

**THOMAS P. DiNAPOLI**  
COMPTROLLER

STATE OF NEW YORK  
**OFFICE OF THE STATE COMPTROLLER**  
110 STATE STREET  
ALBANY, NEW YORK 12236

**STEVEN J. HANCOX**  
DEPUTY COMPTROLLER  
DIVISION OF LOCAL GOVERNMENT  
AND SCHOOL ACCOUNTABILITY  
Tel: (518) 474-4037 Fax: (518) 486-6479

April 20, 2012

Mr. Howard Mettelman, District Superintendent  
Members of the Board of Education  
Oneida-Herkimer-Madison BOCES  
4747 Middle Settlement Road  
New Hartford, NY 13413

Report Number: S9-10-63

Dear Mr. Mettelman and Members of the Board of Education:

One of the Office of the State Comptroller's primary objectives is to identify areas where Boards of Cooperative Educational Services (BOCES) officials can improve their operations and provide guidance and services that will assist them in making those improvements. Our goals are to develop and promote short-term and long-term strategies to enable and encourage local government officials to reduce costs, improve service delivery, and to account for and protect their entity's assets.

In accordance with these goals, we conducted an audit of four BOCES throughout New York State. The objective of our audit was to determine whether the cost of non-instructional services provided by BOCES to school districts was saving taxpayer dollars prior to factoring in State aid. We included the Oneida-Herkimer-Madison (OHM) BOCES in this audit. Within the scope of this audit, we examined the policies and procedures of the OHM BOCES and reviewed 16 non-instructional Cooperative Service Agreements (CoSers) for the period July 1, 2006 through June 30, 2010.

This report of examination letter contains our findings and recommendations specific to the OHM BOCES. OHM BOCES' response to this audit is attached as Appendix A. BOCES officials disagreed with some of the elements of this report. Appendix B includes our comments on issues raised in BOCES response. At the completion of our audit, we prepared a global report that summarizes the significant issues we identified at all four of the BOCES we audited.

### **Summary of Findings**

We found that non-instructional services provided through BOCES CoSers sometimes cost more than non-instructional services provided by the school districts themselves before factoring in BOCES aid. In three of 11 instances (27 percent) we compared, BOCES' non-instructional services were more expensive than the same services performed by the districts themselves (see Appendices D and E).

Our audit could not always make direct cost comparisons between BOCES and school district services. In one of the 12 instances where a valid cost comparison would have been possible, the school district could not provide us with cost records. We made comparisons in all 11 other instances (as noted above).

## **Background and Methodology**

The Oneida-Herkimer-Madison Board of Cooperative Educational Services (BOCES) is governed by a 12-member Board of Education (Board) whose members are elected by the Boards of Education of the 12 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 BOCES and is responsible, along with other administrative staff, for the day-to-day management of BOCES and for regional education planning and coordination. According to statute, the District Superintendent is an employee of both the appointing BOCES and the New York State Education Department (SED). As such, the District Superintendent also serves as a representative for the Commissioner of Education.

The component districts educate approximately 24,000 students in Oneida, Herkimer, and Madison counties. BOCES delivers 82 educational and administrative services to its 12 component school districts and employs 606 full-time staff members. BOCES provides shared services in which component districts, as well as non-component ("participating") districts, participate to enhance their individual educational programs and improve their administrative operations.<sup>1</sup> BOCES has no taxing authority and derives all of its financial support for operations from its component and participating school districts, State aid, and Federal aid. For the fiscal year ended June 30, 2010, BOCES general fund expenditures totaled \$49.9 million. BOCES expended about \$9.5 million to provide non-instructional services in the 2009-10 year.

As directed by the New York State Legislature, BOCES is designed to provide shared educational programs and services to participating districts through Cooperative Service Agreements (CoSers). CoSers are created when two or more school districts decide they have similar needs that can be met by shared programs and must be pre-approved (and annually re-approved) by the Commissioner of Education. 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 services are optional and may be purchased at each district's discretion. The decision to participate in various CoSers is made each year by each district's Board of Education (BOE).

According to SED's *BOCES Administrative Handbook*, each shared service should be developed on the basis of effectiveness or efficiency as evidenced by one or more of the following circumstances:

- a. Individual component districts lack sufficient numbers of pupils eligible for and/or interested in receiving the service.
- b. The program requires high cost or specialized equipment, facilities or staff.

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<sup>1</sup> Component school districts (BOCES members) provide most of the funding for BOCES facilities and services. BOCES also serves "participating" school districts which elect to participate in one or more selected programs and are billed accordingly.

- c. Operation of the program by the BOCES will result in a lower total cost than individual component district operation.
- d. Operation of the program by the BOCES will result in improved service to pupils.

New York State offers a financial incentive for districts to participate in shared services by providing State aid to the districts for certain BOCES services.

We examined OHM BOCES’ policies and procedures and reviewed 16 non-instructional Cooperative Service Agreements (CoSers) for the period July 1, 2006 to June 30, 2010.

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 is included in Appendix F of this report.

**Audit Results**

BOCES has a responsibility to provide necessary services to school districts in a cost-efficient and cost-effective manner. We compared costs for CoSers, prior to factoring in BOCES aid, and found that BOCES services sometimes cost more than the same services provided by individual school districts.

In 2009-2010 OHM BOCES offered 16 non-instructional CoSers.<sup>2</sup> We evaluated all 16 CoSers throughout our audit period and determined that there were 12 instances in five CoSers where districts provided the service themselves immediately preceding or immediately after using the CoSer, in effect giving us comparable cost information. A breakdown of these instances is shown below in Table 1.

<b>Table 1: Number of Districts That Joined and/or Dropped Non- Instructional CoSers<sup>a</sup> 2006-07 Through 2009-10</b>		
<b>CoSer Number and Name</b>	<b>Joined</b>	<b>Dropped</b>
604: Central Business Office	2	1
610: Telephone Interconnect	2	0
613: Facility Services	0	1
625: Substitute Teacher Service	4	1
626: Central School Food Management	1	0
<b>Total Instances</b>	<b>9</b>	<b>3</b>

<sup>a</sup> This table illustrates the instances in which cost comparisons were possible provided that districts could provide us with the requested cost information.

While not included above, we also noted examples of districts joining and dropping non-instructional CoSers for which cost comparisons were not possible. This was because the districts did not provide the services themselves before joining or after dropping the CoSers. Therefore, they did not have comparable cost figures. Another reason that prevented cost comparisons in some instances was that districts provided vastly different service levels before

<sup>2</sup> See Appendix C for complete listing and description of CoSers.

joining or after dropping a BOCES CoSer, making valid comparisons impossible. Lastly, some Districts used another BOCES for the service or received the service as part of another CoSer within OHM BOCES prior to joining or dropping a CoSer.

Districts That Joined CoSers –For each district, we compared the costs charged by BOCES in the initial year they joined the CoSers<sup>3</sup> with the districts’ costs the year before joining the CoSers. For the eight instances in which we could make a comparison, we found the cost to one district (12.5 percent) was greater through BOCES than if they performed the services on their own (as shown in the following table). In the one remaining instance, as previously mentioned, district officials could not provide us with the requested cost information.

<b>Table 2: Comparisons where BOCES Services Cost More - Districts That Joined CoSers</b>					
<b>CoSer</b>	<b>School District</b>	<b>Year Joined</b>	<b>Service Provided by District<sup>a</sup></b>	<b>Service Provided by BOCES<sup>b</sup></b>	<b>Cost Increase with BOCES</b>
625: Substitute Teacher Service	Adirondack CSD	2008-09	\$8,000	\$8,767	\$767
<sup>a</sup> Year before joining					
<sup>b</sup> Year joined					

For this example, we found that the District paid \$767 more for services (before aid) by outsourcing them to BOCES.

- The Adirondack CSD joined the substitute calling service in 2008-2009 at a cost of \$8,767. The year prior they paid a district employee to perform the service and she received a stipend of \$8,000, a difference of almost \$800.

Districts That Dropped CoSers –For those districts that dropped out of a CoSer, we compared the cost to the districts the last year they took part in a CoSer with the cost the year after, when the districts were responsible for providing the services themselves. For the three instances in which we could make a comparison, we found that the cost to two districts (66 percent) was greater using BOCES than if the districts had performed the services themselves, as shown in Table 3.

<sup>3</sup> We only audited those examples in which the cost with BOCES was greater than \$1,000. We determined any example with a cost below that threshold was immaterial.

**Table 3: Comparisons Where BOCES Services Cost More -  
Districts That Dropped CoSers**

<b>CoSer</b>	<b>School District</b>	<b>Year Dropped</b>	<b>Service Provided by BOCES<sup>a</sup></b>	<b>Service Provided by District<sup>b</sup></b>	<b>Cost Increase with BOCES</b>
604: Central Business Office	Westmoreland CSD	2007-08	\$36,710	\$20,324	\$16,386
613: Facility Services	Sauquoit Valley CSD	2007-08	\$18,906	\$15,049	\$3,857
<b>Totals</b>			<b>\$55,616</b>	<b>\$35,373</b>	<b>\$20,243</b>
<sup>a</sup> Year before dropping <sup>b</sup> Year dropped					

For these two examples, we found that the savings realized by the districts in the first year after discontinuing BOCES services was about \$20,000. For example,

- The Sauquoit Valley CSD discontinued the Facility Services CoSer (613) because they thought they could do the service on their own for less money and they received no aid for participating in this CoSer. In the last year that the District contracted with BOCES (2006-2007), it cost \$18,906. The District was able to provide this service the year following at a cost of \$15,049, a savings of almost \$4,000.

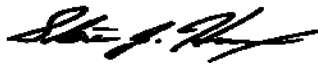
**Recommendation**

1. BOCES officials should ensure that non-instructional services are cost effective and efficient, and result in a lower total cost (before BOCES aid) than if the district provided the service itself.

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 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.

Our office is available to assist you upon request. If you have any further questions, please contact Ann Singer, Chief of Regional and Statewide Projects, at (607) 721-8310.

Sincerely,

A handwritten signature in black ink, appearing to read "S. J. Hancox", written in a cursive style.

Steven J. Hancox  
Deputy Comptroller  
Office of the State Comptroller  
Division of Local Government and School  
Accountability

## **APPENDIX A**

### **RESPONSE FROM BOCES OFFICIALS**

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

Thomas Dorr  
Assistant Superintendent for Administrative Services

Phone: (315) 793-8566  
FAX: (315) 793-8652

Email: tdorr@oneida-boces.org



Box 70 Middle Settlement Road  
New Hartford, NY 13413-0070

August 19, 2011

[REDACTED]  
c/o Ms. Ann Singer  
Office of the State Comptroller  
State Office Building  
Room 1702  
44 Hawley Street  
Binghamton, New York 13901-4417

[REDACTED]

This letter is in response to your letter of July 29, 2011 and the subsequent exit discussion held on August 3, 2011 between members of your staff, myself and Mr. Howard D. Mettelman, District Superintendent, regarding the Office of State Comptroller's audit of Non-Instructional Cooperative Service Agreements.

We were pleased that the audit included that the Oneida-Herkimer-Madison BCOES saves our component district monies in eight of eleven (73%) of the instances examined and we request that conclusion be stated in the report. We do believe in examining the audit report that there lacked a depth of understanding about why components either add or drop non-instructional CO-SERs. We fully understand the focus on providing dollar savings or costs, but to not explore the nuances of why a component district makes these choices is a disservice to the BOCES and its components. There did not seem to be any attempt at discerning the level of service provided by the BOCES in relation to the service provided by the component district. At the Oneida-Herkimer-Madison BOCES, we believe that there are value added elements to all services we offer such as built-in redundancies (concerning personnel as well as systems), sharing efficiencies and freeing up district personnel from supervision of these services that afford better utilization of district staff for the central core mission of educating our students.

We reviewed each of the three of eleven (27%) instances where the audit staff concluded that O-H-M BOCES was a more expensive option than a district providing the service itself and advanced a discussion with your auditors that we hope provided a better understanding of the reasons for the choices made by the component districts. In each of the three instances,

See Note 1 Page 10
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we believe we provided information that could lead to a deeper understanding of the transaction.

In conclusion, it is always the goal of the Oneida-Herkimer-Madison BOCES to provide services to our components, as well as non-components, in a cost-efficient manner before BOCES aid. We will take the audit recommendations into consideration and use them to achieve our stated goal.

Sincerely,

A handwritten signature in black ink, appearing to read 'Thomas Dorr', with a large, stylized initial 'T'.

Thomas Dorr  
Assistant Superintendent  
for Administrative Services

TD:nb

## **APPENDIX B**

### **OSC COMMENTS TO BOCES' RESPONSE**

#### Note 1

Although the audit report does not specify details of the reasons why component districts joined or dropped a CoSer, we did have these discussions, when appropriate, with district staff to discern service differences. In fact, as a result of these efforts, we excluded certain services from our cost comparison if we determined, based on information obtained from district officials or auditor judgment, that a fair comparison was not possible.

For example, we excluded instances in which a district did not have cost figures because it did not provide the service itself before joining or after dropping the CoSer. We also excluded instances in which a district used another BOCES to obtain the service, or when it was clear that a district and BOCES provided vastly different levels of service. Finally, we generally excluded services from our cost comparisons if district officials indicated that their reason for joining a BOCES CoSer was to achieve segregation of duties, as recommended in a past audit.

## APPENDIX C

### NON-INSTRUCTIONAL CoSer LISTING AND BRIEF DESCRIPTION

CoSer Number and Name	Description
603 - School Communications	The School Communication Service offers strategic communication planning services for building projects, budgets, and other initiatives. The program also provides staff in news media relations, graphic/visual arts, publications, and web site development
604 - Central Business Office	The Central Business Office offers school districts a system for payroll, encumbrance and ledger accounting. The Central Business Office provides school districts with regular bi-weekly payroll including preparation of payroll checks, reconciliation, trust and agency transfer and federal and state reports. Other financial services include trial balance, vendor checks, board reports, warrants, financial statements and check reconciliations.
606 - Colgate Seminar Transportation	This service provided transportation to and from the Colgate Seminar for various districts.
607 - Bus Driver Staff Training	This service includes the 30 hour training course, 10 hour training course, monitor and attendant training, and Article 19-A testing of various New York State Department of Motor Vehicle requirements.
610 - Telephone Interconnect	The BOCES coordinated Telephone Interconnect Service provides school districts with the ability to link telephone service through a “virtual” telephone network. As a result, schools have the ability to direct inward dial (DID) the Oneida-Herkimer-Madison BOCES and their counterparts in the service with either four or five digit dialing.
613 - Facility Services	The Facilities Services program gives all component schools an opportunity to share maintenance equipment and facilities maintenance. Shared facilities maintenance allows districts to contract with BOCES in specialty areas such as lawn maintenance and/or cooperatively bid maintenance agreements for specialty contracts.
616- Employee Assistance Program (EAP)	The EAP assists school personnel and their families in managing life's challenges. The EAP provides private assistance with assessment and referral, as required, to specialized agencies and services.
617 - Teacher Recruiting Service	This service assists school districts with recruiting instructional, non-instructional, administrative, and substitute staff through centralized advertising and applicant pool services.
618 - Employee Benefits Coordination	The Section 125 program offers employees an opportunity to pay for certain employee benefits or other expenses with pre-tax instead of after-tax dollars. The following expenses are eligible under the flex-benefit plan: Group insurance premiums, medical care reimbursement account, and dependent care reimbursement account.

620 – Safety Coordinator	This service helps school districts and BOCES to ensure compliance with local, state and federal health and safety regulations and helps ensure a safe and healthy learning and working environment for both students and staff.
621 – Coordination of Insurance Management	This shared service assists participating schools in developing or maintaining insurance and risk management programs. Typical activities include the analysis of employee benefit programs and risk management practices, along with the implementation and development of specifications for individual district or group coverage.
625 - Substitute Teacher Service	Participating school district teachers and administrators can call an automated substitute-calling system 24 hours per day to report absences. The automated system will fill those vacancies. Qualified substitutes are placed in schools based on an approved list of substitutes provided to the service by the school district. Districts receive daily reports of teacher absences and substitute teachers used and weekly listings of substitutes called.
626 - Central School Food Management	The School Food Service provides breakfast and lunch programs to component school districts, including management of the entire shared food service program. Specific functions are hiring, training, supervision of staff, menu development, purchase, management and preparation of food.
627 – Records Retention	This service reviews the records management system of a school district. The program utilizes micrographics and a computer assisted retrieval (CAR) system for district records which have long-term value. Individual consultant and training workshops are also provided.
628 - Telecommunications	High-speed video/voice/data services currently on a 100 mb line to all subscribing Districts.
635 – Fingerprinting	This service runs electronic scans of fingerprints and sends them to the Department of Criminal Justice for background checks of district and BOCES employees.

## APPENDIX D

### PRICE COMPARISONS FOR DISTRICTS THAT JOINED NON-INSTRUCTIONAL CoSers

CoSer Number and Name	Instances where BOCES Cost More	Amount More	Instances where BOCES Cost Less	Amount Less	Total
603 - School Communications	0	-	0	-	0
604 - Central Business Office	0	-	2	\$22,998	2
610 - Telephone Interconnect	0	-	1	\$951	1
613 - Facility Services	0	-	0	-	0
617 - Teacher Recruiting Service	0	-	0	-	0
618 - Employee Benefits Coordination	0	-	0	-	0
625 - Substitute Teacher Service	1	\$767	3	\$6,805	4
626 - Central School Food Management	0	-	1	\$26,247	1
628 – Telecommunications	0	-	0	-	0
<b>Totals</b>	<b>1</b>	<b>\$767</b>	<b>7</b>	<b>\$57,001</b>	<b>8</b>

## APPENDIX E

### PRICE COMPARISONS FOR DISTRICTS THAT DROPPED NON-INSTRUCTIONAL CoSers

CoSer Number and Name	Instances where BOCES Cost More	Amount More	Instances where BOCES Cost Less	Amount Less	Total
603 - School Communications	0	-	0	-	0
604 - Central Business Office	1	\$16,386	0	-	1
610 - Telephone Interconnect	0	-	0	-	0
613 - Facility Services	1	\$3,857	0	-	1
617 - Teacher Recruiting Service	0	-	0	-	0
618 - Employee Benefits Coordination	0	-	0	-	0
625 - Substitute Teacher Service	0	-	1	\$3,033	1
626 - Central School Food Management	0	-	0	-	0
628 - Telecommunications	0	-	0	-	0
<b>Totals</b>	<b>2</b>	<b>\$20,243</b>	<b>1</b>	<b>\$3,033</b>	<b>3</b>

## **APPENDIX F**

### **AUDIT METHODOLOGY AND STANDARDS**

The objective of our audit was to determine whether the cost of non-instructional services provided by BOCES to school districts was saving taxpayer dollars prior to factoring in additional aid for the period July 1, 2006 through June 30, 2010. To accomplish this, we performed an initial assessment of the internal controls so that we could design our audit to focus on those areas in which districts joined or dropped out of a Cooperative Service Agreement (CoSers) within the past four years. Our initial assessment included the following procedures:

- We interviewed BOCES officials to gain an understanding of the internal control policies and procedures used in the management of all non-instructional CoSers offered by the BOCES.
- We inquired about how staffing levels were determined for each CoSer, how prices were determined for each CoSer, and whether or not formal cost analysis were done prior to a district joining the CoSer.
- We reviewed minutes of the BOCES Board's proceedings as well as prior audits to ascertain whether any relevant information relating to our scope was available.
- We analyzed BOCES data to determine the number of Districts that have joined or left a CoSer during our scope period.
- We determined the actual cost (prior to aid) to a district the year the district received service from BOCES for the selected CoSer. We determined that any district with a cost of \$1,000 or less to be immaterial.
- We inquired with each school district to determine the actual cost the district paid for the similar services either before or after contracting with BOCES when the district provided the service in house.

We compared the two costs to determine if the services were cost effective prior to factoring in aid. If we determined that the service received from BOCES was substantially different than what was performed at the district, or if the district utilized a different BOCES prior to joining we did not make a cost comparison.

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.