



True North Troy Preparatory Charter School

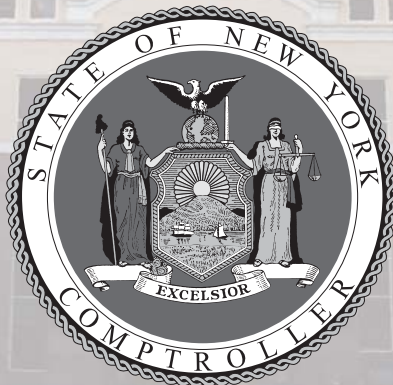
Enrollment and Billing

Report of Examination

Period Covered:

July 1, 2011 — January 22, 2013

2013M-147



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

August 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 Board governance. Audits also can identify strategies to reduce school costs and to strengthen controls intended to safeguard school assets.

Following is a report of our audit of the True North Troy Preparatory Charter School, entitled 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 bylaws, charter agreement, fiscal/financial management plans, and the Financial Oversight Handbook for those schools that are authorized by the State University of New York (SUNY).

The True North Troy Preparatory Charter School (School), located in the City of Troy, is governed by a Board of Trustees (Board) which comprises seven voting members. The School contracts with an outside management company for overall financial management and bookkeeping services. The Chief Operating Officer oversees all of the School's operations including financial operations. The day-to-day financial activities are conducted by the Director of Operations.

The School was established in 2008 under SUNY authorization and provides elementary education to approximately 300 students in kindergarten through eighth grades. The School's budgeted operating expenses for the 2012-13 fiscal year were about \$5.6 million. These expenses were funded with revenues derived from billing area school districts¹ for resident pupils and from certain State and Federal aid attributable to these pupils.

Objective

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

- Are resident school district billings accurate and supported?

Scope and Methodology

We examined the School's financial operations for the period July 1, 2011, to January 22, 2013. To accomplish this, we evaluated selected areas by performing the following survey procedures:

- General Governance – We reviewed the School's charter, by-laws, and Board policies and found that the Board has adopted adequate financial policies regarding purchasing, investments, and appointment of Board members, and had adopted a code of ethics.

¹ The School bills various local school districts tuition charges to provide educational services to students residing in the respective districts.

- **Financial Oversight and Condition** – We found that the internal controls over Board oversight of School financial operations were generally sufficient. Day-to-day operations are overseen by the Director of Operations, while the accounting and recording of the School’s financial transactions are completed by the management company.
- **Purchasing** – We determined that the School’s purchasing practices effectively enabled the School to acquire goods and services in accordance with its procurement policy.
- **Cash Disbursements** – We reviewed the School’s internal controls over cash disbursements. Specifically, we reviewed the cash disbursement process, ensured that bank reconciliations were completed regularly and in a timely manner, and interviewed employees involved with the process.
- **Payroll and Personal Services** – We reviewed the internal controls over the payroll process and randomly selected 10 payroll disbursements during the 2012-13 fiscal year for review. We found that the payments were properly authorized, were supported with adequate documentation, and appeared to be for proper amounts.
- **Inventory and Asset Controls** – We reviewed the School’s controls over inventories and fixed assets and found them to be adequate.

After evaluating these areas, it appears that School officials have established adequate controls and, therefore, limited risk exists. Accordingly, we determined that further testing in these areas was not necessary.

We also reviewed cash receipts and found that while overall the internal controls over this area appear adequate, risk existed in the area of enrollment and billing school districts of residence. Therefore, we examined the School’s current related billing process for the period July 1, 2011, through January 22, 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 are included in Appendix B of this report.

**Comments of
School Officials**

The results of our audit have been discussed with School officials and their comments, which appear in Appendix A, have been considered in preparing this report.

Resident School District Billings

Education Law² provides for the funding of charter schools' operating budgets. The public school district in which a student resides is considered the student's resident school district. A charter school derives most of its operating revenues from the school districts in which its students reside. Charter schools are required to keep an accurate, up-to-date attendance record of student enrollment and report this data to the students' resident school districts in a timely manner. Based on enrollment, count, attendance, or full-time equivalent (FTE)³ attendance, a charter school bills the resident school districts for providing services to the students enrolled in the charter school. The resident school districts directly pay the charter school based on a reimbursement rate established by the New York State Education Department (SED). Charter schools bill the resident school districts for their students' tuition in six installments during the fiscal year.

The School had approximately 300 students enrolled as of July 1, 2012. We reviewed four resident school district bills totaling \$2.6 million for three resident school districts whose students comprised an average of 95 percent of the student population during the 2011-12 and 2012-13 fiscal years to determine whether the billing invoices were accurate and supported. Table 1 shows the number of students and amounts billed to the three resident school districts:

Table 1 : Student Enrollment and Billing		
Bill Date	Number of Students	Total Billed
August 1, 2011	212	\$529,450
February 1, 2012	202	\$502,809
June 1, 2012	322	\$803,772
October 1, 2012	309	\$769,667

We found that the School accurately billed the school districts of residence.

We also randomly selected 30 students from the October 2012 bill and reviewed the School's records for these students to determine whether the School maintained adequate documentation of the students' addresses and proof of their residence in each of the resident school districts. We found that the School maintained adequate supporting

² Article 56, Section 2856

³ FTE is the decimal expression of the enrollment of a student in a charter school compared to the length of the annual session of the charter school. A student who is enrolled for the full school year has an FTE of 1.0, while a student who is enrolled for only half of the school year has an FTE of 0.5.

documentation for the students reviewed. Furthermore, at the end of the fiscal year, the Director of Operations completes a reconciliation of amounts billed and collected. We reviewed his reconciliation for the 2011-12 school year and found it to be accurate.

APPENDIX A

RESPONSE FROM SCHOOL OFFICIALS

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

July 30, 2013

[REDACTED]
Principal Examiner
NYS Office of the State Comptroller
Division of Local Government and School Accountability
One Broad Street Plaza
Glens Falls, NY 12801

[REDACTED]

We have reviewed the Report of Examination issued at the conclusion of the Office of the State Comptroller's audit of True North Troy Preparatory Charter School (Troy Prep), and are pleased to note that the audit found no deficiencies in controls in the areas of General Governance, Financial Oversight and Condition, Purchasing, Cash Disbursements, Payroll and Personal Services and Inventory and Asset Controls and that we have sufficient systems of controls to limit risk exposure in these areas.

We also appreciate the confirmation that we are tracking student enrollment and residency and billing our students' host school districts appropriately. We strongly believe that all schools need to be accountable for both academic and fiscal performance, and are gratified that your findings indicate that we are adhering to law and maintaining a system of controls in these important areas.

Your audit did not have any adverse findings and did not recommend any improvements to our system of controls, and so we do not plan any specific actions as the result of the Report of Examination except to take this opportunity to thank you and your staff for what was a thorough and professional audit engagement.

Sincerely,

Anna Hall

Chief Operating Officer
Uncommon Schools | Rochester
Uncommon Schools | Troy

Troy Prep
2 Polk Street
Troy, NY 12180
T: 518 445 3100
F: 518 445 3101
www.troyprep.org

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 (including resident school district billing), cash disbursements, purchasing, inventory control, payroll and personal services, and information technology.

During the initial assessment, we interviewed School officials, performed limited tests of transactions, and reviewed pertinent documents such as School policies, the SUNY Financial Oversight Handbook, Board minutes, and financial records and reports.

After reviewing the information gathered during our initial assessment, we determined where weaknesses existed, and evaluated those weaknesses for the risk of potential fraud, theft and/or professional misconduct. Based on that evaluation, we determined that controls appeared to be adequate and that limited risk existed for most of the financial areas we reviewed. We then decided on the reported objective and scope by selecting for audit the area most at risk. We selected resident school district billing for further audit testing. To achieve our audit objective and obtain valid audit evidence, we performed the following audit procedures:

- We interviewed School officials to gain an understanding of the resident school district billing process.
- We verified that the rates used to bill the resident school districts agreed with the basic tuition rates set by SED.
- We reviewed documentation to identify the number of resident school districts billed during the 2011-12 and 2012-13 fiscal years.
- We recalculated the billing invoice amounts and reviewed supporting documentation to determine if they were accurate and supported.
- We reviewed resident school district billings to determine if the School had adequate procedures to verify student addresses and resident school districts. We selected a sample of 30 students to verify support for addresses.

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.

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

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