



Broome-Delaware-Tioga Board of Cooperative Educational Services

Capital Planning

2023M-1 | June 2023

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Report Highlights

Broome-Delaware-Tioga Board of Cooperative Educational Services

Audit Objective

Determine whether Broome-Delaware-Tioga Board of Cooperative Educational Services (BOCES) officials properly planned and budgeted for capital expenditures.

Key Findings

BOCES officials did not properly plan or budget for capital expenditures. Between 2018-19 and 2020-21, officials budgeted \$916,304 for building repairs. However, building repairs and improvements totaled over \$3.4 million for the same period. Without adequate capital planning, BOCES officials are limited in their ability to set long-term priorities.

As a result, BOCES officials did not transparently fund capital expenditures and instead utilized more than \$2.5 million of the component (which are BOCES' member school districts) and participating (which are other school districts that use BOCES' services) school districts' surplus funds over the last three school years. Although most of the repairs and improvements were proportionately funded by the school districts benefiting from the improvements, not properly budgeting for capital expenditures increases the risk that school districts could be disproportionately funding these expenditures.

Key Recommendations

- Transparently fund capital expenditures.
- Ensure that all surplus funds are apportioned back to component and participating school districts.
- Develop a comprehensive written multiyear capital plan.

BOCES officials agreed with our findings and recommendations and have initiated, or they plan to initiate, corrective action.

Background

BOCES provides 15 component school districts and participating school districts with shared services that are defined in cooperative agreements (CO-SER). Generally, a CO-SER has defined billed services and delineates how operational surpluses are allocated back to each district.

BOCES is governed by a seven-member BOCES Board (Board) elected by the boards of the component school districts and is responsible for the general management and control of financial and educational affairs.

The District Superintendent (Superintendent) is the chief executive officer and is responsible, along with administrative staff, for the day-to-day management and regional planning and coordination.

The Executive Operations Officer and the Director of Operations are responsible for the oversight of facilities maintenance, including capital planning.

Quick Facts

701 CO-SER Expenditures (2018-19 – 2020-21)

| | |
|-----------------------------------|-------------|
| Building Repairs | \$891,691 |
| Capitalized Building Improvements | \$2,545,318 |

Audit Period

July 1, 2020 – March 30, 2022

We extended the scope back to July 1, 2018 to analyze trends in financials.

Capital Planning

How Do BOCES Officials Properly Plan and Budget for Capital Expenditures?

BOCES officials should develop a comprehensive written multiyear capital plan to estimate the future costs of capital needs. The plan should provide accurate, reasonable estimates including the impact that each project would have on budgets. BOCES officials should monitor and update the plan as necessary to ensure that decisions are guided by the most accurate information available. This plan works in conjunction with BOCES policies and procedures to provide necessary guidance to employees and component school districts regarding financial priorities and goals set by BOCES officials.

A BOCES board should transparently fund projects identified in the multiyear capital plan by including a specific appropriation in the annual budget. The funding of projects should be proportionately allocated amongst component and participating school districts. The fiscal year-end reporting to school districts should clearly identify such allocations. Surplus funds generated from CO-SERs at the end of each school year should be apportioned back to each of the component and participating school districts.

BOCES Officials Did Not Properly Plan and Budget for Capital Expenditures

The BOCES capital budget included district classroom rentals, leased facilities and dormitory authority payments. Building repairs and capitalized building improvement costs were not included in the capital budget and were budgeted for and expended from the Operations and Maintenance (701) CO-SER. This CO-SER operates solely to deliver BOCES internal operational needs and costs are supported by transfers from other BOCES programs/CO-SERs (Figure 1). Since the 701 CO-SER is for the operations and maintenance of BOCES facilities, the CO-SERs that fund it are the programs that get billed directly to school districts, typically based on a square footage allocation formula.

Figure 1: Program/CO-SER Serial Number Range

| Service Program | Program/CO-SER Serial Numbers |
|--------------------------------|-------------------------------|
| Career and Technical Education | 101 – 199 |
| Special Education | 201 – 299 |
| Itinerant | 301 – 399 |
| General Education | 401 – 499 |
| Instructional Support | 501 – 599 |
| Non-Instructional Support | 601 – 699 |
| Operations and Maintenance | 701 |
| Internal Service Activities | 702 – 799 |
| Special Aid Projects | 801 – 999 |

The initial funding of the 701 CO-SER was intended to cover services provided to all programs/CO-SERs, including operational salaries, supplies and repairs. Between 2018-19 and 2020-21, BOCES officials budgeted \$916,304 for building repairs in the 701 CO-SER and did not budget for building improvements. However, building repair and improvement expenditures totaled over \$3.4 million for the same period, \$2.5 million more than budgeted (Figure 2). The Business Manager told us that BOCES does not budget for capital expenditures and funds from the programs/CO-SER budgets are transferred as project needs occur and surpluses are predicted. The Director of Operations told us that building repairs are done as needed.

Figure 2: 701 CO-SER Budget vs. Actual Expenditures (2018-19 to 2020-21)

| Appropriations/Expenditures | Budget | Actual Expenditures | Total (Under) Overestimated |
|--|------------------|---------------------|-----------------------------|
| Building Repairs | \$916,304 | \$891,691 | \$24,613 |
| Capitalized Building Improvements | - | 2,545,318 | (2,545,318) |
| Total | \$916,304 | \$3,437,009 | (\$2,520,705) |

During the 2020-21 school year, 30 CO-SERs funded the initial 701 budget. Projects expended from this CO-SER included various wall constructions, windows and doors, cabinets and wireless communications systems. We reviewed transfers to the 701 CO-SER made during the 2020-21 school year for repairs and maintenance and capitalized building improvements and determined that five CO-SERs funded the transfers. Most of the funds transferred from these five CO-SERs were for millwork and wireless communication projects in facilities occupied by these programs/CO-SERs. As a result, most of the repairs and maintenance and capitalized building improvements were proportionately funded by the school districts benefiting from the improvements.

Although transfers to the 701 CO-SER throughout the year were based on project needs and typically charged to the programs/CO-SERs using the space needing repair or improvement, BOCES officials used their judgment to select which programs/CO-SERs provided the transfers. Budgeting for building repairs and capitalized building improvements would reduce the risk that programs/CO-SERs disproportionately fund the 701 CO-SER. Since all CO-SERs billings and the associated surpluses are calculated differently, not properly budgeting initially for the additional expenditures increased the risk that school districts were not funding the 701 CO-SER proportionately. For example, Special Education (200) CO-SERs are billed based on actual full-time equivalent participation while General Education (400) CO-SERs are based on slots requested at the beginning of the school year.

Furthermore, by not budgeting for building improvements, BOCES officials did not clearly identify the amounts retained from end-of-year CO-SER surpluses. Instead, officials used the surpluses generated during the year by incorporating them into the expenditure amounts billed to the school districts involved in the five CO-SERs noted above. As a result, BOCES officials did not transparently fund capital expenditures and instead utilized more than \$2.5 million of the component and participating school districts' surplus funds over the last three school years.

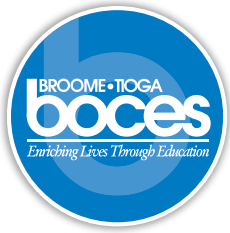
BOCES officials have not developed a formal written multiyear capital plan, including plans to fund capital improvement costs. Without adequate capital planning, BOCES officials are limited in their ability to set long-term priorities and work toward goals. Instead, they made choices based only on current needs. Without adequately informing component and participating school districts of the allocations made from operating surpluses, BOCES officials did not transparently report BOCES' results of operations to the school districts involved.

What Do We Recommend?

The BOCES Board and officials should:

1. Transparently fund capital expenditures by including appropriations for the amounts the Board intends to expend in the proposed budget.
2. Ensure that all surplus funds, except those properly restricted, are apportioned back to component and participating school districts every school year.
3. Develop a comprehensive written multiyear capital plan to estimate the future costs of capital needs.

Appendix A: Response From BOCES Officials



Rebecca C. Stone, District Superintendent
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May 18, 2023

Ann C. Singer, Chief of Municipal Audits
Office of the New York State Comptroller – Binghamton Regional Office
State Office Building, Suite 1702
44 Hawley Street
Binghamton, NY 13901-4417

Re: Report of Examination 2023M-1

Dear Ms. Singer,

Broome-Tioga BOCES would like to thank the Office of the New York State Comptroller and the team for their professional and open approach to our audit. Specifically, we appreciate the team selecting an audit area that is a very challenging issue for BOCES throughout New York State.

The comptrollers audit comes at a perfect time and is spot on. For the past 12 months, we have been engaged in the development of a comprehensive facilities plan. This plan addresses facilities improvements that are so desperately needed to provide the services and support the students and community deserve. We are pleased to inform you that this multi-year plan was recently presented to our component school superintendents. The plan includes a review of our existing building conditions, enrollment and space projections, facility utilization, recommended infrastructure improvements and a multi-year funding strategy.

We are pleased that the comptrollers audit confirmed that no funds have been misappropriated. In fact, funds from our operating budget have been properly allocated to essential capital repairs and improvements including:

- Flooring to improve use of mobility devices (wheelchairs, walkers, bicycles, etc.)
- Security and safety enhancements (window, doors, badge readers, bulletproof glass)
- Greenspace improvements for outdoor student activities
- Parking lot repairs

Our multi-year plan strengthens our continued commitment to properly apportion surplus funds back to school districts participating in our programs and services.

Once again, we would like to thank the Office of the New York State Comptroller for their comprehensive review and recommendations. We wholeheartedly agree with the report.

Sincerely,


Rebecca Stone
District Superintendent

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, billing process, capital planning and how repairs and maintenance were handled.
- We calculated the results of operations for each CO-SER for the last three school years (2018-19, 2019-20, and 2020-21).
- We reviewed the administrative, capital and instructional budgets to determine what was included in each budget.
- We reviewed services billed to the school districts in 2020-21 to determine whether the cost basis, quantity and unit cost were correct. We selected a sample of two months from three school districts based on the total contract amount. We grouped the 15 component school districts into the top five, middle five and bottom five, and selected the median district from each group.
- We reviewed the Operations and Maintenance (701) CO-SER budget allocation formula to determine whether it was calculated correctly. We reviewed the budget to determine what lines were not included in the initial budget allocation. We reviewed the general ledger for building repairs and capitalized building improvement expenditures and reviewed the associated invoices to determine what the expenditures were for and which program/CO-SER received the service.
- We reviewed transfers into 701 CO-SER in 2020-21 and compared them to the school districts that were billed for those CO-SERs in the same 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.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

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. The CAP should be posted on BOCES' website for public review.

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

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

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

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Contact

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