



Arizona Department of Education

The Audit Unit

1535 W. Jefferson St., Bin 19

Phoenix, Arizona 85007

602-364-4061

Average Daily Membership Audit Report Round Valley Unified School District Fiscal Years 2014, 2015 and 2016

Report Number—17-23

February 21, 2017



**CONTACTING
THE AUDIT UNIT**

Jessica Krause, Audit Manager

Phone: (602) 364-4036

Email: Jessica.Krause@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

February 28, 2017

Travis Udall, Superintendent
Round Valley Unified School District
940-B E Maricopa
Springerville, AZ 85938

Dear Superintendent Udall,

The Arizona Department of Education Audit Unit has conducted an audit of the Round Valley Unified School District (District) Average Daily Membership (ADM) for Fiscal Years 2014, 2015 and 2016. The purpose of the audit was to address whether the District properly reported student enrollment.

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 99 of its AOI students to ADE for the three fiscal years audited. These errors resulted in an overstatement of 7.78 ADM.

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 that reads "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 Round Valley 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 FY2014, FY2015 and FY2016 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 and the school district or charter school received Basic State Aid, 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 Springerville, Arizona. There are four schools in the District; White Mountain Academy, Round Valley Elementary School, Round Valley High School and Round Valley Middle School. The District served grades K-12 and preschool in FY2014, FY2015 and FY2016.

Table 1 presents the District's unaudited student, staffing and financial information for FY2014, FY2015 and FY2016.

Table 1
Round Valley Unified School District
Total Students, Staffing, Revenues and Expenditures
FY2014, FY2015 and FY2016
(Unaudited)

	FY2014	FY2015	FY2016
Fall Enrollment	1,364	1,354	1,319
Number of Teachers	72	73	69
Revenue			
Local	\$10,625,479	\$9,021,069	\$8,747,876
County	0	0	0
State	948,516	746,681	1,209,879
Federal	<u>1,463,809</u>	<u>1,566,455</u>	<u>1,089,996</u>
Total Revenues	<u>\$13,037,804</u>	<u>\$11,334,205</u>	<u>\$11,047,750</u>
Total Expenditures	<u>\$11,457,668</u>	<u>\$12,386,318</u>	<u>\$12,155,885</u>

Source: Annual Report of the Arizona Superintendent of Public Instruction for FY2014, FY2015 and FY2016.

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 FY2014, FY2015 and FY2016.

To conduct this audit, auditors used a variety of methods, including examining District and SAIS records for enrollment. 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 compared the District’s student management system to SAIS and identified 247 students for further evaluation. Auditors reviewed these 247 student profiles to determine if the enrollment data and FTE reported to ADE was accurate. When the audited entry or exit dates were different from the reported dates or the audited FTE differed from the reported FTE for a student, auditors recalculated the ADM and made appropriate adjustments to the reported ADM.
- ***AOI data***—Auditors compared the Arizona Online Instruction (AOI) data that was reported to ADE to the AOI data from the District for all 193 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. 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 did not identify any material special education adjustments.
- ***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.
- ***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.

The Audit Unit expresses its appreciation to the Round Valley 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

The District inaccurately reported the student enrollment data for 55 of its students for FY2014, FY2015 and FY2016. Specifically, auditors determined that 42 students had FTE reported incorrectly, seven students were reported to SAIS for funding but did not attend and six students had either an incorrect entry or withdrawal date. In total, the District's ADM was overstated by 11.03 for its students for the three fiscal years audited.

The District Inaccurately Reported Some Student Enrollment Data

The District inaccurately reported the enrollment data for 55 students to ADE due to various errors, which resulted in the District's ADM being overreported by 11.03. According to A.R.S. § 15-901 and ADE Guidelines and Procedures 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. 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. However, the District did not always adhere to these requirements. Specifically:

- 42 students were reported with incorrect FTE, which resulted in the District's ADM being overstated by 6.13.
- 7 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 5.34.
- 6 students had either an incorrect entry or withdrawal date that was reported to SAIS, which resulted in the District's ADM being understated by 0.44.

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."

As shown in Table 2 (page 5), data reporting errors resulted in a net ADM overstatement of 11.03 for FY2014, FY2015 and FY2016.

Table 2

**Round Valley Unified School District
ADM Adjustments Due to Enrollment Data Errors
FY2014, FY2015 and FY2016**

ADM				
	Incorrect FTE	Did not Attend	Incorrect Enrollment Dates	Total
2014	4.85	1.00	-	5.85
2015	1.29	4.34	0.29	5.92
2016	<u>(0.01)</u>	<u>-</u>	<u>(0.73)</u>	<u>(0.74)</u>
Total	6.13	5.34	(0.44)	11.03

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

The District Must Properly Reconcile Its Enrollment Data With ADE's System

The District can likely avoid errors in the future by ensuring it regularly and correctly reconciles its data to the data contained in ADE's system. 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. 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 SMS data to identify any discrepancies 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.

Table 3

**Round Valley Unified School District
ADM Adjustments Due to Enrollment Data Errors
FY2014, FY2015 and FY2016**

	FY2014	FY2015	FY2016	Total
ADM	5.85	5.92	(0.74)	11.03

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

Recommendations:

1. The District must properly reconcile its data each year to ensure it complies with A.R.S. § 15-901 and GE-17.
2. 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.

FINDING 2: THE DISTRICT DID NOT ACCURATELY REPORT AOI DATA

The District did not accurately report enrollment data for 99 of its AOI students to ADE for all three fiscal years audited. Specifically, auditors found that 20 students had been reported as part time but were actually full time students, 2 students had been reported as full time but were actually part time students, 5 students were not reported to SAIS and 72 students were reported to SAIS with incorrect AOI minutes. As a result, the District's weighted AOI ADM was understated by 3.25.

The District Inaccurately Reported Some AOI Enrollment Data

Auditors determined that student data for 99 of its AOI students was inaccurate, which resulted in the District's weighted AOI ADM being understated by 3.25 for the fiscal years audited, as follows:

- 20 students were incorrectly reported as part time and should have been reported as full time.
- 2 students were incorrectly reported as full time and should have been reported as part time.
- 5 students were not reported to SAIS; however, District attendance documentation showed the students as being enrolled and attending.
- 72 students were reported to SAIS with incorrect AOI minutes.

As shown in Table 4, AOI data reporting errors resulted in a net weighted ADM understatement of 3.25 for the three fiscal years audited.

Table 4

Round Valley Unified School District AOI Weighted ADM Adjustments FY2014, FY2015 and FY2016

Adjustments	AOI Weighted ADM Adjustment			
	2014	2015	2016	Total
Full Time	-	(2.49)	(0.94)	(3.43)
Part Time	-	0.98	(0.80)	0.18
Total	-	(1.51)	(1.74)	(3.25)

Source: Auditor analysis of District records and SAIS data for FY2014, FY2015 and FY2016.

The District Must Properly Reconcile Its Enrollment Data With ADE's System

The District can likely avoid errors in the future by ensuring it regularly and correctly reconciles its data to the data contained ADE's system. 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 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.

Table 5

**Round Valley Unified School District
AOI ADM Adjustments
FY2014, FY2015 and FY2016**

Fiscal Year	Weighted ADM Adjustment
2014	-
2015	(1.51)
2016	(1.74)
Total	(3.25)

Source: Auditor analysis of District records and SAIS data for FY2014, FY2015 and FY2016.

Recommendations:

1. The District must comply with the requirements of A.R.S. § 15-808 and SF-0003 when calculating and reporting AOI students.

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 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.

Table 6 lists the ADM adjustments for the District for FY2014, FY2015 and FY2016.

Table 6

**Round Valley Unified School District
ADM Adjustments
FY2014, FY2015 and FY2016**

	FY2014	FY2015	FY2016	Total
Enrollment Data Errors	<u>5.85</u>	<u>5.92</u>	<u>(0.74)</u>	<u>11.03</u>
AOI Data Errors	<u>=</u>	<u>(1.51)</u>	<u>(1.74)</u>	<u>(3.25)</u>
Total ADM Adjustment	<u>5.85</u>	<u>4.41</u>	<u>(2.48)</u>	<u>7.78</u>

Source: Auditor analysis of District records for FY2014, FY2015 and FY2016