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The Audit Unit

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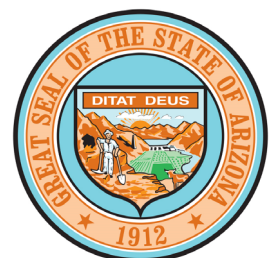
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Average Daily Membership Audit Report Pima JTED Fiscal Years 2017, 2018 and 2019

Report Number—21-05

July 31, 2020



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Arizona Department of Education

Audit Unit

July 31, 2020

Kathy Prather, Superintendent/CEO
Pima JTED
2855 W. Master Pieces Dr.
Tucson, AZ 85741

Superintendent Prather:

The Arizona Department of Education Audit Unit has conducted an audit of the Pima JTED (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 some enrollment, full-time enrollment (FTE) data and a course was taught by an uncertified teacher, which resulted in its ADM being overstated by 46.91. Furthermore, auditors determined that the District incorrectly reported the AOI data of 82 students, which resulted in an ADM overstatement of 6.63. In total, the District had an ADM overstatement of 53.54. As a result, the District was overfunded by \$273,866.59 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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INTRODUCTION AND BACKGROUND

The Arizona Department of Education (ADE) Audit Unit has conducted an Average Daily Membership (ADM) audit of the Pima JTED (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 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 Tucson, Arizona, is a Career and Technical Education District (CTED) which had 15 central campuses in FY2017, FY2018 and FY2019. Additionally, the District had 27 satellite campuses for all three fiscal years. Table 1 presents the District's unaudited financial information for FY2017, FY2018 and FY2019.

Table 1

**Pima JTED
Total revenues and expenditures
Fiscal years 2017, 2018 and 2019
(Unaudited)**

| | 2017 | 2018 | 2019 |
|---------------------------|----------------------------|----------------------------|----------------------------|
| Revenue | | | |
| Local | \$4,111,157 | \$4,469,306 | \$4,624,404 |
| County | \$1,642,104 | \$1,762,510 | \$1,876,914 |
| State | \$12,934,966 | \$14,862,462 | \$18,497,929 |
| Federal | \$252,379 | \$423,414 | \$396,262 |
| Total Revenues | <u>\$18,940,606</u> | <u>\$21,517,692</u> | <u>\$25,395,509</u> |
| Total Expenditures | <u>\$19,653,437</u> | <u>\$19,178,160</u> | <u>\$25,836,700</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 FY2017, FY2018 and FY2019.

To conduct this audit, auditors used a variety of methods, including examining District and ADE records to review 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:

- **Calendars**—Auditors reviewed the program calendars to determine if the enrollment days reported to ADE were correct. No findings were identified for this area.
- **Enrollment data** – Auditors compared the District’s student management system to ADE’s system and reviewed student profiles to determine if the enrollment data reported to ADE was accurate. Auditors compared the student profiles to ADE’s information 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.
- **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.
- **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.
- **Certification**—All teachers were reviewed 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.

- **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 \$233,111.89

Auditors determined that the District inaccurately reported the student data for 194 students for FY2017, FY2018 and FY2019. Specifically, auditors found that 154 students had an incorrectly reported FTE, 21 students had incorrect enrollment dates, 12 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 and seven students were reported to ADE's system for funding but did not attend. In total, the District's ADM was overreported by 46.91. As a result, the District was overfunded by \$233,111.89 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 194 students' enrollment data to ADE and provided courses that did not meet requirements set forth in statute, which resulted in the District's ADM being overstated by 46.91.

According to A.R.S. §15-393¹, if a course through a CTED is at least 150 minutes per class period at a centralized campus, then the FTE is 0.75. Otherwise, the FTE for any other course is 0.25. In addition, according to A.R.S § 15-901, "Average daily membership" means the total enrollment of fractional students and full-time students, minus withdrawals, of each school day through the first one hundred days or two hundred days in session, as applicable, for the current year. Finally, 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 the statute and guideline requirements. Specifically:

- 154 students had an incorrect FTE, which resulted in the District's ADM being overstated by 40.81.

¹ Notwithstanding any other law, the average daily membership for a pupil who is enrolled in a joint technical education course defined in section 15-391 and who does not meet the criteria specified in subsection P or Q of this section shall be 0.25 for each course, except the sum of the average daily membership shall not exceed the limits prescribed by subsection D, P or Q of this section, as applicable.[...]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.

- 21 students had incorrect enrollment dates, which resulted in the District’s ADM being overstated by 1.14,
- 12 students were enrolled in a course in FY2017 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 3.16.
- 7 students were reported to ADE’s system; however, the students did not attend, which resulted in the District’s ADM being overstated by 1.80.

As shown in Table 2, data reporting errors resulted in an ADM overstatement of 46.91 for the three fiscal years audited.

Table 2
Pima JTED
ADM adjustments due to enrollment data errors
Fiscal years 2017, 2018 and 2019

| | Incorrect FTE | Incorrect Enrollment | Teacher Certification | Did not attend | Total |
|--------------|----------------------|-----------------------------|------------------------------|-----------------------|---------------------|
| 2017 | 17.01 | 0.51 | 3.16 | 0.25 | 20.93 |
| 2018 | 24.55 | 0.57 | - | 1.15 | 26.27 |
| 2019 | (0.75) | 0.06 | - | 0.40 | (0.29) |
| Total | <u>40.81</u> | <u>1.14</u> | <u>3.16</u> | <u>1.80</u> | <u>46.91</u> |

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 student enrollment data.

Auditors determined that 154 of the District’s central campus students did not have the correct FTE reported. According to A.R.S. § 15-393, student FTE should be reported as 0.25 for courses that met for less than 150 minutes, and 0.75 for courses that met for 150 or more minutes. As a result, 154 students had incorrect FTE reported.

In addition, auditors determined that some students did not have the correct enrollment dates reported. Enrollment is based on the first day of attendance, and the last day of attendance or excused absence. However, the District did not always report these correctly. As a result, 21 students had incorrect enrollment dates reported.

Additionally, in FY2017, one District teacher did not hold a teaching certification for some of the days that they were teaching. 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.

Finally, the District reported seven students for funding that did not attend. The District must ensure that 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. Additionally, the District must ensure it complies with statute and ADE guidelines to properly certify teachers.

The District was overfunded by \$233,111.89

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, FY2018 and FY2019. The student data incorrectly reported by the District resulted in its ADM being overstated by 46.91. As a result, the District was overfunded by \$233,111.89 in Basic State Aid for the three fiscal years audited. As a net result, as shown in Table 3, the District was overfunded by \$233,111.89 which ADE must recoup from the District pursuant to A.R.S. § 15-915.

Table 3

**Pima JTED
ADM and funding adjustments
Fiscal years 2017, 2018 and 2019**

| | ADM Adjustment | Funding Adjustment |
|--------------|-----------------------|---------------------------|
| 2017 | 20.93 | \$103,179.76 |
| 2018 | 26.27 | \$132,449.48 |
| 2019 | (0.29) | \$(2,517.35) |
| Total | 46.91 | \$233,111.89 |

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

Recommendations:

1. The District must repay to ADE \$233,111.89 in Basic State Aid due to incorrectly reported student data.
2. The District must properly reconcile its data each year to ensure it reports correct enrollment dates and complied with A.R.S. § 15-901 and A.R.S. § 15-393.

3. The District needs to ensure that it properly calculates and reports students' FTE pursuant to statute and ADE guidelines.
4. The District needs to ensure that it properly reports membership days pursuant to statute and ADE guidelines.
5. The District must ensure that teachers have appropriate and timely certification pursuant to A.R.S. § 15-391.

FINDING 2: THE DISTRICT DID NOT ACCURATELY REPORT AOI DATA RESULTING IN AN OVERPAYMENT OF \$40,754.70

The District did not accurately report enrollment data for 82 of its AOI students to ADE for fiscal years 2017, 2018 and 2019. Specifically, auditors found that 65 students were reported to ADE’s System with incorrect minutes, 16 students were reported but did not attend and one student was reported with an incorrect FTE. As a result, the District’s weighted AOI ADM was overstated by 6.63. This led to the District being overfunded by \$40,754.70 which the District must pay to ADE according to A.R.S. § 15-915.

The District inaccurately reported some AOI enrollment data

Auditors determined that student data for 82 of its AOI students was inaccurate, which resulted in the District’s weighted AOI ADM being overstated by 6.63 for fiscal years 2017, 2018 and 2019. According to A.R.S. § 15-808, AOI ADM is based on the number of minutes a student participates in the AOI during the year. In addition, SF-0003 states that full time AOI students must enroll in and participate in four or more classes during the year. If a student is enrolled in fewer than four classes, they should be reported as part time. However, the District did not always meet these requirements as follows:

- 65 students were reported to ADE’S System with incorrect AOI minutes.
- 16 students were reported to ADE, but documentation showed they did not actually attend the District.
- One student was reported with an incorrect FTE.

As shown in Table 4, AOI data reporting errors resulted in a net weighted ADM overstatement of 6.63 for fiscal years 2017, 2018 and 2019.

Table 4

**Pima JTED
Weighted AOI ADM Adjustments
Fiscal years 2017, 2018 and 2019**

| Adjustments | 2017 | 2018 | 2019 | Total |
|------------------------------|-------------|-------------|-------------|--------------|
| Did not attend | 1.23 | 0.91 | 0.17 | 2.31 |
| Incorrect FTE | - | - | 0.07 | 0.07 |
| Minutes reported incorrectly | 0.57 | 1.93 | 1.75 | 4.25 |
| Total | 1.80 | 2.84 | 1.99 | 6.63 |

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

The District must properly reconcile its enrollment data with ADE data

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 should review its reconciliation practices to ensure that its staff properly review the reports produced by and reconcile them to the District's AOI SMS data to identify any discrepancies that would affect funding and correct any errors identified. 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 overfunded by \$40,754.70

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 overstated by 6.63. As a result, the District was overfunded by \$40,754.70 in Basic State Aid for the three fiscal years audited. As shown in Table 5, the District was overfunded by \$40,754.70 which ADE must recoup from the District pursuant to A.R.S. § 15-915.

Table 5

**Pima JTED
ADM and funding adjustments due to AOI data errors
Fiscal years 2017, 2018 and 2019**

| | 2017 | 2018 | 2019 | Total |
|----------------------------------|-------------------|--------------------|--------------------|--------------------|
| ADM | 1.80 | 2.84 | 1.99 | 6.63 |
| Total funding adjustments | \$8,881.07 | \$14,331.41 | \$17,542.22 | \$40,754.70 |

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

Recommendations:

1. The District must repay ADE \$40,754.70 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

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 \$273,866.59 required to be paid to ADE—Auditors identified an overall funding adjustment of \$273,866.59 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 fiscal years 2017, 2018 and 2019.

Table 6

**Pima JTED
ADM and funding adjustments
Fiscal years 2017, 2018 and 2019**

| | 2017 | | 2018 | | 2019 | | Total |
|---------------------------------|--------------|---------------------|--------------|---------------------|-------------|--------------------|---------------------|
| | ADM | Funding | ADM | Funding | ADM | Funding | |
| Inaccurate enrollment data | 20.93 | \$103,179.77 | 26.27 | \$132,449.48 | (0.29) | \$(2,517.35) | \$233,111.89 |
| AOI | 1.80 | \$ 8,881.07 | 2.84 | \$ 14,331.41 | 1.99 | \$17,542.22 | \$40,754.70 |
| Total funding adjustment | 22.73 | \$112,060.84 | 29.11 | \$146,780.89 | 1.70 | \$15,024.86 | \$273,866.59 |

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