



## Arizona Department of Education

The Audit Unit

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Phoenix, Arizona 85007

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# Average Daily Membership Audit Report Gilbert Public Schools Fiscal Years 2014, 2015 and 2016

Report Number—17-28

May 31, 2017



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Diane Douglas  
Superintendent of  
Public Instruction

May 31, 2017  
Dr. Christina Kishimoto, Superintendent  
Gilbert Public Schools  
140 S Gilbert Rd  
Gilbert, AZ 85296

Dear Dr. Kishimoto,

The Arizona Department of Education Audit Unit has conducted an audit of the Gilbert Public Schools (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 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, inaccurately reported some students' enrollment data, and incorrectly reported AOI data for some students, which resulted in the District's ADM being overstated by 182.23. As a result, the District was overfunded by \$962,767.69, 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 that reads "Lisa Eddy".

Lisa Eddy,  
Chief Auditor

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# INTRODUCTION AND BACKGROUND

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The Arizona Department of Education (ADE) Audit Unit has conducted an Average Daily Membership (ADM) audit of the Gilbert Public Schools (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.

***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 Gilbert, Arizona. The District maintained six high schools, six junior high schools, 26 elementary schools, two academies, and one online 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**

**Gilbert Public Schools  
Total Students, Revenues and Expenditures  
FY2014, FY2015 and FY2016  
(Unaudited)**

	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>
<b>Students Enrolled</b>	<b>38,007</b>	<b>37,243</b>	<b>35,987</b>
<b>Number of Teachers</b>	2,060	2,057	1,936
<b>Revenue</b>			
Local	\$ 126,537,246	\$ 129,952,140	\$ 163,868,660
County	11,192,129	12,304,485	11,682,660
State	133,061,746	142,004,279	140,321,454
Federal	16,176,444	16,672,745	16,325,053
<b>Total Revenues</b>	<b><u>286,967,585</u></b>	<b><u>300,933,649</u></b>	<b><u>332,197,367</u></b>
<b>Total Expenditures</b>	<b><u>\$ 289,226,879</u></b>	<b><u>\$ 274,863,397</u></b>	<b><u>\$ 310,847,124</u></b>

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



## SCOPE AND METHODOLOGY

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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 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. No findings were identified for this area.
- ***Enrollment data***—Auditors compared the District’s student management system to ADE’s and identified 425 of 13,148 students in FY2014, 286 of 13,122 students in FY2015 and 266 of 12,989 students in FY2016 for a total of 977 students for further evaluation. Auditors reviewed these 977 student profiles to determine if the enrollment data reported to ADE was accurate. Auditors compared the student profiles to ADE’S information system 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 for the 1,604 students that were 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. 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 Gilbert Public Schools’ administration and staff members for their cooperation and assistance throughout the audit.

# FINDING 1: THE DISTRICT INCORRECTLY CALCULATED AND REPORTED FTE RESULTING IN AN OVERPAYMENT OF \$ 952,739.67

Auditors determined that the District incorrectly calculated and reported to ADE the FTE status of 512 high school students. Of these students, 94 carried additional special education (SPED) weights, which resulted in the District’s ADM being overstated by a total of 177.95 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 \$ 952,739.67 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 512 Students

Auditors identified 512 high school students whose FTE status was reported to ADE incorrectly, which resulted in an ADM overstatement of 129.01. Associated SPED weights for the 94 special education students resulted in an additional ADM overstatement of 48.94. As a result of these errors, the District’s ADM was overstated by 177.95.

As shown in Table 2, FTE reporting errors resulted in a net ADM overstatement of 177.95 for the three fiscal years audited.

**Table 2**

**Gilbert Public Schools  
ADM Adjustments Due to Incorrect FTE  
FY2014, FY2015 and FY2016**

	FY2014	FY2015	FY2016	Total
Incorrect FTE ADM Adjustment	78.37	30.14	20.50	129.01
SPED Adjustment	<u>31.56</u>	<u>17.21</u>	<u>0.17</u>	<u>48.94</u>
<b>Total ADM Adjustment</b>	<b>109.92</b>	<b>47.35</b>	<b>20.68</b>	<b>177.95</b>

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

## **The District Did Not Follow Statute and ADE Guidelines**

The District did not follow statute and ADE guidelines when calculating and reporting student FTE for some students. According to A.R.S. § 15-901<sup>1</sup>, 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 schools would have needed to take at least five District courses 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 \$952,739.67**

Due to the District's incorrect calculation and report of 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 \$827,233.96 in Basic State Aid. However, statutory growth formulas applied to the District require that this amount be increased by \$125,505.71. As a net result, the District was overfunded by \$ 952,739.67, 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.

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<sup>1</sup> 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**

**Gilbert Public Schools  
ADM and Funding Adjustments Due to  
Incorrectly Calculated and Reported FTE  
FY2014, FY2015 and FY2016**

<b>Fiscal Year</b>	<b>ADM Adjustment</b>	<b>Funding Adjustment</b>	<b>Growth</b>	<b>Net Funding Adjustment</b>
2014	109.92	\$ 498,565.12	\$ 125,505.71	\$ 624,070.83
2015	47.35	225,408.84	-	225,408.84
2016	<u>20.68</u>	<u>103,260.00</u>	<u>-</u>	<u>103,260.00</u>
<b>Total</b>	<b>177.95</b>	<b>\$ 827,233.96</b>	<b>\$ 125,505.71</b>	<b>\$ 952,739.67</b>

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

**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 \$ 952,739.67 in Basic State Aid due to incorrectly reported FTE.

## **FINDING 2: THE DISTRICT DID NOT ACCURATELY REPORT SOME STUDENT DATA RESULTING IN AN UNDERPAYMENT OF \$18,062.69**

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Auditors determined that the District inaccurately reported the student enrollment data for 44 students to ADE for the three fiscal years audited. Of these students, nine carried additional SPED weights, which resulted in the District's ADM being underreported by a total of 1.99 for the fiscal years audited. This occurred because the District did not comply with statute and ADE guidelines when reporting student enrollment data to ADE. As a result, the District was underfunded by \$18,062.69 in Basic State Aid, which ADE must reimburse pursuant to A.R.S. § 15-915.

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

The auditors identified 44 students with various enrollment data errors, which resulted in the District's ADM being understated by 1.99. ADE External Guideline and Procedures GE-17<sup>2</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. However, the District did not always adhere to these requirements.

Specifically:

- 31 students were not reported to ADE; however, documentation showed these students had attended a District school, which resulted in the District's ADM being understated by 14.94.
- Three students were reported to ADE; however, no documentation showed these students had attended a District school, which resulted in the District's ADM being overstated by 1.76.
- Ten students were reported to ADE with incorrect enrollment dates, which resulted in the District's ADM being overstated by 11.19.

Of the 44 students, 9 carried additional SPED weights, which resulted in their ADM being overstated by an additional 9.87. As shown in Table 4, data reporting errors resulted in a net ADM understatement of 1.99 for the three fiscal years audited.

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<sup>2</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."

**Table 4**

**Gilbert Public Schools  
ADM Adjustments Due to Enrollment Data Errors  
FY2014, FY2015 and FY2016**

	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>Total</b>
Not Reported to ADE	(13.28)	(1.66)	-	<b>(14.94)</b>
Did Not Attend	1.00	0.76	-	<b>1.76</b>
Incorrect Enrollment Dates	-	(0.35)	1.67	<b>1.32</b>
<u>SPED</u>	=	=	<u>9.87</u>	<u><b>9.87</b></u>
<b>Total ADM Adjustments</b>	<b>(12.28)</b>	<b>(1.25)</b>	<b>11.54</b>	<b>(1.99)</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 avoid errors in the future by ensuring it regularly and correctly reconciles its data to the data contained within ADE. 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.

**The District Was  
Underfunded by \$18,062.69**

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 years audited, and as a result, the District was underfunded by \$18,062.69 in Basic State Aid, which ADE must recoup. Table 5 (see page 9) shows the ADM and funding adjustment due to enrollment data errors.

**Table 5**

**Gilbert Public Schools  
ADM and Funding Adjustments Due to  
Enrollment Data Errors  
FY2014, FY2015 and FY2016**

	<b>ADM Adjustment</b>	<b>Funding Adjustment</b>	<b>Growth</b>	<b>Net Funding Adjustment</b>
FY2014	(12.28)	\$(55,704.82)	\$(14,022.79)	<b>\$(69,727.61)</b>
FY2015	(1.25)	(5,967.98)	-	<b>(5,967.98)</b>
FY2016	<u>11.54</u>	<u>57,632.89</u>	=	<b><u>57,632.89</u></b>
<b>Total</b>	<b>1.99</b>	<b>\$(4,039.91)</b>	<b>\$(14,022.79)</b>	<b>\$(18,062.69)</b>

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

**Recommendations:**

1. The District must properly reconcile its data each year to ensure it complies with ADE External Guideline and Procedures GE-17 and A.R.S. § 15-901.
2. ADE must reimburse the District \$18,062.69 in Basic State Aid due to inaccurately reported enrollment data.

### **FINDING 3: THE DISTRICT DID NOT ACCURATELY REPORT SOME AOI DATA RESULTING IN AN OVERPAYMENT OF \$28,090.71**

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The District did not accurately report attendance data for some of its AOI students to ADE for the three fiscal years audited. Specifically, auditors identified 1,385 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 6.27. This inaccuracy in AOI data reporting by the District led to the District being overfunded by \$28,090.71 in Basic State Aid for the three fiscal years audited, which ADE must recoup from the District according to A.R.S. § 15-915.

#### **The District Inaccurately Reported AOI Data for 1,385 Students**

Auditors determined that the District inaccurately reported AOI data for 1,385 of its AOI students, which resulted in the District's AOI ADM being overreported by 6.27 as follows:

- 739 students were reported to ADE with incorrect instructional time, which resulted in the District's ADM being overstated by 13.36.
- 7 students were reported to ADE; however, no District attendance documentation showed these students as attending the District's AOI, which resulted in the District's ADM being overstated by 0.86.
- 59 students were reported to ADE as being full-time; however, District documentation showed these students had participated in the AOI as part-time students, which resulted in the District's ADM being overstated by 0.60.
- 41 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 0.38.
- 539 students were reported to ADE as being part-time; however, District documentation showed these students had participated in the AOI as full-time students, which resulted in the District's ADM being understated by 8.16.

As shown in Table 6 (see page 11), AOI data reporting errors resulted in a net weighted ADM overstatement of 6.27 for the three fiscal years audited.



**Table 6**

**Gilbert Public Schools  
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>
Minutes reported incorrectly	0.01	4.71	8.64	<b>13.36</b>
Did not Attend	0.38	0.34	0.14	<b>0.86</b>
Should have been Part	0.13	0.47	-	<b>0.60</b>
Not reported to ADE	(0.38)	(0.00)	-	<b>(0.38)</b>
Should have been Full	<u>(3.14)</u>	<u>(0.50)</u>	<u>(4.52)</u>	<b><u>(8.16)</u></b>
<b>Total ADM Adjustments</b>	<b>(3.01)</b>	<b>5.01</b>	<b>4.26</b>	<b>6.27</b>

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

### **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 \$28,090.71**

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 \$31,524.03 in Basic State Aid. However, statutory growth formulas applied to the District show that this amount should be decreased by \$3,433.32. As a net result, the District was overfunded by \$28,090.71 in Basic State Aid, which ADE must recover from the District pursuant to A.R.S. § 15-915. Table 7 (see page 12) shows the ADM and funding adjustments required for the District for the three fiscal years audited.

**Table 7**

**Gilbert Public Schools  
AOI ADM and Funding Adjustments  
Due to Data Reporting Errors  
FY2014, FY2015 and FY2016**

<b>Fiscal Year</b>	<b>ADM Adjustment</b>	<b>Funding Adjustment</b>	<b>Growth</b>	<b>Net Funding Adjustment</b>
2014	(3.01)	\$(13,638.70)	\$(3,433.32)	<b>\$(17,072.03)</b>
2015	5.01	23,868.84	-	<b>23,868.84</b>
2016	<u>4.26</u>	<u>21,293.90</u>	=	<b><u>21,293.90</u></b>
<b>Total</b>	<b>6.27</b>	<b>\$ 31,524.03</b>	<b>\$(3,433.32)</b>	<b>\$28,090.71</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 and SF-0003 when calculating and reporting AOI data.
2. ADE must recoup from the District \$28,090.71 in Basic State Aid due to incorrectly reported AOI data.

# ADM and Funding Adjustments

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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 \$962,767.69 required to be repaid to ADE***—Auditors identified an overall funding decrease of \$962,767.69 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 8 lists the ADM adjustments and the associated Basic State Aid adjustments for the District for FY2014, FY2015 and FY2016.

**Table 8**

**Gilbert Public Schools  
ADM and Funding Adjustments Required for  
FY2014, FY2015 and FY2016**

	FY2014		FY2015		FY2016		Total
	ADM	Funding	ADM	Funding	ADM	Funding	
Incorrect FTE	109.92	\$ 624,070.83	47.35	\$ 225,408.84	20.68	\$ 103,260.00	\$ 952,739.67
Inaccurate Enrollment Data	(12.28)	(69,727.61)	(1.25)	(5,967.98)	11.54	57,632.89	(18,062.69)
Inaccurate AOI Data	(3.01)	(17,072.03)	5.01	23,868.84	4.26	21,293.90	28,090.71
<b>Total Funding Adjustment</b>	<b>94.63</b>	<b>\$ 532,271.20</b>	<b>51.11</b>	<b>\$ 243,309.70</b>	<b>36.49</b>	<b>\$ 182,186.79</b>	<b>\$ 962,767.69</b>