



Ontario-Seneca-Yates- Cayuga-Wayne Board of Cooperative Educational Services

Budget Development

2022M-209 | June 2023

Contents

- Report Highlights 1**

- Budget Development. 2**
 - How Should BOCES Officials Develop Budgets? 2

 - The Budget Development Process Was Ineffective Resulting in
Budget Estimates Which Were Not Reasonable and Also Inefficient . 2

 - What Do We Recommend? 4

- Appendix A – Response From BOCES Officials 5**

- Appendix B – Audit Methodology and Standards 6**

- Appendix C – Resources and Services. 7**

Report Highlights

Ontario-Seneca-Yates-Cayuga-Wayne Board of Cooperative Educational Services

Audit Objective

Determine whether the Ontario-Seneca-Yates-Cayuga-Wayne Board of Cooperative Educational Services (BOCES) officials' budget development process ensures reasonable budget estimates.

Key Findings

BOCES officials' budget development process was ineffective and did not ensure reasonable budget estimates.

- Budgets developed for the 2019-20, 2020-21 and 2021-22 fiscal years had overestimated appropriations totaling \$65.5 million and overestimated revenues totaling \$41.2 million. This resulted in net operating surpluses totaling more than \$24 million over the three-year period.
- Appropriations for three equipment accounts and two printing service accounts were consistently overestimated by approximately \$11.5 million and \$3 million annually.
- Department heads utilize worksheets to prepare budget estimates, which are then required to be manually input into the financial system by the business office, which is inefficient and increases the likelihood for errors. There are also no verifications within the worksheets to ensure budget estimates are balanced.

Key Recommendations

- Ensure accurate and balanced budget estimates are developed which consider historical trends and revenue estimates and consider utilizing the budgeting module within the financial system or streamline the current budget workbook method to allow for the direct transition of information.

Officials generally agreed with our recommendations and indicated they plan to initiate corrective action.

Background

BOCES, more commonly known as the Wayne-Finger Lakes BOCES, is governed by a nine-member Board of Education (Board) elected by the boards of the component school 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 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 for the New York State Commissioner of Education.

The Assistant Superintendent for Administration (Assistant Superintendent) is responsible for overseeing BOCES' business office operations, including budget development and monitoring.

Quick Facts

2022-23 General Fund Appropriations	\$169.6 million
2021-22 General Fund Expenditures	\$141.6 million
Total Component School Districts	25

Audit Period

July 1, 2019 – December 13, 2022

Budget Development

How Should BOCES Officials Develop Budgets?

It is essential that BOCES officials develop annual operating budgets that consider historical activity and/or known and necessary expenditure estimates. A significant portion of BOCES' budgets are services provided to component school districts through cooperative service agreements (COSERs). Therefore, BOCES officials should ensure that estimates of the services to be provided are accurate and received timely from the component school districts to prepare BOCES' budgets most accurately, since many of these budgets are used to set the rates that component school districts pay for subscribed services and ultimately would affect their budgets. Budgets must also include reasonable estimates of revenues to pay for planned expenditures.

The Budget Development Process Was Ineffective Resulting in Budget Estimates Which Were Not Reasonable and Also Inefficient

BOCES officials develop a budget calendar each year with key dates for the budget process, and the Assistant Superintendent prepares a budget schedule with known estimates in operations, salaries and benefits. The business office requests that department heads provide budget estimates for the next fiscal year. However, department heads often prepared budget estimates that were not structurally balanced. Department heads utilize budget worksheets to prepare the estimates, which include comprehensive and detailed information related to appropriations, but do not consistently include adequate estimate information for revenues, potential rate increases or how appropriations/expenditures will be allocated between various departments or budgets. Because of this historically skewed focus on appropriations, the total financing sources from estimated revenues, appropriated fund balance, and appropriated reserves provided by the department heads did not equal the budgeted appropriations for expenditures. Furthermore, the budget worksheets are unprotected, which often resulted in formulas being deleted or changed and the business office ultimately needing to determine what occurred and correct it to ensure rollover figures are accurate and the budgets balance.

For the 2022-23 budget year, there were a total of 45 individual budget worksheets prepared by department heads, which the business office had to manually enter in the financial system. This process is inefficient, not only because of the time required to manually enter the budget information into the financial system, but also due to the greater likelihood for errors to be made during the process. BOCES has the capability to utilize the budgeting module within their financial system, which would eliminate these inefficiencies. The prior Assistant Superintendent and many business office staff were in their positions for several years and utilized the same long-standing manual budget development

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practices. The current Assistant Superintendent was appointed to this position in July 2021, along with business office staff pertinent to the budget development process who started employment with BOCES within the last two years. The Assistant Superintendent wanted to obtain an appropriate understanding of BOCES processes prior to making any significant changes to them, such as implementing use of the budgeting module in the financial system.

We reviewed budget and actual results for the general fund for the 2019-20, 2020-21 and 2021-22 fiscal years and found that BOCES officials consistently developed budgets with unrealistic estimates in certain accounts, which resulted in total overestimated appropriations of \$65.5 million and total overestimated revenues of \$41.2 million (see Figure 1). This resulted in net operating surpluses totaling more than \$24 million over the three-year period.

Figure 1: Overestimated Appropriations and Revenues (in Millions^a)

	2019-20	2020-21	2021-22	Total
Appropriations	\$153.5	\$160.8	\$167.9	\$482.2
Less: Actual Expenditures	\$141.5	\$133.5	\$141.6	\$416.6
Overestimated Appropriations	\$11.9	\$27.3	\$26.3	\$65.5
Percentage Overestimated	8%	20%	19%	16%
Budgeted Revenues	\$153.5	\$160.8	\$167.9	\$482.2
Less: Actual Revenues	\$145.6	\$141.0	\$154.3	\$441.0
Overestimated Revenues	\$7.8	\$19.8	\$13.6	\$41.2
Percentage Overestimated	5%	14%	9%	9%
Operating Surplus	\$4.1	\$7.6	\$12.7	\$24.4

a) Numbers shown may appear not to add up due to rounding.

The most significant drivers in overestimated appropriations were three equipment accounts which were overestimated in total by \$11.5 million and two printing service accounts which were overestimated by \$3 million, annually. BOCES officials stated that the three equipment accounts were historically included in the budget in case component school districts wanted to purchase certain technology equipment through BOCES. However, this did not often occur during the three fiscal years included in our audit period.

The Director of the Educational Technology Service was not aware how the original budget amounts were determined, which were ultimately rolled over, or the same balance transferred from year to year. These amounts were included in the budgets following the passage of the Smart Schools Bond Act, which preceded the Director's time in the position. While these accounts were related to COSERs and would not have been billed to component school districts without corresponding expenditures and offsetting revenues, the inclusion of these accounts in the budget does not provide an accurate representation of BOCES'

finances. Furthermore, without appropriate budget controls, these appropriations may be viewed as available for transfer to supplement other appropriations. Such a transfer would jeopardize budgetary balance unless additional financing sources are secured. These amounts were also included in the 2022-23 budget and as of December 2022 were unexpended. BOCES officials stated that the amounts historically included for these equipment accounts will not be included in the 2023-24 budget.

BOCES officials stated that the printing service accounts include expenditures for services provided by several vendors and with the move to digital (paperless) methods, it is likely that the demand for printing has declined. However, appropriations for these services were never adjusted to reflect the decreased demand.

For the 2019-20 through 2021-22 fiscal years, revenues were overestimated primarily due to variances in services provided and billed to component school districts. While BOCES' revenues are primarily based on COSERs, it is still important for BOCES officials to budget revenues accurately to ensure appropriate funding for program and service expenditures. Additionally, when there is an overreliance on historical budgets without adequate consideration of actual results, it is difficult to develop accurate future budgets.

What Do We Recommend?

BOCES officials should:

1. Ensure accurate and balanced budget estimates are developed which consider historical trends and revenue estimates during the budget development process.
2. Consider utilizing the available budgeting module within the financial system or streamline the current budget workbook method to allow for the direct transition of information into a master file to better facilitate the budget development process and minimize the risk of data entry errors.

Appendix A: Response From BOCES Officials

WAYNE - FINGER LAKES
Board of Cooperative Educational Services

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131 Drumlin Court
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Dr. Vicky Ramos, District Superintendent
Phone Number: 315.332.7284

May 8, 2023

To: Office of the State Comptroller

This letter is to confirm that the Wayne-Finger Lakes BOCES has received the Draft Findings for the Budget Development audit. After discussion during the exit conference, the Wayne-Finger Lakes BOCES generally agrees with the findings.

Thank you,

Dr. Vicma Ramos
District Superintendent

Philip Rose
Board President

Appendix B: Audit Methodology and Standards

We conducted this audit 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. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed BOCES officials and department heads to gain an understanding of the budget process.
- We reviewed relevant BOCES policies related to budgeting.
- We compared budgeted revenues and appropriations to actual revenues and expenditures for the general fund for the 2019-20 through 2021-22 fiscal years to determine whether budgets were realistic.
- We reviewed the overall 2022-23 budget for the general fund to assess whether estimates as of December 2022 were realistic and determine whether those accounts where the most significant variances occurred in the 2019-20 through 2021-22 fiscal years were likely to have significant variances in the 2022-23 fiscal year.

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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law, Section 2116-a (3)(c) of New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education. To the extent practicable, implementation of the CAP must 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. We encourage the Board to make the CAP available for public review in the Clerk's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/local-government/publications

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/local-government/publications

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/files/local-government/publications/pdf/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

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