



Arizona Department of Education

The Audit Unit
1535 W. Jefferson St., Bin 19
Phoenix, Arizona 85007
602-364-4061

Average Daily Membership Audit Report Young Public School District Fiscal Years 2015, 2016 and 2017

**Report Number—19-8
September 5, 2018**



**CONTACTING
THE AUDIT UNIT**

Melissa Moreno, Audit Manager

Phone: (602) 364-4036

Email: Melissa.Moreno@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

September 5, 2018

Clifford P. Bendau, Administrator
Young Public School District
PO Box 390
Young, AZ 85554

Dear Mr. Bendau,

The Arizona Department of Education Audit Unit has conducted an audit of the Young Public 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 enrollment data for 16 students during the three years audited, which resulted in its ADM being understated by 0.903. The District must adjust their budget capacity as a result of the ADM adjustments. 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 blue ink, appearing to read "Melissa Moreno".

Melissa Moreno,
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 enrollment data, resulting in an understatement of 0.903 ADM	4
The District inaccurately reported enrollment data	4
The District must properly reconcile its enrollment data with ADE	5
The District’s ADM was understated by 0.903	5
Recommendations	6
Finding 2: The District did not properly maintain some student records as required by statute and guideline	7
The District did not properly maintain student file documentation	7
Recommendations	8
ADM adjustments	9

TABLE OF CONTENTS (CONT'D)

	<u>Page</u>
Tables:	
1 Young Public School District Total students, revenues and expenditures FY2015, FY2016 and FY2017 (Unaudited)	2
2 Young Public School District ADM adjustments due to enrollment data errors FY2015, FY2016 and FY2017	5
3 Young Public School District Student cumulative file documentation FY2015, FY2016 and FY2017	7
4 Young Public School District ADM adjustments FY2015, FY2016 and FY2017	9

INTRODUCTION AND BACKGROUND

The Arizona Department of Education (ADE) Audit Unit has conducted an Average Daily Membership (ADM) audit of the Young Public 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 and budget capacity 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 that budget capacity was calculated correctly. School districts calculate budget capacity and receive Basic State Aid based on several factors related to student enrollment and attendance. School districts report enrollment and attendance data to ADE. ADE processes that data, determines budget capacity and 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 ADM was reported correctly for budget capacity and funding, and if payments were correct or if an adjustment is needed. The audit process compares the school district'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 reported information does not match the original documentation, the audit will calculate and report the ADM and funding adjustment needed to the school district. 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 Young, Arizona, had one elementary school and one high school during the fiscal years audited. Table 1 presents the District’s unaudited student, staffing and financial information for FY2015, FY2016 and FY2017.

Table 1

**Young Public School District
Total students, revenues and expenditures
FY2015, FY2016 and FY2017
(Unaudited)**

	FY2015	FY2016	FY2017
Students Enrolled	45	25	36
Number of Teachers	7	7	8
Revenue			
Local	\$ 1,091,315	\$ 1,077,751	\$ 1,026,104
Intermediate	\$ 0	\$ 0	\$ 0
State	\$ 117,407	\$ 108,212	\$ 92,369
Federal	\$ 264,769	\$ 169,692	\$ 105,437
Total Revenues	<u>\$ 1,473,491</u>	<u>\$ 1,355,656</u>	<u>\$ 1,223,910</u>
Total Expenditures	<u>\$ 1,367,742</u>	<u>\$ 1,351,721</u>	<u>\$ 1,413,821</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 74 of 139 students over the three fiscal years audited. 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. 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, and checked to see if students attended the District to determine if an adjustment was necessary.
- **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 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.
- **Special education (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 ENROLLMENT DATA, RESULTING IN AN UNDERSTATEMENT OF 0.903 ADM

Auditors determined that the District inaccurately reported the student data for 16 students for FY2015, FY2016 and FY2017. Specifically, auditors found the FTE reported for two students was inaccurate, resulting in the ADM being overstated by 0.158. In addition, three students were reported with an incorrect exit date, resulting in the ADM being understated by 1.170. Finally, 11 students were reported as being enrolled, but did not actually attend the District resulting in the ADM being overstated by 0.109. In total, the District's ADM was understated by 0.903.

The District inaccurately reported enrollment data

The District inaccurately reported 16 students' enrollment data to ADE, which resulted in the District's ADM being understated by 0.903. 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. Additionally, according to A.R.S. § 15-901, the withdrawal date for students is the last day of actual attendance or excused absence. A.R.S. § 15-901 also states that 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:

- 2 students had an incorrect FTE reported, which resulted in the District's ADM being overstated by 0.158.
- 3 students were reported with an incorrect exit date, which resulted in the District's ADM being understated by 1.170.
- 11 students were reported as being enrolled with the District. However, documentation showed that these students did not actually attend the District during the year. As a result, the District's ADM was overstated by 0.109.

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.

As shown in Table 2, incorrect enrollment data resulted in a net ADM understatement of 0.903 for the three fiscal years audited.

Table 2

**Young Public School District
ADM adjustments due to enrollment data errors
FY2015, FY2016 and FY2017**

	Incorrect FTE	Exit dates	Did not attend	Total
FY2015	0.000	(1.170)	0.000	(1.170)
FY2016	0.000	0.000	0.080	0.080
FY2017	0.158	0.000	0.029	0.187
Total	<u>0.158</u>	<u>(1.170)</u>	<u>0.109</u>	<u>(0.903)</u>

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

The District must properly reconcile its enrollment data with ADE

The District can avoid errors in the future by ensuring it regularly and correctly reconciles its data to the data contained within ADE. The District should review the reports produced by ADE and reconcile them to the District’s SMS data to identify any discrepancies that would affect funding and correct any errors identified. Additionally, the District must ensure it complies with statute and ADE guidelines to properly calculate and report student FTE.

The District’s ADM was understated by 0.903

Auditors determined that the District did not report the correct ADM due to inaccurate enrollment data reported to ADE for FY2015, FY2016 and FY2017. Because the District did not receive any basic state aid for the three years audited, there is no financial adjustment necessary. However, 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.

Recommendations:

1. The District needs to ensure that it properly calculates and reports students' FTE pursuant to statute and ADE guidelines.
2. The District should reconcile enrollment date to ensure students and enrollment dates reported to ADE are correct.

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

Auditors determined that while the District did collect birth certificates and immunization appropriately, they failed to properly maintain residency documentation for some students. The documentation collected for 20 students did not meet the requirements in statute and ADE guidelines. 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 74 students sampled, 20 students did not have proper residency documentation. The documentation for some of the students only contained a PO Box, and not a physical address or description of the student's residence. Other students had proper documentation collected several years after the initial enrollment, but it was not collected at the time the student enrolled in the District. Table 3 lists the student file documentation maintained by the District for FY2015, FY2016 and FY2017.

Table 3

**Young Public School District
Student cumulative file documentation
FY2015, FY2016 and FY2017**

	Total Sampled	Residency documentation does not meet requirements
FY2015	25	6
FY2016	25	6
FY2017	24	8
Total	74	20

Source: Auditor analysis of District records 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 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 documentation as required by law.

ADM 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.

No Basic State Aid adjustment required—Auditors identified an overall ADM increase of 0.903 for the three fiscal years audited due to improperly reported enrollment data. However, since the District did not receive any basic state aid for any of the three years audited, no financial adjustment is required.

Table 4 lists the ADM adjustments for the District for FY2015, FY2016 and FY2017.

Table 4

**Young Public School District
ADM adjustments
FY2015, FY2016 and FY2017**

	FY2015	FY2016	FY2017	Total
ADM Adjustments	(1.170)	0.080	0.187	(0.903)

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