



Arizona Department of Education

The Audit Unit
1535 W. Jefferson St., Bin 19
Phoenix, Arizona 85007
602-364-2097

Average Daily Membership Audit Report Tolleson Union High School District Fiscal Years 2010, 2011 and 2012

Report Number—13-3

June 5, 2013

CONTACTING

THE AUDIT UNIT

Arthur E. Heikkila, Chief Auditor

Phone: (602) 364-2097

Email: Arthur.Heikkila@azed.gov

Fax: (602) 542-2734

Mail: 1535 W. Jefferson St., Bin 19
Phoenix, AZ 85007-3209

OBTAINING ADDITIONAL COPIES

To obtain additional copies of this report, please submit a formal request to the address below:

Arizona Department of Education—The Audit Unit

Attn: Linda Norgren

1535 W. Jefferson Street, Bin 19

Phoenix, AZ 85007-3209

Phone: (602) 364-4063



State of Arizona
Department of Education
The Audit Unit
1535 W. Jefferson St, Bin 19 • Phoenix, AZ 85007
Phone (602) 364-2097 Fax (602) 542-2734

John Huppenthal
Superintendent of
Public Instruction

June 5, 2013

Dr. Lexi Cunningham, Superintendent
Tolleson Union High School District
9801 W. Van Buren Street
Tolleson, AZ 85353

Dear Superintendent Cunningham,

The Arizona Department of Education Audit Unit has conducted an audit of the Tolleson Union High School District (District) Average Daily Membership for FY2010, FY2011 and FY2012. 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.

The audit found that the District was underfunded for some data enrollment errors. Additionally, the audit found that the District was overfunded due to overlapping membership intervals. As a result of these findings, the District was underfunded \$3,357.50 for the three fiscal years. 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

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 "Arthur E. Heikkila".

Arthur E. Heikkila
Chief Auditor

Table of Contents

	<u>Page</u>
Introduction and Background	1
Scope and Methodology	3
Finding 1: The District Was Underfunded By \$20,309.54 for 10.349 ADM From Enrollment Data Errors	4
ADM Overstated by 10.349 Due to Enrollment Data Errors.....	4
The District Was Underfunded By \$20,309.54	5
The District Should Address Data Errors by Properly Reconciling Its Data with the Data in SAIS	6
Recommendations.....	6
Finding 2: The District Was Overfunded By \$16,952.04 for 47.40 ADM From Overlapping Membership Intervals	7
Statutes Define ADM Calculations To Determine Funding per Student	7
Overlapping Membership Intervals Generated More Membership Days than Allowed by Statute.....	7
The District and SAIS Did Not Address Overlapping Membership Interval Problems	8
The District Was Overfunded by \$16,952.04 Due to Overlapping Membership Intervals	9
Recommendations.....	10
ADM and Funding Adjustments	11

Table of Contents (Concl'd)

	<u>Page</u>
Tables:	
1 Tolleson Union High School District Students, Staffing, Revenues and Expenditures FY2010, FY2011 and FY2012 (Unaudited)	2
2 Tolleson Union High School District ADM Adjustments Required Due to Various District Enrollment Errors in SAIS FY2010, FY2011 and FY2012.....	5
3 Tolleson Union High School District ADM, Basic State Aid, Growth and Net Funding Adjustments FY2010, FY2011 and FY2012.....	5
4 Tolleson Union High School District Student Data SAIS Errors Example for One Student FY2011	8
5 Tolleson Union High School District Students with Overlapping Membership Intervals and ADM Adjustments FY2011	8
6 Tolleson Union High School District ADM and Funding Adjustment Required for FY2011.....	9
7 Tolleson Union High School District ADM and Funding Adjustments Required For FY2010, FY2011 and FY2012.....	11

INTRODUCTION AND BACKGROUND

The Arizona Department of Education (ADE) Audit Unit has conducted an Average Daily Membership (ADM) audit of the Tolleson Union High 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 for FY2010 through FY2012.

Average Daily Membership audits of district and charter holder funding—Pursuant to A.R.S. § 15-239, ADM audits 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 the audit finds 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 is located in Tolleson, a suburb west of Phoenix, Arizona. For the fiscal years audited, the District educated students in grades nine through twelve at six high schools. Table 1 provides District student, staffing and expenditure information for FY2010, FY2011 and FY2012.

Table 1

**Tolleson Union High School District
Students, Staffing, Revenues and Expenditures
FY2010, FY2011 and FY2012
(Unaudited)**

	FY2010	FY2011	FY2012
Students Enrolled	9,223.24	9,242.54	9,569.93
Number of Teachers	485	493	505
Revenue			
Local	\$34,027,699	\$43,073,442	\$47,424,289
County	2,343,862	2,747,849	2,947,606
State	27,948,296	31,764,041	29,916,872
Federal	8,837,123	6,199,557	7,186,600
Total Revenues	\$73,156,980	\$83,784,889	\$87,475,368
Total Expenditures	\$64,539,012	\$60,774,213	\$83,823,426

Source: Annual Report of the Arizona Superintendent of Public Instruction for FY2010, FY2011 and FY2012.

SCOPE AND METHODOLOGY

The audit focused on whether the District accurately reported its enrollment and attendance 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 FY2010, FY2011 and FY2012.

During the course of the audit, auditors questioned whether the District was properly calculating its full-time enrollment (FTE) and ADM for some students enrolled in a block schedule, primarily at one high school. This may have occurred because of how the District's data system calculates FTE for these students. Although auditors informed District officials of this potential data error, District management disagreed, and contended that the particular data in question was indeed accurately computed by its data system. Due to auditor time constraints, auditors utilized the District's data submitted to SAIS to make the audit determinations.

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

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

- **Reporting Errors**—To determine whether the District accurately reported student enrollment information to SAIS, auditors compared student enrollment data for FY2010, FY2011 and FY2012 from the District's SMS to SAIS. For each of the fiscal years audited, auditors reviewed 100% of the student population.
- **Overlapping memberships**—To determine whether the District accurately reported student membership information to SAIS, auditors compared the student membership data for FY2010, FY2011 and FY2012 from the District's School Management System (SMS) to SAIS. For each of the fiscal years audited, auditors reviewed 100% of the student population: a total of 10,174 students for FY2010; 10,168 students for FY2011; and 10,522 students for FY2012.

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 WAS UNDERFUNDED BY \$20,309.54 FOR 10.349 ADM FROM ENROLLMENT DATA ERRORS

Enrollment data errors in FY2010, FY2011 and FY2012 resulted in the District being underfunded. These errors resulted in a total ADM overstatement of 10.349. However, due to the District's growth adjustment in the statutory funding formula, the District was underfunded by a total of \$20,309.54, which ADE needs to repay to the District. To ensure that enrollment data is accurately recorded in SAIS, the District should properly reconcile enrollment information maintained in its data system to the enrollment information in SAIS.

ADM Overstated by 10.349 Due to Enrollment Data Errors

For the three fiscal years audited, auditors found some enrollment data errors in SAIS, resulting in ADM being understated in FY2010, and overstated in both FY2011 and FY2012. Auditors compared the student data in the District's record-keeping system to SAIS and identified the following errors:

- One student withdrew during the summer prior to the school year in FY2012; however, the student remained enrolled in SAIS, and the District received funding for this student. As a result, the District's ADM was overstated by 0.200 for this student.
- Twelve students were not listed in SAIS reports for funding, but were enrolled in and attended the District during the three fiscal years audited. As a result, the District's ADM was understated by 10.860 for these students.
- One student was listed in SAIS reports for funding twice, because the student had two different SAIS and District identification numbers in FY2012. As a result, the District's ADM was overstated by 1.000 for this student.
- 3,453 students' were listed on SAIS reports for funding with different enrollment information than what was documented in the District's record-keeping system during the three fiscal years audited. The data in the District's system reported lower enrollment data than the enrollment data for the District found in SAIS. As a result, the District's ADM was overstated by 20.009 for these students.

As a result, the District's ADM was overstated by a total of 10.349 for the three fiscal years audited. Table 2 (see page 5) illustrates the enrollment errors, the related ADM adjustment required per year and the total ADM adjustment required for the three fiscal years audited.

Table 2

**Tolleson Union High School District
ADM Adjustments Required
Due to Various Enrollment Errors in SAIS
FY2010, FY2011 and FY2012**

Fiscal Year	Students Enrolled in SAIS but not Enrolled in School ADM Adjustment	Students not Enrolled in SAIS but Enrolled in School ADM Adjustment	Student enrolled twice using different SAIS and District Identification Numbers	Other Student Enrollment Errors ADM Adjustment	Total ADM Adjustment
FY2010	0.0	(2.94)	0	(0.001)	(2.941)
FY2011	0.0	(5.92)	0	18.920	13.000
FY2012	<u>.2</u>	<u>(2.00)</u>	<u>1.000</u>	<u>1.090</u>	<u>0.290</u>
Total	<u>.2</u>	<u>(10.86)</u>	<u>1.000</u>	<u>20.009</u>	<u>10.349</u>

Source: Auditor analysis of District records and SAIS.

**The District Was Underfunded
By \$20,309.54**

Although the District's ADM was overstated due to enrollment errors in SAIS, ADE needs to repay the District a net of \$20,309.54 in Basic State Aid. The funding adjustment required uses the statutory growth funding formula that provided additional funding to the District.

Overall, the District was underfunded by \$20,309.54 for the three fiscal years audited, which ADE needs to repay to the District according to A.R.S. § 15-915. Table 3 illustrates the ADM, Basic State Aid, Growth and Net Adjustments for FY2010, FY2011 and FY2012.

Table 3

**Tolleson Union High School District
ADM, Basic State Aid, Growth and Net Funding Adjustments
FY2010, FY2011 and FY2012**

Fiscal Year	ADM	Basic State Aid	Growth	Net Adjustment
FY2010	(2.941)	\$(13,992.32)	\$(12,341.94)	\$(26,334.26)
FY2011	13.00	58,947.69	(54,296.51)	4,651.18
FY2012	<u>0.29</u>	<u>1,373.54</u>	<u>0.00</u>	<u>1,373.54</u>
Total	<u>10.349</u>	<u>\$ 46,328.91</u>	<u>\$(66,638.45)</u>	<u>\$(20,309.54)</u>

Source: Auditor analysis of SAIS and District student and financial data for FY2010, FY2011 and FY2012.

The District Should Address Data Errors by Properly Reconciling Its Data with the Data in SAIS

The District did not correctly reconcile its data to the data contained in SAIS. If the District had properly reconciled its data to SAIS throughout the school year, these enrollment errors could have been identified, and the District would not have been underfunded because of these errors. The District should have reviewed the reports produced by SAIS and reconciled them to the District's SMS data to identify any discrepancies that would affect funding.

Recommendations:

1. ADE needs to repay \$20,309.54 in Basic State Aid that should have been funded to the District due to data reporting errors.
2. The District needs to ensure that its enrollment and attendance data is reported correctly to SAIS by properly reconciling its data.

FINDING 2: THE DISTRICT WAS OVERFUNDED BY \$16,952.04 FOR 47.40 ADM FROM OVERLAPPING MEMBERSHIP INTERVALS

In FY2011, the District was overfunded because 1) SAIS did not properly process overlapping membership intervals for 227 students, and 2) the District did not identify these errors because it did not properly reconcile its data. Although statutes limit Districts to counting students only once, the audit found that the District was overfunded for overlapping membership intervals for 227 students. This resulted in the District's ADM being overstated by 47.40. These errors occurred because of SAIS aggregation failing to calculate the data correctly and the District failing to properly reconcile its data to SAIS. As a result, the District was overfunded by \$16,952.04, and must repay that money to ADE.

Statutes Define ADM Calculations To Determine Funding per Student

Statutes define how enrollment and ADM calculations should be made to determine funding that a school district or charter holder receives. As part of the funding requirements, ADM is limited to 1.0 ADM for each student enrolled at a single school. A.R.S. § 15-901 states:

“A full-time student shall not be counted more than once for computation of average daily membership. The average daily membership of a full-time high school student shall be 1.0 if the student is enrolled in at least four subjects that meet at least seven hundred twenty hours for a one hundred eighty day school year, or the equivalent instructional hours prescribed in this section.”

Overlapping Membership Intervals Generated More Membership Days than Allowed by Statute

The District was funded on inaccurate membership data created by SAIS, resulting in overstated ADM. Auditors determined that for a total of 227 students, overlapping membership intervals were funded during FY2011. As a result, the District's ADM was overstated by 47.40 in FY2011.

The District's ADM was overstated for 227 students—For FY2011, auditors identified 227 students for a single school at the District that had overlapping membership intervals in SAIS due to problems within SAIS. Overlapping membership intervals occurred in SAIS when a student showed different FTE's over the same periods of time. As a result, SAIS improperly accumulated and overstated the ADM for those students. Table 4 (see page 8), provides an example to illustrate how overlapping membership intervals for one of the 227 students resulted in funding of 2.15 ADM for that student, instead of the statutory maximum of 1.0 for a full-time student attending one school.

Table 4

**Tolleson Union High School District
Student Data SAIS Errors Example for One Student
FY2011**

Reported Enrollment Time Period	Reported Membership	ADM
8/9/10-1/24/11	.25 FTE	0.25 ADM
8/10/10-1/24/11	1.0 FTE	0.99 ADM
8/11/10-1/24/11	.75 FTE	0.735 ADM
8/18/10-10/6/10	.5 FTE	<u>0.175 ADM</u>
Total ADM:		<u>2.15 ADM</u>

Source: Auditor Analysis of SAIS and District records for FY2011.

Overlapping membership intervals resulted in ADM being overstated by 47.40 in FY2011— The District’s ADM in FY2011 was overstated as a result of students who had SAIS-generated overlapping membership intervals. As shown in Table 5, the 227 students with overlapping membership intervals were funded for a total of 249.37 ADM. However, auditors determined the ADM for these students should have been only 201.98. As a result, the District’s ADM was overstated by a total of 47.40.

Table 5

**Tolleson Union High School District
Students with Overlapping Membership Intervals and
ADM Adjustments
FY2011**

	FY2011
Students with Overlapping Membership Intervals	227
Funded ADM	249.37
Audited ADM	<u>201.98</u>
Total Adjustment	<u>47.40</u>

Source: Auditor Analysis of SAIS and District records for FY2011.

**The District and SAIS Did Not Address
Overlapping Membership Interval Problems**

The errors that resulted in overlapping membership intervals being funded for 227 students were due to SAIS calculating the data incorrectly and the District not fully reconciling the related data.

SAIS did not correctly calculate the membership intervals—SAIS failed to calculate the intervals of time correctly for the 227 student memberships. According to ADE SAIS personnel, the aggregation function of SAIS, which compiles all the data to determine the ADM for the

District, did not function correctly for the data submitted by the District for these 227 students. When the aggregation was run, it incorrectly determined the intervals of time for each FTE submitted for the students. As a result, the SAIS reports accumulated the overlapping membership intervals, rather than properly calculating the ADM for 227 students identified.

The District did not fully reconcile data to help ensure accuracy—In addition to SAIS not properly calculating the membership intervals, the District did not fully reconcile its data to the data contained in SAIS. If the District had fully reconciled its data to SAIS throughout the school year, these overlapping membership intervals could have been identified, and the District would not have been overfunded because of these errors. The District should have reviewed the reports produced by SAIS and reconciled them to the District’s SMS data to identify any discrepancies that would affect funding.

**The District Was Overfunded by \$16,952.04
Due to Overlapping Membership Intervals**

This audit identified a funding adjustment of \$16,952.04 for FY2011 for students who had SAIS-generated overlapping membership intervals. Table 6 lists ADM, Basic State Aid and growth adjustments for the District for FY2011. The 47.40 overstated ADM resulted in an overpayment to the District of \$214,844.97. However, reducing the District’s ADM and funding by those amounts resulted in a funding increase of \$197,892.93, due to the statutory growth formula adjustment. These calculations resulted in a net total adjustment of \$16,952.04 that ADE needs to recoup from the District.

Table 6

**Tolleson Union High School District
ADM and Funding Adjustment Required for
FY2011**

	FY2011
ADM Adjustment	47.40
Basic State Aid Adjustment	\$ 214,844.97
Growth Adjustment	<u>\$(197,892.93)</u>
Total Adjustment	<u>\$ 16,952.04</u>

Source: Auditor Analysis of SAIS and District records for FY2011.

Recommendations:

1. ADE needs to recoup the \$16,952.04 that the District was overfunded for overlapping membership intervals.
2. The District needs to fully reconcile its data throughout the school year to the data in SAIS to identify and correct any errors that SAIS may have generated.

ADM AND FUNDING ADJUSTMENTS

Statutes require that ADE makes corrections for audit findings to both state aid and budget capacity. A.R.S. § 15-915, authorizes and provides direction for adjusting state aid and budget capacity. 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.

Basic State Aid adjustment of \$3,357.50 required—This audit identified an overall funding adjustment of \$3,357.50 for the three fiscal years audited:

- \$(20,309.54) for students who were not reported correctly for funding, and;
- \$16,952.04 for overlapping membership intervals.

Budget capacity adjustment also required—ADE also needs to adjust the District's budget capacity for the three years audited. Budget capacity adjustments will be made by ADE once the audit is final.

Table 7 lists the ADM adjustments and the associated Basic State Aid adjustments for the District for FY2010, FY2011 and FY2012.

Table 7

**Tolleson Union High School District
ADM and Funding Adjustments Required For
FY2010, FY2011 and FY2012**

	FY2010		FY2011		FY2012		Total Adjustment
	ADM	Basic State Aid	ADM	Basic State Aid	ADM	Basic State Aid	
Data Reporting Errors	(2,941)	\$(26,334.26)	13.00	\$ 4,651.18	0.29	\$1,373.54	\$(20,309.54)
ADM incorrectly calculated	0.0	\$ 0.00	47.40	\$16,952.04	0.00	\$ 0.00	\$ 16,952.04
Total	(2,941)	\$(26,334.26)	60.40	\$21,603.22	0.29	\$1,373.54	\$ (3,357.50)

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