

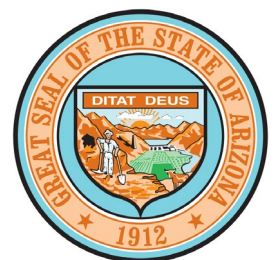


## Arizona Department of Education

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

# Average Daily Membership Audit Report Tombstone Unified School District Fiscal Years 2018, 2019 and 2020

Report Number—21- 44  
June 18, 2021



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## Arizona Department of Education

Audit Unit

June 18, 2021

Robert Devere, Superintendent  
Tombstone Unified School District  
411 North 9<sup>th</sup> Street  
Tombstone, AZ 85638

Dear Superintendent Devere:

The Arizona Department of Education Audit Unit has conducted an audit of the Tombstone Unified 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 two students, which resulted in its ADM being overstated by 0.06. As a result, the District was overfunded by \$369.02 which the District must repay to ADE.

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

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The Arizona Department of Education (ADE) Audit Unit has conducted an Average Daily Membership (ADM) audit of the Tombstone 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) 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 Tombstone, Arizona, offered instruction in Pre-school through 12 grades during the fiscal years audited. They operated one high school and two elementary schools (pre-K-8<sup>th</sup>). Table 1 presents the District’s unaudited student, staffing and financial information for FY 2018, FY 2019, and FY 2020.

**Table 1**

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

	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>Students Enrolled</b>	<b>795</b>	<b>840</b>	<b>872</b>
<b>Number of Teachers</b>	<b>41</b>	<b>54</b>	<b>50</b>
<b>Revenue</b>			
Local	\$3,140,783	\$3,086,073	\$2,902,976
County	\$216,305	\$229,429	\$253,675
State	\$3,773,574	\$4,791,483	\$5,596,430
Federal	\$1,120,615	\$1,314,998	\$1,415,300
<b>Total Revenues</b>	<b><u>\$8,251,277</u></b>	<b><u>\$9,421,983</u></b>	<b><u>\$10,168,381</u></b>
<b>Total Expenditures</b>	<b><u>\$7,665,922</u></b>	<b><u>\$8,688,735</u></b>	<b><u>\$9,279,256</u></b>

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

## SCOPE AND METHODOLOGY

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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 264 of 2,566 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. No findings were identified for this area.
- **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. 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. 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 \$369.02

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Auditors determined that the District inaccurately reported the student data for two students for FY 2018, FY 2019, and FY 2020. Specifically, auditors found that two students had not attended the District. As a result of these errors, the District's ADM was overreported by 0.06. As a result, the District was overfunded by \$369.02 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 resulting in overfunding of \$369.02

The District inaccurately reported two students' enrollment data to ADE, which resulted in the District's ADM being overstated by 0.06.

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.

However, the District misreported the enrollment data of two students. The District incorrectly reported two students to ADE that did not attend which resulted in an ADM overstatement of 0.06. As a result, as shown in Table 2, the District was overfunded by \$369.02 in Basic State Aid for the three fiscal years audited which the District must repay to ADE pursuant to A.R.S. § 15-915.

**Table 2**

### Tombstone Unified School District #1 ADM and funding adjustments Fiscal years 2018, 2019 and 2020

	<b>ADM Adjustment</b>	<b>Funding Adjustment</b>
2018	-	\$0.00
2019	0.03	\$184.11
2020	0.03	\$184.91
<b>Total</b>	<b>0.06</b>	<b>\$369.02</b>

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

**Recommendations:**

1. The District must repay to ADE \$396.02 in Basic State Aid due to incorrectly reported student data.
2. The District needs to ensure that it follows statute and ADE guidelines when reporting student enrollment data.

# ADM AND FUNDING ADJUSTMENTS

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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 \$369.02 required to be paid to ADE**—Auditors identified an overall funding adjustment of \$369.02 for the three fiscal years audited due to inaccurate student enrollment.

Table 3 lists the ADM adjustments and the associated Basic State Aid adjustments for the District for fiscal years 2018, 2019 and 2020.

**Table 3**

**Tombstone Unified School District #1  
ADM and funding adjustments  
Fiscal years 2018, 2019 and 2020**

	2018	2019	2020	Total
ADM adjustment	-	0.03	0.03	0.06
<b>Funding adjustment</b>	-	<b>\$184.11</b>	<b>\$184.91</b>	<b>\$369.02</b>

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