



Arizona Department of Education

The Audit Unit

1535 W. Jefferson St., Bin 19

Phoenix, Arizona 85007

602-364-4036

Average Daily Membership Audit Report Arlington Elementary District Fiscal Years 2017, 2018 and 2019

Report Number—21-2
July 10, 2020



**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

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Arizona Department of Education

Audit Unit

July 10, 2020

Chad Turner, Superintendent
Arlington Elementary District
9410 S 355th Ave
Arlington, AZ 85322

Dear Superintendent Turner:

The Arizona Department of Education Audit Unit has conducted an audit of the Arlington Elementary 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 of 12 students, which resulted in its ADM being overstated by 2.19. 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

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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 Arlington Elementary 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 and budget capacity 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 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 Arlington, Arizona, offered instruction in grades preschool through 8 during the fiscal years audited. They operated one elementary school. Table 1 presents the District's unaudited student, staffing and financial information for FY 2017, FY 2018 and FY 2019.

Table 1

**Arlington Elementary District
Total students, revenues and expenditures
Fiscal years 2017, 2018 and 2019
(Unaudited)**

	2017	2018	2019
Students enrolled	259	262	248
Number of teachers	12	12	13
Revenue			
Local	\$ 2,266,180	\$ 2,627,912	\$ 2,209,152
Intermediate	\$ 0	\$ 0	\$ 3,039
State	\$ 120,389	\$ 145,129	\$ 155,864
Federal	\$ 395,760	\$ 418,170	\$ 356,088
Total revenues	<u>\$ 2,782,329</u>	<u>\$ 3,191,211</u>	<u>\$ 2,724,143</u>
Total expenditures	<u>\$ 2,765,158</u>	<u>\$ 2,917,937</u>	<u>\$ 2,900,859</u>

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

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 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 150 of 844 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.
- **Instructional hours** – Auditors reviewed the Kindergarten through 8th grade bell schedules and calendars for the District for fiscal years 2017, 2018 and 2019. 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 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 OVERSTATEMENT OF 2.19 ADM

Auditors determined that the District inaccurately reported student data for 12 students for fiscal years 2017, 2018 and 2019. Specifically, auditors found that seven students did not attend and five students had incorrect enrollment dates. As a result of these errors, the District's ADM was overreported by 2.19.

The District inaccurately reported some student data

The District inaccurately reported 12 students' enrollment data to ADE, which resulted in the District's ADM being overstated by 2.19.

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:

- 7 students were reported to ADE but did not attend. As a result, the ADM for the District was overreported by 2.18.
- 5 students were reported with incorrect enrollment dates. As a result, the ADM for the District was overreported by 0.01.

As shown in Table 2, data reporting errors resulted in an ADM overstatement of 2.19 for the three fiscal years audited.

Table 2

**Arlington Elementary District
ADM adjustments due to enrollment data errors
Fiscal years 2017, 2018 and 2019**

	Enrollment dates	Did not attend	Total
2017	(0.02)	0.77	0.75
2018	-	1.31	1.31
2019	0.03	0.10	0.13
Total	0.01	2.18	2.19

Source: Auditor analysis of District and ADE records 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 enrollment data.

The District misreported the enrollment data of 12 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. Five students were reported with incorrect enrollment dates and attendance documentation was not provided for seven students.

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

The District's ADM was overstated by 2.19

Auditors determined that the District did not report the correct ADM due to inaccurate student data reported to ADE for fiscal years 2017, 2018 and 2019. The student data incorrectly reported by the District resulted in its ADM being overstated by 2.19. 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 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.

Recommendation:

1. 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 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. 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 a student 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 a 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."

The District did not maintain the proper documentation required by statute and ADE's residency guideline. Of the 90 students sampled, 21 of the student files did not have the proper residency documentation, one file did not have a birth certificate in their file and one file did not have immunization record documentation. Table 3 (see page 7) lists the student file documentation maintained by the District for fiscal years 2017, 2018 and 2019.

Table 3

**Arlington Elementary District
Student cumulative file documentation
Fiscal years 2017, 2018 and 2019**

	Total sampled	Missing residency documentation	Missing birth certificate	Missing immunization
2017	30	7	-	1
2018	30	6	1	-
2019	30	8	-	-
Total	90	21	1	1

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

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 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.

No Basic State Aid adjustment required—Auditors identified an overall ADM adjustment of 2.19 for the three fiscal years audited due to inaccurate student 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 2017, 2018 and 2019.

Table 4

**Arlington Elementary District
ADM adjustments
Fiscal years 2017, 2018 and 2019**

	2017	2018	2019	Total
ADM adjustment	0.75	1.31	0.13	2.19

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