



## Arizona Department of Education

The Audit Unit

1535 W. Jefferson St., Bin 19

Phoenix, Arizona 85007

602-364-4061

# Average Daily Membership Audit Report Wickenburg Unified School District Fiscal Years 2014, 2015 and 2016

**Report Number—17-24**

February 28, 2017



**CONTACTING  
THE AUDIT UNIT**

Matthew D. Boucher, Audit Manager

Phone: (602) 542-8815

Email: [Matt.Boucher@azed.gov](mailto:Matt.Boucher@azed.gov)

Fax: (602) 364-2334

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

---

**OBTAINING ADDITIONAL COPIES**

*To obtain additional copies of this report, please submit a formal request to the address below:*

Arizona Department of Education—The Audit Unit  
1535 W. Jefferson Street, Bin 19  
Phoenix, AZ 85007-3209

---



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

Micah Mortensen, Superintendent  
Wickenburg Unified School District  
40 W Yavapai St  
Wickenburg, AZ 85390

Dear Mr. Mortensen,

The Arizona Department of Education Audit Unit has conducted an audit of the Wickenburg Unified School District (District) Average Daily Membership (ADM) for Fiscal Years (FY) 2014, 2015 and 2016. 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 enrollment data for some students, FTE for some students, and some AOI data for FY2014, FY2015 and FY2016, which resulted in the District's ADM being overstated by 1.54. As a result, the District was underfunded by \$39,460.25, which ADE must repay to the District.

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

Sincerely,

Lisa Eddy,  
Chief Auditor

# TABLE OF CONTENTS

---

	<u>Page</u>
<b>Introduction and Background.....</b>	<b>1</b>
<b>Scope and Methodology .....</b>	<b>3</b>
<b>Finding 1: The District Did Not Accurately Reported Some Student Data Resulting In An Overfunding of \$189.61 .....</b>	<b>4</b>
The District Inaccurately Reported Some Student Enrollment Data.....	4
The District Must Reconcile Its Enrollment Data With ADE .....	6
The District Was Overfunded by \$189.61 .....	6
Recommendations .....	7
<b>Finding 2: The District Did Not Accurately Report Some Student AOI Data Resulting In An Underpayment of \$39,649.86.....</b>	<b>8</b>
The District Inaccurately Reported AOI Instructional Hours for 102 Students .....	8
The District's AOI ADM Was Overstated.....	9
The District Was Underfunded by \$39,649.86.....	10
Recommendations.....	10
<b>ADM and Funding Adjustments.....</b>	<b>11</b>

# TABLE OF CONTENTS (CONT'D)

	<b><u>Page</u></b>
<b>Tables:</b>	
1 Wickenburg Unified School District Total Students, Revenues and Expenditures FY2014, FY2015 and FY2016 (Unaudited) .....	2
2 Wickenburg Unified School District ADM Adjustments Due to Enrollment Data Errors FY2014, FY2015 and FY2016.....	5
3 Wickenburg Unified School District ADM and Funding Adjustments Due to Enrollment Data Errors FY2014, FY2015 and FY2016.....	6
4 Wickenburg Unified School District AOI ADM Adjustments Due to Data Reporting Errors and Incorrectly Reported Enrollment Status FY2014, FY2015 and FY2016.....	9
5 Wickenburg Unified School District AOI ADM and Funding Adjustments Due to Data Reporting Errors FY2014, FY2015 and FY2016.....	10
6 Wickenburg Unified School District ADM and Funding Adjustments Required for FY2014, FY2015 and FY2016.....	11

# INTRODUCTION AND BACKGROUND

---

The Arizona Department of Education (ADE) Audit Unit has conducted an Average Daily Membership (ADM) audit of the Wickenburg 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 through FY2016.

***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, 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 Wickenburg, Arizona and maintained 5 schools, composed of one high school, one middle school, two elementary schools, and one virtual academy school during the fiscal years audited. Table 1 presents the District's unaudited student, staffing and financial information for FY2014, FY2015 and FY2016.

**Table 1**

**Wickenburg Unified School District  
Total Students, Revenues and Expenditures  
FY2014, FY2015 and FY2016  
(Unaudited)**

	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>
<b>Students Enrolled</b>	<b>1,507</b>	<b>1,536</b>	<b>1,493</b>
<b>Number of Teachers</b>	88	85	85
<b>Revenue</b>			
Local	\$ 10,741,363	\$ 10,945,266	\$ 10,927,877
County	107,854	281	65,669
State	2,554,898	2,808,720	2,609,379
Federal	1,334,195	1,000,540	1,359,485
<b>Total Revenues</b>	<b>14,738,310</b>	<b>14,754,807</b>	<b>14,962,410</b>
<b>Total Expenditures</b>	<b>\$ 18,343,469</b>	<b>\$ 14,865,447</b>	<b>\$ 15,770,376</b>

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 ADE 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 bell schedules and calendars for each of the District’s schools for FY2014, FY2015 and FY2016. The total instructional hours offered for each grade met the minimum required by statute for each of the three fiscal years audited. No finding was identified for this area.
- ***Enrollment data***—Auditors compared the District’s student management system to data reported to ADE and identified 98 of 1,101 students in FY2014, 127 of 1,626 students in FY2015 and 251 of 1,558 students in FY2016 for a total of 476 students for further evaluation. Auditors reviewed these 476 student profiles to determine if the enrollment data reported to ADE was accurate. Auditors compared the student profiles to determine if the entry and exit date were 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 100% 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.
- ***SPED Data***—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. No findings were identified for this area.

The Audit Unit expresses its appreciation to Wickenburg 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 OVERFUNDING OF \$189.61**

---

The District inaccurately reported the student enrollment data for 68 students for the three fiscal years audited. Specifically, auditors found that 35 students were reported with incorrect entry or withdrawal dates, 14 students were not reported to ADE; however District records showed these students had attended, 18 students were reported with an inaccurate FTE status, and one student was reported to ADE but no documentation showed the student had attended a District school. Additionally, of these students, 14 carried additional SPED codes, which carry additional ADM weights. As a result of these errors, the District's ADM was understated by 13.60 for the three fiscal years audited. Due to the inaccurate enrollment data, the District received a net overpayment of \$189.61 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 and enrollment data.

## **The District Inaccurately Reported Some Student Enrollment Data**

Auditors determined that the District inaccurately reported 68 students' enrollment data to ADE due to various errors, which resulted in the District's ADM being understated by 13.60. ADE External Guideline and Procedures GE-17<sup>1</sup> 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 thereafter, the withdrawal date for students is the last day of actual attendance or excused absence. Additionally, the FTE status of a student must be reported according to A.R.S. § 15-901. However, the District did not always adhere to these requirements. Specifically:

- 35 students were reported with an incorrect enrollment dates, which resulted in the District's ADM being understated by 9.39.
- 18 students were reported to ADE with an incorrect FTE status, which resulted in the District's ADM being overstated by 1.15.

---

<sup>1</sup> 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."

- 14 students were not reported to ADE; however, documentation showed the students had attended a District school, which resulted in the District's ADM being understated by 8.77.
- One student was reported to ADE but did not attend one of the schools, which resulted in the District's ADM being overstated by 0.50.

Of the 68 students, 14 were SPED students, whose associated SPED weight resulted in their ADM being overreported by 2.91. As shown in Table 2, data reporting errors resulted in a net ADM understatement of 13.60 for the three fiscal years audited.

**Table 2**  
**Wickenburg Unified School District**  
**ADM Adjustments Due to Enrollment Data Errors**  
**FY2014, FY2015 and FY2016**

	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>Total</b>
Incorrect Enrollment Dates	(4.62)	(4.96)	0.19	(9.39)
Not Reported to ADE	(3.99)	(2.67)	(2.11)	(8.77)
SPED	(0.01)	(0.00)	2.92	2.91
Incorrect FTE	1.63	(1.03)	0.56	1.15
Did Not Attend	-	-	0.50	0.50
<b>Total ADM Adjustments</b>	<b>(6.99)</b>	<b>(8.66)</b>	<b>2.05</b>	<b>(13.60)</b>

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

## **The District Must 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 and by following statute and the ADE guidelines. Also, the District should review the reports produced by ADE and reconcile them to the District's SMS data to identify any discrepancies that would affect funding and correct any errors identified. In addition, the District must ensure that it properly calculates and reports the FTE status of its students.

## **The District Was Overfunded by \$189.61**

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 three fiscal years audited. The enrollment data errors reported by the District resulted in its ADM being understated by 13.60. However, since the District was not eligible for Basic State Aid for its high school students, due to the District's local revenue sources, only the adjustments identified by auditors for the District's K-8 students are eligible for Basic State Aid adjustment. As a result, the District was overfunded by \$189.61, which ADE must recoup. Table 3 shows the ADM and funding adjustments required for the District for the three fiscal years audited.

**Table 3**

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

<b>Fiscal Year</b>	<b>ADM Adjustment</b>	<b>Net Funding Adjustment</b>
2014	(6.99)	\$ 31,927.56
2015	(8.66)	(25,591.30)
2016	2.05	(6,146.65)
<b>Entire</b>	<b>(13.60)</b>	<b>\$ 189.61</b>

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

**Recommendations:**

1. The School must properly reconcile its data each year to ensure it complies with A.R.S. § 15-901 and GE-17.
2. The District must comply with A.R.S. § 15-901 when calculating and reporting FTE status.
3. ADE must recoup from the District \$189.61 in Basic State Aid due to incorrectly reported student enrollment data.

## **FINDING 2: THE DISTRICT DID NOT ACCURATELY REPORT SOME STUDENT AOI DATA RESULTING IN AN UNDERPAYMENT OF \$39,649.86**

---

The District did not accurately report attendance data for some of its AOI students to ADE for FY2014, FY2015 and FY2016. Specifically, auditors identified 102 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 15.14. This inaccuracy in AOI data reporting by the District led to the District being underfunded by \$39,649.86 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 Hours for 102 Students**

Auditors determined that the District inaccurately reported some AOI student data, which led to the District's AOI ADM being overreported by 15.14<sup>2</sup>. Auditors identified 102 students during the three fiscal years audited that the District misreported student attendance data. These errors occurred because the District did not properly reconcile its data to that with ADE.

- 59 students were reported to ADE with incorrect AOI minutes, which resulted in the District's ADM being overstated by 4.94 for the three fiscal years audited.
- 34 students were reported to ADE as participating in the District's AOI; however, District documentation showed these students did not complete any time in the District's AOI, which resulted in the District's ADM being overstated by 10.21 for the three fiscal years audited.
- 6 students were reported to ADE as being full-time; however, District documentation showed the students had participated in the AOI as part-time students<sup>3</sup>, which resulted in the District's ADM being overstated by 0.04.
- 2 students were not reported to ADE; however, District attendance documentation showed these students as being enrolled and attending the District's AOI, which resulted in the District's ADM being understated by 0.05.

---

<sup>2</sup> According to A.R.S. § 15-808, high school AOI ADM is calculated by dividing the total instructional hours as reported in a daily log for the entire fiscal year by 900.

<sup>3</sup> According to A.R.S. § 15-808, "Full-time student" means a student who is enrolled in at least four courses throughout the year that meet at least nine hundred hours during the school year.

- One student was reported to ADE as being part-time; however, District documentation showed the student had participated in the AOI as a full-time student, which resulted in a negligible misstatement of the District's ADM.

## **The District's AOI ADM Was Overstated**

Properly reporting a student's enrollment status is particularly important for AOI students because full-time and part-time students are funded at different levels. Pursuant to A.R.S. § 15-808, a full-time student is funded at 95% and a part-time student is funded at 85% of the Base Support Level. As a result of these data reporting errors, the District's AOI ADM was overstated by 15.14 for the three fiscal years audited, as shown in Table 4.

**Table 4**

**Wickenburg Unified School District  
AOI ADM Adjustments Due to  
Data Reporting Errors and  
Incorrectly Reported Enrollment Status  
FY2014, FY2015 and FY2016**

	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>Total</b>
Did Not Attend	7.54	0.73	1.93	10.21
Minutes Reported Incorrectly	2.24	2.79	(0.08)	4.94
Should have been Full Time	-	-	(0.00)	(0.00)
Should have been Part Time	-	0.02	0.02	(0.04)
Not Reported to ADE	<u>(0.04)</u>	<u>(0.01)</u>	=	<u>(0.05)</u>
<b>Total ADM Adjustments</b>	<b>9.74</b>	<b>3.53</b>	<b>1.87</b>	<b>15.14</b>

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

## **The District Was Underfunded by \$39,649.86**

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 overstated by 15.14. However, since the District was not eligible for Basic State Aid for its high school students, due to the District's local revenue sources, only the adjustments identified by auditors for the District's K-8 students are eligible for Basic State Aid adjustment. As a net result, the District was underfunded by \$39,649.86 in Basic State Aid, which ADE must repay to the District pursuant to A.R.S. § 15-915. Table 5 shows the ADM and funding adjustments required for the District for the three fiscal years audited.

**Table 5**

**Wickenburg Unified School District  
AOI ADM and Funding Adjustments  
Due to Data Reporting Errors  
FY2014, FY2015 and FY2016**

<b>Fiscal Year</b>	<b>ADM Adjustment</b>	<b>Net Funding Adjustment</b>
2014	9.74	\$(44,487.94)
2015	3.53	\$10,435.59
2016	<u>1.87</u>	<u>(5,597.51)</u>
<b>Total</b>	<b>15.14</b>	<b>\$ (39,649.86)</b>

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

### **Recommendations:**

1. The District must ensure it complies with A.R.S. § 15-808 when calculating and reporting AOI data.
2. ADE must repay to the District \$39,649.86 in Basic State Aid due to incorrectly reported AOI 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 \$39,460.25 is required to be repaid to the District***—Auditors identified an overall funding increase of \$39,460.25 for the three fiscal years audited due to incorrect calculation and reporting of FTE status and inaccurately reported AOI data.

Table 6 lists the ADM adjustments and the associated Basic State Aid adjustments for the District for FY2014, FY2015 and FY2016.

**Table 6**

**Wickenburg Unified School District  
ADM and Funding Adjustments Required for  
FY2014, FY2015 and FY2016**

	FY2014		FY2015		FY2016		Total
	ADM	Funding	ADM	Funding	ADM	Funding	
Inaccurate Enrollment Data	(6.99)	\$ 31,927.56	(8.66)	\$ (25,591.30)	2.05	\$ (6,146.65)	\$ 189.61
Inaccurate AOI Data	9.74	(44,487.94)	3.53	10,435.59	1.87	(5,597.51)	(39,649.86)
<b>Total Funding Adjustment</b>	<b><u>2.75</u></b>	<b><u>\$ (12,560.38)</u></b>	<b><u>(5.13)</u></b>	<b><u>\$ (15,155.71)</u></b>	<b><u>3.92</u></b>	<b><u>\$ (11,744.16)</u></b>	<b><u>\$ (39,460.25)</u></b>