
Audit Report

Madison-Oneida
Board of Cooperative Educational Services
EPE Program

For the Period

July 1, 2014 through June 30, 2015

EPE-0516-01

January 30, 2017

The University of the State of New York
THE STATE EDUCATION DEPARTMENT
Office of Audit Services
Albany, New York 12234





THE STATE EDUCATION DEPARTMENT / THE UNIVERSITY OF THE STATE OF NEW YORK / ALBANY, NY 12234

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February 21, 2018

Douglas Gustin
Board President
Madison-Oneida BOCES
4937 Spring Road
Verona, NY 13478

Dear Mr. Gustin,

Enclosed is the final report (EPE-0516-01) for the audit of Madison-Oneida BOCES Employment Preparation Education program for the period July 1, 2014 through June 30, 2015. The audit was conducted pursuant to Section 305 of the Education Law in pursuit of Goal #5 of the Board of Regents/State Education Department Strategic Plan: "Resources under our care will be used or maintained in the public interest."

Ninety days from the issuance of this report, BOCES officials will be asked to submit a report on actions taken as a result of this review. This required report will be in the format of a recommendation implementation plan and it must specifically address what actions have been taken on each recommendation.

I appreciate the cooperation and courtesies extended to the staff during the audit.

Sincerely,

Thalia J. Melendez

Attachments

c: M. Elia, E. Berlin, S. Cates-Williams, K. Smith, B. Cechnicki, C. Coughlin, J. Starks (District Superintendent), J. Conroy (DOB), J. Dougherty, K. Rinaldo

Executive Summary

Background and Scope of the Audit

In 1984, the New York State Legislature enacted the Employment Preparation Education (EPE) program to provide State aid to public schools to support adult education programs. This enabled districts to obtain funding to provide educational programs to adults leading to a high school diploma or equivalency diploma. Eligible students must be 21 years of age or older and without a high school diploma or equivalency. Students that have earned a high school diploma or equivalent, but fail to demonstrate basic educational competencies by testing below certain grade levels are also eligible.

The Office of Audit Services conducted an audit of the EPE program at the Madison-Oneida Board of Cooperative Education Services (BOCES). We examined financial records and documentation to support the \$1,301,068 received by the BOCES in EPE aid for the period of July 1, 2014 through June 30, 2015. This was a financial audit and our objectives were to verify the accuracy and appropriateness of the reported revenues and expenditures generated by the EPE program.

Audit Results

The BOCES' Adult and Continuing Education program office oversees the EPE program. The staff are knowledgeable about EPE program requirements and have systems and processes in place to collect and report contact hours accurately. However, the audit found the following exceptions and areas for improvement.

- The BOCES received \$101,134 in excess EPE aid based on the results of our statistical sampling.
- Nine of the twenty-seven teachers selected by our sample were not properly certified during the audit period.
- Three of the twenty-seven teachers selected by our sample did not receive at least 12 hours of required staff development training.
- A total of one third (\$472,391 out of \$1,301,068) of EPE expenditures was originally charged to cost centers other than EPE and was transferred into the EPE cost center with two journal entries at year end.
- Five former employees still had user rights to the software system used to accumulate contact hours for the EPE program which contains sensitive student personally identifiable information.

Comments of BOCES Officials

BOCES officials' comments about the findings and conclusions were considered in preparing this report. Their response is included as Appendix B.

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Introduction

Background

In 1984, the New York State Legislature enacted the Employment Preparation Education (EPE) program to provide State aid to public schools to support adult education programs. This enabled districts to obtain funding to provide educational programs to adults leading to a high school diploma or equivalency diploma. Eligible students must be 21 years of age or older and without a high school diploma or equivalency. Students that have earned a high school diploma or equivalent, but fail to demonstrate basic educational competencies by testing below certain grade levels are also eligible.

EPE aid generated is based on student contact hours reported in the Adult Student Information System and Technical Support (ASISTS) database and the approved EPE rate. ASISTS is a web-based data management system used by New York State adult literacy programs to fulfill data requirements accurately, easily, and quickly. A contact hour is defined as 60 minutes of instruction given by a certified teacher for each student. For example, if a teacher has 10 students in a class for an hour, 10 contact hours would be generated. However, EPE aid generated cannot exceed the amount of expenses incurred in operating the EPE program. Thus, EPE aid cannot be used to fund other costs.

Audit Scope and Objectives

The New York State Education Department's (Department) Office of Audit Services conducted an audit of the EPE program at the Madison-Oneida Board of Cooperative Education Services (BOCES). We examined financial records and documentation to support the number of contact hours and expenditures claimed for the period July 1, 2014 through June 30, 2015. This was a financial audit and our objectives were to verify the accuracy and appropriateness of the reported revenues and expenditures generated by the EPE program.

To accomplish our objectives, we reviewed applicable laws, regulations, policies and procedures; interviewed BOCES

and Department management and staff; and examined records and supporting documentation and transactions.

We conducted our audit in accordance with modified Generally Accepted Government Auditing Standards (GAGAS). GAGAS 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 evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. In addition, GAGAS requires a review performed by a team of external peers, independent of the audit organization, at least every three years. Because of recent changes in administrative personnel, however, an external peer review was inadvertently not conducted. An internal “Red Book” review pursuant to the International Standards for the Professional Practice of Internal Auditing Standards was conducted. It is contemplated that both an updated internal review and external peer review will be performed within the next year. We feel that not having an external audit peer review has had no material effect on the assurances provided.

Comments of BOCES Officials

BOCES officials’ comments about the findings and conclusions were considered in preparing this report. Their response is included as Appendix B.

Contact Hours

BOCES generate EPE aid by reporting contact hours and student enrollment to the Department. Contact hours are allowable for classroom instruction as well as for intake and assessment. The Commissioner's Regulations (Regulations) and the EPE Manual (Manual) establish requirements for documentation to support the allowability of contact hours.

We selected two statistical samples for projection purposes and found the majority of contact hours were supported with adequate documentation. However, we found unsupported contact hours due to lack of documentation, miscalculations, and data entry errors resulting in a disallowance of \$101,134.

Over-Reported Contact Hours

The Regulations define a contact hour for EPE as 60 minutes of instruction given by a teacher in approved program component areas. The Department requires the number of reported contact hours to be clearly documented to ensure that EPE revenues paid is appropriate. The Manual states that any overstated or undocumented contact hours will be questioned upon audit and revenues may be reduced accordingly.

In addition to the Regulations and the Manual, the BOCES' Adult Continuing Education program has established and documented procedures to track student contact hours for the EPE program. The BOCES attendance manual states that every student must sign and note the time when they enter and leave class each day on a sign-in sheet, which serves as the support for contact hours claimed.

We requested Individual Student Record Forms (ISRF) to determine eligibility for all of the students in both samples (42 for intake and 103 for classroom) and found that all students were EPE eligible.

We reviewed documentation to support contact hours for intake and classroom instruction. We did not have any exceptions for intake contact hours, but for classroom instruction, the BOCES was unable to provide classroom documentation (student sign in/ out sheets) for 22 instances

out of 103 students sampled. In addition, we found instances for students where:

- sign in/out sheets were missing days, weeks, or months,
- students signed in, but never signed out,
- there was no sign out option on the sign in/out sheet,
- sign in/out sheets did not always add up correctly to teacher daily attendance rosters, and/or
- daily attendance rosters did not always reconcile to what was recorded in ASISTS.

Our analysis determined that the BOCES was unable to support 1,013.75 of the 5,220.75 contact hours selected in our sample for classroom instruction, as shown in Table 1 below.

Table 1
Analysis of Classroom Contact Hours Claimed in Sample

Classroom Contact Hours	Claimed	Allowed	Disallowed
Missing sign in/out sheets	600.50	0.00	600.50
Incomplete sign in/out sheets	2,755.75	2,342.50	413.25
Other Contact Hours	1,864.50	1,864.50	0.00
Total	5,220.75	4,207.00	1,013.75

B

The BOCES stated that teachers were instructed to retain attendance documentation, but some teachers did not follow these instructions. In addition, teachers did not ensure that every student followed the policy of signing out at the end of class. They also stated that the differences between student sign in/out sheets and daily attendance rosters were due to teacher calculation errors. Differences between daily attendance rosters and ASISTS were due to data administrators not accurately entering hours into ASISTS. As a result, the BOCES received more contact revenue than was allowed due to missing and incomplete sign in/out sheets. We determined the disallowance to be 9,568 contact hours or \$101,134 at the EPE rate of \$10.57 (9,568 X \$10.57 = \$101,134).

The two statistical samples used to test reported contact hours submitted by the BOCES were one for intake contact hours and the other for classroom contact hours. The random samples were chosen from summarized detail reports that were created from the ASISTS which is the

web-based software used to calculate reimbursement for contact hours. The reports contained 3,167 records for intake and 2,815 records for classroom. Using statistical sampling procedures from the *Handbook of Sampling for Auditing and Accounting*, 3rd Edition by Herbert Arkin, we determined that 42 records for intake totaling 127.50 contact hours and 103 records for classroom totaling 5,220.75 contact hours would be tested.¹

Recommendations

1. Ensure the BOCES follows its own policies requiring students sign in and out.
2. Claim contact hours that are supported by adequate attendance documentation.
3. Reconcile sign in/out sheets with teacher daily attendance and the information input in ASISTS.
4. Repay \$101,134 in unallowable EPE aid. The Department's State Aid Unit will use the disallowed amount in the final audit report to recover these funds.

¹ Based on our analysis of the sample results and using a confidence level of 99%, we determined the range for classroom instructional contact hours to be between 83,376 and 111,104. Taking the highest confidence interval (111,104) and subtracting out the total population value (120,672), we determined the disallowance to be 9,568 contact hours or \$101,134 at the EPE rate of \$10.57 (9,568 X \$10.57 = \$101,134).

Teacher Certifications and Staff Development

The Manual states that EPE aid can only be generated by a certified teacher. It also states that each agency must provide staff development.

Uncertified Teachers

The Manual states that teachers who hold a valid provisional, permanent, initial or professional New York State teacher certificate in any subject/grade/title are able to generate EPE aid in any EPE program area. All other EPE program teachers must have appropriate adult education certification.

We created a list of all of the teachers in our sample and checked each one using the Department's Teacher Certification Lookup to ensure that they had the appropriate certification to teach EPE. We found nine of the twenty-seven teachers (33%) in our sample were not properly certified during the audit period, seven of which were still employed by the BOCES. Of the seven teachers, four became certified after the audit period and three are in the process of becoming certified as a result of this audit.

The BOCES said that they were unaware that nine teachers were uncertified. They said that when teachers are hired that are not certified, they are given an application to become certified. In some cases the teachers did not follow through with this obligation. However, the BOCES did not ensure that all teachers are certified. When teachers are uncertified, they are prohibited from generating contact hours according to the EPE Manual. The BOCES did not comply with the EPE Manual in regard to all teachers being certified.

Staff Development

Each agency receiving EPE aid must provide all professional staff with a minimum of 12 hours annually of staff development related to the development and organization of programs for adults.

We requested supporting documentation for the 12 hours of required training in staff development for the 27 teachers in

our sample. Based on the documentation we were provided, three teachers did not meet this threshold.

The BOCES said that, although professional staff received training, the BOCES did not maintain the supporting documentation crediting individuals for the training. The BOCES did not comply with the EPE Manual in regard to professional staff receiving 12 hours of staff development training annually.

Recommendations

5. Develop a monitoring process to ensure all teachers receive and maintain appropriate certification.
6. Maintain documentation to support all professional staff receive 12 hours of staff development annually.

Other Compliance Issues

The Regulations and the Manual provide much of the guidance needed to successfully administer an EPE program. It is critical that providers have an understanding of the requirements defined in the Regulations and the Manual and follow them while administering EPE programs.

We found BOCES officials to be knowledgeable of the EPE program requirements and guidelines. However, we did find instances where the BOCES could make improvements by limiting the number of expenditures posted using journal entries, to IT governance, attendance records, and intake class coding.

Journal Entries

The Office of the State Comptroller's Fiscal Guidelines for Federal and State Grants states that the board of education is responsible for the proper disbursement of, and accounting for project funds. All encumbrances (or obligations) must be made within the funding period of the grant. Encumbrances for both federal and state projects are incurred on the following basis:

- Personal services by an agency employee - The encumbrance is made when the services are performed; and
- Public utility services - The encumbrance is made when the agency receives the services.

We found the BOCES accounted for EPE personal service and other expenditures in non-EPE cost centers. Specifically, the BOCES did not have six EPE employees' personal service costs coded directly in the EPE cost center. As they were paid, non-EPE cost center encumbrances were reduced instead of EPE encumbrances. At the end of the year, they posted journal entries to transfer expenditures to the EPE cost center. Ultimately, one-third of the total amount that was claimed in the Final Expenditure Report were journal entries and over half of personal services claimed in the EPE program were posted using journal entries.

The BOCES stated that it understood that some transfers expensed through journal entries would have been more appropriately coded as direct expenses. Journal entries bypass the budgetary checks on available appropriations. When encumbrances are not made directly in the EPE cost center, periodic reports such as Budget Status Reports, do not accurately reflect available program funding which can lead to over-spending.

IT Governance

In the March 2012 New York State Office of the State Comptroller's, Local Government Management Guide – Information Technology Governance, it states that there should be written procedures in place for granting, changing, and terminating access rights to the overall networked computer system and to specific software applications. These procedures should establish who has the authority to grant or change access (e.g. department manager approval) and allow users to access only what is necessary to complete their job duties. Access rights should be updated as necessary; inactive, retired, or terminated accounts should be disabled or removed from the network in a timely manner.

We reviewed a list of current employees who should have access to ASISTS and compared that to the active users in ASISTS. We found that five former employees still have user rights in the ASISTS system.

The BOCES stated when an employee is no longer employed, the BOCES sends an email to the Regional Adult Education Network (RAEN) Director requesting that the employee's access to ASISTS be removed. The RAEN provides technical assistance and professional development to adult literacy, occupational, and continuing education programs funded by the New York State Education Department. However, the BOCES could not provide us with the email sent to the RAEN Director. Given that the ASISTS program can be accessed from any computer, former employees will have access to sensitive personally identifiable information.

Attendance Rosters, Etc.

The EPE Manual states that the original documentation used to create the ASISTS attendance records must be certified

by the teacher and retained for record retention purposes. Attendance records should be kept in pen. No “white out” should be used.

We found two instances where a teacher did not certify the original documentation used to create the ASISTS attendance records. We also found that one teacher used “white out” on original attendance documentation and noticed widespread use of pencil rather than pen for many classes.

The BOCES indicated that the reason why some attendance rosters did not have teacher certification was that the teacher sent the attendance electronically and data entry personnel printed the electronic attendance for entry in ASISTS and record retention purposes. However, the signatures were not captured. The BOCES also said they were unaware that “white out” and pencil cannot be used on attendance records. When teachers do not certify attendance records as required, use pencil, or “white out,” the reliability of the records is questionable.

Intake Class Codes

The Manual states that in ASISTS, the word ‘Intake’ must appear in the class code for recording all intake hours. We reviewed intake contact hours and found intake activities, such as pre-testing and initial screenings, were claimed in classes that did not contain “intake” in the class codes.

The BOCES stated they were unaware that the word ‘Intake’ must appear in the class codes for recording all intake contact hours. The BOCES was did not comply with the EPE Manual. The contact hours generated by some intake activities cannot be differentiated from non-intake activities.

Recommendations

7. Ensure EPE expenses are coded so that they post to the EPE cost centers throughout the year.
8. Use adjusting journal entries on a limited basis not in the normal course of business.

9. Revoke former employee user rights to the ASISTS data system timely.
10. Follow guidelines ensuring that all original attendance documentation is written in pen, certified by the teacher, and that no “white out” is used.
11. Ensure that the word ‘intake’ appears in all class codes recording intake hours.

Contributors to the Report
Madison-Oneida Board of Cooperative Educational Services EPE Program

- T. Stewart Hubbard III, Audit Manager
- James Schelker, Auditor-in-Charge
- Daniel Flynn, Senior Auditor