



Hammondsport Central School District Nonresident Tuition

Report of Examination

Period Covered:

July 1, 2012 – June 16, 2016

2016M-248



Thomas P. DiNapoli

Table of Contents

	Page
AUTHORITY LETTER	1
INTRODUCTION	2
Background	2
Objective	2
Scope and Methodology	2
Comments of District Officials and Corrective Action	3
NONRESIDENT TUITION	4
Recommendations	5
APPENDIX A Response From District Officials	6
APPENDIX B Audit Methodology and Standards	8
APPENDIX C How to Obtain Additional Copies of the Report	9
APPENDIX D Local Regional Office Listing	10

State of New York Office of the State Comptroller

Division of Local Government and School Accountability

September 2016

Dear School District Officials:

A top priority of the Office of the State Comptroller is to help school district officials manage their districts efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support district operations. The Comptroller oversees the fiscal affairs of districts statewide, as well as districts' 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 district operations and Board of Education governance. Audits also can identify strategies to reduce district costs and to strengthen controls intended to safeguard district assets.

Following is a report of our audit of the Hammondsport Central School District, entitled Nonresident Tuition. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law.

This audit's results and recommendations are resources for district officials to use in effectively managing operations and in meeting the expectations of their constituents. 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

The Hammondsport Central School District (District) is located in the Town of Tyrone in Schuyler County and the Towns of Bath, Pulteney, Urbana, Wayne and Wheeler in Steuben County. The District is governed by the Board of Education (Board), which is composed of five elected members. The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools, who is the District's chief executive officer, also serves as the District's Business Manager and is responsible, along with other administrative staff, for the District's day-to-day management under the Board's direction.

The District operates one school with approximately 500 students and 115 employees. The District's budgeted appropriations for the 2016-17 fiscal year are approximately \$13.7 million, which are funded primarily with State aid and real property taxes.

The elementary and junior/senior high school principals' secretaries are responsible for registering new students entering the District, which includes properly identifying the nonresident students' districts of residence (home districts). The District charges nonresident tuition for students that are placed at the District through foster care or by their home district for special education services. All other nonresident students who elect to attend the District are not charged tuition. During our audit period, the District had 99 nonresident students.¹

Objective

The objective of our audit was to review the District's nonresident tuition billing procedures. Our audit addressed the following related question:

- Did District officials identify and properly bill tuition for nonresident students?

Scope and Methodology

We examined the District's nonresident tuition billing procedures for the period July 1, 2012 through June 16, 2016.

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.

¹ We included one student twice because this student was placed at the District through foster care during the 2014-15 school year, was released from foster care during the same year and elected to finish the year as a nonresident student of the District.

**Comments of
District Officials and
Corrective Action**

The results of our audit and recommendations have been discussed with District officials, and their comments, which appear in Appendix A, have been considered in preparing this report. District officials generally agreed with our findings and recommendations and indicated they planned to initiate corrective action.

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of General Municipal Law, Section 2116-a (3)(c) of New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education, a written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, with a copy forwarded to the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the next fiscal year. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. The Board should make the CAP available for public review in the District Clerk's office.

Nonresident Tuition

The Board and District officials are responsible for ensuring that the District properly bills for nonresident tuition costs. Generally, a student is educated by the student's district of residence. However, school districts may voluntarily establish a policy to accept nonresident students and set tuition rates for those students according to statutory direction. Further, exceptions are provided by law to address instances where students may be living in residences designated by State or local agencies through various social services programs such as foster care.

During our audit period, the District had 87 nonresident students who elected to attend the District and 12 nonresident students who were placed² at the District through foster care or by their home district to receive special education services. The home districts for three students who were placed in the District for special education services were not billed due to exchange agreements between the districts. In accordance with current Board policy, nonresident students who elected to attend the District (including dependents of District employees who do not reside in the District) may attend tuition-free after submitting an application and obtaining Board approval.

District officials are responsible for properly identifying and accurately billing for those nonresident students who are placed at the District and receive education services. The district where the student resided at the time the State or local agency assumed responsibility for the student's care is financially responsible for the student's education expenditures.

The District Treasurer (Treasurer) prepared estimated tuition invoices for the students' home districts at the end of each fiscal year and sent final adjusted invoices once the District's nonresident tuition (NRT) rates were calculated by the New York State Education Department (SED). SED calculates an NRT rate each year for each school district based on the financial data reported by that district and issues an estimated rate for the current school year and an actual rate for the prior year. The Treasurer also tracked tuition payments and coordinated communication with the nonresident students' home districts regarding this billing process.

District officials should improve their billing process to properly bill for nonresident students by determining actual attendance dates. We

² Ibid

reviewed 10 tuition invoices for seven nonresident students placed at the District totaling \$219,941 from the 2012-13 through 2014-15 years. While District officials effectively identified nonresident students who were placed at the District (including two students who were placed in the District during the 2015-16 school year), we found that the Treasurer used incorrect attendance dates when calculating bills for three students. As a result, two home districts were underbilled by \$5,078 and one home district was overbilled by \$638.

These errors occurred because the Board-adopted nonresident student policy does not provide guidance specifying the method to be used to determine attendance dates for billing purposes. Although District officials developed written procedures for tracking nonresident student data in the student management system (including enrollment and attendance dates), this information was not available to the Treasurer. Thus, the Treasurer was unable to accurately bill the responsible home districts based on the correct attendance dates because she contacted the respective students' schools' principal's offices to gather attendance dates which were not always accurate.

When District officials do not ensure that nonresident tuition bills are accurately calculated, the District may not receive all the money to which it is entitled, or, conversely, home districts may be overbilled for the services they received.

Recommendations

District officials should:

1. Implement procedures specifying the method to be used to determine the attendance dates of nonresident students placed at the District.

The Treasurer should:

2. Issue corrected bills to the home districts for the errors identified in this report.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

Kyle C. Bower, Superintendent
Tad R. Rounds, Secondary Principal
Michelle Sincerbox, Elementary Principal/Dir. Spec. Ed.
607.569.5200
FAX: 607.569.5212

**Hammondsport Central School
Nonresident Tuition
2016M-248**

The following will be serving as both the response letter and the Corrective Action Plan in relation to the draft audit received and reviewed.

The District does not disagree with any of the findings produced in the audit report. Due to the transient nature of many students in our area, working with other Districts to insure that drop and add dates coincide is a challenge. An increased level of cooperation between school districts and outside social services agencies in situations where students are moved between districts would help both groups do their jobs more effectively. Often times when a student placement is changed through DSS or the family court system, the home district is not notified. This lack of notification can make keeping track of our students that leave the District an ongoing challenge. The changes outlined below should satisfy all written findings:

Audit Recommendation: Determination of Attendance Dates of Non-Resident Students

1. Implement procedures specifying the method to be used to determine the attendance dates of non-resident students placed in the District.

Implementation Plan of Action: Our Chief Information Officer will work closely with sending and receiving Districts to make sure our student enrollment records are accurate. Both school offices will contact the Business Office when any District student is placed out of District or a non-resident student that will generate billing enrolls in their building. Bi-yearly meetings between the Business Office, building administrators, the CIO, and CSE chairperson will be held to review student lists and enrollment dates.

Implementation Date: September 1, 2016

Person Responsible for Implementation: Kyle C. Bower, Superintendent

Audit Recommendation: Issue Correct Bills

1. The Treasurer should issue corrected bills to the home districts for the errors identified in the audit.

Implementation Plan of Action: Due to the financial years in which the errors occurred being past, the District will not bill home districts nor will we refund any overpayment identified.

We appreciate the recommendations provided and will act on them accordingly. If you any questions regarding what is proposed, please contact me directly at (607)569-5200 ext. 5240

Sincerely,

Kyle C. Bower, Superintendent of Schools

Date: September 7, 2016

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APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We interviewed District officials and reviewed policies, procedures and contracts to gain an understanding of the nonresident tuition billing process and the procedures used to identify nonresident students, classify their statuses, calculate educational costs and prepare bills.
- We compiled a nonresident student list with attendance dates for the audit period by reviewing nonresident student lists and Board-approved applications and notification documents from State and local agencies to the District identifying nonresident students who were placed in the District.
- We stratified our list to identify the nonresident students who elected to attend the District and those students who were placed in the District by reviewing applications and interviewing special education staff and school principals.
- We recalculated the nonresident student billings based upon established SED guidelines.
- We reviewed the District's nonresident student bills for accuracy and adherence to guidelines used by the District.
- We obtained attendance dates maintained in the student management system from the respective students' schools' principal's offices for nonresident students when the number of days the District billed home districts differed from our calculation of days attended based on our compiled list of nonresident students' attendance dates.

We conducted this performance audit in accordance with 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.

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