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# Audit Report

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Monroe 1  
Board of Cooperative Educational Services

For the Period

July 1, 1996 through June 30, 1997

BOC-0198-8

November 10, 1999

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





Daniel Tworek, Director  
Office of Audit Services  
Room 524 EB  
Tel. (518) 473-4516  
Fax (518) 473-0259  
E-mail: dtworek@mail.nysed.gov

November 10, 1999

Dr. Gregory Vogt  
District Superintendent of Schools  
Monroe 1 BOCES  
41 O'Connor Road  
Fairport, New York 14450

Dear Dr. Vogt:

The following is our final audit report (BOC-0198-8) on the Monroe 1 BOCES for the period July 1, 1996 through June 30, 1997. The audit was conducted pursuant to Sections 305 and 1950 of the Education Law in pursuit of Goal #5 of the Board of Regents/State Education Department Strategic Plan: "Resources under our care will be used or maintained in the public interest."

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

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

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

Sincerely,

Daniel Tworek

Enclosure

cc: Commissioner Mills  
R. Cate  
J. Kadamus  
T. Sheldon  
C. Foster (DOB)  
H. Hoffman (OSC)  
B. Mason (OSC)  
cc: G. Illenberg  
S. Spear  
B. Stambler

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# Executive Summary

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Monroe 1 BOCES ranked as the 6th largest BOCES in the State, in terms of total general fund expenditures (\$60,389,319), for the 1996-97 school year. The pie chart illustrates general fund expenditures by program for the 1996-97 school year.

## Background and Scope of the Audit

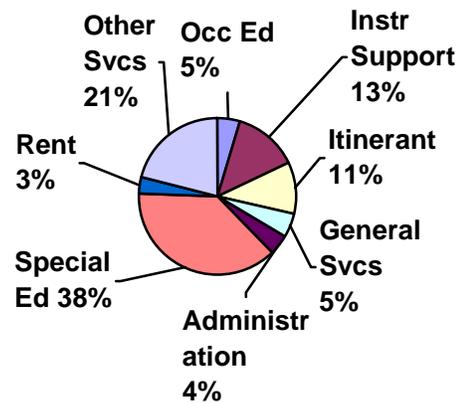
The audit examined management practices, records and documentation related to select areas of Monroe 1 BOCES operation for the period July 1, 1996 through June 30, 1997. These areas included Administration, Operation and Maintenance, Co-operative Services, and Employment Preparation Education (EPE) Program. This was a financial related audit and the objectives were to: determine if cost allocations and transfers were accurate and reasonable; determine if services comply with Department approved specifications; verify that only reasonable and necessary costs were incurred; and verify that the budgetary process provides control over the expenditures of funds.

## Audit Results

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

- The audit found Monroe 1 BOCES overclaimed EPE aid for the Giving Rural Adults a Study Program (GRASP) (\$17,497); students that did not meet the 21 years of age requirement (\$9,119); and claimed contact hours that were not generated by Monroe 1 BOCES teachers, including arrangements with the Literacy Volunteers of America (\$231,935) and Jewish Family Services (\$61,162). Monroe 1 BOCES contend that some of the GRASP hours questioned are eligible and cite the literacy volunteers need not be employed by Monroe 1 BOCES for aid entitlement. Monroe 1 BOCES will ensure that EPE students meet the age requirements for the EPE Program (pages 4-6).
- The audit questions the purpose and nature of a \$37,000 account to fund cooperative services for a workforce preparation consultant. Monroe 1 BOCES intends to review this matter and seek Department approval (pages 13-14).
- Monroe 1 BOCES intends to more closely monitor the use of 105 cellular phones assigned to staff. This could also present an opportunity to reduce costs (page 17).
- Several opportunities to improve management processes are identified in such areas as purchasing, consultant agreements, travel reimbursement, and credit card documentation. Monroe 1 BOCES recognizes the need for improvement in these areas (pages 19-22).

**Monroe 1 BOCES**



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# Introduction

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## Background

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

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

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

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

Monroe 1 BOCES, headquartered in Fairport, New York, was established to be a means for the school districts of Monroe County to cooperatively carry out studies, develop specialized facilities, and offer shared educational programs and services. Shared programs allow districts to offer opportunities to students and staff that might not otherwise be economically possible.

Monroe 1 BOCES serves 10 component districts which enroll more than 49,800 students. Monroe 1 BOCES ranked as the sixth largest in the State, in terms of total general fund expenditures, for the 1996-97 school year.

## **Objective, Scope and Methodology**

Pursuant to Sections 305 and 1950 of the Education Law, we audited management practices, records and documentation related to selected operations of Monroe 1 BOCES for the period July 1, 1996 through June 30, 1997. This was a financial related audit and the objectives were to:

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

To accomplish our objectives, we reviewed applicable laws, regulations, policies and procedures; interviewed Department and Monroe 1 BOCES management and staff; examined records and supporting documentation; sampled transactions on a non-statistical basis; and reviewed the Monroe 1 BOCES audited financial statements.

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

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

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

## **Comments of Monroe 1 BOCES Officials**

Monroe 1 BOCES officials generally agreed with the findings and recommendations in this report. Their comments have been included where appropriate and their response is included as Appendix B to this report.

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# Employment Preparation Education

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Monroe 1 BOCES operates an Employment Preparation Education (EPE) Program. This categorical aid program serves students 21 years of age or older who have not received a high school or equivalency diploma.

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

Monroe 1 BOCES received a total of \$1,875,088 in EPE aid for the period July 1, 1996 through June 30, 1997, based on reported contact hours. The audit found that Monroe 1 BOCES needs to improve its system for identifying, documenting and accumulating certain EPE contact hours. The audit report will be used by the Department to adjust future aid received by Monroe 1 BOCES.

The audit found that Monroe 1 BOCES has overstated contact hours for Giving Rural Adults a Study Program (GRASP), claimed contact hours and students that were ineligible for aid, could not document all contact hours, and overstated EPE expenditures.

## **GRASP Contact Hours Were Overstated**

Non-traditional adult education programs are programs approved by the Department in which students are not present in a classroom but where a teacher supervises instruction. Part 168.5(a) of the Regulations addresses the calculation of aid for non-traditional modes of instruction. The Regulations state that the number of contact hours to be claimed is determined by the number of actual hours a teacher works on the program, up to the established maximum of one-half hour per student per week. Each teacher hour is multiplied by 12 to reach the maximum contact hours allowed in a two-week period.

Monroe 1 BOCES claimed contact hours for GRASP participants based on the number of “packets” returned by the students. A packet is material assigned by the teacher for the student to

complete over two weeks. In some cases, this resulted in contact hours being claimed in excess of the maximum eligible for aid. For example, Monroe 1 BOCES claimed as many as 627 hours for some students when the maximum is 312 hours (26 two-week periods x 12 hours). Monroe 1 BOCES officials can identify these students from their records. In total, Monroe 1 BOCES overstated GRASP contact hours by 5,286 hours or \$17,497 in EPE aid.

Monroe 1 BOCES does not have a system in place to ensure that no more than one-half teacher hour per enrollee per week is claimed for aid purposes.

Monroe 1 BOCES officials contend that the hours claimed for some GRASP participants did not exceed the maximum number of hours eligible for aid. They state that the relationship between student contact hours and staff hours is checked numerous times during the year to ensure that the maximum eligible contact hours for aid are not surpassed. However, the audit found that Monroe 1 BOCES incorrectly used a multiple of 24 for each teacher hour instead of the multiple 12 as stated in Part 168.5(a). Using the incorrect multiple of 24 overstates contact hours.

## **Contact Hours Claimed for Ineligible Students**

Hours claimed by BOCES must be for eligible students and adequately documented. Part 168.2 (a) of the Regulations states, “employment preparation education programs means programs leading to a secondary credential for individuals who are at least 21 years of age and who have not received a high school diploma or high school equivalency diploma issued by any state or territory of the United States.”

Monroe 1 BOCES reported hours for students who possessed high school diplomas or high school equivalency diplomas, and students who were under 21 years of age. These contact hours are not eligible for EPE aid. The following table summarizes the hours claimed for non-eligible students identified during a review of a sample of contact hours.

Table 1  
Basis for Ineligibility

Class	Possession of a Diploma	Hours	Over Age	Hours	Total Hours
WEP600/900	7	1,278.5	1	62.5	1,341
GSP102	0		3	465.0	465
WDG300	3	900.0	0		900
ACC302	18	49.0	0		49
Totals	28	2,227.5	4	527.5	2,755

Source: OAS working papers

Ineligible students were claimed partly due to errors made by the individual(s) completing the intake forms. Also, some intake forms were not designed to collect diploma status information and therefore errors occurred. As a result, EPE aid was overstated by \$9,119.

Monroe 1 BOCES officials agree that 949 hours were claimed for 21 ineligible students in classes WDG300 and ACC302. However, officials state they reviewed intake records for the four students listed as ineligible because of age and found them all to be of eligible age.

The audit found that each of the four students was underage for part of the year and questioned only the time period for which the students were underage. However, Monroe 1 BOCES officials are under the mistaken impression that if a student turns 21 years of age during the school year, the student is then eligible for the entire year.

Officials also state that six of the seven students listed as ineligible based on diploma status for the classes WEP600/900 and GSP102 did not have diplomas. As a result, they claim only 19 contact hours were ineligible for \$63. However, documentation reviewed by the audit indicated four of these students had GEDs and the other three had US high school diplomas.

Monroe 1 BOCES officials state they will ensure that hours are claimed only for eligible students by checking the eligibility of all students during the intake process.

## Literacy Volunteers of America

In October 1995 the Department issued a memorandum which clarified the policy guidelines for generating EPE aid. Attached to the memorandum were "Question and Answer" policy guidelines. The following describes the definition of a teacher:

*"For purposes of EPE generation, what is the definition of a teacher?"*

Section 157.1 of the Commissioner's Regulations states that services provided to out-of-school youths and adults must be conducted by teachers who hold a valid New York State teaching certificate, an adult education certificate, or an evening vocational certificate. The teacher must be employed by the district or BOCES claiming aid."

Monroe 1 BOCES is claiming contact hours for literacy services which are provided by the Literacy Volunteers of America, Rochester, NY, Inc. (Literacy Volunteers). The students participating in these services were not enrolled in Monroe 1 BOCES programs.

Effective July 1, 1996, Monroe 1 BOCES signed a memorandum of agreement with Literacy Volunteers to tutor students enrolled in Adult and Community Education. The agreement states, "The assignment of volunteers is intended to supplement instruction currently provided to the students at the Monroe BOCES #1 Adult and Community Education Program." Further, the agreement specifies that "volunteer tutors shall work with adult students without a supervising, certified teacher in the employ of Monroe 1 BOCES in the same room."

The two agencies agreed to share equally in the amount of EPE aid generated for non-traditional modes of instruction. Literacy Volunteers agreed to provide tutoring to over 200 students and perform all record keeping necessary for reporting contact hours. Monroe 1 BOCES agreed to provide a lead teacher to provide instructional services to tutors.

Although the program was not a part of their approved application, Monroe 1 BOCES presumed they had Department approval for this program. Monroe 1 BOCES claimed contact hours totaling \$231,935 representing contact hours taught by Literacy Volunteers who are not employed by Monroe 1 BOCES. As such, these hours are not eligible for EPE aid.

Monroe 1 BOCES officials contend that the above contact hours are eligible for reimbursement. They state that Section 157.1 does not state that teachers must be employed by the BOCES and they state that the Department approved the Literacy Volunteers program on the 1996-97 application.

However, Department program staff have reviewed this matter and stated that the application listed Monroe 1 BOCES employees as teachers for the Literacy Volunteers program. Department staff also pointed out that the October 1995 memo clarified that a teacher had to be employed by the BOCES claiming the contact hours.

## **Jewish Family Service/Jewish Community Center**

Monroe 1 BOCES signed an agreement with Jewish Family Services (JFS) related to ESOL classes held at the Jewish Community Center (JCC). The agreement required JFS to do the following:

- Have their teachers complete the confidential intake form for each individual in the program and send copies to Monroe 1 BOCES;
- Have their teachers take attendance and send the attendance to Monroe 1 BOCES;
- Register new students using the confidential intake form and send the forms to Monroe 1 BOCES.

The contact hours for these classes were claimed by Monroe 1 BOCES. These classes were held at the JCC, and were taught by employees or volunteers of the JCC. Monroe 1 BOCES claimed 18,478 contact hours for EPE aid, representing contact hours taught by JCC teachers who are not teachers employed by Monroe 1 BOCES.

Monroe 1 BOCES was not aware that classes needed to be taught by their own employees to be eligible for EPE aid. They claimed EPE aid for \$61,162. Monroe 1 BOCES paid JFS \$3,800 for these services.

Monroe 1 BOCES officials agree that hours reported for classes were not taught by Monroe 1 BOCES employees. They contend that Section 157.1 does not state that teachers must be employed by the BOCES.

However, Department program staff state that Monroe 1 BOCES was informed that teachers need to be employed by the BOCES or district claiming the contact hours.

## Questioned Hours

The October 1995 memo from Assistant Commissioner for Workforce Preparation and Continuing Education to District Superintendents states the following: "to ensure that EPE revenues paid to the district or BOCES are appropriate, the number of reported contact hours must be clearly documented. Any undocumented or overstated contact hours will be questioned upon audit and revenues will be reduced accordingly. The district or BOCES must maintain classroom attendance rosters of all students who attend EPE programs. Documentation must clearly support reported contact hours."

Monroe 1 BOCES maintained classroom attendance rosters for most EPE classes. However, the rosters did not always support the number of hours reported. Many of the differences appeared to be clerical in nature. Questioned hours are noted in the table below:

Table 2  
Questioned Contact Hours

Class	Hours Reported	Questioned Hours
<b>Clerical Errors</b>		
ESL 123	12,324.0	(12.0)
CDL 301	693.0	39.0
CDL 302	156.0	12.5
CDL 303	693.0	111.0
CSM 300	324.0	(3.0)
ELC 300	2,544.0	(22.5)
NVM 100	208.0	5.7
NVO 100	410.0	5.0
NVP 100	959.0	(12.8)
AUC 301	215.0	17.5
BCT 301	1,491.0	(19.5)
ELR 300	691.0	14.2
ESR 300	3,586.0	17.0
HVA 300	2,519.0	(212.0)
HVA 302	369.0	40.5
NVC 100	254.0	6.5
NVT 200	531.0	16.0
OPT 300	1,252.0	11.0
OPT 302	456.0	42.5
WEP 600	6,436.0	(3.9)
WEP 900	3,486.5	52.8
NVT 100	3,582.0	30.0

Class	Hours Reported	Questioned Hours
TOTAL	43,179.5	135.5

Source: Monroe 1 BOCES EPE records

Monroe 1 BOCES officials concurred that classroom rosters did not always support the number of hours reported and agreed to the 135.5 contact hours.

Monroe 1 BOCES officials state they match the data entry of attendance to the classroom rosters to ensure that reported hours are accurate and agree with classroom attendance rosters.

## Questioned Expenditures

Part 168.4 of the Regulations states that expenditures shall be made for only EPE purposes.

Genesee Valley BOCES operates a certified nursing assistant program which it offered in conjunction with Monroe 1 BOCES. As part of the arrangement, Monroe 1 BOCES collected the students' tuition and partially reimbursed Genesee Valley BOCES. Genesee Valley BOCES employed the teacher and reported EPE contact hours for eligible students. Monroe 1 BOCES reported the reimbursement to Genesee Valley BOCES as an EPE expense even though the students were not part of the Monroe 1 BOCES EPE Program. Monroe 1 BOCES overstated EPE expenses reported to the Department by \$15,493.

Monroe 1 BOCES officials said that payments to Genesee Valley BOCES were not eligible as EPE expenses and state they will review EPE expenses for correct budget codes on a more frequent basis.

## Recommendations

1. Ensure that only eligible student contact hours are claimed for aid.
2. Ensure that all claimed contact hours are adequately documented and tabulated correctly.
3. Ensure that only EPE expenditures are claimed.

## **Comments of Monroe 1 BOCES Officials**

Monroe 1 BOCES officials generally agreed with the recommendations; however, they claim the regulations do not require teachers to be BOCES employees in order to claim contact hours.

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## Co-Operative Services

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BOCES must obtain the prior approval of the Commissioner before providing any service. The Cooperative Service Application (CO-SER) is the document used to request this approval. BOCES Administrative Handbook #2, Criteria-Guidelines for Approval of BOCES Services (Criteria Guidelines), delineates the minimum standards for approvable service programs. A new service proposal must be submitted for any service that is new to a given BOCES.

School districts that are components of BOCES are eligible for BOCES operating aid. BOCES facilities and rent aid provide reimbursement for approved expenditures for facility construction, purchase, or lease. BOCES operating aid provides reimbursement for base year service costs and administrative expenditures, with the following limitations:

- administrative expenditures may not exceed 10 percent of total expenditures;
- service expenditures are aidable only to the extent they are approved for aid;
- an employee's salary is aided up to \$30,000;
- expenditures for education of pupils with disabilities are not eligible for BOCES aid. Public excess cost aid is provided to the district of residence for a student with disabilities; and
- expenditures for transportation are not eligible for BOCES aid. Transportation aid is provided to the district responsible for providing such services.

The audit found Monroe 1 BOCES claimed aid for a consultant who does not meet the criteria guideline of aidable expenses.

### **Consultant Usage for the Urban/Suburban Transfer Program**

The Criteria-Guideline for activity 6160, Coordination, encompasses such programs where BOCES employees provide central coordination for a district-operated service or services. The Criteria-Guideline states that expenses eligible for aid include salary, fringe benefits and travel expenses of the person(s) providing coordination and related office expenses.

During the 1996-97 school year, Monroe 1 BOCES paid a consultant \$6,000 to perform a telephone survey of alumni from the Urban/Suburban Transfer Program (CO-SER 525) and

prepare a report of the results. The audit questions whether this expense is eligible for BOCES aid since it does not meet the Criteria-Guideline definition of aidable expenses shown on the previous page.

Monroe 1 BOCES officials concur that the above expense is not eligible for BOCES aid and state that their current accounting software has the capacity to distinguish expenses that are not eligible for aid and they will identify the consultant code for CO-SER 525.

## **Unrelated Expense**

CO-SER 525, the Urban-Suburban Transfer Program provides for the voluntary transfer of students among participating districts. The program includes the Rochester City School district, six suburban school districts and the schools of the Diocese of Rochester. The program goals include assisting in reducing the isolation of urban minority and suburban Caucasian students, and increasing the awareness and appreciation of cultural diversity for both groups in academic and social situations.

At the request of a District Superintendent from another BOCES, Monroe 1 BOCES paid the expenses, totaling \$3,000, related to mediation training provided to a non-component school district. Such expenses were subsequently billed to the district by cross contract. This training was unrelated to the Urban-Suburban Program.

Monroe 1 BOCES officials concur that the above expenses are unrelated to the Urban-Suburban Program and therefore are ineligible for aid, and state they will monitor the expenses charged to that CO-SER.

## **Workforce Preparation Consultant**

Section 1950 of the Education Law establishes the authority of BOCES to provide cooperative services. BOCES are not authorized to establish cooperative activities with other BOCES without approval from the Department.

During the 1995-96 school year, Monroe 1 BOCES billed each BOCES in the State \$1,000 for an unspecified collaborative effort that was referred to as a Workforce Preparation Consultant. Due to staff turnover at Monroe 1 BOCES, the

details of this situation could not be conclusively determined. The money was deposited in a separate account in the Special Aid Fund. To date, Monroe 1 BOCES indicated that only \$2,300 has been spent and will retain the balance of \$34,700 and seek Department approval to collect such funds.

## **Recommendations**

4. Ensure only eligible expenses are claimed for aid.
5. Do not collect funds without Department approval and return the unauthorized funds to the other BOCES.

## **Comments of Monroe 1 BOCES Officials**

Monroe 1 BOCES officials concur with these recommendations.

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# Cost Allocations and Transfers

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The Education Law requires that the net cost of operating a BOCES service be allocated among participating districts. The Uniform System of Accounts for BOCES (System of Accounts) facilitates such allocations by requiring a separate accounting of revenues and expenditures for each service program. Expenditures should be charged directly to the pertinent service involved and expenditures related to more than one service should be prorated accordingly. Interservice program transfers are used to record charges in other service programs.

Section 1950 (4)(d) of the Education Law states those component districts that do not participate in a cooperative service are not required to pay any share of the expenditures for such service. In order to ensure that components pay only for services received, cost allocations between funds and among CO-SERs should be accurate and reasonable.

The audit reviewed a limited number of operation & maintenance (O&M) transfers and found that Monroe 1 BOCES needs to improve documentation to ensure that the net cost of operating its services is accurately allocated among participating programs.

## **Basis for Allocating O&M Expenses Not Documented**

Effective internal controls include adequately documenting calculations of costs. Documentation to support these calculations should include the basis of the calculation and an audit trail to the actual charges.

Monroe 1 BOCES did not maintain square-footage documentation to support the basis of the allocation of operation and maintenance expenses. As a result, the audit was unable to verify whether such allocations were accurate and reasonable.

Monroe 1 BOCES officials concur that documentation to support the basis for the transfer of O&M expenses was not available for the audit and have had the square-footage re-evaluated. They will keep supporting documentation as part of the annual budget files.

## **Recommendation**

6. Maintain supporting documentation for O&M allocations.

## **Comments of Monroe 1 BOCES Officials**

Monroe 1 BOCES officials concur with this recommendation.

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# Expenditures

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

These statutes, along with Department and BOCES policies, serve as a basis for determining whether expenses are reasonable and necessary. The audit noted that procedures could be improved regarding cellular phone use.

## Cellular Phone Use

An effective system of internal controls provides reasonable assurance that assets are safeguarded against waste, loss, unauthorized use and misappropriation.

The Office of the State Comptroller’s *Financial Management Guide for Local Governments* (Guide) notes that “the objectives of procurement are to obtain services or buy materials, supplies and equipment of the right quality in the right quantity from the right source at the right price in compliance with applicable legal requirements, thus ensuring that taxpayer dollars are expensed in the most efficient manner.” In addition, good business practices involve a periodic cost benefit analysis of technology.

Monroe 1 BOCES has assigned 105 cellular phones to its employees, many more than other BOCES. During the audit period, charges for use of the phones exceeded \$3,000 per month. Since electing to invest so substantially in cellular technology, Monroe 1 BOCES has not performed a cost-benefit analysis of this decision or its impact on operations. As a result, the cost of the phones appears to be a potential area to identify cost savings or efficiencies.

The audit noted instances where some phones receive little or no use. Other phones are used so frequently that it may indicate that existing, less expensive, desktop phones are not being used when possible. In addition, there was no evidence that bills were reviewed to ensure that Monroe 1 BOCES did not incur charges for non-emergency personal calls or that reimbursement for such calls was received from employees. Monroe 1 BOCES has made some improvement, although not adequate, in this area subsequent to the audit period.

Monroe 1 BOCES officials state that a cost-benefit analysis of cellular phone use had not been performed. They also said that cellular phone usage should be monitored more closely. They state that some cellular phones are provided to staff for safety purposes. They state that they now monitor cell phone usage two to four times per year.

## **Recommendation**

7. Ensure cellular phone use is reviewed and monitored.

## **Comments of Monroe 1 BOCES Officials**

Monroe 1 BOCES officials concur with this recommendation.

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# Opportunities to Improve Management Processes

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Management is responsible for establishing effective management processes or controls. In its broadest context, management controls include the plan of the organization, methods and procedures adopted by management to ensure that its goals are met. These processes include such areas as planning, organizing, directing and controlling program operations. They include systems for measuring, reporting and monitoring program performance.

The audit reviewed several processes that it determined significant to the audit objectives and found several opportunities for improvements. These areas include allocation and transfers, inventory control, reporting to tax authorities, unnecessary and unreasonable expenses, and improving policies.

## **Personal Use of Vehicle Not Accurately Reported to Tax Authorities**

Section 614 of the Federal Internal Revenue Code requires employers to include as reported income the value of personal use of employer provided vehicles.

Monroe 1 BOCES did not accurately report the value of the District Superintendent's personal use of a BOCES owned vehicle. The taxable value for the 1996 and 1997 calendar years was understated. Code of Federal Regulations Title 26, Chapter I, Section 1.61-21, provides guidance on the computation of taxable income for this fringe benefit.

Monroe 1 BOCES officials recognize that their method used to calculate the taxable value of a BOCES vehicle use was inaccurate. They state they will now follow the guidelines provided by the audit team.

## **Purchasing Policy**

GML, Section 104-b, states that goods and services which are not required by law to be procured through competitive bidding must be procured in a manner that assures the prudent and economical use of public moneys. BOCES are required to adopt internal policies and procedures governing all procurement of goods and services that are not required to be bid.

Monroe 1 BOCES' current purchasing policy addresses most, but not all, non-bid procurement situations. For example, the policy does not address the procurement of professional services. As a result, their policy does not fully comply with the requirements of GML Section 104-b.

Monroe 1 BOCES officials recognize that their current purchasing policy does not fully comply with the GML and will have their purchasing agent periodically review their policy for compliance with GML.

## **Travel Expense Reimbursement Policy**

The GML primarily governs travel and expense reimbursements. Local board policies and Internal Revenue Service rules are also applicable. GML, Section 77-b, generally authorizes reimbursement of actual and necessary expenses incurred in attending a convention or conference conducted for the benefit of the municipality. The Guide notes that "as a general rule, a particular expense may be considered 'actual and necessary' if: (1) an expenditure was actually made; (2) the item was necessarily incurred for an authorized purpose; and (3) the expense was in an amount no greater than necessary." Section 77-c allows municipalities the option to pay meal expenses based on a per diem meal allowance schedule under certain conditions.

The Guide notes that the local government board "should promulgate specific rules and regulations concerning the reimbursement of expenses." Further, it notes that "the rules and regulations should set forth the type of expenses which will be reimbursed, the procedures and documentation necessary to support the reimbursement and any reasonable dollar or time limits which the board may wish to set."

The Guide also provides some examples of rules and regulations the board could adopt, such as establishing reasonable maximum reimbursement rates to cover actual lodging and meal expenses. Also, the board should adopt a procedure for reimbursement of expenses in excess of the ceiling amounts when properly justified.

During the audit period, Monroe 1 BOCES did not have a written policy governing reimbursement for travel, meals and lodging normally associated with business travel or conferences. As a result, practices such as not requiring meal receipts occurred.

In April 1997, the BOCES adopted a new policy covering reimbursement for travel expenses for conferences, meetings and training sessions. This policy requires prior approval of conference/training expenses, use of purchase orders when possible, and receipts to be submitted for all meals, tolls, taxi charges, lodging and registration fees.

The new policy also needs to address non-employee travel and meal expenses and non-overnight meal expenses.

Monroe 1 BOCES officials state that during the audit period it did not have a written travel policy nor procedures designed to ensure that only "actual and necessary" employee costs were incurred.

## **Documentation of Credit Card Invoices**

The Guide advises that a claim for payment must include sufficient detail to permit a satisfactory audit by a person who is entirely unfamiliar with the transaction.

Monroe 1 BOCES did not retain sufficient documentation to support certain credit card bills. For example, in many cases original hotel bills were not retained and matched against the credit card invoice and documentation for meal expenditures did not include information of whom attended or the purpose of the expense.

Monroe 1 BOCES had no written policy covering credit card documentation requirements. The risk that unreasonable or unnecessary expenses may be incurred is increased when insufficient documentation is retained.

Monroe 1 BOCES officials state that credit card documentation needs improvement and said they are developing new procedures.

## **Recommendations**

8. Develop travel reimbursement policies for non-employees and non-overnight travel.
9. Implement a policy to ensure credit card documentation is adequate.

## **Comments of Monroe 1 BOCES Officials**

Monroe 1 BOCES officials concur with these recommendations.

Monroe 1 BOCES  
Contributors to the Report

- Calvin Spring – Audit Manger
- William Lake – Associate Auditor, (Auditor-in-Charge)
- Patricia Engel – Senior Auditor

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

**Requests for Audit Review**

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

An organization requesting an audit review must make a written application to the Associate Commissioner for Planning and Policy Development within 30 days of receiving the final audit report. An organization may request a review of an audit whenever the final audit report directs the recovery of funds from the organization and one or more of the following conditions is met:

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

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

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