

2012-2021 OSC Charter School Audits

School	2012	2013	2014	2015	2016	2017	2018	2019	2020	Testing Cycle 1	Testing Cycle 2
Buffalo Academy of Science		X							X	School Building Lease	Procurement
Aloma Johnson Charter School	X					X				Building Lease	Leave accruals
Charter School for Applied Technology		X						X		Payments to affiliated entities	Student enrollment
Buffalo United Charter School	X							X		Financial Management	Financial Management
Elmwood Village Charter School		X				X				Student enrollment and billing	Building Acquisition
Enterprise Charter School			X					X		Enrollment & billing	Procurement
Global Concepts Charter School	X					X				Building Lease	Cash Disbursements
Health Science Charter School		X						X		Procurement	Student enrollment
Inquiry Charter School						X				Student enrollment and billing	
King Center Charter School		X								Purchasing	
Oracle Charter School		X								School Building acquisition & leave accrual records	
Reach Academy Charter School								X		Cash Disbursements	
South Buffalo Charter School							X			Employee Compensation	
Tapestry Charter School		X				X				Credit & debit cards	Procurement
West Buffalo Charter School		X					X			Student enrollment and billing	Payroll
Westminster Charter School					X					Procurement of professional services	
WNY Maritime Charter School				X						Financial Operations	

2012-2021 OSC Charter School Audits Summary

Buffalo Academy of Science Charter School - Procurement (2019M-250)

Audit Cycle:

Determine whether a competitive process is used to procure goods and services.

Findings:

- The School's procurement policy is not comprehensive.
- The Board did not properly approve 18 contracts with cumulative payments totaling \$1.3 million, as required by the School's policy.
- School officials made 26 purchases totaling \$289,500 without using quotes, as recommended by the School's procurement procedures.

Recommendations:

- Adopt a more comprehensive written procurement policy.
- Approve contracts as required by the School's policy.
- Seek competition and obtain quotes for purchases, as required by the policy and as recommended in the procurement procedures.

Reach Academy Charter School – Cash Disbursements (2019M-130)

Audit Cycle:

Determine if cash disbursements were properly accounted for, supported and approved.

Findings:

- The Board has not appointed a claims auditor to audit claims before payment as required by the School's cash disbursement policy.
- Cash disbursements were not properly approved prior to payment, supported or accounted for in a timely manner.
- School officials are using debit cards for cash disbursements.

Recommendations:

- Appoint a claims auditor.
- Develop procedures to preapprove purchases and document and verify that goods and services are received at the agreed upon price, quantity and in good condition and provide for an adequate segregation of these duties.
- Consider ending the use of debit cards.

Health Sciences Charter School – Student Enrollment (2019M-99)

Audit Cycle:

Determine whether student enrollment and billings to school districts of residence are accurate and supported.

Findings:

- The School did not correctly calculate State aid attributable to students receiving special education services. As a result, the School billed the Buffalo City School District (BCSD) \$78,000 more than it would have had it followed New York State Education Department (SED) guidelines

- The School did not use the correct number of school days to calculate tuition for 85 students who attended the School less than a full year. As a result, the School underbilled the BCSD approximately \$7,400.

Recommendations:

- Periodically review tuition bills to ensure the billings have been calculated correctly.
- Address and resolve the incorrect billings.

Charter School for Applied Technologies – Student Enrollment (2019M-60)

Audit Cycle:

Determine whether student enrollment and billings to school districts of residence are accurate and supported.

Findings:

- Appropriate proof of residency was not on file for 34 of the 60 students in our audit sample (57 percent).
- The School billed tuition totaling \$12,600 for three students to the incorrect district of residence and underbilled four additional student's district of residence by \$4,200.

Recommendations:

- Obtain proof of residency documentation annually, or whenever there is a change in residency, in a timely manner and develop and implement escalation procedures for when it is not.
- Address and resolve the incorrect billings.

Enterprise Charter School – Procurement (2019M-06)

Audit Cycle:

Determine whether School officials used a competitive process to procure goods and services.

Findings:

- School officials did not always obtain competitive pricing in compliance with the School's procurement policy or publicly advertise for capital improvement projects.
 - School officials did not verify that the School received the awarded New York State Office of General Services contract (State contract) pricing for goods procured.
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Recommendations:

- Comply with the policy to secure quotes or requests for proposals when required, review all quotes received and publically advertise to meet procurement needs.
- Verify that the correct pricing is obtained when procuring goods or services using State contracts.

Buffalo United Charter School – Financial Management (2018M-197)

Audit Cycle:

Determine whether the Board ensured School funds are used in the most effective and economical manner.

Findings:

- The Board assigned nearly all revenue the School received to National Heritage Academies, Inc. (NHA), which is responsible for the general management and control of the School's finances.
- The Board did not have control over School funds or how they are used.

Recommendations:

- Negotiate changes in the terms of the management agreement with NHA to gain more control over the School's finances.
- Continue to periodically assess the terms and conditions of any management agreement to ensure it is reasonable and in the School's best interest.

West Buffalo Charter School – Payroll (2018M-72)

Audit Cycle:

The purpose of the audit was to determine whether School officials accurately compensated employees for the period July 1, 2016 through January 7, 2018.

Findings:

- Salaries paid to 24 employees totaling \$1.4 million for the period July 1, 2016 through January 7, 2018 were reviewed. Except for some minor discrepancies, employees were accurately paid.
- School officials did not update employee salaries included in offer of employment letters when salary changes were made.
- The Board did not formally approve the health insurance opt-out program and the leave benefits for maintenance employees.

Recommendations:

- Adopt a policy to provide detailed guidance for School officials to ensure any changes in salary or pay rate are properly authorized, approved and documented.
- Formally approve benefits provided or paid to School employees.

South Buffalo Charter School – Employee Compensation (2018M-1)

Audit Cycle:

The purpose of the audit was to determine whether employee compensation was accurate, supported and properly authorized for the period July 1, 2015 through July 31, 2017.

Findings:

- Employee compensation was not specified in the collective bargaining agreement (CBA) or written employment contracts and not supported by written documentation.
- The former Superintendent established employee compensation without adequate Board oversight.

Recommendations:

- Ensure that employee compensation is specified in the CBA, written employment contracts, Board resolutions or policy.
- Adopt clear and comprehensive written payroll policies.

Elmwood Village Charter School- Building Acquisition (2017M-237)

Audit Cycle:

The purpose of the audit was to determine whether the Board and School officials adequately and appropriately acquired a building in the most cost-beneficial manner that also met the School's needs for the period July 1, 2015 through August 28, 2017.

Findings:

- The Board did not conduct a thorough site selection review and cost-benefit analysis when selecting a building.
- The Board did not pay a reasonable price for the building, by paying more than the appraised value.

Recommendations:

- Conduct and document site selection reviews and cost-benefit analyses for real estate transactions to ensure the School's best interest.

Global Concepts Charter School- Cash Disbursement (2017M-126)

Audit Cycle:

The purpose of the audit was to evaluate the cash disbursement process for the period July 1, 2015 through March 17, 2017.

Findings:

- The Board did not ensure that the policies and procedures in the charter and bylaws were followed and at times allowed the Board Chair to control all aspects of the disbursement and purchasing processes.
- The School's charter states that checks over \$5,000 must have dual signatures and may be signed by the Board Chair or his or her designee, but the bylaws designate the Treasurer as the check signer.
- School officials did not seek competition for 39 of the 48 purchases we reviewed.

Recommendations:

- Review and update cash disbursement and purchasing policies to ensure they are consistent with the charter and bylaws.
- Establish clear lines of authority for preparing and signing checks, approving purchases and approving claims for payment.
- Ensure that School officials secure quotes or competitive bids when required, review all quotes that are received and publically advertise to meet the School's procurement needs.

Tapestry Charter School- Procurement (2017M-203)

Audit Cycle:

The purpose of the audit was to determine whether School officials used a competitive process to procure goods and services for the period July 1, 2015 through July 26, 2017.

Findings:

- The Board did not adopt a comprehensive purchasing policy.

- School officials made payments to 12 vendors totaling \$272,884 that required quotes, but did not obtain the required quotes for six of these vendors paid \$112,611 (or 41 percent) for goods and services.

Recommendations:

- Adopt a comprehensive purchasing policy to provide detailed guidance for School officials and employees involved with the procurement process.
- Seek competition and obtain quotes for purchases as required by the policy.

Aloma D. Johnson Charter School- Leave Accruals (2017M-218)

Audit Cycle:

The purpose of the audit was to review the School's leave accrual activities for the period July 1, 2015 through February 24, 2017.

Findings:

- Sign-in and sign-out sheets did not agree with leave request forms, leave time records or related leave reports.
- We compared the 2015-16 leave balances for all 62 employees to the 2016-17 beginning leave balances recorded in the employee leave records and found that 12 of these employees' leave carryover amounts were overstated by 47 days.

Recommendations:

- Develop and adopt a comprehensive system of controls over leave time and ensure that School officials and employees comply.
- Conduct a thorough review of leave records to ensure that they are accurate and complete, review any discrepancies and report the results to the Board for its review and approval of any adjustments to leave records, as appropriate.

Charter School of Inquiry- Student Enrollment and Billing (2017-74)

Audit Cycle:

The purpose of the audit was to examine student enrollment and billing processes for the period July 1, 2015 through February 2, 2017.

Findings:

- Student enrollment and attendance was not always adequately supported.
- Certain billings to school districts of residence were not accurate.
- School officials did not retain 2015-16 attendance records.

Recommendations:

- Ensure that student information is entered correctly in the system, including entry and exit dates used for billing.
- Credit back money due to school districts of residence as a result of errors made on billings.
- Contact the previous student data management software vendor to arrange for access to 2015-16 student attendance records.

Westminster Community Charter School - Procurement of Professional Services (2016M-375)

Audit Cycle:

The purpose of the audit was to review the School's procurement and monitoring processes and procedures for professional service contracts for the period July 1, 2014 through May 18, 2016.

Findings:

- The Board has not established adequate written policies or procedures for procuring professional services.
- School officials did not use competitive methods when procuring professional services.

Recommendations:

- The Board should consider revising its procurement policy and procedures to require competition for the procurement of professional services and prescribe methods for soliciting competition for such services through the use of requests for proposals (RFPs) and written or verbal quotes.
- School officials should periodically solicit competition, through RFPs or another competitive process, for all professional service contracts.

Western New York Maritime Charter School - Financial Operations (2015M-124)

Audit Cycle:

The purpose of the audit was to examine the School's student enrollment and billing processes and purchasing practices for the period July 1, 2013 through March 27, 2015.

Findings:

- The School does not have written policies or procedures to specify what types of documents are acceptable or requiring them to be current, to verify student residence.
- The School did not obtain three written quotes, as required by Board policy, for all purchases subject to the Board's purchasing policy requirements and did not approve contracts with all vendors.

Recommendations:

- Develop written policies and procedures that specify the types of residency documentation acceptable for students enrolling or moving and that require periodic verification of the residence of students.
- Approve all contracts and ensure that three written quotes are obtained, in accordance with Board policy.

Enterprise Charter School - Enrollment and Billing (2014M-378)

Audit Cycle:

The purpose of the audit was to examine the student enrollment and billing processes for the period July 1, 2013 through October 28, 2014.

Findings:

- The School does not periodically verify student residency information on file or require that a new proof of residence be submitted when a student's address changes.

Recommendations:

- Periodically verify students' residences and require new proof of residence when a student moves.

Charter School for Applied Technologies - Payment to Affiliated Entities (2013M-300)

Audit Cycle:

The purpose of the audit was to examine the School's relationship with its affiliated entities and any related payments for the period July 1, 2010 through January 11, 2013.

Findings:

- The Board approved transfers of School funds totaling \$425,000 to capitalize two wholly-owned private entities which the Board caused to be established for the purpose of enabling the School to engage in what are essentially commercial ventures. We question whether the Board had authority to approve the transfers. Even if the Board had authority to approve the transfers, we were not able to assess the level of risk involved with the School's participation in these ventures because School officials refused to provide us access to either entity's financial records.
- The School made payments for services to one of the entities without a written contractual obligation to do so.

Recommendations:

- Confer with SED as to the propriety of its relationship with the LLC and the Corporation. Only spend School resources for activities that clearly and directly benefit its students.
- Ensure that contractual agreements and/or amendments are properly approved and executed.

Oracle Charter School - School Building Acquisition and Leave Accrual Records (2013M-290)

Audit Cycle:

The purpose of the audit was to examine the School's process for acquiring building space and the adequacy of the School's leave accrual records for the period July 1, 2011 through August 22, 2013.

Findings:

- The Board did not demonstrate that it used an appropriate process to ensure it obtained a suitable building site at a reasonable cost. School officials did not document that the Board performed an appropriate cost analysis of the selected site or alternative sites. Consequently, the School agreed to an arrangement requiring it to pay more than \$5.1 million for the acquisition and renovation of its building financed at a 20 percent interest rate. We found that the building was acquired and renovated for approximately \$1.4 million, and that a developer fee and interest costs will total more than \$3.7 million over the term of the School's 15-year lease. As a result of a recent decision to prepay a portion of the debt, the School was able to save approximately \$136,000.
- The business office did not maintain accurate and supported leave accrual records for all School employees. The School does not require that all employees submit leave request forms. Those employees required to submit forms did not do so consistently, and the forms did not always include evidence of required approvals.

Recommendations:

- Ensure that all Board proceedings are properly documented, and all such records are maintained by the Board Secretary. Safeguard School resources by conducting and documenting thorough analyses of alternatives before making major financial commitments. Determine whether any outstanding loans are able to be prepaid and, if applicable, evaluate whether it would be cost beneficial to prepay the loan(s).
- Maintain a cumulative and up-to-date record of leave time for each employee and review this record throughout the school year to ensure its accuracy. Ensure that leave request forms are completed and include required authorizations. Develop and implement a process to compare leave accrual records with other attendance records to ensure that the leave records are complete and accurate.

West Buffalo Charter School - Student Enrollment and Billing (2013M-314)

Audit Cycle:

The purpose of the audit was to examine the student enrollment and billing process for the period July 1, 2012 through September 30, 2013.

Findings:

- The School billed the correct school districts of residence and, overall, the School maintained adequate supporting documentation regarding students' residency. However, we found nine students' files did not contain the required proof of residency; three instances where no date was on the address verification document or the date was several years old; and one instance where the address did not agree with the address on the billing record. Although the results of the testing did not disclose significant errors or irregularities, the errors we did find occurred because the School has not fully developed its residence verification process.

Recommendations:

- Ensure that proof of residence documentation is current and maintained on file for each enrolled student. Periodically verify and update the returning students' residence to ensure that proof of residence addresses match the addresses used for billing purposes.

Tapestry Charter School - Internal Controls Over Credit and Debit Cards (2013M-271)

Audit Cycle:

The purpose of the audit was to examine the School's internal controls over credit and debit card use for the period July 1, 2011, to August 16, 2013.

Findings:

- While the School's credit card policy adequately addresses many control procedures, certain additional controls should be considered. The policy does not define how many credit card accounts may be established, limit the number of credit cards to be issued, and address to whom the cards may be issued. The policy also does not define credit limits. We also found that the School did not ensure that all employees who were issued a credit card signed the policy to acknowledge their awareness of the procedures, as required by the policy. We found that, of the 12 employees issued credit cards, only seven had signed a copy of the policy. In addition, School officials did not ensure that credit card accounts were established in a manner that complied with the policy provision prohibiting cash advances.

- The School has a debit card policy, which provides appropriate guidance regarding proper usage and pre-approval requirements.

Recommendations:

- Amend the credit card policy to address the number of credit card accounts and cards to be maintained, issuance criteria, and applicable credit limits. Ensure that all employees issued credit cards sign the policy to acknowledge their responsibilities with respect to card use. Ensure that credit card accounts do not allow cash advances.
- Give strong consideration to ending the use of debit cards. If using debit cards is to continue, impose appropriate restrictions and notification controls to provide greater assurance that School funds are not exposed to substantial loss.

King Center Charter School - Purchasing (2013M-215)

Audit Cycle:

The purpose of the audit was to examine the School's purchasing process for the period July 1, 2011, through July 12, 2013.

Findings:

- We found that the School's purchasing policy does not provide appropriate guidance as to when written or verbal price quotes should be obtained and when items must be competitively bid. The policy also does not address threshold amounts under which approval can be made by management, versus large purchases that would require Board approval.
- Although the policy requires the use of purchase orders, School officials are not routinely using them to initiate the acquisition of goods and/or services.
- School officials often did not properly document verbal or written price quotations when making purchase decisions. For example, School officials spent \$11,346 on computers but did not have adequate documentation to demonstrate that the lowest price was obtained.
- We reviewed 12 disbursements associated with three capital projects that totaled approximately \$1.3 million. We found that one of the three project contracts was not properly approved by the Board and there is no evidence that change orders totaling approximately \$63,000 were approved by the Board.

Recommendations:

- Adopt a more comprehensive purchasing policy to provide detailed guidance for School officials and employees.
- Ensure that School officials use purchase orders as required.
- Ensure that School officials obtain verbal or written price quotes, when applicable, before procuring goods and/or services and maintain such documentation.
- Approve all contracts including any amendments or change orders and document such action in the minutes of its proceedings.

Health Science Charter School– Financial Operations (2013M- 211)

Audit Cycle:

The purpose of the audit was to examine the School's procurement practices for the period July 1, 2011, to May 3, 2013.

Findings:

- The Board did not ensure that all contracts for goods and services were properly awarded.
- The School's Business Office was unable to provide procurement procedure documentation and inconsistencies were found in the purchasing practices/competitive bid process outlined in the School's charter agreement and the procurement policy.
- Both policy documents were silent on other key provisions such as when written contracts are required or whether professional services should be procured in a different manner. The documents did not clarify whether thresholds were for individual or aggregate purchases and if quotes should be written or verbal.
- Even though the School is in its third year of operation with a Principal and a fully functioning Business Office, School officials continue to rely on certain service providers to obtain bids or quotes and select vendors for goods and services such as janitorial services, school uniforms and kitchen supplies.

Recommendations:

- Develop and adopt comprehensive procurement policies that align with provisions in the School's charter agreement and also adequately address other identified procurement deficiencies. Periodically monitor procurement activity to ensure that goods and services are purchased in accordance with policy requirements.
- Ensure that contracts are entered into, with copies maintained in the Business Office, to identify the nature and cost of services to be provided to the School.
- Do not rely on outside service providers for selecting vendors on the School's behalf.

Elmwood Village Charter School – Student Enrollment and Billing (2013M-174)

Audit Cycle:

The purpose of the audit was to examine the student enrollment and billing processes for the period July 1, 2011, to May 31, 2013.

Findings:

- For the 2011-12 fiscal year we compared billings totaling approximately \$3.2 million for all five school districts of residence to revenues received and reported and did not identify any discrepancies. We also reviewed the relevant factors included in the calculation for all five final billings to the school districts and did not identify any discrepancies in the School's calculation.
- We selected a judgmental sample of 20 students to determine if billings to the school districts of residence were accurate and supported. Although the results of the testing did not disclose significant errors or irregularities, OSC identified control deficiencies with the School's residence verification process. The School does not verify student information by periodically requiring new proof of residence, such as a utility bill, or requiring that a new proof of residence be submitted when a student's address changes.

Recommendations:

- Periodically verify the residence of students and require new proof of residence when a student moves.

Buffalo Academy of Science Charter School– School Building Lease (2013M-138)

Audit Cycle:

The purpose of the audit was to examine the School's process for selecting and negotiating the related financial terms to obtain building space for school operations for the period July 1, 2006, to April 22, 2013.

Findings:

- The Board did not ensure that it appropriately identified and evaluated available options before deciding to lease a building. The process used to select a firm to acquire and renovate a building on the Board's behalf was not transparent, and we question whether it was an arm's length transaction. The Board selected an unlikely firm, a nonprofit educational services corporation (Corporation) from the New York-New Jersey metropolitan area that did not have any apparent real estate experience. We also found that the terms and conditions of the lease agreement appear to benefit the Corporation more than the School. We estimate that the lease payments could exceed the Corporation's costs by more than \$4.4 million.

Recommendations:

- Ensure that all proceedings are properly documented in the minutes and all such records maintained by the Board secretary.
- Conduct site selection reviews and cost analysis for real estate transactions and ensure transparency in conducting its proceedings.

Aloma D. Johnson Charter School– School Building Lease (2012M-54)

Audit Cycle:

The purpose of the audit was to examine the School's process for selecting and negotiating the related financial terms to obtain building space for school operations.

Findings:

- The Board did not use an adequate process for site selection and lease cost analysis. The Board did not demonstrate that it identified and fully evaluated other site options other than the current location
- The Board did not hire a professional engineer to perform any analysis.
- Related parties and disclosure of financial interest were not properly disclosed and an individual with a conflict of interest or perceived conflict of interest voted in favor of the lease agreement.

Recommendations:

- The Board should properly fulfill its fiduciary responsibility by conducting site selection review and cost analyses for real estate transactions. Such analyses should include whether it would be more beneficial, and feasible, to acquire and renovate an existing building, acquire land and construct a building, or lease a facility, if needed, the board should consider hiring a professional to assist with these analyses.
- If the Board chooses to continue leasing the existing building, it should, prior to negotiating a new lease agreement obtain comparative market rates to provide assurance that the terms and conditions of the lease agreement are in the best interest of the School. The Board should properly document its analysis and actions taken in the Board minutes.

- The Board must ensure that all the terms of the lease agreement are complied with and seek SED approval prior to modifying the terms and conditions of lease agreements.
- The Board must ensure that members who disclose a conflict or perceived conflict of interest in a contract recuse themselves from discussing or voting on contracts.

Buffalo United Charter School– Financial Management (2012M-142)

Audit Cycle:

The purpose of the audit was to examine the School's management corporation operating the School and ensure School funds are effectively used.

Findings:

- The Board cannot sufficiently monitor NHA, a management corporation assigned most of the financial duties of the school. The Treasurer cannot adequately fulfill certain duties as prescribed in the Schools' by-laws.

Recommendations:

- The Board should negotiate changes in the terms of the management agreement with NHA in order to gain more control over the School's finances.
- The Board should periodically assess the terms and conditions of any management agreements to ensure that they are reasonable and in the best interests of the School.

Global Concepts Charter School– High School Building Lease (2012M-114)

Audit Cycle:

The purpose of the audit was to examine the School's process for selecting and negotiating the related financial terms to obtain building space for high school operations.

Findings:

- The Board did not demonstrate that it used an appropriate process to ensure it obtained a suitable site at a reasonable cost. School officials did not provide evidence that the Board performed an appropriate cost analysis of the selected site or alternative sites. As a result, it is estimated that the School will pay \$2.3 million more than necessary over the next five years for this school building.
- The School did not perform an appropriate buy-and-renovate cost-analysis for each site or any comparative cost analysis of the sites.
- For the site selected, the Board did not perform a lease-versus-buy analysis to determine whether the lease costs were reasonable or whether purchasing the building was a more cost-effective option.

Recommendations:

- The Board should properly fulfill its fiduciary responsibility by conducting and documenting thorough analyses of alternatives before making major financial commitments.
- At a minimum, for future building acquisitions, the Board should initially request a list of buildings available from OGS and the local school district to ensure all available buildings are evaluated for suitability and cost.