



# Genesee Community Charter School

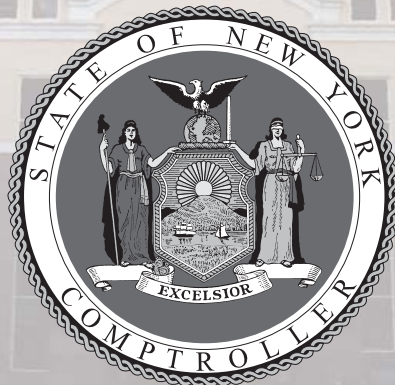
## Revenue Billing and Collection

### Report of Examination

Period Covered:

July 1, 2011 — February 15, 2013

2013M-61



Thomas P. DiNapoli

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# State of New York Office of the State Comptroller

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## **Division of Local Government and School Accountability**

May 2013

Dear School Officials:

A top priority of the Office of the State Comptroller is to help school officials manage their schools efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support school operations. The Comptroller oversees the fiscal affairs of charter schools statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and Board governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard school assets.

Following is a report of our audit of the Genesee Community Charter School, entitled Revenue Billing and Collection. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Section 2854 of the Education Law.

This audit's results and recommendations are resources for school officials to use in effectively managing operations and in meeting the expectations of taxpayers, students, and their parents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller  
Division of Local Government  
and School Accountability*

# Introduction

## Background

A charter school is a public school financed by local, State, and Federal resources that is not under the control of the local school board and is governed under Education Law Article 56. Charter schools have less legal operational requirements than traditional public schools. Most of a charter school's requirements are contained in its by-laws, charter agreement, the fiscal/financial management plans, and the Financial Oversight Handbook for those schools that are authorized by the State University of New York (SUNY).

The Genesee Community Charter School (School), located in the City of Rochester, Monroe County, is governed by a Board of Trustees (Board) which comprises 17<sup>1</sup> voting members. The School Leader is the chief executive officer and oversees all the school operations including the financial operations. The day-to-day financial operations are conducted by the School's Coordinator of School Operations.

The School's current charter was renewed in December 2009. There are currently 216 students attending the School and a work force of 31 employees. The School's budgeted appropriations for the 2012-13 fiscal year are approximately \$2.6 million. These appropriations are funded with revenues derived from billing area school districts<sup>2</sup> for resident pupils and from certain State and Federal aid attributable to these pupils.

## Objective

The objective of our audit was to examine the cash receipts process. Our audit addressed the following related question:

- Are School revenues properly billed, collected, recorded and reported?

## Scope and Methodology

We examined the School's financial operations for the period July 1, 2011, to February 15, 2013. To accomplish this, we evaluated selected areas by performing the following survey procedures:

- General Governance – We reviewed the School's charter, by-laws, and Board policies and found that the Board has adopted adequate financial policies regarding purchasing, cash receipts and disbursements, payroll, conflicts of interest and/or code of ethics, and investments.
- Financial Oversight and Condition – We found that generally

<sup>1</sup> Currently only 16 members as there is one vacancy on the Board.

<sup>2</sup> The School bills various local school districts tuition charges to provide educational services to students residing in their respective districts.

the internal controls over Board oversight of school financial operations were sufficient. The School's contracted accountant prepares and presents financial reports to the Board Treasurer and Finance Committee for review.

- Purchasing – We reviewed \$108,638 spent on travel, the internal controls over the use of credit cards, and the overall process of purchasing and receiving goods. We determined that the School's purchasing practices effectively enabled the School to acquire goods and services in accordance with its procurement policy.
- Cash Disbursements – We reviewed the School's internal controls over cash disbursements. Specifically, we reviewed the cash disbursement process, reviewed bank reconciliations, reviewed controls over check stock, and interviewed employees involved with the process.
- Payroll and Personal Services – We reviewed the internal controls over the payroll process and randomly selected one payroll during the 2012-13 fiscal year for review. We found that the payments were properly authorized, supported with adequate documentation, and appeared to be for proper amounts, and therefore, determined the internal controls were sufficient.
- Inventory and Asset Controls – We reviewed the School's controls over inventories and fixed assets and identified no exceptions.

After evaluating these areas it appears that School officials have established adequate controls and, therefore, limited risk exists. Accordingly, we determined that further testing in these areas was not necessary.

We also reviewed cash receipts and found that while overall the internal controls over this area appear adequate, risk existed in the process of collecting, depositing and recording revenues. Therefore, we examined the School's current revenue receipt process for the period July 1, 2011, through February 15, 2013.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix B of this report.

**Comments of School  
Officials and Corrective  
Action**

The results of our audit and recommendation have been discussed with School officials and their comments, which appear in Appendix A, have been considered in preparing this report. School officials generally agreed with our recommendation.

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 to forward the plan to our office within 90 days. For more information on preparing and filing your Corrective Action Plan (CAP), please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make this plan available for public review in the Principal's office.

## Revenue Billing and Collection

School officials are responsible for developing formal procedures to provide reasonable assurance that revenues are properly billed, collected, recorded, and reported. Key duties (e.g., maintenance of accounting records, cash custody, bank reconciliations) must be adequately segregated so that the same individual is not controlling most or all phases of a transaction, particularly when there is limited supervisory oversight. In instances where staff is limited, a detailed supervisory review of related activities could provide assurance that policies and procedures are properly followed; that billing adjustments are proper and documented; and that cash assets are accounted for, accurately reported, and adequately protected.

We found that revenues from resident school districts, School meals and field studies<sup>3</sup> are properly billed, collected, recorded, and reported. However, the School has not developed procedures to segregate the collecting, recording, and reconciling of School meal and field study revenues. Moneys received are held by the Coordinator of School Operations (CSO) who also prepares the deposits and reconciles the bank statements without independent review of the deposits or reconciliations. When one person performs the duties related to cash collections, record keeping, and bank reconciliations, there is an increased risk for errors and irregularities to occur and go undetected.

Resident School District Billing – Education Law<sup>4</sup> provides for the funding of charter schools' operating budgets. The public school district in which a student resides is considered the student's resident school district. A charter school derives most of its operating revenues from the school districts in which its students reside. Charter schools are required to keep an accurate up-to-date attendance record of student enrollment and report this data to the students' resident school district in a timely manner. Based on enrollment, count, attendance, or full-time equivalent (FTE)<sup>5</sup> attendance, a charter school bills the resident school districts for providing services to the students enrolled in the charter school. The resident school districts directly pay the charter school based on a reimbursement rate established by the New York State Education Department. The School bills the

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<sup>3</sup> Field studies are field trips with a purpose of providing research that students will later use in their studies throughout the remainder of the school year.

<sup>4</sup> Article 56, Section 2856

<sup>5</sup> FTE is the decimal expression of the enrollment of a student in a charter school compared to the length of the annual session of the charter school. A student who is enrolled for the full school year has FTE of 1.0, while a student who is enrolled for only half of the school year has an FTE of 0.50.

resident school districts for their students' tuition in six installments during the fiscal year.

The School had 216 students enrolled as of January 31, 2013. We reviewed three randomly selected resident school district billings during the 2011-12 and 2012-13 fiscal years to determine whether the billing invoices were accurate and supported. Table 1 shows the number of students and total amount billed to the three resident school districts:

<b>Bill Date</b>	<b>Number of Students</b>	<b>Total Billed</b>
November 2011	213	\$411,236
September 2012	217	\$446,673
November 2012	216	\$422,219

We found that the School accurately billed the resident school districts.

We also randomly selected four of the nine resident school districts and all the corresponding students on the student rosters, and reviewed the School's records for these seven students to determine whether the School maintained adequate documentation of the students' addresses and proof of their residence in each of the resident school districts. We found that the School maintained adequate supporting documentation for the students reviewed. Finally, we compared the amount collected during the periods covered by the billing invoices, and tested and compared payments to the cash receipts logs, deposit receipts, bank statements, and bank reconciliation reports. We determined that all revenues received from the resident school districts were properly deposited in the School bank account without exception.

School Meal Collections – At the beginning of each month, the School sends a calendar home to parents that show each day that school is in session and what the daily meal options are for breakfast and lunch. The parents return the calendars marked with their child's meal selections and payment for these meals to the teaching assistants in each classroom on a specified date each month. Upon receipt, the teaching assistants fill out a cash receipts log and submit payment and supporting documentation to one of the administrative assistants in the School's Administrative Office. An administrative assistant then reconciles the cash receipts logs to the returned calendars and creates her own cash receipt log before submitting the order to the School's contracted meal provider. Once reconciled, all moneys and supporting documentation are turned over to the CSO for deposit and to be entered into the accounting software. Deposits are typically brought to the bank by an administrative assistant.



Because there is no reconciliation or comparison of the supporting documentation, cash receipts logs, and deposits to verify all moneys collected by the CSO are properly recorded and deposited, we prepared a trend analysis of cash receipts for each of the seven classes<sup>6</sup> for each month during the 2011-12 school year. We did not identify any irregular trends. We also randomly selected two months of cash receipts for testing and determined that cash receipts received by the teaching assistants were properly recorded and deposited without exception.

Field Study Collections – Each year the School invites the 5th and 6th graders on a four-day field study to perform field research on a topic they have been learning about that year. Once the per-student cost is established, the School collects payment for attendance in three installments.<sup>7</sup> Some students receive full and partial scholarships from the School to cover the cost of the field study. An administrative assistant in the Administrative Office bills the parents for the field study at the beginning of the year and all payments are collected by this same administrative assistant. Once she collects payments she annotates the amount paid; form of payment, including check or money order number if applicable; date received; and date deposited on a cash receipt log. Once she receives the money for that payment period, she gives the money and a copy of the cash receipt log to the CSO to be entered in the accounting software and to have a deposit prepared. Deposits are typically brought to the bank by one of the administrative assistants.

Because there is no reconciliation or comparison of supporting documentation, cash receipts logs, and deposits, we reviewed the cash receipt documentation pertaining to the January 2013 field study. We determined that the School properly billed, collected, and deposited \$16,475<sup>8</sup> for the field study. We also found that the School had appropriately billed for outstanding payments.

## Recommendation

1. The Board should require that bank and cash receipts reconciliations for School meal and field study collections be performed by someone independent of the cash receipts process.

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<sup>6</sup> A class per each grade - Kindergarten through 6th grade

<sup>7</sup> Installments for the January 2013 field study were September 28, 2012, November 1, 2012, and December 14, 2012.

<sup>8</sup> 61 students at \$300 = \$18,300; less two ½ scholarships and five full scholarships = \$16,500; less \$125 unpaid balance = \$16,375; plus an additional \$100 paid by parents as donations = \$16,475.

## **APPENDIX A**

### **RESPONSE FROM SCHOOL OFFICIALS**

The School officials' response to this audit can be found on the following page.



**Genesee Community Charter School**  
**at the Rochester Museum & Science Center**

657 East Avenue · Rochester, NY 14607 · (585) 271-4552 x 460 · [www.GCCSchool.org](http://www.GCCSchool.org)

April 30, 2013

Office of the State Comptroller  
Division of Local Government  
and School Accountability  
Rochester Regional Office  
Edward V. Grant, Jr., Chief Examiner  
The Powers Building  
16 West Main Street, Suite 522  
Rochester, NY 14614-1608

Dear Mr. Grant:

In response to the preliminary audit findings for examination period July 1, 2011-February 15, 2013, The Board of the Genesee Community Charter School is in agreement with said findings.

The Board of the Genesee Community Charter School would like to thank the Office of the State Comptroller for its time and consideration. If you have any questions, please feel free to call me at 585-271-4552 x461.

Sincerely,

Lisa A. Wing, Ph.D.  
School Leader  
The Genesee Community Charter School

## APPENDIX B

### AUDIT METHODOLOGY AND STANDARDS

The objective of our examination was to assess the School's financial operations. To accomplish this, we performed an initial assessment of the internal controls so that we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of the following areas: general governance, financial oversight and condition, purchasing, cash receipts (including resident school district tuition billings), cash disbursements, payroll and personal services, inventory and asset controls, and information technology.

During the initial assessment, we interviewed appropriate School officials, performed limited tests of transactions, and reviewed pertinent documents such as School policies, the SUNY Financial Oversight Handbook, Board minutes, and financial records and reports. In addition, we reviewed the School's internal controls and procedures over the computerized financial databases to help ensure that the information produced by such systems was reliable.

After reviewing the information gathered during our initial assessment, we determined that the controls appeared to be adequate and that limited risk existed for most of the financial areas we reviewed. We then decided upon the reported objective and scope by selecting for audit the area most at risk. We selected cash receipts for further testing. To achieve our audit objective and obtain valid audit evidence, we performed the following audit procedures:

- We interviewed appropriate School officials to gain an understanding of the cash receipt process.
- We reviewed documentation to identify the number of resident school districts billed during the 2011-12 and 2012-13 fiscal years to date.
- We verified the rates used to bill the resident school districts agreed with the basic tuition rates set by the New York State Education Department.
- We recalculated select billing invoice amounts and reviewed supporting documentation to determine if they were accurate and supported.
- We verified that the amount collected from resident school districts was properly recorded and deposited in School bank accounts.
- We scheduled out the total cash receipts collected for School meals for each grade for each month of the 2011-12 fiscal year to identify any unusual increases or decreases and interviewed school officials, or used professional judgment, to determine reasons for any fluctuations.
- We compared the amount of School meal revenue received from parents by classroom on the teaching assistants' cash receipts logs to the amount recorded by the respective administrative assistant on her cash receipts log to the deposit receipt, bank statement, and bank reconciliation.

- We interviewed School staff to determine that the per-student cost of the field study trip was \$300 and reviewed the field study roster to identify students receiving scholarships. We reviewed the cash receipts logs to determine if all payments were received, recorded, and deposited from each of the 61 students attending. We then compared payments received from parents on cash receipt logs prepared by the administrative assistant to deposit receipts, bank statements, and reconciliations to ensure all money received was properly deposited and recorded.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

## APPENDIX C

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**AND SCHOOL ACCOUNTABILITY**

Andrew A. SanFilippo, Executive Deputy Comptroller  
Nathalie N. Carey, Assistant Comptroller

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