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Average Daily Membership Audit Report Ajo Unified School District Fiscal Years 2007, 2008, 2009 and 2010

Report Number—10-3

May 3, 2010

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May 3, 2010

Dr. Robert Dooley, Superintendent
Ajo Unified School District
111 Well Road
Ajo, AZ 85321

Dear Superintendent Dooley:

The Arizona Department of Education Audit Unit has conducted an audit of the Ajo Unified School District's Average Daily Membership for Fiscal Years 2007 through 2010. The purpose of the audit was to address whether the District properly reported student enrollment and attendance, offered students sufficient statutorily-mandated instruction hours and determined if it received the correct amount of state aid funding.

The audit found that the District was improperly overfunded for non-resident students for FY2007, FY2008 and FY2009, and needs to correct and resubmit its FY2010 student data to ADE so that it is not overfunded in FY2011. Additionally, the audit found that although the District became aware of residency issues concerning its students in 2005, it did not effectively address these issues. Further, the audit found that the District did not provide sufficient instructional hours for its 7th and 8th grade students for FY2007, FY2008 and FY2009. Finally, the audit found that the District did not accurately report some attendance and enrollment to ADE.

A.R.S. § 41-1092.03 provides the District the opportunity to appeal the audit within 30 days after issuance. Appendix A in the report provides statutory references governing the appeal process.

Sincerely,

Arthur E. Heikkila
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 Ajo Unified School District (District) pursuant to Arizona Revised Statutes (A.R.S.) §§ 15-239, 15-901 (A) (2) and 15-915 as well as Laws 2006, Chapter 353, Section 23, and Laws 2007, Chapter 264, Section 17. The audit focused on whether the District properly enrolled students from outside of the District, accurately reported enrollment and attendance data to ADE, provided sufficient instructional hours to students and received the correct amount of Basic State Aid for FY2007 through FY2010.

Recurring allegations of non-resident students crossing international border to attend school in Ajo— The audit was conducted in response to an allegation that the District continued to enroll and educate non-resident students, and received state education funding for those students.¹ ADE received a complaint in July 2009 alleging several problems at the District, including educating non-resident students living in Mexico who were crossing the border daily to attend school in Ajo. In response, ADE sent an investigator to the District to determine whether this was indeed occurring. The investigator filmed students crossing the border, boarding county school buses, being driven to Ajo and then exiting the buses to attend school. ADE then directed its Audit Unit to conduct an ADM audit of the District, including residency determination as one of the audit objectives.

Average Daily Membership audit conducted—ADM audits help ensure the appropriate distribution of Basic State Aid provided annually to school districts. School districts receive Basic State Aid based on several factors related to student attendance. To receive funding, school districts report enrollment and attendance data to ADE. ADE then processes that data, determines payment amounts according to the relevant statutory funding formulas and distributes payments to school districts up to twelve times each year.

Audit and appeal processes—The ADM audit process determines whether payments were correct or if an adjustment is needed pursuant to A.R.S. § 15-915, and provides for an appeal process if the school district disagrees with the audit findings. ADM audits compare the school district's reported information to the original records kept at the school district. If the audit finds that the school district's reported information does not match the original documentation, the audit will identify and report the funding adjustment needed to the school district's Basic State Aid. These funding adjustments can be positive or negative, depending upon the audit findings.

The audit is an appealable action. A.R.S. § 41-1092.03 provides school districts that disagree with the audit findings the opportunity to file a formal appeal within thirty (30) days after the report was issued. The school district and ADE may reach agreement in an informal settlement conference. If not, the appeal will be adjudicated by the Office of Administrative Hearings. If ADE has determined that a school district received excess Basic State Aid, A.R.S. § 15-915 directs that corrections to school

¹ This was the second time that ADE received allegations of non-resident students crossing the border to attend school in Ajo. In FY2005, ADE sent an investigator to Ajo, who filmed students crossing the border, being bused to Ajo and attending school at the District. The investigator wrote a summary report that was forwarded to the Pima County School Superintendent, along with copies of the videotapes.

districts' funding be made in the current budget year. In case of hardship, school districts may request that the Superintendent of Public Instruction allow a correction to be made partly in the current budget year and partly in the following budget year.

District financial and other information—The District is located in southwestern Arizona and consists of two schools that offer education to students enrolled in kindergarten programs and grades one through twelve. The District is overseen by a five-member governing board that selects a superintendent to manage the District. For FY2009, the District reported a fall enrollment of 476 students. The District employed 35 teachers and another 30 full time equivalent (FTE) staff positions that included administration, classroom aides, transportation staff and custodians. Table 1 provides District student, staffing and expenditure information for FY2007, FY2008 and FY2009.

Table 1

**Ajo Unified School District
Students, Staffing, Revenues and Expenditures
FY2007, FY2008 and FY2009
(Unaudited)**

	FY2007	FY2008	FY2009
Number of Students	508	488	476
Staff			
Certified	32	33	35
Classified	24	27	30
Total Staff	56	60	65
Revenue			
Local	\$ 624,496	\$ 892,952	\$1,040,023
County	1,513	0	1,585
State	2,823,128	2,780,634	2,764,823
Federal	713,106	553,023	746,753
Total Revenues	\$4,162,243	\$4,226,609	\$4,553,184
Total Expenditures	\$3,875,584	\$4,227,858	\$4,471,445

Source: Annual Report of the Arizona Superintendent of Public Instruction for FY2007, FY2008 and FY2009.

SCOPE AND METHODOLOGY

The audit focused on whether the District accurately reported enrollment and attendance data to ADE, provided the minimum number of instructional hours to students and received the correct amount of Basic State Aid in accordance with statutes, the Uniform System of Financial Records (USFR), its own policies and procedures and best practices for FY2007, FY2008 and FY2009.

To conduct this audit, auditors used a variety of methods, including examining District student records and attendance and Pima County (County) student busing records. Additionally, auditors reviewed District policies and procedures, statutes and other best practices, and interviewed District management and staff. For example:

- **Non-resident student ADM for FY2010**—To determine whether the District properly applied residency requirements to its open enrollment students for FY2010, auditors requested all open enrollment student files from the District, and identified 120 open enrollment students for FY2010.² Auditors reviewed the open enrollment student cumulative files obtained from the District and compared them to the District's open enrollment residency requirements. Additionally, auditors obtained the County student files for students who requested busing services from the unorganized territory, and analyzed the residency information contained within these files. Further, auditors identified case law, statutory law and Arizona Attorney General's Opinions regarding residency requirements for public school students and obtained information from the United States Immigration and Customs Enforcement (ICE) personnel. Moreover, auditors made numerous observations and site visits to observe activities at the international border and to confirm the residency status of the open enrollment students. Finally, auditors calculated the amount of improper funding that the District would receive in FY2011 if it does not correct its ADM data.
- **Non-resident student ADM for FY2007, FY2008 and FY2009**—To determine whether the District properly applied residency requirements to its open enrollment students for FY2007, FY2008 and FY2009, auditors employed the same methods as for the FY2010 students. Additionally, auditors identified the funding adjustments associated with the non-resident students that the District was claiming as part of its ADM.
- **District efforts to determine student residency**—To determine whether the District acted appropriately to address student residency issues, auditors obtained information regarding past student residency problems. Additionally, auditors obtained the District's current procedures regarding open enrollment and student residency and applied them to the District's 389 open enrollment students for FY2007 through FY2010. Furthermore, auditors identified practices used by

² The District utilized the "open enrollment" provisions in the statutes to enroll students who did not reside in the District. In Finding 3 (see pages 17 through 22), the report addresses the need for the District to utilize the more appropriate mechanism, Certificates of Educational Convenience (CEC), to enroll students who claim residency in unorganized territories of the state. According to the District Superintendent, the County refused to utilize the CEC process.

many other school districts near the international border to determine and ensure student residency.³ Finally, auditors identified additional steps the District should take in order to ensure its compliance with law regarding student residency.

- **Instructional hours requirement**—To determine whether the District met the statutory minimum instructional hours requirements, auditors obtained academic calendars and bell schedules from both schools for FY2007, FY2008 and FY2009. Auditors then compared the District academic calendar and bell schedules to the requirements mandated by statute.
- **Attendance and Average Daily Membership**—To determine whether the District received the correct amount of ADM funding from ADE, auditors selected a random sample of students for each fiscal year audited, reviewed the student's attendance and cumulative files obtained from the District and compared these to the ADE's Student Accountability Information System (SAIS) data.

The Audit Unit expresses its appreciation to the Ajo Unified School District's Superintendent and staff members and the Pima County School Superintendent and staff members for their cooperation and assistance during the course of the audit.

³ Auditors obtained information from the following school districts: Bisbee Unified School District, Bisbee, Arizona; Yuma Union High School District, Yuma, Arizona; Lordsburg Municipal School District, Lordsburg, New Mexico; Brownsville Independent School District, Brownsville, Texas; Clint Independent School District, Clint, Texas; Eagle Pass Independent School District, Eagle Pass, Texas; Presidio Independent School District, Presidio, Texas; San Elizario Independent School District, San Elizario, Texas; and the Tornillo Independent School District, Tornillo, Texas.

FINDING 1: DISTRICT IMPROPERLY CLAIMING NON-RESIDENT STUDENTS FOR ADM

For FY2010, auditors determined that 105 of the 120 open enrollment District students are not residents of Arizona, and therefore the District is not eligible for Basic State Aid for these students. Auditors and investigators observed many students crossing the international border and boarding buses that transported the students to the District to attend school. Although the District enrolled these students as residents, both case law and state law do not allow non-residents to obtain a free public education in most cases. Based on an analysis of student files, state law and case law, auditors determined that 105 of 120 students were not residents. As a result, the District over-reported 89,541 adjusted ADM to the State. The District should revise its FY2010 enrollment data submitted to ADE to correct the ADM overstatement to avoid being over-funded in FY2011 by an estimated \$536,385.78.⁴

Students Must Be Arizona Residents to Receive a Free Public Education

Case law and statutory law require students to be Arizona residents in order to receive a tuition-free education in the public school system. According to an Attorney General opinion, Arizona residency is determined through a two-prong test requiring both physical presence and intention to remain and establish residency. Additionally, election case law provides elements necessary to satisfy these requirements. Statute, Attorney General's Opinions and case law provide guidance to school districts on how to apply residency standards.

Statutory law and case law limit tuition-free education to Arizona residents—Pursuant to A.R.S. § 15-821 (A), all Arizona school districts are required to admit students between the ages of 6 and 21 years who reside within the school district's boundaries. A.R.S. § 15-824 (B) states that the "residence of the person having legal custody of the pupil is considered the residence of the pupil." However, in 1998, the Arizona Court of Appeals stated that "*the right to a tuition-free public education is reserved to the residents of this state*".⁵

Attorney General's Opinion establishes a residency test—According to Attorney General Opinion 59-146, issued October 7, 1959, the residency test in Arizona requires two prongs: actual physical presence in Arizona and an intention to remain and establish residency.⁶ This opinion was based on a particular case that dealt with the requirements for paying tuition for attendance in public schools in Arizona for

⁴ These adjusted ADM and funding figures are estimated amounts. The District can still submit corrected data to SAIS up until ADE determines final SAIS data for FY2010.

⁵ See *Sleeseman v. State Bd. of Educ.*, 156 Ariz. 496, 498, 753 P.2d 186, 188 (App. 1988).

⁶ See *McIntosh v. Maricopa County* (1952) 73 Ariz. 366, 241 P.2d 801.

children whose parents were non-resident mobile home owners temporarily residing within a school district. Attorney General Wade Church concluded that:

“In order for parents who reside in mobile trailers to establish a residence or domicile in this state, it must appear that there is an actual presence in the state, coupled with an intention to remain in the state and make this their home. McIntosh v. Maricopa County, supra. A residence in this state can never be acquired unless there is an intention by parents to abandon the former residence with the fixed intention of making this state their permanent residence.

It will be seen from the foregoing that the question of residence for school purposes is not determined simply by actual physical presence in this state. A determination must be made after investigation by the governing bodies of the school districts and the administrative school officers in those districts as to who are residents of the school district so as to entitle their children to attend school therein without paying tuition. Each situation presents a separate inquiry which can be determined only by investigation within the guide of the law determining residences of parents as we have sought to set forth that guide in the foregoing opinion.”

Case law further develops residency elements—To establish residency in Arizona, a person must satisfy both prongs of the two prong residency test. As a result, failure to satisfy both requirements is failure to prove residency in Arizona. Election case law is instructive in establishing elements to demonstrate residency that may be used to satisfy both prongs. These include provisions such as⁷:

- Habitability of the structure or domicile;
- Actual physical presence—Does the person actually sleep at the location?;
- Whether the person has brought sufficient personal items to establish a domicile;
- Whether there are active utilities at the residence;
- Type of rental agreement, where applicable—whether the agreement is month-to-month or for a specified term.

Students Crossing Arizona Border to Attend School in the District

Auditors obtained information documenting that many students are not residents of Arizona and are crossing the international border to attend school in the District as resident students. This information consisted of investigator filming, county bus ridership information, auditor observations, interviews with numerous individuals and information provided by ICE personnel.

⁷ *O'Hern v. Bowling*, 109 Ariz. 90, 92, 505 P.2d 550, 552 (1973); and *Kauzlarich v. Bd. Of Trustees of Oak Creek Sch. Dist. No. 16*, 78 Ariz. 267, 270, 278 P.2d 888, 890 (1955)

Investigator filming—Both in 2005 and in December 2009, ADE used investigators to determine if students were crossing the international border at the Lukeville, Arizona port of entry to attend school in the District. In each case, the investigators videotaped students crossing the border, boarding the school buses, riding the buses to Ajo and exiting the buses to attend school in the District. ADE made this information public and provided it to the County, including copies of the videos.

Pima County bus ridership information—Pima County provides daily bus transportation (two buses) to and from the District for students boarding buses in Lukeville and Why, Arizona. According to one of the bus drivers, the County has been providing this service for many years. Auditors reviewed County bus ridership information for these buses for FY2010, and found that the County had authorized 97 students to ride the buses. In addition, daily bus log information for one of the two buses used found that daily ridership ranged from 7 to 63 for that particular bus.

Auditor observations—During the course of the audit, auditors observed and videotaped students crossing the international border on numerous occasions. For example:

- On January 12, 2010, auditors observed approximately 20 vehicles with as many as four children each and approximately 25-35 pedestrian students cross the international border. These students were observed entering the County buses. All of the vehicles returned across the international border after dropping off the students. Additionally, three vehicles were observed coming from the Lukeville residential area and dropping off a total of up to five students who entered the buses.
- On January 14, 2010, auditors observed 24 vehicles with as many as four children each and approximately 16 pedestrian students cross the international border. These students were observed entering the County buses. All of the vehicles returned across the international border after dropping off the students. On this date, only one additional vehicle was observed coming from the Lukeville residential area and dropping off two students who entered the buses.
- On March 10, 2010, auditors videotaped at least 13 vehicles with as many as four children each and at least 27 pedestrian students cross the international border. These students were observed entering the County buses. All of the vehicles returned across the international border after dropping off the students. On this date, up to ten additional vehicles were observed coming from the Lukeville residential area and dropping off an unknown number of students who entered the buses.

ICE observations and counts—ICE personnel also provided information regarding students crossing the border. The port of entry into the United States at Lukeville opens at 6:00 A.M. daily. From that time until the County buses leave at approximately 6:45 A.M., students cross the border either by walking or are transported in a vehicle. Each individual crossing the border has to present appropriate documentation prior to entering this country. Auditors interviewed the ICE supervisor regarding students crossing the border. The officer stated that he observes these students crossing the port of entry and boarding the buses on a daily basis. ICE personnel also provided counts of students who crossed the international border and entered the County buses destined for the District during a four day period. Table 2 (see page 8) summarizes the information ICE personnel collected, and reflects a range of 65 to 71 students crossing for the four days surveyed in March 2010.

Table 2

**Ajo Unified School District
Students Crossing the International Border Entering County Buses
March 2010**

	Pedestrian Students	Students Transported by Vehicle	Total
Thursday, March 11, 2010	23	42	65
Friday, March 12, 2010	24	45	69
Monday, March 15, 2010	40	27	67
Tuesday, March 16, 2010	43	28	71

Source: ICE personnel visual observation and student counts made prior to the school buses leaving daily at 6:45 A.M.

Auditor interviews—In addition to these visual observations, auditors conducted numerous interviews with people who live and work in Lukeville. Throughout these interviews, auditors were consistently told that no more than five children actually reside within Lukeville, and the remainder who ride the buses to the District reside in Mexico and cross the international border daily.

Most Students Reviewed Were Determined to Be Non-Residents

Auditor analysis determined that 105 of the 120 open enrollment students in question, or 87.50 percent, were not Arizona residents. Auditors determined that most of these 105 students have been claiming addresses in a virtually empty trailer park in Lukeville but were not residing where they claimed.⁸ Other students either had no residency documentation or the documentation was conflicting or inadequate.

Most students in question found to be non-residents—The District utilized the “open enrollment” provisions of the statutes to enroll these students who were claiming Arizona residency but not residing

⁸ Students attending the District through open enrollment come from two main areas: the adjoining Indian Oasis-Baboquivari Unified School District and the unorganized territory to its south, which includes the two small towns of Why and Lukeville, Arizona. An unorganized territory is an area that is not part of an organized school district. Why is approximately 11 miles south of Ajo, and Lukeville is approximately 38 miles south of Ajo. According to the United States Census of 2000, Lukeville had 35 permanent residents. The town contains a shopping area and a private residential area owned by Gringo Pass, Inc., the International Port of Entry and a residential area for federal employees who work at the border. According to staff from ICE, no school age children reside within the federal residential area. However, the private residential area contains an apartment building with nine apartments, three permanent houses, a motel and an assortment of trailers, manufactured homes and recreational vehicles. The trailer/RV portion of the park contains 60 spaces that are rented out on a month-by-month basis, and tenants choose to have utilities activated or not. There are many more spaces that are numbered and unnumbered, but according to Gringo Pass, Inc. staff, these spaces are not used. The owner and staff of Gringo Pass, Inc. authorized access to the private residential area for the auditors on each site visit. Finally, directly across the border from Lukeville is the Mexican town of Sonoyta, containing approximately 10,000 people according to that country’s 2005 census.

within the boundaries of the District.⁹ Both the District and the County (for students who rode the buses) required these students to provide residency documentation (see page 18). Auditors performed an extensive review of each student’s documentation provided to the District and County, visited claimed addresses and dwellings and interviewed occupants to validate the claimed residency. Table 3 summarizes the audit’s residency analysis for the 120 open enrollment student residencies examined.

Table 3

**Ajo Unified School District
Student Residency Determinations by Claimed Geographic Residency Location
FY2010**

Student Claimed Residency Location	Student Total	Residency Met	Residency Not Met	Percent Met	Percent Not Met
Ajo	21	1	20	4.76%	95.24%
Why	7	7	0	100.00%	0.00%
Lukeville House/Apt/Motel	12	7	5	58.33%	41.67%
Lukeville RV Park	74	0	74	0.00%	100.00%
Other Geographic Locations	6	0	6	0.00%	100.00%
Total:	120	15	105	12.50%	87.50%

Source: Auditor analysis of District student cumulative files, County student files and auditor observation and interviews.

Many examples of false residency—The analysis identified many methods used to attempt to circumvent residency requirements. For example:

- **Students claimed vacant trailer spaces as residences**—In FY2010, 34 students claimed to reside at a trailer or recreational vehicle (RV) park space that did not contain any type of residential structure on any of the site visits performed by auditors. Auditors determined that some of these students claimed the same residence for multiple fiscal years.
- **Students claimed residence in uninhabitable travel trailers**—Auditors determined that 36 students in FY2010 claimed to reside at a trailer or RV park space that contained some type of residential structure. However, auditors observed that only three of these nine structures were connected to the electric, water and sewer infrastructure, and only one of the structures contained a valid Arizona license plate tag. Additionally, auditors observed numerous trailers with broken or missing windows, broken glass strewn about the entrance of at least one trailer and a trailer placed in a position that was not habitable due to the extreme degree of angle of the trailer. Most appeared uninhabited or uninhabitable, with few or no personal effects visible to auditors.

⁹ “Open enrollment”, as defined in A.R.S. § 15-816, means “a policy adopted and implemented by a school district governing board to allow resident transfer pupils to enroll in any school within the school district, to allow resident pupils to enroll in any school located within other school districts in this state and to allow nonresident pupils to enroll in any school within the district pursuant to section 15-816.01.” A “resident transfer pupil” is a resident pupil who is enrolled in or seeking enrollment in a school that is within the school district but outside the attendance area of the pupil’s residence. A “nonresident pupil” is a pupil who resides in this state and who is enrolled in or is seeking enrollment in a school district other than the school district in which the pupil resides. Students who are accepted under open enrollment in the school district are counted towards student counts for the attending school district.

- **Student claimed closed motel as permanent residence**—One student in FY2010 claimed to permanently reside within the motel complex, which has been closed for many years, according to Gringo Pass, Inc. staff. Auditors interviewed numerous residents of the trailer park who are employees of Gringo Pass, Inc., and they stated that no people live within the motel. Additionally, Gringo Pass, Inc. staff also told auditors that the occupant actually resided in Mexico.
- **Many students claiming the same residences**—In FY2010, eight trailer or RV spaces were claimed to have at least five children residing within them, and six of these were claimed to be occupied by six or more children. However, auditors found that:
 - Three of these spaces did not contain a residential structure of any type.
 - In addition, four of the remaining five spaces were not connected to the residential park's utility infrastructure in any way on any of the site visits by auditors.
 - Auditors made contact with the people of one of these four trailers and determined that, of the eight students claiming to reside within that trailer, four of these students had obtained guardianships solely to establish residency for education in the District. The people stated that these students do not actually reside in that trailer. The people had no knowledge of the fifth student claiming residence at that trailer.

It appeared that the other three students did not live in the trailer either. During the conversation with the people of this same trailer, auditors noticed a lack of any personal effects in the trailer and noted that there was only one pillow and one blanket for the three students and two adults present. Additionally, the people were not aware that the trailer park had lacked electricity for the previous two days.

- **Student claims Marana residence but bused daily from Lukeville**—One student claimed to live in Marana, Arizona, which is approximately three hours east of Ajo and well outside of the unorganized territory boundaries. However, the student claimed a Lukeville P.O. Box and had been bused daily from Lukeville.
- **Legal guardianship**—Based on both interviews and document analysis, auditors found that statutory legal guardianship provisions were utilized in an attempt to establish residency in order to circumvent the statutory requirement to pay tuition for nonresidents. However, guardianships appointed to establish residency in order to circumvent or avoid paying tuition are prohibited by Arizona law. For example:
 - For FY2010, a total of 11 students claimed on their County bus transportation applications that they had obtained guardianship either for school purposes or because their parents do not reside within the United States.
 - Auditors separately spoke with three people in Lukeville who stated that they were guardians, but were not aware of this status until only recently. In one case, the person stated that they had been approached to be considered a guardian for four separate children who reside in Mexico, despite the fact that the person was already the guardian for three other children who were biologically related to him. The person stated that the parents of the four students wanted to use

him as the guardian so that the four students could use the person's address to establish residency in order for the children to attend school in the District. According to the person, he was asked to have a parent-teacher conference at the school and found out that all four of these children were doing very poorly in school. When he stated that they were not his kids and that the school should tell the parents of the children, the teacher replied by stating that nonresidents cannot attend school in the District. According to the person, he ceased the practice of being the guardian for these four children. However, student files obtained by auditors still indicated that the guardianship was in place.

- In the second case, the person became aware that he had been a guardian for a student only after the District made attempts to contact the person through their employer in Lukeville to confirm the student lived in the claimed address. The person did not know this student, and assumed that they used the address to establish residency in the United States so that the child could go to school. After learning that he was guardian for this student, he immediately ceased that practice. He believes the student still resides in Mexico. Additionally, the person stated that he has been compensated as a guardian in past years, and is currently a compensated guardian for one student.
- In the third case, the person was not aware that the five children had separately claimed the address of the person as their residence, and she was not aware of where the students physically resided. Only after being asked about the students multiple times did the person change her story and state that one of the five students lived in the house with her full-time through a guardianship. She told auditors that the remaining four may reside in the manufactured home next door, but she did not know them and had not interacted with them. Auditors determined through numerous interviews of other Lukeville residents that the only child residing in this house was about two years old and did not attend school yet.

The District Should Not Have Reported ADM for 105 Students in FY2010, and Needs to Correct Its Student Data in SAIS

Because the 105 students are not Arizona residents, the District needs to revise its enrollment and attendance information. The District needs to remove enrollment and attendance information for these students from its District records and automated attendance management system. In addition, the District needs to resubmit to ADE's SAIS system this revised information. Since school districts are funded on previous year's student counts, these corrections will prevent the District from receiving an estimated \$536,385.78 in improper funding for non-resident students in FY2011.

Recommendations:

1. The District should revise its enrollment and attendance information for the 105 open enrollment students found not to be residents of Arizona.
2. The District needs to resubmit its corrected enrollment and attendance information to ADE's SAIS system, to prevent improper overfunding of an estimated \$536,385.78 for FY2011.

FINDING 2: THE DISTRICT IMPROPERLY OVERFUNDED BY \$1.1 MILLION FOR NON-RESIDENT STUDENTS FOR FY2007, FY2008 AND FY2009

In addition to analyzing FY2010 student residency in Finding 1 (see pages 5 through 12), auditors reviewed open enrollment student residency information for FY2007, FY2008 and FY2009. The audit found that the District improperly claimed ADM and received inappropriate funding for nonresident students, totaling over \$1.1 million for the three fiscal years audited. Because the students did not meet state residency requirements, ADE needs to recoup the \$1.1 million inappropriately funded to the District.

The District Should Not Have Claimed ADM or Received Basic State Aid for Students Who Are Not Residents of Arizona

Auditors determined that for FY2007, FY2008 and FY2009, 231 of 269 open enrollment students, or 85.87 percent, did not meet Arizona residency requirements. As a result, the District was overfunded by a total of \$1,178,826.37, for the three fiscal years audited as shown in Table 4.

Table 4

**Ajo Unified School District
Students Not Residents of Arizona, Adjusted ADM and Funding Adjustment
FY2007, FY2008 and FY2009**

	FY 2007	FY 2008	FY 2009	Total
Open Enrollment Students Analyzed	83	78	108	269
Students Who Were Not Arizona Residents	71	67	93	231
Over-reported Adjusted ADM for Non-resident Students	62,4764	58,2682	76,0417	196,7863
Funding Adjustment	(\$362,405.40)	(\$357,471.14)	(\$458,949.83)	(\$1,178,826.37)

Source: Auditor analysis of ADE SAIS data, District data, state statutes and Attorney General opinions.

Improper Methods Used to Attempt to Establish Residency

Auditor analysis found that most students did not reside at the location they provided to the District. Students claimed false residencies and utilized improper guardianships that were used to establish residencies in order to attend school in Ajo.

Most students did not actually live at the location they provided to the District—The District utilized the “open enrollment” provisions of the statutes to enroll students who were claiming Arizona residency but not residing within the boundaries of the District. The District and the County required these students to provide documentation of residency. Both entities had established a list of documents that may be used to prove residency. Auditors performed an extensive analysis of each student’s documentation for each of the three years audited to determine whether or not the student was actually residing in Arizona. As shown in Table 5, the analysis found that almost 86 percent of the students did not reside at the location they provided to the District.

Table 5

**Ajo Unified School District
Student Residency Determination
By Geographic Location
FY2007, FY2008 and FY2009**

FY2007, FY2008 and FY2009 Totals	Total Students	Residency Met	Residency Not Met	Percent Met	Percent Not Met
Ajo	39	4	35	10.26%	89.74%
Why	21	16	5	76.19%	23.81%
Lukeville House/Apt/Motel	35	15	20	42.86%	57.14%
Lukeville RV Park	169	3	166	1.78%	98.22%
Other Geographic Locations	5	0	5	0.00%	100.00%
Total:	269	38	231	14.13%	85.87%

Source: Auditor analysis of District student cumulative files County student files and auditor observation and interviews.

Many examples of false residency—The review identified numerous examples of attempts to claim Arizona residency that upon further examination proved to be false. For example:

- **Renting vacant RV trailer spaces in Arizona**—Based on the occupancy in FY2010, auditors determined that during the four fiscal years audited, a total of 135 students claimed to reside in trailer or RV park spaces that did not contain any type of residential structure. Auditors determined that some of these students claimed the same residence for multiple fiscal years. Auditors determined that only 3 of the 135, or 2.22 percent, may have resided at the residence claimed, and credited the District with that attendance.
- **Claiming residence in uninhabitable structures in Arizona**—Over the four fiscal years audited, 88 students claimed to live in trailer or RV park spaces in Lukeville that contained a residential structure in varying conditions. Auditors determined through numerous site visits that of the nine spaces that held structures in FY2010, only one of these sites was fully hooked up to the electric,

water and sewer infrastructure system of Lukeville. Of the remaining eight structures, two maintained no more than a single connection to the system, and six contained no connections at all. Auditors determined that only 2 of the 88 students, or 2.27 percent, may have resided at the residence claimed, and credited the District with that attendance.

- **Claiming residence in a municipality far from Ajo, but riding the bus daily from Lukeville**—One student claimed to live in Marana, Arizona, which is approximately three hours east of Ajo and well outside of the unorganized territory boundaries. However, the student claimed a Lukeville P.O. Box and has been bused daily from Lukeville for FY2009 and FY2010. In FY2009, the student claimed a Lukeville address but provided no supporting documentation other than that from Marana. In FY2010, the student completed the County documentation stating only a Marana residence, but was still being bused from Lukeville.
- **Claiming residency in a house that had burned down years before**—One student in FY2007 and three students in FY2008 claimed to reside in a house that had burned completely to the ground in August of 2006, according to staff from Gringo Pass, Inc. Consequently, none of these four students could have actually resided in this structure.
- **Students bused from Lukeville but claiming residences elsewhere**—Between FY2008 and FY2010, at least 27 students were transported by County buses to the District but had not provided a physical address or lived outside of Lukeville or Why and had provided a Lukeville P.O. Box. These students claimed to reside in Ajo, Marana or other areas, but were being bused from Lukeville on a daily basis.
- **Legal guardianship**—The review also found that some students attempted to use statutory legal guardianship provisions to claim Arizona residency. However, it was apparent that some of these were improper, and thus could not be used to claim residency. Guardianships appointed to establish residency in order to circumvent or avoid paying tuition are prohibited by Arizona law. For example:
 - For FY2008 and FY2009, a total of 10 students claimed on their County bus transportation applications that they had obtained guardianship either for school purposes or because their parents did not reside within the United States.
 - For the four fiscal years reviewed, 26 students had parents or guardians who submitted documentation that their residence was in places like Ajo, Phoenix and Marana. However, these students also claimed a Lukeville P.O. Box. Further, 25 of these students were provided transportation by County school buses from Lukeville.

In Finding 3 (see pages 17 through 22), the audit concluded that these residency problems occurred because the District failed to exercise sufficient due diligence in determining residency for the students in question. Finding 3 provides recommendations to the District that, if implemented, will address and rectify these problems.

Recommendation:

ADE is required to recoup from the District the \$1,178,826.37 in Basic State Aid provided for students who were not Arizona residents for FY2007, FY2008 and FY2009.

FINDING 3: THE DISTRICT FAILED TO USE DUE DILIGENCE IN ADDRESSING RESIDENCY ISSUES

The District needs to substantially improve efforts to determine if its students meet Arizona residency requirements. Although the District became aware in 2005, and again in 2009, of its non-resident student issue, it did little to rectify the situation. In addition, the District did not abide by its current procedures for determining residency, allowing students to enroll as residents even though they did not meet the District's own residency requirements. The District needs to implement additional methods to determine student residency, similar to those of other districts that have experienced residency issues. If students are determined to be non-residents, then the District cannot claim ADM for them, but has the statutory authority to charge the students a reasonable tuition.

The District Was Aware of Residency Problems, But Did Not Sufficiently Address Them

The District became aware in 2005 that many students were crossing the international border and being transported by buses to attend school at the District. An investigator hired by ADE documented on film that this was occurring, and provided copies of the videos to the Pima County Attorney. The District did not sufficiently explore or address the issue. According to the District Superintendent, the District performed additional work that resulted in removing some non-resident students from SAIS. However, the District could not provide sufficient documentation to substantiate these claims. In addition, the Superintendent stated that he did not think that it was either his or the District's responsibility to perform any additional work beyond their current paperwork documentation requirements for the students. However, statutes and other mandates require that the local school district governing board and superintendent ensure that the District abides by state law and other requirements. A.R.S. § 15-341 (A) (1) states:

“The governing board shall:...Prescribe and enforce policies and procedures for the governance of the schools, not inconsistent with law...”

Furthermore, from interviews of District and County staff and residents of Lukeville, it appeared to be common knowledge that non-resident students were being bused from Lukeville to Ajo for educational purposes for many years. One of the two bus drivers had been driving this assigned route for at least 25 years. He stated that busing began in the early 1960's using an International Travelall, a pickup truck-like vehicle that could carry a number of passengers.

As a political subdivision of the State of Arizona, the District is responsible to all of the taxpayers of this state for its actions to comply with the law. As stewards of public monies and the public trust, the District has an obligation to the taxpayers to properly enroll students based on their residency status. If a student's residency status is in question, the District should follow up with the student, parents or

guardians to ensure the collection and maintenance of all documents necessary to comply with residency laws.

Even though the District initially became aware of these residency concerns in 2005, it did not sufficiently address them. When further evidence of this problem was presented to the District in late 2009, the District did not pursue these allegations. In fact, during the fiscal years audited, the number of students found not to be residents by auditors actually increased. The number of non-resident students increased from 71 in FY2007, to 105 in FY2010.

The District Did Not Adhere to Its Own Residency Requirements

The audit found that the District had not followed its own residency requirements. The District provided auditors documentation of the District's residency requirements for open enrollment students. Auditors compared the student files to the District's residency requirements for the open enrollment students examined in the previous findings. Auditors determined that many of the students had insufficient documentation to prove Arizona residency.

The District established an open enrollment procedure—The District's current open enrollment procedure was established during the 2007-2008 school year. This procedure requires the student to live with a parent or guardian, and if the student lives with someone other than the parent, Guardianship or Power of Attorney papers must be presented. Additionally:

“Students living in Lukeville must have a street address, post office box and a U.S. phone number...Students wishing to enroll in the District who do not have a physical address in Ajo are asked to show proof of residency within the Ajo, Why, Organ Pipe National Monument or Lukeville areas. Residence proof is something such as a rent receipt, utility bill or something that shows the physical address of the parent/guardian.”

The District failed to comply with its own open enrollment procedure for residency determination—Although the District had established open enrollment procedures for students not residing within Ajo, auditors determined that the District failed to comply with its procedures and requirements for proving residency. As shown in Table 6 (see page 19), only 15 of 389 students, or 3.86 percent, met all of the District's requirements to establish residency for open enrollment for the four fiscal years audited. Based on the information provided in the student cumulative files, the requirement that had the highest failure rate of being met was the proof of address. Overall, only 19 of the 389 students had documentation in their student file proving residency.

Table 6

**Ajo Unified School District
District Open Enrollment Residency Requirements Compliance
FY2007, FY2008, FY2009 and FY2010**

	FY2007¹	FY2008	FY2009	FY2010	Total
Open Enrollment Students	83	78	108	120	389
Lukeville Address	57	50	34	51	192
Lukeville P.O. Box	51	51	35	58	195
US Phone	49	57	36	60	202
Proof of Address	0	7	3	9	19
All Requirements Met	0	7	2	6	15
% Met All Requirements	0.00%	8.97%	1.85%	5.00%	3.86%

¹ Auditors applied the District's current open enrollment policy to FY2007.

Source: Auditor analysis of the District's student cumulative files and open enrollment policies.

Additional Methods Are Needed to Determine Residency

It is apparent that the District's current residency determination methods are insufficient. As shown by the audit work, the District needs to implement additional residency determination methods to better ensure that the state is only funding Arizona residents. Other school districts with similar challenges have implemented additional checks to help ensure appropriate residency status. In addition, the District needs to improve its residency records retention requirements and also require students to provide proof of residency annually. Further, the District needs to utilize the more appropriate statutory provision for CECs, which are required for students being transported from unorganized territories to a school district. Additionally, CECs require the county school superintendent to perform checks to determine residency for these students.

Best practices in other school districts and other states—The District needs to review policies and procedures used by other school districts, and adopt best practices that may be useful in ensuring residency requirements are met for its students. This includes both utilizing home visits and not enrolling students who do not provide sufficient residency documentation.

Some school districts conduct home visits when necessary to verify residence. School districts that suspect a student is providing false information are obligated to verify this information, since school districts are funded with public taxpayer's monies. Examples of conducting home visits include:

- **Bisbee Unified School District, Bisbee, Arizona:** This school district employs a staff member who conducts site visits to the student's address of record if there is reason to suspect that the address given is not legitimate.
- **Brownsville Independent School District, Brownsville, Texas:** Every school campus has a full or part time home visitor who makes home visits upon request to verify addresses. Additionally, there

are six district attendance liaisons whose primary roles are to verify addresses for dual residence families, which are two families living in one household. For the dual residence visits, they obtain signed permission before conducting a home visit.

- **Tornillo Independent School District, Tornillo, Texas:** The school district has a member of its security team make a home visit when it has a reason to believe that there is a misrepresentation of residence, but it does not conduct routine checks.
- **Eagle Pass Independent School District, Eagle Pass, Texas:** When needed, the school district uses Attendance Officers or Service Advocate Recruiters to verify residency by visiting the student's claimed address.
- **Presidio Independent School District, Presidio, Texas:** This school district sends its security staff to verify that the students indeed live at the address claimed if there are questions raised.

Some school districts have withdrawn students that they believe do not reside at the address claimed until the student can provide adequate proof of residence. Examples of these school districts include:

- **Yuma Union High School District, Yuma, Arizona:** The superintendent of the school district authorized a school as recently as March 25, 2010 to withdraw a student whose mother had given two empty lot addresses and failed to provide further proof of residency.
- **Tornillo Independent School District:** If a student is found to not be a resident, they are withdrawn from the school district.
- **Eagle Pass Independent School District:** If a student is found to be a non-resident then the student is withdrawn due to falsification of enrollment information.

District should establish procedures for enrollment forms and registration updates, and maintain copies of proof of residency in student files—The District lacks a procedure for obtaining registration updates and maintaining current copies of proof of residency in each student files. District staff explained that students, upon enrollment, would complete the enrollment form and provide proof of residence, including utility bills. However, this information would only be updated in the student files if a staff person requested a registration update from the student at the beginning of the school year. Additionally, there does not appear to be a requirement for the District personnel to maintain a copy of the proof of residency verification in the student's cumulative file. The District should adopt a procedure for obtaining copies of the residency verification to be placed into the student's cumulative file.

Furthermore, the practice of obtaining an annual registration update and maintaining copies of residency verification, which are not District procedures, do not appear to be applied consistently. Maintaining current registration update information and copies of residency verification in a student's cumulative file are good practices and allow the District to maintain back-up information separate from the digital files, and to confirm data submitted to SAIS. The District should adopt a procedure of requiring a registration update form be completed annually for each student and have the registration update form placed into the student's cumulative file.

District needs to use CECs for students from unorganized territories—The District utilized the open enrollment statutes to enroll students for ADM purposes; however, this is not the appropriate use of open enrollment according to statute. The open enrollment statutes relate to students who transfer between districts of residences and schools within that same district or other school districts. Instead of open enrollment, the District should have enrolled these students through the CEC process.

CECs are issued for a student precluded by distance or lack of adequate transportation facilities from attending school in the school district or county of the student's residence or who resides in unorganized territory. These students may apply to the county school superintendent for a CEC. The county school superintendent may issue a certificate authorizing the student to attend school in an adjoining school district or county, whether within or outside of Arizona. The school enrollment of a student from an unorganized territory is deemed for the purpose of determining student count to be in the school district of actual attendance (A.R.S. § 15-825 (A) (2)).

The county school superintendent is required to notify the Superintendent of Public Instruction (SPI) of the issuance of the CEC, and the SPI then draws down a warrant for the school district for the amount charged from the appropriated fund. The ADE School Finance Unit annually issues updates on the requirements for obtaining CEC warrants for a school district.

Therefore, students who were enrolled through open enrollment in the District from the unorganized territory should have been required to apply for CECs if they were Arizona residents, as this is the proper mechanism for enrolling students from an unorganized territory. The County currently provides guidance on how to obtain a CEC. However, the County has not issued any CECs for the District during any of the fiscal years audited. The District should cease the process of enrolling unorganized territory students through open enrollment and should utilize the statutory and ADE requirements for CECs for residents of Arizona.¹⁰

The District Should Charge Tuition for Non-Resident Students

If the District finds that some students are not Arizona residents, it has the statutory option to allow these students to attend the District. However, if the District allows non-resident students to attend its schools, it must charge a reasonable tuition as authorized by law. A.R.S. § 15-823 (A) allows a governing board of a school district to admit children who are non-residents of Arizona, upon payment of a reasonable tuition fixed by the governing board. Therefore, the District should adopt a reasonable tuition for non-residents of Arizona who would like to attend the District and for those students who fail to provide proof of residency in Arizona.

¹⁰ According to the District Superintendent, the County refused to issue CECs for the students living in unorganized territories.

Recommendations:

1. The District needs to incorporate changes to ensure more accurate student residency determinations. These should include:
 - a. Adhering to its established procedures for determining residency;
 - b. Ceasing the process of enrolling unorganized territory students through open enrollment.
 - c. Utilizing the statutory and ADE requirements for CECs.
 - d. Reviewing the authorities provided in statute and reviewing best practices from other school districts and other states in order to establish additional practices for ensuring residency requirements are met.
 - e. Reviewing its current open enrollment procedures for effectiveness and implementing open enrollment procedures compliant with state law that ensures proof of residency is obtained and verified for students residing in another school district.
2. The District should adopt a procedure ensuring residency requirements are complied with, and assess the residency status of all students for the next school year.
3. The District should adopt a reasonable tuition for students who are not residents of Arizona but would like to attend the District and for those students who fail to provide proof of residency in Arizona.
4. The District should be consistent in collecting a registration update form annually for each student and placing the registration update form into the student's cumulative file.
5. The District should adopt a procedure of obtaining copies of the residency verification to be placed into the student's cumulative file.

FINDING 4: THE DISTRICT DID NOT PROVIDE SUFFICIENT INSTRUCTIONAL HOURS FOR 7TH AND 8TH GRADES

The District did not provide the statutorily-required minimum number of instructional hours to its 7th and 8th grade students for any of the three fiscal years audited. As a result, the District was overpaid by \$79,000 in Basic State Aid and also limited educational opportunities to students. Pursuant to A.R.S. § 15-915, ADE should recover these monies from the District, and the District should ensure that it provides all students with sufficient minimum instructional hours as required by state law.

The District Failed to Provide Minimum Instructional Hours to 7th and 8th Grade Students

Although all school districts are required by statute to provide a minimum number of instructional hours to students, the District did not meet this requirement for its 7th and 8th grade students for FY2007, FY2008 or FY2009. Specifically, A.R.S. § 15-901 (A) (2) (b) (i) requires that public schools provide at least 1,068 instructional hours for 7th and 8th grade students during these fiscal years. However, as shown in Table 7, the District did not meet this requirement. Auditors analyzed the District's bell schedules and calendars for all grades, compared them to the statutory requirements and found that the District offered at least the minimum number of instructional hours to students in kindergarten programs and in grades 1st through 6th, as well as 9th through 12th grade. However, the District only provided between 90.73 percent and 95.13 percent of the required instructional hours for its 7th and 8th grades.

Table 7

**Ajo Unified School District
Instructional Hours Required, Offered and Percentage Provided for
7th and 8th Grade
FY2007, FY2008 and FY2009**

Fiscal Year	Instructional Hours Offered	Instructional Hours Required	Percentage Met
FY2007	1,016	1,068	95.13%
FY2008	972	1,068	91.01%
FY2009	969	1,068	90.73%

Source: Auditor analysis of District bell schedules and calendars and criteria found in A.R.S. § 15-901.

The District Limited Educational Opportunities for Some Students

Since the District provided fewer instructional hours than required by statute for its 7th and 8th grade students, those students did not have the educational benefit of 1,068 hours of “seat time” as required by statute. Assuming that more time spent in the classroom results in the opportunity for a better education, these students received fewer educational opportunities because the District did not provide all of its students with the statutorily-required minimum number of instructional hours.

The District Was Overpaid \$79,016.97 In Basic State Aid Funding

As a result of providing insufficient instructional hours for 7th and 8th grade students during each of the three fiscal years audited, the District was overpaid Basic State Aid. As shown in Table 8, the District’s adjusted ADM should be reduced by a total of 13.119 for all three fiscal years audited.¹¹ The District’s insufficient minimum instructional hours translates into an overpayment of \$79,016.97 in Basic State Aid for the three fiscal years audited.

Table 8

**Ajo Unified School District
Adjusted ADM Overstatement Due to Insufficient Instructional Hours for
7th and 8th Grade
FY2007, FY2008 and FY2009**

	FY2007	FY2008	FY2009	Total
Percentage Met	95.10%	91.04%	90.75%	N/A
Overstated Adjusted ADM	2.831	5.039	5.249	13.119
Overpayment	\$16,422.78	\$30,915.93	\$31,678.26	\$79,016.97

Source: Auditor analysis of SAIS and District student data for FY2007, FY2008 and FY2009.

¹¹ ADE Guideline GE-18 provides directions for determining the ADM adjustment based on insufficient instructional hours. According to the Guideline, “If school districts or charter holders are not in compliance with the requirements for annual classroom instruction hours pursuant to A.R.S. §§15-901(A)(2)(a), (b) and (c), then annual equalization funding will be prorated accordingly. Example: A school with deficient annual hours will have their reported membership decreased based on the actual amount of instruction hours provided compared to the required annual hours. For instance, a school that provides 90 percent of the required hours will have the reported membership days reduced by 10 percent, thus ADM will be reduced by 10 percent. Annual equalization will be based on this revised ADM.”

Actions Needed to Provide At Least the Minimum Instructional Hours to All Students

District management should ensure that its schools provide students with at least the minimum required instructional hours. ADE provides an instructional hours template on its website that the District may use to develop bell schedules that provide sufficient instructional hours. The District should also review its schedules yearly to verify that it meets the statutory minimum requirements for instructional hours for each grade.

Recommendations:

1. ADE is required to recoup \$79,016.97 in overpaid Basic State Aid from the District for insufficient instructional hours.
2. The District should ensure that it provides at least the statutorily-required minimum number of instructional hours for 7th and 8th grade students.
3. To ensure students receive at least the statutorily-required minimum number of instructional hours, the District should, prior to the beginning of each school year, develop bell schedules and school calendars that include a sufficient number of instructional hours.

FINDING 5: THE DISTRICT DID NOT ACCURATELY REPORT SOME ATTENDANCE AND ENROLLMENT TO ADE

The District did not accurately report some student attendance to ADE for the three fiscal years audited. The audit found that the District misreported some absences in each of the three fiscal years audited, and failed to properly withdraw one student from school for FY2007. As a result, the District’s adjusted ADM was over reported by 1.0574 for FY2007, and was under reported by 0.4611 and 0.29945 for FY2008 and FY2009, respectively. This resulted in a net overstatement of adjusted ADM by 0.2968. Due to the inaccurate attendance data reported to ADE, the District received an overpayment of Basic State Aid \$1,497.21 for the three fiscal years.

The District Failed to Report Absences Accurately for the Three Fiscal Years Audited

Auditors identified a significant number of student attendance reporting errors for the three fiscal years audited. A review of a sample of 197 students’ attendance files for the three fiscal years audited found that the District failed to report absences accurately to ADE for 79 of these students (40.10 percent). Additionally, auditors found that the District reported incorrect attendance data to ADE by either overstating or understating the absences for those sampled students.

As shown in Table 9, the District overstated absences for 62 of the 79 students with attendance errors, which can reduce a school district’s funding. The overstated absences may be due to the District failing to resubmit attendance data to ADE after the attendance information was updated, or not calculating and reporting absences correctly for students. Due to incorrect reporting of absences for students, 17 of the sampled students had more absences than reported to ADE.

Table 9

**Ajo Unified School District
Students with Attendance Reporting Errors
FY2007, FY2008 and FY2009**

Fiscal Year	Total Sampled Students	Students with Understated Absences	Students with Overstated Absences	Total Students With Errors	Percentage of Students With Errors
2007	66	11	16	27	40.91%
2008	65	1	20	21	32.31%
2009	66	5	26	31	46.97%
Total	197	17	62	79	40.10%

Source: Auditor analysis of District records and SAIS reports.

As a result, the net overall adjusted ADM was understated by 0.00265, 0.46110 and 0.29945 for FY2007, FY2008 and FY2009, respectively, as presented in Table 10.

The District Failed to Properly Withdraw One Student in FY2007

Auditors requested and reviewed a sample of 197 students' attendance files from the District for the three fiscal years audited. One student had withdrawn from the school before FY2007, and should have been reported to SAIS as withdrawn. This student had moved during the summer and enrolled in the Gila Bend Unified District. However, auditors found that the District failed to withdraw this student and he was reported as attending both districts full time in ADE's SAIS system. As a result, the District over reported its membership days by 100. Accordingly, the District's adjusted ADM was overstated by 1.06 for FY2007 for the student.

The District Was Overpaid \$1,497.21 for the Three Fiscal Years Audited

Auditors determined that the District did not receive the appropriate amount of Basic State Aid due to the inaccurate attendance information reported to ADE for the three fiscal years audited as well as failing to withdraw one student for FY2007. The net overall adjusted ADM was understated by 0.46110 and 0.29945 for FY2008 and FY2009, respectively, and overstated by 1.0574 for FY2007. This resulted in a net adjusted ADM overstatement of 0.2968 for the three fiscal years audited. Table 10 shows the adjusted ADM and funding adjustments for the District for FY2007, FY2008 and FY2009.

Table 10

**Ajo Unified School District
Overstated/(Understated) Adjusted ADM and Funding Adjustment
FY2007, FY2008 and FY2009**

Fiscal Year	Overstated/(Understated) Adjusted ADM	Funding Adjustment
FY2007 Withdrawal	1.06	\$6,148.72
FY2007 Absences	(0.00265)	(\$15.37)
FY2008 Absences	(0.46110)	(\$2,828.81)
FY2009 Absences	(0.29945)	(\$1,807.33)
Total	<u>0.2968</u>	<u>\$1,497.21</u>

Source: Auditor analysis of District records and SAIS data for FY2007, FY2008 and FY2009.

Recommendations:

1. ADE is required to recoup \$1,497.21 for incorrectly calculated attendance and the improperly withdrawn student.
2. The District should comply with A.R.S. § 15-901 (A) (2) and ensure students are withdrawn appropriately.
3. To ensure the accuracy of attendance reported to ADE, the District should reconcile its original attendance data with SAIS reports on a regular basis.

ADM Funding Adjustments

This audit identified an overall funding adjustment of \$1,259,340.55 for the three fiscal years audited:

- (\$1,178,826.37) for nonresident students;
- (\$79,016.97) for failing to provide the minimum instructional hours required by law for 7th and 8th grade students; and
- (\$1,497.21) for attendance and enrollment errors.

Additionally, statutes and rules provide for a formal appeal process through the Office of Administrative Hearings if the District disagrees with the audit results. The District has thirty (30) days from the issuance of the audit report to request an appeal. Appendix A (see page a-i) presents rules that govern the appeal process.

Table 11 lists the ADM adjustments and associated Basic State Aid adjustments for the District for FY2007, FY2008 and FY2009.

Table 11

**Ajo Unified School District
Adjusted ADM and Funding Adjustments Required for
FY2007, FY2008 and FY2009**

Adjustment	FY2007		FY2008		FY2009		Total Adjustment
	Adjusted ADM	Adjustment	Adjusted ADM	Adjustment	Adjusted ADM	Adjustment	
Nonresidents	(62.476)	(\$362,405.40)	(58.268)	(\$357,471.14)	(76.042)	(\$458,949.83)	(\$1,178,826.37)
Instructional Hours	(2.831)	(\$ 16,422.78)	(5.039)	(\$ 30,915.93)	(5.249)	(\$ 31,678.26)	(\$ 79,016.97)
Attendance	(1.057)	(\$6,133.35)	0.461	\$ 2,828.81	0.299	\$ 1,807.33	(\$ 1,497.21)
Total	(66.364)	(\$384,961.53)	(62.846)	(\$385,558.26)	(80.992)	(\$488,820.76)	(\$1,259,340.55)

Source: Auditor analysis of SAIS and District student and financial data for FY2007, FY2008 and FY2009.

In addition, the District needs to resubmit corrected FY2010 data to remove non-resident students from its student counts, as indicated in Finding 1 (see page 11). These corrections at the time of the audit were an estimated 89.541 adjusted ADM and an estimated \$536,385.78 in Basic State Aid funding.

Appendix A

State Rules for Appealing Audits

The audit determination pursuant to A.R.S. § 15-915 is an agency action for which you can file an appeal. The audit report and cover letter, along with this information, serves as notice of your appeal rights under A.R.S. § 41-1092.04. Your right to a hearing and right to an informal settlement conference are described below in the Arizona Revised Statutes.

A.R.S. § 41-1092.03. Notice of appealable agency action; hearing; informal settlement conference; applicability

- A. An agency shall serve notice of an appealable agency action pursuant to section 41-1092.04. The notice shall identify the statute or rule that is alleged to have been violated or on which the action is based and shall include a description of the party's right to request a hearing on an appealable agency action and to request an informal settlement conference pursuant to section 41-1092.06.
- B. A party may obtain a hearing on an appealable agency action by filing a notice of appeal with the agency within thirty days after receiving the notice prescribed in subsection A of this section. The notice may be filed by a party whose legal rights, duties or privileges were determined by the appealable agency action. A notice of appeal also may be filed by a party who will be adversely affected by the appealable agency action and who exercised any right to comment on the action provided by law or rule, provided that the grounds for appeal are limited to issues raised in that party's comments. The notice of appeal shall identify the party, the party's address, the agency and the action being appealed and shall contain a concise statement of the reasons for the appeal. The agency shall notify the office of the appeal and the office shall schedule a hearing pursuant to section 41-1092.05, except as provided in section 41-1092.01, subsection F.
- C. If good cause is shown an agency head may accept an appeal that is not filed in a timely manner.

A.R.S. § 41-1092.06. Appeals of agency actions; informal settlement conferences; applicability

- A. If requested by the appellant of an appealable agency action, the agency shall hold an informal settlement conference within fifteen days after receiving the request. A request for an informal settlement conference shall be in writing and shall be filed with the agency no later than twenty days before the hearing. If an informal settlement conference is requested, the agency shall notify the office of the request and the outcome of the conference, except as provided in section 41-1092.01, subsection F. The request for an informal settlement conference does not toll the sixty day period in which the administrative hearing is to be held pursuant to section 41-1092.05.
- B. If an informal settlement conference is held, a person with the authority to act on behalf of the agency must represent the agency at the conference. The agency representative shall notify the appellant in writing that statements, either written or oral, made by the appellant at

the conference, including a written document, created or expressed solely for the purpose of settlement negotiations are inadmissible in any subsequent administrative hearing. The parties participating in the settlement conference shall waive their right to object to the participation of the agency representative in the final administrative decision.