



## Arizona Department of Education

The Audit Unit

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# Average Daily Membership Audit Report San Tan Montessori School, Inc. Fiscal Years 2014, 2015 and 2016

Report Number—17-20  
January 18, 2017



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Diane Douglas  
Superintendent of  
Public Instruction

January 18, 2017

Dr. Kristopher Sippel, CEO & Principal  
San Tan Montessori, Inc.  
3959 E Elliot Rd  
Gilbert, AZ 85296

Dear Dr. Sippel,

The Arizona Department of Education Audit Unit has conducted an audit of the San Tan Montessori, Inc. (School) Average Daily Membership (ADM) for Fiscal Years 2014, 2015 and 2016. 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 did not accurately report some student data, which resulted in an overstatement of 0.48 ADM and an overfunding of \$783.77 in Basic State Aid, which must be repaid to ADE as required by statute.

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 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 San Tan Montessori, 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 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, 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's information***—The School has one school site located in Gilbert, Arizona. In FY2014, FY2015 and FY2016, the School offered instruction in Kindergarten and grades 1 through 12. Table 1 presents the School's unaudited student, staffing and financial information for FY2014, FY2015 and FY2016.

**Table 1**

**San Tan Montessori, Inc.  
Total Students, Revenues and Expenditures  
FY2014, FY2015 and FY2016  
(Unaudited)**

	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>
<b>Students Enrolled</b>	<b>533</b>	<b>486</b>	<b>595</b>
<b>Number of Teachers</b>	32	n/a	n/a
<b>Revenue</b>			
Local	\$ 304,233	\$ 394,305	\$ 488,563
County	-	-	-
State	3,730,730	3,308,983	4,078,975
Federal	216,886	174,577	152,181
<b>Total Revenues</b>	<b><u>4,251,849</u></b>	<b><u>3,877,865</u></b>	<b><u>4,719,719</u></b>
<b>Total Expenditures</b>	<b><u>\$ 3,681,201</u></b>	<b><u>\$ 3,762,280</u></b>	<b><u>\$ 3,953,370</u></b>

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

## 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 FY2014, FY2015 and FY2016.

To conduct this audit, auditors used a variety of methods, including examining School and SAIS records for enrollment. 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:

- ***Instructional hours***—Auditors reviewed the bell schedules and calendars for the charter school for FY2014, FY2015 and FY2016. No findings were identified for this area.
- ***Enrollment data***—Auditors compared SAIS data to the School's SMS and identified a 13% average sample of students for review. This included 65 of 475 students in FY2014, 73 of 537 students in FY2015 and 87 of 662 students in FY2016 for a total of 225 students for further evaluation. Auditors obtained the student profiles from the School's SMS and reviewed them 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. In addition, auditors reviewed the student schedules for all sampled students to determine if the full time equivalency (FTE) reported to ADE was correct. 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 courses the students were taking during the year. When the audited FTE or entry or exit dates were different from the reported FTE for a student, auditors recalculated the ADM and made appropriate adjustments to the funded ADM.
- ***SPED Data***—Auditors determined whether an adjusted 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. 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 SAIS. No findings were identified for this area.

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

## **FINDING 1: THE SCHOOL FAILED TO ACCURATELY REPORT SOME STUDENT DATA RESULTING IN AN OVERFUNDING OF \$783.77**

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Auditors determined that the School inaccurately reported the student enrollment data for three students for the three fiscal years audited. Specifically, auditors found two students were reported with an incorrect entry or exit date and one student was reported to SAIS but did not attend the school. As a result of these errors, the School's ADM was overstated by 0.48 for the fiscal years audited. Due to this inaccurate enrollment data, the School was overfunded by \$783.77 in Basic State Aid, which according to A.R.S. § 15-915, the School must repay to ADE.

### **The School Failed To Accurately Report Some Student Enrollment Data**

Auditors determined that the School inaccurately reported three students' enrollment data to ADE due to various errors, which resulted in the School's ADM being overstated by 0.48. ADE External Guideline and Procedures GE-17<sup>1</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 is the last day of actual attendance or excused absence. However, the School did not always adhere to these requirements. Specifically:

- Two students were reported with an incorrect entry or exit date, which resulted in the School's ADM being overstated by 0.46.
- One student was reported to SAIS but did not attend the school, which resulted in the School's ADM being overstated by 0.02.

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

The School did not follow statute and ADE guidelines when calculating and reporting student enrollment data.

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<sup>1</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."



According 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. The School misreported the enrollment date of two students.

According to A.R.S. § 15-901, the withdrawal date for students is the last day of actual attendance or excused absence. One student was reported to SAIS but did not attend the school.

In the future, the School must ensure it complies with statute and ADE guidelines to properly report student enrollments.

As shown in Table 2, these data reporting errors resulted in a net ADM overstatement of 0.48 for the three fiscal years audited.

**Table 2**

**San Tan Montessori, Inc.  
ADM Adjustments Due to Student Data Errors  
FY2014, FY2015 and FY2016**

	<b>Incorrect Entry/Exit</b>	<b>Did Not Attend</b>	<b>Total</b>
FY2014	0.01	0.02	0.03
FY2015	-	-	-
FY2016	0.45	-	0.45
<b>Total</b>	<b><u>0.46</u></b>	<b><u>0.02</u></b>	<b><u>0.48</u></b>

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

## The School Was Overfunded by \$783.77

Auditors determined that the School did not receive the correct amount of Basic State Aid due to the inaccurate enrollment data reported to ADE for the fiscal years audited. The enrollment data errors reported by the School resulted in its ADM being overstated by 0.48. As a result, the School was overfunded by \$783.77 in Basic State Aid, which must be repaid by the School to ADE as required by A.R.S. § 15-915. Table 3 shows the ADM and funding adjustments required for the fiscal years audited.

**Table 3**

**San Tan Montessori, Inc.  
ADM and Funding Adjustments Due to  
Student Data Errors  
FY2014, FY2015 and FY2016**

	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>Total</b>
ADM Adjustments	0.03	-	0.45	<u><b>0.48</b></u>
Funding Adjustments	\$182.97	\$0.00	\$600.80	<u><b>\$783.77</b></u>

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

### Recommendations:

1. ADE must recoup from the School \$783.77 in Basic State Aid due to incorrectly reported student data.
2. The School must properly reconcile its data each year to ensure it complies with A.R.S. § 15-901 and GE-17.
3. The School must comply with A.R.S. § 15-901 when reporting entry and exit dates to SAIS.

## ADM and Funding Adjustments

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***Basic State Aid adjustment of \$783.77 required to be repaid to ADE***—Auditors identified an overall funding adjustment of \$783.77 for the School for three fiscal years audited due to inaccurate student enrollment data as reported by the School.

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

**Table 4**

**San Tan Montessori, Inc.  
ADM and Funding Adjustments  
FY2014, FY2015 and FY2016**

	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>Total</b>
ADM Adjustments	0.03	-	0.45	<u><b>0.48</b></u>
Funding Adjustments	\$182.97	\$0.00	\$600.80	<u><b>\$783.77</b></u>

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