

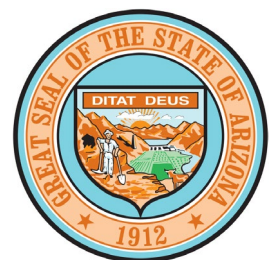


## Arizona Department of Education

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

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

Report Number—23-6  
September 9, 2022



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## Arizona Department of Education

### Audit Unit

September 9, 2022

Bryan Boling, Greenlee County School Superintendent  
Blue Elementary District  
P.O. Box 1595  
Clifton, AZ 85533

Dear Superintendent Boling:

The Arizona Department of Education Audit Unit has conducted an audit of the Blue 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 one student, which resulted in its ADM being understated by 1.00. Furthermore, the percentage of distance learning for fiscal year 2021 was not adjusted correctly. As a result, the District was underfunded by \$11,528.95 which the District must recoup from 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

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The Arizona Department of Education (ADE) Audit Unit has conducted an Average Daily Membership (ADM) audit of the Blue 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 Blue, Arizona, offered instruction in grades Kindergarten through 12 during the fiscal years audited. They operated one small, isolated school serving all grades. Table 1 presents the District’s unaudited student, staffing, and financial information for FY2019, FY2020 and FY2021.

**Table 1**

**Blue Elementary District  
Total students, revenues and expenditures  
Fiscal years 2019, 2020 and 2021  
(Unaudited)**

	2019	2020	2021
<b>Students Enrolled</b>	<b>10</b>	<b>8</b>	<b>10</b>
<b>Number of Teachers</b>	<b>1</b>	<b>2</b>	<b>2</b>
<b>Revenue</b>			
Local	\$ 28,095	\$ 28,866	\$ 31,736
County	\$ 61,439	\$ 45,444	\$ 58,163
State	\$ 10,264	\$ 16,283	\$ 9,519
Federal	\$ 59,364	\$ 76,690	\$ 88,822
<b>Total Revenues</b>	<b><u>\$ 159,162</u></b>	<b><u>\$ 167,283</u></b>	<b><u>\$ 188,240</u></b>
<b>Total Expenditures</b>	<b><u>\$ 152,134</u></b>	<b><u>\$ 153,863</u></b>	<b><u>\$ 43,555</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 30 of 30 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. No findings were identified for this area.
- **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. When the data reported to ADE or incorrectly recorded, an adjustment was determined.
- **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 UNDERPAYMENT OF \$7,473.59

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Auditors determined that the District inaccurately reported the student data for one student for FY 2019, FY 2020, and FY 2021. Specifically, auditors found that one student that had attended the District but was not reported to ADE. As a result of these errors, the District’s ADM was underreported by 1.00. As a result, the District was underfunded by \$7,473.59 in Basic State Aid. According to A.R.S. § 15-915, ADE needs to recover these monies from the District.

## The District inaccurately reported some student data resulting in underfunding of \$7,473.59

The District inaccurately reported one student’s enrollment data to ADE, which resulted in the District’s ADM being understated by 1.00.

According to ARS § 15-901 and ADE guidelines, the first day of membership for continuing or pre-enrolled students shall be defined as either the first day a student physically attends school or the first day that classroom instruction is offered, provided that such students physically attend school within the first ten school days. For all other students, the first day of membership shall be defined as the first day a student physically attends school.

However, the District misreported the enrollment data of one student. The District did not report one student to ADE that attended, which resulted in an ADM understatement of 1.00. As a result, as shown in Table 2, the District was underfunded by \$7,473.59 in Basic State Aid for the three fiscal years audited which the District must repay to ADE pursuant to A.R.S. § 15-915.

**Table 2**

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

	<b>ADM Adjustment</b>	<b>Funding Adjustment</b>
2019	1.00	\$(7,473.59)
2020	-	-
2021	-	-
<b>Total</b>	<b>1.00</b>	<b>\$(7,473.59)</b>

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

**Recommendations:**

1. The District must recoup from ADE \$7,473.59 in Basic State Aid due to incorrectly reported student data.
2. The District must reconcile to ensure that student enrollment data is reported accurately pursuant to A.R.S. § 15-901.

## FINDING 2: THE PERCENTAGE OF DISTANCE LEARNING RECORDED FOR FY2021 WAS INACCURATE

Auditors determined that the reported percentage of distance learning for FY2021 was not accurately recorded. As a result, the District was underpaid \$4,055.36 in Basic State Aid. Pursuant to A.R.S. § 15-915, ADE should repay these monies to the District, and in the future the District should ensure that its reported data is accurately recorded.

### The percentage of distance learning was inaccurately recorded

Due to Executive Order 2020-44 in FY2021, education could be provided to students in a distance learning setting, with the funding being provided during this time similar to an AOI. To apply this funding, a financial adjustment was made to each school district and charter school for this year. The reduction was applied based on the percentage of total instructional time the students participated in distance learning for the year reported by the School. The reduction to Base Support Level funding was made in the amount of 5% for full-time students and 15% for part-time students.

The percentage of distance learning reported by the District for FY2021 was recorded incorrectly. The District reported 0% of the total instructional time the students participated in was distance learning. However, the percentage recorded was 100%.

As a result of an inaccurate percentage of distance learning recorded during the fiscal year audited, the District was underpaid Basic State Aid. In total, the District was underfunded by \$4,055.36, in Basic State Aid as shown in Table 3.

**Table 3**

**Blue Elementary District  
Funding understatement due to inaccurate percentage  
of distance learning recorded  
Fiscal year 2021**

	<b>2021</b>
Total weighted non-AOI ADM	16.549
Base amount	\$4,359.55
Percentage distance learning	0%
Audited reduction amount	\$0.00
Actual reduction made	\$4,055.36
<b>Total financial adjustment</b>	<b>\$(4,055.36)</b>

Source: Auditor analysis of ADE and School student data for fiscal year 2021.

**Recommendations:**

1. The District must recoup from ADE \$4,055.36 in Basic State Aid due to an incorrectly recorded distance learning percentage.
2. The District should review reported data for students in the future to ensure that it is recorded accurately.

## **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, the student file must contain a photocopy of the student's birth certificate, other reliable proof of the student's identity and age and an 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 29 students sampled, four of the student files did not have the proper residency documentation, four of the student files did not have the residency reaffirmed annually, one did not have a birth certificate in their file and one student file 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**

**Blue 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	10	2	2	-	-
2020	8	-	1	-	-
2021	11	2	1	1	1
<b>Total</b>	<b><u>29</u></b>	<b><u>4</u></b>	<b><u>4</u></b>	<b><u>1</u></b>	<b><u>1</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 \$11,528.95 required to be paid to the District**—Auditors identified an overall funding adjustment of \$11,528.95 for the three fiscal years audited due to inaccurate student enrollment and inaccurate recording of the percentage for distance learning

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

**Table 5**

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

	2019		2020		2021		Total	
	ADM	Funding	ADM	Funding	ADM	Funding	ADM	Funding
Inaccurate enrollment data	1.00	\$(7,473.59)	-	-	-	-	1.00	\$(7,473.59)
Inaccurate distance learning percentage	-	-	-	-	-	\$(4,055.36)	-	\$(4,055.36)
<b>Total funding adjustment</b>	<b>1.00</b>	<b>\$(7,473.59)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$(4,055.36)</b>	<b>1.00</b>	<b>\$(11,528.95)</b>

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