



Chautauqua Lake Central School District Nonresident Tuition

Report of Examination

Period Covered:

July 1, 2013 – November 19, 2015

2016M-7



Thomas P. DiNapoli

Table of Contents

	Page
AUTHORITY LETTER	1
INTRODUCTION	2
Background	2
Objective	2
Scope and Methodology	2
Comments of District Officials and Corrective Action	3
NONRESIDENT TUITION	4
Ripley CSD Tuition Contract	4
Other Nonresident Students	5
Tuition Rate	6
Recommendations	6
APPENDIX A Response From District Officials	8
APPENDIX B Audit Methodology and Standards	10
APPENDIX C How to Obtain Additional Copies of the Report	11
APPENDIX D Local Regional Office Listing	12

State of New York Office of the State Comptroller

Division of Local Government and School Accountability

May 2016

Dear School District Officials:

A top priority of the Office of the State Comptroller is to help school district officials manage their districts efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support district operations. The Comptroller oversees the fiscal affairs of districts statewide, as well as districts' 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 district operations and Board of Education governance. Audits also can identify strategies to reduce district costs and to strengthen controls intended to safeguard district assets.

Following is a report of our audit of the Chautauqua Lake Central School District, entitled Nonresident Tuition. This audit was conducted 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.

This audit's results and recommendations are resources for district officials to use in effectively managing operations and in meeting the expectations of their constituents. 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

The Chautauqua Lake Central School District (District) is located in the Towns of Chautauqua, Ellery, North Harmony, Portland, Stockton and Westfield in Chautauqua County. The District is governed by the Board of Education (Board), which is composed of seven elected members. The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools (Superintendent) is the District's chief executive officer and is responsible, along with other administrative staff, for the District's day-to-day management under the Board's direction. The Business Executive is responsible for maintaining the District's financial records.

The District operates two schools with 924 students and 146 employees. The District's budgeted appropriations for the 2015-16 fiscal year are \$21.4 million, which are funded primarily with real property taxes, State aid and nonresident tuition.

Since the 2013-14 fiscal year, the District has contracted with the Ripley Central School District (Ripley CSD) to accept students in grades 7 through 12. The District bills Ripley CSD quarterly for students attending based on an annual tuition rate for both full-time and part-time students. For the first quarter of 2015-16, the District billed Ripley CSD \$389,305 for 163 students. Since the beginning of this agreement, the District has received nearly \$3 million in revenue.

Objective

The objective of our audit was to review the District's nonresident tuition billing procedures. Our audit addressed the following related question:

- Did District officials identify and properly bill, collect, record and report tuition for nonresident students?

Scope and Methodology

We examined the District's nonresident tuition billing procedures for the period July 1, 2013 through November 19, 2015.

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
District Officials and
Corrective Action**

The results of our audit and recommendations have been discussed with District officials, and their comments, which appear in Appendix A, have been considered in preparing this report. District officials agreed with our recommendations and indicated that they plan to take corrective action.

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of General Municipal Law, Section 2116-a (3)(c) of New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education, 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, with a copy forwarded to the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the next 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. The Board should make the CAP available for public review in the District Clerk's office.

Nonresident Tuition

The Board and District officials are responsible for ensuring that the District properly bills for nonresident tuition costs. District officials have been improving nonresident tuition billing procedures. However, we reviewed all of the quarterly invoices totaling more than \$2.9 million for our audit period and found that the District under-billed Ripley CSD by \$41,125. In addition, one nonresident student was not billed for \$14,438 in tuition costs. District officials also do not regularly review and monitor the tuition rate being charged in comparison to net costs per student and the State-calculated tuition rate. However, we determined that the District's tuition rate appeared reasonable.

Ripley CSD Tuition Contract

By a majority vote of district voters, a school district can contract for, up to five years, the education of all high school students in grades 7 through 12 to attend another school district. Following approval by Ripley CSD voters, the District and Ripley CSD contracted for Ripley CSD students in grades 7 through 12 to attend the District.

The District bills Ripley CSD on a quarterly basis for tuition. Tuition charges are based on an annual per student tuition rate for full-time and part-time students and the costs for special education students attending Erie 2-Chautauqua-Cattaraugus Board of Cooperative Educational Services (BOCES). We reviewed all of the quarterly invoices totaling more than \$2.9 million for our audit period and found that the District under-billed Ripley CSD by a total of \$41,125.

- The 2013-14 tuition invoices were not accurate and did not include all Ripley CSD students. The invoices were missing three full-time students each quarter, and one to two students each quarter should have been charged at a pro-rated amount based on partial attendance. In addition, one special education student attending a BOCES program was not included on any of the invoices. As a result, the District under-billed Ripley CSD by \$28,972.
- The 2014-15 tuition invoices were not accurate and did not include all Ripley CSD students. The District under-billed one full-time student in the first quarter, under-billed one part-time student in the second quarter and over-billed one student as full-time instead of part-time for the third and fourth quarters. In addition, five students should have been charged at a pro-rated amount for the third quarter based on partial attendance. As a result, the District under-billed Ripley CSD by \$18,095.

- While the first quarter 2015-16 tuition invoice included all Ripley CSD students, it was not accurate. One student was incorrectly billed as a full-time student instead of as a part-time student. As a result, the District over-billed Ripley CSD by \$5,942.

The Business Executive indicated that the initial billing procedures for 2013-14 were based on the opening enrollment numbers for the entire year, not taking into account any changes in student attendance throughout the year. District officials improved the process for 2014-15 by generating a listing of all Ripley CSD students from the student software system on a set date each quarter. The attendance clerk and the guidance office secretary review the listing. The Business Executive prepares the quarterly bills based on the listing and the BOCES bill for actual special education student costs.

At the conclusion of our fieldwork, the Business Executive indicated that, for the 2015-16 invoices going forward, the attendance clerk, guidance office secretary and special education director will meet to go over all out-of-district students to ensure they are properly included on all invoices. He also indicated that they are looking at better ways to obtain a listing of part-time students through the student software system. We commend District officials for continuing to improve the tuition billing process and encourage them to continue with their efforts.

Other Nonresident Students The Board, or its designee, is responsible for determining a child's residency, which is presumed to be that of his or her parents or legal guardians. A nonresident student may be admitted to the District with Board approval and upon payment of tuition. In accordance with Board policy, nonresident children of full-time District employees may attend tuition-free upon submission of an application and with Board approval.

We reviewed all 27 students who were not residents of either the District or Ripley CSD during our audit period and found that one student may have improperly attended the District on a tuition-free basis. The student is a District employee's child (a sports coach¹). However, coaches are not considered full-time District employees. As such, the District could have billed \$14,438 in tuition costs for this student.

The Superintendent stated that he and the attendance clerk are responsible for determining residency; however, the policy does not specify who is to act as the Board's designee in cases of determining

¹ The only position this individual holds with the District is coach.

residency. District officials stated that the Board interpreted the definition of full-time employees to include coaches. However, officials could not provide documentation to demonstrate that the Board had intended its policy to be interpreted in this manner. Although Board approval was documented in the minutes for the coach's child, the resolution did not specify that the parent was a coach or a part-time employee.

Policies should be written with clear and precise language to ensure they are implemented as intended. Clear and comprehensive policies also provide transparency and help ensure they are applied fairly and consistently.

Tuition Rate

The New York State Education Department (SED) calculates a nonresident tuition (NRT) rate each year for each school district based on the financial data reported by that district. SED issues an estimated and actual rate for each year. The actual NRT rate was \$8,016 for 2013-14 and \$8,958 for 2014-15, with an estimated rate of \$9,544 for 2015-16. Districts are not required to use the SED calculated rate, but a district should maintain adequate accounting records showing the net cost of educating a nonresident student.

The District charged a tuition rate of \$7,219 for 2013-14 and 2014-15, and is charging a tuition rate of \$7,363 for 2015-16, which is below the actual and estimated NRT rates. The District determined the original tuition rate based on 2013-14 budget projections and the expected amount of additional costs for the Ripley CSD students. The increase for 2015-16 was based on a contractually-agreed 2 percent increase.

District officials have not compared the tuition rate to actual costs per student since the tuition agreement with Ripley CSD began. We reviewed budgeted and actual expenditures incurred for grades 7 through 12 for 2013-14 and 2014-15 to determine the cost per student and compared the cost per student to the tuition rate being charged by the District. Based on the cost per student for 2013-14 and 2014-15, the District's tuition rate appears to be reasonable.

Recommendations

The Board should:

1. Ensure that Ripley CSD is properly billed in accordance with the contract.
2. Continue to improve procedures for including all full-time, part-time and out-of-district students on quarterly invoices.

3. Clarify and update its policy related to determining the residency of students attending the District and the requirements for allowing students to attend tuition-free.
4. Regularly monitor the tuition rate being charged compared to the net cost per student and the SED-calculated NRT rates.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

Chautauqua Lake Central School District

"Charting a course for the future"

Benjamin Spitzer
Superintendent of Schools
(716) 753-5808
(716) 753-5813 Fax

David Thomas
Business Official
(716) 753-5805
(716) 753-5813 Fax



April 5, 2016

Board of Education
Jay Baker, President
Timothy Hull, Vice President
Deborah Cross-Fuller
Michael Ludwig
Mary Lee Talbot
Amy Webb
Kim Weborg-Benson

Mr. Jeffrey D. Mazula, Chief Examiner
295 Main Street, Suite 1032
Buffalo, New York 14203-2510

Dear Mr. Mazula:

On behalf of the Chautauqua Lake Central School District, I wish to thank your office and the assigned examiner staff who worked with us in addressing Nonresident Tuition at our school district for both its application to the in-place tuition contract with a neighboring school district (Ripley CSD) as well as tuition policies with regards to other nonresident students. The OCS examiners were courteous, respectful, and evidenced a full commitment to helping us address the unique challenges and opportunities attendant to this important topic.

The District is in agreement with the recommendations made in this report and is in the process of fully implementing enrollment and attendance recordkeeping procedures and policies to address these recommendations. Specifically, the District will submit and implement a Corrective Action Plan within established timelines to address:

1. Proper billing in accordance with the negotiated contract which will include look back procedures to ensure proper accounting.
2. Quarterly invoicing as per procedures to be fully updated to include a student by student accounting for periods of enrollment attendant to each student, including all full-time, part-time, and out-of-district (BOCES) students.
3. Tuition policies and procedures for all other nonresident students will be fully reviewed with the Board of Education and revised and/or corrected as necessary as per recommendations of this examination to ensure they contain clear and precise language and are implemented fairly and consistently.
4. Tuition Rates will be regularly reviewed utilizing annual calculations of net cost per student (as per format suggested by the OCS Examiners) combined with reference to the Non Resident Tuition Rate (NRT) calculation as provided annually by the State Education Department.

We appreciate the added feedback and guidance provided by the examiners and thank them for their time and effort. We welcome the opportunity to better apply tuition procedures that are accurate and fair to all parties particularly in consideration of the relatively new contractual agreement between our District and the Ripley CSD for 7-12 students attending our district.

Sincerely,

Benjamin Spitzer
Superintendent

100 N. Erie Street • Mayville, NY 14757-9798 • (716) 753-5800 • www.clake.org

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

The objective of our audit was to examine the District's nonresident tuition billing procedures for the period July 1, 2013 through November 19, 2015. To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We reviewed policies, procedures and contracts to gain an understanding of nonresident tuition billing processes and procedures.
- We reviewed tax rolls and student enrollment data to determine the total number of students enrolled in the District who are not District residents. If they were not District residents, we compared the data to the tax roll for Ripley CSD to determine if they should be included in the Ripley CSD tuition bill.
- We reviewed student data for students who are not District or Ripley CSD residents to determine if they were properly attending the District in accordance with Board policy.
- We determined if the District is properly billing Ripley CSD for students in grades 7 through 12 in accordance with contract provisions.
- We determined if the District is properly billing for nonresident students who are not District or Ripley CSD residents.
- We reviewed District financial data to gain an understanding of how the District developed its nonresident tuition rate and compared the District's rate to the SED-established NRT rate.

We conducted this performance audit in accordance with 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

HOW TO OBTAIN ADDITIONAL COPIES OF THE REPORT

To obtain copies of this report, write or visit our web page:

Office of the State Comptroller
Public Information Office
110 State Street, 15th Floor
Albany, New York 12236
(518) 474-4015
<http://www.osc.state.ny.us/localgov/>

APPENDIX D
OFFICE OF THE STATE COMPTROLLER
DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY

Andrew A. SanFilippo, Executive Deputy Comptroller
Gabriel F. Deyo, Deputy Comptroller
Tracey Hitchen Boyd, Assistant Comptroller

LOCAL REGIONAL OFFICE LISTING

BINGHAMTON REGIONAL OFFICE

H. Todd Eames, Chief Examiner
Office of the State Comptroller
State Office Building, Suite 1702
44 Hawley Street
Binghamton, New York 13901-4417
(607) 721-8306 Fax (607) 721-8313
Email: Muni-Binghamton@osc.state.ny.us

Serving: Broome, Chenango, Cortland, Delaware,
Otsego, Schoharie, Sullivan, Tioga, Tompkins Counties

BUFFALO REGIONAL OFFICE

Jeffrey D. Mazula, Chief Examiner
Office of the State Comptroller
295 Main Street, Suite 1032
Buffalo, New York 14203-2510
(716) 847-3647 Fax (716) 847-3643
Email: Muni-Buffalo@osc.state.ny.us

Serving: Allegany, Cattaraugus, Chautauqua, Erie,
Genesee, Niagara, Orleans, Wyoming Counties

GLENS FALLS REGIONAL OFFICE

Jeffrey P. Leonard, Chief Examiner
Office of the State Comptroller
One Broad Street Plaza
Glens Falls, New York 12801-4396
(518) 793-0057 Fax (518) 793-5797
Email: Muni-GlensFalls@osc.state.ny.us

Serving: Albany, Clinton, Essex, Franklin,
Fulton, Hamilton, Montgomery, Rensselaer,
Saratoga, Schenectady, Warren, Washington Counties

HAUPPAUGE REGIONAL OFFICE

Ira McCracken, Chief Examiner
Office of the State Comptroller
NYS Office Building, Room 3A10
250 Veterans Memorial Highway
Hauppauge, New York 11788-5533
(631) 952-6534 Fax (631) 952-6530
Email: Muni-Hauppauge@osc.state.ny.us

Serving: Nassau and Suffolk Counties

NEWBURGH REGIONAL OFFICE

Tenneh Blamah, Chief Examiner
Office of the State Comptroller
33 Airport Center Drive, Suite 103
New Windsor, New York 12553-4725
(845) 567-0858 Fax (845) 567-0080
Email: Muni-Newburgh@osc.state.ny.us

Serving: Columbia, Dutchess, Greene, Orange,
Putnam, Rockland, Ulster, Westchester Counties

ROCHESTER REGIONAL OFFICE

Edward V. Grant, Jr., Chief Examiner
Office of the State Comptroller
The Powers Building
16 West Main Street, Suite 522
Rochester, New York 14614-1608
(585) 454-2460 Fax (585) 454-3545
Email: Muni-Rochester@osc.state.ny.us

Serving: Cayuga, Chemung, Livingston, Monroe,
Ontario, Schuyler, Seneca, Steuben, Wayne, Yates Counties

SYRACUSE REGIONAL OFFICE

Rebecca Wilcox, Chief Examiner
Office of the State Comptroller
State Office Building, Room 409
333 E. Washington Street
Syracuse, New York 13202-1428
(315) 428-4192 Fax (315) 426-2119
Email: Muni-Syracuse@osc.state.ny.us

Serving: Herkimer, Jefferson, Lewis, Madison,
Oneida, Onondaga, Oswego, St. Lawrence Counties

STATEWIDE AUDITS

Ann C. Singer, Chief Examiner
State Office Building, Suite 1702
44 Hawley Street
Binghamton, New York 13901-4417
(607) 721-8306 Fax (607) 721-8313