



Arizona Department of Education

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

Report Number—20-10
September 27, 2019



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Arizona Department of Education

Audit Unit

September 27, 2019

Dr. Michael Wright, Superintendent
Blue Ridge Unified School District
1200 W. White Mountain Blvd
Lakeside, AZ 85929

Dear Superintendent Wright:

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

Auditors determined that the District incorrectly reported the enrollment data of 45 students, which resulted in its ADM being understated by 1.88. Furthermore, the District incorrectly reported AOI data for 15 students, which resulted in its ADM being overstated by 0.53. As a result, the District had an understatement of 1.35 ADM and was underfunded by \$10,657.92 which the State must repay to the District. 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 Blue Ridge Unified 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 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 FY2013 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 Lakeside, Arizona, offered instruction in preschool through 12 during the fiscal years audited. The District operated a high school, a middle school, and an elementary school in the audited fiscal years, and an online school in fiscal year 2018. Table 1 presents the District’s unaudited student, staffing and financial information for fiscal years 2016, 2017 and 2018.

Table 1

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

	2016	2017	2018
Students enrolled	2,140	2,143	2,095
Number of teachers	113	109	103
Revenue			
Local	\$ 12,401,640	\$ 13,211,442	\$ 15,242,091
Intermediate	\$ 102,007	\$ 92,433	\$ 133,096
State	\$ 3,898,996	\$ 4,501,856	\$ 6,010,968
Federal	\$ 2,584,688	\$ 1,536,525	\$ 3,864,119
Total revenues	\$ 18,987,330	\$ 19,342,256	\$ 25,250,275
Total expenditures	\$ 18,664,003	\$ 20,290,019	\$ 28,226,893

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 for Arizona School Districts (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 711 of 6,909 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.
- **AOI data** – Auditors compared 100% of the Arizona Online Instruction data that was reported to ADE to the AOI data from the District. 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 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 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.
- **SPED data** – Auditors determined whether an adjusted student had also been funded for a special education (SPED) category. No material 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 UNDERPAYMENT OF \$10,823.07

Auditors determined that the District inaccurately reported the student data for 45 students for fiscal years 2016, 2017 and 2018. Specifically, auditors found that 24 students had an incorrectly reported FTE, 15 students had incorrect enrollment dates, three students had attended the District without being reported to ADE, two students had not attended the District, and one student should have been withdrawn due to 10 or more consecutive unexcused absences. As a result of these errors, the District's ADM was underreported by 1.88 and the District was underfunded by \$10,823.07 in Basic State Aid. According to A.R.S. § 15-915, ADE must repay this amount to the District.

The District inaccurately reported some student data

The District inaccurately reported 45 students' enrollment data to ADE, which resulted in the District's ADM being understated by 1.88.

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

- 24 students had an incorrect FTE reported. As a result, the ADM for the District was underreported by 0.43.
- 15 students were reported with incorrect enrollment dates. As a result, the ADM for the District was overreported by 0.49.
- 3 students attended the District but were not reported and funded as being enrolled in the District. As a result, the ADM for the District was underreported by 2.24.
- 2 students were reported as attended but did not actually attend the District. As a result, the ADM for the District was overreported by 0.02.
- 1 student had 10 or more consecutive unexcused absences and should have been withdrawn. As a result, the ADM for the District was overreported by 0.28.

As shown in Table 2, data reporting errors resulted in an ADM understatement of 1.88 for the three fiscal years audited.

Table 2

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

	FTE	Enrollment dates	Attended	Did not attend	10-day absence	Total
2016	(1.46)	(0.01)	-	0.01	-	(1.46)
2017	0.96	(0.10)	(2.24)	-	0.28	(1.10)
2018	0.07	0.60	-	0.01	-	0.68
Total	(0.43)	0.49	(2.24)	0.02	0.28	(1.88)

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

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 24 of the District’s students did not meet the criteria for the FTE reported to ADE. 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 concurrently enrolled in four courses and lunch period or five courses without lunch period for fiscal years 2016, 2017 and 2018, they would receive enough hours and courses to be considered full time. Furthermore, elementary students that are enrolled full time should be reported as 1.0 FTE. However, the FTE that was reported for 24 students was not correct based on the number of courses the students were enrolled in. As a result, the District underreported the FTE for 24 students.

Additionally, the District misreported the enrollment data of 21 students. According to ARS § 15-901, 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 15 students, three students who attended the District but were not reported, two students were reported to ADE that did not attend and one student who had 10 or more consecutive unexcused absences and should have been withdrawn.

In the future, the District must ensure it complies with statute and ADE guidelines to properly calculate and report FTE and student enrollments. The District must ensure that a process is in place that captures the proper 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 underfunded by \$10,823.07

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 fiscal years 2016, 2017 and 2018. The student data incorrectly reported by the District resulted in its ADM being understated by 1.88. As a result, the District’s Basic State Aid was underfunded by \$4,277.02. The District did not receive Basic State Aid for fiscal year 2016 ADM; however, due to additional Growth funding in fiscal year 2016 this amount should be increased by \$6,546.05. As shown in Table 3, the District was underfunded by \$10,823.07.

Table 3

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

	ADM Adjustment	Growth	Basic State Aid	Total
2016	(1.46)	\$ (6,546.05)	\$ -	\$ (6,546.05)
2017	(1.10)	\$ -	\$ (4,491.09)	\$ (4,491.09)
2018	0.68	\$ -	\$ 214.07	\$ 214.07
Total	(1.88)	\$ (6,546.05)	\$ (4,277.02)	\$ (10,823.07)

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

Recommendations:

1. ADE must pay the District \$10,823.07 in Basic State Aid due to incorrectly reported student data.
2. The District must ensure that it properly calculates and reports students’ FTE pursuant to statute and ADE guidelines.
3. The District must reconcile to ensure that enrollments are reported accurately pursuant to A.R.S. § 15-901.

FINDING 2: THE DISTRICT DID NOT ACCURATELY REPORT AOI DATA RESULTING IN AN OVERPAYMENT OF \$ 165.15

The District did not accurately report enrollment data for 15 of its AOI students to ADE for fiscal year 2018. Specifically, auditors found that 11 students were reported to ADE’s system with incorrect minutes, one student had been reported as full time but was part time, one student had been reported as part time but was full time and two students were reported but did not attend. As a result, the District’s weighted AOI ADM was overstated by 0.53. This led to the District being overfunded by \$165.15 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 15 of its AOI students was inaccurate, which resulted in the District’s weighted AOI ADM being overstated by 0.53 for fiscal year 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:

- 11 students were reported to ADE’S system with incorrect AOI minutes.
- 1 student was incorrectly reported as full time and should have been reported as part time.
- 1 student was incorrectly reported as part time and should have been reported as full time.
- 2 students were reported to ADE, but documentation showed they did not actually attend the District.

As shown in Table 4, AOI data reporting errors resulted in a net weighted ADM overstatement of 0.53 for fiscal year 2018.

Table 4

**Blue Ridge Unified School District
AOI ADM adjustments due to enrollment data errors
Fiscal year 2018**

Adjustments	Total
Full time	0.82
Part time	(0.29)
Total	0.53

Source: Auditor analysis of District records and ADE data for fiscal year 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 ADE ADM reports 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 \$165.15

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 ADM being overstated by 0.53. As a result, the District's Basic State Aid was overfunded by \$165.15 as shown in Table 5.

Table 5

**Blue Ridge Unified School District
ADM and funding adjustments due to AOI data errors
Fiscal year 2018**

	Total
ADM	0.53
Basic State Aid	\$165.15
Total funding adjustments	\$165.15

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

Recommendations:

1. The District must repay ADE \$165.15 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. Of the 60 students sampled, 26 of the student files did not have the proper residency documentation, five did not have a birth certificate in their file and one student did not have immunization record documentation in their file. 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 residency documentation for 26 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 five 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 one student 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."

Table 6 lists the student file documentation maintained by the District for fiscal year 2016, 2017 and 2018.

Table 6

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

	Total sampled	Missing residency documentation	Missing birth certificate	Missing immunization
2016	20	9	3	-
2017	20	10	2	-
2018	20	7	-	1
Total	60	26	5	1

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.

Recommendation:

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 2013 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 \$10,657.92 required to be paid to the District—Auditors identified an overall funding adjustment of \$10,657.92 for the three fiscal years audited due to inaccurate student enrollment and AOI data.

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

**Blue Ridge Unified 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	(1.46)	\$(6,546.05)	(1.10)	\$(4,491.09)	0.68	\$ 214.07	\$(10,823.07)
AOI	-	-	-	-	0.53	\$ 165.15	\$ 165.15
Total funding adjustment	(1.46)	\$(6,546.05)	(1.10)	\$(4,491.09)	1.21	\$ 379.22	\$(10,657.92)

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