



Arizona Department of Education

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Average Daily Membership Audit Report Baboquivari Unified School District Fiscal Years 2012, 2013 and 2014

Report Number—15-24
February 12, 2015



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Diane Douglas
Superintendent of
Public Instruction

February 12, 2015

Dr. Edna Morris, Superintendent
Baboquivari Unified School District
P.O. Box 248
Sells, AZ 85634

Dear Dr. Morris,

The Arizona Department of Education Audit Unit has conducted an audit of the Baboquivari Unified School District (District) Average Daily Membership (ADM) for Fiscal Years 2012, 2013 and 2014. The purpose of the audit was to address whether the District properly reported student enrollment to determine if it received the correct amount of Basic State Aid.

Auditors determined that the District did not accurately report the enrollment data of some students, leading to the District underreporting its ADM by 0.32 for the three fiscal years audited. As a result of growth funding, the District was overfunded for the audited fiscal years by \$50,857.40 in Basic State Aid, which must be repaid to ADE pursuant to state law.

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, appearing to read "Lisa Eddy".

Lisa Eddy,
Chief Auditor

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INTRODUCTION AND BACKGROUND

The Arizona Department of Education (ADE) Audit Unit has conducted an Average Daily Membership (ADM) audit of the Baboquivari Unified 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 FY2012 through FY2014 data.

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.

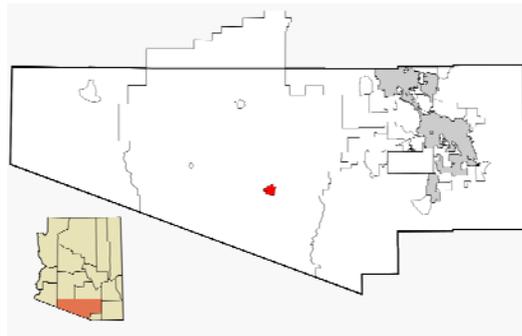
Funding adjustment process and timeframes—When the Notice is finally settled or adjudicated, if ADE has determined that a school district or charter school received an incorrect amount of Basic State Aid, A.R.S. § 15-915 directs that corrections to schools’ funding be made in the current budget year. 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.

The District, as shown in Figure 1, is located in Sells, Arizona. For the three fiscal years audited, the District maintained one elementary school, one middle school, one alternative middle school, one high school and one alternative high school.

Figure 1
Sells, Arizona
Location in Pima County and the State of Arizona



Source: Wikipedia: Sells, Arizona.

Table 1 presents the District’s unaudited student, staffing and financial information for FY2012, FY2013 and FY2014.

Table 1
Baboquivari Unified School District
Total Students, Staffing, Revenues and Expenditures
FY2011, FY2012 and FY2013
(Unaudited)

	FY2012	FY2013	FY2014
Students Enrolled	970	1,063	1,009
Number of Teachers	75	75	71
Revenue			
Local	\$ 521,127	\$ 552,764	\$373,070
County	467,917	601,866	699,861
State	4,888,435	5,200,158	5,910,293
Federal	<u>8,924,163</u>	<u>12,320,185</u>	<u>14,376,565</u>
Total Revenues	<u>\$14,801,642</u>	<u>\$18,674,973</u>	<u>\$21,359,789</u>
Total Expenditures	<u>\$15,685,335</u>	<u>\$17,020,507</u>	<u>\$18,601,782</u>

Source: Annual Report of the Arizona Superintendent of Public Instruction for FY2012, FY2013 and FY2014.

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 FY2012, FY2013 and FY2014.

To conduct this audit, auditors used a variety of methods, including examining District and SAIS records for enrollment. Auditors also reviewed state statutes and District policies and procedures, and interviewed District management and staff.

Auditors compared the District's student management system to SAIS and identified 245 students for further evaluation. Each student's attendance was compared for each fiscal year. Auditors reviewed these 245 student profiles to determine if the enrollment data reported to ADE was accurate. Auditors compared the student profiles to SAIS to determine if the entry and exit date was correct, as well as the full-time enrollment (FTE) status reported to SAIS. In addition, auditors reviewed the students to determine if any were also funded for one of the special education categories. Additionally, auditors reviewed six withdrawal forms and supporting documentation to determine whether required documentation was contained in the files. Finally, auditors reviewed the total ADM for each student to ensure that they were limited properly.

In addition, auditors reviewed the District's bell schedules and calendars for the fiscal years audited and determined that the District provided at least the minimum number of instructional hours as required by statute for each grade level.

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

FINDING 1: THE DISTRICT DID NOT ACCURATELY REPORT SOME STUDENT DATA RESULTING IN AN OVERPAYMENT OF \$50,857.40

The District inaccurately reported the student enrollment data for 116 of the District's students for FY2012, FY2013 and FY2014. Specifically, auditors determined that 22 students did not attend the District, 53 students had either an incorrect entry or withdrawal date, five students had an incorrectly reported FTE and 36 students who attended a District school were not properly reported to SAIS. Additionally, nine of these students were reported with an incorrect special education enrollment. As a result of these errors, the District's ADM was understated by 0.32 for the three fiscal years audited. Due to the inaccurate enrollment data and growth, the District received a net overpayment of \$50,857.40 in Basic State Aid for the three fiscal years audited which the District must repay to ADE pursuant to A.R.S. § 15-915.

The District Inaccurately Reported Some Student Enrollment Data

The District inaccurately reported 125 students' enrollment data to ADE due to various errors, which resulted in the District's ADM being underreported by 0.32. 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 for FY2012 and FY2013 is the last day of actual attendance. For FY2014, the withdrawal date for students is the last day of actual attendance or excused absence. Additionally, the FTE status of a student must be reported according to A.R.S. § 15-901. However, the District did not always adhere to these requirements. Specifically:

- 22 students did not have any attendance documentation that indicated they had attended the District, which resulted in the District's ADM being overstated by 12.82.
- 53 students had either an incorrect entry or withdrawal date that was reported to SAIS, which resulted in the District's ADM being overstated by 3.13.
- 9 students were reported with inaccurate SPED membership days, which resulted in the District's weighted SPED ADM being overstated by 2.66.

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."

- 5 high school students had an erroneously reported FTE status, which resulted in the District’s ADM being overstated by 0.22.
- 36 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 19.14.

As shown in Table 2, data reporting errors resulted in a net ADM understatement of 0.32 for FY2012, FY2013 and FY2014.

Table 2
Baboquivari Unified School District
ADM Adjustments Due to Enrollment Data Errors
FY2012, FY2013 and FY2014

	FY2012	FY2013	FY2014	Total
Did not attend the District, but was funded	0.82	5.57	6.43	12.82
Incorrect entry or withdrawal date	0.69	2.41	0.03	3.13
Special education adjustments	-	2.65	0.01	2.66
Incorrect FTE	-	0.01	0.21	0.22
Attended the District, but was not funded	<u>(10.96)</u>	<u>(4.80)</u>	<u>(3.38)</u>	<u>(19.14)</u>
Enrollment Data Errors	<u>(9.45)</u>	<u>5.84</u>	<u>3.29</u>	<u>(0.32)</u>

Source: Auditor analysis of District records and SAIS data for FY2012, FY2013 and FY2014.

The District Must Properly Reconcile Its Enrollment Data With SAIS

The District can likely avoid errors in the future by ensuring it regularly and correctly reconciles its data to the data contained in SAIS. Although the District stated that reconciliation occurs after the 40th and 100th days, as well as upon conclusion of the school year, auditors still identified a number of errors that should be captured during a proper reconciliation. The District should review its reconciliation practices to ensure that they properly 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 Overfunded by \$50,857.40

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 FY2012, FY2013 and FY2014. The enrollment data errors reported by the District resulted in its ADM being understated by 0.32 for

the three fiscal years audited. As a result, the District was overfunded by \$50,857.40 in Basic State Aid, which must be repaid to ADE pursuant to statute.

As shown in Table 3, for FY2012, auditors determined that the District understated its ADM by 9.45, resulting in an underpayment of Basic State Aid of \$46,425.17. For FY2013, auditors determined that the District overstated its ADM by 5.84, resulting in an overpayment of Basic State Aid of \$22,064.75. However, due to statutory growth formulas, the District received an additional \$61,190.40 in Basic State Aid that must be reduced according to statute due to audit adjustments. In total for FY2013, the District was overfunded by \$83,255.24. For FY2014, auditors determined that the District overstated its ADM by 3.29, resulting in an overpayment of Basic State Aid of \$14,027.33. In total, the District understated its ADM by 0.32, but due to the growth formula factor discussed above was overfunded Basic State Aid by \$50,857.40 for the three years audited. As required by A.R.S. § 15-915, the District must repay ADE \$50,857.40 in Basic State Aid.

Table 3

**Baboquivari Unified School District
ADM and Funding Adjustments Due to
Enrollment Data Errors
FY2012, FY2013 and FY2014**

Fiscal Year	ADM Adjustment	Funding Adjustment	Growth	Net Funding Adjustment
2012	(9.45)	\$ (46,425.17)	\$ -	\$ (46,425.17)
2013	5.84	22,064.75	61,190.49	83,255.24
2014	<u>3.29</u>	<u>14,027.33</u>	<u>-</u>	<u>14,027.33</u>
Total	<u>0.32</u>	<u>\$ (10,333.09)</u>	<u>\$ 61,190.49</u>	<u>\$ 50,857.40</u>

Source: Auditor analysis of District records and SAIS data for FY2012, FY2013 and FY2014.

Recommendations:

1. The District must repay ADE \$50,857.40 in Basic State Aid due to incorrectly reported enrollment data.
2. 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 FY2014 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 \$50,857.40 required to be repaid by ADE—Auditors identified an overall funding decrease of \$50,857.40 for the three fiscal years audited due to erroneous student data.

Table 4 lists the ADM adjustments and the associated Basic State Aid adjustments for the District for FY2012, FY2013 and FY2014.

Table 4

**Baboquivari Unified School District
ADM and Funding Adjustments
FY2012, FY2013 and FY2014**

	FY2012		FY2013		FY2014		Total
	ADM	Funding	ADM	Funding	ADM	Funding	
Enrollment Data Errors	(9.45)	\$(46,425.17)	5.84	\$83,255.24	3.29	\$14,027.33	\$50,857.40
Funding Adjustment	(9.45)	\$(46,425.17)	5.84	\$83,255.24	3.29	\$14,027.33	\$50,857.40

Source: Auditor analysis of SAIS and District student and financial data for FY2012, FY2013 and FY2014.