

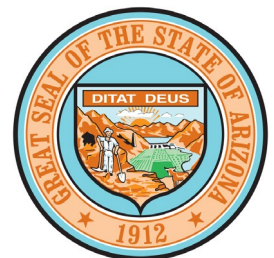


Arizona Department of Education

The Audit Unit
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Phoenix, Arizona 85007
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Average Daily Membership Audit Report Casa Grande Union High School District Fiscal Years 2018, 2019 and 2020

Report Number—20-41
May 12, 2021



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Arizona Department of Education

Audit Unit

May 12, 2021

Superintendent, Dr. Steve Bebee
Casa Grande Union High School District
1362 N Casa Grande Ave
Casa Grande, AZ 85122

Dear Dr. Steve Bebee:

The Arizona Department of Education Audit Unit has conducted an audit of the Casa Grande Union High School District (District) Average Daily Membership (ADM) for Fiscal Years (FY) 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 for 16 students and incorrect Dropout Recovery Program (DRP) data for 10 students which resulted in its ADM being overstated by 2.81. As a result, the District was overfunded by \$15,022.03 which the District must repay to ADE. 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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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 \$12,081.99	5
The District inaccurately reported some student data.....	5
The District failed to comply with statute and ADE guidelines	7
The District was overfunded by \$12,081.99	7
Recommendations	8
Finding 2: The District did not accurately report some DRP data, resulting in an overpayment of \$2,940.04	9
The District inaccurately reported some student data.....	9
The District must properly reconcile its enrollment data with ADE	9
The District was overfunded by \$2,940.04	10
Recommendations	10
Finding 3: The District did not properly maintain some student records as required by statute and guideline	11
The District did not properly maintain student file documentation	11
Recommendation	12
ADM and funding adjustments	13

TABLE OF CONTENTS (CONT'D)

	<u>Page</u>
Tables:	
1 Casa Grande Union High School District Total students, revenues, and expenditures Fiscal years 2018, 2019 and 2020 (Unaudited)	2
2 Casa Grande Union High School District ADM adjustments due to enrollment data errors Fiscal years 2018, 2019 and 2020	6
3 Casa Grande Union High School District ADM and funding adjustments Fiscal years 2018, 2019 and 2020	8
4 Casa Grande Union High School District ADM adjustments due to DRP data errors Fiscal years 2018, 2019 and 2020	9
5 Casa Grande Union High School District DRP ADM and funding adjustments Fiscal years 2018, 2019 and 2020	10
6 Casa Grande Union High School District Student cumulative file documentation Fiscal years 2018, 2019 and 2020	12
7 Casa Grande Union High School District ADM and funding adjustments Fiscal years 2018, 2019 and 2020	13

INTRODUCTION AND BACKGROUND

The Arizona Department of Education (ADE) Audit Unit has conducted an Average Daily Membership (ADM) audit of the Casa Grande Union High 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) 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 Casa Grande, Arizona, offered instruction in grades 9 through 12 during the fiscal years audited. The District operated two high schools in the audited years and operated a DRP program in FY2020. Table 1 presents the District’s unaudited student, staffing and financial information for FY2018, FY2019 and FY2020.

Table 1

**Casa Grande Union High School District
Total students, revenues and expenditures
Fiscal years 2018, 2019 and 2020
(Unaudited)**

	2018	2019	2020
Students enrolled	3,362	3,581	3,620
Revenue			
Local	\$ 18,072,470	\$ 17,787,428	\$ 18,644,040
Intermediate	\$ 810,657	\$ 934,270	\$ 903,357
State	\$ 15,137,525	\$ 16,494,470	\$ 17,861,774
Federal	\$ 3,276,362	\$ 3,677,128	\$ 3,444,118
Total revenues	<u>\$ 37,297,014</u>	<u>\$ 38,893,296</u>	<u>\$ 40,853,289</u>
Total expenditures	<u>\$ 32,307,367</u>	<u>\$ 35,083,731</u>	<u>\$ 37,680,635</u>

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

To conduct this audit, auditors used a variety of methods, including examining District and ADE records to review 1,200 of 11,616 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.
- **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.
- **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.
- **Dropout Recovery Program (DRP)** – Auditors reviewed written learning plans, monthly progress indicators, and enrollment histories to determine if DRP enrollment data reported to ADE was correct. When DRP enrollment was incorrect, auditors made an adjustment.
- **Instructional hours** – Auditors reviewed the bell schedules and calendars for the District for FY2018, FY2019 and FY2020. 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. If a student was not limited appropriately an adjustment was determined.

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 \$12,081.99

Auditors determined that the District inaccurately reported the student data for 16 students for FY2018, FY2019 and FY2020. Specifically, auditors found that four students had incorrect enrollment dates, three students did not attend, two students had an incorrectly reported FTE, two students had insufficient homebound instruction or did not have homebound medical certification, two students had a non-fundable interval or should have been withdrawn due to 10 or more consecutive absences, two students were not appropriately limited and one student was funded but was a voucher student. In addition, seven of these students that had data reported incorrectly were also funded with a SPED category. As a result, the District's ADM was overreported by 2.28 and the District was overfunded by \$12,081.99 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 16 students' enrollment data to ADE, which resulted in the District's ADM being overstated by 2.28.

According to A.R.S. § 15-901, 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 meets these requirements is considered full-time.¹ In addition, 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:

- 4 students were reported with incorrect enrollment dates. As a result, the ADM for the District was overreported by 0.29.

¹ Pursuant to A.R.S. § 15-901, a full time student (1.0 FTE) in grades 9 through 12 must be scheduled for and attending at least 720 hours of instruction and at least four subjects each of which meets for at least 123 hours annually; a 0.75 FTE student must be scheduled for at least 540 hours of instruction and at least three subjects each of which meets for at least 123 hours annually, a 0.50 FTE student must be scheduled for at least 360 hours of instruction and at least two subjects each of which meets for at least 123 hours annually and a 0.25 FTE student must be scheduled for at least 180 hours of instruction and at least one subject which meets for at least 123 hours annually.

- 3 students were reported as attended but did not actually attend the District. As a result, the ADM for the District was overreported by 0.03.
- 2 students had an incorrect FTE reported. As a result, the ADM for the District was underreported by 0.83.
- 2 did not receive sufficient homebound instruction or did not have medical certification. As a result, the ADM for the District was overreported by 1.26.
- 2 students had 10 or more consecutive absences and should have been withdrawn or generated a non-fundable interval. As a result, the ADM for the District was overreported by 0.49.
- 2 students were not appropriately limited. As a result, the ADM for the District was overreported by 0.01.
- 1 student was also funded through the voucher system and the student was double funded. As a result, the ADM for the District was overreported by 0.98.
- 7 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 0.05.

As shown in Table 2, data reporting errors resulted in an ADM overstatement of 2.28 for the three fiscal years audited.

Table 2

**Casa Grande Union High School District
ADM adjustments due to enrollment data errors
Fiscal years 2018, 2019 and 2020**

	Incorrect enrollment dates	Did not attend	Incorrect FTE	Homebound	Attendance	Limiting	Voucher	SPED	Total
2018	-	0.01	(0.75)	1.26	0.35	0.01	-	0.03	0.91
2019	0.04	0.02	-	-	-	-	-	-	0.06
2020	0.25	-	(0.08)	-	0.14	0.00	0.98	0.02	1.31
Total	0.29	0.03	(0.83)	1.26	0.49	0.01	0.98	0.05	2.28

Source: Auditor analysis of District records, ADE data 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 FTE or student enrollment data.

Auditors determined that two 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 or the number of courses the students were enrolled in. As a result, the District misreported the FTE for two students.

Auditors determined that the District misreported the enrollment data of nine students. According to A.R.S § 15-901, 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. A.R.S. § 15-901 also states that a student with 10 consecutive unexcused absences must be withdrawn. In addition, beginning in FY2019, School Finance Manual (G) states that students who have reached the 10% threshold for cumulative absences (excused and unexcused) based on the number of instructional calendar days at their school and incur 10 or more consecutive absences will generate non-fundable ADM intervals. Four students had enrollment dates reported incorrectly, three students were reported to ADE that did not attend, two students had over 10 consecutive absences that should have been withdrawn or generated a non-fundable interval and one student was reported to ADE by to District and was also funded as a voucher student.

The District also misreported two students as being homebound. According to ARS § 15-901, a homebound student must be certified by a medical doctor as being unable to attend regular classes for a period of not less than three school months during a school year. 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 incorrectly reported the 2 students as being homebound without the proper medical certification or did not provide at least four hours of instruction.

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

The District was overfunded by \$12,081.99

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 FY2018, FY2019 and FY2020. The student data incorrectly reported by the District resulted in its ADM being overstated by 2.28. As a net result, as shown in Table 3 (see page 8), the District was overfunded by \$12,081.99 which ADE must recoup from the District pursuant to A.R.S. § 15-915.

Table 3

**Casa Grande Union High School District
ADM and funding adjustments
Fiscal years 2018, 2019 and 2020**

	ADM Adjustment	Total
2018	0.91	\$ 4,325.88
2019	0.06	\$ 480.44
2020	1.31	\$ 7,275.67
Total	2.28	\$12,081.99

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

Recommendations:

1. The District must pay to ADE \$12,081.99 in Basic State Aid due to incorrectly reported student data.
2. The District must ensure that it properly calculates and reports students' FTE and enrollments pursuant to statute and ADE guidelines.
3. The District must ensure that homebound instruction and documentation meets statutory requirements.
4. 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 ACCURATELY REPORT SOME DRP DATA, RESULTING IN AN OVERPAYMENT OF \$2,940.04

Auditors determined that the District's ADM funding and reporting was inaccurate for 10 DRP students in FY20. Specifically, auditors found that 10 students monthly progress indicators were reported incorrectly. As a result, the District's ADM was overreported by 0.53 and the District was overfunded by \$2,940.04 in Basic State Aid. According to A.R.S. § 15-915, the District must pay back these monies to the ADE.

The District inaccurately reported some student data

The District inaccurately reported the DRP enrollment data for 10 students which resulted in the District's ADM being overstated by 0.53.

According to A.R.S. § 15-901.06, each eligible pupil who is enrolled in a dropout recovery program shall have a written learning plan developed by the pupil's assigned mentor. In addition, funding is determined based on the participation of the students and their satisfactory or unsatisfactory monthly progress indicators as defined in A.R.S. § 15-901.06. However, the District did not always adhere to these requirements. Specifically, 10 students were reported with an incorrect satisfactory monthly progress indicator for part of their DRP enrollment.

As shown in Table 4, the data errors resulted in an ADM overstatement of 0.53 for FY2020.

Table 4

**Casa Grande Union High School District
ADM adjustments due to DRP data errors
Fiscal year 2020**

	Student count	ADM adjustment
Total	10	0.53

Source: Auditor analysis of District's records, ADE data for fiscal year 2020.

The District must properly reconcile its enrollment data with ADE

The District can identify 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 monthly progress indicators of DRP 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 \$2,940.04

Auditors determined that the District did not receive the correct amount of Basic State Aid due to inaccurate DRP data reported to ADE in FY2020. The incorrectly reported student data resulted in the District's ADM being overstated by 0.53. As a result, the District was overfunded by \$2,940.04 in Basic State Aid, which the District must pay to ADE. Table 5 shows the ADM and funding adjustments required for the District for FY2020.

Table 5

**Casa Grande Union High School District
DRP ADM and funding adjustments
Fiscal year 2020**

	ADM adjustment	Total
Total	0.53	\$2,940.04

Source: Auditor analysis of District and ADE records for fiscal year 2020.

Recommendations:

1. The District must pay ADE \$2,940.04 in Basic State Aid due to incorrectly reported DRP student data.
2. The District must ensure that it properly reports students' DRP enrollments pursuant to statute and ADE guidelines.
3. The District must reconcile to ensure that DRP enrollments are reported and funded accurately pursuant to A.R.S. § 15-901.06.

FINDING 3: 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. § 15-823 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 some students 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 some students 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 150 students sampled, 20 of the student files did not have the proper residency documentation, five did not have residency reaffirmed annually, five did not have a birth certificate in their file and four did not have immunization record documentation. Table 6 (see page 12) lists the student file documentation maintained by the District for FY2018, FY2019 and FY2020.

Table 6

**Casa Grande Union High School District
Student cumulative file documentation
Fiscal years 2018, 2019 and 2020**

	Total sampled	Missing residency documentation	Missing residency reaffirmation	Missing birth certificate	Missing immunization
2018	50	6	1	1	1
2019	50	8	1	1	-
2020	50	6	3	3	3
Total	150	20	5	5	4

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, 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, reaffirmation of residency, birth certificate and immunization documentation as required by law.

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 \$15,022.03 required to be paid to ADE—Auditors identified an overall funding adjustment of \$15,022.03 for the three fiscal years audited due to inaccurate student enrollment and DRP data.

Table 7 lists the ADM adjustments and the associated Basic State Aid adjustments for the District for FY2018, FY2019 and FY2020.

Table 7

**Casa Grande Union High School District
ADM and funding adjustments
Fiscal years 2018, 2019 and 2020**

	2018		2019		2020		Total
	ADM	Funding	ADM	Funding	ADM	Funding	
Inaccurate enrollment data	0.91	\$4,325.88	0.06	\$480.44	1.31	\$7,275.67	\$12,081.99
DRP	-	-	-	-	0.53	\$2,940.04	\$2,940.04
Total funding adjustment	0.91	\$4.325.88	0.06	\$480.44	1.84	\$10,215.71	\$15,022.03

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