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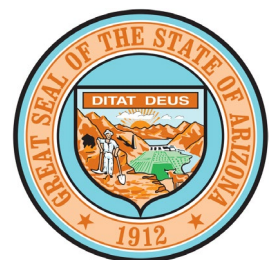
Phoenix, Arizona 85007

602-364-4036

Average Daily Membership Audit Report Winslow Unified School District Fiscal Years 2020, 2021 and 2022

Report Number—23-36

April 25, 2023



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Arizona Department of Education

Audit Unit

April 25, 2023

Connie Gover, Superintendent
Winslow Unified School District
800 N. Apache Avenue
Winslow, AZ 86047

Superintendent Gover:

The Arizona Department of Education Audit Unit has conducted an audit of the Winslow Unified School District (District) Average Daily Membership (ADM) for Fiscal Years 2020, 2021 and 2022. 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 132 students, which resulted in its ADM being understated by 5.92. Furthermore, the District was adjusted for an inaccurate percentage of distance learning that took place in Fiscal Year 2021. Finally, the District did not provide sufficient instructional hours to some preschool students in Fiscal Years 2021 and 2022. As a result, the District was overfunded by \$247,250.94 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

Tom Horne, 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 Winslow Unified 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) 2020 through 2022.

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 Winslow, Arizona, offered instruction in grades Preschool through 12 during the fiscal years audited. The District operated 1 high school, 1 middle school, 3 elementary schools. Table 1 presents the District’s unaudited student, staffing and financial information for FY2020, FY2021 and FY2022.

Table 1

**Winslow Unified School District
Total students, revenues and expenditures
Fiscal years 2020, 2021 and 2022
(Unaudited)**

	2020	2021	2022
Students enrolled	2,017	1,836	1,843
Number of teachers	113	106	107
Revenue			
Local	\$3,200,050	\$2,963,854	\$3,262,502
Intermediate	\$467,033	\$452,628	\$459,878
State	\$11,538,455	\$12,102,667	\$14,463,226
Federal	\$5,890,652	\$7,541,568	\$10,572,352
Total revenues	\$21,096,190	\$23,060,717	\$28,757,958
Total expenditures	\$19,580,275	\$21,757,960	\$25,570,494

Source: Annual Report of the Arizona Superintendent of Public Instruction for FY2020, FY2021 and FY2022.

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 FY2020, FY2021 and FY2022.

To conduct this audit, auditors used a variety of methods, including examining District and ADE records to review 621 of 6,153 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. 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 FY2020, FY2021 and FY2022. For each grade that did not meet the minimum required hours, an adjustment was determined.
- **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. 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 \$38,472.67

Auditors determined that the District inaccurately reported the student data for 132 students for FY2020, FY2021 and FY2022. Specifically, auditors found that 40 students had incorrect enrollment dates, 27 students had not attended the District, 26 students had 10 consecutive absences and were not withdrawn, 15 students had an incorrectly reported FTE, 14 students attended but were not funded, four preschool students were provided non-instructional services only and were not eligible for funding, three preschool students had an incorrect calendar and membership days reported and three students had excessive absences. In addition, 23 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 underreported by 5.92 and the District was underfunded by \$38,472.67 in Basic State Aid. According to A.R.S. § 15-915, the District needs to recoup these monies from ADE.

The District inaccurately reported some student data

The District inaccurately reported 132 students' enrollment data to ADE, which resulted in the District's ADM being understated by 5.92.

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 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. 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. Finally, A.R.S. § 15-901 states that a student with 10 consecutive unexcused absences must be withdrawn, and School Finance Manual (G) states that students who have reached the 10% threshold for cumulative absences (excused or unexcused) based

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.

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:

- 40 students were reported with incorrect enrollment dates. As a result, the ADM for the District was overreported by 0.77.
- 27 students were reported as attended but did not actually attend the District. As a result, the ADM for the District was overreported by 4.22.
- 26 students had 10 consecutive unexcused absences and should have been withdrawn. As a result, the ADM for the District was overreported by 3.90.
- 15 students had an incorrect FTE reported. As a result, the ADM for the District was overreported by 2.50.
- 14 students attended but were not funded for their enrollment in the District. As a result, the ADM for the District was underreported by 13.30.
- 4 preschool students were provided non-instructional services only and were not eligible for funding. As a result, the ADM for the District was overreported by 1.03.
- 3 preschool students had an incorrect calendar and their membership days were incorrect. As a result, the ADM for the District was underreported by 0.52.
- 3 students had excessive absences which resulted in a non-fundable period. As a result, the ADM for the District was overreported by 0.27.
- 23 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 underreported by 4.79.

As shown in Table 2 (see page 7), data reporting errors resulted in an ADM understatement of 5.92 for the three fiscal years audited.

Table 2

**Winslow Unified School District
ADM adjustments due to enrollment data errors
Fiscal years 2020, 2021 and 2022**

	2020	2021	2022	Total
Incorrect enrollment dates	0.21	0.25	0.31	0.77
Did not attend	0.62	3.01	0.59	4.22
10 day absence	0.47	3.35	0.08	3.90
Incorrect FTE	0.34	1.23	0.93	2.50
Attended	-	(10.00)	(3.30)	(13.30)
Preschool eligibility	0.37	0.05	0.61	1.03
Preschool calendar	(0.09)	-	(0.43)	(0.52)
Excessive absence	0.27	-	-	0.27
SPED	2.67	0.01	(7.46)	(4.79)
Total	4.86	(2.10)	(8.68)	(5.92)

Source: Auditor analysis of District records, ADE data for FY2020, FY2021 and FY2022.

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 15 of the District's students did not meet the statutory and ADE guideline requirements for full time enrollment (FTE). 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. The FTE that was reported for 15 students was not correct based on the total hours or number of courses the students were enrolled in. As a result, the District overreported the FTE for these students.

Additionally, the District misreported the enrollment data of 117 students. According to ARS § 15-901 and ADE guidelines, ADM is based on the first 100 days of the school year, using the enrollment date and the withdrawal date of the student. Further, A.R.S. § 15- 901 states that a student with 10 consecutive unexcused absences must be withdrawn, and 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 enrollment dates for 40 students, reported 27 students that did not attend the District, did not withdraw 26 students with 10 or more consecutive unexcused absences, did not receive funding for 14 students that attended, reported four preschool students that were provided non-instructional services only, incorrectly reported the preschool calendar and membership days for three students, and three students incurred excessive absences.

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

The District was underfunded by \$38,472.67

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 FY2020, FY2021 and FY2022. The student data incorrectly reported by the District resulted in its ADM being understated by 5.92. As a result, the District was underfunded by \$38,472.67 in Basic State Aid for the three fiscal years audited which the District must recoup from ADE pursuant to A.R.S. § 15-915.

Table 3

**Winslow Unified School District
ADM and funding adjustments
Fiscal years 2020, 2021 and 2022**

	ADM adjustment	Total
2020	4.86	\$23,639.68
2021	(2.10)	\$(9,399.56)
2022	(8.68)	\$(52,712.79)
Total	(5.92)	\$(38,472.67)

Source: Auditor analysis of District and ADE records for FY2020, FY2021 and FY2022.

Recommendations:

1. The District must recoup from ADE \$38,472.67 in Basic State Aid due to incorrectly reported student data.
2. The District must ensure that it properly reports students' FTE pursuant to statute and ADE guidelines.
3. The District must reconcile to ensure that enrollment dates and calendars are reported accurately pursuant to A.R.S. § 15-901.

FINDING 2: THE PERCENTAGE OF DISTANCE LEARNING REPORTED FOR FY2021 WAS INACCURATE, RESULTING IN AN OVERPAYMENT OF \$285,260.64

Auditors determined that the District was adjusted for an incorrect percentage of distance learning that took place in FY2021. As a result, the District was overpaid \$285,260.64 in Basic State Aid. Pursuant to A.R.S. § 15-915, ADE needs to recover these monies from the District, and in the future the District should ensure that it accurately reports data to ADE.

The District was adjusted for an incorrect percentage of distance learning

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 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 adjusted for the District for FY2021 was incorrect. The District reported that 0% 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 55% of the time.

As a result of reporting an inaccurate percentage of distance learning during the fiscal year audited, the District was overpaid Basic State Aid. In total, the District was overfunded by \$285,260.64 in Basic State Aid as shown in Table 4 (see page 10).

Table 4

**Winslow Unified School District
Funding overstatement due to inaccurate
percentage of distance learning reported
Fiscal Year 2021**

	2021
Total weighted non-AOI ADM	2,319.61
Base amount	4359.55
Percentage distance learning	55%
Audited reduction amount	\$285,260.64
Actual reduction made	\$0
Total financial adjustment	\$285,260.64

Source: Auditor analysis of ADE and District student data for FY2021.

Recommendations:

1. The District must repay ADE \$285,260.64 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.

FINDING 3: SOME STUDENTS WERE NOT PROVIDED SUFFICIENT INSTRUCTIONAL HOURS RESULTING IN AN OVERPAYMENT OF \$462.97

The District did not provide the statutorily-required number of instructional hours to its preschool students for FY2021 and FY2022. As a result, the District was overpaid \$462.97 in Basic State Aid. Pursuant to A.R.S. § 15-915, ADE should recover these monies from the District, and the District should ensure that it provides all students with sufficient instructional hours.

The District failed to provide some students with sufficient instructional hours

Although all schools are required by statute to provide a minimum number of instructional hours to students, the District did not meet this requirement for its preschool students for FY2021 and FY2022. Specifically, A.R.S. § 15-901 requires that public schools provide at least 216 instructional hours for preschool students in FY2021 and FY2022.

In the fiscal years audited, the District provided three calendars for preschool students reported as session A, B, and C. In FY2021 and FY2022, the District provided preschool students in session C 214 hours out of the 216 required hours required. As a result, students in this session were provided 99.07% of the required hours for FY2021 and FY2022. In FY2022, the District provided preschool students in session A 212 hours out of the 216 required hours required. As a result, students in this session were provided 98.15% of the required hours for FY2022.

Table 5

**Winslow Unified School District
ADM overstatement due to
insufficient instructional hours
Fiscal years 2021 and 2022**

	2021	2022	
Session	C	A	C
Grade	PS	PS	PS
Reported ADM	2.92	2.03	2.03
Instructional hours required	216	216	216
Instructional hours provided	214	212	214
Percentage met	99.07%	98.15%	99.07%
Audited ADM	2.90	1.99	2.01
ADM overstated	0.02	0.04	0.02

Source: Auditor analysis of ADE and District student data for FY2021 and FY2022.

The District was overfunded \$462.97

As a result of providing insufficient instructional hours for these students during the fiscal year audited, the District's ADM was overstated, and the District was overpaid Basic State Aid². In total, the District was overfunded by \$462.97 in Basic State Aid due to an ADM overstatement of 0.08 as shown in Table 6.

Table 6

**Winslow Unified School District
ADM overstatement and funding adjustments
due to insufficient instructional hours
Fiscal year 2021 and 2022**

	2021	2022	Total
ADM overstated	0.02	0.06	0.08
Total overpayment	\$120.76	\$342.22	\$462.97

Source: Auditor analysis of ADE and District student data for FY2021 and FY2022.

Recommendations:

1. The District must repay ADE \$462.97 in Basic State Aid due to incorrectly reported enrollment data.
2. The District should review its schedules yearly to verify that they meet the statutory minimum requirements for instructional hours per grade.
3. The District should ensure that it provides all students with at least the statutorily-required minimum number of instructional hours.

² A.R.S. § 15-239 states "Notwithstanding section 15-901, subsection A, paragraph 1, subdivision (a), adjustments to average daily membership for failure to provide sufficient instructional time to meet the requirements for a full-time student pursuant to section 15-901, subsection A, paragraph 1, subdivision (b), may be made proportionately according to the percentage by which the instructional time provided does not meet the required number of instructional hours prescribed for that grade level".

FINDING 4: THE DISTRICT DID NOT PROPERLY MAINTAIN SOME STUDENT RECORDS AS REQUIRED BY STATUTE AND GUIDELINE

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 150 students sampled, 56 student files did not have the proper residency documentation, 81 student files did not have the residency reaffirmed annually, 13 student files did not have a birth certificate and 12 student files did not have immunization record documentation. Table 7 (see page 14) lists the student file documentation maintained by the District for FY2020, FY2021 and FY2022.

Table 7

**Winslow Unified School District
Student cumulative file documentation
Fiscal years 2020, 2021 and 2022**

	Total sampled	Missing residency documentation	Residency not reaffirmed	Missing birth certificate	Missing immunization
2020	50	18	24	4	3
2021	50	20	25	3	3
2022	50	18	32	6	6
Total	150	56	81	13	12

Source: Auditor analysis of District records for FY2020, FY2021 and FY2022.

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

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 \$247,250.94 required to be paid to ADE—Auditors identified an overall funding adjustment of \$247,250.94 for the three fiscal years audited due to inaccurate student enrollment, FY2021 distance learning percentage, and insufficient instructional hours.

Table 8 lists the ADM adjustments and the associated Basic State Aid adjustments for the District for FY2020, FY2021 and FY2022.

Table 8

**Winslow Unified School District
ADM and funding adjustments
Fiscal years 2020, 2021 and 2022**

	2020		2021		2022		Total	
	ADM	Funding	ADM	Funding	ADM	Funding	ADM	Funding
Inaccurate enrollment data	4.86	\$23,639.68	(2.10)	\$(9,399.56)	(8.68)	\$(52,712.79)	(5.92)	\$(38,472.67)
Distance Learning	-	\$ -	-	\$285,260.64	-	\$ -	-	\$285,260.64
Insufficient instructional hours	-	\$ -	0.02	\$120.76	0.06	\$342.22	0.08	\$462.97
Total funding adjustment	4.86	\$23,639.68	(2.08)	\$275,981.83	(8.62)	\$(52,370.57)	(5.84)	\$247,250.94

Source: Auditor analysis of ADE and District student and financial data for FY2020, FY2021 and FY2022.