



Arizona Department of Education

The Audit Unit

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Average Daily Membership Audit Report Northern Arizona Vocational Institute of Technology Fiscal Years 2016, 2017 and 2018

Report Number—19-31

March 26, 2019



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Arizona Department of Education

Audit Unit

March 26, 2019

Matthew Weber, Superintendent
Northern Arizona Vocational Institute of Technology
951 W. Snowflake Blvd.
Snowflake, AZ 85937

Superintendent Weber:

The Arizona Department of Education Audit Unit has conducted an audit of the Northern Arizona Vocational Institute of Technology (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 to determine if it received the correct amount of Basic State Aid.

Auditors determined that the District incorrectly reported some enrollment dates, calendars and full-time enrollment (FTE) data, which resulted in its ADM being overstated by 0.71. These errors resulted in a net underpayment of \$15,930.88 in Basic State Aid, which must be repaid to the District by ADE pursuant to state law.

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

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 Northern Arizona Vocational Institute of Technology (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) 2016, 2017 and 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 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 Snowflake, Arizona, is a Career and Technical Education District (CTED) which has 7 central campuses and 11 satellite campuses. Table 1 presents the District’s unaudited financial information for fiscal years 2016, 2017 and 2018.

Table 1

**Northern Arizona Vocational Institute of Technology
Total revenues and expenditures
Fiscal years 2016, 2017 and 2018
(Unaudited)**

	2016	2017	2018
Revenue			
Local	\$ 878,875	\$ 992,850	\$ 907,998
County	210,068	215,770	220,848
State	3,754,937	4,177,422	4,105,592
Federal	51,202	9,872	19,136
Total revenues	<u>\$ 4,895,082</u>	<u>\$ 5,395,914</u>	<u>\$ 5,253,574</u>
Total expenditures	<u>\$ 4,338,172</u>	<u>\$ 4,630,264</u>	<u>\$ 4,817,769</u>

Source: Annual Report of the Arizona Superintendent of Public Instruction for fiscal years 2016, 2017 and 2018.

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 2016, 2017 and 2018.

To conduct this audit, auditors used a variety of methods, including examining District and ADE records to review 153 central campus students and 151 satellite campus 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:

- **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 reviewed 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, auditors recalculated the ADM and made appropriate adjustments to the funded ADM.
- **FTE**—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.
- **Limiting**—Auditors reviewed the total ADM for each enrolled student to ensure that they were appropriately limited. No findings were identified for this area.

The Audit Unit expresses its appreciation to the Northern Arizona Vocational Institute of Technology’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 UNDERPAYMENT OF \$15,930.88

The District inaccurately reported the student enrollment data for 41 of its students for fiscal years 2016, 2017 and 2018. Specifically, auditors determined that 13 central campus students had incorrect calendars and FTE reported, 11 funded satellite campus students did not attend the District, and 17 satellite campus students had incorrect enrollment dates. In total, the District's ADM was overstated by 0.71 for its students for the three fiscal years audited. Due to the inaccurate enrollment data, the District received a net underpayment of \$15,930.88 in Basic State Aid for the three fiscal years audited which ADE must repay to the District pursuant to A.R.S. § 15-915.

The District inaccurately reported some student enrollment data

The District inaccurately reported the enrollment data for 41 students to ADE due to various errors, which resulted in the District's ADM being overreported by 0.71. According to A.R.S. § 15-393¹, if a course through a CTED is at least 150 minutes per class period at a centralized campus, then the FTE is 0.75. Otherwise, the FTE for any other courses is 0.25. In addition, 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.

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

- 13 central campus students were reported with a 0.75 FTE, but then dropped down to a 0.25 FTE or a 0.50 FTE during the year. These students had a change in their calendars due to dropped classes. However, the District incorrectly reduced the students FTE and reported the same calendar instead of reporting the change in the students' calendar. This resulted in the District's ADM being understated by 1.75.
- 11 funded satellite campus students did not attend the District, which resulted in the District's ADM being overstated by 2.15.
- 17 satellite campus students had incorrect enrollment dates, which resulted in the District's ADM being overstated by 0.31.

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.

As shown in Table 2, data reporting errors resulted in a net ADM overstatement of 0.71 for fiscal years 2016, 2017 and 2018.

Table 2

**Northern Arizona Vocational Institute of Technology
ADM adjustments due to enrollment data errors
Fiscal years 2016, 2017 and 2018**

	2016	2017	2018	Total
Incorrect FTE/calendar	(1.72)	-	(0.03)	(1.75)
Did not attend	-	2.10	0.05	2.15
Incorrect enrollment dates	-	0.31	-	0.31
Total	(1.72)	2.41	0.02	0.71

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

The District failed to comply with statute and ADE guidelines

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

Auditors determined that 13 of the District’s central campus students did not have the correct calendar and FTE reported. The District’s calendars are used to calculate the first 100 days of membership of student enrollment. All students were reported as being enrolled five days per week at the District. However, some students were enrolled for less than five days each week. Since the District reported the calendars incorrectly, the ADM for these students was not calculated based on the correct 100 days of the program. In the future, the District must ensure it reports the correct calendar for each program. Furthermore, according to A.R.S. § 15-393, 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.

Additionally, auditors determined that 17 satellite campus students did not have the correct enrollment dates reported and 11 funded satellite campus students did not attend. Enrollment is based on the first day of attendance, and the last day of attendance or excused absence. However, the District did not always report these correctly. In the future, the District must ensure it complies with statute and ADE guidelines to properly calculate and report membership days and review its reconciliation practices to ensure that its staff properly review the reports produced by ADE’s data system and reconcile them to the District’s SMS data to identify any discrepancies that would affect funding and correct any errors identified.

The District was underfunded by \$15,930.88

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 2016, 2017 and 2018. The enrollment data errors reported by the District resulted in its ADM being overstated by 0.71 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 2017. As shown in Table 3, due to the overstatement of 0.71 ADM for its enrollment data, the District received an underpayment to Basic State Aid of \$15,930.88 for the three fiscal years audited which ADE must repay to the District pursuant to A.R.S. § 15-915.

Table 3

**Northern Arizona Vocational Institute of Technology
ADM and funding adjustments due to enrollment data errors
Fiscal years 2016, 2017 and 2018**

	2016	2017	2018	Total
ADM	(1.72)	2.41	0.02	0.71
Total funding adjustments	\$ (17,361.59)	\$ -	\$ 1,430.71	\$ (15,930.88)

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

Recommendations:

1. ADE must repay the District \$15,930.88 in Basic State Aid due to incorrectly reported enrollment data.
2. The District must properly reconcile its data each year to ensure it reports correct enrollment dates and 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 and calendars pursuant to statute and ADE guidelines.

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 \$15,930.88 required to be paid by ADE—Auditors identified an overall funding increase of \$15,930.88 for the three fiscal years audited due to inaccurate student enrollment and program calendars.

Table 4 lists the ADM adjustments and the associated Basic State Aid adjustments for the District for fiscal years 2016, 2017 and 2018.

Table 4

**Northern Arizona Vocational Institute of Technology
ADM and funding adjustments
Fiscal years 2016, 2017 and 2018**

	2016	2017	2018	Total
ADM adjustment	(1.72)	2.41	0.02	0.71
Total funding adjustment	\$ (17,361.59)	\$ -	\$ 1,430.71	\$ (15,930.88)

Source: Auditor analysis of ADE and District student and financial data for fiscal years 2016, 2017 and 2018.