
Audit Report

Putnam-Northern Westchester
Board of Cooperative Educational Services

For the Period

July 1, 1996 through June 30, 1997

BOC-0798-2

January 8, 2000

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





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January 8, 2000

Dr. Donald McKenzie
District Superintendent of Schools
Putnam-Northern Westchester BOCES
200 BOCES Drive
Yorktown Heights, NY 10598-4399

Dear Dr. McKenzie:

The following is our final audit report (BOC-0798-2) on the Board of Cooperative Educational Services Putnam-Northern Westchester Counties 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

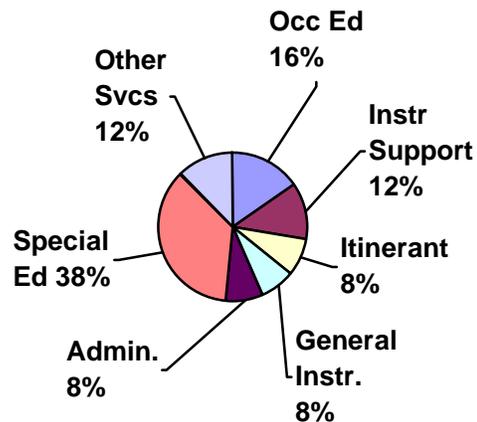
cc: Commissioner Mills, R. Cate, J. Kadamus, T. Sheldon, C. Foster (DOB),
H. Hoffman (OSC)
bcc: G. Illenberg, S. Spear, B. Stambler

Executive Summary

Putnam-Northern Westchester BOCES ranked as the 9th largest BOCES in the State, in terms of total general fund expenditures (\$41,933,433), for the 1996-97 school year.

The pie chart illustrates general fund expenditures by program for the 1996-97 school year.

Putnam-Northern Westchester BOCES



Background and Scope of the Audit

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

Audit Results

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

- Putnam-Northern Westchester BOCES needs to improve documentation of EPE contact hours (page 5).
- Putnam-Northern Westchester BOCES incorrectly included rental payments in program budgets instead of CO-SER 002. (pages 7-8).
- Opportunities exist to improve management processes relating to purchasing policies, travel expense reimbursement policy, and inventory procedures. (pages 12-18)

Putnam-Northern Westchester BOCES has improved documentation of EPE contact hours. They have corrected the charging of rental payments and the improved management processes relating to travel, meals and inventory.

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Introduction

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.

Putnam-Northern Westchester BOCES, headquartered in Yorktown Heights, New York, was established to be a means for the school districts of Putnam and northern Westchester counties 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.

Putnam-Northern Westchester BOCES serves 18 component districts which enroll more than 50,000 students. Putnam-

Northern Westchester BOCES ranked as the ninth 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 Putnam-Northern Westchester 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 Putnam-Northern Westchester BOCES management and staff; examined records and supporting documentation; sampled transactions on a non-statistical basis; and reviewed the Putnam-Northern Westchester 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 Putnam-Northern Westchester BOCES Officials

Putnam-Northern Westchester 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.

Employment Preparation Education

Putnam-Northern Westchester 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.

Putnam-Northern Westchester BOCES received a total of \$342,239 in EPE aid for the period July 1, 1996 through June 30, 1997, based on reported contact hours. The audit found that Putnam-Northern Westchester BOCES needs to improve its system for identifying, documenting and accumulating certain EPE contact hours.

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

Documentation of Reported Hours

School districts and BOCES generate EPE aid by reporting contact hours and expenditures on EPE State Aid Claim Form SA-160. Part 168.2 of the Regulations defines a contact hour as 60 minutes of instruction given by a teacher in an approved program. To ensure that EPE aid paid is 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 attendance records retained by Putnam-Northern Westchester BOCES did not support the total number of contact

hours claimed. The audit recalculated hours based on Putnam-Northern Westchester BOCES' classroom attendance records and found that the total hours claimed were overstated.

The audit found that the method used by Putnam-Northern Westchester BOCES to tabulate contact hours was unreliable. As a result, EPE aid generated by contact hours was overstated by \$16,786 (4,599 hours at \$3.65 per hour).

NOTE: EPE aid is limited to the lesser of income generated by contact hours (multiplied by the approved rate) or the amount of eligible EPE expenditures. EPE aid paid to Putnam-Northern Westchester BOCES was limited to the amount of eligible expenditures reported by them. As a result, this finding would not result in a further reduction in EPE aid. The finding is presented to show the potential impact had eligible EPE expenditures exceeded the amount of aid generated by contact hours. Putnam-Northern Westchester BOCES officials agree that attendance records do not support the total number of contact hours claimed as shown in table below.

Table 1
Contact Hours by Component District

District	Per SA-160	Per Audit	Difference
Bedford	4,034	3,905	129
Brewster	4,496	4,093	403
Briarcliff	129	93	36
Carmel	13,318	12,265	1,053
Chappaqua	525	562	(37)
Croton-Harmon	825	661	164
Garrison	105	108	(3)
Haldane	1,106	1,052	54
Hendrick Hudson	1,131	1,240	(109)
Katonah-Lewisboro	1,159	527	632
Lakeland	2,261	2,297	(36)
Mahopac	7,824	7,065	759
North Salem	91	91	-
Ossining	13,306	13,196	110
Peekskill	26,017	24,967	1,050
Putnam Valley	869	856	13
Somers	976	888	88
Yorktown	2,830	2,537	293
TOTAL	81,002	76,403	4,599

Source: Audit working papers

Questioned Hours

A review of attendance records noted that additional hours are generally recorded for the first day a student attends a class. For example, for a scheduled three-hour class (YEES7), Putnam-Northern Westchester BOCES recorded six hours for each student on his or her first day of attendance. The audit questions whether documentation exists to support these additional contact hours.

Putnam-Northern Westchester BOCES needs to develop a process to ensure that additional hours (those in excess of established class times) are adequately documented. Putnam-Northern Westchester BOCES did not provide documentation to support the additional hours recorded on the first day of attendance

As a result, the audit determined that contact hours totaling 1,701 hours (\$6,209) were not documented.

Recommendation

1. Improve documentation for EPE contact hours.

Comments of Putnam-Northern Westchester BOCES Officials

Putnam-Northern Westchester BOCES officials concur with this recommendation.

Expenditures

BOCES should have adequate policies in effect to ensure that only necessary and reasonable expenditures are being made. In addition, the internal control process should be reliable to prevent unnecessary, unreasonable and unallowable expenditures from being made.

The audit found that Putnam-Northern Westchester BOCES can improve procedures related to the recording of rent, accrued liabilities, and documentation for travel and meals.

Rent

Education Law 1950 (5) (g) states that rental of facilities shall be deemed an administrative expense. In addition, BOCES Administrative Handbook #3, General Requirements of the Administrative Budget, states that rental agreements for securing facilities to house administration and programs shall be included in the administrative budget. Department policy and Office of the State Comptroller (OSC) guidelines require all rent to be reported as a payment from CO-SER 002 (Rental of Facilities), not in the program accounts.

The audit found that for certain CO-SERs, Putnam-Northern Westchester BOCES included the payments for rental of facilities within the program budgets. Since OSC and Department guidelines require all rent payments to be accounted for in COSER 002, program expenditures were therefore overstated. The table below shows the CO-SERs charged with rent.

Table 2
Rent by CO-SER

Account number	CO-SER	Amount of Rent Charged
A2042490004230	204	\$39,028
A2132490004220	213	44,796
A2152490004240	215	42,234
A2302490004220	230	60,986
A7062490004020	706	74,078
Total		\$261,122

Source: Putnam-Northern Westchester BOCES records

The component districts were undercharged \$261,122 for administrative expenditures, and the funding sources for the above program CO-SERs were overcharged by the same amount.

Of the total amount charged, Putnam-Northern Westchester BOCES officials indicate that only \$73,283 was strictly for rental of the rooms. The remaining amount was for program costs of mainstreaming (library, gym, art, music, etc.). However, there was no formal agreement spelling out the breakdown between program costs and rent or lease payments. In the future, Putnam-Northern Westchester BOCES should be aware that Handbook #3 requires activities or ancillary services not related to the housing obtained by rental to be excluded from the rental consideration (example: attendance, health services, physical education, instruction, instruction for handicapped classes).

Putnam-Northern Westchester BOCES officials agree that rent should have been reported in CO-SER 002 and, in the future, will ensure that rent payments are reported in CO-SER 002.

Accrued Liability Related to Pending Litigation

Handbook #3 outlines those activities which are to be included in the administrative budget. These activities include expenditures for the District Superintendent's office, general costs of administration, expenditures of the board, needs and assessment planning, and central support for operations including business office operations, personnel services and public information.

Putnam-Northern Westchester BOCES' audited financial statements note that BOCES is involved in two litigation actions. In addition, the notes to the statements indicate that the actions do not specify the amount of damages and no opinion has been expressed as to the possible outcome.

One action involves the failure to rehire a former teacher in a position created similar to the one he previously occupied. In 1996-97, Putnam-Northern Westchester BOCES set aside (accrued) \$32,000 in anticipation of resolution of this matter. The \$32,000 was treated as an expenditure for CO-SER 504 presumably because this was the program for which the former employee worked. Altogether, Putnam-Northern Westchester BOCES officials indicated they have set aside about \$300,000 in anticipation of an unfavorable outcome in this action. Putnam-Northern Westchester officials also indicated that most of the money set aside has been from the administrative budget.

The audit questions the appropriateness of charging the expenditure to the program rather than administration. The litigation is the result of a personnel decision made by management, rather than a circumstance resulting from the operation of the program itself. The election to charge the expenditures to the program was based on management's interpretation of circumstances. As a result, program expenditures were overstated and administrative expenditures were understated.

Putnam-Northern Westchester BOCES officials do not agree that the questioned expenditures should be considered an administrative rather than program expenditure, based on their interpretation of the circumstances.

Documentation Needs Improvement for Travel and Meals

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

In addition, section 8.1025 of the *Guide* states "The board must be satisfied that the amounts claimed were actually and necessarily incurred by the claimant in the performance of official duties or in the authorized attendance at a conference or training school. Each claim must be in such detail, with appropriate documentation, that the board can see exactly and precisely what goods were purchased, services rendered or expenses incurred by the claimant. As a general rule, a claim must contain enough detail and documentation so that the board is supplied with sufficient information concerning the nature of the claim to enable it to determine whether the claim represents a lawful and proper charge."

The audit reviewed payment documentation for a sample of travel and meal expenditures. The documentation for certain meal expenditures did not include information of who attended or the purpose of the expense, original receipts were not always attached to the payment documentation, and conference agendas were generally not available for review. Since the payment documentation did not include sufficient information concerning

the nature of the claim, the audit could not determine whether these claims represented a lawful and proper charge. The risk that unnecessary or improper charges may be paid is increased.

Putnam-Northern Westchester BOCES officials concur that documentation to support certain travel and meal reimbursements needs improvement. They also believe that no unnecessary expenses were reimbursed.

Appropriateness of Certain Meal Expenses

The General Municipal Law (GML) primarily governs travel and expense reimbursements for local governments. 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 cost of meals for guests may not be paid unless “it is determined that a lunch or dinner meeting will promote a valid local government purpose....” The *Guide* notes that “the claim for reimbursement should state the names of the guests and the topics discussed” and “the board must carefully assess the appropriateness of any given expenditure of this nature to be sure that it is not frivolous and there should be a reasoned determination that the meeting will promote a valid local government purpose by discussion or negotiation of a matter related to the local government.”

Putnam-Northern Westchester BOCES incurred expenses for local meals for certain BOCES officials. In addition, meals for guests were also provided.

Sufficient documentation that these meals promoted a valid Putnam-Northern Westchester BOCES purpose was not required to be submitted with the claim for reimbursement. The appropriateness of \$412 in meal expenditures could not be assessed. Therefore, the likelihood that inappropriate expenditures may be incurred is increased.

Putnam-Northern Westchester BOCES officials agree that additional documentation should be required to ensure that expenses are actual, necessary and promote a valid government purpose.

Questioned Expenditures

The *Guide*, Volume 1, Subsection 8.1025, states 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.

From a sample of 59 transactions, the audit questioned whether seven items totaling \$1,001 should be considered actual and necessary expenditures. Putnam-Northern Westchester BOCES agreed that such expenditures were unnecessary. They contend they received reimbursement for one item but could not locate the related documentation. In addition, they assert that expenditures for flowers for funerals and clocks for retirees serve to improve employee morale and therefore they do not necessarily agree with the audit's assessment. Generally, these types of items are paid for by donations of employees.

Recommendations

2. Ensure rent is recorded correctly.
3. Ensure Department guidelines are followed in regard to recording accrued liabilities.
4. Ensure adequate documentation is provided for travel and meal expenses.
5. Ensure all expenses are reasonable and necessary for Putnam-Northern Westchester BOCES operations.

Comments of Putnam-Northern Westchester BOCES Officials

Putnam-Northern Westchester BOCES officials concur with these recommendations 2, 4 and 5. They agree with number 3 but state that it is difficult to adhere to the accounting principle of accruing expenses in the year incurred when there is no authorization by law to increase the administrative budget.

Opportunities to Improve Management Processes

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

The areas of improvement include the travel policy, use of computer hardware, allocations and transfers, confirming purchase orders, inventory of personal property, professional staffing, and superintendent search expenses.

Travel Policy

Travel and expense reimbursements to local government employees are primarily governed by the GML. Local board policies and Internal Revenue Service rules are also applicable.

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.

The federal government establishes a regular federal per diem rate that is the highest amount it will pay to its employees for meals, lodging and incidental expenditures while they are

traveling (away from home) in a particular area. The rates are for different areas across the continental United States. Employees of New York State are also limited to these rates when traveling. There are separate rates for meals and lodging.

Putnam-Northern Westchester BOCES' Administrative Regulation 3330, Reimbursement of Expenses (amended 1/20/98), establishes the rules governing reimbursement of expenses to employees actually and necessarily incurred in the performance of their official duties. This policy establishes a maximum daily allowance for meals of \$60.

The audit considers this maximum amount unreasonable compared to federal rates. Federal allowances range from \$30 to \$46 in New York State, depending on location. For example, the current federal per diem allowance for Westchester and Albany counties is \$42. Putnam-Northern Westchester BOCES' meal maximum exceeds this amount by 43 percent. Establishing a maximum meal allowance that more closely correlates to federal rates would help ensure that Putnam-Northern Westchester BOCES incurs only reasonable meal expenses.

One difference between the federal allowance and Putnam-Northern Westchester BOCES' maximum is that Putnam-Northern Westchester BOCES reimburses for actual expenses up to a maximum of \$60 per day while the federal allowance is a true allowance which is reimbursed in lieu of actual expenses. While each method can be used effectively, it should be noted that municipalities that adopt an allowance method may not exceed the federal maximums (GML 77c).

Putnam-Northern Westchester BOCES officials agree that the maximum meal allowance established by their policy exceeds GML limits, but do not believe it is unreasonable. Putnam-Northern Westchester BOCES will review their policy but will not recommend altering the \$60 amount. In addition, they indicated they will continue to carefully monitor claims for reasonableness.

Use of Computer Hardware

An effective system of internal controls requires that accountability for the custody and use of assets be assigned and that periodic evaluations be made to ensure that assets are used in accordance with laws, regulations and management policy.

Putnam-Northern Westchester BOCES allows the installation and use of BOCES-owned computer hardware at the homes of certain employees. However, there is no system in place to monitor whether the assignment of BOCES-owned computer hardware for home use is an effective use of resources. Currently, there are 17 employees assigned a total of 17 computers and 8 printers.

Putnam-Northern Westchester BOCES has no formal written policy on the installation and use of BOCES-owned computer hardware at the homes of employees. Without periodic evaluations that assets are used in accordance with laws, regulations and management policy, the likelihood for inappropriate use is increased.

Putnam-Northern Westchester BOCES officials agree that periodic evaluations should be made of the use of BOCES-owned computer hardware at employees' homes. In the future, Putnam-Northern Westchester BOCES will have the computer department distribute an annual list of BOCES-owned computer hardware at employees' homes for review.

Allocations and Transfers

Education Law, Section 1950 (4)(d), indicates any component district which does not elect to participate in a cooperative service shall not be required to pay any share of the expenditures for such service (excluding administrative expenses referred to in Section b).

The Uniform System of Accounts for BOCES, issued by the Office of the State Comptroller, facilitates allocations by requiring a separate accounting of revenues and expenditures related to more than one service should be prorated accordingly. Inter-service program transfers are used to record charges in other service programs.

Good internal controls include adequate documentation to support the allocation of operation and maintenance costs to various programs and the transfer of costs among programs. The allocations and transfers should be based on a reasonable and consistent standard.

The audit included a review of the documentation supporting allocations and transfers of special education administration and operations and maintenance (O&M) costs. Putnam-Northern

Westchester BOCES officials stated that allocations and transfers were made based on program participation and/or usage of a particular service. Putnam-Northern Westchester BOCES officials provided comprehensive worksheets which showed how O&M allocations were budgeted. However, they did not provide documentation to support the allocations of actual O&M expenditures. Likewise, Putnam-Northern Westchester BOCES did not retain documentation to support the method used to allocate CO-SER 703 (computer services) and CO-SER 706 (special education central support).

Since documentation was not retained, the audit could not determine whether the costs of operating programs, after allocations and transfers, accurately reflect actual costs based on sound cost principles. The costs of some programs may be overstated while others may be understated.

Putnam-Northern Westchester BOCES officials agree that allocations and transfers should be based on a reasonable and consistent standard and that such allocations should be adequately documented. They will ensure that adequate documentation is retained to support allocations and transfers.

Confirming Purchase Orders

The Department's publication Purchasing, School Business Handbook #5 recommends a nine-step purchasing procedure. It suggests that confirming purchase orders, purchase orders completed after an item has been ordered, be used only in emergency situations.

Purchase orders provide an important internal control feature within an organization's purchasing function. When properly used, they provide reasonable assurance that the appropriate authorization is obtained before purchases are made. They also provide for the review and approval of purchase prices by the purchasing officer.

The audit tested purchase transactions and noted seven instances where Putnam-Northern Westchester BOCES issued purchase orders after an order had already been placed with a vendor.

Confirming purchase orders commit Putnam-Northern Westchester BOCES to payment before ensuring that sufficient funds are available and proper justification for the purchase

exists. As a result, the risk is increased that funds may be overspent and that purchases may not be justified.

Putnam-Northern Westchester BOCES officials agree that confirming orders were issued in other than emergency situations and will ensure that confirming orders are kept to a minimum.

Inventory of Personal Property

Section 170.3 of the Regulations requires that each BOCES develop and adopt a policy on personal property accountability policy. The Regulations require that such policies be consistent with certain provisions. These provisions require that each policy includes procedures for the perpetual inventory of all personal property, including the periodic inventory of valuable personal property having a unit resale value of \$500 or more on at least an annual basis, and the periodic inventory of all other personal property at least once every two years.

Putnam-Northern Westchester BOCES has developed a process for identifying and recording personal property. Generally, personal property acquired during this audit year was identified and recorded on perpetual inventory records. However, the audit noted that certain items were not tagged and recorded in their inventory of personal property. These items included: mechanical equipment, tools, internal computer parts, audio visual equipment, dolls for nursing classes, refuse containers and room air conditioners. Examples are shown below.

Table 3
Untagged Equipment

Check #	Quantity	Description	Amount
167219	2	540 MB Hard Drive for Dell 433 S/L	\$598.00
167978	10	Token Ring Adapter Cards IBM	2,400.00
167873	5	5 yd. Refuse Containers	3,475.00
102468	1	Hatco Hot Water Booster	1,637.13
104575	1	Casement Style 10,000 BTU Air Conditioner	599.00
105090	1	Air Conditioner	560.00
166710	15	8 MB Memory upgrade for Dell 925 S/L	2,220.00
168492	1	Quantam Atlas 4.3 SCSI Hard Drive 32 MB Upgrade Kit for	1,035.00
	1	Dell 450 XE	365.00
104850	1	4 GB Network Server Hard Drive for Dell 4050 XE	1,099.00
	2	Dell 4050 XE Memory Upgrade	999.00

100332	1	Control Cables, VCP1130	1,029.00
	3	Power Zoom Lens	3,954.00
100312	1	14" Dry Cut Diamond Blade	323.00
103048	1	Advanced Patty Patient	2,750.00
168227	2	Dolls, Male and Female	520.00
168315	8	32 MB DIMM for Power Mac 7600	2,092.75

Source: Putnam-Northern Westchester BOCES records

While it may not be feasible to tag internal items, such as internal computer parts, recording and accounting for such items would enhance accountability over the assets.

Current procedures do not ensure that all items of personal property are recorded in Putnam-Northern Westchester BOCES' perpetual inventory records. Therefore, the risk of unauthorized use, disposition, or loss of assets is increased.

Putnam-Northern Westchester BOCES officials agree that certain personal property items were not recorded in their perpetual inventory records. They state that records will be updated.

Recommendations

6. Review policy for travel reimbursement.
7. Retain documentation to support all allocations and transfers.
8. Ensure confirming purchase orders are used only in emergency situations.
9. Ensure inventory records are maintained up-to-date.

Comments of Putnam-Northern Westchester BOCES Officials

Putnam-Northern Westchester BOCES officials concur with these recommendations.

CO-SER 504 and 602

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, 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 Putnam-Northern Westchester BOCES did not meet the professional staffing requirements for one CO-SER and incorrectly claimed aid for expenses related to a superintendent search in CO-SER 603.

Professional Staffing Requirements

A program description, which defines the nature of the service, its purpose and the target population, is generally submitted with a CO-SER.

The criteria guideline for CO-SERs 504 and 602 both require a base activity, which includes the costs of BOCES planning, management, technical support and leadership, as a part of the overall service. For CO-SER 504 (activity 7211) Curriculum Improvement, the base activity must provide for BOCES professional service expenditures equal to at least five percent of the service budget. A professional staffing level of 1.0 FTE for each 25 participating districts is recommended. For CO-SER 602 (activity 7111) Negotiations Clearinghouse, BOCES must provide for a full-time professional staff member for management of the program. CO-SER 602 is an information service providing participating districts with a compilation of employment contract data. Professional staff are classified as certified (or certificated).

Certified staff salaries directly charged to CO-SER 504 totaled less than one percent of the service budget (.02 FTE). Putnam-Northern Westchester BOCES had no certified staff charged to the CO-SER 602.

Putnam-Northern Westchester BOCES is not in compliance with the criteria guidelines. In addition, CO-SER expenditures may be considered ineligible for aid and the failure to meet the required professional staffing requirements increases the chance that program objectives may not be met.

Putnam-Northern Westchester BOCES officials agree that professional staffing requirements were not met for the above CO-SERs. They state this CO-SER does not require a full-time professional staff and have adjusted the distribution of professional staffing.

CO-SER 603 – Planning Services Management

Superintendent Search Expenses

Section 1950 (4) bb of the Education Law states that boards of cooperative educational services may provide academic and other programs and services in the school year on a cooperative basis, including summer programs and services. (1) Requests to provide such programs and services shall be filed annually with the Commissioner for approval. (2) The Commissioner may approve such programs and services only if they (a) are requested by two or more component school districts; (b) will provide additional opportunities for pupils; (c) will be expected to result in a cost savings to two or more component school

districts requesting the programs and services; (d) will provide greater opportunity for pupils, including those with handicapping conditions, to earn credit for academic subjects; and (e) will insure a greater or more appropriate use of facilities by boards of cooperative educational services.

Section 1711.3 of the Education Law notes that the superintendent of schools in a dependent district is appointed by the board of education upon recommendation of the district superintendent.

District superintendents commonly work closely with local school boards in the search for a local superintendent. Putnam-Northern Westchester BOCES charged expenses (\$5,189) to CO-SER 603 that were related to searches for superintendents at two component school districts. These expenses included help wanted advertisements and the cost of a brochure related to one of the vacancies. These expenses are only related to the districts involved and are not part of a shared service. As a result, the districts should pay such expenses directly. In addition, there is no approved program description on file with the Department that describes superintendent searches as the purpose of a Putnam-Northern Westchester BOCES CO-SER. Therefore, expenditures of \$5,189 related to the superintendent searches may be considered ineligible for aid.

Putnam-Northern Westchester BOCES officials agree that expenses related to superintendent searches for component districts are not an appropriate expense of CO-SER 603. As soon as they were made aware by the Department the situation was corrected.

Recommendations

10. Ensure all requirements are met for CO-SERs.
11. Ensure expenses related directly to certain districts are recorded as such.

Comments of Putnam-Northern Westchester BOCES Officials

Putnam-Northern Westchester BOCES officials concur with these recommendations.

Contributors to the Report
Putnam-Northern Westchester BOCES

- Calvin Spring, Audit Manager
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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 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.