



Arizona Department of Education

The Audit Unit

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Average Daily Membership Audit Report Mingus Union High School District Fiscal Years 2016, 2017 and 2018

**Report Number—19-27
February 28, 2019**



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Arizona Department of Education

Audit Unit

February 28, 2019

Genie Gee, Superintendent
Mingus Union High School District
1801 E. Fir St.
Cottonwood, AZ 86326

Dear Superintendent Hargrove:

The Arizona Department of Education Audit Unit has conducted an audit of Mingus Union High 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 and some Arizona Online Instruction (AOI) data was reported incorrectly, which resulted in a net overstatement of 5.92 ADM with a net overfunding of \$18,188.25 in Basic State Aid, which the District must pay to ADE 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

Kathy Hoffman, 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 Mingus 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 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 Cottonwood, Arizona, had one high school and one online 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

**Mingus Union High School District
Total students, revenues, and expenditures
FY2016, FY2017 and FY2018
(Unaudited)**

	FY2016	FY2017	FY2018
Students enrolled	1,198	1,195	1,170
Number of teachers	60	60	59
Revenue			
Local	\$ 7,690,227	\$ 7,706,206	\$ 7,618,731
County	\$ 149,989	\$ 166,823	\$ 234,347
State	\$ 2,461,477	\$ 2,089,749	\$ 2,886,069
Federal	\$ 863,342	\$ 1,093,282	\$ 1,075,260
Total revenues	\$ 11,165,035	\$ 11,056,060	\$ 11,814,407
Total expenditures	\$ 10,622,928	\$ 11,188,492	\$ 11,259,504

Source: Annual Report of the Arizona Superintendent of Public Instruction for FY2016, FY2017 and 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 757 of 3,752 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.
- **Arizona online instruction (AOI) data**—Auditors compared 100% of the Arizona Online Instruction data that was reported to ADE to the AOI data from the District for 378 students. Auditors reviewed instructional time reported as well as the full or part time status that was reported for each student. When the data reported to ADE was incorrect, an adjustment was determined.
- **Student files**—Auditors reviewed student files to ensure that they maintained required documentation, including birth certificates, immunization, and residency documentation. All files contained the required birth certificate and immunization, but auditors noted if files did not contain the residency documentation required to be kept in them by statute and ADE guidelines.
- **Special education (SPED) data** —Auditors determined whether an adjusted student had also been funded for a special education category. When a student with a SPED category also had an adjustment, auditors also made an adjustment to the SPED weight.
- **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.

- ***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: THE DISTRICT DID NOT ACCURATELY REPORT SOME STUDENT DATA RESULTING IN AN OVERPAYMENT OF \$16,950.55

Auditors found that the District was inaccurately funded for 71 students in the three fiscal years audited. 39 students had an incorrect FTE reported, 31 students had incorrect enrollment dates, and one student did not attend the District. In addition, 13 of these students were also funded for a SPED weight. In total, the District's ADM was overreported by 7.09, resulting in an overfunding of \$16,950.55 in Basic State Aid. According to A.R.S. § 15-915, the District needs to repay these monies to ADE.

Some student data was inaccurate

According to A.R.S. § 15-901, 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 In addition, according to ADE External Guideline and Procedures GE-17 and EX-1, with the exception of pre-enrolled students, the enrollment dates for a student are the first day of actual attendance and the last day of actual attendance or excused absence. However, during the audit, auditors found that the District did not always comply with this. Specifically:

- 39 students were reported with an incorrect FTE, resulting in the District's ADM being overstated by 3.04.
- 31 students were reported with an incorrect enrollment date, which resulted in the District's ADM being overstated by 0.48.
- 1 student that was reported to ADE did not actually attend, which resulted in the District's ADM being overstated by 0.03.
- 13 of these students were also funded for a SPED category, which resulted in the District's weighted SPED ADM being overstated by 3.54.

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, student data errors resulted in a net ADM overstatement of 7.09 for the three fiscal years audited.

Table 2

**Mingus Union High School District
ADM adjustments
FY2016, FY2017 and FY2018**

	Incorrect FTE	Incorrect Enrollment date	Did not Attend	SPED	Total ADM
FY2016	3.34	0.46	-	3.54	7.34
FY2017	(2.22)	0.02	0.03	0.00	(2.17)
FY2018	1.92	-	-	0.00	1.92
Total	3.04	0.48	0.03	3.54	7.09

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’s system. The District must ensure that a process is in place that captures the proper FTE and 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 was overfunded by \$16,950.55

Auditors found that the District did not receive the correct amount of Basic State Aid due to the inaccurate data reported for the fiscal years audited. These data errors resulted in the District’s ADM being overstated by 7.09. 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 shown in Table 3 (page 7), the District was overfunded by \$16,950.55 in Basic State Aid, which the District must repay ADE as required by A.R.S. §15-915.

Table 3

**Mingus Union High School District
ADM and funding adjustments
FY2016, FY2017 and FY2018**

	ADM Adjustment	Basic State Aid
FY2016	7.34	\$ 8,087.00
FY2017	(2.17)	\$ -
FY2018	1.92	\$ 8,863.56
Total	7.09	<u>\$ 16,950.55</u>

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

Recommendations:

1. The District must pay ADE \$16,950.55 in Basic State Aid due to incorrectly reported enrollment data.
2. The District needs to ensure that it properly calculates and reports students' enrollment dates and FTE pursuant to statute and ADE guidelines.
3. The District should reconcile data regularly and follow-up with ADE to confirm data is correct in ADE's system to ensure it complies with A.R.S. § 15-901.

FINDING 2: THE DISTRICT DID NOT ACCURATELY REPORT AOI DATA, RESULTING IN AN OVERPAYMENT OF \$1,237.70

The District did not accurately report enrollment data for 67 of its AOI students to ADE for all three fiscal years audited. Specifically, auditors found that 20 students were reported as part time but should have been reported as full time, seven students were reported as full time but should have been reported as part time, three students did not attend, 31 students attended but were not reported to the ADE system and six students were reported to ADE with incorrect minutes. As a result, the District’s weighted AOI ADM was understated by 1.17. This led to the District being overfunded by \$1,237.70 in Basic State Aid for the fiscal years audited, which the District must repay to ADE according to A.R.S. § 15-915.

The District inaccurately reported some AOI enrollment data

Auditors determined that student data for 67 of its AOI students was inaccurate, which resulted in the District’s weighted AOI ADM being understated by 1.17 for the fiscal years audited, as follows:

- 20 students were incorrectly reported as part time and should have been reported as full time.
- 7 students were incorrectly reported as full time and should have been reported as part time.
- 3 students were reported to the ADE system; however, no time was provided to show the students actually attended.
- 31 students were not reported to the ADE system; however, time was provided to show the students actually attended.
- 6 students were reported to the ADE system with incorrect AOI minutes.

As shown in Table 4, AOI data reporting errors resulted in a net weighted ADM understatement of 1.17 for the three fiscal years audited.

Table 4

**Mingus Union High School District
AOI weighted ADM adjustments
FY2016, FY2017 and FY2018**

Adjustments	AOI Weighted ADM Adjustment			
	FY2016	FY2017	FY2018	Total
Full time	(0.25)	(1.14)	(0.25)	(1.64)
Part time	(0.21)	0.05	0.63	0.47
Total ADM Adjustments	(0.46)	(1.09)	0.38	(1.17)

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

The District must properly reconcile its AOI enrollment data with ADE's system

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. The District should review its reconciliation practices to ensure that its staff properly review the reports produced by ADE's system and reconcile them to the District's AOI SMS data to identify any discrepancies that would affect funding and correct any errors identified. The District must comply with the requirements of A.R.S. § 15-808 and SF-0003 when calculating and reporting AOI students.

The District was overfunded by \$1,237.70

Auditors determined that the District did not receive the correct amount of Basic State Aid due to the inaccurate AOI student data reported to ADE for the three fiscal years audited. The enrollment data errors reported by the District resulted in its ADM being understated by 1.17. However, due to the funding formula transition from using prior year data to current year data, FY2017 ADM did not have Basic State Aid adjustments. As a result, Basic State Aid was overfunded for the three years audited by \$1,237.70. As shown in Table 5, due to the understatement of 1.17 ADM for its AOI enrollment data, the District received an overpayment of \$1,237.70 in Basic State Aid for the three fiscal years audited, which the District must repay to ADE pursuant to A.R.S. § 15-915.

Table 5

**Mingus Union High School District
AOI ADM and funding adjustments
FY2016, FY2017 and FY2018**

	ADM Adjustment	Basic State Aid
FY2016	(0.46)	\$ (503.26)
FY2017	(1.09)	-
FY2018	0.38	\$ 1,740.95
Total	(1.17)	\$ 1,237.70

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

Recommendations:

1. The District must repay ADE \$1,237.70 in Basic State Aid for the fiscal years audited for incorrect AOI enrollment data.
2. The District must comply with the requirements of A.R.S. § 15-808 and SF-0003 when calculating and reporting AOI students.

FINDING 3: 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 proper residency documentation for 12 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 60 student files sampled, 12 student files did not have proper residency documentation or proof of reaffirmation each year. The District needs to ensure that it collects proof of residency for each student, and reaffirms residency each year as required by ADE’s residency guideline.

Table 6 lists the student file documentation that was not collected or maintained by the District for FY2016, FY2017 and FY2018.

Table 6

**Mingus Union High School District
Student cumulative file documentation
FY2016, FY2017 and FY2018**

	Total sampled	Missing residency documentation or reaffirmation
FY2016	20	3
FY2017	20	6
FY2018	<u>20</u>	<u>3</u>
Total	60	12

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 and annual reaffirmation 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 \$18,188.25—Auditors identified an overall funding adjustment of \$1,897.65 due back to ADE from the District for the three fiscal years audited due to data enrollment errors.

Table 7 lists the ADM adjustments and the associated Basic State Aid adjustments for the District for FY2016, FY2017 and FY2018.

Table 7

**Mingus Union High School District
ADM and funding adjustments
FY2016, FY2017 and FY2018**

	FY2016		FY2017		FY2018		Total
	ADM	Funding	ADM	Funding	ADM	Funding	
Enrollment Data	7.34	\$ 8,087.00	(2.17)	\$ -	1.92	\$ 8,863.56	\$ 16,950.55
<u>AOI Data</u>	<u>(0.46)</u>	<u>(503.26)</u>	<u>(1.09)</u>	<u>=</u>	<u>0.38</u>	<u>1,740.95</u>	<u>1,237.70</u>
Total Funding Adjustment	6.88	\$ 7,583.74	(3.26)	\$ -	2.29	\$ 10,604.51	\$ 18,188.25

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