



Arizona Department of Education

The Audit Unit

1535 W. Jefferson St., Bin 19

Phoenix, Arizona 85007

602-364-4036

Average Daily Membership Audit Report Cartwright Elementary District Fiscal Years 2017 and 2018

Report Number—20-31

March 20, 2020



**CONTACTING
THE AUDIT UNIT**

Angel Santiago, Audit Supervisor

Phone: 602-364-4061

Email: Asantiago@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

March 20, 2020

Dr. LeeAnn Aguilar Lawlor, Superintendent
Cartwright Elementary District
5220 W Indian School Rd
Phoenix, Arizona 85031

Superintendent Lawlor:

The Arizona Department of Education Audit Unit has conducted an audit of the Cartwright Elementary District (District) Average Daily Membership (ADM) for Fiscal Years 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 65 students, which resulted in its ADM being overstated by 7.93. As a result, the District was overfunded by \$32,649.43 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

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 \$32,649.43.....	4
The District inaccurately reported some student data.....	4
The District must properly reconcile its enrollment data with ADE	6
The District was overfunded by \$32,649.43	6
Recommendations	6
ADM and funding adjustments	8

TABLE OF CONTENTS (CONT'D)

	<u>Page</u>
Tables:	
1 Cartwright Elementary District Total students, revenues and expenditures Fiscal years 2017 and 2018 (Unaudited)	2
2 Cartwright Elementary District ADM adjustments due to enrollment data errors Fiscal years 2017 and 2018	5
3 Cartwright Elementary District ADM and funding adjustments Fiscal years 2017 and 2018	6
4 Cartwright Elementary District ADM and funding adjustments Fiscal years 2017 and 2018	8

INTRODUCTION AND BACKGROUND

The Arizona Department of Education (ADE) Audit Unit has conducted an Average Daily Membership (ADM) audit of the Cartwright 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 for Fiscal Years (FY) 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 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 Phoenix, Arizona, offered instruction in grades Preschool through 8th during the fiscal years audited. They operated one Pre-school and 20 K-8 elementary schools. Table 1 presents the District's unaudited student, staffing and financial information for FY 2017 and FY 2018.

Table 1

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

	2017	2018
Students Enrolled	17,976	17,292
Number of Teachers	968	861
Revenue		
Local	\$ 24,226,194	\$25,044,790
County	\$8,150,471	\$8,011,508
State	\$81,585,728	\$81,445,184
Federal	\$30,006,533	\$32,107,585
Total Revenues	<u>\$143,968,926</u>	<u>\$146,609,068</u>
Total Expenditures	<u>\$143,050,948</u>	<u>\$146,722,252</u>

Source: Annual Report of the Arizona Superintendent of Public Instruction for fiscal years 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 FY2017 and FY2018.

To conduct this audit, auditors used a variety of methods, including examining District and ADE records to review 2,023 of 38,765 students over the two 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. No findings were identified for this area.
- **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 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 FY2017 and FY2018. The total instructional hours offered for each grade met the minimum required by statute for each of the two 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.

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 \$32,649.43

Auditors determined that the District inaccurately reported the student data for 65 students for FY2017 and FY2018. Specifically, auditors found that four students had an incorrectly reported FTE, 28 students did not attend the District, 15 preschool students were not reported with correct calendar tracks and 11 preschool students service dates for SPED were not reported correctly. In addition, five students had 10 consecutive unexcused absences, one student had an incorrect withdrawal date and one homebound student was reported incorrectly. As a result of these errors, the District's ADM was overreported by 7.93. 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 65 students' enrollment data to ADE, which resulted in the District's ADM being overstated by 7.93.

According to ADE External Guideline and Procedures GE-17 and A.R.S. § 15-901, except for 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 the hours in which a student is scheduled to attend a common school during the regular school day shall be included in the calculation of the average daily membership for that student.

Furthermore, A.R.S. § 15-901 states homebound students must have medical certification and must receive at least 4 hours of instruction per week to be considered in attendance. A.R.S. § 15-346 defines chronic illness as pupils who are not homebound, but who are unable to attend regular classes for intermittent periods of one or more consecutive days as certified by a health professional. However, the District did not always adhere to these requirements Specifically, for the students that were sampled:

- 28 students that were pre-enrolled, did not attend the District, resulting in the District overreporting ADM by 2.14.
- Four students had an incorrect FTE reported. As a result, the ADM for the District was underreported by 1.38.
- 15 preschool students were not reported with the correct calendar tracks. This resulted in the District's ADM being understated by 1.11.

- 11 preschool students' service dates for SPED were not reported correctly. As a result, the ADM for the District was overreported by 0.50.
- Five students had 10 consecutive unexcused absences and should have been withdrawn and reenrolled, resulting in the District overreporting ADM by 0.43.
- One student was reported with an incorrect withdrawal date. As a result, the ADM for the District was overreported by 0.01.
- One student, reported as chronically ill and homebound, did not have the proper chronic ill medical certification and did not have the proper homebound medical certification and the required 4 hours of instruction per week. As a result, the ADM for the District was overreported by 0.91.

In addition, nine 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 over reported by 6.43.

As shown in Table 2, data reporting errors resulted in an ADM overstatement of 7.93 for the two fiscal years audited.

Table 2
Cartwright Elementary District
ADM adjustments due to enrollment errors
Fiscal years 2017 and 2018

	2017	2018	Total
Incorrect FTE	(1.38)	-	(1.38)
10 Day Absence	0.20	0.23	0.43
PS Calendar	(0.74)	(0.37)	(1.11)
PS SPED Code	0.22	0.28	0.50
Chronic/Homebound	-	0.91	0.91
Incorrect Withdrawal Date	-	0.01	0.01
Did not Attend	1.26	0.88	2.14
SPED	(0.09)	6.52	6.43
Total	(0.53)	8.46	7.93

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

The District must properly reconcile its enrollment data with ADE

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 must ensure that a process is in place that captures the proper FTE, and 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 overfunded by \$32,649.43

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 FY2017 and FY2018. The student data incorrectly reported by the District resulted in its ADM being overstated by 7.93. However, for fiscal year 2017, due to the change in funding from prior year to current year, the ADM adjustments for fiscal year 2017 did not impact Basic State Aid. As a result, the District was overfunded by \$32,649.43 in Basic State Aid. As a net result, as shown in Table 3, the District was overfunded by \$32,649.43 which ADE must recoup from the District pursuant to A.R.S. § 15-915.

Table 3

**Cartwright Elementary District
ADM and funding adjustments
Fiscal years 2017 and 2018**

	ADM Adjustment	Basic State Aid
2017	(0.53)	-
2018	8.46	\$32,649.43
Total	7.93	\$32,649.43

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

Recommendations:

1. The District must repay to ADE \$32,649.43 in Basic State Aid due to incorrectly reported student data.
2. The District needs to ensure that it properly calculates and reports students' FTE pursuant to statute and ADE guidelines.

3. The District must reconcile to ensure that enrollment dates are reported accurately pursuant to A.R.S. § 15-901.
4. The District needs to ensure that Pre-School calendars and dates are reported accurately pursuant to A.R.S. § 15-901.
5. The District needs to ensure that for chronically ill and homebound, documentation is accurate to include proper chronic ill medical certification and proper homebound medical certification and the required 4 hours of instruction per week.

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 two 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 \$32,649.43 required to be paid to ADE—Auditors identified an overall funding adjustment of \$32,649.43 for the two fiscal years audited due to inaccurate student enrollment. For fiscal year 2017, auditors determined that due to the change in funding from prior year to current year, the ADM adjustments for fiscal year 2017 did not impact Basic State Aid.

Table 4 lists the ADM adjustments and the associated Basic State Aid adjustments for the District for fiscal years 2017 and 2018.

Table 4

**Cartwright Elementary District
ADM and funding adjustments
FY2017 and FY2018**

	FY2017		FY2018		Total	
	ADM	Funding	ADM	Funding	ADM	Funding
ADM and funding adjustment	(0.53)	-	8.46	\$32,649.43	7.93	\$32,649.43

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