



West Buffalo Charter School Student Enrollment and Billing

Report of Examination

Period Covered:

July 1, 2012 — September 30, 2013

2013M-314



Thomas P. DiNapoli

Table of Contents

	Page
AUTHORITY LETTER	2
INTRODUCTION	3
Background	3
Objective	3
Scope and Methodology	3
Comments of School Officials and Corrective Action	4
STUDENT ENROLLMENT AND BILLING	5
Recommendations	6
APPENDIX A Response From School Officials	7
APPENDIX B Audit Methodology and Standards	12
APPENDIX C How to Obtain Additional Copies of the Report	14
APPENDIX D Local Regional Office Listing	15

State of New York Office of the State Comptroller

Division of Local Government and School Accountability

December 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 school 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 West Buffalo Charter School, entitled Student Enrollment and Billing. 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[1][c] of the Education Law, as amended by Chapter 101 of the Laws of 2010.

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 and fiscal/financial management plans.

The West Buffalo Charter School (School), located in the City of Buffalo, Erie County, is governed by a Board of Trustees (Board) that currently has seven members. The Board is responsible for the general management and control of the School's financial and educational affairs. The Board appoints a School Leader who is responsible, along with the Finance and Operations Officer and other administrative staff, for the day-to-day management of the School under the direction of the Board. The Finance and Operations Officer is responsible for the School's financial operations including the preparation of bills to the students' school districts of residence.

The School's expenses for the 2012-13 fiscal year were approximately \$2.1 million. These expenses were funded with revenues of approximately \$2.4 million derived from billing area school districts for resident pupils and from certain State and Federal aid attributable to these pupils. During the 2012-13 fiscal year, the School had 138 students in kindergarten through second grade.¹

Objective

The objective of our audit was to examine the student enrollment and billing process. Our audit addressed the following related question:

- Are student enrollment and billings to school districts of residence accurate and supported?

Scope and Methodology

We examined the School's billing process for the period July 1, 2012 through September 30, 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 is included in Appendix B of this report.

¹ The School added third grade in the 2013-14 fiscal year and will add fourth grade in the 2015-16 fiscal year. School enrollment in the 2013-14 fiscal year increased to 218 students.

**Comments of School
Officials and Corrective
Action**

The results of our audit and recommendations 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 the findings and included their corrective action plan as part of their response.

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 School Board Secretary's office.

Student Enrollment and Billing

Education Law provides for the funding of charter schools' operating budgets. A charter school derives most of its operating revenues from the public school districts in which its students reside. Charter schools are required to keep an accurate and up-to-date attendance record of student enrollment and to report such data to the school districts of residence in a timely manner. Based on enrollment, count, attendance or full-time equivalent² attendance, a charter school bills the school districts of residence for providing services to the students enrolled in the charter school.

The school districts directly pay the charter school for each student enrolled in the charter school who resides in their respective school district. The amount paid per student is based on a reimbursement rate established by the New York State Education Department (SED). Payments are made by the school districts in six installments beginning in July and every two months thereafter. In addition, a charter school should have adequate procedures in place to ensure that the enrollment of students through a wait list lottery is performed in a transparent and impartial manner based on preferences identified in the school's charter.³

The School had 138 students enrolled as of June 30, 2013, virtually all of which were from the Buffalo City School District except for two students from two other districts. For the 2012-13 fiscal year, we compared billings totaling approximately \$1.7 million for the Buffalo City School District to revenues received and reported and did not identify any discrepancies. We also reviewed the relevant factors included in the calculation for the final billing to the Buffalo City School District and identified a minor billing error due to the incorrect inclusion of certain days in the School's calculation.

The School has developed written lottery and wait list procedures and has an independent third party conduct the lottery to ensure an accurate and impartial process. We successfully traced all students on the 2013-14 enrollment lottery report to the enrollment report, declined enrollment report or correct slot on the September 27, 2013 wait list.

² Full-time equivalent (FTE) is the decimal expression of the enrollment of a student in the charter school compared to the length of the annual school session. A student who is enrolled for the full year has an FTE of 1.0, while a student who is only enrolled for half of the year has an FTE of 0.5.

³ The School's charter gives enrollment preference to Buffalo City School District students and students with siblings enrolled at the School.

We also selected a judgmental sample of 27 students⁴ to determine if billings to the districts of residence were accurate and supported. We found that 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 our 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. The School requires that proof of residence be submitted as part of the registration process. In addition, the School routinely communicates with parents/guardians to ensure student information is updated and relies on parents/guardians to notify the School if a student's address changes during the school year. Since the School is only in its second year of operation, School officials have not yet developed a procedure to 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. As a result, the risk is increased that the School could bill a school district of residence incorrectly for students who are no longer residing in that district.

The Buffalo City School District, where the majority of the School's students reside, periodically conducts an onsite visit and physically counts and verifies the students reported by the School. A recent audit conducted by the Buffalo City School District on March 7, 2013 identified no concerns.

Recommendations

1. School officials should ensure that proof of residence documentation is current and maintained on file for each enrolled student.
2. School officials should periodically verify and update the returning students' residences to ensure that proof of residence addresses match the addresses used for billing purposes.

⁴ Our judgmental sample consisted of 25 students from the Buffalo City School District and both students from the other two districts.

APPENDIX A

RESPONSE FROM SCHOOL OFFICIALS

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

Please note that the School's response letter refers to page numbers that appeared in the draft report. The page numbers have changed during the formatting of this final report.



West Buffalo Charter School

113 Lafayette Avenue • Buffalo, New York 14213
716.923.1534 • www.westbuffalocharter.org

Mrs. Andrea Todoro, School Leader • Elizabeth Sterns, Finance and Operations Officer

November 12, 2013

Mr. Robert E. Meller
Chief Examiner of Local Government and
School Accountability
295 Main Street, Suite 1032
Buffalo, New York 14203-2510

**Re: West Buffalo Charter School – Student Enrollment and Billing
Report # - 2013-314**

Dear Mr. Meller:

Please accept this as our official written Audit Response Letter (“Response”) relative to the above-referenced draft audit report (the “Report”) dated November 5, 2013. The Report was received electronically as an attachment on November 5, 2013 and this response satisfies your office’s 30-day response requirement.¹

Note that due to the limited Report findings and the simplicity of the school’s Corrective Action Plan (“CAP”), we have chosen to combine our Response and CAP into one document.²

Written Audit Response:

We have reviewed the Report for accuracy of findings and found no issues. It is our opinion that the methodology used by the Senior Examiner in verifying student enrollment and billing was sound and that the findings communicated in the Report were accurate. Thus, we agree with the Report.

¹ *Responding to an OSC Audit Report: Audit Responses and Corrective Action Plans*, as published by the Office of the State Comptroller, Division of Local Government and School Accountability, June 2011.

² *Ibid*; Page 9.

We also note that the findings reflect files created prior to the start of the 2012-13 school-year (our first year of operations) and at the time the administrative functions were conducted offsite as the school facilities were under construction. This made registration, specifically paperwork processing, more difficult.³

The two recommendations cited in the Report (Page 7) to improve residency verification were already being addressed as of the Report date as current registration procedures better substantiate residency. We will address these more fully in the Corrective Action Plan (“CAP”) below.

Corrective Action Plan (“CAP”):

This CAP refers to the following Report of Examination:

Unit Name:	Division of Local Government and School Accountability
Audit Report Title:	West Buffalo Charter School Student Enrollment and Billing/ Report of Examination
Audit Report Number:	2013M-314

Report Recommendations and related CAP:

- ***Audit Recommendation #1: School officials should ensure that proof of residence documentation is current and maintained on file for each enrolled student.***

- **Corrective Action Plan for #1:**
 - The school has appointed a point person to serve as the school’s Registrar. This person will be responsible for ensuring all required documentation is on file at the time of student registration. Additionally:
 - A revised checklist to include approved proof of residency was created and included with the new registration packet.
 - All student registration is done “in person” and a list of all required documentation is provided to the families prior to their in-person registration appointment.
 - The Registrar will initial next to the Proof of Residency checklist item as verification that the proof meets the requirement standards, reconciles to the

³ Students were registered remotely as we did not take occupancy of the school facilities until Friday August 10, 2012; school began Monday August 13, 2012.

address provided on the Registration Form saved in the student's file as well as the electronic file per the school's student management system.

- Any time a family reports a change in address, we are now requiring that an *Enrollment Form-Residency Questionnaire* be completed and filed. This information is also updated on the Registration Form. The change is initialed by the person making the change and dated.⁴
- A copy of all changes is given to the person responsible for school billing to ensure that all address changes are accurate and timely.

The bulk of the above-detailed implementation changes began in May 2013 as we began registering students for the 2013-14 school year. These changes were proceduralized and added an oversight component immediately following the September 30, 2013 preliminary audit finding meeting.

The changes will be implemented by the School Nurse (also serving as Registrar), the receptionist, and supervised by the School Leader and the Finance & Operations Officer to ensure continued adherence to these procedures.

➤ **Audit Recommendation #2:** *School officials should periodically verify and update the returning students' residence to ensure that proof of residence addresses match the addresses used for billing purposes.*

➤ Corrective Action Plan for #2:

- Immediately following the September 30, 2013 preliminary findings meeting with the Senior Examiner, the school conducted an internal audit of all student files. This was done to ensure that all student files contained all documents included on the Registration Checklist. A letter was immediately sent to the families requesting any documentation found to be missing. As of the date of this Response, all families have responded with requested documentation.
- A similar internal record audit process will be conducted during grade advancement and classroom building (summer break).
- A schedule was created to periodically verify student information including but not limited to, student addresses. We will send a form of current information home with student report cards during the first and third marking periods. This form will include a note asking families to review information on file and to indicate where updates are

⁴ Title I funding policies require school's to track homelessness as part of the McKinney-Vento Act. A requirement of this requires schools to have families complete an Enrollment Form-Residency Questionnaire any time a student reports a change in address. We are using this form to track all address changes.

necessary. We will use this information to update: student registration forms, student management system, and billing. The data forms are generated directly from the student management system.

The above-detailed implementation changes began in October 2013 following the preliminary finding meeting.

The changes will be implemented by the School Nurse (also serving as Registrar), the receptionist, and supervised by the School Leader and the Finance & Operations Officer to ensure continued adherence to these procedures.

We trust this Response and related CAP are sufficient relative to the Report and Response requirements set forth by the Office of the State Comptroller. However, please do not hesitate to contact me should you require additional information.

Sincerely,

Joseph Cozzo, President
West Buffalo Charter School, Board of Trustees

Enclosure

cc: Andrea Todoro, School Leader
Elizabeth Sterns, Finance & Operations Officer
James Sampson, Trustee
Dr. Arup Sen, Trustee
Dr. David Whitehorse, Trustee
Lucy Candelario, Trustee
Richard Baer, Trustee
Michelle Stevens, Trustee
Joanne Haefner, Trustee

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, cash receipts and disbursements, purchasing, payroll, information technology and inventory and asset controls.

During the initial assessment, we interviewed School officials, performed limited tests of transactions and reviewed pertinent documents, such as School by-laws, procedures, Board minutes and financial records and reports.

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 for the area with the greatest risk. We examined the School's enrollment and billing process for the period July 1, 2012 through September 30, 2013, with a focus on the 2012-13 fiscal year and examined the enrollment and wait list lottery for the 2013-14 fiscal year. Our audit included various procedures to gather relevant evidence concerning our stated objective, as follows:

- We reviewed the School's charter agreement, by-laws, unaudited financial statements, Board meeting minutes, policies and procedures and the School's website to get an understanding of the enrollment and billing processes.
- We reconciled the 2012-13 fiscal year enrollment reports to the attendance reports for all students to verify completeness of data and recalculated FTEs based on reported enrollment and exit dates, and the School calendar, for all students.
- We reconciled the 2012-13 fiscal year billings for the Buffalo City School District to payments received and to the amount reported. In addition, we compared the various factors used by the School for billing the school districts of residence against factors established by SED.
- For the 27 students tested, we selected the two students billed to school districts other than the Buffalo City School District and judgmentally selected 25 students, including eight students who left before June 30, 2013, and two students who did not return for the subsequent school year which were billed to the Buffalo City School District.
- We examined the 27 students' files for proof of residence documentation and compared residence addresses on file to residence addresses used for billing as documented on the student registration form. In addition, we examined all 27 files for completeness of other required documentation. For the eight students who left before June 30, 2013, we examined documentation to support the transfer date.
- We traced all 102 applicants from the 2013-14 fiscal year enrollment and wait list lottery to the enrollment, wait list or declined list. For two students, the declined enrollment documents were provided for our review.

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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

APPENDIX C

HOW TO OBTAIN ADDITIONAL COPIES OF THE REPORT

To obtain copies of this report, write or visit our web page:

Office of the State Comptroller
Public Information Office
110 State Street, 15th Floor
Albany, New York 12236
(518) 474-4015
<http://www.osc.state.ny.us/localgov/>

APPENDIX D
OFFICE OF THE STATE COMPTROLLER
DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY

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

LOCAL REGIONAL OFFICE LISTING

BINGHAMTON REGIONAL OFFICE

H. Todd Eames, Chief Examiner
Office of the State Comptroller
State Office Building - Suite 1702
44 Hawley Street
Binghamton, New York 13901-4417
(607) 721-8306 Fax (607) 721-8313
Email: Muni-Binghamton@osc.state.ny.us

Serving: Broome, Chenango, Cortland, Delaware,
Otsego, Schoharie, Sullivan, Tioga, Tompkins Counties

BUFFALO REGIONAL OFFICE

Robert Meller, Chief Examiner
Office of the State Comptroller
295 Main Street, Suite 1032
Buffalo, New York 14203-2510
(716) 847-3647 Fax (716) 847-3643
Email: Muni-Bufferalo@osc.state.ny.us

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

GLENS FALLS REGIONAL OFFICE

Jeffrey P. Leonard, Chief Examiner
Office of the State Comptroller
One Broad Street Plaza
Glens Falls, New York 12801-4396
(518) 793-0057 Fax (518) 793-5797
Email: Muni-GlensFalls@osc.state.ny.us

Serving: Albany, Clinton, Essex, Franklin,
Fulton, Hamilton, Montgomery, Rensselaer,
Saratoga, Schenectady, Warren, Washington Counties

HAUPPAUGE REGIONAL OFFICE

Ira McCracken, Chief Examiner
Office of the State Comptroller
NYS Office Building, Room 3A10
250 Veterans Memorial Highway
Hauppauge, New York 11788-5533
(631) 952-6534 Fax (631) 952-6530
Email: Muni-Hauppauge@osc.state.ny.us

Serving: Nassau and Suffolk Counties

NEWBURGH REGIONAL OFFICE

Tenneh Blamah, Chief Examiner
Office of the State Comptroller
33 Airport Center Drive, Suite 103
New Windsor, New York 12553-4725
(845) 567-0858 Fax (845) 567-0080
Email: Muni-Newburgh@osc.state.ny.us

Serving: Columbia, Dutchess, Greene, Orange,
Putnam, Rockland, Ulster, Westchester Counties

ROCHESTER REGIONAL OFFICE

Edward V. Grant, Jr., Chief Examiner
Office of the State Comptroller
The Powers Building
16 West Main Street – Suite 522
Rochester, New York 14614-1608
(585) 454-2460 Fax (585) 454-3545
Email: Muni-Rochester@osc.state.ny.us

Serving: Cayuga, Chemung, Livingston, Monroe,
Ontario, Schuyler, Seneca, Steuben, Wayne, Yates Counties

SYRACUSE REGIONAL OFFICE

Rebecca Wilcox, Chief Examiner
Office of the State Comptroller
State Office Building, Room 409
333 E. Washington Street
Syracuse, New York 13202-1428
(315) 428-4192 Fax (315) 426-2119
Email: Muni-Syracuse@osc.state.ny.us

Serving: Herkimer, Jefferson, Lewis, Madison,
Oneida, Onondaga, Oswego, St. Lawrence Counties

STATEWIDE AUDITS

Ann C. Singer, Chief Examiner
State Office Building - Suite 1702
44 Hawley Street
Binghamton, New York 13901-4417
(607) 721-8306 Fax (607) 721-8313