
Audit Report

Board of Cooperative Educational Services
Southern Westchester County

For the Period

July 1, 1996 through June 30, 1997

BOC-0698-12

October 14, 1999

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





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

October 14, 1999

Mr. Stacy J. Holmes
District Superintendent of Schools
Southern Westchester BOCES
17 Berkley Drive
Rye Brook, New York 10573

Dear Mr. Holmes:

The following is our final audit report (BOC-0698-12) on the of Southern Westchester 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

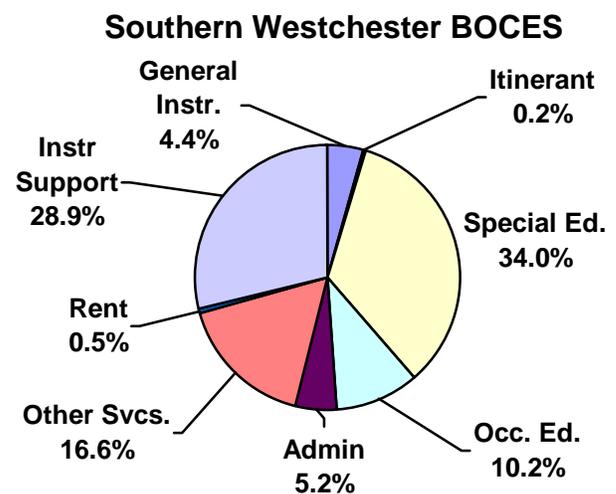
cc: Commissioner Mills
R. Cate
J. Kadamus
T. Sheldon
C. Foster (DOB)
B. Mason (OSC)
H. Hoffman (OSC)
cc: G. Illenberg
S. Spear
B. Stambler

Executive Summary

Southern Westchester BOCES ranked 3rd of the 38 BOCES in the State, in terms of total general fund expenditures, for the 1996-97 school year (\$79 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 Southern Westchester BOCES operations for the period July 1, 1996 through June 30, 1997. These areas included Administration, Occupational and Continuing Education, Special Education, Operations and Maintenance, the Employment Preparation Education (EPE) Program, 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; verify that the budgetary process provides control over the expenditure of funds; and verify the accuracy and reliability of data reported for EPE Program aid.



Audit Results

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

- EPE contact hours were significantly overstated resulting in Southern Westchester BOCES receiving more than \$1.6 million in EPE funds they were not entitled to.
- Rent was not charged to the appropriate administrative account.
- Food purchases were not bid and the purpose was not documented.
- There are opportunities to improve internal accounting controls, adopt written procedures, maintain vehicle mileage logs, and improve control over fixed assets.

Table of Contents

INTRODUCTION	1
BACKGROUND	1
OBJECTIVES, SCOPE AND METHODOLOGY	2
COMMENTS OF SOUTHERN WESTCHESTER BOCES OFFICIALS	3
EMPLOYMENT PREPARATION EDUCATION PROGRAM	4
A SIGNIFICANT NUMBER OF CONTACT HOURS REPORTED TO THE DEPARTMENT COULD NOT BE SUPPORTED BY DOCUMENTATION	4
REPORTING ERRORS IDENTIFIED IN TRADITIONAL EPE PROGRAMS	5
GRASP PROGRAM CONTACT HOURS OVERSTATED	5
RECOMMENDATION	6
COMMENTS OF SOUTHERN WESTCHESTER BOCES OFFICIALS	6
OPPORTUNITIES TO IMPROVE MANAGEMENT PROCESSES	7
ACCOUNTING FOR MEALS PROVIDED FOR SOUTHERN WESTCHESTER BOCES STAFF	7
FOOD PURCHASES EXCEEDED BIDDING THRESHOLD AND REQUIRES IMPROVED DOCUMENTATION	7
ADDITIONAL POLICIES AND PROCEDURES NEEDED	8
WEAKNESSES IN INTERNAL ACCOUNTING CONTROLS	9
CONTROL OVER ASSETS	9
CONTROL OVER BOCES VEHICLES COULD BE IMPROVED	10
CONFIRMING PURCHASE ORDERS WERE USED	11
RECOMMENDATIONS	11
COMMENTS OF SOUTHERN WESTCHESTER BOCES OFFICIALS	12
ADMINISTRATIVE EXPENDITURES	13
RECOMMENDATION	13
COMMENTS OF SOUTHERN WESTCHESTER BOCES OFFICIALS	14
COST ALLOCATIONS	15
RECOMMENDATION	15
COMMENTS OF SOUTHERN WESTCHESTER BOCES OFFICIALS	15

Appendix A - Contributors to the Report

Appendix B - Comments of Southern Westchester BOCES Officials

Appendix C - Audit Review Proceedings

Introduction

Background

Boards of Cooperative Educational Services (BOCES) are voluntary, cooperative associations of school districts that have joined together to provide educational programs or services more economically than each 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 expenses and the school districts' wealth.

Southern Westchester BOCES, headquartered in Rye Brook, New York, serves 32 component districts with an enrollment of more than 55,000 students. During the 1996-97 school year, Southern Westchester BOCES was ranked 3rd of the 38 BOCES in the State with over \$79 million in general fund expenditures.

Southern Westchester BOCES' services include occupational and continuing education services, special education, alternative education programs, management services, communication services, and academic related programs.

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 the Southern 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 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;
- 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 EPE Program aid.

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

Southern Westchester BOCES officials generally agreed with the findings and recommendations in this report. However, they do believe that the calculation of the excess EPE funds received is grossly overstated. Their comments have been included where appropriate. Their response is included as Appendix B to this report.

Employment Preparation Education Program

Southern Westchester BOCES operates an Employment Preparation Education (EPE) Program. This categorical aid program targets students 21 years of age and older and provides instruction that leads to a high school or equivalency diploma. Southern Westchester BOCES received \$2,532,838 in EPE Program aid for the period July 1, 1996 through June 30, 1997, based on 1,035,778 reported contact hours.

The Department provides State aid for the EPE Program based on the number of contact hours that are provided to eligible students. The aid must be spent for EPE Program related services and allowable expenses. Section 168.4 of the Regulations of the Commissioner of Education 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.

Education Law 3602 requires that State aid payable in the following year be reduced by the amount of any excess revenue. Southern Westchester BOCES' system for accumulating, reporting and documenting its EPE Program contact hours needs significant improvement. The audit identified unsupported contact hours in three ways. First, Southern Westchester BOCES could not support the total number of contact hours reported to the Department. Second, a small sample of contact hours by program identified some unsupported hours, and finally there was significant over reporting of GRASP contact hours. In total, Southern Westchester BOCES received \$1,684,376 in EPE funds based on non-existent or ineligible contact hours. The audit report will be used by the Department to adjust future aid received by Southern Westchester BOCES.

A Significant Number of Contact Hours Reported to the Department Could Not be Supported by Documentation

Southern Westchester BOCES maintains a computer database of all contact hours that are generated in the various EPE classes. Paper attendance rosters maintained by teachers are submitted to the data entry clerk for entry into the EPE database. The database is then used to prepare the EPE claim report that is submitted to the Department. The first step in the audit of the EPE Program is to determine the total number of EPE contact

hours provided. When asked for a report on the total number, Southern Westchester BOCES provided one that was 105,263 less than the number of hours reported to the Department. Southern Westchester BOCES officials could not provide an explanation or find the undocumented contact hours. With an EPE rate of \$2.46 per contact hour, \$258,947 ($\$2.46 \times 105,263$) was received based on undocumented hours.

Reporting Errors Identified in Traditional EPE Programs

The audit examined documentation supporting EPE Program claims for a sample number of classes. The lack of documentation related to the Giving Rural Adults a Study Program (GRASP) was so significant that expanded audit tests were conducted, as will be discussed in the next section of this report. In the remaining traditional EPE classes examined, there were 3,789 undocumented contact hours identified. This resulted in Southern Westchester BOCES receiving \$9,321 in excess EPE funds.

GRASP Program Contact Hours Overstated

GRASP was developed to serve students of at least 21 years of age. Instruction is provided through individualized packets of instruction prepared by a certified teacher according to the General Equivalency Diploma (GED) curriculum. Each packet completed represents twelve hours of student work. The packets are sent to the students, completed, and returned to the teacher within a two-week period.

Education Law and Department guidelines define contact hours eligible for EPE aid. For the GRASP Program, Southern Westchester BOCES is limited to claiming 12 contact hours for each hour the teacher worked. This is further limited to one teacher hour per actively enrolled student. A student is considered actively enrolled if the student completes and turns in a homework packet once in a two-week period. Therefore, for every homework packet turned in, up to 12 contact hours may be claimed. This should be compared to the number of hours the teacher worked. Southern Westchester BOCES may claim the lesser of 12 contact hours times the number of homework packets received or 12 contact hours times the number of teacher hours worked. The most likely scenario is that the number of actively enrolled students will limit the number of contact hours that may be claimed.

Southern Westchester BOCES could not document a significant number of the contact hours that were reported to the Department, as provided through the GRASP Program. Southern Westchester BOCES could not adequately document student contact hours (packets). One cause of the overstatement of GRASP contact hours is that teacher records only supported contact hours for the first month of enrollment for each student. After the first month, the database recorded the maximum possible contact hours for the student even though teacher records did not support the submission of packets by students. These undocumented contact hours occurred in greater numbers from July 1996 through February 1997. Beginning with March, the number of contact hours reported for the GRASP Program dropped dramatically.

Due to the large number of contact hours reported and students enrolled in the GRASP Program (729,000 contact hours; 6,303 students), the audit conducted a statistical sample of the GRASP Program's contact hours to determine the extent that Southern Westchester BOCES overstated contact hours. The audit randomly selected 5,063 records that served as the basis for claiming EPE aid for GRASP. A statistical projection of undocumented hours to the total population, using a 99 percent confidence level, determined that Southern Westchester BOCES overstated GRASP contact hours by 621,659 with a precision of +/- 46,005 hours. This results in a reduction in EPE aid claimed by \$1,416,108 (621,659 hours less precision of 46,005 hours X EPE Rate \$2.46).

As a result of the three types of undocumented contact hours identified, the audit determined that Southern Westchester BOCES received \$1,684,376 in excess EPE funds for the period July 1, 1996 to June 30, 1997. This represents 68 percent of the entire EPE Program for 1996-97.

Recommendation

1. Institute controls to ensure the correct documentation and reporting of EPE contact hours.

Comments of Southern Westchester BOCES Officials

Southern Westchester BOCES officials generally agreed with the recommendation. However, they believe the actual liability is less than the amount determined by audit.

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 planning, organizing, directing and controlling program operations. They include systems for measuring, reporting and monitoring program performance. The audit reviewed several processes considered relevant to the audit objectives and found several opportunities for improvements. These areas include accounting for meals provided to employees, documenting and bidding for purchases, the need for additional policies and procedures, controls over the use of vehicles, and control over Southern Westchester BOCES equipment.

Accounting for Meals Provided for Southern Westchester BOCES Staff

According to the Internal Revenue Service (IRS) Publication 17, if an employee is reimbursed for meals through an accountable plan, no amount should be reported on the employee's Wage and Tax Statement (Form W-2). The IRS defines an accountable plan as one that requires the employee to adequately account for the expense in a reasonable time and requires that any excess reimbursement must be returned to the employer.

Southern Westchester BOCES' policy does not require employees to document meals under \$25. This may place Southern Westchester BOCES and their employees in a position of non-compliance with IRS regulations by underwithholding income and social security taxes on payments made to employees for non-overnight meals.

Food Purchases Exceeded Bidding Threshold and Requires Improved Documentation

According to the Office of the State Comptroller's (OSC) Opinion 80-785, "Items of a similar nature which are handled by one vendor should be grouped together for purposes of the bidding monetary threshold." General Municipal Law, Section 103, sets the bidding threshold for purchase contracts at \$10,000.

The OSC 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 expenditures should indicate the reason for the travel or expenditure and the authorization for incurring it."

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."

General Municipal Law, Section 77-b, generally authorizes reimbursement of actual and necessary expenditures incurred in attending "a convention, conference, or school conducted for the betterment of any municipality . . ." According to the *Guide*, a particular expenditure 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 expenditure was in an amount no greater than necessary. The audit reviewed several purchases of food from a local delicatessen during the fiscal year.

Southern Westchester BOCES provides food and beverages at meetings. The audit was unable to determine the purpose of the meeting and therefore the appropriateness of the expenditure of public funds. There is no internal process for advance approval of the provision of refreshments. In addition, the total of food purchases from one vendor exceeded \$16,000 in the year audited. Southern Westchester BOCES should bid the purchase of food and attempt to gain a more competitive price.

Additional Policies and Procedures Needed

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. Also, all resources should be safeguarded against waste, loss and misuse. A component of an effective internal control structure is "control procedures," that is

established policies and procedures. Policies and procedures define management's position and guide employees in the performance of their duties.

The audit noted that Southern Westchester BOCES lacked policies governing two areas that are commonly found in other BOCES. There is no official Board policy defining less-than-arm's-length transactions or related party transactions, or prohibiting or regulating them. There is also no written procedure defining the purpose or authorized uses for petty cash funds.

Weaknesses in Internal Accounting Controls

The audit noted certain weaknesses in the internal control structure at Southern Westchester BOCES. The weaknesses include an ability to exceed budgetary amounts and a lack of separation of some incompatible duties.

A budget is used as a tool to limit expenditures to approved amounts. It is a control designed to deter the occurrence of an undesirable event. The undesirable event that could occur is that actual expenditures do not follow the plan approved by the Southern Westchester BOCES Board. The Southern Westchester BOCES accounting system currently allows accounts to exceed budgets. Southern Westchester BOCES exceeded program budgets and the CPA noted this in the General Purpose Financial Statements.

Allowing one individual the ability to perform all or most of the functions associated with authorizing, executing and accounting for a transaction carries an inherent risk of wrongdoing. Nearly everyone in the Southern Westchester BOCES business office has "access" to entering data into the general ledger. Two employees prepare bank reconciliations and have access to posting entries into the financial records. The combination of these duties increases their ability to misdirect assets and conceal this action without the knowledge of others. The payroll department is inputting employee salary data. A person without the ability to initiate payroll payments should perform this task.

Control Over Assets

Education Law, Section 1950 (18), states that "on or before January 1, 1997, each BOCES shall develop and adopt a formal

policy on personal property accountability." This shall include procedures for periodic inventory of personal property.

The audit reviewed SW BOCES' equipment inventory for two locations; the Southern Westchester BOCES Administration Building, and the White Plains City School District (WPCSD) Administration Building. The equipment list for Southern Westchester BOCES' Administration Building included 72 individual assets. The audit attempted to verify their existence through an inspection. This inspection found that only 11 of the 72 assets on the equipment list were located (15%), and there were 56 assets on-site that did not appear on the equipment list. Therefore, the equipment list for this location is not accurate. Southern Westchester BOCES' equipment list for the WPCSD location included 42 assets. The audit found two Southern Westchester BOCES owned printers, but only one was included on the equipment list.

Control Over BOCES Vehicles Could Be Improved

The Guide, Volume 2, Section 11.1010, states 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. In addition, all resources should be safeguarded against waste, loss and misuse.

Southern Westchester BOCES does not maintain daily mileage logs for vehicles. Technical staff and supervisors keep a record of the trips they make, but mileage is not recorded on the form. Mileage is recorded when the vehicle is fueled at the Southern Westchester BOCES garage. A record of mileage is kept at the garage so oil changes and other scheduled maintenance can be done. The operations manager receives a report twice a month from the garage.

The operations manager completes a Vehicle Release Form when Southern Westchester BOCES staff who are not permanently assigned a vehicle use a vehicle. The form contains columns for Date In, Date Out, Time In, Time Out, Mileage In and Mileage Out. The Mileage In and Mileage Out columns were not used on the sample form given. The operations manager stated that daily mileage is not tracked. The Time Out column was left blank 13 out of a possible 17 times (76.5%) and the Time In column was left blank 17 out of 17 times (100%).

The use of the daily mileage log will improve controls and reduce the possibility of unauthorized use of Southern Westchester BOCES vehicles.

Confirming Purchase Orders Were Used

The Guide, Volume 2, Subsection 8.3050, states that confirming purchase orders are:

"Verbal orders, subject to subsequent confirmation by a written purchase order, and may be given in cases where necessity for immediate action exists. Naturally, such a deviation from 'the norm' should have a very limited use. The individual placing such an order should justify the need for this action. Lack of proper planning should not be considered a valid reason for this process."

The audit selected a sample of invoices to determine if Southern Westchester BOCES is complying with stated internal controls, and that purchases were reasonable, necessary and related to Southern Westchester BOCES' operations. The audit sampled 44 invoices and determined that in 16 cases (36%), Southern Westchester BOCES utilized confirming purchase orders. These purchases were for goods, such as services from another BOCES, rent, food, an investigator, and conference expenses. These are routine purchases that should be processed through normal procedures.

Recommendations

2. Modify the policy for employee-provided meals by either adopting federal per diem rates or requiring documentation of non-overnight meal allowance.
3. Solicit bid proposals for the provision of food.
4. Institute a policy that defines the appropriate use of food at meetings.
5. Document those instances when food and refreshments are provided at a Southern Westchester BOCES function.
6. Institute policies on less-than-arms-length transactions and appropriate use of petty cash funds.

7. Prohibit the expenditure of funds in an amount exceeding the budgetary appropriation.
8. Divide responsibilities in the business office among staff to assure no one person has access to complete a transaction without a separate review.
9. Update the current inventory of fixed assets and develop a schedule to periodically verify the accuracy of the inventory through physical inspection.
10. Maintain mileage logs for all Southern Westchester BOCES owned vehicles.
11. Discontinue the practice of using confirming purchase orders.

Comments of Southern Westchester BOCES Officials

Southern Westchester BOCES officials generally agreed with these recommendations.

Administrative Expenditures

Education Law, Section 1950 (5)(g), states that rental of facilities shall be deemed an administrative expense. According to "General Requirements of the Administrative Budget," rental agreements for securing facilities to house administration and programs shall be included in the administrative budget. Department policy and 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, Southern Westchester BOCES included the payments for rental of facilities within the program budgets. Since OSC and Department guidelines require all rental payments to be accounted for in CO-SER 002, the audit determined that the program expenses were overstated. Below is a list of accounts and amounts that include rental payments (based upon a small sample of expenses).

Account #	Description	Amount
A105-2-470-00-3981	Rental of Facilities	25,200.00
A107-2-470-00-3982	Rental of Facilities	33,600.00
A110-2-470-00-3760	Rental of Facilities	16,800.00
A201-4-490-00-4240	Operation of District Classes	27,789.00
A203-4-490-00-4235	Operation of District Classes	153,481.16
A230-4-490-00-4224	Operation of District Classes	103,852.00
A230-4-490-00-4226	Operation of District Classes	50,498.00
A230-4-490-00-4227	Operation of District Classes	87,146.00
A230-4-490-00-4228	Operation of District Classes	38,169.00
A230-4-490-00-4229	Operation of District Classes	48,261.00
A230-4-490-00-4244	Operation of District Classes	17,197.00
A231-4-490-00-4232	Operation of District Classes	215,497.04
A231-4-490-00-4233	Operation of District Classes	660,645.00
A437-2-470-00-5912	Rental of Facilities	45,399.97
A437-2-470-00-5913	Rental of Facilities	7,533.33
A437-2-490-00-5913	Payments to School Dist.	1,933.33
A555-5-490-00-6262	Payments to School Dist.	7,800.00
A555-5-490-00-6265	New Rochelle Read Recov.	43,000.00
	Total Questioned Cost	1,583,801.83

The effect of this is to understate the administrative expenses and overstate the CO-SER program expenditures.

Recommendation

- Initially account for all rental costs in the administrative CO-SER 002.

Comments of Southern Westchester BOCES Officials

Southern Westchester BOCES officials generally agreed with this recommendation.

Cost Allocations

Education Law requires that the net cost of operating a BOCES service be allocated among participating districts. The Uniform System of Accounts for BOCES (System of Accounts), issued by the Office of the State Comptroller, facilitates such allocations by requiring a separate accounting of revenues and expenditures for each service program. Expenditures should be charged directly to the pertinent service involved and expenditures related to more than one service should be prorated accordingly. Interservice program transfers are used to record charges in other service programs. BOCES should use allocation methods that are fair and reasonable, and should also document the allocations and methodologies. In one instance, Southern Westchester BOCES did not maintain documentation of the methodology used to allocate costs.

According to the Director of Regional Information, Southern Westchester BOCES allocates staff salaries between CO-SERs based upon the districts served and the services provided to each district. However, Southern Westchester BOCES did not retain this calculation for the 1996-97 school year. As a result, the audit cannot verify this allocation.

The accuracy of tuition rates charged to participating districts is dependent on Southern Westchester BOCES using the internal accounting system to accumulate all of the expenses incurred in operating the program. Documentation of the method used to allocate indirect costs should be maintained to assure accuracy and consistency.

Recommendation

13. Maintain documentation to support the allocation of costs among CO-SERs.

Comments of Southern Westchester BOCES Officials

Southern Westchester BOCES officials generally agreed with this recommendation.

Southern Westchester BOCES
Contributors to the Report

- James Conway, Audit Manager
- Daniel McCarthy, Auditor-in-Charge
- Neil Smith, Senior Auditor
- Charles Archibald, 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.