

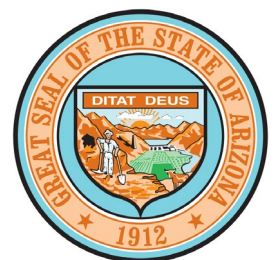


Arizona Department of Education

The Audit Unit
1535 W. Jefferson St., Bin 19
Phoenix, Arizona 85007
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Average Daily Membership Audit Report Yuma Elementary District Fiscal Years 2017, 2018 and 2019

Report Number—21-47
June 30, 2021



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Arizona Department of Education

Audit Unit

June 30, 2021

James Sheldahl, Superintendent
Yuma Elementary District
450 W. 6th St
Yuma, AZ 85364

Dear Superintendent Sheldahl:

The Arizona Department of Education (ADE) Audit Unit has conducted an audit of the Yuma Elementary 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 40 students, which resulted in its ADM being overstated by 38.85. For AOI, auditors determined that student data for 30 students was inaccurate, which resulted in the District's AOI ADM being understated by 1.90. As a net result, the District was overfunded by \$91,267.04, 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

The Arizona Department of Education (ADE) Audit Unit has conducted an Average Daily Membership (ADM) audit of the Yuma Elementary 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 Yuma, Arizona, offered instruction in grades Pre-school through 8th during the fiscal years audited. They operated two middle schools, three junior high schools, 13 elementary schools and one online school. Table 1 presents the District’s unaudited student, staffing and financial information for FY 2017, FY 2018, and FY 2019.

Table 1

**Yuma Elementary District
Total students, revenues, and expenditures
Fiscal years 2017, 2018 and 2019
(Unaudited)**

	2017	2018	2019
Students Enrolled	8,698	8,424	8,900
Number of Teachers	431	426	442
Revenue			
Local	\$17,278,596	\$16,917,824	\$16,638,368
County	\$1,191,858	\$1,237,687	\$1,262,800
State	\$22,957,503	\$37,434,676	\$42,976,404
Federal	\$12,188,591	\$12,729,398	\$14,469,469
Total Revenues	<u>\$ 53,616,548</u>	<u>\$68,319,585</u>	<u>\$75,347,041</u>
Total Expenditures	<u>\$61,533,486</u>	<u>\$65,860,847</u>	<u>\$79,715,401</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 2,986 of 28,440 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.
- **AOI data**—Auditors compared 100% of the Arizona Online Instruction data that was reported to ADE to the AOI data from the School. Auditors reviewed instructional time reported as well as the full or part time status that was reported for each student. When the data reported to ADE was incorrect, an adjustment was determined.
- **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 OVERPAYMENT OF \$95,773.60

Auditors determined that the District inaccurately reported the student data for 40 students for FY 2017, FY 2018, and FY 2019. Specifically, auditors found that eight students did not receive sufficient homebound instruction or did not have medical certification, seven students had an incorrectly reported FTE, six students did not attend the District, nine students were reported with an incorrect entry or withdrawal date, and two students incurred 10 consecutive unexcused absences and should have been withdrawn. In addition, one third-grade student was incorrectly reported under the preschool calendar track, two students had excessive absences which generated a non-fundable ADM interval, three preschool students that transferred to the District with an IEP were reported as non-fundable but should have been funded, and two preschool students did not receive at least 360 minutes of preschool instruction each week. Finally, 12 of the students that had data reported incorrectly were also funded with a SPED category. As a result of these errors, the District's ADM was overreported by 38.85. As a result, the District was overfunded by \$95,773.60 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 40 students' enrollment data to ADE, which resulted in the District's ADM being overstated by 38.85.

A.R.S. § 15-901 states 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 common schools, a part-time student is a student enrolled for less than the total time for a full-time student as defined in this section. A part-time common school student shall be counted as one-fourth, one-half or three-fourths of a full-time student if the student is enrolled in an instructional program that is at least one-fourth, one-half or three-fourths of the time a full-time student is enrolled. The hours in which a student is scheduled to attend a common school during the regular school day shall be included in the calculation of the average daily membership for that student. A.R.S. § 15-901 also states, a preschool child who is enrolled in a program for preschool children with disabilities of at least three hundred sixty (360) minutes each week that meets at least two hundred sixteen (216) hours over the minimum number of days is a fractional student.

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. A.R.S. §15-901 (A)(2) also states that students absent for ten (10) consecutive school days, except for excused absences, shall be withdrawn from the school. 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:

- 8 students did not receive sufficient homebound instruction or did not have medical certification. As a result, the ADM for the District was overreported by 4.68.
- 7 students had an incorrect FTE reported. As a result, the ADM for the District was overreported by 1.57.
- 6 students were reported and funded for attending but did not actually attend the District. As a result, the ADM for the District was overreported by 0.57.
- 9 students were reported with an incorrect entry or withdrawal date. As a result, the ADM for the District was overreported by 0.56.
- 2 students incurred 10 consecutive unexcused absences and should have been withdrawn. As a result, the ADM for the District was overreported by 0.25.
- 1 third-grade student was incorrectly reported under the preschool calendar track. As a result, the ADM for the District was overreported by 0.25.
- 2 students had excessive absences which generated a non-fundable ADM interval. As a result, the ADM for the District was overreported by 0.20.
- 3 preschool students that transferred to the District with an IEP were reported as non-fundable but should have been funded. As a result, the ADM for the District was underreported by 0.44
- 2 preschool students did not receive at least 360 minutes of preschool instruction each week. As a result, the ADM for the District was overreported by 0.09.
- 12 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 31.12.

As shown in Table 2, data reporting errors resulted in an ADM overstatement of 38.85 for the three fiscal years audited.

Table 2

**Yuma Elementary District
ADM adjustments due to enrollment data errors
Fiscal years 2017, 2018 and 2019**

	2017	2018	2019	Total
Homebound	2.34	1.78	0.56	4.68
Incorrect FTE	0.56	1.49	(0.48)	1.57
Did not Attend	-	0.02	0.55	0.57
Incorrect Enrollment/Withdrawal	-	0.22	0.34	0.56
10 Day absence	0.05	-	0.20	0.25
Incorrect Calendar	-	0.25	-	0.25
Excessive Absences	-	-	0.20	0.20
PS Eligibility	(0.21)	(0.23)	-	(0.44)
PS Instruction	0.09	-	-	0.09
SPED	11.89	17.78	1.45	31.12
Total	<u>14.72</u>	<u>21.31</u>	<u>2.82</u>	<u>38.85</u>

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

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.

The District misreported eight 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 eight students as being homebound without the proper certification and/or did not provide at least four hours of instruction per week.

A.R.S. § 15-901 also states, for common schools, a part-time student is a student enrolled for less than the total time for a full-time student as defined in this section. A part-time common school student shall be counted as one-fourth, one-half or three-fourths of a full-time student if the student is enrolled in an instructional program that is at least one-fourth, one-half or three-fourths of the time a full-time student is enrolled. The hours in which a student is scheduled to attend a common school during the regular school day shall be included in the calculation of the average daily membership for that student. However, the FTE that was reported for seven students was not correct based

on the total number of hours the students were enrolled in. As a result, the District overreported the FTE for seven students.

Also, the District misreported the enrollment data of 15 students. According to A.R.S. § 15- 901 (A)(2), 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. The District incorrectly reported the enrollment dates of nine students and six students were reported to ADE that did not attend.

A.R.S. §15-901 (A)(2), students absent for ten (10) consecutive school days, except for excused absences, shall be withdrawn from the school. 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. The District failed to properly withdraw two students with ten or more consecutive unexcused absences in FY 2017 and failed to report non-fundable intervals for two students in FY 2019.

A.R.S. § 15-901 also states, a preschool child who is enrolled in a program for preschool children with disabilities of at least three hundred sixty (360) minutes each week that meets at least two hundred sixteen (216) hours over the minimum number of days is a fractional student. The District incorrectly reported two students that did not receive at least 360 minutes each week as fundable but should have been nonfundable and incorrectly reported three students that transferred with an active IEP as nonfundable but should have been fundable.

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

The District was overfunded by \$95,773.60

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 overstated by 38.85. However, due to the change in funding from prior year to current year, the ADM adjustment for FY2017 did not impact Basic State Aid. As a result, the District was overfunded by \$95,773.60 in Basic State Aid for the three fiscal years audited which ADE must recoup from the District pursuant to A.R.S. § 15-915, as shown in Table 3 (page 9).

Table 3

**Yuma Elementary District
ADM and funding adjustments
Fiscal years 2017, 2018 and 2019**

	ADM Adjustment	Funding
2017	14.72	-
2018	21.31	\$82,040.57
2019	2.82	\$13,733.03
Total	38.85	\$95,773.60

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

Recommendations:

1. The District must repay to ADE \$95,773.60 in Basic State Aid due to incorrectly reported student data.
2. The District must reconcile to ensure that enrollment dates are reported accurately pursuant to A.R.S. § 15-901.
3. The District needs to ensure that it properly calculates and reports students' FTE pursuant to statute and ADE guidelines.
4. The District should ensure that students with excessive absences be properly withdrawn and that excused and unexcused absences be reported correctly.
5. The District should ensure that preschool students with disabilities are reported accurately based on their eligibility status and that preschool instruction is at least 360 minutes per week.
6. The District must collect required homebound documentation and provide educational services to homebound students for a minimum of four hours per week during the time the student is considered homebound for these students to be considered fundable.

FINDING 2: THE DISTRICT DID NOT ACCURATELY REPORT AOI DATA, RESULTING IN AN UNDERPAYMENT OF \$4,506.56

The District did not accurately report enrollment data for 30 of its AOI students to ADE for fiscal years 2017, 2018 and 2019. Specifically, auditors found that 30 students had been reported as part time but were full time. As a result, the District’s weighted AOI ADM was understated by 1.90. This led to the District being underfunded by \$4,506.56 which ADE must pay to the District according to A.R.S. § 15-915.

The District inaccurately reported some AOI enrollment data

Auditors determined that student data for 30 of its AOI students was inaccurate, which resulted in the District’s weighted AOI ADM being understated by 1.90 for fiscal years 2017, 2018 and 2019. According to A.R.S. § 15-808, AOI ADM is based on the number of minutes a student participates in the AOI during the year. In addition, SF-0003 states that full time AOI students must enroll in and participate in four or more classes during the year. If a student is enrolled in fewer than four classes, they should be reported as part time. However, the District did not always meet these requirements as follows:

- 30 students were incorrectly reported as part time and should have been reported as full time.

As shown in Table 4, AOI data reporting errors resulted in a net weighted ADM understatement of 1.90 for the fiscal years audited.

Table 4

**Yuma Elementary District
AOI ADM Adjustments
Fiscal years 2017, 2018 and 2019**

Adjustments	2017	2018	2019	Total
Full time	(4.99)	(2.81)	-	(7.80)
Part time	4.25	1.64	-	5.89
Total	(0.73)	(1.17)	-	(1.90)

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

The District must properly reconcile its enrollment data with ADE data

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. 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 AOI SMS data to identify any discrepancies that would affect funding and correct any errors identified. The District must comply with the requirements of A.R.S. § 15-808 and SF-0003 when calculating and reporting AOI students.

The District was underfunded by \$4,506.56

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 1.90. However, due to the change in funding from prior year to current year, the ADM adjustment for FY2017 did not impact Basic State Aid. As a result, the District was underfunded by \$4,506.56 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 5

**Yuma Elementary District
ADM and funding adjustments due to enrollment data errors
Fiscal years 2017, 2018 and 2019**

	2017	2018	2019	Total
ADM	(0.73)	(1.17)	-	(1.90)
Basic State Aid	-	(\$4,506.56)	-	(\$4,506.56)
Total funding adjustments	-	(\$4,506.56)	-	(\$4,506.56)

Source: Auditor analysis of District records, A.R.S. § 15-901.

Recommendations:

1. The District must recoup from ADE \$4,506.56 in Basic State Aid for the fiscal year audited for incorrect AOI enrollment data.
2. The District must comply with the requirements of A.R.S. § 15-808 and SF-0003 when calculating and reporting AOI students.

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 \$91,267.04 required to be paid to ADE—Auditors identified an overall funding adjustment of \$91,267.04 for the 2018 and 2019 fiscal years audited due to inaccurate student enrollment. However, for fiscal year 2017, auditors determined that due to the change in funding from prior year to current year, the ADM adjustments for fiscal year 2017 did not impact Basic State Aid.

Table 6 lists the ADM adjustments and the associated Basic State Aid adjustments for the District for fiscal years 2017, 2018 and 2019.

Table 6

**Yuma Elementary District
ADM and funding adjustments
Fiscal years 2017, 2018 and 2019**

	2017		2018		2019		Total ADM	Total Funding
	ADM	Funding	ADM	Funding	ADM	Funding		
Inaccurate enrollment data	14.72	-	21.31	\$82,041.58	2.82	\$13,733.03	38.85	\$95,773.60
AOI	(0.73)	-	(1.17)	(\$4,506.56)	-	-	(1.90)	(\$4,506.56)
Total funding adjustment	13.99	-	20.14	\$77,535.02	2.82	\$13,733.03	36.95	\$91,267.04

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