



Arizona Department of Education

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

Report Number—21-38
May 12, 2021



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Arizona Department of Education

Audit Unit

May 12, 2021

Dr. Monica Barajas, Superintendent
Quartzsite Elementary School District
49241 Ehrenberg-Parker Highway
Ehrenberg, AZ 85334

Dear Dr. Barajas:

The Arizona Department of Education Audit Unit has conducted an audit of the Quartzsite Elementary School 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 17 students, which resulted in its ADM being overstated by 1.27. Additionally, auditors determined that the District did not maintain documentation to prove Arizona residency for 3 students, which resulted in its ADM being overstated by 1.55. Lastly, the District failed to provide the statutorily required number of instructional hours for grades 7 and 8 in FY 2018, which resulted in its ADM being overstated by 0.50. As a result, the District was overfunded by \$11,207.05 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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INTRODUCTION AND BACKGROUND

The Arizona Department of Education (ADE) Audit Unit has conducted an Average Daily Membership (ADM) audit of the Quartzsite Elementary 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 Ehrenberg, Arizona, offered instruction in grades K through 8 during the fiscal years audited. They operated two elementary schools. Table 1 presents the District’s unaudited student, staffing, and financial information for FY 2018, FY 2019 and FY 2020.

Table 1

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

	2018	2019	2020
Students Enrolled	187	183	181
Number of Teachers	9	10	10
Revenue			
Local	\$ 1,545,820	\$ 1,379,894	\$ 1,338,270
Intermediate	\$ 327	\$ 11,674	\$ 21,214
State	\$ 305,702	\$ 326,305	\$ 1,479,007
Federal	\$ 231,282	\$ 296,848	\$ 176,765
Total Revenues	<u>\$ 2,083,131</u>	<u>\$ 2,014,721</u>	<u>\$ 3,015,256</u>
Total Expenditures	<u>\$ 1,973,150</u>	<u>\$ 2,007,776</u>	<u>\$ 3,671,589</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 150 of 630 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. Auditors identified files that did not contain all the documentation that was required to be kept in them by statute and ADE guidelines. For each student file that did not contain appropriate verification of Arizona residency, an adjustment was determined.
- **Instructional hours** – Auditors reviewed the bell schedules and calendars for the District for FY 2018, FY 2019, and FY 2020. For each grade that did not meet the minimum required hours, an adjustment was determined.
- **SPED Data** – Auditors determined whether an adjusted student had also been funded for a special education (SPED) category. No material findings were identified for this area.
- **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 \$5,704.63

Auditors determined that the District inaccurately reported the student data for 17 students for FY 2018, FY 2019, and FY 2020. Specifically, auditors found that 15 students were reported with an incorrect exit date, one student incurred 10 consecutive unexcused absences and should have been withdrawn, and one student was reported as attending but had not attended the District. As a result of these errors, the District's ADM was overreported by 1.27. As a result, the District was overfunded by \$5,750.46 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 17 students' enrollment data to ADE, which resulted in the District's ADM being overstated by 1.27.

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. In addition, A.R.S. § 15-901 states that a student with 10 consecutive unexcused absences must be withdrawn. However, the District did not always adhere to these requirements. Specifically, for the students that were sampled:

- 15 students were reported with an incorrect exit date. As a result, the ADM for the District was overreported by 1.07.
- 1 student incurred 10 consecutive unexcused absences and should have been withdrawn. As a result, the ADM for the District was overreported by 0.18.
- 1 student was reported as attended but did not actually attend the District. As a result, the ADM for the District was overreported by 0.02.

As shown in Table 2 (page 5), data reporting errors resulted in an ADM overstatement of 1.27 for the three fiscal years audited.

Table 2

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

	2018	2019	2020	Total
Incorrect Exit Dates	0.22	0.60	0.25	1.07
10 Day Absences	-	0.18	-	0.18
Did Not Attend	-	-	0.02	0.02
Total	0.22	0.78	0.27	1.27

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 enrollment data.

The District misreported the enrollment data of 17 students. According to ARS § 15-901 and ADE guidelines, 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 and a student with 10 consecutive unexcused absences must be withdrawn. In addition, the effective date of withdrawals shall be retroactive to the last day of actual attendance of the student or excused absence as defined by the department of education. However, the District incorrectly reported the exit dates of 15 students, failed to withdraw one student who incurred ten or more consecutive unexcused absences, and one student was reported to ADE that did not attend.

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

The District was overfunded by \$5,704.63

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 2018, FY 2019, and FY 2020. The student data incorrectly reported by the District resulted in its ADM being overstated by 1.27. As a result, the District was overfunded by \$5,704.63 in Basic State Aid for the three fiscal years audited which ADE must recoup from the District pursuant to A.R.S. § 15-915.

Table 3

**Quartzsite Elementary School District
ADM and funding adjustments
Fiscal years 2018, 2019 and 2020**

	ADM Adjustment	Total
2018	0.22	-
2019	0.78	\$4,294.25
2020	0.27	\$1,410.38
Total	1.27	\$5,704.63

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

Because the District did not receive any basic state aid for FY 2018, 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 2014, 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 recoup from ADE \$5,704.63 in Basic State Aid due to incorrectly reported student data.
2. The District must adjust its budget capacity. Budget capacity adjustment calculations for the District will be made by ADE once the audit is finalized.
3. The District must reconcile to ensure that enrollment dates are reported accurately pursuant to A.R.S. § 15-901.

FINDING 2: THE DISTRICT DID NOT PROPERLY MAINTAIN SOME STUDENT RECORDS AS REQUIRED BY STATUTE AND GUIDELINE, RESULTING IN AN OVERPAYMENT OF \$5,502.42

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. § 15-802 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.

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 74 students sampled, seven of the student files did not have the proper residency documentation, 14 of the student files did not have the residency reaffirmed annually, five did not have a birth certificate in their file and two student files did not have immunization record documentation in their file. Table 4 (page 8) lists the student file documentation maintained by the District for FY 2018, FY 2019, and FY 2020.

Table 4

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

	Total Sampled	Missing Birth Certificate	Missing Immunization	Residency Documentation Missing	Residency Not Re-Affirmed
2018	25	3	1	3	4
2019	24	1	-	-	6
2020	25	1	1	4	4
Total	<u>74</u>	<u>5</u>	<u>2</u>	<u>7</u>	<u>14</u>

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.

The District was overfunded by \$5,505.42

Auditors determined that the District did not receive the correct amount of Basic State Aid due to failing to maintain residency documentation to prove Arizona residency for students. The District’s failure to collect proper residency documentation for three students, resulted in the District’s ADM being overstated by 1.55. As a result, the District was overfunded by \$5,505.42.

Table 5 shows the ADM adjustment due to improper residency documentation for fiscal years 2017, 2018 and 2019.

Table 5

**Quartzsite Elementary School District
Student residency documentation ADM funding adjustment
Fiscal years 2018, 2019 and 2020**

	Students	ADM	Funding Adjustment
2018	1	0.50	\$ -
2019	-	-	\$ -
2020	2	1.05	\$5,502.42
Total	<u>3</u>	<u>1.55</u>	<u>\$5,502.42</u>

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

Because the District did not receive any basic state aid for FY 2018, 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 2014, 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 comply with statute and collect and maintain in each student's cumulative file copies of verifiable residency, birth certificate and immunization documentation as required by law.
2. ADE must recoup from the District \$5,502.42 in Basic State Aid due to improperly maintained residency documentation.
3. The District must adjust its budget capacity. Budget capacity adjustment calculations for the District will be made by ADE once the audit is finalized.

FINDING 3: SOME STUDENTS WERE NOT PROVIDED SUFFICIENT INSTRUCTIONAL HOURS

The District did not provide the statutorily required number of instructional hours to its 7th and 8th grade students for fiscal year 2019. This resulted in an overstate in ADM of 0.50 for FY 2018. Pursuant to A.R.S. § 15-915, ADE should adjust the District's budget capacity accordingly, and the District should ensure that it provides all students with sufficient instructional hours in the future.

The District failed to provide some students with sufficient instructional hours

Although all schools are required by statute to provide a minimum number of instructional hours to students, the District did not meet this requirement for its 7th and 8th grade students for fiscal year 2018. Specifically, A.R.S. § 15-901 required that public schools provide at least 1000 instructional hours for 7th and 8th grade students in fiscal year 2018.

In 2018, the District provided 7th and 8th grade students at 989 hours out of the 1000 required hours required at both elementary schools. As a result, it only provided 98% of the required hours for fiscal year 2018 as shown in Table 6.

Table 6

**Quartzsite Elementary School District
ADM overstatement due to insufficient
instructional hours
Fiscal year 2018**

Grade	Ehrenberg		Quartzsite		Total
	7	8	7	8	
Reported ADM	10.25	9.61	8.62	9.90	38.38
Instructional hours required	1000	1000	1000	1000	1000
Instructional hours provided	989	989	989	989	989
Percentage met	98.90%	98.90%	98.90%	98.90%	98.90%
ADM overstated	0.11	0.11	0.13	0.15	0.50

Source: Auditor analysis of ADE and District student data for fiscal year 2018.

The District was overstated by 0.50 ADM

As a result of providing insufficient instructional hours for these students during FY 2018, the District's ADM was overstated by 0.50. Because the District did not receive any basic state aid for FY 2018, 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 2014, 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's budget capacity must be adjusted by 0.50 to account for the insufficient instructional hours in FY 2018.
2. The District should review its schedules yearly to verify that they meet the statutory minimum requirements for instructional hours per grade.
3. The District should ensure that it provides all students with at least the statutorily required minimum number of instructional hours

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 FY 2018. Budget capacity adjustment calculations for the District will be made by ADE once the audit is finalized.

Basic State Aid adjustment of \$11,207.05 required to be paid to ADE—Auditors identified an overall funding adjustment of \$11,207.05 for FY 2019 and FY 2020 due to inaccurate student enrollment.

Table 7 lists the ADM adjustments and the associated Basic State Aid adjustments for the District for fiscal years 2018, 2019 and 2020.

Table 7

**Quartzsite Elementary 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	0.22	\$ -	0.78	\$4,294.25	0.27	\$1,410.38	\$5,704.63
Residency	0.50	\$ -	-	\$ -	1.05	\$5,502.42	\$5,502.42
Insufficient instructional hours	0.50	\$ -	-	\$ -	-	\$ -	\$ -
Total funding adjustment	1.22	\$ -	0.78	\$4,294.25	1.31	\$6,912.80	\$11,207.05

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