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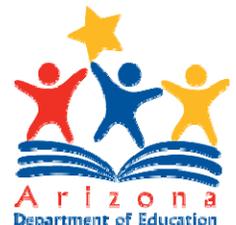
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Average Daily Membership Audit Report Casa Grande Union High School District Fiscal Years 2011, 2012 and 2013

ADDENDUM TO
Report Number—15-3
December 11, 2014



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John Huppenthal
Superintendent of
Public Instruction

December 11, 2014

Dr. Shannon Goodsell, Superintendent
Casa Grande Union High School District
1362 N. Casa Grande Ave.
Casa Grande, AZ 85122

Dear Dr. Goodsell,

The following ADDENDUM supersedes ADM Audit Report 15-3 issued on July 31, 2014. Based on a new interpretation of Arizona Revised Statutes Title 15 and Arizona Department of Education (ADE) External Guidelines EX-18 which was in place during the audited fiscal years, this ADDENDUM identifies the findings by auditors of the Average Daily Membership (ADM) audit of Casa Grande Union High School District (District) for fiscal years 2011, 2012 and 2013. Additionally, a REVISED Notice of Audit Findings and Required Reimbursement is issued simultaneously to reflect the findings contained within this ADDENDUM.

As a result of applying this guidance, auditors determined that the District erroneously calculated and reported the full-time enrollment status for 1,074 students over two fiscal years audited, which resulted in the District's ADM being overstated and its Basic State Aid being overfunded. Additionally, auditors determined that the District did not accurately report some student data for each of the three years audited, which resulted in the District's ADM being understated and its Basic State Aid being underfunded.

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

Sincerely,

A handwritten signature in cursive script that reads "Lisa Eddy".

Lisa Eddy,
Chief Auditor

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SCOPE AND METHODOLOGY

This addendum to the original 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:

- To determine whether the District properly calculated the full-time enrollment (FTE) status of its students, auditors reviewed 1,586 student profiles. Auditors recalculated the actual FTE for these students based on the number of courses the students were taking during the year. When the audited FTE was different from the reported FTE for a student, auditors recalculated the ADM. Auditors applied the following guidance when recalculating the full-time enrollment (FTE) status of students at the District:
 - 9th grade students enrolled in a joint technological education district (JTED) course may not be counted by either the JTED or the member school district.
 - Auditors determined ADM as follows:
 - Calculate the ADM generated by JTED (0.25 FTE per course being offered) pursuant to A.R.S. § 15-393(O).
 - Calculate the ADM generated by the member district courses to determine a students' member district FTE pursuant to A.R.S. § 15-901(A)(1)(a)(ii) and -901(A)(1)(b)(ii).
 - Ensure that the ADM claimed by the member district and JTED does not exceed the generated ADM or the total ADM permitted under A.R.S. § 15-393(P) and (R).
- To determine whether the District reported the correct enrollment data to ADE, auditors reviewed the same 1,586 student profiles. The first and last days of attendance were then compared to the enrollment and withdrawal dates that were reported to SAIS. If differences existed, auditors adjusted the District's ADM accordingly.

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 1,074 STUDENTS RESULTING IN OVERFUNDING OF \$579,054.26

Auditors determined that the District erroneously calculated and reported to ADE the enrollment status of 1,074 high school students, resulting in its ADM being overstated by a total of 223.05 for FY2011 and FY2012. 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 \$579,054.26 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 1,074 Students

Auditors determined that the District failed to properly calculate the FTE status for many of its high school students for the three fiscal years audited. Auditors identified 1,074 high school students whose FTE status was reported to ADE erroneously. According to District administrators, students were reported as attending full-time (1.0 FTE) if they were enrolled in and attending four or more District courses at Casa Verde High School, Casa Grande High School or Vista Grande High School. For Desert Winds High School, students who were enrolled in and attending three District courses were reported as full-time. As a result, the District’s ADM was overstated by 223.05, as shown in Table 1.

Table 1

**Casa Grande Union High School District
Number of Students with Incorrect FTE and
ADM Adjustments
FY2011, FY2012 and FY2013**

	FY2011	FY2012	Total
Number of Students with Incorrect FTE	519	555	1,074
Total ADM Adjustment	112.55	110.51	223.05

Source: Auditor analysis of District records, A.R.S. § 15-901 and A.R.S. § 15-393.

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 enrolled in 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 through FY2012, a full time student (1.0 FTE) in grades 9 through 12 must be enrolled in and attending at least 720 hours of instruction and at least 20 hours per week; a 0.75 FTE student must be enrolled in at least 540 hours of instruction and at least 15 hours per week; a 0.50 FTE student must be enrolled in at least 360 hours of instruction and at least 10 hours per week; and a 0.25 FTE student must be enrolled in at least 180 hours of instruction and at least 5 hours per week. For FY2013 and each fiscal year thereafter, a full time student (1.0 FTE) in grades 9 through 12 must be enrolled in at least an instructional program of four or more subjects that count toward graduation, each of which if taught each school day for the minimum number of days required in a school year, would meet a minimum of 123 hours a year, or the equivalent, that meets for at least 720 hours of instruction; a 0.75 FTE student must be enrolled in at least 540 hours of instruction and at least three subjects; a 0.50 FTE student must be enrolled in at least 360 hours of instruction and at least two subjects; and a 0.25 FTE student must be enrolled in at least 180 hours of instruction and at least one subject. Each subject must meet for at least 123 instructional hours

Auditors determined that the District failed to properly calculate and report the FTE status of students who took fewer than six District courses. According to auditor analysis of the District's bell schedules and calendars, students at Vista Grande High School would have needed to take at least six District courses in FY2011 and FY2012 in order to be counted as enrolled full-time according to statute and ADE guidelines. However, for these two fiscal years, the District offered only six courses to students. Therefore, any student who did not take six District courses for the school year should have had their FTE reduced.

That being said, students enrolled in JTED courses create a special circumstance. If a student was enrolled in one or more JTED course that were reported by the JTED, the student's District FTE should have been reduced by the District. Pursuant to A.R.S. § 15-393(O), these JTED courses generated 0.25 FTE for the JTED, but A.R.S. § 15-393(P) permits the District and JTED to apportion this ADM between the two entities. The auditor's analysis reviewed each student's enrollment in JTED courses and allowed for the District to report FTE as permitted by statute.

However, the District continued to count four courses as a 1.0 FTE for these fiscal years, which led to an overreporting of many students' FTE during these fiscal years. As shown in Table 2 (see page 4), the District overstated the FTE for students enrolled in less than six District courses in FY2011 and FY2012.

Table 2

**Casa Grande Union High School District
Vista Grande High School
Number of Courses, Actual Instructional Minutes Provided Per Week,
Erroneous FTE Calculated and Reported by District to ADE and
Correct FTE that Should Have Been Reported to ADE
FY2011 and FY2012**

Number of Courses	Actual Instructional Minutes Provided Per Week	Erroneous FTE Calculated and Reported by District to ADE	Correct FTE That Should Have Been Reported to ADE
1	238	0.25	0.00
2	476	0.50	0.25
3	714	0.75	0.50
4	952	1.00	0.75
5	1,190	1.00	0.75
6 or more	1,428	1.00	1.00

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

**The District Was Overfunded
\$579,054.26 in Basic State Aid**

Because the District erroneously calculated and reported its FTE for 1,074 students, the District was overfunded \$1,067,087.18 in Basic State Aid. However, due to the statutory growth funding formula, this amount is reduced by \$488,032.91. As a result, the net funding adjustment for the District is \$579,054.26. According to A.R.S. § 15-915, ADE must recoup \$579,054.26 in overfunded Basic State Aid from the District for incorrectly reported FTE for the three fiscal years audited. Table 3 illustrates the annual and total overpayment.

Table 3

**Casa Grande Union High School District
ADM Adjustment Due to Miscalculated FTE and
Funding Adjustment
FY2011 and FY2012**

Fiscal Year	ADM Adjustment	Basic State Aid	Growth	Net Funding Adjustment
2011	112.55	\$ 542,973.73	\$ -	\$542,973.73
2012	<u>110.51</u>	<u>524,113.44</u>	<u>(488,032.91)</u>	<u>36,080.53</u>
Total	<u>223.05</u>	<u>\$1,067,087.18</u>	<u>\$(488,032.91)</u>	<u>\$579,054.26</u>

Source: Auditor analysis of District records, A.R.S. § 15-901 and A.R.S. § 15-393.

Recommendations:

1. ADE must recoup \$579,054.26 in overfunded 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 when calculating and reporting FTE status.

FINDING 2: THE DISTRICT DID NOT ACCURATELY REPORT SOME STUDENT DATA RESULTING IN AN UNDERPAYMENT OF \$12,937.68

Student enrollment data was not accurate for 167 of the District's students for FY2011, FY2012 and FY2013. Specifically, auditors found that 25 students attended a District school and were not reported to SAIS, the enrollment or withdrawal dates for 34 students were incorrect and four students were reported to SAIS but did not attend a District school. Additionally, 65 students where an adjustment was made were special education students which required a special education ADM adjustment. Finally, 39 students' membership days were not properly limited in SAIS. As a result of these errors, the District's ADM was understated by 9.49 for the three fiscal years audited. Due to the inaccurate enrollment data, the District received a net underpayment of \$12,937.68 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 128 students' enrollment data to ADE due to various errors, which resulted in the District's ADM being overreported by 10.61. Additionally, 39 District students were not properly limited, which resulted in the District's ADM being overreported by 1.16. As a result, the District understated its ADM in the three fiscal years audited by 9.49.

District 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:

- 25 students were 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 13.93.
- 34 students had either an incorrect entry date or withdrawal date that was reported to SAIS, which resulted in the District's ADM being overstated by 2.27.
- 4 students did not have any attendance documentation that indicated they had attended the District, which resulted in the District's ADM being overstated by 1.01.

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."

- 65 special education students were reported with incorrect special education ADM, which resulted in the District's ADM being overstated by 0.04.

As shown in Table 4, data reporting errors resulted in a net ADM understatement of 10.61 for FY2011, FY2012 and FY2013.

Table 4

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

	FY2011	FY2012	FY2013	Total
Attended the District, but was not in SAIS	(2.60)	(8.03)	(3.30)	(13.93)
Incorrect entry or withdrawal date	-	0.06	2.21	2.27
Did not attend the District, but was in SAIS	0.14	-	0.87	1.01
Special education ADM adjustment	<u>0.02</u>	<u>0.02</u>	<u>-</u>	<u>0.04</u>
Enrollment Data Errors	<u>(2.44)</u>	<u>(7.95)</u>	<u>(0.22)</u>	<u>(10.61)</u>

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

District students were not appropriately limited—Auditors determined that 39 District students attended more than one school within the District, and were not properly limited by SAIS to a maximum of 100 membership days. This resulted in the District's ADM being overstated in all three fiscal years audited. 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 these 39 District students in FY2011, FY2012 and FY2013, the student's funded ADM exceeded 1.0. As a result, the District's ADM was overstated by 1.16 for the three fiscal years audited.

ADM adjustments due to enrollment data errors—As shown in Table 5, enrollment data errors resulted in a net ADM understatement of 9.45 for FY2011, FY2012 and FY2013.

Table 5

**Casa Grande 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	(2.44)	(7.95)	(0.22)	(10.61)
Students not limited to 100 membership days	<u>0.21</u>	<u>0.69</u>	<u>0.26</u>	<u>1.16</u>
Total ADM Adjustment for Enrollment Data Errors	<u>(2.23)</u>	<u>(7.26)</u>	<u>0.04</u>	<u>(9.45)</u>

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 regularly and correctly reconciles its data to the data contained in SAIS. 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 and correct any errors identified.

The District Was Underfunded by \$12,937.68

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 9.45 for the three fiscal years audited. As a result, the District was underfunded by \$44,999.44 in Basic State Aid. However, due to the statutory growth funding formula, this amount is reduced by \$32,061.76. As a result, the net funding adjustment for the District is \$12,937.68. According to A.R.S. § 15-915, ADE must repay the District \$12,937.68 in underfunded Basic State Aid for data enrollment errors for the three fiscal years audited. Table 6 shows the ADM and funding adjustments required for the District for FY2011, FY2012 and FY2013.

Table 6

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

Fiscal Year	ADM Adjustment	Basic State Aid	Growth	Total
2011	(2.23)	\$(10,756.77)	\$ -	\$(10,756.77)
2012	(7.26)	(34,432.10)	32,061.76	(2,370.34)
2013	<u>0.04</u>	<u>189.44</u>	=	<u>189.44</u>
Total	<u>(9.45)</u>	<u>\$(44,999.44)</u>	<u>\$32,061.76</u>	<u>\$(12,937.68)</u>

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

Recommendations:

1. ADE must repay the District \$12,937.68 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 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 \$566,116.59 required to be repaid to ADE—Auditors identified an overall funding decrease of \$566,116.59 for the three fiscal years audited due to FTE errors and inaccurate enrollment data.

Table 7 lists the ADM adjustments and the associated Basic State Aid adjustments for the District for FY2011, FY2012 and FY2013.

Table 7

**Casa Grande 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	112.55	\$542,973.73	110.51	\$ 36,080.53	-	\$ -	\$579,054.26
Enrollment Data Errors	<u>(2.23)</u>	<u>(10,756.77)</u>	<u>(7.26)</u>	<u>(2,370.34)</u>	<u>0.04</u>	<u>189.44</u>	<u>(12,937.68)</u>
Total Funding Adjustment	<u>110.32</u>	<u>\$532,216.96</u>	<u>103.25</u>	<u>\$33,710.19</u>	<u>0.04</u>	<u>\$189.44</u>	<u>\$566,116.59</u>

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