



KIPP Troy Prep Charter School

Resident Tuition Billings and Collections

2024M-20 | June 2024

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Report Highlights

KIPP Troy Prep Charter School

Audit Objective

Determine whether the KIPP Troy Prep Charter School (School) Board of Trustees (Board) and officials accurately billed and collected tuition, and deposited and recorded collections in a timely manner.

Key Findings

School officials and staff accurately billed and collected resident district tuition for the sample of 50 students we reviewed. They also accurately recorded and deposited intact the 30 collections we reviewed. However, they did not deposit collections in a timely manner. Officials and staff did not:

- Deposit and record district tuition collections totaling \$5.5 million within three days, as required by the School's policy.

Because School officials did not deposit collections in a timely manner, the School did not have access to the undeposited funds, and the risk of loss, diversion or theft of School funds was increased.

Key Recommendation

- Deposit and record collections within three days, in accordance with the School's policy.

School officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

Audit Period

July 1, 2022 – June 30, 2023

We extended our testing to review procedural changes in collections received through October 31, 2023.

Background

The School is located in Troy and affiliated with KIPP Capital Region Public Charter Schools. The School is governed by a 13-member Board that is responsible for the general management and control of the School's financial and educational affairs.

The School is funded primarily through revenues derived from billing area school districts for resident students that attend the School and certain State and federal aid payments for these students.

The Chief Executive Officer (CEO) is responsible, along with other administrative staff including the Chief Operating Officer (COO), for the School's day-to-day management under the Board's direction.

The Director of School Support is responsible for billing the school districts, and tracking and collecting the payments. The Director of Accounting was responsible for recording collections and making deposits.

2022 - 23 Quick Facts

Enrollment	740
Grades	K-12
Resident Tuition Revenue	\$11.5 million

Resident Tuition Billing and Collections

How Should Charter Schools Bill for Resident Tuition?

A charter school bills the school districts of residence (i.e., the school district where a student lives) for its provision of educational services provided to students enrolled at the charter school. 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. A board should develop clear policies and procedures to ensure billings are accurate.

A charter school bills the school districts of residence every two months at rates established in New York State Education Law by submitting an invoice accompanied by a roster of resident students with physical addresses, names of parents/guardians, and any updated proof of residency. At the end of each school year, charter school officials should perform a reconciliation to ensure each student's full time equivalent (FTE) of attendance has been correctly billed and determine whether any further payments are receivable or credits to resident school districts are due.

To ensure the appropriate school district of residence is invoiced for tuition, charter schools must collect current proof of residency (POR) upon enrollment at the beginning of each school year, when changes occur, and periodically thereafter. Acceptable POR includes copies of lease or mortgage agreements, dated within 30 days prior to registration or change in residency, utility bills and other official correspondence. Maintaining current POR reduces the risk of a resident district disputing the residency of a billed student and provides for efficient payment of amounts billed.

To ensure that bills are accurate, and necessary adjustments are made based on collections history and enrollment data, charter school officials should regularly review billing and collection records. Discrepancies between amounts billed and received should be reviewed and resolved in a timely manner.

The School Accurately Billed Resident Districts

We examined the billing and proof of residency information for 50 students taken from the five school districts with highest tuition billing: Troy City, Lansingburgh Central, Cohoes City, Albany City and Watervliet City School Districts totaling \$621,880. All bills that we reviewed were adequately supported, accurate based on enrollment FTEs and established rates, and collected as billed.

We determined the Director of School Support collects and maintains up-to-date POR information for students. For each billing period, the Director of School Support prepares bills in accordance with the New York State Education Department's guidance on computing each student's FTE and sends the bills to

resident districts, along with the updated status on enrollment and POR, for each student enrolled from the districts. The districts will either pay the School or will contest the billing if they disagree with a student's residency or enrollment status. In the event of a contested bill, the Director of School Support will work with the district to resolve the matter. Finally, bi-monthly, the COO, Director of Finance, Director of School Support and other support staff meet to review and discuss the School's billings and collections to date, issues encountered since the last billing period, and whether the upcoming tuition bills need any adjustment.

We also reviewed the 2022-23 school year-end reconciliations for the same five school districts. Cohoes, Troy and Watervliet City School Districts appeared reasonable without significant credits or paybacks to the resident districts. For the remaining two districts, the amounts billed equaled the amounts paid, and no further reconciliation was necessary.

How Should Collections Be Accounted for and Deposited?

Collections should be appropriately accounted for, physically safeguarded, and deposited in a timely manner. Good business practices require charter school staff to remit collections to responsible staff for recording and deposit. These collections should be supported by duplicate receipts or a collection log detailing the source of the payment, check number, date received and the purpose for the payment. Charter school staff should include a copy of all supporting documentation when remitting collections for recording and deposit. Further, charter school staff should deposit collections as soon as possible and/or as directed by board policies.

The School's cash management policy (policy) requires the Director of School Support to log collections received showing the date received, source of the payment, check number and purpose. Collections should then be marked for deposit only and forwarded to the Director of Accounting for deposit within three days of collection and recorded in the accounting records.

Collections Were Not Deposited or Recorded In a Timely Manner

While the Director of School Support maintained a log of collections received and endorsed them for deposit only in accordance with policy, the Director of Accounting did not deposit and record collections in a timely manner. The Director of School Support told us that after she received and logged collections, she promptly gave them to the Director of Accounting for deposit and recording into the general ledger. However, the Director of Accounting, who resigned August 4, 2023, did not prepare the deposits and record collections in a prompt manner after she received them. As of August 5, 2023, these duties were assigned to the Director of School Support for making deposits and to the Accounting Coordinator for recording collections.

The COO told us he did not make it a priority to ensure collections were recorded and deposited in a timely manner because he was focused on ensuring sufficient communication with districts and monitoring of resident district billings. He also stated the Director of Accounting's multiple responsibilities prevented her from depositing and recording collections within three days. However, the Director of Accounting had access to an electronic check scanner that allowed for the remote deposit of checks from her office into the School's bank. Therefore, the School had resources in place to allow for the deposit of collections on a daily basis.

We examined 30 collections and related deposits during the 2022-23 school year totaling \$10.3 million of resident tuition from the five districts which our 50 selected students in our billing test resided during their enrollment. Generally, collections were recorded the same day as deposited. We determined collections were properly recorded and deposited intact, but only 10 collections totaling \$4.8 million were recorded and deposited within three days. The remaining 20 collections totaling \$5.5 million were not deposited and recorded within three days, including five totaling \$1.5 million that were deposited between 11 and 26 days after receipt. Although check scanning devices allow for the daily deposit of collections, 18 of the 20 late deposits were made with a check scanning device.

The Director of Finance and COO told us that after the Director of Accounting resigned, the Director of School Support and Accounting Coordinator were diligent in ensuring collections were deposited and recorded in compliance with policy. Based on this assertion, we selected another 10 collections totaling \$3.3 million received from July 1, 2023 through October 31, 2023 and determined they were properly recorded and deposited intact and in a timely manner.

Because School officials did not deposit and record collections in a timely manner, the School did not have access to the undeposited funds, and the monthly financial reports to the Board did not accurately represent all revenues collected by the School in a timely manner. When collections are not deposited in a timely manner, the risk of loss, diversion or theft increases.

What Do We Recommend?

The COO should:

1. Ensure the Accounting Coordinator and the Director of School Support continue to deposit and record collections within three days of receipt, in compliance with the Board-adopted policy.

Appendix A: Response From School Officials



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Together, a future without limits

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Principal Examiner
NYS Office of the State Comptroller
Division of Local Government and School Accountability
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Audit Number 2024M-20

Dear ██████████,

Thank you for providing us with the findings related to the KIPP Troy Prep Charter School audit on Resident Tuition Billings and Collections. We have reviewed and agree with both the summary findings and the key recommendations that deposit and record collections should be completed within three days. We also thank you for recognizing that, prior to the audit report being released, KIPP Troy Prep has already taken the necessary actions to ensure collections are properly recorded and deposited in a timely manner.

Ensuring funds are available for use in a timely manner is crucial to ensuring KIPP Capital Region can meet its financial goals. These findings and recommendations are helpful to improving our internal financial policies and procedures so that we can meet these goals.

Sincerely,

Stephanie Valle
Chief Executive Officer

Appendix B: 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 Section 2854 of the New York State Education Law, as amended by Chapter 56 of the Laws of 2014. We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, as well as the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed School officials and reviewed Board minutes and policies to gain an understanding of the School's processes related to billing, collections and deposits.
- To determine whether the student roster – which includes enrollment and residence information – was reliable, we traced 10 students from the student roster to student files, and 10 student files to the student roster.
- We selected five School Districts (Districts) with the highest total billing amounts for the fiscal year 2022-23. From these five Districts, we used our professional judgment to select a sample of 50 students. The total number of students selected from each District was based on the total billing per District with respect to the total billing amounts for all five Districts.
- For the selected students, we compared the POR to the bill to determine whether the student was billed to the correct district. We also used the enrollment dates in the 2022-23 year-end reconciliation and recalculated the FTE using the calculator available at <https://stateaid.nysed.gov/ftecalculator/calcfte.htm> for each selected student and noted any discrepancies. For the selected districts, we compared the rates used to bill to the rates available at https://stateaid.nysed.gov/charter/html_docs/prior_years_charter_rates.htm to determine whether the billing rates were accurate. Lastly, we recalculated the billed amount for the selected students by multiplying the FTE to the corresponding billing rate and compared the recalculated amount to the billed amount for each student to determine any discrepancies.
- For the selected five Districts, we obtained all the final resident billing invoices for the fiscal year 2022-23 and corresponding payments for those invoices to determine the accuracy, intactness and timeliness of the payments. We compared the invoice amount to the check amount to determine accuracy and compared the check log to the deposit slip and bank statement to determine the intactness of deposits.
- To determine the timeliness, we compared the date of the collection received from the check log to date of the collection deposited from the deposit slip (generated electronically when check is deposited remotely, or a traditional deposit slip when deposited manually) and bank statement. If the variance of date received and date deposited was three days or less, we concluded that

that the deposit was made in a timely manner. If the variance was over three days, we concluded that the deposit was not made in a timely manner.

- We traced all collections to the general ledger to determine the timeliness of recording.
- Due to procedural changes in the handling of School collections during the 2023-24 year, we used our professional judgment to select and test an additional 10 collections to determine whether collections from July 1, 2023 through October 31, 2023 were deposited and recorded in a timely manner.

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. We encourage the Board to prepare a written corrective action plan (CAP) that addresses the recommendations in this report and forward it to our office within 90 days. 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. We encourage the Board to make the CAP available for public review.

Appendix C: Resources and Services

Regional Office Directory

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

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/fiscal-monitoring

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/resources/planning-resources

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

www.osc.ny.gov/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

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