



# Henry Johnson Charter School

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## Resident Tuition Billings and Collections

2023M-32 | June 2023

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# Report Highlights

## Henry Johnson Charter School

### Audit Objective

Determine whether Henry Johnson Charter School (School) Board of Trustees (Board) and officials ensured tuition billings to school districts were adequately supported and collections were deposited in a timely manner.

### Key Findings

While School officials ensured resident district tuition billings were adequately supported for the sample of 30 students we reviewed, they did not ensure related district tuition collections reviewed totaling \$8 million were deposited in a timely manner. Officials and staff did not:

- Monitor collections received to ensure they were deposited in a timely manner.
- Deposit 29 district tuition collections totaling \$4.9 million in a timely manner.

By not depositing collections in a timely manner, the School did not have access to the undeposited funds, and the risk of loss, diversion or theft of School funds was increased.

### Key Recommendations

- The Director of Finance (Director) should ensure collections are deposited in a timely manner.
- The Head of School (HOS) should periodically review billing receipt and deposit information to ensure deposits are being made in a timely manner.

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

### Background

The School is located in the City of Albany in Albany County, and is governed by an elected nine-member Board that is responsible for the general management and control of the School's financial and educational affairs.

The School is funded primarily through revenues derived from billing area school districts for resident students that attend the School and certain State and federal aid payments for these students.

The HOS is the School's chief executive officer and is responsible, along with other administrative staff, for the School's day-to-day management under the Board's direction.

The Director is the chief financial officer and is responsible for maintaining financial records, preparing monthly financial reports, billing resident districts and making deposits.

#### 2021-22 Quick Facts

Enrollment	330
Grades	K-4
Resident Tuition Revenue	\$4.8 Million
Total Revenue	\$6.4 Million

### Audit Period

July 1, 2021 – January 31, 2023

# Resident Tuition Billing and Collections

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A charter school is a public school financed by local, State and federal resources. New York State Education Law provides for the funding of charter schools' operating budgets primarily by billing the public school districts in which their students reside. A charter school bills the school districts of residence for its provision of educational services. A charter school's ability to operate is dependent on accurate tuition billings to resident districts and timely deposit of collected billings.

## How Should Charter Schools Bill for Resident Tuition?

A charter school bills the school districts of residence every two months at rates established in New York State Education Law. A charter school bills by submitting an invoice accompanied by a roster of resident students with physical addresses, names of parents/guardians, and any updated proof of residency. At the end of each school year, charter school officials perform an end of year reconciliation to ensure each student's full time equivalent (FTE) of attendance has been correctly billed and determine whether any further payments have been received or credits to resident school districts are due if the charter school had overbilled them.

Charter schools are required to keep an accurate, up-to-date attendance record of student enrollment and daily attendance, and report this data to the school districts of residence in a timely manner. A board should develop clear policies and procedures to ensure billings are accurate.

Charter school staff must collect current proof of residency upon enrollment at the beginning of each school year, when changes occur, and periodically thereafter, to ensure the appropriate school district of residence is being invoiced for tuition. Acceptable proof of residency includes copies of lease or mortgage agreements, dated within 30 days prior to registration or change in residency, utility bills and other official correspondence. Maintaining current proof of residency reduces the risk of a resident district disputing the residency of a billed student and provides for efficient payment of amounts billed.

## The School Accurately Billed Resident Districts

We examined the billing and proof of residency information for 30 students taken from the five highest enrollment school districts: Albany, Schenectady, Troy, Watervliet and Cohoes City School Districts, totaling \$261,237. Except for minor instances which we discussed with School officials, all bills were adequately supported, accurate based on enrollment FTEs and established rates, and collected as billed.

From our review, we confirmed the parent liaison collects and maintains up-to-date proof of residency information for students. For each billing period, the Director prepares bills in accordance with the New York State Education

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A board should develop clear policies and procedures to ensure billings are accurate.

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Department's guidance on computing each student's FTE and sends the bills to resident districts, along with the updated status on enrollment and proof of residency, for each student enrolled from the districts. The districts will either pay the School or will contest the billing if they disagree with a student's residency or enrollment status; in the event of a contested bill, the Director will work with the district to resolve the matter. Finally, the Board minutes reflect ongoing monitoring of the School's billings and the resolution of any billing issues encountered by the Director.

We also reviewed the year end reconciliations for two (Albany and Cohoes) of the five districts for the 2020-21 school year, and they appeared reasonable without significant credits or paybacks to the resident districts. For the remaining three districts, the amounts billed equaled amounts paid, and no further reconciliation was necessary.

### **How Should Collections Be Accounted for and Deposited?**

Collections should be appropriately accounted for, physically safeguarded, and deposited in a timely manner. Good business practices require school staff to remit collections to the business office for recording and deposit. These collections should be supported by duplicate receipts or a collection log detailing the source of the payment, check number, date received and the purpose for the payment. School staff should include a copy of all supporting documentation when remitting collections to the business office. Further, school staff should deposit collections as soon as possible, or reasonably within seven calendar days.

School staff should record collections in the accounting records as soon as possible. On a monthly basis, and as part of the bank reconciliation process, school staff should compare the log of collections received to the accounting records and deposit records to ensure all collections received are appropriately recorded and deposited in a timely manner.

### **Collections Were Not Recorded and Deposited In a Timely Manner**

School officials did not maintain a log of collections during the audit period until we made the Director and office manager aware of the need to keep one. The office manager date stamps checks received and endorses them for deposit only, makes two copies of the checks, keeps one copy and remits the other copy with the checks to the Director. The Director obtains the checks daily from the office manager and places them in her office safe until deposit. The Director also makes an additional copy of the checks, keeps them in a separate file for quick reference, prepares and makes the deposits, and records the collection in the

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School staff should record collections in the accounting records as soon as possible.

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accounting records when preparing the deposit. However, since the Director did not prepare the deposits timely (see below), the recording of collections was also not timely.

We examined all 47 collections and related deposits totaling \$8 million of resident tuition from the five districts which our 30 selected students in our billing test resided during their enrollment. We found collections were properly recorded and deposited intact based on the deposit detail (e.g., duplicate deposit slips and bank deposit receipts), and that 18 collections totaling over \$3.1 million were deposited within seven days. However, 29 collections totaling \$4.9 million were not deposited or recorded within seven days, including 14 totaling \$2.9 million that were deposited more than 15 days after receipt (Figure 1) and one collection of \$7,866 that was deposited more than 30 days after receipt.

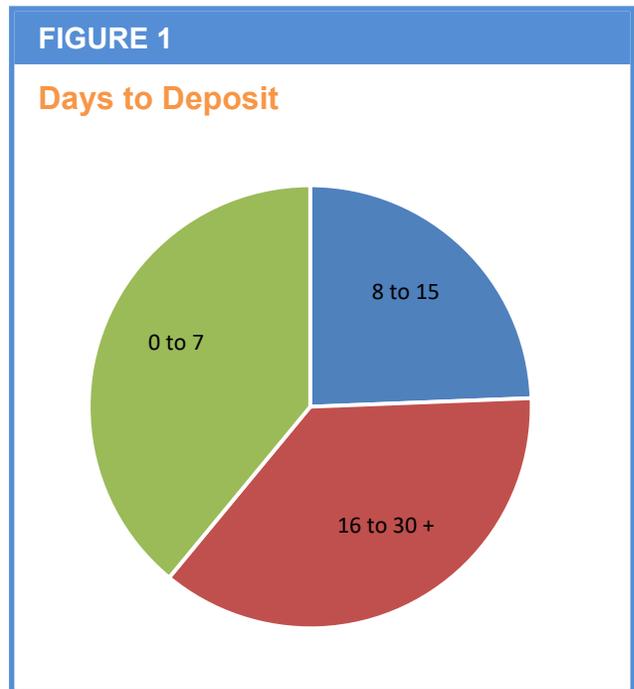
The Director stated she allowed collections to accumulate until she felt it was necessary to deposit them and did not make it a priority to deposit them in a more timely manner. The HOS stated he did not monitor deposits to ensure they were being made in a timely manner, although he agreed he should have.

As a result, the School did not have access to the undeposited funds, and the monthly financial reports to the Board did not accurately represent all revenues collected by the School in a timely manner. When collections are not recorded and deposited in a timely manner, the risk of loss, diversion or theft increases. During field work, the office manager showed us a log of collections they started keeping to track collections and the date these collections were sent to the Director.

### What Do We Recommend?

The Board should:

1. Consider revising its cash receipts policy to a more reasonable timeline for deposit of collections. (i.e., seven days).



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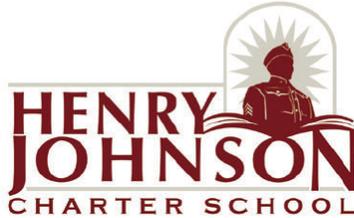
The Director should:

2. Ensure the office manager remits collections daily and that all collections are deposited and recorded within seven days.

The HOS should:

3. Periodically review collection logs and deposit records to ensure collections are deposited in a timely manner.

# Appendix A: Response From School Officials



Dustin Mitchell  
Head of School  
Henry Johnson Charter School  
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Albany, NY 12206

May 25, 2023

Gary G. Gifford Chief of Municipal Audits  
NYS Office of the State Comptroller  
Division of Local Government and School Accountability  
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Glens Falls, NY 12801-4396

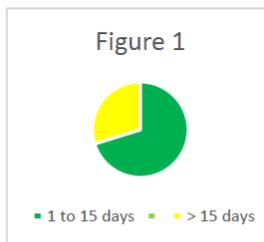
Mr. Gifford:

The Henry Johnson Charter School is thankful for the support of the Office of the State Comptroller. HJCS appreciates the concerns of OCS and desires to operate the school in the best overall manner. HJCS has decided to implement all three recommendations made by OSC and submits its comments below to the Audit Report of Examination made by OSC.

Following 12 weeks of field work, OSC confirmed that tuition billings to school districts were adequately supported. The audit found no loss, diversion, or theft of school funds and all funds received were consistently secured in the school safe prior to being deposited.

During the relevant period, HJCS had a policy to deposit its collections within a period of 15 days. Out of 47 collections, 32 were timely deposited (i.e., within 15 days). HJCS had 14 instances where deposits were made more than 15 days, and one deposit made more than 30 days. The applicable audit period also occurred during the covid-19 pandemic, which required further planning and more disruptions, and which may have contributed to late deposits.

The chart below demonstrates timely deposits according to HJCS' then existing policy, compared to the graphic included in OCS' report.



HJCS acknowledges that while no loss occurred and that most of its deposits were timely made, having a policy of reduced deposit time is more prudent. The auditor made three suggestions as indicated in its report. HJCS believes that the recommendations are reasonable and prudent, and has already agreed to implement, and has implemented the recommended changes to its policies.

Respectfully,  
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Dustin Mitchell  
Head of School

## Appendix B: Audit Methodology and Standards

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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 the HOS, Director, office manager, parent liaison and Board members and reviewed Board minutes and policies to gain an understanding of the School's processes related to billing, collections and deposits.
- To determine whether the student roster – which includes enrollment and residence information – was reliable, we traced from the student files to the roster.
- We traced from the roster to the billing spreadsheets and then to the student folders to determine whether adequate proof of residency was maintained and used for billing purposes.
- We used the enrollment dates in the student roster and billing spreadsheets and the FTE calculator available at <https://stateaid.nysed.gov/ftecalculator/calcfte.htm>, and rates available at <https://stateaid.nysed.gov/charter/> to determine whether the billings were accurate.
- We compared billed amounts to amounts received for each billing period in our audit period and reviewed correspondence from resident districts to determine whether billed amounts were received as billed. We also traced each bill during the enrollment period for our selected students to determine whether any changes of residency occurred.
- We examined all 47 collections and related deposits totaling \$8 million of resident tuition from the five districts which our 30 selected students in our billing test resided during their enrollment at the School during our audit period.
- We traced collections to the bank deposit records and accounting records to determine whether they were deposited in a timely manner and properly recorded. Through discussions with the HOS, Director and Board members, and using our professional judgment, we used seven days as a reasonable timeframe for depositing and recording collections.

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.

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

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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 written corrective action plan (CAP) that addresses the recommendations in this report and forward it to our office within 90 days. 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.

## Appendix C: Resources and Services

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### **Regional Office Directory**

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