

Western New York Maritime Charter School

Student Enrollment and Billing

NOVEMBER 2019



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

Contents

- Report Highlights 1**

- Student Enrollment and Billing 2**
 - How Should a Charter School Maintain Accurate Enrollment and Tuition Records? 2
 - Tuition Billing Accuracy Can Be Improved 3
 - School Officials Do Not Enforce Residency Requirements 3
 - What Do We Recommend? 4

- Appendix A – Response From School Officials 5**

- Appendix B – OSC Comment on the School’s Response 7**

- Appendix C – Audit Methodology and Standards 8**

- Appendix D – Resources and Services 9**

Report Highlights

Western New York Maritime Charter School

Audit Objective

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

Key Findings

- School officials did not review tuition billing prepared by the School's contracted accounting firm. An incorrect formula was used to calculate State aid attributable to special education students, resulting in one district of residence being overbilled by more than \$161,000 in the 2018-19 school year.
- School officials did not obtain the required residency documentation for 52 out of 55 students in our audit sample.

Key Recommendations

- Periodically review tuition bills to ensure the billings have been calculated correctly.
- Adopt a written policy and prepare and enforce written procedures for students' proof of residency that include a provision to periodically update and verify the proof of residence.

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

Background

The Western New York Maritime Charter School (School) is located in the City of Buffalo and is governed by a nine-member Board of Trustees (Board). The Board is responsible for the general management and control of the School's financial and educational affairs. The Commandant 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 Director of Administrative Services, including maintaining financial records, billing school districts for tuition and preparing monthly financial reports.

Quick Facts

2018-19 Enrollment (Full-Time Equivalent Attendance)	483 (449)
2018-19 General Fund Budgeted Appropriations	\$7.3 million
2018-19 Tuition Revenue	\$6.4 million

Audit Period

July 1, 2017 – July 9, 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.

How Should a Charter School Maintain Accurate Enrollment and Tuition Records?

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 school districts of residence for eligible students based on the period of enrollment and the students' attendance or full-time equivalent (FTE) attendance.² The amount billed per student is calculated using a reimbursement rate established by the New York State Education Department (SED). The rate varies by school district and is based largely on the school district of residence's annual operating expenditures. Students receiving special education services, including teacher services and physical therapy, receive a weighted FTE rate and additional tuition rates are charged to the respective school districts of residence. School officials are responsible for periodically reviewing tuition bills to ensure the correct school district is being billed and tuition charges have been calculated correctly using the appropriate SED rate.

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. The School's registration packet states that proof of address is required before final student placement, and the School's written enrollment procedure requires that three or more original documents must be provided as proof of address at time of enrollment and be dated within 60 days prior to the date of registration.³

1 New York State Education Law Section 2856

2 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 enrolled for half of the school year has an FTE of 0.5.

3 Examples of acceptable documents for proof of address are verbally communicated to registrants. These documents include a NYS driver's license, utility bill, bank statement, check stub and Social Security agency document.

Tuition Billing Accuracy Can Be Improved

We examined the billing accuracy and FTE calculations for 55 students⁴ with base billings (basic tuition/enrollment charges) to school districts of residence totaling approximately \$491,000. In addition, we reviewed the 2018-19 special education services totaling approximately \$141,000 to determine if the billings were accurate and reflected the correct level of service for these students. We found that generally billings were calculated accurately. However, the School relied 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 school district is being billed or that tuition charges have been calculated correctly. Such reviews can be valuable controls to help detect and correct errors.

The School did not use the correct formula, which is available on SED's website, to calculate State aid attributable to students receiving special education services. Instead, the School relied on a formula provided by the Buffalo City School District (BCSD) – the district of residence for most of the School's students – to calculate aid, rather than using the formula provided by SED.⁵ Using SED's formula and guidelines, we determined that the amount owed to the School for 2018-19 totaled approximately \$560,000, but the amount calculated using BCSD's formula totaled more than \$721,000. As a result, the School billed BCSD over \$161,000 more than it would have by following the SED guidelines. BCSD subsequently adjusted the final 2018-19 tuition bill to correct the billing errors.

This error occurred because School officials did not provide adequate oversight of the billing process. Although the error was corrected and the School's billing calculations were generally accurate, its reliance on an outside party to calculate tuition using the formula provided by BCSD, and without a process to verify those calculations, places the School at an increased risk of inaccurately billing its districts of residence.

School Officials Do Not Enforce Residency Requirements

Although the School has written procedures requiring three documents for proof of residency, we found no evidence these procedures were approved by the Board. In addition, the School does not have any written policies or procedures for verifying and periodically updating proof of residency for enrolled students. Instead, the School relies on parents and guardians or school districts of residence to provide updates voluntarily. School office staff told us that they try to obtain an updated address when mail is returned.

4 See Appendix C for details on our sampling methodology.

5 Also see *Buffalo City School District – Charter School Tuition Billing* (Report No. 2019M-122), issued in August 2019.

Additionally, supporting residency documentation was lacking for new and returning students. For the same sample of 55 students, we found that one student had the required residency documentation and two students were not required to have residency documentation due to personal circumstances. The remaining 52 students had the following exceptions:

- Two students (siblings) had the required number of documents but the address was incorrect,
- Ten students had two documents,
- Thirty-seven students had one document (eight of which had incorrect addresses), and
- Three students had no residency documentation.

These exceptions occurred because School officials have not been enforcing their enrollment requirement for proof of residency and do not have a procedure in place to request updates in subsequent years. Without obtaining adequate proof of residency and requiring periodic updates, School officials do not have assurance that they are properly billing school districts of residence.

What Do We Recommend?

School officials should:

1. Perform a thorough review of tuition bills to ensure the correct school 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. Enforce School guidelines regarding proof of residency requirements and periodically verify and update the returning students' residences to ensure that proof of residence addresses match the addresses used for billing purposes.
4. Develop written procedures that address the periodic updating and verification of student residency.

The Board should:

5. Adopt a written policy addressing student enrollment and billing that incorporates existing written procedures.

Appendix A: Response From School Officials



Western New York Maritime Charter School
266 Genesee Street
Buffalo, New York 14204
(716) 842-6289 Fax: (716) 842-4241

November 4, 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 2019M-176 for Western New York Maritime Charter School for the period from July 1, 2017 through July 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:

Recommendations:

School officials should:

1. Perform a thorough review of tuition bills to ensure the correct school 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. Enforce School guidelines regarding proof of residency requirements and periodically verify and update the returning students' residences to ensure that proof of residence addresses match the addresses used for billing purposes.
4. Develop written procedures that address the periodic updating and verification of student residency.

The Board should:

5. Adopt a written policy addressing student enrollment and billing that incorporates existing written procedures.

Response:

1. The School has procedures in place to ensure that the correct school district is billed. The School attracts students who come from as many as 30 surrounding school districts each year. The School works with its outside accountants to reconcile any billing discrepancies with districts. The

School will perform a review of its existing policies and consider additional procedures to review the accuracy of state aid billings prior to submission of the bills to the districts.

2. The School will follow the SED commissioner regulations that are used to calculate billings for students receiving special education services. It should be noted that the higher rate that was used to bill for special education services was provided by the district and used by *all* Buffalo area charter schools. The lower rate does not take into consideration the *current* district's approved operating expense per total aidable pupil unit (AOE/TAPU).
3. The School's had a policy requiring three proofs of residence, however the School's policy was updated after the New York State Education Department issued a memo in January 2016 which stated the following:

"It is recommended that charter schools review surrounding school districts' enrollment/proof of residency requirements, which can vary, to ensure that the documentation collected by the charter school aligns to the extent practicable with surrounding districts' requirements and that charter school staff urge parents/guardians to register their students in their respective districts of residence, although this is not required for purposes of enrolling in a charter school."

After the New York State Education Department memo was issued in January 2016, the School's current policy requires one proof of residence for returning students and if the district of residence required more than one proof of residence, the School made good faith efforts to obtain additional proofs of residence from the parents or guardians. The auditors were inadvertently given an old copy of the admissions/enrollment policy that did not reflect the changes Maritime made after the January 2016 memo.

The School reserves the right to request additional proofs of residence from the parents or guardians. The School does not rely on the district to provide updated districts of residence, but rather works with the surrounding districts should a question arise as to the proper district of residence to bill. The School will update its written procedures regarding verification of student residency. The school's new admissions policy and school application does not stipulate three types of proof of residence. In addition, the School uses many resources to verify student residency including verification of source documents such as utility bills, driver licenses, Erie and Niagara County property tax records, and correspondence with the district of residence.

4. The Board will review billing procedures and adopt a written policy regarding student enrollment and billing procedures.

See Note 1 Page 7

Very truly yours,

Catherine Oldenburg, Commandant

cc: David Comerford, Director of Administrative Services
Thomas O'Brien, President, Board of Trustees
Thomas Giles, Treasurer, Board of Trustees

Appendix B: OSC Comment on the School's Response

Note 1

During our audit fieldwork, the Director of Administrative Services provided us with written procedures dated August 2010 which included the number of documents required to prove residency. We reviewed and discussed these written procedures with School officials, and were not provided with any more current written policies or procedures. In addition, we reviewed the School's Board minutes and found no evidence that a policy was adopted that superseded the August 2010 procedures.

At our exit discussion, officials provided us with an enrollment policy which addressed the admission and lottery process but did not address residency documentation requirements. Therefore, it is unclear what policy School officials are referring to.

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 reviewed enrollment and billing policies and procedures 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 the June 30, 2019 tuition roster for the 2018-19 school year and determined that the School had 483 students enrolled during the school year that totaled 449 FTE. The tuition for 385 of these students (80 percent) was billed to the Buffalo City School District (BCSD), while tuition for the remaining 98 students was billed to 26 other school districts. Using our professional judgment, we selected a sample of 32 students billed to BCSD and 23 students billed to 13 other school districts. We included students who had higher risk factors related to our audit objective, such as those with changes in FTE status, residency and special education services. Our sample included 11 students who attended the entire school year, 18 students who attended the School less than a full school year and 26 students receiving special education services.
- For our sample, we reviewed 2018-19 proof of residency documentation and FTE calculations 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. In addition, we compared the 2018-19 special education services totaling approximately \$141,000 to the student's individualized education program to determine whether the billings reflected the correct level of service.
- We recalculated the School's 2018-19 billing of BCSD to determine whether the overcharge adjustment was accurate.

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

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov

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

Local Government and School Accountability Help Line: (866) 321-8503

BUFFALO REGIONAL OFFICE – Jeffrey D. Mazula, Chief Examiner

295 Main Street, Suite 1032 • Buffalo, New York 14203-2510

Tel (716) 847-3647 • Fax (716) 847-3643 • Email: Muni-Bufferalo@osc.ny.gov

Serving: Allegany, Cattaraugus, Chautauqua, Erie, Genesee, Niagara, Orleans, Wyoming counties



Like us on Facebook at facebook.com/nyscomptroller

Follow us on Twitter @[@nyscomptroller](https://twitter.com/nyscomptroller)