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Dr. Vicma Ramos, District Superintendent
Members of the Board of Education
Ontario-Seneca-Yates-Cayuga-Wayne Board of Cooperative Educational Services (BOCES)
131 Drumlin Court
Newark, NY 14513

Report Number: 2016M-249-F

Dear Dr. Ramos and Members of the Board of Education:

One of the Office of the State Comptroller's primary objectives is to identify areas where BOCES officials can improve their operations and provide guidance and services that will assist them in making those improvements. The Office also works to develop and promote short-term and long-term strategies to enable and encourage BOCES officials to reduce costs, improve service delivery and to account for and protect their BOCES' assets. In accordance with these objectives, we conducted an audit of the Ontario-Seneca-Yates-Cayuga-Wayne BOCES to assess multiyear planning and software management at BOCES. As a result of our audit, we issued a report, dated December 9, 2016, identifying certain conditions and opportunities for the Board and BOCES officials' review and consideration.

To further our policy of providing assistance to BOCES, we revisited the BOCES beginning in August 2022 to review progress in implementing our recommendations. Our follow-up review was limited to interviews with BOCES personnel and inspection of certain documents related to the issues identified in our report. Based on our limited procedures, BOCES has made progress implementing corrective action. Of the 12 audit recommendations, five recommendations were fully implemented, four recommendations were partially implemented, two recommendations were not implemented and one recommendation is no longer applicable.

Recommendation 1 – Multiyear Financial Plan

The Board and BOCES officials should develop and adopt a formal, documented multiyear financial plan for a three- to five-year period.

Status of Corrective Action: Fully Implemented

Observations/Findings: BOCES officials developed a formal, detailed, written five-year financial plan related to the administrative budget/expenditures. The administrative budget is voted on annually by the component school districts (districts) and Board and consists of administrative costs that are not directly associated with a specific cooperative service agreement (CO-SER). This plan includes

anticipated increases for salaries, benefits, supplies, utilities, professional services, retirement contributions and insurance included in the administrative budget. BOCES officials explained that individual CO-SER budgets are assessed and adjusted annually based on the services that component districts subscribe to and the total number of students served.

Recommendation 2 – Multiyear Capital Plan

The Board and BOCES officials should ensure that long-term capital plans provide the source of funding for projects and capital improvement maintenance and that all plans take into consideration any economic or environmental factors which could affect the plans.

Status of Corrective Action: Fully Implemented

Observations/Findings: BOCES officials developed and the Board adopted a written long-range capital plan in September 2016. This plan was updated during follow-up review fieldwork in October 2022. The updated plan includes capital improvement needs and associated costs at each of BOCES' main campuses/locations, along with the source of funding. Capital needs are also prioritized in this plan. Annual capital costs are billed to component districts, which subsequently receive BOCES aid on these expenditures.

Recommendation 3 – Update Long-Term Plans

The Board and BOCES officials should continually update long-term plans based on any changes that have occurred since the time they were first developed.

Status of Corrective Action: Partially Implemented

Observations/Findings: BOCES officials updated the long-term financial and capital plans and the reserve plan in October 2022. However, these plans had not been updated since inception, and updates only occurred when we commenced our follow-up review. Furthermore, the reserve plan includes reserve balances from June 30, 2021, and not through the most recent fiscal year.

Recommendation 4 – Reserve Funding in Budgets

The Board and BOCES officials should include reserve funding in annual budgets.

Status of Corrective Action: Not Implemented

Observations/Findings: Reserve funding was not included in annual budgets for fiscal years 2021-22 or 2022-23, particularly the administrative budget, which is reviewed and voted on annually by the component districts. Since the prior audit, minimal funds were added to reserves coming from fiscal year-end surpluses. The net increase in restricted fund balance between 2017 and 2022 was \$926,190 (8 percent), a majority of which was attributed to the teachers retirement contribution reserve established in 2020. Overall, the balances in two reserves increased and the remaining six reserve balances were realigned based on the reserve plan. However, BOCES officials stated that in the future, if a particular reserve need is known (per the reserve plan and any analysis of reserve balances/needs), it would be funded during the budget development process and included in the adopted budget, which in turn would be included in the prices charged to component districts.

Recommendation 5 – Reserve Plan

The Board and BOCES officials should adopt a reserve plan that addresses the accumulation, use and maintenance of reserve funds.

Status of Corrective Action: Fully Implemented

Observations/Findings: BOCES officials developed and the Board established a reserve plan in 2016-17 which adequately addressed the accumulation, use and maintenance of reserve funds. BOCES officials updated this plan during follow-up review fieldwork, and provided an updated version as of October 2022.

Recommendation 6 – Reserve Analysis

The Board and BOCES officials should analyze existing reserve levels and ensure that reserves are appropriately authorized, maintained and supported and, if necessary, make statutorily allowed transfers between reserve funds to best align funds with long-term needs.

Status of Corrective Action: Fully Implemented

Observations/Findings: BOCES officials provided an adequate reserve plan and additional analyses in October 2022 to support that they are assessing reserves on a regular basis to determine whether balances are appropriate for current operational needs. We determined that the reserves highlighted in our prior audit had current balances that were reasonable based on historical expenditures and/or current benefit amounts and were appropriately authorized.

Recommendation 7 – Discontinue Retiree Health Insurance Reserve

The Board and BOCES officials should discontinue the retiree health insurance reserve, as this is not a statutorily authorized reserve.

Status of Corrective Action: Fully Implemented

Observations/Findings: The retiree health insurance reserve was discontinued by the Board on November 7, 2016 and the balance approved to be transferred to the employee benefit accrued liability reserve. We confirmed through review of financial records that this reserve was closed and the balance transferred.

Recommendation 8 – Return Excess Reserve Balances

The Board and BOCES officials should return excess reserve balances to the component school districts.

Status of Corrective Action: No Longer Applicable

Observations/Findings: Instead of returning excess reserves to component districts, BOCES officials reduced the balances in overfunded reserves by appropriating excess funds consistent with the

reserves' purpose and/or transferring funds to other reserves that were not fully funded (see Recommendation 4).

Recommendation 9 – Acceptable Use Policies

The Board should update the acceptable use policies to include specific guidance related to software downloads and installations and enforcement. Policies should be regularly reviewed and updated.

Status of Corrective Action: Not Implemented

Observations/Findings: While BOCES' acceptable use policies were last revised in May 2020, these policies do not include specific guidance related to software downloads and installations and enforcement. The Board and BOCES officials were not aware that the information contained within the current policy did not adequately address software downloads, installations and enforcement.

Recommendation 10 – Software Inventory

BOCES officials should work with (Information Technology) IT staff to maintain a complete, comprehensive software inventory list of all software that BOCES owns and the total number of licenses purchased for each software application.

Status of Corrective Action: Partially Implemented

Observations/Findings: BOCES officials now use a software inventory system to track software to help ensure compliance with New York State Education Law section 2-D and its requirements, which became effective in 2019, to help better protect students' personally identifiable information. From this system, they can generate detailed software inventory reports, which include software that BOCES owns and the total number of licenses purchased/installed for each application. However, through a review of this list, we found that BOCES' financial software was not included. BOCES officials stated that this software was likely excluded because it is purchased through a different process than other software. However, the software is installed on devices by EduTech;¹ therefore, EduTech should have been aware that this software should be included on the inventory.

Recommendation 11 – Software Review Procedures

BOCES officials should work with IT staff to formalize procedures to perform reviews of software installed on BOCES computers and compare results to BOCES' software inventory list.

Status of Corrective Action: Partially Implemented

Observations/Findings: BOCES officials and IT staff developed procedures to review software on BOCES computers to compare these results to BOCES' software inventory. However, BOCES officials could not explain why this process did not identify the absence of the financial software from the software inventory (see Recommendation 10).

¹ The Genesee Valley/Wayne Finger Lakes Educational Technology Services (EduTech) is one of 12 regional information centers in the State, and it serves 47 school districts in an eight-county region. The Director of EduTech is responsible for BOCES' IT infrastructure. In addition, EduTech staff assist BOCES officials in performing data systems inventories.

Recommendation 12 – Monitor Compliance with Acceptable Use Policies

BOCES officials should work with IT staff to monitor users to ensure compliance with the acceptable use policies and ensure all software installed on BOCES computers serves an appropriate business or educational purpose.

Status of Corrective Action: Partially Implemented

Observations/Findings: BOCES officials and IT staff developed procedures to review software on BOCES computers to ensure compliance with acceptable use policies; however, the policies did not include specific guidance in key areas (see Recommendation 9). BOCES officials and IT staff also developed procedures to ensure all software installed on BOCES computers serves an appropriate business or educational purpose and is legally obtained. In addition, staff no longer have administrative rights on devices and end users are unable to install anything on BOCES issued devices. EduTech updated these procedures to reflect the current IT environment and processes in September 2022.

In addition, BOCES uses web filtering to help IT staff monitor users' compliance with acceptable use policies and has formal procedures in place for managing network and application access, and remote access. BOCES also has an internal risk assessment program for IT, which includes five different types of analysis, including acceptable use policy monitoring and compliance and software management. BOCES and component districts are rotated through each type of analysis, with one being completed each year and a full program completed every five years.

During our review, we discussed the basis for our recommendations and the operational considerations relating to these issues. We encourage BOCES officials to continue their efforts to fully implement our recommended improvements.

Thank you for the courtesies and cooperation extended to our auditors during this review. If you have any further questions, please contact Edward V. Grant, Jr., Chief of Municipal Audits of our Rochester Regional Office, at (585) 454-2460.

Sincerely,

Elliott Auerbach
Deputy Comptroller