



Arizona Department of Education

The Audit Unit

1535 W. Jefferson St., Bin 19

Phoenix, Arizona 85007

602-364-4061

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

Report Number—15-31

April 30, 2015



**CONTACTING
THE AUDIT UNIT**

Matthew D. Boucher, Audit Manager

Phone: (602) 542-8815

Email: Matt.Boucher@azed.gov

Fax: (602) 542-3264

Mail: 1535 W. Jefferson St., Bin 19
Phoenix, AZ 85007-3209

OBTAINING ADDITIONAL COPIES

To obtain additional copies of this report, please submit a formal request to the address below:

Arizona Department of Education—The Audit Unit
1535 W. Jefferson Street, Bin 19
Phoenix, AZ 85007-3209



State of Arizona
Department of Education
The Audit Unit
1535 W. Jefferson St, Bin 19 • Phoenix, AZ 85007
Phone (602) 364-4061 Fax (602) 542-3264

Diane Douglas
Superintendent of
Public Instruction

April 30, 2015

Dr. Kimberly Randall, Superintendent
Cedar Unified District
PO Box 367
Keams Canyon, AZ 86034

Dear Dr. Randall,

The Arizona Department of Education Audit Unit has conducted an audit of the Cedar Unified 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 overstatement of 4.18 ADM and an overfunding of \$16,763.65 in Basic State Aid, which must be repaid by the District to the State 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

TABLE OF CONTENTS

	<u>Page</u>
Introduction and Background	1
Scope and Methodology	4
Finding 1: The District Did Not Accurately Report Some Student Enrollment Data Resulting In an Overpayment of \$16,763.65	5
District Inaccurately Reported Some Student Enrollment Data	5
The District Must Reconcile Its Enrollment Data with SAIS	6
The District Was Overfunded by \$16,763.65	7
Recommendations	7
ADM and Funding Adjustments	8
Tables:	
1 Cedar Unified District Total Students, Revenues and Expenditures FY2012, FY2013 and FY2014 (Unaudited)	3
2 Cedar Unified District ADM Adjustments Due to Enrollment Data Errors FY2012, FY2013 and FY2014	6

TABLE OF CONTENTS (CONT'D)

3	Cedar Unified District ADM and Funding Adjustments Due to Enrollment Data Errors FY2012, FY2013 and FY2014.....	7
---	--	---

4	Cedar Unified District ADM and Funding Adjustments FY2012, FY2013 and FY2014.....	8
---	---	---

Figures:

1	Cedar Unified District Keams Canyon, Navajo County, Arizona	2
---	--	---

INTRODUCTION AND BACKGROUND

The Arizona Department of Education (ADE) Audit Unit has conducted an Average Daily Membership (ADM) audit of the Cedar Unified 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, as shown in Figure 1, located in Keams Canyon, Arizona, maintained one K-8 school and one high school during the fiscal years audited. Table 1 (see page 3) presents the District’s unaudited student, staffing and financial information for FY2012, FY2013 and FY2014.

Figure 1
Cedar Unified District
Keams Canyon, Navajo County, Arizona



Table 1

**Cedar Unified District
Total Students, Revenues and Expenditures
FY2012, FY2013 and FY2014
(Unaudited)**

	FY2012	FY2013	FY2014
Students Enrolled	260	192	164
Number of Teachers	25	16	12
Revenue			
Local	\$ 52,455	\$ 61,404	\$ 69,397
County	132,095	108,692	90,061
State	2,042,735	1,849,846	1,280,855
Federal	2,732,005	3,199,201	2,223,567
Total Revenues	<u>4,959,290</u>	<u>5,219,143</u>	<u>3,663,880</u>
Total Expenditures	<u>\$ 4,576,629</u>	<u>\$ 4,360,201</u>	<u>\$ 4,078,448</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:

- ***Enrollment data*** – Auditors reviewed 92 student profiles to determine if the enrollment data reported to ADE was correct. The actual first and last days that students were enrolled in classes were then compared to the enrollment and withdrawal dates that were reported to SAIS. When discrepancies were identified, auditors recalculated the ADM for each student based on the actual enrollment period. In addition, auditors reviewed the student profiles to determine if the full-time enrollment (FTE) status reported to SAIS was calculated and applied correctly as well as whether any students were funded for one of the special education (SPED) categories.
- ***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.

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

FINDING 1: THE DISTRICT DID NOT ACCURATELY REPORT SOME STUDENT ENROLLMENT DATA RESULTING IN AN OVERPAYMENT OF \$16,763.65

The District did not accurately report the student enrollment data for 21 students for the three fiscal years audited. Specifically, auditors identified 17 students were reported with incorrect enrollment status, two students were reported to SAIS with an incorrect entry or withdrawal date, and two students had a misreported grade level. Of these affected students, four were Special Education (SPED) students. As a result of these errors, the District's ADM was overstated by 4.18 for the three fiscal years audited. Due to the inaccurate enrollment data, the District received a net overpayment of \$16,763.55 in Basic State Aid, which the District must repay to ADE pursuant to A.R.S. § 15-915.

District Inaccurately Reported Some Student Enrollment Data

Auditors determined that the District inaccurately reported 17 students' enrollment status¹, which resulted in the District's ADM being overreported by 4.16, two students had incorrectly reported attendance data, which resulted in an overstatement of 0.02 ADM, and two students had a misreported grade level, which resulted in a 0.00 net adjustment. As a result, the District overstated its ADM for all three fiscal years audited by 4.18.

The District misreported the enrollment status of 17 students— Auditors determined that the District misreported the enrollment status of 17 students in FY2013. The District operated an alternative program in FY2013 and FY2014 in place of the brick and mortar high school, whereby a student must participate for at least 240 minutes per day to earn 720 instructional hours over a 180-day calendar or the equivalent and generate a 1.0 FTE according to A.R.S. 15-901(A)(1)(a). However, in FY2013, 17 students attended less than full-time to generate a 1.0 FTE. These students should have been reported as part-time rather than full-time, which resulted in the District's ADM being overstated by 4.16. The District should have prorated these students' FTE at 0.25, 0.5, or 0.75 FTE.

The District misreported student attendance data for two students—Auditors identified two students with incorrect days of enrollment. According to ADE External Guideline and Procedures GE-17, with the exception of pre-enrolled students, the enrollment date for a student is the first day of actual attendance and the withdrawal date is the last day of actual attendance or

¹ According to A.R.S. § 15-901(A)(1)(a), a high school student is a full-time student when enrolled for 720 hours throughout the school year or the equivalent, a fractional student is one enrolled in less than 720 hours throughout the year and is calculated at 0.75, 0.5, and 0.25 of this requirement.

excused absence. However, District documentation for two students showed fewer membership days than was reported to SAIS, which resulted in the District’s ADM being overstated by 0.02.

The District misreported the grade levels for two students—For students that are not promoted to the next grade level, it is imperative that a student’s current grade level be reported to SAIS accurately, in particular as secondary ADM weights are different between elementary and high school students. However, auditors identified two students reported to SAIS and funded as high school students when District documentation shows these students were actually retained at the elementary grade level. As there were no other discrepancy aside from these student’s grade level, there was no unweighted ADM adjustment as a result but an apportionment adjustment between K-8 and 9-12 for the District in FY2013 and FY2014.

Of these students, two were SPED students, whose associated SPED weights resulted in no ADM adjustment. As shown in Table 2, data reporting errors resulted in a net ADM overstatement of 4.18 for the three fiscal years audited.

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

	FY2012	FY2013	FY2014	Total
Incorrect FTE	-	4.16	-	4.16
Incorrect Entry/Exit	-	-	0.02	0.02
Wrong Grade	-	-	-	-
SPED	-	-	-	-
Enrollment Data Errors	0	4.16	0.02	4.18

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 Overfunded by \$16,763.65

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 two out of the three fiscal years audited. The enrollment data errors reported by the District resulted in its ADM being overstated by 4.18. As a result, the District was overfunded by \$16,763.65 in Basic State Aid. According to A.R.S. § 15-915, the District must repay ADE \$16,763.65 in overfunded Basic State Aid for data enrollment errors for the three fiscal years audited. Table 3 shows the ADM and funding adjustments required for the District for FY2012, FY2013 and FY2014.

Table 3

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

Fiscal Year	ADM Adjustment	Net Funding Adjustment
2012	-	\$-
2013	4.16	28,436.00
2014	<u>0.02</u>	<u>(11,672.35)</u>
Total	<u>4.18</u>	<u>\$16,763.65</u>

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

Recommendations:

1. The District must repay the ADE \$16,763.65 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 GE-17 when reporting enrollment and withdrawal data.

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 \$16,763.65 required to be repaid by the District—Auditors identified an overall funding decrease of \$16,763.65 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
Cedar Unified District
ADM and Funding Adjustments
FY2012, FY2013 and FY2014

	FY2012		FY2013		FY2014		Total
	ADM	Funding	ADM	Funding	ADM	Funding	
Enrollment Data Errors	-	-	4.16	\$28,436.00	0.02	\$(11,672.35)	\$16,763.65
Funding Adjustment	-	=	4.16	\$28,436.00	0.02	\$(11,672.35)	\$16,763.65

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