

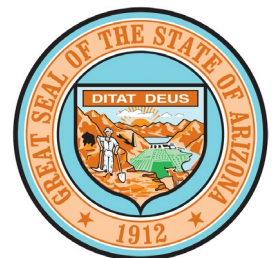


Arizona Department of Education

The Audit Unit
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Average Daily Membership Audit Report Round Valley Unified District Fiscal Years 2019, 2020 and 2021

Report Number—23-12
October 28, 2022



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Arizona Department of Education

Audit Unit

October 28, 2022

Slade Morgan, Superintendent
Round Valley Unified District
940B East Maricopa St.
Springerville, AZ 85938

Dear Superintendent Morgan:

The Arizona Department of Education Audit Unit has conducted an audit of the Round Valley 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 53 students during the three years audited, which resulted in its ADM being overstated by 2.25. In addition, the AOI data reported for 32 students was inaccurate, resulting in its ADM being understated by 0.79. The District must adjust their budget capacity as a result of the ADM adjustments.

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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TABLE OF CONTENTS

	<u>Page</u>
Introduction and background	1
Scope and methodology.....	3
Finding 1: The District did not accurately report some student data, resulting in an ADM overstatement of 2.25	5
The District inaccurately reported some student data.....	5
The District failed to comply with statute and ADE guidelines	7
The District's ADM was overstated by 2.25	8
Recommendations	8
Finding 2: The District did not accurately report AOI Data, resulting in an ADM understatement of 0.79.....	9
The District inaccurately reported some AOI enrollment data	9
The District must properly reconcile its AOI enrollment data.....	10
The District's ADM was understated by 0.79.....	10
Recommendations	11
ADM and funding adjustments	12

TABLE OF CONTENTS (CONT'D)

	<u>Page</u>
Tables:	
1 Round Valley Unified District Total students, revenues and expenditures Fiscal years 2019, 2020 and 2021 (Unaudited)	2
2 Round Valley Unified District ADM adjustments due to enrollment data errors Fiscal years 2019, 2020 and 2021	7
3 Round Valley Unified District AOI data reporting errors Fiscal years 2019, 2020 and 2021	10
4 Round Valley Unified District ADM and funding adjustments Fiscal years 2019, 2020 and 2021	12

INTRODUCTION AND BACKGROUND

The Arizona Department of Education (ADE) Audit Unit has conducted an Average Daily Membership (ADM) audit of the Round Valley 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 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 Springerville, Arizona, offered instruction in grades pre-school through 12 during the fiscal years audited. They operated one high school, one middle school, one elementary school, and one AOI. Table 1 presents the District’s unaudited student, staffing and financial information for FY2019, FY2020 and FY2021.

Table 1
Round Valley Unified District
Total students, revenues, and expenditures
Fiscal years 2019, 2020 and 2021
(Unaudited)

	2019	2020	2021
Students Enrolled	1,315	1,350	1,335
Number of Teachers	67	72	72
Revenue			
Local	\$10,446,133	\$ 11,108,553	\$11,698,279
Intermediate	\$0	\$0	\$0
State	\$1,026,150	\$1,181,167	\$1,174,655
Federal	\$1,736,359	\$1,714,554	\$2,544,766
Total Revenues	\$13,208,642	\$14,004,274	\$15,417,700
Total Expenditures	\$16,371,137	\$13,630,328	\$14,209,130

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 422 of 4,212 brick and mortar students and 188 AOI 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.
- **AOI data** – Auditors compared 100% of the Arizona Online Instruction data that was reported to ADE to the AOI data from the School. Auditors reviewed instructional time reported as well as the full or part time status that was reported for each student. When the data reported to ADE was incorrect, an adjustment was determined.
- **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. 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 ADM OVERSTATEMENT OF 2.25

Auditors determined that the District inaccurately reported the student data for 53 students for FY2019, FY2020 and FY2021. Specifically, auditors found that 26 students had an incorrectly reported FTE, nine students had ten or more consecutive unexcused absences and should have been withdrawn, and eight students attended the District but were not reported. In addition, five students were reported with an incorrect entry or exit date, two students were reported as attended but did not actually attend the District, two preschool students were not eligible for funding, and one student had excessive absences which resulted in a non-fundable period. As a result of these errors, the District's ADM was overreported by 2.25.

The District inaccurately reported some student data

The District inaccurately reported 53 students' enrollment data to ADE, which resulted in the District's ADM being overstated by 2.25.

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 For common schools, a part-time student is a student enrolled for less than the total time for a full-time student as defined by statute. 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 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. Finally, 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)

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.

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

- 26 students had an incorrect FTE reported. As a result, the ADM for the District was overreported by 4.96.
- 9 students had 10 consecutive unexcused absences and should have been withdrawn. As a result, the ADM for the District was overreported by 3.29.
- 8 students attended the District but were not reported as being enrolled in the District. As a result, the ADM for the District was underreported by 6.64.
- 5 students were reported with an incorrect entry or exit date. As a result, the ADM for the District was overreported by 0.10.
- 2 students were reported as attended but did not actually attend the District. As a result, the ADM for the District was overreported by 0.25.
- 2 preschool students were not eligible for funding. As a result, the District's ADM was overreported by 0.23
- 1 student had excessive absences which resulted in a non-fundable period. As a result, the ADM for the District was overreported by 0.06.

As shown in Table 2 (page 7), data reporting errors resulted in an ADM overstatement of 2.25 for the three fiscal years audited.

Table 2

**Round Valley Unified District
ADM adjustments due to enrollment data errors
Fiscal years 2019, 2020 and 2021**

	2019	2020	2021	Total
Incorrect FTE	2.82	0.69	1.45	4.96
10-day absence	-	-	3.29	3.29
Attended	(1.65)	(4.99)	-	(6.64)
Incorrect entry/exit date	-	0.01	0.09	0.10
Did not attend	0.01	-	0.24	0.25
Preschool eligibility	0.23	-	-	0.23
Excessive absences	-	0.06	-	0.06
Total	1.41	(4.23)	5.07	2.25

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 determined that 26 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 calendars and bell schedules for the District's high school, auditors determined that as long as a student was enrolled in five class periods for FY2019 and FY2021 and four class periods for FY2020, they would receive enough hours and subjects to be considered full time. However, the FTE that was reported for 25 high school students was not correct based on the total hours or number of courses the students were enrolled in. In addition, one middle student was erroneously reported as part-time and should have been reported as full time. As a result, the District misreported the FTE for 26 students.

Additionally, the District misreported the enrollment data of 27 students. According to ARS § 15-901 and ADE guidelines, ADM is based on the first 100 days of the school year, 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. Further, 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 and incur 10 or more consecutive absences will generate non-fundable ADM intervals. The District incorrectly reported the entry/exit dates of five students, did not withdraw nine students with 10 or more absences, generated a non-fundable interval for one student, eight students that did attend were not reported, and two students were reported to ADE that did not attend. Furthermore, 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. The District incorrectly reported two preschool students that were not eligible.

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

The District's ADM was overstated by 2.25

Auditors determined that the District did not report the correct ADM due to the inaccurate student enrollment data reported to ADE for FY2019, FY2020 and FY2021, resulting in the District's ADM being overstated by 2.25. A.R.S. § 15-915 requires that ADE makes corrections for audit findings to both budget capacity and state aid. However, because

the District did not receive any basic state aid for the three years audited, there is no financial adjustment necessary. ADE's School Finance Unit's Memo 13-011 informs LEAs of these statutory requirements:

A.R.S. §15-915, as amended by Laws 2014, 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.

Recommendations:

1. The District must adjust their budget capacity for the overreported 2.25 ADM.
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.
4. The District should ensure that the students with excessive absences be properly withdrawn, and that excused and unexcused absences be reported correctly.

FINDING 2: THE DISTRICT DID NOT ACCURATELY REPORT AOI DATA RESULTING IN AN ADM UNDERSTATEMENT OF 0.79

The District did not accurately report enrollment data for 32 of its AOI students to ADE for fiscal years 2019, 2020 and 2021. Specifically, auditors found that 16 students' minutes were reported incorrectly, six students that attended were not reported, four students were incorrectly reported as full time, three students were incorrectly reported as part time, two students were reported to ADE but did not attend, and one student that had an ADM adjustment to their brick-and-mortar ADM, also had an adjustment to their AOI ADM.

The District inaccurately reported some AOI enrollment data

Auditors determined that student data for 32 out of 188 of its AOI students was inaccurate, which resulted in the District's weighted AOI ADM being understated by 0.79 for fiscal years 2019, 2020 and 2021. According to A.R.S. § 15-808, AOI ADM is based on the number of minutes a student participates in the AOI during the year. In addition, SF-0003 states that full time AOI students must enroll in and participate in four or more classes during the year. If a student is enrolled in fewer than four classes, they should be reported as part time. However, the District did not always meet these requirements as follows:

- 16 students were reported to ADE's data system with incorrect AOI minutes.
- 6 students attended the District but were not reported to ADE.
- 4 students were incorrectly reported as full time and should have been reported as part time.
- 3 students were incorrectly reported as part time and should have been reported as full time.
- 2 students were reported to ADE, but documentation showed they did not actually attend the District.
- 1 student that had a brick-and-mortar ADM adjustment in Finding 1, resulting in an ADM adjustment for AOI.

As shown in Table 3, AOI data reporting errors resulted in a net weighted ADM understatement of 0.79 for the fiscal years audited.

Table 3

**Round Valley Unified District
AOI data reporting errors
Fiscal years 2019, 2020 and 2021**

Adjustments	2019	2020	2021	Total
Full time	(1.12)	(0.02)	0.14	(1.00)
Part time	0.52	(0.19)	(0.12)	0.21
Total	(0.60)	(0.21)	0.02	(0.79)

Source: Auditor analysis of District records and ADE data for fiscal years 2019, 2020 and 2021.

The District must properly reconcile its AOI enrollment data with ADE data

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 data system. 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 AOI school information system to identify any discrepancies that would affect funding and correct any errors identified. The District must comply with the requirements of A.R.S. § 15-808 and SF-0003 when calculating and reporting AOI students.

The District’s ADM was understated by 0.79

Auditors determined that the District did not receive the correct amount of Basic State Aid due to the inaccurate AOI student data reported to ADE for the fiscal years audited. As a result, the District’s ADM was understated by 0.79. A.R.S. § 15-915 requires that ADE makes corrections for audit findings to both budget capacity and state aid. However, because the District did not receive any basic state aid for the three years audited, there is no financial adjustment necessary. ADE’s School Finance Unit’s Memo 13-011 informs LEAs of these statutory requirements:

A.R.S. §15-915, as amended by Laws 2014, 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.

Recommendations:

1. The District must adjust their budget capacity for the underreported 0.79 ADM.
2. The District must comply with the requirements of A.R.S. § 15-808 and SF-0003 when calculating and reporting AOI students.

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.

No Basic State Aid adjustment required— Auditors identified an overall ADM decrease of 1.46 for the three fiscal years audited due to improperly reported enrollment data. However, since the District did not receive any basic state aid for any of the three years audited, no financial adjustment is required.

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

Table 4

**Round Valley Unified School District
ADM and funding adjustments
Fiscal years 2019, 2020 and 2021**

	2019	2020	2021	Total
Enrollment Data	1.41	(4.23)	5.07	2.25
AOI Data	(0.60)	(0.21)	0.02	(0.79)
Total ADM Adjustments	0.81	(4.44)	5.09	1.46

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