
Audit Report

Western New York Regional
School Support Center

For the Periods
July 1, 2004 through June 30, 2007

BOC-1207-2

August 18, 2009

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





THE STATE EDUCATION DEPARTMENT / THE UNIVERSITY OF THE STATE OF NEW YORK / ALBANY, NY 12234

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August 18, 2009

Mr. John Sherman
Board President
Erie 1 BOCES
355 Harlem Road
West Seneca, NY 14224

Dear Mr. Sherman:

The following is our final audit report (BOC-1207-2) of the Western New York Regional School Support Center (Western RSSC) for the periods July 1, 2004 through June 30, 2007. The audit was conducted pursuant to Education Law Section 305 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."

Ninety days from the issuance of this report, Western RSSC officials will be asked to submit a report on actions taken as a result of this audit. This required report will be in the format of a recommendation implementation plan and it must specifically address what actions have been taken on each audit recommendation.

I appreciate the cooperation and courtesies extended to the staff during the audit.

Sincerely,

James A. Conway

Enclosure

c: Interim Commissioner Huxley, T. Savo, B. Porter, C. Szuberla, D. Cunningham, R. Kesper, D. Bryant, A. Timoney (DOB), J. Dougherty (OSC), D. Ogilvie

Executive Summary

Background

The New York State Education Department (Department) solicited Request for Proposals and subsequently entered into contracts with six Boards of Cooperative Education Services (BOCES) and the United Federation of Teachers Educational Foundation, Inc. to operate Regional School Support Centers (RSSCs). RSSCs assist schools in their efforts to improve student achievement and decrease gaps that exist between current performance and the State standards. They receive funding from the Department to provide programs and services to districts and schools identified as needing improvement in English Language Arts and/or mathematics, or for low performance in special education.

Funding for RSSCs is provided by these federal programs: No Child Left Behind (NCLB) Title II A - Improving Teacher Quality; NCLB Title I Part B - Reading First; NCLB Title I Part F - Comprehensive School Reform; and the Individuals with Disabilities Education Act (IDEA) Sections 611 and 619. Funding from Title I Part F Comprehensive School Reform was not used in the 2006-07 school year. The RSSCs annually submit a separate budget for each of the funding sources for approval by the Department.

The Western New York Regional School Support Center (Western RSSC) was established in the Erie 1 BOCES (Erie 1), located in West Seneca, New York. The Western RSSC assists various schools in seven counties in the western part of the State.

The Western RSSC program budgets for the 2004-05, 2005-06, and 2006-07 school years averaged about \$2.6 million annually. The program served 32 schools for each of the years audited.

Scope of the Audit

We examined financial management practices, records, and documentation related to the Western RSSC programs for the periods July 1, 2004 through June 30, 2007. This was a performance audit and our objectives were to: review the adequacy and reliability of the internal control structure; ensure that expenditures claimed were actually incurred and allowable; and determine if the Western RSSC and Erie 1 were in compliance with guidelines associated with the administration of the approved contract and budgets.

Audit Results

We determined that the Western RSSC had many of the necessary controls in place; however, improvement opportunities exist in certain areas. A summary of findings follows:

- Reimbursement for indirect costs was claimed using an incorrect rate in one year, applying the rates to budgeted rather than actual costs, and using a direct cost base that included ineligible costs. As a result, Western RSSC was over reimbursed by \$22,116. (page 4)
- One person was categorized incorrectly as an employee who should have been treated as a consultant. (page 8)
- Some hourly employees did not sign time work records to ensure correctness or note work start and end times. (page 9)
- Supporting documentation for expenditures did not always include lists of participants and agendas where appropriate. (page 10)
- The use of confirming purchase orders was not limited to emergency situations only and the method used to allocate expenditures between programs was not always documented. (page 11)
- Western RSSC was not in compliance with some provisions of the Contract such as not: acknowledging support from New York State where appropriate; having a consultant contract clause indicating copyrightable work belongs to the Department; having contracts in place where needed and before services were rendered; always following travel guidelines in effect for New York State Management/Confidential (MC) employees; and having accurate inventory records. (page 13)

Comments of BOCES Officials

Erie 1 and Western RSSC officials' comments on the findings were considered in preparing this report. Their response is included as Appendix C.

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Introduction

Background

The New York State Education Department (Department) solicited Requests for Proposals and subsequently entered into contracts with six Boards of Cooperative Education Services (BOCES) and the United Federation of Teachers Educational Foundation, Inc. to operate Regional School Support Centers (RSSCs). RSSCs were designed to assist schools in efforts to improve student achievement and decrease the gap that exists between current performance and the State standards. They receive funding from the Department to provide programs and services to districts and schools identified as needing improvement in English Language Arts and/or mathematics, or for low performance in special education.

Funding for RSSCs is provided by these federal grant programs: No Child Left Behind (NCLB) Title II A - Improving Teacher Quality; NCLB Title I Part B - Reading First; NCLB Title I Part F - Comprehensive School Reform; and Individuals with Disabilities Education Act (IDEA) Sections 611 and 619. NCLB Title I Part F - Comprehensive School Reform funds in the 2006-07 school year were not used. The RSSCs must annually submit a separate budget for each of the funding sources which are approved by the Department.

In 2003, Erie 1 BOCES (Erie 1) entered into a contract (Contract) with the Department to operate the Western New York Regional School Support Center (Western RSSC). The Western RSSC provided programs and services to various schools in seven counties in the western part of the State.

The Western RSSC program budgets for the 2004-05, 2005-06 and 2006-07 school years averaged about \$2.6 million annually. The number of schools served for the same period averaged 32.

Objectives, Scope, and Methodology

The Department's Office of Audit Services audited financial management practices, records, and documentation related to Western RSSC programs for the periods July 1, 2004 through June 30, 2007. This was a performance audit and our objectives were to:

- review the adequacy and reliability of the Western RSSC internal control structure;
- ensure that expenditures claimed were actually incurred and allowable; and
- determine if Western RSSC complied with guidelines associated with the administration of the Contract and budgets.

To accomplish our objectives, we reviewed applicable laws, regulations, policies and procedures; interviewed Erie 1, Western RSSC and Department management and staff; examined records and supporting documentation; and sampled transactions.

The audit was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting and operational records and applying other audit procedures we considered necessary. 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 from BOCES Officials

Erie 1 and Western RSSC officials' comments on the findings were considered in preparing this report. Their response is included as Appendix C.

Internal Controls

Programs receiving taxpayer funds are required to have an adequate financial management system in place to receive and expend these funds. One element of an adequate financial management system is internal controls.

The board and management are responsible for establishing, maintaining, and monitoring effective systems of internal controls. Internal controls are the policies, procedures and practices designed and implemented to provide the board and management with reasonable assurance that resources are safeguarded against waste, loss, and misuse; operations are efficient and effective; specific management objectives are achieved; financial reports are reliable; and the entity complies with the provisions of their contract and budget.

One audit objective was to test the adequacy and reliability of internal controls as they relate to the administration of the Contract funds received by Western RSSC. We found that Western RSSC, through Erie 1, has many of the necessary controls in place relating to purchasing, accounts payable and cash disbursements, payroll and personnel, and travel and conference expenditures. However, we found opportunities for strengthening some aspects of internal controls as discussed later in the report.

Contract Payments

State Finance Law, Section 112, requires the State to enter into formal contracts with service providers whose award exceeds \$50,000. Contracts, such as vendor procurement contracts with RSSCs follow an established procurement process. The process requires the RSSCs to submit a budget for approval by the Department's program office. Each budget is considered an amendment to the Contract.

The Contract requires that payments be made in accordance with the Payment and Reporting Schedule (Appendix C). Appendix C states, "Final payment shall be made to the Contractor upon satisfactory proof of expenditures and upon receipt of a final report in a form and having a content satisfactory to the Commissioner of Education (Commissioner). If the Contractor has not earned such amount, the Contractor will return to the State any excess payment within thirty (30) days of the termination of this agreement."

Western RSSC was over reimbursed \$22,116 in indirect costs by applying an incorrect indirect rate, applying the rate to budgeted rather than actual costs, and not correctly calculating the direct cost base. The fiscal impacts of these errors are noted in Table II and in Appendix A.

Indirect Costs

The Contract allows Erie 1 to receive reimbursement for indirect costs associated with the operation of Western RSSC. Indirect costs are broadly defined as central administration costs and certain other organization wide costs that are incurred in connection with a project, but that cannot be readily identified with the project. The total indirect costs generated for a project are calculated by applying an approved indirect cost rate to an allowable direct cost base.

Indirect Rates

Each year, Western RSSC submitted a budget to the Department for approval for the upcoming school year. The approved budgets contained an indirect cost rate. Western RSSC did not use the correct rate for the 2006-07 school year. Table I shows the rates that were used by Western RSSC and the Department approved rates. The effect of this error

increased the reimbursement of indirect cost for the 2006-07 school year. The RSSC should use the correct indirect rates as approved in the budget each year.

Table I
Comparison of Department Approved Indirect Rates with Rates Used

School Year	Rate Used	Department Approved Rate
2004-05	1.6%	1.6%
2005-06	1.8%	1.8%
2006-07	2.0%	1.8%

Source: Erie 1 documents, various workpapers.

Budgeted Expenditures

When the annual budgets were submitted to the Department for approval, the indirect cost rate was applied to the budgeted expenditures. However, when subsequent reimbursement claims were submitted and actual expenditures were incurred, Western RSSC continued to apply the indirect rates to budgeted rather than actual expenditures.

Western RSSC applied the indirect cost rates to budgeted expenditures and submitted these amounts for reimbursement as part of their claiming process for the 2004-05 and 2005-06 school years. Since budgeted expenditures were higher than actual for those two years, Western RSSC was over reimbursed. The Western RSSC should ensure that claims submitted reflect indirect cost rates that are applied to actual expenditures rather than budgeted.

Direct Cost Base

Indirect costs are calculated by applying the approved indirect rates to an allowable direct cost base. The direct cost base is calculated by deducting equipment and BOCES purchased services from total costs in accordance with the approved budgets. According to Department officials, BOCES purchased services include services purchased from any BOCES.

Western RSSC reduced other than personal service expenditures by equipment purchases, but did not reduce expenditures by BOCES purchased service costs in calculating the direct cost base. As a result, we recalculated the direct cost base by removing \$207,659 from the costs for all three years.

Western RSSC was over reimbursed for indirect costs, as shown in Table II. (See Appendix A for additional details). The amount over reimbursed, \$22,116, is based on the use of an incorrect indirect rate, applying the rate to budgeted costs, and not properly calculating the direct cost base. This amount should be returned to the Department.

Table II
2004-05, 2005-06, 2006-07 Indirect Cost Recalculation

School Year	BOCES Calculation	Audit Calculation	Over-Claimed
2004-05	\$38,928	\$31,925	\$7,003
2005-06	44,005	34,169	9,836
2006-07	47,318	42,041	5,277
Total Indirect Costs Over-Claimed			\$22,116

Source: Erie 1 documents, various workpapers

Recommendations

1. Use the indirect cost rates that are approved in each annual budget.
2. Claim indirect costs by applying indirect rates to actual expenditures rather than budgeted amounts.
3. Correctly calculate the direct cost base by reducing expenditures by equipment and all BOCES purchased services.
4. Return \$22,116 in overpaid amounts that resulted from using incorrect indirect rates, applying indirect rates to budgeted expenditures rather than actual, and by not reducing expenditures by equipment and all BOCES purchased services.

Comments of BOCES Officials

BOCES officials do not agree with these recommendations. They feel that they used the correct indirect rates (as issued by the Grants Finance Office) and wish to receive a memo confirming a change in procedure.

BOCES officials also feel that they should not have to reduce expenditures by all BOCES purchased services to calculate indirect costs.

Auditor's Note

The Department approved rates are those approved by the program office in each annual budget. Each approved budget is considered an extension of the Contract. Had they used the rates calculated by the Grants Finance Office, they still would have used an incorrect rate in 2004-05. There is no change in procedure; therefore, a memo is not needed.

The approved budgets and the vouchers submitted to the Department to receive reimbursement clearly show that the indirect rates will not be applied to BOCES charges.

Contract Expenditures

The Contract states final payment shall be made upon satisfactory proof of expenditures and upon the receipt of a final report in a form and content satisfactory to the Commissioner. We found that improvements could be made in the areas of personal service and other than personal service.

Personal Service

Western RSSC funding comes from the following sources: Title II A - Improving Teacher Quality; Title I Part B - Reading First; Title I Part F - Comprehensive School Reform; and IDEA Sections 611 and 619. These funds are used to pay the personal services costs of the employees carrying out the programs of the RSSC. The costs include salaries and fringe benefits. Costs may be allowable provided that they are necessary and reasonable to the success of the program.

Western RSSC employs a wide variety of people to deliver educational and technical services to the schools served. It is important for officials, along with other public employers, to properly classify workers as “employees” or “contractors.” Public employers put their employees on the payroll, which requires withholding and contributing toward employees’ payroll taxes and benefits, including insurance and other benefits. The Office of the State Comptroller’s Financial Management Guide for Local Governments¹ provides information to help distinguish between independent contractors and employees.

Employees versus Consultants

People performing services to employers can be classified into two basic categories: employees versus independent contractors. Generally, the key in determining whether an individual is an employee or a contractor is evidence of both the entity’s degree of control over the worker and the work, and the worker’s degree of independence from the entity.

Western RSSC hired part-time people using what they termed Incidental Employee Agreements (IEAs). These part-time employees were hired in place of full-time employees when

¹ *Financial Management Guide for Local governments*, Volume Two, Subsection 8.4020, Page 1, issued December 1992.

full-time employees could not be found. The IEA dictates the terms of employment. Employees hired through the use of IEAs do the same job as full-time employees. They go into schools, train teachers, and provide advice and guidance to school personnel and are usually retired teachers.

We selected eight part-time employees to determine if they were classified correctly as employees or should have been considered consultants. We found that seven of the eight were correctly classified as employees. Western RSSC determined their schedules and provided work space at Erie 1 as well as coordinated their work in the schools. These are among other characteristics of the employer/ employee relationship.

One person hired as an employee should have been classified as a consultant. This person was hired to produce a report by supervising the work of two interns paid for by Western RSSC through a contract. He reported directly to the Executive Director of the Western RSSC on the progress of the report. However, he controlled the time spent working on the project, sequence of tasks performed to meet the objective, location where tasks were performed, and was paid for the final product and not the actual time spent to prepare the final product. Western RSSC should correctly categorize all people who provide services as either employees or consultants.

Other Issues

As a result of our sample selection of incidental employees, we found that hourly employees did not sign their activity/mileage logs used to claim payment for the hours worked. By not signing the activity/mileage logs, hourly employees are not certifying that the time spent on program activities is correct. However, there was indication of supervisory approval. The Western RSSC should require hourly employees to certify that the time they spend at work is correct by signing their activity/mileage logs.

We also found that one employee in the sample paid on an hourly basis, did not note work start and end times. He merely indicated the number of hours worked. All employees paid on an hourly basis should document start and end times.

Other Than Personal Service

The Western RSSC purchases thousands of dollars of products and services each year. Adequate controls should exist to ensure purchases are made in compliance with established laws, rules, regulations, and the terms of the contract that result in securing goods and services in the right quantity, at the right time, and for the right price. The Western RSSC, through Erie 1, has many of the necessary controls related to purchasing, accounts payable, and cash disbursements; payroll and personnel; and travel and conference expenditures. However, in some cases, the Western RSSC did not maintain adequate documentation to support expenditures, used confirming purchase orders, and did not maintain adequate documentation to support methods used to allocate expenditures.

Supporting Documentation

We identified some expenditures that were paid by the Western RSSC during the 2004-05 and 2005-06 school years, but lacked sufficient documentation to provide a detailed understanding of the components of the amounts paid. For example, in 2004-05 Western RSSC paid the University of Buffalo (UB) Foundation – Center for Applied Technologies \$82,418 to pay for expenditures incurred by the Greater Buffalo Leadership Collaborative. Western RSSC received an invoice which itemized the various expenditures. However, there was very little other documentation to support the expenditures. Components of the UB expenditure, as well as another example, are noted in Table III.

Table III
Expenditures Needing Additional Documentation

Item of Expense	Amount	Documentation Provided	Suggested Documentation
* UB-Leadership Academy Planning and Research	\$12,000	One line Identifying Provider and Amount Plus List of Tasks	Copies of the Results of Tasks Performed and Costs for Each
* UB-Visiting Faculty Stipends	5,000	Minutes of Two Meetings with Guest Speakers	Copies of Documents Used by Guest Speakers and Contracts
* UB-Buffalo City School District at Orientation (Jan 2005)	1,000	One Line Identifying Provider and Amount	Copies of Application, Materials Used, Agendas
* UB-Buffalo City School District at Orientation (May 2005)	2,000	One Line Identifying Provider and Amount, Application Process and Letter,	Materials Used and Agendas
* UB-Buffalo City School District at Seminar (May 2005)	1,000	One Line Identifying Provider and Amount	Copies of Application, Materials Used, Agendas
Buffalo Public Schools-Grants Development	10,500	Attendees	Support for Services Provided-Agenda

* Components of UB Foundation \$82,418

Source: Erie 1 documents, various workpapers

We found that the Western RSSC maintained more complete documentation supporting expenditures for the last two years of the audit period.

Confirming Purchase Orders

Confirming purchase orders result when purchase orders are prepared after the actual purchase is made. By using confirming purchase orders, purchasing controls are bypassed. This can lead to over expenditure of appropriations or committing to purchases that are not necessary or reasonable for operations. It is good business practice to avoid using confirming purchase orders except in the case of emergencies and then only upon approval of the purchasing agent.

Our review of fifty expenditures selected in our sample found that Western RSSC used confirming purchase orders six times. Most of these expenditures were for significant amounts such as \$82,418 to UB Foundation, \$124,775 to Learner Centered Initiatives, \$32,016 to UB, \$33,106 to Buffalo Board of

Education, \$15,960 to Cattaraugus-Allegany BOCES, and \$2,200 to Franklinville Central Schools. The Western RSSC should limit the use of confirming purchase orders except on an emergency basis.

Allocation Documentation

Expenditures frequently are incurred on behalf of more than one program. When this happens cost must be allocated to the programs benefiting from the expenditures. The rationale for these allocations should be well documented so that someone unfamiliar with the transactions can determine how the allocations were made. All allocations should be based on a fair and equitable method.

The Western RSSC incurred many expenditures that benefited more than one program. These expenditures were allocated to the various programs that benefited from the expenditures, but the allocation methodology was not always documented. The allocation methodology was not documented on the following three occasions: \$82,418 to UB Foundation; \$32,016 to UB; and \$19,594 to the Erie 1 BOCES (to develop software to house data for their work). Adequate documentation should be maintained to support the methods used to allocate expenditures.

Recommendations

5. Correctly categorize all people who provide services as either employees or consultants.
6. Require hourly employees to certify their time worked is correct by signing documentation to receive payment.
7. Ensure all employees paid on an hourly basis document their work start and end times.
8. Maintain adequate documentation to support expenditures including lists of participants and agendas where appropriate.
9. Limit the use of confirming purchase orders except on an emergency basis.
10. Continue to maintain adequate documentation to support the methods used to allocate expenditures.

Contract Compliance

State Finance Law, Section 112, requires the State to enter into formal contracts with service providers whose total award exceeds \$50,000. These contracts dictate terms, conditions, and specifications governing the award. Erie 1 entered into a formal Contract with the Department to provide services to schools through the Western RSSC.

The Contract specifies that:

- material produced and used acknowledge support from New York State;
- written agreements with subcontractors state that work produced remains the property of the Department;
- written contracts are used for consultants and are in place before services are rendered;
- New York State Management/Confidential (MC) travel guidelines are followed; and
- a complete inventory will be maintained of all equipment and non-expendable assets.

We found some instances of noncompliance with these provisions as discussed below.

Acknowledgement of Support

Appendix A-1 (B) of the Contract states, “All reports of research, studies, publications, workshops, announcements, and other activities funded as a result of this proposal will acknowledge the support provided by the State of New York.” We found not all materials produced acknowledge support from New York State.

Copyrightable Property

The Contract also states that if the contractor decides to use consultants, a written agreement will be executed that provides that any copyrightable work produced shall be the sole and exclusive property of the Department.

We reviewed several consultant agreements and found they did not state that copyrightable work will be the property of the Department.

Written Agreements

The Contract states that if consultants are used, a written agreement is required and must be executed prior to the performance of any work. The agreement must specify the services to be performed and at what cost.

We found two instances where written agreements were not executed with vendors spelling out what services would be rendered and at what cost. Those expenditures were for \$82,418 to UB Foundation and \$33,106 to the Buffalo Board of Education. We found another occasion where \$16,296 was paid to Learner Centered Initiatives prior to the execution of an agreement with a total value of \$124,775. Services were partially rendered and invoiced before the agreement was in place. When written agreements do not identify outcomes or cost, there is the risk of not receiving what is paid for.

New York State Travel Guidelines

The Contract between Erie I and the Department specifies that expenditures for travel, lodging, and subsistence be reimbursed at the per diem rates in effect for New York State MC employees. We found that they were not entirely in compliance with these provisions.

Some reimbursements received by employees for travel related expenditures included lunch and incidental costs as part of their per diem. New York State MC travel guidelines expressly prohibit any claim for lunch and have no provision for reimbursement of incidental costs as part of a per diem. Also, the amounts claimed and paid for breakfast and dinner differed from the rates approved in New York State MC travel guidelines.

Inventory

According to Appendix A-1 of the Contract, under Property, “The Contractor shall maintain a complete inventory of all realty, equipment and other non-expendable assets.”

We conducted a physical inventory of all of the items at the Western RSSC office at the West Seneca site. Of the 91 items tested, an additional 11 items were found and not included on the list. Two items were listed with two serial numbers each. Several items had incorrect, incomplete, or missing serial

numbers on the inventory listing and one item was listed at two separate locations. Adjustments to the inventory listing were made as a result of our physical inventory, but were not tested.

Recommendations

11. Ensure that all materials produced (i.e. reports of research, studies, publications and announcements) by the Western RSSC acknowledge support from New York State.
12. Conform to the Contract with the Department by ensuring that contracts with subcontractors and consultants contain a provision that “any copyrightable work produced shall be the sole and exclusive property of the Department.”
13. Ensure that written agreements are executed for all consultants and before services are rendered.
14. Conform to the Contract by following New York State travel guidelines in effect for MC employees of New York State.
15. Maintain accurate inventory records.

Comments of BOCES Officials

BOCES officials disagree with recommendation 15. They believe they appropriately follow federal guidelines which is consistent with the per diem totals of New York State travel guidelines.

Auditor’s Note

The Contract clearly states that New York State travel guidelines be followed. There are minor but distinct differences between federal and State travel guidelines.

Appendix A

Indirect Cost Recalculation
Western New York
Regional School Support Center

CSR	2004-05		2005-06		2006-07	
	Erie 1 Calculation	Audit Calculation	Erie 1 Calculation	Audit Calculation	Erie 1 Calculation	Audit Calculation
Expenditures Used	\$68,176	\$56,590	\$68,042	\$60,423	N/A	N/A
Direct Cost Base Reduction	\$0	\$0	\$0	\$0		
Direct Cost Base	\$68,176	\$56,590	\$68,042	\$60,423		
Indirect Rate Used	.016	.016	.018	.018		
Indirect Cost	\$1,091	\$905	\$1,225	\$1,088		
Indirect Cost Over-Claimed		\$186		\$137		

Title II A	2004-05		2005-06		2006-07	
	Erie 1 Calculation	Audit Calculation	Erie 1 Calculation	Audit Calculation	Erie 1 Calculation	Audit Calculation
Expenditures Used	\$904,430	\$882,835	\$902,470	\$755,328	\$783,123	\$783,123
Direct Cost Base Reduction	\$11,700	\$33,610	\$0	\$18,750	\$0	\$51,664
Direct Cost Base	\$892,730	\$849,225	\$902,470	\$736,578	\$783,123	\$731,459
Indirect Rate Used	.016	.016	.018	.018	.02	.018
Indirect Cost	\$14,284	\$13,588	\$16,244	\$13,258	\$15,662	\$13,166
Indirect Cost Over-Claimed		\$696		\$2,986		\$2,496

Reading First Technical Assistance	2004-05		2005-06		2006-07	
	Erie 1 Calculation	Audit Calculation	Erie 1 Calculation	Audit Calculation	Erie 1 Calculation	Audit Calculation
Expenditures Used	\$350,886	\$276,833	\$350,196	\$268,639	\$381,422	\$381,422
Direct Cost Base Reduction	\$0	\$4,669	\$0	\$19,051	\$0	\$4,412
Direct Cost Base	\$350,886	\$272,164	\$350,196	\$249,588	\$381,422	\$377,010
Indirect Rate Used	.016	.016	.018	.018	.02	.018
Indirect Cost	\$5,614	\$4,355	\$6,304	\$4,493	\$7,628	\$6,786
Indirect Cost Over-Claimed		\$1,259		\$1,811		\$842

	2004-05		2005-06		2006-07	
Reading First Prof. Development	Erie 1 Calculation	Audit Calculation	Erie 1 Calculation	Audit Calculation	Erie 1 Calculation	Audit Calculation
Expenditures Used	\$796,027	\$564,315	\$794,463	\$635,366	\$967,955	\$967,955
Direct Cost Base Reduction	\$0	\$43,108	\$0	\$5,666	\$0	\$0
Direct Cost Base	\$796,027	\$521,207	\$794,463	\$629,700	\$967,955	\$967,955
Indirect Rate Used	.016	.016	.018	.018	.02	.018
Indirect Cost	\$12,736	\$8,339	\$14,300	\$11,335	\$18,824	\$17,423
Indirect Cost Over-Claimed		\$4,397		\$2,965		\$1,401

	2004-05		2005-06		2006-07	
IDEA	Erie 1 Calculation	Audit Calculation	Erie 1 Calculation	Audit Calculation	Erie 1 Calculation	Audit Calculation
Expenditures Used	\$330,297	\$315,005	\$329,568	\$228,802	\$260,179	\$260,179
Direct Cost Base Reduction	\$5,100	\$18,904	\$0	\$6,825	\$0	\$1,000
Direct Cost Base	\$325,197	\$296,101	\$329,568	\$221,977	\$260,179	\$259,179
Indirect Rate Used	.016	.016	.018	.018	.02	.018
Indirect Cost	\$5,203	\$4,738	\$5,932	\$3,996	\$5,204	\$4,665
Indirect Cost Over-Claimed		\$465		\$1,936		\$538

Contributors to the Report
Western New York
Regional School Support Center

- Calvin Spring, Audit Manager
 - T. Stewart Hubbard III, Auditor-in-Charge, Associate Auditor
 - Kevin Gauthier, Senior Auditor
 - James Schelker, Senior Auditor
 - Edward Lenart, Auditor Trainee II
-

Finance Services



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August 10, 2009

Dear ^{Steve} Mr. Hubbard :

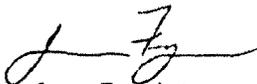
Below are the responses Erie 1 BOCES has to the RSSC Audit. If you have any questions please do not hesitate to give me a call.

Audit Recommendation

1. Erie 1 BOCES used the NYSED approved indirect rate for the appropriate fiscal years. (See Appendix A items) Erie 1 BOCES was not aware that the State Education Department was not using the actual indirect rate, versus the budgeted rate as was done in the past. Erie 1 BOCES would like to receive a memo from the State Education Department confirming this change in procedure.
2. The RSSC used the budgeted rate not the approved rate (fiscal year 2004-05) and bypassed the fiscal business office of Erie 1 BOCES which would have ensured compliance with the correct and accurate accounting procedures for calculating indirect payments. Beginning in the fiscal year 2006-07, all vouchers are submitted to the fiscal business office for review and accuracy prior to submission.
3. Erie 1 BOCES does not agree with the language in the report which disallows indirect costs on selected BOCES services such as O&M, technology services and hired personnel. BOCES services are based on actual usage and Co-sers need to be self-sufficient and cannot cover the costs incurred by the contract offices. Erie 1 BOCES charged indirect cost for internal transfer charges to cover the cost of the Finance office and Human Resource office. These costs are covered under the administration budget, and Erie 1 BOCES did not feel that it was appropriate to charge the component districts for the support of the grants. Erie 1 BOCES would like further guidance on this issue to ensure we are charging for indirect correctly.
4. See number 3. Erie 1 BOCES does not agree with the cost calculation that arrived at this figure.
5. Erie 1 BOCES is reviewing this but needs a fiscal year for the occurrence in order to continue the research.
6. Erie 1 BOCES follows the guidelines for identifying individuals as incidental employees or consultants as published by the IRS/ERS. During the 2006-07 school year, Erie 1 BOCES reviewed and modified its procedures related to hiring contractors versus employees and is now reviewing each situation more closely.
7. All hourly employees are currently required to verify their time by signing the submitted documents prior to payments being processed.

8. All hourly employees are required to account for starting, ending and break times through a formal time sheet process.
9. Erie 1 BOCES has a system of checks and balances to ensure collection and retention of adequate documentation for all expenditures.
10. This has been completed. The purchasing department monitors and ensures compliance with this.
11. Erie 1 BOCES will ensure that a fair methodology is applied to all expenses which are shared across contract offices and budget codes. Erie 1 BOCES will maintain records on the methodology and reasoning for the splitting of costs.
12. Erie 1 BOCES will ensure compliance with this item.
13. Erie 1 BOCES will ensure compliance with this item.
14. Erie 1 BOCES will ensure compliance with this item.
15. Erie 1 BOCES follows federal guidelines on travel which is consistent with the per diem totals of NYS travel guidelines.
16. Erie 1 BOCES has modified the process for item purchased under contracts and grants to ensure accurate recording of items and the locations of these items.

Sincerely,



James Fregelette
Director, Finance Services
Erie 1 BOCES

Cc: Margaret Jones-Carey
