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# Audit Report

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Dutchess County  
Board of Cooperative Educational Services

For the Period

July 1, 1997 through June 30, 1998

BOC-1298-5

August 25, 2000

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**The University of the State of New York**  
**THE STATE EDUCATION DEPARTMENT**  
**Office of Audit Services**  
**Albany, New York 12234**





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August 25, 2000

Mr. Francis X. Dwyer  
Board President  
Dutchess BOCES  
5 BOCES Road  
Poughkeepsie, NY 12601

Dear Mr. Dwyer:

The following is our final audit report (BOC-1298-5) on the Dutchess BOCES for the period July 1, 1997 through June 30, 1998. The audit was conducted pursuant to Sections 305 and 1950 of the Education Law in pursuit of Goal #5 of the Board of Regents/State Education Department Strategic Plan: "Resources under our care will be used or maintained in the public interest."

It is the policy of the State Education Department to consider for review matters of significant disagreement which result from the issuance of final audit report. Appendix C describes the process to be followed in the event of such disagreement.

Ninety days from the issuance of this report, BOCES officials will be asked to submit a report on actions taken as a result of this audit.

I appreciate the cooperation and courtesies extended to the staff during the audit.

Sincerely,

Daniel Tworek

Enclosure

cc: Commissioner Mills, R. Cate, G. Illenberg, J. Kadamus, T. Sheldon, S. Spear, B. Stambler, J. Stevens, C. Szuberla, C. Foster (DOB), H. Hoffman (OSC), J. Pennoyer, District Superintendent of Schools

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# Executive Summary

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Dutchess BOCES ranked as the 19th largest BOCES in the State, in terms of total general fund expenditures, for the 1997-98 school year.

The pie chart illustrates general fund expenditures by program for the 1997-98 school year.

## Background and Scope of the Audit

The audit examined management practices, records and documentation related to select areas of Dutchess BOCES operation for the period July 1, 1997 through June 30, 1998. These areas included Administration, Operation and Maintenance, Cooperative Services, and Employment Preparation Education (EPE). This was a financial related audit and the objectives were to: determine if cost allocations and transfers were accurate and reasonable; determine if services comply with Department approved specifications; verify that only reasonable and necessary costs were incurred; and verify that the budgetary process provides control over the expenditures of funds.

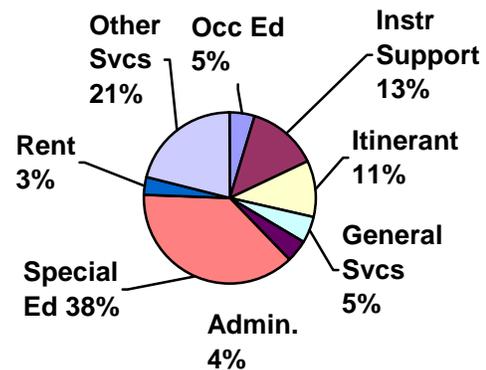
## Audit Results

Presented below is a summary of the significant audit findings developed in response to the audit's objectives.

- Dutchess BOCES can improve procedures to claim only EPE related expenses (pages 4-5).
- Opportunities exist to improve management processes relating to purchasing, non-overnight travel, recording school district payments, documentation for travel and meal expenses, vehicle identification and inventory control (pages 6-17).

Dutchess BOCES officials have made improvements to assure proper allocations of EPE expenses. They have also taken corrective action to improve management processes relating to purchasing, recording school district payments, documentation for travel and meal expenses, vehicle identification, and inventory control.

**Dutchess BOCES**



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# Introduction

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## Background

Boards of Cooperative Educational Services (BOCES) are voluntary, cooperative associations of school districts that have joined together to provide educational programs or services more economically than each district could offer by itself. BOCES are organized under Section 1950 of the Education Law. Chapter 474 of the Laws of 1996 amended Section 305 of the Education Law to require the New York State Education Department (Department) to perform fiscal audits of BOCES at least once every three years.

BOCES may provide such services as special education for students with disabilities, occupational education, academic and alternative programs, summer schools, staff development, computer services, educational communications and cooperative purchasing. There are 38 BOCES in New York State and all but 13 of the 705 operating school districts in the State are members.

Each BOCES submits an annual Cooperative Services Application (CO-SER) to the Department for approval for each program and service offered to districts. After the BOCES obtains approval and determines budgeted program costs, it notifies the districts of available programs and the applicable rates.

Districts that belong to a BOCES are called component districts and are required to pay a share of the BOCES' administrative costs. Only districts that actually use the programs offered by a BOCES, called participating districts, are required to pay for the program costs. Costs charged to the districts for administration and programs are based on budgeted costs and are adjusted at year-end to reflect actual costs. Typically, a refund is issued to the districts to reconcile differences.

Dutchess BOCES, headquartered in Poughkeepsie, New York, was established to be a means for the school districts of Dutchess County to cooperatively carry out studies, develop specialized facilities and offer shared educational programs and services. Shared programs allow districts to offer opportunities to students and staff that might not otherwise be economically possible.

Dutchess BOCES serves 14 component districts which enroll more than 44,000 students. Dutchess BOCES ranked as the 19th largest in the State, in terms of total general fund expenditures, for the 1997-98 school year.

## **Objective, Scope and Methodology**

Pursuant to Sections 305 and 1950 of the Education Law, we audited management practices, records and documentation related to selected operations of Dutchess BOCES for the period July 1, 1997 through June 30, 1998. This was a financial related audit and the objectives were to:

- determine if cost allocations and transfers between funds and among CO-SERs are accurate and reasonable;
- determine if CO-SERs comply with Department approved specifications;
- verify that only reasonable and necessary costs were incurred;
- verify that the budgetary process provides control over the expenditure of funds; and
- verify the accuracy and reliability of data reported to the Department for Employment Preparation Education aid.

To accomplish our objectives, we reviewed applicable laws, regulations, policies and procedures; interviewed Department and Dutchess BOCES management and staff; examined records and supporting documentation; sampled transactions on a non-statistical basis; and reviewed the Dutchess BOCES audited financial statements.

There is no State or BOCES process to assess whether CO-SERs result in measurable cost savings to school districts. As a result, the audit was not able to complete this portion of the scope.

We conducted the audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting and operational records and applying other audit procedures considered necessary in the circumstances. An audit also includes assessing the estimates, judgments and decisions made

by management. We believe that the audit provides a reasonable basis for our findings, conclusions and recommendations.

## **Comments of Dutchess BOCES Officials**

Dutchess BOCES officials generally agreed with the findings and recommendations in this report. Their comments have been included where appropriate and their response is included as Appendix B.

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# Employment Preparation Education

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Dutchess BOCES operates an Employment Preparation Education (EPE) Program. This categorical aid program serves students 21 years of age or older who have not received a high school or equivalency diploma.

Part 168.4 of the Regulations of the Commissioner of Education (Regulations) states that EPE Program funds may be spent for personal services, employee benefits, equipment, supplies and materials, contractual services, travel expenditures, staff development and training, and other expenditures approved by the Commissioner. These expenditures are to be used only for EPE Program purposes.

Dutchess BOCES received a total of \$801,368 in EPE aid for the period July 1, 1997 through June 30, 1998, based on reported contact hours. The audit found that Dutchess BOCES needs to improve its system for documenting and allocating EPE expenditures.

Education Law 3602 states that when total revenue received exceeds the entire cost of such program, State aid payable in the following year will be reduced by the amount of such excess. This means that Dutchess BOCES must refund the larger of revenues disallowed or expenditures disallowed, but not both. The audit report will be used by the Department to adjust future aid received by Dutchess BOCES.

## Expenditures

Part 168.4 of the Regulations states that EPE Program funds may be spent only for personal services, employee benefits, supplies and materials, contractual services, travel expenses, staff development and training, and other such expenditures approved by the Commissioner. Such expenditures shall be made only for EPE Program purposes.

Generally, Dutchess BOCES has procedures in place to ensure that expenditures are made only for EPE Program purposes. However, certain procedures related to EPE expenditures may be improved. For example, the proximity of the EPE Program with adult education and other literacy programs dictates that Dutchess BOCES develop a more formal and documented method for allocating expenses among these programs. Such an

approach should improve consistency in financial reporting and help to ensure that expenditures are made only for EPE Program purposes. Examples of expenses include supplies and equipment used in common areas.

Another area identified where Dutchess BOCES can improve involves documentation of certain meal expenses. Improvements could be made to ensure that documentation includes the names of the persons attending and the purpose of the meal. Such additional documentation would help ensure that only expenses for EPE Program purposes are incurred.

Lastly, the audit noted an instance where Dutchess BOCES apparently made a donation to the Literacy Volunteers of America for sponsorship of a spelling bee. The audit questions whether such an expense should be considered an appropriate part of the EPE Program. In addition, the audit questions whether Dutchess BOCES is authorized to make donations.

Dutchess BOCES officials agree that improvements can be made to ensure that only expenses for EPE Program purposes are incurred and will ask that their EPE program administrators increase their vigilance in allocating expenses.

## **Recommendation**

1. Improve procedures to ensure only EPE related expenses are claimed for EPE aid.

## **Comments of Dutchess BOCES Officials**

Dutchess BOCES officials concur with this recommendation.

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# Opportunities to Improve Management Processes

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Management is responsible for establishing effective management processes or controls. In its broadest context, management controls include the plan of the organization, methods, and procedures adopted by management to ensure that its goals are met. These processes include such areas as planning, organizing, directing and controlling program operations. They include systems for measuring, reporting and monitoring program performance. The audit reviewed several processes that it determined significant to the audit objectives and found several opportunities for improvement. These areas include documentation of travel expenses, recording of payments, vehicle identification, inventory control, unnecessary and unreasonable expenses, purchasing procedures, and improving policies.

## Travel Meal Allowance

Section 77-c of the General Municipal Law governs the use of per diem meal allowances for travel on official business. It states that whenever a municipality is authorized or required to reimburse its officers or employees for their actual and necessary expenses for meals in conjunction with travel on official business, the governing board of such municipality may determine by resolution to allow and pay a reasonable per diem allowance for meals in lieu of such actual and necessary expenses. In determining the amount of such allowance, the governing board shall consider the prevailing costs for meals in the area in which the travel will occur, but in no event shall such allowance exceed the standard meal allowance for business-related travel adopted or prescribed for federal income tax purposes.

The federal rates, which currently range from \$30 to \$46, are for different areas across the continental United States. Employees of New York State are also limited to these rates when traveling.

Dutchess BOCES reimburses employees who travel on an allowance basis for meals, rather than based on actual receipted expenses. Dutchess BOCES' expense reimbursement policy stipulates a meal allowance of \$50 per day, which exceeds the federal rates. Expenses paid in excess of the federal rates are considered unnecessary. In addition, payments in excess of the

federal rates raise some tax liability issues regarding employee income and withholdings.

Dutchess BOCES is not fully complying with the General Municipal Law and, therefore, unnecessary expenses are incurred. In addition, certain tax liability issues may not have been properly addressed.

Dutchess BOCES officials state they have used guidelines found in IRS publication 1542. They state they anticipate adjusting the standard per diem travel meal allowance to \$46.00, with receipts required. However, the applicable criterion is Section 77c of the General Municipal Law. Their current policy does not fully comply with this statute and the stated change will not comply. In addition, they may have not fully complied with Internal Revenue Service (IRS) reporting and withholding requirements.

## **Purchases Not Required to be Bid**

General Municipal Law, Section 104-B (1) states that goods and services, which are not subject to competitive bidding, must be procured in a prudent and economical manner. The governing board shall adopt internal policies and procedures governing all procurements of goods and services which are not subject to the competitive bidding requirements..."

Section 104-B (2) also states, "Such policies and procedures shall contain provisions which, among other things: ...(b) provide that, alternative proposals or quotations for goods and services shall be secured by use of written request for proposals, written quotations, verbal quotations or any other method of procurement which furthers the purposes of this section; (d) require adequate documentation of actions taken in connection with each such method of procurement...; (e) require justification and documentation of any contract awarded to other than the lowest responsible dollar offeror, setting forth the reasons such an award furthers the purpose of this section...."

Dutchess BOCES' administrative regulation number 5310 describes administrative procedures for procurement of goods and services. The regulation defines the methods by which goods and services shall be procured where the law does not require competitive bidding. Under the heading, "Small Purchases," the regulation reads as follows:

“Any procurement not exceeding the amount of \$5,000 for commodities, equipment and goods and \$10,000 for public work projects/contracts may be made in accordance with small purchase procedures, provided, however, that procurement requirements shall not be artificially divided so as to constitute a small purchase. Documented telephone quotes from at least three vendors (if available) shall be required for public work projects/contracts from \$5,000 to the Competitive Sealed Proposal threshold.”

The regulation does not further define small purchase procedures. As a result, the meaning of this section is unclear. The audit questions whether this section, as written, promotes the purposes of the statute. An example of a policy that promotes prudent and economical purchasing is the Department’s internal guideline for purchases for less than \$5,000. This guideline requires that at least three quotations be solicited for purchases between \$2,500 and \$4,999, and that for purchases less than \$2,500 quotations be solicited when feasible. Dutchess BOCES could better promote prudent and economical purchasing by spelling out their small purchase procedures in a similar manner.

Dutchess BOCES officials agree that further clarification of “small purchase” may be possible and plan to amend their policy and/or regulations to reflect our observations.

## **Non-Overnight Travel**

Volume XI, Section 8.1020 of the New York Accounting System User Procedure Manual (Manual), explains that the IRS requires employers to report and withhold income and employment taxes from meal allowances for non-overnight travel (day trips). The IRS Publication 463 states that a taxpayer traveling on business may only deduct meal allowances if the trip requires the person to stop for "sleep or rest." Meal allowances, which are not deductible, are subject to withholding of income and employment taxes and must be reported on employee W-2s.

Dutchess BOCES is not complying with IRS rules regarding non-overnight meal expenses and did not treat these expenses as income, as required. As a result, Dutchess BOCES and its employees may be exposed to potential tax liabilities.

Dutchess BOCES officials do not agree that non-overnight meal expenses were not properly reported for tax purposes. Their outside CPA advised them that meal reimbursement is not

taxable. Ultimate determination of whether Dutchess BOCES is complying with IRS regulations can only be determined by the IRS. It is the audit's obligation to report to BOCES instances where they may not have complied with the law.

## **Recording Payments to School Districts in the Accounting Records**

The Office of the State Comptroller's Uniform System of Accounts for Boards of Cooperative Educational Services (Uniform System of Accounts) is prescribed by Section 36 of the General Municipal Law. The Office of the State Comptroller is responsible for issuing and revising this manual. It is designed to provide uniformity with respect to classification and summarization of data from the books of account.

The system was designed to permit expansion of the account codes at the local level. However, the main purposes of the system are to provide accounts which meet statutory requirements, allow for the proper allocation of costs, and present sufficient information to interested individuals.

The Uniform System of Accounts gives numerous examples of how expenses should be coded for accounting purposes. Expenses are coded to indicate the fund, service program, activity code and object of expense. The Uniform System of Accounts assigns the codes for funds, activity programs and objects of expense. Service program codes are assigned by the individual BOCES.

Under the object of expense category "contractual expense," the system identifies the following codes:

- .400 Contractual and Other Expenses
- .440 Contractual Professional Salaries
- .470 Rental of facilities
- .480 Payments to Dormitory Authority
- .490 School Districts and other BOCES

Dutchess BOCES records payments made to school districts using the object code .400 rather than the appropriate code .490. As a result, Dutchess BOCES is not meeting the requirements of the Uniform System of Accounts for BOCES, data are not comparable to other BOCES, and data may otherwise be misleading to Department officials.

Dutchess BOCES officials indicated they prefer to separate payments to school districts from payments to other BOCES in order to help with the billing process. (Note: Given the flexibility of the Uniform System of Accounts, Dutchess BOCES could code payments to BOCES as .491 and payments to school districts as .492. This would keep the payments separate and allow for a consolidation of all .490 accounts for external financial reporting.)

Dutchess BOCES officials agree that the Uniform System of Accounts requires that payments made to school districts be coded as .490 under the object of expense and indicate this will be done.

## **Vehicle Identification**

The Guide, Volume 2, Subsection 11.1010, states, "Effective internal control systems are designed to ensure management that all resources entrusted to their care are used in accordance with all laws, regulations, policies and sound business practices, where applicable. In addition, all resources should be safeguarded against waste, loss and misuse."

"It is generally recognized that good internal controls make the commission of wrongful acts more difficult."

Good business practices dictate that adequate internal controls over assets should include a system to track the locations and use of assets to ensure they are used for only authorized purposes. In addition, vehicles should bear vehicle logos or markings that easily identify the vehicle as belonging to the BOCES. This deters unauthorized use as a clearly marked vehicle is visible to the BOCES' constituency who may question BOCES officials on its use.

Dutchess BOCES' vehicles, while they have "official" license plates, are not otherwise identified. This increases the risk that vehicles could be used for unauthorized purposes.

Dutchess BOCES officials indicated that vans and trucks will have side panel or door signage to show that they are BOCES vehicles.

## Miscoded Equipment/Equipment Not Tagged

Dutchess BOCES purchased computer networking equipment and supplies totaling \$16,972 and was inconsistent in the way the expenditures were recorded. For example, identical items were charged to either Code 300 (materials and supplies) or Code 200 (equipment), depending on the purchase order. Additionally, items that were clearly equipment (the ENET switches and 12 port 19BT hubs) were coded as supplies. As a result, these items were not recorded on Dutchess BOCES' inventory and were not affixed with asset tags.

Miscoding equipment purchases as supplies can lead to a decrease in accountability over personal property. In addition, failure to consistently record expenditures in accordance with the Uniform System of Accounts can distort operational results. For internal purposes, Dutchess BOCES may be unable to obtain an accurate historical perspective of spending patterns, thereby complicating the budgeting and budget monitoring processes. Externally, useful comparisons of BOCES' data are impossible unless all adhere to the requirements of the Uniform System of Accounts.

Dutchess BOCES officials agree that expenditures were inaccurately recorded. They state that this isolated case is not typical, but also recognize the need for greater monitoring of purchases.

## Meal Expenditures Not Adequately Documented

The Guide for Local Governments (Guide), issued by the Office of the State Comptroller, (8.1020) states that a claim for payment must include sufficient detail to permit a satisfactory audit by a person who is entirely unfamiliar with the transaction. "Claims submitted by an officer or employee for reimbursement of expenses should indicate the reason for the travel or expense and the authorization for incurring it."

The Guide notes that the cost of meals for guests may not be paid unless "it is determined that a lunch or dinner meeting will promote a valid local government purpose..." The Guide notes that "the claim for reimbursement should state the names of the guests and the topics discussed" and "the board must carefully assess the appropriateness of any given expenditure of this nature to be sure that it is not frivolous and there should be a reasoned determination that the meeting will promote a valid local

government purpose by discussion or negotiation of a matter related to the local government.”

A sample of Dutchess BOCES expenditures noted many instances where the purposes and persons attending meals were not documented. Instances were also noted where meals for non-employees were purchased, but documentation that the meal promoted a valid government purpose was not submitted along with the claim for reimbursement.

Dutchess BOCES officials agree that documentation of meal expenditures needs improvement. They state they will redouble their efforts and remind staff of the need for submitting documentation showing the business purposes for such expenditures.

## **Questioned Expenses – Chief School Officer Meeting Expenses**

Section 1950(4)(b)(1) states, "The administrative budget shall include, but need not be limited to, office and central administrative expenses, travel expenses and salaries and benefits of supervisors and administrative personnel necessary to carry out the central administrative duties of the supervisory district, any and all expenditures associated with the board, the office of district superintendent, general administration, central support services, planning and all other administrative activities."

Dutchess BOCES routinely paid for Dutchess County Chief School Officer (CSO) meeting expenses. In addition to luncheon meetings, these expenses included charges for CSO workshops held in Saratoga, NY totaling more than \$5,300. Expenses at these events for non-BOCES employees are not appropriate Dutchess BOCES administrative expenses. As a result, Administrative expenses were overstated thereby overstating BOCES aid.

Dutchess BOCES officials disagree that CSO expenses for non-BOCES employees are not appropriate administrative expenditures. They believe that CSO meetings are necessary to carry out the central administrative duties of the supervisory district. The audit is not questioning the CSO meetings, only the appropriateness of paying for non-BOCES employees. Expenses of the District Superintendent to attend such meetings are an appropriate administrative expense and are not questioned.

Dutchess BOCES officials also indicated that their attorneys will check with the Office of the State Comptroller regarding expenses for CSO meetings.

## **Questioned Expenses – Unnecessary Conference Expense**

The Guide states that overnight expenditures for days prior or subsequent to a conference are generally not reimbursable. However, additional travel days may be appropriate depending on the starting and ending times, distance traveled, or other factors. In order to obtain lower airfares, it is sometimes necessary to incur additional lodging and meal expenditures. These expenditures can be justified when the difference between the regular airfare and the reduced airfare exceeds the additional meal and lodging expenditures. Also, the additional expenditures should be limited to the minimum expenditures necessary to qualify for the reduced airfare.

Dutchess BOCES does not require that documentation be submitted to justify expenditures related to additional overnight stays. The audit found that Dutchess BOCES incurred additional expenditures totaling nearly \$700 related to excessively earlier arrivals and late departures at conferences. Questioned costs allow for arrival the day before and departure the day after the conference.

Dutchess BOCES officials state that extended time was designed to obtain airline discounts. In addition, they indicated they will require more complete documentation on hotel and airfare bills when extra travel days are required to obtain lower airfares to/from conferences.

## **Dinner Meetings**

General Municipal Law Section 77 (b) authorizes BOCES to pay for all actual and necessary expenditures incurred by an officer or employee attending a conference. The Guide notes that, as a general rule, a particular expense may be considered “actual and necessary” if (1) an expenditure was actually made; (2) the item was necessarily incurred for an authorized purpose; and (3) the expense was in an amount no greater than necessary.

The Guide notes that the cost of meals for guests may not be paid unless “it is determined that a lunch or dinner meeting will promote a valid local government purpose....” The Guide notes that “the claim for reimbursement should state the names of the

guests and the topics discussed” and “the board must carefully assess the appropriateness of any given expenditure of this nature to be sure that it is not frivolous and there should be a reasoned determination that the meeting will promote a valid local government purpose by discussion or negotiation of a matter related to the local government.”

Dutchess BOCES regularly pays dinner expenses for attendees at board meetings, as opposed to snacks and refreshments. Such expenses are considered unreasonable compared to other BOCES’ practices. In addition, the routine nature of such expenses is considered frivolous. The audit reviewed a sample of transactions and saw dinner meeting expenses in August, December, February and March in addition to the annual meeting in April.

Dutchess BOCES officials disagree that regularly paying dinner expenses at board meetings is unnecessary. They cite Education Law that says members of Boards shall be reimbursed for necessary expenses for attending board meetings.

## **Confirming Purchase Orders**

The Guide contains information on various financial management topics. The Guide attempts to assist local governments to develop effective systems for managing their finances. Volume 2, Subsection 8.3050, defines confirming purchase orders. It states, “A verbal order, subject to subsequent confirmation by written purchase order, may be given in cases where necessity for immediate action exists. Naturally, such a deviation from the “norm” should have very limited use. The individual placing such an order should justify the need for this action. Lack of proper training should not be considered a valid reason for this process.” The Department’s School Business Handbook #5, *Purchasing*, recommends against the use of confirming purchase orders, except in cases of emergencies.

The audit selected a sample of invoices to determine if Dutchess BOCES is complying with stated internal controls and that purchases were reasonable, necessary and related to Dutchess BOCES’ operations. The audit sampled 105 invoices and determined that in 21 cases (20 percent), Dutchess BOCES used confirming purchase orders. Confirming purchase orders commit Dutchess BOCES to payment before ensuring that sufficient funds are available and proper justification for the purchase exists.

Dutchess BOCES officials agree that confirming orders were used for non-emergency purchases. They state they have improved procedures and expect to reduce the use of confirming purchase orders.

## **Consultant Selection Process**

The General Municipal Law, Section 100 (a), states that the competitive bidding statutes of New York State are to be construed “to assure the prudent and economical use of public moneys for the benefit of all the inhabitants of the state and to facilitate the acquisition of facilities and commodities of maximum quality at the lowest possible cost.” In addition, General Municipal Law, Section 104 (b), requires that goods and services that are not required by law to be bid “must be procured in a manner so as to assure the prudent and economical use of public moneys in the best interests of the taxpayers ... to facilitate the acquisition of goods and services of maximum quality at the lowest possible cost under the circumstances, and to guard against favoritism, improvidence, extravagance, fraud and corruption.”

Dutchess BOCES Administrative Regulation 5310 covers administrative procedures for procurement of goods and services. The Regulation states that “Any professional services, including consultant services, which are not subject to competitive bidding requirements (such as property appraisals, legal, medical and insurance services), the cost for which will exceed the bidding threshold of public works projects, may be procured on the recommendation of the District Superintendent of Schools or his/her designee and the approval of the BOCES Board. Where appropriate, this selection process will include requests for proposals (RFP). The request for proposals may consider price plus other factors such as experience, qualifications, performance data, financial stability, staffing and suitability of needs and may include negotiations on a fair and equitable basis. The recommendation and award will be done on the basis of what is in the best interest of the BOCES.”

Dutchess BOCES hired a consultant to provide services relating to the search and selection of a District Superintendent for Dutchess BOCES. The fee for such services was \$10,000 plus reasonable and documented expenses related to search activities.

Dutchess BOCES did not use a competitive (RFP) process to select the consultant. A non-competitive selection process does little to guard against the appearance of favoritism, improvidence, extravagance, fraud and corruption.

Dutchess BOCES officials point out it is not necessary under statute to bid professional services. However, their own policy requires these bids “where appropriate,” but not in all circumstances. In addition, they noted that it was the consensus of the Board that the consultant was uniquely qualified to assist in the search for and selection of a District Superintendent.

## **Recommendations**

2. Adopt a travel meal allowance that complies with Section 77c of the General Municipal Law.
3. Improve purchasing procedures for “small purchases.”
4. Ensure that all IRS regulations are followed regarding non-overnight travel reimbursement.
5. Improve procedures for correctly recording school district payments.
6. Improve accountability over public property by identifying Dutchess BOCES vehicles with logos.
7. Ensure inventory is accurate by correctly coding equipment purchases.
8. Improve documentation for meal expense reimbursement.
9. Ensure that expenses for non-BOCES employees are not claimed.
10. Improve documentation for conference meetings.
11. Consider providing snacks and refreshments instead of dinners at board meetings.
12. Improve the selection process of consultants by using a competitive method.

## **Comments of Dutchess BOCES Officials**

Dutchess BOCES officials concur with recommendations 3, 5, 6, 7, 8, 10, and 12. They partially agree with numbers 2 and 4, stating they will revise forms to more clearly document purpose of travel. For number 9, they will check with the Office of the State Comptroller. They state that for number 11, they only provide dinner for three lengthy meetings per year.

Dutchess BOCES  
Contributors to the Report

- Calvin Spring, Audit Manager
- William Lake, Associate Auditor (Auditor-in Charge)
- Patti Engel, Senior Auditor

**NEW YORK STATE EDUCATION DEPARTMENT  
OFFICE OF AUDIT SERVICES  
AUDIT REVIEW PROCEEDINGS**

**Requests for Audit Review**

It is the policy of the State Education Department to consider for review matters of significant disagreement which result from a final audit report issued by the Office of Audit Services.

An organization requesting an audit review must make a written application to the Associate Commissioner for Planning and Policy Development, New York State Education Department, Room 128 EB, Albany, New York 12234 within 30 days of receiving the final audit report. An organization may request a review of an audit whenever the final audit report directs the recovery of funds from the organization and one or more of the following conditions is met:

- Recovery of funds would cause immediate and severe financial hardship to the organization, thereby affecting the well-being of program participants;
- The organization's violation was caused by erroneous written guidance from the State Education Department;
- The State Education Department failed to provide timely guidance on the matter or condition when the organization had previously requested such guidance in writing; and/or
- The report contains errors of fact or misinterpretation of laws, statutes, policies or guidelines.

Organizations requesting an audit review must submit a written application describing how one or more of the above conditions have been met. This application must include all evidence and information the organization believes are pertinent to support its position.

An audit report which recommends improvements in internal controls of administrative or financial systems, but has no material financial impact on the organization, will not be considered for an audit review proceeding.