



Arizona Department of Education

The Audit Unit

1535 W. Jefferson St., Bin 19

Phoenix, Arizona 85007

602-364-4061

Average Daily Membership Audit Report Pima Unified District Fiscal Years 2015, 2016, and 2017

Report Number—18-14

December 29th, 2017



**CONTACTING
THE AUDIT UNIT**

Taylor Macnamara, Audit Supervisor

Phone: (602) 364-4063

Email: Taylor.Macnamara@azed.gov

Fax: (602) 364-2334

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

OBTAINING ADDITIONAL COPIES

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

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



State of Arizona
Department of Education
The Audit Unit
1535 W. Jefferson St, Bin 19 • Phoenix, AZ 85007
Phone (602) 364-4061 Fax (602) 542-2734

Diane Douglas
Superintendent of
Public Instruction

December 29, 2017

Sean Rickert, Superintendent
Pima Unified District
192 E. 200 S.
Pima, AZ 85543

Dear Superintendent Rickert,

The Arizona Department of Education Audit Unit has conducted an audit of the Pima Unified District (District) Average Daily Membership (ADM) for Fiscal Years 2015, 2016, and 2017. The purpose of the audit was to address whether the District properly reported student enrollment to determine if it received the correct amount of Basic State Aid.

Auditors determined that the District did not accurately report some student data and did not provide sufficient instructional hours, which resulted in an overstatement of 1.57 ADM and an underfunding of \$2,659.87 in Basic State Aid, which must be paid to the District as required by statute.

We appreciate the cooperation and assistance provided by the District's administration during the audit.

Sincerely,

A handwritten signature in cursive script that reads "Tammy Seilheimer".

Tammy Seilheimer,
Chief Auditor

TABLE OF CONTENTS

	<u>Page</u>
Introduction and background.....	1
Scope and methodology	3
Finding 1: The District did not accurately report some student data resulting in an underpayment of \$33,898.19.....	4
The District inaccurately reported some student enrollment data	4
The District must properly reconcile its enrollment data with ADE	5
The District was underfunded by \$33,898.19.....	6
Recommendations	6
Finding 2: Some students were not provided sufficient instructional hours resulting in an overpayment of \$31,238.32.....	7
The District failed to provide 4 th grade students with sufficient instructional hours in Fiscal Years 2016 and 2017	7
The District was overfunded \$31,238.32.....	8
Actions needed to provide at least the minimum instructional hours to all students	8
Recommendations	9
ADM and funding adjustments	10

TABLE OF CONTENTS (CONT'D)

	<u>Page</u>
Tables:	
1 Pima Unified District Total students, revenues and expenditures Fiscal Years 2015, 2016, and 2017 (Unaudited)	2
2 Pima Unified District ADM adjustments due to enrollment data errors Fiscal Years 2015, 2016, and 2017	5
3 Pima Unified District ADM and funding adjustments due to enrollment data errors Fiscal Years 2015, 2016, and 2017	6
4 Pima Unified District ADM overstatement due to insufficient instructional hours for 4th grade Fiscal Years 2016 and 2017	7
5 Pima Unified District ADM overstatement and funding adjustments due to insufficient instructional hours for 4th grade Fiscal Years 2016 and 2017	8
6 Pima Unified District ADM and funding adjustments Fiscal Years 2015, 2016, and 2017	10

INTRODUCTION AND BACKGROUND

The Arizona Department of Education (ADE) Audit Unit has conducted an Average Daily Membership (ADM) audit of the Pima Unified District (District) pursuant to Arizona Revised Statutes (A.R.S.) § 15-239. This audit focused on whether the District properly reported enrollment and attendance data to ADE and received the correct amount of Basic State Aid for Fiscal Years 2015, 2016, and 2017.

Average Daily Membership audits of district and charter holder funding—Pursuant to A.R.S. § 15-239, ADE may conduct ADM audits, which help ensure the appropriate distribution of Basic State Aid provided annually to school districts and charter schools. School districts and charter schools receive Basic State Aid based on several factors related to student enrollment and attendance. To receive funding, school districts and charter schools report enrollment and attendance data to ADE. ADE processes that data, determines payment amounts according to the relevant statutory funding formulas and distributes payments to schools up to twelve times each year.

The ADM audit process determines whether payments were correct or if an adjustment is needed. The audit process compares the school district's or charter school's information reported to ADE's Student Data System, to information found on the original records kept at the school. If auditors find that the school district's or charter school's reported information does not match the original documentation, the audit will calculate and report the funding adjustment needed to the school district's or charter school's Basic State Aid. These funding adjustments can be positive or negative, depending upon the audit findings. The audit findings are written and compiled into a report that is then issued to the audited entity.

Superintendent's legal notice links the audit and appeals processes—In addition to the report, the audited entity receives The Notice of Audit Findings and Required Reimbursement (Notice) that details the audit findings and determination of the Superintendent of Public Instruction (Superintendent) regarding adjustments to be made to the school district or charter school pursuant to A.R.S. § 15-915. The audited entity may appeal the Superintendent's decision in the Notice.

Opportunity to appeal the audit—A.R.S. § 41-1092.03 provides the audited school district or charter school that disagrees with the Superintendent's decision in the Notice with the opportunity to file a formal appeal within thirty (30) days after the report was issued. If an appeal is filed, the school district or charter school and ADE may reach agreement in an informal settlement conference. If an agreement is not reached at the informal settlement conference, the appeal will be adjudicated by the Office of Administrative Hearings.

Funding adjustment process and timeframes—When the Notice is finally settled or adjudicated, if ADE has determined that a school district or charter school received an incorrect amount of Basic State Aid, A.R.S. § 15-915 directs that corrections to schools' funding be made in the current budget year. In case of hardship, schools may request that the Superintendent allow a correction to be made partly in the current budget year and partly in the following budget year.

District information— The District is located in Pima, Arizona. The District maintained an elementary school, a junior high, a high school, and an alternative high school in Fiscal Years 2015, 2016, and 2017.

Table 1

**Pima Unified District
Total Students, Revenues and Expenditures
Fiscal Years 2015, 2016, and 2017
(Unaudited)**

	FY2015	FY2016	FY2017
Students Enrolled	810	805	-
Number of Teachers	45	46	-
Revenue			
Local	\$ 1,284,563	\$ 1,175,149	-
County	155,942	148,560	-
State	4,207,821	4,534,610	-
Federal	<u>637,482</u>	<u>608,119</u>	=
Total Revenues	<u>6,285,808</u>	<u>6,466,439</u>	-
Total Expenditures	<u>\$ 5,702,533</u>	<u>\$ 5,747,975</u>	=

Source: Annual Report of the Arizona Superintendent of Public Instruction for Fiscal Years 2015, 2016. The Annual Report of the Arizona Superintendent of Public Instruction for Fiscal Year 2017 is not yet available.

SCOPE AND METHODOLOGY

The audit focused on whether the District accurately reported its data to ADE and received the correct amount of Basic State Aid in accordance with statutes, the Uniform System of Financial Records (USFR) and its own policies and procedures for Fiscal Years 2015, 2016, and 2017.

To conduct this audit, auditors used a variety of methods, including examining District and ADE records for enrollment. Auditors also reviewed state statutes and District policies and procedures, and interviewed District management and staff. Specifically:

- ***Instructional hours***—Auditors reviewed the District’s bell schedules and calendars for the fiscal years audited, as well as interviewed staff members, and determined that the District provided at least the minimum number of instructional hours as required by statute for each grade level with the exception of 4th grade in both Fiscal Year 2016 and 2017.
- ***Enrollment data***—Auditors compared the District’s student management system to ADE’s system and identified 274 of the 2,645 students for further evaluation. Auditors reviewed these 274 student profiles to determine if the enrollment data reported to ADE was accurate. Auditors compared the student profiles to ADE’s information system to determine if the entry and exit date was correct. When the audited entry or exit dates were different from the reported dates or the audited FTE differed from the funded FTE for a student, auditors recalculated the ADM and made appropriate adjustments to the funded ADM.
- ***Special Education Data***—Auditors reviewed the students to determine if any were also funded for one of the special education (SPED) categories. When with a special education category also had an adjustment, auditors made an adjustment to the special education weight as well.
- ***Limiting***—Auditors reviewed the total ADM for each enrolled student to ensure that they were appropriately limited. No findings were identified for this area.

Adjustments to ADM are based solely on those identified students that the auditors evaluated further and are not extrapolated to create findings for the entire student population.

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

FINDING 1: THE DISTRICT DID NOT ACCURATELY REPORT SOME STUDENT DATA, RESULTING IN AN UNDERPAYMENT OF \$33,898.19

The District inaccurately reported the student enrollment data for 30 of its students for Fiscal Years 2015, 2016, and 2017. Specifically, auditors determined that one student was reported to ADE's Student Data System for funding but did not attend, five students had incorrect enrollment dates, 17 students had FTE reported incorrectly, and seven students were not reported to ADE's Student Data System for funding but did attend. Finally, three of these students had additional SPED adjustments. In total, the District's ADM was understated by 1.11 for its students for the three fiscal years audited. However, due to district funding formula changes from Fiscal Year 2016 to 2017, funding adjustments will not apply to Fiscal Year 2016 Basic State Aid. As a result, the District was overfunded by \$13,305.00. Due to growth formulas, this amount was decreased by \$47,203.19. In total, the District was underfunded by \$33,898.19, which ADE must pay pursuant to A.R.S. § 15-915.

The District inaccurately reported some student enrollment data

The District inaccurately reported the enrollment data for 30 students to ADE due to various errors, which resulted in the District's ADM being underreported by 1.11. ADE External Guideline and Procedures GE-17 states that, with the exception of pre-enrolled students, the enrollment date for a student is the first day of actual attendance. According to A.R.S. § 15-901, the withdrawal date for students for FY2014 and thereafter, the withdrawal date for students is the last day of actual attendance or excused absence. According to A.R.S. § 15-901 and ADE Guidelines and Procedures EX-18, for a high school student to be reported as a 1.0 FTE, the student must be enrolled in at least four courses which meet at least 123 hours annually each and total at least 720 instructional hours for the year. A student who does not meet these requirements is considered a part-time student and their FTE status must be reduced based on the number of actual instructional hours provided and courses enrolled. However, the District did not always adhere to these requirements. Specifically:

- 1 student was reported to ADE's Student Data System; however, the student did not attend and no documentation showed the student as being enrolled and attending, which resulted in the District's ADM being overstated by 0.17.
- 5 students had incorrect enrollment dates that were reported to ADE's Student Data System, which resulted in the District's ADM being overstated by 0.54.
- 17 students were reported with incorrect FTE, which resulted in the District's ADM being overstated by 2.7.

- 7 students were not reported to ADE’s Student Data System for funding; however, documentation showed the students were enrolled and attending, which resulted in the District’s ADM being understated by 4.63.
- 3 students had additional Special Education adjustments, which resulted in the District’s Special Education weighted ADM being overstated by 0.11 ADM.

As shown in Table 2, data reporting errors resulted in a net ADM understatement of 1.11 for Fiscal Years 2015, 2016, and 2017.

Table 2

**Pima Unified District
ADM adjustments due to enrollment data errors
Fiscal Years 2015, 2016, and 2017**

	ADM					
	Incorrect FTE	Incorrect Enrollment Dates	Did not Attend	Unreported	SPED	Total
2015	1.28	0.51	-	-	0.00	1.79
2016	1.10	-	-	(4.63)	-	(3.53)
2017	0.32	0.03	0.17	-	0.11	0.63
Total	2.70	0.54	0.17	(4.63)	0.11	(1.11)

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

The District must properly reconcile its enrollment data with ADE

The District can likely avoid errors in the future by ensuring it regularly and correctly reconciles its data to the data contained in ADE’s system. Additionally, the District must ensure that a process is in place that captures the proper entry and exit dates of students to ensure proper funding and reporting of data. The District should review its reconciliation practices to ensure that its staff properly review the reports produced by ADE and reconcile them to the District’s SMS data to identify any discrepancies and correct any errors identified. The District should review its internal reporting practices and ensure that it properly documents the actual entry and exit dates of students pursuant to statute.

The District was underfunded by \$33,898.19

Auditors determined that the District did not receive the correct amount of Basic State Aid due to the inaccurate enrollment data reported to ADE for the three years audited. As a result, the District was overfunded by \$13,305.00 in Basic State Aid. However, statutory growth formulas applied to the District show that this amount should be decreased by \$47,203.19. As a net result, the District was underfunded by \$33,898.19 in Basic State Aid, which ADE must pay to the District pursuant to A.R.S. § 15-915. Table 3 shows the ADM and funding adjustment due to enrollment data errors.

Table 3

**Pima Unified District
ADM and funding adjustments due to enrollment data errors
Fiscal Years 2015, 2016, and 2017**

	2015	2016	2017	Total
ADM	1.79	(3.53)	0.63	(1.11)
Basic State Aid	\$ 10,368.20	-	\$ 2,936.80	\$ 13,305.00
Growth	8,760.04	(55,963.23)	-	(47,203.19)
Total Funding Adjustments	\$ 19,128.24	\$ (55,963.23)	\$ 2,936.80	\$ (33,898.19)

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

Recommendations:

1. The District must properly reconcile its data each year to ensure it complies with ADE External Guideline and Procedures GE-17 and A.R.S. § 15-901.
2. ADE must pay the District \$33,898.19 in Basic State Aid due to inaccurately reported enrollment data.

FINDING 2: SOME STUDENTS WERE NOT PROVIDED SUFFICIENT INSTRUCTIONAL HOURS, RESULTING IN AN OVERPAYMENT OF \$31,238.32

The District did not provide the statutorily-required number of instructional hours to its 4th grade students for Fiscal Years 2016 and 2017. As a result, the District was overpaid \$31,238.32 in Basic State Aid. 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 instructional hours.

The District failed to provide 4th grade students with sufficient instructional hours in Fiscal Years 2016 and 2017

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 4th grade students for Fiscal Years 2016 and 2017. Specifically, A.R.S. § 15-901 (A) (b) (i) requires that public schools provide at least 890 instructional hours for 4th grade students in Fiscal Years 2016 and 2017. However, the District did not meet this requirement.

In 2016, the District only provided 4th grade students 864 hours out of the 890 required hours due to 360 minutes of instruction per day for 144 school days. In 2017, it only provided 4th grade students 876 hours due to 365 minutes of instruction per day for 144 school days. As a result, it only provided 97.08% and 98.43% of the required hours for Fiscal Years 2016 and 2017. According to EX-18, this led to an overreporting of ADM of 2.68 due to insufficient instruction hours.

**Table 4
Pima Unified District
ADM overstatement due to insufficient
instructional hours for 4th grade
Fiscal Years 2016 and 2017**

	2016	2017	Total
Grade	4 th	4 th	
Reported ADM¹	57.30	63.92	121.22
Instructional Hours Required	890	890	-
Instructional Hours Provided	864	876	-
Percentage Met	97.08%	98.43%	-
Audited ADM	55.62	62.91	118.53
ADM Overstated	1.67	1.01	2.68

Source: Auditor analysis of ADE and District student data for Fiscal Years 2016 and 2017.

¹ Reported ADM number is adjusted for Attendance findings.

The District was overfunded \$31,238.32

As a result of providing insufficient instructional hours for 4th grade students during each of the three fiscal years audited, the District's ADM was overstated and the District was overpaid Basic State Aid. The District's ADM was overstated by a total of 2.68 for Fiscal Years 2016 and 2017².

The District's insufficient instructional hours translates into an overpayment of \$4,702.77 in Basic State Aid for the three fiscal years reviewed; However, due to growth formulas this amount is increased by \$26,535.55. In total, the District was overfunded by \$31,238.32 in Basic State Aid due to an ADM overstatement of 2.68 as shown in Table 5.

Table 5
Pima Unified District
ADM overstatement and funding adjustments due to
insufficient instructional hours for 4th grade
Fiscal Years 2016 and 2017

	2016	2017	Total
ADM Overstated	1.67	1.01	2.68
Basic State Aid	-	\$4,702.77	\$4,702.77
Growth	\$26,535.55	-	\$26,535.55
Total Overpayment	\$26,535.55	\$4,702.77	\$31,238.32

Source: Auditor analysis of ADE and District student data for Fiscal Years 2016 and 2017.

Actions needed to provide at least the minimum instructional hours to all students

District management should take a more active role to ensure that its schools provide students with at least the minimum required instructional hours by better monitoring its elementary school's bell schedules. The District should also review its schedules yearly to verify that they meet the statutory minimum requirements for instructional hours per grade.

² 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, then annual equalization funding shall 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."

Recommendations:

1. ADE should recover \$31,238.32 in overpaid Basic State Aid from the District.
2. The District should ensure that it provides all students with at least the statutorily-required minimum number of instructional hours.
3. To ensure students receive at least the statutorily-required minimum number of instructional hours, the District should continue to monitor bell schedules.
4. The District must maintain sufficient historical documentation for all bell schedule changes for audit purposes to ensure sufficient instructional time is provided pursuant to the requirements in A.R.S. § 15-901.

ADM and funding adjustments

A.R.S. § 15-915 requires that ADE makes corrections for audit findings to both budget capacity and state aid. ADE’s School Finance Unit’s Memo 13-011 informs LEAs of these statutory requirements:

A.R.S. §15-915, as amended by Laws 2012, Chapter 357, Section 3, requires the superintendent of public instruction, when it is determined that state aid or budget limits have been calculated in error, within the prior 3 years, to make corrections to budget limits and state aid in the current year. (Hardship application may be approved by the superintendent). Effective for audits initiated during FY2013 and continuing in subsequent years, corrections for audit findings to both budget capacity and state aid (when applicable) will be made.

Budget capacity adjustment required—The District must adjust its budget capacity for the three fiscal years audited. Budget capacity adjustment calculations for the District will be made by ADE once the audit is finalized.

Basic State Aid adjustment of \$2,659.87 required to be paid to the District—Auditors identified an overall funding increase of \$2,659.87 for the three fiscal years audited due to inaccurate student enrollment data, and insufficient instructional hours.

Table 6 lists the ADM adjustments and the associated Basic State Aid adjustments for the District for Fiscal Years 2015, 2016, and 2017.

Table 6

**Pima Unified District
ADM and funding adjustments
Fiscal Years 2015, 2016, and 2017**

	2015		2016		2017		Total
	ADM	Funding	ADM	Funding	ADM	Funding	
Inaccurate Enrollment Data	1.79	\$ 19,128.24	(3.53)	\$ (55,963.23)	0.63	\$ 2,936.80	\$ (33,898.19)
Insufficient Instructional Hours	=	=	<u>1.67</u>	\$ 26,535.55	<u>1.01</u>	\$ 4,702.77	\$ 31,238.32
Total Funding Adjustment	1.79	\$ 19,128.24	(1.86)	\$ (29,427.68)	1.64	\$ 7,639.57	\$ (2,659.87)