



Arizona Department of Education

The Audit Unit

1535 W. Jefferson St., Bin 19

Phoenix, Arizona 85007

602-364-4036

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

Report Number—20-15

October 31, 2019



**CONTACTING
THE AUDIT UNIT**

Angel Santiago, Audit Supervisor

Phone: 602-364-4061

Email: Angel.Santiago@azed.gov

Fax: (602) 364-3264

Mail: 1535 W. Jefferson St., Bin 19
Phoenix, AZ 85007-3209

OBTAINING ADDITIONAL COPIES

To obtain additional copies of this report, please submit a formal request to the address below:

Arizona Department of Education—The Audit Unit
1535 W. Jefferson Street, Bin 19
Phoenix, AZ 85007-3209



Arizona Department of Education

Audit Unit

October 31, 2019

Joe Howard, Superintendent
Prescott Unified School District
551 1st St.
Prescott, AZ 86301

Dear Superintendent Howard:

The Arizona Department of Education Audit Unit has conducted an audit of the Prescott Unified School District (District) Average Daily Membership (ADM) for Fiscal Years 2017, 2018 and 2019. 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 for 95 students during the three years audited, which resulted in its ADM being overstated by 33.94. The District must adjust their budget capacity as a result of the ADM adjustments. 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

1535 West Jefferson Street • Phoenix Arizona 85007 • (602) 542-5460 • www.azed.gov

TABLE OF CONTENTS

	<u>Page</u>
Introduction and background	1
Scope and methodology.....	3
Finding 1: The District did not accurately report some student data, resulting in an overstatement of 33.94 ADM	5
The District inaccurately reported some student data.....	5
The District failed to comply with Statute and ADE Guidelines	7
The District was overstated by 33.94 ADM	8
Recommendations	8
Finding 2: The District did not properly maintain some student records as required by statute and guideline.....	9
The District did not properly maintain student file documentation	9
Recommendations	10
ADM and funding adjustments	11

TABLE OF CONTENTS (CONT'D)

	<u>Page</u>
Tables:	
1 Prescott Unified School District Total students, revenues and expenditures Fiscal years 2016, 2017 and 2018 (Unaudited)	2
2 Prescott Unified School District ADM adjustments Fiscal years 2016, 2017 and 2018.....	6
3 Prescott Unified School District Student cumulative file documentation Fiscal years 2016, 2017 and 2018.....	10
4 Prescott Unified School District ADM and funding adjustments Fiscal years 2017, 2018 and 2019.....	11

INTRODUCTION AND BACKGROUND

The Arizona Department of Education (ADE) Audit Unit has conducted an Average Daily Membership (ADM) audit of the Prescott 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 Prescott, Arizona, offered instruction in grades Preschool through 12 during the fiscal years audited. The District operated one high school, two middle schools, three elementary schools, and one preschool. Table 1 presents the District’s unaudited student, staffing and financial information for FY2016, FY2017 and FY2018.

Table 1

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

	2016	2017	2018
Students Enrolled	4,102	4,044	4,030
Number of Teachers	220	208	199
Revenue			
Local	\$19,778,297	\$22,504,429	\$23,856,481
State	\$7,490,433	\$ 9,290,802	\$7,785,866
Federal	\$4,097,344	\$3,887,029	\$3,766,528
Total Revenues	\$31,366,075	\$ 35,682,260	\$35,408,874
Total Expenditures	\$30,746,307	\$ 32,543,938	\$31,904,454

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 FY2016, FY2017 and FY2018.

To conduct this audit, auditors used a variety of methods, including examining District and ADE records to review 1,303 of 12,769 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 FY2016, FY2017 and FY2018. 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.

- ***Dropout Recovery Program (DRP)*** – Auditors reviewed written learning plans, monthly progress indicators, and enrollment histories to determine if DRP enrollment data reported to ADE was correct. When DRP enrollment was incorrect, auditors made an adjustment.

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 OVERSTATEMENT OF 33.94 ADM

Auditors determined that the District inaccurately reported the student data for 95 students for FY2016, FY2017 and FY2018. Specifically, auditors found that for some students, the District reported inaccurate enrollment dates, FTE, absences, calendars, homebound status and DRP information resulting in an overstatement of 30.69 ADM. In addition, some of the students identified with adjustments also had a SPED weight, resulting in an additional 3.25 weighted SPED ADM. In total, the District's ADM was overstated by 33.94 for the years audited.

The District inaccurately reported some student data

The District inaccurately reported 95 students' enrollment data to ADE, which resulted in the District's ADM being overstated by 33.94.

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 subjects 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 full-time. Lastly, A.R.S. § 15-901.06 states that each eligible pupil who is enrolled in a dropout recovery program shall have a written learning plan developed by the pupil's assigned mentor. However, the District did not always adhere to these requirements. Specifically, for the students that were sampled:

- 16 students were reported with incorrect enrollment dates. Of the 16 students, 11 students were reported with incorrect dates, two preschool students' IEP service dates were not reported correctly and three students that were pre-enrolled actually did not attend the District. As a result, the ADM for the District was overreported by 1.88

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 subjects 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 subjects 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 subjects 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 subject which meets for at least 123 hours annually.

- 17 students had an incorrect FTE reported. As a result, the ADM for the District was overreported by 5.36.
- One student had 10 or more consecutive unexcused absences and should have been withdrawn during this time, resulting in the District overreporting ADM by 0.38.
- 10 students were not reported with the correct calendars. This resulted in the District's ADM being underreported by 0.08.
- 23 homebound students did not have the proper medical certification and/or the required 4 hours of instruction per week. As a result, the ADM for the District was overreported by 10.91.
- 28 DRP students had written learning plans that were either missing, incomplete, or did not meet statutory requirements. As a result, the ADM for the District was overreported by 12.24.

11 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 3.25.

As shown in Table 2, data reporting errors resulted in an ADM overstatement of 33.94 for the three fiscal years audited.

Table 2

**Prescott Unified School District
ADM Adjustments
Fiscal years 2016, 2017 and 2018**

ADM Reason	2016	2017	2018	Total
	ADM	ADM	ADM	ADM
Incorrect FTE	5.04	1.32	(1.00)	5.36
Incorrect Enrollment Dates	0.90	0.95	0.03	1.88
10-day absence	0.38	-	-	0.38
Incorrect Calendar	0.17	(0.19)	(0.06)	(0.08)
Homebound	6.49	1.83	2.59	10.91
DRP-No Written Learning Plan	-	4.07	8.17	12.24
SPED	3.24	0.01	0.00	3.25
Total	16.22	7.99	9.73	33.94

Source: Auditor analysis of District records and ADE data for fiscal years 2016, 2017, 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 17 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 were enrolled in four courses each semester for FY2016, FY2017 and FY2018, they would receive enough hours and courses to be considered full time. The FTE status for 13 students was reported incorrectly due to the number of courses the students were actually enrolled in and for four students the District could not provide evidence they were enrolled in any classes. As a result, the District overreported the FTE for 17 students.

Additionally, the District misreported the enrollment data of 16 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 11 students, two students had incorrect SPED entry/exit dates and three students were reported to ADE that did not attend.

The District also misreported 23 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. Of the 23 students, three students did not have medical certification, seven students did not have medical documentation signed by a medical doctor, and one student had chronic illness documentation and should not have been reported as homebound. In addition, ten students did not receive four or more hours of weekly instruction and one student documentation did not identify the student as being unable to attend regular classes for at least three months. Furthermore, one student's homebound service dates were incorrectly reported.

Finally, auditors determined that the District misreported 28 DRP students. A.R.S. § 15-901.06, each eligible pupil who is enrolled in a dropout recovery program shall have a written learning plan developed by the pupil's assigned mentor. The written plan shall include: start and end dates, courses to be completed, whether courses are sequential or concurrent, state competency exams to be taken and expectations for satisfactory monthly progress. However, the District incorrectly reported 28 DRP students who had written learning plans that were either missing, incomplete, or did not meet statutory requirements.

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

students. In addition, 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's ADM was overstated by 33.94

Auditors determined that the District did not report the correct ADM due to inaccurate enrollment data reported to ADE for FY2016, FY2017 and FY2018. Because the District did not receive any basic state aid for the three years audited, there is no financial adjustment necessary. However, 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 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.

Recommendations:

1. The District needs to ensure that it properly calculates and reports students' FTE pursuant to statute and ADE guidelines.
2. The District must reconcile to ensure that enrollment dates are reported accurately pursuant to A.R.S. § 15-901.
3. The District must ensure it complies with statute and ADE guidelines to properly calculate and document homebound and DRP students.
4. 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.

FINDING 2: 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 and birth certificate 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 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.

The District did not maintain the proper documentation required by statute and ADE's residency guideline. Of the 150 students sampled, 39 of the student files did not have the proper residency documentation and five did not have a birth certificate in their file. Table 3 lists the student file documentation maintained by the District for FY2016, FY2017 and FY2018.

Table 3

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

	Total Sampled	Missing Residency Documentation	Missing Birth Certificate
2016	50	18	2
2017	50	17	3
2018	50	4	0
Total	<u>150</u>	<u>39</u>	<u>5</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.

Recommendation:

1. The District must comply with statute and collect and maintain in each student's cumulative file copies of verifiable residency 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 the budget capacity. 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 and 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 the 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.

No Basic State Aid adjustment required—Auditors identified an overall ADM increase of 41.15 for the three fiscal years audited due to improperly reported enrollment data. However, since the District did not receive any basic state aid for any of the three years audited, no financial adjustment is required.

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

Table 4

**Prescott Unified School District
ADM adjustments
FY2016, FY2017 and FY2018**

	FY2016	FY2017	FY2018	Total
ADM Adjustments	16.22	7.99	9.73	33.94

Source: Auditor analysis of ADE and District student and financial data for FY2016, FY2017 and FY2018.