

Southside Academy Charter School

Enrollment and Billing

MAY 2019



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

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Report Highlights

Southside Academy Charter School

Audit Objective

Determine whether student enrollment records and billings to school districts were accurate and supported.

Key Findings

- The School overbilled the Syracuse City School District (SCSD) \$28,640 in charter school tuition for the 2017-18 school year and it under-billed four other resident districts a total of \$27,389.
- The School does not have a good process in place to identify changes in residency, and we found inconsistencies in student addresses used for billing purposes.
- The School did not have all the necessary student residence documentation on file.

Key Recommendations

- Review information included on billings for accuracy and verify that the correct resident district is being billed.
- Ensure that every enrolled student has proof of residence and that the necessary documentation is kept on file.
- Refund money due to the SCSD and bill the appropriate resident districts for the errors made on billings.

School officials agreed with our recommendations and indicated they would take corrective action.

Background

Southside Academy Charter School (School) is a kindergarten through eighth grade school located in the City of Syracuse, Onondaga County, and is governed by a five-member Board of Trustees (Board). In 2002, the Board entered into a management agreement with National Heritage Academies Inc. (NHA), a privately held for-profit corporation located in Grand Rapids, Michigan.

NHA is responsible for the general management and control of the School's finances. All School staff, whether at the local school or in the Michigan central office, are NHA employees.

School building staff are responsible for obtaining enrollment documents and recording student attendance. Central office staff prepare and send tuition bills to resident districts. The School billed resident districts approximately \$8.8 million in tuition for the 2017-18 school year.

Quick Facts

2017-18 Enrollment	680
2017-18 Budgeted Expenses	\$9.8 million
2017-18 Resident Districts	8

Audit Period

July 1, 2017 – June 30, 2018

Enrollment and Billing

A charter school derives most of its operating revenues from the public school districts in which its students reside. These public school districts are referred to as resident districts. The resident districts directly pay NHA tuition for each enrolled student. The amount paid per student is based on a reimbursement rate established by the New York State Education Department. The NHA billed tuition to eight resident districts, the vast majority (98 percent) of which is billed to the Syracuse City School District (SCSD). NHA sent seven bills to SCSD for the 2017-18 fiscal year, including a final reconciling bill at the end of the school year.

How Do Charter Schools Ensure Accurate Billing?

Based on enrollment, or full-time equivalent (FTE) student attendance, charter schools bill tuition to resident districts. Charter schools are required to report the resident students attending the charter school to the resident districts every two months. They must also send resident districts a final report of students who attended in the prior year no later than the last day of July.

In order to ensure that the appropriate resident district is billed, charter schools must make an accurate determination of each student's residence by collecting current documentation upon enrollment and at the beginning of each school year thereafter. In addition, when a student has moved, the charter school should collect updated student residency documentation and supply that to the resident district. NHA's enrollment guidelines require a completed student residency questionnaire along with proof of residency documentation (ex., mortgage and rent receipts, lease, or utility bill).

The Charter School Does Not Have an Adequate Process To Ensure Student Addresses Are Accurate

The School uses a software system to keep track of student enrollment and attendance. When a student enrolls, School office staff in Syracuse obtain the original residency questionnaire and enter the student address and resident district into the system. Teachers record student attendance in the system each school day. NHA uses this information when it prepares bills for resident districts. NHA generally bills resident districts every two months and includes a roster that lists the student names, grade level, parent/guardian name, home address, resident district and enrollment dates.

The School does not have an adequate process to identify address changes. Officials told us that they require proof of residency documentation to change an address in the system. The School registrar told us that the School sends a household verification form home with each student twice a year. She told us most forms come back saying there are no changes, but officials do not keep these forms on file and the School does not require the forms to be returned. While the School transportation liaison may send address changes to resident

districts for busing, NHA does not send proof of residency documentation with the tuition bills when a student moves.

We randomly selected 70 students to determine whether student addresses in the system, used for billing resident districts, agreed with documentation of residency in student files. Nine student files were missing.¹ School officials told us these students had either withdrawn or graduated eighth grade and they do not keep copies if the file was sent to another school. In addition, there were no student residency questionnaires in five students' files. Of the remaining 56 student files, the residency questionnaire addresses on file did not match the addresses in the system for 24 students (43 percent). Although most of the different addresses were located in the same resident districts, these discrepancies could have led to improper billings.

Additionally, 17 student files did not contain adequate, up-to-date proof of residency documentation. Because the School does not have an adequate process in place to ensure that student addresses used for billing resident districts are supported by, and in agreement with, documentation showing residency, there is an increased risk for inaccuracies in tuition billing.

We compared the 70 student records to final tuition bills and available student files to determine whether tuition bills were sent to the respective resident districts. We found that the School over-billed SCSD \$21,011 in charter school tuition for the 2017-18 school year for three students whose home addresses were not located in that resident district. The student roster attached to the final bill showed addresses outside of SCSD for these students.

Because of these exceptions, we visually scanned all tuition bills to see if there were other districts billed incorrectly. We identified three more students on SCSD bills whose home addresses shown on the billing rosters were actually located in other districts. Two students were billed to the SCSD in the first billing even though their addresses were not located in the District. Because they did not end up attending a single day at the School, the School credited the SCSD on subsequent bills, resulting in no overpayment by the SCSD. However, had they attended, it is likely the SCSD would have been over-billed. The other student's tuition (\$7,629) was billed to SCSD, but the student resided in another district as indicated by the address on the billing roster.

These issues were caused by the School's failure to:

- Maintain up-to-date records of student addresses;
- Retain adequate proof of residency; and
- Accurately determine the resident district for all students.

Residency questionnaire addresses on file did not match the addresses in the system for 24 students (43 percent).

¹ We reviewed the attendance records for these students to confirm they did attend the School.

When the School over-bills one resident district for a student who received services or attended class, it under-bills another resident district. Because the tuition varies by resident district, the School received \$1,251 more than it was entitled to in total. And, the four other resident districts involved were not billed for their respective students.

Figure 1: Billing Errors

	Student 1	Student 2	Student 3	Student 4	Totals
Calculated Tuition - SCSD	\$0	\$11,314	\$6,465	\$0	\$17,779
Tuition Billed to SCSD	\$12,930	\$12,930	\$12,930	\$7,629	\$46,419
Amount Over-billed to SCSD	\$12,930	\$1,616	\$6,465	\$7,629	\$28,640
Amount Under-billed to Other Districts	\$12,760	\$1,792	\$6,147	\$6,690	\$27,389
Net Amount Over-billed/ (Under-billed)	\$170	(\$176)	\$318	\$939	\$1,251

Notes

Student 1: Records show this student did not reside in the SCSD.

Student 2: The student's proof of residency documentation showed that the student's family moved out of the SCSD on May 21, 2018. However, the School billed SCSD for a full year, overbilling by about one month.

Student 3: Records show the student moved out of the SCSD on January 25, 2018, but the School billed the SCSD tuition for the full year.

Student 4: This student attended School for a partial year. Records show the student did not reside in the SCSD.

We reviewed 12 partial-year student bills to determine whether tuition was billed to the proper districts. Other than minor deficiencies, which we discussed with officials, tuition was billed to the appropriate resident districts.

Because the School bills resident districts a higher tuition rate for students receiving special education services, we reviewed 10 special education student files to determine whether there was supporting documentation on file showing the students were receiving special education services. We found sufficient support for nine students; but, School officials were unable to locate the file for one student. However, officials were able to provide computerized records that showed this student was eligible for special education services.

What Do We Recommend?

School officials should:

1. Review information included on billings for accuracy and verify that the correct resident district is billed.

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2. Ensure that every enrolled student has proof of residence documentation and that it is kept on file.
 3. Periodically re-verify and effectively document the residence of returning students to ensure that proof of residence addresses match addresses used for billing.
 4. Supply updated student residency documentation to resident districts when a student has moved.
 5. Refund money due to the SCSD and bill the appropriate resident districts for the errors made on the 2017-18 billings.

Appendix A: Response From School Officials



SOUTHSIDE ACADEMY CHARTER SCHOOL

A PUBLIC CHARTER SCHOOL MANAGED
BY NATIONAL HERITAGE ACADEMIES

May 16, 2019

Office of the New York State Comptroller
Division of Local Government & School Accountability
Syracuse Regional Office
Attn: Rebecca Wilcox
State Office Building Room 409
333 E Washington Street
Syracuse, NY 13202-1428

Unit Name: Southside Academy Charter School

Audit Report Title: Enrollment and Billing

Audit Report Number: 2019M-70

On behalf of the Board of Southside Academy Charter School (Southside), this letter is in response to the draft report by the Office of the State Comptroller (OSC), dated April 18, 2019. As a board we realize it is our responsibility to ensure bills to local districts are prepared accurately.

We have reviewed the three recommendations noted in the audit report and would like this response to serve as the corrective action plan for the report dated April 18, 2019.

Audit Recommendation #1:

Information should be reviewed on billings for accuracy and verify the correct resident district is being billed.

Implementation Plan of Action:


Southside will continue to review proof of residency documentation and review district boundaries to ensure the correct resident district is being billed.

Implementation Date:

June 30, 2019

Person Responsible for Implementation:

- 2200 ONONDAGA CREEK BLVD ● SYRACUSE, NY 13207-2361
- 315 476 3019 OFFICE ● 315 410 5540 FAX
- SOUTHSIDECHARTERSCHOOL.ORG



The members of the Board with assistance from their management company National Heritage Academies (NHA).

Audit Recommendation #2:

Ensure that every enrolled student has proof of residence and that the necessary documentation is kept on file.

Implementation Plan of Action:

Newly enrolled students are currently required to turn in proof of residency forms within four weeks of enrollment at Southside to properly enroll. For returning students, student residency questionnaires are sent out yearly to be completed by parents or guardians before school begins. Subsequent to this report, Southside will ensure that student residency questionnaires are returned, and any discrepancies or missing proof of residency documentation will be followed up by school leadership in a timely manner. In addition, the school will ensure that all school personnel are specifically trained on proper proof of residency documentation and appropriate resident districts to ensure the accuracy of billings.

Implementation Date:

August 2019

Person Responsible for Implementation:

The members of the board with assistance from NHA.

Audit Recommendation #3:

Refund money due to the Syracuse City School District and bill the appropriate districts for the errors made on billings.


Implementation Plan of Action:

The Board, with the help of NHA, is currently working with the districts incorrectly billed to correct the discrepancy and accurately bill the various districts.

Implementation Date:

All districts should be correctly billed by June 30, 2019.

Person Responsible for Implementation:



The members of the Board with assistance from NHA

Please accept this letter as a response and a corrective action plan for the report dated April 18, 2019. If you have any questions or concerns, please feel free to contact me at 315-436-4783 or hillca@morrisville.edu

Sincerely,

Carol Hill
Board President
Southside Academy Charter School

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 and NHA employees to gain an understanding of the School's enrollment, attendance, proof of residency, and billing processes.
- We reviewed 2017-18 tuition bills to determine whether they contain all the proper and necessary information (ex., correct tuition rate, list of students, mathematically correct).
- We compared a sample of 70 student records in the computerized system to student files (if available) and tuition bills. We used a random number generator to select our sample.
 - We reviewed student addresses for consistency, and to determine whether the School billed the appropriate tuition to the appropriate resident district.
 - We reviewed students' files for student residency questionnaires and proof of residency documentation.
- We scanned 2017-18 tuition bills to see if student addresses reflected on billing rosters had zip codes that were possibly outside of the resident districts being billed. We followed up on possible discrepancies by reviewing online County real property tax records for the properties and District maps.
- We reviewed 10 student files, randomly selected from those students listed on special education bills, to determine whether there was evidence on file indicating special education services were provided.
- We calculated tuition for 12 students who attended the School for less than one FTE. We judgmentally selected these students from the 122 partial-year students, with no known biases.

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.

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

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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110 State Street, 12th Floor, Albany, New York 12236

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

Local Government and School Accountability Help Line: (866) 321-8503

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