



## Arizona Department of Education

The Audit Unit

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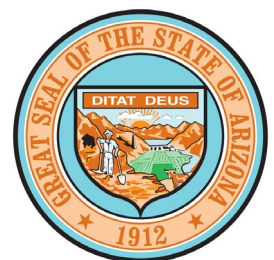
Phoenix, Arizona 85007

602-364-4036

# Average Daily Membership Audit Report Cave Creek Unified School District Fiscal Years 2019, 2020 and 2021

Report Number—22-28

February 28, 2022



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## Arizona Department of Education

### Audit Unit

February 28, 2021

Dr. Cort Monroe, Superintendent  
Cave Creek Unified School District  
P.O. Box 426  
Cave Creek, AZ 85327-0426

Dear Superintendent Monroe:

The Arizona Department of Education Audit Unit has conducted an audit of the Cave Creek Unified School District (District) Average Daily Membership (ADM) for Fiscal Years 2019, 2020 and 2021. 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 165 students during the three years audited, which resulted in its ADM being overstated by 16.13. The District must adjust their budget capacity as a result of the ADM adjustments. 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

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The Arizona Department of Education (ADE) Audit Unit has conducted an Average Daily Membership (ADM) audit of the Cave Creek 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) 2019 through 2021.

***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 those 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 Cave Creek, Arizona, offered instruction in grades Pre-school through 12<sup>th</sup> grade during the fiscal years audited. They operated one high school, three middle schools, four elementary schools, etc. Table 1 presents the District’s unaudited student, staffing and financial information for FY2019, FY2020 and FY2021.

**Table 1**

**Cave Creek Unified School District  
Total students, revenues, and expenditures  
Fiscal years 2019, 2020 and 2021  
(Unaudited)**

	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>Students Enrolled</b>	<b>5,396</b>	<b>5,510</b>	<b>4,831</b>
<b>Number of Teachers</b>	<b>259</b>	<b>270</b>	<b>301</b>
<b>Revenue</b>			
Local	\$35,524,287	\$36,014,616	\$36,393,365
Intermediate	\$4	\$1	\$0
State	\$12,975,098	\$14,191,476	\$13,251,490
Federal	\$2,049,174	\$1,759,753	\$5,779,685
<b>Total Revenues</b>	<b>\$50,548,563</b>	<b>\$51,965,847</b>	<b>\$ 55,424,540</b>
<b>Total Expenditures</b>	<b>\$50,771,775</b>	<b>\$ 51,086,100</b>	<b>\$48,513,570</b>

Source: Annual Report of the Arizona Superintendent of Public Instruction for FY2019, FY2020 and FY2021.

## 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 FY2019, FY2020 and FY2021.

To conduct this audit, auditors used a variety of methods, including examining District and ADE records to review 1,667 of 16,529 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.
- **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. Auditors identified files that did not contain all the documentation that was required to be kept in them by statute and ADE guidelines.
- **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.



- ***Distance Learning Plans*** – Auditors reviewed the Distance Learning Plans (DLP) for FY2021 that were used to provide education to students. In addition, auditors reviewed the percentage of learning that was distance learning or in person to determine if this was reported correctly. No findings were identified for this area.
- ***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 ADM OVERSTATEMENT OF 19.98**

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Auditors determined that the District inaccurately reported the student data for 61 students for FY2019, FY2020 and FY2021. Specifically, auditors found that 32 students had an incorrectly reported FTE, 12 students were not eligible for homebound, seven students attended the District but were not reported, and five students had excessive absences, which resulted in a non-fundable period. In addition, two students had ten or more consecutive unexcused absences and should have been withdrawn, two students were reported with an incorrect withdrawal date, one funded student did not actually attend, and 15 out of the 61 students that had data reported incorrectly were also funded with a SPED category. As a result of these errors, the District's ADM was overstated by 19.98.

## **The District inaccurately reported some student data**

The District inaccurately reported 61 students' enrollment data to ADE, which resulted in the District's ADM being overstated by 19.98.

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 does not meet these requirements is considered a part-time student and their FTE status must be reduced based on the number of actual instructional hours provided and courses enrolled.<sup>1</sup> 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. 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. Finally, A.R.S. § 15- 901 states that a student with 10 consecutive unexcused absences must be withdrawn and beginning in FY2019, School Finance Manual (G) states that students who have reached the 10% threshold for cumulative absences (excused or unexcused) based on the number of instructional calendar days at their school and incur 10 or more consecutive absences will generate non-fundable ADM

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<sup>1</sup> 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.

intervals. However, the District did not always adhere to these requirements. Specifically, for the students that were sampled:

- 32 students had an incorrect FTE reported. As a result, the ADM for the District was overreported by 6.13.
- 12 students were not eligible for homebound due to the District not providing sufficient homebound instruction and medical certification documentation. As a result, the ADM for the District was overreported by 6.18.
- 7 students attended the District but were not reported and funded as being enrolled in the District. As a result, the School’s ADM was underreported by 3.98.
- 5 students had excessive absences, which resulted in a non-fundable period. As a result, the ADM for the District was overreported by 1.07.
- 2 students had ten or more consecutive unexcused absences and should have been withdrawn. As a result, the ADM for the District was overreported by 0.41.
- 2 students were reported with an incorrect withdrawal date. As a result, the ADM for the District was overreported by 0.50.
- 1 funded student did not actually attend. As a result, the District’s ADM was overreported by 0.01.
- 15 out 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 over reported by 9.66

As shown in Table 2, data reporting errors resulted in an ADM overstatement of 19.98 for the three fiscal years audited.

**Table 2**

**Cave Creek Unified School District  
ADM adjustments due to enrollment data errors  
Fiscal years 2019, 2020 and 2021**

<b>ADM</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>Total</b>
Incorrect FTE	0.96	2.76	2.41	6.13
Homebound	1.63	2.97	1.58	6.18
Attended	-	(2.47)	(1.51)	(3.98)
Excessive Absences	1.00	0.07		1.07
10-day absence			0.41	0.41
Incorrect Withdrawal Date			0.50	0.50
Did not Attend			0.01	0.01

SPED	2.67	4.95	2.04	9.66
<b>Total</b>	<b>6.26</b>	<b>8.28</b>	<b>5.44</b>	<b>19.98</b>

Source: Auditor analysis of District records, ADE data for FY2019, FY2020 and FY2021.

## **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 32 of the District’s students did not meet the statutory and ADE guideline requirements for full time enrollment (FTE). According to analysis of the District’s bell schedule and calendar for the District’s high school, auditors determined that as long as a student was enrolled in 4 courses for each fiscal year, they would receive enough hours and courses to be considered full time. However, the FTE that was reported for 32 students was not correct based on the number of courses the students were enrolled in. As a result, the District overreported the FTE for 32 students.

The District also misreported 12 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 12 students as being homebound without the proper certification and did not provide at least four hours of instruction for 12 students.

Additionally, the District misreported the enrollment data of 10 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. The District misreported seven students that attended but were not funded. In addition, the District reported incorrectly the exit dates of two students and one student was 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 FY2021 and failed to report non-fundable intervals for five students in FY2019 and FY2020.

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

## **The District's ADM was overstated by 19.98**

Auditors determined that the District did not report the correct ADM due to inaccurate enrollment data reported to ADE for FY2019, FY2020 and FY2021. As a result the District's ADM was overstated by 19.98. A.R.S. § 15-915 requires that ADE makes corrections for audit findings to both budget capacity and state aid. However, because the District did not receive any basic state aid for the three years audited, there is no financial adjustment necessary. 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 adjust their budget capacity for the overreported 19.98 ADM.
2. The District needs to ensure that it properly reports students' FTE pursuant to statute and ADE guidelines.
3. 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.
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 must reconcile to ensure enrollment dates are reported accurately pursuant to A.R. S. § 15-901.

## **FINDING 2: THE DISTRICT DID NOT ACCURATELY REPORT AOI DATA RESULTING IN AN ADM UNDERSTATEMENT OF 3.85**

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The District did not accurately report enrollment data for 89 of its AOI students to ADE for fiscal years 2019, 2020 and 2021. Specifically, auditors found that 89 students' total minutes were reported incorrectly. As a result, the District's weighted AOI ADM was understated by 3.85.

### **The District inaccurately reported some AOI enrollment data**

Auditors determined that student data for 89 out of 598 of its AOI students was inaccurate, which resulted in the District's weighted AOI ADM being understated by 3.85 for fiscal years 2019, 2020 and 2021. According to 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 89 students' total minutes were reported incorrectly.

As shown in Table 3, AOI data reporting errors resulted in a net weighted ADM understatement of 3.85 for fiscal years 2019, 2020 and 2021.

**Table 3**

**Cave Creek Unified School District  
AOI data reporting errors  
Fiscal years 2019, 2020 and 2021**

<b>Adjustments</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>Total</b>
Full time	-	-	(3.85)	(3.85)
Part time	-	-	-	-
<b>Total</b>	-	-	<b>(3.85)</b>	<b>(3.85)</b>

Source: Auditor analysis of District records and ADE data for fiscal years 2019, 2020 and 2021.

### **The District must properly reconcile its AOI 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 data system. The District should review its reconciliation practices to ensure that its staff properly review the reports produced by and reconcile them to the District's AOI school information system to identify any discrepancies that would affect funding and correct any errors identified. The District must comply with the requirement of SF-0003 when calculating and reporting AOI students.

## **The District's ADM was understated by 3.85**

Auditors determined that the District did not receive the correct amount of Basic State Aid due to the inaccurate AOI student data reported to ADE for the fiscal years audited. As a result, the District's ADM was understated by 3.85. A.R.S. § 15-915 requires that ADE makes corrections for audit findings to both budget capacity and state aid. However, because the District did not receive any basic state aid for the three years audited, there is no financial adjustment necessary. 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 adjust their budget capacity for the underreported 3.85 ADM.
2. The District must comply with the requirements of SF-0003 when calculating and reporting AOI students.

## **FINDING 3: THE DISTRICT DID NOT PROPERLY MAINTAIN SOME STUDENT RECORDS AS REQUIRED BY STATUTE AND GUIDELINE**

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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, 22 of the student files did not have the proper residency documentation, 48 of the student files did not have the residency reaffirmed annually, 9 did not have a birth certificate in their file and 7 students did not have immunization record documentation in their file. Table 4 (see page 12) lists the student file documentation maintained by the District for FY2019, FY2020 and FY2021.



**Table 4**

**Cave Creek Unified School District  
Student cumulative file documentation  
Fiscal years 2019, 2020 and 2021**

	<b>Total Sampled</b>	<b>Missing Residency Documentation</b>	<b>Residency not Reaffirmed</b>	<b>Missing Birth Certificate</b>	<b>Missing Immunization</b>
2019	50	7	26	6	4
2020	50	9	10	2	2
2021	50	6	12	1	1
<b>Total</b>	<b><u>150</u></b>	<b><u>22</u></b>	<b><u>48</u></b>	<b><u>9</u></b>	<b><u>7</u></b>

Source: Auditor analysis of District records for FY2019, FY2020 and FY2021.

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, birth certificate and immunization documentation as required by law.

# 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.

**No Basic State Aid adjustment required**— Auditors identified an overall ADM decrease of 16.13 for the three fiscal years audited due to improperly reported enrollment data. However, since the District did not receive any basic state aid for any of the three years audited, no financial adjustment is required.

Table 5 lists the ADM budget capacity adjustments for the District for FY2019, FY2020 and FY2021.

**Table 5**

**Cave Creek Unified School District  
ADM and funding adjustments  
Fiscal years 2019, 2020 and 2021**

	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>Total</b>
Enrollment Data	6.26	8.28	5.44	19.98
AOI Data	-	-	(3.85)	(3.85)
<b>Total ADM Adjustments</b>	<b>6.26</b>	<b>8.28</b>	<b>1.59</b>	<b>16.13</b>

Source: Auditor analysis of ADE and District student and financial data for FY2019, FY2020 and FY2021.