



## Arizona Department of Education

The Audit Unit

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Phoenix, Arizona 85007

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# Average Daily Membership Audit Report Coconino County Accommodation School District Fiscal Years 2016, 2017 and 2018

Report Number—19-30

March 29, 2019



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State of Arizona  
Department of Education



Kathy Hoffman  
Superintendent of  
Public Instruction

March 29, 2019

David Roth, Superintendent  
Coconino County Accommodation School District  
2384 N. Steves Blvd  
Flagstaff, AZ 86001

Dear Superintendent Roth:

The Arizona Department of Education Audit Unit has conducted an audit of the Coconino County Accommodation 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 to determine if it received the correct amount of Basic State Aid.

Auditors determined that the District incorrectly reported some enrollment data and full-time enrollment (FTE) data. These errors resulted in an overstatement of 62.11 ADM and a net overpayment of \$197,149.52 in Basic State Aid, which must be repaid to ADE by the District pursuant to state law. Additionally, auditors determined that the District did not maintain some required student documentation.

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

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The Arizona Department of Education (ADE) Audit Unit has conducted an Average Daily Membership (ADM) audit of Coconino County Accommodation School District (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 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 Flagstaff, Arizona, had one County Jail Education Program, one Juvenile Detention Education Program and two high schools during the fiscal years audited. Table 1 presents the District’s unaudited student, staffing and financial information for fiscal years 2016, 2017 and 2018.

**Table 1**

**Coconino County Accommodation School District  
Total students, revenues and expenditures  
Fiscal years 2016, 2017 and 2018  
(Unaudited)**

	2016	2017	2018
<b>Students enrolled</b>	<b>125</b>	<b>129</b>	<b>125</b>
<b>Number of teachers</b>	<b>11</b>	<b>12</b>	<b>11</b>
<b>Revenue</b>			
Local	\$ 14,752	\$ 19,286	\$ 29,873
County	519,615	492,072	681,807
State	1,770,565	1,690,961	2,244,882
Federal	491,186	161,281	325,633
<b>Total revenues</b>	<b><u>2,796,118</u></b>	<b><u>2,363,600</u></b>	<b><u>3,282,195</u></b>
<b>Total expenditures</b>	<b><u>\$ 2,113,203</u></b>	<b><u>\$ 2,116,065</u></b>	<b><u>\$ 2,184,285</u></b>

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

# SCOPE AND METHODOLOGY

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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 for enrollment. 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:

- ***Instructional hours***—Auditors reviewed the bell schedules and calendars for the District for fiscal years 2016, 2017 and 2018. 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.
- ***Enrollment data***—Auditors compared the District’s student management system to ADE’s system and identified 171 of the 846 students for further evaluation. Auditors reviewed these student profiles and schedules 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 and FTE 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 for 60 students to ensure that they maintained required documentation including birth certificates, immunization, and residency documentation. Auditors noted if documentation required to be kept by statute and ADE guidelines was missing.
- ***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.
- ***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 Coconino County Accommodation School 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 \$197,149.52**

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The District inaccurately reported the student enrollment data for 117 of its students for fiscal years 2016, 2017 and 2018. Specifically, auditors determined that 110 students had FTE reported incorrectly, five students had incorrect enrollment dates and two students attended but were not reported to ADE's System for funding. Furthermore, 23 of these students had additional SPED adjustments. In total, the District's ADM was overstated by 62.11 for its students for the three fiscal years audited. Due to the inaccurate enrollment data, the District received a net overpayment of \$197,149.52 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 120 students to ADE due to various errors, which resulted in the District's ADM being overreported by 62.11.

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. 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. A.R.S. § 15-901 states the withdrawal date for students is the last day of actual attendance or excused absence.

However, the District did not always adhere to these requirements. Specifically, for the students that were sampled:

- 110 students were reported with incorrect FTE, which resulted in the District's ADM being overreported by 57.05.
- 5 student had incorrect enrollment dates reported, which resulted in the District's ADM being overreported by 0.70.
- 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 underreported by 0.19.
- 23 students that were identified with an adjustment also had a SPED weight, which resulted in the District's weighted SPED ADM being overreported by 4.55.

As shown in Table 2, data reporting errors resulted in a net ADM overstatement of 62.11 for fiscal years 2016, 2017 and 2018.

**Table 2**

**Coconino County Accommodation School District  
ADM adjustments due to enrollment data errors  
Fiscal years 2016, 2017 and 2018**

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Total</b>
Incorrect FTE	8.77	30.64	17.64	57.05
Incorrect enrollment dates	0.56	0.14	-	0.70
Attended	(0.19)	-	-	(0.19)
SPED	0.22	0.02	4.31	4.55
<b>Total</b>	<b>9.36</b>	<b>30.80</b>	<b>21.95</b>	<b>62.11</b>

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

**The District must properly reconcile its enrollment data with ADE data**

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 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 \$197,149.52**

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 62.11 for the three fiscal years audited. Due to the ADM adjustments, fiscal year 2017 ADM declined from fiscal year 2016 ADM. As a result, fiscal year 2017 was funded on fiscal year 2016 ADM. As shown in Table 3, due to the overstatement of 62.11 ADM for its enrollment data, the District received an overpayment to Basic State Aid of \$196,362.20 for the three fiscal years audited. However, statutory growth formulas applied to the District require that this amount be increased by \$787.32. As a net result, the District was overfunded by \$197,149.52 which ADE must recoup from the District pursuant to A.R.S. § 15-915.

**Table 3**

**Coconino County Accommodation School District  
ADM and funding adjustments due to enrollment data errors  
Fiscal years 2016, 2017 and 2018**

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Total</b>
ADM	9.36	30.80	21.95	62.11
Basic State Aid	\$ 57,589.13	\$ -	\$ 138,773.07	\$ 196,362.20
Growth	\$ 787.32	\$ -	\$ -	\$ 787.32
<b>Total funding adjustments</b>	<b>\$ 58,376.45</b>	<b>\$ -</b>	<b>\$ 138,773.07</b>	<b>\$ 197,149.52</b>

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

**Recommendations:**

1. The District must repay ADE \$197,149.52 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.
3. The District needs to ensure that it properly calculates and reports students' FTE and enrollments pursuant to statute and ADE guidelines.

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

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The District did not properly maintain required residency, immunization and birth certificate documentation for some 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 documentation**

Auditors determined that the District failed to maintain student file documentation for some students as required by statute and ADE guidelines. According to A.R.S. § 41-151.14, all original records, whether in paper or electronic format, must be maintained pursuant to a records retention schedule, which is established by the Arizona State Library, Archives and Public Records.

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.

According to A.R.S. § 15-874, each pupil's immunizations must be recorded on the school immunization record and shall be part of the mandatory permanent student record.

According to A.R.S. § 15-828, school districts and charter schools are required to obtain upon enrollment a certified copy of the student's birth certificate, or an alternative document stated in A.R.S. § 15-828 including "other reliable proof of the pupil's identity and age, including the pupil's baptismal certificate, an application for a social security number or original school registration records and an affidavit explaining the inability to provide a copy of the birth certificate [or] a letter from the authorized representative of an agency having custody of the pupil pursuant to title 8, chapter 2 certifying that the pupil has been placed in the custody of the agency as prescribed by law."

The District did not maintain the proper documentation required by statute and ADE guidelines. Of the 60 students sampled, 9 students did not have residency documentation, 7 students were missing immunization records and 6 students did not have birth certificate documentation. Table 4 lists the student file documentation maintained by the District for fiscal years 2016, 2017 and 2018.

**Table 4**

**Coconino County Accommodation School District  
Student cumulative file documentation  
Fiscal years 2016, 2017 and 2018**

	<b>Total sampled</b>	<b>Missing birth certificate</b>	<b>Missing immunization records</b>	<b>Missing residency documentation</b>
2016	20	4	4	5
2017	20	1	1	2
2018	20	1	2	2
<b>Total</b>	<b>60</b>	<b>6</b>	<b>7</b>	<b>9</b>

Source: Auditor analysis of District records for fiscal years 2016, 2017 and 2018.

**Recommendation:**

1. The District must comply with statute and collect and maintain residency, birth certificate and immunization documentation as required by law.

# ADM and funding adjustments

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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 \$197,149.52 required to be paid by the District**—Auditors identified an overall funding adjustment of \$197,149.52 for the three fiscal years audited due to inaccurate student enrollment.

Table 5 lists the ADM adjustments and the associated Basic State Aid adjustments for the District for fiscal years 2016, 2017 and 2018.

**Table 5**

**Coconino County Accommodation School District  
ADM and funding adjustments  
Fiscal years 2016, 2017 and 2018**

	2016		2017		2018		Total
	ADM	Funding	ADM	Funding	ADM	Funding	
<b>Total funding adjustment</b>	<b>9.36</b>	<b>\$58,376.45</b>	<b>30.80</b>	<b>\$ -</b>	<b>21.95</b>	<b>\$138,773.07</b>	<b>\$197,149.52</b>

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