



# Elmwood Village Charter School

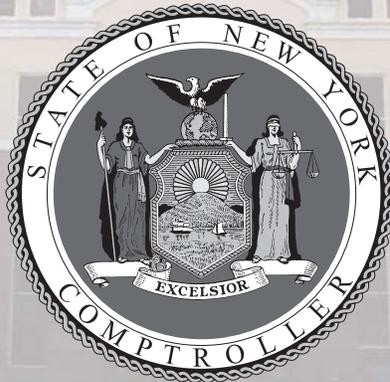
## Student Enrollment and Billing

### Report of Examination

Period Covered:

July 1, 2011 — May 31, 2013

2013M-174



Thomas P. DiNapoli

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# State of New York Office of the State Comptroller

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## **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 costs and to strengthen controls intended to safeguard school assets.

Following is a report of our audit of the Elmwood Village Charter School, entitled Student 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 recommendation 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 the charter school's requirements are contained in its by-laws, charter agreement and fiscal/financial management plans.

The Elmwood Village Charter School (School), located in the City of Buffalo, Erie County, is governed by a Board of Trustees (Board) that currently has ten members, including two parent representatives. The Board is responsible for the general management and control of the School's financial and educational affairs. The Board appoints a School Director who is responsible, along with other administrative staff, for the day-to-day management of the School under the direction of the Board. The School contracts with an outside accounting firm to perform various financial duties. The School is responsible for student enrollment and attendance and provides the information to the accounting firm who prepares the billings to the respective school districts of residence.

The School's operating expenses for the 2011-12 fiscal year were approximately \$2.7 million. These expenses were funded with revenues of approximately \$3.4 million derived from billing area school districts for resident pupils and from certain State and Federal aid attributable to these pupils. The School has approximately 300 students in kindergarten through eighth grade.

## **Objective**

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

- Are student enrollment and billings to school districts of residence accurate and supported?

## **Scope and Methodology**

We examined the School's billing process for the period July 1, 2011, to May 31, 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 and Corrective Action**

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

agreed with the recommendation and indicated they would take corrective action.

The Board has the responsibility to initiate corrective action. We encourage the Board to prepare a plan of action that addresses the recommendation in this report, and to forward the plan to our office within 90 days. For more information on preparing and filing your Corrective Action Plan (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 this plan available for public review in the School Board Secretary's office.

## Student Enrollment and Billing

Education Law provides for the funding of charter schools' operating budgets. A charter school derives most of its operating revenues from the public school districts in which its students reside. Charter schools are required to keep an accurate and up-to-date attendance record of student enrollment and to report such data to the school districts of residence in a timely manner. Based on enrollment, count, attendance, or full-time equivalent<sup>1</sup> attendance, a charter school bills the school districts of residence for providing services to the students enrolled in the charter school. The school districts directly pay the charter school for each student enrolled in the charter school who resides in their respective school district. The amount paid per student is based on a reimbursement rate established by the New York State Education Department (SED). Payments are made by the school districts in six installments beginning in July and every two months thereafter.

The School had approximately 300 students enrolled as of May 31, 2013. In the 2011-12 fiscal year, all students were from the Buffalo City School District except for seven students from four other school districts. For the 2011-12 fiscal year we compared billings totaling approximately \$3.2 million for all five school districts of residence to revenues received and reported and did not identify any discrepancies. We also reviewed the relevant factors included in the calculation for all five final billings to the school districts and did not identify any discrepancies in the School's calculation.

We also selected a judgmental sample of 20 students to determine if billings to the school districts of residence were accurate and supported. Although the results of our testing did not disclose significant errors or irregularities, we identified control deficiencies with the School's residence verification process. The School requires that proof of residence be submitted before a student is admitted to the School. In addition, the School annually requests that parents/guardians update student information and relies on parents/guardians to notify the School if a student's address changes during the school year. However, the School does not verify student information by periodically requiring new proof of residence, such as a utility bill, or requiring that a new proof of residence be submitted when a student's address changes.

<sup>1</sup> Full-time equivalent (FTE) is the decimal expression of the enrollment of a student in the charter school compared to the length of the annual school session. A student who is enrolled for the full school year has an FTE of 1.0, while a student who is only enrolled for half of the school year has an FTE of 0.5.

Our testing of the sample of 20 students disclosed that the School accurately billed the school districts of residence and, overall, the School maintained adequate supporting documentation. We found that six students' files had proof of residence when the students were initially enrolled at the School; however, when those students' residences changed, the School did not request a new proof of residence. The residence verification documents were up to five years old. In addition, three of these students moved more than once and three students moved to different school districts.

The Buffalo City School District, where the majority of the School's students reside, periodically conducts an onsite visit and physically counts and verifies the students reported by the School. A recent audit conducted by the Buffalo City School District on March 4, 2013 found no issues.

### **Recommendation**

1. School officials should periodically verify the residence of students and should require new proof of residence when a student moves.

## **APPENDIX A**

### **RESPONSE FROM SCHOOL OFFICIALS**

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

August 8, 2013

Mr. Robert E. Meller  
Chief Examiner of Local Government and School Accountability  
State of New York Office of the State Comptroller  
Buffalo Regional Office  
295 Main Street, Suite 1032  
Buffalo, New York 14203-2510

Dear Mr. Meller:

The Board of Trustees has reviewed your draft report of Student Enrollment and Billing Report of Examination for Elmwood Village Charter School for the period from July 1, 2011, to May 31, 2013. We appreciate your input and welcome the opportunity to strengthen the existing internal controls of our School.

We recognize the need to continually revisit and evaluate the effectiveness of our internal controls on an on-going basis. We believe the following response addresses the matter reported in the preliminary draft.

Response to recommendation:

We acknowledge the recommendation from State of New York Office of the State Comptroller that states that the School Officials should periodically verify the residence of students and should require new proof of residence when a student moves, and feel that it is a prudent comment. We will modify our procedures in the future to include periodically verifying the residence of students and require a new proof of residence when a student moves.

Very truly yours,

John Sheffield, School Director

cc: Concetta Ferguson, President – Board of Trustees  
Leah Eagan-Stoddard, Acting Treasurer – Board of Trustees  
Lea Gladysz, Administrative Assistant

## 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 and disbursements, purchasing, payroll and personal services, information technology, and inventory and asset controls.

During the initial assessment, we interviewed School officials, performed limited tests of transactions, and reviewed pertinent documents, such as School by-laws, procedures, Board minutes, and financial records and reports. In addition, we tested selected computerized financial data to help ensure that the information produced by such systems was reliable.

After reviewing the information gathered during our initial assessment, we determined that the controls appeared to be adequate and that limited risk existed for most of the financial areas we reviewed. We then decided upon the reported objective and scope for the area with the greatest risk. We examined the School's enrollment and billing process for the period July 1, 2011, to May 31, 2013, with a focus on the 2011-12 fiscal year. Our audit included various procedures to gather relevant evidence concerning our stated objective, as follows:

- We interviewed School officials, Board members, and the accounting firm's staff.
- We reviewed the School's charter agreement, by-laws, annual report, Board meeting minutes, and the School's website to get an understanding of the enrollment and billing processes.
- We reconciled the 2011-12 fiscal year billings to payments received and to the amount reported.
- We compared the various factors used by the School for billing the school districts of residence against factors established by SED.
- We recalculated FTEs based on reported enrollment and exit dates, and the School calendar.
- For the 20 students tested, we selected all seven students billed to school districts other than the Buffalo City School District and judgmentally selected thirteen students, including six students with an FTE of less than 1.0, which were billed to the Buffalo City School District.
- We examined the 20 students' files for proof of residence documentation and compared residence addresses on file to residence addresses used for billing.
- We reviewed the 20 students' attendance records, enrollment, and exit dates to verify that computed FTEs matched attendance records and were accurate.

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.

## APPENDIX C

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**AND SCHOOL ACCOUNTABILITY**

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

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