

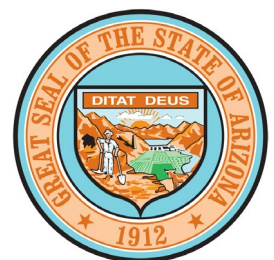


Arizona Department of Education

The Audit Unit
1535 W. Jefferson St., Bin 19
Phoenix, Arizona 85007
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Average Daily Membership Audit Report Topock Elementary School District Fiscal Years 2019, 2020 and 2021

Report Number—23-11
September 28, 2022



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Arizona Department of Education

Audit Unit

September 28, 2022

Superintendent John Warren
Topock Elementary School District
5083 Tule Dr.
Topock, AZ 86436

Dear Superintendent Warren:

The Arizona Department of Education Audit Unit has conducted an audit of the Topock Elementary 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 of 21 students, which resulted in its ADM being overstated by 1.49. Furthermore, auditors determined that 7 students did not have proof of Arizona residency and should not have been funded, which resulted in its ADM being overstated by 3.32. Finally, the District was adjusted for an inaccurate percentage of distance learning that took place in Fiscal Year 2021. As a result, the District was overfunded by \$7,032.29 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 Topock Elementary 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 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 Topock, Arizona, offered instruction in grades Preschool through 6 during the fiscal years audited. The District operated one elementary school. Table 1 presents the District’s unaudited student, staffing and financial information for FY2019, FY2020 and FY2021.

Table 1

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

	2019	2020	2021
Students enrolled	118	142	146
Number of teachers	5	5	4
Revenue			
Local	\$ 650,979	\$ 676,939	\$ 645,625
Intermediate	\$ 30,248	\$ 41,437	\$ 57,729
State	\$ 494,787	\$ 508,288	\$ 784,981
Federal	\$ 408,501	\$ 248,059	\$ 412,659
Total revenues	\$ 1,584,515	\$ 1,474,723	\$ 1,900,994
Total expenditures	\$ 1,641,467	\$ 1,440,480	\$ 1,655,984

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 150 of 409 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. When the data reported to ADE was incorrect, an adjustment was determined.
- **SPED data** – Auditors determined whether an adjusted student had also been funded for a special education (SPED) category. No material 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 \$10,573.10

Auditors determined that the District inaccurately reported the student data for 21 students for FY2019, FY2020 and FY2021. Specifically, auditors found that nine students had 10 or more consecutive unexcused absences, six students were funded but did not attend, five students had incorrect enrollment dates and 1 student met the 10% absence threshold then had 10 consecutive absences that generated a non-fundable interval. As a result of these errors, the District's ADM was overreported by 1.49 and the District was overfunded by \$10,573.10 in Basic State Aid. According to A.R.S. § 15-915, ADE must recover these monies from the District.

The District inaccurately reported some student data

The District inaccurately reported 21 students' enrollment data to ADE, which resulted in the District's ADM being overstated by 1.49.

According to A.R.S. § 15-901, A.R.S. § 15-901, 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. 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. However, the District did not always adhere to these requirements. Specifically, for the students that were sampled:

- 9 students had 10 consecutive unexcused absences and should have been withdrawn. As a result, the ADM for the District was overreported by 1.10.
- 6 students were reported as attended but did not actually attend the District. As a result, the ADM for the District was overreported by 0.20.
- 5 students were reported with incorrect enrollment dates. As a result, the ADM for the District was overreported by 0.12.
- 1 student had excessive absences which resulted in a non-fundable period. As a result, the ADM for the District was overreported by 0.07.

As shown in Table 2 (see page 5), data reporting errors resulted in an ADM overstatement

of 1.49 for the three fiscal years audited.

Table 2

**Topock Elementary School District
ADM adjustments due to enrollment data errors
Fiscal years 2019, 2020 and 2021**

	2019	2020	2021	Total
10 day absence	0.25	0.20	0.65	1.10
Did not attend	-	0.20	-	0.20
Incorrect enrollment dates	-	0.01	0.11	0.12
Excessive absence	-	0.07	-	0.07
Total	0.25	0.48	0.76	1.49

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

The District must properly reconcile its enrollment data with ADE

The District can likely avoid errors in the future by ensuring it regularly and correctly reconciles its data to the data contained in ADE's system. Additionally, the District must ensure that a process is in place that captures the proper entry and exit dates of students to ensure proper funding and reporting of data. According to the District, employees have attended a training for student reporting and reconciling of data to check for multiple absences and to reconcile enrollment dates, and plans to review the data monthly and run the appropriate reports. The District should review its reconciliation practices to ensure that its staff properly review the reports produced by ADE and reconcile them to the District's SMS data to identify any discrepancies and correct any errors identified.

The District was overfunded by \$10,573.10

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 1.49. As a result, the District was overfunded by \$10,573.10 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 (see page 6) shows the ADM and funding adjustments for FY2019, FY2020 and FY2021.

Table 3

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

	ADM adjustment	Total
2019	0.25	\$1,693.57
2020	0.48	\$3,994.86
2021	0.76	\$4,884.67
Total	1.49	\$10,573.10

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

Recommendations:

1. The District must repay to ADE \$10,573.10 in Basic State Aid due to incorrectly reported student data.
2. The District must ensure students with 10 consecutive unexcused absences are withdrawn pursuant to A.R.S. § 15-901.
3. 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, RESULTING IN AN OVERPAYMENT OF \$22,063.96

Auditors determined that the District failed to properly maintain residency and birth certificate 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.

The District did not maintain the proper documentation required by statute and ADE's residency guideline. Of the 75 students sampled, 31 of the student files did not have the proper residency documentation, 9 of the student files did not have the residency reaffirmed annually and 9 of the student files did not have a birth certificate in their file. Table 4 (see page 8) lists the student file documentation maintained by the District for FY2019, FY2020 and FY2021.

Table 4

**Topock Elementary School District
Student cumulative file documentation
Fiscal years 2019, 2020 and 2021**

	Total sampled	Missing or unapproved residency documentation	Residency not reaffirmed	Missing birth certificate
2019	25	9	-	3
2020	25	13	7	4
2021	25	9	2	2
Total	75	31	9	9

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

According to the District, employees will review student files for accuracy to ensure they include residency and birth certificates and plans to review data monthly to make sure all files are up to date. 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 and birth certificate documentation as required by law.

The District was overfunded by \$22,063.96

Auditors determined that the District did not receive the correct amount of Basic State Aid due to failing to maintain residency documentation to prove Arizona residency for students. The District’s failure to collect proper residency documentation for 7 students, resulted in the District’s ADM being overstated by 3.32. As a result, the District was overfunded by \$22,063.96. Table 5 shows the ADM adjustment due to improper residency documentation for FY2019, FY2020 and FY2021.

Table 5

**Topock Elementary School District
Student residency ADM funding adjustment
Fiscal years 2019, 2020 and 2021**

	Students	ADM	Funding adjustment
2019	2	1.50	\$10,161.42
2020	2	0.12	\$976.31
2021	3	1.70	\$10,926.23
Total	7	3.32	\$22,063.96

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

Recommendations:

1. The District must comply with statute and collect and maintain in each student's cumulative file copies of verifiable residency and birth certificate documentation as required by law.
2. ADE must recoup from the District \$22,063.96 in Basic State Aid due to improperly maintained residency documentation.

FINDING 3: THE PERCENTAGE OF DISTANCE LEARNING REPORTED FOR FY2021 WAS INACCURATE, RESULTING IN AN UNDERPAYMENT OF \$25,604.77

Auditors determined that the District did not report an accurate percentage of distance learning that took place in FY 2021. As a result, the District was underpaid \$25,604.77 in Basic State Aid. Pursuant to A.R.S. § 15-915, ADE needs to pay these monies to the District, and in the future the District should ensure that it accurately reports data to ADE.

The District was adjusted for an inaccurate percentage of distance learning

Due to Executive Order 2020-44 in FY21, 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 financial adjustment was applied based on the percentage of total instructional time the students participated in distance learning for the year reported by the District. The financial adjustment was a reduction to Base Support Level funding 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 incorrect. The District reported that 95% of the total instructional time the students participated in was distance learning. However, the District had calculated that the students actually participated in distance learning for approximately 35% of the time. According to the District, they plan to review, track and report all data pertaining to student learning time. In the future, the District needs to ensure that data reported to ADE is accurate.

As a result of reporting an inaccurate percentage of distance learning during the fiscal year audited, the District was underpaid Basic State Aid. In total, the District was underfunded by \$25,604.77 in Basic State Aid as shown in Table 6 (see page 11).

Table 6

**Topock Elementary School District
Funding understatement due to inaccurate
percentage of distance learning reported
Fiscal year 2021**

	2021
Total weighted non-AOI ADM	181.391
Base amount	\$4359.55
Percentage distance learning	35%
Audited reduction amount	\$14,462.83
Actual reduction made	\$40,067.60
Total financial adjustment	\$(25,604.77)

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

Recommendations:

1. ADE must pay to the District \$25,604.77 in Basic State Aid due to incorrectly reported distance learning percentage.
2. The District should review data for students in the future to ensure that it is reported accurately.

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 \$7,032.29 required to be paid to ADE—Auditors identified an overall funding adjustment of \$7,032.29 for the three fiscal years audited due to inaccurate student enrollment.

Table 7 lists the ADM adjustments and the associated Basic State Aid adjustments for the District for FY2019, FY2020 and FY2021.

Table 7

**Topock Elementary School 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	0.25	\$1,693.57	0.48	\$3,994.86	0.76	\$4,884.67	1.49	\$10,573.10
Residency	1.50	\$10,161.42	0.12	\$976.31	1.70	\$10,926.23	3.32	\$22,063.96
Distance Learning Percentage	-	\$ -	-	\$ -	-	\$(25,604.77)	-	\$(25,604.77)
Total funding adjustment	1.75	\$11,854.99	0.60	\$4,971.17	2.46	\$(9,793.87)	4.81	\$7,032.29

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