



Arizona Department of Education

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Average Daily Membership Audit Report Tolleson Union High School District Fiscal Years 2015, 2016 and 2017

Report Number—18-22
March 29, 2018



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Diane Douglas
Superintendent of
Public Instruction

March 29, 2018

Dr. Bianca Lochner, Director of Technology & Information Systems
Tolleson Union High School District
9801 W. Van Buren Street
Tolleson, AZ 85353

Dear Dr. Bianca Lochner,

The Arizona Department of Education Audit Unit has conducted an audit of the Tolleson Union High School 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, and to determine if it received the correct amount of Basic State Aid.

Auditors determined that the District incorrectly reported the full-time enrollment (FTE) status of 261 high school students, which resulted in its ADM being overstated by 33.18. As a result, the District was overfunded by \$167,895.10 which the District must repay to ADE. Additionally, auditors determined that the District failed to properly maintain some required documentation in student cumulative files.

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

Sincerely,

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

Tammy Seilheimer,
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 Tolleson Union High School District (District) pursuant to Arizona Revised Statutes (A.R.S.) § 15-239. This audit focused on whether the District properly reported enrollment data to ADE and received the correct amount of Basic State Aid for Fiscal Years (FY) 2015 through 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.

In addition, ADE will adjust the District's budget capacity if required. ADE School Finance Memorandum 13-011 summarizes the budget capacity adjustment authorized by statute:

A.R.S. §15-915, as amended by Laws 2014, 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 FY2015 and continuing in subsequent years, corrections for audit findings to both budget capacity and state aid (when applicable) will be made.

District information—The District, located in Tolleson, Arizona, had six high schools during the fiscal years audited. Table 1 presents the District’s unaudited student, staffing and financial information for FY2015, FY2016 and FY2017.

Table 1

**Tolleson Union High School District
Total Students, Revenues and Expenditures
FY2015, FY2016 and FY2017
(Unaudited)**

	FY2015	FY2016	FY2017
Students Enrolled	11,078	11,385	11,036
Number of Teachers	450	391	498
Revenue			
Local	\$ 47,541,001	\$ 41,154,580	\$ 38,856,728
Intermediate	\$ 3,639,872	\$ 3,595,379	\$ 3,915,456
State	\$ 39,850,876	\$ 43,081,315	\$ 46,264,310
Federal	\$ 7,855,347	\$ 8,884,751	\$ 9,248,346
Total Revenues	<u>\$ 98,887,096</u>	<u>\$ 96,716,025</u>	<u>\$ 98,284,840</u>
Total Expenditures	<u>\$ 89,940,008</u>	<u>\$ 92,057,738</u>	<u>\$ 94,909,646</u>

Source: Annual Report of the Arizona Superintendent of Public Instruction for FY2015, FY2016 and FY2017.

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 FY2015, FY2016 and FY2017.

To conduct this audit, auditors used a variety of methods, including examining District and ADE records to review 3,307 of 32,984 students over the three fiscal years audited. Auditors also reviewed state statutes and District policies and procedures, and interviewed District management and staff. Specifically:

- ***FTE calculations*** – Auditors reviewed the bell schedules and student schedules to determine whether the District reported the correct full-time enrollment (FTE) data to ADE. Auditors calculated the FTE based on the classes and time a student was enrolled in the District, and compared the FTE to what was reported to ADE. When the FTE was incorrect, auditors made an adjustment.
- ***Enrollment data*** – Auditors reviewed student schedules, enrollment dates, and attendance data to determine if the enrollment data reported to ADE was correct. Auditors compared the entry and exit dates to determine if an adjustment was necessary. Auditors also reviewed absences to ensure that they were reported correctly, and made adjustments if they were needed. No findings were identified for this area.
- ***Student Files***—Auditors reviewed student files to ensure that they maintained required documentation, including birth certificates, immunization, and residency documentation. Auditors made note if files did not contain all of the documentation that was required to be kept in them by statute and ADE guidelines.
- ***Instructional hours***—Auditors reviewed the bell schedules and calendars for the District for FY2015, FY2016 and FY2017. The total instructional hours offered for each grade met the minimum required by statute for each of the three fiscal years audited. No findings were identified for this area.
- ***SPED Data***—Auditors determined whether an adjusted student had also been funded for a special education category. No findings were identified for this area.
- ***Limiting***—Auditors reviewed the total ADM for each enrolled student to ensure that they were appropriately limited by ADE’s system. No findings were identified for this area.

The Audit Unit expresses its appreciation to the District’s administration and staff members for their cooperation and assistance during the course of the audit.

FINDING 1: THE DISTRICT DID NOT ACCURATELY REPORT SOME STUDENT FTE STATUS, RESULTING IN AN OVERPAYMENT OF \$167,895.10

Auditors determined that the District inaccurately reported the student data for 260 students for FY2015, FY2016 and FY2017. Specifically, auditors found the FTE reported for part time students was inaccurate resulting in the ADM being overreported by 32.48. Additionally, 23 of these students were also reported and funded for a special education category. As a result, the District's weighted special education ADM was over reported by 0.70. In total, the District's ADM was over reported by 33.18. As a result, the District was overfunded by \$167,895.10 in Basic State Aid. According to A.R.S. § 15-915, ADE needs to recover these monies from the District.

The District inaccurately reported FTE status

The District inaccurately reported 260 students' FTE status to ADE, which resulted in the District's ADM being overstated by 33.18.

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.¹ However, the District did not always adhere to these requirements. Specifically, for the students that were sampled:

- 260 students had an incorrect FTE reported, which resulted in the District's ADM being overstated by 32.48.
- 23 of these students were also funded with a SPED category, so the weighted SPED ADM was overstated by 0.70.

As shown in Table 2, incorrect FTE resulted in a net ADM overstatement of 33.18 for the three fiscal years audited.

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

Table 2

**Tolleson Union High School District
ADM Adjustments Due to Incorrect FTE
FY2015, FY2016 and FY2017**

	Incorrect FTE	SPED	Total
FY2015	15.63	0.70	16.33
FY2016	15.03	0.00	15.03
FY2017	1.82	0.00	1.82
Total	<u>32.48</u>	<u>0.70</u>	<u>33.18</u>

Source: Auditor analysis of District records, SAIS data for FY2015, FY2016 and FY2017, A.R.S. § 15-901, and EX-18

The District failed to comply with statute and ADE guidelines

The District did not follow statute and ADE guidelines when calculating and reporting student FTE.

Auditors determined that 260 of the District’s students did not meet the statutory and ADE guideline requirements for full time enrollment (FTE). According to analysis of the District’s bell schedules and calendars for the District’s six high schools, auditors determined that as long as a student was enrolled in four courses as well as lunch or advisory, they would receive enough hours and courses to be considered full time. However, when a student was not enrolled in lunch or advisory, a student would need an additional class to have the 720 hours required to be considered full time. The FTE that was reported for 260 students was not correct based on the number of courses and time the students were enrolled in.

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

The District was overfunded by \$167,895.10

Auditors determined that the District did not receive the correct amount of Basic State Aid due to the inaccurate FTE reported to ADE for FY2015, FY2016 and FY2017. The FTE status incorrectly reported by the District resulted in its ADM being overstated by 33.18. As a result, the District was overfunded by \$100,581.89 in Basic State Aid. The ADM for FY2016 was not used to determine Basic State Aid because the funding formula transitioned from using prior year data to current year data. Therefore, no funding adjustment was necessary for the ADM overstatement in FY2016. However, the District was paid Growth in FY2015 and FY2016, so the adjustment was increased by \$67,313.21. In total, the District was overpaid \$167,895.10, which ADE must recoup from the District. Table 3 shows the ADM and funding adjustments required for the District for FY2015, FY2016 and FY2017.

Table 3

**Tolleson Union High School District
ADM Adjustment Due to Incorrect FTE and
Associated Funding Adjustment
FY2015, FY2016 and FY2017**

Fiscal Year	ADM	Basic State Aid	Growth	Total Funding Adjustment
FY2015	16.33	\$83,605.98	\$70,092.94	\$153,698.92
FY2016	15.03	\$0.00	\$(2,779.73)	\$(2,779.73)
FY2017	1.82	\$16,975.91	\$0.00	\$16,975.91
Total	<u>33.18</u>	<u>\$100,581.89</u>	<u>\$67,313.21</u>	<u>\$167,895.10</u>

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

Recommendations:

1. ADE must recoup from the District \$167,895.10 in Basic State Aid due to incorrectly reported FTE Status.
2. The District needs to ensure that it properly calculates and reports students' FTE pursuant to statute and ADE guidelines.

FINDING 2: THE DISTRICT DID NOT PROPERLY MAINTAIN SOME STUDENT RECORDS AS REQUIRED BY STATUTE AND GUIDELINE

Auditors determined that the District failed to properly maintain residency, birth certificate and immunization documentation for some students as required by statute and ADE guidelines. The District did not properly maintain required documentation in some of its student cumulative files. In the future, the District should properly maintain these documents to ensure compliance with statute and ADE guidelines.

The District did not properly maintain student file documentation

Auditors determined that the District failed to maintain residency documentation for some students as required by statute and ADE guidelines. According to A.R.S. § 15-802 and the ADE Arizona Residency Guideline, school districts and charter schools are required to maintain verifiable documentation of Arizona residency in the student's cumulative file. This documentation must be provided each time a student enrolls in a school district or charter school, and reaffirmed during the annual registration process. The ADE Arizona Residency Guideline identifies an approved list of options a parent or legal guardian may provide to the school district or charter school to meet these requirements.

Auditors also determined that the District failed to maintain birth certificate documentation for some students as required by statute. According to A.R.S. § 15-828, a photocopy of the student's birth certificate or other reliable proof of the student's identity and age must be placed in the student's file.

In addition, auditors determined that the District failed to maintain immunization documentation for some students as required by statute. According to A.R.S. § 15-872, "A pupil shall not be allowed to attend school without submitting documentary proof to the school administrator unless the pupil is exempted from immunization pursuant to section 15-873."

The District did not maintain the proper documentation required by statute and ADE's residency guideline. Of the 300 students sampled, 3 of the student files could not be located or accessed, 47 students did not have residency documentation, 39 students did not have immunization record documentation in their file, and 35 students did not have a birth certificate in their file. Table 4 lists the student file documentation maintained by the District for FY2015, FY2016 and FY2017.

Table 4

**Tolleson Union High School District
Student Cumulative File Documentation
FY2015, FY2016 and FY2017**

	Total Sampled	No Residency Documentation	No Immunization	No Birth Certificate	Could not Locate File
FY2015	100	29	8	16	2
FY2016	100	9	4	10	1
FY2017	100	9	27	9	0
Total	<u>100</u>	<u>47</u>	<u>39</u>	<u>35</u>	<u>3</u>

Source: Auditor analysis of District records and SAIS data for FY2015, FY2016 and FY2017

In the future, the District must ensure that it complies with statute by collecting and maintaining in each student's cumulative file copies of verifiable residency, birth certificate and immunization documentation as required by law.

Recommendations:

1. The District must comply with statute and collect and maintain in each student's cumulative file copies of verifiable residency, birth certificate and immunization documentation as required by law.
2. The District needs to ensure it maintains all required documentation for students that attend the District.

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 2014, 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 FY2015 and continuing in subsequent years, corrections for audit findings to both budget capacity and state aid (when applicable) will be made.

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

Basic State Aid adjustment of \$167,895.10 required to be repaid by the District—Auditors identified an overall funding adjustment of \$167,895.10 for the three fiscal years audited due to improperly reported FTE status.

Table 5 lists the ADM adjustments and the associated Basic State Aid adjustments for the District for FY2015, FY2016 and FY2017.

Table 5

**Tolleson Union High School District
ADM and Funding Adjustments
FY2015, FY2016 and FY2017**

	FY2015	FY2016	FY2017	Total
ADM Adjustments	16.33	15.03	1.82	33.18
Funding Adjustments	<u>\$153,698.92</u>	<u>\$(2,779.73)</u>	<u>\$16,975.91</u>	\$167,895.10

Source: Auditor analysis of SAIS and District student and financial data for FY2015, FY2016 and FY2017.