
Audit Report

Orleans-Niagara BOCES
Pre-Kindergarten Special Education Programs

For the Periods
July 1, 2000 through June 30, 2001 and
July 1, 2003 through June 30, 2004

SE-0706-1

October 23, 2007

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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October 23, 2007

Ms. Maureen Kaus
Board President
Orleans-Niagara BOCES
4232 Shelby Basin Road
Medina, NY 14103

Dear Ms. Kaus:

The following is our final audit report (SE-0706-1) of the Orleans-Niagara BOCES for the pre-kindergarten special education program for the periods July 1, 2000 through June 30, 2001 and July 1, 2003 through June 30, 2004. The audit was conducted pursuant to Part 200.18 of the Regulations of the Commissioner of Education.

Ninety days from the issuance of this report, District 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: T. Savo, R. Cort, T. Hamel, R. Johnson, M. Plotzker, L. Simms, J. DeLorenzo, C. Godshall, B. Mason (OSC), D. Shephard (DOB)

Executive Summary

Background

Orleans-Niagara Board of Cooperative Educational Services (ON BOCES) located in Medina, New York, provides special education services to residents of the two counties. The BOCES served approximately 200 students in each of the two years audited and expended approximately \$2.5 million in each of the years.

During the 10-month 2000-01 school year there were about 110 center-based students, 12 students in the Special Education Itinerant Teacher (SEIT) program, and 18 students in the Integrated program. There were more than 70 students in the six week summer programs.

During the 10-month 2003-04 school year there were about 75 center-based students, 30 students in the SEIT program, and 25 students in the Integrated program. There were more than 60 students in the six week summer programs.

Scope of the Audit

The audit examined financial management practices, records, and documentation related to the pre-kindergarten special education (PKSE) programs for the periods July 1, 2000 through June 30, 2001 and July 1, 2003 through June 30, 2004. This was a financial audit and our objectives were to: verify and analyze the accuracy and reliability of reported expenses, revenues, enrollment and other information; review the adequacy and reliability of ON BOCES internal control structure; and determine if the BOCES was in compliance with applicable laws, regulations, and Department policies.

Audit Results

The audit found ON BOCES had overstated reimbursable expenses for the PKSE programs in 2000-01 by \$117,054 and understated reimbursable expenses for 2003-04 by \$49,982. (Appendix A) A summary of the audit results follows:

- The audit identified opportunities for improvements in allocation methodology and documentation of allocations related to rent, operation and maintenance, utility, and administration costs. (page 3)
- The school accurately calculated FTE attendance, but did not adequately document student absences. (page 10)
- Some key policies were not adopted to guide ON BOCES operations. (page 13)

The Department's Rate Setting Unit will review the audit results and recommend any appropriate rate amendments in accordance with the approved rate setting methodology.

Comments of ON BOCES Officials

ON BOCES officials' comments on the findings were considered in preparing this report. ON BOCES officials agree with four of the seven recommendations, disagree with two and partially agree with one. ON BOCES written response to the draft is included as Appendix D to this report.

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Introduction

Background

Orleans-Niagara Board of Cooperative Educational Services (ON BOCES) located in Medina, New York provides Pre-Kindergarten Special Education (PKSE) programs to children residing in the two counties. Currently, there are two students in the program. These two students will “age out” when they become five years of age and enter the school-age special education programs.

During the two-year audit period, the PKSE programs at ON BOCES served many students and operated several programs. ON BOCES provided 10 month and summer full day and half day programs, a Special Education Itinerant Teacher program, an Integrated program, evaluations, related services, and personal care services. During the 10-month 2000-01 school year there were about 110 center-based students, 12 students in the Special Education Itinerant Teacher (SEIT) program, and 18 students in the Integrated program. There were more than 70 students in the six week summer programs.

During the 10-month 2003-04 school year there were about 75 center-based students, 30 students in the SEIT program, and 25 students in the Integrated program. There were more than 60 students in the six week summer programs.

Objectives, Scope and Methodology

The audit examined financial management practices, records, and documentation supporting ON BOCES Consolidated Fiscal Report (CFR) for the periods July 1, 2000 through June 30, 2001 and July 1, 2003 through June 30, 2004. This was a financial audit and our objectives were to:

- verify and analyze the accuracy and reliability of reported expenses, revenues, enrollment, and other information;
- review the adequacy and reliability of ON BOCES internal control structure;
- determine if ON BOCES was in compliance with applicable laws, regulations, and Department policies.

To accomplish our objectives, we reviewed applicable laws, regulations, policies and procedures; interviewed BOCES 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

ON BOCES officials' comments on the findings were considered in preparing this report. ON BOCES' written response to the draft is included as Appendix D to this report.

Cost Allocations

Expenditures related to more than one service should be prorated accordingly. The Reimbursable Cost Manual for Programs Receiving Funding under Article 81 and 89 of the Education Law to Educate Students with Disabilities (RCM) states that any expenditure that cannot be charged directly to a specific program must be allocated across all programs benefited by the expenditure. The RCM further states that entities operating programs must use allocation methods that are fair and reasonable. ON BOCES allocated rent, operations and maintenance (O&M), utilities, and administration costs to the PKSE programs.

The audit found that there are opportunities for improvement in the methods used to allocate costs and in the maintenance of written documentation supporting allocations. The audit reallocated costs to a more equitable distribution among programs. The reallocation can be seen on Appendices A and B.

Rent, O&M, and Utility Allocation

ON BOCES rented 15,115 square feet of space from the North Tonawanda City School District. The space, referred to as the Meadow site, included eleven classrooms. The annual rent for each of the audit years was \$125,942. ON BOCES also rented space at the Olcott Elementary School during the 2000-01 school year at a cost of \$7,000.

The rent, O&M, and utility costs were allocated to the various programs operating at the sites. However, not all of the allocations were equitably made. As a result, the audit reallocated the costs among the various programs.

2000-01 Meadow Site Allocations

ON BOCES operated the full-day, half-day, integrated and school age programs for the school year and summer at the site. In addition, during 2000-01, an early intervention program was also operated at the site. ON BOCES allocated rent, operations and maintenance, and utility costs associated with the building.

Rent – The total amount of rent ON BOCES paid for the use of the Meadow site was \$125,942. ON BOCES allocated

\$104,942 (83 percent) to PKSE programs and \$21,000 (17 percent) to school age programs. The school age allocation was based on an estimated \$7,000 per classroom. School Age programs actually occupied 27 percent of the space and therefore should have received 27 percent of the allocation.

Early intervention (EI) students were intermingled with the pre-kindergarten students, but EI did not receive an allocation of rent. To calculate a ratio of EI to PKSE students, the number of days per week students were scheduled for programs was weighted to make the allocation equitable. Students that transitioned from EI to PKSE programs were also weighted based on timing. Using this methodology, it was determined that 19 percent of the non-school-age student population at the Meadow site were EI students. Therefore, the amount of rent that should have been allocated to EI is \$17,468. The amount of rent that should have been allocated to PKSE is \$74,470.

As a result of the reallocation, the PKSE programs received 59 percent of the rent (\$74,470), the school age program 27 percent (\$34,004), and the EI program 14 percent (\$17,468).

O&M – The total O&M charge for the Meadow site was \$59,880. ON BOCES originally allocated half (\$29,940) of O&M charges to PKSE programs and the other half to EI with no allocation for classrooms used for school age students. However, at the end of the year, BOCES officials manually transferred it back to PKSE.

Using the same ratios that were used to allocate rent, the amount of O&M charges were reallocated among the PKSE school age and EI programs. The PKSE program received 59 percent (\$35,407), the school age program 27 percent (\$16,168), and the EI program 14 percent (\$8,305).

Utilities – The same percentages were used to allocate \$41,243 in utility costs. ON BOCES originally allocated \$33,792 to PKSE and \$7,451 to EI with no allocation for classrooms used for school age students. However, at the end of the year, BOCES officials manually transferred the EI amount back to PKSE.

Using the same ratio as above, the amount of utility costs that should have been allocated to the school age program is 27 percent (\$11,136). The amount allocated to PKSE is 59

percent (\$24,387) and the amount allocated to EI is 14 percent (\$5,720).

2003-04 Meadow Site Allocations

ON BOCES operated the full-day, half-day, integrated and school age programs for the school year and summer at the site.

Rent – ON BOCES paid \$125,942 in rent for the Meadow site. An equal allocation of costs (\$62,971) was made between PKSE programs and school age programs. However, 4 of the 11 classrooms were used for school age programs, with a total square footage of 5,427. The allocation factor that ON BOCES should have used was 36 percent of rent costs to school age programs (\$45,339). The amount of rent that should have been allocated to the PKSE program is 64 percent (\$80,603).

O&M – The total O&M charge for the Meadow site was \$67,130. ON BOCES originally allocated half of O&M charges to PKSE programs (\$33,565) and the other half to school age. The amount of O&M charges that should have been allocated to school age student space is 36 percent (\$24,167). Therefore, the amount that should have been allocated to PKSE was 64 percent (\$42,963).

Utilities – The total utility charge for the Meadow site was \$59,358. ON BOCES originally allocated half of utility costs to PKSE programs (\$29,679) and the other half to school age. The amount of utility costs that should have been allocated to school age student space was \$21,369. Therefore, the amount that should have been allocated to PKSE was \$37,989.

Olcott Elementary School Site

During the 2000-01 school year, ON BOCES rented one classroom at the Olcott Elementary School for \$7,000 for the PKSE program. According to documentation reviewed there were thirteen students: one of whom was an EI student. Of the total amount of rent paid, \$539 should have been allocated to the EI program, with the balance allocated to PKSE program.

Administration Allocation

The RCM allows for an allocation of administration expenses to programs. These are expenses that are not directly related to specific programs, but are attributable to the overall operation of the agency. The costs include expenses for the overall direction of the organization, record keeping, budgeting and fiscal management.

ON BOCES allocated administration costs to the PKSE programs in two ways. The BOCES reported administrative salaries of \$25,875 on the schedule CFR-4 of the Consolidated Fiscal Report (CFR) under Agency Administration. The effect of that action is to allow the methodology to allocate these salaries as well as a fringe benefit rate against all programs using the ratio value method.

In addition, the ON BOCES made an internal calculation to identify the portion of administrative cost associated with operating the PKSE programs. Those costs were then directly charged on line 40 and 62 of the CFR-1.

There is no required method for BOCES to use in charging administration costs; however, using both methods would be incorrect. The audit adjusted the allocation by eliminating the amount charged through the use of the CFR-4.

We also noted that the internal calculation was based on budgeted figures. The audit adjusted the charge to reflect actual costs. The audited administration costs are shown on Appendix B.

2000-01 Agency Administration Allocation

The amount ON BOCES allocated for agency administration costs for 2000-01 was \$108,966 in addition to the amount claimed using the CFR-4. That amount was calculated using total PKSE program expenses (\$2,636,316) divided by total General Fund expenses (\$43,919,375) to get a factor of 6 percent. That factor was multiplied by the administrative budget (\$1,816,105) to get \$108,966.

However, ON BOCES used the administrative budget figure instead of the actual expense figure of \$1,818,127. The amount of Agency Administration costs that should have been allocated to PKSE programs is \$109,088 ($\$1,818,127 \times .06$).

As shown on Table 1 below, agency administration expense should be decreased by \$17,765 for 2000-01.

ON BOCES allocated \$17,887 in administrative cost to PKSE programs using the CFR-4. The audit disallowed those costs because ON BOCES also allocated using the manual calculation.

Table 1 2000-01 Agency Administration Allowance			
	Claimed	Allowed	Adjustment
CFR Line 65	\$17,887	\$0	(\$17,887)
Manual Calculation	108,966	109,088	122
Total	\$126,853	\$109,088	(\$17,765)

Source: 2000-01 CFR, BOCES documents, various workpapers.

2003-04 Agency Administrative Allocation

ON BOCES allocated \$51,759 for agency administration costs for 2003-04 in addition to the amount claimed using the CFR-4. That amount was calculated using total PKSE expenses (\$2,525,635) divided by total general fund expenses (\$43,585,881) to get a factor of 5.7 percent. That factor was multiplied by the current administrative budget (\$1,816,106) to get \$103,518. ON BOCES only allocated half of the amount on the CFR.

However, ON BOCES used the administrative budget figure instead of the actual administrative expense figure of \$1,535,918. The amount of agency administration costs that should have been allocated to PKSE programs is \$87,547 (\$1,535,918 x .057). As shown on Table 2 below, the amount allowed for agency administration expense should be increased by \$14,642 for 2003-04.

ON BOCES allocated \$21,146 in administration costs to the PKSE programs for 2003-04 using the CFR-4. The audit disallowed those costs because ON BOCES also allocated through a manual calculation.

Table 2 2003-04 Agency Administration Allowance			
	Claimed	Allowed	Adjustment
CFR Line 65	\$21,146	\$0	(\$21,146)
Manual Calculation	51,759	87,547	35,788
Total	\$72,905	\$87,547	\$14,642

Source: 2003-04 CFR, BOCES documents, various workpapers.

2000-01 Administration Allocation to EI

ON BOCES originally allocated 20 percent of the agency administration allocation and substitute calling (\$1,794) to EI because of the total salaries for EI and PKSE, 20 percent were for EI. ON BOCES mistakenly transferred \$22,152 $((\$108,966 + \$1,794) \times .2)$ from EI to PKSE programs. Since the amount of agency administration expense has been adjusted, the amount that should be removed from the PKSE programs and moved to the EI programs should be adjusted. The new amount is \$22,176 $(\$109,088 + \$1,794 = \$110,882; \$110,882 \times .2 = \$22,176)$.

Other Adjustments

The audit determined that other adjustments were made to expenses of the EI programs to move them into the PKSE programs. Expenses for an allocation of copying charges for \$920 were transferred out of EI even though the EI teachers used the copying machine. Also \$3,853 in expenses to the Niagara County Head Start program and Associated Physical Therapists were moved out of EI even though they were legitimate EI expenses. The audit reallocated \$4,773 out of the PKSE programs and back into EI.

Supporting Documentation

The RCM requires that allocation methods must be documented and retained for review upon audit. The allocation of other than personal service expenditures between programs was not always supported by written supporting documentation. However, BOCES officials provided verbal descriptions of how expenses were allocated.

ON BOCES should maintain adequate written documentation supporting the allocation of all expenditures.

Recommendations

1. Ensure that allocations are made based upon the ratio of student populations; usage of physical buildings, materials, and supplies; on how other expenses such as travel, personal service, and contracted services are utilized; or any other equitable manner.
2. Ensure that the methodologies of all allocations are adequately documented.

Comments of ON BOCES Officials

ON BOCES officials' partially agree with recommendation one. They believe the 2000-01 school was unique and therefore a standard allocation based on student population would not be appropriate. ON BOCES officials agree with recommendation two.

Student FTE Attendance

PKSE program providers are required to report student enrollment under Articles 81 and 89 in accordance with Section 175.6 of the Regulations of the Commissioner of Education and the RCM.

According to the RCM, enrollment means the student is physically present at or legally absent from the special education program. Legal absences include personal illness, illness or death in the family, impassable roads, weather, religious observance, quarantine, etc. Attendance records including documentation of legal and illegal absences should be maintained for seven years. If a student is enrolled for less than the full program duration, full-time equivalent (FTE) enrollment is calculated by dividing the total number of weeks of enrollment by the total number of weeks of the program. The first and last weeks of enrollment that contain three consecutive days of enrollment in the same week and month, plus all of the weeks in between, shall be counted in determining the total number of weeks of enrollment.

ON BOCES could not document any absences at the beginning and end of program. As a result, FTE was overstated for most programs.

Undocumented Student Absences

The RCM provides that attendance records must be maintained for all students indicating whether each student is present or absent and must be summarized monthly. In addition, schools must document legal and illegal absences and maintain the documentation for at least seven years.

ON BOCES did not retain adequate documentation to support student absences. ON BOCES recorded the absence, but did not note whether it was a legal or illegal absence or retain a note from the parent to show the reason for the absence. Lacking adequate documentation, the audit could not determine if the missing time was due to legal absences. This is particularly a problem in the beginning and end of programs. The audit recalculated the FTE enrollment. Table 3 and 4 show the revised FTE as a result of the audit.

BOCES officials expressed concerns regarding the audit's calculation of student FTEs especially for the summer

programs. If a student registered before the beginning of the summer programs but missed the first week, the FTE calculation would be reduced by one sixth. The impact of a student missing the first or last week of the summer programs is much greater than missing a week for the school-year programs. The BOCES used the *Records Retention and Disposition Schedule ED-1* which states that the retention for student's absence record, including but not limited to parent's excuse, investigation report, and record of attendance at religious observance or education be one year after the end of the school year.

However, the RCM is the authoritative source for rate programs and states that attendance records including documentation of legal and illegal absences be maintained for seven years.

2000-01 Student FTE Calculation

The following table shows the student FTEs claimed by ON BOCES and FTEs allowed by audit:

Program	Claimed	Allowed	Difference
Full Day 10 Month	6.8	6.563	.237
Half Day 10 Month	39.296	37.713	1.583
SEIT	1292	1046	246
Integrated	6.275	6.069	.206
Full Day Summer	8	7.166	.834
Half Day Summer	34.3	25.986	8.314
SEIT Summer	228	228	0

Source: BOCES documents, Various workpapers.

2003-04 Student FTE Calculation

The following table shows student FTEs claimed by ON BOCES and FTEs allowed by audit.

Program	Claimed	Allowed	Difference
Full Day 10 Month	6.65	6.637	.013
Half Day 10 Month	25.449	24.498	.951
SEIT	3668	3696	(28)
Integrated	11.862	11.306	.556
Full Day Summer	6	5.833	.167
Half Day Summer	28	26.997	1.003
SEIT Summer	168	168	0

Source: BOCES documents, Various workpapers.

Recommendations

3. Ensure that student FTEs are calculated in accordance with Section 175.6 of the Regulations and the RCM.
4. Maintain documentation of legal and illegal absences in accordance with the RCM for seven years.

Comments of ON BOCES Officials

ON BOCES officials' disagree with recommendation three and four. They believe maintaining records of legal/illegal absences of preschool students is not mandatory. They also disagree with recommendation four because of inconsistencies between the RCM and the Schedule ED-1.

Report on Internal Controls

A BOCES board and management are responsible for establishing, implementing, 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; that operations are efficient and effective; that specific management objectives are achieved; that financial reports are reliable; and that the entity complies with applicable laws and regulations.

ON BOCES has a policy manual, but it did not include some key topics. In addition, one policy that does exist could be improved by adding additional guidance.

Policies and Procedures

ON BOCES lacked policies governing some key control processes. The Board had not established written policies governing revenue collection, tuition billing, personnel-payroll, cash receipts and disbursements. Although there was no formal policy, ON BOCES does have documented procedures, for revenue collection and tuition billing.

ON BOCES did have a purchasing policy; however, it did not address the usage of blanket purchase orders and the use of a purchasing calendar.

Recommendations

5. Establish written policies and procedures for personnel-payroll, cash receipts and disbursements, and other areas as needed. Establish policies for revenue collection and tuition billing.
6. Ensure that purchasing policies and procedures address the usage of blanket purchase orders, further address the usage of a purchasing calendar, and other areas as needed.

Comments of ON BOCES Officials

ON BOCES officials' agree with recommendations five and six.

Purchasing

BOCES purchase thousands of products and services each year. They must have adequate controls in place to ensure purchases are made in compliance with the law and BOCES policy that result in securing goods and services in the right quantity, at the right time, and for the right price.

The audit determined that ON BOCES had procedures for their purchase and payment processes that included the key steps for processing a purchase requisition, issuing a purchase order, verifying receipt of goods or services, approving the claim for payment, and paying for the goods or services in a timely manner. However, it was determined during the review of other than personal service expenditures that purchase orders were not always used where required.

Use of Purchase Orders

As part of our review of other than personal service expenses, we examined 32 transactions that should have used a purchase order. The audit found that on three occasions, purchase orders were not used. The following table shows a list of vendors, dates, and checks numbers where purchase orders were not used.

Date	Vendor	Check Number	Amount
12/8/00	Associated Physical Therapists	510815	\$14,170
8/7/01	Broadview Networks	511899	\$897.91
2/12/04	Broadview Networks	516553	\$319.20

Source: BOCES records, Various Workpapers

Recommendation

7. Ensure that purchase orders are used whenever circumstances warrant usage.

Comments of ON BOCES Officials

ON BOCES officials' agree with recommendation seven.

Orleans-Niagara BOCES, Pre-Kindergarten Special Education Program
Adjustments to Reported Expenses

2000-01 Adjustments to Reported Expenses			
	Reported	Allowed by Audit	Difference
Meadow Site Rent	\$104,942	\$74,470	(\$30,472)
Meadow Site O & M	59,880	35,407	(24,473)
Meadow Site Utilities	41,243	24,387	(16,856)
Olcott School Site	7,000	6,461	(539)
Agency Admin Line 65	17,887	0	(17,887)
Manual Admin Calc.	108,966	109,088	122
Agency Admin to EI	22,176 *	0	(22,176)
Xerox (EI)	920	0	(920)
Other EI Expenses	3,853	0	(3,853)
Total	\$366,867	\$249,813	(117,054)

Source: OAS analysis of BOCES documents.

* This is the figure that should have been allocated to EI.

2003-04 Adjustments to Reported Expenses			
	Reported	Allowed by Audit	Difference
Meadow Site Rent	\$62,971	\$80,603	\$17,632
Meadow Site O & M	33,565	42,963	9,398
Meadow Site Utilities	29,679	37,989	8,310
Agency Admin Line 65	21,146	0	(21,146)
Manual Admin Calc.	51,759	87,547	35,788
Total	\$199,120	\$249,102	\$49,982

Source: OAS analysis of BOCES documents.

Orleans-Niagara BOCES, Pre-Kindergarten Special Education Program
Adjustments to Reported Expenses by CFR Cost Center

2000-01 CFR Expenses

	9100		9115		9135		9165		9190		9200		9230	
	Full Day		Half Day		SEIT		Integrated		Evaluations		Related Services Only		Personal Care Aids	
	Reported	Allowed	Reported	Allowed	Reported	Allowed	Reported	Allowed	Reported	Allowed	Reported	Allowed	Reported	Allowed
Rent, Line 49 (*)	17,266	14,149	94,676	60,526	0	0	0	6,256	0	0	0	0	0	0
O & M Line 22	9,341	6,727	50,539	25,705	0	0	0	2,975	0	0	0	0	0	0
Utilities Line 23	6,361	4,634	34,882	17,705	0	0	0	2,048	0	0	0	0	0	0
Admin Manual Line 40	16,806	9,844	92,160	52,832	0	4,423	0	9,011	0	4,917	0	5,745	0	140
Agency Admin Line 65	2,102	0	11,304	0	824	0	1,643	0	912	0	1,076	0	26	0
Contracted Prof Line 62	802	0	3,971	0	0	0	0	0	0	0	0	0	0	0
Total Exps Line 67 **	274,956	257,632	1,479,207	1,348,443	99,934	103,533	199,356	218,003	110,612	114,617	130,465	135,134	3,098	3,212

Source: OAS analysis of BOCES documents.

(*) The full amount of the allowed rent for the Olcott site was allocated to the Half-Day program. The rent, O & M, and Utilities expenses for the Meadow Site were allocated to the Full, Half, and Integrated programs based on audited student FTEs less Shearer's FTEs, who taught at the Olcott site.

(**) The Total Expense Line 67 was pulled directly from the CFR and is not a sum of the lines on this schedule.

2003-04 CFR Expenses

	9100		9115		9135		9165		9190		9200		9230	
	Full Day		Half Day		SEIT		Integrated		Evaluations		Related Services Only		Personal Care Aids	
	Reported	Allowed	Reported	Allowed	Reported	Allowed	Reported	Allowed	Reported	Allowed	Reported	Allowed	Reported	Allowed
Rent, Line 49 (*)	13,123	13,380	49,848	55,132	0	0	0	12,091	0	0	0	0	0	0
O & M, Line 22 (*)	6,995	7,132	26,570	29,387	0	0	0	6,444	0	0	0	0	0	0
Utilities, Line 23 (*)	6,185	6,306	23,494	25,985	0	0	0	5,698	0	0	0	0	0	0
Admin Manual Line 40	6,472	10,387	24,587	39,506	0	7,476	0	11,219	0	8,146	0	8,835	0	1,977
Admin Manual Line 62	0	0	0	0	5,175	0	5,175	0	0	0	10,350	0	0	0
Agency Admin Line 65	2,576	0	9,797	0	1,748	0	2,593	0	1,880	0	2,102	0	450	0
Total Exps Line 67 **	343,944	345,798	1,308,068	1,323,782	227,520	228,073	335,067	362,751	239,212	245,478	277,703	274,086	57,257	58,784

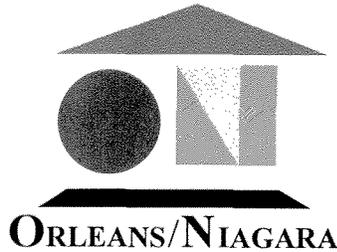
Source: OAS analysis of BOCES documents.

(*) The allocation of the Meadow site expenses were based on audited student FTEs for the Full, Half, and Integrated programs.

(**) The Total Expense Line 67 was pulled directly from the CFR and is not a sum of the lines on this schedule.

Orleans-Niagara BOCES, Pre-Kindergarten Special Education
Contributors to the Report

- Calvin Spring, Audit Manager
- T. Stewart Hubbard III, Auditor-in-Charge
- Patrick Orton, Senior Auditor



Board of Cooperative Educational Services

The mission of the Orleans/Niagara Board of Cooperative Educational Services is to be the premier provider of innovative and effective solutions for the evolving needs of our component districts and other learning collaboratives.

Clark J. Godshall, Ed.D.
District Superintendent

Patricia A. Hartigan
Director of Business Services
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April 20, 2007

The State Education Department
The University of the State of New York
Office of Audit Services, Room 524 EB
Albany, NY 12234
Attn: Mr. James A. Conway

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MAY 09 2007

OFFICE OF
AUDIT SERVICES

Dear Mr. Conway:

Thank you for the draft audit report dated April 11, 2007. We have prepared the following comments in response to your recommendations.

Rent, O&M, and Utility Allocation

Recommendation 1:

When a site is being shared by multiple programs, allocating the expenses by student population by program is a fair and reasonable method. Further we agree that this was the situation in the 2003-04 school year and the reallocation of expenses for that year are proper.

However, in 2000-01, the situation was different. The Meadow site was built by North Tonawanda in 1995 specifically for the BOCES handicapped pre-school program, and it was envisioned that Meadow would always be a preschool handicapped site. In the late 1990's, a directive was received from the State Education Department to discontinue services in self contained classes. When classrooms became available, the BOCES transferred three elementary age classes to the Meadow site. BOCES annually rents more than 70 classrooms in component districts and these classes were previously sited in other component buildings. The Special Education Department paid \$7000 per classroom to the preschool program which is the same amount paid to component districts. Therefore, the preschool program benefited in the amount of \$21,000 for the school age rentals. There was no intention of school age becoming a partner in the space. It was an annual rental to be reevaluated on an annual basis.

The audit is suggesting that the school age program should have paid a prorated share of the total expenses of the Meadow site in the amount of \$61,308. We disagree with this assessment. Since this was not anticipated in the special education budget, it would have created an unfair charge.

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This finding implies that the BOCES would have benefited by leaving the classrooms empty and renting alternate space in component districts. Situations like this are indicative of the problem of running such a program.

Recommendation 2:

We will strengthen our procedures to document our allocation methods.

Student Full Time Equivalent (FTE) Attendance

Recommendation 3:

Absences were not identified as legal/illegal since preschool special education services are not mandated. Parents voluntarily enroll their students given the fact they were determined to have a disability. Generally, students were absent from school due to the legal reasons (sickness/ doctor's appointments/ significant weather conditions). FTE's were calculated based on three consecutive days of enrollment which could have included days of legal absence, not the first or last week with three consecutive dates of attendance. Given that attendance is not compulsory, once the student was enrolled, we considered all absences to be legal.

It should be noted, that our preschool program had undergone at least three state education program reviews and the legal/illegal absence designation issue was never identified as a shortcoming or concern.

Recommendation 4:

The records retention period for parent excuses of student absences per the RCM is inconsistent with the records retention schedule ED-1, which is adopted by the legislative body (Board of Education) each year. Schedule ED-1 requires a one year retention as confirmed by Mr. Geof Huth, Director of Government Records Services. This item should be made consistent with ED-1, as all other documentation (attendance register) is consistent and was available for audit review. We request that an adjustment to FTE be eliminated.

Report on Internal Controls

Recommendation 5:

To comply with the New York State Comptroller's Five Point Plan, the Orleans/Niagara BOCES has engaged a certified public accounting firm as an Internal Auditor. As part of this new requirement, all procedures will be reviewed, updated and documented.

Recommendation 6:

As part of the new Internal Auditor function at the BOCES, the purchasing policy will be reviewed to address the use of blanket purchase orders and a purchasing calendar.

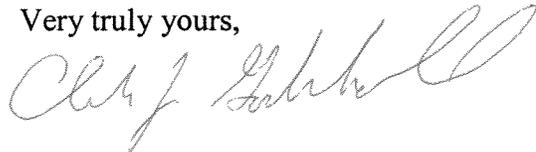
Purchasing

Recommendation 7:

It is the practice of the BOCES to use purchase orders to the maximum extent possible. Telephone is a rare exception. Budget control is accomplished by having a separate budget code for this item which is monitored as monthly payments occur. Utilizing a purchase order would be a formality not a purchasing control.

The Orleans/Niagara BOCES appreciates the auditors work and the efforts that were expended on our behalf. We await the final report and subsequent rate reconciliations so that we can collect our past due funds for the Preschool Handicapped program.

Very truly yours,



Clark J. Godshall, Ed. D.
District Superintendent

Cc: Board of Education

Mrs. Patricia A. Hartigan, Director of Business Services