 15-915, and provides for an appeal process if the school district or charter school disagrees with the findings. ADM audits compare the school district's or charter school's information reported to SAIS to information found on the original records kept at the school. If the audit finds that the school district's or charter school's reported information does not match the original documentation, the audit will identify and report the funding adjustment needed to Basic State Aid. These funding adjustments can be positive or negative, depending upon the audit findings. The Notice of Audit Findings and Required Reimbursement (Notice) details the audit findings and determination of the Superintendent of Public Instruction regarding adjustments to be made to the school district or charter school.

A.R.S. § 41-1092.03 provides the audited school district or charter school that disagrees with the Superintendent's decision in the Notice the opportunity to file a formal appeal within thirty (30) days after the Notice 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. When the Notice is finally settled or adjudicated, if ADE has determined that a school district or charter school received excess 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. Red Mesa officials indicated to auditors that the District will be seeking legislation to extend the re-payment period due to the large amount owed.

***District financial and other information***—The District's main campus is located in Red Mesa, Arizona, and includes one K-5 elementary school, one middle school and one high school. In addition, the District has one K-8 elementary school located in Round Rock, Arizona, approximately 45 miles

south of the main campus, and an additional high school located in Red Valley, Arizona, approximately 70 miles southeast of the main campus. The District offers education for preschool and kindergarten programs as well as for grades 1 through 12. In FY2011, the District had a total of 1,012 students enrolled at its schools. Table 1 presents the District's student, staffing and financial information for FY2009, FY2010 and FY2011.

**Table 1**  
**Red Mesa Unified School District**  
**Students, Staffing, Revenues and Expenditures**  
**FY2009, FY2010 and FY2011**  
**(Unaudited)**

	<b>FY2009</b>	<b>FY2010</b>	<b>FY2011</b>
<b>Students Enrolled</b>	<b>969</b>	<b>1,052</b>	<b>1,012</b>
<b>Total Teachers</b>	65	58	61
<b>Revenue</b>			
Local	\$ 844,355	\$ 1,652,640	\$ 459,421
County	\$ 95	\$ 364,001	\$ 228,726
State	\$ 5,573,620	\$ 8,098,151	\$ 6,379,603
Federal	<u>\$10,178,196</u>	<u>\$10,974,813</u>	<u>\$ 9,444,640</u>
<b>Total Revenues</b>	<b><u>\$16,596,266</u></b>	<b><u>\$21,089,605</u></b>	<b><u>\$16,512,390</u></b>
<b>Total Expenditures</b>	<b><u>\$17,506,941</u></b>	<b><u>\$21,920,890</u></b>	<b><u>\$16,093,646</u></b>

Source: "Annual Report of the Arizona Superintendent of Public Instruction," for FY2009, FY2010 and FY2011

## SCOPE AND METHODOLOGY

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The audit focused on whether the District accurately reported enrollment and attendance data to ADE and received the correct amount of Basic State Aid in accordance with statutes, the Uniform System of Financial Reporting (USFR) and its own policies and procedures for FY2009, FY2010 and FY2011. In addition, the audit also reviewed FY2012 student cumulative files for non-resident students and associated prospective funding to provide the District information it can utilize to make adjustments to its FY2012 enrollment and attendance data sent to ADE that will be used to determine Basic State Aid payments in 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 areas:

- **Non-resident Students Funded through Basic State Aid**—To determine if students who were claimed for Basic State Aid were residents of Arizona, auditors obtained from the District for FY2009, FY2010 and FY2011 a list of students who were determined by the District to be non-residents. Auditors then reviewed the cumulative files for each of these students, analyzing enrollment forms, residency questionnaires, family information sheets and any other documentation that included address information for the student. Based on this analysis, auditors determined where each student resided during each fiscal year audited.
- **Non-resident Students Funded for Transportation**—To determine the amount of funding that was provided for transportation of non-resident students, auditors reviewed the students who were determined to be non-residents in Finding 1 (see pages 4 through 7). For these students, auditors first determined how many days each student was actually in attendance at the District during the year. The total days for all non-resident students was then used in the calculation to determine the transportation funding that the District received for these students.
- **FY2012 Non-resident Students**—Auditors also determined the potential overfunding that could occur if the District does not correct its student data to remove the non-resident students who were attending the District in FY2012. Auditors calculated the potential ADM that would be funded for these students as well as the potential transportation funding that the District would receive for these students.
- **Student Reporting Errors**—To determine whether the District accurately reported student information to SAIS, auditors compared each student's attendance and enrollment/withdrawal information for FY2009, FY2010 and FY2011 from the District's School Management System (SMS) to SAIS. Auditors compared the SMS total ADM and Average Daily Attendance to what the District was funded on as a whole from ADE.

The Audit Unit expresses its appreciation to the Red Mesa Unified School District's administration and staff members for their cooperation and assistance throughout the audit.

# **FINDING 1: DISTRICT INAPPROPRIATELY ENROLLED AND RECEIVED BASIC STATE AID FOR NON-RESIDENT STUDENTS**

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The District enrolled and claimed ADM for students who were not residents of Arizona during each of the three fiscal years audited. As a result, the District overreported its ADM by a total of 437.44 for FY2009, FY2010 and FY2011. This overstatement of reported ADM resulted in the District being overfunded by \$1,780,682.70 which needs to be recouped by ADE. In the future, the District needs to enroll only Arizona students, charge non-resident students a reasonable tuition or utilize A. R. S. § 15-823 (F) to allow non-resident reservation students to attend school.

*Audit was performed in response to the District self-reporting 152 non-resident students enrolled for FY2012*—The District self-reported through its attorneys to ADE that a number of the students attending the District in FY2012 were not residents of Arizona but were instead residents of Utah or New Mexico. According to the attorneys, the District did not have an Intergovernmental Agreement (IGA) in place with districts in those states, and it was not charging the students tuition to attend the District. Instead of receiving tuition, the District was claiming these students for ADM and receiving Basic State Aid for them. In an attempt to rectify the problem, the District provided ADE with a list of 152 students that the District had concluded lived in Utah or New Mexico in FY2012

After obtaining this information, ADE performed an audit of the District's ADM reporting for the three previous fiscal years to determine if similar non-resident enrollment problems occurred. Since ADM audits cannot be performed on current school year data because the data is not finalized until months after the school year ended, the potential fiscal ramifications to the District if it does not correct its FY2012 data are shown in Finding 3 (see pages 10 through 12).

## **437.44 ADM Identified for Inappropriately Enrolled Non-Resident Students During the Three Years Audited**

The District inappropriately enrolled and reported non-resident students for ADM during the three fiscal years audited. Auditors used a variety of methods to determine that 238 students were non-residents during FY2009, FY2010 and FY2011. The total overreported non-resident student ADM for the three fiscal years was 437.44.

*238 students found to be non-residents for the three years audited*—Auditors determined that 238 students were non-residents of Arizona during one or more of the three fiscal years audited. To determine whether the District enrolled and received funding for non-resident students during FY2009, FY2010 and FY2011, auditors utilized several methods:

- First, auditors used the list of students the District self-reported to ADE for FY2012 to determine whether those students attended the District schools in the three previous years audited.

- Second, auditors obtained a list of all students who were on the bus routes that went into Utah or New Mexico for FY2009, FY2010 and FY2011, to provide additional corroborating information regarding non-residency, and to identify any additional students designated as residing out-of-state who may not have been on the FY2012 District self-reported list.
- Third, auditors obtained additional documents from the attendance clerk's files that indicated residency status for students during the three years audited.
- Fourth, auditors visited the Red Valley/Cove High School near the New Mexico border, approximately 70 miles from the main Red Mesa District campus. Auditors reviewed all the student files at the school (approximately 70 students attended each year), and interviewed school officials regarding non-resident students. School officials stated that they had already made determinations regarding each student's residency status. In fact, one School official had visited each student's home and determined whether the home was in New Mexico or Arizona. As a result, auditors determined that 67 of the Red Valley/Cove High School students representing 47.44 ADM were non-residents for the three fiscal years audited.
- Fifth, auditors excluded Round Rock Elementary School from the analysis. According to District Officials, this school was geographically located far enough away from either Utah or New Mexico to not likely enroll any non-resident student. The school is located approximately 40 miles south of the main Red Mesa District complex, and has a mountain range that separates the school from the New Mexico border. In addition, none of the buses serving the school had routes that came near either the Utah or New Mexico borders.

Based on the above information, auditors obtained and reviewed 380 student files to determine if the student was a resident of Arizona or not during each of the three fiscal years audited. The student files contained documents that indicated the residence of the student, including enrollment forms, residency questionnaires and family information sheets that required the student or parent to draw a map demonstrating where the student lived. Using these documents and incorporating computer satellite mapping programs, auditors determined if the student resided in Arizona, Utah or New Mexico for each of the fiscal years audited.<sup>1</sup> In fact, some of the students identified by the District as non-resident were actually determined to indeed be Arizona residents. These students were then taken out of the final non-resident student totals.

***ADM for non-resident students was overreported by 437.44***—As a result of non-resident students being enrolled in each of the three fiscal years audited, the District's ADM was overreported by 437.44. As shown in Table 2 (see page 6), the ADM for Red Mesa Elementary School was overreported by 135.22, the ADM for Red Mesa Junior High School was overreported by 115.80, the ADM for Red Mesa High School was overreported by 151.79 and the ADM for Red Valley/Cove High School was overreported by 34.63. Since Round Rock Elementary School was excluded from auditors' review, no ADM adjustment was determined for this school.

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<sup>1</sup> According to District officials, all students resided within the Navajo Reservation, which encompasses portions of Arizona, Utah and New Mexico.

**Table 2**

**Red Mesa Unified District  
Overreported ADM for Non-Resident Students  
FY2009, FY2010 and FY2011**

	<b>FY2009</b>	<b>FY2010</b>	<b>FY2011</b>	<b>Total</b>
Red Mesa Elementary School	46.00	47.72	41.50	135.22
Red Mesa Junior High School	45.80	39.06	30.94	115.80
Red Mesa High School	49.91	56.97	44.91	151.79
Red Valley/Cove High School	5.00	12.44	17.19	34.63
Round Rock Elementary School <sup>1</sup>	=	=	=	=
<b>ADM Adjustment</b>	<b><u>146.71</u></b>	<b><u>156.19</u></b>	<b><u>134.54</u></b>	<b><u>437.44</u></b>

<sup>1</sup> Round Rock Elementary School was excluded from the non-residency analysis.

Source: Auditor analysis of the APOR 55-1s and District records for FY2009, FY2010 and FY2011.

**District Was Overfunded  
By \$1,780,682.70**

As a result of non-resident students being enrolled in each of the three fiscal years audited, the District received an overfunding of Basic State Aid. As Table 3 shows, the District was overfunded by \$667,202.84 in FY2009, \$594,185.39 in FY2010 and \$519,294.47 in FY2011. Overall, the District was overfunded by \$1,780,682.70 for the three fiscal years audited, which must be repaid to ADE.

**Table 3**

**Red Mesa Unified School District  
ADM Adjustment and Funding Adjustment for Non-Resident Students  
FY2009, FY2010 and FY2011**

	<b>ADM Adjustment</b>	<b>Funding Adjustment</b>
FY2009	146.71 <sup>1</sup>	\$ 667,202.84
FY2010	156.19	\$ 594,185.39
FY2011	<u>134.54</u>	<u>\$ 519,294.47</u>
<b>Total</b>	<b><u>437.44</u></b>	<b><u>\$1,780,682.70</u></b>

<sup>1</sup> Districts are funded based on prior year student count information. A.R.S. § 15-901 (13). Therefore, all revenue adjustments described in this audit report are for the subsequent fiscal year based on previous year's data. For example, in FY2009, auditors determined that ADM was overstated by 146.71 which resulted in an overpayment of state aid of \$667,202.84 by ADE in FY2010.

Source: Auditor analysis of APOR 55-1s and District records for FY2009, FY2010 and FY2011.

## **District Should Follow State Law to Determine Funding for Non-Resident Students**

Although the District should not have reported non-resident students for Basic State Aid, it should have utilized other options that Arizona statute allows for educating non-resident students. A.R.S. § 15-823 (A) allows the District to enroll children who are non-residents of Arizona as long as it charges a reasonable tuition fixed by the governing board. In addition, statutes were written specifically to address how students living within the Navajo Reservation but outside Arizona may legally attend Arizona schools. A. R. S. § 15-823 (F) states that:

*“The governing board may admit children who are residents of the United States, but who are nonresidents of this state, without payment of tuition if all of the following conditions exist:*

- 1. The child is a member of a federally recognized Indian tribe.*
- 2. The child resides on Indian lands that are under the jurisdiction of the tribe of which the child is a member.*
- 3. The area in the boundaries of the reservation where the child resides is located both in this state and in another state of the United States.*
- 4. The governing board enters into an intergovernmental agreement with the governing board of the school district in another state in which the nonresident child resides. The intergovernmental agreement shall specify the number of nonresident children admitted in this state and the number of resident children that are admitted by the governing board in another state.”*

This statute allows the District to enroll non-resident students without charging tuition as long as there is an IGA in place. However, for the years in question, no IGA had been implemented with districts in the bordering states. According to the District, it is currently in the process of working with Utah and New Mexico districts to see if they can agree on an IGA to be implemented. In the future, the District should ensure that it follows statute when enrolling non-resident students.

### **Recommendations:**

1. ADE must recoup \$1,780,682.70 in Basic State Aid that was overfunded to the District.
2. The District needs to ensure that it only claims students who are residents of Arizona for Basic State Aid.
3. The District should ensure that it follows statute when enrolling non-resident students.

## **FINDING 2: DISTRICT INAPPROPRIATELY RECEIVED BASIC STATE AID FOR TRANSPORTING NON-RESIDENT STUDENTS**

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In addition to inappropriately receiving Basic State Aid funding for enrolling non-resident students as shown in Finding 1 (see pages 4 through 7), the District also inappropriately received state funding for transporting these students. Although not allowed by state law and ADE External Guidelines, the District transported non-resident students and improperly counted these students for transportation funding for all three fiscal years audited. As a result, by including these non-resident students in the transportation formulas, the District was overfunded by a total of \$576,989.30 which must be recouped by ADE.

### **District Transported and Received Funding for Non-Resident Students In Violation of State Law**

The District transported non-resident students and received state transportation funding for these students in violation of state law and ADE External Guidelines. According to District staff, the District utilized five buses to enter Utah to transport non-resident students who resided in Utah, and one bus was sent into New Mexico to transport non-resident students who resided in that state. The District included these non-resident transported students in its data submission for transportation funding for each of the three fiscal years audited.

Although the District was funded for transporting these non-resident students, it was not entitled to this funding based on statute and ADE External Guidelines EX-18. According to A.R.S. § 15-901 (A) (8), an eligible student for transportation is defined as a common or high school student whose place of actual residence is within the school district. Additionally, EX-18 states that the definition of *eligible students* includes “*those whose place of actual residence is within the district*”. Finally, pursuant to A.R.S. § 15-823 (J), a school district is precluded from counting students who are not Arizona residents in the school district’s student count and from obtaining state funding for those pupils. Therefore, according to statute and ADE guidelines, since these students were not residents of Arizona and did not actually reside within the boundaries of the school district, they should not have been included as eligible students for the calculation of transportation funding. In the future, the District should comply with statute and EX-18 for transportation funding.

### **District Was Overfunded By \$576,989.30**

As a result of transporting non-resident students, the District was overfunded by more than \$576,000. To determine the excess transportation funding received, auditors determined the actual days of attendance for non-resident students from the District’s SMS for each fiscal year and multiplied this amount by the

average route miles per student and the dollars per route mile as determined in A.R.S. § 15-945. The funding formula factors and data utilized to determine transportation overfunding is shown in Table 4. As indicated in Table 4, the District was overfunded by a total of \$576,989.30 for the three fiscal years audited. ADE needs to recoup this overfunding as required by A.R.S. § 15-915.

**Table 4**

**Red Mesa Unified School District  
Transportation Funding Adjustment for Non-Resident Students  
FY2009, FY2010 and FY2011**

	<b>FY2009</b>	<b>FY2010</b>	<b>FY2011</b>	<b>Total</b>
Actual Days Attended by Non-Residents	26,410.50	36,252.25	21,689.25	--
District Average Route Miles Per Student	2.877	2.302	2.269	--
Funded District \$/Mile Per Statute	<u>\$2.32</u>	<u>\$2.35</u>	<u>\$2.37</u>	--
Total "To and From" Adjustment	<b>\$176,268.33</b>	<b>\$196,096.76</b>	<b>\$116,608.89</b>	<b>\$488,973.98</b>
Statutory "Activity Trip" Factor	<u>0.18</u>	<u>0.18</u>	<u>0.18</u>	--
"Activity Trip" Adjustment	<b>\$ 31,728.30</b>	<b>\$ 35,297.42</b>	<b>\$ 20,989.60</b>	<b>\$ 88,015.32</b>
<b>Total Adjustment</b>	<b><u>\$207,996.63</u></b>	<b><u>\$231,394.18</u></b>	<b><u>\$137,598.49</u></b>	<b><u>\$576,989.30</u></b>

Source: Auditor analysis of District records and ADE reports for FY2009, FY2010 and FY2011, and interviews with District officials.

**Recommendations:**

1. ADE needs to recoup \$576,989.30 from the District in Basic State Aid overpayments related to transportation funding.
2. The District should comply with statute and EX-18 when calculating its transportation funding.

## **FINDING 3: DISTRICT IMPROPERLY REPORTING NON-RESIDENT STUDENTS FOR ADM AND TRANSPORTATION FUNDING IN FY2012**

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The District needs to adjust its student and transportation data reported to SAIS for FY2012 to remove the non-resident students so that it receives the correct amount of funding in FY2013. Auditors determined that at least 112 students in the District were non-residents but have been included in the District's FY2012 student data provided to ADE. Additionally, the District must remove these non-resident students from its transportation funding formulas as these students do not qualify as eligible students according to statute. If not corrected by the District, these non-resident student data reporting errors will potentially result in overfunding to the District in FY2013 totaling approximately \$505,884.54.<sup>2</sup>

### **FY2012 Non-Resident Students Need to be Removed from Student Funding Data Submitted to ADE**

According to A.R.S. § 15-915, the District must correct its student data within SAIS to remove all non-resident students from its student counts for funding purposes in order to prevent overfunding in FY2013. The District self-reported in FY2012 that 152 students were attending District schools but were not Arizona residents. In addition, auditors identified a number of other students who the District had reported in the three fiscal years audited who were also attending the District in FY2012. Auditors reviewed a total of 191 student files and determined that at least 112 students in FY2012 were non-residents.

Using the same methodology described in Finding 1 (see pages 4 through 7), auditors determined that these 112 students resided in New Mexico or Utah, but not in Arizona. As previously stated in Finding 1, only resident students may attend Arizona schools without payment of tuition, with some statutory exceptions. As shown in Table 5 (see page 11), the District overreported 97.58 ADM in FY2012, which it must correct through SAIS according to A.R.S. § 15-915 or else it could be overfunded in FY2013 by an estimated \$397,212.02.

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<sup>2</sup> Statutes require school district funding to be determined by using previous year's enrollment and attendance information. Therefore, failing to correct the District's FY2012 data would result in an overpayment in FY2013.

**Table 5**

**Red Mesa Unified School District  
Non-Resident Students, Estimated ADM and Estimated Overfunding  
FY2012**

	<b>FY2012</b>
Students Reviewed	191.00
Students Determined to be Non-residents	112.00
Estimated FY2013 ADM Over reporting	97.58
Estimated FY2013 Basic State Aid Overfunding of Non-resident Students	\$397,212.02

Source: Auditor analysis of District records and ADE reports for FY2012.

**FY2012 Non-Resident Students  
Need to be Removed from Transportation  
Funding Data Submitted to ADE**

In addition to potentially being overfunded for at least 112 students in FY2013, if the District does not correct its student data according to A.R.S. § 15-915, it may also be overfunded for transportation if it includes these students as eligible students. As previously stated in Finding 2 (see pages 8 and 9), non-resident students do not qualify as eligible students for transportation funding. As a result, the District may be overfunded for these 112 students if it does not correct its student data with SAIS. As shown in Table 6, if the District does not correct its student data within SAIS, it will be overfunded by approximately \$108,672.52 in FY2013 for transporting non-resident students in FY2012.

**Table 6**

**Red Mesa Unified School District  
Non-Resident Students and Estimated Transportation Adjustment  
FY2012**

	<b>FY2012</b>
Students Determined to be Non-residents	112
Estimated Transportation Adjustment	\$108,672.52

Source: Auditor analysis of District records and ADE reports for FY2012.

**District Requiring Non-Resident  
Students to Pay Tuition in FY2013**

Although the District continued to enroll and transport non-resident students after it had self-reported the situation to ADE, it determined that beginning in FY2013, non-resident students will not be enrolled in the District without payment of tuition pursuant to statute. In a letter issued to parents and guardians and

posted on the District's website dated May 23, 2012, the District's superintendent noted that Arizona law only permits the District to accept non-resident students if they pay tuition or if the non-resident student's home school district enters into an IGA to permit these students to attend school in Arizona. According to the letter issued by the District, since the surrounding districts in New Mexico and Utah have refused to enter into IGAs to permit the enrollment of non-resident students pursuant to A.R.S. § 15-823 (F), non-resident students will not be enrolled in or transported by the District without the payment of tuition in FY2013. The District should continue to ensure that non-resident students are properly enrolled and funded according to Arizona law.

### **Recommendations:**

1. The District must correct its FY2012 student data within SAIS according to A.R.S. § 15-915 to remove all non-resident students from its student counts for funding purposes in order to prevent overfunding pursuant to state law.
2. The District must remove its FY2012 non-resident students from the number of eligible students for transportation funding within SAIS in order to prevent overfunding pursuant to state law.
3. The District should ensure that non-resident students are properly enrolled and funded according to Arizona law.

## **FINDING 4: DATA REPORTING ERRORS RESULTED IN OVERREPORTED ADM**

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Auditors also found that the District's ADM and funding were overstated due to data reporting errors in FY2009, FY2010 and FY2011. As a result of reporting errors for enrollment and attendance, the ADM for the District was overreported by 7.57. This led to an overfunding of \$30,549.66 the three fiscal years audited. To ensure in the future that enrollment and attendance is reported correctly to SAIS, the District should use the reports and staff available from ADE to assist in reconciling its student information maintained at the District to the District's data in SAIS.

### **ADM Overreported by 7.57 Due To Data Reporting Errors**

For the three fiscal years audited, the District did not accurately report some enrollment and attendance data to SAIS, resulting in ADM being overstated for each year. When comparing the student enrollment and withdrawal dates that were in the District's enrollment and attendance record-keeping system to those that were reported to SAIS, auditors found that these did not always match. Specifically, some students were reported with enrollment or withdrawal dates prior to or after the actual enrollment or withdrawal date for the student. As a result, the ADM for these students was calculated incorrectly.

In addition, the number of absences that were included in the District's system did not always match the number of absences that were reported to SAIS. Since the District was funded on adjusted ADM during each of the three fiscal years audited, attendance was also used in determining the ADM for the District.<sup>3</sup> Therefore, it was vital that absences were reported correctly to ensure that accurate funding was determined. However, for each of the years audited, the absences that were reported to SAIS for some students were inaccurate.

As a result of the enrollment and attendance reporting errors, the District's ADM was overstated for each of the three fiscal years audited. As shown in Table 7 (see page 14), the ADM was overreported by 2.20 in FY2009, 3.21 in FY2010 and 2.16 in FY2011. Overall, the ADM for the District was overreported by 7.57 for the three fiscal years audited.

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<sup>3</sup> For a common or a unified school district in which the average daily membership through the first one hundred days or two hundred days in session, as applicable, of the current year has exceeded the average daily attendance through the first one hundred days or two hundred days in session, as applicable, of the current year by more than six per cent, the student count shall be determined by an adjusted average daily membership computed by multiplying the actual average daily attendance by one hundred six per cent. A.R.S. § 15-902 (A) (this statute was repealed as of July 1, 2011, but was in effect for the years covered by this audit).

Table 7

**Red Mesa Unified District  
ADM Overreported Due to Enrollment and Attendance Reporting Errors  
FY2009, FY2010 and FY2011**

	<b>FY2009</b>	<b>FY2010</b>	<b>FY2011</b>	<b>Total</b>
Funded ADM	909.81	967.97	944.53	2,822.31
Audited ADM	<u>907.61</u>	<u>964.76</u>	<u>942.37</u>	<u>2,814.74</u>
<b>ADM Adjustment</b>	<b><u>2.20</u></b>	<b><u>3.21</u></b>	<b><u>2.16</u></b>	<b><u>7.57</u></b>

Source: Auditor analysis of the APOR 55-1s and District records for FY2009, FY2010 and FY2011.

**The District Was Overfunded  
By \$30,549.66**

As a result of its ADM being overstated in each of the three fiscal years audited, the District received an overfunding of Basic State Aid. As shown in Table 8, the District was overfunded by \$10,002.50 in FY2009, \$12,203.76 in FY2010 and \$8,343.40 in FY2011. Overall, the District was overfunded by \$30,549.66 for the three fiscal years audited, which the District must repay to ADE according to A.R.S. § 15-915.

Table 8

**Red Mesa Unified School District  
ADM Adjustment and Funding Adjustment  
FY2009, FY2010 and FY2011**

	<b>ADM Adjustment</b>	<b>Funding Adjustment</b>
FY2009	2.20	\$10,002.50
FY2010	3.21	\$12,203.76
FY2011	<u>2.16</u>	<u>\$ 8,343.40</u>
<b>Total</b>	<b><u>7.57</u></b>	<b><u>\$30,549.66</u></b>

Source: Auditor analysis of APOR 55-1s and District records for FY2009, FY2010 and FY2011.

**District Should Use ADE Data Guidance  
Documents, Reports and Staff to Ensure  
Accurate Data In SAIS**

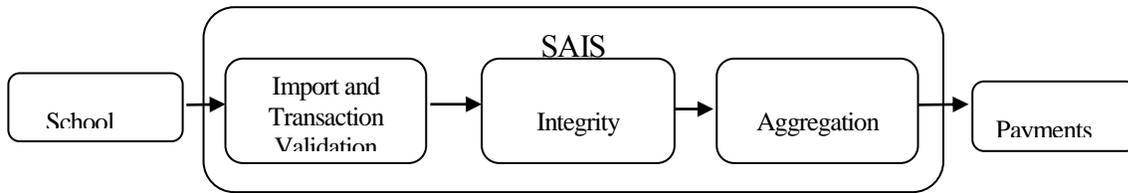
To help ensure that its SAIS data is accurate, the District needs to regularly reconcile its own original data with its data in ADE’s SAIS system. ADE’s School Finance Unit has developed several documents and reports and has designated specific staff members to assist districts in ensuring data accuracy.

**School Finance reporting guidance documents**—The District needs to review and utilize the following ADE School Finance documents to help ensure the accuracy of its data. These are “*Getting Started with SAIS Student Detail*”, “*Student Accountability Information System Basic Guide: Understanding and Verifying Your Reported Membership Counts*” and “*Student Accountability Information System Student Database Transaction Requirements*”. These documents provide important guidance for submitting and verifying accuracy of submitted data and can be accessed through the ADE School Finance website ([www.ade.az.gov/schoolfinance](http://www.ade.az.gov/schoolfinance)).

**School Finance reports**—In addition to using the School Finance guidance documents, the District needs to understand and utilize the various reports that are generated by SAIS after each SAIS data processing step occurs. These reports provide important information regarding whether all or part of a district’s data submission was accepted or rejected by SAIS and the reasons for the rejection. Figure 1 provides a brief overview of the steps in the SAIS data process, a description of the purpose of each of the steps and a description of the SAIS reports that districts can use to reconcile their data with SAIS. These reports are available from SAIS through ADE’s automated “Common Logon,” and are essential for districts to ensure that their data is accurate in SAIS.

**Figure 1**

**Arizona Department of Education  
SAIS Data Submission and Processing Flowchart  
And Related Reports**



<p>School prepares data in order to submit to SAIS</p>	<p>File formatting and transactions are preliminarily checked before importing into SAIS</p> <p><b>ADMS 71 Report</b>—A report for each student contains daily attendance information that has been imported</p>	<p>Data goes through integrity checks to validate for funding</p> <p><b>ADMS 72 Report</b>—The report contains all students and the total attendance imported for each student, as well as the status of integrity</p> <p><b>Student Integrity Status Report</b>—Contains a description of all integrity failures</p>	<p>Data is aggregated into membership days and fundable counts for the schools</p> <p><b>ADMS 75 Report</b>—The report contains the ADM for all students that have passed integrity and will be funded</p>	<p>Data is processed to determine payment amount</p>
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Source: ADE School Finance Unit information and interviews with ADE School Finance Unit staff.

***Using the reports to ensure attendance data accuracy***—The District needs to compare its submitted information with the SAIS information after the integrity checks as found on the above-mentioned reports. Specifically:

- The ADMS 71 Report provides enrollment and daily attendance information for each student that passed the initial or “import” integrity checks within SAIS. The initial integrity check within SAIS rejects data submissions that do not meet various SAIS requirements. The District can compare its original information to the ADMS 71 Report data to determine if any of its data was rejected. If rejected, the District should then resubmit the data in a format that is acceptable to SAIS.
- The ADMS 72 Report provides a summary of data that passed the second and most comprehensive integrity check within SAIS. The District needs to compare its original data to the data in the ADMS 72 Report to determine if SAIS rejected any of its reported data. If so, then the District should resubmit the data in a format that SAIS will accept.
- To assist districts in identifying data not accepted by SAIS’ second integrity check, School Finance has developed “*The Student Integrity Status Report*”. This report provides a list and description of all the errors or rejected data per student after the data passes through the second SAIS integrity check. This report should be used in conjunction with the ADMS 72 Report to identify and resolve data problems.

***The District should obtain guidance from its School Finance account analyst***—In December 2009, ADE’s School Finance Unit designated specific staff members as account analysts to assist districts with questions concerning its data. Account analysts can provide school districts and charter schools with clarification and answers to questions relating to the School Finance reporting guidance documents and School Finance reports. To help ensure the accuracy of its data in the future, the District should contact its account analyst and obtain guidance and clarification as necessary.

## **Recommendations:**

1. ADE must recoup \$30,549.66 in Basic State Aid that was overfunded to the District.
2. Using the resources available through Common Logon and School Finance, the District must ensure that its enrollment and attendance data is reported correctly to SAIS.

# ADM FUNDING ADJUSTMENTS

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This audit identified an overall funding reduction of \$2,388,221.66 for the three fiscal years audited:

- \$1,780,682.70 for non-resident students improperly enrolled and claimed for Basic State Aid;
- \$576,989.30 for transportation provided to non-resident students; and
- \$30,549.66 for data reporting errors.

Table 9 lists the ADM adjustments that affect state funding and the associated Basic State Aid adjustments for the School for FY2009, FY2010 and FY2011.

**Table 9**

**Red Mesa Unified School District  
ADM and Funding Adjustments Required for  
FY2009, FY2010 and FY2011**

	FY2009		FY2010		FY2011		Total Adjustment
	ADM	Funding	ADM	Funding	ADM	Funding	
Non-Resident Students	146.71	\$667,202.84	156.19	\$594,185.39	134.54	\$519,294.47	\$1,780,682.70
Non-Resident Transportation	-	\$207,996.63	-	\$231,394.18	-	\$137,598.49	\$ 576,989.30
Data Reporting Errors	2.20	\$ 10,002.50	3.21	\$ 12,203.76	2.16	\$ 8,343.40	\$ 30,549.66
<b>Total</b>	<b>148.91</b>	<b>\$885,201.97</b>	<b>159.40</b>	<b>\$837,783.33</b>	<b>136.70</b>	<b>\$665,236.36</b>	<b>\$2,388,221.66</b>

Source: Auditor analysis of SAIS and School student and financial data for FY2009, FY2010 and FY2011.

Additionally, the District must correct its student data reported to SAIS for FY2012 to remove non-resident students from its student counts or the District will be overfunded by approximately \$397,212.02 for non-resident students and by approximately \$108,672.52 for transportation of non-resident students.