



## Arizona Department of Education

The Audit Unit

1535 W. Jefferson St., Bin 19

Phoenix, Arizona 85007

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

Report Number—16-26

April 27, 2016



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Diane Douglas  
Superintendent of  
Public Instruction

April 27, 2016

Mr. Calvin Baker, Superintendent  
Vail Unified District  
13801 E. Benson Highway  
P.O. Box 800  
Vail, AZ 85641

Dear Mr. Baker,

The Arizona Department of Education Audit Unit has conducted an audit of the Vail Unified District (District) Average Daily Membership for Fiscal Years 2013, 2014 and 2015. The purpose of the audit was to address whether the District properly reported student enrollment and attendance data and to determine if it received the correct amount of Basic State Aid.

Auditors determined that the District incorrectly reported the full-time enrollment (FTE) status of 72 high school students, which resulted in its ADM being overstated by 8.807. Additionally, auditors determined that nine students had an incorrect enrollment date, three students had absences misreported, 13 students were not limited in SAIS, and 15 students were not properly calculated with the corrected FTE in SAIS. This resulted in an understatement of ADM by 11.824. The enrollment status for eight AOI students was also misreported, resulting in an understatement of 0.038. As a result, the District's ADM was understated by 3.055 and it was underfunded by \$42,590.24, which ADE must repay to the District.

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

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The Arizona Department of Education (ADE) Audit Unit has conducted an Average Daily Membership (ADM) audit of the Vail 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 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 2013, 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.*

**District information**—The District, located in Vail, Arizona, maintained five high schools, five middle schools, 10 elementary schools and an AOI program during the fiscal years audited. In addition, four of the schools operated as a District Sponsored Charter School for FY2013 and seven of the schools operated as a District Sponsored Charter School for FY2014 and FY2015. Table 1 presents the District’s unaudited student, staffing and financial information for FY2013, FY2014 and FY2015.

**Table 1**

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

	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>
<b>Students Enrolled</b>	<b>11,509</b>	<b>11,849</b>	<b>12,315</b>
<b>Number of Teachers</b>	591	597	612
<b>Revenue</b>			
Local	\$34,615,812	\$39,379,083	\$39,855,470
County	4,421,258	4,931,326	5,078,875
State	50,512,724	51,785,915	50,720,262
Federal	4,588,871	4,893,476	4,612,405
<b>Total Revenues</b>	<b><u>\$100,318,177</u></b>	<b><u>\$100,989,801</u></b>	<b><u>\$100,267,012</u></b>
<b>Total Expenditures</b>	<b><u>\$94,138,665</u></b>	<b><u>\$99,433,012</u></b>	<b><u>\$96,088,015</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:

- **FTE calculations** – Auditors reviewed the high school bell schedules and 501 student schedules to determine whether the District reported the correct full time enrollment (FTE) data to ADE. 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.
- **Enrollment data** – Auditors reviewed 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.
- **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 findings were identified for this area.
- **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.
- **Withdrawal forms** – Auditors reviewed the withdrawal forms and documentation for 10 of the students who withdrew during each of the fiscal years audited. Auditors did not identify any significant errors.

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 INCORRECTLY CALCULATED AND REPORTED FTE RESULTING IN OVERFUNDING OF \$60,792.54

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Auditors determined that the District incorrectly calculated and reported to ADE the enrollment status of 72 high school students, resulting in the District’s ADM being overstated by a total of 8.542 for the three fiscal years audited. This occurred because the District failed to comply with statute and ADE guidelines when calculating the FTE status of these students. Additionally, 10 of these students were also reported and funded for a special education category. As a result, the District’s special education ADM was overreported by 0.265. In total, the District’s ADM was overreported by 8.807. As a result, the District was overfunded by \$60,792.54 in Basic State Aid. According to A.R.S. § 15-915, ADE needs to recover these monies from the District. In the future, the District must ensure it complies with statute and ADE guidelines to properly calculate and report student FTE.

## The District Incorrectly Calculated and Reported FTE for 72 Students

Auditors determined that the District improperly calculated the FTE status for some of its high school students for all three fiscal years audited. Auditors identified 72 high school students whose FTE status was reported to ADE incorrectly. Additionally, 10 of these students were funded for a special education category, which must be adjusted accordingly. As a result, the District’s regular ADM was overstated by 8.807, as shown in Table 2.

**Table 2**

**Vail Unified School District  
Number of Students with Incorrect FTE and Associated ADM Adjustment  
FY2013, FY2014 and FY2015**

Fiscal Year	Students		ADM Adjustments		
	Incorrect FTE	SPED	Incorrect FTE	SPED	Total
2013	15	2	0.199	-	0.199
2014	15	1	1.923	0.096	2.019
2015	42	7	6.421	0.168	6.589
<b>Total</b>	<b><u>72</u></b>	<b><u>10</u></b>	<b><u>8.542</u></b>	<b><u>0.265</u></b>	<b><u>8.807</u></b>

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

## **The District Failed to Comply With Statute and ADE Guidelines**

The District did not follow statute and ADE guidelines when calculating and reporting student FTE for some students. According to A.R.S. § 15-901 and ADE Guidelines and Procedures EX-18 (EX-18), for a high school student to be reported as a 1.0 FTE, the student must be enrolled in at least four courses which meet at least 123 hours annually each and total at least 720 instructional hours for the year. A student who does not meet these requirements is considered a part-time student and their FTE status must be reduced based on the number of actual instructional hours provided and courses enrolled.<sup>1</sup>

Auditors determined that 72 of the District's students were not reported correctly based on the statutory and ADE guideline requirements for full time enrollment. According to analysis of the District's bell schedule and calendar for the District's five high schools, auditors determined that at two high schools as long as a student was enrolled in five courses each semester, they would receive enough hours and courses to be considered full time. In addition, auditors determined that at the other three high schools as long as a student was enrolled in four courses each semester, they would receive enough hours and courses to be considered full time. However, the FTE that was reported for 72 students was not correct based on the number of classes the students were enrolled in.

In the future, the District must ensure it complies with statute and ADE guidelines to properly calculate and report FTE.

## **The District Was Overpaid \$60,792.54 in Basic State Aid**

Auditors determined that the District did not receive the correct amount of Basic State Aid due to improperly calculated and reported FTE for 72 students. Specifically the District was overpaid \$60,792.54 in Basic State Aid. According to A.R.S. § 15-915, ADE needs to recoup the \$60,792.54 in overpaid Basic State Aid from the District for incorrectly reported FTE for all three fiscal years audited. Table 3 (see page 6) shows the ADM and funding adjustments required for the District for FY2013, FY2014 and FY2015.

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<sup>1</sup> Pursuant to A.R.S. § 15-901, a full time student (1.0 FTE) in grades 9 through 12 must be scheduled for and attending at least 720 hours of instruction and at least four courses each of which meets for at least 123 hours annually; a 0.75 FTE student must be scheduled for at least 540 hours of instruction and at least three courses each of which meets for at least 123 hours annually, a 0.50 FTE student must be scheduled for at least 360 hours of instruction and at least two courses each of which meets for at least 123 hours annually and a 0.25 FTE student must be scheduled for at least 180 hours of instruction and at least one course which meets for at least 123 hours annually.

**Table 3**

**Vail Unified School District  
ADM Adjustment Due to Miscalculated FTE and  
Associated Funding Adjustment  
FY2013, FY2014 and FY2015**

<b>Fiscal Year</b>	<b>ADM Adjustment</b>	<b>Net Funding Adjustment</b>
2013	0.199	\$1,624.78
2014	2.019	9,856.79
2015	6.589	49,310.97
<b>Total</b>	<b><u>8.807</u></b>	<b><u>\$60,792.54</u></b>

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

**Recommendations:**

1. ADE needs to recoup \$60,792.54 in overpaid Basic State Aid from the District for incorrectly reported FTE for all three fiscal years audited.
2. The District needs to ensure that it properly calculates and reports students' FTE pursuant to statute and ADE guidelines.

## **FINDING 2: SOME STUDENT DATA WAS NOT ACCURATE RESULTING IN AN UNDERPAYMENT OF \$103,027.55**

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The District inaccurately reported some student enrollment data for 12 students, and SAIS improperly calculated the ADM for 28 students for FY2013, FY2014 and FY2015. Specifically, auditors found that enrollment dates for nine students were misreported, 13 students were not limited in SAIS, 15 students had SAIS incorrectly calculate the FTE as 0, and three students had absences that were counted as excused that should have been unexcused. Of these affected students, six were SPED students with additional ADM weights. As a result of these errors, the District's ADM was understated by 11.824. Due to the inaccurate enrollment data, the District received a net underpayment of \$103,027.55 in Basic State Aid which ADE must repay to the District.

### **Some Student Enrollment Data Was Inaccurately Reported**

40 students' enrollment data was incorrectly reported due to various errors, which resulted in the District's ADM being understated by 11.824.

ADE External Guideline and Procedures GE-17<sup>2</sup> states that, with the exception of pre-enrolled students, the enrollment dates for a student are the first day of actual attendance and the last day of actual attendance. In addition, a District can receive a maximum of 1.0 ADM for each student enrolled. EX-1 also limits excused absences to ten percent of the school days. However, these requirements were not always adhered to. Specifically:

- Nine students had an incorrect enrollment date, which resulted in the District's ADM being overstated by 0.061.
- 13 students were not properly limited by SAIS to a maximum of 1.0 ADM as required by statute, which resulted in the District's ADM being overstated by 0.332.
- 15 students were not properly calculated with the corrected FTE in SAIS, which resulted in the District's ADM being understated by 13.000.
- Three students had absences that were improperly counted as excused when they should have been considered unexcused. This resulted in the District's ADM being overstated by 0.780.

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<sup>2</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."

- 6 of the 39 students with enrollment data errors were also funded for a SPED category, and so were underfunded a weighted SPED ADM of 0.003 as a result of the enrollment data errors.

As shown in Table 4, data reporting errors resulted in a net ADM understatement of 11.824 for the three fiscal years audited.

**Table 4**

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

	<b>Incorrect Enrollment</b>	<b>Limiting Errors</b>	<b>SAIS FTE Issue</b>	<b>Absences</b>	<b>SPED</b>	<b>Total</b>
FY2013	0.385	0.332	(13.000)	-	0.002	(12.281)
FY2014	0.560	-	-	0.780	0.001	1.341
FY2015	(0.884)	-	-	-	-	(0.884)
<b>Total</b>	<b><u>0.061</u></b>	<b><u>0.332</u></b>	<b><u>(13.000)</u></b>	<b><u>0.780</u></b>	<b><u>(0.003)</u></b>	<b><u>(11.824)</u></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 avoid errors in the future by ensuring it regularly and correctly reconciles its data to the data contained in SAIS. Further, the District should review its reconciliation practices to ensure that its staff 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 Underfunded by \$103,027.55**

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 FY2013, FY2014 and FY2015. The enrollment data errors reported by the District resulted in its ADM being understated by 11.824. As a result, the District was underfunded by \$103,027.56 in Basic State Aid, which ADE must repay the District. Table 5 (see page 10) shows the ADM and funding adjustments required for the District for FY2013, FY2014 and FY2015.

**Table 5**

**Vail Unified School District  
ADM Adjustments Due to Enrollment Data Errors  
And Associated Funding Adjustment  
FY2013, FY2014 and FY2015**

<b>Fiscal Year</b>	<b>ADM Adjustment</b>	<b>Net Funding Adjustment</b>
2013	(12,281)	\$(102,440.20)
2014	1,341	6,367.88
2015	(0,884)	(6,955.23)
<b>Total</b>	<b><u>(11,824)</u></b>	<b><u>\$(103,027.55)</u></b>

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

**Recommendations:**

1. ADE must repay the District \$103,027.55 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.
3. The District must comply with A.R.S. § 15-901 when reporting entry and exit dates to SAIS.
4. The District must review its internal and reporting practices to ensure that it properly reports absences for each student.

### **FINDING 3: SOME AOI STUDENT DATA WAS NOT ACCURATE, RESULTING IN AN UNDERPAYMENT OF \$355.22**

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Student enrollment data was not accurate for eight AOI students for FY2013, FY2014 and FY2015. Specifically, auditors determined that four students were reported as full-time instead of part-time and four students were reported as part-time instead of full-time. As a result of these errors, the District's AOI ADM was understated by 0.038, which led to the District being underfunded \$355.23 in Basic State Aid for the three fiscal years audited. According to A.R.S. § 15-915, ADE must reimburse these monies to the District.

#### **Some District AOI Student Enrollment Data Was Incorrect**

Auditors determined that the District improperly calculated and reported enrollment data during the three fiscal years audited. Auditors identified four students that were incorrectly reported with full-time and four students that were incorrectly reported with part-time enrollment statuses, which resulted in the District's ADM underreported by 0.038. As a result, the District underreported its ADM for the three fiscal years audited by 0.038.

*The District misreported the enrollment status of 8 students*—Auditors determined that the District misreported the enrollment status of eight students in FY2013, FY2014 and FY2015. According to A.R.S. § 15-808(I) *a full-time student means a pupil who is in high school and “enrolled in at least four courses throughout the year that meet at least nine hundred hours during the school year,” or one thousand sixty-eight hours for seventh and eighth grade students. A part-time student means “any student who is enrolled in a program that does not meet the definition [for full-time].”* Auditors determined that the District misreported four students to SAIS as full-time students and four students as part-time students.

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(F), a full-time student is funded at 95% of the Base Support Level established in statute while a part-time student is funded at 85% of the Base Support Level. Due to the incorrect reporting of these students, the District's AOI ADM was understated by 0.038 for the three years audited.

*The District's AOI ADM was understated*—As shown in Table 6, the School's net ADM was understated by 0.038 for the three fiscal years audited.

**Table 6**

**Vail Unified School District  
AOI ADM Adjustments  
FY2013, FY2014 and FY2015**

	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>	<b>Total</b>
Misreported Enrollment Status	(0.066)	0.006	0.022	(0.038)
<b>Total</b>	<b><u>(0.066)</u></b>	<b><u>0.006</u></b>	<b><u>0.022</u></b>	<b><u>(0.038)</u></b>

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

**The District Was Underfunded  
\$355.22 in Basic State Aid**

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 FY2013, FY2014 and FY2015. The District was underfunded by \$355.22 in Basic State Aid, which ADE must repay to the District pursuant to A.R.S. § 15-915 for the three fiscal years audited. Table 7 shows the ADM and funding adjustments required for the District for FY2013, FY2014 and FY2015.

**Table 7**

**Vail Unified School District  
AOI ADM Adjustment and Associated Funding Adjustment  
Due to Data Reporting Errors  
FY2013, FY2014 and FY2015**

<b>Fiscal Year</b>	<b>ADM Adjustment</b>	<b>Net Funding Adjustment</b>
2013	(0.066)	\$(552.51)
2014	0.006	31.63
2015	0.022	165.66
<b>Total</b>	<b><u>(0.038)</u></b>	<b><u>\$(355.22)</u></b>

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

**Recommendations:**

1. ADE must repay to the District \$355.22 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

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 2013, 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’s School Finance Unit once the audit is finalized.

**Basic State Aid adjustment of \$42,590.23 required to be repaid to the District**—Auditors identified an overall funding adjustment of \$42,590.23 for the three fiscal years audited due to incorrect FTE, inaccurate student enrollment data and inaccurately reported AOI data.

Table 8 lists the ADM adjustments and the associated Basic State Aid adjustments for the District for FY2013, FY2014 and FY2015.

**Table 8**

**Vail Unified School District  
ADM and Funding Adjustments  
FY2013, FY2014 and FY2015**

	FY2013		FY2014		FY2015		Total
	ADM	Funding	ADM	Funding	ADM	Funding	
Incorrect FTE	0.199	\$1,624.78	2.019	\$9,856.79	6.589	\$49,310.97	\$60,792.54
Inaccurate Enrollment Data	(12.281)	\$(102,440.20)	1.341	\$6,367.88	(0.884)	\$(6,955.23)	\$(103,027.55)
Inaccurate AOI Data	(0.066)	\$(552.51)	0.006	\$31.63	0.022	\$165.66	\$(355.22)
<b>Total Funding Adjustment</b>	<b><u>(12.148)</u></b>	<b><u>\$(101,367.93)</u></b>	<b><u>3.366</u></b>	<b><u>\$16,256.30</u></b>	<b><u>5.727</u></b>	<b><u>\$42,521.40</u></b>	<b><u>\$(42,590.23)</u></b>

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