



Arizona Department of Education

The Audit Unit

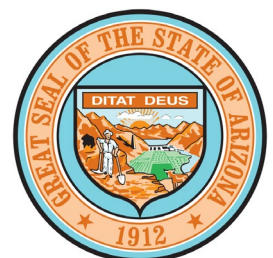
1535 W. Jefferson St., Bin 19

Phoenix, Arizona 85007

602-364-4036

Average Daily Membership Audit Report East Valley Institute of Technology Fiscal Years 2016, 2017 and 2018

Report Number—20-22
December 12, 2019



**CONTACTING
THE AUDIT UNIT**

Taylor MacNamara, Audit Manager

Phone: (602) 364-4063

Email: Taylor.Macnamara@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

December 12, 2019

Dana Kuhn, Acting Superintendent
East Valley Institute of Technology
1601 West Main Street
Mesa, AZ 85201

Dear Superintendent Kuhn:

The Arizona Department of Education Audit Unit has conducted an audit of the East Valley Institute of Technology (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, which resulted in its ADM being overstated by 24.85. Additionally, auditors determined that the District provided programs that were not approved and courses that were taught by uncertified teachers, which resulted in its ADM being overstated by 861.29. These errors resulted in an overstatement of 886.14 ADM and a net overpayment of \$2,817,817.84 in Basic State Aid, which must be repaid to ADE by the District pursuant to state law.

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

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 overpayment of \$52,264.36.....	4
The District inaccurately reported some student enrollment data	4
The District failed to comply with statute and ADE guidelines	5
The District was overfunded by \$52,264.36	6
Recommendations	6
Finding 2: The District provided programs that were not approved and courses that were taught by uncertified teachers resulting in an overpayment of \$2,765,553.48.....	7
The District provided programs that were not approved and courses that had uncertified teachers.....	7
The District failed to comply with statute	8
The District was overfunded by \$2,765,553.48	8
Recommendations	9
ADM and funding adjustments	10

TABLE OF CONTENTS (CONT'D)

	<u>Page</u>
Tables:	
1 East Valley Institute of Technology Total revenues and expenditures Fiscal years 2016, 2017 and 2018 (Unaudited)	2
2 East Valley Institute of Technology ADM adjustments due to enrollment data errors Fiscal years 2016, 2017 and 2018.....	5
3 East Valley Institute of Technology ADM and funding adjustments due to enrollment data errors Fiscal years 2016, 2017 and 2018.....	6
4 East Valley Institute of Technology ADM adjustments due to programs and courses that were not approved and had uncertified teachers Fiscal years 2016, 2017 and 2018.....	8
5 East Valley Institute of Technology ADM and funding adjustments due to programs and courses that were not approved and had uncertified teachers Fiscal years 2016, 2017 and 2018.....	9
6 East Valley Institute of Technology ADM and funding adjustments Fiscal years 2016, 2017 and 2018.....	10

INTRODUCTION AND BACKGROUND

The Arizona Department of Education (ADE) Audit Unit has conducted an Average Daily Membership (ADM) audit of the East Valley Institute of Technology (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 (FY) 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 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 Mesa, Arizona, is a Career Technical Education District (CTED) with 4 central campuses and 33 satellite campuses. Table 1 presents the District’s unaudited financial information for fiscal years 2016, 2017 and 2018.

Table 1

**East Valley Institute of Technology
Total revenues and expenditures
Fiscal years 2016, 2017 and 2018
(Unaudited)**

	2016	2017	2018
Revenue			
Local	\$ 10,613,669	\$ 12,285,378	\$ 13,689,562
County	3,110,879	3,001,357	2,731,874
State	30,060,734	27,817,748	25,666,408
Federal	1,437,189	922,129	1,157,284
Total revenues	<u>45,222,471</u>	<u>44,026,612</u>	<u>43,245,128</u>
Total expenditures	<u>\$ 42,313,684</u>	<u>\$ 36,386,997</u>	<u>\$ 36,625,616</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:

- **FTE**—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.
- **Enrollment data**—Auditors compared the District’s student management system (system) to ADE’s system and identified 3,336 central and 300 satellite students for further evaluation. Auditors reviewed these 3,636 student profiles to determine if the enrollment data reported to ADE was accurate. Auditors compared the student profiles to ADE’s system to determine if the entry and exit date was correct. When the audited entry or exit dates were different from the reported dates auditors recalculated the ADM and made appropriate adjustments to the funded ADM.
- **Certification**—All teachers were reviewed by the ADE CTE department to determine if they had proper certifications for the course to qualify for state funding. When teachers were determined to have no certification or inappropriate certification, auditors made adjustments to the ADM for students in the unqualified classes.
- **Programs**—All programs were reviewed by the ADE CTE department to determine if they had been approved by ADE as required. When a program was determined to have not been approved by ADE, auditors made appropriate adjustments to the ADM for students in the classes that were not approved.
- **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 East Valley Institute of Technology’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 \$52,264.36

The District inaccurately reported the student enrollment data for 227 of its students for fiscal years 2016, 2017 and 2018. Specifically, auditors determined that 197 students had FTE reported incorrectly, 18 students had incorrect enrollment dates, 11 students attended but were not reported to ADE's system for funding, and one student was reported to ADE's system for funding but did not attend. In total, the District's ADM was overstated by 24.85 for its students for the three fiscal years audited. Due to the inaccurate enrollment data, the District received a net overpayment of \$52,264.36 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 227 students to ADE due to various errors, which resulted in the District's ADM being overreported by 24.85. 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. Furthermore, according to A.R.S. § 15-393:

Notwithstanding any other law, the average daily membership for a pupil who is enrolled in a career technical education [...] shall be 0.25 for each course.

Notwithstanding any other law, the average daily membership for a pupil in grade ten, eleven or twelve who is enrolled in a course that meets for at least one hundred fifty minutes per class period at a centralized campus shall be 0.75.

However, the District did not always adhere to these requirements. Specifically:

- 197 students were reported with incorrect FTE, which resulted in the District's ADM being overstated by 34.29.
- 18 students had incorrect enrollment dates, which resulted in the District's ADM being understated by 2.20.
- 11 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 understated by 7.25.

- 1 student was reported to ADE’s system; however, the student did not attend, which resulted in the District’s ADM being overstated by 0.01.

As shown in Table 2, data reporting errors resulted in a net ADM overstatement of 24.85 for fiscal years 2016, 2017 and 2018.

Table 2
East Valley Institute of Technology
ADM adjustments due to enrollment data errors
Fiscal years 2016, 2017 and 2018

	2016	2017	2018	Total
Incorrect FTE	11.60	14.42	8.27	34.29
Incorrect enrollment dates	(1.96)	-	(0.24)	(2.20)
Attended	(7.25)	-	-	(7.25)
Did not attend	-	0.01	-	0.01
Total	2.39	14.43	8.03	24.85

Source: Auditor analysis of ADE and District records, A.R.S. § 15-901, A.R.S. § 15-393

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 197 of the District’s students had their FTE reported incorrectly. The District must ensure that it properly calculates and reports students’ FTE pursuant to A.R.S. § 15-393.

Additionally, the District misreported the enrollment dates of 18 students to ADE according to the District’s student attendance records. The District must ensure that enrollment dates are reported accurately pursuant to A.R.S. § 15-901 and ADE External Guideline and Procedures GE-17.

Finally, the District did not receive funding for 11 students that attended and reported one student for funding that did not attend. The District must ensure only eligible students are reported to ADE for funding.

The District should review its reconciliation practices to ensure that its staff properly review the reports produced by ADE’s system and reconcile them to the District’s system data to identify any discrepancies that would affect funding and correct any errors identified. In the future, the District must ensure it complies with statute and ADE guidelines to properly calculate and report FTE and report student enrollments.

The District was overfunded by \$52,264.36

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 24.85 for the three fiscal years audited. Due to the change in funding from prior year to current year, there was no adjustment to Basic State Aid apart from District Additional Assistance in fiscal year 2017. As shown in Table 3, due to the overstatement of 24.85 ADM for its enrollment data, the District was overfunded by \$52,264.36 which ADE must recoup from the District pursuant to A.R.S. § 15-915.

Table 3

**East Valley Institute of Technology
ADM and funding adjustments due to enrollment data errors
Fiscal years 2016, 2017 and 2018**

	2016	2017	2018	Total
ADM	2.39	14.43	8.03	24.85
Total funding adjustments	\$ 11,419.20	\$ 962.66	\$ 39,882.50	\$ 52,264.36

Source: Auditor analysis of ADE and District records, A.R.S. § 15-901, A.R.S. § 15-393.

Recommendations:

1. The District must repay ADE \$52,264.36 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 and A.R.S. § 15-393.
3. The District must ensure that it properly calculates and reports students' enrollment and FTE pursuant to statute and ADE guidelines.

FINDING 2: THE DISTRICT PROVIDED PROGRAMS THAT WERE NOT APPROVED AND COURSES THAT WERE TAUGHT BY UNCERTIFIED TEACHERS RESULTING IN AN OVERPAYMENT OF \$2,765,553.48

The District provided programs that were not approved by the ADE Career and Technical Education (CTE) department in fiscal years 2016, 2017 and 2018. Furthermore, some District teachers were not certified or were not appropriately certified to teach in fiscal years 2016, 2017 and 2018. As a result, the District's ADM was overstated by 861.29 and the District received a net overpayment of \$2,765,553.48 in Basic State Aid for the three fiscal years audited which the District must pay to ADE pursuant to A.R.S. § 15-915.

The District provided programs that were not approved and courses that had uncertified teachers

The District provided programs and courses that did not meet requirements set forth in statute. According to A.R.S. § 15-391:

[A] "career technical education course" means a course that is offered by a career technical education district as part of a career technical education district program, that is approved by the career and technical education division of the department of education and [...] is taught by an instructor who is certified to teach career and technical education by the state board of education or by a postsecondary educational institution.

However, the District did not always adhere to these requirements. Specifically:

- 221 students were enrolled in a course from a program that was not approved by the ADE CTE department, which resulted in the District's ADM being overstated by 188.92.
- 1,156 students were enrolled in a course that was taught by a teacher that was not appropriately certified, which resulted in the District's ADM being overstated by 663.54.
- 102 students were enrolled in a course that was taught by a teacher that did not receive certification until after the start of the school year, which resulted in the District's ADM being overstated by 8.83.

As shown in Table 4, the programs that were not approved or courses that were taught by a certified teacher resulted in a net ADM overstatement of 861.29 for fiscal years 2016, 2017 and 2018.

Table 4

**East Valley Institute of Technology
ADM adjustments due to programs and courses that were
not approved and had uncertified teachers
Fiscal years 2016, 2017 and 2018**

	2016	2017	2018	Total
Not approved programs	70.78	49.03	69.11	188.92
Teacher certification	260.09	246.84	165.44	672.37
Total	330.87	295.87	234.55	861.29

Source: Auditor analysis of ADE and District records, A.R.S. § 15-901, A.R.S. § 15-391, A.R.S. § 15-393.

The District failed to comply with statute

The District did not comply with statute for teacher certification and program approval.

Some District teachers did not hold a teaching certification for some of the days that they were teaching. Additionally, some District teachers did not have the appropriate certification to teach some courses. A.R.S. § 15-391 states that a career technical education course must be taught by an instructor who is certified to teach career and technical education. The District must ensure that all teachers are certified before teaching. The District must also ensure that all teachers are appropriately certified for each course they are teaching.

In addition, some District programs were not approved. A.R.S. § 15-391 states that a career technical education program must be approved by the ADE CTE department. The District must ensure that all programs with courses that will be reported for funding are approved by the ADE CTE department before the course is provided.

In the future, the District must ensure it complies with statute and ADE guidelines to properly certify teachers and obtain program approval.

The District was overfunded by \$2,765,553.48

Auditors determined that the District did not receive the correct amount of Basic State Aid due to programs that were not approved and courses that were taught by an uncertified teacher for fiscal years 2016, 2017 and 2018. These practices resulted in its ADM being overstated by 861.29 for the three fiscal years audited. Due to the change in funding from prior year to current year, there was no adjustment to Basic State Aid apart from District Additional Assistance in fiscal year 2017. As shown in Table 5 (see page 9), due to the

overstatement of 861.29 ADM for programs that were not approved and courses that were taught by an uncertified teacher, the District received an overpayment to Basic State Aid of \$2,765,553.48 for the three fiscal years audited which the District must pay to ADE pursuant to A.R.S. § 15-915.

Table 5

**East Valley Institute of Technology
ADM and funding adjustments due to programs and courses
that were not approved and had uncertified teachers
Fiscal years 2016, 2017 and 2018**

	2016	2017	2018	Total
ADM	330.87	295.87	234.55	861.29
Total funding adjustments	\$ 1,580,605.87	\$ 19,738.86	\$ 1,165,208.75	\$ 2,765,553.48

Source: Auditor analysis of ADE and District records, A.R.S. § 15-901, A.R.S. § 15-391, A.R.S. § 15-393.

Recommendations:

1. The District must pay ADE \$2,765,553.48 in Basic State Aid due to programs that were not approved and courses that were taught by an uncertified teacher.
2. The District must ensure that programs are approved by the ADE CTE department before reporting student enrollments and average daily membership for funding pursuant to A.R.S. § 15-391.
3. The District must ensure that teachers have appropriate and timely certification pursuant to A.R.S. § 15-391.

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 \$2,817,817.84 required to be paid by the District—Auditors identified an overall funding adjustment of \$2,817,817.84 for the three fiscal years audited due to inaccurate student enrollment, programs that were not approved and uncertified teachers.

Table 6 lists the ADM adjustments and the associated Basic State Aid adjustments for the District for fiscal years 2016, 2017 and 2018.

Table 6

**East Valley Institute of Technology
ADM and funding adjustments
Fiscal years 2016, 2017 and 2018**

	2016		2017		2018		Total
	ADM	Funding	ADM	Funding	ADM	Funding	
Inaccurate enrollment data	2.39	\$ 11,419.20	14.43	\$ 962.66	8.03	\$ 39,882.50	\$ 52,264.36
Programs and courses that were not approved or were taught by an uncertified teacher	330.87	\$ 1,580,605.87	295.87	\$ 19,738.86	234.55	\$ 1,165,208.75	\$ 2,765,553.48
Total funding adjustment	333.26	\$ 1,592,025.07	310.30	\$ 20,701.52	242.58	\$ 1,205,091.25	\$ 2,817,817.84

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