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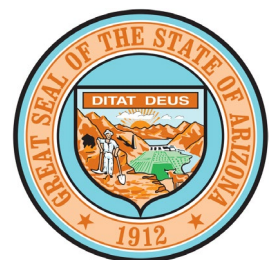
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602-364-4036

Average Daily Membership Audit Report Tolleson Elementary School District Fiscal Years 2020, 2021 and 2022

Report Number—23-42

June 27, 2023



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Arizona Department of Education
Audit Unit

June 27, 2023

Superintendent, Dr. Lupita Hightower
Tolleson Elementary School District
9261 W. Van Buren Street
Tolleson, Arizona 85353

Dear Superintendent Hightower:

The Arizona Department of Education Audit Unit has conducted an audit of the Tolleson Elementary 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 86 students, which resulted in its ADM being overstated by 14.08. Furthermore, the District was adjusted for an inaccurate percentage of distance learning that took place in Fiscal Year 2021. As a result, the District was underfunded by \$93,185.52 which the ADE must pay to the District. 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 Tolleson 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) 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 Tolleson, Arizona, offered instruction in grades Preschool through 8 during the fiscal years audited. The District operated four elementary schools. Table 1 presents the District’s unaudited student, staffing and financial information for FY2020, FY2021 and FY2022.

Table 1

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

	2020	2021	2022
Students enrolled	3,130	2,822	2,867
Number of teachers	162	158	170
Revenue			
Local	\$ 11,261,727	\$ 10,697,532	\$ 11,204,694
Intermediate	\$ 1,169,623	\$ 1,168,151	\$ 1,181,771
State	\$ 14,448,322	\$ 13,977,701	\$ 15,065,930
Federal	\$ 5,786,205	\$ 10,691,475	\$ 9,570,593
Total revenues	\$ 32,665,877	\$ 36,534,859	\$ 37,022,988
Total expenditures	\$ 36,654,788	\$ 33,408,019	\$ 32,826,673

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 1,084 of 9,299 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.
- **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. No findings were identified for this area.
- **Student files** – Auditors reviewed student files to ensure that they maintained required documentation such as birth certificates, immunization records, and supporting residency documentation. Auditors identified files that did not contain all the documentation that was required to be kept in them by statute and ADE guidelines.
- **Instructional hours** – Auditors reviewed the bell schedules and calendars for the District for FY2020, FY2021 and FY2022. 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. 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 OVERPAYMENT OF \$72,214.12

Auditors determined that the District inaccurately reported the student data for 86 students for FY2020, FY2021 and FY2022. Specifically, auditors found that 51 students had 10 or more consecutive unexcused absences and should have been withdrawn, 33 students had enrollment dates reported incorrectly, and two students were reported as homebound but did not receive at least 4 weekly hours of instruction or did not have appropriate medical certification. As a result of these errors, the District's ADM was overreported by 14.08 and the District was overfunded by \$72,214.12 in Basic State Aid. According to A.R.S. § 15-915, ADE needs to recover these monies from the District.

The District inaccurately reported some student data

The District inaccurately reported 86 students' enrollment data to ADE, which resulted in the District's ADM being overstated by 14.08.

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. A.R.S. § 15-901 also states that a student with 10 consecutive unexcused absences must be withdrawn. Finally, A.R.S. § 15-901 also states homebound students must have medical certification and must receive at least 4 hours of instruction per week to be considered full-time. However, the District did not always adhere to these requirements. Specifically, for the students that were sampled:

- 51 students had 10 consecutive unexcused absences and should have been withdrawn. As a result, the ADM for the District was overreported by 6.45.
- 33 students were reported with incorrect enrollment dates. As a result, the ADM for the District was overreported by 1.36.
- 2 students did not receive sufficient homebound instruction or did not have medical certification. As a result, the ADM for the District was overreported by 0.89.
- 11 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 overreported by 5.38.

As shown in Table 2 (see page 6), data reporting errors resulted in an ADM overstatement of 14.08 for the three fiscal years audited.

Table 2

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

	2020	2021	2022	Total
10 day absence	0.17	5.79	0.49	6.45
Incorrect enrollment dates	0.11	0.64	0.61	1.36
Homebound	-	0.69	0.20	0.89
SPED	-	4.16	1.22	5.38
Total	0.28	11.28	2.52	14.08

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 enrollment data.

Auditors determined that the District misreported the enrollment data of 84 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. Furthermore, A.R.S. § 15-901 states that a student with 10 consecutive unexcused absences must be withdrawn. The District did not withdraw 51 students with 10 or more unexcused absences and incorrectly reported the enrollment dates of 33 students.

The District also misreported two students as being homebound. According to ARS § 15-901, a homebound student must be certified by a medical doctor as being unable to attend regular classes for a period of not less than three school months during a school year. A homebound student can be counted as in attendance for each day in a week where at least four hours of instruction were provided. However, the District incorrectly reported the two students as being homebound without the proper certification and/or did not provide at least four hours of weekly instruction.

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

The District was overfunded by \$72,214.12

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 overstated by 14.08. As a result, the District was overfunded by \$72,214.12 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

**Tolleson Elementary School District
ADM and funding adjustments
Fiscal years 2020, 2021 and 2022**

	ADM adjustment	Total
2020	0.28	\$1,381.58
2021	11.28	\$55,306.34
2022	2.52	\$15,526.20
Total	14.08	\$72,214.12

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

Recommendations:

1. The District must repay to ADE \$72,214.12 in Basic State Aid due to incorrectly reported student data.
2. The District must reconcile to ensure that enrollment dates are reported accurately pursuant to A.R.S. § 15-901.
3. The District must collect required medical certification documentation and provide education services to homebound student for a minimum of four hours per week for students certified as homebound pursuant to A.R.S. § 15-901.

FINDING 2: THE PERCENTAGE OF DISTANCE LEARNING ADJUSTED FOR FY2021 WAS INACCURATE, RESULTING IN AN UNDERPAYMENT OF \$165,399.64

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 underpaid \$165,399.64 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 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 was adjusted on 100% distance learning. However, the District had calculated that the students actually participated in distance learning for 78.81% of the time.

As a result of being adjusted for 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 \$165,399.64 in Basic State Aid as shown in Table 4.

Table 4

**Tolleson Elementary School District
Funding overstatement due to inaccurate
percentage of distance learning adjusted
Fiscal Year 2021**

	2021
Total weighted non-AOI ADM	3,500.86
Base amount	4359.55
Percentage distance learning	78.81%
Audited reduction amount	\$(612,987.96)
Actual reduction made	\$(778,387.60)
Total financial adjustment	\$165,399.64

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

Recommendations:

1. ADE must pay to the District \$165,399.64 in Basic State Aid due to an incorrect distance learning percentage.
2. The District should review data for students in the future to ensure that it is reported accurately.

FINDING 3: 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 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 150 students sampled, eight of the student files did not have the proper residency documentation, 76 did not have residency reaffirmed annually, and two did not have a birth certificate. Table 5 (see page 11) lists the student file documentation maintained by the District for FY2020, FY2021 and FY2022.

Table 5

**Tolleson Elementary School District
Student cumulative file documentation
Fiscal years 2020, 2021 and 2022**

	Total sampled	Missing residency documentation	Residency not reaffirmed	Missing birth certificate
2020	50	4	27	2
2021	50	1	23	0
2022	50	3	26	0
Total	150	8	76	2

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 and birth certificate 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 and birth certificate 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 \$93,185.52 required to be paid to the District—Auditors identified an overall funding adjustment of \$93,185.52 for the three fiscal years audited due to inaccurate student enrollment and FY2021 distance learning percentage.

Table 6 lists the ADM adjustments and the associated Basic State Aid adjustments for the District for FY2020, FY2021 and FY2022.

Table 6

**Tolleson Elementary 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	0.28	\$1,381.58	11.28	\$55,306.34	2.52	\$15,526.20	14.08	\$72,214.12
Distance Learning	-	-	-	\$(165,399.64)	-	-	-	\$(165,399.64)
Total funding adjustment	0.28	\$1,381.58	11.28	\$(110,093.30)	2.52	\$15,526.20	14.08	\$(93,185.52)

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