

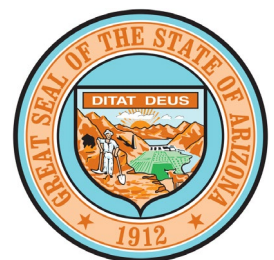


## Arizona Department of Education

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

# Average Daily Membership Audit Report Somerton Elementary District Fiscal Years 2019, 2020 and 2021

Report Number—22-40  
June 2, 2022



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## Arizona Department of Education

### Audit Unit

June 2, 2022

Dr. Laura Noel, Superintendent  
Somerton Elementary School District  
343 N. Carlisle Ave.  
Somerton, AZ 85350

Dear Dr. Noel:

The Arizona Department of Education Audit Unit has conducted an audit of the Somerton Elementary 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 44 students, which resulted in its ADM being overstated by 8.06. Additionally, auditors determined that the District failed to properly maintain some required documentation in student cumulative files. As a result, the District was overfunded by \$40,976.00 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 Somerton 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) 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 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 Somerton, Arizona, offered instruction in grades PreK through 8 during the fiscal years audited. They operated one middle school and four elementary schools. Table 1 presents the District’s unaudited student, staffing and financial information for FY2019, FY2020 and FY2021.

**Table 1**

**Somerton Elementary 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>3,058</b>	<b>3,046</b>	<b>2,871</b>
<b>Number of Teachers</b>	<b>159</b>	<b>157</b>	<b>156</b>
<b>Revenue</b>			
Local	\$2,925,526	\$2,920,162	\$3,515,028
Intermediate	\$517,428	\$506,400	\$524,375
State	\$16,374,530	\$19,203,705	\$18,647,795
Federal	\$5,227,410	\$5,111,055	\$5,759,233
<b>Total Revenues</b>	<b><u>\$25,044,894</u></b>	<b><u>\$27,741,322</u></b>	<b><u>\$28,446,430</u></b>
<b>Total Expenditures</b>	<b><u>\$25,461,470</u></b>	<b><u>\$26,443,669</u></b>	<b><u>\$26,607,289</u></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 941 of 9,369 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. 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. 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 \$40,976.00**

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Auditors determined that the District inaccurately reported the student data for 44 students for FY2019, FY2020 and FY2021. Specifically, 25 students were reported with 10 or more unexcused absences and should have been withdrawn, 10 students were reported with incorrect enrollment dates, seven preschool students were reported with an incorrect 100<sup>th</sup> day due an improperly reported calendar, one student was reported as homebound that was not qualified, and one student who generated a non-fundable interval due to excessive absences. In addition, five of these 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 8.06. As a result, the District was overfunded by \$40,976.00 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 44 students' enrollment data to ADE, which resulted in the District's ADM being overstated by 8.06.

A.R.S. § 15- 901 states that a student with 10 consecutive unexcused absences must be withdrawn. Additionally, 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. A.R.S. § 15-901 also requires that ADM be calculated on the first 100 days of the school year, which must be reported accurately to ensure proper funding. 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 intervals. Finally, 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.

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

- 25 students had 10 or more consecutive unexcused absences and should have been withdrawn. As a result, the ADM for the District was overreported by 5.83.
- 10 students were reported with incorrect enrollment dates. As a result, the ADM for the District was overreported by 0.93.

- 7 preschool students were reported with an incorrect calendar, resulting in funding being based on the incorrect first 100 days of the school year. As a result, the ADM for the District was underreported by 0.14.
- 1 student was reported as homebound but did not receive sufficient homebound instruction and did not have medical certification. As a result, the ADM for the District was overreported by 0.97.
- 1 student had excessive absences which resulted in a non-fundable period. As a result, the ADM for the District was overreported by 0.34.
- 5 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 0.13.

As shown in Table 2, data reporting errors resulted in an ADM overstatement of 8.06 for the three fiscal years audited.

**Table 2**  
**Somerton Elementary District**  
**ADM adjustments due to enrollment data errors**  
**Fiscal years 2019, 2020 and 2021**

	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>Total</b>
10 Day Absence	0.22	0.10	5.51	5.83
Incorrect Enrollment Dates	0.45	0.01	0.47	0.93
Incorrect Preschool Calendar	-	(0.21)	0.07	(0.14)
Homebound	0.97	-	-	0.97
Excessive Absences	-	0.34	-	0.34
SPED	-	(0.13)	0.26	0.13
<b>Total</b>	<b>1.64</b>	<b>0.11</b>	<b>6.31</b>	<b>8.06</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 enrollment data.

The District misreported the enrollment data of 44 students. 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 intervals. Additionally, 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 failed to withdraw 25 students with 10 or more consecutive unexcused absences, incorrectly reported the enrollment dates for 10 students, incorrectly reported the calendar for seven preschool students, and failed to report one student with excessive absences per School Finance Manual Section G.

The District also misreported one student 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 one student as being homebound without the proper certification and did not provide sufficient instruction.

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

### **The District was overfunded by \$40,976.00**

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 8.06. As a result, the District was overfunded by \$40,976.00 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**

**Somerton Elementary District  
ADM and funding adjustments  
Fiscal years 2019, 2020 and 2021**

	<b>ADM Adjustment</b>	<b>Total</b>
2019	1.64	\$7,614.18
2020	0.11	\$378.21
2021	6.31	\$32,983.61
<b>Total</b>	<b>8.06</b>	<b>\$40,976.00</b>

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

## **The District failed to properly maintain records**

Auditors found that the District failed to maintain sufficient documentation to support the data submitted to ADE for funding purposes as required by both statute and ADE guidance. According to ADE School Finance Manual, section D-1, all original attendance records, whether in paper or electronic format, must be maintained pursuant to a records retention schedule, which is established by the Arizona State Library, Archives and Public Records. For school districts and charter schools the records retention schedule for student records, Schedule Number GS-1074, requires schools to maintain daily attendance records and excused absence reports for four fiscal years. However, the District did not properly track specific absence reasons for many students in all three fiscal years.

In the future, the District should properly document and track attendance and absence records for the classes during all days.

### **Recommendations:**

1. The District must repay to ADE \$40,976.00 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 must collect required medical certification documentation and provide education services to homebound student for a minimum of four hours per week for students certified as homebound pursuant to A.R.S. § 15-901.
4. The District should ensure that Preschool calendars and dates are reported accurately pursuant to A.R.S. § 15-901.
5. The District should properly document and track attendance and absence records for all students during all days.

## **FINDING 2: 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, 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, eight of the student files did not have the proper residency documentation, 60 of the student files did not have the residency reaffirmed annually, one did not have a birth certificate in their file and two 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**

**Somerton Elementary 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	25	2	19	1	-
2020	25	4	20	-	1
2021	25	2	21	-	1
<b>Total</b>	<b><u>75</u></b>	<b><u>8</u></b>	<b><u>60</u></b>	<b><u>1</u></b>	<b><u>2</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.

**Basic State Aid adjustment of \$40,976.00 required to be paid to ADE**—Auditors identified an overall funding adjustment of \$40,976.00 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**

**Somerton Elementary District  
ADM and funding adjustments  
Fiscal years 2019, 2020 and 2021**

	2019	2020	2021	Total
ADM adjustment	1.64	0.11	6.31	8.06
<b>Funding adjustment</b>	<b>\$7,614.18</b>	<b>\$378.21</b>	<b>\$32,983.61</b>	<b>\$40,976.00</b>

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