

**OSWEGO COUNTY  
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**NEW YORK**

**COMMUNICATING INTERNAL CONTROL  
RELATED MATTERS IDENTIFIED IN AN AUDIT**

***For Year Ended June 30, 2019***

**MENGEL METZGER BARR & CO. LLP**

RAYMOND F. WAGER, CPA, P.C. DIVISION

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October 10, 2019

To the Board Members  
Oswego County  
Board of Cooperative Educational Services, New York

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Oswego County Board of Cooperative Educational Services, New York as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Oswego County Board of Cooperative Educational Services, New York's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the BOCES' internal control. Accordingly, we do not express an opinion on the effectiveness of the BOCES' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the BOCES' financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However material weaknesses may exist that have not been identified.

The BOCES' written responses to the deficiencies identified in our audit have not been subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **Prior Year Deficiencies Pending Corrective Action:**

### **Deficit Fund Balance – Preschool Program –**

As a result of fiscal stress related to cost screens and difficulties with the State reimbursement process, the BOCES transitioned the Preschool Program to private providers as of June 30, 2011. The BOCES will be working closely with the State Education Department to close out the program in order to maximize their reimbursement; however, a deficit fund balance remains, and there was no progress made this year.

The BOCES is in the process of working with Districts regarding the revenue shortfalls. We recommend the BOCES consider contacting the Commissioner of Education and request a formal opinion as to the specific process to follow when eliminating this deficit.

### **BOCES' Response –**

*BOCES continues to keep the Districts informed regarding the deficit status of these programs as well as each District's respective (theoretical) share. Our BOCES is not the only one in this situation and additional BOCES are headed down this path. For this reason, conversations continue to take place at the state level among SED officials and BOCES District Superintendents to determine how these deficits can be addressed. These conversations progress slowly as priorities permit, and our intention is to allow the time needed to see what guidance develops. Upon receipt of such guidance, we will discuss with our districts to determine a reasonable approach in line with the guidance to eliminate the deficits.*

### **Adult Education Programs/ Career and Community Education –**

We noted the BOCES had an operating loss of \$197,956, which decreased the total fund balance to \$20,504, in the Adult Education and Enrichment Programs and the Center for Career and Community Education Programs. However, some individual programs still had operating losses, and continue to carry deficit fund balances.

We recommend the BOCES continue to monitor the Adult Education program in order to eliminate the program deficits.

### **BOCES' Response –**

*Two items of note regarding the figures: (1) while there was an overall operating loss, \$140,112 of that loss was due to greatly delayed prior year billing from CCC. This was known and planned to be covered by pre-existing surplus, leaving a net operating deficit of \$57,844. Also, (2) while the total overall surplus is \$20,504, it is worth noting that \$23,763 is the BOCES balance prior to the partnership. As such, the partnership balance is an overall cumulative operating deficit of (\$3,260).*

*In regards to budget monitoring, during 2018-19 an intensive administrative review took place involving leadership from BOCES and CCC. This review highlighted that the existing administrative structure was insufficient to devote the attention and oversight needed to effectively guide, monitor and promote programs. For 2019-20, a restructure was enacted providing more dedicated oversight of programs and back-office functions, which should allow for increased monitoring, program promotion and procedure development.*

*In addition to the oversight restructure, detailed and realistic budget development processes will continue. Enrollment projections are adjusted to match experience, tuitions are adjusted where possible and budgets are built to match. That being said, budgets are tight and when minimum enrollments are not met (i.e.: non-completers, student dismissals, etc.), costs are reduced where possible, but the budget usually ends up in a deficit. That information is then taken into account for the following budget cycle.*

**(Prior Year Deficiencies Pending Corrective Action) (Continued)**

**Adult Education/Student Billing –**

We noted that BOCES has started performing reconciliations of billings in the CCC Education Programs. However, these reconciliations are not documented, and BOCES has not developed a formal process for reconciling these receivables, reviewing receivable aging reports, and when to write off balances or send them to collection.

We recommend this item be reviewed and efforts be made to ensure that all student billing and payment records be updated in a timely manner.

**BOCES' Response –**

*These issues have been on the radar of the Director and business office for quite some time, yet oversight limitations caused delays in being able to address them. During 2018-19, an intensive administrative review took place involving leadership from BOCES and CCC, highlighting how the existing administrative structure was insufficient to effectively monitor programs and develop back-office processes. For 2019-20, duties were divided and a restructure enacted that should provide dedicated oversight and allow the attention necessary for monitoring, reconciliation of receivables and development of procedures for collections/write-offs.*

**Other Items:**

The following items are not considered to be deficiencies in internal control, however, we consider them other items which we would like to communicate to you as follows:

**Federal Programs –**

As a result of recent federal program changes, the District documents various Federal program procedures through written questionnaires prepared by the Program Coordinators and the Business Office. Recent guidance from the New York State Education Department suggests Federal recipients should enhance their written documentation into a written procedural manual that is more detailed and specific to each federal program compliance requirement.

We recommend the Business Office work with the Program Coordinators to enhance their current procedures into a procedure manual that is consistent with the federal compliance requirements for their respective program.

**BOCES' Response –**

*We appreciate the guidance and head's-up from the auditors on this topic. The Business Office will seek out more details on what is being suggested and required of NYSED relative to Federal programs and work with Program Coordinators to make sure we are in compliance with these recommendations.*

**(Other Items) (Continued)**

**Cyber Risk Management** –

The AICPA Center for Audit Quality recently issued a cyber security risk management document discussing cyber threats that face both public and private entities. The BOCES' IT personnel routinely assesses cyber risk as part of their normal operating procedures. We recommend the BOCES continue to document their cyber risk assessment process in writing which should include the risk assessment process, the frequency of the risk assessment, how findings are to be communicated to the appropriate level of management, and how the process will be monitored.

**BOCES' Response** –

*Cyber-attacks are becoming more prevalent at an alarming rate. Our BOCES experienced two such attacks within the last year, and subsequently installed software monitoring systems that routinely identify a barrage of infiltration attempts every second of every day. Our experience has been that the methods used by bad actors for such attacks are changing and evolving on an ongoing basis, making protective processes obsolete almost as quickly as they are created. That being said, the BOCES' IT department has been developing, documenting, and regularly adjusting their risk monitoring processes, as well as mitigation measures for such attacks. In fact, efforts in this regard have been so intense recently that the IT team has been dedicating a disproportionate percentage of available man-power and network processing power toward these efforts. As spikes are noted in infiltration attempts, the District Superintendent and Assistant Superintendents are notified and the IT team stands on alert. Information about the existence of these procedures are also referenced in the BOCES' Districtwide Safety Plan.*

**Prior Year Recommendation:**

The prior year recommendations have been noted above.

This communication is intended solely for the information and use of management, the Board, audit committee, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

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We wish to express our appreciation to the business office staff for all the courtesies extended to us during the course of our examination.



Rochester, New York  
October 10, 2019