AUDIT REPORT

DUTCHESS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

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Comptroller's Summary

Background

Boards of Cooperative Educational Services (BOCES) were established by New York State Legislature in 1948 to provide shared educational programs and services to school Districts. Dutchess County BOCES provides instructional support programs and services to 13 School Districts. Programs and services include special education, vocational education, academic and alternative programs, summer school, staff development computer services, educational communication and cooperative purchasing. BOCES also provides job related services to TANF and public assistance recipients. For the fiscal year ended June 30, 2005, BOCES's independently audited financial statements reported $58,314,426 in expenses.

Audit Scope, Objective and Methodology

Dutchess County contract payments totaled $763,571.22 for the audit period January 1, 2005 – December 31, 2005. Contract funds were provided by the Department of Social Services, Sheriff's Office, Personnel and the Workforce Investment Board.

The audit included review of:

- Contract compliance;
- The agency's detail ledger, cash receipts, cash disbursements, salaries and original supporting documentation;
- Internal controls regarding cash receipts, banking, expense processing and expense allocation;
- Salaries and Fringe Benefits charged to county contracts.

Summary of Findings

- Internal controls regarding cash receipts, invoice processing and bank reconcilement were in place. However, written documentation for the process of allocating expenses was not available.

- Contract guidelines for purchasing vehicles and insurance were not adhered to.

- Sales tax totaling $3,945.14 was incorrectly paid.

Detailed Findings

Contract Review

Department of Social Services (DSS)

Contract # DSS 02-0516 Job Related Services to Food Stamp Recipients $285,000.00. This contract providing funding for two purposes: to operate a vocational education/job readiness program for TANF eligible individuals and families to enable them to obtain and/or retain employment; and to operate an informational dissemination program for DSS. A total of $235,098.79 was claimed; $220,099.00 for vocational services and $14,999.79 for information dissemination. Claims for the vocational services were based on a "fee for service"; actual expenses were required for the information dissemination. The following identifies a listing of services provided and the accompanying costs billed by the contractor:

Service	Cost	Services Provided	Total
Adult Basic Education/Life Skills	$9,500 per program serving 12 Students	2	$19,000.00
Job Readiness Training (JRT)	$2,000 per individual	6	12,000.00
Workplace Skills training	$2,000 per Individual	1	1,575.00
Action for Personal Choice	$2,500 per individual	34	85,000.00
Vocational Education	$300 per class, per participant	10	3,000.00
Computer Lab	$150 per Class, per participant	0	0.00
Certified Nurses Assistant (CNA) Training	$1,450 per participant	51	73,950.00
JRT for CNA	$300	51	15,300.00
CNA Miscellaneous			
Transportation	$10 - 12.00 per day	344	3,584.00
Text Books	$50 per text book	51	2,550.00
State Licensing Exam Fee	$115 Per exam	36	4,140.00
Uniforms	$140 per uniform	0	0.00
Total Education Services			$220,099.00

Information Dissemination/Program Promotion	Budget	Actual
Salary	$ 4,190.00	$3,586.00
Fringe Benefits	928.00	535.85
Supplies & Contractual	8,632.00	9,727.94
Travel	100.00	
Operations and Maintenance	1,150.00	1,150.00
Total Information Dissemination	$15,000.00	$14,999.79

Contract - DSS #01-0231 Community Solutions Transportation $274,268.00. Funding for this program provided TANF eligible individuals and families with work-related transportation to obtain and/or retain employment. In 2005, a total of 103 families received transportation services; participants achieved 11 job placements and 38 jobs were retained. The program purchased 33 cars and received 1 donated car. The program provided recipients with 34 cars, 19 car repairs and 28 insurance subsidies.

Expenditures are listed below

Salaries	$84,919.84
Fringe Benefits	26,709.02
Client Service Expenses	143,516.14
Administrative Costs	15,480.73
Total	$270,625.73

Findings:

- A review of board minutes showed donations of cars were not accepted by the board and recorded in the board minutes.
- The contract provided up to $800.00 towards an annual vehicle insurance premium. BOCES made 16 individual insurance premium payments that exceeded $800.00.
- Per budget guidelines, $2,700.00 was to be spent on each automobile; 9 automobiles were purchased at amounts above this limit.

Recommendations:

- All donations should be approved by the Board.
- Contract guidelines must be adhered to.

Contract – DSS # 03-0746 Wheels to Work Project II - $79,787.00 Services provided under this contract complement the Community Solutions to Transportation (CST) program. The contract provided transportation assistance to TANF eligible individuals and families to enable them obtain/ retain employment. A total of 45 families received transportation services in 2005. Some of the services included 12 car donations, 19 car repairs, 10 vehicle registration, 9 insurance subsidies, 22 driver training classes, and 12 vehicle ownership counseling and basic car maintenance instruction. The program purchased 7 cars and received 5 donated cars.
Expenditures are listed below:

Salaries	$23,899.32
Fringe Benefits	7,669.00
Client Service Expenses	44,339.01
Administrative Costs	3,064.70
Total	$78,972.03

Findings:

- As stated above the donation of cars was not recorded in the board minutes.
- The budget limited the purchase price of each vehicle to a maximum amount of $3,500.00; 2 vehicles were purchased at prices above this limit.
- The budget limited insurance subsidies to a maximum amount of $1,000.00; 2 individuals received subsidies over this limit.
- The budget limited vehicle repair assistance to a maximum amount of $800.00; 5 individuals received assistance over this limit.

Recommendations:

- All donations should be approved by the Board.
- Contract guidelines must be adhered to.

Sheriff's Office

Contract # 02-0100-12/02-SH – This contract was written for $94,760.00 and covered the period January 1, 2005 – December 31, 2005. The contract provided community transition services to individuals incarcerated and recently released from the Dutchess County Jail. Some of the services supported were education programs, life management skills, career development, referrals and advocacy relative to education, employment, housing and health. A total of 333 individuals were reported served. The entire contract was claimed and paid as follows.

Salaries	$68,947.02
Fringe Benefits	14,812.98
Office Expenses	4,000.00
Travel & Conferences	1,000.00
Contractual & Other Service	$6,000.00
Total	$94,760.00

Personnel Department

Contract #05-0541-12/05PE – This contract was written in the amount of $21,000.00 for the period March 22, 2005 – December 31, 2005. The contract supported computer software training classes for Dutchess County employees. Billing was based on a fee per class. A total of $20,000.00 was claimed and paid. A total of 20 classes were conducted.

Workforce Investment Board

Contract #04-07313-6/05-WI – Training For Success Program. The contract provided funding for a maximum of $100,000.00 and covered the period July 1, 2004 – June 30, 2005. Services to be provided included: NY State Education Department approved occupational and vocational training, Pre GED/GED training, Basic Skills and Job-Readiness Skills. Classes were offered during the day and evening at various sites in Dutchess County. A total amount of $62,614.67 was claimed and paid as follows:

Salaries	$1,550.32
Fringe benefits	673.11
Equipment	7,938.00
Consultant Services/Behavioral Incentives	49,394.89
BOCES Training Expenses	1,589.00
Administration Fee	1,469.35
Total	$62,614.67

Contract # 05-0580-6/06-WI – Career Education Classes. The contract was for a maximum of $22,484.33 and covered the period July 1, 2005 – June 30, 2006. Funds are provided by NYS through the Workforce Investment Act of 1998. Career education classes offered were: LPN, CNA, Computerized Office Tech, HVAC, ARC Welding, Phlebotomy Tech and Bartending. As of the audit date, $1,500.00 for one Phlebotomy class was claimed and paid.

Revenues

BOCES received a total of $763,571.22 in contract payments from the following Dutchess County Departments:

Department of Social Services - $584,696.55.
Sheriff - $94,760.00.
Personnel - $20,000.00.
Workforce Investment Board - $64,114.67.

Payments were traced to cash receipts and the respective cost centers in the general ledger. Information was correctly reported.

Expenses

A sample of expenses claimed to Dutchess County contracts were traced from the general ledger to the invoices and cancelled checks. No discrepancies were noted.

Review of invoices revealed that sales tax totaling $3,945.14 was paid on car purchases. BOCES is tax exempt and should not have paid sales tax.

Salaries totaling $333,536.80 and charged to programs supported by Dutchess County were compared in aggregate to employee W2s. The total amount claimed in salaries to Dutchess County contracts was $182,902.50. No discrepancies were noted.

Internal Controls

Processes for the following were reviewed:

Allocation of Expenses – Written documentation for the process of allocating expenses was not available.

Cash Receipts and Banking – Payments made by the county to the agency were traced to the general ledger, deposit slips and bank statements. Monies received were deposited in a timely manner and recorded in the correct revenue accounts. The processes for receiving, depositing, recording revenue and the bank reconciliation function are segregated for proper internal control.

Expense processes – The invoice payment process was reviewed while sampling invoices. Department heads approved and submitted invoices to accounts payable for payment accompanied with an approved purchase order, packing slip and other applicable documentation. Accounts payable verified, approved, and disbursed payment. Invoices reviewed had the necessary supporting documentation. Bank reconciliations are performed in a different department.

Diane Jablonski, Comptroller

Cordelia Shemain, Auditor

Dutchess County
Board of Cooperative Educational Services

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John C. Pennoyer
District Superintendent

Linda Poleski
Assistant Superintendent for Business Services

December 21, 2006

Diane Jablonski, Comptroller
Dutchess County
22 Market Street
Poughkeepsie, New York 12601

Dear Ms. Jablonski,

We have reviewed the draft audit by your staff covering contract year 2005. We are pleased with the overall result. Our response to specific findings is enclosed.

As we discussed during the audit and at the exit interview, we welcome the prospect of improved communication during the writing of future contracts and any contract amendments.

We appreciate the professionalism and courtesies of Ms. Shemain throughout the audit.

Sincerely,

Linda Poleski.,
Assistant Superintendent for Business Services

LP:mfg

enc.

cc: Audit Committee: Bob Meade, Ed McCormick and Mike Riehl
John C. Pennoyer
Clare Garvey
Ruth Hurd

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Participating Districts: Arlington ` Beacon ` Dover ` Hyde Park ` Millbrook ` Pawling ` Pine Plains ` Poughkeepsie ` Red Hook ` Rhinebeck ` Spackenkill ` Wappingers ` Webutuck
An Equal Opportunity/Affirmative Action Employer

DUTCHESS COUNTY BOCES
RESPONSE TO DUTCHESS COUNTY DRAFT AUDIT
CONTRACT YEAR 2005

1-Written documentation for the process of allocating expenses was not available.

Agency Response:

Dutchess County BOCES has had an informal allocation process for expense allocation.

Corrective Action:

We are in the process of consulting with other agencies to review their processes and our intent is to establish written documentation for expense allocation. We anticipate that improved communications with the County during the development of future contracts will lead to specific, clearer budgets, and therefore, to better documentation for expense allocation.

2-Contract guidelines for purchasing vehicles, vehicle insurance and vehicle repair assistance were not adhered to as unit prices paid exceeded contract unit prices.

Agency Response:

Since the inception of the CST / WFW programs, the understanding between New York State Department of Labor Welfare to Work Division, (now NYS OTDA), Dutchess County Department of Social Services and Dutchess County BOCES has been that all purchase amounts identified are an average cost per item as opposed to a maximum amount not to be exceeded. Although there has been an inconsistency in the contract language, please refer to the attached letter from Robert Allers, Commissioner, Department of Social Services, which supports our statement that all purchase amounts were understood to be an average cost per item.

Corrective Action:

Dutchess County BOCES has put steps in place to have contracts reviewed by the appropriate staff to be sure the agreed upon language is documented in the contracts prior to the District Superintendent's signature. This will allow for any errors to be identified and corrected before the contract is finalized.

Summary of Findings:

3-A review of board minutes showed donations of cars were not accepted by the board and recorded in the board minutes.

Agency Response:

Dutchess County BOCES has not taken ownership of vehicles donated by private individuals to program participants. In the past, Dutchess County BOCES has facilitated the donation of vehicles without taking ownership. Therefore, approval by the Board was not needed. Our intent was to facilitate a process whereby individuals could receive documentation of a tax-deductible gift and program participants in need of transportation could receive vehicle donations.
Corrective Action:

Dutchess County BOCES will no longer process donated vehicles for the CST and WFW programs.

Summary of Findings:

4-Sales Tax was incorrectly paid on automobile purchases.

Agency Response:

The issue of sales tax has been reviewed. In the first half of the year 2005, Gloria Hessell, NYS Department of Labor, Welfare to Work Division clarified that sales tax does not apply to these purchases. From that point forward, BOCES did not pay sales tax.

Corrective Action:

Dutchess County BOCES no longer pays sales tax on automobile purchases.

Dutchess
County
Department of
Social Services

Dutchess

William R. Steinhaus, County Executive
Robert B. Allers, Commissioner

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September 20, 2006

Cordelia Shemain, Auditor
Dutchess County Comptroller's Office
22 Market Street
Poughkeepsie, NY 12601

Dear Ms. Shemain:

I am writing this letter to inform you that the amounts we have included in our CST/WFW program for the purchases of vehicles, the cost of repairs, and the cost of insurance on these vehicles are average amounts. Our department is aware that these are average amounts and we have approved these expenditures based on this information.

If you have any questions regarding this, please call me at ext. 3001.

Sincerely,

Robert B. Allers
Commissioner

jby
cc: Ruth Hurd
Deb Lefebvre
Bridget Goddard

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