

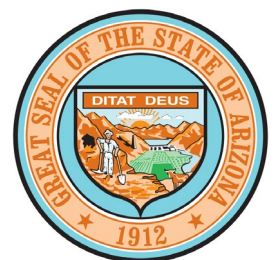


Arizona Department of Education

The Audit Unit
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Average Daily Membership Audit Report Catalina Foothills Unified School District Fiscal Years 2017, 2018 and 2019

Report Number—21- 25
January 29, 2021



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Arizona Department of Education

Audit Unit

January 29, 2021

Mary Kamerzell, Superintendent
Catalina Foothills Unified School District
2101 E River Rd
Tucson, AZ 85718

Dear Superintendent Kamerzell:

The Arizona Department of Education Audit Unit has conducted an audit of the Catalina Foothills Unified School 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 74 students, which resulted in its ADM being understated by 8.63. As a result, the District was underfunded by \$69,723.08 which ADE must repay to the District.

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 Catalina Foothills Unified 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 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, offered instruction in grades Preschool through 12 during the fiscal years audited. They operated one high school, three middle schools, three elementary schools, one preschool. Table 1 presents the District’s unaudited student, staffing and financial information for FY 2017, FY 2018, and FY 2019.

Table 1

**Catalina Foothills Unified School District
Total students, revenues and expenditures
Fiscal years 2017, 2018 and 2019
(Unaudited)**

	2017	2018	2019
Students Enrolled	5,219	5,294	5,427
Number of Teachers	277	309	309
Revenue			
Local	\$37,340,138	\$ 36,506,948	\$36,566,447
Intermediate	\$346,465	\$ 411,165	\$447,620
State	\$10,702,244	\$13,181,497	\$15,304,247
Federal	\$1,697,590	\$1,667,931	\$1,605,911
Total Revenues	<u>\$ 50,086,437</u>	<u>\$ 51,767,541</u>	<u>\$53,924,225</u>
Total Expenditures	<u>\$ 47,240,769</u>	<u>\$47,424,770</u>	<u>\$ 53,922,788</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 1,745 of 15,904 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. No material 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 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.
- **Instructional hours** – Auditors reviewed the bell schedules and calendars for the District for FY2017, FY2018 and FY2019. 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 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 UNDERPAYMENT OF \$69,723.08

Auditors determined that the District inaccurately reported the student data for 74 students for FY 2017, FY 2018, and FY 2019. Specifically, auditors found that 24 students were not funded but actually attended the District, three students did not have proper Homebound documentation, six preschool students service dates for SPED was not reported correctly. In addition, seven students had 10 or more consecutive absences exceeding the 10% threshold. Furthermore, one student was duplicated and funded twice, seven students were reported as attended but did not attend and 25 students had incorrect FTE reported. Of the students with incorrect data reported, 15 students were funded with a SPED category that also needed to be adjusted. As a result of these errors, the District's ADM was underreported by 8.63. As a result, the District was underfunded by \$69,723.08 in Basic State Aid. According to A.R.S. § 15-915, ADE needs to repay these monies to the District.

The District inaccurately reported some student data

The District inaccurately reported 74 students' enrollment data to ADE, which resulted in the District's ADM being understated by 8.63.

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. Additionally, according to A.R.S. § 15-901, homebound students must have medical certification and must receive at least 4 hours of instruction per week to be considered full-time. A.R.S. § 15-901 also states 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. In addition, beginning in FY2019 "ADE School Finance Manual G. Defining Excused Absences" went into effect, which required that students who have reached the 10% threshold for cumulative absences (excused or unexcused) based on the number of instructional days, may generate non-fundable ADM intervals. However, the District did not always adhere to these requirements. Specifically, for the students that were sampled:

- 24 students were not funded but actually attended the District. As a result, the ADM for the District was underreported by 21.99.

- 3 homebound students did not have the proper medical certification and/or receive the required 4 hours of instruction per week. As a result, the ADM for the District was overreported by 1.51.
- 6 preschool students' service dates for SPED was not reported correctly. As a result, the ADM for the District was over reported by 1.29.
- 7 students had a non-fundable interval due to having 10 or more consecutive absences in excess of the 10% threshold. As a result, the ADM for the District was overreported by 1.14.
- 1 student was duplicated and reported for funding to ADE twice. As a result, the ADM for the District was overreported by 0.50.
- 7 students were reported as attended but did not actually attend the District. As a result, the ADM for the District was overreported by 0.18.
- 25 students had an incorrect FTE reported. As a result, the ADM for the District was overreported by 0.11.
- 1 student was reported with incorrect withdrawal date. As a result, the ADM for the District was overreported by 0.01.
- 15 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 8.62.

As shown in Table 2, data reporting errors resulted in an ADM understatement of 8.63 for the three fiscal years audited.

Table 2

**Catalina Foothills Unified School District
ADM adjustments due to enrollment data errors
Fiscal years 2017, 2018 and 2019**

District	2017	2018	2019	Total
Incorrect FTE	0.25	(0.98)	0.84	0.11
Incorrect Entry/Exit	0.01			0.01
Did not Attend		0.11	0.07	0.18
PS Eligibility	0.63	0.50	0.16	1.29
Attended	(12.50)	(9.49)		(21.99)
Duplicated		0.50		0.50
Excessive Absences			1.14	1.14
Homebound		0.79	0.72	1.51
SPED		3.68	4.94	8.62
Total	(11.61)	(4.89)	7.87	(8.63)

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

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. Additionally, the District must ensure that a process is in place that captures the proper 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, including the integrity error report, and reconcile them to the District's SMS data to identify any discrepancies and correct any errors identified.

The District was underfunded by \$69,723.08

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 understated by 8.63. As a result, the District was underfunded by \$69,723.08 in Basic State Aid for the three fiscal years audited. As a net result, as shown in Table 3, the District was underfunded by \$69,723.08 which District must recoup from ADE pursuant to A.R.S. § 15-915.

Table 3

**Catalina Foothills Unified School District
ADM and funding adjustments
Fiscal years 2017, 2018 and 2019**

	ADM Adjustment	Total
2017	(11.61)	(\$53,046.22)
2018	(4.89)	(\$29,329.64)
2019	7.87	\$12,652.78
Total	(8.63)	(\$69,723.08)

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

Recommendations:

1. The District must recoup from ADE \$69,723.08 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 and review the Integrity Report to ensure that enrollment dates are reported accurately pursuant to A.R.S. § 15-901.

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 \$69,723.08 required to be paid to the District—Auditors identified an overall funding adjustment of \$69,723.08 for the three fiscal years audited due to inaccurate student enrollment.

Table 4 lists the ADM adjustments and the associated Basic State Aid adjustments for the District for fiscal years 2017, 2018 and 2019.

Table 4

**Catalina Foothills Unified School District
ADM and funding adjustments
Fiscal years 2017, 2018 and 2019**

	2017	2018	2019	Total
ADM adjustment	(11.61)	(4.89)	7.87	(8.63)
Funding adjustment	(\$53,046.22)	(\$29,329.64)	\$12,652.78	(\$69,723.08)

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