



Arizona Department of Education

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

Report Number—19-34
May 22, 2019



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Arizona Department of Education

Audit Unit

May 22, 2019

Edna Morris, Superintendent
Baboquivari Unified School District
PO Box 248,
Sells, AZ 85634 -024

Dear Superintendent Morris:

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

Auditors determined that the District incorrectly reported some enrollment and full-time enrollment (FTE) data. These errors resulted in an overstatement of 6.46 ADM and a net overpayment of \$38,263.23 in Basic State Aid, which must be repaid to ADE by the District pursuant to state law. Additionally, auditors determined that the District inappropriately reported a school day in fiscal year 2018. Finally, auditors determined that the District failed to properly maintain some required student file 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

The Arizona Department of Education (ADE) Audit Unit has conducted an Average Daily Membership (ADM) audit of Baboquivari Unified 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 FY2016 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 Sells, Arizona, operated two elementary schools, a middle school, a high school and two alternative schools in the fiscal years audited. Table 1 presents the District’s unaudited financial information for fiscal years 2016, 2017 and 2018.

Table 1

**Baboquivari Unified School District
Total students, revenues and expenditures
Fiscal years 2016, 2017 and 2018
(Unaudited)**

	2016	2017	2018
Students enrolled	1,021	951	966
Number of teachers	75	73	57
Revenue			
Local	\$ 283,913	\$ 307,594	\$ 274,532
County	729,712	755,411	759,372
State	6,405,555	7,879,487	6,954,785
Federal	<u>11,789,650</u>	<u>11,509,584</u>	<u>10,636,589</u>
Total revenues	<u>19,208,830</u>	<u>20,452,076</u>	<u>18,625,278</u>
Total expenditures	<u>\$ 16,853,817</u>	<u>\$ 16,004,941</u>	<u>\$ 16,599,079</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 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 and calendars***—Auditors reviewed the District’s bell schedules and calendars for the fiscal years audited and determined that the District provided at least the minimum number of instructional hours as required by statute. However, the District misreported calendar days in fiscal year 2018.
- ***Enrollment data***—Auditors compared the District’s student management system to ADE’s system and identified 338 of the 3,304 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 to ensure that they maintained required documentation, including birth certificates, immunization, and residency documentation. Auditors identified files that did not contain all of the documentation that was required to be kept in them by statute and ADE guidelines.
- ***Special education (SPED) data***— Auditors reviewed the students to determine if any were also funded for one of the special education categories. No material SPED adjustments were identified.
- ***Limiting***—Auditors reviewed the total ADM for each enrolled student to ensure that they were appropriately limited. No findings were identified.

The Audit Unit expresses its appreciation to the Baboquivari Unified 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 \$38,263.23

The District inaccurately reported the student enrollment data for 63 of its students for fiscal years 2016, 2017 and 2018. Specifically, auditors determined that 35 students had incorrect enrollment dates, 19 students had FTE reported incorrectly, five students attended but were not reported to ADE's System for funding, three students were reported for funding but did not attend, and one student had homebound reported incorrectly. In total, the District's ADM was overstated by 6.46 for its students for the three fiscal years audited. Due to the inaccurate enrollment data, the District received a net overpayment of \$38,263.23 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 63 students to ADE due to various errors, which resulted in the District's ADM being overreported by 6.46.

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. A.R.S. § 15-901 states homebound students must have medical certification and must receive at least 4 hours of instruction per week to be considered full-time.

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

- 35 student had incorrect enrollment dates reported, which resulted in the District's ADM being overreported by 7.90.
- 19 students were reported with incorrect FTE, which resulted in the District's ADM being overreported by 0.05.
- 5 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 2.52.
- 3 students were reported to ADE's System; however, no documentation showed the students as enrolled and attending, which resulted in the District's ADM being overreported by 0.48.

- 1 student did not meet the requirements for homebound, which resulted in the District’s ADM being overreported by 0.55.

As shown in Table 2, data reporting errors resulted in a net ADM overstatement of 6.46 for fiscal years 2016, 2017 and 2018.

Table 2

**Baboquivari Unified School District
ADM adjustments due to enrollment data errors
Fiscal years 2016, 2017 and 2018**

	2016	2017	2018	Total
Incorrect enrollment dates	(2.05)	4.53	5.42	7.90
Incorrect FTE	0.69	(1.68)	1.04	0.05
Attended	-	(2.52)	-	(2.52)
Did not attend	-	-	0.48	0.48
Homebound	0.55	-	-	0.55
Total	(0.81)	0.33	6.94	6.46

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

The District must properly reconcile its enrollment data with ADE 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 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 internal reporting practices and ensure that it appropriately reports students as homebound and collects and maintains documents for homebound students pursuant to statute.

The District was overfunded by \$38,263.23

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 6.46 for the three fiscal years audited. Due to the change in funding from prior year in fiscal year 2017 to current year in fiscal year 2018, fiscal year 2017 ADM was not funded. As shown in Table 3, due to the overstatement of 6.46 ADM for its enrollment data, the District received an overpayment to Basic State Aid of \$40,567.71 for the three fiscal years audited. However, statutory growth formulas applied to the District require that this amount be decreased by \$2,304.48. As a net result, the District was overfunded by \$38,263.23 which ADE must recoup from the District pursuant to A.R.S. § 15-915.

Table 3

**Baboquivari Unified School District
ADM and funding adjustments due to enrollment data errors
Fiscal years 2016, 2017 and 2018**

	2016	2017	2018	Total
ADM	(0.81)	0.33	6.94	6.46
Basic State Aid	\$ (2,844.08)	\$ -	\$ 43,411.79	\$ 40,567.71
Growth	\$ (2,304.48)	\$ -	\$ -	\$ (2,304.48)
Total funding adjustments	\$ (5,148.56)	\$ -	\$ 43,411.79	\$ 38,263.23

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

Recommendations:

1. The District must repay ADE \$38,263.23 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, homebound and enrollments pursuant to statute and ADE guidelines.

FINDING 2: THE DISTRICT INAPPROPRIATELY REPORTED A SCHOOL DAY

The District did not provide 200 school days in fiscal year 2018. Specifically, auditors found that the District planned 200 days of instruction, but the District closed for one school day and reported an additional school day as a makeup day to ADE. However, the District did not provide instruction on the makeup school day.

The District did not provide a school day

The District's 2017-2018 school year ended May 25th, 2018. In June 2018, the District submitted a calendar change request stating that they did not provide instruction on April 26th, 2018 and will not provide a make up day due to sufficient instructional hours. Afterwards in July 2018, the District submitted a calendar change request stating that a makeup school day was provided on May 29th, 2018. However, auditors determined that the District did not provide a makeup school day on May 29th, 2018.

Districts that are approved for a 200-day calendar are funded based on student enrollment for the entire 200 days of the school year. As a result, it is important that all school days are reported correctly to ensure that funding is based on the correct days. While the District did report an additional day that was not an actual school day, they also reported all students with a withdrawal date of May 25th of this year. As a result of this, the funding for all students was calculated correctly with a maximum of 199 days. However, the District needs to ensure it reports their calendars accurately in the future to ensure their ADM is processed correctly.

Recommendation:

1. The District must ensure that they are reporting school calendars accurately to ADE.

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 student 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 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.

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.

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 guidelines. Of the 60 students sampled, 15 students did not have proper residency documentation, three students did not have a birth certificate and three students did not have proof of immunization documentation. Table 4 lists the student file documentation maintained by the District for fiscal years 2016, 2017 and 2018.

Table 4

**Baboquivari Unified School District
Student cumulative file documentation
Fiscal years 2016, 2017 and 2018**

	Total sampled	Missing or inappropriate residency documentation	Missing birth certificates	Missing immunization records
2016	20	5	1	0
2017	20	7	1	2
2018	20	3	1	1
Total	60	15	3	3

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 appropriate copies of verifiable residency, immunization, and birth certificate 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 2016 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 \$38,263.23 required to be paid by the District—Auditors identified an overall funding adjustment of \$38,263.23 for the three fiscal years audited due to inaccurate student enrollment and an insufficient number of instructional days in fiscal year 2018.

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

**Baboquivari Unified School District
ADM and funding adjustments
Fiscal years 2016, 2017 and 2018**

	2016		2017		2018		Total
	ADM	Funding	ADM	Funding	ADM	Funding	
Total funding adjustment	(0.81)	\$(5,148.56)	0.33	\$ -	6.94	\$43,411.79	\$38,263.23

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