

Lackawanna City School District

Tuition

JUNE 2019



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

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Report Highlights

Lackawanna City School District

Audit Objective

Determine whether tuition payments were accurate and supported.

Key Findings

- District officials did not review tuition charges for accuracy. As a result, the District was incorrectly billed for nine students, resulting in overpayments totaling \$5,300 for eight students and an underpayment of \$900 for one student.
- The District did not have adequate and up-to-date residency information to support tuition charges totaling \$2.5 million for 162 students attending charter schools.

Key Recommendations

- Review tuition invoices to ensure charges are calculated correctly and supported.
- Address and resolve identified billing errors.
- Request updated proof of residency periodically to verify the District is properly billed.

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

Background

The Lackawanna City School District (District) serves the City of Lackawanna in Erie County. The District is governed by a seven-member elected Board of Education (Board). The Board is responsible for the District's overall management, financial and educational affairs.

The Assistant Superintendent of Administrative Services (Assistant Superintendent) oversees the District's day-to-day financial operations and supervises Business Office personnel. The Board-appointed claims auditor is responsible for examining all claims or demands against the District and has the authority to authorize or reject payment.

Quick Facts

Students	1,900
Students attending other public or charter schools	843
2018-19 General Fund Budget	\$53.3 million
2017-18 Tuition Payments	\$11.8 million

Audit Period

July 1, 2016 – January 2, 2019

Our audit testing primarily focused on the 2017-18 school year.

Tuition

School districts are required to pay tuition for resident students attending charter schools or receiving special education services from other public or private schools. The amount paid per student is based on rates established by the New York State Education Department (SED).

How Should District Officials Verify that Tuition Payments Are Accurate and Supported?

The board and district officials are responsible for adopting written policies and procedures which provide sufficient guidance for employees involved in the payment of tuition. These procedures should involve periodically reviewing tuition payments to ensure the district is only billed for students residing within the district and tuition charges have been calculated correctly using the appropriate SED rate.

Charter school invoices should be supported by sufficient documentation to verify both residency and attendance such as a roster of resident students, which includes physical mailing addresses and parent/guardian names, adequate proof-of-residency and attendance records. Tuition costs are based on attendance or full-time equivalent (FTE) attendance. FTE is the decimal expression of the enrollment of a student in a school compared to the length of the annual school session.¹ Prior to payment, district officials should use these records to verify that tuition charges have been calculated correctly.

Tuition invoices from private and other public schools for special education costs should be properly itemized and provide all pertinent information, including supporting documentation, required for audit. Prior to payment, invoices should be compared to the student's individualized education program (IEP) to ensure that the services provided and the recommended frequency are accurate, residency information is up-to-date and that the district is charged the appropriate rate.

Tuition Payments Were Not Accurate

We reviewed the FTE calculations for a sample² of 37 students (26 charter school students and 11 special education students) for whom the District was billed \$504,000 in tuition.

We recalculated tuition costs and FTEs using attendance records for charter school students and IEPs for special education students to verify that the District was billed for the correct services and frequency. We found that tuition was

¹ 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.

² See Appendix B Audit Methodology and Standards for information on the sample selection process.

incorrectly calculated for nine students. The District was overbilled \$5,300 for eight charter school students. The billing school used the correct rate for those students but used the incorrect FTE to calculate the tuition, resulting in overbilling. Additionally, the District was underbilled by a private school \$900 for one special education student. The billing school used the incorrect rate when calculating tuition.

Although the account clerk and claims auditor reviewed tuition invoices, they did not use attendance records to ensure FTEs were calculated correctly. As a result, the District paid \$5,300 more in tuition than it should have for eight students and underpaid one school \$900 for one student. Had District officials developed procedures describing the protocols for conducting a deliberate and thorough review of tuition bills, these calculation errors may have been detected and corrected prior to payment. The Assistant Superintendent indicated that his staff is reviewing 2018-19 bills for accuracy and plans to work with the schools to correct any errors identified.

Tuition Payments Were Not Supported by Sufficient Documentation

We reviewed residency documentation for a sample³ of 211 students (25 percent) with tuition charges totaling \$3.2 million (27 percent) to ensure these payments were supported by sufficient residency documentation.

We found that the District did not have adequate and up-to-date residency information to support tuition charges totaling \$2.5 million for 162 students (77 percent) attending charter schools and other public or private schools. The District had no registration or residency information on file for 44 of these students and registration information that was out-of-date and/or incomplete for the remaining 118 students.

We asked the District to obtain current residency information from the charter schools that billed the District and were provided with residency documentation for all students attending charter schools. We also verified residency of special education students by reviewing transportation logs and student IEPs and found no exceptions.

The Assistant Superintendent told us that the District did not have written policies or procedures in place for collecting updated residency for charter school students. During our fieldwork, the District began requesting updated residency information from all of the charter schools for the 2018-19 school year. The

³ See Appendix B Audit Methodology and Standards for information on the sample selection process.

Assistant Superintendent told us that the District is in the process of developing new procedures for reviewing tuition invoices.

Without sufficient documentation to verify residency, District officials cannot be sure tuition payments are correct. As a result, the District could end up paying tuition for another school district's students.

What Do We Recommend?

The Board and District officials should:

1. Adopt written policies and procedures for reviewing tuition invoices prior to payment.

District officials should:

2. Review tuition invoices to ensure charges are calculated correctly and based on SED rates, attendance records and IEPs as appropriate.
3. Work with the billing schools to address and resolve identified billing errors in a timely manner.
4. Request updated proof of residency periodically from the charter schools and verify the District is properly billed.

The claims auditor should:

5. Properly audit and approve claims prior to payment.

Appendix A: Response From District Officials



Lackawanna City School District

Daniel W. Grant
Assistant Superintendent

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April 12, 2019

Jeffrey D. Mazula, Chief Examiner
Office of New York State Comptroller
295 Main Street, Suite 1032
Buffalo, NY 14203-2510

Dear Mr. Mazula:

This letter will serve as the written audit response of the Lackawanna City School District to the recently completed OSC audit of our district's tuition payments.

The District agrees with the substance of the audit findings. We are pleased to report that the District has already undertaken meaningful steps to address findings. The District appreciates the opportunity for improvement that this audit has provided. Interactions with OSC staff members were consistently professional and collaborative. The audit has allowed us to review and better comprehend our financial processes. We will continue the process of developing corrective actions in order to appropriately address audit findings so as to improve our stewardship of public resources.

We are grateful for the technical assistance that your office provides and we look forward to working with you in the future. In fact, we have already connected with OSC staff on additional topics since the conclusion of the audit. If you have any questions or concerns, feel free to contact me directly at 716-821-5610, ext. 7748 or email me at dgrant@lackawannaschools.org.

Sincerely,

Daniel W. Grant
Assistant Superintendent

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 objective⁴ and obtain valid audit evidence, our audit procedures included the following:

- We interviewed District officials and reviewed policies, procedures and job descriptions to gain an understanding of the procedures related to tuition payments for resident students attending charter schools or receiving special education services from other public or private schools.
- We reviewed tuition invoices from the 2017-18 school year and determined that the District had 843 students enrolled in charter schools or other public and private schools.
- We reviewed tuition payments totaling \$504,000 for a judgmental sample of 37 students to ensure tuition charges were accurate. We recalculated tuition charges using SED approved rates and reviewed attendance and transportation records to verify dates of attendance and FTE calculations. For our sample, we primarily selected students who attended school for less than a full-year because the risk of calculation errors are greater for these students. Of the 843 students, 119 attended charter schools or other public and private schools for less than a full-year. Our sample included 32 of these students. Using a random number generator, we also selected five students for our sample from the population of 724 students who attended school the full school year.
- We reviewed residency documentation on file at the District for a sample of 211 students to ensure tuition payments were supported. We randomly selected one student from each school (26 students) and 161 students using a random number generator. We also selected newly enrolled (23 students) and one student with a break in attendance. We verified residency for these students by reviewing documents contained in residency packets on file at the District. For any students with insufficient documentation on file, we asked the District to obtain updated residency information from the charter schools. We reviewed IEPs and special education meeting records to verify the residency for students receiving special education services from private or other public schools.

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.

⁴ We also issued a separate audit report, *Lackawanna City School District – Contractual Services (2019M-23)*.

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.

A written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law, Section 2116-1(3)(c) of New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the fiscal year. 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 in the District Clerk's office.

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

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

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