Arizona Department of Education

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Average Daily Membership Audit Report
Tucson Unified School District
Fiscal Years 2008, 2009 and 2010

Report Number—11-3

July 21, 2011

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July 21, 2011

Superintendent John Pedicone
Tucson Unified School District
1010 E. Tenth Street
Tucson, AZ 85719

Dear Superintendent Pedicone:

The Arizona Department of Education Audit Unit has conducted a limited scope Average Daily Membership audit of the Tucson Unified School District's (District) instructional hours for Fiscal Years 2008, 2009 and 2010. The purpose of the audit was to address whether the District offered sufficient statutorily-mandated instructional hours to students in grades 7 and 8.

The audit found that the District did not provide sufficient instructional hours per statute. As a result of these practices, the District was overfunded more than $1.9 million in Basic State Aid.

The audit becomes final 30 days after issuance, unless the District files an appeal. Appendix A in the report provides rules governing the appeal process.

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

Sincerely,

Arthur E. Heikkila
Chief Auditor

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INTRODUCTION AND BACKGROUND

The Arizona Department of Education (ADE) has conducted a limited scope Average Daily Membership (ADM) audit of the Tucson Unified School District (District), pursuant to the provisions of Arizona Revised Statutes (A.R.S.) § 15-239. This audit focused on whether the District provided sufficient instructional hours to students in grades 7 and 8 for FY2008, FY2009 and FY2010.

Limited focus ADM 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 enrollment and attendance. In addition to enrollment factors, school districts and charter schools must provide at least the statutorily-required minimum number of instructional hours as provided in A.R.S. § 15-901. Pursuant to ADE External Guidelines GE-18 (GE-18), a school district or charter school with deficient instructional hours will have its reported membership decreased based on the actual amount of instructional hours provided.

Due to a high student absence rate, the District was funded on Adjusted ADM in FY2010. Pursuant to A.R.S. § 15-902, if a unified school district's ADM through the first 100 days in session exceeds the Average Daily Attendance (ADA) through the first 100 days in session by more than 6 percent, the student count of the school district is determined through an adjusted ADM formula by multiplying the actual ADA by 106 percent. This Adjusted ADM becomes the fundable student count for the school district.

Audit and appeal 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 audit 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 district or charter 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 audit is an appealable action. A.R.S. § 41-1092.03 provides the audited school district or charter school that disagrees with the audit findings the opportunity to file a formal appeal within thirty (30) days after the report was issued. If an appeal is filed, the school and ADE may reach agreement in an informal settlement conference. If not, the appeal will be adjudicated by the Office of Administrative Hearings. When the audit 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.

District financial and other information—The District is located in the Tucson area and offers education ranging from preschool and kindergarten programs to the 12th grade. The District had 125 schools in the first two fiscal years audited, and 123 schools in FY2010. Of these, 26 schools provided

instruction in grades 7 and 8 in FY2008 and FY2009, and 25 schools in FY2010. Table 1 presents the District's student, staffing and financial information for FY2008, FY2009 and FY2010.

Table 1

Tucson Unified School District
Students, Staffing, Revenues and Expenditures
FY2008, FY2009 and FY2010
(Unaudited)

	FY2008	FY2009	FY2010
Students Enrolled	**59,327**	**57,406**	**55,861**
Total Teachers	3,475	3,351	3,106
Revenue			
Local	$209,840,544	$213,897,573	$224,332,474
State	268,617,206	235,475,869	204,444,230
Federal	63,503,548	60,749,692	93,736,732
Total Revenues	**541,961,299**	**510,123,134**	**522,513,436**
Total Expenditures	**$542,274,974**	**$523,961,141**	**$507,342,126**

Source: "Annual Report of the Arizona Superintendent of Public Instruction" for FY2008, FY2009 and FY2010.

SCOPE AND METHODOLOGY

This limited scope audit focused on whether the District provided the statutorily-mandated minimum number of instructional hours to students and received the correct amount of Basic State Aid in accordance with statutes, the Uniform System of Financial Reporting (USFR) and ADE Guidelines.

The District's independent auditors initially identified a problem with providing sufficient instructional hours while performing the District's required annual financial audit. As part of the mandated audit procedures, audit firms assess compliance with instructional hours requirements while completing the USFR Compliance Questionnaire for the District. The FY2009 Questionnaire for the District stated that: "*Two of three middle schools reviewed were not in session for at least 1,068 hours. In one case instructional time was 1,011 hours and for the other, instructional time was 964 hours.*" Based on those initial findings, the Audit Unit then selected the District for a limited scope audit to determine compliance with 7th and 8th grade instructional hours requirements for FY2008, FY2009 and FY2010.

To conduct this audit, auditors used a variety of methods to determine whether the District met the statutory instructional hours requirement. Auditors obtained academic calendars for the District and bell schedules from each of the school sites that offered instruction to students in grades 7 and 8 for FY2008, FY2009 and FY2010. Auditors reviewed documentation for all 7th and 8th grade students to determine the number of instructional hours that were provided during each of the fiscal years audited. Finally, auditors compared the instructional hours provided at each school to the requirements mandated by statute. For any school that provided fewer instructional hours than are required by statute, auditors determined the ADM adjustment for the school and calculated the funding adjustment to the District's Basic State Aid.

In addition, auditors worked closely with school and District staff to identify and validate actual bell schedules used at each school for each fiscal year audited. Finally, auditors interviewed District staff to determine and document procedures utilized to develop and review the school bell schedules.

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

FINDING 1: THE DISTRICT WAS OVERPAID OVER $1.9 MILLION AS A RESULT OF NOT PROVIDING ENOUGH INSTRUCTIONAL HOURS

One of a school district's primary functions is to provide all students with at least the minimum number of instructional hours required by statute to facilitate their educational development. The audit, however, found that 17 of the 26 TUSD schools that provided education to students in grades 7 and 8 did not provide sufficient instructional hours for one or more of the three fiscal years audited. Even though District management had a process in place to ensure all schools met the requirement, this process was not always followed. Recalculating the District's ADM based on the instructional hours determined by the audit will result in a reduction of the District's ADM for the three fiscal years audited. The ADM reduction will require ADE to recoup from the District approximately $1.9 million in Basic State Aid.

Insufficient instructional hours limit student opportunities to learn—Pursuant to A.R.S. § 15-901 (A) (2) (b) (i), school districts and charter schools must have provided at least 1,068 instructional hours for 7th and 8th grade students during each of the audited fiscal years. Since the District provided fewer instructional hours than required by statute for some of its 7th and 8th grade students, it inappropriately limited the amount of instructional time for its students' education. Assuming that more time spent in the classroom results in a better education, some of the District's students received fewer educational opportunities because the District did not provide all of its students with the statutorily-required minimum number of instructional hours.

The District Did Not Provide All 7th And 8th Grade Students With Enough Instructional Hours

Although it was required by statute to provide 7th and 8th grade students with at least 1,068 instructional hours annually, many of the District's schools failed to do this for the fiscal years audited. Specifically, 17 out of the 26 schools reviewed did not provide sufficient hours in one or more of the three fiscal years audited. In addition, auditors found significant variance in the number of hours provided per school, ranging from 105 percent of the minimum hours required to less than 86 percent. Further, analysis of the data on an annual basis found that the District improved its compliance in FY2010, with only 8 schools out of compliance as opposed to 15 schools for each of the previous two years.

Many schools out of compliance—The audit revealed that many of the TUSD schools that provided education to students in grades 7 and 8 failed to provide sufficient instructional hours for the three fiscal years audited. For example:

- 8 of the 26 schools did not provide at least the minimum number of instructional hours for all three of the fiscal years audited.

- 5 of the 26 schools did not provide at least the minimum number of instructional hours for two of the three fiscal years audited.

- 4 of the 26 schools did not provide at least the minimum number of instructional hours for one of the three fiscal years audited.

The audit also found that some schools provided sufficient instructional hours for each of the three fiscal years audited. Specifically, 9 of the 26 schools provided at least the minimum number of instructional hours every year. Table 2 (see page 6) provides data regarding each school's compliance status with the instructional hours requirement for the three fiscal years audited.

Table 2

Tucson Unified School District
Actual Instructional Hours Provided for 7th and 8th Grade and
Percentage of the 1,068 Requirement Offered
FY2008, FY2009 and FY2010

School Name	FY2008		FY2009		FY2010	
	Actual Hours	Percent of 1,068	Actual Hours	Percent of 1,068	Actual Hours	Percent of 1,068
Insufficient Instructional Hours (Shaded areas indicate non-compliance):						
Alice Vail Middle School	1,074.47	100.61%	1,067.00	99.91%	1,074.47	100.61%
Booth-Fickett Math/Science Magnet School 7th Grade	1,057.07	98.98%	1,059.02	99.16%	1,061.73	99.41%
Booth-Fickett Math/Science Magnet School 8th Grade	1,074.07	100.57%	1,076.00	100.75%	1,080.00	101.12%
Carson Middle School	1,067.20	99.93%	1,065.70	99.78%	1,067.20	99.93%
Doolen Middle School	1,045.27	97.87%	1,043.55	97.71%	1,077.27	100.87%
Gridley Middle School	1,012.07	94.76%	1,011.07	94.67%	1,012.07	94.76%
Hohokam Middle School	1,038.00	97.19%	1,017.07	95.23%	1,098.00	102.81%
Ida Flood Dodge Traditional Middle Magnet School	1,035.60	96.97%	1,050.43	98.36%	1,050.20	98.33%
Joyce Drake Alternative Middle School	1,071.00	100.28%	1,035.00	96.91%	1,083.00	101.40%
Mary Meredith K-12 School	1,022.53	95.74%	1,021.53	95.65%	1,022.53	95.74%
Naylor Middle School 7th Grade	1,022.80	95.77%	1,083.53	101.45%	1,084.20	101.52%
Naylor Middle School 8th Grade	1,025.20	95.99%	1,083.53	101.45%	1,084.20	101.52%
Pistor Middle School	1,023.40	95.82%	1,022.47	95.74%	1,023.40	95.82%
Pueblo Gardens Elementary	1,061.00	99.34%	1,085.83	101.67%	1,099.00	102.90%
Secrist Middle School	959.20	89.81%	958.20	89.72%	967.47	90.59%
Southwest Alternative Middle School	1,035.33	96.94%	1,032.33	96.66%	1,035.33	96.94%
Teenage Parent Program - TAPP	1,015.80	95.11%	913.75	85.56%	1,080.00	101.12%
Utterback Middle School	1,018.60	95.37%	1,038.88	97.27%	1,079.33	101.06%
Wakefield Middle School	1,028.93	96.34%	1,024.05	95.88%	1,069.87	100.17%
Sufficient Hours All Three Years:						
Magee Middle School	1,086.13	101.70%	1,085.23	101.61%	1,082.53	101.36%
Mansfeld Middle School	1,095.53	102.58%	1,094.47	102.48%	1,095.53	102.58%
Maxwell Middle School--7th Grade	1,110.27	103.96%	1,109.27	103.86%	1,100.93	103.08%
Maxwell Middle School--8th Grade	1,119.60	104.83%	1,118.53	104.73%	1,100.93	103.08%
Miles-Exploratory Learning Center	1,113.60	104.27%	1,123.45	105.19%	1,123.67	105.21%
Richey Elementary School	1,082.00	101.31%	1,080.00	101.12%	-	-
Roskruge Bilingual Magnet Middle School--7th Grade	1,071.80	100.36%	1,073.73	100.54%	1,074.73	100.63%
Roskruge Bilingual Magnet Middle School--8th Grade	1,069.47	100.14%	1,071.42	100.32%	1,072.40	100.41%
Safford Engineering/Technology Magnet Middle School	1,073.80	100.54%	1,072.87	100.46%	1,073.80	100.54%
Townsend Middle School	1,077.00	100.84%	1,076.00	100.75%	1,079.93	101.12%
Valencia Middle School--7th Grade	1,095.80	102.60%	1,104.60	103.43%	1,096.33	102.65%
Valencia Middle School--8th Grade	1,092.67	102.31%	1,104.60	103.43%	1,096.33	102.65%

Source: Analysis of the District bell schedules and calendars for FY2008, FY2009 and FY2010, and A.R.S. § 15-901.

Wide range of instructional hours provided—The range of actual instructional hours provided by the schools during this period was significant. From a high of providing 1,123.67 hours to a low of only 913.75 hours, the range of instructional hours across the District varied by as much as 209.92 hours. Table 3 illustrates the variance in hours between the top five and the bottom five schools in terms on instructional hours provided.

Table 3

Tucson Unified School District
Five Highest and Five Lowest Schools' Instructional Hours Provided,
Fiscal Years and Grade Levels

School Name	Actual Hours Provided	Fiscal Year	Grade Levels
5 Schools With Highest Number of Instructional Hours Provided			
Miles-Exploratory Learning Center	1,123.67	FY2010	7th and 8th Grades
Maxwell Middle School	1,119.60	FY2008	8th Grade only
Valencia Middle School	1,104.60	FY2009	7th and 8th Grades
Pueblo Gardens Elementary School	1,099.00	FY2010	7th and 8th Grades
Hohokam Middle School	1,098.00	FY2010	7th and 8th Grades
5 Schools With Lowest Number of Instructional Hours Provided			
Utterback Middle School	1,018.60	FY2008	7th and 8th Grades
Hohokam Middle School	1,017.07	FY2009	7th and 8th Grades
Gridley Middle School	1,011.07	FY2009	7th and 8th Grades
Secrist Middle School	958.20	FY2009	7th and 8th Grades
Teenage Parent Program-TAPP	913.75	FY2009	7th and 8th Grades

Source: Analysis of the District's bell schedules and calendars for FY2008, FY2009 and FY2010, and A.R.S. § 15-901.
Note: Schools were not duplicated for multiple fiscal years or differing grades.

Compliance improving—The number of schools out of compliance was significantly reduced in the last fiscal year audited. The number of non-complying schools dropped to 8 schools in FY2010 as opposed to 15 schools out of compliance for each of the previous two fiscal years audited. Table 4 (see page 8) illustrates this improvement.

Table 4

Tucson Unified School District
Schools Not Providing and Schools Providing At Least the Statutorily-Mandated Instructional Hours Requirement for 7th and 8th Grades
FY2008, FY2009 and FY2010

Fiscal Year	Number of Schools Not Providing At Least the Minimum Instructional Hours In At Least One Grade	Number of Schools Providing At Least the Minimum Instructional Hours	Total [1]
FY2008	15	11	**26**
FY2009	15	11	**26**
FY2010	8	17	**25**

[1] Richey Elementary School no longer provided education to students in grades 7 and 8 after the FY2009 school year.

Source: Analysis of the District's bell schedules and calendars for FY2008, FY2009 and FY2010, and A.R.S. § 15-901.

Better District Oversight Needed to Ensure Sufficient Instructional Time For Its Schools

The District needs to exercise better oversight to ensure that its schools provide sufficient instructional hours to students. At the school level, the audit found that non-compliance occurred for several reasons. At the District level, the audit found that the District's processes established to ensure sufficient hours were not always performed, resulting in inadequate oversight and control of its schools' instructional schedules. The District must ensure that its new procedure implemented in FY2011 ensures that schools and the District provide sufficient instructional hours.

Insufficient instructional hours occurred for a variety of reasons—These reasons included 1) simply not scheduling enough instructional time, 2) not properly calculating passing time to and from instructional and non-instructional activities or 3) counting non-instructional activities as instructional time. A school's instructional hours shortage could have been caused by one or more of these reasons.

- **Schools did not schedule enough hours**—The audit found that five schools did not schedule or provide at least the required minimum amount of instructional time.

- **Schools did not properly calculate passing time**—The audit found that two schools improperly calculated passing time, resulting in a deficiency of instructional hours. In ADE External Guideline GE-19, ADE provides criteria and guidance for the proper calculation and inclusion of passing time when a school constructs its annual school bell schedule. One of the provisions prohibits schools from counting passing time to and from non-instructional activities as instructional hours on their bell schedules. However, auditors determined that at least two schools inappropriately counted students' passing time to and from lunch in their schedules.

Removing this non-instructional time from the bell schedule calculations resulted in both schools not meeting the statutory minimum instructional hours requirements.

- **Schools counted non-instructional activities as instructional time**—The audit also found that ten schools improperly included non-instructional activities as instructional time in its bell schedules. In GE-18, ADE provides guidance and criteria for determining what constitutes instructional time. However, some schools included non-instructional activities such as "homeroom", "homebase", "walking", "study skills", "advisory" and "wrap-up" as instructional time in their bell schedules. None of these activities met the instructional hours criteria as outlined in GE-18.

District management did not ensure schools provided the required minimum number of instructional hours —Although the schools were required to develop their own bell schedules and submit them to the District for approval, the District failed to ensure that the schedules submitted provided enough hours. The District developed a procedure guide[1] which instructed schools on how to calculate instructional hours, how to fill out a bell schedule worksheet and how to submit a copy of their proposed bell schedule to the District for their review. However, the audit found that:

- **The District did not ensure school bell schedules were submitted as required**—Some schools did not submit the District bell schedule worksheet to the District. The District could provide only 16 of 26 worksheets to auditors in FY2008, only 2 of 26 worksheets in FY2009 and only 22 of 25 in FY2010. Additionally, the District could not provide documentation that it tracked this or followed-up with the schools to obtain the missing information. Because the District failed to obtain this critical information for some schools, it could not ensure that students at those schools were receiving at least the minimum amount of instruction required by law.

- **The District did not review all submitted bell schedules**—The District could not provide evidence that staff reviewed each school's bell schedule worksheet to ensure compliance.

- **The District did not follow-up to provide feedback and guidance**—District staff also **f**ailed to follow-up with schools to provide any feedback on whether the school was providing at least the minimum number of instructional hours. As a result, in FY2010, three schools submitted District-required bell schedule worksheets which reflected that the schools would not provide at least the minimum number of instructional hours required. However, the District did not take any effective action to rectify this shortage, as auditors confirmed that all three schools were short of the minimum number of instructional hours required by statute.

- **The District's bell schedule templates for schools were not sufficiently detailed**—Further, the District's school bell schedule worksheet did not allow for sufficient detail to have schools delineate the actual instructional hours as defined in GE-18. The District bell schedule template only required schools to include start and end times for the entire day and a lunch period. The level of detail lacking in the worksheets contributed to incorrect calculations by the schools and the District. Without detailed information, neither the schools nor the District staff could adequately develop or review a bell schedule to calculate actual instructional hours provided.

[1] *District Attendance Procedure Guide 10-11*.

- **Bell schedule template calculations did not use correct District calendar**—Additionally, the District used the same template calculation worksheets for bell schedules from previous years but did not account for changes to calendars from one year to the next. As a result, the District failed to properly account for calendar changes over different fiscal years, thus impacting instructional hours provided. Specifically, the District used every Wednesday of the school year as an early-release day, and provided four parent/teacher conference days during each of the fiscal years audited. In FY2008 and FY2010, there were 140 regular days and 36 early-release Wednesdays. However, in FY2009, due to a District-adopted calendar change, there were 139 regular days and 37 early-release Wednesdays, which resulted in fewer instructional hours to schools using the same bell schedules from one year to the next. The schools and the District used the FY2008 bell schedule worksheet to calculate instructional hours, which failed to account for the extra early-release Wednesday in FY2009. This oversight by the school and the District resulted in one school being short of the minimum instructional hours required.

New procedure needs to provide proper guidance—According to District staff, beginning in FY2011, a new procedure was implemented in order to collect actual bell schedules and other information necessary to properly calculate instructional hours pursuant to statute, GE-18 and GE-19.

The District needs to ensure that its new procedure provides proper guidance on calculating instructional time. The District must provide bell schedule templates to its schools that contain sufficient detail in order for District personnel to determine instructional versus non-instructional time. Additionally, the District needs to ensure that proposed bell schedules are submitted to the District and reviewed by its personnel, appropriate feedback is provided to the schools when problems are identified and that District personnel follow-up with the schools to ensure that the feedback was implemented. Finally, the District needs to annually update school bell schedule templates to account for annual changes in its calendar.

The District's ADM and Basic State Aid Funding Need Adjustment

As a result of providing insufficient instructional hours for some of its 7th and 8th grade students during each of the fiscal years audited, the District's ADM was overstated, resulting in the District being overpaid Basic State Aid.[2]

ADM overstated and needs adjustment—The District's failure to provide at least the minimum instructional hours resulted in the District's ADM being overstated by 187.190 in FY2008, by 158.634 in FY2009 and by 89.782 in FY2010. As shown in Table 5, this resulted in an ADM adjustment totaling 435.606 for the three fiscal years audited.

[2] ADE Guideline GE-18 provides directions for determining the ADM adjustment based on insufficient instructional hours. According to the Guideline, "If school districts or charter holders are not in compliance with the requirements for annual classroom instruction hours pursuant to A.R.S. §§15-901(A)(2)(a), (b) and (c), then annual equalization funding will be prorated accordingly. Example: A District with deficient annual hours will have their reported membership decreased based on the actual amount of instruction hours provided compared to the required annual hours. For instance, a District that provides 90 percent of the required hours will have the reported membership days reduced by 10 percent, thus ADM will be reduced by 10 percent. Annual equalization will be based on this revised ADM."

Table 5

Tucson Unified School District
ADM Adjustments for Instructional Hour Shortages
FY2008, FY2009 and FY2010

School Name	7th Grade			8th Grade			Total
	FY2008	FY2009	FY2010[1]	FY2008	FY2009	FY2010[1]	
Alice Vail Middle School	-	0.211	-	-	0.211	-	**0.422**
Booth-Fickett Math/Science Magnet School	3.118	2.535	1.576	-	-	-	**7.229**
Carson Middle School	0.140	0.464	0.121	0.153	0.411	0.154	**1.443**
Doolen Middle School	5.583	5.956	-	5.383	5.295	-	**22.217**
Gridley Middle School	12.480	12.378	11.487	12.923	13.150	11.832	**74.250**
Hohokam Middle School	6.640	11.673	-	7.557	10.798	-	**36.668**
Ida Flood Dodge Traditional Middle Magnet School	4.289	2.368	2.399	3.998	2.294	2.207	**17.555**
Joyce Drake Alternative Middle School	-	0.374	-	-	0.483	-	**0.857**
Mary Meredith K-12 School	0.138	0.212	0.307	0.227	0.214	0.144	**1.242**
Naylor Middle School	6.485	-	-	6.802	-	-	**13.287**
Pistor Middle School	13.393	13.467	15.310	16.756	13.330	12.749	**85.005**
Pueblo Gardens Elementary	0.191	-	-	0.126	-	-	**0.317**
Secrist Middle School	18.616	16.181	15.178	20.376	17.941	15.753	**104.045**
Southwest Alternative Middle School	0.092	0.241	0.192	0.235	0.246	0.373	**1.379**
Teenage Parent Program - TAPP	0.041	0.013	-	0.469	0.188	-	**0.711**
Utterback Middle School	13.760	7.018	-	13.652	7.992	-	**42.422**
Wakefield Middle School	6.499	6.643	-	7.068	6.347	-	**26.557**
Total	**91.465**	**79.734**	**46.570**	**95.725**	**78.900**	**43.212**	**435.606**

[1] Adjusted ADM[3]

Source: Analysis of the District's bell schedules and calendars for FY2008, FY2009 and FY2010, and A.R.S. § 15-901.

Basic State Aid overpaid and needs adjustment—As a result of overstated ADM, the District's Basic State Aid must be adjusted by $1,908,234.72, as shown in Table 6. For FY2008, FY2009 and FY2010, the District's funding must be reduced by $819,621.47, $690,470.48 and $398,142.77, respectively, to reflect the overstated ADM for a lack of instructional hours provided to its 7th and 8th grade students.

[3] Adjusted ADM is defined under A.R.S. § 15-902 (B) and states that: "*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.*"

Table 6

Tucson Unified School District
7th and 8th Grade Reported ADM, Adjustment Due to Overstated ADM for Instructional Hours and Funding Adjustment
FY2008, FY2009 and FY2010

Fiscal Year	7th and 8th Grade Reported ADM	Adjustment Due to Overstated ADM for Instructional Hours	Funding Adjustment
FY2008	8,688.655	187.190	$ 819,621.47
FY2009	8,067.992	158.634	$ 690,470.48
FY2010[1]	7,865.852	89.782	$ 398,142.77
Total	**24,622.499**	**435.606**	**$ 1,908,234.72**

[1] Adjusted ADM

Source: Auditor analysis of SAIS and District student data for FY2008, FY2009 and FY2010.

Recommendations:

1. ADE needs to recoup $1,908,234.72 in overpaid Basic State Aid from the District.

2. The District should ensure that its schools provide all students with at least the statutorily-required minimum number of instructional hours.

3. To improve upon its previous performance, the District needs to ensure that its new procedure provides proper guidance on calculating instructional time.

4. The District must provide bell schedule templates to its schools that contain sufficient detail in order for District personnel to determine instructional versus non-instructional time.

5. The District needs to ensure that proposed bell schedules are submitted to the District and reviewed by District personnel, appropriate feedback is provided to the schools when problems are identified and District personnel follow-up with the schools to ensure that the feedback was implemented.

6. The District needs to annually update school bell schedule templates to account for annual changes in the District calendar.

ADM FUNDING ADJUSTMENTS

This limited scope audit identified an overall funding adjustment reduction of $1,908,234.72 for the three fiscal years audited due to the failure to provide at least the minimum statutorily-required number of instructional hours to students in grades 7 and 8:

- $819,621.47 for FY2008;
- $690,470.48 for FY2009; and
- $398,142.77 for FY2010.

Additionally, statutes and rules provide for a formal appeal process through the Office of Administrative Hearings if the District disagrees with the audit results. The District has thirty (30) days from the issuance of the audit report to request an appeal. Appendix A (see page a-i) presents rules that govern the appeal process.

Table 7 lists the ADM adjustments and associated Basic State Aid adjustments for the District for FY2008, FY2009 and FY2010.

Table 7

Tucson Unified School District
ADM and Funding Adjustments Required for Instructional Hours Shortage
FY2008, FY2009 and FY2010

	FY2008	FY2009	FY2010[1]	Total
ADM Adjustment	187.190	158.634	89.782	**435.606**
Funding Adjustment	$ 819,621.47	$ 690,470.48	$ 398,142.77	**$ 1,908,234.72**

[1] Adjusted ADM

Source: Auditor analysis of District bell schedules, calendars and financial data for FY2008, FY2009 and FY2010.

APPENDIX A

State Rules for Appealing Audits

The audit determination pursuant to A.R.S. § 15-915 is an agency action for which you can file an appeal. The audit report and cover letter, along with this information, serves as notice of your appeal rights under A.R.S. § 41-1092.04. Your right to a hearing and right to an informal settlement conference are described below in the Arizona Revised Statutes.

A.R.S. § 41-1092.03. Notice of appealable agency action or contested case; hearing; informal settlement conference; applicability

A. Except as provided in subsection D of this section, an agency shall serve notice of an appealable agency action or contested case pursuant to section 41-1092.04. The notice shall:
   a. Identify the statute or rule that is alleged to have been violated or on which the action is based.
   b. Identify with reasonable particularity the nature of any alleged violation, including, if applicable, the conduct or activity constituting the violation.
   c. Include a description of the party's right to request a hearing on the appealable agency action or contested case.
   d. Include a description of the party's right to request an informal settlement conference pursuant to section 41-1092.06.

B. A party may obtain a hearing on an appealable agency action or contested case by filing a notice of appeal or request for a hearing with the agency within thirty days after receiving the notice prescribed in subsection A of this section. The notice of appeal or request for a hearing may be filed by a party whose legal rights, duties or privileges were determined by the appealable agency action or contested case. A notice of appeal or request for a hearing also may be filed by a party who will be adversely affected by the appealable agency action or contested case and who exercised any right provided by law to comment on the action being appealed or contested, provided that the grounds for the notice of appeal or request for a hearing are limited to issues raised in that party's comments. The notice of appeal or request for a hearing shall identify the party, the party's address, the agency and the action being appealed or contested and shall contain a concise statement of the reasons for the appeal or request for a hearing. The agency shall notify the office of the appeal or request for a hearing and the office shall schedule an appeal or contested case hearing pursuant to section 41-1092.05, except as provided in section 41-1092.01, subsection F.

C. If good cause is shown an agency head may accept an appeal or request for a hearing that is not filed in a timely manner.

D. This section does not apply to a contested case if the agency:
   a. Initiates the contested case hearing pursuant to law other than this chapter and not in response to a request by another party.
   b. Is not required by law, other than this chapter, to provide an opportunity for an administrative hearing before taking action that determines the legal rights, duties or privileges of an applicant for a license.

A.R.S. § 41-1092.06. Appeals of agency actions; informal settlement conferences; applicability

A. If requested by the appellant of an appealable agency action, the agency shall hold an informal settlement conference within fifteen days after receiving the request. A request for an informal settlement conference shall be in writing and shall be filed with the agency no later than twenty days before the hearing. If an informal settlement conference is requested, the agency shall notify the office of the request and the outcome of the conference, except as provided in section 41-1092.01, subsection F. The request for an informal settlement conference does not toll the sixty day period in which the administrative hearing is to be held pursuant to section 41-1092.05.

B. If an informal settlement conference is held, a person with the authority to act on behalf of the agency must represent the agency at the conference. The agency representative shall notify the appellant in writing that statements, either written or oral, made by the appellant at the conference, including a written document, created or expressed solely for the purpose of settlement negotiations are inadmissible in any subsequent administrative hearing. The parties participating in the settlement conference shall waive their right to object to the participation of the agency representative in the final administrative decision.

APPENDIX B

BEFORE THE ARIZONA
DEPARTMENT OF EDUCATION

In the matter of:	
TUCSON UNIFIED SCHOOL DISTRICT	**FINAL ADMINISTRATIVE ORDER**

The Arizona Department of Education having determined that Tucson Unified School District materially failed to comply with Arizona statutes to provide the minimum number of instructional hours to students in grades 7 and 8 and the Department of Education having disallowed the District's overstatement of its Average Daily Membership (ADM) in the 2008, 2009 and 2010 Fiscal Years.

IT IS ORDERED that Tucson Unified School District immediately pay to the Arizona Department of Education the amount of $1,908,234.72, as detailed in the audit for Tucson Unified School District for Fiscal Years 2008, 2009 and 2010:

Failure to provide sufficient hours of instruction for 7th & 8th grade students - $1,908,234.72

Done this 21st day of July, 2011.

John Huppenthal
Superintendent of Public Instruction
J. Elliott Hibbs
Chief Operating Officer
Arizona Department of Education

Copy of the foregoing Order
mailed this 21st day of July, 2011, with:

Tucson Unified School District
1010 E. Tenth St.
Tucson, Arizona 85719

By _____