



Arizona Department of Education

The Audit Unit

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Tom Horne
Superintendent of
Public Instruction

Average Daily Membership Audit Report Chino Valley Unified School District Fiscal Years 2005, 2006, and 2007

Report Number—09-01

Submitted November 6, 2008

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ARIZONA DEPARTMENT OF EDUCATION

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Tom Horne
Superintendent of
Public Instruction

November 6, 2008

Governing Board
Chino Valley Unified School District
115 North Highway 89
Chino Valley, AZ 86323

Dear Members of the Board and Superintendent:

The Arizona Department of Education Audit Unit has conducted a limited scope Average Daily Membership audit of the Chino Valley Unified School District, for Fiscal Years 2005, 2006, and 2007. This audit focused on whether the District should have received state aid for students participating in the District's Youth Transition Program for FY2005, FY2006, and FY2007. The audit found that the District received the correct amount of state aid, with the exception of 0.4 ADM for one student.

The audit becomes final 30 days after issuance, unless the District files an appeal. Appendix A in the report provides rules governing the appeals process.

We appreciate the excellent cooperation and assistance provided by the Superintendent and staff during the course of the audit. My staff and I will be pleased to discuss or clarify items in the report.

Sincerely,

A handwritten signature in black ink, appearing to read "Arthur E. Heikkila".

Arthur E. Heikkila
Chief Auditor

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INTRODUCTION AND BACKGROUND

The Arizona Department of Education (ADE) has conducted a limited scope Average Daily Membership (ADM) audit of the Chino Valley Unified School District pursuant to the provisions of Arizona Revised Statutes (A.R.S.) §§15-915, 15-239 Session Laws 2006, Chapter 353, H.B. 2874, Section 23, for FY2007, and Session Laws 2007, Chapter 264, H.B. 2790, Section 17, for FY2008. This audit focused on whether it was appropriate for the District to receive state aid for students enrolled in the District’s Youth Transition Program (YTP).

Attendance audits help ensure the correct distribution of state aid to schools. ADE distributes nearly \$5 billion annually in public school funding to schools based on their reported attendance and other factors. It is important that schools accurately report their attendance to ADE.¹ If a school’s student count is inaccurate, then that school receives an incorrect amount of funding from ADE. Attendance audits compare the school’s reported attendance to ADE to the school’s original attendance records. If the audit determines that an incorrect amount of state aid was distributed to a district based on incorrect attendance information, an adjustment will be made to the district’s future payments.

The Chino Valley School District is located in Yavapai County. A five-member school board governs the school district, which is managed by a superintendent. In FY2007, the District had approximately 2,800 students enrolled in its schools, offering education for students in grades kindergarten through high school. Table 1 presents the District’s financial, student, and staffing information for FY2005, FY2006, and FY2007.

Table 1

**Chino Valley Unified School District
Students, Staffing Information, Revenues, and Expenditures,
FY2005, FY2006, and FY2007
(Unaudited)**

	FY2005	FY2006	FY2007
Students Enrolled	2,729.00	2,703.00	2,858
Staff			
Certified	163.00	170.31	166.32
Classified	<u>159.00</u>	<u>160.02</u>	<u>164.22</u>
Total Staff	<u>322.00</u>	<u>330.33</u>	<u>330.54</u>
Revenue			
Local	\$ 5,933,861.00	\$ 5,547,826.00	\$ 6,209,627.00
State	8,566,006.00	9,290,461.00	11,419,729.00
County	1,110,671.00	1,232,578.00	2,869.00
Federal	<u>2,805,231.00</u>	<u>2,562,981.00</u>	<u>2,489,693.00</u>
Total Revenues	<u>\$18,415,769.00</u>	<u>\$18,633,846.00</u>	<u>\$20,121,918.00</u>
Total Expenditures	<u>\$18,284,632.00</u>	<u>\$19,002,755.00</u>	<u>\$21,022,898.00</u>

Source: Annual Report of the Arizona Superintendent of Public Instruction for FY2005, FY2006, and FY2007.

¹ School districts are funded based on “student count”, which is defined in A.R.S. §15-901(A)(14) as Average Daily Membership for the fiscal year prior to the current year.

SCOPE AND METHODOLOGY

The audit reviewed whether the District should have received state aid for students who participated in YTP or for those who were enrolled beyond the 12th grade.

Staff from ADE's Audit Unit and Exceptional Student Services Unit (ESS) performed the audit. Audit Unit staff performed the Average Daily Membership component of the audit and ESS staff reviewed the special education aspect of the audit.

- To gain an understanding of YTP at the District, auditors interviewed District administrators and staff, and selected a sample of District students to review. To determine the sample of students, auditors identified all students in the District who were enrolled beyond the 12th grade and combined them with the list of students participating in YTP. Auditors then reviewed the District's student information for all 23 students in this sample, including student files, attendance records, enrollment and withdrawal forms, and transcripts.
- To determine whether students enrolled in the District's YTP Program were eligible to receive state monies, auditors used several methods. First, auditors reviewed attendance information from ADE's Student Accountability Information System (SAIS) to identify the number of students enrolled beyond the usual four years in high school, then reconciled this list with the District's records of YTP students to create the audit sample of 23 students. Additionally, auditors reviewed pertinent statutes and ADE guidelines regarding attendance and graduation, and obtained District graduation requirements and lists to determine whether these students had met graduation requirements. Finally, auditors consulted with staff from the Arizona Attorney General's Office to obtain legal input regarding statutory graduation and state aid funding requirements.
- To determine whether the District should have received funding for the special education students in the sample, ESS staff reviewed Individualized Education Plans (IEPs) for the 23 special education students in the sample for the fiscal years audited. This review determined the types of services provided, the amount of time specified for the services, and whether the IEPs were in compliance with federal and state requirements.
- To determine whether the District was appropriately receiving state aid, auditors reviewed transcripts, attendance records, cumulative files and graduation lists for all 23 students in the sample.

The Audit Unit expresses its appreciation to the Chino Valley Unified School District Superintendent and staff members, as well as staff from the Exceptional Student Services Unit from the Arizona Department of Education for their cooperation and assistance throughout the audit.

FINDING 1: CHINO VALLEY’S YTP PROGRAM FUNDED APPROPRIATELY

The District appropriately submitted attendance for most students in its YTP program. The District received a slight overpayment of state aid for only one student who was ineligible because the District did not provide sufficient educational services to receive state aid. As a result, the District’s ADM was overstated by 0.4 ADM for FY2007 and received an overpayment of \$1,836.87 in state aid. ADE should recover this excess funding.

Chino Valley’s YTP Program—The District offers a program called the Youth Transition Program, which is intended to help students with disabilities find and maintain work in the community. In contrast to some other Districts’ YTP programs, all of Chino Valley’s YTP students enrolled in high school grades 9 through 12. Program oversight and administrative costs, including the salaries of a YTP coordinator and a transition specialist, are funded with a federal grant from the Arizona Department of Economic Security, which requires a partial matching of the District’s local funds. The District submitted attendance information for YTP students to ADE, and subsequently received state aid for these students.² Table 2 shows the number of students that the audit team reviewed, including students who participated in YTP (11), and students enrolled beyond the usual four years of high school (5) for FY2005, FY2006, and FY2007.

Table 2

**Chino Valley Unified School District
Students in the Audit Sample
FY2005, FY2006, and FY2007**

Program	FY2005	FY2006	FY2007	Total
YTP	0	0	11	11
Others	<u>5</u>	<u>2</u>	<u>5</u>	<u>12</u>
Total	<u>5</u>	<u>2</u>	<u>16</u>	<u>23</u>

Source: Auditor analysis of District students from the ADMS75 report and the District’s YTP records for FY2005, FY006, and FY2007.

Most Students Found Eligible for YTP Funding

This audit found that this District reported student attendance data correctly with the exception of one ineligible YTP student. This student was not eligible for all of the state aid received because this student did not receive sufficient instructional services to qualify as a full-time student. The student attended

² Arizona’s schools receive monies from the state based on student attendance and other factors. Schools are required every 20 days to submit daily attendance information to ADE for each student enrolled. Attendance information is used by ADE to calculate Average Daily Membership (ADM). ADE then calculates a school’s basic state aid payment based on ADM and other factors and distributes these monies to school 10 times annually.

only part-time. The student was initially enrolled in the YTP program, but was later removed from the program and was not provided any additional instructional hours. The District mistakenly continued to count the student's attendance in the program after the student was removed from the program. As a result, the District overstated its attendance for this student, resulting in a 0.4 ADM overstatement by the District for FY2007. This equated to a \$1,836.87 overpayment that ADE needs to recover.

Recommendation

1. ADE should recover \$1,836.87 in state aid that the District should not have received for one ineligible student for FY2007.

ADM FUNDING ADJUSTMENT

The audit resulted in an overall funding adjustment of \$1,836.87 that ADE will need to recover from the District. ADE recovers audit adjustment monies from current and future payments to Districts. In addition to making the adjustment in one payment, statutes also allow repayment in 12 months, or 24 months for hardship situations with the approval of the State Superintendent of Public Instruction. Statutes and rules also provide for a formal appeals process through the Office of Administrative Hearings if the District disagrees with the audit results. The District has 30 days from the issuance of the audit report to request an appeal. Appendix A (see page a-i) in this report provides the rules that govern the appeals process.

Table 3 lists the overstated ADM and associated funding adjustment for the District for FY2007.

Table 3

**Chino Valley Unified School District
Overstated ADM and Funding Adjustments
Required for FY2007**

Program	ADM	Amount¹
YTP	0.4	\$1,836.87
Non-YTP	<u>0.0</u>	<u>\$ 0.00</u>
Total	<u>0.4</u>	<u>\$1,836.87</u>

¹ State Equalization Payment is calculated based on the previous year's Average Daily Membership.

Source: Auditor analysis of SAIS and District student and financial data for FY2007.

APPENDIX A

State Rules for Appealing Audits

The audit determination pursuant to A.R.S. §15-915 is an agency action to which you can file an appeal. The audit report and letter along with this information serve as notice of your appeal rights under §41-1092.04. Your right to a hearing and right to an informal settlement conference are described below in detail per Arizona Revised Statutes.

A.R.S. §41-1092.03. Notice of appeal able agency action; hearing; informal settlement conference; applicability

- A. An agency shall serve notice of an appeal able agency action pursuant to section 41-1092.04. The notice shall identify the statute or rule that is alleged to have been violated or on which the action is based and shall include a description of the party's right to request a hearing on an appeal able agency action and to request an informal settlement conference pursuant to section 41-1092.06.
- B. A party may obtain a hearing on an appeal able agency action by filing a notice of appeal with the agency within thirty days after receiving the notice prescribed in subsection A of this section. The notice may be filed by a party whose legal rights, duties or privileges were determined by the appeal able agency action. A notice of appeal also may be filed by a party who will be adversely affected by the appeal able agency action and who exercised any right to comment on the action provided by law or rule, provided that the grounds for appeal are limited to issues raised in that party's comments. The notice of appeal shall identify the party, the party's address, the agency and the action being appealed and shall contain a concise statement of the reasons for the appeal. The agency shall notify the office of the appeal and the office shall schedule a hearing pursuant to section 41-1092.05, except as provided in section 41-1092.01, and subsection F.
- C. If good cause is shown an agency head may accept an appeal that is not filed in a timely manner.

A.R.S. §41-1092.06. Appeals of agency actions; informal settlement conferences; applicability

- A. If requested by the appellant of an appeal able agency action, the agency shall hold an informal settlement conference within fifteen days after receiving the request. A request for an informal settlement conference shall be in writing and shall be filed with the agency no later than twenty days before the hearing. If an informal settlement conference is requested, the agency shall notify the office of the request and the outcome of the conference, except as provided in section 41-1092.01, subsection F. The request for an informal settlement conference does not toll the sixty day period in which the administrative hearing is to be held pursuant to section 41-1092.05.
- B. If an informal settlement conference is held, a person with the authority to act on behalf of the agency must represent the agency at the conference. The agency representative shall notify the appellant in writing that statements, either written or oral, made by the appellant at

the conference, including a written document, created or expressed solely for the purpose of settlement negotiations are inadmissible in any subsequent administrative hearing. The parties participating in the settlement conference shall waive their right to object to the participation of the agency representative in the final administrative decision.

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