



## Arizona Department of Education

The Audit Unit

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Phoenix, Arizona 85007

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# Average Daily Membership Audit Report Benson Unified School District Fiscal Years 2013, 2014 and 2015

**Report Number—16-28**

April 29, 2016



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Diane Douglas  
Superintendent of  
Public Instruction

April 29, 2016

Micah Mortensen, Superintendent  
Benson Unified School District  
360 S Patagonia St  
Benson, AZ 85602

Dear Mr. Mortensen,

The Arizona Department of Education Audit Unit has conducted an audit of the Benson Unified School District (District) Average Daily Membership (ADM) for Fiscal Years 2013, 2014 and 2015. 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 FTE's, some student data was inaccurate and some AOI data was reported incorrectly for FY2013, FY2014 and FY2015, which resulted in the District's ADM being overstated by 29.25. As a result, the District was overfunded by \$179,146.84, which the District must repay to ADE.

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

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The Arizona Department of Education (ADE) Audit Unit has conducted an Average Daily Membership (ADM) audit of the Benson 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 FY2013 through FY2015.

***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 is located in Benson, Arizona and maintained 5 schools, composed of one high school, one middle school, one primary school, one district sponsored charter school, and one online school during the fiscal years audited. Table 1 presents the District’s unaudited student, staffing and financial information for FY2013, FY2014 and FY2015.

**Table 1**

**Benson Unified School District  
Total Students, Revenues and Expenditures  
FY2013, FY2014 and FY2015  
(Unaudited)**

	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>
<b>Students Enrolled</b>	<b>1,153</b>	<b>1,155</b>	<b>1,293</b>
<b>Number of Teachers</b>	69	65	67
<b>Revenue</b>			
Local	\$ 4,908,051	\$ 5,229,440	\$ 5,281,862
County	232,722	249,430	275,212
State	2,881,829	3,252,366	4,127,029
Federal	1,173,520	1,055,363	1,043,816
<b>Total Revenues</b>	<b><u>9,196,123</u></b>	<b><u>9,786,599</u></b>	<b><u>10,727,919</u></b>
<b>Total Expenditures</b>	<b><u>\$ 10,711,839</u></b>	<b><u>\$ 9,345,744</u></b>	<b><u>\$ 10,374,745</u></b>

Source: Annual Report of the Arizona Superintendent of Public Instruction for FY2013, FY2014 and FY2015.

## SCOPE AND METHODOLOGY

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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 FY2013, FY2014 and FY2015.

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 FY2013, FY2014 and FY2015. The total instructional hours offered for each grade met the minimum required by statute for each of the three fiscal years audited. No finding was identified for this area.
- **Enrollment data**—Auditors compared SAIS data to the District’s SMS and identified 385 students for review. Auditors obtained the student profiles from the District’s SMS and reviewed them 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 for all sampled high school students 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 courses the students were taking during the year. When the audited FTE or entry or exit dates were different from the reported FTE for a student, auditors recalculated the ADM and made appropriate adjustments to the funded ADM.
- **AOI data**– Auditors compared the Arizona Online Instruction (AOI) data that was reported to ADE to the AOI data from the District. Auditors reviewed instructional time reported as well as the full or part time status that was reported for each student. An adjustment was determined when differences were identified.
- **SPED Data**—Additionally, for the students where an ADM adjustment was made, auditors determined whether the student had also been funded for a special education category. Auditors calculated the special education adjustment based on the SPED category and service code and applied this adjustment to each respective student’s recalculated ADM and made appropriate adjustments to the funded ADM. No material adjustments were identified for this area.
- **Limiting**—Auditors reviewed the total ADM for each enrolled student to ensure that they were appropriately limited by SAIS. No findings were identified for this area.

The Audit Unit expresses its appreciation to Benson 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 OVERFUNDING OF \$180,745.04**

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The District inaccurately reported the student enrollment data for 42 students for the three fiscal years audited. Specifically, auditors found that 35 students were reported with an incorrect FTE status and 7 students were reported with an incorrect entry or exit date. Additionally, of these students, 3 carried additional SPED weights which did not result in a material adjustment. As a result of these errors, the District's ADM was overstated by 29.31 for the three fiscal years audited. Due to the inaccurate enrollment data, the District received a net overpayment of \$180,745.04 in Basic State Aid. According to A.R.S. § 15-915, ADE needs to recover these monies from the District. Additionally, the District needs to ensure it complies with statute and ADE guidelines to properly calculate and report student FTE.

## **The District Inaccurately Reported Some Student Enrollment Data**

Auditors determined that the District inaccurately reported 42 students' enrollment data to ADE due to various errors, which resulted in the District's ADM being overstated by 29.31. ADE External Guideline and Procedures GE-17<sup>1</sup> 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 FY2013 is the last day of actual attendance. For FY2014 and thereafter, 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:

- 35 students were reported to SAIS with an incorrect FTE status, which resulted in the District's ADM being overstated by 26.88.
- 7 students were reported with an incorrect entry or exit date, which resulted in the District's ADM being overstated by 2.43.

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<sup>1</sup> 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."

Of these students with adjustments, 3 students were reported with a SPED category, whose associated SPED adjustment resulted in a negligible ADM misstatement. As shown in Table 2, data reporting errors resulted in a net ADM overstatement of 29.31 for the three fiscal years audited.

**Table 2**

**Benson Unified School District  
ADM Adjustments Due to Enrollment Data Errors  
FY2013, FY2014 and FY2015**

	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>	<b>Total</b>
Incorrect FTE	-	3.67	23.22	26.88
Incorrect Entry/Exit	0.29	-	2.14	2.43
<b>Total ADM Adjustments</b>	<b>0.29</b>	<b>3.67</b>	<b>25.35</b>	<b>29.31</b>

Source: Auditor analysis of District records and SAIS data for FY2013, FY2014 and FY2015.

**The District Must 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 and by following statute and the ADE guidelines. Also, 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. In addition, the District must ensure that it properly calculates and reports the FTE status of its students.

**The District Was  
Overfunded by \$180,745.04**

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 overfunded by \$108,295.64 in Basic State Aid. However, statutory growth formulas applied to the District require that this amount be increased by \$72,449.40. As a net result, the District was overfunded by \$180,745.04, which ADE must recoup. Table 3 (see page 6) shows the ADM and funding adjustments required for the District for the three fiscal years audited.

**Table 3**

**Benson Unified School District  
ADM and Funding Adjustments Due to  
Enrollment Data Errors  
FY2013, FY2014 and FY2015**

<b>Fiscal Year</b>	<b>ADM Adjustment</b>	<b>Funding Adjustment</b>	<b>Growth</b>	<b>Net Funding Adjustment</b>
2013	0.29	\$ 1,652.31	\$ -	\$ 1,652.31
2014	3.67	8,601.89	12,048.71	20,650.60
2015	25.35	98,041.44	60,400.69	158,142.13
<b>Total</b>	<b>29.31</b>	<b>\$ 108,295.64</b>	<b>\$ 72,449.40</b>	<b>\$ 180,745.04</b>

Source: Auditor analysis of District records and SAIS data for FY2013, FY2014 and FY2015.

**Recommendations:**

1. ADE must recoup from the District \$180,745.04 in Basic State Aid due to incorrectly reported student enrollment data.
2. The School must properly reconcile its data each year to ensure it complies with A.R.S. § 15-901 and GE-17.
3. 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 AOI DATA RESULTING IN AN UNDERPAYMENT OF \$1,598.19**

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The District did not accurately report attendance data for some of its AOI students to ADE for FY2013, FY2014 and FY2015. Specifically, auditors identified 104 students whose AOI attendance data was not accurately reported to ADE by the District, which resulted in the District's AOI ADM being understated by 0.06. This inaccuracy in AOI data reporting by the District led to the District being underfunded by \$1,598.19 in Basic State Aid for the three fiscal years audited, which ADE must repay to the District according to A.R.S. § 15-915.

### **The District Inaccurately Reported AOI Instructional Hours for 104 Students**

Auditors determined that the District inaccurately reported some AOI student data, which led to the District's AOI ADM being underreported by 0.06<sup>2</sup>. Auditors identified 104 students during the three fiscal years audited that the District misreported student attendance data. These errors occurred because the District did not properly reconcile its data to SAIS.

- 67 students were reported to ADE as being full-time; however, District documentation showed the student had participated in the AOI as part-time students<sup>3</sup>, which resulted in the District's ADM being overstated by 1.11 for the three fiscal years audited.
- 26 students were reported to ADE with incorrect AOI minutes, which resulted in the District's ADM being understated by 0.44 for the three fiscal years audited.
- 10 students were not reported to ADE; however, District attendance documentation showed these students as being enrolled and attending the District's AOI, which resulted in the District's ADM being understated by 0.78 for the three fiscal years audited.
- 1 student was reported to ADE as participating in the District's AOI; however, District documentation shows this student did not complete any time in the District's AOI, which resulted in the District's ADM being overstated by 0.04 for FY2014.

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<sup>2</sup> According to A.R.S. § 15-808, high school AOI ADM is calculated by dividing the total instructional hours as reported in a daily log for the entire fiscal year by 900.

<sup>3</sup> According to A.R.S. § 15-808, "Full-time student" means a student who is enrolled in at least four courses throughout the year that meet at least nine hundred hours during the school year.

## The District's AOI ADM Was Understated

As a result of the data reporting errors and the incorrectly reported enrollment status, the District's AOI ADM was overstated in FY2013 by 0.21, overstated by 0.01 in FY2014, and understated in FY2015 by 0.28. Properly reporting a student's enrollment status is particularly important for AOI students because full-time and part-time students are funded at different levels. Pursuant to A.R.S. § 15-808, a full-time student is funded at 95% and a part-time student is funded at 85% of the Base Support Level. As a result of these AOI data reporting errors, the District's AOI ADM was understated by 0.06 for the three fiscal years audited as shown in Table 4.

**Table 4**

**Benson Unified School District  
AOI ADM Adjustments Due to  
Data Reporting Errors and  
Incorrectly Reported Enrollment Status  
FY2013, FY2014 and FY2015**

	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>	<b>Total</b>
Should have been Part Time	0.52	0.37	0.22	1.11
Did Not Attend	-	0.04	-	0.04
Minutes Reported Incorrectly	0.03	(0.03)	(0.44)	(0.44)
Not Reported to SAIS	<u>(0.33)</u>	<u>(0.38)</u>	<u>(0.06)</u>	<u>(0.78)</u>
<b>Total ADM Adjustments</b>	<b>0.21</b>	<b>0.01</b>	<b>(0.28)</b>	<b>(0.06)</b>

Source: Auditor analysis of District records and SAIS data for FY2013, FY2014 and FY2015.

## The District Was Underfunded by \$1,598.19

Auditors determined that the District did not receive the correct amount of Basic State Aid due to the inaccurate AOI student data reported to ADE for the three fiscal years audited. As a result, the District was underfunded by \$461.82 in Basic State Aid. However, statutory growth formulas applied to the District show that this amount should be increased by \$1,136.37. As a net result, the District was underfunded by \$1,598.19 in Basic State Aid, which ADE must repay to the District pursuant to A.R.S. § 15-915. Table 5 shows the ADM and funding adjustments required for the District for the three fiscal years audited.

**Table 5**

**Benson Unified School District  
AOI ADM and Funding Adjustments  
Due to Data Reporting Errors  
FY2013, FY2014 and FY2015**

<b>Fiscal Year</b>	<b>ADM Adjustment</b>	<b>Funding Adjustment</b>	<b>Growth</b>	<b>Net Funding Adjustment</b>
2013	0.21	\$1,208.32	\$-	\$1,208.32
2014	0.01	11.74	46.85	\$58.59
2015	<u>(0.28)</u>	<u>(1,681.88)</u>	<u>(1,183.22)</u>	<u>(2,865.11)</u>
<b>Total</b>	<b>(0.06)</b>	<b>\$ (461.82)</b>	<b>\$ (1,136.37)</b>	<b>\$ (1,598.19)</b>

Source: Auditor analysis of District records and SAIS data for FY2013, FY2014 and FY2015.

### Recommendations:

1. ADE must repay to the District \$1,598.19 in Basic State Aid due to incorrectly reported AOI data.
2. The District must ensure it complies with A.R.S. § 15-808 when calculating and reporting AOI data.

# ADM and Funding Adjustments

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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 \$179,146.84 required to be repaid to ADE**—Auditors identified an overall funding decrease of \$179,146.84 for the three fiscal years audited due to incorrect calculation and reporting of FTE status and inaccurately reported AOI data.

Table 6 lists the ADM adjustments and the associated Basic State Aid adjustments for the District for FY2013, FY2014 and FY2015.

**Table 6**

**Benson Unified School District  
ADM and Funding Adjustments Required for  
FY2013, FY2014 and FY2015**

	FY2013		FY2014		FY2015		Total
	ADM	Funding	ADM	Funding	ADM	Funding	
Inaccurate Enrollment Data	0.29	\$ 1,652.31	3.67	\$ 20,650.60	25.35	\$ 158,442.13	\$ 180,745.04
Inaccurate AOI Data	0.21	1,208.32	0.01	58.59	(0.28)	(2,865.11)	(1,598.19)
<b>Total Funding Adjustment</b>	<b><u>0.50</u></b>	<b><u>\$ 2,860.63</u></b>	<b><u>3.68</u></b>	<b><u>\$ 20,709.19</u></b>	<b><u>25.07</u></b>	<b><u>\$ 155,577.02</u></b>	<b><u>\$ 179,146.84</u></b>