A Report
to the
Montana
Legislature

Performance Audit

Closing Gaps in Education Data Oversight, Quality, and Reporting

Office of Public Instruction

August 2026

Legislative Audit
Division

25P-07

Legislative Audit Committee

Representatives

Mary Caferro
Mary.Caferro@legmt.gov

Scott Demarois
Scott.Demarois@legmt.gov

Sherry Essmann
Sherry.Essman@legmt.gov

Jane Gillette
Jane.Gillette@legmt.gov

Jerry Schillinger, Chair
Jerry.Schillinger@legmt.gov

Jane Weber
Jane.Weber@legmt.gov

Senators

Becky Beard
Becky.Beard@legmt.gov

Denise Hayman
Denise.Hayman@legmt.gov

Emma Kerr-Carpenter
Emma.KC@legmt.gov

Forrest Mandeville
Forrest.Mandeville@legmt.gov

Tom McGillvray
Tom.McGillvray@legmt.gov

Laura Smith, Vice Chair
Laura.Smith@legmt.gov

Members serve until a member's legislative term of office ends or until a successor is appointed, whichever occurs first.

§5-13-202(2), MCA

Fraud Hotline
(Statewide)
1-800-222-4446
(in Helena)
444-4446
LADHotline@legmt.gov
www.montanafraud.gov

Performance Audits

Performance audits conducted by the Legislative Audit Division are designed to assess state government operations. From the audit work, a determination is made as to whether agencies and programs are accomplishing their purposes, and whether they can do so with greater efficiency and economy.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Members of the performance audit staff hold degrees in disciplines appropriate to the audit process.

Performance audits are conducted at the request of the Legislative Audit Committee, which is a bicameral and bipartisan standing committee of the Montana Legislature. The committee consists of six members of the Senate and six members of the House of Representatives.

Audit Staff

John Harrington
Austin Powell
Daniel Malone

Reports can be found in electronic format at:
https://legmt.gov/lad/audit-reports

LEGISLATIVE AUDIT DIVISION

Angus Maciver, Legislative Auditor
Kenneth E. Varns, Legal Counsel

Deputy Legislative Auditors:
Alexa O'Dell
William Soller
Miki Cestnik

August 2026

The Legislative Audit Committee
of the Montana State Legislature:

It is a pleasure to present our performance audit of the Office of Public Instruction.

This report provides the Legislature with information about the office's collection and management of information from schools; reporting on school performance and funding to the legislature and stakeholders; and checks on school district activity. This report includes recommendations for enhancing data management, reporting, and validations at the Office of Public Instruction. A written response from the office is included at the end of the report.

We wish to express our appreciation to Office of Public Instruction personnel for their cooperation and assistance during the audit.

Respectfully submitted,

/s/ Angus Maciver

Angus Maciver
Legislative Auditor

Room 171 • State Capitol Building • PO Box 201705 • Helena, MT • 59620-1705
Phone (406) 444-3122 • FAX (406) 444-9784 • E-mail lad@legmt.gov

Table of Contents

Figures and Table iv
Appointed and Administrative Officials v
Report Summary S-1

CHAPTER I – INTRODUCTION AND BACKGROUND 1
Introduction 1
Education Funding in Montana 1
Schools Establish Minimum and Maximum General Fund Budgets Annually 1
Actual Funding for School General Funds Comes From State and Local Sources 3
Montana Statute Provides Additional Funding for Several Student Groups 3
State At-Risk Funding Follows Federal Funding in Supporting Students in Poverty 4
Montana Establishes Funding To Close the Achievement Gap Between American Indian Students and Other Students 4
The State Generally Funds Special Education Through ANB Allocations and a Reimbursement Program 4
Background - Office Processes 4
The Office Collects Data From School Districts 6
OPI Calculates and Distributes Both State and Federal Funding 7
The Office Monitors Funding Primarily Through Independent School Audits 7
OPI Generally Does Not Govern School Districts 7
Office Staff Provide Schools With Ongoing Support Beyond Funding 8
Federal Law Requires States To Establish Academic Standards and Report Student Performance 8
OPI Outlines Its Implementation of Assessment, Reporting, and Goals in Its State Consolidated Plan 9
Student Performance Reporting Provides Information for Educators, Policymakers, and the Public 9
Audit Scope 9
Audit Objectives and Methodologies 10
Issue for Further Study 11

CHAPTER II - OVERSIGHT OF DATA, SYSTEMS, AND INSTITUTIONAL KNOWLEDGE 13
Introduction 13
The Office Operates With Silos 14
Previous Management Eroded Data Governance and Office Silos Hinder Governance 14
Limited Organization Knowledge and Office Silos Affect All Areas of Our Audit 15
OPI Does Not Know the Quality of Its Data and Reinforces Silos 15
School Staff Are Not Confident in Office Systems 15
Poor Enterprise Architecture Management Led to Costly System Upgrades 17
Best Practices Emphasize Establishing Enterprise Data and Architecture Management 18
OPI Has Begun Re-Establishing Data Governance and Architecture Management, but Must Sustain These Efforts 18
Documenting Institutional Knowledge 19
OPI Relied on Limited Documentation and Tenured Staff To Preserve Institutional Knowledge 19

The Office Has Historically Relied on Staff Rather Than Documentation To Preserve Institutional Knowledge....20
OPI Risks Losing Institutional Knowledge When Key Staff Leave....20
Best Practices Emphasize Documenting Institutional Knowledge To Support Consistent Operations and Reduce Key-Person Risk....21
OPI Is Updating Desk Manuals To Improve Staff Guidance and Reduce Key-Person Risk....21

CHAPTER III - STUDENT PERFORMANCE REPORTING....23
Introduction....23
Montana Statute Links At-Risk Funding to Federal Title I Funding for Students in Poverty....24
OPI Defines Economically Disadvantaged Students and At-Risk Students Separately....24
Current Definitions Often Identify Schools Instead of Students....25
Office Definitions Include Other Students, Limiting Analysis of Performance Gaps....25
State and Federal Requirements Focus on Student Performance Within Schools, and Other States Have Adopted Alternative Definitions....26
Redefining Economically Disadvantaged and At-Risk Students Would Allow Performance Gaps To Be Measured in All Schools....26
Many Small Schools and the State Suppression Policy Limit Reporting for Schools and Student Subgroups....27
OPI Student Performance Reporting Lacks Functionality for Stakeholders....27
The Office Has Focused on Minimum Reporting Requirements Rather Than Report Functionality....27
Reporting of Performance Gaps for State-Prioritized Student Subgroups Is Limited....28
Stakeholders Are Frustrated With Reporting and Require OPI To Compile Further Reporting....28
Aggregating School Districts Allows Performance Reporting for Smaller Schools....29
Aggregation Showed Higher Performance in Very Small Districts, but These Districts Had a Smaller Proportion of State-Prioritized Students....31
Other States Demonstrate Functionality for Reporting Student Performance....33
Current Reporting Falls Behind Peer States and Frustrates Stakeholders....33
Federal Law Requires Schools To Develop Plans To Address Performance Gaps....34
OPI Reviews School Improvement Plans but Does Not Compile or Share Information on Interventions....34
Stakeholders Are Unaware of Methods Schools Use To Support State-Prioritized Student Subgroups....34
Massachusetts Demonstrates One Approach for Reporting Methods Through Its "How Do We Know Initiative"....35
OPI Should Compile and Report Existing Information on How Individual Schools Support State-Prioritized Student Groups....35

CHAPTER IV - SCHOOL DATA AND FUNDING CHECKS....37
Introduction....37
OPI Relies Primarily on Voluntary Manual Reports Rather Than Automated Data Validation Checks....38
The Office Has Historically Been Reactive Rather Than Proactive With Data Validations....38

Staff Spend Significant Time Correcting Data Errors and Current Validation Processes May Reduce Data Reliability....38
Information System Standards and Other States Emphasize Automated Data Validation and Error Prevention....39
The Office Implemented Some Automatic Validations, Finding Them Beneficial....39
Schools Must Obtain Independent Audits Every Two to Four Years From Private Auditors....40
OPI and Department of Administration Share Responsibility for Local Government Audits, With OPI Reviewing Audits....40
The Office Monitors School Financial Activity Primarily Through School Audits....41
Federal Regulations Outline Options for Further Enforcement To Ensure Compliance....41
Federal School Audits Are Frequently Late, Risking Federal Funding....42
School Audits Are Challenging To Obtain and Complete....42
DOA and OPI Should Collaborate To Increase Audit Timeliness....43

OFFICE RESPONSE

Office of Public Instruction....A-1

Figures and Table

Figures

Figure 1 General Fund Budget and Actual Funding 2
Figure 2 Average School District General Fund 3
Figure 3 Overall Process Map 5
Figure 4 Distribution of ANB Across School Sizes 6
Figure 5 Process Diagram - OPI Processes 13
Figure 6 Clerk Reporting Challenges 16
Figure 7 Data Modernization Project 17
Figure 8 Process Diagram - Reporting 24
Figure 9 Student Achievement Masking 28
Figure 10 English Language Arts Performance Gaps 30
Figure 11 Math Performance Gaps 31
Figure 12 Overall Proficiency by Subgroup 32
Figure 13 Proportion of State-Prioritized Student Subgroups 32
Figure 14 Process Diagram - School Checks 37
Figure 15 School Audit Timelines 42

Table

Table 1 Aggregating Schools by ANB 29

Appointed and Administrative Officials

Office of Public Instruction

Susan Hedalen, Superintendent of Public Instruction

Craig Barringer, Deputy Superintendent

Dylan Klapmeier, Chief of Staff

Katherine Bloodgood, Deputy Chief of Staff/Policy Director

Aislinn Brown, Chief Legal Counsel

Eli Dean, Data Operations Manager

April Grady, Chief Financial Officer

Kristen Becker, Internal Control Auditor

Julie Murgel, Chief Program Officer

Montana Legislative Audit Division

Performance Audit

Closing Gaps in Education Data Oversight, Quality, and Reporting

Office of Public Instruction

A report to the Montana Legislature

Background

The Office of Public Instruction distributes state and federal education funding to school districts. It collects and stores school and student data, calculates funding, and distributes payments. Staff answer questions, publish training materials, and provide training with partner groups statewide. After funds are distributed, OPI monitors financial activity through federally required independent audits, and reports student performance and funding information to the public, stakeholders and the Legislature.

Office PB FY 2025: 153.27

Annual State Funding For School Districts FY 2025: $1 billion

Annual Federal Funding For School Districts FY 2025: $295 million

Public school students in Montana: approximately 150,000

The Office of Public Instruction (OPI, office) distributes more than $1 billion in state education funding each year, yet inefficiencies in program management, reporting, and verification have weakened its operations. These issues contributed to ineffective prioritization of $13.5 million in legislative database funding, poor stakeholder awareness of the effectiveness of funding targeted to certain state-prioritized student subgroups, and declining stakeholder confidence. However, the office began addressing these gaps during our fieldwork in 2025 and 2026. By strengthening oversight, improving data management, and enhancing reporting, the office can operate more efficiently, rebuild trust, and better ensure education dollars reach the students they are intended to serve.

KEY FINDINGS:

OPI should establish robust system and data management. We found that office system and data knowledge have eroded in the past decade. Program silos and a lack of big-picture awareness have hindered system modernization, even when granted funding from the legislature. Robust data management would allow the office to effectively prioritize changes, streamline data processes, and improve stakeholder confidence in office data and systems.

The office relied on tenured staff to retain institutional knowledge. The office relied on tenured staff instead of thoroughly documenting position roles, responsibilities, and procedures. Incomplete documentation left new staff without clear guidance and increased the risk of errors and losing institutional knowledge when employees leave. Better documentation would reduce training burden, ensure procedure consistency, and protect against losing institutional knowledge.

(continued on back)

For the full report or more information, contact the Legislative Audit Division.

legmt.gov/lad

Room 171, State Capitol
PO Box 201705
Helena, MT 59620-1705
(406) 444-3122

The mission of the Legislative Audit Division is to increase public trust in state government by reporting timely and accurate information about agency operations, technology, and finances to the Legislature and the citizens of Montana.

To report fraud, waste, or abuse:

Online
www.Montanafraud.gov

Email
LADHotline@legmt.gov

Call
(Statewide)
(800) 222-4446 or
(Helena)
(406) 444-4446

Text
(704) 430-3930

Student performance reporting lacks functionality and clarity. Current reporting of student performance defines students in poverty at the school level, which includes other students not in poverty. Additionally, reporting functionality is limited, with users unable to easily obtain full performance data, compare performance between school districts, or identify how state-prioritized student subgroups are supported across school districts. This functionality would make performance reporting more useful and informative for stakeholders and the legislature.

The office should improve its validations on school-submitted data and further enforce compliance on timelines for federally required school audits. Before school funding is distributed, the OPI should strengthen data validations by implementing automatic and required validations on submitted school district information. These validations would save staff time and improve data quality for calculations. After funding has been distributed, the OPI should work to improve the timeliness of school audits, providing timely monitoring and reducing the risk of losing federal school funding.

RECOMMENDATIONS:

In this report, we issued the following recommendations:
To the Office of Public Instruction: 7
To the legislature: 0

Recommendation #1 (page 19):

Governance, Risk Assessment, and Planning

We recommend the Office of Public Instruction prioritize, establish, maintain, and communicate data governance and enterprise architecture management, including establishing a data management strategy, enterprise architecture management, and inventories of assets.

Office response: **Partially Concur**

Recommendation #2 (page 21):

Governance, Risk Assessment, and Planning

We recommend the Office of Public Instruction develop and update standalone desk manuals and standard operating procedures for all key positions and processes.

Office response: **Concur**

Recommendation #3 (page 26):

State Compliance

We recommend that the Office of Public Instruction determine a suitable identifier for at-risk and economically disadvantaged students tracked at the individual student level.

Office response: Partially and Conditionally Concur

Recommendation #4 (page 33):

System and Information Management

We recommend the Office of Public Instruction enhance student performance reporting for stakeholders and the legislature by implementing ways to report performance gaps for student subgroups, allowing users to download all information from a single source, and adding ways to compare student performance between schools/districts.

Office response: Do Not Concur

Recommendation #5 (page 35):

Governance, Risk Assessment, and Planning

We recommend that the Office of Public Instruction compile existing school information to identify and report school programs that support state-prioritized student subgroups.

Office response: Partially Concur

Recommendation #6 (page 40):

System and Information Management

We recommend the Office of Public Instruction continue proactively developing and establishing system controls, including automatic validations to replace manual validation reports, and requiring school districts to correct errors before uploading data.

Office response: Partially and Conditionally Concur

Recommendation #7 (page 43):

State Compliance

We recommend the Office of Public Instruction work to improve the timeliness of independent school audits by collaborating with DOA and improving enforcement.

Office response: Conditionally Concur

Chapter I – Introduction and Background

Introduction

The Office of Public Instruction (OPI, office, agency) calculates and distributes more than $1.3 billion in state and federal funding to about 400 school districts that serve roughly 150,000 students. The OPI also collaborates with school districts to help them understand the funding process and help schools provide accurate information for funding calculations. In addition to state and federal funding, local revenue sources, including property taxes, provide a significant share of education funding. The Legislative Audit Committee prioritized a performance audit of the office in 2025 due to concerns regarding rising property taxes for school costs and frequent school district misunderstandings about funding.

During our risk assessment, we identified risks related to the scale of office operations, frequent legislative changes, information technology management, and stakeholder concerns. Because education funding and office operations are broad in scope, our risk-based assessment led us to focus this audit on the office's enterprise management, reporting to stakeholders, and collaboration with schools.

Education Funding in Montana

Montana school districts build and adopt their general fund budgets annually from a variety of funding sources. The state sets minimum and maximum limits for district general fund budgets based on guaranteed state funding, enrollment, and types of schools in the districts. Then, school districts set their final funding within these limits with a combination of state and local funding.

Schools Establish Minimum and Maximum General Fund Budgets Annually

Every year, Montana school districts build their general fund budgets using four funding components established in statute:

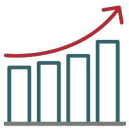
- **Per-Annual Number Belonging (ANB) Entitlement:** The ANB is a proxy for student enrollment that adjusts for partial attendance. This entitlement allocates a set amount for each ANB at a district. The ANB and Basic Entitlements account for over 88 percent of school general fund budget limits.
- **Basic Entitlements:** Basic Entitlements depend on the types of schools in a school district (elementary, middle, or high school). Basic Entitlements also increase for certain ANB thresholds. For example, for fiscal year 2026, each high school built about $375,000 into its budget threshold, with an additional $18,000 for every additional 80 ANB over 800.
- **Special Education Payments:** These payments provide a set amount per ANB for special education.

- **Fully State-Funded Components:** This component stems from five state funding streams. Some of these payments are earmarked for specific purposes, and some can be used at the school district's discretion.
    - *Quality Educator and Qualified Staff Payment:* An FTE payment for teachers and other licensed professionals.
    - *At-Risk Payments*: A payment to school districts with children in poverty.
    - *Indian Education for All Payment*: A per-ANB payment that supports the state's constitutional commitment to preserving American Indian culture.
    - *American Indian Achievement Gap Payment:* A per-American Indian Student payment intended to reduce the performance gap between American Indian and non-American Indian students.
    - *Data for Achievement*: A per-ANB payment that supports student data systems.

Schools establish their minimum general fund budget, known as base amount for school equity (BASE) funding, and a maximum general fund budget, known as max funding, using percentages of these components. Schools are guaranteed BASE funding and may exceed max funding under certain circumstances.

Figure 1
General Fund Budget and Actual Funding

Schools set their minimum, (BASE) and maximum general fund budgets each year. These budgets are based primarily on ANB and the types of schools in the district.



To reach BASE funding, the state first covers a percentage of ANB and basic entitlements. The state then provides additional funding if a district would need high property mills to reach its BASE budget.

Once a district reaches BASE funding, it must rely on local revenue sources, such as property taxes, to reach maximum funding.

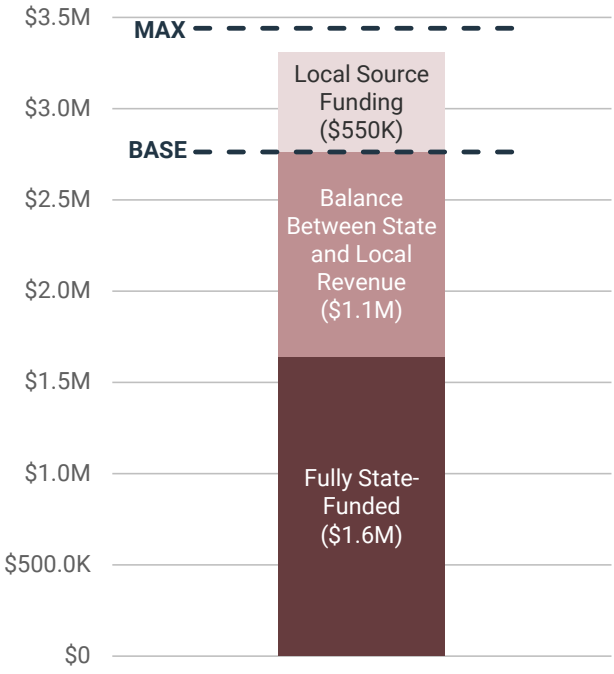
Source: Compiled by the Legislative Audit Division.

Actual Funding for School General Funds Comes From State and Local Sources

The state does not provide all of BASE funding for school districts. Instead, the state begins by funding all fully state-funded programs, special education, and 44.7 percent of per-ANB and basic entitlements. The remaining funding to reach BASE budget can come from both local and state funding. In school districts with high property values that need a low percentage of property taxes to reach BASE, the state will not provide any additional funding and local sources, like property taxes, will fill a school district's budget to BASE. If a district has generally low property values and would require a high percentage of property taxes to reach BASE, the state supplements additional funding for each mill levied of property taxes. Once at BASE funding, school districts generally must levy additional property taxes to reach max funding. In some cases, such as districts with high oil and gas production, school districts can reach or exceed the maximum general fund threshold without levying additional property taxes.

Figure 2
Average School District General Fund

An average school district general fund is supported by a mix of state and local sources, such as property taxes.



Source: Compiled by the Legislative Audit Division from agency data.

Montana Statute Provides Additional Funding for Several Student Groups

Montana statute establishes additional funding and support for several student subgroups. Throughout this report, we refer to students in poverty, American Indian students, and students with disabilities as state-prioritized student subgroups because Montana law establishes additional funding or support mechanisms for these student populations. The following sections describe how Montana supports these state-prioritized student subgroups.

State At-Risk Funding Follows Federal Funding in Supporting Students in Poverty

For fiscal year 2026, Montana allocated about $6.4 million in at-risk funding to school districts. Statute specifies that state at-risk funding is distributed using the same allocation method as federal Title I funding, and is therefore directed primarily toward schools serving children in poverty. In practice, the state allocates a lump sum of at-risk student funding, and schools receive a share of this funding proportional to their share of federal Title I funding. Since there is one single pot of at-risk funding, each school's at-risk funding from the state depends on other schools' at-risk population across the state.

Montana Establishes Funding To Close the Achievement Gap Between American Indian Students and Other Students

The state also allocates about $250 per American Indian student enrolled in a school district to help reduce differences in educational outcomes between American Indian students and other students. It is important to note that students are not required to disclose if they are American Indian. This funding is deposited in a school district's general fund. In fiscal year 2025, the state distributed a little over $5 million in funding for these students.

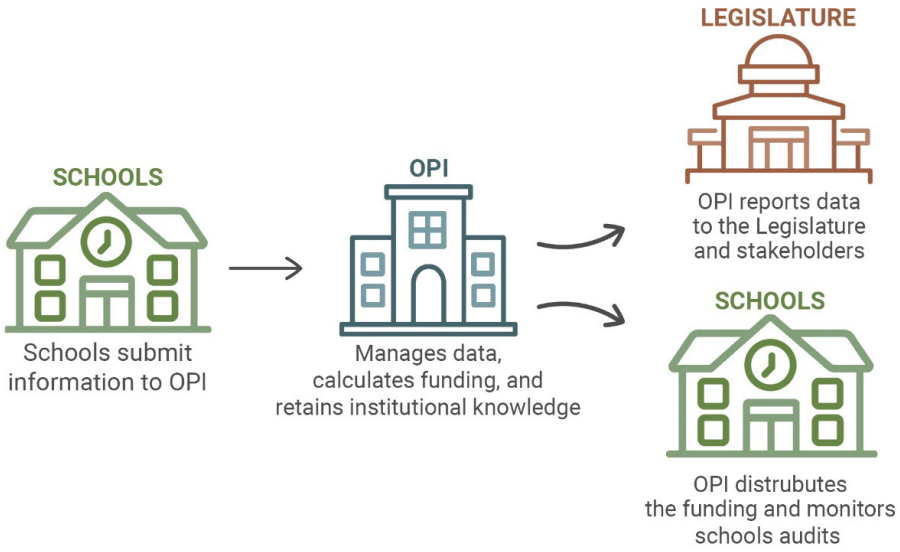
The State Generally Funds Special Education Through ANB Allocations and a Reimbursement Program

In addition to federal sources of funding for students with disabilities, such as the Individuals with Disabilities Education Act and Medicaid reimbursements, Montana provides additional state funding for these students. Montana distributes special education funding based on a district's total ANB, rather than only the ANB of students with disabilities. School districts must contribute at least $1 of local funding for every $3 received in state special education funding. If a school district's special education costs exceed a threshold, called the disproportionate cost threshold, the state will reimburse the district 40 cents for every dollar above the threshold. Montana appropriates about $10 million annually for disproportionate cost reimbursement. Each year, the disproportionate cost threshold is calculated to ensure total reimbursements remain within the allocated funding.

Background - Office Processes

The Office of Public Instruction is integral to school funding and facilitates many of its processes. However, the OPI does not govern school districts. School district trustees are responsible for district operations and financial decisions. The office collaborates with school districts to obtain data, calculates funding, distributes both state and federal funding, reports school information, and monitors school audits. Figure 3 (page 5) illustrates the overall education funding process in Montana. This process map will serve as a roadmap at the beginning of each chapter to highlight which parts of the process we discuss in that chapter.

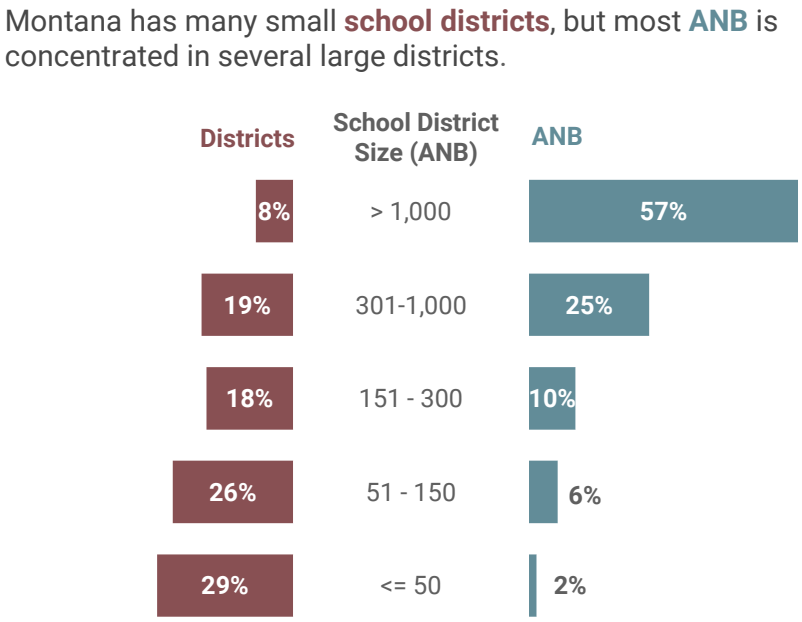
Figure 3
Overall Process Map



Source: Compiled by the Legislative Audit Division.

Montana school districts vary dramatically in size. According to office budget data, most students are located at larger schools (over 1,000 ANB). However, the vast majority of school districts in Montana are much smaller, and about 30 percent have 50 or fewer ANB. Montana is also a local-control state, where primary decision-making power is delegated to individual school districts, and many districts have their own processes for tracking and managing student information. Regardless of differences among district processes, the office must collaborate with all school districts for school funding calculation and distribution.

Figure 4
Distribution of ANB Across School Sizes



Source: Compiled by the Legislative Audit Division from the 2025 OPI budget data.

The Office Collects Data From School Districts

Districts submit their information primarily through two systems: a vendor product, Infinite Campus, and an in-house system, MAEFAIRS. How school districts submit their information depends on what method they use to track their student information. Schools can use their own information systems for their needs, but submit data through an instance of Infinite Campus.

The state provides a district version of Infinite Campus that schools can use to track student information. More than half of school districts use this system and can submit data directly to the OPI with minimal editing. Other districts will use an alternative system they obtained independently or track their information manually, either on paper or with spreadsheets. In those cases, schools must manually enter information into Infinite Campus or upload it through templates.

Districts submit information throughout the year according to a data collection calendar, which includes about 40 different deadlines for submitting various data to Infinite Campus, MAEFAIRS, and other systems. The OPI staff assist districts during collections by answering questions and reviewing data quality. Schools will receive a preliminary summary of their funding and information, which they can compare to their own calculations or expectations. During data collections, the OPI staff will validate school data, primarily through validation reports that identify erroneous data, such as duplicate students. Schools upload information to a number of OPI systems other than Infinite Campus as well, which will feed into calculations and eligibility verifications.

OPI Calculates and Distributes Both State and Federal Funding

Once the OPI collects and verifies the data, staff calculate each school's budget and funding through MAEFAIRS. Since education funding continually evolves, MAEFAIRS is consistently updated and tested annually. After the office calculates general fund thresholds and the school district adopts a budget within those thresholds, the OPI releases a public document of all school general fund budgets for the year. This budget spreadsheet contains each district's total general fund budget, the percentage of the maximum budget, the ANB, and other information for each school district. The OPI will then distribute funding to school districts on a monthly basis throughout the year. The OPI also serves as a pass-through entity for federal funding to school districts, including federal Title funding, school nutrition programs, pandemic relief funding, and other programs. According to legislative finance reports, about 14 percent of school funding in fiscal year 2025 came from federal sources.

The Office Monitors Funding Primarily Through Independent School Audits

State and federal law require that schools in Montana obtain independent school audits every two to four years, depending on federal expenditures at that school. Private auditors approved by the state perform these school audits. The OPI primarily monitors funding activity at the school district through these audits, though districts may also self-report financial errors or compliance issues. When an audit results in a finding, the school develops a corrective action plan, and the OPI works with the school and training partners to help the school implement its plan. For instance, if a clerk at a school district submitted the incorrect ANB, the office would direct the clerk to the OPI's internal School Finance Team and to the Montana Association of School Business Officials (MASBO).

OPI Generally Does Not Govern School Districts

Although the OPI monitors school district financial activity, it does not govern school districts. Montana is a local control state, with school district trustees responsible for overseeing district operations and financial decisions. The Board of Public Education oversees accreditation requirements and has statutory authority over the office. If a school district fails to submit reports or budgets, the Board of Public Education can order the office to withhold BASE funding. The OPI also uses school audit results to assess school risk, identify common risks, inform oversight activities, and ensure federal award compliance. As a pass-through entity, the OPI is required by federal regulation to ensure compliance with federal awards and to monitor school audits of financial activity.

Office Staff Provide Schools With Ongoing Support Beyond Funding

In addition to calculating, distributing, and monitoring school funding, the OPI provides other support for school districts. Program staff answer questions from school districts regarding funding, reporting requirements, and related processes. The OPI also provides training opportunities for school personnel, often in collaboration with organizations such as MASBO and the School Administrators of Montana. While these groups generally train their members, the OPI staff will offer training or join conferences to help train members as well. We observed a similar method of training in other states we researched. Office staff say they work with school districts year-round, and new district personnel may require a year or more to become familiar with funding requirements and processes.

Federal Law Requires States To Establish Academic Standards and Report Student Performance

The 2015 federal Every Student Succeeds Act (ESSA) requires states to establish academic standards in English Language Arts (ELA), mathematics, and science, as well as regularly assess student performance against those standards.

The OPI measures student performance through the Montana Aligned to Standards Through-year (MAST) assessment in elementary and middle school, and uses ACT results to evaluate high school performance. High school students are required to take the ACT in the 11th grade for this purpose. Students can take the ACT more than once to improve their scores for college admissions, but only the first ACT scores in 11th grade are used for state performance assessment. Montana is one of about 20 states that use the ACT to evaluate high school student performance. School districts can administer additional performance testing if they would like, but it cannot replace state testing. To determine how student scores are classified, the office convenes educators from across the state to establish score thresholds for the four proficiency levels: Novice, Nearing Proficiency, Proficient, and Advanced.

The Every Student Succeeds Act also requires annual report cards that summarize performance at the school, district, and state levels. The OPI reports on student performance by providing the percentage of students who achieve each of the four proficiency categories, as well as the percentage of students who scored at least proficient in state testing.

The act also requires performance results to be reported separately for student subgroups, including major racial and ethnic groups, students with disabilities, and economically disadvantaged students. These subgroup reporting requirements provide the primary mechanism through which the state publicly reports educational outcomes for state-prioritized student subgroups. If there are a small number of students in a subgroup, the office will suppress that data according to its suppression policy to meet federal student privacy laws. Montana's policy for student suppression aligns with common best-practice methods identified federally, but is not the only method used by states.

OPI Outlines Its Implementation of Assessment, Reporting, and Goals in Its State Consolidated Plan

The office details the state academic standards, assessment, and reporting in its state consolidated plan. This plan also outlines goals for student proficiency. This plan was originally created in January 2018 and most recently updated in February 2024. At this time, the state switched its assessment tests from the Smarter Balanced Assessment Consortium to MAST. The OPI defined long-term goals for student proficiency as a 4 percent year-over-year reduction in non-proficient students (or the percentage of students that do not graduate each year). The plan established long-term goals through 2025. The plan does not specify consequences for failing to meet these goals.

Student Performance Reporting Provides Information for Educators, Policymakers, and the Public

Student performance data are used to evaluate educational outcomes, identify achievement gaps among student populations, including state-prioritized student subgroups, and inform policy decisions, so the accuracy of the data is paramount. The office produces additional reports in response to requests from policymakers and other stakeholders. The OPI can provide student performance data with suppressed results for small student groups to protect student privacy, upon request. Academic institutions and research organizations may obtain access to unsuppressed student performance data through individual data sharing agreements. State code also mandates additional biennial reporting beyond student report cards, including reports to the governor and the legislature on changes in standardized test scores, graduation rates, and dropout rates for at-risk students and American Indian students.

Audit Scope

We examined the office's collaboration with school districts, focusing on collecting information for funding, managing data within the office, monitoring funding after distribution, and providing training for school districts. We explored the validations and data reliability of school and student information in Infinite Campus. Another function of the Legislative Audit Division examined the MAEFAIRS system concurrently with our audit work. Therefore, our fieldwork focused on Infinite Campus as the primary system for schools to upload information. We did not examine the control structure for the other 50-plus systems in the office.

We also examined student metrics, focusing on metrics used for funding calculations and student outcomes. We did not examine the adequacy of education funding for schools, nor did we explore the equity of funding relative to student metrics. Instead, we focused on the transfer, management, and reporting of student metrics to inform stakeholders and the legislature. Of particular note, we focused on student subgroups prioritized by legislation for support, examining funding information, support methods, and outcomes for these subgroups relative to other students.

Our audit examined the previous two to three years of school and student data for our methodologies, depending on the information available. We examined data for school, student, and audit information for the school years ending in June 2023, June 2024, and June 2025. We examined the education funding model as of June 2025, including changes made by the 2025 legislature. We also examined legislative actions and bills from the 2025 session and 2025 biennium. Throughout the audit, we focused on established processes at the office from the prior administration but also examined the new administration's ongoing changes to these processes. Our fieldwork for this audit took place in calendar year 2025 and the first half of calendar year 2026.

Audit Objectives and Methodologies

Our audit had two objectives:

- Does the Office of Public Instruction effectively collaborate with school districts to deliver and monitor school funding?
- Does Montana effectively track student metrics and how do these metrics inform school funding decisions?

During audit fieldwork, we completed the following methodologies:

- Interviewed staff and management at various programs across the office.
- Reviewed relevant laws, rules, and regulations regarding education funding and office collaboration with school districts.
- Examined office policy, procedure, and strategic documents.
- Determined the current student metrics tracked and reported by the office.
- Interviewed stakeholders, including stakeholder advocacy groups, school training groups, and school staff and leadership.
- Reviewed Infinite Campus and examined the flow of information throughout the office.
- Examined the OPI data modernization project.
- Evaluated the OPI's monitoring of funding through school audits.
- Observed the OPI training and materials for school district staff.
- Researched best practices regarding the OPI collaboration and student metrics.
- Interviewed five other states regarding collaboration with school districts and student metrics.
- Surveyed 962 school district leaders and clerks, and received a 38 percent response rate.
- Examined how student metrics and reporting informed the legislature in the 2025 biennium and 2025 session.
- Analyzed student performance gaps for at-risk subgroups, such as economically disadvantaged, special education, and American Indian students.

Issue for Further Study

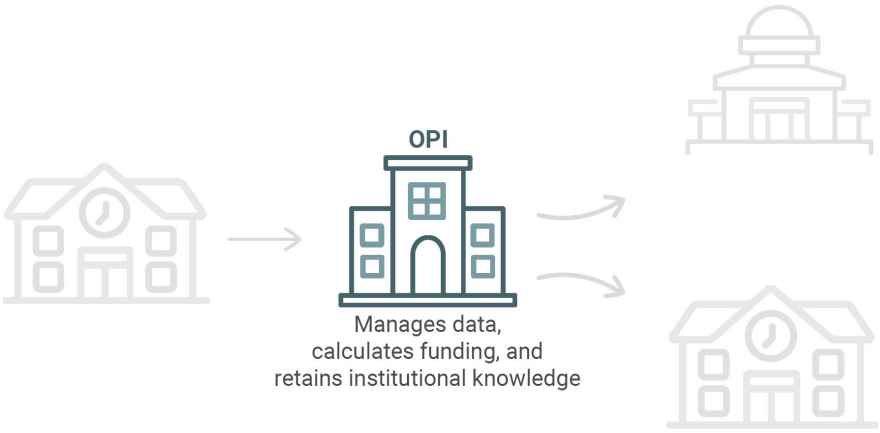
Montana has many small school districts, which makes administration more difficult and may require more attention. Districts say they struggle to hire and keep qualified staff, especially those who handle funding information. Because of understaffing, there have been problems such as inconsistent data and late audits. About 10 percent of school administrative staff we surveyed said they plan to leave their jobs in the next year. A future performance audit could look at whether current state efforts are enough, and if other ideas, like sharing administrative services, using regional support, or consolidation initiatives, would help districts hire, keep, and manage key staff.

Chapter II - Oversight of Data, Systems, and Institutional Knowledge

Introduction

While the OPI's activities are not the first in the process map, we will start by discussing the office's management of data and the systems it houses, as well as how the office preserves institutional knowledge of education funding and procedures.

Figure 5
Process Diagram - OPI Processes



Source: Compiled by the Legislative Audit Division.

Data governance:
The decision-making framework of policies, procedures, and roles that directs how an organization manages, secures, and uses its data.

A key part of collaboration between the OPI and school districts is how the OPI manages the data and systems that store school district information for funding calculations, known as data governance. Delivering accurate funding to school districts relies on robust data governance and management. In addition, the office's ability to preserve institutional knowledge for its positions and procedures is the foundation for its ability to assist school districts throughout the funding process. We found inefficiencies and opportunities for improvement in both these areas that reduce the effectiveness of the OPI's collaboration with school districts. We recommend the OPI develop and sustain crucial elements of data governance, including developing strategic plans for data quality and system upgrades. We also recommend the OPI enhance its documentation of institutional knowledge through its desk manuals, covering all key positions and procedures.

The Office Operates With Silos

We determined management lacked big-picture knowledge of office systems and data, with no formal strategies for data quality or system improvements. The office had not created complete inventories of systems, databases, or connections, but stated that these inventories were being developed. In interviews throughout the audit, the office staff and management inconsistently estimated the number of systems and databases at the OPI, with estimates ranging from 50 to 90 systems and databases. OPI had also not developed or established formal strategies for data management, including data quality management, or enterprise architecture management.

Instead of overarching data governance, programs at the OPI manage their own systems and data in silos without knowing how data or systems are used in other programs. Program staff implemented changes and tested systems, often collaborating with a systems engineer to make changes. Management explained that enterprise quality assurance for some key systems is primarily housed with the institutional knowledge of program staff. Some program staff also expressed frustration with this additional responsibility on top of their existing work. Staff and management across the office believed the agency would benefit from formal enterprise data management and enterprise architecture management.

Enterprise architecture:
Aligning strategies and structure for all business processes, data, applications, and technology at an organization.

Enterprise architecture management:
Setting a target enterprise architecture and managing changes to close the gap between the current and target architecture.

Previous Management Eroded Data Governance and Office Silos Hinder Governance

A previous performance audit in 2016 found that data governance policies at the office were incomplete and not representative of best practices in data governance. This audit recommended the OPI develop a sustainability plan and create a data governance committee. However, since that 2016 audit, the OPI data governance faded until midway through our fieldwork. The office disbanded the data governance committee our previous audit recommended strengthening and allowed data governance policies to wither. The office did not prioritize an assessment of its systems internally nor contract with an independent party for a systems assessment. The last attempt at systems assessments was conducted by a vendor as part of a systems contract, and office staff explained the vendor recommended only their own products. Program management was not satisfied with the assessment, wishing it were performed internally or by an independent consultant. Additionally, programmatic silos hindered enterprise data and system management, with program staff territorial of their own data and processes.

In 2023, the legislature created the Education and Workforce Data Governing Board (board), with one board seat dedicated to the OPI. This board provides cross-agency oversight and guidance for several state agencies, including the OPI, to facilitate the creation of a longitudinal dataset linking education and workforce outcomes. While this board requires specific items, such as a data dictionary, it primarily oversees combining data across state agencies for a longitudinal dataset rather than guiding the OPI's organizational data governance. Statute also requires the OPI to create a K-12 Data Taskforce to support the maintenance and improvement of the K-12 data system, specifying that the office eliminates redundant data collection and siloed systems. While the office maintains this task force, audit work found that organizational data governance eroded between our previous audit and the fieldwork for this audit.

Limited Organization Knowledge and Office Silos Affect All Areas of Our Audit

Overall, the office has limited organization-wide planning and coordination due to a combination of programmatic silos and a lack of big-picture awareness of the office's data and systems. Staff indicated there is an overall culture of entrenched program silos at the office with minimal coordination between programs and with program staff conducting changes. Agency staff and management across programs interviewed told us their focus was simply staying afloat. Staff reported spending most of their time implementing required changes to systems and processes, leaving little capacity to improve or streamline them. Staff also stated frequent legislative changes, sometimes changes required immediately or changes with vague requirements, were challenging to implement quickly. These challenges and lack of strategic planning affect not only data governance and data management, as discussed in this chapter, but also contribute to the underlying causes identified throughout this report.

OPI Does Not Know the Quality of Its Data and Reinforces Silos

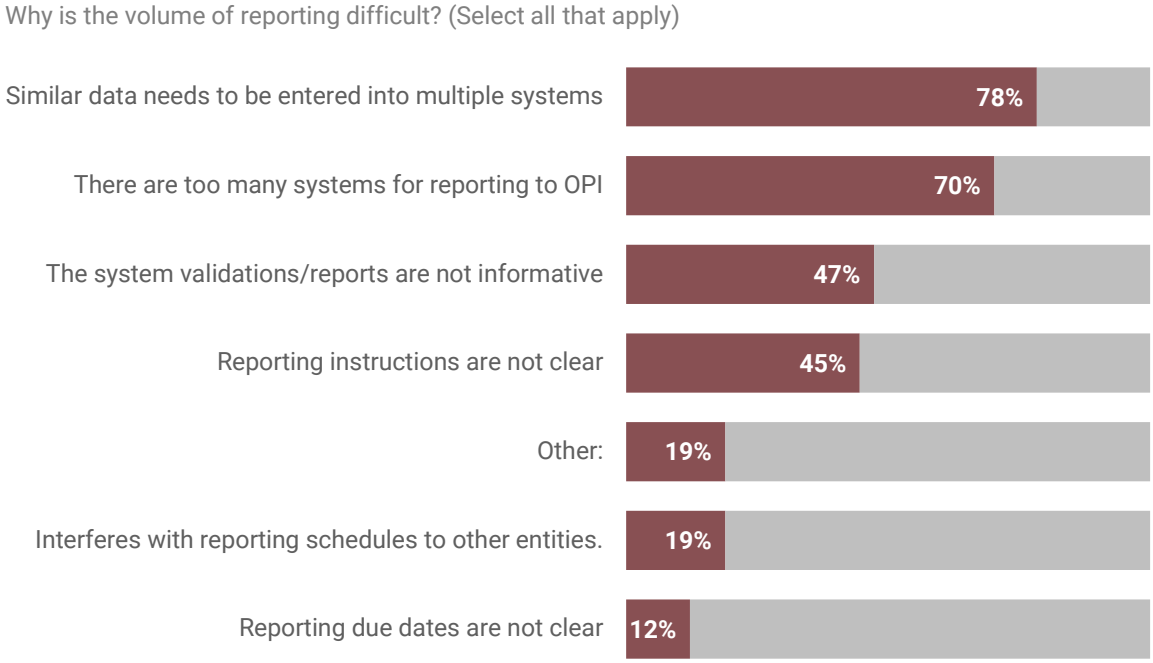
During our fieldwork, we reviewed data reliability in school district data by exploring the data validations in Infinite Campus, reviewing the results of school audits, and comparing data produced between different programs. We encountered discrepancies between enrollment information for student performance reporting and other program information. Programmatic silos contributed to difficulty evaluating data reliability and quality, with the program staff not sure how data are treated outside their respective programs. We did not identify a clear pattern in system discrepancies, and the source of these differences is unclear. We also found erroneous data entries in student performance data. While we could not determine whether the office handled data correctly across all programs, it is clear that data quality is not well understood within the office, and overall data quality levels are unknown.

School Staff Are Not Confident in Office Systems

As part of audit fieldwork, we surveyed school district leadership and business officials, such as clerks, who are most often responsible for uploading data to the office. The survey asked questions specific to each recipient's role, as well as questions for all respondents. In our survey, over 60 percent of clerks indicated that the volume of required reporting to the OPI was somewhat difficult or very difficult, noting that similar data must be entered into multiple systems, there are too many systems, and systems are complex. See Figure 6 (page 16) for more results on this survey.

Figure 6
Clerk Reporting Challenges

Clerks who found the volume of reporting difficult cited entering data into multiple systems for OPI reporting as their biggest challenge.



Source: Compiled by the Legislative Audit Division from survey results.

Overall, 10 percent of clerk respondents indicated that they are only slightly confident or not confident that the information they upload is accurate. While a majority of respondents believe that the OPI is mostly accurate when calculating their funding, only about 12 percent of respondents believed that the OPI is completely accurate. Best practices emphasize that communication of data and system management is important to maintaining stakeholder confidence and satisfaction. Despite difficulties with the systems, many survey respondents stated that the OPI staff were helpful in navigating data upload challenges and praised the office staff who commonly supported them.

Despite difficulties with the systems, many survey respondents stated that the OPI staff were helpful in navigating data upload challenges and praised the office staff who commonly supported them.

- Legislative Audit Division

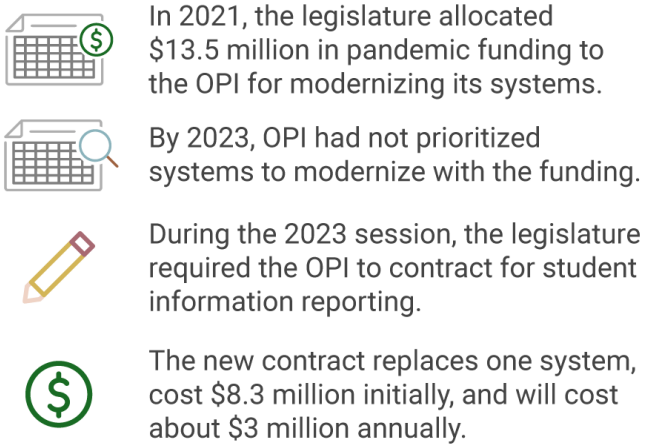
Poor Enterprise Architecture Management Led to Costly System Upgrades

Without a data management strategy or enterprise architecture management, the OPI did not have systems prioritized for improvement. In 2021, the legislature allocated $13.5 million in pandemic education funding for office database modernization. This funding was intended to repair, improve, or replace existing systems within the office and had to be obligated by 2024.

Data management strategy:
The plan for delivering, controlling, protecting, and maximizing the value of data and information. This strategy involves maintaining an up-to-date record for all data assets.

While the office provided strategic objectives in 2021 that aligned with database modernization, the office did not obligate funding by the 2023 legislature. Amidst frustration with the OPI leadership and lack of progress, the legislature required the OPI to obtain commercial technology and targeted the contract scope toward student information reporting for stakeholders.

Figure 7
Data Modernization Project



Source: Compiled by the Legislative Audit Division.

The office went through the state procurement process for the contract in 2023. The vendor was awarded a contract to replace the office's current public reporting on student performance and provide dashboards for school districts. To build those reports and dashboards, the vendor created a cloud-based database, known as a data lake. The data lake duplicates information from existing office systems, pulling from as many as six separate systems, and increases costs for additional storage.

Office staff said they are not sure yet what capabilities the contractor's dashboards will provide or whether they can replace more than one office system. Staff involved in the project hope the contract will replace GEMS, the office's current student performance reporting system, which was managed by two staff and previously paid for through a 2009 Statewide Longitudinal Data Systems federal grant. This new contract cost $8.3 million initially and will incur annual fees of around $3 million, with a 3.8 percent annual increase.

Although GEMS might have needed to be improved or replaced, the database modernization funding was not effectively prioritized across office systems. Without effective data governance, a data management strategy, or enterprise architecture management to guide technology investments at the office, the legislature eventually set the office's priorities instead. Stakeholders and office staff believe that this funding was not used efficiently for database improvements at the OPI, with one describing the funding as "squandered."

Best Practices Emphasize Establishing Enterprise Data and Architecture Management

Data quality strategy:
A strategy to achieve and maintain a defined level of data quality (such as accuracy, completeness, timeliness, validity, etc.). A data quality strategy is a part of a data management strategy.

Control Objectives for Information Technologies (COBIT), a widely accepted framework for IT governance and management best practices, provides best practices for data management and architecture management. An organization should have a formal data management strategy for managing and improving data assets, including a data quality strategy. This strategy sets data quality thresholds, measures quality regularly for these elements, and provides methods for maintaining data quality at or above the defined thresholds. Best practices also emphasize that management should maintain up-to-date inventories of all data, systems, connections, and other IT assets.

With architecture management, COBIT emphasizes that an organization should define a target architecture, including data, systems, and connections. Then the organization should manage and prioritize changes to the architecture to close the gap between the current architecture and target architecture. Changes should be completed in a controlled, formal, documented way that evaluates the impacts of changes on enterprise architecture.

Both enterprise architecture management and an organization's data management strategy should be aligned with strategic objectives and communicated by executive management to stakeholders to build trust.

OPI Has Begun Re-Establishing Data Governance and Architecture Management, but Must Sustain These Efforts

Office management indicates that they are currently creating inventories for systems, databases, and connections. Additionally, the office has restarted the Data Governance Committee that our previous audit recommended strengthening. Management is aware of office silos and indicated they are working to break down these silos. Data governance and enterprise architecture management are crucial, foundational elements of managing data and systems. These elements of oversight might take years to fully establish, but they are important for effectively and efficiently managing data and systems.

These elements will help the OPI accurately target funding for system upgrades, evaluate data reliability, and build stakeholder trust. These foundational elements should always be present in an organization and should not be discarded or eroded, even when executive staff change.

We found other states are ahead of Montana with enterprise data and architecture management, with some states using a dedicated team to maintain holistic knowledge of the office's systems and identifying opportunities for updating and streamlining systems. The OPI should continue developing and establishing strong data and architecture management, moving toward this model of updating systems rather than relying on staff in silos.

RECOMMENDATION #1

We recommend the Office of Public Instruction prioritize, continue to reestablish, maintain, and communicate data governance and enterprise architecture management, including the following elements:

A. *A data management strategy for how to manage and improve data assets, including a data quality strategy to monitor and achieve a defined level of data quality,*

B. *A target architecture for all data, information, applications, and technology at the office, prioritizing gaps for improvement between current and target architecture, and*

C. *Inventories for all systems, data, connections, and applications managed at the office.*

Documenting Institutional Knowledge

Institutional knowledge includes information about an organization's responsibilities, procedures, and operations. To preserve this knowledge, organizations require regularly updated, formal documentation of procedures and roles. Common tools include desk manuals, which document the responsibilities of individual positions and standard operating procedures. This formal documentation ensures that institutional knowledge is available to new staff and reduces reliance on tenured employees as the sole source of institutional knowledge.

OPI Relied on Limited Documentation and Tenured Staff To Preserve Institutional Knowledge

We found that the office created desk manuals, but these manuals often focused on specific system tasks rather than fully documenting position responsibilities. Some manuals we reviewed were incomplete, with incomplete edits or sentences years after initial development. Others did not fully outline processes and instead directed users to specific employees for assistance. Some desk manuals were robust, but the quality and detail were inconsistent across the office.

In addition, several key positions, such as the internal auditor, did not have desk manuals. Several staff members reported that the office did not have many internal policies or procedures for their positions or work. Most institutional knowledge at the office was kept by tenured staff. Both stakeholders and office staff acknowledged specific individuals as key sources of institutional knowledge and expressed concerns about the turnover of those employees. Although this audit did not focus on staffing and retention, we observed personnel in several key positions changing during our fieldwork.

The Office Has Historically Relied on Staff Rather Than Documentation To Preserve Institutional Knowledge

Historically, office management did not take a strategic approach to documenting institutional knowledge, and instead relied on program staff to retain it. Program silos and limited enterprise management also contributed to management difficulty in understanding program responsibilities across the office. Without an overall strategy to retain institutional knowledge, management largely left documentation efforts to program staff. Management also explained that some information technology processes, including quality assurance processes, depend on program staff knowledge. However, some program staff we interviewed emphasized they spend much of their time trying to keep pace with changes to education funding, leaving little time for preparation or streamlining their processes. Staff tenure varied across the office, with some programs containing many tenured staff and some teams contained staff who had all been with the office less than 18 months.

OPI Risks Losing Institutional Knowledge When Key Staff Leave

When institutional knowledge resides with only a few employees, organizations face what is commonly known as the key-person risk. This term highlights the risk to institutional knowledge if key, tenured staff leave the agency. Staff across the office, as well as stakeholders, worry about the loss of institutional knowledge if key tenured staff leave their roles. Losing institutional knowledge leaves new staff uncertain of their responsibilities and increases the risk of errors and inefficiencies in office processes. Several new staff we interviewed across the office indicated that they had limited to no guidance when taking their role. As a result, experienced employees must spend additional time training new staff, adding to existing workload. Staff described the situation as their program being "eaten alive" due to the amount of training required in addition to regular program duties.

> *Staff described the situation as their program being "eaten alive" due to the amount of training required in addition to regular program duties.*
>
> **- Legislative Audit Division**

Best Practices Emphasize Documenting Institutional Knowledge To Support Consistent Operations and Reduce Key-Person Risk

We reviewed organizational best practices, including the United States Government Accountability Office (GAO) Green Book, Montana Operations Manual, and COBIT. The GAO Green Book contains standards for internal controls in the federal government. The GAO Green Book states that management should document policies and procedures to control its activities. It also states that organizations should document procedures in sufficient detail to allow management to monitor activities effectively.

The Montana Operations Manual cites the GAO Green Book and further highlights the importance of management establishing policies and procedures for each role in an agency. COBIT expands on this area for data and systems, specifying that documenting staff procedures and roles alleviates key-person risk and promotes consistent, efficient office processes.

OPI Is Updating Desk Manuals To Improve Staff Guidance and Reduce Key-Person Risk

Office management acknowledged that existing desk manuals are incomplete and focused on isolated tasks rather than overall position responsibilities. Management is currently working to update existing desk manuals and to develop new ones. Comprehensive desk manuals and standard operating procedures reduce the reliance on tenured employees to preserve institutional knowledge and provide effective guidance for new staff. Desk manuals will also help management review, coordinate, and standardize key processes across the office. While office management has prioritized this work, maintaining it over time will provide lasting benefits and improve operational efficiency.

RECOMMENDATION #2

We recommend the Office of Public Instruction develop and update standalone desk manuals and standard operating procedures for all key positions and processes to better retain institutional knowledge.

Chapter III - Student Performance Reporting

Introduction

Student performance metrics are crucial for the legislature and stakeholders to understand the effectiveness of school funding and inform decisions regarding school funding in Montana. The Office of Public Instruction reports student performance for required standardized tests taken in Montana, including MAST for elementary and middle schools and the ACT for high schools. The office reports on overall student performance at the state and school district levels, but also reports results for student subgroups required under federal law:

- Male and female students
- Major student ethnic groups
- Students with disabilities (special education students)
- Economically disadvantaged students, which the OPI currently defines as students participating in the free or reduced-price lunch program
- Students in foster care
- Homeless students
- Students who are military connected

Montana statute provides additional support for several student subgroups: American Indian students, special education students, and impoverished students, which we combine and call state-prioritized student subgroups. Any gaps in student performance between these state-prioritized students and other students help the legislature identify funding needs and progress toward supporting these students. We found the OPI's definitions and performance reporting were not effective at tracking state-prioritized student performance, nor were they effective at informing the legislature for school funding decisions. We recommend the OPI refine its definitions of certain subgroups, improve the clarity and usability of performance reporting for stakeholders, and report available information on how schools support these state-prioritized student subgroups.

Figure 8
Process Diagram - Reporting

Source: Compiled by the Legislative Audit Division.

Montana Statute Links At-Risk Funding to Federal Title I Funding for Students in Poverty

School districts receive federal Title I funding based on measures of child poverty in the district area, including students eligible for free and reduced-price lunch, children receiving assistance under Title IV of the Social Security Act, children receiving medical assistance under Medicaid, or a composite of these indicators. These measures of poverty are on all children aged 5-17 in the school district, not just students attending schools in the district. Montana also provides at-risk funding to schools, which is distributed proportionally to schools depending on their Title I funding, and requires the OPI to report on the performance of at-risk students. However, Montana statute vaguely defines at-risk students as "any student who is affected by environmental conditions that negatively impact the student's educational performance or threaten a student's likelihood of promotion or graduation." For its latest reporting of at-risk student performance in 2024, the office previously defined at-risk students as students who attended a school that received Title I funding.

OPI Defines Economically Disadvantaged Students and At-Risk Students Separately

Federal law also requires that states report on the performance of "economically disadvantaged" students in report cards, but does not explicitly define this term. In its reporting system, the OPI defines economically disadvantaged students as students participating in the free and reduced price lunch program. The office produces report cards for the state and each district annually, which show the performance of economically disadvantaged students.

While free and reduced-priced lunch eligibility is one criterion for Title I funding, it is important to note the OPI defines "at-risk" and "economically disadvantaged" students differently:

- "At-risk" students are those who attend a school receiving Title I funding. This subgroup's performance is reported every two years to the legislature, with the latest report from 2024.
- "Economically Disadvantaged" students are those who participate in free or reduced-price lunch. This subgroup's performance is publicly reported through state and district report cards annually.

It is important to note the OPI creates these definitions for these student subgroups for reporting purposes, though both refer to poverty indicators and free and reduced-priced lunch is one factor of consideration for Title I funding.

Current Definitions Often Identify Schools Instead of Students

The office's current definition for at-risk students includes all students at the school, regardless of their eligibility for or participation in assistance programs. The OPI defines "economically disadvantaged" students at the individual level, but in some cases, this also includes the entire school. The office determines eligibility for free and reduced price lunch through direct certification based on each student's participation in other assistance programs or household applications. If 25 percent or more of a school's or district's students are able to be directly certified, then the entire school or district is eligible for free lunch under the federal Community Eligibility Provision (CEP or CEP Schools). At CEP schools, the OPI considers all students as participating in free lunch and all students are designated as economically disadvantaged, even if that status does not apply to the entire student body. The federal government previously used higher thresholds for this provision. As the threshold lowered, other states also faced the challenge of tracking performance of students in poverty at CEP schools.

Office Definitions Include Other Students, Limiting Analysis of Performance Gaps

In its most recent at-risk student report (2024), the OPI stated that there were around 111,000 students (approximately 75 percent of the state's total) listed as attending a Title I school, regardless of individual poverty indicators. In this publication, the office could not report on performance gaps between at-risk students and non-at-risk students within schools, instead comparing Title I school performance to non-Title I school performance. Likewise, due to CEP schools, we estimate about 20,000 students in 2026 are included in the economically disadvantaged performance reporting who are not individually eligible for free and reduced-price lunch. At CEP schools, the performance gap between economically disadvantaged students and other students is unclear due to the office's definitions and the inclusion of all students in the "economically disadvantaged" category. Overall, the effectiveness of targeted state funding supporting at-risk and economically disadvantaged students is unknown within these schools.

State and Federal Requirements Focus on Student Performance Within Schools, and Other States Have Adopted Alternative Definitions

Montana code specifies that the OPI report on "the change in status of standardized test scores, graduation rates, and dropout rates of at-risk students." However, the OPI has previously only reported on the performance of schools, instead of students within schools.

Additionally, federal law requires the OPI to differentiate which schools, where any subgroup, including economically disadvantaged students, are consistently underperforming. With the OPI's current definitions, at CEP Schools, the office cannot differentiate if economically disadvantaged students are underperforming relative to other students within schools. Other states are tackling similar problems with their designations of economically disadvantaged. Massachusetts, in response to CEP schools, developed an alternative method of tracking economically disadvantaged students individually based on their participation in assistance programs, similar to direct certification. Massachusetts currently provides free lunch for all students, but continues to use its own method to track economically disadvantaged students.

Redefining Economically Disadvantaged and At-Risk Students Would Allow Performance Gaps To Be Measured in All Schools

With the OPI's current schoolwide definitions of at-risk students and economically disadvantaged students, other students who would not be individually eligible for these designations are included in the performance reporting of these at-risk subgroups. Other states are also facing this challenge. Identifying these students at an individual level would allow the performance gaps for these at-risk subgroups to be identified within schools, aligning with state and federal law, and providing a clearer picture of the impact of that targeted funding. Given that both terms measure students in poverty, the OPI could potentially use a single identifier for both, eliminating additional reporting and allowing for comparisons between the state at-risk funding and performance gaps for students in poverty.

RECOMMENDATION #3

We recommend that the Office of Public Instruction determine a suitable identifier for at-risk and economically disadvantaged students tracked at the individual student level so that achievement for these subgroups can be effectively reported within all schools.

Many Small Schools and the State Suppression Policy Limit Reporting for Schools and Student Subgroups

Under the Family Educational Rights and Privacy Act (FERPA) and ESSA, educational agencies, such as OPI, are not authorized to disclose personally identifiable information of students without the consent of the student and/or their family. To align with these standards, the OPI's policy is to avoid publicly reporting any data that represents five or fewer students, or allows a reader to infer information about a group with five or fewer students. For special education counts and percentages, the office will suppress any data that represents 10 or fewer students. For instance, if a school only has three at-risk students who achieved "Proficient" on state testing, that information will be hidden in public report cards. While this suppression policy aligns with federal best practices, it is a significant barrier to thorough reporting of student achievement in a state with a significant number of small schools and districts.

OPI Student Performance Reporting Lacks Functionality for Stakeholders

Though the OPI meets reporting requirements for student subgroups, the functionality of reporting for stakeholders is limited. Users cannot download the full achievement data publicly, and can either submit a request to the OPI for a full data set or piece together every individual school or district manually. When reporting on the achievement gaps for at-risk students and American Indian students, the office must compile these reports separately from existing student performance reporting. Statute requires the OPI to create reports for at-risk students and American Indian students every two years. The most recent reports for at-risk students and American Indian students are from the fall of 2024.

The Office Has Focused on Minimum Reporting Requirements Rather Than Report Functionality

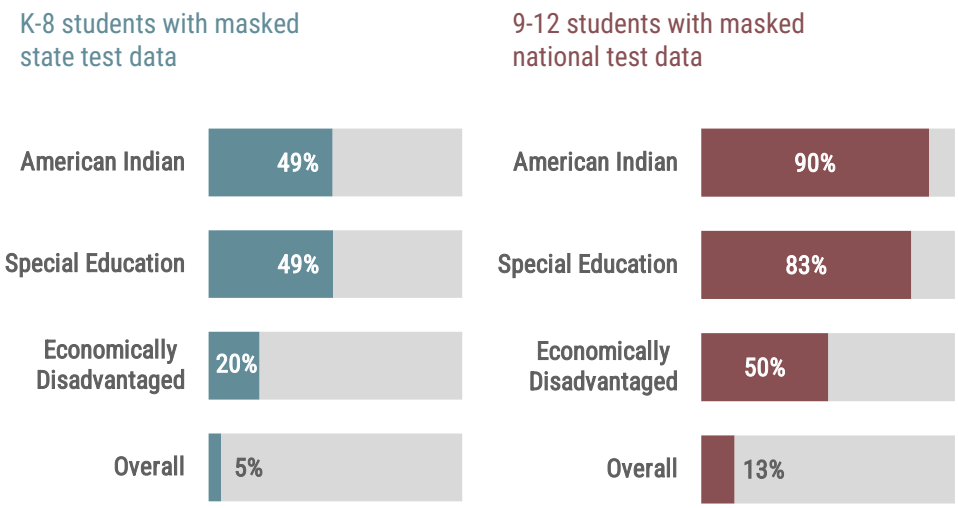
Federal code requires the OPI to report student performance for certain student subgroups at the state, district, and school levels, as well as establish statewide student performance goals. Although the office meets these federal requirements, it has not prioritized improving the functionality and usability of reports for stakeholders. Reporting staff cited limited resources for improving the office's reporting systems, and they are unsure if the new contract for dashboards through the data modernization project (discussed in Chapter 2) will add further functionality. Office management noted that the underlying data is available, although stakeholders need to compile or manipulate the data themselves. The office has also not updated its statewide goals for student performance metrics since 2017, despite Montana falling behind on nearly every goal. Management cited uncertainty about potential federal changes to ESSA as the reason for not amending the state consolidated plan, which would require federal review and approval. Overall, the OPI has focused on meeting minimum federal reporting requirements, rather than improving reporting functionality or revising statewide student performance goals.

Reporting of Performance Gaps for State-Prioritized Student Subgroups Is Limited

Due to limited reporting functionality and data suppression, stakeholders, including the legislature, do not know the effectiveness of state funding at closing performance gaps for state-prioritized student subgroups. This is especially true at the smaller schools in Montana. As shown earlier in Figure 4 (page 6), we found that nearly 30 percent of schools in Montana have fewer than 50 ANB. Much of the performance data for state-prioritized student subgroups, including American Indian and Alaskan Native students, special education students, and economically disadvantaged students, is hidden. When examining student performance data to craft analysis or legislation, the legislature must rely on achievement data that is dominated by larger school districts. The office does not aggregate school districts together or transform the data at smaller schools so that student performance of these at-risk subgroups can be analyzed separately.

Figure 9
Student Achievement Masking

In 2023, the OPI masked achievement data for a large percentage of state-prioritized student subgroups, but overall a small percentage of students.



Source: Compiled by the Legislative Audit Division from 2023 Achievement Data.

Stakeholders Are Frustrated With Reporting and Require OPI To Compile Further Reporting

Stakeholders we interviewed expressed frustration with the current reporting functionality for student performance data. One prominent stakeholder group had to individually download every district report card and compile data for an analysis, since Montana does not have a way to download the full achievement data. This process was cumbersome and risked errors with manual data compiling. Stakeholders are also not able to easily compare student performance between school districts. In addition, stakeholders must request additional reporting, and data from the OPI for analysis and the OPI must create additional reporting to meet state law, instead of including the functionality to pull this information from existing performance reporting.

School staff expressed frustration with the office reporting in our survey. When surveying school district leadership and business officials, only 40 percent of respondents found the OPI reporting beneficial for understanding their funding, with 15 percent of respondents finding reports rarely or never beneficial. Dissatisfied respondents say current reporting from the office needs to be cleaned, simplified, and made more user friendly. It is important to note that reporting referenced in the survey included all office reporting to school districts, which includes budget reports, performance reports, and system reports.

Aggregating School Districts Allows Performance Reporting for Smaller Schools

As part of our audit fieldwork, we explored aggregating school districts together to reduce the volume of suppressed student performance data for state-prioritized student subgroups, especially at smaller school districts. We organized school districts into five groups, with approximately 80 school districts in each group based on their respective ANB. We explored aggregation using geographic areas and using different numbers of groups. We chose aggregation by school district size to calculate performance gaps for state-prioritized student subgroups while preserving the overall distribution of school district sizes. We found using five groups allowed us to aggregate at the most granular level, while still including nearly every student's performance data. We explored using only four groups, which reveals similar behavior, but at a higher level. Other states also aggregate performance data. Texas, a state with over 1,000 school districts, aggregates student performance data geographically by each of its 20 Educational Service centers across the state.

Table 1
Aggregating Schools by ANB

District Size		ANB Range	Average ANB	Average General Fund Revenue	Number of Districts	Total ANB
Very Small		3 - 30	14	$0.22M	79	1,103
Small		31 - 85	56	$0.74M	79	4,396
Medium		86 - 183	132	$1.38M	79	10,463
Large		184 - 427	280	$2.41M	77	21,527
Very Large		428 - 11,436	1,509	$11.91M	78	117,718

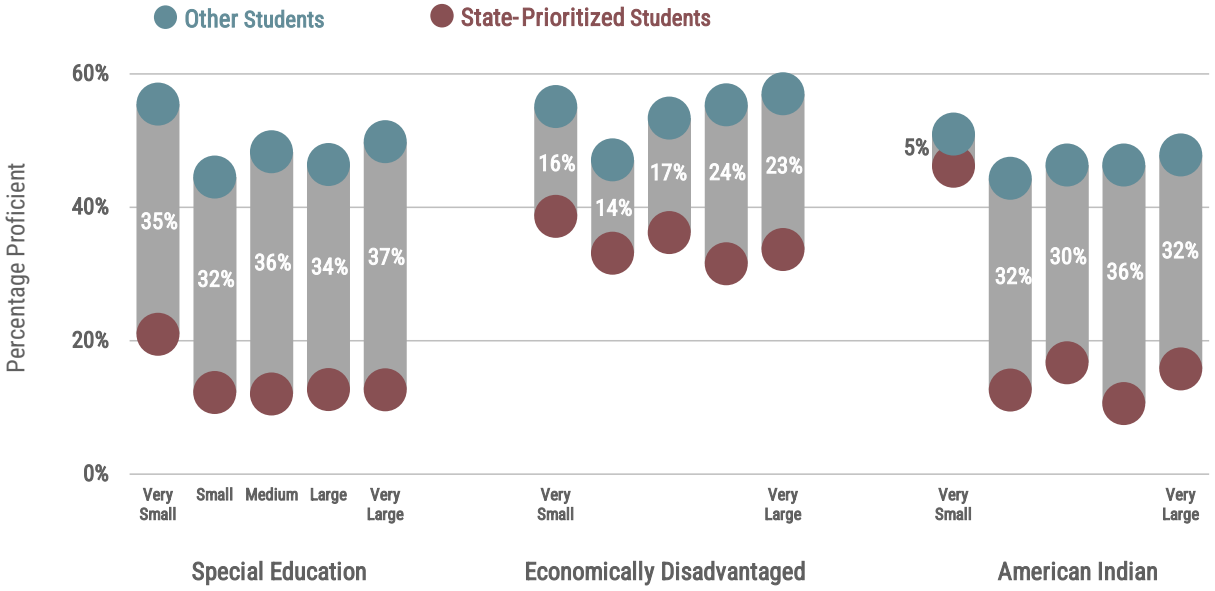
Source: Compiled by the Legislative Audit Division.

Through aggregation, we can provide performance information covering nearly every student in Montana while still adhering to the state privacy policy. We calculated the overall performance of all students by school size in Figure 12 (page 32), as well as the performance gaps for nearly all state-prioritized students in Montana by school size in Figure 10 and Figure 11 (page 31). Without comparisons in student performance reporting, stakeholders and researchers must manually compile school report cards or request full data from the office to calculate these metrics, especially for smaller school districts.

Figure 10

English Language Arts Performance Gaps

Aggregation shows ELA gaps for state-prioritized student subgroups by relative school size.
Results should not imply that school size inherently affects student performance.



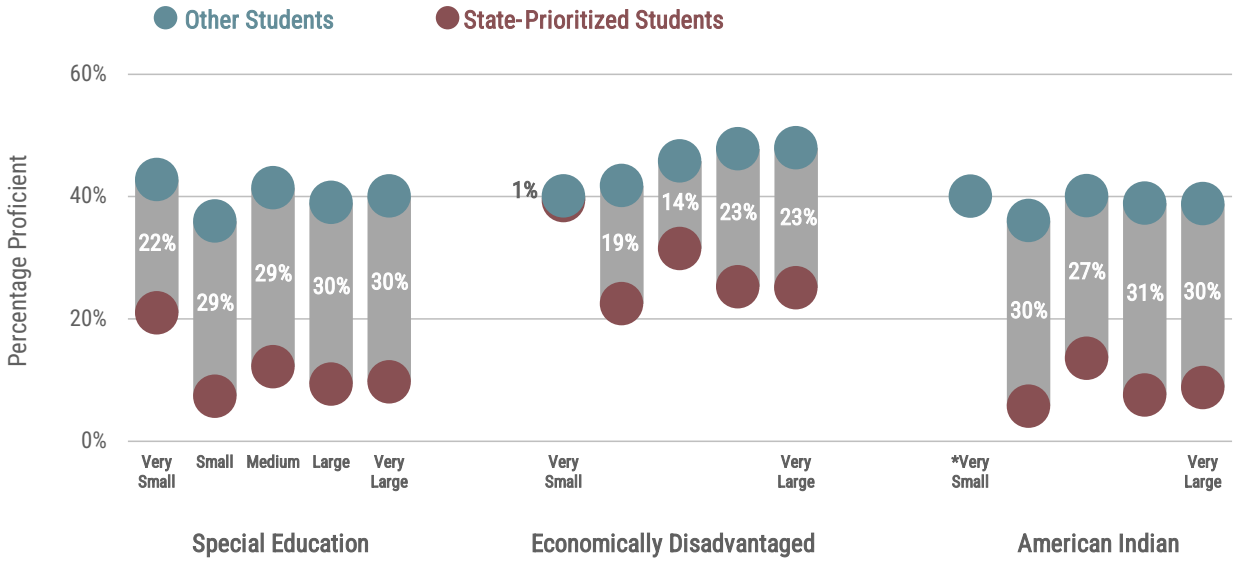
Source: Compiled by the Legislative Audit Division from 2025 Achievement Data.

With our defined quintiles, we were able to calculate performance gaps for each category for nearly all students in state-prioritized student subgroups from 2025 while still adhering to the state suppression policy under FERPA. We calculated performance gaps for both ELA and Math. We combined student performance information from both state testing and the ACT for this analysis to give a holistic look at state-prioritized students across Montana. These performance gaps, especially for the smallest group of school districts, have not previously been available to stakeholders or the legislature.

These charts aggregate school districts into groups with approximately the same number of districts to present student performance data while protecting student privacy. This is one of several approaches to preserve student privacy outlined as best practices federally. Districts could also be grouped into a different number of categories or by other characteristics, such as geographic area. Some states instead report performance as a range of values, preventing readers from calculating the exact number of students who were proficient. Any of these methods are viable for displaying performance gaps for state-prioritized students at a more granular level than the entire state, especially for the large number of small school districts in Montana.

Figure 11
Math Performance Gaps

Aggregation shows Math gaps for state-prioritized student subgroups by relative school size.
Results should not imply school size inherently affects student performance.



*Prioritized group data suppressed per state policy due to small sample size.

Source: Compiled by the Legislative Audit Division from 2025 Achievement Data.

Aggregation Showed Higher Performance in Very Small Districts, but These Districts Had a Smaller Proportion of State-Prioritized Students

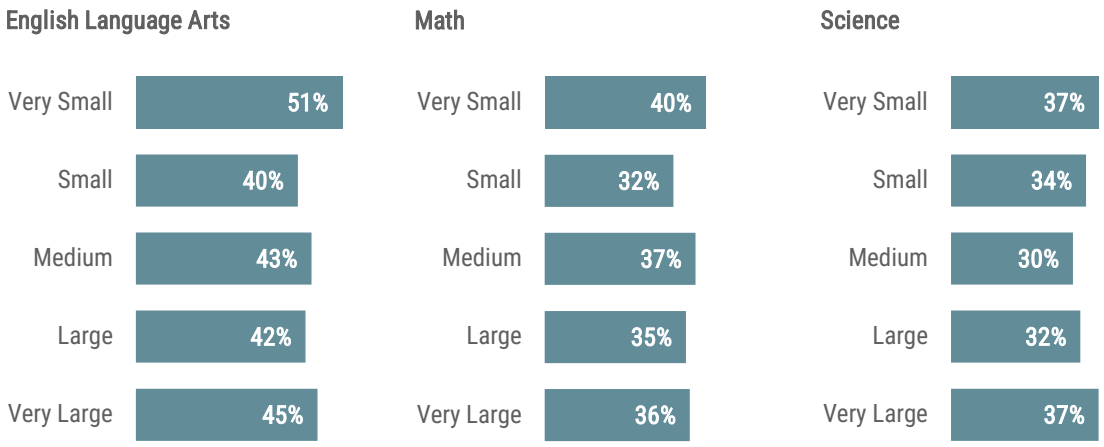
When grouped, Figure 10 (page 30), Figure 11, and Figure 12 (page 32) show that the smallest school district quintile (Very Small) had the highest proportion of students proficient, and often smaller performance gaps between prioritized student subgroups and other students in 2025. These results should not be interpreted to mean that students perform better because they attend smaller districts. District size is only one of many factors that may affect student performance. These figures only display previously hidden student performance information for state-prioritized students at smaller school districts.

> *These results should not be interpreted to mean that students perform better because they attend smaller districts.*
>
> **- Legislative Audit Division**

Figure 12
Overall Proficiency by Subgroup

Aggregation displays proficiency by relative school size without suppressing information.

Results should not imply school size inherently affects student performance.

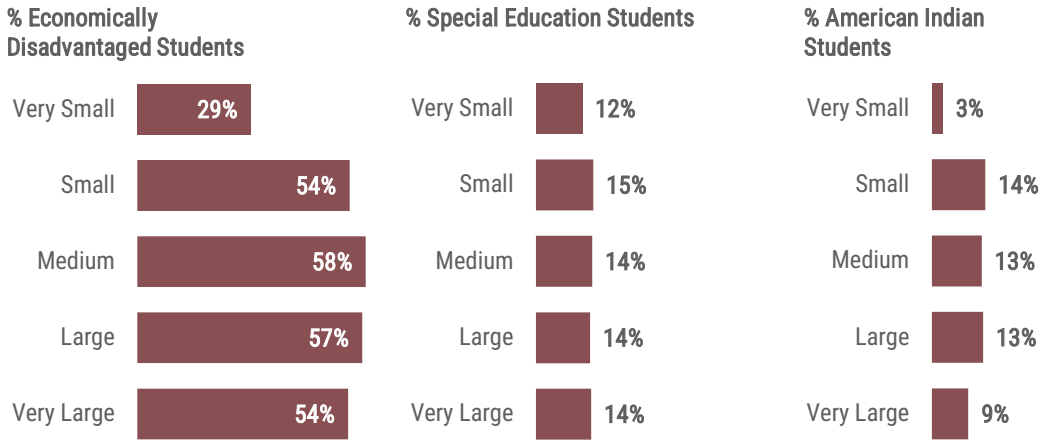


Source: Compiled by the Legislative Audit Division.

The smaller district groups also had a lower proportion of state-prioritized students, which may influence the observed performance patterns. Districts were aggregated primarily to allow reporting of student performance while protecting student privacy. We also explored analyses examining relationships between numerous district characteristics, geography, demographics, and student performance. However, those analyses did not identify consistent relationships between student performance gaps and these metrics, requiring additional data collection beyond the scope of this audit.

Figure 13
Proportion of State-Prioritized Student Subgroups

The proportion of state-prioritized student subgroups may be one factor contributing to performance differences between our groups.



Source: Compiled by the Legislative Audit Division.

Other States Demonstrate Functionality for Reporting Student Performance

As part of our examination of other states, we found that Massachusetts, Mississippi, and North Dakota have increased functionality in their reporting. All these states allow stakeholders to download publicly available achievement data from a single source into a spreadsheet. These states also allow for comparisons between schools, with some ranking schools or assigning letter grades to schools based on school performance. Other states we interviewed emphasized the importance of transparent data so stakeholders can identify the needs of state-prioritized student subgroups. Federal law promotes this functionality, specifying that student performance information should be provided in an easily accessible and user-friendly manner.

Current Reporting Falls Behind Peer States and Frustrates Stakeholders

Without being able to download or compare school district information, stakeholders, including the legislature, have requested further reporting and data from the OPI. Our work shows that Montana is falling behind in student performance reporting functionality relative to other states. We also explored aggregating data, which allowed us to see student performance by district size, while still complying with the state's suppression policy. Our aggregation is only one approach, and the OPI could use alternative methods to identify student performance gaps at smaller school districts. Historically, the OPI has focused on just meeting requirements and has not prioritized increased functionality, but adding this functionality with ongoing reporting improvements will benefit stakeholder decision-making and reduce additional reporting and data requests to the OPI.

RECOMMENDATION #4

We recommend the Office of Public Instruction prioritize enhancing student performance reporting for stakeholders and the legislature by:

A. *Establishing methods, such as aggregation, providing a range instead of exact values, or other best practices, to report performance gaps of students in state-prioritized student subgroups for small school districts whose data is normally suppressed,*

B. *Enhancing availability of data and reports by allowing users to download all public student performance data from a single source, and*

C. *Adding ways to compare performance of students and subgroups among schools or districts.*

Federal Law Requires Schools To Develop Plans To Address Performance Gaps

Many federal education funding programs require that a local educational agency, such as a school district, develop and submit plans for how they will improve educational outcomes for targeted student populations, such as students in poverty, and meet federal program requirements. In Montana, schools submit this information to the OPI and consolidate the plan to address many federal programs in one document, such as Title I, Individuals with Disabilities Education Act, and Perkins Funding.

As these plans are submitted to the OPI, federal law assigns responsibility to the office for review and oversight. Under Title I, Federal law requires the OPI only approve plans that will substantially help impoverished students meet academic standards, and that schools should periodically review and revise their plans. If school performance is particularly low, additional federal requirements apply. For instance, when a school performs in the lowest 5 percent of schools as measured by student performance on state standardized tests or fails to graduate a third or more of its students, that school is designated for Comprehensive Support and Improvement under Title I. A school under this designation must develop and implement a plan for improving student outcomes that includes identifying which evidence-based interventions it will use to improve student outcomes. Collectively, these federal requirements establish a framework in which the OPI reviews local plans describing how districts intend to improve educational outcomes for certain student populations. As a result, the OPI receives information regarding planned interventions and strategies for improving student outcomes through existing federal requirements.

OPI Reviews School Improvement Plans but Does Not Compile or Share Information on Interventions

Federal law requires the OPI to review school district plans that detail how the district will identify and address any disparities for state-prioritized student subgroups, including students in poverty. Federal law also gives the OPI the power to require regular updates to local school district plans. In addition to reviewing these plans, the OPI will monitor school corrective action plans in response to findings from regular audits.

Though the OPI works with schools across a variety of reporting, the OPI does not compile the programs used to support state-prioritized student subgroups and does not share this information with other schools or stakeholders. The OPI staff highlight that this creates a disconnect in understanding for stakeholders, where stakeholders can see the funding going to schools and the student outcomes, but not the methods used to support state-prioritized student subgroups.

Stakeholders Are Unaware of Methods Schools Use To Support State-Prioritized Student Subgroups

Without reporting on how schools support state-prioritized student subgroups, stakeholders, the OPI, schools, and legislators are unaware of which interventions are effective at closing achievement gaps for state-prioritized student subgroups. Since the OPI does not compile and distribute existing methods for supporting state-prioritized students, the office can also only provide limited direction to stakeholders and schools about which methods would be most effective in their circumstances.

This lack of information is especially significant since our survey found that only about half of school district leadership agreed that their school can help American Indian, special education, and economically disadvantaged students succeed with their current resources. These respondents expressed that schools need additional funding, specialized staff training, and expanded supports for these subgroups. Additionally, program staff at the OPI emphasize they do not know the effectiveness of programs and interventions to support state-prioritized student subgroups. These staff also fear that funding to support state-prioritized student subgroups goes toward "keeping the lights on" rather than directly supporting these students, since funding for state-prioritized students is often deposited into school districts' general funds.

Massachusetts Demonstrates One Approach for Reporting Methods Through Its "How Do We Know Initiative"

Massachusetts' Department of Elementary and Secondary Education compiles and publishes information on effective turnaround practices and implementation from programs attempted within the state and from studies across the nation. This initiative is called the How Do We Know Initiative, and requires each district to create a plan for reducing persistent disparities in achievement across student subgroups. Schools in Massachusetts can choose from existing evidence-based programs to support state-prioritized student subgroups or test a new method for the state. Massachusetts demonstrates how a state department can align with federal standards and ensure that school districts approach supporting state-prioritized student subgroups using evidence-based practices. We also interviewed school leadership in Montana, who told us that knowledge of how other schools were trying to support at-risk students would be beneficial.

OPI Should Compile and Report Existing Information on How Individual Schools Support State-Prioritized Student Groups

Office management explained that while it would be useful to know which programs support state-prioritized student subgroups, requiring further reporting from school districts would not be beneficial. The office is currently trying to reduce reporting from schools, and our survey found a large proportion of school administrative staff struggle with the existing volume of reporting. However, because the OPI already receives this information from required reports, it can compile this information without requiring further work from school districts. Compiling this existing information on how schools support state-prioritized student subgroups would be beneficial for evaluating effective methods, informing school districts, and informing stakeholders.

RECOMMENDATION #5

We recommend that the Office of Public Instruction compile information currently reported by school districts and make available information on how schools use targeted funding to directly support state-prioritized student subgroups such as American Indian students, students in poverty, and special education students.

Chapter IV - School Data and Funding Checks

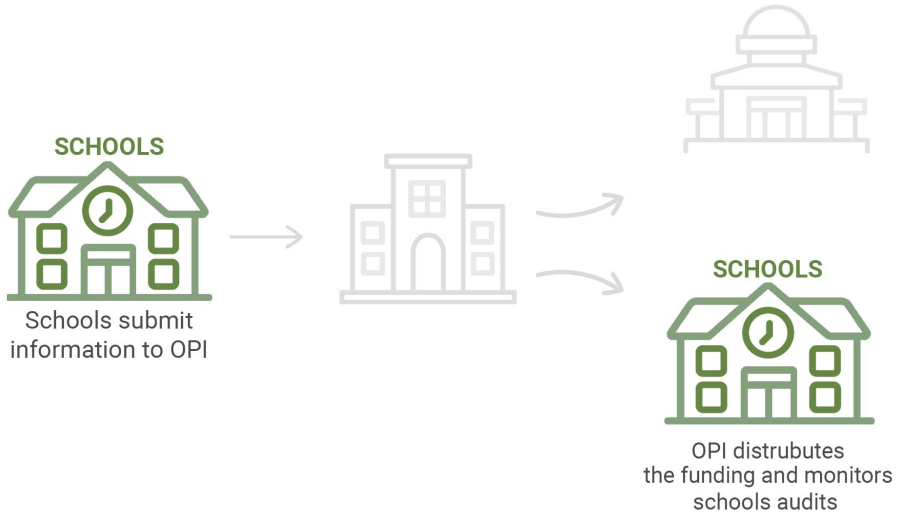
Introduction

In collaboration with school districts, the Office of Public Instruction verifies school district data to deliver school funding and monitors funding after it is distributed through independent school audits. Both the office's verification and monitoring have risks that reduce their effectiveness. When schools upload information, the office relies on inconsistent, manual validations to find errors in the data, and staff take significant time to work with school districts to fix errors. We recommend the office develop automatic validations to increase data reliability and streamline school uploads.

Once funding has been distributed to school districts, the OPI monitors school financial activity and enrollment through independent school audits performed by private auditors. However, these audits, even federally required audits for schools that spend significant federal funding, are often completed past the deadlines by private auditors. The federal government has not taken action in response to the late audits to date. However, if the federal government canceled funding in response to late federal single audits in our timeframe, about $40 million in federal school funding would be at-risk. Late federal single audits continue to risk federal money and also diminish the office's monitoring of school funding. We recommend the office identify methods to increase the timeliness of audits and increase enforcement of audit timeliness.

Figure 14

Process Diagram - School Checks



Source: Compiled by the Legislative Audit Division.

OPI Relies Primarily on Voluntary Manual Reports Rather Than Automated Data Validation Checks

Schools primarily upload information to Infinite Campus and MAEFAIRS. Because our Information Technology Audit function concurrently examined MAEFAIRS, our work focused on Infinite Campus. In Infinite Campus, we found that data validations are primarily performed through voluntary reports that school clerks and program staff must manually run. Validations identify potential errors such as duplicate student ID numbers, ages that do not align with grade level, or other errors. Data validation is a crucial piece of collaboration that should always be performed, helping ensure information is complete, accurate, and suitable for funding calculations. The office recommends school district staff run these validations. However, our survey revealed that 15 percent of school clerks indicated they run these validations half the time or less. During a training seminar we attended, some clerks indicated that they would submit data without validations and rely on the OPI to identify and help correct errors afterwards. The OPI staff also run validation reports after submission, but they do so at inconsistent intervals. When potential errors are identified, staff notify school districts and work with them to correct the data.

The Office Has Historically Been Reactive Rather Than Proactive With Data Validations

Program staff cited a variety of reasons why the office has focused on detecting errors after upload rather than preventing errors during upload. Foremost, office staff highlighted the frequent changes to education funding and inconsistency in tracking practices among schools. Funding changes can require additional eligibility or student information, with schools each taking their own approach. For instance, with the early literacy program introduced in 2023, schools could receive additional ANB for students before kindergarten if they were enrolled in an early literacy program. School districts determine the eligibility for their specific early literacy programs. Program staff at the office then must review eligibility information for students between early literacy programs, making it difficult to build validations for information as it is submitted. Management also highlights their small IT team and emphasizes that they are focused on keeping up with changes and do not strategize streamlining processes.

Staff Spend Significant Time Correcting Data Errors and Current Validation Processes May Reduce Data Reliability

When school districts upload their data with errors to the OPI, office staff must detect the errors with their own validations and then work with the school districts to fix the data. Program staff take significant time to identify these errors and help school districts fix them. If the manual validations do not capture errors, schools may receive incorrect funding, which can go unidentified until a school district audit. One school district explained that the system did not detect that their half-time kindergarten students should become full-time students when entering first grade. As a result, that school received less funding than it should have. During the audit, we also tested data validations in Infinite Campus, and we found it relatively easy to create erroneous data that can contradict or supersede existing data.

Further, our survey revealed that some school staff have low confidence in the information they upload and the accuracy of funding. Approximately 10 percent of school clerks were either slightly confident or not confident at all that the information they upload to Infinite Campus is accurate. Among respondents that use the manual validations, almost 50 percent said the reports helped identify errors half the time or less using the validations. Finally, although most respondents found the OPI calculates their funding mostly accurate, only about 12 percent believed the OPI calculates their funding completely accurate.

Information System Standards and Other States Emphasize Automated Data Validation and Error Prevention

COBIT states that enterprises should implement automated controls as part of aligning processing controls with business needs. Additionally, we interviewed a number of other state education departments, almost all of which implemented automatic validations that prevent schools from uploading erroneous information. Office staff in these states emphasized that these validations are beneficial and highlighted that data would reach the office in good shape for calculations and require minimal adjustments.

The Office Implemented Some Automatic Validations, Finding Them Beneficial

For the 2026 spring enrollment upload, the office implemented automatic, required validations as part of the data upload, preventing schools from uploading certain erroneous information. Office staff described these new, required validations as "fantastic" and emphasized that they saved significant staff time. However, these validations apply to only one of many data submissions throughout the year. While the office will continue to confront inconsistencies from school districts that may need to be reviewed after upload, continuing to develop automatic data validations will save staff time and increase the reliability of data used to calculate school funding.

> *Office staff described these new, required validations as "fantastic" and emphasized that they saved significant staff time.*
>
> **- Legislative Audit Division**

RECOMMENDATION #6

We recommend the Office of Public Instruction continue proactively developing and establishing system controls by:

A. *Implementing mandatory automatic validations to replace existing manual report validations for systems that school districts use to upload data, and*

B. *Requiring local school districts to correct errors identified by automatic validations in their data before submission to prevent schools from uploading erroneous data.*

Schools Must Obtain Independent Audits Every Two to Four Years From Private Auditors

Montana statute requires that each school district obtain an independent school audit at least every four years from state-approved private auditors. However, federal law requires more frequent audits depending on the school's federal expenditures. If a district expends $1 million or more in federal money annually, it is required to have an independent audit every two years, examining its financial activity. Throughout this report, we refer to these as "federal single audits."

Independent school audits examine the financial activity and other information as required by the OPI, including comparisons of actual versus reported enrollment and a breakdown of extracurricular funding by activity. If an audit results in a finding, Montana statute requires that the school create a corrective action plan.

Other states we examined perform school audits in a variety of ways. Overall, other states balance the responsibility of conducting school audits between a state department and private auditors. Some states rely exclusively on private auditors to conduct school audits, like Montana. Others have state departments perform some or all of the school audits.

OPI and Department of Administration Share Responsibility for Local Government Audits, With OPI Reviewing Audits

Statute designates the Department of Administration (DOA) as local government audit oversight and management, but also carves out specific aspects of audit management to OPI. In practice, the OPI sets the requirements for school audits, reviews the audits, and help schools establish corrective action plans to address audit recommendations. The DOA performs these tasks for local governments, hosts audit reports online, and manages the roster of about 36 private auditors approved to perform these audits in Montana. The OPI collaborates with the DOA regarding audit administration, and both agencies find this collaboration beneficial.

In addition to its state responsibilities, federal law assigns further responsibility to the OPI as a pass-through entity for federal education funding. Since the OPI is a pass-through entity, federal law requires the OPI ensure federal single audits are completed in a timely manner and that audits align with requirements. Regulation also requires that, in cases of continued inability or unwillingness to complete timely audits, the office must take appropriate enforcement action or the federal funding may be terminated for that school district.

The Office Monitors School Financial Activity Primarily Through School Audits

In general, local school trustees are responsible for financial activity at school districts, not the OPI. The office monitors school financial activity via the results of audits from private auditors and these results inform the office's strategies for training school staff. The OPI federal program also uses the results of school audits to help identify risk of federal money mismanagement. However, the office provides limited enforcement to ensure that audits are timely. If a school district audit is late, the OPI will generally require further monitoring of schools or meet with school leadership in rare cases. Further monitoring can include following up on corrective action plans in response to audit findings, examining receipts, or requiring more regular financial activity, such as regular fund draws. If any district is delinquent by more than two years or has unresolved audit findings across multiple audits, taxpayers in that jurisdiction can sue that local entity.

Federal Regulations Outline Options for Further Enforcement To Ensure Compliance

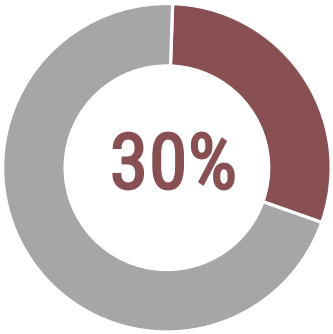
Federal law requires that the recipient (OPI) and subrecipient (school district) of federal funds must establish and maintain effective controls over federal awards and ensure the subrecipient is managing the award in compliance with federal conditions. To achieve this, federal regulations outline options for enforcing federal single audit compliance. These enforcement mechanisms include implementing specific conditions on school districts, temporarily withholding payments, disallowing costs for all or part of activities associated with noncompliance, suspending or terminating the federal award, withholding further federal funds or new awards, initiating suspension or debarment proceedings, or pursuing other legally available remedies. If a subrecipient fails to comply, such as completing audits late, the award to the district may be terminated in part or in whole by the federal government.

Federal School Audits Are Frequently Late, Risking Federal Funding

We examined all completed school audits across Montana for fiscal years 2023 and 2024. Of the nearly 500 total audits completed by 22 private auditors across the state, about 30 percent were completed late or were not complete at the time of our review. These statistics hold true for the subset of federal single audits as well. In this timeframe, there were about 170 federal single audits in total, and about 31 percent were submitted late or not complete at the time of our review. These late audits occurred at about 40 unique school districts in our timeframe. Therefore, $40 million or more in federal funding could have been terminated by the United States Department of Education if it decided to take action. However, the federal government has not taken action yet, and the school funding remains at risk if the federal government decides to terminate the funding on the basis of audit non-compliance. It is important to note that school districts in our timeframe expended federal pandemic funding and the number of schools requiring a federal single audit will decrease as pandemic funding ends. Additionally, late audits delay office monitoring of school districts, hampering training development and risk categorization.

Figure 15
School Audit Timelines

Almost a third of all school district audits were **late**.



Source: Compiled by the Legislative Audit Division from school audit data.

School Audits Are Challenging To Obtain and Complete

Obtaining school audits is a multifaceted challenge for both schools and auditors. While about 40 percent of school leadership in our survey found obtaining audits somewhat or extremely easy, about 20 percent indicated that obtaining school audits was somewhat difficult or extremely difficult. These respondents cited finding an auditor, ensuring the timeliness of audit delivery, and paying for the audit as significant reasons for the difficulty.

The DOA explained auditors' perspective, stating that some auditors are not interested in taking on school audits since they are not profitable, and some school districts do not have organized financial documents for auditors to examine. However, the DOA, the OPI, and the stakeholders agree that roughly 36 auditors is an insufficient number to complete all local government audits, including school districts, in a timely manner. There is little incentive for auditors to join the roster as well, given the challenges of local government audits. These groups also highlight that turnover at local school districts can slow down audits with inexperienced staff.

The OPI management indicated that they prioritize collaboration with school districts, and withholding money from school districts would be the same as the school losing that federal funding. Office management also cannot withhold any BASE state funding for school districts, which is the responsibility of the Board of Public Education. However, federal regulation provides other enforcement mechanisms for late school audits.

DOA and OPI Should Collaborate To Increase Audit Timeliness

School audit challenges highlight a complex issue in Montana, especially without a clear and straightforward solution at present. Other states approach school audits in a variety of ways, but these alternatives do not address the challenges faced by all parties involved. Our review found a significant proportion of school audits, including federal single audits, are late. Late audits risk federal funding and can hamper the office's ability to monitor financial activity after funding has been distributed to schools. The OPI management highlights that withholding funding would be the same result as the federal government canceling funding, but federal regulation provides alternative forms of enforcement. More enforcement may not be the only solution to fix audit timeliness, as there is a limited number of auditors performing local government audits. Therefore, the office and the DOA should collaborate to identify methods to improve audit timeliness across the state.

RECOMMENDATION #7

We recommend the Office of Public Instruction work toward improving the timeliness of independent school audits by

A. *Collaborating with the Department of Administration to identify and develop methods for increasing the timeliness of school audits, seeking legislation if necessary, and*

B. *Improving enforcement of audit compliance to align with federal requirements.*

Office of Public Instruction

Office Response

Susie Hedalen, Superintendent
PO Box 202501
Helena, MT 59620-2501

Phone: 406.444.3680
opi.mt.gov

August 20, 2026

Auditor Angus Maciver
Legislative Audit Division
PO Box 201705
Helena, MT 59620

RECEIVED
August 21, 2026
LEGISLATIVE AUDIT DIV.

Auditor Maciver,

Below are the Office of Public Instruction's (OPI) responses to the Performance Audit "Closing Gaps in Education Data Oversight, Quality, and Reporting". We appreciate the time, effort, and collaboration you and your staff have dedicated to working with OPI staff on this review of important agency functions over the last year. The OPI views this as an opportunity to highlight progress that has been made and build upon our ongoing commitment to critical agency operations and service to Montana's students, educators, and communities.

Sincerely,

Susie Hedalen

Susie Hedalen
Superintendent of Public Instruction

LAD RECOMMENDATION 1:
We recommend the Office of Public Instruction prioritize, continue to reestablish, maintain, and communicate data governance and enterprise architecture management, including the following elements:

A. A data management strategy for how to manage and improve data assets, including a data quality strategy to monitor and achieve a defined level of data quality,
B. A target architecture for all data, information, applications, and technology at the office, prioritizing gaps for improvement between current and target architecture, and
C. Inventories for all systems, data, connections, and applications managed at the office.

OPI RESPONSE: Partially Concur
OPI concurs in part with Recommendation 1, as the agency has either completed or is on track to complete the recommended actions identified on pages 18–19 of the report. Strong data governance and management have become agency priorities since 2025. The agency will continue elevating the role of data governance, breaking down data silos, updating desk manuals, engaging in cross-training, implementing data modernization, looking at ways to reduce and automate reporting, and communicating proactively with school districts.

OPI continues to make improvements to data collections to not only streamline them, but to also improve the associated accuracy and consistency. This is demonstrated by the recent implementation of a new data certification procedure in Infinite Campus in the spring of 2026. This enables schools and districts to perform more robust reviews of submitted data and greatly increases the efficiency of those reviews and the data submission process. Further, OPI acknowledges the challenges associated with staff turnover in schools and districts and works to ensure updated trainings and resources are continuously available, both remotely and in person, with multiple training opportunities offered throughout the year. These priorities demonstrate OPI's commitment to addressing concerns raised by schools and districts (page 15), while also illustrating the agency's continued focus on ensuring high-quality, reliable data.

Further, OPI is developing more robust standards for internal reviews of data quality that will include consistent reviews throughout the year based on key data collection windows and primary data uses. To perform these data quality reviews appropriately, OPI staff are also developing documentation that supports a strategic review of operational data work at the agency as a whole.

In 2025, OPI adopted a new structure for its data governance program designed to strengthen authority, accountability, and transparency around how data is collected, managed, and utilized across the agency. While implementation of the new structure is ongoing, this work represents an important step forward. In particular, the updated membership and structure of the Data Governance Committee will strengthen agency-wide collaboration and provide clearer oversight and accountability for OPI's data governance efforts.

LAD RECOMMENDATION 2:
We recommend the Office of Public Instruction develop and update standalone desk manuals and standard operating procedures for all key positions and processes to better retain institutional knowledge.

OPI RESPONSE: Concur

OPI concurs with this recommendation and has already taken steps to update desk manuals for every position across the agency. This effort is being overseen by Human Resources and the Deputy Superintendent, with support from OPI's internal auditor, who assists employees in updating their manuals. Compliance and continued maintenance of these manuals will also be reviewed as part of regular internal audits of each OPI division.

Additionally, the agency is strengthening cross-training to ensure staff have a broader understanding of key functions, responsibilities, and processes across teams. This work will help build internal capacity, improve continuity of operations, and ensure critical responsibilities can be supported when staffing needs or priorities shift.

LAD RECOMMENDATION 3:
We recommend that the Office of Public Instruction determine a suitable identifier for at-risk and economically disadvantaged students tracked at the individual student level so that achievement for these subgroups can be effectively reported within all schools.

OPI RESPONSE: Partially and Conditionally Concur
The OPI partially and conditionally agrees with this recommendation because it is contingent on state and federal law.

The reliability of Free and Reduced Lunch (FRL) rates for identifying at-risk students has declined recently, a national trend driven by USDA updates to the federal Community Eligibility Provision (CEP). These changes enabled more schools and districts to qualify for and provide free and reduced lunches to their entire student body without individual income-based applications. The federal change decouples meal counts from individual household data in a way not previously observed, obscuring traditional metrics used to track student poverty.

In response, the Montana School Funding Interim Commission has initiated steps toward proposing legislation to establish a suitable identifier for at-risk and economically disadvantaged students at the individual level. Consequently, the OPI partially and conditionally agrees with Recommendation 3 because, until state law is formally updated, the OPI must continue operating in compliance with current state and federal statutes.

LAD RECOMMENDATION 4:
We recommend the Office of Public Instruction prioritize enhancing student performance reporting for stakeholders and the legislature by:

A. Establishing methods, such as aggregation, providing a range instead of exact values, or other best practices, to report performance gaps of students in state-prioritized student subgroups for small school districts whose data is normally suppressed,

B. Enhancing availability of data and reports by allowing users to download all public student performance data from a single source, and
C. Adding ways to compare performance of students and subgroups among schools or districts.

OPI RESPONSE: Do Not Concur

OPI already reports student performance by student subgroup at the state, district, and school levels. This information is readily accessible and downloadable through OPI's new Federal Report Card webpage. OPI is required to appropriately mask small data sets when reporting could result in the disclosure of personally identifiable information (PII) of individual students. Failure to apply these privacy protections could result in violations of the Family Educational Rights and Privacy Act (FERPA) and create potential liability for the state.

Recommendation 4 is meant to address issues related to the suppression of data due to the N-size of 5 students in most cases, or 9 students when communicating about IDEA protected data. This recommendation is well taken, as the suppression rule does mean that data is not reported in a number of circumstances, especially for small schools.

- However, the OPI cannot concur with this recommendation because the proposal to aggregate schools together by enrollment size quintile likely makes interpreting the data more difficult rather than less.
    - Instead of aggregating by enrollment quintiles, many states have explored and implemented multiyear averaging for accountability indicators. For example, New Hampshire now uses a three-year average on their academic performance indicator. This approach allows for increased sample size while also allowing for inferences about individual schools.
    - Related to this, reporting can include single-year data, with suppression, and multiyear data. Doing so will allow for a more nuanced look.
- In addition, the proposed approach does not account for the measurement precision of the reported data. The precision of a percent proficient based on 10 students is much, much larger than the precision of a percent proficient based on 1,000 students. Without acknowledging the differences in measurement precision, the figures likely provide the misleading picture that very small schools are much more effective in supporting some student subgroups. For example, including error bands around the differences in Figures 10 and 11, as well as the percentages in 12, would likely encompass any of the differences between the school size quintiles.

The report also notes the need to provide "a clearer picture of the impact of that targeted funding". Regardless of the functionality of a data reporting tool, doing so requires (1) changes in the district reporting requirements on the use of target funds and (2) dedicating resources to conduct program evaluation analyses. Both of these approaches present additional complexities and would require significant changes to current practices and resources to further evaluate the impact of state funding on performance gaps among student subgroups.

- In terms of (1), districts are not currently required to document their use of these funds, nor how these funds align to strategic priorities connected to serving the specific students that triggered the funding allocations. Therefore, addressing (1) requires, at minimum, the development and implementation of additional or supplemental data collection.
- In terms of (2), understanding whether there is "impact of that targeted funding" requires conducting extensive analyses. These kinds of analyses include both quantitative and qualitative analyses that compare schools receiving funding to like schools that do not. For example, through quasi-experimental designs using methods like propensity score matching applied to previously collected quantitative data as well as qualitative analyses that involve interviews and document analyses, to explore issues of capacity, funding use, and the like.
    - These kinds of analyses take significant amounts of time and staff capacity and have often been done by external organizations on behalf of states. Therefore, undertaking these tasks requires significant incremental investment by OPI and the state's support in that investment.
    - Barring this type of commitment, the state could require that targeted funds be spent on (i) evidence-based practices and (ii) the student group(s) that lead to the allocation of funds in the first place.

Therefore, while OPI recognizes the value of this recommendation, it must be acknowledged that this recommendation cannot be fully addressed without carefully requiring additional data collections from schools and districts and investing in the capacity necessary for such extensive analyses. OPI would also need to carefully review and adopt statistical methods to ensure there is no unintended misrepresentation of the impact of state education practices.

LAD RECOMMENDATION 5:
We recommend that the Office of Public Instruction compile information currently reported by school districts and make available information on how schools use targeted funding to directly support state-prioritized student subgroups such as American Indian students, students in poverty, and special education students.

OPI RESPONSE: Partially Concur
To understand the impacts of the interventions utilized, OPI would need to begin collecting student-level data about how the interventions are implemented, student participation in those interventions, and how the associated students perform as compared to similar students who did not receive the intervention. This type of collection requires significant investment of resources by both local education resources and OPI. This would be a significant incremental investment beyond current data collections.

OPI continues to work on providing more visibility based on the data it does collect. Public access to school data expanded in July 2026 via OPI's updated website, featuring school,

district, and state report cards alongside new community engagement dashboards. These platforms present disaggregated subgroup results and overall performance metrics. General information regarding how districts allocate federal school improvement funding for comprehensive and targeted schools is published on the state report card. Additionally, when applying for federal school improvement funding, schools must select evidence-based interventions mapped to the four ESSA Evidence Tiers (Tier 1 Strong, Tier 2 Moderate, Tier 3 Promising, or Tier 4 Demonstrating a Rationale) to meet specific subgroup requirements.

As mentioned above in response to Recommendation 4, the OPI cannot compile and report on effective methodologies using existing information, without additional data gathering from schools. Further, OPI cannot conduct unfunded evaluation studies of effective methods. Thus, the OPI partially concurs with Recommendation 5.

LAD RECOMMENDATION 6:
We recommend the Office of Public Instruction continue proactively developing and establishing system controls by:

A. Implementing mandatory automatic validations to replace existing manual report validations for systems that school districts use to upload data, and
B. Requiring local school districts to correct errors identified by automatic validations in their data before submission to prevent schools from uploading erroneous data.

OPI RESPONSE: Partially and Conditionally Concur
The OPI's School Finance Division and EDUCATE Unit have begun this work. Automatic validations are already occurring for nearly all data collections. Further, as explained in OPI's response to Recommendation 1 above, updates implemented in the spring of 2026 significantly improved the efficiency of the data review and certification process for schools and districts, with many expressing appreciation for these improvements. This also enables OPI staff to review data as it is being collected to help minimize errors as data is certified, greatly reducing follow-up conversations with schools and districts.

We will continue working within our existing systems and resources to create automatic validations and error corrections. However, OPI's IT and data systems are antiquated and custom built to be able to receive the complex and unique data required by state law, Board of Public Education regulations, and federal requirements

To fully accomplish this recommendation would require the OPI to procure expensive replacements to our existing systems as well as supporting staff. To purchase "off-the-shelf" solutions, there would need to be a reduction in reporting required of the OPI and school districts including simplification of the school funding formula. The OPI would welcome a combination of simplified funding and reporting requirements in state law and appropriations for new systems.

LAD RECOMMENDATION 7:
We recommend the Office of Public Instruction work toward improving the timeliness of independent school audits by

A. Collaborating with the Department of Administration to identify and develop methods for increasing the timeliness of school audits, seeking legislation if necessary, and
B. Improving enforcement of audit compliance to align with federal requirements.

OPI RESPONSE: Conditionally Concur
The OPI agrees with this recommendation but lacks enforcement authority in state law. Additionally, there is a backlog in available auditors to meet district demands which is also outside of the agency's control. The OPI does and will continue to work with DOA to improve communication and coordination. The OPI will also explore legislation to increase our enforcement authority and improve district compliance where possible. Legislative improvement could support a transition from reactive monitoring to proactive inter-agency collaboration and heightened accountability. For example, linking district eligibility for state funding directly to audit compliance, triggering automated risk alerts based on financial record indicators, or issuing legally binding notices of non-compliance to school boards when an independent school audit deadline is missed.