
Final Audit Report

Jefferson-Lewis-Hamilton-Herkimer-Oneida
Board of Cooperative Educational Services

for the Period

July 1, 1998 through June 30, 1999

BOC-0600-7

November 13, 2003

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





THE STATE EDUCATION DEPARTMENT / THE UNIVERSITY OF THE STATE OF NEW YORK / ALBANY, NY 12234

Michael Abbott, CPA, Director
Room 524 EB
Office of Audit Services
Tel. (518) 473-4516
Fax (518) 473-0259
E-mail: mabbott@mail.nysed.gov

November 13, 2003

Mr. Lynn Murray
Board President
Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES
20104 State Route 3
Watertown, New York 13601

Dear Mr. Murray:

The following is our final audit report (BOC-0600-7) of the Jefferson-Lewis-Hamilton-Herkimer-Oneida Board of Cooperative Educational Services (BOCES) for the period July 1, 1998 through June 30, 1999. 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."

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,

Michael Abbott, CPA

Enclosure

cc: Commissioner Mills, T. Savo, J. Kadamus, B. Porter, T. Sheldon, J. Canaday, J. Stevens,
C. Szuberla, C. Foster (DOB), J. Dougherty (OSC), Dr. Linda Gush, Interim District
Superintendent

Executive Summary

Background and Scope of the Audit

Jefferson-Lewis-Hamilton-Herkimer-Oneida (Jefferson-Lewis) BOCES ranked as the 27th largest BOCES in the State, in terms of total general fund expenditures, for the 1998-99 school year.

The audit examined management practices, records, and documentation related to summarizing and reporting data used in the BOCES Report Card and the Chapter 602 Report for the period July 1, 1998 through June 30, 1999. The Employment Preparation Education (EPE) Program was reviewed for the 1998-99 school year. This audit also followed up on findings and recommendations from the previous audit. The objectives were to: evaluate the adequacy of management controls over data reported to the Department and obtain reasonable assurance that the data are valid and reliable; determine how Jefferson-Lewis BOCES uses data to monitor the performance of the schools within its supervisory district; determine how Jefferson-Lewis BOCES uses data to monitor student outcomes; and evaluate the wide ranges of costs identified in the Chapter 602 Report and understand the reasons for the variances.

Audit Results

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

- Report Card data documentation needs to be improved. (pages 3-10)
- Chapter 602 Report data were not necessarily accurate or were not calculated in accordance with the instructions. (pages 11-18)
- EPE expenditures were overstated by \$58,156. (page 19-21)
- EPE attendance, student folder, and contact hour documentation can be improved. (pages 21-29)
- Report Card and Chapter 602 Report data are not always consistent. (pages 30 and 31)
- There are opportunities to improve management processes in the areas of segregation of duties, a policies and procedures manual, internal controls, expenditure transfers, and Educationally Related Support Services (ERSS) expenditures. (pages 32-37)
- Jefferson-Lewis BOCES had two areas the audit considered to be best practices. (page 52)

Jefferson-Lewis BOCES officials have implemented or are implementing procedures to address these issues.

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Appendix A – Contributors to the Report

Appendix B – Jefferson-Lewis BOCES response to Draft Audit Report

Introduction

Background

Public and legislative attention has been turned to data provided by Boards of Cooperative Educational Services (BOCES) and school districts with the issuance of New York State BOCES Report Cards (Report Cards). Chapter 436 of the Laws of 1997 made Report Cards available to the public on April 16, 1999. Graphically presented, Report Cards summarize program accomplishments and services BOCES provide for children and adults.

In addition, Chapter 602 of the Laws of 1994 added Section 215-b to the Education Law to require the Commissioner of Education to prepare and submit to the Governor, the President Pro Tem of the Senate, and the Speaker of the Assembly, an annual report beginning January 1, 1996. The Chapter 602 Report details certain financial and statistical outcomes of BOCES, tuition costs for selected programs, per pupil cost information, and aggregate expenditure data for BOCES' administrative, capital, and service functions, and is to include changes from the year prior to the report year for all data.

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.

The Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES (Jefferson-Lewis BOCES) is headquartered in Watertown, New York and serves 18 component districts with enrollments of more than 25,000 students. Jefferson-Lewis BOCES ranked 27th largest in the State, in terms of total fund expenditures, for the 1998-99 school year.

Objectives, Scope, and Methodology

Pursuant to Sections 305 and 1950 of the Education Law, we audited management practices, records, and documentation related to the data contained in the Report Card and the Chapter 602 Report for the period July 1, 1998 through June 30, 1999. We also followed up on the status of prior recommendations made in audit report number BOC-0996-3

and we reviewed the Employment Preparation Education (EPE) Program for the same period. The objectives were to:

- evaluate the adequacy of management controls over data reported to the Department and obtain reasonable assurance that the data are valid and reliable.
- determine how BOCES use data to monitor performance of districts within its supervisory district.
- determine how BOCES use data to monitor student outcomes.
- evaluate the wide ranges of costs identified in the Chapter 602 Report and understand the reasons for the variances.
- determine if EPE claims are adequately documented.
- determine if Educationally Related Support Services (ERSS) expenditures are reported properly.
- follow up on findings and recommendations from the previous audit, and determine whether timely and adequate corrective actions were implemented.

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

We conducted our 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 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 our audit provides a reasonable basis for our findings, conclusions, and recommendations.

Jefferson-Lewis BOCES officials' comments on the matters contained in this report have been included where appropriate. Their final comments are included as Appendix B to this report.

Report Card

Report Cards, required by Chapter 436 of the Laws of 1997, were made available to the public on April 16, 1999. The Report Cards graphically summarize program accomplishments and services BOCES provide for children and adults. They are intended as a tool for the continuous improvement of BOCES programs and services, and for providing information to communities.

The Report Card displays data about the following programs and services: Career & Technical Education; Alternative Education; Adult Career and Technical Education; Special Education; Professional Development; Technology Services; the State Testing Program for all component districts; Regents Examinations; Graduation Results; and the 1997-98 Expended Budget. The Department, not BOCES, provides the State testing figures; therefore, those figures were not included in the scope of the audit.

Data included in the Report Cards must be valid and reliable in order to be used effectively. BOCES officials are given the opportunity to review the Report Card before its release. The audit reviewed the supporting documentation provided by Jefferson-Lewis BOCES for the Report Card and additional reports submitted to the Department that were used by the Department to prepare the Report Card. Several areas were noted where Report Card data were not accurate or supported by schedules, student listings, or the computer database. Efforts need to be made to improve the accuracy of the Report Card data. The audit notes that this was the first year of the Report Card. The differences noted were as follows.

Career & Technical Education

This section contains data on the number of students enrolled and the number of students completing the two-year course. Jefferson-Lewis BOCES provided detailed listings of student names and several computerized spreadsheets that summarized enrollment and completers for their two Career & Technical Education sites. However, the audit found that the enrollment and completers totals in these spreadsheets and lists were significantly less than the enrollment reported.

Jefferson-Lewis BOCES officials stated that adult Career & Technical Education students might have been included in the completers total.

BOCES are required to submit Career ED-2 Forms to the Department's Information and Reporting Services office (IRS), which summarizes the number of completers. For the 1998-99 Report Card, the completers total from these forms was used in the "Status of 1997-98 Graduates" section. There were 547 completers reported on these forms with 20 of these completers in a one-year sequence. Consequently, there were only 527 completers in a two-year sequence, which is 60 less than the 587 completers reported in the enrollment section of the Report Card.

In addition, Jefferson-Lewis BOCES incorrectly included special education students in a Life Skills course in the totals on the Career ED-2 Forms. This would mean that the completers total on the Career ED-2 Forms would be even less.

Jefferson-Lewis BOCES officials agree that the computerized spreadsheet used to summarize enrollment and completer data does not adequately reflect the actual enrollment and completer data or support the reported enrollment and completer data. They state that personnel changes in the offices of data collection and management, as well as more effective use of the student management system (WIN School), should ensure that future data are more accurate. They also state that since collected data is now reconciled in one central location, the reported data will be more accurate. Staff have received formal training regarding the system and are in constant communication with each other to ensure accuracy.

The officials also agree that the listing of student names provided in support of enrollment does not support the total reported. They agree that they reported more completers in a two-year sequence than were enrolled in the second year of a two-year sequence for 1997-98. They state they have clarified their understanding of the definition of "completer" and that definition has been shared with all staff.

The officials also agree that data on Career ED-2 Forms sent to the Department concerning completers did not agree with the number of completers reported on the forms submitted for use in preparing the Report Card. However, they note that Career

ED-2 Forms include completers enrolled in one-year programs and the Report Card suggests two-year completers only.

The officials further agree that data on special education students in Life Skills courses were included on the submitted Career ED-2 Forms. They state they have developed a better understanding of the terms used on Career ED-2 forms and worked with staff who gather that information to ensure its accuracy and consistency in reporting. They also use the new data system and maintain supporting documentation as they complete the forms.

Jefferson-Lewis BOCES officials agree that the information included under “Status of 1997-98 Graduates” is incorrect. The employee who prepared these data is no longer employed and they do not know how the former employee determined these amounts. They state that new personnel and improved data collection and management systems will ensure increased accuracy.

Alternative Education

This section contains data on the number of students enrolled and the tuition rate for classes. Jefferson-Lewis BOCES provided a list of students to support the reported enrollment of 59 students. The list included 70 students listed in half-day programs. When the students who left the program were deducted, 57 students remained, which is close to the 59 reported. The audit believes that all of these students should have been included in the reported enrollment.

According to Jefferson-Lewis BOCES, the only Alternative Education program offered is for students in classes that do not lead to a high school diploma. Therefore, Jefferson-Lewis BOCES used the Criteria-Guideline 5916 for its Alternative Education program. However, this Criteria-Guideline is not listed in the directions on the “Data for Inclusion in the 1998-99 BOCES Report Card” for Alternative Education. Consequently, Jefferson-Lewis BOCES should not have reported any data on the Report Card for Alternative Education.

Per Pupil Tuition should be based on actual expenditures and actual enrollment. The audit found that Jefferson-Lewis BOCES calculated the reported Per Pupil Tuition of \$5,435 using proposed budgeted expenses and anticipated enrollment.

The audit believes that the Per Pupil Tuition for this activity would be \$4,974 by using actual enrollment of 70 students and actual expenditures.

Jefferson-Lewis BOCES officials agree that all students included on the provided list should have been included in the reported enrollment. They state the billing report is now being used as the basis for reporting enrollment and the information is shared between departments.

The officials also agree that they included data for a Criteria-Guideline that was not requested and should not have reported any Per Pupil Tuition for Alternative Education. They agree that they used budgeted expenditures and anticipated enrollment to calculate the Per Pupil Tuition. They say the only way to use actual expenditures would be to establish the rate after the year had ended, a practice that would not be acceptable to their component districts.

Adult Education

This section contains enrollment data for adult students in Career & Technical Education, unduplicated Adult Education enrollment, Improved Literacy Results, and GED Preparation programs.

Career & Technical Education

Jefferson-Lewis BOCES does not have supporting documentation for the 1997-98 Adult Career & Technical Education enrollment of 226. They state they will maintain documentation to support the reported enrollment and use new personnel. They will also use improved data collection and management systems to ensure greater accuracy.

Unduplicated Adult Education Enrollment

Jefferson-Lewis BOCES officials provided a report from their computer database that contained information on Adult Education students. The audit determined that the unduplicated Adult Education enrollment was 1,438, which is 1,166 less than the 2,604 reported.

Jefferson-Lewis BOCES officials stated that the reported enrollment came from the Adult Education database. Prior to July 1, 1999, a monthly EPE report was generated and given to

the Business Office and since students were counted on a monthly basis, some were duplicated. The reports are now completed twice a year to alleviate the chance of enrollment duplication.

Improved Literacy Results and GED Preparation

The audit reviewed the database provided by Jefferson-Lewis BOCES and determined it did not support the enrollments reported under the Improved Literacy Results and GED Preparation portion of the Report Card as shown in Table 1.

Table 1
Enrollment

	ABE		GED	ESOL	
	Enrollment	Improved Literacy	Enrollment	Enrollment	Improved Literacy
Per Report Card	553	191	498	225	207
Per Adult Education Computer Database	352	29	461	258	1
Difference	201	162	37	(33)	206

Source: Report card and Jefferson-Lewis records

Jefferson-Lewis BOCES officials stated that the reported information was manually tabulated using the student registration forms that are updated by teachers when new tests are given. They state that either the information was not updated in the computer database or the manual tabulation was not accurate, but new personnel have developed an improved registration, enrollment, and tracking system for preparing data for this portion of the Report Card.

Employment and Public Assistance

This section contains data on adults who secure full or part-time employment, are unemployed at enrollment, are on public assistance at enrollment, or are removed from public assistance or reduced grant status.

Secured Full- or Part-Time Employment

Jefferson-Lewis BOCES' Adult Education computer database did not support the reported enrollment of 132 students. There were only four students denoted as obtaining full-time employment in the computer database.

Jefferson-Lewis BOCES stated the number of students who secured full- or part-time employment was taken directly from student registration forms that are updated by teachers when new tests are given.

Unemployed at Enrollment

The database did not support the “Unemployed at Enrollment” figure of 985 students. There were only 714 Adult Education students in 1998-99 who were identified as unemployed (presumably at the time of enrollment) in the Adult Education database.

Jefferson-Lewis BOCES officials stated that the unemployed field [in the database] is updated when teachers forward a change of status to the Main Office. If teachers are notified that a student's employment status has been changed, information is forwarded to the Main Office and the database is updated. The information is initially recorded on the student's registration form. The number could have also been affected by the duplicated enrollment.

On Public Assistance at Enrollment

Jefferson-Lewis BOCES' Adult Education computer database only showed 257 students receiving public assistance, presumably at the time of enrollment, which is 216 less than the 473 reported.

Jefferson-Lewis BOCES officials stated that the number of students on public assistance was obtained from the information provided on student registration forms.

Removed from Public Assistance or Reduced Grant

Though Jefferson-Lewis BOCES reported 127 students on public assistance or receiving a grant, the audit could not determine from the Adult Education computer database if any students were removed from public assistance or received a reduced grant.

Jefferson-Lewis BOCES stated that the number of students who were removed from public assistance or received a reduced grant was calculated using the student registration forms. As student information is updated, teachers forward the new information to the business office for updating the

database.

The audit did not have an opportunity to verify the accuracy of the numbers reported for the sections of the Report Card mentioned above. However, since the Adult Education computer database is being used to track Adult Education information, it should accurately track this information. If Jefferson-Lewis BOCES does not intend to record this information in the computer database, the information should at least be maintained manually in a summarized format. The audit and Jefferson-Lewis BOCES should not have to manually review all of the intake forms.

When the information presented in the Jefferson-Lewis BOCES Report Card is not valid or reliable, the Report Card cannot effectively be used as a tool for the continuous improvement of BOCES programs and services, or used to provide reliable information to communities.

Jefferson-Lewis BOCES officials agree that the Adult Education computer database does not support the “Unemployed at Enrollment,” “Secured Full or Part-time Employment,” “On Public Assistance at Enrollment,” or “Removed from Public Assistance or Reduced Grant” in the Employment and Public Assistance portion of the Report Card. The improved registration and tracking system for Adult Education enrollees will ensure greater accuracy. Staff in-service workshops were scheduled for spring-summer 2002 to promote an increased understanding of the new procedures and to encourage an increased follow up on enrollee/graduates of Adult Education programs.

Recommendations

1. Establish procedures to ensure the computer database reflects actual enrollment and complete data for Career & Technical Education.
2. Establish procedures to ensure that only those students served under the listed CO-SERs are included in the reported enrollment for Alternative Education, and that Per Pupil Tuition is based on reported enrollment and actual expenditures.
3. Maintain documentation to support Adult Career & Technical Education enrollment, reported improved literacy

results, GED preparation, and results reported for employment and public assistance.

Comments of Jefferson-Lewis BOCES Officials

Jefferson-Lewis BOCES officials concur with these recommendations. They have taken action to implement these findings.

Chapter 602 Report

The Chapter 602 Report is compiled by the Department's BOCES and School District Organization (BSDO) unit and provided to all school districts and BOCES. The information used by BSDO comes primarily from the SA-111 and "Data Collection Forms" submitted by the BOCES.

The Chapter 602 Report details certain financial and statistical outcomes of BOCES; tuition costs for selected programs; per pupil cost information; and aggregate expenditure data for BOCES administrative, capital, and service functions. In accordance with the statute, the Chapter 602 Report includes changes from the prior year to the report year for all data.

According to Education Law Section 1951.3, starting in the 1998-99 school year, each BOCES shall use the uniform and specific taxonomy for service programs and activities prescribed by the Commissioner of Education. BOCES are required to report student enrollment and bill for tuition based on programs they operate under Articles 81 and 89 in accordance with Section 175.6 of the Regulations of the Commissioner of Education (Regulations). The audit found that not all data were calculated correctly.

Career & Technical Education Section

This section shows the Tuition Per Pupil for Career & Technical Education. Jefferson-Lewis BOCES calculated the Tuition Per Pupil rate of \$4,776 for 1998-99 by deducting the refund from the net expenditures before dividing by enrollment. This method mixes actual expenditure data (net expenditures) with budgeted revenue data (billings). The language in the instructions for the Data Collection Forms is somewhat confusing and does not specify that refunds should be deducted from the billings.

There are two ways to calculate the cost of services to be divided by the number of pupils. One is to subtract the refund to the component districts from the amount billed to them. The other is to deduct miscellaneous revenues from the net expenditures. The audit used the second method and obtained a Tuition Per Pupil rate of \$4,808.

Jefferson-Lewis BOCES officials agree that they deducted the refund to component districts from the net expenditures when calculating the Tuition Per Pupil rate. They state they will calculate the expenditures by deducting miscellaneous revenues from the net expenditures in the future.

Special Education Section

This section shows enrollment and tuition for the three Special Education Class Options (II, III, and IV). All BOCES should use actual enrollment and compute tuition based on all costs for the different classes. The audit found Jefferson-Lewis BOCES did not include all relevant transfers from other CO-SERs and internal service activity CO-SERs.

Instead of using actual enrollment based on Section 175.6 of the Regulations, Jefferson-Lewis BOCES calculated the 1998-99 enrollment for the three classes by dividing the total of the base charges to the component districts by the base charge per pupil.

Table 2 shows the reported enrollment, base charge, base plus additional charges, audited tuition, and average for all BOCES.

Table 2
Enrollment and Tuition Rate per Pupil

	Reported Enrollment	Base Charge	Reported Tuition	Audited Tuition	Average for all BOCES
Special Class Option II (4220):	93	\$6,984	\$8,943	\$10,583	\$14,795
Special Class Option III (4230):	271*	\$12,851	\$17,137	\$18,823	\$21,178
Special Class Option IV (4240):	63	\$10,785	\$13,150	\$14,512	\$23,021

Source: Jefferson-Lewis BOCES records

* - clerical error. There were only 217 pupils, the number used to determine the reported rate.

The reported Tuition Per Pupil was significantly less than the average for all BOCES. The audited tuition included the relevant transfers, but was still less than the average. This could be because Jefferson-Lewis BOCES did not use the actual enrollment.

Jefferson-Lewis BOCES officials agree that, for Special Class Options II, III and IV, they determined the number of pupils based on billings instead of using FTE calculated in accordance

with Section 175.6 of the Regulations. They state they will use Section 175.6 to calculate FTE for Special Class Options II, III and IV.

The officials also agree that they did not include all relevant costs when calculating the Tuition Per Pupil rate for Special Class Options II, III and IV. To correct this, the Business Manager has included the formula, as outlined by the audit report, in her workpapers for future reference.

Special Education - Related Services Section

This section shows the costs per pupil for related services such as speech pathology, physical and occupational therapy, and one-to-one aides. BOCES should report both individual and group hourly rates, if offered.

Speech Pathology

Jefferson-Lewis BOCES only calculated a \$55 Group Hourly Rate using budgeted rather than actual expenditures; however, they reported their \$50 Medicaid Reimbursement rate instead. Both rates were significantly higher than the \$39 average for all BOCES. The audit also found that Jefferson-Lewis BOCES provided speech therapy on an individual basis but did not report an Individual Hourly Rate.

Jefferson-Lewis BOCES officials claim that the rates are high because of the travel time needed to provide services throughout the 4,000 (3,311 per the Chapter 602 Report) square mile service area. They also cite record keeping and reporting activities that do not directly generate revenue.

The audit reviewed the rates for the top ten BOCES (including Jefferson-Lewis) in the geographic area. The audit found that three of the largest BOCES did not report any rate, only one BOCES had a higher rate, and the remaining five BOCES had lower rates; one as low as \$16 (a geographic area of 2,499 square miles).

The audit does not believe that travel time sufficiently accounts for the difference and other BOCES also have record keeping and reporting activities that do not directly generate revenue. Had Jefferson-Lewis BOCES only provided group speech therapy, the audit would have calculated the Group Hourly Rate as \$58, which is \$19, or 49 percent, greater than the \$39

average for all BOCES. The audit was not able to determine why these rates were so much higher.

Physical and Occupational Therapy

The audit found that Jefferson-Lewis BOCES only calculated a \$47 Group Hourly Rate for physical and occupational therapy using budgeted rather than actual expenditures; however, they reported their \$50 Medicaid reimbursement rate.

The expenditures and staff FTE for itinerant physical and occupational therapists were included when determining the \$47 rate. In addition, Jefferson-Lewis BOCES does not segregate the costs for physical and occupational therapists.

Had Jefferson-Lewis BOCES only provided group physical therapy and occupational therapy, and if there were no material differences in the costs of providing either of these services, the audit would have calculated the Group Hourly Rate as \$57. That rate is greater than the \$50 average for physical therapists and the \$48 average for all BOCES for occupational therapists. The audit was not able to determine why these rates were so much higher.

It should be noted that when Jefferson-Lewis BOCES calculated the rates for speech pathology and physical and occupational therapy, they included the program's share of the Special Education Supervision budget. However, there were no appropriations or expenditure transfers to the speech pathology or physical and occupational therapy CO-SERs for their share of the Special Education Supervision in the accounting system or reported on the SA-111.

Jefferson-Lewis BOCES officials agree that they used budgeted expenditures to determine the Group Hourly Rate for speech pathology, physical therapy, and occupational therapy. The Assistant Superintendent for Business will supply the Business Office with a more accurate rate and the backup documentation on its formulation based upon actual expenditures.

The officials agree that they reported the rate for Medicaid evaluations instead of the rate calculated for the Group Hourly Rate for speech pathology, physical therapy, and occupational therapy.

The officials also agree they provided speech pathology, physical therapy, and occupational therapy services on an individual basis, but did not report an Individual Hourly Rate for these services. The Assistant Superintendent for Business will also supply the Business Office with this rate and the backup documentation on its formulation.

The officials agree that costs and staff FTE for itinerant physical therapists and itinerant occupational therapists were included in the costs and staff FTE used to determine the Group Hourly Rates. The officials agree they do not segregate the costs for physical therapy and occupational therapy, but will prepare two separate budgets to segregate the costs in subsequent years.

One-to-One Aides

Jefferson-Lewis BOCES calculated a \$19 Individual Hourly Rate by dividing the one-to-one aide rate billed to component districts by the maximum number of hours that a one-to-one aide could work during the year ($\$20,941 \div 1,080$ (180 instructional days x 6 hours worked per day)). The audit does not believe this methodology provides an accurate rate because it uses budgeted instead of actual expenditures. In addition, the use of 1,080 hours assumes that all employees work six hours a day for all 180 days. Jefferson-Lewis BOCES should have used the actual hours worked.

According to Jefferson-Lewis BOCES officials, expenditures for one-to-one aides are included in CO-SERs 201, 202, 208 and 218, but are not separated. The one-to-one aides' salaries are included in the overall expense for teacher aides in each CO-SER.

The audit believes that by using the payroll system, Jefferson-Lewis BOCES could easily identify the one-to-one aides and determine the salary amounts attributable to these employees using an average fringe benefit rate for the CO-SERs.

Jefferson-Lewis BOCES officials agree that they used estimated hours worked to determine the Individual Hourly Rate for one-to-one aides. They state that the only way to use actual hours would be to establish the charge after the year had ended, a practice that would not be acceptable to their component districts.

Itinerant Services Section

This section contains calculated rates for itinerant services such as school psychologist, teacher of visually impaired, and physical and occupational therapy.

School Psychologist

The reported FTE charge of \$50,833 is not accurate because Jefferson-Lewis BOCES did not deduct the miscellaneous revenues from the net expenditures when calculating the FTE charge. The correct FTE charge is \$46,282, which is \$4,551 less than the reported FTE charge. It should be noted that both the reported and the audited FTE charges are less than the average for all BOCES of \$62,362. This may be due to a lower pay scale in Jefferson-Lewis BOCES' region.

Teacher of Visually Impaired

The reported 1998-99 Individual Hourly Rate of \$60,468 is inaccurate because Jefferson-Lewis BOCES incorrectly deducted expenditures for Object Codes .440 (Contract Prof. Services) and .490 (Sch. Dist. and Oth. BOCES) but did not deduct miscellaneous revenues (non-2250 revenues).

The audit calculated the FTE charge to be \$69,554, which is \$9,086 greater than reported and greater than the average for all BOCES of \$64,287. The audit was not able to determine why this rate was higher.

Jefferson-Lewis BOCES officials agree that they did not include all expenditures and did not deduct the miscellaneous revenues from the net expenditures when calculating the FTE charge for the school psychologist and teacher of visually impaired but indicated they will do so in subsequent years. The Business Manager has included the formulas, as outlined by the audit report, in her workpapers for future reference.

Physical and Occupational Therapy

Jefferson-Lewis BOCES did not properly calculate the FTE charges for these services because the rates were determined using billed, i.e., budgeted, staff FTE instead of actual staff FTE.

Based on documentation provided by Jefferson-Lewis BOCES, the audit recalculated the physical and occupational therapy FTE charges using actual data and found the differences shown in Table 3.

Table 3
FTE Rates

	Physical Therapy	Occupational Therapy
Per Audit	\$53,005	\$44,062
Reported	39,597	39,475
Difference	\$13,408	\$4,587
Difference as % of Reported	33.86%	11.62%

Source: Jefferson-Lewis BOCES records

The reported Per FTE rates for school psychologist, teacher of visually impaired, physical therapy, and occupational therapy cannot be relied upon because they are not based on either accurate or complete information. In addition, these rates should not be used to make meaningful comparisons among other BOCES.

Jefferson-Lewis BOCES officials agree that they used budgeted staff FTE to determine the FTE charge for physical therapy and occupational therapy. In subsequent years, they will try to use only actual staff FTE to determine the FTE charge for physical therapy and occupational therapy. However, they state the only way this could be accomplished would be to establish the rate after the year had ended, a practice which would not be acceptable to their component districts.

Administrative Expenditures

This section shows the administrative expenditures of each BOCES. For Net Administrative Expenses Allocated to Component Districts for 1998-99, Jefferson-Lewis BOCES did not deduct non-2250 revenues when calculating net expenditures of \$1,476,857. The reported net expenditures should have been \$1,281,372 (\$1,476,857 (CO-SER 001 Net Expenditures) minus \$195,485 (non-2250 revenues)).

The reported Chapter 602 data, as shown above, cannot be relied upon because they are not based on accurate or complete information. In addition, the reported data cannot be relied upon to make meaningful comparisons with other BOCES.

Jefferson-Lewis BOCES officials agree that they did not deduct the miscellaneous revenues from the net expenditures when calculating the Net Administrative Expenses Allocated to Component Districts. In the future, they will follow the audit guidelines and deduct the miscellaneous revenues. The Business Manager has included the formula, as outlined by the audit report, in her work papers for future reference.

Recommendations

4. Ensure that procedures are developed to calculate correct tuition rates for Career & Technical Education students and Special Education Class Options II, III, and IV.
5. Ensure that procedures are developed to calculate correct tuition rates for Special Education – Related and Itinerant Services and one-to-one aides using actual data.
6. Ensure that procedures are developed to calculate both group and individual rates when both group and individual sessions are provided for Special Education – Related and Itinerant Services.
7. Ensure that procedures are developed to correctly calculate the Net Administrative Expense to Component Districts.

Comments of Jefferson-Lewis BOCES Officials

Jefferson-Lewis BOCES officials concur with these recommendations. They have implemented procedures to address these findings.

Employment Preparation Education (EPE)

Jefferson-Lewis BOCES operates an 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 states that EPE Program funds are to be used only for EPE Program expenditures approved by the Commissioner.

Jefferson-Lewis BOCES received a total of \$297,322 in EPE aid for the period July 1, 1998 through June 30, 1999, based on reported contact hours. Education Law Section 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 Jefferson-Lewis 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 Jefferson-Lewis BOCES.

The audit found that Jefferson-Lewis BOCES' Final Expenditure Report was \$60,832 less than the aid received. This amount is being withheld from future EPE payments. The audit found an additional \$58,156 in non-allowable expenditures to be withheld from future EPE payments. The disallowed contact hours reported do not exceed the disallowed expenditures and, therefore, have no bearing on the disallowances.

Outstanding Encumbrances Included

An encumbrance is an anticipated expenditure in the form of purchase orders, contracts, and other commitments that are chargeable to an appropriation and for which part of the appropriation is reserved. An encumbrance is not an expenditure or a liability, but merely a reserve of appropriations. Expenditures and/or liabilities are recorded when and if goods are actually provided or services are actually rendered.

Generally, the expenditures that result from prior year-end outstanding encumbrances are included in the current year's expenditures. If outstanding encumbrances are reported as expenditures in one year, the outstanding encumbrances must

be deducted from expenditures in the following year. Otherwise, the encumbrance could be included as an expenditure in both years.

The audit determined that Jefferson-Lewis BOCES included outstanding encumbrances in reported EPE expenditures on the Final Expenditure Report for 1998-99, but did not make any adjustment for the outstanding encumbrances included on the Final Expenditure Report for 1997-98. Consequently, Jefferson-Lewis BOCES duplicated expenditures reported for the EPE Program for the 1998-99 school year.

Jefferson-Lewis BOCES should deduct the outstanding encumbrances for 1998-99 that were included with the EPE expenditures on the Final Expenditure Report for 1998-99. The EPE expenditures that should have been reported for 1998-99 and the amount of the 1998-99 EPE payments that should be deducted from future EPE payments are shown in Table 4.

Table 4
Reduction for Outstanding Encumbrances

EPE aid paid to Jefferson-Lewis BOCES for 1998-99		\$297,322
EPE expenditures reported on the Final Expenditure Report for 1998-99	\$236,490	
Outstanding encumbrances included in reported 1998-99 EPE expenditures	58,156	
Actual EPE expenditures for 1998-99		178,334
Amount to be withheld from future EPE aid payments per Audit		\$118,988
Amount to be withheld from future EPE aid payments per 1998-99 Final Expenditure Report		60,832
Additional amount to be withheld from future EPE aid payments		\$58,156

Source: BOCES EPE Financial Records

As shown in Table 4, an additional \$58,156 in EPE aid will have to be refunded, which will be deducted from future EPE aid payments.

Jefferson-Lewis BOCES officials agree that they included outstanding encumbrances for 1998-99 in the EPE expenditures claimed on the Final Expenditure Report for 1998-99 without making any adjustment for outstanding encumbrances claimed on the Final Expenditure Report for 1997-98.

Attendance and Contact Hour Documentation

To ensure that EPE revenues paid to BOCES are appropriate, the number of reported contact hours must be clearly documented. EPE aid is generated by reporting contact hours and student enrollment on EPE State Aid Claim Forms SA-160.1 and SA-160.2. Any undocumented or overstated contact hours will be questioned upon audit and revenues will be reduced accordingly. The BOCES must maintain classroom attendance rosters of all students who attend EPE programs. Documentation must clearly show compliance with requirements regarding maximum class size (20) and the maximum number of class hours per week (20). To avoid audit exceptions, all variances must be approved annually in writing by the Department.

The audit reviewed EPE attendance documentation for a sample of 23 students for April 1999 and spot-checked EPE attendance documentation for the remainder of the 1998-99 school year. The audit found the documentation maintained for 6,037 EPE contact hours was not always adequate, consistent, and/or complete. Also, necessary information was not always recorded on the supporting documentation such as the name of the class and class starting and ending times.

Upon reviewing the supporting documentation for the sample, the audit found that only 5,106 EPE contact hours were adequately supported. The difference of 931 hours was due to 995 hours that were not adequately supported and 64 hours that were supported by documentation but were not claimed. The 931 contact hours equate to \$4,384 in EPE aid.

Auditor's Note

Jefferson-Lewis BOCES' EPE revenues exceeded EPE expenditures in an amount that exceeds this and other adjustments to EPE aid that are based on audit adjustments to EPE contact hours. Therefore, no adjustments are being made for questioned contact hours.

Jefferson-Lewis BOCES officials agree that they did not always adequately document EPE contact hours, and that attendance documentation was not always complete and did not include the necessary information.

Ineligible Students

A database should contain accurate data in order to provide accurate reports. Jefferson-Lewis BOCES maintains a computer database for its Adult Education program that tracks contact hours for both EPE and non-EPE eligible students. The database should show the age and high school/GED diploma status for each student to identify those who are EPE eligible.

On the attendance registers reviewed for the EPE Transition Program, teachers noted whether the student had a high school or GED diploma and the student's date of birth. The audit saw that many students were marked as having a high school/GED diploma and that not all of the students were over the age of 21.

The audit reviewed the database and found that EPE contact hours were claimed for some of the students who have a high school or GED diploma. The audit also found for at least one student that the register indicated the student had a high school or GED diploma, but the database showed the student did not.

Further, the audit found that the names of 21 EPE eligible students in the database had contact hours under different dates of birth. There were different social security numbers for five of the students. However, there were 10 students with the same social security number with different dates of birth and four of these students had different years of birth. Though 21 students out of over a 1,000 are not material, Jefferson-Lewis BOCES should ensure that it uses the correct dates of birth when inputting student data.

Jefferson-Lewis BOCES officials agree that the data in the Adult Education computer database are not always consistent with the supporting attendance documentation and contain conflicting information for some students. They also state that a new coordinator of Adult Education and a new clerical person have been added and have been involved in the examination of the audit's findings. Further, they will establish written policies and procedures to ensure that data entered in the Adult Education computer database are correct.

Combining Hours

Contact hours for classroom instruction and case management should be tracked separately. It appears that Jefferson-Lewis BOCES is including both classroom instruction and case management contact hours under the Transition Program in its Adult Education computer database. In addition, it appears as if some of the hours may be duplicated; however, this could not be determined due to the lack of information on the supporting documentation.

Jefferson-Lewis BOCES officials agree that case management contact hours were combined with the Transition Program hours.

GRASP

Giving Rural Adults a Study Program (GRASP) is a non-traditional program in which students complete packets of work at home and return them for credit. Attendance for EPE programs should be recorded by the school year. The GRASP documentation (forms that include packet name and date sent out/returned) includes information for more than one school year. This makes it difficult to determine which year the packets are for if they are not looked at closely because of the way the dates are recorded on the form. Jefferson-Lewis BOCES needs to modify this form or design a new format where only one year is recorded.

Jefferson-Lewis BOCES officials agree that the supporting documentation for GRASP includes information for multiple years in a format that makes it difficult to determine the number of contact hours each year.

Rounding Contact Hours

Per Section 168.2 of the Regulations, a contact hour for EPE means 60 minutes of instruction given by a teacher in approved program component areas. There is a provision in the EPE manual that allows rounding of student hours. The audit found that Jefferson-Lewis BOCES rounds its contact hours to the nearest hour. However, not all teachers rounded contact hours the same way on attendance sheets. Some teachers rounded contact hours for each day, some for the monthly total, and

some did not round at all.

Jefferson-Lewis BOCES officials agree that not all of the teachers use the same method for calculating or rounding contact hours. They also agree that not all of the teachers include their first and last name on supporting documentation for program activities that generate EPE contact hours.

The officials state that each instructor will be provided with time sheets, sign in and sign out forms, and an instruction page on the correct use of these forms during an in-service workshop.

Contact Hours Claimed for Ineligible Students

As stated above, only the attendance of persons 21 years of age or over who have not received a high school or GED diploma can be claimed for EPE contact hours.

The audit determined that Jefferson-Lewis BOCES claimed contact hours for students who are not EPE-eligible. The total adjustment for students less than 21 years of age and students who were issued a high school or GED diploma before or during 1998-99 is 1,878 contact hours, which equates to \$8,845 in EPE aid.

Jefferson-Lewis BOCES officials agree that they claimed EPE contact hours for students under the age of 21 and for students who were issued a high school or GED diploma. They state they will develop separate databases for EPE and Equivalent Attendance students.

Computer Database Documentation

The computer database that tracks contact hours for EPE and non-EPE students should be supported by adequate attendance documentation. However, the audit found the database shows more contact hours than the supporting attendance documentation as illustrated in Table 5.

Table 5
Database Hours versus Attendance Documentation

	Adult Education Computer Database		Supporting Attendance Documentation		Difference	
	Contact Hours	% of Total	Contact Hours	% of Total	Contact Hours	% of Supporting Attendance Documentation
EPE eligible	62,712	65.3%	46,548	55.6%	16,164	34.7%
Non-EPE eligible	33,359	34.7%	37,100	44.4%	(3,740)	(10.1%)
Total	96,071		83,648		12,424	14.9%

Source: Jefferson-Lewis BOCES EPE records

The audit found non-EPE eligible students who were on the supporting attendance documentation but not in the Adult Education computer database. Therefore, the supporting attendance documentation should exceed the computer database; however, only non-EPE eligible contact hours from the supporting attendance documentation exceeded the database.

As detailed in the sample mentioned earlier, the audit found EPE contact hours were overstated by 931 contact hours. Since the audit did not sample 100 percent of the students, the audit was not able to account for all of the discrepancy. There is a possibility that Jefferson-Lewis BOCES did not provide or maintain all of the supporting attendance documentation.

Jefferson-Lewis BOCES officials agree that the EPE eligible contact hours supported by attendance documentation were less than the contact hours supported by the Adult Education computer database. They further agree that the non-EPE eligible contact hours supported by attendance documentation were greater than the contact hours supported by the Adult Education computer database.

Allocation of Salary Expenditures

Good business practice dictates that whenever more than one program activity benefits from an expenditure, the expenditure be equitably distributed among the programs benefiting. The allocation methodology should be reasonable, accurate, and adequately documented so that a person not familiar with the activities could follow the allocation methodology and

duplicate the results. For the EPE Program, contact hours can be used as a basis for allocating expenditures because the contact hours have a direct impact on the amount of expenditures.

The audit reviewed payroll data and attendance documentation in an effort to verify that teacher salaries were properly allocated to program activities. Some teachers whose classes generated EPE contact hours were not charged to the EPE Program and some teachers whose classes provided non-EPE contact hours were charged only to the EPE Program. The audit was able to determine the number of contact hours for EPE and non-EPE eligible students, but was not able to clearly determine which classes were taught by the teachers whose salaries were charged to programs generating EPE contact hours.

Jefferson-Lewis BOCES officials claimed there were not a significant number of non-EPE eligible contact hours and, therefore, did not have to allocate any EPE expenditures to the non-EPE programs that generate EPE eligible contact hours. However, as shown in Table 2, there are a significant number of non-EPE eligible contact hours generated by programs that also generate EPE eligible contact hours. Therefore, Jefferson-Lewis BOCES should have allocated EPE expenditures among all of these programs.

Although the documentation showed that allocations should have been made, it could not be used to verify whether Jefferson-Lewis BOCES adequately allocated costs. Based on the attendance documentation provided, Jefferson-Lewis BOCES does not appear to be properly recording contact hours in the computer database. Also, they did not provide copies of all supporting EPE attendance documentation.

Jefferson-Lewis BOCES officials do not agree that the contact hours provided to non-EPE eligible students in programs generating EPE contact hours represent a significant portion of the total contact hours in these programs. They state that they claim Equivalent Attendance aid on those students who met the criteria for that program.

Jefferson-Lewis BOCES officials agree that the supporting documentation for attendance in programs generating EPE contact hours does not contain enough information in order to determine if the costs associated with these programs are

properly allocated among the programs. They will use a proportionality formula in the future to ensure the proper allocation of costs among programs.

Student Folders

Section 168.3 of the Regulations requires that every student in an EPE Program have an individual folder that is easily accessible to the student and the teacher, and includes information concerning registration, attendance, testing, and individual program needs. At a minimum, registration information must include the student's name, class attendance, the student's date of birth or age, and the student's diploma status. Beginning in 1995-96, each folder is required to contain an Individual Education and Employment Preparation Plan (IEEPP).

The audit requested folders for a sample of 23 students and found:

- 1.) Jefferson-Lewis BOCES did not supply folders for eight of the students.
- 2.) In 7 of the 15 student folders provided, there was no evidence of testing.
- 3.) None of the 15 folders provided included an IEEPP. In addition, according to Jefferson-Lewis BOCES there is no standardized IEEPP form that clearly addresses all of the information required by the Regulations.
- 4.) In 8 of the 15 student folders provided, there was no evidence of attendance.
- 5.) In the seven folders with evidence of attendance, there were some instances where documentation for some of the classes that the students were taking was missing.
- 6.) In 3 of the 15 student folders provided, there was no evidence of a date of birth.
- 7.) In 4 of the 15 student folders, there was no evidence showing whether students had a high school or GED diploma.

The audit determined that Jefferson-Lewis BOCES has

opportunities to improve documentation contained in student folders to comply with Section 168.3 of the Regulations.

Jefferson-Lewis BOCES officials agree that they did not provide eight student folders and that the student folders did not always document that EPE eligible students were tested and do not always include required IEEPPs. They state that in-service training will include what should be included in the folders, a checklist of proper documentation, and how it should be obtained. They also agree that they do not have a standardized IEEPP but will establish a written policy or procedure to establish one and the information to include.

Other Matters

Hours Claimed in Excess of Scheduled Hours

The audit found three other areas where Jefferson-Lewis BOCES could improve compliance with the Regulations. The audit also found four sites where Jefferson-Lewis BOCES consistently recorded more contact hours than the class schedules would indicate.

No Waivers Obtained

Per Section 168.3(b)(4) of the Regulations, BOCES should ensure that no class register exceeds 20 students and that classes operate at least 6 hours but not more than 20 hours per week unless approved by the Commissioner. The approval is granted in the form of waivers.

The audit found instances where enrollment exceeded 20 students and hours of instruction per week exceeded 20 hours during the school year and no waivers were obtained.

Excessive Hours Claimed for Program

Before Jefferson-Lewis BOCES officials enter hours for the Drop-in Center site into the EPE computer database, they multiply the hours on the supporting document by six. According to Jefferson-Lewis BOCES officials, these hours are for counseling services. Typically, there is no set amount of time for counseling services and the hours are based on actual time spent with the student. Therefore, there was no basis for Jefferson-Lewis BOCES to multiply these hours by six.

Jefferson-Lewis BOCES officials stated that the time was supported by time sheets, but the BOCES did not provide them. The only documentation provided was summaries by month for each student and no specific dates of service were noted. The hours recorded for this site were 279. The audit divided the recorded hours by 6 to determine the audited hours of 46.5.

Recommendations

8. Establish procedures to ensure outstanding encumbrances are not included with reported EPE expenditures on the Final Expenditure Report.
9. Improve attendance and contact hour documentation.
10. Establish procedures to ensure that only actual hours provided are claimed and that hours are recorded in a consistent manner.
11. Establish procedures to ensure that only eligible students are claimed for EPE aid.
12. Improve the accuracy of the database information on EPE students.
13. Improve procedures to adequately document allocation of salary expenditures to EPE programs.
14. Establish policies and procedures to ensure student folders contain all required information.
15. Obtain waivers whenever classroom enrollment exceeds 20 students and when classroom instruction is less than 6 or more than 20 hours per week.

Comments of Jefferson-Lewis Officials

Jefferson-Lewis BOCES officials concur with these recommendations and have implemented procedures to address these issues.

Report Card and Chapter 602 Report

IRS uses information from the Chapter 602 Report when preparing the Report Card. Consequently, the underlying nature of the information that is submitted to the Department for the Chapter 602 Report should be comparable to the underlying nature of the information that is submitted to the Department for the Report Card. If it is not, the information reported in the Report Card could be misleading and cause users to come to incorrect or unreasonable conclusions about the performance of the BOCES.

Discrepancies Between the Report Card and the Chapter 602 Report

Jefferson-Lewis BOCES claims the pupil count for the Chapter 602 Report is based on billings and FTE, whereas the enrollment for the Report Card is based on enrollment on a specific date. Table 6 shows discrepancies noted between enrollment on the Chapter 602 Report and the Report Card for Career & Technical Education.

Table 6
Enrollment

Year	Report Card (enrollment) *	Chapter 602 Report (pupil count)	Difference
1997-98	1,299	1,183	116
1998-99	1,291	1,282	9

* Based on survey forms.

Because the tuition rate on the Report Card comes from the Chapter 602 Report and the enrollments are somewhat different, the tuition rate on the Report Card is not a true reflection of the Report Card enrollment. Therefore, the tuition rate could not be used for accurate analysis, such as projecting the costs of the program or when comparing tuition rates among BOCES. Jefferson-Lewis BOCES needs to ensure it is using the same method to measure attendance for both the Report Card and Chapter 602 Report.

Because of the difference in information reported on the Report Card and the Chapter 602 Report, the information could be incorrectly interpreted. Jefferson-Lewis BOCES needs to ensure the individuals responsible for preparing the data for the

Report Card and for the Chapter 602 Report are using the same enrollment figure.

Jefferson-Lewis BOCES officials agree that the Career & Technical Education enrollment reported on the Report Card is different from the enrollment reported on the Chapter 602 Report. They state the two reports collect data at different times. If the two sources of data are going to be compared, they need a consistent reporting date, either from the State or one developed in-house. Conversations are taking place to develop consistent reporting dates for both reports.

Recommendation

16. Develop procedures to ensure that Report Card and Chapter 602 Report data are consistent.

Comments of Jefferson-Lewis Officials

Jefferson-Lewis BOCES officials concur with this recommendation but state the Department needs to require data from the same date.

Opportunities to Improve Management Processes

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. The audit reviewed several processes and found opportunities for improvement in the areas of segregating Business Office employees' duties, establishing certain policies, procedures, and internal controls, recording expenditure transfers, reporting of ERSS expenditures, and implementing prior audit recommendations.

Lack of Segregation of Duties

An essential component of internal controls is the concept of separation of duties which means that no one individual should have complete control over an account or accounting process. Key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing, processing, recording, and reviewing the transactions; and for handling any related assets. A lack of sufficient separation of duties resulted in the much-publicized case of embezzlement at the Capital Region BOCES. This further demonstrates the importance of separating duties to the greatest extent possible.

The audit found that the District treasurer's and internal auditor's duties were not sufficiently segregated.

The District treasurer has the following duties:

- Opens the mail and receives incoming money but does not prepare a list of amounts, payers, and reasons for cash receipts to ensure that all checks received are deposited. Restrictive endorsements are only made after deposit slips are prepared and cash receipts are forwarded to the Senior account clerk. The mail should be opened by someone independent of the Business Office who should also prepare the check listing and restrictively endorse the checks.
- Prepares and signs handwritten disbursement checks and

signs computer generated checks.

- Handles all billings except regular billings to component districts and has access to the general ledger and cash receipts journal.

Jefferson-Lewis BOCES could have someone other than the District treasurer prepare or sign checks. Although Jefferson-Lewis BOCES has an internal auditor to review payment documentation that results in a check being written, this employee is not independent of the Business Office because they have other accounting duties.

Without adequate separation of certain duties, management does not have reasonable assurance that assets are safeguarded from unauthorized use. For example, an individual could initiate a payment without proper authorization and effectively conceal this fact.

Jefferson-Lewis BOCES officials do not agree that certain duties performed by the District treasurer and internal auditor are not sufficiently separated. They state they have always followed the guidelines as established by their external auditors to determine adequate segregation of duties, and they have received no comments in their management letters suggesting changes. They state that, unless more staff were hired, further segregation of duties would seem to be unproductive. However, one change that has been made is that, after the Business Office mail is sorted by an account clerk, the checks are given to the Assistant business manager to match checks with current invoices. The assistant business manager then gives the paper work to a senior account clerk to prepare the deposit slips which are then given to the district treasurer for delivery to the bank.

Policies and Procedures and Internal Controls

BOCES are required under Education Law Section 1709.2 to establish such policies and procedures concerning the order and discipline of the schools as they may deem necessary to secure the best educational results. Components of an effective internal control structure are written control procedures that are established policies and procedures to define management's position and guide employees in the performance of their duties.

The School Business Management Evaluation Checklist, issued by the Educational Management Services Unit of the Department, is a comprehensive checklist that can be used to determine if all relevant and required policies and procedures are included in written policies and procedure manuals.

The audit found that Jefferson-Lewis BOCES' written policies did not include requiring employees to take vacations. Such a policy would require another staff member to perform the duties of the staff member on vacation. This provides greater assurance that any improprieties by someone with sole, or almost sole, control of an accounting function will be detected in a timely fashion.

The audit also found there were not sufficient internal controls over the bank reconciliation process. The employee who reconciles the bank accounts does not:

- obtain the book balance directly from the general ledger;
- compare the bank statement deposit dates and amounts with the cash receipts book entries on a test basis;
- compare date, payee and amount on canceled checks with cash disbursements book/warrant entries on a test basis; or
- evaluate signatures and endorsements on checks for reasonableness on a test basis (all hand-drawn checks should be reviewed).

Without comprehensive formal written policies and procedures and comprehensive control procedures in place, there is a much greater chance that the directives of the Board and management will not be followed. There is also a greater chance of misunderstandings and improprieties. Jefferson-Lewis BOCES may look to their independent auditors, accounting literature, and other BOCES in establishing the needed policies and procedures in these areas.

Jefferson-Lewis BOCES officials agree that there is no written policy requiring mandatory vacations. The officials do not believe a written policy is needed. They state that the treasurer, in practice, takes four weeks of vacation throughout the year. Each one of the Business Office staff also takes allotted vacation based on contractual language. They state that the two-week mandatory vacation is not a practice in any of the educational institutions in their area, has never been a recommendation from their external auditor, and implementation would take agreement by the unions involved.

Jefferson-Lewis BOCES officials agree that controls over the bank reconciliation process need improvement. In order to ensure that controls over the bank reconciliation process will be improved, the account clerk doing the reconciliation will follow the procedures outlined in the audit findings.

Expenditure Transfers

According to the Uniform System of Accounts, page 1, "...Financial statements must be presented in conformity with generally accepted accounting principles (GAAP)." According to GAAP, all transactions must be valid, properly classified, properly measured, recorded in the proper accounting period, and be presented properly in the financial statements. An appropriate internal control structure ensures that GAAP is being followed.

Jefferson-Lewis BOCES does not record Operations and Maintenance appropriations or expenditure transfers to program CO-SERs in the computerized accounting system. At the end of the year, they generate a report to use in preparing the SA-111 and to calculate the Operation and Maintenance transfers. The Assistant Superintendent for Business then prepares the Operation and Maintenance transfers to the program CO-SERs in a computer spreadsheet and manually prepares the SA-111. The Operation and Maintenance transfers to program CO-SERs are net entered into the computerized accounting system.

By not appropriating for the Operation and Maintenance transfers, Jefferson-Lewis BOCES is not complying with the Uniform Systems of Accounts for BOCES or with the GAAP concept of completeness for recording transactions.

Jefferson-Lewis BOCES officials agree that they do not record Operations and Maintenance appropriations or expenditure transfers to program CO-SERs in the computerized accounting system. They state that this has been corrected as of June 30, 2001.

Educationally Related Support Services (ERSS)

Per Education Law Section 3602.32.2:

"Expenditures for educationally related support services shall be separate and distinct from expenditures pursuant to

paragraph f of subdivision twelve and subdivision nineteen, both of this section and shall not generate aid under section nineteen hundred fifty of this chapter.”

Jefferson-Lewis BOCES calculates ERSS expenditures using budgeted expenditures and scheduled sessions (no adjustment is made for sessions not provided). Therefore, the ERSS expenditures reported to the component districts are not based on actual expenditures and actual sessions provided. Historically, Jefferson-Lewis BOCES’ billing rates exceed actual expenditures and would suggest that Jefferson-Lewis BOCES may be reporting ERSS expenditures to component districts that are higher than actual.

Jefferson-Lewis BOCES officials agree that they calculate ERSS expenditures using budgeted expenditures and scheduled sessions. They stated that, in the past, the names of the students and the specific service(s) they received were deducted from the total costs to the districts. This reduces the expenditures on which aid is based. The data they need to verify actual services provided are available through their Special Education Office and can be used to determine actual totals.

Recommendations

17. Ensure that sensitive duties are properly separated.
18. Ensure that the written policies and procedures manual includes a requirement that vacations be taken by employees with sole, or almost sole, control of an accounting function.
19. Develop controls over the bank reconciliation process.
20. Ensure that Operations and Maintenance and other program expenditure transfers are properly recorded in the computerized accounting system.
21. Ensure that ERSS expenditures reported are based on actual data and not included in BOCES aid.

Comments of Jefferson-Lewis BOCES Officials

Jefferson-Lewis BOCES officials concur with recommendations 19 through 21. They agree in principle with number 17, but state that their external auditor believes duties

are sufficiently separated. In regard to number 18, they stated the change would require negotiations with the union and also noted that these employees take annual vacations.

FOLLOW UP - RECOMMENDATION IMPLEMENTATION PLAN

On February 27, 1998, the Office of Audit Services issued a final report on management practices, records, and documentation related to select areas of Jefferson-Lewis BOCES. The report contained 18 recommendations to improve operations. Jefferson-Lewis BOCES submitted a Recommendation Implementation Plan for each recommendation on June 26, 1998.

Jefferson-Lewis BOCES successfully implemented or otherwise satisfied 12 of the recommendations. Four recommendations were partially implemented (recommendations were to implement written policies and procedures and Jefferson-Lewis BOCES only instituted non-written policies and procedures). Jefferson-Lewis BOCES did not implement or otherwise satisfy one recommendation and one recommendation is no longer applicable as the program affected by the recommendation is no longer operating (see recommendation 3).

Recommendation

1. Establish procedures to ensure that EPE expenditures are accurately identified, segregated, and accumulated.

Implementation Action(s) per Jefferson-Lewis BOCES:

We have implemented this recommendation [1/1/97 per BOCES]. Identified staff have been trained to ensure compliance.

Audit note: Based on a discussion with the Assistant Superintendent of Business, guidelines and criteria provided by the Department are followed; however, no written policies or procedures have been established. In addition, the audit found allocation problems with EPE salary expenditures.

Status: Partially Implemented

Recommendation

2. Improve procedures to ensure that only expenditures for EPE Program purposes are claimed for aid. [Jefferson-Lewis BOCES had charged to the EPE program office equipment purchased for the Alternative Education program, the District Superintendent's office and the business and administrative offices.]

Implementation Action(s) per Jefferson-Lewis BOCES:

We have implemented this recommendation [1/1/97 per BOCES]. Expenditures are reviewed monthly for compliance by Business Office Staff. EPE guidelines have been reviewed with affected staff.

Audit note: Based on a discussion with the Assistant Superintendent of Business, guidelines and criteria provided by the Department are followed; however, no written policies or procedures have been established.

Jefferson-Lewis BOCES, at a minimum, should reference and incorporate existing EPE guidelines into written policies and procedures. The Office of Workforce Preparation has issued an EPE Manual, which will assist Jefferson-Lewis BOCES.

Status: Partially Implemented

Recommendation

3. Ensure that documentation is retained to support the contact hours reported for the Dry Hill Correctional Facility.

Implementation Action(s) per Jefferson-Lewis BOCES:

BOCES no longer provides a program at Dry Hill Correctional Facility. Remedial steps applicable to the Dry Hill situation have been carried out under recommendation #1.

Status: Not Applicable

Recommendation

4. Establish procedures to prevent including students under 21 years of age and/or having a high school or GED diploma in the reported contact hours.

Implementation Action(s) per Jefferson-Lewis BOCES:

We have implemented this recommendation. Procedures are included within the compliance training identified in recommendation #1.

Audit note: No written policies or procedures have been established. The audit found that contact hours for students under 21 years of age were still being claimed.

Status: Partially Implemented

Recommendation

5. Improve inventory controls by conducting annual physical inventories. [Assets are not numbered or tagged as BOCES property at time of purchase, the inventory is not updated after an asset is initially added until it is disposed of, and no periodic comprehensive physical inventory of assets is done.]

Implementation Action(s) per Jefferson-Lewis BOCES:

We have implemented this recommendation [12/18/97 per BOCES]. Jefferson-Lewis BOCES adopted a comprehensive fixed asset inventory program at their December 17, 1997 meeting. A comprehensive inventory is scheduled for the period of May 1998 to August 1998. As part of the December 17, 1997 Board action steps were approved which will insure maintaining an accurate inventory database after the initial inventory is completed.

Audit note: Inventory controls have been improved and established in the policies; however, current procedures are not updated in the policy manual.

Status: Implemented

Recommendation

6. Ensure the value of the Jefferson BOCES' inventory is correct on the financial records. [There was a discrepancy between the value of the fixed assets per the industrial appraisal company used by Jefferson-Lewis BOCES to maintain the value of its fixed assets and the audited financial statements.]

Implementation Action(s) per Jefferson-Lewis BOCES:

We have implemented this recommendation [12/17/97 per BOCES]. In addition to the Board approval of the fixed asset inventory, the Assistant Superintendent for Business contacted Jefferson-Lewis BOCES liability insurance carrier (Utica National Insurance Company) and obtained values for all BOCES real and personal property for both insurance and financial records purposes. This information was obtained on March 28, 1998.

Audit note: Although current procedures are in place to ensure that inventory is reported correctly, Jefferson-Lewis BOCES' policy manual needs to be updated to include these procedures.

Status: Implemented

Recommendation

7. Ensure that employee attendance records are maintained for all employees and require supervisory review and approval. [Employees, including instructors, do not maintain a daily time record showing actual hours worked, nor do they maintain a daily record of absences and time and leave credits earned and used.]

Implementation Action(s) per Jefferson-Lewis BOCES:

We have implemented this recommendation. BOCES forms used to request/report employee attendance/absence were reviewed and revised during the winter of 1997-98. Revised forms were reviewed at the March 1998 Administrative Staff Meeting. The effective date of the implementation is July 1, 1998.

Audit note: Procedures regarding the accuracy of employee attendance have been improved; however, no written procedures regarding employee attendance records were noted by the audit.

Status: Partially Implemented

Recommendation

8. Establish written policies for travel reimbursement. [There were no written policies to document maximum reimbursement allowances for meals and lodging.]

Implementation Action(s) per Jefferson-Lewis BOCES:

We have implemented this recommendation [7/1/97 per BOCES]. All BOCES travel reimbursement policies comply with applicable IRS guidelines. Employees substantiate time, place, and business purpose on a BOCES prepared conference reimbursement form. Mileage reimbursement rates are adjusted in July of each year and are set at IRS rates in effect on July 1.

Status: Implemented

Recommendation

9. Establish procedures to ensure non-overnight travel reimbursement is accounted for in accordance with IRS rules. [Jefferson-Lewis BOCES did not treat non-overnight meal reimbursements as income in accordance with Volume XI, Section 8.0120 of the New York Accounting System User Procedure Manual and IRS rules]

Implementation Action(s) per Jefferson-Lewis BOCES:

We have implemented this recommendation [7/1/97 per BOCES]. All BOCES non-overnight travel reimbursement policies comply with applicable IRS guidelines.

Status: Implemented

Recommendation

10. Establish procedures to require mileage logs for fleet vehicles.

Implementation Action(s) per Jefferson-Lewis BOCES:

We have implemented this recommendation [7/1/97 per BOCES]. Mileage logs have been placed in all BOCES vehicles and are checked periodically to ensure compliance.

Status: Implemented

Recommendation

11. Establish written policies governing the personal use of cellular telephones, telephone calling cards, and long distance telephone calls.

Implementation Action(s) per Jefferson-Lewis BOCES:

We have implemented this recommendation [7/1/97 per BOCES]. Employee handbooks have been revised to reflect reporting requirements. Telephone and cellular phone logs were developed and distributed to all staff. Logs are to be returned to the Business Office monthly for billing purposes.

Status: Implemented

Recommendation

12. Establish procedures to review telephone bills to ensure reimbursement of personal telephone calls. [Jefferson-Lewis BOCES does not have a procedure to document the review of telephone bills to ensure reimbursement was made for personal use.]

Implementation Action(s) per Jefferson-Lewis BOCES:

We have implemented this recommendation [7/1/97 per BOCES]. In addition to information provided on logs submitted by staff to the Business Office, assigned staff review phone and cellular phone bills for possible misuse of phones.

Status: Implemented

Recommendation

13. Establish written policies governing the use of fleet vehicles. [Jefferson-Lewis BOCES does not have written policies concerning the use of gas credit cards. Gas credit cards do not identify the vehicle and are not attached and reconciled to the monthly billing statement. There are no procedures in place to prevent the personal use of gas credit cards.]

Implementation Action(s) per Jefferson-Lewis BOCES:

We have implemented this recommendation [7/1/97 per BOCES]. BOCES employee handbooks state that “BOCES owned and rented cars, trucks, vans and tractor trailers are for school business only.”

Status: Implemented

Recommendation

14. Establish procedures to reconcile fuel purchases with miles driven on fleet vehicles on a sample basis.

Implementation Action(s) per Jefferson-Lewis BOCES:

We have implemented this recommendation [7/1/97 per BOCES]. BOCES employee handbooks outline the requirement that gas receipts for each vehicle are to be returned to the Business Office monthly. The receipts are reconciled to the monthly billing from the vendor.

Status: Implemented

Recommendation

15. Establish procedures to require that the fleet vehicle be identified on gas credit card receipts.

Implementation Action(s) per Jefferson-Lewis BOCES:

We have implemented this recommendation [7/1/97 per BOCES]. In addition to the information provided in response #14, the procedure contained in employee handbooks also states that staff are to initial gas receipts and note the vehicle the receipt applies to.

Status: Implemented

Recommendation

16. Ensure that all purchases are properly bid in accordance with General Municipal Law and BOCES Board Policy.

Implementation Action(s) per Jefferson-Lewis BOCES:

We have implemented this recommendation [7/1/97 per BOCES]. BOCES Board Policy was reviewed and amended to ensure compliance.

Status: Implemented

Recommendation

17. Ensure that an adequate allocation of the cost of the District Superintendent's vehicle is charged to the administrative CO-SER.

Implementation Action(s) per Jefferson-Lewis BOCES:

We have implemented this recommendation [7/1/97 per BOCES]. The cost of the District Superintendent's vehicle is reviewed annually and appropriately pro-rated to applicable budget codes.

Audit note: Although procedures for the allocation of the District Superintendent's vehicle have been established, the audit does not agree with the procedures.

Per the Assistant Superintendent for Business, in the year a vehicle is purchased for the District Superintendent, the cost of the vehicle is allocated to a number of CO-SERs whether or not the vehicle is used by the program. In the year the vehicle is disposed of, the revenue from the transaction is usually recorded in the CO-SER in need of revenue or the CO-SER that last used it. (Note: A new vehicle for the District Superintendent is purchased every year.)

The audit believes that, in the year the vehicle is purchased, the full value of the vehicle should be recorded in the Administration CO-SER. When the vehicle is transferred to another CO-SER, the fair market value should be transferred to the program receiving usage of the vehicle and transferred out of the Administration CO-SER. Fair value can be obtained from many different on-line sources such as Kelly Blue Book (www.kbb.com). If more than one program is going to use the vehicle, the vehicle should be recorded in the Operation & Maintenance CO-SER. In the year the vehicle is disposed of, the revenue from the transaction should be recorded, on a prorated basis, in the CO-SERs that used the vehicle.

Status: Not Implemented

Recommendation

18. Establish and implement procedures to ensure compliance with IRS reporting requirements for fringe benefits.

[Jefferson-Lewis BOCES did not report any value for the vehicle provided to the District Superintendent. The District Superintendent was not required to maintain a mileage log to support a claim of de minimis use. BOCES officials indicated that de minimis use has been provided for in the District Superintendent's agreement since 1982. De minimis use is considered immaterial use. However, to claim de minimis use of an employer-provided vehicle, a mileage log needs to be maintained to document business and personal use. Commuting to and from work is considered personal use.]

Implementation Action(s) per Jefferson-Lewis BOCES:

We have implemented this recommendation [7/1/97 per BOCES]. BOCES staff meet with our independent auditor annually to review expenditures for IRS compliance. All expenses meet IRS reporting guidelines.

Audit note: The audit reviewed the agreement between Jefferson-Lewis BOCES and the District Superintendent. The agreement states that the District Superintendent is supposed to reimburse Jefferson-Lewis BOCES for personal use of the vehicle. The audit verified that the

District Superintendent is reimbursing Jefferson-Lewis BOCES for personal use of the vehicle so fringe benefits for the use of the vehicle do not need to be reported.

Status: Implemented

Data Collection and Use

As part of the audit, BOCES have been asked five questions regarding data collection and use. The questions are being asked to ascertain best practices that might be shared among the BOCES. The following is the response to these questions as provided by the Jefferson-Lewis BOCES.

Question 1. What data do you collect and how do you use the data to help component schools increase their performance within your supervisory district? What specific data do you use? Where do you obtain the data? Are there any other data you wish you had?

Response:

Specific Data	Where we obtain data	How we use data
<p>A. Enrollment and percent ethnicity</p> <ul style="list-style-type: none"> - Annual attendance rate - % free/reduced lunch - suspension rate - dropout rate - % to college - pupil teacher ratio - average class size - teacher certification - state test performance 	<p>A. SED Chapter 655 Report to the Governor and Legislature</p>	<p>A. Information for public, parents and grant applications</p> <p>Assist districts in measuring their performances against school districts in the county, region, and state.</p>
<p>B.</p> <ul style="list-style-type: none"> - average class size - attendance, suspension and drop out rates - free and reduced lunch - graduates earning Regents diplomas - high school completers with disabilities - state assessment results 	<p>B. School Report Cards</p>	<p>B. Trends in student achievement for the region, districts of similar size and individual schools</p> <ul style="list-style-type: none"> - target in student achievement for the region, districts of similar size and individual schools - target lowest performing buildings for technical assistance, resources from SED, JMT and BOCES.
<p>C. Comparative data on ELA 4 & 8, Math 4 & 8,</p>	<p>C. Mohawk Regional Information Center</p>	<p>C. Breakdown of student test results by district and building: item maps,</p>

Specific Data	Where we obtain data	How we use data
Comprehensive English Regents, Math Regents.		learning standards matched with sub skill classification.
D. Comparative data on performance of disabled students <ul style="list-style-type: none"> - Preschool student placements - Student placements in general education and separate settings and declassifications - Students suspended - Performance on NYS - Assessments and Regents exams 	D. SED VESII) reports, i.e. PD4A, PD5A, PBS data	D. Breakdown by district for use by administrators, CSE and CPSE Chairpersons and Committees, interested others to raise the academic performance of disabled students and the high school completions.
E. Career and Technical Center students <ul style="list-style-type: none"> ▪ Reading ▪ Mathematics ▪ Language ▪ Spelling 	E. Test of Adult Basic Education (TARE) norm references pre and post tests	E. For BOCES and component school districts to use in measuring the annual growth of students in reading and math.

Question 2. What data do you collect and how do you use them to help component schools improve student outcomes in your supervisory district? What specific data do you use? Where do you obtain the data? Are there any other data you wish you had?

Response:

Specific Data	Where we obtain data	How we use data
A. COGNOS software program of disaggregate state assessment performance data by school building; LEAP data and other test data identified by the individual district. <ul style="list-style-type: none"> - Student ethnicity and sex - free and reduced lunch - program services - grade level 	A. Mohawk Regional Information Center	A. Assist administrators and staff target instruction and A.I.S. to students. Monitor achievement and growth in achievement of groups of students over time.

Specific Data	Where we obtain data	How we use data
- mobility		
<p>B. Comparative data on all state assessments and Regents exams</p>	<p>B. SED Report cards. Mohawk Regional Information Center</p>	<p>B.</p> <ul style="list-style-type: none"> - Presentations have been done for the school superintendents, which show how the school districts' state assessment data compare to each other and how the Jefferson Lewis BOCES' scores compare to the statewide scores. Presentations also included discussions of action steps. - Panel discussion for superintendents and principals highlighted high-performing districts' -strategies and programs, which they felt contributed to student success. - A Superintendent's Resource Guide to the NYS Graduation Requirements and Assessments was compiled and distributed to all superintendents with the understanding that it would be periodically updated. - Workshops have been provided for school building administrators and teachers on Data Analysis. - At individual district request, BOCES staff have facilitated district use of its data to write PDP and APPR plans. - BOCES staff have also helped districts use their data in the development and review of their CDEP. - During the last two years in Career and Technical

Specific Data	Where we obtain data	How we use data
		<p>Programs, we requested assistance from our component districts in identifying students who are at risk of failing the new Regents.</p> <ul style="list-style-type: none"> - Specifically, we offered remediation and one-on-one assistance to students in the areas of English and Math.

Question 3. What data do you collect and how do you use them to improve BOCES student outcomes? What specific data do you use? Where do you obtain the data? Are there any other data you wish you had?

Response.

Specific Data	Where we obtain data	How we use data
<p>A. Secondary Students:</p> <p>High school program, level of achievement and status in meeting graduation requirements in Math, English, Science and Social Studies.</p>	<p>A. Career and Technical Education student profiles on application for admissions forms</p>	<p>A. Information is given to classroom teachers to plan for instruction on the technical subject. Data is used by English and Math instructors in planning academic intervention services at the Career and Technical Centers. Status of science and social studies credits is collected to determine additional staffing and need for integrated and applied courses. Students are given the opportunity to use the PLATO laboratory to meet individual academic reinforcement needs. The data is also used to schedule classes that will help students fulfill high school graduation requirements of Introduction to Occupations, Occupational Math, Health, and Tech Prep Algebra.</p>
<p>B. Annual reports include data</p>	<p>B. Five-year follow-up Study</p>	<p>B. Information is used to</p>

Specific Data	Where we obtain data	How we use data
<p>on enrollment at post secondary institutions, number in military, number employed in field of study, number in non-related field, number unemployed and seeking employment.</p>	<p>of Graduates through mail and telephone contact.</p>	<p>inform 11th and 12th grade programs on the impact of programs and the placement of graduates. Data is given to constituents to validate programs.</p>
<p>C. Data includes number of students, teachers and employers who participate in the experiences,</p>	<p>C. Annual Report on internship/work study programs. Data is obtained from building level records and maintained by the placement specialists at each Center.</p>	<p>C. To encourage a greater number of businesses to participate. To develop and enhance students' career skills.</p>
<p>D. OEDS/VATEA Reporting</p> <ul style="list-style-type: none"> ▪ Breakdown by class or course ▪ Gender ▪ Racial/Ethnic <ul style="list-style-type: none"> ▪ American Indian or Alaskan Native ▪ Black, not Hispanic ▪ Asian ▪ Native Hawaiian of Pacific Islander ▪ Hispanic or Latino ▪ White <p>Special Needs</p> <ul style="list-style-type: none"> ▪ Economically Disadvantaged ▪ Non-traditional career path ▪ Displaced Homemaker ▪ Single Parent ▪ English language learner 	<p>D. Surveys of students at the time of registration.</p>	<p>D. For administrators to use in examining the breadth and depth of students in each program. Data are used for State and Federal reports and grant applications.</p>
<p>E. Adult Education</p> <ul style="list-style-type: none"> ▪ Number of students passing GED 	<p>E. Adult Education registrations and results of TABE tests.</p>	<p>E. To assist in assessing whether GED programs are addressing all of the needs of our adult students. To improve literacy scores.</p>

Specific Data	Where we obtain data	How we use data
<ul style="list-style-type: none"> ▪ Number of daytime adults enrolled in career/technical programs ▪ Number of students receiving financial aid ▪ Breakdown of students by sponsoring agencies ▪ Placements ▪ Employment and Public Assistance 		

Question 4. How would you like to see Jefferson-Lewis BOCES Report Cards changed, if possible? Do you think it fairly and accurately represents your BOCES performance?

Response:

- A. Display attendance rates for all students K-12.
- B. Data on drop out rates for grades 7-12.

Question 5. What data would you like to see added, deleted, or modified, if possible, in the Chapter 602 Report?

[No response.]

Best Practices

The audit determined that Jefferson-Lewis BOCES had two practices which would rate as best practices.

1. Jefferson-Lewis BOCES assigns responsibility for fixed assets at each location to a specific employee. This employee is then held responsible for the safekeeping of the asset. Holding employees fiscally accountable for assets ensures that employees will be more aware of the assets.
2. Jefferson-Lewis BOCES disseminates new or revised policies and procedures adopted by the Board or issued by management in the employees' payroll checks. This ensures that all employees are made aware of these new policies and procedures, even if the employees do not read them.

Jefferson-Lewis BOCES
Contributors to the Report

- Calvin Spring, Audit Manager
 - John Cushin, Associate Auditor (Auditor-in-Charge)
 - Louise Costello, Senior Auditor
 - Kerrie Ross, Senior Auditor
-

Attachments which were included with the response are available from the Office of Audit Services upon request.



BOCES

Pursuing Excellence

Charles H. Bohlen, Jr.
District Superintendent
Chief Executive Officer
cbohlen@mail.boces.com

Jack J. Boak
Deputy Superintendent
jboak@mail.boces.com

Penny R. Sweredoski
Assistant Superintendent
for Business
pswered@mail.boces.com

B.O.C.E.S. ADMINISTRATIVE SERVICES

20104 State Route 3, Watertown, N.Y. 13601-9509
www.boces.com

(315) 779-7000 or (315) 377-7000
(800) 356-4356
Fax: (315) 779-7009 or (315) 377-7009

April 9, 2003

Daniel Tworek, Director
Office of Audit Services
State Education Department
The University of the State of New York
Albany, New York 12234

Dear Mr. Tworek:

We have reviewed the draft audit report related to the audit of Jefferson-Lewis-Hamilton-Herkimer-Oneida Board of Cooperative Educational Services for the period of July 1, 1998 through June 30, 1999. Attached are comments on the recommendations with some attachments.

If you have any questions or require additional information, please contact me at the above address or call (315) 779-7022.

Sincerely,

Penny R. Sweredoski
Assistant Superintendent for Business

Draft Audit Report Recommendations

July 1, 1998 through June 30, 1999

Recommendations:

1. Establish procedures to ensure the computer database reflects actual enrollment and completer data for Career & Technical Education.

Procedures for Enrollment and Completer data:

1. **Student applications are received by the Technical center from home school guidance counselors. The target date to receive applications from home schools is the Friday before Spring break. Applications are reviewed and lists of accepted students are sent to each high school. The target date to disperse this information is June 1 of each year.**
 2. **On or about July 1 of every year, a print out is done indicating completers and failures. This print out includes the student's name, career and tech program, home school and grade. A separate print out of student failures is also completed. These reports are generated directly from Winschool (software program).**
 3. **During the early summer, Winschool is set up for the school year. Once the year is set up, student data is put into the system and updates are made, if needed to returning students. Student scheduling through Winschool also occurs at this time.**
 4. **Additions, deletions, and corrections are made to student enrollment throughout the summer months as needed or as we are made aware of them.**
 5. **On the third Friday of the new school year, a report of enrollment is provided to our business office for billing purposes.**
 6. **If a student "dropped" a course during the school year, Winschool has a page where this information can be recorded. We include the date the student dropped the program. If we know the reason the student dropped, we are able to add this information in a comment section.**
 7. **The Winschool system allows for limiting access to areas in the system if the school desires. We limit this access to ensure when information is changed, it is done correctly to avoid discrepancies in the reporting.**
2. Establish procedures to ensure that only those students served under the listed Co-Sers are included in the reported enrollment for alternative Education, and that per Pupil tuition is based on reported enrollment and actual expenditures.

Reported enrollment is used to charge Districts but rate is based on budgeted costs. An Excel program is used to calculate tuition rates for each of these programs. The calculation includes the total budgeted cost of the program, any offset revenues and the estimated number of students (based on current enrollment and feedback from

the participating districts). Tuitions are set and delivered to the Superintendents in the March, preceding the beginning of the fiscal year they are to take effect. The districts use these numbers to develop their budgets. By April the tuitions and charges must be finalized to send to the districts with their AS7 contracts. Class lists are given to the Component Districts on a monthly basis.

Actual costs are not known until the fiscal year is completed. Staffing changes, student enrollments, employee benefit costs, mileage charges, and a multitude of other expenses, change significantly throughout the year - all impacting the actual cost of the programs. Billing is based on current enrollment times the tuition. Adjustments to tuitions are seldom made during the school year except for extraordinary circumstances. At the end of the year, reconciliations of charges and actual costs are made through the fund balance refund process, which is calculated, for each program.

The calculations for setting the tuitions are stored both on paper and disk. Attached are paper copies of various rate calculations.

3. Maintain documentation to support Adult Career & Technical Education enrollment reported improved literacy results, GED preparation, and results reported for employment and public assistance.

See response number 9.

4. Ensure that procedures are developed to calculate correct tuition rates for Career & Technical Education students and Special Education Class options II, III, and IV.

See response number 2.

5. Ensure that procedures are developed to calculate correct tuition rates for Special Education – Related and Itinerant Services and one-to-one aides using actual data.

See response number 2.

6. Ensure that procedures are developed to calculate both group and individual rates when both group and individual sessions are provided for Special Education – Related and Itinerant Services.

The process as described above is used to calculate group and individual rates as prescribed by the programs.

7. Ensure that procedures are developed to correctly calculate the Net Administrative Expense to Component Districts.

The procedure used to calculate Net Administrative Expense is one that has been consistently used. Total cost less miscellaneous revenues. The calculations are stored in work papers in the Business Office.

8. Establish procedures to ensure outstanding encumbrances are not included with reported EPE expenditures on the Final Expenditure Report.

We agree that we did include encumbrances for 1998-99 in the BOCES Final Expenditure Report for 1998-99 Employment Preparation Education Program as being consistent with all such reports in prior or subsequent years, and is included in the Balance Sheet in Account code F821, Reserve for Encumbrances.

Even though the encumbrance from 1998-99 carries to 1999-00, it is an expense isolated in the F925.99 year (1998-99) and was designated as such on the SA-111 for the following year and not in the F925.00 year (1999-00). Each fiscal year is reported separately, as in the past year's SA-111s. (See the SA-111 for school year ending June 30, 2000). This is to match expenses to the year that revenues were earned, consistent with reporting requirements outlined in "Fiscal Guidelines for Federal and State Aided Grants" published by the NYS Education Department, Office of Central Services, Categorical Aid management. The 1997-98 encumbrance was expensed in the 1997-98 fiscal year. At no time has an encumbrance been expensed twice.

9. Improve attendance and contact hour documentation.

Attendance and contact hour record keeping activities have been corrected by establishing new procedures in each of these areas. Specifically, the instructor at each site maintains one administration folder and relevant student folders per the following specifications (see attached).

Administration Folder

1. Daily Attendance Roster
2. Employment Preparation Education (EPE) Timesheet
3. GED Exam Recommendations

Student Folder

1. Intake Forms
 - Jefferson-Lewis BOCES Adult Education Registration Form
 - Adult Literacy and Information Evaluation System (ALIES)
Intake Form
 - ALIES Update Form
 - Employability Form
2. Individual Attendance Record
3. Weekly Progress Report
4. Monthly Progress Report
5. GRASP program Sheet

6. Student Survey
7. Student Folder Contents

10. Establish procedures to ensure that only actual hours provided are claimed and those hours are recorded in a consistent manner.

Consistency in recording hours is being accomplished by having the student complete the Daily Attendance Roster and the instructor completes the Individual Attendance Record. This information is then repeated on the Employment Preparation Education (EPE) Timesheet. The timesheet is submitted on a monthly basis. Subsequently, these data are entered into the ALIES database.

11. Establish procedures to ensure only eligible students are claimed for EPE aid.

Questionable data is readily identified by the ALIES database utilities. The eligibility of student can be tracked and verified by executing various sorts within the database. These data are then forwarded to the instructor for verification and/or updating.

12. Improve the accuracy of the database information on EPE students.

Database accuracy is maintained by executing the ALIES utilities and turnaround documents. These procedures assist in data verification and updating.

13. Improve procedures to adequately document allocation of salary expenditures to EPE programs.

We are in the process of developing a procedure that will be consistent from year to year yet be flexible enough to handle the changes that occur throughout any fiscal year. During the year, additional programs are developed at the request of community groups and municipalities to address specific community educational issues and staff is redeployed to meet these needs.

14. Establish policies and procedures to ensure student folders contain all required information.

All instructors have received staff development to ensure proper execution of the new folders and data entry procedures. Contained within each Student Folder is an administration check sheet that helps the instructor verify content. In addition, the various utilities and turnaround documents inherent to the ALIES database serve as verification procedures.

15. Obtain waivers whenever classroom enrollment exceeds 20 students and when classroom instruction is less than 6 or more than 20 hours per week.

We have received guidance from Tom Orsini , SED, in response to class size maximum and minimum. The rationale provided was that instruction in adult education is primarily individual. The belief is that class sizes that exceeded this amount are not educationally beneficial. In addition, it was explained the operating a class with fewer than 6 students, on a regular basis, is not fiscally viable.

16. Develop procedures to ensure that Report Card and Chapter 602 Report data are consistent.

After reviewing the two input documents, there was only one item that asked for the same data – the enrollment of students in the Career and Technical Education programs. The data differs slightly because the Chapter 602 Report uses data from the third Friday in September (the date we use to bill districts for the rest of the year) while the Report Card asks for enrollment as of the BEDs date.

17. Ensure that sensitive duties are properly separate.

I have attached the written procedures followed by the business office.

18. Ensure that the written Policies and Procedures manual includes a requirement of mandatory vacations for employees with sole, or almost sole, control of an accounting function.

The majority of the Business office staff are members of a union and this would have to be negotiated.

19. Develop controls over the bank reconciliation process.

Please see written procedures as attached.

20. Ensure that Operations and Maintenance and other program expenditure transfers are properly recorded in the computerized accounting system.

This is currently being done and the Business Manager has included the proper procedures in her work papers.

21. Ensure the ERSS expenditures reported are based on actual data and not included in BOCES aid.

This is currently being done. Each district is required to report to us their actual expenditures under ERSS and the amounts claimed are subtracted from aidable BOCES items.

Mandatory Forms

Student Folder

1. Intake Forms
 - Jefferson-Lewis BOCES Adult Education Registration Form
 - Adult Literacy and Information Evaluation System (ALIES) Intake Form
 - ALIES Update Form
 - Employability Form
2. Individual Attendance Record
3. Weekly Progress Report
4. Monthly Progress Report
5. GRASP Program Sheet
6. Student Survey
7. Student Folder Contents

Administration Folder

1. Daily Attendance Roster
2. Employment Preparation Education (EPE) Timesheet
3. GED Exam Recommendations

Attachments will be available upon request.