



Arizona Department of Education

The Audit Unit

1535 W. Jefferson St., Bin 19

Phoenix, Arizona 85007

602-364-4061

Average Daily Membership Audit Report Sahuarita Unified District Fiscal Years 2013, 2014 and 2015

Report Number—17-04

August 26, 2016



CONTACTING THE AUDIT UNIT

Melissa Moreno, Audit Manager

Phone: (602) 364-4036

Email: Melissa.Moreno@azed.gov

Fax: (602) 364-2334

Mail: 1535 W. Jefferson St., Bin 19
Phoenix, AZ 85007-3209

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State of Arizona
Department of Education
The Audit Unit
1535 W. Jefferson St, Bin 19 • Phoenix, AZ 85007
Phone (602) 364-4061 Fax (602) 542-2734

Diane Douglas
Superintendent of
Public Instruction

August 26, 2016

Dr. Manuel O. Valenzuela, Superintendent
Sahuarita Unified District
350 W. Sahuarita Rd.
Sahuarita, AZ 85629

Dear Dr. Valenzuela,

The Arizona Department of Education Audit Unit has conducted an audit of the Sahuarita Unified District (District) Average Daily Membership for Fiscal Years 2013, 2014 and 2015. The purpose of the audit was to address whether the District properly reported student enrollment and attendance data and to determine if it received the correct amount of Basic State Aid.

Auditors determined that the District incorrectly reported the full-time enrollment (FTE) status of eight high school students, which resulted in its ADM being overstated by 1.373. As a result, the District was overfunded by \$6,290.81, which the District must repay to ADE.

We appreciate the cooperation and assistance provided by the District's administration during the course of the audit.

Sincerely,

Lisa Eddy,
Chief Auditor

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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 Sahuarita Unified District (District) pursuant to Arizona Revised Statutes (A.R.S.) § 15-239. This audit focused on whether the District properly reported enrollment and attendance data to ADE and received the correct amount of Basic State Aid for FY2013 through FY2015.

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 or charter school's information reported to ADE's student data system, the Student Accountability Information System (SAIS), to information found on the original records kept at the school. If auditors find that the school district 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 2013, 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 FY2014 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 Sahuarita, Arizona, maintained two high schools, one middle school, four elementary schools, and an early childhood center during the fiscal years audited. Table 1 presents the District's unaudited student, staffing and financial information for FY2013, FY2014 and FY2015.

Table 1
Sahuarita Unified District
Total Students, Staffing, Revenues and Expenditures
FY2013, FY2014 and FY2015
(Unaudited)

	FY2013	FY2014	FY2015
Students Enrolled	5,468	5,728	5,903
Number of Teachers	271	302	313
Revenue			
Local	\$25,286,078	\$26,914,095	\$26,178,321
County	1,143,167	1,164,679	1,521,044
State	11,793,312	13,050,897	16,127,633
Federal	1,897,348	3,085,721	3,126,838
Total Revenues	<u>\$40,119,905</u>	<u>\$44,215,392</u>	<u>\$46,953,836</u>
Total Expenditures	<u>\$38,570,446</u>	<u>\$40,356,566</u>	<u>\$47,335,782</u>

Source: Annual Report of the Arizona Superintendent of Public Instruction for FY2013, FY2014 and FY2015.

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 (USFR) and its own policies and procedures for FY2013, FY2014 and FY2015.

To conduct this audit, auditors used a variety of methods, including examining District and SAIS records for enrollment. Auditors also reviewed state statutes and District policies and procedures, and interviewed District management and staff. Specifically:

- ***FTE calculations*** – Auditors reviewed the high school bell schedules and student schedules to determine whether the District reported the correct full time enrollment (FTE) data to ADE. Depending on the number of classes needed to have a 1.0 FTE, auditors recalculated the actual FTE for the students based on the number of classes the students were taking during the year. When the audited FTE was different from the reported FTE for a student, auditors recalculated the ADM.
- ***Enrollment data*** – Auditors reviewed student profiles to determine if the enrollment data reported to ADE was correct. Auditors compared the entry and exit dates to the student profiles 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.
- ***Instructional hours*** – Auditors reviewed the bell schedules and calendars for each of the District's schools for FY2013, FY2014 and FY2015. The total instructional hours offered for each grade met the minimum required by statute for each of the three fiscal years audited. No findings were identified for this area.
- ***Withdrawal forms*** – Auditors reviewed the withdrawal forms and documentation for 12 students who withdrew during the fiscal years audited. Auditors did not identify any significant errors.

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 \$6,290.81

The District inaccurately reported the student data for nine students for FY2013 and FY2014. Specifically, auditors found that eight students had an incorrect FTE reported. As a result of these errors, the District's ADM was overstated by 1.373. Due to the inaccurate student data, the District received a net overpayment of \$6,290.81 in Basic State Aid which the District must repay to ADE.

The District Inaccurately Reported Some Student Data

The District inaccurately reported nine students' enrollment data to ADE due to various errors, which resulted in the District's ADM being overstated by 1.373.

According to A.R.S. § 15-901 and ADE Guidelines and Procedures EX-18 (EX-18), for a high school student to be reported as a 1.0 FTE, the student must be enrolled in at least four courses 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 Specifically, for the students that were sampled:

- Eight students had an incorrect FTE reported, which resulted in the District's ADM being overstated by 1.373.

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 for some students.

Auditors determined that eight of the District's students did not meet the statutory and ADE guideline requirements for full time enrollment. According to analysis of the District's bell schedule and calendar for the District's two high schools, auditors determined that as long as a student was enrolled in five courses each semester, they would receive enough hours and courses to be considered full time.

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 courses 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 courses 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 courses 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 course which meets for at least 123 hours annually.

However, the FTE that was reported for eight students was not correct based on the number of classes the students were enrolled in. The District overreported the FTE for eight students.

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

As shown in Table 2, data reporting errors resulted in a net ADM overstatement of 1.373 for the three fiscal years audited.

Table 2
Sahuarita Unified District
ADM Adjustments Due to Student Data Errors
FY2013, FY2014 and FY2015

	Incorrect FTE	Total
FY2013	1.248	1.248
FY2014	0.125	0.125
FY2015	-	-
Total	<u>1.373</u>	<u>1.373</u>

Source: Auditor analysis of District records, SAIS data for FY2013, FY2014 and FY2015, A.R.S. § 15-901, and EX-18

The District Must Reconcile Its Enrollment Data With SAIS

The District can avoid errors in the future by ensuring it regularly and correctly reconciles its data to the data contained in SAIS. Further, the District should review its reconciliation practices to ensure that its staff properly review the reports produced by SAIS and reconcile them to the District's SMS data to identify any discrepancies that would affect funding and correct any errors identified.

The District Was Overfunded by \$6,290.81

Auditors determined that the District did not receive the correct amount of Basic State Aid due to the inaccurate enrollment data reported to ADE for FY2013 and FY2014. The student data errors reported by the District resulted in its ADM being overstated by 1.373. As a result, the District was overfunded by \$ 6,290.81 in Basic State Aid, which ADE must recoup from the District. Table 3 shows the ADM and funding adjustments required for the District for FY2013, FY2014 and FY2015.

Table 3

**Sahuarita Unified District
ADM and Funding Adjustments Due to
Student Data Errors
FY2013, FY2014 and FY2015**

	FY2013	FY2014	FY2015	Total
ADM Adjustments	1,248	0.125	-	1.373
Funding Adjustments	\$5,924.81	\$366.00	-	\$6,290.81

Source: Auditor analysis of District records and SAIS data for FY2013, FY2014 and FY2015.

Recommendations:

1. ADE must recoup the District \$6,290.81 in Basic State Aid due to incorrectly reported student data.
2. The District needs to ensure that it properly calculates and reports students' FTE pursuant to statute and ADE guidelines.

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 2013, 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 FY2014 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's School Finance Unit once the audit is finalized.

Basic State Aid adjustment of \$6,290.81 required to be repaid to ADE—Auditors identified an overall funding adjustment of \$6,290.81 for the three fiscal years audited due to inaccurate student data.

Table 4 lists the ADM adjustments and the associated Basic State Aid adjustments for the District for FY2013, FY2014 and FY2015.

Table 4

**Sahuarita Unified District
ADM and Funding Adjustments
FY2013, FY2014 and FY2015**

	FY2013	FY2014	FY2015	Total Adjustment
ADM	1.248	0.125	-	1.373
Funding	\$5,924.81	\$366.00	-	\$6,290.81

Source: Auditor analysis of SAIS and School student and financial data for FY2013, FY2014 and FY2015.