

Health Sciences Charter School

Student Enrollment and Billing

JULY 2019



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

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Report Highlights

Health Sciences Charter School

Audit Objective

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

Key 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.
- 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.

Key Recommendations

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

School officials agreed with our recommendations and indicated they planned to initiate corrective action.

Background

The Health Sciences Charter School (School) is located in the City of Buffalo and is governed by a Board of Trustees (Board). The Board is responsible for the general management and control of the School's financial and educational affairs. The Head of School is the School's chief executive officer and is responsible, along with other administrative staff, for the School's day-to-day management under the Board's direction.

The School contracts with an accounting firm to perform certain financial functions, with assistance from the School Business Manager, including maintaining financial records, billing resident school districts for tuition and preparing monthly financial reports.

Quick Facts

Enrollment	460
Operating Expenses	\$6.4 million
Tuition Revenue	\$5.8 million

Audit Period

July 1, 2017 – April 9, 2019

Student Enrollment and Billing

How Should Charter School Tuition Be Billed?

A charter school derives most of its operating revenues from billing the public school districts in which its students reside. The board and school officials are responsible for ensuring that the school properly bills these school districts for tuition costs. The school bills the districts of residence for eligible students based on the period of enrollment and the students' attendance or full-time equivalent (FTE) attendance.¹ The amount billed per student is calculated using a reimbursement rate established by the New York State Education Department (SED). The rate varies by district and is based largely on the district of residence's annual operating expenditures. 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.

In order to ensure tuition bills are accurate, school officials must verify student residency and keep an accurate, up-to-date record of student enrollment and daily attendance. School officials are responsible for periodically reviewing tuition bills to ensure the correct district is being billed and tuition charges have been calculated correctly using the appropriate SED rate. For special education students, officials should review the students' individualized education programs to ensure that the services provided and the recommended frequency are accurate, residency information is up-to-date and that the districts are being charged the appropriate amount.

Tuition Billing Accuracy Can Be Improved

We examined the billing accuracy for 42 students² with base billings³ to districts of residence totaling approximately \$395,000 and reviewed the FTE calculations used to calculate tuition billings totaling \$583,000 for the 85 students who attended the School less than a full year. We also reviewed additional billings totaling approximately \$435,000 for all students receiving special education services to determine if the billings were accurate and reflected the correct level of service. While we found that generally billings were calculated accurately and properly supported, the School relies on staff at its accounting firm to calculate tuition. School officials provide the accounting firm with attendance and enrollment records but do not adequately review the tuition bills to ensure the correct district is being billed or that tuition charges have been calculated correctly.

1 FTE is the decimal expression of the enrollment of a student in a school compared to the length of the annual school session. 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.

2 See Appendix B for details on our sampling methodology

3 Basic tuition/enrollment charge

We identified the following exceptions:

- The School did not use the correct formula to calculate State aid attributable to students receiving special education services. The formula to calculate aid for these students is available on SED's website. However, the School relied on a formula provided by the district of residence (BCSD) instead. Using SED's formula and guidelines, we determined that the amount owed to the School for 2017-18 totaled \$357,000 but the amount calculated using the BCSD's formula totaled \$435,000. As a result, the School billed the BCSD \$78,000 more than it would have had it followed SED guidelines.
- The School did not use the correct number of days to calculate student FTEs. The total number of days in the annual school session has an impact on the FTE calculation for students who do not attend a charter school the entire school year. The School incorrectly used 182 total school days to calculate tuition for students with less than a 1.0 FTE but the School's official calendar indicated there were 183 school days in 2017-18. As a result, the School underbilled the BCSD for 85 students, equating to approximately \$7,400.
- A student submitted a transfer request effective November 28, 2017 and began attending her district of residence but returned to the School on January 29, 2018. The School correctly billed the district of residence for the period September 5, 2017 to November 28, 2017. However, the School did not bill the district of residence after the student returned at the end of January. As a result, the School underbilled the district of residence by 91 days, equating to approximately \$6,500.
- A student was reported to the School as having an address change as of January 30, 2018 affecting the student's 2017-18 district of residence. However, the School billed both the original district of residence and the new district of residence for the period October 19, 2017 through January 29, 2018, and neither district for the period January 30, 2018 through June 22, 2018. As a result, the School billed the new district of residence incorrectly for 122 days, equating to a net underbilling of approximately \$2,000. The original district of residence was billed correctly.

School officials told us that these errors occurred in part because the School went through significant organizational changes in January 2018, particularly in its business management functions. School personnel involved in student enrollment and billing are relatively new in their respective positions. These individuals are responsible for maintaining and providing accurate student information for invoicing purposes and need more training to mitigate the possibility of making errors in student enrollment and billing.

What Do We Recommend?

The Board and School officials should:

1. Perform a thorough review of tuition bills to ensure the correct district is being billed and that tuition charges have been calculated correctly.
2. Ensure SED guidelines are used to calculate billings for students receiving special education services.
3. Work with the districts of residence to address and resolve the incorrect billings.
4. Provide more training to staff involved in the student enrollment and billing processes.

Appendix A: Response From School Officials



July 2, 2019

Mr. Jeffrey D. Mazula
Chief Examiner of Local Government and School Accountability
State of New York Office of the State Comptroller
Buffalo Regional Office
295 Main Street, Suite 1032
Buffalo, New York 14203-2510

Dear Mr. Mazula:

The Board of Trustees has reviewed your draft report of Student Enrollment and Billing Report of Examination for Health Sciences Charter School for the period from July 1, 2017 through April 9, 2019. We appreciate your input and welcome the opportunity to strengthen the existing internal controls of our School.

We recognize the need to continually revisit and evaluate the effectiveness of our school operations and internal controls on an on-going basis. We believe the following response addresses the matter reported in the preliminary draft.

We now present for you our responses to the State Comptroller's recommendations:

Recommendation:

The Board and School Officials should:

1. Perform a thorough review of tuition bills to ensure the correct district is being billed and that tuition charges have been calculated correctly.
2. Ensure SED guidelines are used to calculate billings for students receiving special education services.
3. Work with the districts of residence to address and resolve the incorrect billings
4. Provide more training to staff involved in the student enrollment and billing processes.

Response:

1. The School has consistently followed a procedure to ensure that the correct district is being billed and that state aid rates are calculated accurately. The state aid billed to districts is verified at the beginning of each school year and at the end of each school year, prior to submitting the final bill. As such, the rates used to bill the districts are the published rates in effect just prior to the date of the final submission, July 31st. Additional verification of state aid rates will be done during August following the end of the school year as year-end audit readiness is being performed. Additional follow up with districts will continue to be done in August to ensure that the correct district is billed for a student. Any and all updated bills will be sent to the respective district.
2. The School will follow the SED guidelines that are used to calculate billings for students receiving special education services.

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3. The School continues to follow procedures to ensure that incorrect billings are resolved. The policy includes follow up with the student's family to ensure that the correct district is being billed and follow up with districts that the student exited and entered during the year to ensure that the dates are billed correctly. When additional information arises after a bill has been prepared and submitted to the district, the bill will be adjusted accordingly.
4. The School acknowledges that the individuals responsible for maintaining and providing accurate student information are relatively new in their positions and will be provided more training and continuing updates to ensure that the enrollment and billing processes are efficient and effective.

Very truly yours,

Jamie Venning, Head of School

cc: Rick Hershberger, PhD MBA, President, Board of Trustees
Mary Farallo - Vice President, Board of Trustees
Cynthia A Schwartz - Secretary, Board of Trustees
Michael J. Faso - Treasurer, Board of Trustees



July 2, 2019

Mr. Jeffrey D. Mazula
Chief Examiner of Local Government and School Accountability
State of New York Office of the State Comptroller
Buffalo Regional Office
295 Main Street, Suite 1032
Buffalo, New York 14203-2510

Dear Mr. Mazula:

The Board of Trustees has reviewed your report of Student Enrollment and Billing Report of Examination for Health Sciences Charter School for the period from July 1, 2017 through April 9, 2019. We have prepared a corrective action plan in response to your recommendation in your report.

Audit Recommendation:

The Board and School Officials should:

1. Perform a thorough review of tuition bills to ensure the correct district is being billed and that tuition charges have been calculated correctly.

Implementation Plan of Action:

The School has consistently followed a procedure to ensure that the correct district is being billed and that state aid rates are calculated accurately. The state aid billed to districts is verified at the beginning of each school year and at the end of each school year, prior to submitting the final bill. As such, the rates used to bill the districts are the published rates in effect just prior to the date of the final submission, July 31st. Additional verification of state aid rates will be done during August following the end of the school year as year-end audit readiness is being performed. Additional follow up with districts will continue to be done in August to ensure that the correct district is billed for a student. Any and all updated bills will be sent to the respective district.

Implementation Date:

Immediately

Person Responsible for Implementation:

Outsourced accounting department and School Business Manager

Audit Recommendation:

The Board and School Officials should:

1. Ensure SED guidelines are used to calculate billings for students receiving special education services.



Implementation Plan of Action:

The School has consistently billed each and every district for special education services using rates that were published by NYSED and these rates were acknowledged and accepted by every district. A recent discovery suggested that these rates may not be correct. The School will continue to monitor and use the proper rates published by SED and follow SED guidelines to calculate billings for students receiving special education services.

Implementation Date:

Immediately

Person Responsible for Implementation:

Outsourced accounting department

Audit Recommendation:

The Board and School Officials should:

1. Work with the districts of residence to address and resolve the incorrect billings

Implementation Plan of Action:

The School continues to follow established procedures to ensure that incorrect billings are resolved. The policy includes follow up with the student's family to ensure that the correct district is being billed and follow up with districts that the student exited and entered during the year to ensure that the dates are billed correctly. When additional information arises after a bill has been prepared and submitted to the district, the bill will be adjusted accordingly.

The School will update their policies and procedures with respect to residency documentation that articulates what is acceptable proof of residency for students enrolling or moving. The School will continue to require new proof of residency for students who move and periodic verification of residence of current students.

Implementation Date:

Immediately

Person Responsible for Implementation:

School Business Manager

Audit Recommendation:

The Board and School Officials should:

1. Provide more training to staff involved in the student enrollment and billing processes.

Implementation Plan of Action:

The school will be providing ongoing training to ensure that the enrollment and billing processes are efficient and effective.



Implementation Date:

Immediately

Person Responsible for Implementation:

Outsourced accounting department

Very truly yours,

Jaime Venning, Head of School

cc: Rick Hershberger, PhD MBA, President, Board of Trustees
Mary Farallo - Vice President, Board of Trustees
Cynthia A Schwartz - Secretary, Board of Trustees
Michael J. Faso - Treasurer, Board of Trustees

Appendix B: 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 reviewed enrollment and billing policies and interviewed School officials and staff from the accounting firm to gain an understanding of the School's enrollment and tuition billing processes.
- We reviewed tuition invoices from the 2017-18 school year and determined that the School had approximately 460 students enrolled throughout the year. The tuition for the majority of these students (439) was billed to a single district, the Buffalo City School District (BCSD), while tuition for the remaining 22 students were billed to eight other school districts. We reviewed tuition charges for all 22 students billed to the other districts and used professional judgment to select a sample of 20 students billed to the BCSD. We selected 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 85 students billed to the BCSD during our audit period with these higher risk factors. From the 85 students, we selected 20 (24 percent) for our audit testing.
- We reviewed initial and annual enrollment proof of residency documentation and tuition billings for 2017-18 for our sample of 42 students, who had base billings totaling approximately \$395,000. 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 also reviewed the FTE calculations used to calculate tuition billings totaling \$583,000 for the 85 students who attended the School less than a full year.
- We also reviewed additional billings for all students receiving special education services in 2017-18 totaling approximately \$435,000 to determine if the billings reflected the correct level of service and 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 C: 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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