



**Washington-Saratoga-
Warren-Hamilton-Essex
Board of Cooperative
Educational Services
Internal Controls Over
Selected Financial Activities**

Report of Examination

Period Covered:

July 1, 2006 — December 31, 2007

2008M-154



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

October 2008

Dear Board of Cooperative Educational Services (BOCES) Officials:

A top priority of the Office of the State Comptroller is to help BOCES officials manage BOCES resources 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 of Education 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 Washington-Saratoga-Warren-Hamilton-Essex 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 Washington-Saratoga-Warren-Hamilton-Essex Board of Cooperative Educational Services (BOCES) is an association of 31 component school districts in a five-county region. BOCES is governed by a fifteen member Board of Education (Board) elected by the boards of the component 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 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.

Combined, the component districts educate approximately 43,000 students in Washington, Saratoga, Warren, Hamilton, and Essex counties. BOCES delivers more than 150 educational and administrative services to its 31 component school districts and employs over 900 staff members. BOCES' 2007-08 fiscal year budget of approximately \$60.3 million is funded primarily by charges to school districts for services and Federal and State aid.

BOCES, as a public employer, enrolls its eligible employees in the New York State and Local Employees' Retirement System (ERS).

Scope and Objective

The objective of our audit was to evaluate the adequacy of BOCES' internal controls over selected financial activities for the period July 1, 2006 through December 31, 2007. Our audit addressed the following related questions:

- Did BOCES establish and implement sufficient policies and procedures to adequately safeguard BOCES assets?
- Did BOCES' process for classifying workers ensure that the persons BOCES enrolls in ERS are valid public employees?

Audit Results

We found that BOCES did not establish and implement sufficient policies and procedures for payroll, meals and refreshments, cash receipts, fuel supplies, and the classification of employees. Although

BOCES did not adopt a formal payroll policy, we found that controls were generally adequate. The Board did not adopt a cash receipts policy and, as a result, procedures for collecting, recording, and depositing cash were inconsistent and left BOCES at risk of loss. Our testing found that although cash was deposited intact, it was not always deposited in a timely manner. The Board did not have a formal policy for the provision of meals and refreshments at BOCES functions, though certain informal procedures were in place. During the audit period, BOCES expended over \$88,000 for meals and refreshments that did not always have prior approval or adequate supporting documentation. The Board did not have an adopted policy establishing controls over gasoline and diesel fuels, and BOCES officials did not monitor the receipt and use of fuels. The informal procedures being used to track fuel usage did not fully account for all fuels received from the vendor and used in BOCES vehicles and equipment.

Finally, the Board had established procedures that were designed to help distinguish employees from independent contractors. However, the procedures were not uniformly applied and, as a result, BOCES placed two professionals who should have been treated as independent contractors on the payroll and incorrectly enrolled them in the Employees' Retirement System.

Comments of BOCES Officials

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 Washington-Saratoga-Warren-Hamilton-Essex BOCES (BOCES) is an association of 31 component school districts. BOCES is governed by a fifteen member Board of Education (Board) elected by the boards of education of the component districts. The Board is responsible for the general management and control of 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.

Combined, BOCES' component districts educate approximately 43,000 students in Washington, Saratoga, Warren, Hamilton, and Essex counties. BOCES delivers more than 150 educational and administrative services to its 31 component school districts and employs approximately 900 staff members. BOCES' 2007-08 fiscal year budget of approximately \$60.3 million is funded primarily by charges to school districts for services and Federal and State aid.

According to BOCES officials, the average bi-weekly payroll consists of payments to approximately 850 employees including administrative, instructional, and non-instructional staff. BOCES collects a significant amount of cash from individuals for adult education program tuition and supplies, as well as payments for BOCES services. Such receipts exceeded \$500,000 during the 2006-07 fiscal year. During our audit period, BOCES expended over \$88,000 for meals and refreshments provided at meetings and other functions and spent over \$66,000 for gasoline and diesel fuel used in vehicles and equipment.

BOCES, as a public employer, enrolls its eligible employees in the New York State and Local Employees' Retirement System (ERS).

Objective

The objective of our audit was to review internal controls over selected financial activities. Our audit addressed the following related questions:

- Did BOCES establish and implement sufficient policies and procedures to adequately safeguard BOCES assets?

- Did BOCES' process for classifying workers ensure that the persons BOCES enrolls in ERS are valid public employees?

Scope and Methodology

We examined internal controls relating to policies and procedures and classification of employees for the period July 1, 2006 to December 31, 2007.

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 are 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 forwarded to our office within 90 days. 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 District Clerk's office.

Policies and Procedures

The Board is 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 includes clear policies and procedures that promote effective operations, the prudent use of resources and the adherence to applicable laws and regulations. Certain controls are designed to prevent errors and irregularities from occurring while other controls serve to detect errors and irregularities in a timely manner. Controls need to be monitored to ensure they are functioning as intended.

Although BOCES did not adopt formal policies for the payroll process, we found that controls were generally adequate. The Board did not adopt a policy for providing food and beverages at events, and the procedures for approving and documenting events when BOCES provided food and beverages were inconsistent. As a result, the provision of meals and refreshments was sometimes not approved until after the event occurred and not always adequately documented. BOCES did not establish formal policies and procedures governing the receipt, recording, and depositing of cash at its various facilities, resulting in a risk of theft or loss of cash. BOCES did not effectively monitor the procedures for tracking the use of fuels at its two fuel points, and our review found that fuel use was not fully accounted for.

Payroll

A primary objective of internal controls over payroll processing is to ensure that employees receive the correct amount of wages, salaries, and benefits to which they are entitled. Internal controls include written policies and procedures and are combined with job descriptions that assign responsibilities for specific payroll activities. Clear policies and procedures assist employees in understanding management's expectations and their own roles in the payroll process. The payroll process should be clearly defined and closely monitored to ensure that BOCES' financial assets are adequately protected. Payroll expenditures (salaries and benefits) generally represent the most significant operating costs to a BOCES. Accounting records showed that salary and fringe benefits were approximately \$39.2 million, or about 70 percent of BOCES' \$56.2 million general fund expenditures in the 2006-07 fiscal year.

The Board had established employment agreements with administrators, supervisors, teachers, and non-instructional employees (e.g., clerks, custodians, computer technicians). The agreements outline terms of employment and define issues relevant

include salary schedules and descriptions of various benefits, such as insurance and paid leave. The Board had not adopted a formal payroll policy. However, the Board communicated certain expectations and responsibilities over the payroll process by its actions and through administrative regulations. For example, the Board appointed the Assistant Superintendent for Administrative Services to certify BOCES payrolls.

Although the Board had not adopted a formal payroll policy, we found that controls over the payroll process were generally adequate. During our on-site work, we observed that BOCES officials were acting to improve existing controls based on recommendations from their internal auditor. For example, officials established procedures for conducting periodic payroll audits and performed the first audit during our fieldwork.

Meals and Refreshments

Generally, governing boards should consider meals provided at meetings necessary only when Board members and/or BOCES personnel travel outside of their regular work areas on official business for extended periods of time, or when events prevent them from taking time off to eat during mealtime because of a pressing need to complete business. In order to safeguard taxpayer monies, it is important that BOCES have a written meals and refreshments policy that outlines when it is appropriate to provide meals and refreshments to officials and requires a list of employees attending meetings and events. To effectively control costs for meals and refreshments, the policy must only allow payment of meals and refreshments when BOCES is faced with business of an immediate nature and/or for meetings of BOCES officials and employees that are essential at mealtime. To ensure compliance with the meals and refreshments policy, related expenditures should be approved in advance and contain adequate supporting documentation (i.e., itemized receipt, purpose of the meeting or event, and a list of attendees).

BOCES does not have a written meals and refreshment policy. However, BOCES regularly provides meals and refreshments for various activities and events, including administrative meetings, training sessions, workshops, and regularly scheduled Board meetings. The attendees included a significant number of the component districts' employees, as well as BOCES employees.

During our audit period, BOCES paid \$88,610 to four vendors for providing catered meals, beverages, snacks, and related items at various events. Approximately \$8,111 of the total was expended for meals at meetings and workshops that were conducted by the Board. We reviewed 20 claims totaling \$15,747 to determine if the claims

were for approved activities and adequately documented. We could not always determine if there was prior approval and a business need to provide these meals and refreshments because of the lack of a policy and inadequate documentation supporting the reasons for the meals.

In establishing and monitoring formal policies and procedures, BOCES can control costs by requiring a consistent approach to the process for requesting, approving, and documenting all claims for meals and refreshments. BOCES' lack of formal policies and procedures may have resulted in BOCES paying for meals that were not necessary.

Cash Receipts

BOCES officials are responsible for designing internal controls to safeguard BOCES resources and ensure that they are used economically and efficiently. It is important that written policies and procedures be established to promote effective operations, the prudent use of resources, and the adherence to applicable laws and regulations. Policies and procedures should specifically address issues such as collecting, recording, safeguarding, and depositing cash. It is important that duties are segregated so that no one person controls all phases of a transaction, and individual job descriptions must be established to identify responsibilities for specific activities to ensure that employees understand their personal roles in the process as well as the Board's expectations.

BOCES receives significant amounts of money for tuition payments and fees for books and supplies related to its adult education programs. BOCES also receives cash for certain goods and services provided by its cosmetology, horticulture, and automotive repair programs. During the 2006-07 fiscal year, BOCES recorded over \$500,000 in cash receipts.

BOCES did not adopt formal, written policies and procedures to guide employees in receiving, recording, safeguarding, and depositing cash. As a result, over the years BOCES staff has developed informal procedures and practices to manage cash. Overall, the informal procedures being followed generally provided a segregation of duties and other controls over the collection, recording, and deposit of cash. However, we found that adequate procedures were not consistently applied at all points of service where cash was received.

We found that the procedures for cash collected at the Southern Adirondack Education Center (SAEC) were inconsistent. Two clerks were responsible for collecting cash receipts for separate programs. One clerk (Clerk A) issued pre-numbered receipts for the payments that she collected, while another (Clerk B) used computer-printed

documents and entered receipt numbers by hand for the payments that she collected. Neither clerk maintained a cash receipts log that provided a complete accounting for all receipts. Cash received by the clerks was stored in a safe and later delivered by courier to the Business Office in Fort Edward for recording and deposit by the Treasurer.

We examined 111 cash receipts totaling approximately \$33,000 to determine if they were properly recorded and accounted for, and if the deposits were made timely and intact.¹ We found that the clerks did not forward sufficient documentation to the Business Office to allow the Business Office to determine whether all the receipts were accounted for. Though the clerks sent copies of cash receipts with the cash to be deposited to the Business Office, all of the cash receipt numbers were not accounted for. For example, voided receipts were not included. Further, the Business Office did not reconcile the cash receipt records to the cash deposits, which resulted in an increased risk of theft or loss. Although we found that cash was deposited intact, it was not always deposited in a timely manner. Out of the 111 receipts, we found that 47 were deposited between five and 19 days after receipt. On average, receipts were deposited six days after they were received. Delays in depositing receipts make cash collections more susceptible to theft or loss.

We noted that during our audit period, Clerk B began using pre-numbered receipt forms. Further, BOCES officials were considering different check acceptance procedures including the installation of Remote Deposit Capture (RDC) equipment that would process checks electronically at the BOCES points of service. RDC offers improvements in processing time and security while reducing the cost and risk of transportation.

Fuel Supplies

BOCES officials are responsible for developing policies and procedures that establish adequate internal controls and assign responsibilities for the physical security and monitoring of its fuel supplies. Effective internal controls must ensure that access to the fuel supplies is limited to authorized persons and that the use of all fuel is appropriate, adequately recorded and closely monitored. Periodic reconciliations of the records of fuel received to actual measurements of the fuel on hand and records of fuel usage help to limit the risks of vendor fraud and theft by employees or others.

During the audit period, BOCES expended over \$66,000 for gasoline and diesel fuel stored at two different facilities in Hudson Falls and Saratoga Springs. Both facilities had various levels of physical

¹ In the same form (cash or check) in which they were received

security for the fuel supplies and procedures in place to record its use. However, the Board did not establish a fuel usage policy that assigned responsibility to BOCES officials for outlining a formal, uniform set of procedures for fuel usage at these facilities. The existing controls were not sufficiently designed or monitored to ensure the security of the fuel supplies and to adequately track their use.

At the SAEC, the fuel pumps were locked, and users needed keys and personal identification numbers to access and activate the pumps. The users were required to record the fuel usage in equipment logs that were retained in binders on-site in the maintenance office. However, these controls were ineffective for controlling fuel use because the fuel vendor had a copy of the key and was allowed independent access to the fuel pumps. He was able to fill the fuel storage tanks without supervision by BOCES staff. Also, BOCES staff did not verify that the amount of fuel for which BOCES was billed was correct. Further, BOCES staff did not review and reconcile the amounts of fuel recorded in the equipment logs to ensure that all uses of fuel were appropriate and accounted for.

At the Myers Education Center (Myers) in Saratoga Springs, the fuel tanks were kept within a fenced area where they could be secured with padlocks. Users were required to fill out logs (logs included the user's name, equipment type, amount and type of fuel, and a pump reading) that were forwarded to the Director of Facilities in Saratoga Springs. Although the log indicated that copies should also be forwarded to the Business Office in Fort Edward, the Business Office staff informed us that they did not receive such copies. Therefore, Business Office employees did not review or reconcile the logs to ensure that all uses of fuel were appropriate and accounted for.

We used the fuel logs from Myers to review 41 consecutive recordings of the use of diesel fuel over a seven-week period to test the accuracy of the logs and the effectiveness of the controls in tracking the fuel. We found 22 discrepancies where the audited pump readings did not equal the recorded amount of dispensed fuel. As a result, 78 gallons of fuel were not accounted for in the logs, or approximately nine percent of the 894 total dispensed gallons. We also reviewed 100 consecutive recordings of the use of gasoline over the same period. In 43 instances, the audited pump reading exceeded the recorded amount of dispensed fuel. We found that, out of a total of 1,341 dispensed gallons, 61 gallons (approximately 5 percent) of gasoline were not accounted for in the logs. We also noted that Myers did not have formal procedures or an effective means to accurately verify the amount of fuel that was pumped into the tanks by the vendor.

The lack of formal policies and procedures impaired BOCES' ability to effectively monitor and verify the amounts of fuel delivered by the vendor or adequately track the use of the fuel. The controls for measuring, recording, and tracking the use of fuel supplies need to be strengthened to protect an increasingly expensive commodity.

Recommendations

1. The Board should adopt a policy and officials should develop and implement standard procedures over the payroll process.
2. The Board should adopt a policy that clearly defines the circumstances when BOCES will provide meals and refreshments to employees and others. BOCES officials should develop and implement standard procedures for requesting, approving, and documenting the events when meals and refreshments are provided.
3. The Board should adopt a policy and officials should develop and implement standard procedures for the collection, recording, safeguarding, and deposit of cash. Reconciliations should be performed by someone independent of the process.
4. The Board should adopt a policy and officials should develop and implement standard procedures covering the security, record-keeping, and monitoring of fuel supplies.

Classification of Employees

Local governments and school districts obtain services from both public employees and independent contractors and consultants. It is important that public employers enroll only public employees, elected officials and public officers in the Employees' Retirement System (ERS) to ensure that only persons entitled to ERS membership receive ERS service credit. The Office of the State Comptroller's *Financial Management Guide for Local Governments*² (Guide) provides information to help distinguish between independent contractors and employees. The New York State and Local Retirement System (NYSLRS), which operates ERS, provides its own checklist of indicators³ that can help localities and school districts make this determination correctly. In addition, as of April 3, 2008, enhanced regulations are available that more clearly define how local governments and school districts should classify professional service providers as either employees or independent contractors. These regulations are posted on the Office of the State Comptroller (OSC) website.⁴

Public employers must take reasonable steps to ensure that the persons they enroll in ERS are actually eligible for membership. An employer must assess several issues when making a determination whether to consider an individual an employee or a contractor. For example, the employer needs to evaluate its degree of control over the worker and the work, and the worker's degree of independence from the employer. Generally, employees are directed when, where, and how to perform their work. The employer will provide supervision, as well as the resources employees need to accomplish the work. Contractors are generally hired to provide services without receiving explicit instructions from the entity how to perform the services. Whereas an employee is generally paid a salary or wages on an hourly/weekly basis, a contractor is usually paid a flat fee or according to a contract schedule. Employees generally do not maintain a separate business location to offer their services to others than their employer. Conversely, independent contractors generally do maintain separate locations to offer their services to others.

To determine whether BOCES officials had properly classified their workers' status in accordance with the Guide and ERS indicators, and enrolled only eligible public employees in ERS, we examined

² *Financial Management Guide for Local Governments*, Subsection 8.4020, page 1, issued December 1992

³ The NYSLRS Checklist: Distinguishing Between an Employee and an Independent Contractor (available from the NYSLRS)

⁴ www.osc.state.ny.us

the classification status of 17 of the 20 professional service providers who were on the payroll and enrolled in ERS. We determined that two individuals, a physician and an attorney, were incorrectly placed on the payroll and enrolled in ERS. Both should have been classified as independent contractors because they did not meet the criteria for public employees. For example, the attorney is a partner in a law firm that has performed services for other public entities, including a town, a community college, and several school districts. Though the Board adopted a policy in 2002 that included Internal Revenue Service guidelines for evaluating a worker's status, it was not applied to the attorney, who was initially hired in 1992, or the physician, who was initially hired in 1997.

In the 2006-07 fiscal year, BOCES paid the physician and the attorney \$17,000 and \$5,418, respectively. BOCES also reported service credits to ERS for these individuals; however, the calculations for the service credits were based on the amount of payments made to the professionals rather than the actual time worked. BOCES did not maintain documentation of their actual time worked.

BOCES officials stated that they will remove the two professionals from the payroll and pay them on a retainer basis. They also indicated that they will strengthen the controls over worker classification procedures.

Recommendation

5. BOCES officials should monitor controls over worker classification processes to help ensure that they correctly determine the status of individuals who work for BOCES in compliance with the Guide and the regulations posted on the OSC website.

APPENDIX A

RESPONSE FROM BOCES OFFICIALS

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

John L. Stoothoff
District Superintendent of Schools

October 8, 2008

Office of the State Comptroller
Public Information Office
110 State Street, 15th Floor
Albany, NY 12236

**RE: Internal Controls Over Selected Financial Activities
2008M-154**

Dear Madams or Sirs:

The Division of Local Government and School Accountability of the Office of the State Comptroller notified me, as District Superintendent of Schools for the Washington-Saratoga-Warren-Hamilton-Essex BOCES, on November 7, 2007 that our organization had been selected for a comprehensive audit to evaluate the BOCES' internal controls. An entrance conference with the regional supervisor and lead auditor from your offices was conducted on December 12, 2007 with our Board's Audit Committee and our administration. This essentially began the audit process with three (3) OSC auditors arriving the following Monday.

The WSWHE BOCES maintains 136 general fund budgets which support over 250 programs and services to its 31 component school districts. The audit period selected was from July 1, 2006 through December 31, 2007, a time period during which approximately \$85 million worth of transactions were available for review. The audit was completed by April 28, 2008. An exit conference was conducted whereby the BOCES administration was notified that auditors had not identified any significant issues or material exceptions. The BOCES was made aware at that time of five (5) areas that would be recommended for this, the final report.

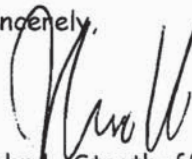
The draft report had been provided at a meeting chaired by the OSC auditors on September 25, 2008. Attending were the central administration and five members of the Board of Education. The chief auditor commented, again, that they have no real concerns about the BOCES operation. They indicated that they had found the administration and staff to be responsive, helpful, and cooperative. They did, however, provide recommendations for improved Board policy and administrative procedures to which we agree. I was able to share the substance of this report at the October 8, 2008 Board of Education meeting. Therefore, the entire Board had an opportunity to hear the findings even though corrective work had begun months ago.

Please know that the BOCES Board of Education took action at their regular meeting on May 14, 2008 to correct the employment classification of two individuals mentioned in recommendation #5 on page 14 of the draft report. In addition, at the Board reorganizational meeting, held in July 2008, the Board appointed independent contractors and consultants pursuant to the new regulations set forth by the State Comptroller on April 3, 2008. The Board of Education had its first reading of a new policy #5430 entitled "*Determination of Employment Status - Employee or Independent Contractor*" on October 8, 2008. We anticipate adoption of that policy at our November 2008 meeting.

As you can see, WSWHE BOCES took the recommendations very seriously and our management plan for corrective action is already in motion. Upon hearing of the other four recommendations listed on page 12 of the report at our September 25th meeting, the administration immediately contacted Erie 1 BOCES' Policy Services requesting sample policies and regulations to correct those conditions. We anticipate making the policy changes over the next few months and will craft a public relations response to any separate news items as may be necessary once this report becomes public.

Finally, we want to thank the Office of the State Comptroller for conducting this audit, for providing appropriate recommendations, and for the professionalism of its field auditors.

Sincerely,



John L. Stoothoff
District Superintendent of Schools

JLS:jk

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, and payroll and personal services.

During the initial assessment, we interviewed appropriate BOCES officials, performed limited tests of transactions and reviewed pertinent documents, such as 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 internal controls and procedures over the BOCES' 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 upon the reported objectives and scope by selecting for audit those areas most at risk. We selected policies and procedures and classification of employees for further audit testing.

To accomplish our objectives, we reviewed relevant policies and administrative regulations. We interviewed administrators, supervisors, and staff and observed the operating procedures in practice.

- To determine whether policies and procedures were adequate over the payroll process, we interviewed administrators and staff in the human resource and payroll offices. We reviewed payroll and employee records, as well as the relevant collective bargaining agreements and Board policies.
- To determine whether policies and procedures were adequate over expenditures for meals and refreshments, we interviewed administrators and staff at the Fort Edward and Saratoga Springs locations, reviewed accounting records and claim forms, as well as available lists of attendees at BOCES events.
- To determine whether policies and procedures were adequate over cash receipts, we interviewed staff in the Business Office in Fort Edward and other offices in Hudson Falls, Glens Falls, and Saratoga Springs. We reviewed cash receipts, accounting records, deposit slips, deposit receipts, and bank statements.
- To determine whether policies and procedures were adequate over fuels, we interviewed staff at facilities in Hudson Falls and Saratoga Springs, and reviewed fuel logs and relevant accounting records.

- We reviewed BOCES' process for classifying workers to ensure that the persons BOCES enrolls in ERS are valid public employees rather than independent contractors. We interviewed administrators and supervisors in Fort Edward and Saratoga Springs, and staff in the human resource and payroll offices. We reviewed payroll records, personnel records, and reports to the ERS. We also communicated with ERS staff as appropriate.

We conducted this 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

APPENDIX C

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