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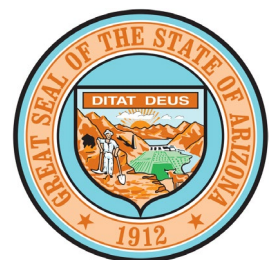
Phoenix, Arizona 85007

602-364-4036

## Average Daily Membership Audit Report Mammoth-San Manuel Unified School District Fiscal Years 2020, 2021 and 2022

Report Number—24-8

September 20, 2023



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**Arizona Department of Education**  
Audit Unit

September 20, 2023

Julie Dale-Scott, Superintendent  
Mammoth-San Manuel Unified District  
711 McNab Parkway  
San Manuel, AZ 85631

Dear Superintendent Dale-Scott:

The Arizona Department of Education Audit Unit has conducted an audit of the Mammoth-San Manuel 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 nine students, which resulted in its ADM being understated by 0.15. As a result, the District was underfunded by \$97.71 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

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The Arizona Department of Education (ADE) Audit Unit has conducted an Average Daily Membership (ADM) audit of the Mammoth-San Manuel 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 San Manuel, Arizona, offered instruction in grades PS through 12 during the fiscal years audited. The District operated one high school, one middle school, and one elementary school. Table 1 presents the District’s unaudited student, staffing and financial information for FY2020, FY2021 and FY2022.

**Table 1**

**Mammoth-San Manuel Unified School District  
Total students, revenues and expenditures  
Fiscal years 2020, 2021 and 2022  
(Unaudited)**

	2020	2021	2022
<b>Students enrolled</b>	<b>604</b>	<b>522</b>	<b>545</b>
<b>Number of teachers</b>	<b>37</b>	<b>36</b>	<b>36</b>
<b>Revenue</b>			
Local	\$ 1,390,231	\$ 1,241,399	\$ 1,364,275
Intermediate	\$ 212,311	\$ 195,602	\$ 220,639
State	\$ 4,140,071	\$ 3,553,018	\$ 3,723,285
Federal	\$ 1,041,289	\$ 1,449,564	\$ 2,576,268
<b>Total revenues</b>	<b>\$ 6,783,902</b>	<b>\$ 6,439,583</b>	<b>\$ 7,884,467</b>
<b>Total expenditures</b>	<b>\$ 6,984,673</b>	<b>\$ 6,485,428</b>	<b>\$ 7,401,122</b>

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

## SCOPE AND METHODOLOGY

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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 165 of 1,619 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.
- **Instructional Time Model (ITM)** – Auditors reviewed the ITM that was in place for FY22 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.

- ***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 \$97.71**

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Auditors determined that the District inaccurately reported the student data for nine students for FY2020, FY2021 and FY2022. Specifically, auditors found that four students were reported with incorrect enrollment dates, four students were reported with an incorrect calendar, and one student had an incorrectly reported FTE. As a result of these errors, the District's ADM was underreported by 0.15 and the District was underfunded by \$97.71 in Basic State Aid. According to A.R.S. § 15-915, ADE must pay these monies to the District.

## **The District inaccurately reported some student data**

The District inaccurately reported nine students' enrollment data to ADE, which resulted in the District's ADM being understated by 0.15.

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<sup>1</sup>. 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. However, the District did not always adhere to these requirements. Specifically, for the students that were sampled:

- 4 students were reported with incorrect enrollment dates. As a result, the ADM for the District was overreported by 0.02.

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<sup>1</sup> 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.

- 4 students were reported with an incorrect calendar, resulting in funding being based on the incorrect first 100 days of the school year. As a result, the ADM for the District was underreported by 0.26.
- 1 student had an incorrect FTE reported. As a result, the ADM for the District was overreported by 0.38.
- 5 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 0.29.

As shown in Table 2, data reporting errors resulted in an ADM understatement of 0.15 for the three fiscal years audited.

**Table 2**

**Mammoth-San Manuel Unified School District  
ADM adjustments due to enrollment data errors  
Fiscal years 2020, 2021 and 2022**

	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>Total</b>
Incorrect enrollment dates	0.01	0.02	(0.01)	0.02
Calendar	(0.14)	(0.04)	(0.08)	(0.26)
Incorrect FTE	-	-	0.38	0.38
SPED	-	(0.29)	-	(0.29)
<b>Total</b>	<b>(0.13)</b>	<b>(0.31)</b>	<b>0.29</b>	<b>(0.15)</b>

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 one 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 the student was not correct based on the total hours or number of subjects the student was enrolled in. As a result, the District overreported the FTE for the student.

Additionally, the District misreported the enrollment data of eight 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. The District incorrectly reported the enrollment dates of four students and the calendar for four students.

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

### **The District was underfunded by \$97.71**

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 0.15. As shown in Table 3, the District was underfunded by \$97.71 in Basic State Aid for the three fiscal years audited which ADE must pay to the District pursuant to A.R.S. § 15-915.

**Table 3**

**Mammoth-San Manuel Unified School District  
ADM and funding adjustments  
Fiscal years 2020, 2021 and 2022**

	<b>ADM adjustment</b>	<b>Total</b>
2020	(0.13)	\$(795.01)
2021	(0.31)	\$(1,488.08)
2022	0.29	\$2,185.38
<b>Total</b>	<b>(0.15)</b>	<b>\$(97.71)</b>

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 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. 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, Schools 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 ADE must pay to the District \$97.71 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 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**

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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, 26 of the student files did not have the proper residency documentation and three did not have birth certificate documentation. Table 4 (see page 10) lists the student file documentation maintained by the District for FY2020, FY2021 and FY2022.

**Table 4**

**Mammoth-San Manuel Unified School District  
Student cumulative file documentation  
Fiscal years 2020, 2021 and 2022**

	<b>Total sampled</b>	<b>Missing or unapproved residency documentation</b>	<b>Missing birth certificate</b>
2020	50	10	1
2021	50	10	1
2022	50	6	1
<b>Total</b>	<b>150</b>	<b>26</b>	<b>3</b>

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

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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 \$97.71 required to be paid to the District**—Auditors identified an overall funding adjustment of \$97.71 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**

**Mammoth-San Manuel Unified School District  
ADM and funding adjustments  
Fiscal years 2020, 2021 and 2022**

	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>Total</b>
ADM adjustment	(0.13)	(0.31)	0.29	<b>(0.15)</b>
<b>Funding adjustment</b>	<b>\$(795.01)</b>	<b>\$(1,488.08)</b>	<b>\$2,185.38</b>	<b>\$(97.71)</b>

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