



# Arizona Department of Education

The Audit Unit  
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## Average Daily Membership Audit Report Maricopa Unified School District Fiscal Years 2011, 2012 and 2013

Report Number—14-13

April 7, 2014

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John Huppenthal  
Superintendent of  
Public Instruction

April 7, 2014

Dr. Steve Chestnut, Superintendent  
Maricopa Unified School District  
45012 W. Honeycutt Avenue  
Maricopa, AZ 85239

Dear Dr. Chestnut,

The Arizona Department of Education Audit Unit has conducted an audit of the Maricopa Unified School District (District) Average Daily Membership for Fiscal Years 2011, 2012 and 2013. 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.

Auditors determined that the District did not accurately report some AOI data, resulting in the District's ADM being underreported by 0.757. As a result, the District was underfunded Basic State Aid by \$4,998.85 which ADE must repay to the District. Additionally, auditors determined that the District did not accurately report some student data for its non-AOI students, resulting in the District's ADM being overreported by 3.587. As a result, the District was overfunded Basic State Aid by \$16,647.03 which the District must repay to ADE.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Lisa Eddy".

Lisa Eddy,  
Chief Auditor

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# INTRODUCTION AND BACKGROUND

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The Arizona Department of Education (ADE) Audit Unit has conducted an Average Daily Membership (ADM) audit of the Maricopa 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. 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 Maricopa, Arizona, maintained six K-5 schools, two middle schools and one high school during the fiscal years audited. The District also maintained one Arizona Online Instruction (AOI) school during FY2012 and FY2013. Table 1 presents the District's unaudited student, staffing and financial information for FY2011, FY2012 and FY2013.

Table 1

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

	FY2011	FY2012	FY2013
<b>Students Enrolled</b>	<b>6,009</b>	<b>5,830</b>	<b>5,803</b>
<b>Number of Teachers</b>	249	N/A <sup>1</sup>	557
<b>Revenue</b>			
Local	\$13,248,725	\$ 8,942,866	\$10,382,519
County	\$ 1,284,395	\$ 1,176,291	\$ 1,339,787
State	\$29,058,631	\$25,297,493	\$24,898,288
Federal	<u>\$ 3,413,173</u>	<u>\$ 3,940,292</u>	<u>\$ 3,818,308</u>
<b>Total Revenues</b>	<b><u>\$47,004,924</u></b>	<b><u>\$39,356,942</u></b>	<b><u>\$40,438,902</u></b>
<b>Total Expenditures</b>	<b><u>\$52,071,398</u></b>	<b><u>\$38,931,662</u></b>	<b><u>\$40,786,547</u></b>

<sup>1</sup> Teacher data not available for the District in the Annual Report for FY2012.

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

# SCOPE AND METHODOLOGY

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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:

- **AOI Reporting Errors**—To determine whether the District reported the correct AOI student enrollment data and instructional hours to ADE, auditors reviewed the course enrollments and instructional minutes of every student the District enrolled in its AOI school. Auditors recalculated the actual full-time enrollment (FTE) status for these students based on the number of courses the students were enrolled in during the year. Additionally, auditors calculated the membership days for each student based on the data provided by the District. Auditors compared this to the information reported to SAIS. When a discrepancy was identified, auditors made an adjustment to the funded ADM.
- **Data Reporting 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.

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 DID NOT ACCURATELY REPORT SOME AOI DATA RESULTING IN AN UNDERPAYMENT OF \$4,998.85**

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The District did not accurately report enrollment data for some of its AOI students to ADE for FY2012 and FY2013. Specifically, auditors found that the District inaccurately reported the AOI instructional hours for 61 students, which resulted in the District's AOI ADM being understated by 4.629. Additionally, auditors identified 179 part-time students who the District misreported as being enrolled full-time, which resulted in the District's AOI ADM being overstated by 3.872. As a result, the District's AOI ADM was understated by 0.757, which led to the District being underfunded by \$4,998.85 in Basic State Aid for the two fiscal years, which ADE must repay according to A.R.S. § 15-915.

## **The District Inaccurately Reported AOI Data for 61 Students**

Auditors determined that the District inaccurately reported some AOI student data, which led to the District's AOI ADM being underreported by 4.629. The District maintained an AOI program during two of the three fiscal years audited, FY2012 and FY2013. Auditors identified 61 students during the two fiscal years that the District misreported student data, which resulted in the District's ADM being understated by 4.629<sup>1</sup>. These errors occurred because the District did not properly reconcile its data to SAIS.

*The District misreported student data for 61 students*—The District inaccurately reported the AOI enrollment data for 61 students as follows:

- 43 students were reported to SAIS with incorrect AOI minutes, which resulted in the District's ADM being understated by 3.255 for the two fiscal years.
- 17 students were reported to SAIS for the AOI but the District did not report any instructional minutes for these students, which resulted in the District's ADM being understated by 1.113 for the two fiscal years.
- 1 student was not reported to SAIS; however, District documentation showed the student had participated in the AOI, which resulted in the District's ADM being understated by 0.261 for the two fiscal years.

As a result of these data reporting errors, the District's AOI ADM was understated by 0.057 in FY2012 and by 4.572 in FY2013.

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

***The District did not properly reconcile***—These data reporting errors identified by auditors occurred because the District did not properly reconcile its data. According to District staff, reconciling is completed after the 40<sup>th</sup> and 100<sup>th</sup> days in session. However, the District did not complete reconciliation after the 100<sup>th</sup> day in FY2013. The District discontinued its AOI program after FY2013. However, if the District reopens its AOI in the future, the District must review the reports produced by SAIS and reconcile them to the District's SMS data to identify any discrepancies after the close of the school year in order to ensure accuracy in its data and reconciliation process.

## **The District Misreported the FTE Status of 179 Students**

In addition to the data reporting errors, auditors determined that the District misreported the FTE status of 179 students in both fiscal years. As a result, the District's AOI ADM was overstated by 3.872 for both fiscal years. The District reported these 179 students as full-time based on the number of minutes of instruction the student was completing. However, the statutory requirements for a full time student require both 900 instructional hours and enrollment in at least four courses during the school year. Because the 179 students were not enrolled in at least four courses, they should have been reported as part-time students.

***The District incorrectly reported the FTE status of some students***—Auditors identified 110 students in FY2012 and 69 students in FY2013 who were incorrectly reported by the District as being enrolled full-time. All of these 179 students were reported as being enrolled full-time; however, auditors determined that these students failed to meet the statutory definition of a full-time student and should have been reported as part-time students by the District. Because of the incorrect reporting of these students as full-time, the District's AOI ADM was overstated for full-time students and its AOI ADM for part-time students was understated. Of these 179 students, auditors identified:

- 110 students in FY2012, which resulted in the District's full-time AOI ADM being overstated by 27.084 and its part-time AOI ADM being understated by 24.290. As a result, the District's AOI ADM was overreported by 2.794.
- 69 students in FY2013, which resulted in the District's full-time AOI ADM being overstated by 14.835 and its part-time AOI ADM being understated by 13.757. As a result, the District's AOI ADM was overreported by 1.078.

As a result of the incorrect reporting of FTE status, the District's AOI ADM was overreported by 3.872 for both fiscal years.

***The District did not comply with statutory FTE reporting requirements***—According to District staff, the misreporting of FTE status occurred because the District enrolled students based on the minutes the student was participating in the AOI. If a student was enrolled in 300 minutes daily, the District reported the student as being enrolled full-time. However, when determining enrollment status, the District failed to ensure students were enrolled in at least four courses as required by statute. According to A.R.S. § 15-808, high school students must be enrolled in at least four courses throughout the year that meet at least

900 instructional hours during the school year to be reported full-time. A part-time student is any student who is enrolled in less than four courses. Properly reporting a student's enrollment status is particularly important for AOI students because full-time and part-time students are funded at different levels. Pursuant to A.R.S. § 15-808, a full-time student is funded at 95% of the Base Support Level established in statute, while a part-time student is funded at 85% of the Base Support Level.

### The District's AOI ADM Was Understated

As a result of the data reporting errors and the incorrectly reported FTE status, the District's ADM was overstated in FY2012 by 2.737 and understated in FY2013 by 3.494. As shown in Table 2, the District's net AOI ADM for the two fiscal years was understated by 0.757.

Table 2

**Maricopa Unified School District  
AOI ADM Adjustments Due to Data Reporting Errors and  
Incorrectly Reported FTE Status  
FY2012 and FY2013**

	FY2012	FY2013	Total
Data Reporting Errors	(0.057)	(4.572)	(4.629)
Incorrectly reported FTE status	2.794	1.078	3.872
<b>Total</b>	<b>2.737</b>	<b>(3.494)</b>	<b>(0.757)</b>

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

### The District Was Underfunded by \$4,998.85

Auditors determined that the District did not receive the correct amount of Basic State Aid due to the inaccurate AOI student data reported to ADE for FY2012 and FY2013. As a result, the District was underfunded by \$4,998.85 in Basic State Aid, which ADE must repay to the District pursuant to A.R.S. § 15-915. Table 3 shows the ADM and funding adjustments required for the District for FY2012 and FY2013.

Table 3

**Maricopa Unified School District  
AOI ADM and Funding Adjustments Due to  
Data Reporting Errors  
FY2012 and FY2013**

	FY2012	FY2013	Total
ADM Adjustments	2.737	(3.494)	(0.757)
Funding Adjustments	\$11,652.20	\$(16,651.05)	<b>\$(4,998.85)</b>

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

### Recommendation:

1. ADE must repay the District \$4,998.85 in Basic State Aid due to incorrectly reported AOI data.

## **FINDING 2: THE DISTRICT DID NOT ACCURATELY REPORT SOME STUDENT DATA RESULTING IN AN OVERPAYMENT OF \$16,647.03**

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The District did not accurately report enrollment data for 49 students to ADE for FY2011, FY2012 and FY2013. Specifically, auditors found that the District failed to report two students to SAIS, misreported enrollment and withdrawal dates for 11 students, reported nine students who did not attend a District school, reported four students with an incorrect FTE status and did not properly limit 23 students to 100 membership days. As a result of these errors, the District's ADM was overstated by 3.587 for the three fiscal years audited. Due to the inaccurate enrollment data reported to ADE, the District received a net overpayment of \$16,647.03 in Basic State Aid for the three fiscal years audited which ADE must recoup from the District.

### **The District Inaccurately Reported Student Enrollment Data**

The District inaccurately reported 49 students' enrollment data to ADE due to various errors. As a result, the District overstated its ADM in the three fiscal years audited by 3.587.

ADE External Guideline and Procedures GE-17<sup>2</sup> 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:

- 9 students did not have any attendance documentation that indicated they had attended the District, which resulted in the District's ADM being overstated by 3.132.
- 23 students were not capped at 100 membership days, which resulted in the District's ADM being overstated by 1.810.
- 2 students were not reported to SAIS; however, District attendance documentation showed the student as being enrolled and attending, which resulted in the District's ADM being understated by 1.010.
- 11 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 0.29.

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<sup>2</sup> ADE External Guidelines and Procedures 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."

- 4 students were reported to SAIS with an incorrect FTE status for a portion of the school year, which resulted in the District's ADM being understated by 0.055.

The District must ensure it complies with A.R.S. § 15-901 and GE-17 when reporting entry and exit dates to SAIS. Additionally, the District must ensure it complies with A.R.S. § 15-901 and EX-18 when calculating and reporting FTE status.

As shown in Table 4, enrollment data errors resulted in a net ADM overstatement of 3.587 for FY2011, FY2012 and FY2013.

**Table 4**

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

	<b>FY2011</b>	<b>FY2012</b>	<b>FY2013</b>	<b>Total</b>
Did not attend the District, but was in SAIS	-	0.088	3.044	3.132
Not limited to 100 membership days	-	0.400	1.410	1.810
Attended the District, but was not in SAIS	(0.370)	-	(0.640)	(1.010)
Incorrect entry or withdrawal date	0.140	-	(0.430)	(0.290)
Incorrect FTE	<u>0.165</u>	<u>0.015</u>	<u>(0.235)</u>	<u>(0.055)</u>
<b>Total ADM Adjustment for Enrollment Data Errors</b>	<b><u>(0.065)</u></b>	<b><u>0.503</u></b>	<b><u>3.149</u></b>	<b><u>3.587</u></b>

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

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

The District can likely avoid errors in the future by ensuring it correctly reconciles its data to the data contained in SAIS. According to District staff, reconciling is completed after the 40<sup>th</sup> and 100<sup>th</sup> days in session. However, the District did not complete reconciliation after the 100<sup>th</sup> day in FY2013. The District must review the reports produced by SAIS and reconcile them to the District's SMS data to identify any discrepancies after the close of the school year in order to ensure accuracy in its data and reconciliation process.

### **The District Was Overfunded by \$16,647.03**

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 overstated by 3.587 for the three fiscal years audited. As a result, the District was overfunded by \$16,647.03 in Basic State Aid, which ADE must recoup from the District. Table 5 (see page 9) shows the ADM and funding adjustments required for the District for FY2011, FY2012 and FY2013.

Table 5

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

	<b>FY2011</b>	<b>FY2012</b>	<b>FY2013</b>	<b>Total</b>
Data Reporting Errors ADM Adjustments	(0.065)	0.503	3.149	<b>3.587</b>
Funding Adjustments	\$(503.32)	\$2,142.36	\$15,007.99	<b>\$16,647.03</b>

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

**Recommendations:**

1. ADE must recoup from the District \$16,647.03 in overfunding due to incorrectly reported enrollment data.
2. The District must ensure it complies with A.R.S. § 15-901 and GE-17 when reporting entry and exit dates to SAIS.
3. The District must ensure it complies with A.R.S. § 15-901 and EX-18 when calculating and reporting FTE status.
4. The District must 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 Basic 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 \$11,648.18 required to be repaid by District**—Auditors identified an overall funding decrease of \$11,648.18 for the three fiscal years audited:

- \$(4,998.85) for AOI data reporting errors;
- \$16,647.03 for inaccurate enrollment data.

Table 6 lists the ADM adjustments and the associated Basic State Aid adjustments for the District for FY2011, FY2012 and FY2013.

**Table 6**

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

	FY2011		FY2012		FY2013		Total
	ADM	Funding	ADM	Funding	ADM	Funding	
AOI Data Errors	-	\$ -	2.737	\$11,652.20	(3.494)	\$(16,651.05)	\$ (4,998.85)
Data Reporting Errors	(0.065)	\$(503.32)	0.503	\$ 2,142.36	3.149	\$ 15,007.99	\$16,647.03
<b>Total Funding Adjustment</b>	<b>(0.065)</b>	<b>\$(503.32)</b>	<b>3.240</b>	<b>\$13,794.56</b>	<b>(0.345)</b>	<b>\$ (1,643.06)</b>	<b>\$11,648.18</b>

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