



Arizona Department of Education

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Average Daily Membership Audit Report Western Maricopa Education Center Fiscal Years 2015, 2016, and 2017

Report Number—19-2
July 31, 2018



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State of Arizona
Department of Education



Diane Douglas
Superintendent of
Public Instruction

July 31, 2018

Gregory Donovan, Superintendent
West-MEC
5487 N 99th Ave
Glendale, AZ 85305

Dear Superintendent Donovan,

The Arizona Department of Education Audit Unit has conducted an audit of the Western Maricopa Education Center (West-MEC)(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 incorrectly reported some enrollment and full-time enrollment (FTE) data, which resulted in its ADM being overstated by 27.85. Additionally, auditors determined that the District incorrectly reported fundable student enrollment days for some programs, which resulted in its ADM being understated by 8.07. These errors resulted in an overstatement of 19.78 ADM and a net overpayment of \$105,121.75 in Basic State Aid, which must be repaid to ADE by the District pursuant to state law. Furthermore, 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 audit.

Sincerely,

A handwritten signature in blue ink, appearing to read "Melissa Moreno".

Melissa Moreno,
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 West-MEC (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 (FY) 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.

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 Glendale, Arizona, is a Joint Technical Education District (JTED) which has 4 central campuses and 46 satellite campuses. Table 1 presents the District’s unaudited financial information for FY2015, FY2016, and FY2017.

Table 1

**West-MEC
Total students, revenues and expenditures
Fiscal years 2015, 2016, and 2017
(Unaudited)**

	2015	2016	2017
ADM	5,642	6,069	6,522
Revenue			
Local	\$ 12,940,698	\$ 13,395,136	\$ 13,027,480
County	1,884,200	2,036,013	2,434,275
State	18,040,484	18,367,466	22,126,536
Federal	<u>65,083</u>	<u>52,881</u>	<u>71,572</u>
Total Revenues	<u>32,930,465</u>	<u>33,851,496</u>	<u>37,659,863</u>
Total Expenditures	<u>\$ 29,130,200</u>	<u>\$ 31,222,281</u>	<u>\$ 38,697,368</u>

Source: Annual Report of the Arizona Superintendent of Public Instruction for fiscal years 2015, 2016, and 2017.

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.
- ***Calendars*** –Auditors reviewed the program calendars to determine if the enrollment days reported to ADE were correct. When the audited fundable enrollment days were different from the reported fundable enrollment days, auditors recalculated and made appropriate adjustments to the funded ADM.
- ***Enrollment data***—Auditors compared the District’s student management system to ADE’s system and identified 421 of the 4059 central students for further evaluation. Auditors reviewed these 421 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.
- ***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.
- ***Limiting***—Auditors reviewed the total ADM for each enrolled student to ensure that they were appropriately limited.

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 West-MEC 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 OVERPAYMENT OF \$171,616.85

The District inaccurately reported the student enrollment data for 158 of its students for fiscal years 2015, 2016, and 2017. Specifically, auditors determined that 131 students had FTE reported incorrectly, 24 students had duplicate enrollments reported for funding, 1 student had incorrect enrollment due to an incorrect central campus calendar, and 2 students attended but were not reported to ADE’S System for funding. In total, the District’s ADM was overstated by 27.85 for its students for the three fiscal years audited. Due to the inaccurate enrollment data, the District received a net overpayment of \$171,616.85 in Basic State Aid for the three fiscal years audited which the District must repay to ADE pursuant to A.R.S. § 15-915.

The District inaccurately reported some student enrollment data

The District inaccurately reported the enrollment data for 158 students to ADE due to various errors, which resulted in the District’s ADM being overreported by 27.85. According to A.R.S. § 15-393: “Notwithstanding any other law, the average daily membership for a pupil who is enrolled in a joint technical education course defined in section 15-391 and who does not meet the criteria specified in subsection P or Q of this section shall be 0.25 for each course, except the sum of the average daily membership shall not exceed the limits prescribed by subsection D, P or Q of this section, as applicable.[...]Notwithstanding any other law, the average daily membership for a pupil in grade ten, eleven or twelve who is enrolled in a course that meets for at least one hundred fifty minutes per class period at a centralized campus shall be 0.75.”

However, the District did not always adhere to the statute and guideline requirements. Specifically:

- 131 students were reported with incorrect FTE, which resulted in the District’s ADM being overstated by 24.66.
- 24 students had duplicate enrollments that were funded, which resulted in the District’s ADM being overstated by 4.68.
- 1 student had incorrect enrollment due to an incorrect central campus calendar, which resulted in the District’s ADM being overstated by 0.01.
- 2 students were not reported to ADE’s System; however, District attendance documentation showed the students as being enrolled and attending, which resulted in the District’s ADM being understated by 1.50.

As shown in Table 2, data reporting errors resulted in a net ADM overstatement of 27.85 for fiscal years 2015, 2016, and 2017.

Table 2

**West-MEC
ADM adjustments due to enrollment data errors
Fiscal years 2015, 2016, and 2017**

	2015	2016	2017	Total
Incorrect FTE	9.83	7.35	7.48	24.66
Duplicated	-	4.68	-	4.68
Calendar	-	0.01	-	0.01
Attended	(1.50)	-	-	(1.50)
Total	8.33	12.04	7.48	27.85

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

The District failed to comply with statute and ADE guidelines

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

Auditors determined that 131 of the District’s students were not reported correctly based on the statutory requirements for full time enrollment (FTE). According to A.R.S. § 15-393¹, Student FTE should be reported as 0.25 for courses that met for less than 150 minutes, and 0.75 for courses that met for 150 or more minutes. However, the District reported some students with 0.5 or 1.0 FTE, and some students had their FTE reported incorrectly. Additionally, 24 students were duplicated. These students had their enrollment reported to ADE’s System more than once using different State ID’s. Furthermore, 1 student had incorrect enrollment due to an incorrect central campus calendar. Finally, 2 students attended the District, but were not reported to ADE’s System. In the future, the District must ensure it complies with statute and ADE guidelines to properly calculate and report FTE and properly report student enrollments.

The District was overfunded by \$171,616.85

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 fiscal years 2015, 2016, and 2017. The enrollment data errors reported by the District resulted in its ADM being overstated by 27.85 for the three fiscal years audited. Due to the change in funding from prior year to current year, there was no adjustment to Basic State Aid paid for the students in fiscal year 2016. As shown in Table 3, due to the overstatement of 27.85 ADM for its enrollment data, the District received an overpayment to Basic State Aid of \$91,229.72 for the three fiscal years audited. However, statutory growth

¹ Notwithstanding any other law, the average daily membership for a pupil who is enrolled in a joint technical education course defined in section 15-391 and who does not meet the criteria specified in subsection P or Q of this section shall be 0.25 for each course, except the sum of the average daily membership shall not exceed the limits prescribed by subsection D, P or Q of this section, as applicable.[...]Notwithstanding any other law, the average daily membership for a pupil in grade ten, eleven or twelve who is enrolled in a course that meets for at least one hundred fifty minutes per class period at a centralized campus shall be 0.75.

formulas applied to the District require that this amount be increased by \$80,387.13. As a net result, the District was overfunded by \$171,616.85 which ADE must recoup from the District pursuant to A.R.S. § 15-915.

Table 3

**West-MEC
ADM and funding adjustments due to enrollment data errors
Fiscal years 2015, 2016, and 2017**

	2015	2016	2017	Total
ADM	8.33	12.04	7.48	27.85
Basic State Aid	\$ 44,835.15	\$ -	\$ 46,394.57	\$ 91,229.72
Growth	37,615.44	42,771.69	-	80,387.13
Total funding adjustments	\$ 82,450.59	\$ 42,771.69	\$ 46,394.57	\$ 171,616.85

Source: Auditor analysis of District records, A.R.S. § 15-901, A.R.S. § 15-393 and EX-18.

Recommendations:

1. The District must repay ADE \$171,616.85 in Basic State Aid due to incorrectly reported enrollment data.
2. The District must properly reconcile its data each year to ensure it complies with A.R.S. § 15-901 and A.R.S. § 15-393.
3. The District must ensure that it properly calculates and reports students' FTE pursuant to statute and ADE guidelines.

FINDING 2: THE DISTRICT DID NOT ACCURATELY REPORT FUNDABLE STUDENT ENROLLMENT DAYS FOR SOME PROGRAMS RESULTING IN AN UNDERPAYMENT OF \$66,495.10

The District inaccurately reported the fundable enrollment days for 48 of its students for fiscal years 2015, 2016, and 2017. In total, the District’s ADM was understated by 8.07 for its students for the three fiscal years audited. Due to the incorrect calendars, the District received a net underpayment of \$66,495.10 in Basic State Aid for the three fiscal years audited which ADE must pay to the District pursuant to A.R.S. § 15-915.

The District did not report correct program calendars

The District reported incorrect calendar tracks for certain community college programs. Consequently, some community college program students were not appropriately funded according to the first 100 membership days of enrollment. As a result, the District inaccurately reported student ADM for 48 students to ADE, which resulted in the District’s ADM being underreported by 8.07. According to A.R.S § 15-901, “Average daily membership” means the total enrollment of fractional students and full-time students, minus withdrawals, of each school day through the first one hundred days or two hundred days in session, as applicable, for the current year. Since the District reported an incorrect calendar for these students, ADM was not calculated based on the correct 100 days of the program, which resulted in the ADM being understated.

As shown in Table 4, incorrectly reported calendars resulted in a net ADM understatement of 8.07 for fiscal years 2015, 2016, and 2017.

Table 4

**West-MEC
Students and ADM adjustments due to calendar errors
Fiscal years 2015, 2016, and 2017**

	2015	2016	2017	Total
Students	25	11	12	48
ADM	(5.58)	(1.59)	(0.90)	(8.07)

Source: Auditor analysis of District records, A.R.S. § 15-901, A.R.S. § 15-393 and EX-18.

The District must accurately report program calendars for each program

The District's calendars are used to calculate the first 100 days of membership of student enrollment. The District reported student enrollment for several community college programs using the central campus calendar, which did not accurately reflect the enrollment days for the community college programs due to differences in scheduled attendance between the central and community college programs. In the future, the District must ensure it reports the correct calendar for each program.

The District was underfunded by \$66,495.10

Auditors determined that the District did not receive the correct amount of Basic State Aid due to students with incorrect calendar tracks for certain programs reported to ADE for fiscal years 2015, 2016, and 2017. The enrollment data errors reported by the District resulted in its ADM being understated by 8.07 for the three fiscal years audited. Due to the change in funding from prior year to current year, there was no adjustment to Basic State Aid paid for the students in fiscal year 2016. As shown in Table 5, due to the understatement of 8.07 ADM for its enrollment data, the District received an underpayment to Basic State Aid of \$35,631.73 for the three fiscal years audited. However, statutory growth formulas applied to the District require that this amount be increased by \$30,863.37. As a net result, the District was underfunded by \$66,495.10 which ADE must pay to the District pursuant to A.R.S. § 15-915.

Table 5

**West-MEC
ADM and funding adjustments due to calendar errors
Fiscal years 2015, 2016, and 2017**

	2015	2016	2017	Total
ADM	(5.58)	(1.59)	(0.90)	(8.07)
Basic State Aid	\$ (30,053.00)	\$ -	\$ (5,578.73)	\$ (35,631.73)
Growth	(25,213.63)	(5,649.74)	-	(30,863.37)
Total funding adjustments	\$ (55,266.63)	\$ (5,649.74)	\$ (5,578.73)	\$ (66,495.10)

Source: Auditor analysis of District records, A.R.S. § 15-901, A.R.S. § 15-393 and EX-18.

Recommendations:

1. ADE must pay the District \$66,495.10 in Basic State Aid due to reporting students with incorrect calendar tracks.
2. The District must correctly report the appropriate calendar track for programs.

FINDING 3: THE DISTRICT DID NOT PROPERLY MAINTAIN SOME STUDENT RECORDS AS REQUIRED BY STATUTE AND GUIDELINE

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.

The District did not maintain the proper documentation required by statute and ADE’s residency guideline. Of the 60 students sampled, 8 students did not have residency documentation, and 3 students did not have residency reaffirmed for the audited year. Table 6 lists the student file documentation maintained by the District for fiscal years 2015, 2016, and 2017.

Table 6

**West-MEC
Student cumulative file documentation
Fiscal years 2015, 2016, and 2017**

	Total sampled	No residency documentation	Residency was not reaffirmed
2015	20	7	0
2016	20	0	0
2017	20	1	3
Total	60	8	3

Source: Auditor analysis of District records and ADE data for fiscal years 2015, 2016, and 2017.

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

Recommendations:

1. The District must comply with statute and collect and maintain in each students' cumulative file copies of verifiable residency documentation as required by law.

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 2015 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 \$105,121.75 required to be paid by the District—Auditors identified an overall funding decrease of \$105,121.75 for the three fiscal years audited due to inaccurate student enrollment and program calendars.

Table 7 lists the ADM adjustments and the associated Basic State Aid adjustments for the District for fiscal years 2015, 2016, and 2017.

Table 7

**West-MEC
ADM and funding adjustments
Fiscal years 2015, 2016, and 2017**

	2015		2016		2017		Total
	ADM	Funding	ADM	Funding	ADM	Funding	
Inaccurate enrollment data	8.33	\$ 82,450.59	12.04	\$ 42,771.69	7.48	\$ 46,394.57	\$ 171,616.85
Incorrect program calendar	(5.58)	(55,266.63)	(1.59)	(5,649.74)	(0.90)	(5,578.73)	(66,495.10)
Total funding adjustment	2.75	\$ 27,183.96	10.45	\$ 37,121.95	6.58	\$ 40,815.84	\$ 105,121.75

Source: Auditor analysis of ADE and District student and financial data for fiscal years 2015, 2016, and 2017.