

---

---

# Final Report

---

---

Monroe 2-Orleans BOCES

Special Report

Billing and Payment Process for  
Automotive Repair Services  
Provided by Career and Technical  
Education Department Students

BOC-0805-1

March 24, 2006

---

**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  
Office of Audit Services  
Tel. (518) 473-4516  
Fax (518) 473-0259  
E-mail: mabbott@mail.nysed.gov

March 24, 2006

Mr. George Howard  
Board President  
Monroe 2-Orleans BOCES  
3599 Big Ridge Road  
Spencerport, New York 14559-1799

Dear Mr. Howard:

The following is our final audit report (BOC-0805-1) of the Monroe 2-Orleans BOCES for the billing and payment process for automotive repair services provided by Career and Technical Education Department students. 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

Enclosure

cc: Commissioner Mills, T. Savo, B. Porter, J. Stevens, G. Smith, C. Szuberla, C. Foster (DOB),  
W. Campbell (OSC), Dr. Joseph J. Marinelli, Interim District Superintendent

---

# Executive Summary

---

## Background and Scope of the Review

BOCES are organized under Section 1950 of the Education Law to provide shared educational programs and services to districts. These programs and services may include career and technical education (CTE) for students and adults, alternative education, adult basic education, special education, professional development, technology services, and school library services.

The Department received a complaint that three senior BOCES officials were receiving free automotive repair and maintenance services provided by CTE students. The objectives of our review were to determine if anyone was receiving free automotive repair and maintenance services and to assess the adequacy of the internal controls over the billing and payment process for automotive repair services provided by the CTE classes. Within the scope of this audit, we reviewed Monroe 2-Orleans BOCES' practices pertaining to the prompt payment for CTE services or products; the proper accountability of this process; the selection of individuals to benefit from these services or products; and whether internal controls were adequate to provide reasonable assurance that Monroe 2-Orleans BOCES resources were safeguarded from misuse and properly accounted for in its official records. Because of the complaint, the review focused primarily on the billing and payment of completed work orders for maintenance and repair activities performed by the automotive classes for the period from July 1, 2004 through June 30, 2005.

## Summary of Audit Results

With respect to the complaint that triggered this audit, the audit did not find that any BOCES officials were receiving free automotive repair and maintenance services. The audit found, however, that the Monroe 2-Orleans BOCES did not have adequate internal controls in place to ensure all automobile repair services were billed and paid for in a timely manner, and that because of the lack of adequate internal controls two senior BOCES officials and others using the BOCES auto repair service had their automobiles repaired and did not pay for the services in a timely manner. One of these administrators received bills for these services in May and June 2005, had paid almost half of the amount owed even before the BOCES was notified of the audit in August 2005. Both had paid the remaining balance owed as of August 15, 2005, the date the field work began.

As of June 30, 2005, the audit showed that although the complaint specified three individuals, the issues raised by the complaint were common to many staff and students, and that there was over \$9,000 in receivables from staff and management for parts and supplies paid for by the Monroe 2-Orleans BOCES. Due to the poor controls over these receivables, the review found over \$1,610 was due from employees/students no longer employed or in attendance at the BOCES. Some of the completed work orders date back to the 1999-2000 school year and there was a limited effort to collect the amounts due until the review inquired whether the amount would be written off.

The Monroe 2-Orleans BOCES had a policy for the sale of services and products provided through the CTE program, but it did not have written procedures to implement the policy and did not establish adequate controls over the billing and collection of amounts owed.

This does not foster a strong control environment or establish the appropriate tone at the top. There are opportunities for improvement for the Monroe 2-Orleans BOCES in this area as outlined in the body of the report.

The audit notes that all BOCES personnel have been extremely cooperative in providing the auditor with all information requested in a timely fashion. The BOCES staff have also been fully cooperative and forthright in answering all questions put to them during the audit process.

### **Comments of Monroe 2-Orleans BOCES Officials**

Monroe 2-Orleans BOCES officials' comments about the findings were considered in preparing this report. Their response to this report is included as Appendix B to this report.

---

# Table of Contents

---

<b>INTRODUCTION.....</b>	<b>1</b>
BACKGROUND.....	1
OBJECTIVES, SCOPE, AND METHODOLOGY .....	2
REVIEW RESULTS.....	2
COMMENTS OF MONROE 2-ORLEANS BOCES OFFICIALS .....	4
<b>GOVERNANCE AND PLANNING.....</b>	<b>5</b>
POLICIES AND PROCEDURES.....	5
LACK OF SEGREGATION OF DUTIES.....	6
COMMENTS OF MONROE 2-ORLEANS BOCES OFFICIALS .....	7
AUDITOR’S NOTE.....	7
<b>ACCOUNTING AND REPORTING.....</b>	<b>8</b>
IMPROVED INVOICING PROCEDURES NEEDED .....	8
THE ACCOUNTING SYSTEM.....	9
AUDITOR’S NOTE.....	9
COLLECTION OF OUTSTANDING INVOICES .....	10
COMMENTS OF MONROE 2-ORLEANS OFFICIALS .....	11

Appendix A – Contributors to the Report

Appendix B – Comments of Monroe 2-Orleans BOCES Officials

---

# Introduction

---

## Background

The mission of the Monroe 2-Orleans BOCES is to "provide quality, cost-effective educational services in partnership with school districts and the community in a manner that supports excellence and equity for all learners." Monroe 2-Orleans BOCES is headquartered in Spencerport, New York and serves 9 component districts and over 39,000 students. Monroe 2-Orleans BOCES had general fund expenditures of \$52 million and was ranked the 14th largest BOCES in the State, in terms of total general fund expenditures, for the 2003-04 school year.

BOCES are organized under Section 1950 of the Education Law to provide shared educational programs and services to districts. These programs and services may include career and technical education (CTE) for students and adults, alternative education, adult basic education, special education, professional development, technology services, and school library services.

The CTE programs, such as automotive repair and maintenance or carpentry, provide services or make products during the educational process. The automotive department may provide maintenance, repair or bodywork on cars. Carpentry classes may build picnic tables, doghouses or even houses for resale. Generally, these products and services should be available to the public, and be instructionally appropriate, i.e., done during class hours as part of the curriculum; any expenses incurred should be reimbursed by the beneficiary; and the billing, payment, and accounting for these services and products should be promptly completed. BOCES Administrative Handbook 5, Operating Procedures and Policies, which is the basis for Department guidelines, states that at no time should any benefit inure to any individual or organization as the result of public resources. Services and products are to be paid for at the time of delivery or pick-up. The BOCES does have a policy, Policy #4472 titled Sale of Supplies and Materials, which addresses this issue, however, at the time of the audit there was no corresponding procedures setting forth the specifics for implementing this policy.

## **Objectives, Scope, and Methodology**

The objectives of our review were to determine if anyone was receiving free automotive repair and maintenance services and to assess the adequacy of the internal controls over the billing and payment process for automotive repair services provided by the CTE classes.

The review was initiated in response to a complaint stating three Monroe 2-Orleans BOCES' senior management were being provided free automotive repair and maintenance services. In accordance with our objectives, we assessed the process involved, the validity of the allegations, and the adequacy of the Monroe 2-Orleans BOCES internal controls in this area.

To accomplish our objectives, we interviewed the District Superintendent and pertinent staff during a site visit, analyzed a sample of cash receipts containing payments for these services and products, and reviewed work orders and invoices. Our concentration was primarily in the automotive cluster due to the nature of the complaint. We conducted our audit in accordance with Government Auditing Standards and designed our procedures to provide reasonable assurance as to the accuracy of financial data reviewed; the adequacy of internal controls in this area; and compliance with applicable statutory and regulatory requirements. We believe that the review provides a reasonable basis for our findings, conclusions, and recommendations.

## **Review Results**

We identified the following areas needing improvement during our audit period:

- The Board has a written policy (Policy #4472) for the sale of services and products to staff and the public and it specifies that there must be an accurate and timely method for collecting amounts owed for goods and services provided to individuals. However, there were no corresponding written procedures to implement this policy and help ensure the timely collection of the amounts owed. The lack of such implementing procedures and the lack of internal controls over the billing and payment process led to the abuse of BOCES resources.

- As of June 30, 2005, the Monroe 2-Orleans BOCES had over \$9,000 in outstanding receivables from staff and management for parts and supplies, which were paid for with BOCES funds.
- Of the \$9,000, over \$1,610 was due from employees and students no longer employed or in attendance at the BOCES. Some of the completed work orders in this group date back to the 1999-2000 school year and there was no apparent attempt made to collect these amounts due from individuals who had left the BOCES until the audit inquired whether the amount would be written off.
- Two senior Monroe 2-Orleans BOCES officials each had 22 repair bills, some dating back to September 2001, totaling \$1,670 and \$2,125 respectively, that had not been paid timely. However, during this period, the two individuals did make payments for other services and both individuals paid the outstanding balance in full on or before the first day of the audit.
- The review also found that Monroe 2-Orleans BOCES did not have policies and procedures in place for the timely invoicing and collection for the auto repair services. Customers sometimes picked up their vehicles without paying for service. Work orders were not always completed when services were completed, and in some cases, were not issued until months later. Most work orders were not dated or even signed by the customer acknowledging the terms and conditions, and the work order had no sequential number (Once the service is completed, the work order serves as the invoice).
- The system used to control the process is a manually maintained file of work orders and cash receipt tickets, and is not reflected on the official books or records of Monroe 2-Orleans BOCES. This lack of business office control makes the process to control accountability, collection, and dunning cumbersome at best.
- An account clerk in the CTE Department is responsible for the billing, collection, and the deposits. This raises serious internal control concerns since the individual is responsible for the entire process.

The improvement opportunities are addressed in more detail in the body of the report. The Board should give careful consideration to the recommendations to further improve the operation and management of the BOCES. To date, actions to rectify these problems have been taken and further actions are being taken as detailed in the BOCES comments attached hereto.

## **Comments of Monroe 2-Orleans BOCES Officials**

Monroe 2-Orleans BOCES officials generally agreed with the matters contained in this report and their comments have been included where appropriate. Their response to the findings is included as Appendix B to this report.

The draft report was amended to acknowledge that Monroe 2-Orleans BOCES does have a policy to address the sale of services and products to staff and the public.

---

# Governance and Planning

---

A BOCES' board and management are responsible for establishing, implementing, and monitoring internal control systems. Internal controls are the policies, procedures, and practices designed and implemented to provide management with reasonable assurance that resources are safeguarded against waste, loss, and misuse; that operations are efficient and effective; that specific management objectives are achieved; that financial reports are reliable; and that the entity complies with applicable laws and regulations. The internal control systems must be built into the business processes to ensure core activities are accomplished effectively, efficiently, and economically.

The review found that BOCES needs to improve internal controls related to policies and procedures and segregation of duties.

## Policies and Procedures

The Board has a written policy (Policy #4472) for the sale of services and products to staff and the public and it specifies that there must be an accurate and timely method for collecting amounts owed for goods and services provided to individuals. However, there were no corresponding written procedures to implement this policy and help ensure the timely collection of the amounts owed. The lack of such implementing procedures and the lack of internal controls over the billing and payment process is a serious deficiency. Effective administrative procedures should be adopted to implement the existing BOCES Policy # 4472.

The procedures should include a process to make school districts, government agencies, BOCES departments, and the general public aware of the opportunity to participate in the services provided by the CTE Programs and to prevent the appearance of favoritisms. The procedures should also provide for the equitable selection of customers.

The BOCES has a work order form which can be used to identify the services to be provided, and the terms and conditions. Once the work is completed, it becomes the invoice. The work order form contains a list of generic terms

and conditions, which provide some degree of controls if the customer signs his/her acceptance before services begin and staff implements them. However, many times the customer does not see the work order form, hence, the terms and conditions, until the service is rendered and the work order is completed. The review also found that the CTE staff did not always follow guidelines on the work order. For example, they did not have a customer sign the work order before work begins or hold the vehicle until payment was received.

There were no written procedures implementing BOCES Policies #4472 to require prompt payment for goods or services. This contributed to the practice of late billings and late payments.

Recommendation 1: The Board should review its policy for the sale of services and products generated as a result of the CTE Programs and ensure it adequately addresses:

- public awareness and participation,
- equitable selection of customers,
- accountability for the services provided,
- accurate and timely billing and collection for amounts owed, and
- proper accounting and recording the revenue and expenditures for this program.

Recommendation 2: Management needs to establish procedures to implement the policy of the Board. These procedures should define the selection and scheduling of customers, the billing and collections process, and the internal controls over this process.

## **Lack of Segregation of Duties**

An effective system of internal control provides for the segregation of duties so that no single individual controls all phases of a transaction. When key duties and responsibilities are segregated, an organization establishes checks and balances over its financial operations that reduce the risk that errors and/or irregularities will occur and go undetected.

The review found inadequate segregation of duties for the CTE account clerk in accounting for this process. This person is responsible for the accounting, billing, and collection of the invoices. In addition, she prepares and makes the deposit for paid invoices. She also reports to the Executive Principal,

instead of the business office, which makes the need for segregation of duties more important.

Due to the lack of segregation of duties and other controls, the audit was not able to verify that all receipts were accounted for. The lack of this segregation of duties increases the risk that funds could be misappropriated and not detected in a timely manner.

Recommendation 3: Define the CTE account clerk's current duties and then segregate those duties that need to be reassigned to ensure proper internal controls or institute adequate supervisory review to ensure proper internal controls over her duties. The external auditor could help in this determination.

## **Comments of Monroe 2-Orleans BOCES Officials**

Monroe 2-Orleans BOCES officials concur with these recommendations, except they do not agree that it is appropriate to implement a practice of advertising its services to the public generally. Monroe 2-Orleans BOCES relies on word of mouth in the community that it does some automotive work for individuals as part of its curriculum.

## **Auditor's Note**

The audit agrees that the Monroe 2-Orleans BOCES does not need to formally advertise this service and should not compete with local automotive businesses. However, it should consider making the public aware of this service by putting a legal notice in the newspaper, making this policy more visible on its website, or other means. The emphasis of any such policy or notice should be that the service, although available to the public, is primarily to provide practical experience for the curriculum that is being taught to the BOCES students.

---

# Accounting and Reporting

---

## Improved Invoicing Procedures Needed

The objective of internal controls over cash receipts is to ensure that cash transactions are properly authorized and recorded, that cash is safeguarded, and that there is proper monitoring of the officials or employees who handle monies as part of their official duties. Good business practices required that work orders be prepared for each job. The work order should identify the customer as student, staff, or public, and customer acceptance of the terms and conditions prior to commencement of services should be acknowledged by signature. In addition, the services and products should be invoiced timely and accurately using press pre-numbered work orders that are dated, and issued as the invoice on completion of the services with one copy sent to the business office.

The customer should pay for the work as a condition of release of the vehicle. This would help ensure that the billing function is properly monitored from the creation of the bill to its collection. Using press pre-numbered work orders increases control over the accounting for the work completed and billings.

The review found that Monroe 2-Orleans BOCES work order forms were not press numbered; customers were not identified as staff, student, or public; in most cases customers did not sign the work orders; work orders were not always dated nor rendered at the completion of services; and customers were permitted to obtain new services or leave the BOCES with unpaid balances.

Recommendation 4: Establish procedures requiring the use of press numbered work orders that are signed by the customer prior to work commencing and the terms and conditions need to be emphasized at signing. Instructors need to date, sign, and complete the invoice for issuance of the original to the customer to facilitate payment and release of the vehicle.

Recommendation 5: Release vehicles only upon payment - any deviation to this policy should be approved by Board or the Board's designee.

Recommendation 6: Ensure that no customer with an unpaid

balance be provided additional repairs or services.

Recommendation 7: Include the payment of outstanding CTE invoices as a step in clearance procedures for individuals leaving Monroe 2-Orleans BOCES.

## **The Accounting System**

All receivables due to Monroe 2-Orleans BOCES should be entered and accounted for in its official records. This includes payments for all services, supplies, and parts provided in retail transactions. In order to ensure payment is made, there has to be a record of the transaction in the business office.

The present accounting for the automotive repair process is a manual system, which consists of file folders containing unpaid completed work orders, and paid work orders and cash receipt copies. Since no copy of the work order is sent to the business office, the unpaid balances were not reflected in the Monroe 2-Orleans BOCES' books of record at year-end. In addition, the manual system is a contributing factor in not making dunning individuals an easy process. Therefore, not only were current receivables understated at year-end by the amount of any unpaid work orders sitting in a file, but follow up for these uncollected work orders was seriously hampered as a result of not having a system for dunning notices, aging of accounts, etc.

The accounting system for this process would benefit from the automation of an electronic spreadsheet at a minimum. This would allow for proper aging should there be any legitimate reasons for work orders to be unpaid for any period. In addition, an automated system would provide additional controls over invoices. It would also facilitate any analyses work that is needed such as tracking parts and other supplies.

Recommendation 8: Establish an automated accounting system for the work orders, invoices, and revenue and ensure the information is reflected on Monroe 2-Orleans BOCES books of records, when appropriate.

## **Auditor's Note**

The audit concurs with the external auditors recommendation to strengthen internal accounting controls by making the business office responsible for the financial transactions including the processing, monitoring, and collecting of work orders, invoices, and receivables.

## Collection of Outstanding Invoices

The BOCES should have procedures to account for and collect the amounts owed when the work is completed. They have an obligation as stewards of public resources to collect monies that are due in a timely manner. Article 8, Section 1 of the New York State Constitution expressly prohibits the extension of credit. It states, "No ... school district shall give or loan any money or property to or in aid of any individual, or private corporation or association, or private undertaking, nor shall any ... school district give or loan its credit to or in aid of any individual, or public or private corporation or association, or private undertaking ...."

As of June 30, 2005, the Monroe 2-Orleans BOCES had over \$9,000 in receivables from staff and management for parts and supplies, which were paid for with BOCES funds. Some of these receivables dated back to September 2001. At the time of publishing of this report, BOCES has collected all but \$1,726.44 of this \$9,000 and has committed to collecting the remainder even if legal proceedings become necessary to do so.

In addition, due to the poor controls over these receivables, the review found over \$1,610 was due from employees/students no longer employed or in attendance at the BOCES. Some of the completed work orders in this group date back to the 1999-2000 school year and there was no apparent attempt made to collect until the audit inquired whether the amount would be written off.

As noted above, two senior Monroe 2-Orleans BOCES officials each had repair bills that had not been paid as of June 30, 2005. One of these officials had paid nearly half of the amount owed prior to the BOCES being notified of this complaint-driven audit, and one of the officials was completely paid up by the time the audit actually began.

The untimely collection of amounts due is tantamount to the Monroe 2-Orleans BOCES extending credit to individuals. This condition exists even though there may not have been any intention to extend credit. Many invoices were paid when rendered; however, invoices were not always completed the day the vehicle was picked up. Invoices are not always prepared timely because the instructors turn the work orders in on a weekly or monthly basis. In the case of one instructor, the

work orders and invoices were turned in at the end of the school year. This also explains why invoices are not always paid for at the time of pick-up of the vehicle; however, even when some invoices are rendered the same day or within a few days of pick-up, there is still a delay in payment. The review also determined that it was common practice for some teachers to avail themselves of the common notion that they could pay at the close of the school year.

The above causes for non-payment of work on the day a vehicle is released are not acceptable and they are indicative of the lack of proper management controls over the process.

Recommendation 9: Collect payment of all outstanding work orders.

## **Comments of Monroe 2-Orleans Officials**

Monroe 2-Orleans BOCES officials concur with these recommendations.

Monroe 2-Orleans BOCES  
Contributors to the Report

- Calvin Spring, Audit Manager
- Ronald Talarico, Associate Auditor (Auditor-in-Charge)
- Patrick Orton, Senior Auditor



Monroe 2-Orleans  
Board of Cooperative Educational Services  
Joseph Marinelli, Ph.D., Interim District Superintendent

Tel: (585) 352-2410  
Fax: (585) 352-2442

RECEIVED

FEB 27 2006

OFFICE OF  
AUDIT SERVICES

February 24, 2006

Mr. Michael Abbott, CPA  
Director  
Office of Audit Services  
NYS Education Department  
Albany, NY 12234

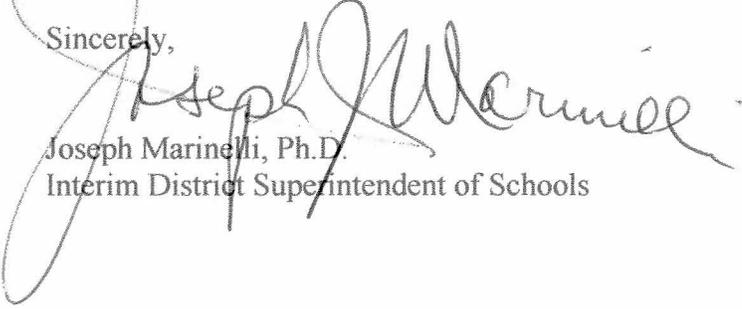
Dear Mr. Abbott:

Enclosed is the Monroe 2-Orleans Board of Cooperative Educational Services audit response. I enclose the following three documents:

1. My response letter to be included in the appendix of the final report.
2. The SED draft report with my recommendations for consideration.
3. The draft report as it would look if SED accepts our recommendations.

Please note we are submitting the third item for your ease in cross referencing your draft with the suggestions incorporated in my response letter. Mr. Abbott, as stated in my response, I appreciate the support and professionalism you have offered BOCES 2 throughout this process. We are both Fed-Ex and e-mailing within your established time frame. Please contact me if you have any questions at 315-332-7284.

Sincerely,

  
Joseph Marinelli, Ph.D.  
Interim District Superintendent of Schools



Monroe 2-Orleans  
Board of Cooperative Educational Services  
Joseph Marinelli, Ph.D., Interim District Superintendent  
Tel: (585) 352-2410  
Fax: (585) 352-2442

RECEIVED  
FEB 27 2006  
OFFICE OF  
AUDIT SERVICES

February 24, 2006

VIA E-MAIL ([mabbott@mail.nysed.gov](mailto:mabbott@mail.nysed.gov)) and OVERNIGHT MAIL  
Michael Abbott, CPA  
Director, Office of Audit Services  
New York State Education Department  
Office of Audit Services, Room 524 EB  
89 Washington Avenue  
Albany, New York 12234

Re: Monroe 2-Orleans Board of Cooperative Educational Services  
Draft Report BOC-0805-01

Dear Mr. Abbott:

This is in response to your letter of January 31, 2006, in which you enclosed a copy of the draft report and indicated that the BOCES could submit comments and recommendations by February 28, 2006. Let me begin by thanking your office for its professionalism during the audit process and for this opportunity to review and respond to the draft report. For ease of reading, our comments in this letter are organized under the headings of general comments and then specific comments relating to each of the nine recommendations in the draft report.

#### INTERIM DISTRICT SUPERINTENDENT REVIEW

After reading through your January 31 letter, I had additional questions concerning the circumstances discussed in your draft report. On Thursday, February 9, 2006, I ordered the Director of Finance to conduct a review and answer the questions below. I and received the responses noted:

1. Did the two senior officials demonstrate a record of payments over time?

Response: Payments were made by both senior officials over the time period in question (since 2001).

2. How did the patterns of payments of the two senior officials compare to that of other customers?

Response: The pattern of payments of the two senior officials was consistent with that of other customers, including a wide range of administrators, CTE teachers, Operations and Maintenance staff, clerical assistants, and other customers.

3. Was there a BOCES practice which made it acceptable to bill late and for customers to pay their bills late?

Response: There was a practice that made it acceptable to both receive and pay bills late. Also, the SED audit findings reported that it was also not unusual for billings to and payments from customers to be made at the end of the fiscal year.

4. When payments were made by senior officials how were the payments credited to outstanding bills?

Response: CTE account clerk reported that payments made by one senior official were credited to invoices that could be paid in full rather than the oldest outstanding invoice. The other senior official submitted payments by invoice.

5. Did the two senior officials violate any existing policies and procedures at the time and, if so, what policies and procedures?

Response: There was not an accurate and timely method of collecting revenues established as required by Board Policy #4472. The organization, not any particular individuals, violated the policy by not enforcing the policy through an implementing regulation.

### **GENERAL COMMENTS**

First, BOCES recognizes and fully supports the audit work done by your office. By way of background, then District Superintendent Dr. Christopher Manaseri first learned that there was going to be an audit when he got a call from your office during the week of August 1, 2005, informing him of such. The auditor arrived at BOCES to begin the audit on August 15 and 16. Dr. Manaseri got an e-mail from Cal Spring on August 17 indicating that he was "... very glad you [the BOCES] are fully cooperating in this review." Thus, we believe that it is appropriate to note the level of BOCES' full disclosure and cooperation during this process.

Based on the timing of events as they unfolded, we also believe that it is appropriate to point out in the report that although the two officials discussed in the report owed money for automotive repairs that had not been paid as of June 30, 2005 (the end of the school year), after being invoiced for the repair work in May and June, one of the officials began paying the invoices in July. *This was prior to our receiving any indication from your office that there was a complaint or that an audit was going to take place.* While BOCES certainly agrees that work should be paid for upon completion of service, we believe it is appropriate to point this out in the

draft report, and it certainly supports the conclusion in the report that the officials never intended to avoid paying the bills. This conclusion was reinforced by my own internal review.

We also note what we believe is a repeated error in the draft report. The report says in a number of places that the BOCES does not have any written policies governing the process whereby services and products would be sold to staff and the public. With all due respect, that is not an accurate statement. In its binder of materials submitted to Ron Talerico on October 25, 2005, included as Attachment 1 is BOCES Policy #4472 on this subject. While BOCES does have a policy on this issue, it did not have an accompanying implementing regulation to establish the internal controls over automotive repair services which we agree led to BOCES' failure to collect payment for services in a timely manner. Accordingly, we have suggested modifications to the draft report to recognize that BOCES did have a policy but did not have implementing administrative regulations that were needed.

### **RECOMMENDATION 1**

BOCES agrees that it needs to adopt a regulation that implements existing Policy #4472. The details of the regulations being developed are discussed below. However, BOCES disagrees with the first two bulleted items suggesting that the regulations require “public awareness and participation” and “equitable selection of customer.”

As noted in Policy #4472, “No service will be performed by BOCES for personal gain, *for the purpose of competing with private industry* or for the purpose of making a profit.” (Emphasis supplied). The local auto shops that hire BOCES students support the BOCES program for providing real life experiences to students. They believe students are better prepared and appreciate that BOCES does not compete with them for business, among other things, advertising generally. Thus, BOCES does not agree that it is appropriate to implement a practice of advertising its services to the public generally.

Over the years it has become known through word of mouth in the community that BOCES does some automotive work for individuals as part of its curriculum. Staff, students and the public all have the opportunity, without any preferences being given, to take advantage of CTE services. Requiring the BOCES to advertise generally would, however, have significant negative consequences. First, it would anger/alienate the automotive businesses that hire BOCES students. Second, it would no doubt anger many members of the public that would be turned away because the BOCES does not have the capacity to do the volume of work, and because it only does work that corresponds to the curriculum – e.g. it will not take any brake jobs when the students are learning about transmissions. Finally, this would set a precedent for all BOCES which would broaden these negative consequences statewide. Thus, BOCES does not agree that it needs to advertise its CTE services beyond its current practice.

### **RECOMMENDATIONS 2 – 8**

BOCES wholeheartedly agrees that regulations and procedures implementing Policy #4472 are needed for clarification. It should be noted, however, that BOCES began putting processes in place back in August to address many of the issues raised in the audit. Now that the draft report is out it is fine tuning the Board Policy for final adoption by the BOCES Board and

developing the administrative regulations and procedures to implement the policy. The following changes have been/are being made:

- No car is released from BOCES until payment for the service has been made. In rare circumstances when the paperwork on a job is not finished at the time the customer comes to pick up the car, the car will be released to the customer only if a credit card imprint is left to charge the repairs. Under highly unusual and compelling circumstances the District Superintendent or his or her designee may make an exception.
- BOCES is in the process of implementing a new 4-part numbered form to track work being done and confirm payment for that work. We will be implementing the following additional measures:
  - When a car arrives for repairs, the new 4-part form will be filled out indicating that the car was brought in and detailing the work to be done. One copy of this incomplete form will go immediately to the central business office so that the office knows that a service was requested.
  - When the work is completed and the invoice paid, the second part of the form will go to the customer.
  - When the work is finished and the invoice paid, the third part of the form will go to the CTE account clerk for her records.
  - When the work is finished and the invoice paid, the fourth part of the form will go to the central business office to be matched with the first part of the form that was originally received by that office when the car was delivered for service.
- Effective the week of February 27, the CTE account clerk's duties will be segregated with the central business office taking on some of those duties and acting as a check and balance on the whole process.
  - The CTE account clerk will still collect money for services rendered, but now totals and bags the money for deposit and places it in a safe.
  - The CTE account clerk will take the receipts and money to the central business office at least twice a week.
- Effective the week of February 27, when the central business office receives a deposit from the CTE account clerk it will give the clerk a

receipt, deposit the money and then send a copy of the deposit slip back to the clerk.

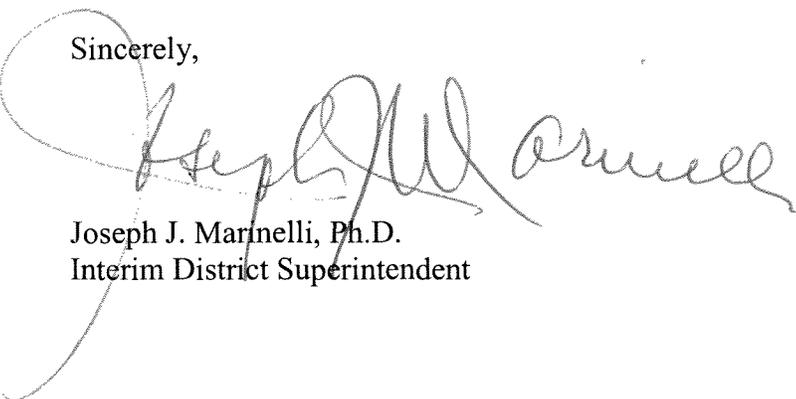
- Effective the week of February 27<sup>th</sup>, the CTE account clerk logs all work on a spreadsheet that shows when service is undertaken and the invoice number of the work. The spreadsheet will also include when the invoice is paid, when the deposit is given to the central business office, and when the deposit slip is received from the business office showing the money has been deposited.
- Beginning August 2006 no one with an unpaid bill has been permitted to receive additional repair services.
- Payment of all outstanding CTE invoices is now a part of the exit process for students and staff leaving the BOCES. The BOCES exit form was revised last week.

### **RECOMMENDATION 9**

BOCES has already collected all but \$1,686.44 of the \$9,000 in receivables that existed on June 30, 2005. Please note BOCES has been sending letters since August 2005 to individuals owing money. With respect to the last \$1,686.44 of monies owed, BOCES has sent out final notices during the week of February 13, 2006, giving customers ten (10) calendar days to remit full payment or BOCES will pursue legal action. Also, it should be noted that two BOCES staff members have agreed to make monthly payments as satisfy their accounts by June 30, 2006. As of February 24, there are still some outstanding bills; therefore BOCES will now pursue legal action against those who have not paid.

Please contact me if you wish to discuss this matter further.

Sincerely,



Joseph J. Marinelli, Ph.D.  
Interim District Superintendent