



Arizona Department of Education

The Audit Unit

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

Report Number—17-8

September 29, 2016



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Diane Douglas
Superintendent of
Public Instruction

September 29, 2016

Dr. H. T. Sánchez, Superintendent
Tucson Unified School District
1010 E. 10th St.
Tucson, AZ 85719

Dear Superintendent Sánchez,

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

Auditors determined that the District did not accurately report some enrollment data to ADE correctly. Additionally, auditors determined that the District inaccurately reported enrollment data for 292 of its AOI students to ADE for the three fiscal years audited. These errors resulted in an overstatement of 13.63 ADM and a net overpayment of \$46,269.03 in Basic State Aid, which must be repaid to ADE by the District pursuant to state law.

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

Sincerely,

A handwritten signature in cursive script, appearing to read "Lisa Eddy".

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 Tucson Unified School 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, FY2014 and FY2015 data.

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 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 financial information—The District is located in Tucson, Arizona. The District served grades K-12 and preschool in FY2013, FY2014 and FY2015.

Table 1 presents the District's unaudited student, staffing and financial information for FY2013, FY2014 and FY2015.

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

	FY2013	FY2014	FY2015
Fall Enrollment	51,297	49,887	49,008
Number of Teachers	2,758	2,646	2,610
Revenue			
Local	\$258,613,636	\$241,606,357	\$232,000,512
County	14,372,495	14,097,314	13,033,210
State	148,846,963	153,605,269	165,815,083
Federal	56,837,450	79,268,765	55,178,088
Total Revenues	\$478,670,544	\$488,577,705	\$466,026,893
Total Expenditures	\$507,858,410	\$479,781,767	\$452,389,983

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:

- ***Enrollment Data***—Auditors compared the District’s student management system to SAIS and identified 1,353 students for further evaluation. Each student’s attendance was compared for each fiscal year. Auditors reviewed these 1,353 student profiles to determine if the enrollment data reported to ADE was accurate. Auditors compared the student profiles to SAIS to determine if the entry and exit date was correct. When the audited entry or exit dates were different from the reported dates or the audited FTE differed from the funded FTE for a student, auditors recalculated the ADM and made appropriate adjustments to the funded ADM.
- ***AOI data***—Auditors compared the Arizona Online Instruction (AOI) data that was reported to ADE to the AOI data from the District for 885 students. Auditors reviewed instructional time reported as well as the full or part time status that was reported for each student. In addition, auditors reviewed the total ADM for each student to ensure that they were limited properly. If the District was funded for more than 1.0 ADM for a student, an adjustment was determined. When the data reported to ADE was incorrect, an adjustment was determined.
- ***Special Education Data***—Auditors reviewed the students to determine if any were also funded for one of the special education categories. Auditors identified 13 students with a special education adjustment, for a total adjustment of 1.48 ADM overreported for the fiscal years audited.
- ***Limiting***—Auditors reviewed the total ADM for each student to ensure that they were limited by SAIS to the maximum allowed by law for the District. Auditors did not identify any limiting issues other than those identified for the AOI students.
- ***Instructional Hours***—Auditors reviewed the District’s bell schedules and calendars for the fiscal years audited and determined that the District provided at least the minimum number of instructional hours as required by statute for each grade level.

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.

The Audit Unit expresses its appreciation to the Tucson Unified School District’s administration and staff members for their cooperation and assistance throughout the audit.

FINDING 1: THE DISTRICT DID NOT ACCURATELY REPORT SOME STUDENT DATA RESULTING IN AN UNDERPAYMENT OF \$5,192.10

The District inaccurately reported the student enrollment data for 75 of its students for FY2013, FY2014 and FY2015. Specifically, auditors determined that 48 students had FTE reported incorrectly, three students had either an incorrect entry or withdrawal date, 17 students were reported to SAIS for funding but did not attend and seven students attended but were not reported to SAIS for funding. Furthermore, 13 of these students were also reported and funded for a special education category which requires an adjustment. As a result, the District's special education ADM was overreported by 1.48. In total, the District's ADM was overstated by 0.95 for its students for the three fiscal years audited. Due to the inaccurate enrollment data, the District received a net underpayment of \$5,192.10 in Basic State Aid for the three fiscal years audited which the District must repay to ADE pursuant to A.R.S. § 15-915.

The District Inaccurately Reported Some Student Enrollment Data

The District inaccurately reported the enrollment data for 75 students to ADE due to various errors, which resulted in the District's ADM being overreported by 0.95. Of these students, 13 were also reported and funded for a special education category which resulted in the District's ADM being overreported by 1.48. ADE External Guideline and Procedures GE-17¹ states that, with the exception of pre-enrolled students, the enrollment date for a student is the first day of actual attendance. According to A.R.S. § 15-901, the withdrawal date for students for FY2013 is the last day of actual attendance. For FY2014 and FY2015, the withdrawal date for students is the last day of actual attendance or excused absence. Additionally, A.R.S. § 15-901 and ADE Guidelines and Procedures EX-18 (EX-18) state that, 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.² However, the District did not always adhere to these requirements. Specifically:

¹ ADE External Guidelines and Procedures GE-17 states: *"For the purposes of determining Average Daily Membership (ADM) for a given school year at a given public school pursuant to ARS § 15-901 (A)(2), the first day of membership for continuing or pre-enrolled students, shall be defined as either the first day a student physically attends school or the first day that classroom instruction is offered, provided that such students physically attend school within the first ten school days. For all other students, the first day of membership shall be defined as the first day a student physically attends school."*

² 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.

- 48 students were reported with incorrect FTE, which resulted in the District's ADM being overstated by 4.81.
- 3 students had either an incorrect entry or withdrawal date that was reported to SAIS, which resulted in the District's ADM being overstated by 0.41.
- 17 students were reported to SAIS; however, the students did not attend and no documentation showed the students as being enrolled and attending, which resulted in the District's ADM being overstated by 0.24.
- 7 students were not reported to SAIS; however, District attendance documentation showed the students as being enrolled and attending, which resulted in the District's ADM being understated by 5.99.
- 13 students who were adjusted for one of the reasons identified above were also funded for a special education category, which resulted in the District's ADM being overstated by 1.48.

As shown in Table 2, data reporting errors resulted in a net ADM overstatement of 0.95 for FY2013, FY2014 and FY2015.

Table 2

**Tucson Unified School District
ADM Adjustments Due to Enrollment Data Errors
FY2013, FY2014 and FY2015**

	FY2013	FY2014	FY2015	Total
Incorrect FTE	0.12	1.00	3.69	4.81
Incorrect Entry/Exit Date	0.12	0.29	-	0.41
Did not attend	0.10	0.09	0.05	0.24
Not in SAIS	(4.99)	(1.00)	-	(5.99)
SPED adjustment	0.00	0.00	1.48	1.48
Total	<u>(4.65)</u>	<u>0.38</u>	<u>5.22</u>	<u>0.95</u>

Source: Auditor analysis of District records, A.R.S. § 15-901 and EX-18.

The District Must Properly Reconcile Its Enrollment Data With SAIS

The District can likely avoid errors in the future by ensuring it regularly and correctly reconciles its data to the data contained in SAIS. Additionally, the District must ensure that a process is in place that captures the proper entry and exit dates of students to ensure proper funding and reporting of data. Finally, the District must ensure it complies with statute and ADE guidelines to properly calculate and report student FTE. 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 should review its internal reporting practices and ensure that it properly documents the actual entry and exit dates of students pursuant to statute.

The District Was Underfunded by \$5,192.10

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, FY2014 and FY2015. The enrollment data errors reported by the District resulted in its ADM being overstated by 0.95 for the three fiscal years audited. As shown in Table 3, due to the overstatement of 0.95 ADM for its enrollment data, the District received an overpayment to Basic State Aid of \$9,422.84 for the three fiscal years audited. However, statutory growth formulas applied to the District require that this amount be decreased by \$14,614.94. As a net result, the District was underfunded by \$5,192.10 which ADE must repay to the District pursuant to A.R.S. § 15-915.

Table 3

**Tucson Unified School District
ADM and Funding Adjustments Due to Enrollment Data Errors
FY2013, FY2014 and FY2015**

	FY2013	FY2014	FY2015	Total
ADM	(4.65)	0.38	5.22	0.95
Basic State Aid	<u>\$(17,787.44)</u>	<u>\$1,835.60</u>	<u>\$25,374.68</u>	<u>\$9,422.84</u>
Growth	<u>\$(14,614.94)</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$(14,614.94)</u>
Total Funding Adjustments	<u>\$(32,402.38)</u>	<u>\$1,835.60</u>	<u>\$25,374.68</u>	<u>\$(5,192.10)</u>

Source: Auditor analysis of District records, A.R.S. § 15-901 and EX-18.

Recommendations:

1. ADE must repay the District \$5,192.10 in Basic State Aid due to incorrectly reported enrollment data.
2. The District must properly reconcile its data each year to ensure it complies with A.R.S. § 15-901 and GE-17.
3. The District must review its internal and reporting practices to ensure that it properly documents the actual entry and exit dates of students pursuant to statute.
4. The District must ensure that it properly calculates and reports students' FTE pursuant to statute and ADE guidelines

FINDING 2: THE DISTRICT DID NOT ACCURATELY REPORT AOI DATA RESULTING IN AN OVERPAYMENT OF \$51,461.13

The District did not accurately report enrollment data for 292 of its AOI students to ADE for all three fiscal years audited. Specifically, auditors found that 29 students were not properly limited in membership days, four students did not attend, 253 students had been reported as full time but were actually part time students and six students were reported to SAIS with incorrect minutes. As a result, the District's weighted AOI ADM was overstated by 12.67. This led to the District being overfunded by \$51,461.13 in Basic State Aid for the fiscal years audited, which the District must repay to ADE according to A.R.S. § 15-915.

The District Inaccurately Reported Some AOI Enrollment Data

Auditors determined that student data for 292 of its AOI students was inaccurate, which resulted in the District's weighted AOI ADM being overstated by 12.67 for the fiscal years audited, as follows:

- 29 students did not have properly limited membership days.
- 4 students were reported to SAIS; however, the students did not attend and no documentation showed the students as being enrolled and attending.
- 253 students were incorrectly reported as full time and should have been reported as part time.
- 6 students were reported to SAIS with incorrect AOI minutes.

As shown in Table 4, AOI data reporting errors resulted in a net weighted ADM overstatement of 12.67 for the three fiscal years audited.

Table 4

**Tucson Unified School District
AOI Weighted ADM Adjustments
FY2013, FY2014 and FY2015**

Adjustments	AOI Weighted ADM Adjustment			
	2013	2014	2015	Total
Full Time	82.23	9.38	2.02	93.62
Part Time	(72.50)	(7.01)	(1.44)	(80.95)
Total	9.73	2.37	0.58	12.67

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

The District Must Properly Reconcile Its Enrollment Data With SAIS

The District can likely avoid errors in the future by ensuring it regularly and correctly reconciles its data to the data contained in SAIS. 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 AOI SMS data to identify any discrepancies that would affect funding and correct any errors identified. The District must comply with the requirements of A.R.S. § 15-808 and SF-0003 when calculating and reporting AOI students.

The District Was Overfunded by \$51,461.13

Auditors determined that the District did not receive the correct amount of Basic State Aid due to the inaccurate AOI student data reported to ADE for the three fiscal years audited. The enrollment data errors reported by the District resulted in its ADM being overstated by 12.67. As shown in Table 5, due to the overstatement of 12.67 ADM for its AOI enrollment data, the District received an overpayment of \$51,461.13 in Basic State Aid for the three fiscal years audited, which the District must repay to ADE pursuant to A.R.S. § 15-915.

Table 5

**Tucson Unified School District
AOI ADM and Funding Adjustments
FY2013, FY2014 and FY2015**

Fiscal Year	Weighted ADM Adjustment	Funding Adjustment
2013	9.73	\$ 37,223.98
2014	2.37	11,422.64
2015	0.58	2,814.51
Total	12.67	<u>\$ 51,461.13</u>

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

Recommendations:

1. The District must repay ADE \$51,461.13 in Basic State Aid for the fiscal years audited for incorrect AOI enrollment data.
2. The District must comply with the requirements of A.R.S. § 15-808 and SF-0003 when calculating and reporting AOI students.

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 FY2013 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 upon finalization of the audit.

Basic State Aid adjustment of \$46,269.03 required to be repaid by the District—Auditors identified an overall funding decrease of \$46,269.03 for the three fiscal years audited due to erroneous student data.

Table 6 lists the ADM adjustments and the associated Basic State Aid adjustments for the District for FY2013, FY2014 and FY2015.

Table 6

**Tucson Unified School District
ADM and Funding Adjustments
FY2013, FY2014 and FY2015**

	FY2013		FY2014		FY2015		Total
	ADM	Funding	ADM	Funding	ADM	Funding	
Enrollment Data Errors	<u>(4.65)</u>	<u>\$ (32,402.38)</u>	<u>0.38</u>	<u>\$ 1,835.60</u>	<u>5.22</u>	<u>\$ 25,374.68</u>	<u>\$ (5,192.10)</u>
AOI Data Errors	<u>9.73</u>	<u>37,223.98</u>	<u>2.37</u>	<u>11,422.64</u>	<u>0.58</u>	<u>2,814.51</u>	<u>51,461.13</u>
Total Adjustment	<u>5.08</u>	<u>\$ 4,821.60</u>	<u>2.75</u>	<u>\$ 13,258.24</u>	<u>5.80</u>	<u>\$ 28,189.19</u>	<u>\$ 46,269.03</u>

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