



# Charter School of Inquiry

## Student Enrollment and Billing

### Report of Examination

Period Covered:

July 1, 2015 – February 2, 2017

2017M-74



Thomas P. DiNapoli

# Table of Contents

	<b>Page</b>
<b>AUTHORITY LETTER</b>	1
<b>INTRODUCTION</b>	2
Background	2
Objective	2
Scope and Methodology	2
Comments of School Officials and Corrective Action	3
<b>STUDENT ENROLLMENT AND BILLING</b>	4
Billing	4
Residence Documentation	5
Records Retention	6
Recommendations	7
<b>APPENDIX A</b> Response From School Officials	8
<b>APPENDIX B</b> Audit Methodology and Standards	11
<b>APPENDIX C</b> How to Obtain Additional Copies of the Report	12
<b>APPENDIX D</b> Local Regional Office Listing	13

# State of New York Office of the State Comptroller

---

---

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

July 2017

Dear School Officials:

A top priority of the Office of the State Comptroller is to help charter school officials manage school financial operations efficiently and effectively and, by so doing, provide accountability for moneys spent to support school operations. The Comptroller audits the financial operations of charter schools outside of New York City to promote compliance with relevant statutes and observance of good business practices. This oversight identifies opportunities for improving school financial operations and Board of Trustees 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 financial operations of the Charter School of Inquiry, 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 of the New York State Education Law, as amended by Chapter 56 of the Laws of 2014.

This audit's results and recommendations are resources for school officials to use in effectively managing financial operations and in meeting the expectations of the 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 Article 56 of New York State Education Law. 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 and its bylaws, charter agreement and fiscal/management plans.

The Charter School of Inquiry (School) is located in the City of Buffalo. The oversight of school operations is provided by a seven-member Board of Trustees (Board) responsible for the general management and control of the School's financial and educational affairs. The Board appoints a Head of School who is responsible, along with the Director of Operations (Director) and other administrative staff, for the School's day-to-day management under the Board's direction. The School contracts with an accounting firm (Firm) to perform financial duties, including maintaining custody of, depositing and disbursing School funds; maintaining financial records; billing resident school districts for tuition and preparing monthly financial reports.

The School's 2016-17 operating expenses totaled approximately \$2.5 million. These expenses were funded primarily with revenues derived from billing area school districts for resident pupils (92 percent) and from certain State and federal aid attributable to these pupils (8 percent). The School opened in the 2015-16 school year and as of July 1, 2016 had an enrollment of 106 students and 26 employees.

## Objective

The objective of our audit was to examine the student enrollment and billing processes. 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 enrollment and billing processes for the period July 1, 2015 through February 2, 2017.

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. 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.

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

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. For more information on preparing and filing your corrective action plan, 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

New York State Education Law provides for the funding of charter schools' operating budgets primarily by billing the public school districts in which their students reside. Based on full-time equivalent (FTE)<sup>1</sup> attendance, a charter school bills the school districts of residence for its provision of educational services. At the end of the fiscal year, revenues received from school districts of residence are reconciled to the revenues due, based on the actual FTEs for the year. Charter schools are required to keep an accurate, up-to-date attendance record of student enrollment and daily attendance and report this data to the school districts of residence in a timely manner.

We found that certain billings to school districts of residence were not accurate and student enrollment and attendance was not always adequately supported. For students with less than full-time enrollment, School officials incorrectly calculated the FTEs and overbilled by more than \$6,250. In addition, School officials did not retain proof of residence documents for 44 of the 55 students (80 percent) we examined, or retain the 2015-16 attendance records for computing FTEs and billing during the majority of our audit period. As a result, School officials could not provide data to support billings in case of a dispute and may not be in compliance with records retention requirements.

### Billing

A key component of any billing process is to properly record information to generate accurate billings in a timely manner and in accordance with applicable laws, regulations and guidelines. The School bills school districts of residence for eligible students based on the period of enrollment and the student's FTE.

We examined the billing accuracy for 55 students and found that while the billing for 20 full-time students was accurate, the billing for 35 partial FTE students was incorrect. This occurred because of erroneous recordings of the starting or exiting dates between the School's attendance system and billing schedules resulting in either over or under-billings. Additionally, while the school calendar for 2015-16 had 190 school days, the Firm instead used 180 school days. Because the FTE for students enrolled for part of the school year is a proportion of actual enrollment days to the number of school days in a year, using a lower number, such as 180 versus 190, inflates the FTE

<sup>1</sup> FTE is the decimal expression of a student's enrollment in school compared to the total days in the annual school session. A full school year student has an FTE of 1.0 (190 day enrollment / 190 day school year = 1.0) while a half school year student has an FTE of 0.5 (95 day enrollment / 190 day school year = 0.5).

and results in overbilling. As a result, the School overbilled school districts of residence by more than \$6,250, as demonstrated by the following examples:

- A student was reported as enrolled on December 5, 2015. However, the student's application was not dated until February 4, 2016, not received and reviewed by School officials until February 5, 2016, and the attendance records showed the first day of attendance as February 8, 2016. Based on documentation in the student's file, December 5 appears to be the student's date of birth. As a result of this possible clerical data entry error, the School billed for 125 days instead of 90 days, thus overbilling by \$2,700.
- A student was reported as enrolled in a school district on November 18, 2015, corresponding to an actual exit date from the School on November 17, 2015. However, on the School's billing schedule the student's exit date was November 28, 2015. As a result, the School billed for 63 days or .350 FTE instead of 54 days or .284 FTE, thus overbilling by more than \$800.
- A student was reported as enrolled on January 4, 2016 and transferred out as of May 10, 2016. While the attendance days were computed correctly at 83, using 180 school days instead of 190 schools days inflated the FTE. As a result, the School billed for .461 FTE instead of .437 FTE, thus overbilling by \$300.

### **Residence Documentation**

It is essential to maintain up-to-date residence information to help ensure billings to school districts of residence are accurate. A parent/guardian wishing to enroll his or her child is required to complete a written application and provide proof of residence. Acceptable documents include a driver's license, utility bills, lease agreements, social services correspondence or other official documents addressed to the parent/guardian the student lives with. The administrative assistant verifies the proof of residence when a student changes residence and a parent/guardian is asked to complete and submit a form if there are any changes. Also, the Buffalo City School District (BCSD) provides transportation for the students<sup>2</sup> and a request for new transportation arrangement, filed with the Director is an additional control to monitor and update changes of residence.

Forty-four of the 55 students (80 percent) did not have proof of residence in their files. Of those, 32 (58 percent) had a signed

---

<sup>2</sup> For 2016-17 all but two students are BCSD residents.

attestation by School officials that proof of residence documents had been inspected. Although they had attestations, the School did not require the inspected documents to be retained. Instead, officials stated that they verified and noted on the applications that they observed documentation but did not always make or retain copies or note specific information in the files to indicate it had been inspected.

Although BCSD transportation requests were generally filed with the Director, School officials do not retain proof of residence documentation. Consequently, the School is at risk of not being able to support its billings to school districts of residence in case of a dispute, challenge or audit.

## **Records Retention**

The New York State Education Department (SED) provides guidance for educational institutions on records retention and disposition. School officials are responsible for implementing records retention and disposition schedules in accordance with State law and SED regulations. The disposition schedules help ensure that records are retained as long as needed for administrative, legal and fiscal purposes; that State and federal retention requirements are met; that records with enduring historical and other research value are identified and retained permanently; and that systematic disposal of unneeded records is encouraged. SED requires schools to retain students' attendance records for at least six years.

The School uses a student data management system (system) to record daily attendance and track entry and exit dates of students. The Director runs a report from the system to identify changes, such as newly registered students or student exits and manually updates the billing schedule which is then forwarded to the Firm which prepares the bills. However, School officials did not retain the 2015-16 attendance records that were the basis for computing FTEs and bills during the majority of our audit period.

This occurred because the School used a different system in the first year of operation (2015-16) than for the current year (2016-17). When officials transitioned to the new system, the 2015-16 attendance data was not carried over. Additionally, officials did not print or archive the records or arrange with the previous student data management software vendor for access to the records. Consequently, we could not access the 2015-16 attendance records to verify the billing during 2015-16. Instead, we used the annual report submitted to SED as part of the School's annual attendance reporting and reviewed the records/documents in students' files. School districts of residence have the authority to visit, examine and inspect the School's records to ensure that the School complies with all applicable laws, regulations and charter provisions. Without access to 2015-16 attendance records the



School cannot provide data to support billings in compliance with records retention requirements.

## **Recommendations**

The Director should:

1. Ensure that student information is entered correctly in the system, including entry and exit dates used for billing.
2. Ensure that the same calendar used for the school year is also used for billing purposes.
3. Credit back money due to school districts of residence as a result of errors made on billings.
4. Ensure that students' proof of residence documentation is maintained and on file.
5. Ensure student attendance records are retained for audit or other verification purposes.
6. Contact the previous student data management software vendor to arrange for access to 2015-16 student attendance records.
7. Ensure the School complies with SED regulations for records retention and disposition.

**APPENDIX A**  
**RESPONSE FROM SCHOOL OFFICIALS**

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



## Charter School of Inquiry

June 30, 2017

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 of Charter School of Inquiry has reviewed your draft report of Student Enrollment and Billing Report of Examination for Charter School of Inquiry for the period from July 1, 2015 to February 2, 2017. We appreciate your input and welcome the opportunity to strengthen the existing internal controls of our School.

Due to the fact that School has just completed its second year of its charter and operations, we recognize and appreciate the need to revisit and evaluate the effectiveness of our internal controls over Student Billing on an on-going basis. We also appreciate the opportunity to have met with you at the exit conference on June 15, 2017, which afforded us the opportunity to address findings and further clarify certain items noted in your preliminary report. We believe the following responses address the matters reported in the preliminary draft and we are committed to developing a corrective action plan within 90 days of the date of the preliminary report.

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

### Recommendations:

#### The Director should:

1. Ensure that student information is entered correctly in the system, including entry and exit dates used for billing.
2. Ensure that the same calendar used for the school year is also used for billing purposes.
3. Credit back money due to school districts of residence as a result of errors made on billings.
4. Ensure that students' proof of residence documentation is maintained and on file.
5. Ensure student attendance records are retained for audit or other verification purposes.
6. Contact the previous student data management software vendor to arrange for access to 2015-16 student attendance records.
7. Ensure the School complies with SED regulations for records retention and disposition.

404 Edison Street, Buffalo NY 14215-2936

Office: 716.833-3250 / Fax: 716.831.7947 / [www.charterschoolofinquiry.org](http://www.charterschoolofinquiry.org) / [info@csicharter.org](mailto:info@csicharter.org)



## Charter School of Inquiry

### Responses

1. The Director will ensure that student information is entered correctly in the system, including entry and exit dates used for billing. During fiscal year ended June 30, 2017, the School started utilizing new software for recording student information. Information from this software will be downloaded into the software used for the billing to ensure accurate reporting of student information, including entry and exit dates.
2. The Director will ensure that the calendar used for the school year is the same calendar used for billing purposes. The School has created one calendar to be used as the school calendar and for billing purposes.
3. The School will credit back money due to school districts of residence if there was an error on the billings. All state aid billings are prepared with information from the student information software. The calculation of the full-time equivalents used to prepare the state aid billings are reconciled to the data from the student information software. A final state aid bill is prepared in July for the previous fiscal year. Any and all overpayments are refunded to the district and underpayments are billed to the district. After the year is closed, if any other discrepancies exist, they are investigated and are billed or refunded as necessary.
4. The Director will ensure that the students' proof of residence documentation is maintained and on file. The School has added an additional step to their existing procedure that includes copying and retaining the documentation that they review to confirm proof of student's residence.
5. The Director will ensure student attendance records are retained for audit or other verification purposes. The School has added the procedure of preparing reports at the end of the school year to memorialize the data and archive them for future use, if necessary.
6. The Director will contact the previous student data management software vendor to arrange for access to 2015-16 student attendance records. All future software services contracts will be reviewed to ensure that the vendor has no ownership interest in the School's data and that the School will receive all of its data upon termination of the contract, for any reason, in a usable format.
7. The Director will ensure the School complies with SED regulations for records retention and disposition.

Very truly yours,

Robert Fetter, School Director

cc: Helene Kramer, President – Board of Trustees  
Patrick Miner, Treasurer – Board of Trustees  
Lynn Monin, Director of Operations

404 Edison Street, Buffalo NY 14215-2936

Office: 716.833-3250 / Fax: 716.831.7947 / [www.charterschoolofinquiry.org](http://www.charterschoolofinquiry.org) / [info@csicharter.org](mailto:info@csicharter.org)

## APPENDIX B

### AUDIT METHODOLOGY AND STANDARDS

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

- We interviewed School officials to gain an understanding of the School's billing processes and procedures.
- We reviewed pertinent sections of the Education Law and SED regulations and guidelines related to charter schools billing student tuition.
- We used a random number generator to select 20 full-time students for billing testing. We also judgmentally selected all 35 students with partial FTEs because the Firm did not use the correct number of school calendar days for billing. For these 55 students, we compared residence addresses on file to residence addresses on the billing schedule and recalculated FTEs for billing.
- We reviewed these same 55 students' files for placement application documents and proof of residence documentation.
- We reviewed the students' attendance and related documents to determine whether this documentation was on file at the School and whether it supported the attendance reported to SED.

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.

## 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  
Tracey Hitchen Boyd, 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](mailto:Muni-Binghamton@osc.state.ny.us)

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

**BUFFALO REGIONAL OFFICE**

Jeffrey D. Mazula, 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](mailto: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](mailto: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](mailto: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](mailto: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](mailto: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](mailto: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