



## Arizona Department of Education

The Audit Unit

1535 W. Jefferson St., Bin 19

Phoenix, Arizona 85007

602-364-4036

# Average Daily Membership Audit Report Montessori Day Public Schools Chartered, Inc. Fiscal Years 2019, 2020 and 2021

Report Number—22- 42

June 10, 2022



**CONTACTING  
THE AUDIT UNIT**

Angel Santiago, Audit Supervisor

Phone: 602-364-4061

Email: [Angel.santiago@azed.gov](mailto:Angel.santiago@azed.gov)

Fax: (602) 364-3264

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

---



## Arizona Department of Education

### Audit Unit

June 10, 2022

Pat Freeman, Director Phoenix  
Theresa Averill, Director Chandler  
Montessori Day Public Schools Chartered, Inc.  
9201 N 7<sup>th</sup> Ave  
Phoenix, AZ 85021

Dear Directors Freeman and Averill:

The Arizona Department of Education Audit Unit has conducted an audit of the Montessori Day Public Schools Chartered, Inc. (School) Average Daily Membership (ADM) for Fiscal Years 2019, 2020 and 2021. The purpose of the audit was to address whether the School properly reported student enrollment, and to determine if it received the correct amount of Basic State Aid.

Auditors determined that the School incorrectly reported the enrollment data of one student, which resulted in its ADM being understated by 0.75. As a result, the School was underfunded by \$5,306.33 which the ADE must repay to School.

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

Sincerely,

A handwritten signature in blue ink, appearing to read "Melissa Moreno".

Melissa Moreno,  
Chief Auditor

**Kathy Hoffman, Superintendent of Public Instruction**

1535 West Jefferson Street • Phoenix Arizona 85007 • (602) 542-5460 • [www.azed.gov](http://www.azed.gov)

# 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 School did not accurately report one student data, resulting in an underpayment of \$5,306.33 .....</b>	<b>5</b>
The School inaccurately reported one student data resulting in an underfunding of \$5,306.33 .....	5
Recommendations .....	6
<b>ADM and funding adjustments .....</b>	<b>7</b>

# TABLE OF CONTENTS (CONT'D)

---

	<u>Page</u>
<b>Tables:</b>	
1 Montessori Day Public Schools Chartered, Inc. Total students, revenues, and expenditures Fiscal years 2019, 2020 and 2021 (Unaudited) .....	2
2 Montessori Day Public Schools Chartered, Inc. ADM and funding adjustments Fiscal years 2019, 2020 and 2021 .....	5
3 Montessori Day Public Schools Chartered, Inc. ADM and funding adjustments Fiscal years 2019, 2020 and 2021 .....	7

# INTRODUCTION AND BACKGROUND

---

The Arizona Department of Education (ADE) Audit Unit has conducted an Average Daily Membership (ADM) audit of the Montessori Day Public Schools Chartered, Inc. (School) pursuant to Arizona Revised Statutes (A.R.S.) § 15-239. This audit focused on whether the School properly reported enrollment data to ADE and received the correct amount of Basic State Aid for Fiscal Years (FY) 2019 through 2021.

***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's 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's 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 those 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 information**—The School, located in Phoenix, Arizona, offered instruction in grades KG through 8 during the fiscal years audited. They had two elementary schools. Table 1 presents the School’s unaudited student, staffing, and financial information for FY2019, FY2020 and FY2021.

**Table 1**

**Montessori Day Public Schools Chartered, Inc.  
Total students, revenues, and expenditures  
Fiscal years 2019, 2020 and 2021  
(Unaudited)**

	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>Students enrolled</b>	<b>302</b>	<b>307</b>	<b>274</b>
<b>Number of teachers</b>	<b>11</b>	<b>12</b>	<b>12</b>
<b>Revenue</b>			
Local	\$ 147,408	\$138,539	\$75,316
Intermediate	\$ 0	\$ 0	\$0
State	\$ 2,266,852	\$2,460,529	\$2,182,267
Federal	\$ 123,104	\$111,950	\$362,586
<b>Total revenues</b>	<b><u>\$ 2,537,364</u></b>	<b><u>\$ 2,711,018</u></b>	<b><u>\$ 2,620,169</u></b>
<b>Total expenditures</b>	<b><u>\$ 2,088,164</u></b>	<b><u>\$ 2,154,980</u></b>	<b><u>\$ 2,489,374</u></b>

Source: Annual Report of the Arizona Superintendent of Public Instruction for FY2019, FY2020 and FY2021.

## SCOPE AND METHODOLOGY

---

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 for Arizona Charter Schools (USFRCS) and its own policies and procedures for FY2019, FY2020 and FY2021.

To conduct this audit, auditors used a variety of methods, including examining School and ADE records to review 150 of 926 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 School policies and procedures, and interviewed School management and staff. Specifically:

- **Enrollment data** – Auditors reviewed student schedules, enrollment histories and attendance data to determine if the enrollment data reported to ADE was correct. Auditors compared the entry and exit dates 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.
- **FTE calculations** – Auditors reviewed the bell schedules and student schedules to determine whether the School reported the correct full-time enrollment (FTE) data to ADE. Auditors calculated the FTE based on the classes and time a student was enrolled in the School and compared the FTE to what was reported to ADE. No findings were identified for this area.
- **Student Files** – Auditors reviewed student files to ensure that they maintained required documentation such as birth certificates, immunization records, and supporting residency documentation. No material findings were identified for this area.
- **Instructional hours** – Auditors reviewed the bell schedules and calendars for the School for FY2019, FY2020 and FY2021. The total instructional hours offered for each grade met the minimum required by statute for each of the three fiscal years audited.
- **Distance Learning Plans** – Auditors reviewed the Distance Learning Plans (DLP) for FY2021 that were used to provide education to students. In addition, auditors reviewed the percentage of learning that was distance learning or in person to determine if this was reported correctly. No findings were identified for this area.
- **SPED Data** – Auditors determined whether an adjusted student had also been funded for a special education (SPED) category. No findings were identified for this area.



- **Limiting** – Auditors reviewed the total ADM for each enrolled student to ensure that they were appropriately limited by ADE's system. No findings were identified for this area.

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

# **FINDING 1: THE SCHOOL DID NOT ACCURATELY REPORT ONE STUDENT DATA, RESULTING IN AN UNDERPAYMENT OF \$5,306.33**

---

Auditors determined that the School inaccurately reported the student data for one student for FY 2019, FY 2020, and FY 2021. Specifically, auditors found that one student had attended the School but was not funded. As a result of this error, the School’s ADM was underreported by 0.75. As a result, the School was underfunded by \$5,306.33 in Basic State Aid. According to A.R.S. § 15-915, School needs to recover these monies from the ADE.

## **The School inaccurately reported one student data resulting in underfunding of \$5,306.33**

The School inaccurately reported one student enrollment data to ADE, which resulted in the School’s ADM being understated by 0.75.

According to ARS § 15-901 and ADE guidelines, 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.

The School misreported the enrollment data of one student. The School reported one student to ADE, but with incorrect codes resulting in the student being rejected by the integrity process. However, the School never corrected the information, so the student was not funded which resulted in an ADM understatement of 0.75. As a result, as shown in Table 2, the School was underfunded by \$5,306.33 in Basic State Aid for the three fiscal years audited which the ADE must repay to School pursuant to A.R.S. § 15-915.

**Table 2**

**Montessori Day Public Schools Chartered, Inc.  
ADM and funding adjustments  
Fiscal years 2019, 2020 and 2021**

	<b>ADM Adjustment</b>	<b>Funding Adjustment</b>
2019	(0.75)	(\$5,306.33)
2020	-	-
2021	-	-
<b>Total</b>	<b>(0.75)</b>	<b>(\$5,306.33)</b>

Source: Auditor analysis of School and ADE records for fiscal years 2019, 2020 and 2021.

**Recommendations:**

1. ADE must repay to the School \$5,306.33 in Basic State Aid due to incorrectly reported student data.
2. The School needs to ensure that it follows statute and ADE guidelines when reporting student enrollment 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 2013 and continuing in subsequent years, corrections for audit findings to both budget capacity and state aid (when applicable) will be made.*

**Basic State Aid adjustment of \$5,306.33 required to be paid to the School**—Auditors identified an overall funding adjustment of \$5,306.33 for the three fiscal years audited due to inaccurate student enrollment.

Table 3 lists the ADM adjustments and the associated Basic State Aid adjustments for the School for fiscal years 2019, 2020 and 2021.

**Table 3**

**Montessori Day Public Schools Chartered, Inc.  
ADM and funding adjustments  
Fiscal years 2019, 2020 and 2021**

	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>Total</b>
ADM adjustment	(0.75)	-	-	(0.75)
<b>Funding adjustment</b>	<b>(\$5,306.33)</b>	-	-	<b>(\$5,306.33)</b>

Source: Auditor analysis of ADE and School student and financial data for FY2019, FY2020 and FY2021.