



## Arizona Department of Education

The Audit Unit  
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### Average Daily Membership Audit Report Montessori Academy, Inc. Fiscal Years 2012, 2013 and 2014

**Report Number—16-16**

December 18, 2015



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Diane Douglas  
Superintendent of  
Public Instruction

December 18, 2015

Julianne Lewis Newman, Principal  
Montessori Academy, Inc.  
6050 N Invergordon Rd,  
Paradise Valley, AZ 85253

Dear Principal Newman,

The Arizona Department of Education Audit Unit has conducted an audit of the Montessori Academy, Inc. (School) Average Daily Membership (ADM) for Fiscal Years 2012, 2013 and 2014. The purpose of the audit was to address whether the School properly reported student enrollment to determine if it received the correct amount of Basic State Aid.

Auditors determined that the School failed to properly maintain sufficient student data for audit purposes for FY2012 and FY2014. As a result, auditors could not determine if the School was properly funded for those fiscal years.

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

Sincerely,

A handwritten signature in cursive script, appearing to read "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 Montessori Academy, Inc. (School) pursuant to Arizona Revised Statutes (A.R.S.) § 15-239. This audit focused on whether the School properly reported enrollment and attendance data to ADE and received the correct amount of Basic State Aid for FY2012 through FY2014 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 funded in 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, 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.

*School financial and other data*—The School is located in Paradise Valley, Arizona. For the three fiscal years audited, the School maintained one campus serving K-8 students.

Table 1 presents the School’s unaudited student, staffing and financial information for FY2012, FY2013 and FY2014.

**Table 1**  
**Montessori Academy, Inc.**  
**Total Students, Staffing, Revenues and Expenditures**  
**FY2012, FY2013 and FY2014**  
**(Unaudited)**

	FY2012	FY2013	FY2014
<b>Fall Enrollment</b>	<b>197</b>	<b>184</b>	<b>192</b>
<b>Number of Teachers</b>	16	11	11
<b>Revenue</b>			
Local	\$ 188,877	\$ 913,998	\$ 828,567
County	-	-	61,376
State	1,280,547	1,174,441	1,300,073
Federal	20,495	85,932	32,205
<b>Total Revenues</b>	<b><u>\$1,489,919</u></b>	<b><u>\$2,174,371</u></b>	<b><u>\$2,222,221</u></b>
<b>Total Expenditures</b>	<b><u>\$1,461,362</u></b>	<b><u>\$2,280,821</u></b>	<b><u>\$2,401,857</u></b>

Source: Annual Report of the Arizona Superintendent of Public Instruction for FY2012, FY2013 and FY2014.

## SCOPE AND METHODOLOGY

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The audit focused on whether the School 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 FY2012, FY2013 and FY2014. Due to the School failing to maintain adequate student data, only one of these years could be audited.

To conduct this audit, auditors used a variety of methods, including examining School and SAIS records for enrollment. Auditors also reviewed state statutes and School policies and procedures, and interviewed School management and staff. Specifically:

- ***Enrollment Data***—Auditors requested that the School provide student level data from its student management system (SMS) for the three fiscal years audited. However, the School did not provide sufficient data for auditors to compare the SMS to SAIS for FY2012. Therefore, auditors were unable to audit FY2012. Additionally, although auditors were provided SMS data for FY2014, auditors could not audit FY2014 because the School failed to provide student level data that contained sufficient first day enrollment, last day enrollment, attendance, absence and enrollment status for students. Auditors compared the School's SMS data to SAIS and identified 31 students in FY2013 for further evaluation. For FY2013, each student's attendance was compared to what was reported in SAIS. Auditors reviewed these 31 student profiles to determine if the enrollment data funded in ADE was accurate. Auditors compared the student profiles and schedules to SAIS to determine if the entry and exit date was accurate. When the entry or exit dates were different from the reported dates for a student, auditors recalculated the ADM and made appropriate adjustments to the funded ADM. For FY2013, auditors did not identify any discrepancies.
- ***Special Education Data***—In addition, auditors review any students with membership day adjustments to determine if any were also funded for one of the special education categories. Auditors determined that there were no special education adjustments for the one fiscal year audited.
- ***Limiting***—Auditors reviewed the total ADM for each student in the School to ensure that they were limited by SAIS and did not identify any errors for the one fiscal year audited.
- ***Instructional Hours***—In addition, auditors reviewed the School's bell schedules and calendars for the fiscal years audited and determined that the School provided at least the minimum number of instructional hours as required by statute for each grade level for each of the three years audited.

The Audit Unit expresses its appreciation to the Montessori Academy, Inc.'s administration and staff members for their cooperation and assistance throughout the audit.

# **FINDING 1: THE SCHOOL DID NOT MAINTAIN SUFFICIENT STUDENT RECORDS IN FY2012 AND FY2014**

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The School failed to properly comply with the State record retention policy in FY2012 and FY2014 because it failed to retain sufficient data for audit purposes as set forth in A.R.S. § 41-151.14, the Arizona records retention schedule for school districts and charter schools and Arizona Department of Education External Guidelines EX-34<sup>1</sup>. This occurred because the School changed SMS providers and failed to maintain access to the data for these fiscal years. As a result, auditors were unable to ensure the accuracy of the data provided by the School to SAIS. In the future, the School must ensure that it properly maintains required data pursuant to statute and ADE guidelines.

## **The School Failed to Comply with Statute and ADE Guidelines**

For FY2012 and FY2014, the School failed to maintain sufficient documentation to support the data submitted to ADE for funding purposes as required by both statute and ADE guidelines. According to A.R.S. § 41-151.14, all original attendance records, whether in paper or electronic format, must be maintained pursuant to a records retention schedule, which is established by the Arizona State Library, Archives and Public Records. For school districts and charter schools, the records retention schedule for student records, Schedule Number 000-11-53, requires schools to maintain daily attendance records and excused absence reports for four fiscal years. Additionally, EX-34 requires school districts and charter operators to “maintain a sufficient audit trail of attendance documentation to be able to validate the accuracy of the attendance information reported to” ADE. The School failed to maintain sufficient student level data including the actual entry and exit dates of students, absence and attendance reports by school and student and student enrollment status. The School should have maintained both student level and school level data for the period of time required in Schedule Number 000-11-53.

The School failed to maintain sufficient documentation to support its data because it changed SMS vendors after FY2014. After changing SMS vendors, the School failed to maintain electronic or paper access to its original records for the audited fiscal years. As a result, the School failed to maintain sufficient student level data documentation as required in both statute and ADE guidelines.

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<sup>1</sup> Pursuant to EX-34, “School districts and charter operators must maintain a sufficient audit trail of attendance documentation to be able to validate the accuracy of the attendance information reported to the Arizona Department of Education. This information shall include the following: the original teacher attendance documents and other documents required to record any changes to the original teacher entry. Audit trail documents can utilize either a paper or electronic format.”

## **Auditors Could Not Determine Accuracy of the School's Funding for FY2012 and FY2014**

As a result of the School failing to properly maintain access to its student records, auditors were unable to properly audit to determine student data accuracy for FY2012 and FY2014 for funding purposes. The School provided sufficient data for FY2013 for auditors to properly audit to determine student data and funding accuracy. As a result of the FY2013 analysis, auditors did not identify any errors in the School's funding for FY2013. In the future, the School must maintain student records by ensuring compliance with records retention schedules required by statute and ADE guidelines.

### **Recommendations:**

1. The School must maintain student records by ensuring compliance with records retention schedules required by statute and ADE guidelines.

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