



Oneida-Herkimer- Madison Board of Cooperative Educational Services

Claim Payments

Report of Examination

Period Covered:

July 1, 2014 – August 31, 2015

2015M-350



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

March 2016

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 Oneida-Herkimer-Madison BOCES, entitled Claim Payments. 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 New York State 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*

Introduction

Background

The Oneida-Herkimer-Madison Board of Cooperative Educational Services (BOCES) is an association of 12 component school districts. The BOCES is governed by a 12-member Board of Education (Board) elected by the component districts' boards. The Board is responsible for the general management and control of the BOCES' financial and educational affairs. The District Superintendent is the BOCES' chief executive officer and is responsible, along with other administrative staff, for the BOCES' day-to-day management 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 23,000 students in Oneida, Herkimer and Madison counties, with approximately 1,200 attending BOCES programs. The BOCES delivers more than 150 educational and administrative services to its component districts and employs more than 600 staff members. The BOCES' 2015-16 fiscal year budgeted appropriations total \$61.5 million, which are funded primarily by charges to school districts for services and State and federal aid.

The claims auditor, Treasurer and accounts payable clerk are largely responsible for processing BOCES claim payments. The Board-appointed claims auditor is responsible for formally examining and approving or rejecting all charges, claims or demands against the BOCES. The claims auditor is also responsible for reviewing the claims to ensure they have adequate support and proper approvals and that the purchases are for a proper BOCES purpose and for certifying the warrant providing authorization for the Treasurer to pay the claimants. The accounts payable clerk processes and prints all nonpayroll checks.

Objective

The objective of our audit was to review the BOCES' claim payments. Our audit addressed the following related question:

- Are claim payments properly authorized, supported by appropriate documentation and for valid business purposes?

Scope and Methodology

We examined the BOCES' claim payments for the period July 1, 2014 through August 31, 2015.

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. Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or relevant population size and the sample selected for examination.

**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 indicated they planned to initiate corrective action.

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of General Municipal Law and Section 170.12 of the Regulations of the Commissioner of Education, a written corrective action plan (CAP) that addresses the 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 should 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 Administration Office.

Claim Payments

The Board is responsible for auditing and approving all claims prior to payment. This responsibility can be delegated to a claims auditor to act on the Board's behalf. The claims audit should be a deliberate and thorough process to ensure each claim contains sufficient supporting documentation to verify compliance with Board-adopted policies or statutory requirements and that each claim is for a proper BOCES purpose.

The Board delegated its responsibility to a claims auditor and established a claims auditing policy to provide guidance to the claims auditor. The policy requires the claims auditor to perform a thorough audit of claims verifying that claims are properly itemized and supported and whether the BOCES has actually received the goods or services described in each claim by reviewing detail receipts before the Treasurer pays claims. The claims auditor told us that she routinely reviews each claim for department approval, ensures approval of receipt of goods attached, signs each claim and approves the warrant for payment of claims.

BOCES made 5,778 claim payments totaling \$67.7 million during our audit period. We reviewed 74 of these claims totaling over \$483,000 to determine if they contained sufficient documentation and were properly authorized and approved, sufficiently itemized and for valid business purposes.¹ Most claims we reviewed were properly authorized and approved before payment, appropriately supported and for valid business purposes. However, two tuition claim reimbursements totaling \$11,565 were approved and paid to an administrative employee even though tuition was not reimbursable according to the administrator's collective bargaining agreement (CBA).²

The claims auditor told us she was unaware that tuition reimbursements were not included in this employee's CBA. BOCES officials explained it has been a past practice to allow tuition reimbursements for furthering education relating to employees' job duties, but agreed that if such payments are made in the future, language specific to tuition reimbursements should be included in the administrator's CBA or a policy should be established authorizing this type of reimbursement for administrative employees.

¹ See Appendix B for a detailed methodology of our sample selection.

² The CBA does not include stipulations allowing tuition reimbursement; however, two other CBAs do allow for tuition reimbursement with maximum limits.

We also found five claim payments totaling \$20,828 that lacked supporting documentation. Four of these payments (totaling \$15,456) were for cell phone and internet services for component districts and the remaining payment (totaling \$5,372) was for hotel fees for professional development training for administrators of two component districts. The claims auditor told us the practice of receiving detailed phone bills for her review was stopped about three to four years ago due to the bills' lengthiness.

When the claims auditor approves claims without adequate supporting documentation or does not verify if the payments are authorized by Board-approved agreements or policies, there is an increased risk that the claims auditor could approve and BOCES officials could pay for goods or services that are not for a proper BOCES purpose.

Recommendations

The claims auditor should:

1. Ensure that tuition reimbursements are authorized by the respective CBA or Board policy prior to approving the claims for payment.
2. Ensure all claims contain sufficient supporting documentation (i.e., original itemized invoices) to determine the nature of goods or services purchased before approving the claims for payment.

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.



Oneida-Herkimer-Madison BOCES

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March 2, 2016

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Dear Ms. Wilcox,

This letter is written as the formal response to the Comptroller's Report of Examination 2015-350, Claim Payments, Oneida-Herkimer-Madison BOCES for the period July 1, 2014-August 31, 2015.

We would like to thank the Comptroller's Office for their examination and will immediately address the recommendations in the report.

There were two findings noted by the Comptroller regarding Claim Payments for the period examined.

The first dealt with reimbursement by the BOCES of tuition costs to an administrator working on advanced coursework to meet new requirements of the assignment. It was the position of the Comptroller's Office that the BOCES lacked authority to reimburse said administrators without either board policy or Collective Bargaining Agreement (CBA) obligations. OHM BOCES understands there needs to be clear authorization from the Cooperative Board to continue this practice. To that end, a Board Policy # 6091 (copy attached), has been drafted and was presented and approved for a first reading to the Cooperative Board at the February 10, 2016 board meeting. After a second reading, scheduled for March 9, 2016, there is every expectation that Board Policy # 6091 will be fully adopted by the Cooperative Board.

The mission of the Oneida-Herkimer-Madison BOCES is to provide innovative leadership, programs, and services in response to the emerging educational needs of our school districts.

March 2, 2016

OHM BOCES Response to Comptroller's Report of Examination 2015-350

R. Wilcox

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The other issue cited in the Comptroller's Report focused on supporting documentation that was not reviewed by the Internal Claims Auditor prior to the approval of two claims payments. It should be noted the documentation necessary for the claim approval was complete and available but was not reviewed in its entirety by the Internal Claims Auditor during the audit process. This was a result of the decentralization of the purchasing process at BOCES but nonetheless it could be construed to be a shortcoming or weakness in the claims auditing process. To expand, the detailed documentation in both cases cited was held at a department level with only a summary document forwarded for claims processing. OHM BOCES understands the seriousness of safeguarding public funds and will strengthen the claims review process going forward.

Sincerely,

Howard D. Mettelman

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We interviewed BOCES officials and key personnel to determine the procedures for the audit, approval and payment of claims.
- We reviewed and evaluated claims auditing policies.
- We randomly selected 50 claim payments totaling \$142,473 using a random sample generator to determine if the payments were properly authorized, contained sufficient supporting documentation, were for proper BOCES purposes, complied with Board-adopted policies and were paid subsequent to authorization.
- We judgmentally selected 24 claims paid during our audit period totaling \$340,576. We selected these claims because they posed a higher risk of being inappropriate BOCES expenditures. Such payments included payments made to BOCES officials and to unusual or unknown vendors, payments of high dollar amounts and payments for potentially questionable purchases. We examined these claims to determine if they contained sufficient supporting documentation, were for proper BOCES purposes, complied with Board-adopted policies and were approved by the claims auditor prior to payment.

We conducted this performance audit in accordance with 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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