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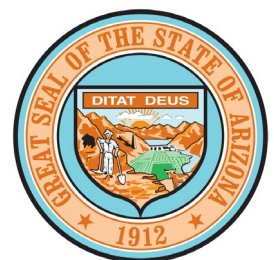
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Average Daily Membership Audit Report Saddle Mountain Unified School District Fiscal Years 2020, 2021 and 2022

Report Number—24-14

November 8, 2023



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Arizona Department of Education
Audit Unit

November 8, 2023

Dr. Mike Winters, Superintendent
Saddle Mountain Unified School District
38201 W. Indian School Rd.
Tonopah, AZ 85354

Dear Superintendent Winters:

The Arizona Department of Education Audit Unit has conducted an audit of the Saddle Mountain 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 and Budget Capacity.

Auditors determined that the District incorrectly reported the enrollment data of 307 students, which resulted in its ADM being overstated by 57.92. Additionally, auditors determined that the District did not 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,

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

Table 1

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

	2020	2021	2022
Students enrolled	2,125	2,267	2,854
Number of teachers	131	126	148
Revenue			
Local	\$ 18,440,276	\$ 23,113,358	\$ 25,657,674
Intermediate	\$ 253	\$ 0	\$ 702
State	\$ 1,799,968	\$ 1,780,539	\$ 2,990,538
Federal	\$ 1,659,828	\$ 5,999,692	\$ 4,920,240
Total revenues	\$ 21,900,325	\$ 30,893,589	\$ 33,569,154

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 831 of 8,416 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. 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 OVERSTATEMENT OF 57.92 ADM

Auditors determined that the District inaccurately reported the student data for 307 students for FY2020, FY2021 and FY2022. Specifically, auditors found that 126 students had an incorrectly reported FTE, 79 students had incorrect enrollment dates reported, 62 students had 10 or more consecutive unexcused absences and should have been withdrawn, 15 preschool students did not receive instruction and were ineligible for ADM, 14 students were reported but did not attend, eight students were reported with an incorrect calendar, one student had incorrect tuition out enrollment data reported, one student attended and should have been reported, and one student did not receive at least 4 hours of weekly homebound instruction and did not have appropriate homebound medical certification. In addition, 44 of these students that had data reported incorrectly were also reported with a SPED category. As a result of these errors, the District's ADM was overreported by 57.92.

The District inaccurately reported some student data

The District inaccurately reported 307 students' enrollment data to ADE, which resulted in the District's ADM being overstated by 57.92.

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 subjects 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 ADM calculations. 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.

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.

Specifically, for the students that were sampled:

- 126 students had an incorrect FTE reported. As a result, the ADM for the District was overreported by 32.78.
- 79 students were reported with incorrect enrollment dates. As a result, the ADM for the District was overreported by 2.34.
- 62 students had 10 consecutive unexcused absences and should have been withdrawn. As a result, the ADM for the District was overreported by 13.96.
- 15 preschool students were reported but did not attend an instructional program and were ineligible for ADM. As a result, the ADM for the District was overreported by 4.82.
- 14 students were reported as attended but did not actually attend the District. As a result, the ADM for the District was overreported by 2.53.
- 8 students were reported with an incorrect calendar, resulting in ADM being based on the incorrect first 100 days of the school year. As a result, the ADM for the District was underreported by 0.81.
- 1 student was reported with incorrect tuition out enrollment data. As a result, the ADM for the District was overreported by 0.03.
- 1 student attended the District but was not reported as being enrolled in the District. As a result, the ADM for the District was underreported by 1.00.
- 1 student did not receive sufficient homebound instruction or did not have medical certification. As a result, the ADM for the District was overreported by 0.31.
- 44 of the students that had data reported incorrectly were also reported with a SPED category. As a result, the weighted SPED ADM for the District was overreported by 2.96.

As shown in Table 2 (See page 7), data reporting errors resulted in an ADM overstatement of 57.92 for the three fiscal years audited.

Table 2

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

	2020	2021	2022	Total
Incorrect FTE	-	13.71	19.07	32.78
Incorrect enrollment dates	0.59	1.03	0.72	2.34
10 day absence	0.10	13.00	0.86	13.96
Preschool	-	1.02	3.80	4.82
Did not attend	0.52	0.87	1.14	2.53
Calendar	(0.77)	(0.04)	-	(0.81)
Tuition out	-	-	0.03	0.03
Attended	(1.00)	-	-	(1.00)
Homebound	0.31	-	-	0.31
SPED	(3.73)	3.47	3.22	2.96
Total	(3.98)	33.06	28.84	57.92

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

The District did not 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 126 of the District's students did not meet the statutory and ADE guideline requirements for full time enrollment (FTE). High school students must be enrolled in four subjects that meet at least 123 annual instructional hours each and total at least 720 annual instructional hours to qualify for 1.0 FTE. Common school students must be enrolled in an instructional program that meets for at least the minimum required annual instructional hours for the student's grade level to qualify for 1.0 FTE. However, the FTE that was reported for 126 students was not correct based on the total instructional hours or number of subjects the students were enrolled in.

Additionally, the District misreported the enrollment data of 180 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. Finally, according to A.R.S. § 15- 901, a preschool student must receive at least three hundred sixty minutes of instruction per week. However, the District incorrectly reported some enrollment data and 79 students had incorrect enrollment dates reported, 62 students had 10 or more consecutive unexcused absences and should have been withdrawn, 15 preschool students only received IEP services and were not enrolled in a preschool program and did not qualify for ADM, 14 students were reported but did not attend, eight students were reported with an incorrect calendar, one student had incorrect tuition out enrollment data, and one student attended and should have been reported.

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's ADM was overstated by 57.92

Auditors determined that the District did not report the correct ADM 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 57.92. Because the District did not receive Basic State Aid for the three years audited, there is no financial adjustment necessary. However, A.R.S. § 15-915 requires that ADE makes corrections for audit findings to both Budget Capacity and Basic 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.

Recommendations:

1. The District must ensure that it properly reports students' FTE pursuant to statute and ADE guidelines.
2. The District must reconcile to ensure that enrollment dates are reported accurately pursuant to A.R.S. § 15-901.
3. The District must ensure that it properly reports preschool students that are eligible and enrolled in a preschool program with at least three hundred sixty minutes of instruction per week pursuant to A.R.S. § 15-901.

4. The District must ensure that calendars are reported accurately pursuant to A.R.S. § 15-901.
5. 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.
6. 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.

FINDING 2: THE DISTRICT DID NOT PROPERLY MAINTAIN SOME STUDENT RECORDS AS REQUIRED BY STATUTE AND GUIDELINE

Auditors determined that the District did not 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 did not 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 did not 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 did not 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, 50 of the student files did not have the proper residency documentation, 43 did not have the residency reaffirmed annually, seven did not have a birth certificate and 27 did not have immunization record documentation. Table 3 (see page 11) lists the student file documentation maintained by the District for FY2020, FY2021 and FY2022.

Table 3

**Saddle Mountain 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	16	1	8
2021	50	14	14	3	10
2022	50	19	13	3	9
Total	150	50	43	7	27

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 ADJUSTMENTS

A.R.S. § 15-915 requires that ADE makes corrections for audit findings to both budget capacity and state aid. ADE’s School Finance Unit’s Memo 13-011 informs LEAs of these statutory requirements:

A.R.S. §15-915, as amended by Laws 2012, Chapter 357, Section 3, requires the superintendent of public instruction, when it is determined that state aid or budget limits have been calculated in error, within the prior 3 years, to make corrections to budget limits and state aid in the current year. (Hardship application may be approved by the superintendent). Effective for audits initiated during 2013 and continuing in subsequent years, corrections for audit findings to both budget capacity and state aid (when applicable) will be made.

Budget capacity adjustment required—The District must adjust its budget capacity for the three fiscal years audited. Budget capacity adjustment calculations for the District will be made by ADE once the audit is finalized.

No Basic State Aid adjustment required—Auditors identified an overall ADM adjustment of 57.92 for the three fiscal years audited due to inaccurate student enrollment data. However, since the District did not receive Basic State Aid for any of the three years audited, no Basic State Aid adjustment is required.

Table 4 lists the ADM adjustments for the District for FY2020, FY2021 and FY2022.

Table 4

**Saddle Mountain Unified School District
ADM adjustments
Fiscal years 2020, 2021 and 2022**

	2020	2021	2022	Total
Total ADM adjustment	(3.98)	33.06	28.84	57.92

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