
Audit Report

Ontario-Seneca-Wayne-Yates
Board of Cooperative Educational Services

For the Period

July 1, 1998 through June 30, 2000

BOC-0600-8

September 9, 2002

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





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September 9, 2002

Ms. Lynn Gay
Board President
Ontario-Seneca-Wayne-Yates BOCES
131 Drumlin Court
Eisenhower Building
Newark, New York 14513-1863

Dear Dr. Marinelli:

The following is our final audit report (BOC-0600-8) of the Ontario-Seneca-Wayne-Yates (Wayne-Finger Lakes) BOCES for the period July 1, 1998 through June 30, 2000. 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 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

Enclosure

cc: Commissioner Mills, R. Cate, J. Kadamus, B. Porter, T. Sheldon, B. Stambler, J. Stevens, C. Szuberla, C. Foster (DOB), H. Hoffman (OSC), Dr. Marinelli, District Superintendent

Executive Summary

Background and Scope of the Audit

Ontario-Seneca-Wayne-Yates (Wayne-Finger Lakes) BOCES ranked as the 10th largest BOCES in the State, in terms of total general fund expenditures, for the 1999-2000 school year.

The audit examined management practices, records and documentation related to summarizing and reporting data used in the BOCES Report Card and the Chapter 602 Report for the period July 1, 1998 through June 30, 2000. The Employment Preparation Education (EPE) Program was reviewed for the 1998-99 and 1999-2000 school years. This audit also followed up on findings and recommendations from the previous audit. The objectives were to: evaluate the adequacy of management controls over data reported to the Department and obtain reasonable assurance that the data are valid and reliable; determine how BOCES use data to monitor the performance of the schools within its supervisory district; determine how BOCES use data to monitor student outcomes; and to evaluate the wide ranges of costs identified in the Chapter 602 Report and understand the reasons for the variances.

Audit Results

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

- Report Card data were reasonably accurate. (pages 3-4)
- EPE contact hours were overstated by 45,794 hours for a net total of \$38,768 in excess EPE aid for the 1998-99 school year. (pages 6-12)
- Opportunities exist for improving management processes pertaining to safeguarding assets, segregating duties, bank reconciliations, and compensating controls. (pages 13-15)

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Introduction

Background

Public and legislative attention has been turned to data provided by Boards of Cooperative Educational Services (BOCES) and school districts with the issuance of Report Cards. Chapter 436 of the Laws of 1997 made the New York State BOCES Report Cards (Report Cards) available to the public on April 16, 1999. Graphically presented, the Report Cards summarize program accomplishments and services BOCES provide for children and adults.

In addition, Chapter 602 of the Laws of 1994 added Section 215-b to the Education Law to require the Commissioner of Education to prepare and submit to the Governor, the President Pro Tem of the Senate, and the Speaker of the Assembly, an annual report beginning January 1, 1996. The Chapter 602 Report details certain financial and statistical outcomes of BOCES, tuition costs for selected programs, per pupil cost information, and aggregate expenditure data for BOCES' administrative, capital and service functions. The report is to include changes from the year prior to the report year for all data.

BOCES are organized under Section 1950 of the Education Law. Chapter 474 of the Laws of 1996 amended Section 305 of the Education Law to require the New York State Education Department (Department) to perform fiscal audits of BOCES at least once every three years.

Ontario-Seneca-Wayne-Yates (Wayne-Finger Lakes) BOCES is headquartered in Newark, New York and serves 25 component districts with enrollments of more than 44,000 students. Wayne-Finger Lakes BOCES ranked 10th largest in the State, in terms of total fund expenditures, for the 1999-2000 school year.

Objectives, Scope and Methodology

Pursuant to Sections 305 and 1950 of the Education Law, we audited management practices, records and documentation related to the data contained in the Report Card and the Chapter 602 Report for the period July 1, 1998 through June 30, 2000. We followed up on the status of the prior

recommendations made in audit report number BOC-0297-9 and reviewed the Employment Preparation Education (EPE) Program for the period July 1, 1998 through June 30, 2000. The objectives were to:

- evaluate the adequacy of management controls over data reported to the Department and obtain reasonable assurance that the data are valid and reliable.
- determine how BOCES use data to monitor the performance of the districts within its supervisory district.
- determine how BOCES use data to monitor student outcomes.
- evaluate the wide ranges of costs identified in the Chapter 602 Report and understand the reasons for the variances.
- determine if EPE claims are adequately documented.
- follow up on the findings and recommendations from the previous audit, and determine whether timely and adequate corrective actions were implemented.

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

Wayne-Finger Lakes BOCES officials generally agreed with the matters contained in this report and their comments have been included where appropriate. They requested that their written response to the preliminary audit findings be included as Appendix B to this report.

Report Card

New York State's Board of Cooperative Educational Services Report Cards (Report Cards), required by Chapter 436 of the Laws of 1997, were made available to the public on April 16, 1999. Graphically presented, the Report Cards summarize program accomplishments and services BOCES provide for children and adults. They are intended to be used as a tool for the continuous improvement of BOCES' programs and services, and for providing information to communities. Data included in the Report Cards must be valid and reliable in order to be used effectively and BOCES officials are given the opportunity to review the Report Card prior to its release.

The Report Card reports on the following programs and services: Career/Occupational Education, Alternative Education, Adult Education, Special Education, Curriculum and Professional Development, Technology, the State Testing Program, and the 1996-97 Expended Budget. The State Testing figures are provided by the Department, not BOCES, so those figures were not included in the scope of the audit.

Minor Problems Were Found With Supporting Documentation

An objective of this audit was to determine the accuracy of the Report Card data and the adequacy of the supporting documentation. The audit noted only one area where Report Card data were not accurate or did not have supporting documentation: Professional Development. Overall, the Report Card data were reasonably accurate; however, the following minor differences were noted.

Professional Development

In the Professional Development section of the Report Card, attendance statistics are cited for the number of professional staff who were served. The audit requested attendance lists for a sample of the training courses provided and found that two courses did not have attendance lists for a small percentage of the professional staff served.

Wayne-Finger Lakes BOCES officials expressed a concern about double-counting attendance. A BOCES sponsoring a workshop could report the attendance on its Report Card, while

another BOCES that made the presentation might report that same attendance on its own Report Card.

As a result of Wayne-Finger Lakes BOCES' Professional Development statistics not being fully documented, there is a possibility that the number of professional staff served is inaccurate, at least for courses dealing with Institutional Strategies and Learning Standards. However, due to the low percent of undocumented attendance, the impact on the accuracy of the Report Card would probably not be material. In addition, the likelihood of double-counting the same professional staff is difficult to assess without knowing how often two BOCES are involved in the same training course.

Wayne-Finger Lakes BOCES officials agree that there were no attendance lists for a small percentage of professional staff served. They are having a consultant programmer design a comprehensive tracking and registration program which helps double check the reporting of numbers.

Recommendation

1. Ensure that all professional staff are accurately counted in the Professional Development statistics.

Comments of Wayne-Finger Lakes BOCES Officials

Wayne-Finger Lakes BOCES officials concur with this recommendation.

Chapter 602 Report

Chapter 602 of the Laws of 1994 added Section 215-b to the Education Law to require the Commissioner of Education to prepare and submit to the Governor, the President Pro Tem of the Senate, and the Speaker of the Assembly, an annual report (Chapter 602 Report) beginning January 1, 1996. The report is also provided to all school districts and BOCES.

The Chapter 602 Report details certain financial and statistical outcomes of BOCES, tuition costs for selected programs, per pupil cost information, and aggregate expenditure data for BOCES administrative, capital and service functions. In accordance with the statute, the report is to include changes from the year prior to the report year for all data.

Report Accuracy and Documentation

An objective of the audit was to determine the accuracy of the Chapter 602 Report data, the adequacy of the supporting documentation, and to evaluate variances with statewide averages.

The audit compared the Chapter 602 Report data to the data in the Annual Financial and Statistical Reports of BOCES (SA-111), and found no major differences. Supporting documentation was adequate and there were no major variances with statewide averages.

Employment Preparation Education (EPE) Program

Wayne-Finger Lakes BOCES operates an EPE Program. This categorical aid program serves students 21 years of age or older who have not received a high school or equivalency diploma.

Part 168.4 of the Regulations of the Commissioner of Education (Regulations) states that EPE Program funds may be spent for personal services, employee benefits, equipment, supplies and materials, contractual services, travel expenditures, staff development and training, and other expenditures approved by the Commissioner. These expenditures are to be used only for EPE Program purposes.

Wayne-Finger Lakes BOCES received a total of \$201,039 in EPE aid for the period July 1, 1998 through June 30, 1999, based on reported contact hours. Education Law Section 3602 states that when total revenue received exceeds the entire cost of such program, State aid payable in the following year will be reduced by the amount of such excess. This means that Wayne-Finger Lakes BOCES must refund the larger of revenues disallowed or expenditures disallowed, but not both. The audit report will be used by the Department to adjust future aid received by Wayne-Finger Lakes BOCES.

The audit found that Wayne-Finger Lakes BOCES claimed 44,817 contact hours for students in non-traditional programs that could not be adequately documented, and overstated contact hours by 977 due to clerical errors. The total net EPE aid ineligible for 1998-99 amounts to \$38,768 (see Chart 3 page 10).

Reported Contact Hours Included Undocumented Hours

EPE programs may also include non-traditional modes of instruction. These programs are defined as external high school diploma programs, correspondence programs, televised general educational development programs, and other such EPE programs that are not conducted in regular classrooms during a regular school day as may be approved by the Commissioner. Part 168.5 of the Regulations states that EPE aid is payable based on the number of hours of instruction, which shall be calculated by multiplying the number of teacher hours for such programs by 12. The Department established guidelines for non-traditional programs by defining active

enrollment for nontraditional classes like Giving Rural Adults a Study Program (GRASP), GED on TV/Learn to Read, and External High School Diploma Program (EDP).

To ensure that EPE revenues paid to the district or BOCES are appropriate, contact hours must be documented and provided to eligible students. Otherwise, such contact hours will be questioned upon audit and revenues will be reduced accordingly. Documentation for traditional programs is typically a student attendance roster. For non-traditional programs, active enrollment is defined as a log record showing a contact within a certain period. Contacts may be in person, by phone, or by submission of completed work packets depending on the type of program involved. For example, GRASP involves work packets while GED on TV uses phone contacts.

The GED on TV Program Implementation Manual states that EPE fundable contacts are determined by:

1. A telephone call from the tutor to the student which verifies the program content the student is working on;
2. Recording the content, date and time of the call on the log sheet. Page references are helpful, but not required. Use of supplementary material, visits to a class for help, and/or questions the student raises are entered in the log. Dates of practice tests, book completion, etc., should be entered. The log must be clear enough to allow another tutor to assist the student if necessary; and
3. Recording a check mark in the attendance register for each completed phone call (√).

Wayne-Finger Lakes BOCES has experienced a very large growth in EPE hours, especially in non-traditional programs. Total EPE hours have increased from 133,830 in 1995-96 to 215,470 in 1998-99 – a 61 percent growth in three years. Non-traditional contact hours have increased at an even greater pace – more than 126 percent in three years. See Chart 1 page 8.

Chart 1
Wayne-Finger Lakes BOCES
Change in Contact Hours
1995-96 to 1998-99

	1995-96 Total	% of Total	1998-99 Total	% of Total	% of Total Increase (Decrease)
Traditional	48,957	36.6	41,012	19.0	-16.2
Non-traditional	69,067	51.6	156,469	72.6	126.5
Adult Occ. Ed.	15,806	11.8	17,989	8.3	13.8
	<u>133,830</u>	<u>100.0</u>	<u>215,470</u>	<u>100.0</u>	<u>61.0</u>

Wayne-Finger Lakes BOCES' non-traditional program accounted for nearly 73 percent of the total contact hours in 1998-99, compared to almost 52 percent in 1995-96. As a result, the audit focused mainly on non-traditional program contact hour documentation, although some traditional programs were reviewed as well. Most of the non-traditional programs involved phone contacts, although there was also a GRASP program. See Chart 2.

Non-traditional Programs

Chart 2
Wayne-Finger Lakes BOCES
Non-traditional Program Contact Hours
1998-99

Program	Contact Hours	% of Total	Documentation	Error Rates
Another Page	7,986	5.1	Phone Logs	13%
Citizenship	6,294	4.0	Phone Logs	6%
Crossroads Café	11,435	7.3	Phone Logs	19%
Even Start	1,772	1.1	Phone Logs	92%
GED on TV	34,170	21.8	Phone Logs	31%
Learn to Read	2,424	1.5	Phone Logs	5%
Life Skills - Home Study	38,998	24.9	Phone Logs	49%
Math Basics	24,652	15.8	Phone Logs	30%
GRASP	28,738	18.4	Work Packets	5%
Total	<u>156,469</u>	<u>100.0</u>		

The audit had several concerns with phone logs, mostly due to a lack of detail regarding the program content the student was working on. Log entries were very short (i.e., many identical entries such as “working on fractions” or “newsletter”). There was little information about how well the student was doing and many log entries addressed only personal matters. A

sample of these phone logs revealed certain programs with high error rates (see Chart 2 page 8).

The Even Start program had the highest error rate of 92 percent. Wayne-Finger Lakes BOCES officials claimed home visit hours as contact hours and said that separate records existed to document the contact hours, but those records were never produced. The Life Skills – Home Study Program had the next highest error rate of 49 percent. The audit found that many log entries lacked detail or addressed personal matters of the student. GED on TV and Math Basics also had similar concerns, resulting in error rates of 31 percent and 30 percent, respectively.

The audit used these error rates to project a disallowance for the entire population of non-traditional programs (see Schedule 1), except for the original sample of GRASP. The audit found concerns with one GRASP class (ABE 157), which had a high error rate (89 percent for a sample of five students). GRASP logs showed many packets sent out, but very few received. For example, a log entry showed a packet was sent out around October 11 and more packets were sent out every two weeks, totaling 6 packets. Wayne-Finger Lakes BOCES officials did not receive the October 11 packet until late December. On the average, 20 packets were sent but less than 5 were returned. Due to the high error rate, the audit expanded the GRASP review to include other classes. The additional sample showed only a 5 percent error rate. The audit questioned all undocumented contact hours in class ABE 157 and used the 5 percent error rate to project questioned hours for the remainder of the GRASP population. In total, the audit questioned 44,817.6 non-traditional program contact hours.

Traditional Programs

The audit reviewed attendance records for traditional programs and found that Wayne-Finger Lakes BOCES overstated contact hours by 334. Most of these hours (262) were due to one student for whom no attendance records were produced. The audit also reviewed the computerized attendance records and found that three students attending VOC 757 had unusually large contact hours claimed in certain months. Wayne-Finger Lakes BOCES officials explained that the year-to-date hours recorded on the attendance records were incorrectly entered as the contact hours for that month. This resulted in an

overstatement of 643 contact hours. In total, the audit questioned 977 traditional program contact hours.

Administrators are responsible for the review and accuracy of the contact hour documentation. Due to the many concerns the audit found with logbooks, Wayne-Finger Lakes BOCES did not conduct adequate reviews.

Wayne-Finger Lakes BOCES overstated total non-traditional and traditional contact hours by 45,795. However, the net effect on Wayne-Finger Lakes BOCES will be less due to the 1998-99 overpayment of \$162,271 that was deducted from the 1999-2000 EPE revenue. Chart 3 shows that the net effect will be an overpayment of \$38,768 in EPE revenue.

Chart 3
Summary of Questioned Hours

Program	Questioned Hours	EPE Rate	Questioned Revenue
Non-traditional	44,817.6	\$4.39	\$196,749
Traditional	977.2	\$4.39	4,290
Total	<u>45,794.8</u>		<u>\$201,039</u>
Less:			
1998-99 Overpayment			<u>(162,271)</u>
Adjusted Total			<u>\$38,768</u>

Wayne-Finger Lakes BOCES officials agree that a minor portion of non-traditional contact hours was not adequately documented. They will require instructors to make detailed log entries on each call. Wayne-Finger Lakes BOCES officials state that the disallowance is a result of sampling, not an actual fact, but they will not challenge the findings.

Reported Contact Hours Included Ineligible Students

The audit compared Wayne-Finger Lakes BOCES' EPE database to the Department's GED database and found that Wayne-Finger Lakes BOCES claimed EPE hours for several students who had been awarded a GED diploma. In total, 18 ineligible students were claimed for 758 contact hours totaling \$3,328 (758 x \$4.39) in EPE revenue.

There is no procedure to ensure that students passing the GED exam will notify the EPE Program they attended. The Department reports test results to testing sites, but oftentimes a student does not enter the service code of the education

program. As a result, a BOCES would not be informed that its students took and passed the GED exam.

Wayne-Finger Lakes BOCES officials agree that EPE hours were claimed for students with GED diplomas. However, they agree with the finding that “there is no procedure to ensure that students passing the GED exam will notify the EPE Program they attended. The Department reports test results to testing sites, but oftentimes a student does not enter the service code of the education program. As a result, Wayne-Finger Lakes BOCES would not be informed that its students took and passed the GED exam.” Wayne-Finger Lakes BOCES officials will request that the Department provide timely reporting of students passing the GED so that instruction can be stopped.

GED on TV, Life Skills – Home Study Are Not Following the Approved Program Models

The GED on TV Program Implementation Manual, workbooks, and videotapes (43, 30-minute programs) are made available by Kentucky Educational Television (KET) through the Kentucky Network. Public broadcasting stations in New York State broadcast the video tape series. Education providers may also purchase the videotapes directly to make them available to students. A set of three workbooks that follow along with the videotapes is also provided to students.

The audit found that Wayne-Finger Lakes BOCES is not using the KET television series or videotapes. Wayne-Finger Lakes BOCES uses the Cambridge GED on TV book instead. Wayne-Finger Lakes BOCES provided the audit with a training brochure that showed, at one time, it was acceptable to use either the KET or Cambridge material. When the Department’s head of GED on TV was informed, it was disclosed that the Cambridge book can be used as a supplemental resource, but the current approved GED on TV Model Program must include the KET program or the videotapes. A master set of videotapes can be purchased and copies can be distributed to students. Wayne-Finger Lakes BOCES officials replied that they did not want to use videotapes.

The audit also determined that Wayne-Finger Lakes BOCES uses many supplemental materials and does not always stay focused on the approved modules for GED on TV or Life

Skills – Home Study. In fact, these programs operate very similar to GRASP because materials are mailed to students and the student may return material back to the instructor. However, unlike GRASP which records contact hours from prepared home study packets, GED on TV and Life Skills – Home Study uses phone logs to report contact hours. The audit’s review of student phone logs showed several cases where log entries made no reference to the approved models for both GED on TV and Life Skills – Home Study.

Wayne-Finger Lakes BOCES needs to meet the current criteria of using the KET material to comply with Department requirements for GED on TV. Failure to comply could result in EPE aid being withheld for ineligible contact hours.

Recommendations

2. Improve documentation on logs for non-traditional programs.
3. Ensure only eligible students are claimed for EPE contact hours.
4. Ensure approved materials are being used for GED on TV program to include KET material.

Comments of Wayne-Finger Lakes BOCES Officials

Wayne-Finger Lakes BOCES officials concur with these recommendations.

Opportunities to Improve Management Processes

Internal Controls Could Be Improved

The Guide, Volume 2, Subsection 11.0101, 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. In addition, all resources should be safeguarded against waste, loss, and misuse.

An effective internal control system can be composed of several elements: safeguarding assets, segregating duties, establishing written procedures, and employing supervisory controls over operations. Safeguarding assets is important to prevent the loss or misuse of assets; segregating duties restricts one employee from having too much control over a particular process as too much control increases the risk of loss for that area; written procedures help ensure management's intent is carried out; and supervisory controls are necessary to ensure that processes are monitored effectively.

Safeguarding Assets

- ◆ Disbursement checks are kept in an open bin in the mail room overnight. The mailroom is accessible to employees and cleaning staff until 10 pm. The checks should be secured overnight or mailed immediately.

Segregation of Duties

- ◆ There is no independent review of cash disbursements before checks are mailed out because the Accounts Payable (A/P) clerks who process the payments also mail out the checks. The checks are printed with a signature on them. Someone independent of the A/P area should review the printed checks and mail them out. The Internal Auditor reviews payments, but this may occur after the checks have been mailed.
- ◆ Payroll clerks can access paychecks. This is a control weakness because clerks make entries to the payroll system. Possible risks include making unauthorized payments to themselves, increasing the paycheck amount for themselves or others, or creating fictitious employees.

Wayne-Finger Lakes BOCES has a compensating control involving a non-payroll employee who conducts periodic payroll reviews. The review includes selecting a sample of employees and verifying the accuracy of their salary, weekly payroll amount, and if any overtime was approved. Wayne-Finger Lakes BOCES should be commended for conducting periodic payroll reviews; however, the reviews should also include a review for unauthorized persons. This could be accomplished by tracing names back to personnel records by Personnel staff. The last review was three months old. Reviews should be more frequent and should be signed and dated by the reviewer.

Bank Reconciliations

- ◆ The General Fund is reconciled independently, but the reconciler obtains the book balance, the receipts, and disbursement figures from the person who makes daily entries to the account. The reconciler should obtain these figures directly from the system to ensure accuracy. In addition, the bank does not return the cancelled checks. Instead, it provides photocopies of the front of six checks per page. The print is very small and this precludes any review of cancelled check endorsements to ensure the payee actually cashed or deposited the check.
- ◆ The Payroll Account is not independently reconciled. A payroll clerk reconciles the account but does not review the cancelled checks. This task should be done by someone independent of the payroll area and should include a review of the cancelled checks to review check signatures and endorsements on a test basis. Also, the total of the cancelled checks should agree to the bank statement.
- ◆ The person who receives Trust and Agency (T&A) deposits also reconciles the account. In addition, the reconciler of the T&A account receives the bank statement and cancelled checks unopened, but gives everything to the Treasurer so she can record the interest income. There is no need to give the statement and cancelled checks to the Treasurer. The reconciler could simply provide the Treasurer with a copy of the statement to record the interest income. By giving up control of the statement, this allows someone the opportunity to pull a cancelled check from the statement. Also, the reconciler does not review the cancelled checks.

Compensating Controls

- ◆ Neither Wayne-Finger Lakes BOCES nor their CPAs conduct floorchecks or payouts to ensure the accuracy of the payroll.
- ◆ Neither Wayne-Finger Lakes BOCES nor their CPAs canvass local area banks for unauthorized bank accounts. (This was used to perpetrate a fraud at another BOCES.)

There is no assurance that the system of internal controls is functioning in the areas of cash disbursements, payroll, and bank reconciliations. Without any compensating controls or supervisory reviews, the potential for loss is greater for Wayne-Finger Lakes BOCES' assets. Wayne-Finger Lakes BOCES has initiated payroll reviews that could be extended to cash disbursements and bank reconciliations as well.

Wayne-Finger Lakes BOCES officials agree with the control weaknesses cited with safeguarding assets and segregation of duties. They state they have been working with their CPA to improve internal controls and the additional safeguards mentioned will be helpful. Wayne-Finger Lakes BOCES will ensure that assets are properly safeguarded, duties are properly segregated, and bank reconciliations are independently reconciled. They will also continue to have their independent auditor review internal controls.

Recommendations

5. Establish procedures to strengthen internal controls in the areas of safeguarding assets, segregating duties, bank reconciliations, and compensating controls.

Comments of Wayne-Finger Lakes BOCES Officials

Wayne-Finger Lakes BOCES officials concur with this recommendation.

Data Collection and Use

BOCES have been asked five questions regarding data collection and use as part of the audit scope. The questions are being asked to ascertain best practices that might be shared among the BOCES. The following are the responses of Wayne-Finger Lakes BOCES officials to these questions.

Question 1

What data do you collect and how do you use the data to help component schools increase their performance within your supervisory district? What specific data do you use? Where do you obtain the data? Are there any other data you wish you had?

Wayne-Finger Lakes BOCES' Response

New York State assessment data is collected from the districts, verified, and sent to State Education Department. The performance data is disaggregated by similar schools in the region and compared to the NY State similar school averages. Performance level data and mean standard score data is disaggregated by gender, special/general education status, free/reduced lunch using the LEAP data.

IMPACT reports are created by drilling through the assessment data to identify building, class and individual student performance. Laurel Skellet is the Test Score Coordinator for this data. Information from the various reports is shared and explained with Chief School Officers and the Regional Instructional Council. These conversations helped bring about a deeper understanding of the importance of data, which lead to a variety of initiatives and services developed with districts. The 1998-99 student performance data was used to identify schools who might benefit from developing a CDEP, and those who were required to write a Local Assistance Plan. BOCES was able to provide facilitation for these, if requested. Through the use of COGNOS, test cubes were developed using the 1999 assessment data, and the regional data was analyzed to identify possible program areas in need of assistance for students to meet the standards. A regional cooperative curriculum project resulted, which will make available model lessons for all teachers, not only in the W-FL region, but throughout the state through the Project ACCELERATE consortium.

BOCES does not have direct access to Regents or cohort data. This would be of tremendous benefit so that we might have a more complete profile of districts and our region. Also, there currently does not exist an efficient means to identify the performance of students who attend BOCES programs. This must be done by hand.

Question 2

What data do you collect and how do you use them to help component schools improve student outcomes in your supervisory district? What specific data do you use? Where do you obtain the data? Are there any other data you wish you had?

Wayne-Finger Lakes BOCES' Response

Data regarding pupil enrollment/attendance is collected and reported on the SA 129 form from the districts through the designated attendance officer. School Master and SASI software programs are used. Sue Shaw and Pam Happ are the Project Leaders. Special education data is collected through the PD or Part 200 reports from the CSE officer in each district. Lisa Roberts is the Project Leader. None of this data is verified before it is sent to State Education Department. LEAP (Local Education Agency Program) data is compiled from SASI/School Master enrollment data and from the K-8 NYS assessment data. In 1998-99, data from grades 4,5, and 8 were collected from all districts, and 11th grade data if the high school used Title I or PCEN funds. This data is verified at least twice before it is sent to SED. Laurel Skellet is the Project Coordinator for this information.

Questions 3 through 5

What data do you collect and how do you use them to improve BOCES student outcomes. What specific data do you use? Where do you obtain the data? Are there any other data you wish you had? How would you like to see the BOCES Report Cards changed, if possible. Do you think it fairly and accurately represents your BOCES' performance? What data would you like to see added, deleted, or modified, if possible, in the Chapter 602 Report?

Wayne-Finger Lakes BOCES' Response

Wayne-Finger Lakes BOCES did not provide responses to questions 3-5.

Follow Up – Recommendation Implementation Plan

On February 13, 1998, the Office of Audit Services issued a final report on management practices, records and documentation related to selected areas of Wayne-Finger Lakes BOCES. The report contained 14 recommendations to improve operations. Wayne-Finger Lakes BOCES submitted a Recommendation Implementation Plan for each recommendation on April 16, 1999.

Wayne-Finger Lakes BOCES successfully implemented or otherwise satisfied nine recommendations. Five recommendations were partially implemented.

Recommendation 1

Seek a legal opinion on the appropriateness of terminating leases with those school districts that are using Wayne-Finger Lakes BOCES's space for district purposes. Re-negotiate the leases with school districts that are providing space Wayne-Finger Lakes BOCES no longer uses.

Implementation Action(s)

To obtain the leases currently in place, promises were made to the districts that provided us with space. Mainly, that there would be no cost to the local taxpayers for the construction of space for BOCES Special Education students.

The leases were structured to that effect. Having made those promises, BOCES cannot go back and request a re-negotiation of those leases. We cannot go back and demand a reduction in rent for those leases.

The BOCES will implement in any future leases, language that would allow BOCES to reduce the rent if two conditions occur.

1. BOCES does not need the space.
2. The districts would be using any of the leased space.

Implementation Date: 8/97

Person Responsible for Implementation: Larry Driscoll

Status Partially implemented.

Auditors' Comments

Wayne-Finger Lakes BOCES provided a copy of a recently negotiated 10-year lease with Manchester-Shortsville Central School District dated July 1, 1998. The provision allows for a rent reduction if Wayne-Finger Lakes BOCES (Lessee) does not need some of the rented classrooms as long as the Lessor elects to use the classrooms for its own purposes. We also found this provision in a 10-year lease with Newark Central School District dated September 1,

2000. However, we asked for other rental agreements and found that several leases negotiated after the aforementioned leases did not have this provision. Some of the agreements were extensions of prior leases. Other leases were negotiated subsequent to the Manchester-Shortsville lease, but still did not contain the provision. Several leases will be up for renewal in 2001-02 and should contain this provision. **See Attachment 2 for details.**

Recommendation 2

Adjust future lease payments to the Phelps-Clifton Springs Central School District to account for the overpayment in 1995-96 and review prior and subsequent years to determine if payments were appropriate.

Implementation Action(s)

The lease called for an adjustment of the rent once all the final costs were known. In August 1996, the BOCES was issued a credit by the district to adjust for the overpayment.

Implementation Date: 8/96

Person Responsible for Implementation: Larry Driscoll

Status Implemented

Auditor's Comments

The prior audit stated that Wayne-Finger Lakes BOCES overpaid Phelps-Clifton Springs Central School District \$22,000. The school district calculated that Wayne-Finger Lakes BOCES was owed \$87,990. Starting with the 1995-96 year and running through the next two years, Wayne-Finger Lakes BOCES recovered a total credit adjustment of \$87,990 through offsets to current rents (\$29,330 per year for three years). The lease schedule was provided to the audit.

Recommendation 3

Institute a policy that prohibits the use of public funds for personal expenses. Recoup any such expenses from the individuals that benefited.

Implementation Action(s)

BOCES no longer pays for personal expenses for employees or board members and then gets reimbursed.

All expenses were recouped.

Implementation Date: 8/97

Person Responsible for Implementation: Larry Driscoll

Status Partially implemented.

Auditor's Comments

Mr. Driscoll provided two instances where Wayne-Finger Lakes BOCES had been refunded for personal expenses from the 1995-96 audit. One employee refunded \$205 for a spouse's airfare and another refunded finance charges of \$183.

We reviewed a sample of Administration CO-SER expenses and found personal expenses were paid by Wayne-Finger Lakes BOCES for the following:

Gold apples with engraving for staff recognition	\$322
Holiday greeting cards for various businesses	\$214
25 corsages for workshop/lunch	\$ 88

We also found that Wayne-Finger Lakes BOCES used "Claim Forms" for several expenses. A claim form is used when an expense is submitted for reimbursement. There is no prior approval for the expense, as there would be in the case of a purchase order. We consider claim forms to be confirming orders because expenses are paid prior to being approved. Wayne-Finger Lakes BOCES used claim forms mainly for meals for various meetings. We believe that prior approval should be obtained before these expenses are paid by Wayne-Finger Lakes BOCES.

Recommendation 4

Develop a travel policy that establishes reimbursement rates for travelers on official business. The policy should define a process to be followed in obtaining any waiver from such rates. Consider adopting the IRS per diem rates as the Wayne-Finger Lakes BOCES standard.

Implementation Action(s)

BOCES has implemented a travel policy, which established reimbursement rates and procedures for waivers for travelers on official business.

Implementation Date: 2/99

Person Responsible for Implementation: Joe Marinelli, Larry Driscoll

Status Partially implemented.

Auditor's Comments

The audit has several examples of Wayne-Finger Lakes BOCES staff exceeding lodging per diems without any documentation of an approval waiver. The greatest example of this involved five staff who stayed at the Otesaga Hotel in Cooperstown, New York. The room charge was

\$210 while the per diem was \$55, or 74% less. Wayne-Finger Lakes BOCES meal expenses, however, were frequently less than per diem rates.

Recommendation 5

Re-negotiate the contract with the District Superintendent to reduce compensation to the current salary cap.

Implementation Action(s)

In May 1998, SED issued a revised document clarifying the issues around life insurance policies.

It allowed for a split dollar benefit assignment and excludes these policies from the salary cap. On July 1, 1998, the contract with the district superintendent was amended to change the whole life policy to a split dollar policy. This was reviewed and approved in writing by SED Legal Council.

Implementation Date: 7/98

Person Responsible for Implementation: Joe Marinelli

Status - Implemented

Auditors' Comments

Wayne-Finger Lakes BOCES provided auditors with an "Assignment of Life Insurance Policy as Collateral" in favor of the Wayne-Finger Lakes BOCES for the net proceeds from the Northwestern Mutual Life Insurance policy on Superintendent Joseph J. Marinelli. The documentation includes a form "Collateral Assignment for Split Dollar Plan" signed by the Superintendent as "assignor."

Recommendation 6

Improve procedures to ensure that only expenditures for EPE Program purposes are claimed for aid.

Implementation Action(s)

The Director of Adult and Continuing Education has implemented steps to make certain that the expenses claimed are correct.

Implementation Date: 7/96

Person Responsible for Implementation: Sylvia Connolly

Status Implemented.

Auditors' Comments

We were able to successfully trace the EPE expenditures on the State Aid Claim Form to Wayne-Finger Lakes BOCES' accounting records.

Recommendation 7

Improve procedures to ensure the correct calculation of EPE contact hours.

Implementation Action(s)

A new software program was implemented on 7/1/96 for the following 96/97 school year.

Implementation Date: 8/97

Person Responsible for Implementation: Sylvia Connolly

Status Implemented.

Auditors' Comments

The new software program provided the correct calculation of EPE contact hours. This does not address whether Wayne-Finger Lakes BOCES could provide attendance records to support the calculation of EPE hours. See PAFs #1-3.

Recommendation 8

Institute controls to assure that every district is charged appropriately for computer services.

Implementation Action(s)

The districts are being charged according to Co-Ser guidelines.

Implementation Date: 8/97

Person Responsible for Implementation: Jack McCabe

Status: Implemented.

Auditors' Comments

We were provided a schedule showing that all districts are now charged the proper fee for participating in the Regional Computing Center service.

Recommendation 9

Discontinue providing the Energy Performance Contracting service.

Implementation Action(s)

Review with staff at School District Reorganization the goals and purposes of this program. The BOCES wants to be certain that the SED fully understands the program before a final decision is made.

Implementation Date: 6/99

Person Responsible for Implementation: Larry Driscoll

Status - Implemented.

Auditors' Comments

Wayne-Finger Lakes BOCES indicated that Mr. Driscoll would contact the BOCES and School District Organization Unit and obtain a decision to curtail or go on with this program. He wrote on August 14, 2000 for clarification. Suzanne Spear indicated that the service could continue as indicated in 1997 and remain ineligible for aid. Since the audit year 1995-96, the current year revenue has dropped from \$313,000 to \$14,000 and expenses from \$271,000 to \$14,000. No BOCES aid is paid on these expenses.

Recommendation 10

Instruct business office staff on the appropriate way to account for year-end encumbrances and cease expensing items in the year prior to receipt and use.

Implementation Action(s)

Year end encumbrances are being accounted for in the current year.

Implementation Date: 8/97

Person Responsible for Implementation: Larry Driscoll

Status - Implemented

Auditors' Comments

We reviewed equipment purchases in late June of the 1998-99 school year. All were received before June 30, 1999 and were properly expensed. Wayne-Finger Lakes BOCES reported year-end encumbrances on the certified financial statements as \$2,206,405 for the 1998-99 school year.

Recommendation 11

Require supporting documentation prior to payment of credit card invoices and the approval of journal entries.

Implementation Action(s)

A new credit card procedure was approved by our board on 2/9/99.

Implementation Date: 2/99

Person Responsible for Implementation: Larry Driscoll

Status Implemented.

Auditors' Comments

No significant documentation problems were found.

Recommendation 12

Maintain an inventory system that provides information that will specifically identify items and their location, including school districts. Include a process that allows for additions and deletions from the inventory and calls for a periodic physical verification of the items.

Implementation Action(s)

A new inventory system has been implemented.

Implementation Date: 8/97

Person Responsible for Implementation: Larry Driscoll

Status - Partially implemented.

Auditors' Comments

A computerized inventory as been instituted with procedures developed and forms in use. Inventory controls have been improved with the introduction of bar coding methods. In addition, Wayne-Finger Lakes BOCES conducts physical inventories of equipment at BOCES and school district locations. However, the inventory is not completely reliable yet. Currently, the inventory system's software was not reflecting additions or deletions to the program. Also, Wayne-Finger Lakes BOCES was not tracking the movement of equipment.

Recommendation 13

Initiate the use of vehicle logs for all Wayne-Finger Lakes BOCES vehicles and affix a logo identifying them as Wayne-Finger Lakes BOCES vehicles.

Implementation Action(s)

BOCES logos have been ordered for application on BOCES owned vehicles that currently do not have a logo.

Implementation Date 6/99

Person Responsible for Implementation: Larry Driscoll

Status - Partial Implementation

Auditors' Comments

The audit observed at the Newark campus that newer trucks have been identified with Wayne-Finger Lakes BOCES' identifying logos. While formally examining fixed assets at the Finger Lakes Educational Center at Flint, identifying lettering was apparent on school buses and a large trailer. A number of pickup trucks and vans used as maintenance vehicles are not identified reflecting the Wayne-Finger Lakes BOCES belief "the remote possibility of truck misuse does not justify the additional paperwork." Wayne-Finger Lakes BOCES does not maintain mileage logs for staff vehicles, although a log is maintained on the District Superintendent's leased car.

Recommendation 14

Establish a standard method to equitably allocate operations and maintenance costs to other areas and to follow the standard method.

Implementation Action(s)

BOCES has a standard that uses the square footage method to distribute O & M costs.

Implementation Date: 8/97

Person Responsible for Implementation: Larry Driscoll

Status- Implemented.

Auditors' Comments

The auditors have been presented an O & M schedule of cost distribution for the 1999-2000 school year that supports cost allocation on a square footage basis.

Wayne-Finger Lakes BOCES
EPE Program
Summary of Questioned Contact Hours

	A	B	C	(A+B+C) D	(C / D) E	F	(E x F) G	(G x \$4.39) H
	Accepted	Possible	Questioned	Total	Error Rate	Population	Projected Questioned Hours	Questioned Revenue
Nontraditional:								
Another Page	49	12	9	70	13%	7,986	1,026.8	\$4,508
Citizenship	-	33	2	35	6%	6,294	359.7	1,579
Crossroads Café	127	48	42	217	19%	11,435	2,213.2	9,716
Even Start	36		399	435	92%	1,772	1,626.2	7,139
GED on TV	338	105	196	639	31%	34,170	10,480.9	46,011
Learn to Read	36	-	2	38	5%	2,424	127.6	560
Life Skills - Home Study	80	115	191	386	49%	38,998	19,296.9	84,714
Math Basics	322	65	163	550	30%	24,652	7,306.0	32,073
GRASP	870	-	42	912	5%	25,240	1,162.4	5,103
GRASP - ABE 157 (see Note 1)	144	-	1,218	1,362	N/A	3,498	1,218.0	5,347
Traditional: NOT PROJECTED								
ABE	649		36	685	N/A	N/A	36.0	158
ACC	291		(17)	275	N/A	N/A	(16.5)	(72)
HOR	-		262	262	N/A	N/A	262.0	1,150
VOC	1,605		53	1,658	N/A	N/A	52.7	231
EPE Students with GED diplomas	N/A	N/A	758	758	N/A	N/A	758.0	3,328
VOC 757 data entry errors	N/A	N/A	643	643	N/A	N/A	643.0	2,823
Totals	4,547	378	3,999	8,924		156,469.0	46,552.8	\$204,367
Less: 98-99 Overpayment withheld from 99-00.							(162,271)	
							<u>\$42,096</u>	

Note 1: The audit did not project the questioned hours from GRASP ABE 157. The 89% error rate from the original sample was not supported by the expanded sample (error rate of only 5%). Therefore, the audit questioned the GRASP ABE 157 hours on a one-for-one basis and used the 5% error rate to project the questioned hours for the remaining GRASP classes.

Wayne-Finger Lakes BOCES Recommendation Implementation Plan

Wayne-Finger Lakes BOCES Lease Agreements Without New Provision 1999-2000				
Date	Lessor	Term (Years)	Annual Amount	Comments
7/1/2000	Gorham-Middlesex CSD	1	\$11,000	One year extension of original six-year lease.
1/1/2000	Williamson CSD	1	12,000	One year extension of original six-year lease.
9/1/2000	Rural Housing Action Corp.	1	8,364	
7/1/1999	Charnell Properties	5	42,480	
8/1/1999	Seneca County	5	19,008	
11/27/1999	Erie Canal Cultural Center	1	9,000	

Contributors to the Report
Wayne-Finger Lakes BOCES

- Calvin Spring, Audit Manager
- William Artini, Auditor-in-Charge
- Robert Scherer, 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, New York State Education Department, Room 128 EB, Albany, New York 12234 within 30 days of receiving the final audit report. An organization may request a review of an audit whenever the final audit report directs the recovery of funds from the organization and one or more of the following conditions is met:

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

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



WAYNE-FINGER LAKES
Board of
Cooperative
Educational
Services

Joseph J. Marinelli, Ph.D.
District Superintendent

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Newark NY 14513-1863
(315) 332-7426 (Driscoll)
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cc: C. Spring
W. Lake
Lawrence M. Driscoll
Assistant Superintendent
for Administration
John G. Baker
Administrator of Business
Office Services

May 14, 2002

RECEIVED
MAY 17 2002
OFFICE OF
AUDIT SERVICES

Mr. Daniel Tworek, Director
The State Education Department
Office of Audit Services
Room 524 EB
Albany, NY 12234

Dear Mr. Tworek:

Enclosed please find our responses to the preliminary audit. Should you have any questions, please give me a call.

Yours truly,

A handwritten signature in black ink, appearing to read "Lawrence M. Driscoll".

Lawrence M. Driscoll
Asst. Supt. For Admin

/lk

Enc.

NEW YORK STATE EDUCATION DEPARTMENT
Office of Audit Services
Wayne-Finger Lakes BOCES
Preliminary Audit Findings
School Years: 1998-00
Report Dated April 12, 2002

Preliminary Audit Finding #1

Audit Segment: Employment Preparation Education (EPE) Program
Audit Component: Reported Contact Hours Included Undocumented Hours

Audit Questions:

- 1. Does WFL BOCES agree that nontraditional contact hours were not adequately documented? If not, please explain.**

The BOCES does agree that a very minor portion of the nontraditional contact hours were not adequately documented.

- 2. How will WFL BOCES ensure that contact hour documentation, especially phone logs, will be complete and accurate in the future? Please explain.**

Instructors are now required to make detailed log entries on each call.

- 3. Does WFL BOCES agree that contact hours were overstated by 45,795 hours and EPE aid was overstated by \$201,039? If not, please explain.**

The audit team claims that the contact hours were overstated by 45,795 hours is a result of sampling, it is not an actual fact. However, at this late point in the audit, the BOCES will not challenge the findings.

- 4. How will WFL BOCES ensure that all reported contact hours are accurate in the future? Please explain.**

Instructors are now required to make detailed log entries on each call.

NEW YORK STATE EDUCATION DEPARTMENT

Office of Audit Services
Wayne-Finger Lakes BOCES
Preliminary Audit Findings
School Years: 1998-00
Report Dated April 12, 2002

Preliminary Audit Finding #2

Audit Segment: Employment Preparation Education (EPE) Program
Audit Component: Reported Contact Hours Included Ineligible Students

Audit questions:

1. **Does WFL BOCES agree that EPE hours were claimed for students with GED diploma? If not, please explain.**

Yes, the BOCES agrees that EPE hours were claimed for students with GED diplomas. However, the BOCES has no way of knowing that the student had, in fact, passed the GED. We agree with your findings when you state that, "There is no procedure to ensure that students passing the GED exam will notify the EPE program they attended. The Department reports test results to testing sites, but oftentimes a student does not enter the service code of the education program. As a result, WFL BOCES would not be informed that its students took and passed the GED exam".

2. **How will WFL BOCES ensure that no EPE hours are claimed for students with GED diplomas in the future? Please explain:**

The BOCES will request that the State provide timely reporting of students passing the GED so that instruction can be stopped.

Preliminary Audit Finding #3

Audit Segment: Employment Preparation Education (EPE) Program
Audit Component: GED on TV, Life Skills - Home Study Are Not Following the Approved Program Models

Audit questions:

1. **Does WFL BOCES agree that they are not following the approved models for GED on TV and Life Skills - Home Study? If not, please explain.**

The BOCES does not agree that it is operating an unapproved program. The GED Program Implementation Manual plainly states that the KET OR Cambridge GED book can be used (see attachment)

2. **How will WFL BOCES ensure that all EPE programs will follow the approved models in the future? Please explain.**