



Franklin-Essex-Hamilton Board of Cooperative Educational Services

Internal Controls Over Selected Financial Activities

Report of Examination

Period Covered:

July 1, 2007 — March 31, 2009

2009M-171



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

October 2009

Dear Board of Cooperative Educational Services (BOCES) Officials:

A top priority of the Office of the State Comptroller is to help BOCES officials manage their BOCES efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support BOCES operations. The Comptroller oversees the fiscal affairs of BOCES statewide, as well as BOCES' compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving BOCES operations and Board governance. Audits also can identify strategies to reduce BOCES costs and to strengthen controls intended to safeguard BOCES assets.

Following is a report of our audit of the Franklin-Essex-Hamilton BOCES, entitled Internal Controls Over Selected Financial Activities. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the General Municipal Law.

This audit's results and recommendations are resources for BOCES officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*



State of New York Office of the State Comptroller

EXECUTIVE SUMMARY

The Franklin-Essex-Hamilton Board of Cooperative Educational Services (BOCES) is governed by a nine member Board of Education (Board) elected by the boards of its component school districts. The Board is responsible for the general management and control of the BOCES' financial and educational affairs. The District Superintendent is the chief executive officer of the BOCES and is responsible, along with other administrative staff, for the day-to-day management of the BOCES and for regional educational planning and coordination. According to statute, the District Superintendent is an employee of both the appointing BOCES and the New York State Education Department. As such, the District Superintendent also serves as a representative for the New York State Commissioner of Education.

Scope and Objective

The objective of our audit was to determine whether BOCES had effective internal controls over selected financial activities for the period July 1, 2007 to March 31, 2009. Our audit addressed the following related questions:

- Are internal controls over administrative staff compensation and expenses appropriately designed and operating effectively to adequately safeguard BOCES assets?
- Are internal controls over absences and leave time appropriately designed and operating effectively to protect BOCES assets?

Audit Results

We found instances where BOCES had not established essential internal controls, and that certain existing controls were not properly implemented and operating effectively. As a result, BOCES is vulnerable to the possibility of errors and/or irregularities occurring and not being detected in a timely manner. For example, internal controls over administrative staff compensation and expenses were not appropriately designed and operating effectively. As a result, six administrative staff members received compensation totaling \$5,162 that was not authorized by the Board. In addition, administrative staff did not use BOCES-provided vehicles and cellular phones in accordance with the Board's established policies and procedures. Although BOCES' policy allows for only minimal personal use, we found a significant percentage of the mileage of certain administrator-assigned vehicles was for non-business purposes at an estimated value of \$22,956. In addition, administrative staff members assigned cellular phones incurred more than minimal personal use and did not always reimburse BOCES for their personal cellular phone charges in a timely manner. As a result, BOCES incurred unnecessary expenditures.

Finally, internal controls over absences and leave time were not appropriately designed and operating effectively. We identified leave time valued at over \$58,950 that was neither credited nor used in accordance with the terms of applicable employment contracts or collective bargaining agreements.

Comments of BOCES Officials and Corrective Action

The results of our audit and recommendations have been discussed with BOCES officials and their comments, which appear in Appendix A, have been considered in preparing this report. BOCES officials generally agreed with our recommendations and have initiated, or indicated they planned to initiate, corrective action.

Introduction

Background

The Franklin-Essex-Hamilton Board of Cooperative Educational Services (BOCES) is an association of 10 component school districts. BOCES is governed by a nine member Board of Education (Board) elected by the boards of the component districts. The Board is responsible for the general management and control of BOCES' financial and educational affairs. The District Superintendent (Superintendent) is the executive officer of BOCES and is responsible, along with other administrative staff, for the day-to-day management of BOCES. By law, the Superintendent is an employee of both the appointing BOCES and the New York State Education Department. As such, the Superintendent also serves as a representative for the New York State Commissioner of Education.

Combined, the 10 component school districts educate approximately 8,900 students. BOCES employs approximately 220 staff members and has two main locations: the North Franklin Educational Center located in the Village of Malone in Franklin County, and the Adirondack Educational Center located in the Town of St. Armand in Essex County. BOCES staff members work at BOCES' campuses and in component district school buildings. BOCES' budgeted expenditures for the 2008-09 fiscal year were \$20.5 million, funded primarily by charges to school districts for services and Federal and State aid.

Objective

The objective of our audit was to determine if BOCES had established effective internal controls over selected financial activities. Our audit addressed the following related questions:

- Are internal controls over administrative staff compensation and expenses appropriately designed and operating effectively to adequately safeguard BOCES assets?
- Are internal controls over absences and leave time appropriately designed and operating effectively to protect BOCES assets?

Scope and Methodology

We examined BOCES' internal controls over administrative staff compensation and expenses, and leave time for the period July 1, 2007 to March 31, 2009.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit is included in Appendix B of this report.

**Comments of BOCES
Officials and Corrective
Action**

The results of our audit and recommendations have been discussed with BOCES officials and their comments, which appear in Appendix A, have been considered in preparing this report. BOCES officials generally agreed with our recommendations and have initiated, or indicated they planned to initiate, corrective action.

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of the General Municipal Law, Section 2116-a (3) (c) of the Education Law, and Section 170.12 of the Regulations of the Commissioner of Education, a written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, with a copy forwarded to the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the next fiscal year. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. The Board should make the CAP available for public review in the BOCES Clerk's office.

Administrative Staff Compensation and Expenses

The Board and BOCES officials are responsible for designing internal controls that help safeguard BOCES' resources and ensure that these resources are used economically and efficiently. An adequate system of internal controls over administrative staff compensation and expenses includes having clear policies and procedures that promote effective operations and the prudent use of resources. Further, an effective system of controls over administrative staff compensation and expenses provides for proper oversight by the Board and BOCES officials.

The Board did not have comprehensive written policies and procedures to provide adequate guidance and internal controls over administrative staff compensation. As a result, six administrative staff employees received \$5,162 in compensation that was not properly authorized by the Board. Although the Board had established policies governing the personal use of BOCES-provided vehicles and cellular phones, we found that both BOCES vehicles and cellular phones were used for non-BOCES related purposes. As a result, BOCES incurred unnecessary expenditures.

Administrative Staff Compensation

To ensure that administrative staff employees receive compensation to which they are entitled, the Board must clearly define and authorize the payments to be made and develop a means of verifying that all administrative staff compensation is properly authorized and computed accurately. BOCES had established procedures whereby full-time administrative staff employees have the terms of their compensation outlined in collective bargaining agreements or individual employment contracts, while administrative staff employed in part-time or interim positions have the terms of their compensation outlined in Board-adopted resolutions. However, we found that BOCES did not always follow these agreements.

We reviewed the accuracy of 15 administrative employees' gross pay during the 2007-08 fiscal year and found that six of the 15 individuals received compensation totaling \$5,162 for which there was no Board authorization. Specifically, four full-time employees received extra hours and overtime compensation totaling \$2,813, although none of their employment contracts contained a provision authorizing this compensation and two part-time administrative employees received compensation totaling \$2,349, for which there was no authorization by Board resolution.

We also found that BOCES actively circumvented State law when paying a retired administrator for services he rendered in 2007. The individual was a retired member of the Teachers' Retirement System and under 65 years of age. The Retirement and Social Security Law establishes provisions for the public employment of retired public employees in New York State. One of those provisions allows retired members, under age 65, to return to State public employment and earn up to a designated amount per calendar year. The limit established for the 2007 calendar year was \$30,000. BOCES withheld the pay for this part-time administrator for the period October 4, 2007 through December 31, 2007, until January 2008 which resulted in \$10,430 of 2007 earnings being paid on January 17, 2008 and reported for the 2008 calendar year. BOCES paid this individual \$29,925 during the period January 1, 2007 through October 11, 2007 plus \$70 paid on December 20, 2007, for 20 percent of a full day worked on November 30, 2007. As a result, his payroll payments totaled \$29,995 during the 2007 calendar year while payment for more than \$10,000 in earnings in excess of the \$30,000 limit were delayed until the following calendar year.

Administrative Staff Expenses

It is important for the Board to establish policies and procedures outlining the proper use of BOCES assets, including vehicles and cellular phones assigned to administrative staff and to ensure that such policies and procedures are being followed by providing sufficient oversight.

Vehicles — The Board adopted a policy covering the use of BOCES vehicles that allows employees to drive an assigned vehicle to and from their home and office, if required for the effective delivery of services. The policy also states that personal use other than a very minimal amount is prohibited. However, we found that BOCES vehicles assigned to administrative staff were not being used as directed and often were used for personal business because BOCES did not have a system in place to effectively monitor vehicle use. For example, two administrative staff members with assigned vehicles used them to commute to and from their home and office during our audit period with no documentation or other indication that the vehicles were needed or used to deliver BOCES services on a daily basis during the commute. Two other administrative staff members assigned BOCES vehicles during our audit period used the vehicles for more than minimal personal use.

We reviewed six months of vehicle use for each of four administrative staff members¹ who had BOCES-assigned vehicles during our audit

¹ The four administrative staff members were the Director for Management Services, the Director for Special Services, a principal, and a part-time administrator.

period to determine the percentage of total miles driven that were for personal use and the monetary value of those miles using the then current IRS standard mileage rate.²

For the months tested, the four administrative staff members drove a total of 28,603 miles, of which 15,468 miles or approximately 54 percent were for personal use, valued at \$7,652. During our entire audit period the same four staff members drove BOCES-provided vehicles a combined total of 83,845 miles. Using the same percentages, we estimate, during our audit period, the total personal vehicle use value to be \$22,956.³ The Board's failure to implement a system to monitor the business and personal use of BOCES-provided vehicles by administrative staff allowed for excessive personal use, which is in violation of the Board's written policy. BOCES did report a small amount of the personal vehicle use as income on the employees' wage statements. However, because the personal use was not properly monitored, BOCES did not calculate an accurate amount.

Cellular Phones — The Board's policy governing the use of BOCES cellular phones provides that, on occasion, the phones may need to be used for non-BOCES related purposes, in which case the individual will reimburse BOCES for the personal charges. The policy assigns the Superintendent with the responsibility for developing procedures to ensure the reimbursement of personal charges. However, we found that BOCES officials did not effectively oversee the use of BOCES cellular phones, the phones were routinely being used for non-BOCES related purposes, and reimbursement of personal charges were not made in a timely manner.

We reviewed cellular phone bills for the four administrative staff members, who were assigned BOCES cellular phones during the 2007-08 fiscal year, to determine the total amount and percentage of cellular phone minutes that were for other than BOCES-related purposes. We found that of the 18,074 cellular phone minutes used during the 2007-08 fiscal year, 5,602 minutes or approximately 31 percent was for other than BOCES-related purposes.

² Our testing was based on the monthly records of use of a BOCES vehicle that were submitted by the four administrative staff members, which indicate the date, starting and ending odometer reading, starting and ending location, and destinations. We also used a mapping website to determine the total daily mileage of the destinations recorded.

³ During our audit period the four staff members drove BOCES-provided vehicles a combined total of 83,845 miles. The 28,603 miles that we reviewed represents approximately one-third of the 83,845 total miles that were driven, and thus multiplying the \$7,652 value from our testing by three results in a total of \$22,956.

The Superintendent implemented a procedure to identify personal phone use and prepared quarterly billings charging the employees for the cost of the personal use. We reviewed the invoices and supporting payment documentation for personal phone use for the 2007-08 fiscal year to determine the timeliness of the reimbursement. We found that two administrative staff members had six invoices, totaling \$943, which were outstanding for at least 100 days. For example, the Director of Management Services' invoice for personal charges incurred during the first quarter of the 2007-08 fiscal year totaling \$222 was dated October 24, 2007, but was not reimbursed until 345 days later on October 3, 2008.

The failure of the Board and BOCES officials to effectively oversee the use of BOCES cellular phones by administrative staff has resulted in the routine personal use of BOCES cellular phones and a lack of timely reimbursement for such use.

Recommendations

1. The Board should ensure that comprehensive written policies and procedures are established to provide adequate guidance, oversight and internal controls over administrative staff compensation.
2. The Board and responsible BOCES officials should monitor the use of assigned vehicles and cellular phones to ensure they are being properly used in accordance with established policies and procedures.
3. BOCES officials should report the accurate amount for personal use of a vehicle on employees' wage statements.

Leave Time

A good system of accounting for employee leave time (vacation, sick, etc.) includes procedures for periodically verifying that the records for leave time earned and used, and leave allowances to which employees are entitled, are accurate and prepared timely. It is essential that BOCES have procedures in place that provide for periodic independent reviews of leave time accrual records throughout the year to ensure that leave time is earned and credited in accordance with applicable employee contracts or collective bargaining agreements and that any leave time used is properly deducted from employee leave time accruals. For a proper segregation of duties and internal control, access to the application of the computerized management system that is used to maintain leave accrual should be limited to only those users whose day-to-day job responsibilities entail maintaining leave accrual records.

The Board had not adopted comprehensive written policies and procedures to provide proper guidance and internal controls over leave time. A senior clerk is responsible for maintaining leave accrual records and employees are required to submit monthly supervisor-approved absence reports to the clerk to account for any absences. The clerk reviews the reports and deducts the amount of leave time taken from each employee's leave accrual balances. However, because absence reports are only submitted monthly, the clerk can not ensure that employees have sufficient leave time available prior to their being paid. A clerk independent of the payroll process reviews a monthly sample of employees' absence reports to verify that the leave use recorded was properly deducted from the employees' leave records. Although this is a good control feature, the review does not include procedures to check whether the leave time is being earned and used in accordance with the terms of applicable employment contracts or collective bargaining agreements.

The software application that the senior clerk uses to maintain leave accrual records has access controls, which is an effective control feature that allows BOCES to restrict the access levels of different users. However, we found that access to the system was not being effectively limited and that two additional employees in the Business Office, whose duties do not involve the daily maintenance of leave accrual records, had "all access" rights to the software application. Individuals having this level of access have the ability to enter, delete, or modify leave accrual transactions, which creates the opportunity for the manipulation and concealment of transactions.

Because of the weaknesses in internal controls, we reviewed 15 employees' leave accrual records for the 2007-08 and 2008-09 fiscal years to determine if leave time was earned in accordance with applicable employment contracts or collective bargaining agreements, and to verify that the leave use recorded in the submitted absence reports was properly deducted from the employees' leave records. In total, we identified leave time valued at over \$58,950 during our audit period that was neither credited nor used in accordance with applicable employment contracts or collective bargaining agreements. Specifically, we found the following:

- The Director of Management Services was credited with nine days⁴ of leave, valued at \$3,037, at the start of the 2007-08 fiscal year to which he was not entitled based on the leave provisions of his employment contract.
- The Director of Management Services, Deputy Superintendent, Business Manager, Manager of Office Operations and Staff, and Maintenance Coordinator were credited with a combined total of 30.5 days⁵ of leave time at the start of the 2008-09 fiscal year to which they were not entitled based on the leave provisions of their applicable collective bargaining agreement or employment contract, valued at \$7,702.
- Four employees earned and used compensatory leave time, although none of BOCES' collective bargaining agreements or employment contracts includes a provision for compensatory leave time. As a result, we expanded our sample to include all 12-month employees and determined that 21 employees used a total of 133.75 hours of compensatory leave time during our audit period, valued at approximately \$2,150.
- Ten employees used agency compensatory leave time,⁶ although none of BOCES' collective bargaining agreements or employment contracts contain a provision for agency compensatory leave time. As a result, we expanded our

⁴ The nine days consisted of five vacation days and four sick leave days.

⁵ The 30.5 days consisted of 23.5 vacation days, five sick leave days, and two personal leave days.

⁶ The Human Resources Coordinator indicated that agency compensatory leave time is time-off that was granted to 12-month employees when either the current or former District Superintendent closed BOCES during holiday breaks. Twelve-month employees were granted three and half days during the 2007-08 fiscal year and three days during the 2008-09 fiscal year.

sample to include all 12-month employees and determined that 54 employees used a total of 308.5 days of agency compensatory leave time during our audit period, valued at \$46,074.

It is essential that BOCES maintain accurate leave time records to determine the proper amount of termination payments that are due to employees who retire or resign from their positions, and to ensure that BOCES employees are properly compensated for the amounts to which they are contractually entitled.

Recommendations

4. The Board should adopt comprehensive written policies and procedures for BOCES officials to follow to provide adequate guidance and internal controls over leave time and ensure that leave time records are accurate and timely.
5. The clerk's independent review of leave accrual records should contain procedures to ensure that leave time earned and used by employees is in accordance with their employment contracts or collective bargaining agreements.
6. BOCES officials should limit the ability to process transactions in the application used to maintain leave accrual records to only those users whose day-to-day job responsibilities entail maintaining leave accrual records.
7. BOCES officials should ensure that leave benefits are properly authorized by and provided for pursuant to the terms of applicable collective bargaining agreements or other employment contracts.

APPENDIX A

RESPONSE FROM BOCES OFFICIALS

The BOCES officials' response to this audit can be found on the following pages.

The BOCES response letter refers to an attachment that supports the response letter. Because the BOCES response letter provides sufficient detail of its actions, we did not include the attachment in Appendix A.



BOARD OF COOPERATIVE EDUCATIONAL SERVICES

Sole Supervisory District of Franklin, Essex and Hamilton Counties

P.O. Box 28, 23 Huskie Lane
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Ralph H. Russell
Board President

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Deputy Superintendent

Stephen T. Shafer
District Superintendent

Rick J. Swanston
Director of
Management Services

Carol J. Lavoie
Manager of
Office Operations & Staff

October 16, 2009



Office of the State Comptroller
One Broad Street Plaza
Glens Falls, NY 12801

Re: Response to Preliminary Draft Findings 2009M-171

Dear

The Franklin-Essex-Hamilton BOCES is in receipt of the draft audit report. On behalf of our Board and entire agency, I want to express appreciation to the Office of the State Comptroller for conducting the audit. The Board and I see the process as an opportunity for continuous improvement of our already strong business operations. The Franklin-Essex-Hamilton BOCES is one of the three original BOCES formed in 1948 and we take great pride in our long tradition of excellence in the operation of the BOCES. This audit response is also serving as our Corrective Action Plan (CAP). Enclosed, please find our responses to the Preliminary Draft Findings and our plan for corrective action.

Sincerely,

Stephen T. Shafer
District Superintendent

STS/lmm

Enclosure

Administrative Staff Compensational Expenses

Audit Recommendation #1: The Board should ensure that comprehensive written policies and procedures are established to provide adequate guidance, oversight and internal controls over administrative staff compensation.

FEH BOCES Position on the Finding: The \$5,162 in compensation noted in the audit report was for work actually performed by the employees and was for work that was critical to the effective operation of BOCES services. The work was authorized by administrators in advance, however, the BOCES concurs that proper Board authorization to perform the work was not in place. The Board adopts a resolution each year at the organizational meeting authorizing the Human Resources Coordinator to Certify Payrolls. This authorization includes a specific protocol (see attached). The BOCES concurs that in addition to this protocol, there is a benefit to developing additional policies and/or procedures to provide adequate guidance, oversight and internal controls over administrative staff compensation. The BOCES believes that the collective bargaining agreement with the FEH BOCES Administrators' Association, the individual compensation agreements with central office administrators and the board resolutions for part-time and occasional employees are sufficiently clear regarding compensation. The "New Employee Payroll Form" most recently revised in December 2008 delineates all necessary payroll information for new hires (see attached).

The part-time retired administrator provided the services and was paid the correct amount for the work performed. The BOCES concurs that the earnings paid to the part-time retired administrator for the period October 4, 2007 through December 31, 2007 should have been claimed and paid on the regular 2 week payroll cycle.

Implementation Plan of Action: Commencing July 1, 2009 all extra-program employment requires specific Board authorization. As of October 15, 2009, in addition to the Human Resources Coordinator, the senior clerks that prepare payroll will be provided with copies of all collective bargaining agreements, compensation agreements and approved Board meeting minutes. By November 1, 2009 a written protocol for compensation and payroll will be developed and thoroughly reviewed with Human Resources and payroll staff. A copy of the protocol will be provided to the Manager of Office Operations & Staff to be included in the agency file of procedures and protocols.

On October 2, 2009 the District Superintendent met with the Director of Management Services and the Human Resources Coordinator. The 211 waiver process was reviewed using documents provided by the New York State Education Department (see <http://www.highered.nysed.gov/memoceo12102008.html>). Further, the prompt submission and processing of claim forms for retirees was discussed and is an unequivocal expectation of the agency.

Person Responsible for Implementation: Director of Management Services, Human Resources Coordinator

Audit Recommendation #2: The Board and responsible BOCES officials should monitor the use of assigned vehicles and cellular phones to ensure they are being properly used in accordance with established policies and procedures.

FEH BOCES Position on the Finding: The BOCES believes that the use of vehicles during the 2007-08 portion of the audit period was consistent with the policy in place at that time. The BOCES concurs that for the remainder of the audit period the continued use of BOCES vehicles for travel to and from work was not consistent with the policy.

The personal use of cell phones was properly logged, invoiced, and payment was received. The BOCES concurs that some payments were not received in a timely manner and that personal use by some individuals was excessive.

Implementation Plan of Action-Vehicles: A new policy, “Personal Use of BOCES Vehicles” was adopted by the BOCES with an effective date of July 1, 2009. This is a more restrictive policy and has eliminated the garaging of BOCES vehicles at employees’ homes, with very limited exceptions. The policy reads in full; “Be it resolved that vehicles owned or leased by the Franklin-Essex- Hamilton BOCES are provided for use by employees for the delivery of services and/or in connection with approved activities of the BOCES. Effective delivery of services, attendance at conferences, or other business related activities by employees of the BOCES may occasionally require that they take the vehicle to their home. When directly connected to BOCES business and the pick-up or return of the vehicle to a BOCES facility on the same day is not practical, such use is permitted. Other personal use of such vehicles except de minimis personal use is prohibited.”

Implementation Date: July 1, 2009

Person Responsible for Implementation: Director of Management Services

Implementation Plan of Action - Cell Phones: Beginning in January 2009 the District Superintendent initiated a procedure for reviewing all past due accounts receivable. On a monthly basis the District Superintendent receives a report of past due accounts receivable. The District Superintendent reviews all accounts that are more than 90 days past due with the Director of Management Services and the Business Manager. A memo dated October 13, 2009 has been sent to the Director of Management Services and the Business Manager to memorialize this procedure. A copy has been provided to the Manager of Office Operations & Staff for inclusion in the agency file of procedures and protocols.

Implementation Date: Early 2009 with enhanced implementation October 13, 2009

Person Responsible for Implementation: District Superintendent, Director of Management Services

Audit Recommendation #3: BOCES officials should report the accurate amount for personal use of a vehicle on employee's wage statements.

Position on the Audit Finding: The BOCES has consistently reported for personal use on the employee's wage statements and invoiced the employees for their share of the social security tax payments. The BOCES concurs that reporting the accurate amount for personal use on employee wage statements is proper.

Corrective Action Plan: The BOCES policy adopted July 1, 2009 has eliminated the use of BOCES vehicles for personal use.

Implementation Date: July 1, 2009

Person Responsible for Implementation: Director of Management Services, Human Resources Coordinator

Audit Recommendation #4: The board should adopt comprehensive written policies and procedures for BOCES officials to follow to provide adequate guidance and internal controls over leave time and ensure that leave time records are accurate and timely.

Position on the Audit Finding: The BOCES concurs that a clearly written document should be put in place to articulate and strengthen current procedures.

Implementation Plan of Action: By November 1, 2009 a written protocol for leave time will be developed and thoroughly reviewed with Human Resources and payroll staff. A copy of the protocol will be provided to the Manager of Office Operations & Staff to be included in the agency file of procedures and protocols.

Implementation Date: October 16, 2009/November 1, 2009

Person Responsible for Implementation: Director of Management Services, Human Resources Coordinator

Audit Recommendation #5: The clerk's independent review of leave accrual records should contain procedures to ensure that leave time earned and used by employees is in accordance with their employment contracts or collective bargaining agreements.

Position on the Audit Finding: The BOCES concurs that procedures should be put in place to ensure that leave time earned and used by employees is in accordance with employment contracts and collective bargaining agreements.

Implementation Plan of Action: All Human Resources and payroll staff will be provided with copies of all collective bargaining agreements and compensation agreements, in addition to the protocol referenced in the implementation plan for Audit Recommendation #4.

Implementation Date: October 16, 2009

Person Responsible for Implementation: Director of Management Services, Human Resources Coordinator

Audit Recommendation #6: BOCES officials should limit the ability to process transactions in the application used to maintain leave accrual records to only those users whose day-to-day job responsibilities entail maintaining leave accrual records.

Position on the Audit Finding: The BOCES concurs that access allowing the ability to process transactions should be limited to those whose day-to-day job responsibilities entail maintaining leave accrual records. Changes were made to restrict access in the [REDACTED] software immediately upon the Office of the State Comptroller auditors finding this situation during their audit.

Implementation Plan of Action: [REDACTED] access assignments will be reviewed periodically by the Director of Management Services. The external auditor will be asked to continually review this area as part of their regular audits.

Implementation Date: May 2009

Person Responsible for Implementation: Director of Management Services

Audit Recommendation #7: BOCES officials should ensure that leave benefits are properly authorized by and provided for pursuant to the terms of applicable collective bargaining agreements or other employment contracts.

Position on the Audit Finding: The BOCES concurs that it is essential that leave time earned and used by employees is in accordance with employment contracts and collective bargaining agreements. The specific responses to the four bulleted items is as follows:

- The BOCES concurs that the nine days were not provided for in the employment agreement. The four sick days remain unused and have been deducted from the individuals accumulated leave. Four of the five vacation days were not used. Note that in the preceding year, this employee used only 8 of the 15 vacation days to which they were entitled.
- The BOCES concurs that vacation carry over was not specified in the employment contracts. Five of the referenced vacation days were credited to the Director of Management Services and were not used. The remaining 18.5 days of vacation leave were due to employees in the 2007-08 year but remained unused. The employees were allowed to carry over the vacation leave. Employees delayed use of the days in May and June of 2008 as the agency was involved in a complete relocation of the central office.

- The BOCES concurs that flex scheduling/comp time was used although it is not specifically spelled out in collective bargaining agreements or employment agreements. All of the employees provided the full service to the BOCES for which they were compensated.
- The BOCES concurs that the practice of granting employees additional holidays on days surrounding Thanksgiving, Christmas, New Years or any other holiday is not specified in collective bargaining agreements or compensation agreements.

Implementation Plan of Action: Protocols referenced in response to the other audit findings in this report will be implemented to ensure that leave benefits are properly authorized by and provided for pursuant to the terms of applicable collective bargaining agreements or other employment contracts. At the October 15, 2009 Board meeting, the Board passed a resolution (see attached) authorizing administrators and managers to approve hourly employees to work additional hours and to receive an equal amount of compensatory time in the same or next two-week pay period. The practice of providing agency compensatory leave time has been discontinued as of July 1, 2009.

Implementation Date: July 1, 2009/October 16, 2009

Person Responsible for Implementation: Director of Management Services, Human Resources Coordinator

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the adequacy of the internal controls put in place by officials to safeguard BOCES assets. To accomplish this, we performed an initial assessment of the internal controls so that we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of the following areas: financial oversight, cash receipts and disbursements, purchasing, payroll and personal services and information technology.

During the initial assessment, we interviewed appropriate BOCES officials, performed limited tests of transactions and reviewed pertinent documents, such as BOCES policies and procedures manuals, Board minutes, and financial records and reports. In addition, we obtained information directly from the computerized financial databases and then analyzed it electronically using computer-assisted techniques. This approach provided us with additional information about the BOCES' financial transactions as recorded in its databases. Further, we reviewed the BOCES' internal controls and procedures over the computerized financial databases to help ensure that the information produced by such systems was reliable.

After reviewing the information gathered during our initial assessment, we determined where weaknesses existed, and evaluated those weaknesses for the risk of potential fraud, theft and/or professional misconduct. We then decided on the reported objectives and scope by selecting for audit those areas most at risk. We selected administrative staff compensation and expenses and leave time for further audit testing. To accomplish the objectives of our audit, our procedures included the following:

For administrative staff compensation, we interviewed officials, reviewed policy manuals and Board minutes, observed transactions, and examined administrative staff payroll records such as payroll claim forms, payroll registers, collective bargaining agreements, and employment contracts to determine the effectiveness of internal controls pertaining to administrative staff compensation, and any associated effects of deficiencies in those controls. For administrative staff expenses, we interviewed officials and reviewed policy manuals and Board minutes. For vehicle use, we reviewed the monthly records of use of a BOCES vehicle submitted by four administrative staff members, historical IRS standard mileage rate documentation, and used a mapping website to determine the mileage of destinations recorded to determine the percentage of total miles driven that were for personal use and the monetary value of those miles. For cellular phones, we reviewed cellular phone bills for four administrative staff members to determine the total amount and percentage of cellular phone minutes that were used for non-BOCES related purposes. We also reviewed invoices and supporting payment documentation for four administrative staff members to determine the timeliness of the reimbursement of personal charges for cellular phone use.

For internal controls over leave time, we focused our attention on whether adequate internal controls were in place over leave time. We interviewed officials, reviewed policy manuals and Board minutes, observed transactions, viewed Business Office employees' computer screens, reviewed user access reports, and examined leave accrual records, absence records, collective bargaining agreements, and employment contracts, to determine the effectiveness of internal controls pertaining to leave accruals, and any associated effects of deficiencies in those controls.

We conducted our performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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