

Audit Report

**Dutchess County
Community College Chargebacks**

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Comptroller's Summary..... 3
 Background/Organization 3
 Audit Scope, Objective and Methodology 3
Summary of Findings..... 4
 Detail Findings..... 4
 Certificate of Residence Applications 4
 Payments and Rates 5
 Timeliness of Claims and Payments 5
 Finance Department Records..... 6

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Comptroller's Summary

Background/Organization

Pursuant to New York State Education Law, the State University of New York established the form of billing called "College Chargebacks". A student who attends a Community College outside the county of their legal residence may be charged a lower rate (In state charge) by presenting a Certificate of Residence to the college they wish to attend. The college may then charge to and collect from the county where the non-resident student resides a portion of the college's operating and capital costs. Dutchess Community College (DCC) receives the chargebacks from other colleges. An audit will be conducted on the funds billed by DCC to other counties.

There are two types of chargeback rates which are set and approved by SUNY: Operating and Capital.

- The operating rates support the instructional programs of the college. These rates differ with each college. The rate of a part time student is charged on a per credit basis.
- Capital rates support capital projects at the college. Capital funds are restricted in use. The capital charges are set by New York State at \$300.00 per year. The part time student rate is \$10 per credit.

The State University of New York's approved operating and capital chargeback rates for a full time student attending the 2006-2007 school term are attached as Exhibit II.

Audit Scope, Objective and Methodology

For the period January 1, 2006 – December 31, 2006 a total of \$1,284,484.17 was paid to other NYS community colleges by the Dutchess County Finance Department. This is

detailed by college as Exhibit I. A random selection of payments was reviewed and verified for:

- A valid certificate of residency application and supporting documentation
- Payment adherence to NYS education laws
- Payment rates to NYS set fee schedules

In addition, the Finance Department’s payment records were reviewed for accuracy.

Summary of Findings

- Documentation was found to support all chargeback items reviewed.
- Records were found to be in good order.

Detail Findings

Certificate of Residence Applications

The Education Law requires the Chief Fiscal Officer of each county to issue to any person desiring to enroll in a community college as a non-resident student, a certificate of residence showing that the person is a resident of said county. Residency refers to the principal or permanent home a student returns to. To be considered a legal resident of a county, a student must have resided in New York State for one year and in a county for six months.

For billing purposes, a certificate of residence is valid for one year from date of issuance.

The review of residency applications was conducted using the following criteria:

- Was applicant a resident of New York State for one year prior to the application?
- Was applicant a resident of Dutchess County for six months prior to application?
- Was sufficient proof of residency provided and were notarized applications dated within 1 year?

Findings:

In the sample, all students had a current certificate of resident application and proper supporting documentation on file. Dutchess County requires one proof of residency document. Some students were not residents of Dutchess County for the required six months prior. According to the education law section 6305, “in the event that a person qualifies for state residence, but has been a resident of two or more counties in the state

during the six months preceding his application for certificate of residence, the charges to the counties of residence shall be allocated among the several counties proportioned to the number of months...” The Finance Department properly paid these exceptions.

Payments and Rates

Payments were compared to the NYS approved college fee schedule (Exhibit II). As shown on the Exhibit, each college has an approved operating rate for full time students. Capital charges are the same for each college: \$300 per year: \$150 per semester for a full time student and \$10 per credit for a part time student up to \$300/year. Chargebacks for students attending less than full time are billed based on a fractional full-time equivalent load for the time period a student is enrolled for both capital and operating. The full time equivalent is 30 credit hours per year.

A provision was made by SUNY to reimburse each county which issued a certificate of residence for a student in attendance at the Fashion Institute of Technology an amount equal to 50% of the actual amount paid by the county subject to availability of the state appropriation. Finance was informed by SUNY that these funds have not been appropriated in the State budget.

Findings:

- One college invoiced and was paid a total of \$300 capital charges for 5 students during a fall semester in error. The maximum amount to be charged per semester is \$150. The college discovered the error and refunded the county \$750. All other charges and payments sampled were correct.
- In the sample, Hudson Valley Community College submitted invoices for a learning center in addition to the normal chargebacks. These payments were supported with the NYS Education Law 602.11 which states all instructional programs....shall be entitled to chargeback payments. No discrepancies were found.

Timeliness of Claims and Payments

Per the Education Law, within 45 days after the commencement of each college term or program, the college must voucher for the amount payable by each county.

Finding:

- There was an invoice billed approximately 60 days after the term commencement. According to a memo from the State University of New York, “this ruling is merely a directive and not compulsory, i.e., failure to comply does not bar the community college from receiving the chargeback payment”. No discrepancies were found.

Finance Department Records

Each student’s application for certificate of residency and a notation of the required supporting documentation reviewed was attached to each form. Payment records were reconciled to the county financial records. The Finance Department’s records were found in good order with the exception noted below:

Finding:

Each semester, Finance prepares a listing of students issued a certificate of residence. This listing contains names of newly issued residency forms, prior residency forms still in effect, certificate numbers, eligibility dates, colleges attended and amounts paid.

- On the most current listing, (at the time of the audit), some student names did not have all the eligibility information brought forward from the prior semester listing. However, a review of the prior semester listing and the student’s application/supporting documentation proved the students were eligible for the college chargeback.

Recommendation:

All listings should contain pertinent up-to-date information.


Diane Jablonski, Comptroller

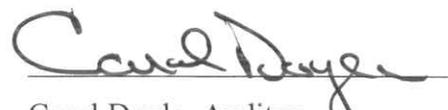

Carol Doyle, Auditor

Exhibit I**2006 Community College Chargeback Payments**

| | Operating Charge | Capital Charge |
|---------------------------------|-----------------------|---------------------|
| Adirondack | \$1,741.26 | 285.00 |
| Broome | 4,260.88 | 530.00 |
| Borough of Manhattan (CUNY) | 10,364.00 | 1,030.00 |
| Cayuga County | 6,664.80 | 1,320.00 |
| Clinton | 4,188.78 | 650.00 |
| Columbia-Greene | 285,576.20 | 20,348.50 |
| Corning | 2,088.65 | 265.00 |
| Erie | 4,598.20 | 1,050.00 |
| Fashion Institute of Technology | 269,350.40 | 9,375.00 |
| Finger Lakes | 380.00 | 60.00 |
| Fulton Montgomery | 6,529.00 | 840.00 |
| Genesee | 1,120.02 | 420.00 |
| Herkimer County | 46,416.02 | 7,240.00 |
| Hudson Valley | 111,064.40 | 15,606.38 |
| Jamestown | 1,872.66 | 290.00 |
| Kingsboro (CUNY) | 936.00 | 90.00 |
| Mohawk Valley | 3,489.20 | 455.00 |
| Monroe | 3,206.00 | 820.00 |
| Nassau | 6,173.00 | 560.00 |
| Niagara County | 468.00 | 60.00 |
| North Country | 766.08 | 70.00 |
| Onondaga | 2,573.42 | 390.00 |
| Orange County | 102,547.61 | 9,066.67 |
| Rockland | 8,780.30 | 920.00 |
| Schenectady County | 1,358.70 | 316.70 |
| Suffolk County | 919.00 | 120.00 |
| Sullivan County | 43,257.30 | 3,310.00 |
| Tompkins-Cortland | 9,009.01 | 1,400.00 |
| Ulster County | 120,982.93 | 12,460.00 |
| Westchester | <u>119,629.10</u> | <u>14,825.00</u> |
| Total | \$1,180,310.92 | \$104,173.25 |

Exhibit II

2006-2007 Approved Chargeback Rates

| Community College | Approved Operating Chargeback Rates Per Full-Time Equivalent Student | Approved Capital Chargeback Rate Per Full-Time Student |
|---------------------------------|---|---|
| Adirondack | \$2,200 | \$300 |
| Broome | 2,600 | 300 |
| Borough of Manhattan | 3,132 | 300 |
| Cayuga County | 2,110 | 300 |
| Clinton | 2,080 | 300 |
| Columbia-Greene | 4,420 | 300 |
| Corning | 2,439 | 300 |
| Dutchess | 2,140 | 300 |
| Erie | 1,370 | 300 |
| Fashion Institute of Technology | 8,020 | 300 |
| Finger Lakes | 2,240 | 300 |
| Fulton Montgomery | 2,460 | 300 |
| Genesee | 920 | 300 |
| Herkimer County | 1,940 | 300 |
| Hudson Valley | 2,390 | 300 |
| Jamestown | 2,030 | 300 |
| Jefferson | 2,170 | 300 |
| Kingsboro | 3,132 | 300 |
| Mohawk Valley | 1,870 | 300 |
| Monroe | 1,140 | 300 |
| Nassau | 3,560 | 300 |
| Niagara County | 2,520 | 300 |
| North Country | 3,430 | 300 |
| Onondaga | 1,840 | 300 |
| Orange County | 3,670 | 300 |
| Rockland | 3,380 | 300 |
| Schenectady County | 1,450 | 300 |
| Suffolk County | 2,530 | 300 |
| Sullivan County | 5,520 | 300 |
| Tompkins-Cortland | 2,290 | 300 |
| Ulster County | 3,270 | 300 |
| Westchester | 2,140 | 300 |

Source: SUNY Approved 2006-007 Community College Operating and Capital Chargeback rate Letter dated September 26, 2006.

CUNY Approved 2006-2007 Community College Operating and Capital Chargeback rate Letter dated November 1, 2006.

Dutchess

**Dutchess
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Office of the
Commissioner
of Finance**

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August 21, 2007

Diane Jablonski, Comptroller
Dutchess County Office Building
22 Market Street
Poughkeepsie, NY 12601

Re: Audit of Dutchess County – Community College Chargebacks

Dear Mrs. Jablonski:

I have carefully examined your audit report of the Dutchess County Community College Chargebacks paid through the Finance Department to other NYS community colleges.

We thank you for your thorough examination of our procedures and controls. It was a pleasure to work with your staff, and their courtesy and professionalism were much appreciated.

Sincerely,


Pamela Barrack
Commissioner of Finance

PB/djw

DUTCHESS COUNTY
COMPTROLLER'S OFFICE
RECEIVED

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