



# Arizona Department of Education

The Audit Unit  
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## Average Daily Membership Audit Report Phoenix Union High School District Fiscal Years 2011, 2012 and 2013

Report Number—14-17

June 20, 2014

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John Huppenthal  
Superintendent of  
Public Instruction

June 20, 2014

Nora Gutierrez, Assistant Superintendent for Operations  
Phoenix Union High School District  
4502 N. Central Avenue  
Phoenix, AZ 85012

Dear Ms. Gutierrez,

The Arizona Department of Education Audit Unit has conducted an audit of the Phoenix Union High 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 was not accurately funded for 324 students for the three fiscal years audited. This resulted in the District's ADM being understated by 17.49 ADM and underfunded Basic State Aid by \$101,425.46, which ADE must repay to the District.

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 Phoenix 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 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 receives The Notice of Audit Findings and Required Reimbursement (Notice) that details the audit findings and determination of the Superintendent of Public Instruction (Superintendent) 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 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 FY2013 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 Phoenix, Arizona, maintained sixteen high schools during the fiscal years audited. Table 1 presents the District's unaudited student, staffing and financial information for FY2011, FY2012 and FY2013.

**Table 1**

**Phoenix Union High School District  
Total Students, Staffing, Revenues and Expenditures  
FY2011, FY2012 and FY2013  
(Unaudited)**

	FY2011	FY2012	FY2013
<b>Students Enrolled</b>	24,899	25,825	25,790
<b>Number of Teachers</b>	1,332	1,449	1,311
<b>Revenue</b>			
Local	\$207,720,966	\$200,719,853	\$192,748,248
County	3,808,080	4,240,961	4,647,339
State	55,344,778	50,907,741	59,675,551
Federal	43,245,135	37,503,588	38,649,179
<b>Total Revenues</b>	<u>\$310,118,959</u>	<u>\$293,372,143</u>	<u>\$295,720,317</u>
<b>Total Expenditures</b>	<u>\$296,187,417</u>	<u>\$284,795,011</u>	<u>\$292,342,737</u>

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 reviewed 311 student profiles to determine whether the District reported the correct enrollment data to ADE. The first and last days of attendance were then compared to the enrollment and withdrawal dates that were reported to SAIS. Additionally, auditors reviewed the student schedules to determine whether the District reported the correct student full-time enrollment (FTE) to ADE. 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: SOME STUDENT DATA WAS NOT ACCURATE, RESULTING IN AN UNDERPAYMENT OF \$101,425.46**

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Student enrollment data was not accurate for 324 students for FY2011, FY2012 and FY2013. Specifically, auditors found that the enrollment and withdrawal dates for 15 students were incorrect, 40 students had an incorrect FTE status, 50 students who did attend the school were not reported, 11 students were reported who did not attend a District school, 3 students were reported twice and 2 students who had 10 or more unexcused absences in a row were not withdrawn. Additionally, 203 students were not limited properly by SAIS. As a result of these errors, the District's ADM was understated by 17.49 for the three fiscal years audited. Due to the inaccurate enrollment data, the District received a net underpayment of \$101,425.46 in Basic State Aid for the three fiscal years audited which ADE must repay to the District.

## **Student Enrollment Data Was Inaccurately Calculated**

ADE received 121 students' enrollment data, which included some errors. As a result, the District understated its total ADM in the three fiscal years audited by 28.26.

ADE External Guideline and Procedures GE-17<sup>1</sup> states that, with the exception of pre-enrolled students, the enrollment date for a student is the first day of actual attendance. 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:

- The data entry errors resulted in 15 students with either an incorrect entry or withdrawal date reported to SAIS, which resulted in the District's ADM being overstated by 0.71.
- 50 students were not funded in SAIS; however, District attendance documentation showed the student as being enrolled and attending, which resulted in the District's ADM being understated by 35.45.
- 11 students did not have any attendance documentation that indicated they had attended the District, which resulted in the District's ADM being overstated by 4.25.

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<sup>1</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."

- 3 students were reported to SAIS twice, which resulted in the District's ADM being overstated by 2.51.

Additionally, according to A.R.S. § 15-901 and ADE External Guidelines and Procedures EX-18 (EX-18), a high school student must be scheduled for at least 720 instructional hours during the year and at least 20 hours per week for the student to be reported as a 1.0 FTE. A student who does not meet these requirements is considered a part-time student and their FTE status is prorated into quarters based on the number of instructional hours provided. However, the District reported 40 students to SAIS with an incorrect FTE status for a portion of the school year, which resulted in the District's ADM being understated by 0.50.

A.R.S. § 15-901 and ADE External Guidelines and Procedures EX-18 (EX-18) also state that the effective date of withdrawal is the last day of actual attendance of the student. Withdrawals should be reported for students formally withdrawn from school and students who have been absent for ten consecutive school days without excuse. The District failed to report the withdrawal of 2 students that were absent for ten consecutive days without excuse. As a result, the District's ADM was overstated by 0.22.

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 and also when reporting the withdrawal date for students who have been absent for ten consecutive school days without excuse.

As shown in Table 2, data reporting errors resulted in a net ADM understatement of 28.26 for FY2011, FY2012 and FY2013.

**Table 2**

**Phoenix Union High 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>
Incorrect entry or withdrawal date	0.29	0.25	0.17	0.71
Incorrect FTE	(0.93)	(0.03)	0.46	(0.50)
Attended the District, but was not in SAIS	(2.55)	(7.47)	(25.43)	(35.45)
Did not attend the District, but was in SAIS	1.12	2.01	1.12	4.25
Duplicated in SAIS	0.59	1.92	0.00	2.51
Incorrect withdrawal date due to unexcused absences	0.00	0.11	0.11	0.22
<b>Enrollment Data Errors</b>	<b>(1.48)</b>	<b>(3.21)</b>	<b>(23.57)</b>	<b>(28.26)</b>

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

*District students were not appropriately limited by SAIS*—Auditors determined that some District students who had a concurrent membership at another school within the District were not properly limited by SAIS to a maximum of 100 membership days, which resulted in the District’s ADM being overstated in FY2011, FY2012 and FY2013. According to EX-18, if a student is concurrently enrolled in any combination of District or charter schools, the maximum ADM of 1.0 is required to be divided proportionally based on enrollment. For 203 District students with concurrent memberships in FY2011, FY2012 and FY2013, the student’s funded ADM exceeded 1.0. As a result, the District’s ADM was overstated by 10.77 for the three fiscal years audited.

*ADM adjustments due to enrollment data errors*—As shown in Table 3, enrollment data errors resulted in a net ADM understatement of 17.49 for FY2011, FY2012 and FY2013.

**Table 3**

**Phoenix Union High School District  
ADM Adjustments Due to Enrollment Data Errors and Limiting Errors  
FY2011, FY2012 and FY2013**

	<b>FY2011</b>	<b>FY2012</b>	<b>FY2013</b>	<b>Total</b>
Enrollment data errors	(1.48)	(3.21)	(23.57)	(28.26)
Students not limited to 100 membership days	3.28	1.07	6.42	10.77
<b>Total ADM Adjustment for Enrollment Data Errors</b>	<b>1.80</b>	<b>(2.14)</b>	<b>(17.15)</b>	<b>(17.49)</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 avoid errors in the future by ensuring it correctly reconciles its data to the data contained in SAIS. Even though the District has established a reconciliation process designed to identify errors after the data is uploaded and also after the 40<sup>th</sup> and 100<sup>th</sup> days of the fiscal year, not all data reported errors were identified and corrected. If SAIS error messages offer descriptive explanations, it is possible that these enrollment errors could be identified and corrected. The District should review the reports produced by SAIS and reconcile them to the District’s SMS data to identify any discrepancies that would affect funding to include ADE data aggregated after June 30, subsequent to additional ADE aggregations that affect the District’s previously submitted data.

**The District Was  
Underfunded by \$101,425.46**

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 enrollment data errors reported by the District resulted in its ADM being understated by 17.49 for the three fiscal years audited. As a result, the District was underfunded by \$101,425.46 in Basic State Aid, which ADE must

repay to the District. Table 4 (see page 7) shows the ADM and funding adjustments required for the District for FY2011, FY2012 and FY2013.

**Table 4**

**Phoenix Union High School District  
ADM and Funding Adjustments Due to  
Enrollment Data Errors  
FY2011, FY2012 and FY2013**

	<b>FY2011</b>	<b>FY2012</b>	<b>FY2013</b>	<b>Total</b>
ADM Adjustments	1.80	(2.14)	(17.15)	<b>(17.49)</b>
Funding Adjustments	\$8,884.98	\$(27,734.08)	\$(82,576.36)	<b>\$(101,425.46)</b>

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

**Recommendations:**

1. ADE must repay the District \$101,425.46 in Basic State Aid due to incorrectly reported enrollment data.
2. The District must continue to comply with A.R.S. § 15-901 and GE-17 when reporting entry and exit dates to SAIS.
3. The District must continue to comply with A.R.S. § 15-901 and EX-18 when calculating and reporting FTE status.
4. The District must continue to comply with A.R.S. § 15-901 and EX-18 when reporting the withdrawal date for students that have been absent for 10 consecutive days without excuse.
5. The District must properly reconcile its data each year to ensure it complies with A.R.S. § 15-901 and GE-17.

# ADM AND FUNDING ADJUSTMENTS

A.R.S. § 15-915 requires that ADE makes corrections for audit findings to both 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 FY2013 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 fiscal years audited. Budget capacity adjustment calculations for the District will be made by ADE once the audit is finalized.

**Basic State Aid adjustment of \$118,619.86 required to be repaid to the District**—Auditors identified an overall funding increase of \$118,619.86 for the three fiscal years audited due to inaccurate enrollment data.

Table 5 lists the ADM adjustments and the associated Basic State Aid adjustments for the District for FY2011, FY2012 and FY2013.

Table 5

**Phoenix Union High School District  
ADM and Funding Adjustments Required for  
FY2011, FY2012 and FY2013**

	FY2011		FY2012		FY2013		Total
	ADM	Funding	ADM	Funding	ADM	Funding	
Enrollment Data Errors	1.80	\$8,884.98	(2.14)	\$(27,734.08)	(17.15)	\$(82,576.36)	\$(101,425.46)
<b>Total Funding Adjustment</b>	<b>1.80</b>	<b>\$8,884.98</b>	<b>(2.14)</b>	<b>\$(27,734.08)</b>	<b>(17.15)</b>	<b>\$(82,576.36)</b>	<b>\$(101,425.46)</b>

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