



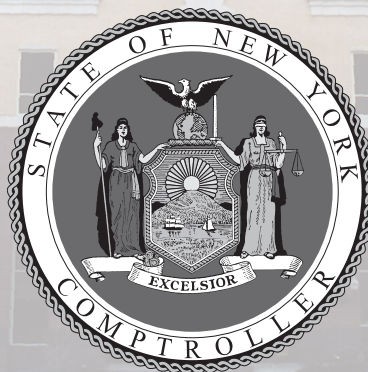
Onondaga-Cortland- Madison Board of Cooperative Educational Services Managed Technical Support

Report of Examination

Period Covered:

July 1, 2014 – June 30, 2015

2016M-299



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

December 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 Onondaga-Cortland-Madison BOCES, entitled Managed Technical Support. 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 Onondaga-Cortland-Madison Board of Cooperative Educational Services (BOCES) is a public entity serving 23 component school districts. BOCES is governed by an 11-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 is BOCES' chief executive officer and serves dual roles. The District Superintendent is responsible, along with other administrative staff, for BOCES' day-to-day management and for regional educational planning and coordination. The District Superintendent also serves the State as a representative of the New York State Commissioner of Education.

The Central New York Regional Information Center (RIC)¹ is a BOCES department that provides technology services to BOCES, 51 school districts and three other BOCES² in the central region of the State. The RIC is staffed with a chief technology officer, assistant directors, project managers and other support personnel.

BOCES delivers more than 70 educational and administrative services to school districts and three other BOCES and employs approximately 750 staff members. BOCES' 2014-15 fiscal year expenditures totaled \$151.7 million, which were funded primarily by charges to school districts for services and State and federal aid. Of this amount, \$54.1 million was for technology services provided by the RIC.

One of BOCES' goals is to provide cost-effective shared services to school districts. It provides these services through cooperative service agreements (COSERs). COSERs establish shared services between a BOCES and two or more districts and must be pre-approved, and annually re-approved, by the Commissioner of the New York State Education Department (SED Commissioner). Of the more than 70 COSERs offered by BOCES, the RIC provides nine technology COSERs, including Managed Technical Support.³ During our audit period, BOCES billed 30 districts \$6.1 million for this service.

¹ The Central New York Regional Information Center is one of 12 regional centers in the State that provide a wide array of technology services such as technology integration training, data analysis, management applications and large-scale network infrastructure projects.

² Tompkins-Seneca-Tioga BOCES, Cayuga-Onondaga BOCES and Oswego County BOCES, which is also known as the Center for Instruction Technology and Innovation (CiTi)

³ Managed Technical Support is a customizable program whereby BOCES staff remain onsite to provide technology support for district computing services ranging from project-specific support to complete technology management.

Objective

The objective of our audit was to determine whether BOCES was in compliance with SED requirements for providing shared Managed Technical Support to school districts. Our audit addressed the following related question:

- Does BOCES provide full-time staff on a nonshared, but still aided, basis for Managed Technical Support?

Scope and Methodology

We examined the Managed Technical Support provided to school districts during the period July 1, 2014 through June 30, 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 C 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 B, have been considered in preparing this report. BOCES officials 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.

Managed Technical Support

BOCES provides shared programs and services to participating districts through COSERs, which are created when two or more school districts have similar needs that can be met by shared programs. Sharing can be an economical way for districts to provide programs and services that they might not be able to afford otherwise. BOCES services are often customized, offering districts the flexibility to meet their individual needs. BOCES reports aidable expenditures⁴ for each COSER, by district, to SED and receives State aid on the districts' behalf for approved service costs, which it then pays to the districts.

To receive State aid, the COSER must meet SED requirements. The SED BOCES Administrative Handbooks state that COSERs must be shared by at least two or more districts. In addition, to be eligible for aid, BOCES may not assign an individual staff member to one district for more than 60 percent of a full-time equivalent (FTE).⁵ State aid for BOCES services is not intended to provide full-time staffing in individual districts. Rather, it is intended to facilitate a sharing arrangement between districts. In addition, BOCES should use only one basis when charging districts for a COSER. The SED-approved basis for Managed Technical Support is the FTE of personnel providing service to the district. BOCES provides district-based staff to school districts to support the districts' computing services through the Managed Technical Support COSER.

BOCES did not properly oversee the Managed Technical Support COSER, which resulted in errors in reporting aidable expenditures to SED. Specifically, BOCES assigned staff who were not shared by two or more districts. As a result, BOCES reported aidable expenditures to SED for 62.7 FTE district-based staff who were not eligible for aid reimbursement. Consequently, BOCES claimed \$2.5 million in additional aid (on behalf of the districts) to which it was not entitled. In addition, BOCES did not charge all districts for services using the approved FTE method.

During our audit period, BOCES offered three different tiers of Managed Technical Support: Director of Technology, Network Administrator and Local Area Network (LAN) Technician. BOCES

⁴ An aidable expenditure is one that is eligible to be reimbursed by State aid. Not all COSER expenditures are eligible for State aid. For example, salaries over \$30,000 are not aidable. In addition, other revenues (besides charges to districts) are deducted from expenditures to arrive at aidable amounts.

⁵ An FTE is one full-time position that may be composed of any combination of full- and part-time staff.

charges totaled approximately \$5.1 million for 56.2 FTE positions at 29 districts for these tier services.⁶ The FTE cost represents the approximate salary and benefits cost related to one position. Although the COSER is shared among many districts, most of the staff assigned to 23 of the 29 districts were not shared as required. A total of 51.7 staff⁷ were assigned to individual districts, rather than being shared by two or more districts.

In addition, BOCES provided Managed Technical Support to one district using a different cost basis than the other districts. Instead of charging the district a set amount based on the number of FTE staff provided, BOCES charged the district its estimated costs (approximately \$1 million) to manage the district's technical support needs, referring to it as a "satellite operation." This designation was incorrect because, according to the SED BOCES Handbook, satellite operations must serve two or more districts, but the satellite operation was provided to only one district.

The \$1 million included BOCES' budgeted expenditures for salaries and benefits, equipment, supplies and materials and other miscellaneous items. The salaries and benefits portion totaled \$917,476 for 11.4 FTE staff members. Most of the staff (11 of 11.4 FTE positions) were assigned to the district on a full-time basis and were not shared by two or more districts. Consequently, BOCES inappropriately claimed aid for the 24 districts⁸ with 62.7 staff⁹ who were not shared by two or more districts.

We analyzed BOCES expenditures to determine the aidable expenditures¹⁰ reported for the 62.7 staff members' salaries and benefits and calculated the State aid provided to the 24 districts. We determined that the districts received approximately \$2.5 million in

⁶ Annual charges for these tier services were \$115,000 for Director of Technology, \$87,000 for Network Administrator and \$79,000 for LAN Technician.

⁷ Some staff were full-time for only part of the year.

⁸ This amount includes 23 districts where staff was not shared as required and one satellite operation district.

⁹ This amount includes 51.7 BOCES employees working at 23 districts and 11 at the satellite operation district.

¹⁰ We calculated aidable expenditures for salaries and benefits because the tier method is the majority of the Managed Technical Support district-based staff and that is its cost basis. There were additional aidable expenditures for the satellite operation district for items such as supplies and materials, but the amounts were insignificant.

State aid that they were not entitled¹¹ to because the positions were not shared.¹²

BOCES officials told us that because the Managed Technical Support was being provided to multiple districts they believed it was considered a shared service and all allowable expenditures would be aidable. However, BOCES officials did not ensure that the COSER met the SED requirement of sharing BOCES staff among two or more districts and did not ensure that aid was limited to three-fifths (60 percent) of staff members' time at a single district.

In addition, during our analysis we found that nine of the 62.7 BOCES employees were previously employed by the district to which they were later assigned. These BOCES staff provided managed technical support services on a full-time basis to the districts where they were previously employed. Transferring employment from a district employee to BOCES employee appears to be an attempt to claim aid on a full-time position that should be hired and paid for at the district level.

Furthermore, BOCES also improperly billed two districts for LAN technicians. These districts had two LAN technicians working at each district. However, BOCES billed each district for only one LAN technician each, leaving the associated costs for the other two LAN technicians to be spread among all of the districts participating in the Managed Technical Support COSER.

Recommendations

BOCES officials should ensure that:

1. Aidable expenditures reported to SED are for services that were adequately shared.
2. District-based staff are not assigned to one district for more than 60 percent of their time.
3. All services provided to districts are properly billed and use a consistent billing method to bill for the services.

¹¹ SED has been in contact with BOCES regarding the practice of assigning full-time (unshared) State-aided staff to some component school districts. SED officials told us that at this time SED does not intend to penalize BOCES or the districts for these past practices. Instead, it is expecting compliance going forward. SED officials indicated they will meet with BOCES officials to discuss a proposed corrective action plan.

¹² Refer to Appendix A for a description of the aidable expenditures that BOCES reported for these positions and the calculated State aid provided to the districts. Districts receive BOCES-related State aid the following year after the services are provided.

APPENDIX A

INELIGIBLE STATE AID SUBMITTED ON BEHALF OF DISTRICTS

School District	# of FTEs Not Shared	Aidable Expenditures Reported for 2014-15			Aid Ratio	Total Ineligible State Aid
		Salaries	Employee Benefits	Total		
Auburn City	1.77	\$53,077	\$52,440	\$105,517	0.746	\$78,716
Baldwinsville	1.00	\$30,000	\$22,772	\$52,772	0.725	\$38,260
Chittenango	3.95	\$118,481	\$100,312	\$218,793	0.738	\$161,469
East Syracuse-Minoa	5.08	\$152,400	\$122,715	\$275,115	0.687	\$189,004
Fabius-Pompey	1.00	\$30,000	\$22,772	\$52,772	0.713	\$37,626
Fayetteville-Manlius	11.00	\$330,000	\$328,458	\$658,458	0.697	\$458,945
Groton	2.00	\$60,000	\$58,227	\$118,227	0.774	\$91,508
Hannibal	3.00	\$90,000	\$78,693	\$168,693	0.860	\$145,076
Homer	1.00	\$30,000	\$25,078	\$55,078	0.733	\$40,372
Ithaca City	7.87	\$236,231	\$200,261	\$436,492	0.579	\$252,729
Jordan-Elbridge	3.00	\$90,000	\$80,999	\$170,999	0.761	\$130,130
LaFayette	1.00	\$30,000	\$25,078	\$55,078	0.737	\$40,592
Lansing	2.00	\$60,000	\$55,921	\$115,921	0.642	\$74,421
McGraw	2.00	\$60,000	\$55,921	\$115,921	0.782	\$90,650
Moravia	2.00	\$60,000	\$47,850	\$107,850	0.640	\$69,024
Newfield	2.00	\$60,000	\$55,921	\$115,921	0.758	\$87,868
Onondaga	1.00	\$30,000	\$25,078	\$55,078	0.732	\$40,317
Port Byron	2.00	\$60,000	\$55,921	\$115,921	0.809	\$93,780
Skaneateles	1.00	\$30,000	\$22,772	\$52,772	0.467	\$24,645
South Seneca	3.00	\$90,000	\$78,693	\$168,693	0.582	\$98,179
Southern Cayuga	2.00	\$60,000	\$55,921	\$115,921	0.509	\$59,004
Trumansburg	2.00	\$60,000	\$55,921	\$115,921	0.672	\$77,899
Weedsport	1.00	\$30,000	\$22,772	\$52,772	0.722	\$38,101
Westhill	1.00	\$30,000	\$25,078	\$55,078	0.727	\$40,042
Totals	62.67	\$1,880,189	\$1,675,574	\$3,555,763		\$2,458,357

APPENDIX B

RESPONSE FROM BOCES OFFICIALS

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

November 28, 2016

[REDACTED]
Office of the State Comptroller
State Office Building, Room 409
333 East Washington Street
Syracuse, NY 13202

Dear [REDACTED]

Onondaga-Cortland-Madison BOCES is in receipt of the Office of the State Comptroller's draft report relating to the audit of Managed Technical Support during the period July 1, 2014 - June 30, 2015.

The BOCES appreciates the work and professionalism of your audit team throughout the review of the managed technical support services provided by the Central New York Regional Information Center (CNYRIC). OCM BOCES strives to ensure that public funds are expended in a fiscally responsible and cost effective manner while providing services of the highest quality to school districts and BOCES.

The draft audit has been reviewed by your staff with our senior administrative staff. BOCES does not dispute the findings as presented. Development of a corrective action plan is well underway and will be submitted for your review within 90 days of the release of the audit. BOCES is working collaboratively with staff from the New York State Education Department and Office of the State Comptroller to ensure that the corrective action plan is compliant with all regulations.

Thank you for your review of our managed technical support services and subsequent recommendations for improvement.

Sincerely,


J. Francis Manning, Ed.D.

APPENDIX C

AUDIT METHODOLOGY AND STANDARDS

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

- We interviewed BOCES officials to gain an understanding of COSERs in general and of the Managed Technical Support COSER.
- We consulted with SED staff and reviewed applicable SED guidance for shared services.
- We examined revenue and expenditure reports and unit costs to determine how costs were billed to districts.
- We reviewed staff lists and compared them to revenue reports to determine whether staff were shared between two or more districts. When necessary, we obtained clarification from BOCES officials about staff assignments and to verify the number of FTEs assigned to each district.
- We calculated BOCES-related State aid on salaries and benefits for unshared positions.
- We reviewed reported salary expenditures, which are capped at \$30,000 per person. We multiplied the number of unshared FTEs by the allowable salary to arrive at the aidable salary expenditures incorrectly reported by BOCES.
- We reviewed reported employee benefit expenditures and calculated the portion that relate to this service (a proportionate share based on salaries related to this service).
- We obtained BOCES-related State aid ratios from SED and multiplied it by the aidable expenditures (salaries and benefits) to arrive at the ineligible BOCES aid amounts, by district.

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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