

Charter School for Applied Technologies

Student Enrollment and Billing

JUNE 2019



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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Report Highlights

Charter School for Applied Technologies

Audit Objective

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

Key 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.

Key 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.

School officials generally agreed with our findings and recommendations and indicated they plan to take corrective action. Appendix B includes our comment on an issue raised in the School's response.

Background

Although the Charter School for Applied Technologies (School) is located in the Kenmore-Town of Tonawanda Union Free School District, approximately 80 percent of its students reside in the Buffalo City School District. The School was established and granted a charter by the State University of New York Board of Regents in 2001.

The Board of Trustees (Board) is composed of nine Trustees, one nominee and one parent representative that provides oversight of School operations. The School's Chief Financial Officer is responsible for the School's day-to-day financial management, including tuition billing. The student enrollment coordinator is responsible for day-to-day maintenance of the student information system from which, tuition billings are based.

Quick Facts

Employees	420
Enrollment (as of June 2018)	2,200
2018-19 Budgeted Appropriations	\$33 million
2017-18 Tuition Revenue	\$27 million

Audit Period

July 1, 2017 – January 16, 2019

Student Enrollment and Billing

A charter school is a public school financed by local, State and federal resources that is not under the control of a local school board. Charter schools generally have fewer legal operational requirements than traditional public schools. Most of the regulations for a charter school are contained in Article 56 of the New York State Education Law¹ (Education Law) and its bylaws, charter agreement and fiscal/financial management plans.

Education Law provides for the funding of charter schools' operating budgets primarily by billing the public school districts in which their students reside. Based on full-time equivalent (FTE) attendance, a charter school bills the school districts of residence for its provisions of educational services. FTE is the decimal expression of the enrollment of a student in a school compared to the length of the annual school session.² At the end of the school year, revenues received from the districts of residence are reconciled to the revenues due, based on the actual FTEs for the year. Charter schools are required to verify student residency and keep an accurate, up-to-date record of student enrollment and report this data to the districts of residence in a timely manner.

What Are Proof of Residency Requirements?

The School's enrollment guidelines indicate what documentation is considered acceptable for proof of residency upon enrollment such as lease or rental agreement, mortgage statement, property tax bill, utility bill and homeowners or renters insurance statements. Upon enrollment, parents and guardians are also provided a list of responsibilities which they are required to sign and return to the School indicating their agreement. One of these responsibilities is that they are required to provide to the School, two forms of proof of residency at the beginning of each school year. Proof of residency documentation is important to ensure that the School bills the student's district of residence accurately.

Annual Residency Requirements Are Not Enforced

While we noted no significant exceptions with the initial student enrollment, supporting residency documentation was lacking for students in subsequent years of enrollment with the School. As a result, School officials cannot ensure they billed districts of residence accurately.

We found that 34³ of the 60 students⁴ in our sample (57 percent) did not have appropriate proof of residency. After we discussed our findings with School

1 New York State Education Law Section 2856

2 A student who is enrolled for the full school year has an FTE of 1.0, while a student who is only enrolled for half of the school year has an FTE of 0.5.

3 Nine students in 2017-18, 13 in 2018-19 and 12 in both 2017-18 and 2018-19

4 See Appendix C for details on our sampling methodology.

officials in December 2018, they obtained documentation to address and substantiate 13 of these students. While the updated residency documentation did not indicate that the 13 students had moved out of the district of residence the School had previously billed, without obtaining this information annually, School officials do not have assurance they are billing districts of residence properly. These exceptions occurred because the School has not been enforcing the requirement for annual proof of residency documentation after the initial enrollment. School officials indicated that periodically they send email reminders to parents/guardians.

How Is Tuition Billed?

A key component of any billing process is to properly record information to generate accurate billings in a timely manner and in accordance with applicable laws, regulations and guidelines. The School bills districts of residence, identified by proof of residency documentation, for eligible students based on the period of enrollment and the students' FTE every other month. Students receiving special education services, including occupational and physical therapy, receive a weighted FTE rate and additional tuition rates are charged to the respective districts of residence.

After the final billing, an annual reconciliation is prepared and provided to districts of residence to verify the accuracy of billings and make any necessary adjustments to students' enrollment start or end dates. Adjustments and payments and/or credits for billing errors for a prior year may not be fully resolved until May of the following school year.

Tuition Billing Accuracy Can Be Improved

We examined the billing accuracy for 60 students⁵ with base billings to districts of residence totaling approximately \$1 million. While we found that generally, billings were calculated accurately, the School should continue its efforts to obtain and update billings in a timely manner for student residency changes. We identified the following exceptions:

- A student was reported to the School as having an address change as of November 15, 2017 affecting the student's 2017-18 district of residence. However, the School continued to bill the original district of residence for all of 2017-18. The School provided us evidence that the student's original district of residence directed the School to bill them for all of 2017-18. We inquired with the New York State Education Department (NYSED) about this, who referred us to the New York State Technical and Education Assistance Center for Homeless Students (NYSTEACHS). NYSTEACHS indicated that,

5 See Appendix C for details on our sampling methodology

the School should not have done this and instead, should have updated the billing to the new district of residence as of the student's permanent housing date. The School did make the update subsequently and as a result, properly billed the student's 2018-19 tuition. This occurred because the School relied on the original district of residence's guidance on how to handle homeless student tuition billing. As a result of this delay and misinformation, the School billed the incorrect district for 127 days, equating to an overbilling of \$7,200 and subsequently underbilling the correct district of residence by \$9,000.

- A student submitted address change information effective February 1, 2018. However, the School made the effective date April 19, 2018. As a result, the School billed the incorrect district of residence for 42 days, equating to approximately \$3,000.
- A student's address change was reported as of November 27, 2017. However, the lease agreement submitted as proof of residency began October 1, 2017. As a result, the School billed the incorrect district of residence for 35 days, equating to approximately \$2,400.

We also examined the School's student tuition billing of special education services to districts of residence. Special education services are billed based on individualized education programs (IEPs) which are prepared by the district of residence. Of the 60 students in our sample, 19 received special education services, 10 of which received a level of services which resulted in billings to districts of residence totaling approximately \$82,000. We identified six billings for five students where the services billed did not agree with the student's IEP due to the School's delay in updating billings for changes in special education services provided to the students. We also found that the School used the incorrect rate⁶ when billing for services that generate special education State aid. While two of the instances for one student were minimal, the remaining four discrepancies resulted in the district of residence being underbilled by approximately \$4,200.

Without accurate and up-to-date residency information for students, required annually subsequent to initial enrollment, and whenever there is an address change, there is a greater risk that student tuition could be incorrectly billed. Additionally, if changes made to special education services are not updated on the billings timely, there is a greater risk those services could be incorrectly billed.

⁶ We discussed with School officials that the approach used to calculate the billings likely affected other students that receive a certain level of special education services which are not included in our sample.

What Do We Recommend?

School officials should:

1. Enforce the School's enrollment guidelines requiring the submission of annual proof of residency documentation.
2. Update student information in a timely and accurate manner to indicate residency and special education service changes to ensure tuition billings are accurate.
3. Obtain guidance from legal counsel or NYSED when billing questions are raised regarding homeless students.
4. Ensure billing for special education services is accurate and work with the districts of residence to address and resolve the incorrect billings.

Appendix A: Response From School Officials



Charter School for Applied Technologies

May 22, 2019

Jeffrey D. Mazula, Chief Examiner
Office of the NYS Comptroller
Buffalo Regional Office
295 Main Street – Suite 1032
Buffalo, NY 14203-2510

Dear Mr. Mazula,

We are in receipt of your department’s Draft Findings report as it relates to an examination of the Charter School for Applied Technologies’ Student Enrollment and Billing for an audit period of July 1, 2017 through January 16, 2019.

Thank you for allowing our school this opportunity to formally provide a response to your draft report. We are in the process of a review of our related procedures, aligned with this audit, and plan to adjust a few of our internal controls to address the findings listed.

In addition, we would like to provide additional insight for the reader as it relates to ‘operating a charter school’. More specifically, it should be noted, while “*charter schools generally have fewer legal operational requirements than traditional public schools*” (Report of Examination, 2019M-60, page 4), each charter school has a requirement to operate successfully within three pillars or performance frameworks:

- Academic success and ability to operate in an educationally sound manner
- Organizational viability and ability to operate in a fiscally sound manner
- Faithfulness to the terms of its charter and adherence to applicable laws and regulations

Short of accomplishing these goals, a charter school’s charter can be revoked and subsequently closed. It should also be noted, each charter school’s existence includes a requirement for a continual application process which seeks an extension of its charter every 3 to 5 years. In short, charters are provided autonomy in exchange for higher levels of scrutiny and accountability than traditional public schools.

Our response to those key findings listed within your report are as follows –

Key Finding – Appropriate proof of residency was not on file for 34 of the 60 students in our audit sample (57 percent).

After our review, the school agrees with and appreciates receipt of this information and has;

- begun a complete review of its procedures as they relate to annual acquisition of proofs of residencies for our students.
- plans to update our procedures to include semi-annual internal audits of the files hereafter

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Charter School for Applied Technologies

Key Finding – The school billed tuition totaling \$12,600 for three students to the incorrect district of residence and under billed four additional student’s district of residence by \$4,200.

After review of our records, we agree with this finding and plan to review each document received in greater scrutiny in efforts to mitigate a repetitive occurrence.

Your report also included reference to an incorrect rate used for billing of Special Education services. It was also referenced, that the school should be using calculations from “Calculation of Public Excess Cost Aid Attributable to Parentally Placed Nonresident and Charter School Students”. This document further defines use by Charter Schools as ‘*can also be used to calculate State Aid attributable to a student with a disability attending a Charter School*’. We are aware of this document and at no point has our institution been directed to utilize the calculation cited above as a mandate. As implied in your report, our school interpreted the directive of ‘can also be used...’ as optional.

See
Note 1
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In addition, we are requesting guidance on the following –

Pursuant to the VESID memo of June 2008, it is indicated that the document referenced, and its subsequent reimbursement calculations were to be used by district schools to recover their costs of providing special education services to nonresident students with disabilities who are enrolled in nonpublic schools by their parents, from the nonresident student’s school district of residence. <http://www.p12.nysed.gov/specialed/publications/policy/reimbursement608.htm>

We request clarification as to how use of this calculation applies to resident students attending a nonpublic or charter school (when charter schools are deemed non-public).

See
Note 1
Page 8

Once again, we thank you for providing key recommendations, and additional resource materials to assist our school in complying with identified discrepancies encountered during and listed within this audit.

Please do not hesitate to contact me if there are any questions or additional information is required.

Sincerely,

Tanya Moore
Chief Financial Officer
716-876-7505 ext. 5104
tmoores@csat-k12.org

c: David Quackenbush, Board President
Garrick Loveria, Chief Operating Officer

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Appendix B: OSC Comment on the School's Response

Note 1

NYSED's State Aid Handbook provides guidance regarding the calculation of the aid. During our exit conference, we referred School officials to this Handbook and NYSED for further information. Also, during the exit conference we discussed NYSED's calculation spreadsheet with School officials and noted that NYSED advised that the spreadsheet has multiple purposes, one of which is to properly calculate special education aid for charter school billings.

Appendix C: Audit Methodology and Standards

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Section 2854 of the New York State Education Law, as amended by Chapter 56 of the Laws of 2014. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed School officials, reviewed Board meeting minutes, policies and procedures to gain an understanding of the School's student enrollment and tuition billing operations.
- To determine our audit population we totaled the number of students only enrolled in 2017-18, those only enrolled in 2018-19 through November 2018 and also those students enrolled in both time periods. As a result, the total population of students for our audit period to select our audit sample from was approximately 2,800. We reviewed this total population to identify the total number of students who had higher risk factors related to our audit objective such as those with changes in FTE status, residency and special education services. In total, we identified 525 students during our audit period with these higher risk factors. From the 525 students, we selected 28 (5 percent) for our audit testing. From the remaining total population of 2,275, we selected an additional 32 students (1 percent) for our audit testing using a computerized random number generator.
- We reviewed initial and annual enrollment proof of residency documentation and tuition billings for 2017-18 and 2018-19 through November 2018, for a sample of 60 students, who had base billings totaling approximately \$1 million. We did this to determine whether the School obtained proper support for student residency and that tuition billings were accurate and adjusted timely, where appropriate, for updated residency information. We additionally reviewed IEPs for the 19 students in our sample of 60 that received special education services. We did this to determine if the billings included the correct level of service as identified in the IEPs and whether the billings were accurately calculated.
- We reviewed any documentation available at the School for the students in our audit sample such as, enrollment paperwork, change of address forms and subsequent proof of residency documentation submitted to determine whether the School was receiving required residency support and billing the proper district of residence.
- For our audit sample, we reviewed the respective tuition billing invoices, receipts for payment from districts of residence, accounts receivables recorded for invoices billed but not yet paid and annual billing reconciliations to determine whether districts of residence were properly billed.

We conducted this performance audit in accordance with GAGAS (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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

The Board has the responsibility to initiate corrective action. We encourage the Board to prepare a plan of action that addresses the recommendations in this report and forward the plan to our office within 90 days.

Appendix D: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/localgov/costsavings/index.htm

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/localgov/planbudget/index.htm

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/localgov/pubs/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/localgov/finreporting/index.htm

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/localgov/researchpubs/index.htm

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/localgov/academy/index.htm

Contact

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