



Arizona Department of Education

The Audit Unit

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Average Daily Membership Audit Report Grand Canyon Unified School District Fiscal Years 2016, 2017 and 2018

**Report Number—19-15
November 19, 2018**



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State of Arizona
Department of Education



Diane Douglas
Superintendent of
Public Instruction

November 19, 2018

Shonny Bria, Superintendent
Grand Canyon Unified School District
PO Box 519
Grand Canyon, AZ 86023

Dear Superintendent Bria:

The Arizona Department of Education Audit Unit has conducted an audit of Grand Canyon Unified School District (District) Average Daily Membership (ADM) for Fiscal Years 2016, 2017 and 2018. 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 found that some data was incorrect, which resulted in an understatement of 0.060 ADM and an underfunding of \$681.84 in Basic State Aid, which ADE must pay to the District as required by statute. Additionally, auditors determined that the District failed to properly maintain some required documentation in student cumulative files.

We appreciate the cooperation and help 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

Diane M. Douglas, Superintendent of Public Instruction

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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 Grand Canyon Unified 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) 2016 through 2018.

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 Grand Canyon, 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 FY2016, FY2017 and FY2018.

Table 1

**Grand Canyon Unified School District
Total Students, Revenues and Expenditures
FY2016, FY2017 and FY2018
(Unaudited)**

	FY2016	FY2017	FY2018
Students Enrolled	295	285	274
Number of Teachers	26	26	29
Revenue			
Local	\$ 2,596,448	\$ 2,751,752	\$ 853,238
County	\$ 259,224	\$ 314,101	\$ 225,286
State	\$ 1,045,443	\$ 1,301,117	\$1,184,910
Federal	\$ 1,152,116	\$ 700,578	\$ 550,930
Total Revenues	<u>\$ 5,053,230</u>	<u>\$ 5,067,548</u>	<u>\$2,814,364</u>
Total Expenditures	<u>\$ 4,489,253</u>	<u>\$ 4,818,431</u>	<u>\$3,894,087</u>

Source: Annual Report of the Arizona Superintendent of Public Instruction for FY2016 and FY2017; and Grand Canyon Unified School District Annual Expenditure Budget and APOR 55-1 reports for FY2018.

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 FY2016, FY2017 and FY2018.

To conduct this audit, auditors used a variety of methods, including examining District and ADE records to review 151 of 936 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 and to determine if the entry and exit dates were reported correctly. Auditors made an adjustment if one was necessary.
- **Student files**—Auditors reviewed student files to ensure that they maintained required documentation, including birth certificates, immunization, and residency documentation. Auditors noted 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 FY2016, FY2017 and FY2018. 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 help during the audit.

FINDING 1: SOME DATA WAS INACCURATE, RESULTING IN AN UNDERFUNDING OF \$681.84

Auditors found that the District was inaccurately funded for 10 students for one day in FY2016 due to changes to the district and school calendars, which resulted in the underfunding of 0.100 ADM. In addition, auditors found one student in FY2017 had an incorrectly reported FTE, resulting in the ADM being overreported by 0.040. In total, the District's ADM was underreported by 0.060, resulting in the underfunding of \$681.84 in Basic State Aid. According to A.R.S. § 15-915, ADE needs to repay these monies to the District.

Some student data was inaccurate

Auditors found that ADE did not fund the District accurately for 11 students. According to A.R.S. § 15-901 students are funded for the first 100 days of school. However, during the audit, auditors found that there was a change to the District's calendar that was not processed correctly. This resulted in the 100th day of the school year being improperly calculated for some students. Additionally, A.R.S. § 15-901 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 Specifically:

- 10 students were undercalculated by 1 day each due to the calendar errors in ADE's system, which resulted in the District's ADM being understated by 0.100.
- 1 student had an incorrect FTE reported, which resulted in the District's ADM being overstated by 0.040.

As shown in Table 2 (page 5), student data errors resulted in a net ADM understatement of 0.060 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

**Grand Canyon Unified School District
ADM Adjustments
FY2016, FY2017 and FY2018**

	Calendar Change Errors	Incorrect FTE	Total
FY2016	(0.100)	0.000	(0.100)
FY2017	0.000	0.040	0.040
FY2018	0.000	0.000	0.000
Total	<u>(0.100)</u>	<u>0.040</u>	<u>(0.060)</u>

Source: Auditor analysis of District records, ADE data for FY2016, FY2017 and FY2018, 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. In addition, the District should follow up with ADE and review the reports produced by ADE to ensure that all changes are properly processed. Additionally, the District must ensure it complies with statute and ADE guidelines to properly calculate and report student FTE.

The District was underfunded by \$681.84

Auditors found that the District did not receive the correct amount of Basic State Aid due to the inaccurate data in ADE’s system for two of the fiscal years audited. These data errors resulted in its ADM being understated by 0.060. However, the ADM for FY2017 was not used to determine Basic State Aid because the funding formula transitioned from using prior year data to current year data. As a result, the District was underfunded by \$681.84 in Basic State Aid, which ADE must repay the District as required by A.R.S. §15-915.

Table 3

**Grand Canyon Unified School District
ADM and Funding Adjustments
FY2016, FY2017 and FY2018**

	FY2016	FY2017	FY2018	Total
ADM Adjustments	(0.100)	0.040	-	(0.060)
Funding Adjustments	\$(681.84)	-	-	\$(681.84)

Source: Auditor analysis of District records and ADE data for FY2016, FY2017 and FY2018

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 data regularly and follow-up with ADE to confirm data corrections are properly processed in ADE's system.

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 collect and maintain student documentation as required by statute and ADE guidelines. The District failed to properly maintain a birth certificate for one student, immunization for one student, and the residency documentation for 94 students. 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 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 residency documentation required by statute and ADE's residency guideline. Of the 151 student files sampled, 94 student files did not have proper residency documentation. The documentation for many of the students only contained a PO Box, and not a physical address or description of the student's residence. In addition, some documentation provided were tribal letters; however, these did not contain any information about the residency of the student. The District also collected letters from an employer; however, this is not on the approved list of proof of residency documentation. The District needs to ensure that it collects proof of residency for each student as required by ADE's residency guideline.

Auditors also determined that the District failed to maintain birth certificate documentation for one student. 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. The District should ensure that it collects and maintains birth certificates for each student.

In addition, auditors determined that the District failed to maintain immunization documentation for one student 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 should ensure that it collects and maintains immunization or a waiver showing exemption for each student.

Table 4 lists the student file documentation that was not collected or maintained by the District for FY2016, FY2017 and FY2018.

Table 4

**Grand Canyon Unified District
Student Cumulative File Documentation
FY2016, FY2017 and FY2018**

	Total Sampled	Missing or Unapproved Residency Documentation	Missing Birth Certificate	Missing Immunization
FY2016	50	33	1	0
FY2017	50	28	0	0
FY2018	51	33	0	1
Total	151	94	1	1

Source: Auditor analysis of District records for FY2016, FY2017 and FY2018

Recommendation:

1. The District must comply with statute and collect and maintain in each students' cumulative file appropriate copies of verifiable residency, birth certificate, and immunization 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 Districts 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 \$681.84—Auditors identified an overall funding adjustment of \$681.84, for the three fiscal years audited due to District calendar and FTE errors.

Table 5 lists the ADM adjustments and the associated Basic State Aid adjustments for the District for FY2016, FY2017 and FY2018.

Table 5

**Grand Canyon Unified School District
ADM and Funding Adjustments
FY2016, FY2017 and FY2018**

	FY2016	FY2017	FY2018	Total
ADM Adjustments	(0.100)	0.040	0.000	(0.060)
Funding Adjustments	\$(681.84)	\$0.00	\$0.00	\$(681.84)

Source: Auditor analysis of ADE and District student and financial data for FY2016, FY2017 and FY2018.