



Arizona Department of Education

The Audit Unit

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

Report Number—24-1

August 10, 2023



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Arizona Department of Education
Audit Unit

August 10, 2023

Superintendent Leandra Thomas
Ganado Unified School District
Highway 264
Ganado, AZ 86505

Dear Superintendent Thomas:

The Arizona Department of Education Audit Unit has conducted an audit of the Ganado 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 137 students, which resulted in its ADM being overstated by 34.08. As a result, the District was overfunded by \$171,361.93 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 Ganado 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 Ganado, Arizona, offered instruction in grades Kindergarten through 12 during the fiscal years audited. The District operated one high school, one middle school, one intermediate school, and one primary school. Table 1 presents the District’s unaudited student, staffing and financial information for FY2020, FY2021 and FY2022.

Table 1

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

	2020	2021	2022
Students enrolled	1,298	1,293	1,064
Number of teachers	94	89	81
Revenue			
Local	\$ 943,707	\$ 634,149	\$ 970,539
Intermediate	\$ 461,377	\$ 435,181	\$ 408,662
State	\$ 9,879,806	\$ 9,276,379	\$ 8,065,807
Federal	\$ 13,349,981	\$ 23,937,487	\$ 13,293,966
Total revenues	\$ 24,634,871	\$ 34,283,196	\$ 22,738,974
Total expenditures	\$ 20,734,765	\$ 21,041,897	\$ 19,110,814

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 423 of 4,124 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. 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.

- ***Instructional Time Model (ITM)*** – Auditors reviewed the ITM that was in place for FY2022 that was used to provide education to students. Auditors determined if the ITM contained the required elements as well as sufficient detail to be properly implemented. Auditors determined that the ITM did not contain sufficient detail of the plan used by the District.
- ***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 \$171,361.93

Auditors determined that the District inaccurately reported the student data for 137 students for FY2020, FY2021 and FY2022. Specifically, auditors found that 42 students had an incorrectly reported FTE, 38 students were reported with incorrect enrollment dates, 38 students had 10 or more consecutive unexcused absences and should have been withdrawn, 10 students attended but were not funded, five students were funded but did not attend, three students had incorrect tuition-out enrollments, and one student was reported as homebound but did not have appropriate medical certification and did not receive at least four hours of weekly instruction. As a result of these errors, the District's ADM was overreported by 34.08 and the District was overfunded by \$171,361.93 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 137 students' enrollment data to ADE, which resulted in the District's ADM being overstated by 34.08.

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

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.

- 42 students had an incorrect FTE reported. As a result, the ADM for the District was overreported by 15.47.
- 38 students were reported with incorrect enrollment dates. As a result, the ADM for the District was overreported by 1.52.
- 38 students had 10 consecutive unexcused absences and should have been withdrawn. As a result, the ADM for the District was overreported by 10.12.
- 10 students attended the District but were not reported and funded as being enrolled in the District. As a result, the ADM for the District was underreported by 8.47.
- 5 students were reported as attended but did not actually attend the District. As a result, the ADM for the District was overreported by 2.34.
- 3 students were found with incorrect tuition-out enrollments. As a result, the ADM for the District was overreported by 2.34.
- 1 student did not receive sufficient homebound instruction and did not have medical certification. As a result, the ADM for the District was overreported by 1.00.
- 15 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 9.76.

As shown in Table 2, data reporting errors resulted in an ADM overstatement of 34.08 for the three fiscal years audited.

Table 2

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

	2020	2021	2022	Total
Incorrect FTE	2.03	6.79	6.65	15.47
Incorrect Enrollment Dates	-	0.74	0.78	1.52
10 day absence	-	9.90	0.22	10.12
Attended	-	(8.47)	-	(8.47)
Did not Attend	-	1.00	1.34	2.34
Tuition out	1.39	0.95	-	2.34
Homebound	-	1.00	-	1.00
SPED	4.15	5.54	0.07	9.76
Total	7.57	17.45	9.06	34.08

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 FTE or student enrollment data.

Auditors determined that 42 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. However, the FTE that was reported for 42 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 94 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. The District incorrectly reported the enrollment dates of 38 students, did not withdraw 38 students with 10 or more consecutive unexcused absences, 10 students attended but were not funded, five students were reported to ADE that did not attend, and three students were reported with incorrect tuition-out enrollment.

The District also misreported one student 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 student as being homebound without the proper certification and did not provide at least four hours of instruction.

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

The District was overfunded by \$171,361.93

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 34.08. As a result, the District was overfunded by \$171,361.93 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

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

	ADM adjustment	Total
2020	7.57	\$32,425.02
2021	17.45	\$82,069.69
2022	9.06	\$56,867.22
Total	34.08	\$171,361.93

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

The District failed to properly document their ITM

Auditors found that the District failed to maintain sufficient Instructional Time Model (ITM) documentation to support the data submitted to ADE for funding purposes as required by both statute and ADE guidance. A.R.S. § 15-901.08 allows school districts and charter schools to adopt an ITM. In addition, School Finance Initial Guidance on H.B. 2862 for SY 2021-2022 (School Finance ITM Guidance) provides requirements to include in the ITM. This requires that the adopted ITM thoroughly document the process that will be used by the school(s). In addition, the ITM must document attendance procedures including how it will be taken and how it will relate to the instructional hour requirements. Specifically, School Finance ITM Guidance states:

- School districts and charter schools intending to adopt an ITM must document how attendance will be tracked and taken for each setting in which a student is provided instructional time for auditing purposes.
- The ITM model must identify how asynchronous learning is used to replace synchronous instruction. Schools must link instructional provided through an ITM back to a calendar, this may include providing instructional time on a weekend or evening- -but linking instruction back to a Monday through Friday calendar.
- If a school intends to utilize the ability to reallocate minimum instructional hours per subject on a per-student basis under H.B. 2862, the ITM should describe how reallocation would occur and must ensure that students are still enrolled in at least four courses that count towards graduation and receive a total of 720 hours of instruction to generate 1.0 ADM.
- School districts and charter districts must describe their plan for tracking student attendance in the submitted ITM. The model must establish clear course time expectations for students participating in project-based learning, independent learning, or mastery-based learning.

- There must be an instructional time value associated with the ITM to ensure the student has received the total number of hours to fulfil statutory requirements for full or part-time status.
- The school district or charter district shall describe in its ITM the criteria for being marked as present or absent for each day.
- The Department intends for school districts and charter districts to submit one document per district or charter that contains all the ITM components that the district or charter will be utilizing to operationalize the flexibility authorized in H.B. 2862. The submission may indicate differing components of the ITM that each school within the district intends to utilize and does not limit all schools to the same model of instruction. Additionally, there will be a narrative component to describe how each district and charter intends to operationalize its ITM.
- Submitted ITMs should describe, to the greatest extent, the deviations to traditional in-person instruction the school district or charter school intends to operationalize for the upcoming year. ITMs should also describe any way the school district or charter district intends to provide instructional hours outside of traditional in-person instruction to ensure those instructional hours count towards ADM calculations.
- It will be crucial for the ITM to fully describe the types of procedures a district or charter will be utilizing to offer instruction outside of a traditional in-person schedule and the associated types of attendance tracking procedures. The submitted ITM will be utilized for audit purposes when future audits occur.

However, the ITM documentation provided by the District did not include these required ITM elements. As a result, the District did not have a sufficient ITM for FY2022.

In addition, auditors determined that the District did not report student-level remote learning in FY2022. According to School Finance ITM Guidance, “beginning in School Year 2021-2022, districts and charters will report remote learning through an ITM at the student-level in a manner that is similar to reporting absences. When attendance is taken on any given day, a student may be reported as participating in remote instruction for all or part of the day. Students receiving instruction that is not classroom-based should be reported as receiving remote instruction in most circumstances.” However, the District did not report remote learning instruction to ADE as shown on the ADE ABSATT10 Absence/Attendance Minutes Verification Report. As a result, the District failed to appropriately report ITM remote learning attendance for FY2022.

In the future, the District should properly document ITM documentation, and appropriately track and report remote learning attendance.

Recommendations:

1. The District must repay to ADE \$171,361.93 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 are reported accurately pursuant to A.R.S. § 15-901.
4. 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.
5. The District must ensure that it maintains tuition-out documentation according to record retention schedules.
6. The District must ensure that the ITM is documented and ITM remote learning attendance is appropriately tracked and reported to ADE.

FINDING 2: 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, 51 of the student files did not have the proper residency documentation, 31 of the student files did not have the residency reaffirmed annually, 10 did not have a birth certificate in their file and nine student files did not have immunization record documentation in their file. Table 4 (see page 11) lists the student file documentation maintained by the District for FY2020, FY2021 and FY2022.

Table 4

**Ganado 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	17	13	3	3
2021	50	17	13	2	4
2022	50	17	5	5	2
Total	150	51	31	10	9

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 \$171,361.93 required to be paid to ADE—Auditors identified an overall funding adjustment of \$171,361.93 for the three fiscal years audited due to inaccurate student enrollment.

Table 5 lists the ADM adjustments and the associated Basic State Aid adjustments for the District for FY2020, FY2021 and FY2022.

Table 5

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

	2020	2021	2022	Total
ADM adjustment	7.57	17.45	9.06	34.08
Funding adjustment	\$32,425.02	\$82,069.69	\$56,867.22	\$171,361.93

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