



Arizona Department of Education

The Audit Unit

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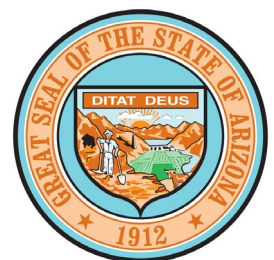
Phoenix, Arizona 85007

602-364-4036

Average Daily Membership Audit Report Gila Institute For Technology Fiscal Years 2018, 2019 and 2020

Report Number—21-43

June 21, 2021



**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

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Arizona Department of Education

Audit Unit

June 21, 2021

Clay Emery, Superintendent
Gila Institute For Technology
3998 W. Ball Park Street,
Thatcher, AZ 85552

Dear Superintendent Emery:

The Arizona Department of Education Audit Unit has conducted an audit of the Gila Institute For Technology (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 44 students, which resulted in its ADM being understated by 6.56. As a result, the District was underfunded by \$38,728.44 which ADE must pay 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 Gila Institute For Technology (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 Thatcher, Arizona, is a Career and Technical Education District (CTED) which had one central campus and six satellite campuses during the fiscal years audited. Table 1 presents the District’s unaudited student, staffing and financial information for FY 2018, FY 2019 and FY 2020.

Table 1

**Gila Institute For Technology
Total students, revenues and expenditures
Fiscal years 2018, 2019 and 2020
(Unaudited)**

	2018	2019	2020
Revenue			
Local	\$ 345,214	\$ 362,212	\$ 366,588
Intermediate	\$ 54,275	\$ 50,795	\$ 40,286
State	\$ 1,725,806	\$ 2,174,120	\$ 1,968,530
Federal	\$ 22,500	\$ 22,718	\$ 0
Total revenues	<u>\$ 2,147,795</u>	<u>\$ 2,609,845</u>	<u>\$ 2,375,404</u>
Total expenditures	<u>\$ 1,787,989</u>	<u>\$ 2,085,552</u>	<u>\$ 1,998,198</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 300 of 3,409 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.
- **Calendars** – Auditors reviewed District calendars to determine if the enrollment days reported to ADE were correct. No 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. 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 UNDERPAYMENT OF \$38,728.44

Auditors determined that the District inaccurately reported the student data for 44 students for FY 2018, FY 2019 and FY 2020. Specifically, auditors found that 33 students had an incorrectly reported FTE, 10 students had incorrectly reported enrollment dates, and one student was not appropriately limited. As a result of these errors, the District's ADM was underreported by 6.56 and the District was underfunded by \$38,728.44 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 the enrollment data for 44 students to ADE, which resulted in the District's ADM being understated by 6.56.

According to A.R.S. § 15-393¹, FTE for students in CTED programs/courses offered on CTED centralized campuses shall be reported with an FTE of 0.25 for each course offered for fewer than 150 minutes per course. 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. However, the District did not always adhere to these requirements. Specifically, for the students that were sampled:

- 33 students had an incorrect FTE reported. As a result, the ADM for the District was underreported by 6.67.
- 10 students were reported with incorrect enrollment dates. As a result, the ADM for the District was overreported by 0.10.
- 1 student was not appropriately limited to 1.0 ADM. As a result, the ADM for the District was overreported by 0.01.

¹ Notwithstanding any other law, the average daily membership for a pupil who is enrolled in a career technical education course 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.

As shown in Table 2, data reporting errors resulted in an ADM understatement of 6.56 for the three fiscal years audited.

Table 2

**Gila Institute For Technology
ADM adjustments due to enrollment data errors
Fiscal years 2018, 2019 and 2020**

	FTE	Enrollment dates	Limiting	Total
2018	(5.69)	0.07	-	(5.62)
2019	(0.10)	(0.14)	-	(0.24)
2020	(0.88)	0.17	0.01	(0.70)
Total	(6.67)	0.10	0.01	(6.56)

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 33 of the District’s students were not reported with the correct FTE according to statutory and ADE guideline requirements for full time enrollment (FTE). According to A.R.S. § 15-393, student FTE should be reported as 0.25 for each course that met for fewer than 150 minutes. However, the FTE that was reported for these students was not correct based on the number of courses the students were enrolled in. As a result, the District underreported the FTE for 33 students.

Additionally, the District misreported the enrollment data of 10 students. According to ARS § 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. Additionally, the effective date of withdrawal shall be retroactive to the last day of actual attendance of the student or excused absence. However, nine students enrolled in a satellite course in semester one but were reported and funded for both semesters, and one student did not have their full satellite course enrollment reported. As a result, the District ADM was overreported for 10 students due to incorrect enrollment data.

Finally, one student was not limited to 100 membership days, or 1 ADM, by ADE’s system. As a result, the ADM for the student was overreported.

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

The District was underfunded by \$38,728.44

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 understated by 6.56. As shown in Table 3, the District was underfunded by \$38,728.44 in Basic State Aid for the three fiscal years audited which ADE must repay to the District pursuant to A.R.S. § 15-915.

Table 3

**Gila Institute For Technology
ADM and funding adjustments
Fiscal years 2018, 2019 and 2020**

	ADM Adjustment	Total
2018	(5.62)	\$ (31,666.36)
2019	(0.24)	\$ (4,627.31)
2020	(0.70)	\$ (2,434.77)
Total	(6.56)	\$ (38,728.44)

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

Recommendations:

1. ADE must pay to the District \$38,728.44 in Basic State Aid due to incorrectly reported student data.
2. The District must ensure that it properly calculates and reports students' FTE pursuant to statute and ADE guidelines.
3. The District must reconcile 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 \$38,728.44 required to be paid to the District—Auditors identified an overall funding adjustment of \$38,728.44 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 FY 2018, FY 2019 and FY 2020.

Table 4

**Gila Institute For Technology
ADM and funding adjustments
Fiscal years 2018, 2019 and 2020**

	2018	2019	2020	Total
ADM adjustment	(5.62)	(0.24)	(0.70)	(6.56)
Funding adjustment	\$(31,666.36)	\$(4,627.31)	\$(2,434.77)	\$(38,728.44)

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