

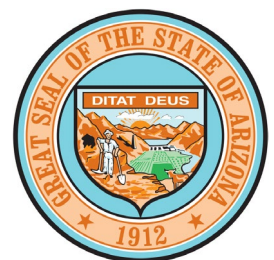


Arizona Department of Education

The Audit Unit
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Average Daily Membership Audit Report Bullhead City School District #15 Fiscal Years 2019, 2020 and 2021

Report Number—23-7
September 30, 2022



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Arizona Department of Education

Audit Unit

September 30, 2022

Dr. Carolyn Stewart, Superintendent
Bullhead City School District #15
1004 Hancock Rd
Bullhead City, AZ 86442

Dear Superintendent Stewart:

The Arizona Department of Education Audit Unit has conducted an audit of the Bullhead City 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 76 students, which resulted in its ADM being understated by 16.06. As a result, the District was underfunded by \$73,444.25 which ADE must repay the District.

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 Bullhead City School District #15 (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 Bullhead City, Arizona, offered instruction in grades preschool 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

**Bullhead City School District #15
Total students, revenues, and expenditures
Fiscal years 2019, 2020 and 2021
(Unaudited)**

	2019	2020	2021
Students Enrolled	2,693	2,643	2,220
Number of Teachers	152	153	139
Revenue			
Local	\$ 5,223,922	\$5,497,240	\$5,303,681
Intermediate	\$1,505,100	\$1,571,286	\$ 1,376,871
State	\$10,196,498	\$11,587,339	\$10,358,441
Federal	\$4,400,017	\$4,046,561	\$9,159,302
Total Revenues	\$21,325,537	\$22,702,426	\$26,198,295
Total Expenditures	\$21,627,517	\$ 20,604,607	\$25,048,414

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 864 of 8,613 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. No material findings were identified for this area.
- **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 UNDERPAYMENT OF \$73,444.25

Auditors determined that the District inaccurately reported the student data for 76 students for FY2019, FY2020 and FY2021. Specifically, auditors found that 31 students were reported with an incorrect entry and/or exit date, 23 students attended the District but were not funded, and 10 students that did not attend the District were reported and funded. In addition, six funded preschool students were not eligible for funding, four students had 10 or more consecutive unexcused absences and were not properly withdrawn, and two student had an incorrectly reported FTE. 12 of the students adjusted above were also funded with a SPED category. As a result of these errors, the District's ADM was underreported by 16.06. As a result, the District was underfunded by \$73,444.25 in Basic State Aid. According to A.R.S. § 15-915, ADE needs to repay these monies to the District.

The District inaccurately reported some student data

The District inaccurately reported 76 students' enrollment data to ADE, which resulted in the District's ADM being understated by 16.06.

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. Additionally, 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. A.R.S. § 15-901 also states that a student with 10 consecutive unexcused absences must be withdrawn.

Additionally, A.R.S. § 15-901 states, 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.

Finally, A.R.S. § 15-901 states, for common schools, a part-time student is a student enrolled for less than the total time for a full-time student as defined in this section. A part-time common school student shall be counted as one-fourth, one-half or three-fourths of a full-time student if the student is enrolled in an instructional program that is at least one-fourth, one-half or three-fourths of the time a full-time student is enrolled. The hours in which a student is scheduled to attend a common school during the regular school day shall be included in the calculation of the average daily membership for that

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

- 31 students were reported with an incorrect entry and/or exit date. As a result, the District’s ADM was overreported by 0.63.
- 23 students attended the District but were not funded. As a result, the District’s ADM was underreported by 20.98.
- 10 students were reported and funded for attending but did not actually attend the District. As a result, the District’s ADM was overreported by 1.66.
- 6 preschool students were reported and funded; however, they were not eligible for funding. As a result, the District’s ADM was overreported by 2.35.
- 4 students had 10 or more consecutive unexcused absences and were not properly withdrawn. As a result, the District’s ADM was overreported by 0.48.
- 2 student was reported with an incorrect FTE. As a result, the District’s ADM was underreported by 1.50.
- 12 of the students adjusted above were also funded with a SPED category. As a result, the District’s weighted SPED ADM was overreported by 1.30.

As shown in Table 2, data reporting errors resulted in an ADM understatement of 16.06 for the three fiscal years audited.

Table 2

**Bullhead City School District #15
ADM adjustments due to enrollment data errors
Fiscal years 2019, 2020 and 2021**

	2019	2020	2021	Total
Incorrect Entry/Exit Dates	0.25	-	0.38	0.63
Attended	(18.62)	(0.82)	(1.54)	(20.98)
Did not Attend	0.51	0.22	0.93	1.66
Preschool Eligibility	0.95	1.40	-	2.35
10-Day Absence	-	-	0.48	0.48
Incorrect FTE	-	-	(1.50)	(1.50)
SPED	-	1.24	0.06	1.30
Total	(16.91)	2.04	(1.19)	(16.06)

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.

The District misreported the enrollment data of 74 students. 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. Further, the effective date of withdrawals shall be retroactive to the last day of actual attendance of the student or excused absence and a student with 10 consecutive unexcused absences must be withdrawn. The District incorrectly reported 31 students that had an incorrect entry and/or exit date, 23 students that attended the District but were not funded, and incorrectly reported 10 students that did not attend the District. In addition, the District reported and received funding for six preschool students that were not eligible for funding and 4 kids that had 10 unexcused absences and should have been withdrawn.

The District also misreported the FTE for two students. A.R.S. § 15-901 also states, for common schools, a part-time student is a student enrolled for less than the total time for a full-time student as defined in this section. A part-time common school student shall be counted as one-fourth, one-half or three-fourths of a full-time student if the student is enrolled in an instructional program that is at least one-fourth, one-half or three-fourths of the time a full-time student is enrolled. The hours in which a student is scheduled to attend a common school during the regular school day shall be included in the calculation of the average daily membership for that student. However, the school misreported two students as part time when they were actually full time.

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. The District should review its reconciliation practices to ensure that its staff properly review the reports produced by ADE, specifically the ADE Integrity Report and reconcile them to the District's SMS data to identify any discrepancies and correct any errors identified.

In the future, the District must ensure it complies with statute and ADE guidelines to properly report FTE and student enrollments. Additionally, the District should review its reconciliation practices to ensure reports from ADE are reconciled to their SMS data.

The District was underfunded by \$73,444.25

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 understated by 16.06. As a result, the District was underfunded by \$73,444.25 in Basic State Aid for the three fiscal years audited which ADE must repay to the District pursuant to A.R.S. § 15-915. Table 3 (page 8) lists the ADM adjustments and the associated Basic State Aid adjustments for the District for FY2019, FY2020 and FY2021.

Table 3

**Bullhead City School District #15
ADM and funding adjustments
Fiscal years 2019, 2020 and 2021**

	ADM Adjustment	Total
2019	(16.91)	(\$77,352.62)
2020	2.04	\$10,543.60
2021	(1.19)	(\$6,635.23)
Total	(16.06)	(\$73,444.25)

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

Recommendations:

1. The District must recoup from ADE \$73,444.25 in Basic State Aid due to incorrectly reported student data.
2. The District needs to ensure that it properly reports students' FTE pursuant to statute and ADE guidelines.
3. The District must reconcile to ensure that enrollment dates are reported accurately pursuant to A.R.S. § 15-901.

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 \$73,444.25 required to be paid to the District—Auditors identified an overall funding adjustment of \$73,444.25 for the three fiscal years audited due to inaccurate student enrollment.

Table 4 lists the ADM adjustments and the associated Basic State Aid adjustments for the District for FY2019, FY2020 and FY2021.

Table 4

**Bullhead City School District #15
ADM and funding adjustments
Fiscal years 2019, 2020 and 2021**

	2019	2020	2021	Total
ADM adjustment	(16.91)	2.04	(1.19)	(16.06)
Funding adjustment	(\$77,352.62)	\$10,543.60	(\$6,635.23)	(\$73,444.25)

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