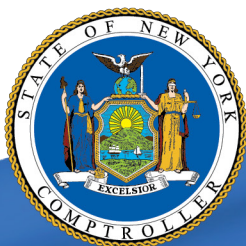


Warsaw Central School District

Out-of-District Tuition Billing

DECEMBER 2021



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

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Report Highlights

Warsaw Central School District

Audit Objective

Determine if tuition billings for Warsaw Central School District (District) students enrolled in out-of-district programs were accurately calculated and properly supported.

Key Findings

While out-of-district tuition billings totaling \$459,000 we examined were accurately calculated and ultimately supported, 54 of the 55 claims we reviewed were paid even though they were not properly supported at the time the claims were audited and approved for payment.

- The claims auditor approved out-of-district billings without performing a complete and comprehensive review or ensuring billings were properly supported.
- The Board did not develop and adopt written policies and procedures for out-of-district tuition billings.

Key Recommendations

- Develop and adopt written policies and procedures for monitoring out-of-district tuition billing.
- Ensure all supporting documentation is provided to the claims auditor so a proper review of billings can be conducted.

District officials agreed with our recommendations and indicated they have initiated or planned to initiate corrective action.

Background

The District serves the Towns of Gainesville, Java, Middlebury, Orangeville, Warsaw and Wethersfield in Wyoming County.

The District is governed by an elected seven-member Board of Education (Board). The Board is responsible for the general oversight of District operations.

The Superintendent of Schools, along with other administrative staff, are responsible for managing day-to-day operations under the Board's direction. The School Business Administrator (Administrator) is responsible for accounting for the District's finances, maintaining accounting records and preparing financial reports. The Board-appointed claims auditor is responsible for reviewing and approving claims for payment.

Quick Facts

2021-22 Appropriations	\$21.7 million
2021-22 Out-of-District Tuition Billing Appropriations	\$380,000
2020-21 District Enrollment	831

Audit Period

July 1, 2019 – August 24, 2021. We extended our audit scope period back to July 1, 2017 for out-of-district tuition financial trend analysis.

Out-of-District Tuition Billing

A school district is financially responsible for the tuition of students residing in or originating from the school district but attend other schools or providers for general and/or special education programs. The New York State Education Department (SED) provides guidance on the various types¹ of out-of-district tuition including the billing rate, how the rate should be calculated or established and how to identify the financially responsible school district.

How Should Out-of-District Tuition Be Accurately Calculated and Properly Supported?

A board and district officials should develop and adopt written policies and procedures for out-of-district tuition that establish clear roles and responsibilities, resources for rate verification (e.g., annual review of updated SED formulas and/or rates) and methods for monitoring out-of-district tuition billing rates and supporting documentation requirements. District officials should also review tuition invoices and annually review SED formulas and/or rates to ensure billings are accurate and supported.

Schools or providers should bill the originating school district or district of residence at the authorized rate for the programs and/or services the student receives. The originating school district or district of residence being billed should ensure it has sufficient supporting documentation when it is reviewing the billings to ensure the rate and the basis for billing is accurately calculated and properly supported.

School districts can use SED resources to ensure proper rates are accurately applied, calculated or contracted, and billed, for students enrolled in full-day schools and students in foster care. The billings should be sufficiently supported by evidence such as an individualized education program (IEP), full-day program contracts and documentation from the local county's social services department for students in foster care.

To ensure claims for payment are accurately calculated and properly supported, they must be examined and approved by either a board or a board-appointed claims auditor. To determine that a claim is a legal obligation and a proper charge against a school district, a claim package should contain enough detail and documentation that the auditing body or official can make that determination. These actions help ensure billings are accurate, supported and for authorized programs or services that are the district's financial responsibility.

¹ See Appendix A

Out-of-District Billings Were Accurately Calculated and Properly Supported

From July 1, 2017 through June 30, 2020 the District paid a total of \$767,000 in out-of-district tuition billings, an average of approximately \$256,000 a year.

We reviewed billings for out-of-district tuition and special education services from 11 schools or providers, for 10 students totaling approximately \$459,000. This included seven students who received special education services, two students who attended half-day programs provided through the Genesee Valley Board of Cooperative Educational Services (BOCES)² and one student who attended another school district. We found that all the billings were accurately calculated because the correct rate established by SED was used by all 11 schools or providers to calculate the billed amounts.

However, while the District maintained and was able to supply all the necessary itemized documentation (e.g., IEPs and written agreements) that properly supported the extent of services provided and billed, only one of the 55 out-of-district tuition billing claim packets reviewed and approved by the claims auditor included this documentation. As a result, claims presented for approval and payment did not initially contain adequate supporting documentation to ensure they were a proper charge against the District.

The claims auditor told us that she did not request supporting documentation to verify that billings agreed with IEPs, written agreements or SED approved tuition rates because she based her approval for payment on the prior review of the Administrator or Director of Special Services (Director). The Director's approval for payment was written on the claim package containing the billings. The claims auditor was appointed by the Board and was given the Board's responsibility to verify that each claim was accurate and properly supported prior to approving them for payment. The claims auditor's decision to approve claims for payment should be based on the thorough review of supporting documentation and not rely on the judgment of those included in the purchasing functions.

The Board and District officials did not develop and adopt written policies and procedures that established clear roles and responsibilities to verify out-of-district tuition billings were accurately calculated and properly supported. As such, District officials can improve their monitoring of out-of-district tuition billings by developing and adopting written policies and procedures and implementing a method for reviewing tuition invoices to ensure billings are accurate and supported, and claim packets include sufficient documentation for a proper claims audit.

The claims auditor told us that she does not request supporting documentation to verify that billings agreed with IEPs, written agreements or SED approved tuition rates...

The Board and District officials did not develop and adopt written policies and procedures... to verify out-of-district tuition billings were accurately calculated and properly supported.

2 BOCES is a public organization that was created by the New York State Legislature in 1948 to provide shared educational programs and services to school districts.

What Do We Recommend?

The Board and District officials should:

1. Develop and adopt written policies and procedures establishing clear roles and responsibilities for monitoring out-of-district tuition billing rates and supporting documentation to ensure the billings are accurate and supported.

District officials should:

2. Ensure all supporting documentation is provided to the claims auditor so a proper review of billings can be conducted.

The claims auditor should:

3. Ensure that claim packets include sufficient documentation necessary for a proper audit of claims.

Appendix A: Types of Out-of-District Tuition

Our audit focused on out-of-district tuition billings related to students residing or originating in the District but attending school elsewhere. Following is specific guidance for the types of out-of-district tuition included in our audit.

Full-Day Schools – Students with disabilities attend full-day school programs based on IEPs prepared by the school district of residence. Full-day schools bill the district of residence monthly, using a weekly rate based on SED established 10-month tuition rates.

Foster Care – School districts have the option to provide instruction to nonresident students and are entitled to charge a net cost tuition for non-resident students. A Commissioner of Education regulation prescribes the maximum tuition rate methodology that is not to exceed the net cost for regular and special education services of non-resident students. There are two methods to determine this net cost. The non-resident tuition formula can be used when the accounting records are not maintained in a manner which would indicate the net cost of educating such students. The other method is that SED produces a non-resident tuition output report in various categories (K-6 general education, 7-12 general education, K-6 special education and 7-12 special education). The estimated tuition rate can be used during the current school year, but the tuition rates should be adjusted when the final tuition rates are issued.

BOCES – School districts are entitled to charge a net cost tuition for non-resident students who attend private schools within the school district and are enrolled in an instructional program operated by a BOCES. A Commissioner of Education regulation prescribes that the tuition to be charged by a school district for the instruction of each non-resident student who is enrolled in an instructional program operated by a BOCES shall include the tuition charged by the BOCES for the instruction, less the State aid attributable to such student's attendance at an instructional program of this nature, and the cost of any instruction which the district may also provide the student.

Appendix B: Response From District Officials



Warsaw Central School

Warsaw, NY 14569-1295

(585) 786-8000

November 3, 2021

Office of the New York State Comptroller
Division of Local Government and Accountability
Jeffrey D. Mazula, Chief Examiner
295 Main Street, Suite 1032
Buffalo, NY 14203-2510

Dear Mr. Mazula,

The Warsaw Central School District is in receipt of the State Comptroller's Draft Report of Examination for Out-of-District Tuition Billing for the period July 1, 2017 through June 30, 2020. We would like to thank the Comptroller's staff for their professionalism and courtesy in conducting their duties during this audit. Please accept this letter as the District's official response and corrective action plan.

Comptroller Recommendation 1

The Board and District officials should develop and adopt written policies and procedures establishing clear roles and responsibilities for monitoring out-of-district tuition billing rates and supporting documentation to ensure the billings are accurate and supported.

District Response 1

The District will develop procedures to establish roles and responsibilities for monitoring out-of-district tuition billing rates and supporting documentation to ensure the billings are accurate and supported. As contracts are approved by the Board of Education on an annual basis that information will be provided to those staff involved with processing out-of-district tuition. Any documentation of changes or adjustments to tuition rates made within the year will be provided to all necessary employees.

Comptroller Recommendation 2

District officials should ensure all supporting documentation is provided to the claims auditor so a proper review of billings can be conducted.

District Response 2

District Officials will provide all supporting documentation with the claim package so a proper review of billings can be conducted. The supporting documentation will include information on the approved rate for the out-of-district placement and student information. Once approved by the District Official the claim package will be reviewed by the accounts payable person to ensure all documentation is attached before the claim is processed.

DISTRICT OFFICE
Fax: (585) 786-8008

BUSINESS OFFICE
Fax: (585) 786-3265

MIDDLE/HIGH SCHOOL OFFICE
Fax: (585) 786-3193

COUNSELING CENTER
Fax: (585) 786-3485

ELEMENTARY OFFICE
Fax: (585) 786-2537

SPECIAL SERVICES/CSE
Fax: (585) 786-2833

Comptroller Recommendation 3

The claims auditor should ensure that claim packets include sufficient documentation necessary for a proper audit of claims.

District Response 3

The claims auditor will ensure that sufficient documentation is attached to the claims packet to make an independent verification of the claim. The documentation will include rate and student information. If the proper documentation is not attached, the claim packet will not be processed until completed.

Sincerely,

Matthew Wilkins
Superintendent of Schools
Warsaw Central School

Dean Robb
President
Warsaw Central Board of Education

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 Article 3 of the New York State General Municipal Law. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed the Superintendent, the Administrator, the Director and the claims auditor and inquired whether there were documented out-of-district tuition policies and procedures. We also reviewed SED guidance and publications to gain an understanding of the procedures and resources for monitoring and verifying that out-of-district tuition billing invoices are appropriate, accurately calculated and billed, and properly supported.
- We reviewed financial reports from July 1, 2019 through June 17, 2021 and interviewed the Director to determine our population of claims to review. We reviewed all billings for out-of-district tuition totaling approximately \$459,000 for 10 students from 11 school districts or providers between July 1, 2019 and June 17, 2021.
- We analyzed financial trends for out-of-district tuition payments for July 1, 2017 through June 30, 2020 to provide context of program expenditures over time and to review for significant fluctuations from average annual expenditures.
- We reviewed the out-of-district billing invoices and supporting documentation that was either attached to the billing or if not, that was available through the District's Special Services Office to determine whether the billing rates were accurate. We also reviewed the special education services included in any billing to ensure they were in accordance with IEPs to assess whether the District properly monitored the tuition bills prior to payment.

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.

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. 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, 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. 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 CAP should be posted on the District's website for public review.

Appendix D: Resources and Services

Regional Office Directory

www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/local-government/publications

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/local-government/publications

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/files/local-government/publications/pdf/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/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/local-government/publications

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

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