



## Arizona Department of Education

The Audit Unit

1535 W. Jefferson St., Bin 19

Phoenix, Arizona 85007

602-364-4036

# Average Daily Membership Audit Report Agua Fria Union High School District Fiscal Years 2017, 2018 and 2019

Report Number—20-37

May 26, 2020



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## Arizona Department of Education

Audit Unit

May 26, 2020

Dr. Dennis Runyan, Superintendent  
Agua Fria Union High School District  
1481 N Eliseo Felix Jr Way  
Ste 110, Avondale, AZ 85323 1217

Dear Superintendent Runyan:

The Arizona Department of Education Audit Unit has conducted an audit of the Agua Fria Union High School District (District) Average Daily Membership (ADM) for fiscal years (FY) 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 of 77 students, which resulted in an ADM overstatement of 0.25. Furthermore, auditors determined that the District incorrectly reported the AOI data of two students, which resulted in an ADM understatement of 0.24. In total, the District had an ADM overstatement of 0.01. As a result, the District was overfunded by \$248.15 which the District must repay to ADE.

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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# TABLE OF CONTENTS

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	<u>Page</u>
<b>Introduction and background .....</b>	<b>1</b>
<b>Scope and methodology.....</b>	<b>3</b>
<b>Finding 1: The District did not accurately report some student data resulting in an overpayment of \$1,507.10.....</b>	<b>4</b>
The District inaccurately reported some student data.....	4
The District failed to comply with statute and ADE guidelines .....	6
The District was overfunded by \$1,507.10 .....	6
Recommendations .....	7
<b>Finding 2: The District did not accurately report some AOI data resulting in an underpayment of \$1,258.95 .....</b>	<b>8</b>
The District inaccurately reported some AOI data.....	8
The District failed to comply with statute and ADE guidelines .....	8
The District was underfunded by \$1,258.95.....	9
Recommendations .....	9
<b>ADM and funding adjustments .....</b>	<b>10</b>

# TABLE OF CONTENTS (CONT'D)

---

	<u>Page</u>
<b>Tables:</b>	
1 Agua Fria Union High School District Total students, revenues and expenditures Fiscal years 2017, 2018 and 2019 (Unaudited) .....	2
2 Agua Fria Union High School District ADM adjustments due to enrollment data errors Fiscal years 2017, 2018 and 2019.....	5
3 Agua Fria Union High School District ADM and funding adjustments Fiscal years 2017, 2018 and 2019.....	7
4 Agua Fria Union High School District AOI ADM adjustments Fiscal year 2019 .....	8
5 Agua Fria Union High School District ADM and funding adjustments due to AOI data errors Fiscal year 2019 .....	9
6 Agua Fria Union High School District ADM and funding adjustments Fiscal years 2017, 2018 and 2019.....	10

# INTRODUCTION AND BACKGROUND

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The Arizona Department of Education (ADE) Audit Unit has conducted an Average Daily Membership (ADM) audit of the Agua Fria Union High School District (District) pursuant to Arizona Revised Statutes (A.R.S.) § 15-239. This audit focused on whether the District properly reported enrollment data to ADE and received the correct amount of Basic State Aid for fiscal years (FY) 2017 through 2019.

***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 2013 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 Avondale, Arizona, offered instruction in grades 9 through 12 during the fiscal years audited. The District operated 5 high schools and an AOI. Table 1 presents the District’s unaudited student, staffing and financial information for FY 2017, FY 2018 and FY 2019.

**Table 1**

**Agua Fria Union High School District  
Total students, revenues and expenditures  
Fiscal years 2017, 2018 and 2019  
(Unaudited)**

	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>Students enrolled</b>	<b>7,769</b>	<b>7,766</b>	<b>7,964</b>
<b>Number of teachers</b>	<b>372</b>	<b>386</b>	<b>390</b>
<b>Revenue</b>			
Local	\$36,061,201	\$41,369,706	\$42,362,115
Intermediate	\$1,963,043	\$2,133,816	\$2,306,696
State	\$43,453,136	\$41,575,322	\$36,695,459
Federal	\$4,527,684	\$3,988,448	\$4,379,504
<b>Total revenues</b>	<b>\$86,005,064</b>	<b>\$89,067,293</b>	<b>\$85,743,774</b>
<b>Total expenditures</b>	<b>\$85,288,399</b>	<b>\$127,528,183</b>	<b>\$86,485,484</b>

Source: Annual Report of the Arizona Superintendent of Public Instruction for fiscal years 2017, 2018 and 2019.

## SCOPE AND METHODOLOGY

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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 FY 2017, FY 2018 and FY 2019.

To conduct this audit, auditors used a variety of methods, including examining District and ADE records to review 2,535 of 25,194 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 enrollment dates and full-time enrollment (FTE) 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. No findings were identified.
- **Instructional hours** – Auditors reviewed the bell schedules and calendars for the District for FY 2017, FY 2018 and FY 2019. The total instructional hours 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 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. If a student was not limited appropriately, an adjustment was determined.

The Audit Unit expresses its appreciation to the District’s administration and staff members for their cooperation and assistance during the course of the audit.



# **FINDING 1: THE DISTRICT DID NOT ACCURATELY REPORT SOME STUDENT DATA RESULTING IN AN OVERPAYMENT OF \$1,507.10**

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Auditors determined that the District inaccurately reported the student data for 77 students for FY 2017, FY 2018 and FY 2019. Specifically, auditors found that 64 students had an incorrectly reported FTE, four students did not attend, three students had insufficient homebound documentation, two students had incorrect enrollment dates, two students had 10 consecutive absences and a non-fundable ADM interval, one student was duplicated and one student attended but was not funded. As a result of these errors, the District's ADM was overreported by 0.25 and the District was overfunded by \$1,507.10 in Basic State Aid. According to A.R.S. § 15-915, ADE needs to recover these monies from the District.

## **The District inaccurately reported some student data**

The District inaccurately reported 77 students' enrollment data to ADE, which resulted in the District's ADM being overstated by 0.25.

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<sup>1</sup>. 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. However, the District did not always adhere to these requirements. Specifically, for the students that were sampled:

- 64 students had an incorrect FTE reported. As a result, the ADM for the District was underreported by 2.75.

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<sup>1</sup> 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.

- 4 students were reported as attended but did not actually attend the District. As a result, the ADM for the District was overreported by 0.40.
- 3 students did not have homebound documentation provided. As a result, the ADM for the District was overreported by 1.21.
- 2 students were reported with incorrect enrollment dates. As a result, the ADM for the District was overreported by 0.20.
- 2 students had over 10 consecutive absences which generated a non-fundable ADM interval. As a result, the ADM for the District was overreported by 0.67.
- 1 student attended the District but was not reported and funded as being enrolled in the District. As a result, the ADM for the District was underreported by 1.00.
- 1 student was duplicated and reported to the state more than once. As a result, the District was ADM for the District was overreported by 0.50.
- 9 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 1.02.

As shown in Table 2, data reporting errors resulted in an ADM overstatement of 0.25 for the three fiscal years audited.

**Table 2**

**Agua Fria Union High School District  
ADM adjustments due to enrollment data errors  
Fiscal years 2017, 2018 and 2019**

	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>Total</b>
FTE	(5.50)	2.11	0.64	(2.75)
Did not attend	0.38	0.01	0.01	0.40
Homebound	-	-	1.21	1.21
Enrollment dates	-	-	0.20	0.20
10-day absence	-	0.15	0.52	0.67
Duplicated	0.50	-	-	0.50
Attended	(1.00)	-	-	(1.00)
SPED	1.02	-	-	1.02
<b>Total</b>	<b>(4.60)</b>	<b>2.27</b>	<b>2.58</b>	<b>0.25</b>

Source: Auditor analysis of District records, ADE data for fiscal years 2017, 2018 and 2019.

## **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 enrollment data.

Auditors determined that 64 of the District's students were not reported with the appropriate full-time enrollment (FTE). The FTE that was reported for the students was not correct based on the annual instructional hours or the number of courses the students were enrolled in. As a result, the District overreported the FTE for 64 students.

Additionally, the District misreported the enrollment data of 10 students. According to A.R.S. § 15-901, the enrollment dates for a student are the first day of actual attendance and the last day of actual attendance or excused absence. In addition, School Finance Manual (G) states that students who have reached the 10% threshold for cumulative absences (excused and unexcused) based on the number of instructional calendar days at their school and incur 10 or more consecutive absences may generate non-fundable ADM intervals. The District incorrectly reported the enrollment dates of two students, four students were reported to ADE that did not attend, two students had over 10 consecutive absences that generated a non-fundable interval, one student attended but was not funded and one student was duplicated when reported.

Furthermore, the District did not provide documentation for 3 homebound students. As a result, the District overreported ADM for 3 homebound students.

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

## **The District was overfunded by \$1,507.10**

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 FY 2017, FY 2018 and FY 2019. The student data incorrectly reported by the District resulted in its ADM being overstated by 0.25. As a result, the District was overfunded by \$1,507.10, as shown in Table 3 (see page 7), which ADE must recoup from the District pursuant to A.R.S. § 15-915.

**Table 3**

**Agua Fria Union High School District  
ADM and funding adjustments  
Fiscal years 2017, 2018 and 2019**

	<b>ADM Adjustment</b>	<b>Total</b>
2017	(4.60)	\$(22,484.10)
2018	2.27	\$10,359.12
2019	2.58	\$13,632.08
<b>Total</b>	<b>0.25</b>	<b>\$1,507.10</b>

Source: Auditor analysis of District and ADE records for fiscal years 2017, 2018 and 2019.

**Recommendations:**

1. The District must repay to ADE \$1,507.10 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 enrollment data is reported accurately pursuant to A.R.S. § 15-901.

## **FINDING 2: THE DISTRICT DID NOT ACCURATELY REPORT SOME AOI DATA RESULTING IN AN UNDERPAYMENT OF \$1,258.95**

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The District did not accurately report enrollment data for two of its AOI students to ADE for fiscal year 2019. Specifically, auditors found that the two students were not appropriately reported as AOI students and did not receive funding. As a result, the District's weighted AOI ADM was understated by 0.24. This led to the District being underfunded by \$1,258.95 which ADE must pay to the District according to A.R.S. § 15-915.

### **The District inaccurately reported some AOI data**

Auditors determined that student data for two of its AOI students was inaccurate, which resulted in the District's weighted AOI ADM being understated by 0.24 for fiscal year 2019. The two students were not reported as AOI students when reported to ADE.

As shown in Table 4, AOI data reporting errors resulted in a net weighted ADM understatement of 0.24 for fiscal year 2019.

**Table 4**

**Agua Fria Union High School District  
AOI ADM adjustments  
Fiscal year 2019**

<b>Adjustments</b>	<b>ADM Total</b>
Full time	(0.24)
Part time	-
<b>Total</b>	<b>(0.24)</b>

Source: Auditor analysis of District records and ADE data for fiscal year 2019.

### **The District failed to comply with statute and ADE guidelines**

The District did not report AOI students appropriately to ADE. According to SF-0003, for funding and documentation purposes, all entities must obtain a unique CTDS number in order to provide AOI. 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 underfunded by \$1,258.95

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 understated by 0.24. As a result, as shown in Table 5, the District was underfunded by \$1,258.95 in Basic State Aid for FY 2019, which ADE must pay to the District pursuant to A.R.S. § 15-915.

**Table 5**

**Agua Fria Union High School District  
ADM and funding adjustments due to AOI data errors  
Fiscal year 2019**

	<b>Total</b>
ADM	(0.24)
<b>Total funding adjustments</b>	<b>\$(1,258.95)</b>

Source: Auditor analysis of District records, A.R.S. § 15-808.

### Recommendations:

1. ADE must pay to the District \$1,258.95 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.

# ADM AND FUNDING ADJUSTMENTS

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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 \$248.15 required to be paid to ADE**—Auditors identified an overall funding adjustment of \$248.15 for the three fiscal years audited due to inaccurate student enrollment and AOI data.

Table 6 lists the ADM adjustments and the associated Basic State Aid adjustments for the District for the three fiscal years audited.

**Table 6**

**Agua Fria Union High School District  
ADM and funding adjustments  
Fiscal years 2017, 2018 and 2019**

	2017		2018		2019		Total
	ADM	Funding	ADM	Funding	ADM	Funding	
Inaccurate enrollment data	(4.60)	\$(22,484.10)	2.27	\$10,359.12	2.58	\$13,632.08	\$1,507.10
AOI	-	\$ -	-	\$ -	(0.24)	\$(1,258.95)	\$(1,258.95)
<b>Total funding adjustment</b>	<b>(4.60)</b>	<b>\$(22,484.10)</b>	<b>2.27</b>	<b>\$10,359.12</b>	<b>2.34</b>	<b>\$12,373.13</b>	<b>\$248.15</b>

Source: Auditor analysis of ADE and District student and financial data for fiscal years 2017, 2018 and 2019.