



Arizona Department of Education

The Audit Unit
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Average Daily Membership Audit Report Cartwright Elementary School District Fiscal Years 2008, 2009 and 2010

Report Number—11-5

December 15, 2011



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THE AUDIT UNIT**

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John Huppenthal
Superintendent of
Public Instruction

December 16, 2011

Dr. Jacob A. Chavez, Superintendent
Cartwright Elementary School District
3401 N. 67th Avenue
Phoenix, AZ 85033-4599

Dear Superintendent Chavez:

The Arizona Department of Education Audit Unit has conducted a limited scope Average Daily Membership audit of the Cartwright Elementary 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 \$25,000 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 Cartwright Elementary 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.

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 Phoenix and offers education ranging from preschool and kindergarten programs to the 8th grade. The District operated 22 schools in FY2008, 23 in FY2009 and 20 in FY2010. Table 1 presents the District’s student, staffing and financial information for FY2008, FY2009 and FY2010.

Table 1
Cartwright Elementary School District
Students, Staffing, Revenues and Expenditures
FY2008, FY2009 and FY2010
(Unaudited)

	FY2008	FY2009	FY2010
Students Enrolled	20,454	18,965	18,374
Total Teachers	1,216	1,143	1,066
Revenue			
Local	\$22,173,787	\$25,122,518	\$30,415,419
State	104,125,673	98,308,081	73,111,776
Federal	23,371,841	23,684,824	35,407,005
Total Revenues	<u>149,671,301</u>	<u>147,115,423</u>	<u>138,934,200</u>
Total Expenditures	\$150,558,010	\$156,074,857	\$134,167,879

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 for FY2009. 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: "*Grades 7 and 8 at Palm Lane School only had 1,053 hours of instructional time during the fiscal year.*" Based on those initial findings, the ADE Audit Unit then selected the District for a limited scope audit to determine its compliance with the statutory instructional hours requirements for all 7th and 8th grade students 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 and bell schedules for FY2008, FY2009 and FY2010 for each school that provided education to students in grades 7 and 8 and randomly selected other grades offered by the District for comparison to the instructional hours requirements by statute. In addition, auditors interviewed School personnel to obtain and determine the schedules for the years audited. Auditors then compared the District's academic calendars and bell schedules to the requirements mandated by statute.

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

FINDING 1: THE DISTRICT WAS OVERPAID OVER \$25,000 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 one of the District's schools that provided education to students in grades 7 and 8 did not provide sufficient instructional hours for all three fiscal years audited. Even though District management had a process in place to ensure that 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. As a result, ADE will be required to recoup \$25,055.87 in Basic State Aid from the District.

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

To determine whether the District provided sufficient instructional hours to students, auditors obtained academic calendars for the District and bell schedules from each of the schools that offered instruction to students in grades 7 and 8 for FY2008, FY2009 and FY2010 and compared the actual number of instructional hours provided to the requirements. Specifically, A.R.S. § 15-901 required that schools provide at least 1,068 instructional hours for all 7th and 8th grade students during the audited fiscal years. Auditors worked closely with school and District staff to identify and validate actual bell schedules used at each school for each fiscal year audited.

For the nine schools that provided instructional programs to 7th and 8th grade students during any of the audited years, auditors identified only one school that failed to provide the minimum instructional hours required by statute.¹ This school failed to meet the instructional hours threshold for each of the three fiscal years audited. Auditors determined the ADM adjustment for this school pursuant to ADE Guidelines and Procedures GE-18 and calculated the resulting funding adjustment to the District's Basic State Aid. Table 2 (see page 5) provides data regarding each school's compliance status with the instructional hours requirements for the three fiscal years audited.

¹ Additionally, auditors randomly sampled other grade levels for testing and comparison to A.R.S. § 15-901 and determined that all other grade levels were in compliance with statute and GE-18.

Table 2

**Cartwright Elementary School District
Actual Instructional Hours Provided for 7th and 8th Grade and
Percentage of the 1,068 Hours 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:						
Palm Lane School	1,043	97.6%	1,049	98.2%	993	93.0%
Sufficient Instructional Hours:						
Marc T. Atkinson Middle School	1,082	101.3%	1,088	101.9%	1,088	101.9%
Frank Borman Middle School	1,089	101.9%	1,094	102.5%	1,081	101.2%
Cartwright School	-	-	-	-	1,095	102.6%
Desert Sands Middle School-7 th Grade	1,077	100.8%	1,083	101.4%	1,081	101.2%
Desert Sands Middle School-8 th Grade	1,079	101.1%	1,086	101.7%	1,081	101.2%
Estrella Middle School-1 st Lunch	1,075	100.7%	1,081	101.2%	1,081	101.2%
Estrella Middle School-2 nd Lunch	1,077	100.8%	1,083	101.4%	1,083	101.4%
Charles W. Harris School	1,089	102.0%	1,095	102.6%	1,095	102.6%
Raul H. Castro Middle School	-	-	1,097	102.7%	1,095	102.5%
Glenn L. Downs School	-	-	-	-	1,098	102.8%

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

**Insufficient Instructional Hours Limit
Student Opportunities to Learn**

Pursuant to A.R.S. § 15-901, 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.

**District Procedure Did Not Ensure
All Schools Provided Sufficient
Instructional Hours**

Although the District had a grade articulated standard instructional schedule intended to ensure that its schools provided students with sufficient instructional hours, one school provided fewer than the required instructional hours for all three fiscal years audited. District staff annually created bell schedules for each grade, and then directed the schools to implement them. According to District staff, one of the schools altered the bell schedules for FY2008 and FY2009 without obtaining permission from District management. Specifically, this school extended the District-approved 35 minute lunch to 45 minutes.

The District did not follow up with the schools to ensure the bell schedules were implemented correctly, and did not become aware of this problem until its independent auditors completed the District's USFR Compliance Questionnaire, identified the instructional hour discrepancy and notified District management.

Additionally, this school provided insufficient instructional hours in FY2010. The District reorganized the grades offered by the school beginning in FY2010 from K-8 to K-6, and so the school used the District's K-6 bell schedule for its students. However, the school still had three 7th and 8th grade special education students who did not receive enough instructional hours from the K-6 schedule. This schedule offered fewer instructional hours than the amount required by statute for 7th or 8th grade. To ensure that this situation does not occur in the future, District management should more regularly monitor each school's bell schedules.

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

The District's failure to provide at least the minimum instructional hours resulted in the District's ADM being overstated by 2.627 in FY2008, by 1.793 in FY2009 and by 1.415 in FY2010, resulting in an ADM adjustment totaling 5.835 for the three fiscal years audited. As a result, the District's Basic State Aid was overfunded and ADE needs to recoup \$25,055.87, as shown in Table 3.

Table 3

**Cartwright Elementary 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	3,983.695	2.627	\$11,325.13
FY2009	3,790.069	1.793	\$7,673.48
FY2010	3,802.619	1.415	\$6,057.26
Total	11,576.383	5.835	\$25,055.87

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

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."

Recommendations:

1. ADE needs to recoup \$25,055.87 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.

ADM FUNDING ADJUSTMENTS

This limited scope audit identified an overall funding adjustment reduction of \$25,055.87 for the three fiscal years audited due to the District’s failure to provide at least the minimum statutorily-required number of instructional hours to some students in grades 7 and 8:

- \$11,325.13 for FY2008;
- \$7,673.48 for FY2009; and
- \$6,057.26 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 4 lists the ADM adjustments and associated Basic State Aid adjustments for the District for FY2008, FY2009 and FY2010.

Table 4

**Cartwright Elementary School District
ADM and Funding Adjustments Required for Instructional Hours Shortage
FY2008, FY2009 and FY2010**

	FY2008	FY2009	FY2010	Total
ADM Adjustment	2.627	1.793	1.415	5.835
Funding Adjustment	\$ 11,325.13	\$ 7,673.48	\$ 6,057.26	\$25,055.87

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:

CARTWRIGHT ELEMENTARY
SCHOOL DISTRICT

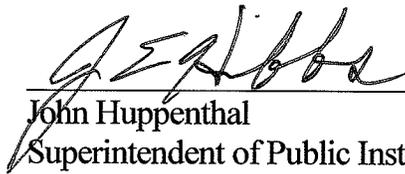
FINAL ADMINISTRATIVE ORDER

The Arizona Department of Education having determined that Cartwright Elementary 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 Cartwright Elementary School District immediately pay to the Arizona Department of Education the amount of \$25,055.87, as detailed in the audit for Cartwright Elementary School District for Fiscal Years 2008, 2009 and 2010:

Failure to provide sufficient hours of instruction for 7th & 8th grade students - \$25,055.87

Done this 14th day of December, 2011.



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

Copy of the foregoing Order
mailed this ____ day of December, 2011, with:

Cartwright Elementary School District
3401 N. 67th Avenue
Phoenix, AZ 85033-4599

By _____