



Arizona Department of Education

The Audit Unit

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Average Daily Membership Audit Report Agua Fria Union High School District Fiscal Years 2012, 2013 and 2014

Report Number—15-28

March 31, 2015



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Diane Douglas
Superintendent of
Public Instruction

March 23, 2015

Dr. Dennis Runyan, Superintendent
Agua Fria Union High School District
1481 N Eliseo Felix Jr. Way Ste. 110
Avondale, AZ 85323

Dear Dr. Runyan,

The Arizona Department of Education Audit Unit has conducted an audit of the Agua Fria Union High 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 some student data, which resulted in an understatement of 2.00 ADM and an underfunding of \$18,729.87 in Basic State Aid, which must be repaid to the District as required by statute.

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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INTRODUCTION AND BACKGROUND

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

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 information—The District, located in Avondale, Arizona, maintained four high schools during the fiscal years audited. Table 1 presents the District’s unaudited student, staffing and financial information for FY2012, FY2013 and FY2014.

Table 1

**Agua Fria Union High School District
Total Students, Revenues and Expenditures
FY2012, FY2013 and FY2014
(Unaudited)**

	FY2012	FY2013	FY2014
Students Enrolled	6,828	6,938	7,238
Number of Teachers	311	314	325
Revenue			
Local	\$ 28,991,819	\$ 31,009,795	\$ 49,949,708
County	1,684,782	1,681,921	1,801,935
State	18,450,002	20,612,543	23,045,671
Federal	3,485,495	3,306,495	3,171,128
Total Revenues	<u>52,612,098</u>	<u>56,610,754</u>	<u>77,968,442</u>
Total Expenditures	<u>\$ 55,355,580</u>	<u>\$ 58,656,313</u>	<u>\$ 78,832,601</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. Specifically:

- ***Instructional hours*** – Auditors reviewed the bell schedules and calendars for each of the District’s schools for FY2012, FY2013 and FY2014. The total instructional hours offered for each grade met the minimum required by statute for each of the three fiscal years audited. No findings were identified for this area.
- ***Enrollment data*** – Auditors reviewed 329 student profiles to determine if the enrollment data reported to ADE was correct. Auditors compared the entry and exit dates to the student profiles to determine if an adjustment was necessary. In addition, auditors reviewed the student schedules to determine if the full time equivalency (FTE) reported to ADE was correct. Depending on the number of classes needed to have a 1.0 FTE, auditors recalculated the actual FTE for the 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 Aqua Fria Union High 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 UNDERPAYMENT OF \$18,729.87

The District inaccurately reported the student enrollment data for 103 students for the three fiscal years audited. Specifically, auditors found that 69 students were reported with an incorrect FTE, 32 students were not properly limited by SAIS, one student attended the District but was not reported to SAIS, and one student was reported to SAIS but did not attend the District. Of these affected students, 15 were Special Education (SPED) students with additional ADM weights. As a result of these errors, the District's ADM was understated by 2.00 for the fiscal years audited. Due to the inaccurate enrollment data, the District received a net underpayment of \$18,729.87 in Basic State Aid, which ADE must repay to the District pursuant to A.R.S. § 15-915.

The District Inaccurately Reported Some Student Enrollment Data

Auditors determined that The District inaccurately reported 103 students' enrollment data to ADE due to various errors, which resulted in the District's ADM being understated by 2.00, specifically:

- The FTE status for 69 high school students was incorrect, which resulted in the District's ADM being understated by 9.58.
- 32 students were not properly limited and as a result had more than 100 membership days, which resulted in the District's ADM being overstated by 3.78.
- One student was not reported to SAIS; however, documentation showed the student had attended a District school, which resulted in the District's ADM being understated by 1.00.
- One student was reported to SAIS who did not attend a District school, which resulted in the District's ADM being overstated by 0.28.

Of these students, 15 were SPED students, whose associated SPED weight resulted in their ADM being overreported by 4.52. As shown in Table 2 (see page 5), data reporting errors resulted in a net ADM understatement of 2.00 for the three fiscal years audited.

Table 2

**Agua Fria Union High School District
ADM Adjustments Due to Enrollment Data Errors
FY2012, FY2013 and FY2014**

	FY2012	FY2013	FY2014	Total
Incorrect FTE	(1.80)	(3.37)	(4.41)	(9.58)
Not Limited Correctly	3.78	-	-	3.78
Not in SAIS	(1.00)	-	-	(1.00)
Did Not Attend	-	0.28	-	0.28
SPED	1.15	0.90	2.47	4.52
Enrollment Data Errors	<u>2.13</u>	<u>(2.18)</u>	<u>(1.94)</u>	<u>(2.00)</u>

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

**The District Must Reconcile
Its Enrollment Data With SAIS**

The District can avoid errors in the future 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 \$18,729.87**

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 the three fiscal years audited. The enrollment data errors reported by the District resulted in its ADM being understated by 2.00. As a result, the District was underfunded by \$ 15,149.76 in Basic State Aid. However, statutory growth formulas applied to the District show that the District should receive an additional \$3,580.11. As a net result, the District was underfunded by \$18,729.87. According to A.R.S. § 15-915, ADE must repay the District \$18,729.87 in underfunded Basic State Aid for data enrollment errors for the three fiscal years audited. Table 3 (see page 6) shows the ADM and funding adjustments required for the District for FY2012, FY2013 and FY2014.

Table 3

**Agua Fria Union High 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	2.13	\$8,696.60	\$8,220.08	\$16,916.68
2013	(2.18)	(12,085.03)	(14,502.30)	(26,587.33)
2014	(1.94)	(11,761.33)	2,702.11	(9,059.22)
Total	(2.00)	\$8,696.60	\$(3,580.11)	\$(18,729.87)

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

Recommendations:

1. ADE must repay the District \$18,729.87 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.
3. The District must comply with A.R.S. § 15-901 when calculating and reporting FTE status.

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 \$18,729.87 required to be repaid by ADE—Auditors identified an overall funding increase of \$18,729.87 for the three fiscal years audited due to inaccurate student enrollment data.

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

Table 4

**Agua Fria Union High School District
ADM and Funding Adjustments
FY2012, FY2013 and FY2014**

	FY2012		FY2013		FY2014		Total
	ADM	Funding	ADM	Funding	ADM	Funding	
Enrollment Data Errors	<u>2.13</u>	<u>\$16,916.68</u>	<u>(2.18)</u>	<u>\$(26,587.33)</u>	<u>(1.94)</u>	<u>\$(9,059.22)</u>	<u>\$(18,729.87)</u>
Funding Adjustment	<u>2.13</u>	<u>\$16,916.68</u>	<u>(2.18)</u>	<u>\$(26,587.33)</u>	<u>(1.94)</u>	<u>\$(9,059.22)</u>	<u>\$(18,729.87)</u>

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