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# Audit Report

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Oneida-Herkimer-Madison  
Board of Cooperative Educational Services

For the Period

July 1, 1996 through June 30, 1997

BOC-1298-4

February 11, 2000

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





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

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February 11, 2000

Mr. Russ Stewart  
Board President  
Oneida-Herkimer-Madison BOCES  
PO Box 70, Middle Settlement Road  
New Hartford, New York 13413

Dear Mr. Stewart:

The following is our final audit report (BOC-1298-4) on the Oneida-Herkimer-Madison 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 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), Steven Kalies, District Superintendent of Schools,  
Sam P. Tucci, Interim Assistant Superintendent  
bcc: G. Illenberg, S. Spear, B. Stambler, C. Szuberla

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# Executive Summary

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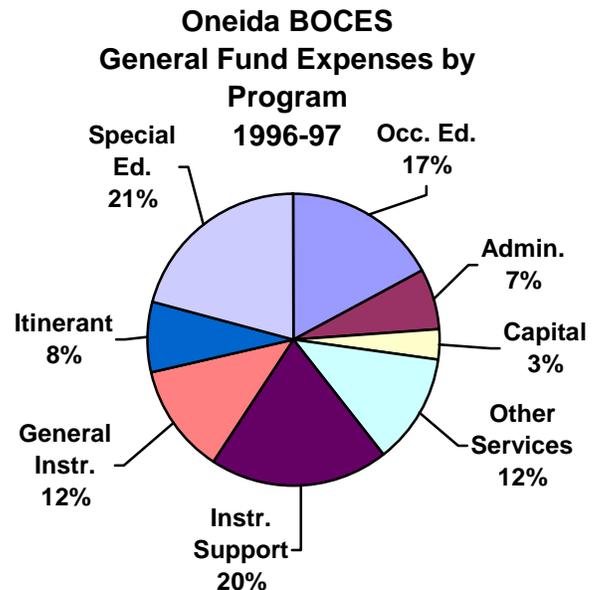
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Oneida-Herkimer-Madison (Oneida) BOCES ranked 29<sup>th</sup> of the 38 BOCES in the State, in terms of total general fund expenditures, for the 1996-97 school year (\$20.5 million). The pie chart illustrates general fund expenditures by program for the 1996-97 school year.

## Background and Scope of the Audit

The audit examined financial management practices, records and documentation related to selected areas of Oneida BOCES operations for the period July 1, 1996 through June 30, 1997. These areas included Administration, Occupational and Continuing Education, Special Education, Alternative Education, Operations and Maintenance, and other select CO-SERs. This was a financial related audit and the objectives

were to: determine if cost allocations and transfers are accurate and reasonable; determine if services comply with Department approved specifications and provide measurable cost savings to school districts; verify that only reasonable and necessary costs are incurred; and verify that the budgetary process provides control over the expenditure of funds



## Audit Results

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

- Oneida BOCES accounted for and reported most of its revenue and expenditures accurately. However, improvements could be made in budgeting and accounting for rental costs, special education revenue and expenditures, and accrued and year-end purchases (pages 4-7).
- Oneida BOCES generally reported complete and accurate financial data. However, improvements could be made in reporting excess salaries, and FTE staff and costs for business office staff (pages 7-9).
- Oneida BOCES needs to review its billing and investment practices, including billings for administrative charges, the basis for billing certain services, the frequency of billings, and the appropriateness of certain investments (pages 11-13).
- Improvement opportunities exist for separation of duties for payroll and cash processing, use of confirming purchase orders, travel and conference expenditures, employment of school district employees, and long-range planning (pages 13-17).

Oneida BOCES has already made improvements in several of these areas including limiting the use of confirming purchase orders, refining travel and conference policies, and updating its long-term facilities plan.

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# Table of Contents

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<b>INTRODUCTION .....</b>	<b>1</b>
BACKGROUND .....	1
OBJECTIVES, SCOPE AND METHODOLOGY .....	2
COMMENTS OF ONEIDA BOCES OFFICIALS .....	3
<b>BUDGETING, ACCOUNTING, AND REPORTING REVENUE AND EXPENDITURES .....</b>	<b>4</b>
BUDGETING AND ACCOUNTING FOR REVENUE AND EXPENDITURES .....	4
<i>Rental Costs Were Understated in Capital Accounts.....</i>	<i>5</i>
<i>Special Education Program Revenue and Expenditures Were Misstated.....</i>	<i>5</i>
<i>Accrued and Year-End Purchases Were Not Accounted for Properly.....</i>	<i>6</i>
REPORTING OF FINANCIAL DATA .....	7
<i>Excess Salary Reporting Could Be Improved.....</i>	<i>7</i>
<i>Additional Information Needs to be Reported for Business Office Staff.....</i>	<i>8</i>
RECOMMENDATIONS .....	9
COMMENTS OF ONEIDA BOCES OFFICIALS .....	10
AUDITOR'S NOTE .....	10
<b>MANAGEMENT CONTROLS.....</b>	<b>11</b>
SCHOOL DISTRICT BILLINGS AND INVESTMENTS .....	11
CONTROLS AND COMPLIANCE ISSUES.....	13
<i>Internal Controls.....</i>	<i>13</i>
<i>Duties for Payroll and Cash Activities Need to be Separated.....</i>	<i>14</i>
<i>Use of Confirming Orders Should be Limited.....</i>	<i>14</i>
<i>Compliance Issues.....</i>	<i>15</i>
<i>Travel and Conference Expenditures.....</i>	<i>15</i>
<i>Employment of School District Employees .....</i>	<i>16</i>
<i>Long-Range Plan for Educational Facilities .....</i>	<i>16</i>
RECOMMENDATIONS .....	17
COMMENTS OF ONEIDA BOCES OFFICIALS .....	17
AUDITOR'S NOTE .....	18

- Appendix A - Contributors to the Report
- Appendix B - Comments of Oneida BOCES Officials
- Appendix C - Audit Review Proceedings

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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 to provide educational programs or services more economically than each could offer by itself and are authorized by Section 1950 of the Education Law.

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

Each BOCES submits an annual Cooperative Services Application (CO-SER) to the State Education Department (Department) for approval of 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 collectively pay the BOCES' administrative costs. Only districts that actually use the programs offered by a BOCES, called participating districts, are required to pay for the programs 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. The State pays aid for school districts based on eligible BOCES expenditures and the school districts' wealth.

Oneida-Herkimer-Madison BOCES (Oneida BOCES), headquartered in New Hartford, New York, serves 12 component districts with an enrollment of more than 25,000 students. During the 1996-97 school year, Oneida BOCES was ranked 29<sup>th</sup> of the 38 BOCES in terms of general fund expenditures with over \$20.5 million in general fund expenditures.

Oneida BOCES' services include occupational and continuing education, special education, alternative education, adult

education, instructional support and other services.

## Objectives, Scope and Methodology

Section 305 of the Education law requires the Department to perform fiscal audits of BOCES at least once every three years. Pursuant to Sections 305 and 1950 of the Education Law, we audited management practices, records and documentation related to select operations of Oneida 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 are accurate and reasonable;
- determine if services (CO-SERs) comply with Department approved specifications and provide measurable cost savings to school districts;
- verify that only reasonable and necessary costs are incurred; and
- verify that the budgetary process provides control over the expenditure of funds.

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

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

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 Oneida BOCES Officials**

Oneida BOCES officials agreed with many of the findings and recommendations in this report. However, they disagreed with the recommendation regarding Oneida County's contribution toward the Administrative budget (recommendation 9).

Their comments have been included where appropriate and their response is included as Appendix B to this report.

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# Budgeting, Accounting, and Reporting Revenue and Expenditures

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Oneida BOCES accounted for and reported \$22.8 million in revenue and \$20.5 million in general fund expenditures for the 1996-97 school year. Oneida BOCES, like all BOCES, is required to maintain and report its accounts in accordance with Generally Accepted Accounting Principles and the State Comptroller's Uniform System of Accounts for BOCES (Uniform System of Accounts). This requirement is intended to provide uniformity in classifying, summarizing, and reporting financial data. The uniformity simplifies the comparison of data with other BOCES and other time periods; the preparation and execution of budgets; the assessment of efforts, costs and accomplishments; and the preparation of reports for the public and others.

The Education Law states that the net cost of operating a BOCES service should be charged to participating districts. The Uniform System of Accounts facilitates this by requiring a separate accounting of revenues and expenditures for each BOCES service. The Education Law also states that those districts that do not participate in a service are not required to pay any share of the expenditures for such service. In order to ensure that districts pay only for services received and that financial and State aid data are accurate, BOCES must accurately classify, summarize, and report their financial data.

The audit determined Oneida BOCES accounted for and reported most of its revenue and expenditures accurately. However, some items were not budgeted, accounted for or reported in accordance with established requirements. As a result, reported revenue, expenditures, and tuition charges do not accurately reflect the cost of services. The audit recommends Oneida BOCES improve its budgeting and accounting for revenue and expenditures, and its reporting of financial data.

## **Budgeting and Accounting for Revenue and Expenditures**

BOCES are required to account for their revenue and expenditures using the modified accrual basis of accounting. Using this method, revenue is recognized when it is measurable and available. For example, revenue from school

districts is generally recognized when BOCES bill for services. Expenditures, including compensation and related fringe benefits due employees at year-end, are recorded when incurred.

The audit determined improvements could be made in budgeting and accounting for rental costs, special education revenue and expenditures, and accrued and year-end purchases.

### *Rental Costs Were Understated in Capital Accounts*

The Education Law and the Regulations require BOCES to charge component districts for the facility costs. They also require BOCES to budget and account for expenditures for facilities including rental expenditures for administration and programs in the capital accounts (CO-SER 002). This allows the component districts to review and assess the total cost of facilities for BOCES and also facilitates the chargeback to component districts.

The audit determined that Oneida BOCES did not budget or account for certain rental costs in the capital accounts as required. Oneida BOCES included rental costs in its School Food Management and its Operation and Maintenance accounts which resulted in an understatement of \$93,974 in rental costs in the capital accounts.

The failure to include these expenditures in the capital accounts results in an understatement of the costs and does not provide the component districts with the opportunity to review and assess the costs of facilities. In addition, it shifts the costs from the component districts to the participating districts. According to Oneida BOCES officials, rental costs for the School Food Management Program were reported in that CO-SER so that the non-participating component districts would not be charged with those costs.

### *Special Education Program Revenue and Expenditures Were Misstated*

The Uniform System of Accounts requires BOCES to account for special education preschool and early intervention program revenues and expenditures in the Special Aid Fund. However, Oneida BOCES only accounted for a portion of the expenditures in the Special Aid Fund. The audit determined Oneida BOCES reports expenditures for the Early

Intervention and Preschool Evaluation programs in the Special Aid Fund only up to the amount of revenues received. According to Oneida BOCES officials, the revenues do not cover the true costs of these programs. Since a BOCES is not allowed to carry a deficit in the Special Aid Fund, Oneida BOCES reports any expenditures in excess of revenue in the General Fund. As a result, the Special Aid Fund does not show the true costs of these programs and the costs above the revenue are included in tuition charges for other programs.

Also, Oneida BOCES reports the salary costs for these programs as a *Contractual Expenditure* in the Special Aid Fund, rather than as *Salaries*. The same salary costs are reported in General fund CO-SERs as salaries and offset with the miscellaneous revenues. As a result, the revenues and expenditures of General fund are overstated by the amount of revenues and expenditures also reported in the Special Aid Fund.

### *Accrued and Year-End Purchases Were Not Accounted for Properly*

The Uniform System of Accounts requires BOCES to report expenditures in the year incurred. However, Oneida BOCES did not charge certain expenditures to the appropriate year and needs to improve its accounting for accrued expenditures and year-end purchases.

- Using the accrual basis for accounting, an expenditure should be recognized at the time the expenditure is incurred and not necessarily when the expenditure was paid. The audit determined that Oneida BOCES did not report certain expenditures in the proper period. For example, Oneida BOCES incurred \$56,500 in expenditures for teacher stipends in June 1996, but reported and paid the expenditures in the subsequent period.
- When the amounts on an invoice for goods and services cover more than the current period, BOCES should expense the current portion in the current period and accrue or record the remaining amount as a prepaid expense. However, the audit determined Oneida BOCES did not routinely accrue prepaid expenditures for goods and services purchased for the benefit of a future period. For example, Oneida BOCES contracted for printing equipment maintenance for several fiscal years and did not

accrue the \$458 in expenditures related to the subsequent fiscal year.

- When a purchase order is issued, or goods or services are ordered, the BOCES should encumber the necessary funds. When the goods or services are received, the expenditure has been incurred and the BOCES should recognize the expenditure on its accounting records. The audit determined Oneida BOCES recorded several year-end purchases as expenditures, even though the items had not yet been received and therefore, the expenditures had not yet been incurred. For example, Oneida BOCES reported \$53,310 in expenditures in the 1996-97 school year, even though the goods were not received until the subsequent year.

Without improvements in these areas, expenditures and tuition rates are misstated and BOCES aid is claimed prematurely for these expenditures.

## **Reporting of Financial Data**

BOCES are required to collect and report financial and statistical data including expenditures, revenue, assets, liabilities, State aid information, student performance and other information. It is crucial that the data are appropriate, timely, current, accurate and accessible, since the information is used by schools, the Board, legislators, the Department and the public to make decisions. Our review of selected financial data showed Oneida BOCES generally reported complete and accurate data. However, we noted it could make improvements related to reporting excess salary and business office staff.

### *Excess Salary Reporting Could Be Improved*

The Education Law provides for the payment of BOCES aid to districts for salaries paid to BOCES administrative and service personnel up to \$30,000 per year per employee. Salary in excess of this amount is deducted from approved expenditures for purposes of calculating BOCES aid. BOCES are required to report the excess salary to the Department and may reduce any salaries that are over the \$30,000 limit with related revenue. The revenue used to reduce the excess salary should be related to the program or service where the salary

expenditure was incurred. The reduction of the excess salaries results in maximizing BOCES aid.

The audit determined Oneida BOCES reduced salaries in excess of \$30,000 with miscellaneous revenues received without regard to the source of the revenue or which employees actually provided the service. For example, Oneida BOCES reduced Occupational Education program salaries subject to the excess salary limitation by the tuition received from adult students attending Occupational Education programs. Since the adult students were served in the same classes and by the same teachers as the school-age Occupational Education students, a reduction of salaries subject to the excess limitation was appropriate. However, Oneida BOCES should have reduced the salaries of the employees actually providing the services or prorated the reduction among all staff, rather than reducing the salaries of only the highest paid staff.

In another case, Oneida BOCES reduced professional Administrative staff salaries subject to the excess salary limitation by \$11,457 in revenue related to clerical salaries. Since the clerical salaries were below the excess salary limitation though, BOCES aid was inappropriately received for the excess \$11,457 in salaries.

### *Additional Information Needs to be Reported for Business Office Staff*

The Education Law requires BOCES to budget, account for and report all administrative expenditures including district superintendent and business office costs in the Administrative CO-SER. It also requires BOCES to report the number of full time equivalent staff and total salary for the administrative staff in the administrative budget. This information can be helpful to component districts in assessing the BOCES' administrative costs.

Our review of the administrative budget determined Oneida BOCES did report the FTE staff and salary costs for the District Superintendent and the Assistant Superintendent in the administrative budget. However, the FTE staff for the Business Office was not identified and the salaries for these individuals were included in an amount shown as a transfer of costs. Oneida BOCES initially budgeted and charged the salaries to the Central Business Office (CBO) CO-SER #604. This CO-SER includes costs for staff who provide

administrative services to Oneida BOCES as well as to participating districts. At the end of the fiscal year, Oneida BOCES transfers a portion of the salaries and related costs for BOCES administrative services to the Administrative CO-SER. However, the FTE staff and salary amount for the business office staff performing BOCES administrative services are not shown as a separate line in the budget or summary accounting reports. Without this information, component districts are not adequately informed of the number of FTE staff and total salary expenditures for administration, and are also not informed of the type of the expenditures included in the transferred amount.

The audit reviewed the amount of the transfer to the Administrative CO-SER and determined it to be reasonable. However, the audit determined that BOCES did not maintain adequate documentation such as time studies or other analysis of work performed to support the transferred amounts. Without such documentation, BOCES has less assurance the transferred amount are appropriate and reasonable.

## **Recommendations**

1. Budget and account for facility rental costs in the Capital Accounts as required.
2. Budget and account for all Early Intervention and Preschool Evaluation Program expenditures in the Special Aid Fund, and report salary expenditures for these programs using the salary expenditure accounting code.
3. Account for all revenue and expenditures using the modified accrual basis of accounting.
4. Recognize and record expenditures when the expenditures are incurred and the goods or services are received.
5. If a cost covers more than the current period, charge the current portion as an expenditure of that year and accrue the remainder as prepaid expenditures.
6. Ensure that any reduction to excess salaries is based on revenue that is related to the program or service where the salary expenditure was incurred.

7. Budget and report the FTE staff and salary for all administrative staff, including those assigned to the Central Business Office, in the Administrative Budget.
8. Maintain adequate documentation, such as time studies or analysis of work performed, to support any transferred costs.

## **Comments of Oneida BOCES Officials**

Oneida BOCES officials generally agree with the recommendations.

## **Auditor's Note**

Oneida BOCES officials' written response to the audit (see Appendix B) shows only partial agreement to the first two recommendations. Subsequently, however, Oneida BOCES officials have agreed to implement recommendation 1 effective with the next school year, beginning July 1, 2000. They will also implement recommendation 2 effective with the next school year if the amount becomes material.

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# Management Controls

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BOCES' management is responsible for establishing effective management controls. Management controls include the plan of organization, and the methods and procedures adopted by management to ensure that its goals are met. The purpose of the controls is to help ensure resources are safeguarded against waste, loss and misuse; data and reports are accurate and reliable; operations comply with applicable laws, regulations, and policies; and operations are efficient, economical and effective.

The audit reviewed areas that are significant to the audit objectives and determined Oneida BOCES implemented many of the necessary management controls. However, the audit identified opportunities for improvements in controls. The opportunities for improvements relate to school district billings and investments, and controls and compliance issues. Oneida BOCES has already made improvements in certain of these areas.

## **School District Billings and Investments**

BOCES should have policies and procedures to address billing for services, cash management and investments. The policies and procedures should provide for adequate controls to help ensure all transactions are adequately documented and all assets are safeguarded. The Education Law requires each participating district to pay its share of the cost of programs and services provided to its students by BOCES. Each component must also pay a share of BOCES administrative and capital costs. Oneida BOCES bills its component districts and other participating districts twice a year. Our review of Oneida BOCES' billing and investment practices led us to question the billings for administrative charges, the basis for billing for certain services, the frequency of the billings, and the appropriateness of certain investments.

BOCES are required to charge administrative and capital costs against all component districts. However, the audit determined Oneida BOCES billed Oneida County \$15,657 for a portion of the administrative costs. The purpose of the billing was to help defray costs for the District Superintendent and clerical staff to component districts. However, there is no provision in law for BOCES to charge other government units

for any portion of the administrative or capital costs. Therefore, the audit recommends this practice be discontinued.

BOCES establish rates for services based on budgeted data and bill for services using these rates. At the end of the year, actual costs are used to calculate new rates and any overpayments are refunded to component and other participating districts. The billing should be as accurate as possible to minimize both any over or under charges throughout the year and the amount of any refunds. For its tuition programs, Oneida BOCES bills its participating districts using the budgeted rates and the larger of the contracted enrollment or actual enrollment. If contracted enrollment is significantly greater than actual enrollment, BOCES needs to provide districts with large refunds. Our review showed the BOCES issued large refunds for certain special education programs for the 1996-97 school year. For example, BOCES refunded \$483,368 or over 28 percent of the revenue originally collected for CO-SER 203 (Special Education, Option II). This refund was about 21 percent of all refunds to districts for that year. The amount of the refund could be reduced if BOCES billed based on actual enrollment.

The frequency of billing for services is a BOCES management decision that impacts cash management including availability of funds for investments and the need for borrowing. Most BOCES have instituted policies and procedures to bill for services on a monthly basis; while other BOCES bill for services less frequently and borrow funds to finance operations. Oneida BOCES instituted policies and procedures to bill for services twice a year and to issue Revenue Anticipation Notes (RANs) to provide cash for operations during the fall term (September – January). It bills its components and other participating districts in January and June of each school year and the revenue from the January billing provides cash for operations through the end of the school year (January – June). Revenue from the June billing is used to pay back the RANs in June.

As a result of this cash management practice, Oneida BOCES' investment income exceeded its interest expenditure and districts were able to retain and invest their funds, thereby earning interest income, or at least avoiding some interest expense. Also, districts received BOCES aid on Oneida BOCES' interest expense, and districts also received BOCES'

investment income. For the 1996-97 year, Oneida BOCES was able to maintain an average cash/investment balance of \$1.5 million. It issued \$6.7 million in RANs at 4.06 percent and 4.09 percent interest rates, and invested the proceeds in certificates of deposit with 5.30 percent to 5.39 percent interest rates.

Borrowing at a low interest rate to invest at a higher interest rate may seem managerially prudent. However, the Office of the State Comptroller (OSC) has held the position that borrowing for the sole purpose of investing is contrary to public policy and an abuse of the tax-exempt feature of local government borrowings (*OSC Financial Management Guide*). Furthermore, certain arbitrage transactions (borrowing of money by a local government at one interest rate and investing the proceeds at a higher interest rate) may result in a liability to the federal treasury for the arbitrage profits. Because of OSC's position and the possible tax liability for the arbitrage profits, Oneida BOCES should consult with a bond counsel concerning the appropriateness of its investment practices.

## **Controls and Compliance Issues**

BOCES management is responsible for establishing and maintaining effective systems of internal controls and ensuring compliance with laws, regulations, and policies. The audit reviewed areas that are significant to the audit objectives and determined that the BOCES implemented many of the necessary controls and complied in all material respects with applicable laws, regulations and guidelines. However, the audit identified opportunities for improvements in internal controls and compliance issues.

### *Internal Controls*

Internal controls are processes designed to provide reasonable assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The audit found the BOCES has implemented many of the necessary controls, but has opportunities for further improvements related to the separation of duties and use of confirming orders.

### *Duties for Payroll and Cash Activities Need to be Separated*

Payroll and cash processing activities should be separated so that the work of one employee acts as a check on the work of another. However, the audit found the BOCES has not adequately separated payroll and cash processing activities.

The Personnel Office staff has the responsibility to enter new employees, other than substitutes, into the payroll system. However, the payroll clerk is also able to add and delete employees from the payroll system. The clerk also enters budget codes and salary information, prepares the payroll register, signs checks, distributes checks, receives any returned checks and prepares payroll checks by hand on an exception basis. The clerk completes these responsibilities for employees of the BOCES and districts utilizing BOCES' payroll service. BOCES implemented some compensating controls such as approval of the payroll registers by the Assistant District Superintendent and the reconciliation of bank accounts by the Treasurer. However, controls could be improved if the payroll clerk were not able to add employees to the system, enter the salary information, distribute checks or receive returned checks. One additional control BOCES should consider implementing is requiring the payroll clerk to take regular vacations while other employees assumed her responsibilities.

In regard to cash processing activities, the Treasurer is responsible for collecting cash, depositing the cash, and reconciling all bank accounts. Assigning these duties to one individual increases the risk that errors may occur or funds may be misappropriated without being detected. Better control would be maintained if duties were separated so that different individuals are responsible for cash handling, the accounting records, and bank reconciliations.

### *Use of Confirming Orders Should be Limited*

Confirming purchase orders are generally used for emergency purchases and result when purchase orders are prepared and approved after the actual purchases are made. The use of confirming orders circumvents the standard purchasing process and can lead to overspending budgets or committing the BOCES to expenditures that are not necessary or reasonable. In a test of expenditures, the audit found confirming purchase orders were used in 15 percent of the

transactions tested even though the purchases were not emergencies. For example, confirming orders were used to pay \$33,680 for reimbursement of teacher stipends and \$5,500 for a contract for preventative maintenance services for equipment. Subsequent to the audit period, but before this audit, BOCES had already taken steps to limit the use of confirming purchase orders.

### *Compliance Issues*

BOCES must comply with Education Law, General Municipal Law, Commissioner's Regulations, and Department and OSC policies and guidelines. The audit determined Oneida BOCES generally complied with applicable laws, regulations, policies and guidelines. However, there are certain areas where improvements are needed. These areas include travel, employment of school district employees, and the long-range plan for educational facilities.

### *Travel and Conference Expenditures*

Section 77-b of the General Municipal Law states that the governing board of a municipality including BOCES may authorize any of its members to attend a conference. In general, expenditures for the conference may be paid by the BOCES provided they are incurred for official business of BOCES, are reasonable and necessary, and are properly documented and approved. The State Constitution prohibits the payment of public funds for the benefit of private individuals. The Office of the State Comptroller has issued the Financial Management Guide for Local Governments (Financial Management Guide) to provide guidance regarding the reimbursement of expenditures.

The Financial Management Guide states that any additional cost incurred for lodging when an official is accompanied by a spouse is not an actual and necessary expenditure and the local government may not pay for it. The actual and necessary cost is the usual cost for a single occupancy room. Similarly, meal expenditures for a spouse are not an actual and necessary expenditure. The audit determined that on certain occasions, Oneida BOCES paid the excess travel costs, such as airfare and double room rates for the traveling companions of Oneida BOCES officials and staff. For example, Oneida BOCES paid the cost of a Board member's spouse's airfare to a conference in California, the double room rate at the hotel, an extra

night's stay at the hotel, and meal costs in excess of the federal allowance. Although Oneida BOCES reconciled the travel costs in part for the spouse's travel, we estimated it still reimbursed a minor amount of excessive or personal costs for the Board member.

Oneida BOCES' policy at the time of this trip provided for reasonable expenditures to be reimbursed, but it did not define what it considered reasonable. Oneida BOCES officials stated that the meal costs for this trip were reasonable because the conference was in California where costs are generally higher. The Board has since implemented new travel policies for Board members. These policies hold Board members to the same reimbursement rates and documentation requirements as employees.

### *Employment of School District Employees*

The Department prohibits BOCES from hiring school district employees for its operations unless the necessary waivers are obtained. The audit determined Oneida BOCES employs school district employees to provide certain services such as leading workshops for teachers, without obtaining prior approval of the Department. As a result, the BOCES did not obtain the necessary approval as required by Department guidelines.

### *Long-Range Plan for Educational Facilities*

The Education Law requires BOCES to prepare long-range program plans to meet the projected needs for services in its supervisory district for the next five years. While there is no specific requirement as to what should be in the BOCES long-range program plan, we relied on Section 155.1(a) of the Regulations of the Commissioner of Education which provides guidance on comprehensive long-range plans for school districts. It specifies certain items that should be in the plan including the educational philosophy, present and projected student enrollment, facilities use and capacity, and capital projects and required maintenance.

Oneida BOCES' most recent long-range plan for educational facilities is dated October 1994. The plans for constructions, additions or alterations to facilities have been revised to reflect the two phases of the improvement plan as approved by the Board. However, Oneida BOCES also needs to update

its present and projected facilities needs and its projected enrollments.

## **Recommendations**

9. Ensure billings for administrative and capital costs are consistent with the Education Law.
10. Consider revising tuition billing practices to reduce the large amount of refunds due to participating districts.
11. Consult with a bond counsel concerning the appropriateness of the borrowing and investment practices.
12. Limit the payroll clerk's access to the payroll system so that she may not add or delete employees to the system.
13. Consider requiring the payroll clerk to take regular vacations while other employees assume her responsibilities.
14. Separate duties so that different employees are responsible for cash handling, the accounting records, and bank reconciliations.
15. Obtain the necessary waivers to hire school district officials.
16. Ensure all travel expenditures are actual and necessary, and personal travel expenditures are not paid with public funds.
17. Update the long-range plan using Section 155.1(a) of the Regulations as a reference.

## **Comments of Oneida BOCES Officials**

Oneida BOCES officials disagree with recommendation 9 and will continue accepting a contribution from Oneida County in recognition of the District Superintendent's role in coordinating educational efforts within the County. Oneida BOCES will not seek any increase in the current rate set 25 years ago.

Oneida BOCES officials generally concur with recommendations 10 through 17.

## **Auditor's Note**

Department officials maintain that there is no provision in law for BOCES to charge other government units for any portion of the administrative or capital costs.

Contributors to the Report  
Oneida-Herkimer-Madison BOCES

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

**Requests for Audit Review**

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

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

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

Organizations requesting an audit review must submit a written application describing how one or more of the above conditions has 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.