

KIPP Tech Valley Charter School

Resident Tuition Billing

MAY 2019



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

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Report Highlights

KIPP Tech Valley Charter School

Audit Objective

Determine if School officials completely and accurately billed resident districts.

Audit Results

School officials have maintained adequate proof of residency records, accurately billed resident districts using the correct New York State Education Department (SED) rate and full-time equivalent (FTE) and ensured that year-end reconciliations were reasonable and supported.

There were no recommendations as a result of this audit.

School officials generally agreed with our report.

Background

KIPP Tech Valley Charter School (School) is located in the City of Albany in Albany County. The School was established and granted a charter by the State University of New York Board of Regents in 2004 and opened in September 2005. The charter was renewed for five years in July 2015.

The School is governed by a seven member Board of Trustees (Board) responsible for the School's financial and educational affairs. The Executive Director is the School's chief executive officer and is responsible, along with other administrative staff, for the day-to-day management of the school under the Board's direction.

The School's main source of revenue is tuition billing from students' resident districts. The School's accounting consultant is responsible for invoicing resident districts for each student's period of enrollment according to SED tuition rates.

Quick Facts

2018-19 Enrollment	660
2018-19 Appropriations	\$8.4 million
2017-18 Resident Tuition Billings	\$7.3 million
Number of Districts Billed in 2017-18	19

Audit Period

July 1, 2017 – October 31, 2018

Resident Tuition Billing

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 New York State Education Law Article 56. 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/financial management plans or policies.

How Should a School Calculate and Support Resident Tuition Billings?

New York State Education Law provides for the funding of charter schools' operating budgets. A charter school derives most of its operating revenues by billing the public school districts in which its students reside (i.e., the student's resident district). Based on FTE¹ attendance, a charter school bills the resident districts for providing educational services to the students enrolled in the charter school. At the end of the fiscal year, revenues received from school districts of residence are reconciled to the revenue 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 report this data to the resident districts in a timely manner.

It is essential for charter schools to maintain adequate proof of residency for each student enrolled so that they bill resident districts accurately.² The amount paid per student is based on a reimbursement rate established by SED. SED also requires charter schools to provide an updated enrollment estimate when they bill the resident districts for their students' tuition. The charter school bills the resident school districts in six installments with payments beginning in July and every two months thereafter. At the end of the fiscal year, charter school officials are required to reconcile revenues received from resident districts to the revenues due, based on the actual FTEs for the fiscal year. This reconciliation assists with adjustments for students who did not attend the charter school for the entire year. The end-of-year reconciliation should accurately reflect the enrollment status for all students billed and be performed in a timely manner.

School Officials Maintained Adequate Proof of Residency Records

When enrolling students, the School requires parents to provide two proofs of residency such as a copy of an original lease agreement, Department of Social Services documentation or a current utility, telephone or cable bill for

¹ 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 one while a student who is enrolled for only half of the school year has an FTE of 0.5.

² The School requires parents to submit two proofs of residency for each student enrolled to bill the respective resident districts.

their child enrolling at the School. Parent liaisons³ and front desk staff maintain records of student residency and, each January, use mailings and telephone calls to all parents requesting two current proofs of residency to be submitted. If documentation is not submitted within thirty days the staff will call each parent or the parent liaison will stop by the student's home to obtain the documentation. If there is an address change for a student during the school year, the School requires that the parent/guardian complete a contact information update form and provide two proofs of residency.

We selected six resident districts (Albany, Lansingburgh, Schenectady, South Colonie, Troy and Watervliet) and, for two billing periods, reviewed 20 percent of the students enrolled at the School from the selected resident districts representing \$495,356 billed and found bills to resident districts were adequately supported with proof of residency records.⁴ Specifically, for one billing period during the 2017-18 school year we reviewed 88 students and for the other billing period during the 2018-19 school year we reviewed 114 students and found the parent liaisons and front desk staff adequately maintained proof of residency records and evidence of annual mailings and phone calls for updated information.

School Officials Accurately Billed Resident Districts

The School's accounting consultant prepares billing invoices and supporting spreadsheets for each resident district using information provided by the two front desk employees and the parent liaison. She sends the invoices and spreadsheets to the resident districts for payments, which are due 30 days from the invoice date.

We compared the master list of students in 2017-18 and 2018-19⁵ to the billing records and ensured all eligible students were billed.⁶ We compared the SED tuition rates for 2017-18 and 2018-19 to the coinciding billing spreadsheets and found resident districts were generally billed the correct rate. We also verified, for 380 students enrolled less than full time and representing \$1.5 million in billings from the three largest resident districts in our audit period, the School billed for the correct FTE and found the accounting consultant appropriately used the FTE calculator⁷ established by SED to bill resident districts the correct amounts.

3 The School designates an employee as a parent liaison at both the middle and primary school to obtain student information, including proof of residency records from parents.

4 See Appendix B for sampling methodology.

5 As of October 31, 2018

6 We reviewed 621 records for 2017-18 and 637 records for 2018-19.

7 The FTE calculator is a utility on the SED website where the accounting consultant enters a student's dates of enrollment to calculate the FTE based on the beginning and ending dates of the school year.

The School's 2017-18 Reconciliations Were Reasonable and Supported

The School's accounting consultant creates a year-end reconciliation spreadsheet summarizing all billing invoices for resident districts and payments received for each billing period within the fiscal year. The difference between what was billed and what was paid is calculated and any necessary adjustments⁸ are made. For three resident districts (Albany, Schenectady and Troy) representing \$6.4 million in total 2017-18 billings, we compared the number of students on each bill from 2017-18 to the number of students paid by the resident district, reviewed the year-end adjustments and found the reconciliations were reasonable and supported by attendance records and FTE calculations.

⁸ Such as corrections based on attendance dates or changes in resident districts.

Appendix A: Response From School Officials



May 14, 2019

Jeffrey Leonard, Chief Examiner, Glens Falls Regional Office
Office of the New York State Comptroller
One Broad Street Plaza
Glens Falls, NY 12801-4396

Dear Mr. Leonard:

On behalf of KIPP Tech Valley Charter School, I am submitting this letter in response to the Report of Examination completed by the Office of the State Comptroller.

We are very pleased that the Office of the State Comptroller determined KIPP Tech Valley Charter School to have accurately and completely billed the resident districts of our students for the time period examined and therefore had no recommendations for KIPP Tech Valley Charter School to implement. We take the stewardship of New York State taxpayer dollars seriously and appreciate that this commitment to fiscal accountability was validated by the Comptroller's review.

Additionally, while the area of audit focus was resident billing, we found the Comptroller's initial review of all areas of our business operations to be comprehensive and thorough, reflecting our mutual commitment to financial due diligence by evaluating for risk aspects of our operations including fiscal procedures, board governance, personnel pay and policies, procurement, capital expenditures for facilities and expansion, technology, food services, and our overall financial condition and management. We welcomed the inherent partnership an outside review brings to continue to ensure we have done our best to minimize and mitigate the inherent risk that accompanies nonprofit and school management.

Finally, we would like to note the value and assistance the Comptroller provides schools in helping to maintain and strengthen fiscal accountability. Moreover, we would like to thank the auditors on site for their flexibility in working with our space limitations and their continued demonstration of patience and professionalism during the time period they were at KIPP Tech Valley.

Sincerely, ^

John Reilly
Board Chair

Stephanie Valle
Executive Director

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 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 School officials to gain an understanding of the billing process.
- We compared the student master list to the bills to ensure bills submitted to resident districts contained all eligible students.
- We judgmentally selected six resident districts (Albany, Lansingburgh, Schenectady, South Colonie, Troy and Watervliet) for the billing periods November 2017 and September 2018 and randomly selected 20 percent of the students enrolled from each resident district to determine whether the School had current proof of residency on file and bills to resident districts were adequately supported. For 2017-18, we examined 88 students and for 2018-19, we examined 114 students.
- We compared tuition rates entered on bills to the SED established rates to determine whether resident districts were billed accurately.
- We recalculated the FTE of 380 students from three resident districts who either enrolled after the start date, or withdrew from the School to determine whether the FTE calculation used by the School was correct.
- We examined the year-end reconciliation and billing, receipt and deposit documentation for the three largest resident districts (Albany, Schenectady and Troy) to determine whether the reconciliations were reasonable and supported.

We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). 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.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

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

www.osc.state.ny.us/localgov/costsavings/index.htm

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

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

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

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm

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

www.osc.state.ny.us/localgov/planbudget/index.htm

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

www.osc.state.ny.us/localgov/pubs/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/localgov/finreporting/index.htm

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

www.osc.state.ny.us/localgov/researchpubs/index.htm

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

www.osc.state.ny.us/localgov/academy/index.htm

Contact

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