
Audit Report

Schuyler-Chemung-Tioga
Board of Cooperative Educational Services

For the Period

July 1, 1995 through June 30, 1996

BOC-0897-5

June 23, 1999

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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June 23, 1999

Dr. Robert J. Reidy, Jr.
District Superintendent of Schools
Schuyler-Chemung-Tioga BOCES
459 Philo Road
Elmira, New York 14903

Dear Dr. Reidy:

The following is our final audit report (BOC-0897-5) related to the audit of Schuyler-Chemung-Tioga Counties BOCES for the period July 1, 1995 through June 30, 1996. 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
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C. Foster (DOB)
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Executive Summary

Schuyler-Chemung-Tioga (SCT) BOCES ranked as the 19th largest BOCES in the State, in terms of total general fund expenditures, for the 1995-96 school year (\$29,511,918).

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

Background and Scope of the Audit

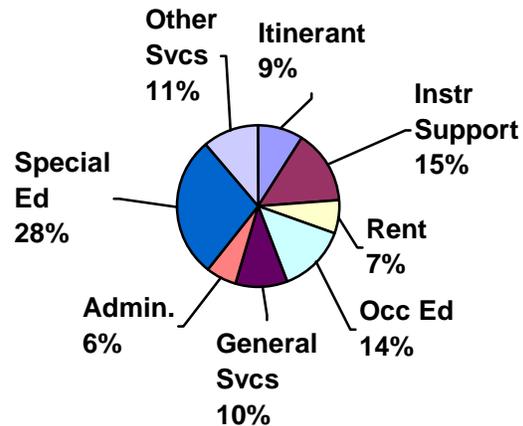
The audit examined financial management practices, and documentation related to selected areas of SCT BOCES' operations for the period July 1, 1995 through June 30, 1996. The areas examined included Administration, Operations and Maintenance, Employment Preparation Education (EPE), and other selected cooperative services. 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 expenditure of funds.

Audit Results

Below is a summary of the audit findings developed in response to the audit objectives.

- SCT BOCES' 1997 travel policy was silent on some issues that may present an opportunity to reduce costs. SCT BOCES instituted a new policy in August 1998, which limits reimbursement for official travel to the most cost-effective form of travel available.
- The audit questioned whether certain expenses incurred during the audit period are ordinary and necessary for the administration or operation of SCT BOCES. SCT BOCES has modified the superintendent's evaluation practice effective April 1999. SCT BOCES feels that the other expenditures incurred were actual and authorized purposes.
- The audit found that some cooperative services (CO-SERs) were not operated in compliance with Department guidelines. Corrective action was taken on all matters cited, with two exceptions, on or before July 1, 1998. SCT BOCES disputed the finding related to providing drug and alcohol testing to a municipality. CO-SER 207 will be accounted for in the Special Aid fund beginning with the 1999-2000 school year. It cannot be accounted for now since the program is already operational in the 1998-99 school year.
- Internal cost allocation methodologies were not followed in one instance, resulting in administrative expenses being overstated by \$98,063. An accounting transfer of expenses

**Schuyler-Chemung-Tioga BOCES
1995-96 General Expenditures**



resulted in administrative costs being overstated and some CO-SERs being understated for the 1995-96 school year. These were corrected by SCT BOCES effective July 1, 1997.

- SCT BOCES' policy "travel and conference maximum allowances," adopted October 5, 1997, was in effect at the time of the audit. The audit noted several instances in which the reimbursement for meals exceeded the maximum allowed by policy. SCT BOCES adopted a revised travel policy on January 15, 1997. The allowable maximum daily meal allowance is based on an adjusted corporate travel index published by the Rochester Institute of Technology.
- SCT BOCES did not include, as a fringe benefit, the value of the vehicle provided for personal use to the District Superintendent for the audit period. The current District Superintendent has been maintaining a log of personal use for the vehicle provided by SCT BOCES. The value of the personal use is reported on the W-2 issued to the District Superintendent.

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Introduction

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

Schuyler-Chemung-Tioga (SCT) BOCES is headquartered in Elmira, New York. SCT BOCES serves 7 component districts, which enroll more than 19,000 students. During the 1995-96 school year, SCT ranked 19th largest of the 38 BOCES in the State with \$29,511,918 in general fund expenditures.

Objective, Scope and Methodology

Pursuant to Sections 305 and 1950 of the Education Law, we audited management practices, records and documentation related to select operations of SCT BOCES for the period July 1, 1995 through June 30, 1996. This was a financial related audit and our objectives were to:

- determine if cost allocations and transfers between funds and among CO-SERs are accurate and reasonable;
- determine if SCT BOCES services comply with Department approved specifications and provide measurable cost savings to school districts;
- verify that SCT BOCES only incurred costs that were reasonable and necessary to carry out its responsibilities;
- verify that SCT BOCES budgetary process provides reasonable control over the expenditure of funds; and
- verify the accuracy and reliability of data reported to the Department for Employment Preparation Education (EPE) aid.

To accomplish our objectives, the audit reviewed applicable laws, regulations, policies and procedures; interviewed Department and SCT BOCES management and staff; examined records and supporting documentation; sampled transactions on a non-statistical basis; and reviewed the CPA 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 second objective.

We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting and operational records and applying other audit procedures we 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 Schuyler-Chemung-Tioga BOCES Officials

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

Administrative Expenditures

Each component district is responsible for a proportionate share of the costs included in the Administrative Budget, irrespective of its participation in the elective services that it may request. The Administrative Budget includes expenditures related to the District Superintendent's office, general costs of administration, expenditures of the Board, needs and assessment planning, central support for operations, and other activities as approved by the Commissioner of Education. Appropriations may also be included for the rental of facilities, payments to the Dormitory Authority for debt service, and transfers to the capital fund for construction purposes.

Opportunities Exist for Savings in Travel Expenses

Education Law Section 1950(4)(b)(1) states that the Administrative Budget shall include, but need not be limited to, any and all expenditures associated with the Board, office of the district superintendent, general administration, central support services, planning and all other administrative activities.

The Office of the State Comptroller's *Financial Management Guide for Local Governments (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.

General Municipal Law, Section 77b, only authorizes the payment of travel expenses that are actual and necessary. Such payment shall be for travel expenses incurred for the purpose and benefit of the BOCES. 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. SCT

BOCES established an internal travel policy in 1977 that was in effect during the audit period. The policy was silent on some issues that may present an opportunity to reduce costs.

The audit noted that some expenditures related to administration, including Board travel, could have been avoided thereby producing a savings for component districts. The specific expenses were incurred while sending Board members to two conferences held in the spring of 1996. These expenses may have been avoided by better planning and more specificity with travel policy.

San Diego, California – March 1996

The audit found that SCT BOCES paid \$352 in travel expenses of a Board member who arrived one day earlier than other Board members and left one day later. The expenses were incurred outside the time period of the conference. The conference was held March 8, 1996 through March 11, 1996. One Board member arrived in San Diego on March 6 and departed on the March 12. In contrast, two other Board members attending the conference arrived on either March 7 or 8, and they both departed on March 11. The audit questions whether the additional expenses incurred were necessary for the administration of SCT BOCES operations.

SCT BOCES responded that the Board member in question had problems with flight arrangements; and as a result, arrived at the conference on March 6, 1996. The expenses incurred were for the benefit of SCT BOCES and not personal in nature.

Orlando, Florida – April 1996

One Board member drove to Orlando, rather than fly, and was reimbursed for travel expenses in an amount greater than necessary. The Board member incurred \$1,212 in transportation costs to drive to the conference including mileage (\$945), tolls (\$6), lodging (\$132) meals (\$125) and phone calls (\$4). In comparison, two other Board members' airfare to the conference amounted to \$201 and \$222 respectively. As such, SCT BOCES incurred an additional \$990 in travel expenses because its policies at the time did not limit reimbursement to the mode of travel that was most beneficial to SCT BOCES.

SCT BOCES responded that, in August of 1998, SCT BOCES instituted a new policy which limits reimbursement for official travel to the most cost-effective form of transportation available. SCT BOCES also believes that in lieu of hotel lodging, this Board

member selected private lodging while attending the conference therefore offsetting the mileage expense.

SCT BOCES responded that the Board of Education has a policy that allows \$5.00 per day for a personal phone call. Therefore, the \$53.00 in question is within the allowable limits of the policy.

Another example of uneconomical practice involved one Board member attending the same conference in Orlando, staying in a hotel at a rate of \$217 per night while another Board member stayed in a different hotel and at a rate of \$99 per night. In addition to the \$118 difference in lodging costs, staying at different hotels necessitated the use of two rental cars at a cost of \$174 and \$202.

SCT BOCES responded that the variance in lodging rates reflects the difficulties in trying to book Board members at one specific hotel. At times, Board members register late or withdraw due to conflict. Therefore, it is not reasonable to assume that hotel rates would be identical in all instances. The quoted \$217 per night hotel rate was at the actual site of the conference. Board policy does allow participants to stay at hotels where conferences are held.

Opportunities Exist to Avoid/Save Other Expenses

The audit questioned whether certain expenses incurred during the audit period are ordinary or necessary for the administration or operation of a BOCES. The expenditures questioned include \$149 for flowers; \$219 for dinner at a local restaurant in order to do an evaluation of the District Superintendent; \$896 for dinners for District Superintendent finalists (3) interviews; \$90 for Christmas cards; and \$362 for an end-of-year summer picnic. In addition, there were several food purchases in which there was no designated reason for the refreshments.

The audit contends that such expenditures are personal and not business related. It is not uncommon for public municipalities to establish restricted funds commonly known as "sunshine" funds whereby employees' contributions are used to accommodate some of these types of expenditures.

SCT BOCES responded that the District Superintendent evaluation practice was modified effective April 1999. SCT BOCES feels that the other expenditures incurred were for actual and authorized purposes.

Recommendations

1. Implement a policy to limit SCT BOCES' reimbursement of staff and Board members travel expenses to the amount that represents the lowest reasonable cost to the public. The policy should prohibit reimbursement of expenses incurred by arriving early or staying late. It should also limit transportation costs to the lowest reasonable method of travel.
2. Request reimbursement of the \$990 in excess costs incurred by driving to the conference in Orlando.

Comments of Schuyler-Chemung-Tioga BOCES Officials

SCT BOCES officials agree with recommendation 1 and have implemented a revised policy. They do not agree with recommendation 2.

Cooperative Services

BOCES must obtain the prior approval of the Commissioner of Education before providing any service. The Cooperative Service Application is the document used to request this approval. BOCES Administrative Handbook (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 which 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 that SCT BOCES: was providing an unshared service to one school district; accounted for a special aid fund CO-SER in the general fund; did not appropriately refund surplus tuition payments to a district; was providing printing services to non-school district organizations; and was providing Safety/Risk management services to a municipality.

Unshared Services

Commissioner's Regulation 112.3 defines a shared service as an approved BOCES-operated service, which is provided on a cooperative basis to at least two component school districts concurrently or successively during a school year. The

Handbook #1, General Guidelines and Procedures for CO-SER Preparation (page 4, paragraph 2a, iii) further clarifies the sharing criteria by stating that sharing is established by BOCES employees delivering a service to two or more districts either at the same time or one after the other.

Three SCT BOCES staff were assigned to and located at a school district that they serviced exclusively. One staff member was located at the Odessa-Montour School District, one at the Spencer-Van Etten School District and one at the Watkins Glen School District. Each of the SCT BOCES staff worked exclusively for the district in which they were located. They each were providing services through Special Education Supervision (CO-SER 201), Chairperson for Committees on Special Education (CO-SER 517), and Federal Projects Coordinator (CO-SER 518).

SCT BOCES officials became aware of this interpretation of the sharing criteria at the time of the audit and have taken action to more appropriately share these staff activities.

Special Aid Fund Activities Accounted for in the General Fund

According to the *Uniform System of Accounts for BOCES*, issued by the Office of the State Comptroller, "The General Fund is used to account for all resources except those required to be accounted for in a separate fund." It defines special revenue sources and Special Revenue Funds and adds the following: "The Special Aid Fund shall be used to account for special projects or programs supported in whole or in part by federal funds or state-funded grants."

In a letter to BOCES business officials, dated May 22, 1991, "Revision of the Annual Financial and Statistical Report (SA 111)," the Department advised that "special education programs for which a reimbursement rate is to be calculated will be accounted for in the Special Aid Fund using activity codes assigned specifically for those programs."

CO-SER 207 (Summer School for Severely Multiply-Disabled Children), a special education program required to be accounted for in the Special Aid Fund because of its revenue source, was accounted for in the General Fund.

SCT BOCES officials indicated that CO-SER 207 will be accounted for in the Special Aid fund beginning with the 1999-2000 school year.

Surplus Funds Not Returned to School Districts

The Handbook #1 (page 41), requires a sponsorship agreement between the BOCES and participating school district for each adult occupational education CO-SER which is supported totally by tuition to individuals. Appendix D of Handbook #1 provides an illustration of components of a sponsorship agreement. The sponsorship agreement between the BOCES and the school district should include the following statement: "It is the intent of both parties to operate a program which will break even financially without accumulating a surplus nor creating a burden upon the school taxpayers of the area." Another condition in the sponsorship agreement states: "Should the operation of the program result in a surplus, such surplus will be paid by BOCES to the district promptly after the audit of the school year's records."

SCT BOCES failed to refund surplus funds from CO-SER 104 (Adult Continuing Education) and instead transferred funds to cover the purchase of a backhoe for CO-SER 101 (Occupational Education Program). The source of the funds was 1994-95 surplus tuition from the Adult Education Program. The amount of the transfer was \$37,285.

SCT BOCES officials indicated that, in the future, surpluses will be returned as required.

Printing Services Provided to Nonschool Organizations

The approval for Printing (CO-SER 511), CO-SER Attachment B-Program Description, states: "The printing service is a shared service between school districts which provides for most school districts printing needs, including forms, brochures, newsletters, reports, calendars, stationery, posters, certificates, passes, tickets and booklets. These printing jobs are generally those that are too large or too complex to be practical for schools to complete through the copying process."

SCT BOCES provided printing services for and received payments from persons or organizations other than school districts. Examples of the users of the service are: The Community Foundation of the Elmira-Corning Area (\$61); SHS Booster Club (\$16); private individuals (\$73); Arrow Analytical, Inc. (\$150); and Kiwanis Club of Southport (\$64).

SCT BOCES officials have indicated that SCT BOCES is no longer printing for persons or organizations other than those associated with school districts. The audit notes that SCT

BOCES should only be providing printing services to school districts and not organizations associated with school districts.

Safety/Risk Management Services Provided to A Town

SCT BOCES operates a Safety Risk Management Program (CO-SER 609). The criteria-guidelines for Safety/Risk management (7470) indicate that the program is designed to assist local education agencies to establish health, safety and risk management programs (e.g., Right-to-Know, Occupational Safety and Health Act, Disaster Preparedness, Fire and Building Code, Asbestos, etc.).

SCT BOCES received \$385 from the Town of Spencer Highway Account for drug testing done with respect to the commercial driver license (CDL) requirements. There is no provision in statute which permits a BOCES to provide services to a town or similar municipality even tangentially.

SCT BOCES' business manager indicated that small towns and municipalities in the area find this service cheaper than having their own programs. SCT BOCES contends that such practice is permissible and cite Education Law 1950(4)(h)(2) which gives BOCES the authority to "... enter into contracts with the United States of America, the State of New York, any school district, community college, agricultural and technical college or other public agency in relation to the program of the board of cooperative educational services, and any such school district, community college, agricultural and technical college or other public agency is hereby authorized and empowered to do and perform any and all acts necessary or convenient in relation to the performance of any such contracts."

It has been the Department's long-standing position that the law only provides the contractual authority to other agencies when necessary for the operation and support of a CO-SER. The Office of Audit Services will seek an updated interpretation of the statute from the Department's Office of Counsel regarding this matter.

SCT BOCES officials responded that they disagree with this interpretation and, at a recent audit conference, BOCES officials requested the Office of Audit Services obtain an updated interpretation of the statute from the Department's Office of Counsel. Should this interpretation determine this practice to be beyond the scope of the statute, SCT BOCES will discontinue this service to municipalities at the conclusion of their respective contracts.

Recommendations

3. Redesign CO-SERs 201, 517 and 518 to eliminate instances of SCT BOCES staff working full time at one school district. Submit the redesigned CO-SER to the Department for approval.
4. Account for CO-SER 207 in the general fund.
5. Refund any annual surplus generated through the operation of the adult education program from CO-SER 104 to the school districts.
6. Discontinue the practice of providing printing services (CO-SER 511) and safety/risk management services (CO-SER 609) to non-school district organizations until further guidance is provided by the Department.

Comments of Schuyler-Chemung-Tioga BOCES Officials

SCT BOCES officials indicated agreement with the recommendations except for the provision of safety/risk management service to a municipality. SCT BOCES will continue to provide this service pending the review of the issue by the Department's Office of Counsel.

Cost Allocation and Transfers

The Guide, Volume 1, Subsection 1.1040, states that in order to provide "full cost" information, methods must be devised to allocate indirect costs to the areas that benefit from such activities. Generally Accepted Accounting Principles (GAAP) allows any method that produces an equitable cost distribution and is adequately documented. The documentation would be of a nature that a prudent person, familiar with functions of the organization, could determine that the methods and the underlying basis for allocation are reasonable and consistent.

Administrative Expenses Were Overstated

SCT BOCES overstated administrative expenses by \$98,063. This occurred as a result of over allocating operations and maintenance costs (\$87,145) and by transferring program expenses in an amount greater than appropriate (\$10,918).

SCT BOCES allocates Operation and Maintenance (O&M) expenses directly to the CO-SERs that benefit from these costs. The O&M allocation methodology is based on a system that employs specific usage charges and charges based on square-footage of the buildings used by the programs. The allocation methodology and the documentation are considered adequate.

One program, the Exceptional Children's Center (ECC), was not allocated the O&M charge it should have received based on the allocation methodology. The ECC's share of O&M costs was allocated to Administration. This resulted in administrative costs being overstated by \$87,145.

Computer Aided Instruction (CAI) (CO-SER 512) provides services related to the use of computers connected together via a Local Area Network. CAI is used to assist both the teachers and students in the learning process and was used in the ECC. ECC's share of the costs of CAI was charged to Administration. The effect of this was to overstate administrative costs and understate the costs of the ECC by \$10,918.

SCT BOCES officials indicated that these practices were corrected on July 1, 1997 and that the ECC receives their share of O&M and CAI costs.

Recommendation

7. Eliminate the practice of departing from internal cost allocation methodologies.

Comments of Schuyler-Chemung-Tioga BOCES Officials

SCT BOCES officials agree with this recommendation.

Opportunity 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 including the development of travel reimbursement guidelines, the use of BOCES owned vehicles, and the control of fixed assets.

The Guide, Volume 2, Subsection 11.1010, states that effective internal control systems are designed to ensure management that all resources entrusted to their care are used in accordance with all laws, regulations, policies and sound business practices, where applicable. A component of an effective internal control structure is "control procedures," that is established policies and procedures. Travel and conference maximum allowances are adopted by BOCES through their Board of Education Policy Guidelines. In addition, General Municipal Law, Section 77c, gives authority to the Board to use per diem rates and states that the per diem meal allowance for business-related travel shall not exceed the standard meal allowance adopted or prescribed for federal income tax purposes.

Opportunity Exists to Reduce Meal Expenses Incurred While on SCT BOCES Business

The SCT BOCES policy "Travel and Conference Maximum Allowances," adopted on 10/5/77 and in effect at the time of the audit, established the total maximum daily meal allowances for employees and board members at \$37. The audit noted several instances in which the reimbursement for meals exceeded the maximum allowed. One example occurred when a board member was reimbursed a total of \$178.98 for meals for a three-night stay in Albany, N.Y. for an average of \$59.66 per night or \$37 in excess of the maximum.

Subsequent to the audit period SCT revised the travel policy. The revised policy requires the District Superintendent to determine the maximum daily meal allowance based on the Rochester Institute of Technology's corporate travel index, with some downward modification. The result is the establishment of a 1996-97

maximum receipted meal schedule. A schedule exists for both metropolitan New York City and for all other locations in the State. The maximum meal allowance rate for travel in New York State (exclusive of metropolitan New York City) is \$47, and for metropolitan New York City, \$56.50 per day.

The implementation of these maximum receipted meal rates represents a potential cost saving to the SCT BOCES by eliminating the reimbursement of excess meal expenses as identified above. SCT BOCES has an opportunity to realize further savings by adopting the per-diem rate used by federal and State employees as the SCT BOCES maximum receipted rates. The meal rate for New York City is \$42, and in all other areas of the State the maximum ranges from \$34 to \$42. The adoption of the rates used by federal and State employees would result in cost savings of between \$5 and \$13 per day in areas other than metropolitan New York and \$14.50 in New York City.

SCT BOCES officials believe that since actual receipted expenses are incurred they are in full compliance with municipal law. In addition they believe that the modified Corporate Travel Index represents an independent guideline for establishing reasonable and necessary meal reimbursement rates.

Opportunities to Improve Control of BOCES-Owned Vehicles

Federal law requires employers to include fringe benefits, such as a vehicle provided to an employee, in the employee's gross income. This is true even if the employee does not use the vehicle for personal purposes, other than for commuting or minimal personal use (such as a stop for a personal errand on the way between the workplace and the employee's home). The benefit is also subject to income and employment taxes.

SCT BOCES did not include, as a fringe benefit, the value of the vehicle provided for the personal use by the prior District Superintendent, specifically the miles commuting to and from work. Therefore, the annual compensation reported on the District Superintendent's W-2 appears understated. The actual dollar significance could not be determined because the District Superintendent did not maintain adequate documentation. The current District Superintendent has been maintaining a log of personal use for the vehicle provided by SCT BOCES. The value of the personal use is reported on the W-2 issued to the District Superintendent.

Recommendations

8. Limit the reimbursement of staff and Board members to the rates established in SCT BOCES' policy.
9. Consider amending the SCT BOCES travel policy by establishing maximum reimbursement rates at the per diem level used by State and federal employees. The policy should also allow a waiver process to exceed the rates when necessary for the conduct of SCT BOCES business.
10. Maintain a mileage log in the SCT BOCES vehicle assigned to the District Superintendent. The log should be used to record all use, both personal and business.
11. Record the value of the District Superintendent's personal use of the SCT BOCES-provided vehicle and report as taxable income.

Comments of Schuyler-Chemung-Tioga BOCES Officials

SCT BOCES officials agree with these recommendations.

Contributors to the Report
Schuyler-Chemung-Tioga BOCES

- James Conway, Audit Manager
- Ronald Talarico, 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.