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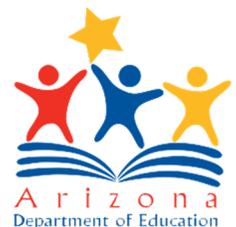
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602-364-4036

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

Report Number—19-36

May 31, 2019



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Arizona Department of Education

Audit Unit

May 31, 2019

Diane Meulemans, Assistant Superintendent Business Services
Tempe Union High School District
500 W Guadalupe Rd
Tempe, AZ 85283

Dear Assistant Superintendent Meulemans:

The Arizona Department of Education Audit Unit has conducted an audit of the Tempe 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 determined that the District incorrectly reported the enrollment data of 171 students, which resulted in its ADM being overstated by 30.15. As a result, the District was overfunded by \$199,420.90 which the District must repay to ADE. 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

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 Tempe 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 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 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 Tempe, Arizona, offered instruction in grades 9 through 12 during the fiscal years audited. They had seven high schools and one AOI. Table 1 presents the District’s unaudited student, staffing and financial information for FY2016, FY2017 and FY2018.

Table 1

**Tempe Union High School District
Total students, revenues and expenditures
Fiscal years 2016, 2017 and 2018
(Unaudited)**

	2016	2017	2018
Students Enrolled	14,027	13,608	13,590
Number of Teachers	649	648	632
Revenue			
Local	\$ 96,547,063	\$ 98,393,230	\$ 96,237,208
County	\$ 675,387	\$ 1,799,868	\$ 767,823
State	\$ 29,282,394	\$ 20,045,405	\$ 32,578,345
Federal	\$5,902,355	\$ 8,209,037	\$ 6,881,498
Total Revenues	<u>\$ 132,407,199</u>	<u>\$ 128,447,540</u>	<u>\$ 136,464,874</u>
Total Expenditures	<u>\$ 119,534,270</u>	<u>\$ 124,749,913</u>	<u>\$ 123,473,199</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 FY2016, FY2017 and FY2018.

To conduct this audit, auditors used a variety of methods, including examining District and ADE records to review 2,326 of 43,907 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:

- **Enrollment data** – Auditors reviewed student schedules, enrollment histories and attendance data to determine if the enrollment data reported to ADE was correct. Auditors compared the entry and exit dates to determine if an adjustment was necessary. Auditors also reviewed absences to ensure that they were reported correctly and made adjustments if they were needed.
- **Student Files** – Auditors reviewed student files to ensure that they maintained required documentation such as birth certificates, immunization records, and supporting residency documentation. Auditors identified files that did not contain all the documentation that was required to be kept in them by statute and ADE guidelines.
- **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.
- **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.
- **SPED Data** – Auditors determined whether an adjusted student had also been funded for a special education (SPED) category. When students with a special education category also had an adjustment, auditors made an adjustment to the special education weight as well.
- **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 DATA, RESULTING IN AN OVERPAYMENT OF \$192,954.96

Auditors determined that the District inaccurately reported the student data for 155 students for FY2016, FY2017 and FY2018. Specifically, auditors found that 144 students had an incorrectly reported FTE, five students had incorrect enrollment dates, four homebound students did not meet the requirements for homebound, one student was reported as attended but did not actually attend the District, and one student had 10 or more consecutive unexcused absences. In addition, 17 of the students that had data reported incorrectly were also funded with a SPED category. As a result of these errors, the District's ADM was over reported by 34.18. As a result, the District was overfunded by \$192,954.96 in Basic State Aid. According to A.R.S. § 15-915, ADE needs to recover these monies from the District.

The District inaccurately reported some student data

The District inaccurately reported 155 student's enrollment data to ADE, which resulted in the District's ADM being overstated by 34.18.

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 A.R.S. § 15-901, 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. A.R.S. § 15-901 also states homebound students must have medical certification and must receive at least 4 hours of instruction per week to be considered in attendance. However, the District did not always adhere to these requirements. Specifically, for the students that were sampled:

- 144 students had an incorrect FTE reported. As a result, the ADM for the District was overreported by 21.36.
- 5 students were reported with incorrect enrollment dates. As a result, the ADM for the District was underreported by 0.92.

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.

- 4 homebound students did not meet the requirements for homebound. As a result, the ADM for the District was overreported by 1.06.
- One student was reported as attended but did not actually attend the District. As a result, the ADM for the District was overreported by 0.51.
- One student had 10 or more consecutive unexcused absences. As a result, the ADM for the District was overreported by 0.27.
- 17 of the students that had data reported incorrectly were also funded with a SPED category. As a result, the weighted SPED ADM for the District was overreported by 11.90.

As shown in Table 2, data reporting errors resulted in an ADM overstatement of 34.18 for the three fiscal years audited.

Table 2
Tempe Union High School District
ADM adjustments due to enrollment data errors
Fiscal years 2016, 2017 and 2018

	2016	2017	2018	Total
Incorrect FTE	17.43	0.79	3.14	21.36
Incorrect Enrollment Dates	(0.89)	(0.03)	-	(0.92)
Homebound	0.93	0.13	-	1.06
10 Day Absence	-	-	0.27	0.27
Did not Attend	0.50	0.01	-	0.51
SPED	0.03	5.84	6.03	11.90
Total	<u>18.00</u>	<u>6.74</u>	<u>9.44</u>	<u>34.18</u>

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

The District failed to comply with statute and ADE guidelines

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

Auditors determined that 144 of the District’s students did not meet the statutory and ADE guideline requirements for full time enrollment (FTE). According to analysis of the District’s bell schedule and calendar for the District’s high school, auditors determined that as long as a student was enrolled in four courses and lunch each semester for FY2016, 2017 and 2018, they would receive enough hours and courses to be considered full time. However, the FTE that was reported for 144 students was not correct

based on the number of courses the students were enrolled in. As a result, the District misreported the FTE for 144 students.

Additionally, the District misreported the enrollment data of seven students. According to ARS § 15-901 (A)(2), the first day of membership for continuing or pre-enrolled students, shall be defined as either the first day a student physically attends school or the first day that classroom instruction is offered, provided that such students physically attend school within the first ten school days. For all other students, the first day of membership shall be defined as the first day a student physically attends school. The District incorrectly reported the entry/exit dates of five students, one student was reported to ADE that did not attend, and one student had 10 consecutive days absences.

The District also misreported four students as being homebound. According to ARS § 15-901, a homebound student must be certified by a medical doctor as being unable to attend regular classes for a period of not less than three school months during a school year. A homebound student can be counted as in attendance for each day in a week where at least four hours of instruction were provided. However, the District did not meet these requirements for four students.

In the future, the District must ensure it complies with statute and ADE guidelines to properly calculate and report FTE, report student enrollments and homebound students.

The District was overfunded by \$192,954.96

Auditors determined that the District did not receive the correct amount of Basic State Aid due to the inaccurate student data reported to ADE for FY2016, FY2017 and FY2018. The student data incorrectly reported by the District resulted in its ADM being overstated by 34.18. Due to the change in funding from prior year to current year, the ADM adjustment for FY2017 did not impact Basic State Aid. As a result, the District was overfunded by \$105,543.11 in Basic State Aid for the three fiscal years audited. However, statutory growth formulas applied to the District require that this amount be increased by \$87,411.85 in FY2016. As a net result, as shown in Table 3 (page 9), the District was overfunded by \$192,954.96 which ADE must recoup from the District pursuant to A.R.S. § 15-915.

Table 3

**Tempe Union High School District
ADM and funding adjustments due to enrollment data errors
Fiscal years 2016, 2017 and 2018**

	2016	2017	2018	Total
ADM	18.00	6.74	9.44	34.18
Basic State Aid	\$85,339.52	-	\$20,203.59	\$105,543.11
Growth	\$87,411.85	-	-	\$87,411.85
Total funding adjustments	\$172,751.37	-	\$20,203.59	\$192,954.96

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

Recommendations:

1. The District must repay to ADE \$192,954.96 in Basic State Aid due to incorrectly reported student data.
2. The District needs to ensure that it properly calculates and reports students' FTE pursuant to statute and ADE guidelines.
3. The District must ensure that enrollment dates are reported accurately pursuant to A.R.S. § 15-901 (A) (2).
4. The District must provide at least four hours of instruction and collect proper documentation for students certified as Homebound pursuant to A.R.S § 15-901.

FINDING 2: THE DISTRICT DID NOT ACCURATELY REPORT AOI DATA, RESULTING IN AN OVERPAYMENT OF \$6,465.94

The District did not accurately report enrollment data for 16 of its AOI students to ADE for fiscal years 2016, 2017 and 2018. Specifically, auditors found that one student had been reported as part time but was full time, six students were reported but did not attend and nine students attended but were not reported. As a result, the District’s weighted AOI ADM was understated by 4.04. This led to the District being overfunded by \$6,465.94 which the District must pay to ADE according to A.R.S. § 15-915.

The District inaccurately reported some AOI enrollment data

Auditors determined that student data for 16 of its AOI students was inaccurate, which resulted in the District’s weighted AOI ADM being understated by 4.04 for fiscal years 2016, 2017 and 2018. According to A.R.S. § 15-808, AOI ADM is based on the number of minutes a student participates in the AOI during the year. In addition, SF-0003 states that full time AOI students must enroll in and participate in four or more classes during the year. If a student is enrolled in fewer than four classes, they should be reported as part time. However, the District did not always meet these requirements as follows:

- 1 student was incorrectly reported as part time and should have been reported as full time.
- 6 students were reported to ADE, but documentation showed they did not actually attend the District.
- 9 students attended the District but were not reported to ADE.

As shown in Table 4, AOI data reporting errors resulted in a net weighted ADM understatement of 4.04 for fiscal year 2016, 2017 and 2018.

Table 4

**Tempe Union High School District
AOI weighted ADM Adjustments
Fiscal years 2016, 2017 and 2018**

Adjustments	2016	2017	2018	Total
Full time	(0.38)	(4.42)	-	(4.80)
Part Time	1.05	(0.29)	-	0.76
Total	0.67	(4.71)	-	(4.04)

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

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 should review its reconciliation practices to ensure that its staff properly review the reports produced by 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 \$6,465.94

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 fiscal years audited. The student data incorrectly reported by the District resulted in its weighted AOI ADM being understated by 4.04. However, due to the change in funding from prior year to current year, the ADM adjustment for FY2017 did not impact Basic State Aid. As a result, the District was overfunded by \$3,194.19 in Basic State Aid for the three fiscal years audited. However, statutory growth formulas applied to the District require that this amount be increased by \$3,271.75. As a net result, as shown in Table 5, the District was overfunded by \$6,465.94 which ADE must recoup from the District pursuant to A.R.S. § 15-915.

Table 5

**Tempe Union High School District
ADM and funding adjustments due to AOI data errors
Fiscal years 2016, 2017 and 2018**

	2016	2017	2018	Total
ADM	0.67	(4.71)	-	(4.04)
Basic State Aid	\$3,194.19	-	-	\$3,194.19
Growth	\$3,271.75	-	-	\$3,271.75
Total funding adjustments	\$6,465.94	-	-	\$6,465.94

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

Recommendations:

1. The District must repay from ADE \$6,465.94 in Basic State Aid for the fiscal year 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 maintain residency, birth certificate and immunization documentation for some students as required by statute and ADE guidelines. The District did not properly maintain required documentation in some of its student cumulative files. In the future, the District should properly maintain these documents to ensure compliance with statute and ADE guideline.

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.

Auditors also determined that the District failed to maintain birth certificate documentation for some students as required by statute. 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.

In addition, auditors determined that the District failed to maintain immunization documentation for some students 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 did not maintain the proper documentation required by statute and ADE's residency guideline. Of the 450 students sampled 279 were complete. Of the remaining 171 student files 127 of the student files did not have the proper residency documentation, 25 students did not have birth certificates in their file and 19 students did not have immunization record documentation in their file. Table 6 (page 13) lists the student file documentation maintained by the District for FY2016, FY2017 and FY2018.

Table 6

**Tempe Union High School District
Student Cumulative File Documentation
Fiscal years 2016, 2017 and 2018**

	Total Sampled	Missing Residency Documentation	Missing Birth Certificate	Missing Immunization
2016	150	59	5	7
2017	150	31	10	6
2018	150	37	10	6
Total	<u>450</u>	<u>127</u>	<u>25</u>	<u>19</u>

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

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, birth certificate documentation and immunization 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, 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 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 \$199,420.90 required to be paid to ADE—Auditors identified an overall funding adjustment of \$199,420.90 for the three fiscal years audited due to inaccurate student enrollment.

Table 7 lists the ADM adjustments and the associated Basic State Aid adjustments for the District for fiscal years 2016, 2017 and 2018.

Table 7

**Tempe Union High School District
ADM and funding adjustments
Fiscal years 2016, 2017 and 2018**

	2016		2017		2018		Total
	ADM	Funding	ADM	Funding	ADM	Funding	
Inaccurate enrollment data	18.00	\$172,751.37	6.74	-	9.44	\$20,203.59	\$192,954.96
AOI	0.67	\$6,465.94	(4.71)	-	-	-	\$6,465.94
Total funding adjustment	18.67	\$179,217.31	2.03	-	9.44	\$20,203.59	\$199,420.90

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