

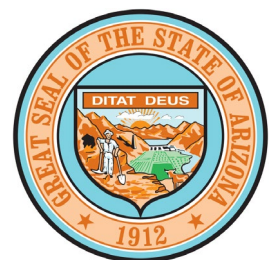


Arizona Department of Education

The Audit Unit
1535 W. Jefferson St., Bin 19
Phoenix, Arizona 85007
602-364-4036

Average Daily Membership Audit Report Riverside Elementary District Fiscal Years 2018, 2019 and 2020

Report Number—21-22
December 22, 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

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 22, 2020

Dr. Jaime Rivera, Superintendent
Riverside Elementary District
1414 South 51st. Avenue
Phoenix, Arizona 85043

Dear Superintendent Rivera:

The Arizona Department of Education Audit Unit has conducted an audit of the Riverside Elementary District (District) Average Daily Membership (ADM) for Fiscal Years 2018, 2019 and 2020. 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 29 students, which resulted in its ADM being overstated by 5.91. 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

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 overstatement of 5.91 ADM	4
The District inaccurately reported some student data.....	4
The District failed to comply with statute and ADE guidelines	5
The District’s ADM was overstated by 5.91	5
Recommendations	6
Finding 2: The District did not properly maintain some student records as required by statute and guideline	7
The District did not properly maintain student file documentation	7
Recommendation	8
ADM and adjustments.....	9

TABLE OF CONTENTS (CONT'D)

	<u>Page</u>
Tables:	
1 Riverside Elementary District Total students, revenues and expenditures Fiscal years 2018, 2019 and 2020 (Unaudited)	2
2 Riverside Elementary District ADM adjustments due to enrollment data errors Fiscal years 2018, 2019 and 2020	5
3 Riverside Elementary District Student cumulative file documentation Fiscal years 2018, 2019 and 2020	8
4 Riverside Elementary District ADM adjustments Fiscal years 2018, 2019 and 2020	9

INTRODUCTION AND BACKGROUND

The Arizona Department of Education (ADE) Audit Unit has conducted an Average Daily Membership (ADM) audit of the Riverside 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) 2018 through 2020.

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 8 during the fiscal years audited. The District operated three schools. Table 1 presents the District’s unaudited student, staffing and financial information for fiscal years 2018, 2019 and 2020.

Table 1

**Riverside Elementary District
Total students, revenues and expenditures
Fiscal years 2018, 2019 and 2020
(Unaudited)**

	2018	2019	2020
Students enrolled	876	913	802
Number of teachers	46	45	45
Revenue			
Local	\$ 14,672,629	\$ 15,559,543	\$ 14,305,631
Intermediate	\$ 0	\$ 17,164	\$ 0
State	\$ 638,609	\$ 664,768	\$ 100,316
Federal	\$ 1,474,101	\$ 1,627,130	\$ 61,056
Total revenues	\$ 16,785,339	\$ 17,868,604	\$ 14,467,003
Total expenditures	\$ 18,354,566	\$ 12,629,704	\$ 18,208,586

Source: Annual Report of the Arizona Superintendent of Public Instruction for fiscal years 2018 and 2019 and the Annual Financial Report for fiscal year 2020.

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 fiscal years 2018, 2019 and 2020.

To conduct this audit, auditors used a variety of methods, including examining District and ADE records to review 321 of 2,982 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.
- **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 bell schedules and calendars for the District for fiscal years 2018, 2019 and 2020. 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. When a student with a special education category had an adjustment, auditors made an adjustment to the special education weight as well.

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 5.91 ADM

Auditors determined that the District inaccurately reported student data for 29 students for fiscal years 2018, 2019 and 2020. Specifically, auditors found that 18 students were funded but did not attend, 10 students were enrolled full time but reported as part time and one student did not receive sufficient homebound instruction. As a result of these errors, the District's ADM was overreported by 5.91.

The District inaccurately reported some student data

The District inaccurately reported 29 students' enrollment data to ADE, which resulted in the District's ADM being overstated by 5.91.

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:

- 18 students were reported to ADE but did not attend. As a result, the ADM for the District was overreported by 0.72.
- 10 students were enrolled full time but reported as part time. As a result, the ADM for the District was underreported by 1.83.
- 1 student did not receive at least 4 hours of homebound instruction per week. As a result, the ADM for the District was overreported by 1.00.
- 1 student that had data reported incorrectly was also funded with a SPED category. As a result, the weighted SPED ADM for the District was overreported by 6.02.

As shown in Table 2 (see page 5), data reporting errors resulted in an ADM overstatement of 5.91 for the three fiscal years audited.

Table 2

**Riverside Elementary District
ADM adjustments due to enrollment data errors
Fiscal years 2018, 2019 and 2020**

	Did not attend	Incorrect FTE	Homebound	SPED	Total
2018	-	(0.50)	1.00	6.02	6.52
2019	-	(0.07)	-	-	(0.07)
2020	0.72	(1.26)	-	-	(0.54)
Total	0.72	(1.83)	1.00	6.02	5.91

Source: Auditor analysis of District and ADE records for fiscal years 2018, 2019 and 2020.

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, FTE and homebound data.

Auditors determined that the District misreported the enrollment data of some 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. The District incorrectly reported 18 students to ADE that did not attend. As a result, the District overstated its ADM for 18 students.

Auditors determined that some 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 the students were enrolled in. As a result, the District understated its ADM for 10 students.

Auditors determined that the District did not provide the minimum required instruction for one homebound student. According to ARS § 15-901, a homebound student can be counted as in attendance for each day in a week where at least four hours of instruction were provided. However, the District did not provide at least four hours of instruction per week. As a result, the District overstated its ADM for one student.

In the future, the District must ensure it complies with statute and ADE guidelines to properly report student enrollment and FTE and provide homebound instruction.

The District's ADM was overstated by 5.91

Auditors determined that the District did not report the correct ADM due to inaccurate student data reported to ADE for fiscal years 2018, 2019 and 2020. The student data incorrectly reported by the District resulted in its ADM being overstated by 5.91. 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.

Recommendations:

1. The District must adjust its budget capacity due to incorrectly reported student data.
2. The District must ensure that enrollment data and FTE is reported accurately pursuant to A.R.S. § 15-901.
3. The District must ensure that homebound instruction meets statutory requirements 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 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.

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, 18 of the student files did not have the proper residency documentation, 44 of the student files did not have the residency reaffirmed annually and one student file did not have immunization records in their file. Table 3 (see page 8) lists the student file documentation maintained by the District for fiscal years 2018, 2019 and 2020.

Table 3

**Riverside Elementary District
Student cumulative file documentation
Fiscal years 2018, 2019 and 2020**

	Total sampled	Missing residency documentation	Residency not reaffirmed	Missing immunization
2018	30	7	12	-
2019	30	6	15	-
2020	30	5	17	1
Total	90	18	44	1

Source: Auditor analysis of District records for fiscal years 2018, 2019 and 2020.

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 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 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 5.91 for the three fiscal years audited due to inaccurate student enrollment data, FTE and homebound instruction. 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 2018, 2019 and 2020.

Table 4

**Riverside Elementary District
ADM adjustments
Fiscal years 2018, 2019 and 2020**

	2018	2019	2020	Total
ADM adjustment	6.52	(0.07)	(0.54)	5.91

Source: Auditor analysis of ADE and District student and financial data for fiscal years 2018, 2019 and 2020.