

***OSWEGO COUNTY
BOARD OF COOPERATIVE EDUCATIONAL SERVICES***

NEW YORK

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

For Year Ended June 30, 2020

MENGEL METZGER BARR & CO. LLP

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

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

September 30, 2020

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, 2020, 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 more BOCES are headed down this path. Conversations are ongoing at the state level among SED officials and BOCES District Superintendents to determine how these deficits can be addressed. These talks progress slowly as priorities permit, and our intent 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 \$248,587, which decreased the total fund balance to a deficit of (\$227,944), in the Adult Education and Enrichment Programs and the Center for Career and Community Education Programs.

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

BOCES' Response –

These programs were negatively impacted by the shutdowns mandated by NYS due to health concerns surrounding the COVID-19 pandemic. Many sections slated to operate were unable to run, and the programs that had already started were unable to finish, with refunds being issued to students as a result. In addition, mandates from NYS also called for continued payment to employees in lieu of layoffs. In essence, the flow of revenue ceased and expenses carried on.

In regard to budget oversight, a restructure was enacted during 2019-20 that provided more dedicated oversight of programs and back-office functions, to allow for increased monitoring, program promotion and procedure development. Unfortunately, these efforts were also negatively impacted by COVID-19. One small silver lining might be that downturns in the economy could cause adults to seek new skills and career training, and BOCES stands ready to receive and service those individuals.

Moving forward, the oversight structure will carry on, advertisements will be pursued through catalogs and other means, and detailed and realistic budget development processes will continue. Enrollment projections will be adjusted to match experience, tuitions adjusted where possible and budgets 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 taken into account for the following budget cycle.

(Prior Year Deficiencies Pending Corrective Action) (Continued)

Adult Education/Student Billing –

We noted significant improvement regarding the reconciliation of billings in the Center for Instruction, Technology and Innovation's adult programs. BOCES has implemented a process to perform a formal, documented reconciliation of receivable balances between the billing system and the general ledger accounting system on a monthly basis.

We recommend BOCES further enhance the controls over the billing and collection processes for the CITI's adult programs by developing formal written procedures for the reconciliation process, including review of aging receivables and the decision process for writing off or sending receivables to collections.

BOCES' Response –

For 2019-20, a restructure was enacted to provide dedicated oversight and allow the attention necessary for monitoring, reconciliation of receivables and development of procedures for collections/write-offs. However, personnel changeover & learning curves for reconfiguration of duties limited abilities to make immediate progress. (Staff changes: retirement of a long-time clerical staffer, assignment of Adult Ed. oversight duties to existing staff, hire and training of a new clerk by the person who also inherited the new Adult Ed duties). Progress on this front was further negatively impacted by the COVID-19 shutdowns.

Here is a summary of measures enacted so far:

- The AP/Adult Ed Principal Account Clerk runs reports monthly in Xenegrade (Adult Ed Student ledger) and WinCap (business office financial system). Discrepancies are researched and resolved. Once systems are reconciled, discrepancies are noted, and reports maintained in the Business Office.*
- When graduation approaches, teachers are advised if students have outstanding balances that need to be settled, so they can follow-up with students.*
- Re-established contact with our collections agency and reviewed the contract. Rates were quite high, so a competitive quote was sought. Further progress was delayed due to staffing and COVID issues.*
- Next steps: Finalize an agreement with a collection agency; identify the process by which student dunning notices are sent, which includes passing to the collection agency following the third attempt; fine-tune & communicate procedures.*

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 have been informed that the BOCES has begun the process of compiling a procedures manual, however, this process was interrupted by the COVID-19 pandemic. We recommend the Business Office continue to 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

(Other Items) (Federal Programs) (Continued)

BOCES' Response –

An existing staff member who was the recipient of new duties relative to adult ed. was given the task of creating the referenced Uniform Grants Guidance document. The process began following a statewide training last winter and further progress was negatively impacted by COVID shutdowns.

As of January 2020, the Business Office has reinstated creation, distribution and collection of monthly Personal Activity Reports (PAR Forms) from employees and supervisors with signature/attestation. The payroll clerk has fully assumed responsibility for this processing. Progress is again being made on document creation and it is anticipated a draft document will be ready for Board consideration before the end of the calendar year.

GASB Statement No. 84 –

During this next fiscal year, the BOCES will be required to implement GASB Statement No. 84 which will modify the financial reporting for the Agency Funds.

This will require a review of the various accounts currently reported in the Agency Funds, along with the extraclassroom activity policy and procedures in order to determine where to report the BOCES' extraclassroom activity funds, scholarships, and other Agency activity.

BOCES' Response –

We appreciate the head's-up. We will keep an eye out for further information and appreciate any guidance and assistance that can be offered by the auditors to help us navigate this process. We stand ready to implement.

Prior Year Recommendation:

We are pleased to report the following prior year recommendation has implemented to our satisfaction:

1. The BOCES has had an assessment performed of cyber security, and has enhanced monitoring protocols.

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
September 30, 2020

Mengel, Metzger, Barw & Co. LLP