



Arizona Department of Education

The Audit Unit

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Average Daily Membership Audit Report St Johns Unified District Fiscal Years 2019, 2020 and 2021

Report Number—22-39

May 13, 2022



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Arizona Department of Education

Audit Unit

May 13, 2022

Kyle Patterson, Superintendent
St Johns Unified District
P.O Box 3030
St Johns, AZ 85936

Dear Superintendent Patterson:

The Arizona Department of Education Audit Unit has conducted an audit of the St Johns Unified 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 of 79 students, which resulted in its ADM being overstated by 13.57. As a result, the District was overfunded by \$62,518.07 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 St Johns Unified 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 St Johns, Arizona, offered instruction in grades Preschool through 12 during the fiscal years audited. They operated one high school, one middle school, one elementary school, and one learning center. Table 1 presents the District’s unaudited student, staffing, and financial information for FY2019, FY2020 and FY2021.

Table 1

**St Johns Unified District
Total students, revenues and expenditures
Fiscal years 2019, 2020 and 2021
(Unaudited)**

	2019	2020	2021
Students Enrolled	863	880	834
Number of Teachers	49	50	51
Revenue			
Local	\$7,361,594	\$7,213,899	\$7,164,640
Intermediate	\$81,304	\$47,736	\$50,402
State	\$1,363,436	\$2,771,436	\$1,786,154
Federal	\$934,879	\$887,228	\$1,428,660
Total Revenues	<u>\$9,741,214</u>	<u>\$10,920,299</u>	<u>\$10,429,856</u>
Total Expenditures	<u>\$8,880,862</u>	<u>\$10,622,292</u>	<u>\$10,452,511</u>

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

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 FY2019, FY2020 and FY2021.

To conduct this audit, auditors used a variety of methods, including examining District and ADE records to review 282 of 2,712 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.
- **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 FY2019, FY2020 and FY2021. 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. 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 \$62,518.07

Auditors determined that the District inaccurately reported the student data for 79 students for FY2019, FY2020 and FY2021. Specifically, auditors found that 25 pre-school students were not eligible for funding due to the District not having a preschool program, 21 students had an incorrectly reported FTE, 26 funded students had not attended the District, and 7 students had an incorrect entry date reported. As a result of these errors, the District's ADM was overreported by 13.57. As a result, the District was overfunded by \$62,518.07 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 79 students' enrollment data to ADE, which resulted in the District's ADM being overstated by 13.57.

According to A.R.S. § 15-901, a preschool child who is enrolled in a program for preschool children with disabilities of at least 360 minutes each week that meets 216 hours over the minimum number of days is a fractional student. In computing the average daily membership, preschool children with disabilities shall be counted as one-half of a full-time student. In addition, 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.¹ In addition, according to ADE External Guideline and Procedures GE-17 and A.R.S. § 15-901 requires that ADM be calculated on the first 100 days of the school year, which must be reported accurately to ensure proper funding. Furthermore, A.R.S. § 15-901, requires, 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. However, the District did not always adhere to these requirements. Specifically, for the students that were sampled:

¹ 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.

- 25 preschool students were not eligible for funding due to the District not having a preschool program. As a result, the ADM for the District was overreported by 8.88.
- 21 students had an incorrect FTE reported. As a result, the ADM for the District was overreported by 3.57.
- 26 funded students did not actually attend. As a result, the District's ADM was overreported by 0.91.
- 7 students had an incorrect entry date reported. As a result, the District's ADM was overreported by 0.21.

As shown in Table 2, data reporting errors resulted in an ADM overstatement of 13.57 for the three fiscal years audited.

Table 2
St Johns Unified District
ADM adjustments due to enrollment data errors
Fiscal years 2019, 2020 and 2021

	2019	2020	2021	Total
No Preschool Program	3.31	3.51	2.06	8.88
Incorrect FTE	1.65	0.25	1.67	3.57
Did not Attend	0.36	0.20	0.35	0.91
Incorrect Entry Date	(0.71)	0.02	0.90	0.21
Total	<u>4.61</u>	<u>3.98</u>	<u>4.98</u>	<u>13.57</u>

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 found that the District did not have a preschool program for children with disabilities. The District did provide some special education services to 25 preschool children that attended Head Start. However, the students were not provided at least 360 minutes/week of instruction, and so this does not qualify for funding. As a result, the District overreported the enrollment for 25 preschool students.

Auditors determined that 21 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 five class periods for fiscal years 2019 and 2021, and four classes for

fiscal year 2020 they would receive enough hours and courses to be considered full time. However, the FTE that was reported for 21 students was not correct based on the number of courses the students were enrolled in. As a result, the District overreported the FTE for 21 students.

Additionally, the District misreported the enrollment data of 33 students. According to ARS § 15-901 and ADE guidelines, ADM is based on the first 100 days and 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 26 students were reported to ADE that did not attend and the entry dates of seven students.

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

The District was overfunded by \$62,518.07

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 FY2019, FY2020 and FY2021. The student data incorrectly reported by the District resulted in its ADM being overstated by 13.57. As a result, the District was overfunded by \$62,518.07 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

**St Johns Unified District
ADM and funding adjustments
Fiscal years 2019, 2020 and 2021**

	ADM Adjustment	Total
2019	4.61	\$22,108.16
2020	3.98	\$24,531.06
2021	4.98	\$15,878.07
Total	13.57	\$62,518.07

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

Recommendations:

1. The District must repay to ADE \$62,518.07 in Basic State Aid due to incorrectly reported student data.
2. The District needs to ensure that it only reports preschool students that are receiving 360 minutes of instruction per week and are eligible for funding.
3. The District needs to ensure that it properly reports students' FTE pursuant to statute and ADE guidelines.
4. 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

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, the student file must contain a photocopy of the student's birth certificate, other reliable proof of the student's identity and age and affidavit explaining the inability to provide a birth certificate, or a letter from an authorized agency with custody of the student.

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 75 students sampled, 43 of the student files did not have the proper residency documentation, seven of the student files did not have the residency reaffirmed annually, 27 did not have a birth certificate in their file and 28 students did not have immunization record documentation in their file. Table 4 (see page 10) lists the student file documentation maintained by the District for FY2019, FY2020 and FY2021.

Table 4

**St Johns Unified District
Student cumulative file documentation
Fiscal years 2019, 2020 and 2021**

	Total Sampled	Missing Residency Documentation	Residency not Reaffirmed	Missing Birth Certificate	Missing Immunization
2019	25	13	3	5	5
2020	25	13	3	7	8
2021	25	17	1	15	15
Total	<u>75</u>	<u>43</u>	<u>7</u>	<u>27</u>	<u>28</u>

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

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 \$62,518.07 required to be paid to ADE—Auditors identified an overall funding adjustment of \$62,518.07 for the three fiscal years audited due to inaccurate student enrollment.

Table 5 lists the ADM adjustments and the associated Basic State Aid adjustments for the District for FY2019, FY2020 and FY2021.

Table 5

**St Johns Unified District
ADM and funding adjustments
Fiscal years 2019, 2020 and 2021**

	2019	2020	2021	Total
ADM adjustment	4.61	3.98	4.98	13.57
Funding adjustment	\$22,108.16	\$24,531.06	\$15,878.85	\$62,518.07

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