



Arizona Department of Education

The Audit Unit

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Average Daily Membership Audit Report Mingus Union High School District Fiscal Years 2013, 2014 and 2015

Report Number—17-11

October 31, 2016



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Diane Douglas
Superintendent of
Public Instruction

October 31, 2016

Eric Harmon, Interim Superintendent
Mingus Union High School District
1801 E Fir St
Cottonwood, AZ 86326

Dear Mr. Harmon,

The Arizona Department of Education Audit Unit has conducted an audit of the Mingus Union High 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 FTE status for some students, incorrectly reported AOI data for some students, and inaccurately reported some students' enrollment data for FY2015, which resulted in the District's ADM being overstated by 52.58. As a result, the District was overfunded by \$298,589.90, 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,

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 Mingus Union High 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.

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 information—The District is located in Cottonwood, Arizona and maintained 1 high school and one online school during the fiscal years audited. Table 1 presents the District's unaudited student, staffing and financial information for FY2013, FY2014 and FY2015.

Table 1

**Mingus Union High School District
Total Students, Revenues and Expenditures
FY2013, FY2014 and FY2015
(Unaudited)**

	FY2013	FY2014	FY2015
Students Enrolled	1,245	1,264	1,204
Number of Teachers	55	57	55
Revenue			
Local	\$ 8,174,400	\$ 7,766,292	\$ 7,187,533
County	92,396	237,878	207,436
State	1,671,075	2,249,291	2,275,959
Federal	1,000,995	721,747	905,980
Total Revenues	<u>10,938,866</u>	<u>10,975,207</u>	<u>10,576,908</u>
Total Expenditures	<u>\$ 10,984,800</u>	<u>\$ 11,092,858</u>	<u>\$ 10,923,236</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:

- ***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.
- ***Enrollment data***—Auditors compared the District’s student management system to SAIS and identified 241 of 1,606 students in FY2013, 238 of 1,583 students in FY2014 and 209 of 1,369 students in FY2015 for a total of 688 students for further evaluation. Auditors reviewed these 688 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 all of the Arizona Online Instruction (AOI) data that was reported to ADE to the AOI data from the District. Auditors reviewed instructional time reported as well as the full or part time status that was reported for each student. An adjustment was determined when differences were identified.
- ***Special Education Data (SPED)***—Additionally, for the students where an ADM adjustment was made, auditors determined whether the student had also been funded for a special education category. Auditors calculated the special education adjustment based on the SPED category and service code and applied this adjustment to each respective student’s recalculated ADM and made appropriate adjustments to the funded ADM.
- ***Limiting***—Auditors reviewed the total ADM for each enrolled student to ensure that they were appropriately limited by SAIS. No findings were identified for this area.

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 Mingus Union High School District’s administration and staff members for their cooperation and assistance throughout the audit.

FINDING 1: THE DISTRICT INCORRECTLY CALCULATED AND REPORTED FTE RESULTING IN OVERPAYMENT OF \$278,430.76

Auditors determined that the District incorrectly calculated and reported to ADE the FTE status of 252 high school students. Of these affected students, 20 were SPED students with additional ADM weights, which resulted in the District's ADM being overstated by a total of 48.91 for the three fiscal years audited. This occurred because the District did not comply with statute and ADE guidelines when calculating the FTE status of these students. As a result, the District was overfunded by \$278,430.76 in Basic State Aid. According to A.R.S. § 15-915, ADE needs to recover these monies from the District. Additionally, the District needs to ensure it complies with statute and ADE guidelines to properly calculate and report student FTE.

The District Incorrectly Calculated and Reported FTE for 252 Students

Auditors determined that the District improperly calculated the FTE status for many of its high school students for all three fiscal years audited. Auditors identified 252 high school students whose FTE status was reported to ADE incorrectly. As a result, the District's ADM was overstated by 41.78.

Of these students with adjustments, 20 students were reported with a SPED category, whose associated SPED adjustment resulted in the District's weighted ADM being overstated by 7.13. As shown in Table 2, data reporting errors resulted in a net ADM overstatement of 48.91 for the three fiscal years audited.

Table 2

Mingus Union High School District ADM Adjustments Due to Incorrect FTE FY2013, FY2014 and FY2015

	FY2013	FY2014	FY2015	Total
Incorrect FTE	12.51	17.69	11.58	41.78
SPED	-	2.75	4.38	7.13
Total ADM Adjustments	12.51	20.44	15.96	48.91

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

The District Did Not Follow Statute and ADE Guidelines

The District failed to follow statute and ADE guidelines when calculating and reporting student FTE for some students. According to A.R.S. § 15-901¹, a high school student must be enrolled in at least 720 instructional hours annually in an instructional program of at least four or more subjects, each of which, if taught each school day for the minimum number of days required in a school year would meet a minimum of 123 hours annually. According to auditor analysis of the District's bell schedules and calendars, students at the District's high school would have needed to take at least five District courses in in order to be counted as enrolled full-time. Auditors determined that the District miscalculated FTE by not accounting for each of the different bell schedules held.

The District Was Overfunded by \$278,430.76

Since the District incorrectly calculated and reported some students' FTE status to ADE, the District did not receive the correct amount of Basic State Aid for the three fiscal years audited. Specifically, the District was overfunded by \$208,562.53 in Basic State Aid. However, statutory growth formulas applied to the District require that this amount be increased by \$69,868.23. As a net result, the District was overfunded by \$278,430.76, which ADE must recoup. Table 3 (see page 6) shows the ADM and funding adjustments required for the District for the three fiscal years audited.

¹ A.R.S. § 15-901 states that full-time student means: For high schools, a student enrolled in at least an instructional program of four or more subjects, each of which, if taught each school day for the minimum number of days required in a school year, would meet a minimum of one hundred twenty-three hours a year, or the equivalent, that meets for a total of at least seven hundred twenty hours for a one hundred eighty day school year. The average daily membership of a full-time high school student shall be 1.0 if the student is enrolled in at least four subjects that meet at least seven hundred twenty hours for a one hundred eighty day school year. Fractional student means: For high schools, the average daily membership of a part-time high school student shall be 0.75 if the student is enrolled in an instructional program of three subjects that meet at least five hundred forty hours for a one hundred eighty day school year. The average daily membership of a part-time high school student shall be 0.5 if the student is enrolled in an instructional program of two subjects that meet at least three hundred sixty hours for a one hundred eighty day school year. The average daily membership of a part-time high school student shall be 0.25 if the student is enrolled in an instructional program of one subject that meets at least one hundred eighty hours for a one hundred eighty day school year.

Table 3

**Mingus Union High School District
ADM and Funding Adjustments Due to
Incorrectly Calculated and Reported FTE
FY2013, FY2014 and FY2015**

Fiscal Year	ADM Adjustment	Funding Adjustment	Growth	Net Funding Adjustment
2013	12.51	\$ 59,941.92	\$ 48,446.88	108,388.80
2014	20.44	86,569.32	21,421.34	107,990.67
2015	15.96	62,051.29	-	62,051.29
Total	48.91	\$ 208,562.53	\$ 69,868.23	\$ 278,430.76

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

Recommendations:

1. The District must comply with A.R.S. § 15-901 when calculating and reporting FTE status.
2. ADE must recoup from the District \$278,430.76 in Basic State Aid due to incorrectly reported FTE.

FINDING 2: THE DISTRICT DID NOT ACCURATELY REPORT SOME AOI DATA RESULTING IN AN OVERPAYMENT OF \$16,066.47

The District did not accurately report attendance data for some of its AOI students to ADE for all three fiscal years audited. Specifically, auditors identified 540 students whose AOI attendance data was not accurately reported to ADE by the District, which resulted in the District's AOI ADM being overstated by 2.61. This inaccuracy in AOI data reporting by the District led to the District being overfunded by \$16,066.47 in Basic State Aid for the three fiscal years audited, which ADE must repay to the District according to A.R.S. § 15-915.

The District Inaccurately Reported AOI Instructional Minutes for 540 Students

Auditors determined that the District inaccurately reported AOI data for 540 of its AOI students, which resulted in the District's AOI ADM being overreported by 2.61 as follows:

- 534 students were reported to ADE as being full-time; however, District documentation showed these students had participated in the AOI as part-time students.
- 3 students were not reported to ADE; however, District attendance documentation showed these students as being enrolled and attending the District's AOI.
- 3 students were reported to ADE as being part-time; however, District documentation showed these students had participated in the AOI as full-time students.

As shown in Table 4 (see page 8), AOI data reporting errors resulted in a net weighted ADM overstatement of 2.61 for the three fiscal years audited.

Table 4

**Mingus Union High School District
AOI ADM Adjustments Due to
Data Reporting Errors and
Incorrectly Reported Enrollment Status
FY2013, FY2014 and FY2015**

	FY2013	FY2014	FY2015	Total
Should have been Full	-	(0.02)	(0.01)	(0.03)
Should have been part	1.07	0.76	0.92	2.75
Not Reported to SAIS	(0.03)	(0.08)	-	(0.11)
Total ADM Adjustments	1.04	0.66	0.91	2.61

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

The District Must Properly Reconcile Its Enrollment Data With ADE

The District can likely avoid errors in the future by ensuring it regularly and correctly reconciles its data to the data contained with ADE. The District should review its reconciliation practices to ensure that its staff properly review the reports produced by ADE 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 \$16,066.47

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. As a result, the District was overfunded by \$11,336.00 in Basic State Aid. However, statutory growth formulas applied to the District show that this amount should be increased by \$4,730.47. As a net result, the District was overfunded by \$16,066.47 in Basic State Aid, which ADE must repay to the District pursuant to A.R.S. § 15-915. Table 5 (see page 9) shows the ADM and funding adjustments required for the District for the three fiscal years audited.

Table 5

**Mingus Union High School District
AOI ADM and Funding Adjustments
Due to Data Reporting Errors
FY2013, FY2014 and FY2015**

Fiscal Year	ADM Adjustment	Funding Adjustment	Growth	Net Funding Adjustment
2013	1.04	\$ 4,992.56	\$ 4,035.14	\$ 9,027.70
2014	0.66	2,810.03	695.33	3,505.36
2015	0.91	3,533.42	-	3,533.42
Total	2.61	\$ 11,336.00	\$ 4,730.47	\$ 16,066.47

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

Recommendations:

1. The District must ensure it complies with A.R.S. § 15-808 and SF-0003 when calculating and reporting AOI data.
2. ADE must recoup from the District \$16,066.47 in Basic State Aid due to incorrectly reported AOI data.

FINDING 3: THE DISTRICT DID NOT ACCURATELY REPORT SOME STUDENT DATA RESULTING IN AN OVERPAYMENT OF \$4,092.67

The District inaccurately reported the student enrollment data for two students for FY2015. Specifically, auditors found that one student was reported to ADE but did not attend and one student was reported with inaccurate enrollment dates. As a result of these errors, the District's ADM was overstated by 1.05 for FY2015. Due to the inaccurate enrollment data, the District received a net overpayment of \$4,092.67 in Basic State Aid, which ADE must recoup pursuant to A.R.S. § 15-915.

The District Inaccurately Reported Some Student Enrollment Data

The District inaccurately reported the enrollment data for two students to ADE due to various errors, which resulted in the District's ADM being overreported by 1.05. More specifically, one student was reported to ADE; however, the student did not attend and no documentation showed the student as being enrolled and attending, which resulted in the District's ADM being overstated by 1.00 ADM. Additionally, one student was reported to ADE with an inaccurate entry or exit date, which resulted in the District's ADM being overstated by 0.05. ADE External Guideline and Procedures GE-17² 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.

No findings were identified for FY2013 and FY2014, and the net ADM overstatement of 1.05 was for FY2015.

² 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."

The District Must Reconcile Its Enrollment Data With ADE

The District can avoid errors in the future by ensuring it regularly and correctly reconciles its data to the data contained in SAIS. The District should 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 \$4,092.67

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 the audited timeframe and as a result, the District was overfunded by \$4,092.67 in Basic State Aid, which ADE must recoup. Table 6 shows the ADM and funding adjustment due to enrollment data errors for FY2015.

Table 6

**Mingus Union High School District
ADM and Funding Adjustments Due to
Enrollment Data Errors
FY2015**

	ADM Adjustment	Funding Adjustment	Growth	Net Funding Adjustment
Total	1.05	\$ 4,092.67	\$ -	\$ 4,092.67

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

Recommendations:

1. The District must properly reconcile its data each year to ensure it complies with A.R.S. § 15-901.
2. ADE must recoup from the District \$4,092.67 in Basic State Aid due to inaccurately reported enrollment data.

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 once the audit is finalized.

Basic State Aid adjustment of \$298,589.90 required to be repaid to ADE—Auditors identified an overall funding decrease of \$298,589.90 for the three fiscal years audited due to incorrect calculation and reporting of FTE status, inaccurate student enrollment data, and inaccurately reported AOI data.

Table 7 lists the ADM adjustments and the associated Basic State Aid adjustments for the District for FY2013, FY2014 and FY2015.

Table 7

**Mingus Union High School District
ADM and Funding Adjustments Required for
FY2013, FY2014 and FY2015**

	FY2013		FY2014		FY2015		Total
	ADM	Funding	ADM	Funding	ADM	Funding	
Incorrect FTE	12.51	\$ 108,388.80	20.44	\$ 107,990.67	15.96	\$ 62,051.29	\$ 278,430.76
Inaccurate AOI Data	1.04	9,027.70	0.66	3,505.36	0.91	3,533.42	16,066.47
<u>Inaccurate Enrollment Data</u>	<u>=</u>	<u>=</u>	<u>=</u>	<u>=</u>	<u>1.05</u>	<u>4,092.67</u>	<u>4,092.67</u>
Total Funding Adjustment	13.56	\$ 117,416.50	21.10	\$ 111,496.03	17.92	\$ 69,677.37	\$ 298,589.90