Arizona Department of Education

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Average Daily Membership Audit Report
Dysart Unified School District No. 89
Fiscal Years 2005, 2006, and 2007

Report Number 09-08

July 15, 2009

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July 15, 2009

Governing Board
Dr. Gail Pletnick, Superintendent
Dysart Unified School District No. 89
15802 North Parkview Place
Surprise, AZ 85374

Dear Members of the Board and Dr. Pletnick,

The Arizona Department of Education Audit Unit has conducted a limited scope audit of the Dysart Unified School District No. 89's Average Daily Membership for Fiscal Years 2005, 2006 and 2007. The purpose of the audit was to determine whether it was appropriate for the District to receive State Aid for students enrolled in the District's Youth Transition Program (YTP) and Genesis West Program.

The audit found that the District did not provide sufficient instructional time for some Genesis West students for FY2005, FY2006, and FY2007. Additionally, the audit found that the Genesis West program's attendance-taking system was inadequate.

We appreciate the excellent cooperation and assistance provided by the Superintendent and staff during the course of the audit. My staff and I will be pleased to discuss or clarify items in the report.

The audit become final 30 days after issuance, unless the District files an appeal. Appendix A in the report provides rules governing the appeal process.

Sincerely,

Arthur E. Heikkila
Chief Auditor

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INTRODUCTION AND BACKGROUND

The Arizona Department of Education (ADE) has conducted a limited scope Average Daily Membership (ADM) audit of the Dysart Unified School District No. 89 (the District), pursuant to the provisions of Arizona Revised Statutes A.R.S. §§15-915, 15-239, and Session Laws 2006, Chapter 353, H.B. 2874, Section 23, for FY2007, and Session Laws 2007, Chapter 264, H.B. 2790, Section 17, for FY2008. This audit focused on whether it was appropriate for the District to receive State Aid for students enrolled in the District's Youth Transition Program (YTP), students enrolled beyond the usual four years of high school, and for students who participated in an alternative program called the Genesis West Program.

Average Daily Membership (ADM) audits help ensure the appropriate distribution of nearly $5 billion in State Aid provided annually to school districts and charter schools in Arizona. Schools receive State Aid based on several factors related to student attendance.[1] To receive funding, schools report attendance data to ADE. ADE then processes that data, determines payment amounts according to the relevant statutory funding formula(s), and distributes payments to schools 10 times per 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 district disagrees with the audit finding(s). ADM audits compare the district's reported information to the original records kept at the district. If the audit finds that the district's reported information does not match the original documentation, the audit will identify and report the funding adjustment needed to the district's State Aid. These funding adjustments can be positive or negative, depending upon the audit findings.

After the audit is published, A.R.S. §41-1092 provides districts that disagree with the audit findings the opportunity to file a formal appeal within 30 days after the report was issued. The 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 determines that a district received an incorrect amount of State Aid, A.R.S. §15-915(A)(1) and (2) directs that corrections to districts' funding be made either in the current year or the budget year. In case of hardship, districts may request that the Superintendent of Public Instruction allow a correction to be made partly in one year and partly in the following year.

Youth Transition Program information—The District offered a program called the Youth Transition Program (YTP), which was intended to help students with disabilities find and maintain work in the community. The program was offered to both high school and post high school students. Post high school students in the program were designated as "extender"

[1] School districts are funded based on "student count", which is defined in A.R.S.§15-901(14) as Average Daily Membership (ADM) for the prior fiscal year. ADM is determined based on student enrollment and other attendance factors. Schools are required every 20 days to submit daily attendance information to ADE for each student enrolled. Attendance information is used by ADE to calculate ADM.

students. Program oversight and administrative costs were funded with a federal grant from the Arizona Department of Economic Security, and required partial matching of District local funds. The funding provided for an YTP program coordinator. The District submitted attendance information for most of these students to ADE, and subsequently received State Aid based on that information.

Genesis West Program information—In addition to the YTP Program, the District offered a program called the Genesis West Program, which was designed to allow high school students to obtain a high school diploma while also earning college credit. The program was operated through a partnership with Estrella Mountain Community College. The students must have been 16 years of age or older and have earned one-half of the high school credits in order to have been accepted by the program. Once they were in the program, the students did not pay for tuition or books, which were covered by the sponsoring high school within the District. Table 1 shows the sample of students that auditors reviewed in YTP and Genesis West Programs, and other students who were enrolled beyond the usual four years of high school for FY2005, FY2006, and FY2007.

Table 1

Dysart Unified School District No. 89
Students Sampled and Reviewed
FY2005, FY2006, and FY2007

Program	FY2005	FY2006	FY2007	Total
YTP	15	15	14	44
Genesis West	28	21	32	81
Others	24	25	37	86
Total	67	61	83	211

Source: Auditor analysis of students obtained from ADMS75 report for FY2005 through FY2007.

According to Program documents, the Genesis West Program was usually offered for students who had just moved to Arizona from other states and were struggling to adjust. Additionally, the Program was meant for other students who were interested in higher level courses that were not offered by the local school district.

Table 2

Dysart Unified School District No. 89
Students, Staffing, Revenues and Expenditures
FY2005, FY2006, and FY2007
(Unaudited)

	FY 2005	FY 2006	FY 2007
Students Enrolled	14,230	17,753	20,700
Staff			
Certified	714	935	1,174
Classified	374	395	564
Total Staff	1,088	1,330	1,738
Revenue			
Local	$54,583,178	$ 51,040,931	$ 66,948,621
State	66,822,416	103,668,529	121,773,681
County	3,090,906	4,177,863	49,670
Federal	10,593,498	11,434,992	12,768,131
Total Revenues	$135,089,998	$170,322,315	$201,540,103
Total Expenditures	$128,759,774	$168,417,752	$200,160,084

Source: "Annual Report of the Arizona Superintendent of Public Instruction," for FY2005, FY2006 and FY2007.

District financial and other information—The Dysart Unified School District is located in the city of Surprise and includes 24 schools that offer instruction ranging from kindergarten through the 12th

grade. A five-member school board governs the District, which is managed by a superintendent. In FY2007, the District had 20,700 students enrolled in its schools. Table 2 (see page 2) presents the District's student, staffing, and financial information for FY2005, FY2006, and FY2007.

SCOPE AND METHODOLOGY

The audit reviewed whether the District should have received State Aid for high school students enrolled in the Youth Transition Program (YTP), the Genesis West Program, and other students enrolled beyond the usual four years.

Staff from ADE's Audit Unit and Exceptional Student Service (ESS) performed the audit. The Audit Unit staff performed the Average Daily Membership component of the audit and ESS staff reviewed the special education component of the YTP program. Auditors and ESS staff reviewed ADE and District records, interviewed District management and staff, and utilized statutes and guidance from the Attorney General's Office to perform the audit.

To determine whether the District should have received funding for students participating in its transition programs, ESS staff reviewed Individualized Education Plans (IEPs) for the 44 students enrolled for FY2005, FY2006, and FY2007. This review determined the types of services provided, the amount of time specified for the services, and whether the IEPs were in compliance with federal and state requirements.

To determine whether the District should have received State Aid for students enrolled in the Genesis West Program, auditors reviewed program guidelines, conducted interviews with the director of the District's Genesis West Program, and reviewed 81 student records and class schedules obtained from Estrella Mountain Community College. Auditors also analyzed the Genesis West Program students' class schedules to determine whether they were provided sufficient instructional hours to be reported as full-time status.

To determine whether the District was appropriately receiving State Aid for other non-special education students who had completed at least four years of high school, auditors reviewed transcripts, attendance records, cumulative files, and graduation lists for all 167 such students for FY2005, FY2006, and FY2007.

The Audit Unit expresses its appreciation to the Dysart Unified School District Superintendent and staff members, as well as the Exceptional Student Services Unit from the Arizona Department of Education, for their cooperation and assistance during the audit.

FINDING 1: THE DISTRICT FAILED TO ENSURE THAT SOME STUDENTS WERE PROVIDED SUFFICIENT INSTRUCTIONAL TIME AND WAS OVERPAID APPROXIMATELY $162,000 FOR FY2005, FY2006, AND FY2007

The District did not ensure that its Genesis West students were provided with the statutorily-required number of instructional hours for FY2005, FY2006 and FY2007. As a result, the District was over-paid $161,949.94 in State Aid from the Arizona Department of Education and the Department should recover these monies from the District.

District Failed to Ensure That Its Genesis West Students Received Sufficient Instructional Hours

The District did not ensure that its Genesis West students were provided with the statutorily-mandated number of instructional hours for FY2005, FY2006, and FY2007. Some of the District's students who attended community college did not receive sufficient credit hours to meet the statutory instructional time requirements. While the community college attempted to provide sufficient courses to the students, some of these courses were non-credit and therefore did not meet the statutory definition of instructional time. In the future, the District should ensure that all of its students who attend a community college are provided with sufficient instructional hours.

District failed to provide sufficient instructional hours to Program students—Although required by statute, the District did not ensure that all 81 of its Genesis West Program students were provided with sufficient instructional hours. All public school districts in Arizona are required by A.R.S §15-901(A)(2)(b)(i) to annually provide high school students with at least 716 instructional hours for FY2005 and 720 instructional hours for FY2006 and FY2007. This requirement means that students were required to be provided with at least 20 instructional hours each week. However, none of the District's 81 Genesis West students received sufficient instructional hours.

Students provided insufficient instructional hours attended community college—The District failed to meet the statutory instructional hour requirement because it did not ensure that its students who attended a community college received sufficient instructional hours. Some of the classes that students took at the community college, such as new student orientation, were non-credit classes that did not count as instructional time. For example, one student took six community college courses that provided only zero to four credit hours each week for a total of 13 weekly instructional hours. However, since two of these courses were non-credit, they could not count as part of the statutory instructional hour requirement. As a result, this student would

have needed to receive seven additional credit hours to meet the statutory requirement of 20 hours per week.

The community college serving the Genesis West students tried to compensate for the students' lack of instructional hours but could not provide students with all of the required hours. Specifically, the community college provided these students with activities such as student orientation and tutoring. However, activities such as these do not meet the statutory definition of instructional time, which requires classes to be taught by a specific teacher.

Insufficient Instructional Hours Resulted in State Aid Overpayment

Because the District failed to ensure that its Genesis West students were provided sufficient instructional hours, its ADM was overstated for FY2005, FY2006, and FY2007 and it was overpaid State Aid.[2] As shown in Table 3, auditors found that the District's ADM was overstated by 12.125 for FY2005, by 12.535 for FY2006, and by 9.59 for FY2007. Additionally, as shown in Table 3, these amounts translate into an overpayment of $161,949.94 of State Aid that ADE needs to recover from the District.

Table 3

Dysart Unified School District No. 89
ADM Overstatement and Funding Adjustments Required for FY2005, FY2006, and FY2007

School Year	ADM Overstatement	Funding Adjustment
FY2005	12.125	$ 57,332.64
FY2006	12.535	59,271.32
FY2007	9.59	45,345.98
District Total	34.25	$161,949.94

Source: Auditor analysis of SAIS and District financial data for FY2005, FY2006, and FY2007.

Recommendations:

1. The District should ensure that all of its students are provided sufficient instructional hours.

2. ADE should recover $161,949.94 in State Aid that the District should not have received for FY2005, FY2006, and FY2007.

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2 Basic State Aid payments are computed for each school district based on both the amount of instructional hours provided and students' attendance during those hours. The statutorily-mandated minimum instructional hours required for each grade define "full-time student" status for each of the grades.

FINDING 2: DISTRICT NEEDS TO IMPROVE THE GENESIS WEST PROGRAM'S ATTENDANCE-TAKING SYSTEM

The Genesis West Program's attendance-taking system was inadequate, incomplete and not maintained properly. Attendance was not taken for each class and the records were not maintained properly. So as a result, auditors were unable to verify attendance for some students. Because taking attendance and maintaining these records is so important, the District needs to establish a process to ensure that attendance is taken by instructors and that attendance records are maintained for at least four years.

Attendance was not taken for each class—Although the community college had established a process for taking attendance, this process was not adequate to document whether students in the Genesis West Program actually attended their classes. According to Program officials, attendance-taking was limited to a sign-in sheet located in the office of the program director. Students were supposed to sign this sheet at the beginning of each day to show that they attended their classes at the community college. However, since this sheet only showed that students had been present on the college campus at one point during the day, it did not adequately document whether students attended all of their classes on a particular day. Therefore, this attendance-taking process was inadequate to document student attendance for funding purposes.

Because the District's State Aid is directly based on the number of its full-time students, it is critical that its attendance is taken correctly. Instead of documenting student attendance at only one point during the day, the District should require instructors to take attendance for each class. By requiring that attendance is taken for each class, the District will ensure that it reports the correct number of students to ADE.

District failed to properly maintain Genesis West Program attendance documents—Auditors also found that the District did not maintain the Genesis West Program students' attendance records for the required amount of time. Specifically, the District's attendance records for these students were disposed immediately after the community college reported the attendance to the District and the District entered the data into its computer system. As a result, auditors were unable to review any of these original attendance documents.

However, districts are required to maintain original attendance records and this is important since they are the only evidence available to the District that documents student attendance at a community college. All Arizona school districts are required to comply with guidelines developed by the Arizona State Library, Archives, and Public Records, which require districts to maintain all students' attendance records for at least four years. In the future, the District should ensure that it complies with this requirement.

Recommendations:

1. The District should require instructors to take attendance for each class.
2. The District should ensure that it maintains student attendance records for at least four years.

APPENDIX A

State Rules for Appealing Audits

The audit determination pursuant to A.R.S. §15-915 is an agency action to 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 detail per 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.