



Arizona Department of Education

The Audit Unit

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Average Daily Membership Audit Report Santa Cruz Valley Union High School District Fiscal Years 2011, 2012 and 2013

Report Number—15-2

July 30, 2014

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John Huppenthal
Superintendent of
Public Instruction

July 31, 2014

Orlenda Roberts, Superintendent
Santa Cruz Valley Union High School District
900 N Main St.
Eloy, AZ 85131-2040

Dear Superintendent Roberts,

The Arizona Department of Education Audit Unit has conducted an audit of the Santa Cruz Valley 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 erroneously calculated and reported the full-time enrollment status for 197 students over all three fiscal years, which resulted in both ADM being overstated and Basic State Aid being overfunded. Additionally, auditors determined that the District did not accurately report some student data, resulting in the District's ADM being understated and Basic State Aid being underfunded. Finally, auditors determined that District staff inappropriately deleted student level data from its student management system, which places the District out of compliance with state law, Arizona Department of Education guidelines and Arizona State Library, Archives and Public Records public records retention schedules.

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

TABLE OF CONTENTS

	<u>Page</u>
Introduction and Background.....	1
Scope and Methodology	3
Finding 1: The District Erroneously Calculated and Reported the FTE Status for 197 Students Resulting in Overfunding of \$119,050.77.....	4
The District Failed to Properly Calculate and Report FTE for 197 Students	4
The District Did Not Follow Statute and ADE Guidelines.....	5
The District Was Overpaid \$119,050.77 in Basic State Aid	6
Recommendations.....	6
Finding 2: The District Did Not Accurately Report Some Student Data Resulting in an Underpayment of \$75,229.92.....	7
The District Inaccurately Reported Student Enrollment Data.....	7
The District Must Reconcile Its Enrollment Data With SAIS	9
The District Was Underfunded by \$75,229.92	9
Recommendations	9

Table of Contents (Cont'd)

	<u>Page</u>
Finding 3: The District Staff Inappropriately Deleted FY2011 SMS Records	10
The District Failed to Maintain Its Records as Required by State Law	10
Recommendations.....	10
ADM and Funding Adjustments.....	11
Tables:	
1 Santa Cruz Valley Union High School District Total Students, Staffing, Revenues and Expenditures FY2011, FY2012 and FY2013 (Unaudited).....	2
2 Santa Cruz Valley Union High School District Number of Students with Incorrect FTE and ADM Adjustments FY2011, FY2012 and FY2013.....	4
3 Santa Cruz Valley Union High School District Number of Classes, Actual Instructional Minutes Provided Per Week, Incorrect FTE Calculated and Reported by District to ADE and Correct FTE that Should Have Been Reported to ADE FY2011, FY2012 and FY2013.....	5
4 Santa Cruz Valley Union High School District ADM Adjustment Due to Miscalculated FTE and Funding Adjustment FY2011, FY2012 and FY2013.....	6

Table of Contents (Conl'd)

	<u>Page</u>
5 Santa Cruz Valley Union High School District ADM Adjustments Due to Enrollment Data Errors FY2011, FY2012 and FY2013.....	8
6 Santa Cruz Valley Union High School District ADM Adjustments Due to Enrollment Data Errors and Limiting Errors FY2011, FY2012 and FY2013.....	8
7 Santa Cruz Valley Union High School District ADM and Funding Adjustments Due to Enrollment Data Errors FY2011, FY2012 and FY2013.....	9
8 Santa Cruz Valley Union High School District ADM and Funding Adjustments Required for FY2011, FY2012 and FY2013.....	11

INTRODUCTION AND BACKGROUND

The Arizona Department of Education (ADE) Audit Unit has conducted an Average Daily Membership (ADM) audit of the Santa Cruz Valley 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 Eloy, Arizona, maintained two 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

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

	FY2011	FY2012	FY2013
Students Enrolled	433	385	365
Number of Teachers	19	18	18
Revenue			
Local	\$4,977,569	\$4,487,072	\$5,213,789
County	50,388	38,363	5,349
State	1,319,251	845,640	397,169
Federal	771,622	664,390	768,875
Total Revenues	<u>\$7,118,830</u>	<u>\$6,035,465</u>	<u>\$6,385,182</u>
Total Expenditures	<u>\$7,227,769</u>	<u>\$6,097,990</u>	<u>\$6,542,511</u>

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

SCOPE AND METHODOLOGY

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 708 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 each of the 708 student profiles to determine whether the District reported the correct student full-time enrollment (FTE) to ADE. Auditors recalculated the actual FTE for 197 students based on the number of classes the students were taking during the year. When the audited FTE was different from the reported FTE for a student, auditors recalculated the ADM.

The Audit Unit expresses its appreciation to the District's administration and staff members for their cooperation and assistance during the course of the audit.

FINDING 1: THE DISTRICT ERRONEOUSLY CALCULATED AND REPORTED THE FTE STATUS FOR 197 STUDENTS RESULTING IN OVERFUNDING OF \$119,050.77

Auditors determined that the District erroneously calculated and reported to ADE the enrollment status of 197 high school students, resulting in its ADM being overstated by a total of 49.952 for FY2011, FY2012 and FY2013. This occurred because the District did not comply with statute and ADE guidelines when calculating the FTE status of these students. As a result, the District was overfunded by \$119,050.77 in Basic State Aid. According to A.R.S. § 15-915, ADE must recover these monies from the District. Additionally, the District must ensure it complies with statute and ADE guidelines to properly calculate and report student FTE.

The District Failed to Properly Calculate and Report FTE for 197 Students

Auditors determined that the District failed to calculate properly the FTE status for some of its high school students for the three fiscal years audited. Auditors identified 197 high school students whose FTE status was reported to ADE erroneously. As a result, the District’s ADM was overstated by 49.952, as shown in Table 2.

Table 2

**Santa Cruz Valley Union High School District
Number of Students with Incorrect FTE and
ADM Adjustments
FY2011, FY2012 and FY2013**

	FY2011	FY2012	FY2013	Total
Number of Students with Incorrect FTE	67	63	67	197
Total ADM Adjustment	9.957	19.530	20.465	49.952

Source: Auditor analysis of District records, A.R.S. § 15-901 and EX-18.

The District Did Not Follow Statute and ADE Guidelines

The District failed to follow statute and ADE guidelines when calculating and reporting student FTE for some students. 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 one FTE. A student who does not meet these requirements is considered a part-time student and their FTE status is prorated based on the number of instructional hours provided. Specifically, according to A.R.S. § 15-901, a full time student (1.0 FTE) in grades 9 through 12 must be scheduled for and attending at least 720 hours of instruction and at least 20 hours per week; a 0.75 FTE student must be scheduled for at least 540 hours of instruction and at least 15 hours per week; a 0.50 FTE student must be scheduled for at least 360 hours of instruction and at least 10 hours per week; and a 0.25 FTE student must be scheduled for at least 180 hours of instruction and at least 5 hours per week.

Auditors determined that 197 of the District’s students did not meet the statutory and ADE guideline requirements for full-time enrollment. According to District administrators, students were reported as attending full-time (1.0 FTE) if they were enrolled in four or more District classes. However, according to auditors’ analysis of the District’s bell schedules and calendars, students would have needed to take at least five District classes including the District’s AIMS Preparatory (AIMS Prep) or Self Sustained Reading (SSR) classes each week or six District classes without AIMS Prep or SSR in order to be counted as enrolled full-time according to statute and ADE guidelines. As shown in Table 3, the District overstated the FTE for students enrolled in less than the required number of District classes to be reported as 1.0 FTE.

Table 3

**Santa Cruz Valley Union High School District
Number of Classes, Actual Instructional Minutes Provided Per Week,
Incorrect FTE Calculated and Reported by District to ADE and
Correct FTE that Should Have Been Reported to ADE
FY2011, FY2012 and FY2013**

Number of Classes	Actual Instructional Minutes Provided Per Week with AIMS/SSR	Actual Instructional Minutes Provided Per Week without AIMS/SSR	Erroneous FTE Calculated and Reported by District to ADE	Correct FTE That Should Have Been Reported to ADE with AIMS/SSR	Correct FTE That Should Have Been Reported to ADE without AIMS/SSR
1	303.33	213.33	0.25	0.25	0.00
2	516.67	426.67	0.50	0.25	0.25
3	730.00	640.00	0.75	0.50	0.50
4	1,033.33	853.33	1.00	0.75	0.50
5	1,246.67	1,066.67	1.00	1.00	0.75
6 or more	1,460.00	1,280.00	1.00	1.00	1.00

Source: Auditor analysis of District records, A.R.S. § 15-901 and EX-18.

The District Was Overpaid \$119,050.77 in Basic State Aid

Because the District erroneously calculated and reported its FTE for 197 students, the District was overpaid \$119,050.77 in Basic State Aid. As shown in Table 4, in FY2011 and FY2012, the District was overpaid \$51,786.76 and \$62,605.84, respectively. However, in FY2013, the District received limited Basic State Aid. The maximum adjustment that may be made in FY2013 for erroneously calculating and reporting FTE is \$4,658.17. According to A.R.S. § 15-915, ADE must recoup \$119,050.77 in overpaid Basic State Aid from the District for incorrectly reported FTE for the three fiscal years audited.

Table 4

**Santa Cruz Valley Union High School District
ADM Adjustment Due to Miscalculated FTE and
Funding Adjustment
FY2011, FY2012 and FY2013**

	FY2011	FY2012	FY2013	Total
ADM Adjustment Due to Miscalculated FTE	9.957	19.530	20.465	49.952
Funding Adjustment	\$51,786.76	\$62,605.84	\$4,658.17	\$119,050.77

Source: Auditor analysis of District records, A.R.S. § 15-901 and EX-18.

Recommendations:

1. ADE must recoup \$119,050.77 in overpaid Basic State Aid from the District for incorrectly reported FTE for the three fiscal years audited.
2. The District must comply with A.R.S. § 15-901 and EX-18 when calculating and reporting FTE status.

FINDING 2: THE DISTRICT DID NOT ACCURATELY REPORT SOME STUDENT DATA RESULTING IN AN UNDERPAYMENT OF \$75,229.92

Student enrollment data was not accurate for 146 of the District's students for FY2011, FY2012 and FY2013. Specifically, auditors found that the enrollment and withdrawal dates for six students were incorrect, two students who were reported to SAIS did not attend a District school and one student who did attend a District school was not reported to SAIS. Additionally, 137 students in FY2012 were not properly limited in SAIS. As a result of these errors, the District's ADM was understated by 24.549 for the three fiscal years audited. Due to the inaccurate enrollment data, the District received a net underpayment of \$75,229.92 in Basic State Aid for the three fiscal years audited which ADE must repay to the District.

The District Inaccurately Reported Student Enrollment Data

The District inaccurately reported nine students' enrollment data to ADE due to various errors, which resulted in the District's ADM being overstated by 0.400. Additionally, 137 students were improperly limited in FY2012, which resulted in the District's ADM being understated by 24.949. In total, the District's ADM was understated by 24.549 for all data enrollment errors.

ADE External Guideline and Procedures GE-17¹ 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:

- 6 students had either an incorrect entry date or withdrawal date that was reported to SAIS, which resulted in the District's ADM being understated by 0.060.
- 2 students did not have any attendance documentation that indicated they had attended the District, which resulted in the District's ADM being overstated by 1.010.
- 1 student was not reported to SAIS; however, District attendance documentation showed the student as being enrolled and attending, which resulted in the District's ADM being understated by 0.550.

¹ 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."

As shown in Table 5 (see page 8), data reporting errors resulted in a net ADM overstatement of 0.400 for FY2011, FY2012 and FY2013.

Table 5

**Santa Cruz Valley Union High School District
ADM Adjustments Due to Enrollment Data Errors
FY2011, FY2012 and FY2013**

	FY2011	FY2012	FY2013	Total
Incorrect entry or withdrawal date	(0.070)	0.010	-	(0.060)
Did not attend the District, but was in SAIS	1.000	-	0.010	1.010
Attended the District, but was not in SAIS	-	-	(0.550)	(0.550)
Enrollment Data Errors	0.930	0.010	(0.540)	0.400

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

District students were not appropriately limited—Auditors determined that 137 District students also attended the Central Arizona Valley Institute of Technology (CAVIT), a Joint Technology Education District (JTED). These 137 students were not properly limited in SAIS to a maximum of 125 membership days, which resulted in the District’s ADM being understated in FY2012. According to EX-18, if a student is concurrently enrolled in any combination of Member District and JTED Satellite, the student may generate a maximum ADM of 1.25. Up to 1.0 ADM may be generated by the school district and up to .25 ADM may be generated by the JTED. However, for 137 District students with concurrent memberships in FY2012 with the JTED, the student’s total funded ADM between both entities was limited in SAIS to 1.0. As a result, the District’s ADM was understated by 24.949 for the three fiscal years audited.

ADM adjustments due to enrollment data errors—As shown in Table 6, enrollment data errors resulted in a net ADM understatement of 24.549 for FY2011, FY2012 and FY2013.

Table 6

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

	FY2011	FY2012	FY2013	Total
Enrollment data errors	0.930	0.010	(0.540)	0.400
Students not limited to 125 membership days	-	(24.949)	-	(24.949)
Total ADM Adjustment for Enrollment Data Errors	0.930	(24.939)	(0.540)	(24.549)

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 and identify improper limiting by ensuring it correctly reconciles its data to the data contained in SAIS. The District should regularly review the reports produced by SAIS and reconcile them to the District's SMS data to identify any discrepancies that would affect funding and correct any errors identified.

The District Was Underfunded by \$75,229.92

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 24.549 for the three fiscal years audited. As a result, the District was underfunded by \$75,229.92 in Basic State Aid, which ADE must repay to the District. Table 7 shows the ADM and funding adjustments required for the District for FY2011, FY2012 and FY2013.

Table 7

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

	FY2011	FY2012	FY2013	Total
ADM Adjustments	0.930	(24.939)	(0.540)	(24.549)
Funding Adjustments	\$ 4,836.77	\$ (79,943.78)	\$ (122.91)	\$ (75,229.92)

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

Recommendations:

1. ADE must repay the District \$75,229.92 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 regularly reconcile its data to ensure it complies with A.R.S. § 15-901 and GE-17.

FINDING 3: THE DISTRICT STAFF INAPPROPRIATELY DELETED FY2011 SMS RECORDS

Although required by statute, the District failed to maintain its attendance and enrollment records in its SMS. Instead of adhering to the statutory mandate of retaining these records for four fiscal years, District staff inappropriately deleted its electronic attendance and enrollment records for FY2011, and did not maintain paper copies of this documentation.

The District Failed To Maintain Its Records As Required By State Law

The District failed to maintain attendance documentation as required by state law. Both state law and guidelines require schools to retain student attendance and enrollment information for four years. These requirements are reiterated in ADE Guideline and Procedure EX-34 (EX-34) that states, “*all original attendance records, whether paper or paperless, must be maintained for four years.*” This requirement is also maintained in Guideline and Procedure EX-18 (EX-18), A.R.S. § 41-151.12 and Arizona State Library, Archives and Public Records Schedule Number 000-11-53.

However, according to District staff, the former school counselor deleted the entirety of the enrollment and attendance documentation in the District’s SMS at the completion of the academic year for FY2011 prior to his departure. District staff indicated that the retrieval of this information was only attempted at the recommendation of auditors. District staff expressed that, according to their SMS support person, data retrieval was only possible at the cost of overwriting all data that had been compiled following the moment after the FY2011 data had been erased.

Recommendation:

1. The District must ensure compliance with A.R.S. § 41-151.12, Arizona State Library, Archives and Public Records Schedule Number 000-11-53 and EX-34 by maintaining all original documentation for at least four years.

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 \$43,820.85 required to be repaid to ADE—Auditors identified an overall funding decrease of \$43,820.85 for the three fiscal years audited due to inaccurate enrollment data and FTE errors.

Table 8 lists the ADM adjustments and the associated Basic State Aid adjustments for the District for FY2011, FY2012 and FY2013.

Table 8

**Santa Cruz Valley Union High School District
ADM and Funding Adjustments Required for
FY2011, FY2012 and FY2013**

	FY2011		FY2012		FY2013		Total
	ADM	Funding	ADM	Funding	ADM	Funding	
FTE Errors	9.957	\$51,786.76	19.530	\$62,605.84	20.465	\$4,658.17	\$119,050.77
Enrollment Data Errors	<u>0.930</u>	<u>4,836.77</u>	<u>(24.939)</u>	<u>(79,943.78)</u>	<u>(0.540)</u>	<u>(122.91)</u>	<u>(75,229.92)</u>
Total Funding Adjustment	<u>10.887</u>	<u>\$56,623.53</u>	<u>(5.409)</u>	<u>\$(17,337.94)</u>	<u>19.925</u>	<u>\$4,535.26</u>	<u>\$43,820.85</u>

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