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# Audit Report

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St. Lawrence-Lewis Counties  
Board of Cooperative Educational Services

For the Period

July 1, 1994 through June 30, 1995

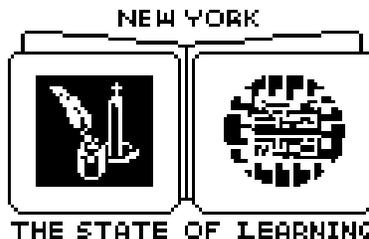
BOC-0996-4

December 29, 1997

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The University of the State of New York  
The State Education Department  
Office of Audit Services  
Albany, New York 12234



December 29, 1997

Mr. Richard C. Callan  
District Superintendent of Schools  
Mr. Richard Bicknell  
Board President  
St. Lawrence-Lewis BOCES  
P.O. Box 231  
Outer State Street  
Canton, New York 13617

Dear Mr. Callan and Mr. Bicknell:

The following is a final audit report (BOC-0996-4) of the St. Lawrence-Lewis Board of Cooperative Educational Services for the period July 1, 1994 through June 30, 1995. The audit was conducted pursuant to Education Law Sections 305 and 1950 and in accordance with generally accepted government auditing standards.

It is the policy of the State Education Department to consider for review matters of significant disagreement which result from the issuance of a 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  
Director

Enclosure

cc: Commissioner Mills  
R. Cate  
J. Kadamus  
T. Sheldon  
C. Foster (DOB)  
R. Lindholm (OSC)  
bcc: J. Sneed  
S. Spear  
J. Stevens

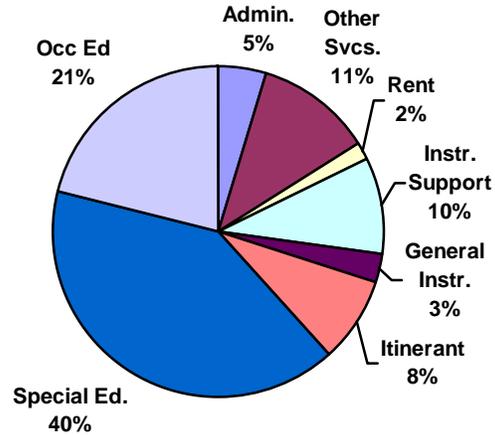
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# Executive Summary

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## St. Lawrence-Lewis BOCES General Fund Expenses by Program 1994-95

St. Lawrence-Lewis BOCES ranked as the 29th largest BOCES in the State, in terms of total general fund expenditures, for the 1994-95 school year (\$20,269,131).



## Background and Scope of the Audit

The audit examined management practices, records and documentation related to selected areas of St. Lawrence-Lewis BOCES operations for the period July 1, 1994 through June 30, 1995. These areas included administration (CO-SER 001), Print Shop (CO-SER 504), Learning Resource Services (CO-SER 509) and Negotiations (CO-SER 602). 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

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

- X The cost of print shop services were understated (page 6).
- X Cost savings may be achieved by eliminating credit cards issued to infrequent travelers (page 8).
- X Documentation of credit card charges needs improvement (page 9).
- X The appropriateness of certain expenditures was questioned (pages 8, 10 and 12).
- X Improvement opportunities exist related to procedures for employee time and attendance, tax reporting and purchasing (pages 10, 13 and 14).
- X Duplication of certain computer resources was questioned (Page 11).

In addition, a survey of component districts generally returned high marks regarding the quality, timeliness and cost of selected CO-SERs (page 3).

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# Table of Contents

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<b>Introduction</b>	Background.....	1
	Objectives, Scope and Methodology .....	2
	Comments of St. Lawrence-Lewis BOCES Officials.....	2
<b>Cooperative Services (CO-SERs)</b>	Survey Results .....	3
	Print Shop – CO-SER 504 Cost of Services .....	6
	Recommendations.....	7
	Comments of St. Lawrence-Lewis BOCES Officials.....	8
<b>Opportunities to Improve Management Processes</b>	Membership Dues as Administrative Expenditures.....	9
	Credit Card Use .....	9
	Credit Card Documentation .....	10
	Travel Expenses for Non-employees .....	11
	Time and Attendance Records .....	11
	Duplication of Equipment.....	12
	Sales Tax Paid.....	13
	Contribution .....	13
	Membership Fees .....	13
	Tax Reporting .....	14
	Purchasing Procedures .....	15
	Recommendations.....	16
Comments of St. Lawrence-Lewis BOCES Officials.....	16	
<b>Cost Allocations and Transfers</b>	Documentation .....	17
	Recommendation .....	18
	Comments of St. Lawrence-Lewis BOCES Officials.....	18

**Schedule 1** – District Survey Responses CO-SER 504 – Print Shop

**Schedule 2** – District Survey Responses CO-SER 509 – Learning Resource Services

**Schedule 3** – District Survey Responses CO-SER 602 – Negotiations

**Appendix A** - Contributors to the Report

**Appendix B** - The Response of St. Lawrence-Lewis BOCES Officials

**Appendix C** - Review Proceedings

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# Introduction

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## Background

Boards of Cooperative Educational Services (BOCES) are voluntary, cooperative associations of school districts that have joined 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 that periodic audits of BOCES be conducted 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 State Education Department (Department) for approval of programs and services offered to districts. Each CO-SER represents a separate program or service available from the BOCES. 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 costs of those programs. Costs charged to the districts for administration and programs 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.

St. Lawrence-Lewis BOCES serves 18 component school districts and was ranked as the 29th largest in the State, in terms of total general fund expenditures, for the 1994-95 school year. St. Lawrence-Lewis BOCES, headquartered in Canton, New York, was established to be a means for the school districts of St. Lawrence and Lewis Counties to cooperatively carry out studies, develop specialized facilities and to offer shared educational programs and services. Shared programs allow districts to offer opportunities to students and staff that might not otherwise be economically possible.

## **Objectives, 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 the St. Lawrence-Lewis BOCES for the period July 1, 1994 through June 30, 1995. 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 services (CO-SERs) comply with Department approved specifications and provide measurable cost savings to school districts;
- verify that only reasonable and necessary costs were incurred; and
- verify that the budgetary process provides control over the expenditure of funds.

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

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

## **Comments of St. Lawrence- Lewis BOCES Officials**

St. Lawrence-Lewis BOCES officials generally agreed with the findings and recommendations in this report. Their response to this report is included as Appendix B.

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## Cooperative Services (CO-SERs)

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

Component school districts are eligible for BOCES 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 conducted a survey of component districts regarding selected CO-SERs' quality, timeliness and cost. Generally, St. Lawrence-Lewis received high marks from the components. In addition, the audit noted that St. Lawrence-Lewis BOCES did not allocate operations and maintenance costs to the print shop CO-SER. The following sections explain each area in detail.

### Survey Results

Section 1950(4)(bb) of the Education Law allows the Commissioner to approve BOCES programs and services only if they:

- are requested by two or more component school districts;

- will provide additional opportunities to pupils;
- will be expected to result in cost savings to the districts requesting the service;
- will provide greater opportunity for pupils; and
- will ensure a greater or more appropriate use of facilities by boards of cooperative educational services.

The audit conducted a survey of component districts regarding quality, timeliness and cost of services. All but one of the 18 component districts responded to the survey. Generally, St. Lawrence-Lewis BOCES received high marks for each of the CO-SERs included in the survey. Each CO-SER in the survey is eligible for BOCES aid. St. Lawrence-Lewis BOCES officials indicated they would review the results of the surveys with the appropriate Superintendent Advisory Committees to help determine if modifications need to be considered.

*Print Shop - CO-SER 504*

Printing services provided by the St. Lawrence-Lewis BOCES include high speed copying, preparing school district newsletters, report cards, purchase orders, padded forms, school calendars, etc. The survey results indicate that, from the components' perspective, St. Lawrence-Lewis BOCES is providing timely printing services of generally high quality at a cost considered average to low. For those districts also using a commercial printer, they rated the quality and timeliness of the vendor as about the same, although they classified the cost as more expensive.

For districts that used their own resources for printing, the results were mixed regarding timeliness. Generally, those districts rated BOCES work as slightly less quality and slightly more expensive than their own.

*Learning Resource Services - CO-SER 509*

CO-SER 509 provides a comprehensive curriculum-oriented media library, video dubbing, equipment repair and van delivery. The survey results indicate that, from the components' perspective, St. Lawrence-Lewis BOCES is providing a mostly comprehensive range of above average to high quality media

library materials. Also, most districts indicated that media library services meet their needs very well.

Repair services were rated as high quality with most jobs completed by the date needed. Also, a majority of districts classified the costs of repair services as relatively low.

Compared to outside vendors, St. Lawrence-Lewis BOCES repair services were rated the same in terms of quality. St. Lawrence-Lewis BOCES was rated the same in terms of timeliness by half the respondents and faster by the other half. In terms of cost, one district rated outside vendors less costly while two districts rated the outside vendor as somewhat more costly and three ranked the outside vendors as more costly.

When compared to districts that do similar repairs, St. Lawrence-Lewis BOCES repair services were rated the same in terms of quality. In terms of timeliness, two districts rated themselves the same and four rated themselves faster. Three districts rated their own services less costly, while one rated themselves the same and two others slightly more costly than BOCES.

#### *Negotiations (Employer/Employee Relations) - CO-SER 602*

CO-SER 602 offers the following services:

- Contract interpretation and management assistance.
- Assistance at all levels of the grievance process.
- Assistance and representation at PERB, NLRB and Civil Service hearings.
- Assistance with questions of tenure and dismissal.
- Reference and research services for negotiations with all employee groups. Assistance in developing proposals, counters, and in helping your representative with mediation and fact finding.
- Public relations and community awareness presentations and/or assistance.
- Unemployment insurance management and cost control.

**Print Shop  
CO-SER 504  
Cost of  
Services**

The survey results indicate that, from the components' perspective, St. Lawrence-Lewis BOCES is providing above average to high quality services. Also, most districts indicated that requests were handled timely and the cost is average to below average.

Two districts said they used outside consultants to provide similar services. One district rated the consultant about the same as St. Lawrence-Lewis BOCES in terms of quality, timeliness and slightly more costly; while the other rated the consultants service as faster, better and more costly.

Four districts indicated they used their own employees for similar services. One district reported that its own employees performed the services faster, better and less costly. The other districts (with an opinion) rated St. Lawrence-Lewis BOCES services as about the same as district results.

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

Section 1950(4)(d) of the Education Law states those component districts that do not participate in a cooperative service are not required to pay any share of the expenses for such service. In order to ensure that components pay only for services received, cost allocations between funds and among CO-SERs should be accurate and reasonable. As noted in an advisory memorandum from the Department's Office of Counsel "the very concept of sharing services necessarily implies the concept of pro rata sharing of costs." Applicable excerpts from the memorandum are reprinted in *BOCES Administrative Handbook 3*.

BOCES did not allocate operation and maintenance (O & M) costs to the print shop CO-SER, although there are O & M costs related to this CO-SER. Also, the cost of printing equipment was transferred to occupational education CO-SERs, although the equipment is used primarily for print shop operations. As a result, costs for print shop services were understated and costs for occupational education were overstated. Inaccurately stating

these costs may have resulted in districts paying other than their actual pro rata share of the expenditures for participating in these services.

The difference in billings to components, if any, may not have been significant in this case. However, an effective way to ensure districts pay their actual pro rata share of expenditures is to ensure that allocations and transfers are made using a reasonable method that is applied consistently.

BOCES officials stated that there is a cooperative agreement between the Occupational Education Communications Technology program and the BOCES print shop. Under this agreement the O & M charges for the print shop have been waived on a yearly basis. BOCES maintains that the Communication Technology students benefit greatly from the experiences provided by shadowing the print shop employees and using specialized printing equipment with a value in excess of \$120,000. BOCES officials state that, by sharing the facilities, expertise and equipment of the print shop, significant savings have been realized by reducing redundant purchases. BOCES further states that the area of the print shop represents two percent of the total area of the Northwest Tech Campus and would have been allocated \$4,895 of the \$244,727 O & M budget.

BOCES officials feel that the savings generated by eliminating redundancy more than offsets the O & M expense incurred by Occupational Education. BOCES officials state that they are prepared to initiate a transfer which reflects actual O & M costs for the 1997-98 school year and beyond.

The audit encourages St. Lawrence-Lewis BOCES to continue to eliminate redundancy where possible. Continued cooperation between St. Lawrence-Lewis BOCES program areas is also encouraged.

### **Recommendations**

1. Review the results of the survey of component districts to determine what modifications, if any, need to be considered for CO-SERs 504, 509 and 602.
2. Improve procedures to ensure that operations and maintenance transfers are made accurately and consistently.

**Comments of  
St. Lawrence-  
Lewis BOCES  
Officials**

St. Lawrence-Lewis BOCES officials agreed with these recommendations.



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## Opportunities to Improve Management Processes

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

### **Membership Dues as Administrative Expenses**

Section 1950 of the Education Law established BOCES for the purpose of carrying out a program of shared educational services in the schools of the supervisory district. According to Section 170.3 (b) of the Commissioner's Regulations, the administrative budget shall include the expenditures necessary to maintain the activities of the office of the District Superintendent, for general costs of administration, for expenses of the Board, for expenses of meetings of trustees and voters, and for needs assessments and planning. Appropriations in support of additional activities may be included upon prior written approval of the Commissioner of Education.

St. Lawrence-Lewis BOCES paid \$10,073 for membership dues for its 18 component districts in the North Country Study Council. These expenses were included in the administrative budget. Paying for these dues does not constitute a service to districts but rather it serves as a mechanism to pass-through expenses, thereby generating BOCES aid. Each component district could pay their own dues individually, without BOCES involvement.

St. Lawrence-Lewis BOCES officials agreed that component membership in the North Country Study Council is not an appropriate administrative expense. They stated that, commencing with 1996-97 school year, they have discontinued paying the membership dues on behalf of their component districts.

### **Credit Card Use**

According to the Office of the State Comptroller's *Financial Management Guide for Local Governments (Financial Management Guide)*, a local government may have multipurpose credit cards issued in the local government's name

for use by officials for reimbursable travel expenses incurred in the performance of their duties.

Use of a credit card can be an effective way to help streamline travel reimbursement processes. It eliminates the need for employees to make charges to their personal credit cards or to carry large sums of cash. It also provides convenience and security protections for employees. As with any management tool, the costs associated with its use should be balanced against its benefits.

In 1994-95, there were 12 employees with credit cards issued in the BOCES name. The annual fee for each card was \$45. The table below summarizes the spending patterns of the cardholders. The table illustrates that BOCES could realize cost savings by eliminating cards held by infrequent card users.

<b>Number of Travelers</b>	<b>Total Amount of Charges</b>	<b>Membership Fee as a Percent of Charges</b>
Four	More than \$500	1% to 4%
Five	Between \$200 & \$500	12% to 19%
Three	Less than \$200	36% to 100%

BOCES agrees that it could save money by eliminating cards held by infrequent card users. They state that they will review employees' credit card use. They will also look at alternative credit card providers that may be able to provide the service at a reduced rate.

## **Credit Card Documentation**

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

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

St. Lawrence-Lewis BOCES officials agree that documentation for credit card transactions needs improvement. They indicate that effective in the 1997-98 school year, all employees using the BOCES credit card will be required to submit a copy of the

signed credit card slip along with the accompanying charge slip (i.e. hotel receipt, food receipt).

## **Travel Expenses for Non-employees**

Section 77-b of the General Municipal Law states that the governing Board of a municipality may authorize any of its members (or any officer or employee or other person who has been elected pursuant to law to a public office) to attend a conference. This law does not give the governing Board authority to pay for non-employee conference expenses. In addition, a school district may not pay the expenses of officers or employees of a school district who attend (as delegates) the annual convention of the NYS Teachers' Retirement System (16 Op.State Compt. 415, 1960).

St. Lawrence-Lewis BOCES inappropriately paid for travel expenses incurred by a school district employee to attend the NYS Teachers' Retirement System annual meeting. Total expenses for the trip were \$229. Also, St. Lawrence-Lewis BOCES paid registration fees for component district Board members to attend a workshop.

BOCES did not specifically agree that the Board does not have the authority to authorize a non-employee to attend a conference, stating that many of their smaller districts share delegates to these meetings. BOCES stated it has been their practice to coordinate the expenses of the delegates through the District Superintendent's office. The expenses were billed to the districts sharing the delegates and recorded under miscellaneous revenue. However, BOCES stated that it would no longer pay for non-employees to attend conferences.

## **Time and Attendance Records**

According to the *Financial Management Guide*, all employees should be required to maintain daily time records showing actual hours worked. However, the appointing authority may exempt employees from keeping such records. Those employees exempted should maintain a daily record of absences as well as time and leave credits earned and used. In addition, the supervisor is generally responsible for certifying the accuracy of the total time for each employee and the current period accrual activity before submitting the record to the time section of the payroll office.

Employees of St. Lawrence-Lewis BOCES maintain leave accrual time records on a monthly basis. However, not all of these records have evidence of supervisory approval. Also,

## Duplication of Equipment

leave accrual records are not maintained for some employees who have reached the maximum leave hours. All time off for employees of BOCES should be recorded, regardless of the individuals' leave accruals.

In addition, the audit noted one instance where an employee did not maintain an employee attendance record. This individual also did not have set working hours, although he was a salaried employee. Unlike other employees, there are no records to support the time worked for this individual. This increases the risk that inappropriate actions may occur.

St. Lawrence-Lewis BOCES officials agree that there should be supervisory approval on monthly accrual records and that all time off should be recorded. They will inform supervisors that all employees under their supervision must submit their monthly attendance reports. The supervisors will review and initial the report and then it forward to the central office.

The *Financial Management Guide* notes that “the objectives of procurement are to obtain services or buy materials, supplies and equipment of the right quality in the right quantity from the right source at the right price in compliance with all applicable legal requirements, thus ensuring that taxpayer dollars are spent in the most efficient manner.”

Eight employees in the Learning Resource Center are assigned two computers each, one Apple and one PC. This duplication of computer resources is inefficient. In the future, St. Lawrence-Lewis BOCES has the opportunity to realize cost savings by exploring alternative hardware or software solutions.

BOCES officials justify the necessity of having two computers for all eight employees by stating:

- one person is a technician who repairs both kinds of computers. He uses them to access technical service bulletins and repair databases;
- the booking clerk uses the computers to check both types of software for a variety of reasons, including damage and catalog data;
- the other six staff use both kinds of computers for various reasons. Staff is called upon to install software or respond to questions regarding use of both kinds of machines; and

- the office has major databases that run only on the PC platform, which all staff access. At the same time, the office produces a number of newsletters, brochures, pamphlets, notices, etc. This production work is done on the Macintosh.

St. Lawrence-Lewis BOCES officials state that as technology changes they may eventually migrate to a single platform.

## **Sales Tax Paid**

The *Financial Management Guide* states that sales tax paid to a hotel in New York State is not an actual and necessary expense reimbursable by the local government.

The audit found four instances where St. Lawrence-Lewis BOCES paid sales tax on hotel charges. St. Lawrence-Lewis BOCES officials indicated that this occurred because the person traveling failed to give the hotel a tax exempt certificate, and hotel charges were incurred on the American Express bill. Therefore, they were required to pay the total bill, including the tax.

St. Lawrence-Lewis BOCES officials agree that sales tax is not an actual and necessary expense reimbursable by them and state they will insist that all employees use tax exempt forms when charging lodging.

## **Contribution**

Section 1 of Article 8 of the New York State Constitution prohibits the gift of money by local subdivisions of New York State to any individual, private corporation or association. BOCES contributed \$100 to the Almanzo and Laura Ingalls Wilder Association. The Association was soliciting money (\$100) from 100 individuals and businesses toward the reconstruction of the barns at Almanzo's boyhood home. A plaque listing all the members of the 100 club will be permanently mounted in the barn. The solicitation letter noted, "this is a wonderful opportunity to make a worthwhile tax deductible contribution."

St. Lawrence-Lewis BOCES agrees contributions are not permissible according to the NYS Constitution and state they will not make future contributions per Section 1 of Article 8 of the NYS Constitution.

## **Membership Fees**

According to the *Financial Management Guide* a Board may pay the membership dues of officials in professional societies or associations if: the Board determines that the membership will benefit the local government and serve a public purpose; there is

a reasonable connection between the duties of the official and the activities of the organization; there is an appropriation to pay the dues; and the claims for payment are audited and approved. The Administrators Handbook for St. Lawrence-Lewis BOCES states that it will pay for an administrator's annual membership, in one professional organization, subject to initial approval by the District Superintendent.

St. Lawrence-Lewis BOCES paid membership dues for the Deputy Superintendent in three organizations: New York State Council of School Superintendents, Phi Delta Kappa, and the St. Lawrence County Chamber of Commerce. Paying for membership in three organizations is contrary to BOCES written policies. In addition, the benefit derived by BOCES from membership in Phi Delta Kappa and the Chamber of Commerce is unclear.

St. Lawrence-Lewis BOCES officials state they will no longer pay for membership in Phi Delta Kappa. They state membership in the Chamber of Commerce is a BOCES membership and the Deputy Superintendent was assigned responsibility to participate in the County Chamber of Commerce activities. The membership is to build business relationships that support the school-to-work experience.

St. Lawrence-Lewis BOCES states that it will consider changing the policy to allow the District Superintendent and the Assistant Superintendent to belong to the NYS Council of School Superintendents and the St. Lawrence-Lewis Counties School Superintendent organization.

## **Tax Reporting**

The Internal Revenue Service (IRS) requires employers to include fringe benefits, such as a car provided to an employee, in the employee's gross income. The benefit is subject to income and employment taxes. The IRS has special rules to value this benefit (Publication 535).

St. Lawrence-Lewis BOCES did not include the value of the District Superintendent's vehicle on his W-2. St. Lawrence-Lewis BOCES officials state they will review our concern with their external auditor and file any required information with the IRS.

## **Purchasing Procedures**

General Municipal Law Section 104 (b) requires the adoption of internal policies and procedures governing the procurement of goods and services which are not required to be bid. It further requires adequate documentation of actions taken in connection with each such purchase. St. Lawrence-Lewis BOCES has adopted internal policies and procedures to comply with statutory requirements.

Generally, St. Lawrence-Lewis BOCES followed its purchasing policies and procedures. However, the audit did note two instances that may indicate areas for improvement:

- quotations for one item were obtained after it had been purchased and the invoice received (invoice date 2/16/95, quotes dated 3/3/95, check #84436 dated 4/3/95); and
- a computer modem was purchased for \$199 on 11/4/94 (CO-SER 601). Two quotes were obtained for the modem; each was for \$399.95. A similar item was purchased on 4/4/95 for \$85 (CO-SER 509).

These instances indicate that St. Lawrence-Lewis BOCES needs to continuously monitor its purchasing procedures to ensure that its policies are followed. Also, the wide disparity in modem prices may indicate that improvement in communications between program offices can be made.

St. Lawrence-Lewis BOCES agrees that certain purchasing policies and procedures have not been followed. They state a purchasing policy was adopted October 10, 1996.

## **Recommendations**

3. Ensure that only appropriate administrative expenditures are made.
4. Periodically review spending patterns of employees with credit cards and consider eliminating cards held by infrequent users.
5. Improve claims processing procedures to ensure that credit card expenses are sufficiently documented.
6. Ensure that travel expenses for non-employees are not paid.
7. Ensure that employee attendance records are maintained for all employees and require supervisory review and approval.
8. Eliminate or reduce duplication of computer resources in the Learning Resource Center.
9. Improve procedures to ensure that sales tax on lodging in New York State is not paid.
10. Improve procedures to ensure that contributions are not made.
11. Ensure that membership fees are paid in accordance with adopted policies.
12. Establish and implement procedures to ensure compliance with IRS reporting requirements.
13. Continue monitoring purchasing procedures to ensure compliance.
14. Consider ways to improve communication among program offices.

### **Comments of St. Lawrence- Lewis BOCES Officials**

St. Lawrence-Lewis BOCES officials agreed with these recommendations.

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## **Cost Allocations and Transfers**

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The Education Law requires that the net cost of operating a BOCES service be allocated among participating districts. The Uniform System of Accounts for BOCES (System of Accounts) 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.

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

The audit reviewed a limited number of transfers and found that St. Lawrence-Lewis BOCES needs to improve documentation to ensure that the net cost of operating BOCES services is accurately allocated among participating districts. The following sections explain each area in detail.

### **Documentation**

St. Lawrence-Lewis BOCES did not maintain documentation to support the basis of certain transfers and allocations. As a result, the audit was unable to verify whether such transfers and allocations were accurate and reasonable.

St. Lawrence-Lewis BOCES officials agree that cost allocations between funds and among CO-SERs should be accurate, reasonable and documented. They state that a new procedure has been developed to improve documentation of transfer credits and charges.

### **Recommendation**

15. Ensure that documentation is retained to support the basis of transfers and allocations.

**Comments of  
St. Lawrence-  
Lewis BOCES  
Officials**

St. Lawrence-Lewis BOCES officials agreed with this recommendation.

## **Appendix A**

### St. Lawrence-Lewis BOCES Contributors to the Report

- Calvin Spring, Audit Manager
- William J. Lake, Associate Auditor (Auditor in Charge)
- Patricia Engel, Senior Auditor

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

#### Requests for Audit Review

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

An organization requesting an audit review must make a written application to the Associate Commissioner for Policy and Planning 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 are 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 is 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.