



Arizona Department of Education

The Audit Unit

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Average Daily Membership Audit Report Camp Verde Unified School District Fiscal Years 2014, 2015 and 2016

Report Number—17-36

June 26, 2017



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Diane Douglas
Superintendent of
Public Instruction

June 26, 2017

Dr. Dennis Goodwin, Superintendent
Camp Verde Unified School District
410 Camp Lincoln
Camp Verde, AZ 86322

Dear Dr. Goodwin,

The Arizona Department of Education Audit Unit has conducted an audit of the Camp Verde Unified School District (District) Average Daily Membership for Fiscal Years 2014, 2015 and 2016. The purpose of the audit was to address whether the District properly reported student enrollment and attendance data and to determine if it received the correct amount of Basic State Aid.

Auditors determined that the District incorrectly reported the full-time enrollment (FTE) status of 24 high school students, which resulted in its ADM being overstated by 5.344. As a result, the District was overfunded by \$22,288.04, which the District must repay to the ADE.

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 Camp Verde 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 2014, 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 FY2015 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, located in Camp Verde, Arizona, maintained one elementary school, one middle school, and two high schools during the fiscal years audited. Table 1 presents the District’s unaudited student, staffing and financial information for FY2014, FY2015 and FY2016.

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

	FY2014	FY2015	FY2016
Students Enrolled	1,505	1,511	1,512
Number of Teachers	84	86	83
Revenue			
Local	\$4,217,999	\$3,302,858	\$3,455,500
County	1,160,911	1,131,822	1,246,683
State	4,627,326	5,487,878	4,969,685
Federal	1,724,649	2,029,961	2,005,452
Total Revenues	<u>\$11,730,885</u>	<u>\$11,952,519</u>	<u>\$11,677,321</u>
Total Expenditures	<u>\$12,195,440</u>	<u>\$12,090,537</u>	<u>\$11,888,127</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 to review 504 of 4,957 students over the three fiscal years audited. 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:

- ***FTE calculations*** – Auditors reviewed the high school bell schedules and student schedules to determine whether the District reported the correct full time enrollment (FTE) data to ADE. Depending on the number of classes needed to have a 1.0 FTE, auditors recalculated the actual FTE for the students based on the number of classes the students were taking during the year. When the audited FTE was different from the reported FTE for a student, auditors recalculated the ADM.
- ***Enrollment data*** – Auditors reviewed student profiles to determine if the enrollment data reported to ADE was correct. Auditors compared the entry and exit dates to the student profiles to determine if an adjustment was necessary. Auditors also reviewed absences to ensure that they were reported correctly, and made adjustments if they were needed.
- ***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 findings were identified for this area.

The Audit Unit expresses its appreciation to the District's administration and staff members for their cooperation and assistance during the course of the audit.

FINDING 1: THE DISTRICT INCORRECTLY CALCULATED AND REPORTED FTE RESULTING IN AN OVERFUNDING OF \$22,288.04

Auditors determined that the District incorrectly calculated and reported to ADE the enrollment status of 24 high school students, resulting in the District's ADM being overstated by a total of 5.344 for the three fiscal years audited. This occurred because the District failed to comply with statute and ADE guidelines when calculating the FTE status of these students. In total, the District's ADM was overreported by 8.807. As a result, the District was overfunded by \$22,288.04 in Basic State Aid. According to A.R.S. § 15-915, ADE needs to recover these monies from the District.

The District Incorrectly Calculated and Reported FTE for 24 Students

Auditors determined that the District improperly calculated the FTE status for some of its high school students for all three fiscal years audited. Auditors identified 24 high school students whose FTE status was reported to ADE incorrectly. As a result, the District's regular ADM was overstated by 5.344, as shown in Table 2.

Table 2

**Camp Verde Unified School District
Number of Students with Incorrect FTE and Associated ADM Adjustment
FY2014, FY2015 and FY2016**

Fiscal Year	Students	ADM
2014	3	1.000
2015	11	2.134
2016	10	2.210
Total	<u>24</u>	<u>5.344</u>

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

The District Failed to Comply With 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 and ADE Guidelines and Procedures EX-18 (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.¹

Auditors determined that 24 of the District's students were not reported correctly based on the statutory and ADE guideline requirements for full time enrollment. According to analysis of the District's bell schedule and calendar for the District's high school, auditors determined that as long as a student was enrolled in five courses each semester, they would receive enough hours and courses to be considered full time. However, the FTE that was reported for 24 students was not correct based on the number of classes the students were enrolled in.

In the future, the District must ensure it complies with statute and ADE guidelines to properly calculate and report FTE.

The District Was Overpaid \$22,288.04 in Basic State Aid

Auditors determined that the District did not receive the correct amount of Basic State Aid due to improperly calculated and reported FTE for 24 students. Specifically the District was overpaid \$22,288.04 in Basic State Aid. The ADM for FY2016 was not used to determine Basic State Aid because the funding formula transitioned from using prior year data to current year data in FY2017. Therefore, no funding adjustment was necessary for the ADM overstatement in FY2016. According to A.R.S. § 15-915, ADE needs to recoup the \$22,288.04 in overpaid Basic State Aid from the District for incorrectly reported FTE for all three fiscal years audited. Table 3 (see page 6) shows the ADM and funding adjustments required for the District for FY2014, FY2015 and FY2016.

¹ Pursuant to A.R.S. § 15-901, a full time student (1.0 FTE) in grades 9 through 12 must be scheduled for and attending at least 720 hours of instruction and at least four courses each of which meets for at least 123 hours annually; a 0.75 FTE student must be scheduled for at least 540 hours of instruction and at least three courses each of which meets for at least 123 hours annually, a 0.50 FTE student must be scheduled for at least 360 hours of instruction and at least two courses each of which meets for at least 123 hours annually and a 0.25 FTE student must be scheduled for at least 180 hours of instruction and at least one course which meets for at least 123 hours annually.

Table 3

**Camp Verde Unified School District
ADM Adjustment Due to Miscalculated FTE and
Associated Funding Adjustment
FY2014, FY2015 and FY2016**

Fiscal Year	ADM Adjustment	Net Funding Adjustment
2014	1.000	\$9,186.02
2015	2.134	13,102.02
2016	2.210	-
Total	<u>5.344</u>	<u>\$22,288.04</u>

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

Recommendations:

1. ADE needs to recoup \$22,288.04 in overpaid Basic State Aid from the District for incorrectly reported FTE for all three fiscal years audited.
2. The District needs to ensure that it properly calculates and reports students' FTE pursuant to statute and ADE guidelines.

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 2014, 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 FY2015 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 once the audit is finalized.

Basic State Aid adjustment of \$22,288.04 required to be repaid to ADE—Auditors identified an overall funding adjustment of \$22,288.04 for the three fiscal years audited due to improperly calculated FTE.

Table 4 lists the ADM adjustments and the associated Basic State Aid adjustments for the District for FY2014, FY2015 and FY2016.

Table 4

**Camp Verde Unified School District
ADM and Funding Adjustments
FY2014, FY2015 and FY2016**

	FY2014	FY2015	FY2016	Total
ADM Adjustments	1.000	2.134	2.210	5.344
Funding Adjustments	\$9,186.02	\$13,102.02	-	\$22,288.04

Source: Auditor analysis of SAIS and School student and financial data for FY2014, FY2015 and FY2016.