



Franklin-Essex-Hamilton Board of Cooperative Educational Services

Capital Project State Aid

2024M-39 | July 2024

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Report Highlights

Franklin-Essex-Hamilton Board of Cooperative Educational Services

Audit Objective

Determine whether Franklin-Essex-Hamilton Board of Cooperative Educational Services (BOCES) officials properly claimed State aid for the Adirondack Educational Center (AEC) and North Franklin Educational Center (NFEC) capital improvement project (project).

Key Findings

BOCES officials did not properly claim State aid for the project. As a result, as of January 31, 2024, five component school districts (districts) had not received \$652,054 in State aid they were entitled to for the project, and two districts received \$916,278 in aid before being entitled to it. In addition, if officials do not claim approximately \$1.5 million in eligible unclaimed project expenditures, seven districts will not benefit from approximately \$835,000 in State aid they are entitled to.

BOCES officials did not:

- Establish adequate procedures to ensure State aid was properly claimed for the project.
- Provide oversight over the official who prepared and submitted State aid claims.

Key Recommendations

- Establish procedures and provide oversight to ensure State aid claims for reimbursement for projects are accurately prepared and submitted in a timely manner.
- Review all the identified unclaimed project expenditures and submit corresponding claims for reimbursement in a timely manner.

BOCES officials generally agreed with our recommendations and have initiated, or indicated they planned to initiate corrective action.

Audit Period

July 1, 2016 – January 31, 2024

Background

BOCES comprises 10 districts and is governed by a nine-member Board (Board) elected by the districts' boards.

The districts' voters approved an \$18.5 million project for improvements to the AEC and NFEC buildings on September 21, 2017.

The project was financed with funds received from the districts based on annual charges included in BOCES' capital budget and installment payments owed that were established in a joint agreement entered by BOCES and the districts on June 6, 2017.

The Director of Shared Business Services (Director) is responsible for preparing and submitting State aid claims for reimbursement for the project.

Quick Facts

Project Financing	
Capital Budgets	\$1.3 million
Joint Agreement Installment Payments	\$17.2 million
Project Expenditures	
Total	\$18.5 million
Eligible for Aid	\$18.3 million
Claimed for State Aid Reimbursement	\$16.8 million

Capital Project State Aid

A BOCES is eligible to claim State aid (i.e., BOCES Facilities Aid) for approved (aidable) expenditures for a capital project. Aidable expenditures are those incurred by districts during the current fiscal year for approved debt service payments on debt instruments (e.g., bond anticipation notes and bonds) and/or from budgetary appropriations or capital reserves used to finance a project. The aidable expenditures for each building in a project are limited to the lesser of the actual costs or the maximum cost allowance computed by the New York State Education Department (SED) for each of the four project cost categories (i.e., new/addition construction costs, alteration/reconstruction costs, new/addition incidental costs and alteration/reconstruction incidental costs). As a result, a BOCES may not be able to claim State aid for all expenditures incurred for a project.

State aid reimbursement for each district is based on their aidable expenditures for the current fiscal year multiplied by their resident weighted average daily attendance (RWADA) aid ratio,¹ which is computed by SED based on the district's assessed valuation of taxable property and attendance data (Figure 1). A BOCES receives State aid reimbursements on behalf of its districts and then is responsible for disbursing the aid to its districts.

Figure 1: Capital Project – State Aid Calculation Example

Aidable Expenditures	\$500,000
RWADA Aid Ratio^a	× .750
State Aid	\$375,000

a) The aid ratio varies by district and from year-to-year.

How Should Officials Properly Claim State Aid for a Project?

BOCES officials are responsible for ensuring that a BOCES claims all the State aid its districts are entitled to for a capital project. Officials should develop a well-designed system for claiming State aid that assigns responsibilities for specific activities to ensure each participant understands the overall objectives and their role in the process. In addition, periodic monitoring of the process by officials and an annual reconciliation of State aid can help ensure a BOCES claims all the State aid revenue its districts are entitled to in a timely manner.

To claim and receive State aid for a project, a BOCES must first submit a SA-139 Form – Request for Building Project Data (SA-139 Form) for each building in a project to SED by June 30th of the first fiscal year aid is claimed. In addition, a BOCES must accurately calculate and record expenditure data (i.e., aidable capital outlay and debt service expenses) for the current fiscal year for each district in the State Aid Management System (SAMS).

¹ A district's RWADA aid ratio can range between a minimum of 0 and a maximum of .900. If a district's RWADA aid ratio is 0 for a fiscal year, no State aid will be reimbursed for any expenditures claimed for that district for the fiscal year.

A BOCES must complete two forms in the SAMS to submit a claim for reimbursement of State aid for a project. The Summary of Building Payments (SA-109 Form) is used to calculate the aidable expenditures that can be claimed for each district, and the Capital and Rent Expenditures Form (State Aid Claim Form) is used to summarize the data from the SA-109 Form. However, State aid reimbursements are calculated based solely on the allocation of aidable expenditures to each district included on the State Aid Claim Form.

A BOCES then must certify the accuracy and completeness of the data recorded in the SAMS prior to its submission to claim State aid. SED establishes a deadline each year for a BOCES to submit claims to receive State aid (e.g., May 3, 2023 for the 2022-23 fiscal year), but a BOCES can be granted an extension until June 30th of the fiscal year aid is being claimed.

Officials Did Not Properly Claim State Aid for the Project

BOCES was eligible to start claiming State aid reimbursements for expenditures incurred related to the AEC building in fiscal year 2018-19 and the NFEC building in fiscal year 2019-20 because BOCES officials submitted the SA-139 Forms for these buildings to SED in April 2019 and April 2020, respectively. The Director did not properly claim State aid reimbursements for the project during the 2018-19 through 2020-21 fiscal years. In addition, while the Director should have claimed aid for project expenditures during each of the 2018-19 through 2022-23 fiscal years, the Director did not claim aid during the 2021-22 and 2022-23 fiscal years.

As a result, for the 2018-19 through 2022-23 fiscal years, the Director did not claim State aid for eligible expenditures totaling approximately \$1.3 million for eight of the 10 districts and incorrectly claimed aid for ineligible expenditures (i.e., expenditures that had not yet been incurred) totaling approximately \$1.6 million for the other two districts (Figure 2).

Figure 2: Project Expenditures Claimed for State Aid Fiscal Years 2018-19 Through 2022-23

District	Project Expenditures			
	Entitled to Claim	Claimed ^a	Not Claimed	Over Claimed
Brushton-Moira	\$1,706,153	\$1,645,671	\$60,482	\$0
Chateaugay	462,287	995,096	0	532,809
Lake Placid	1,550,852	1,398,463	152,389	0
Long Lake	148,830	130,994	17,836	0
Malone	5,275,917	4,909,048	366,869	0
Raquette Lake	2,157	0	2,157	0
Salmon River	3,388,580	3,089,788	298,792	0
Saranac Lake	2,780,318	2,481,485	298,833	0
St. Regis Falls	621,204	553,924	67,280	0
Tupper Lake	530,767	1,604,751	0	1,073,984
Totals	\$16,467,065	\$16,809,220	\$1,264,638	\$1,606,793

a) Consists of the total amounts claimed by BOCES during the 2018-19 through 2020-21 fiscal years, including ineligible expenditures claimed (over claimed).

The claiming errors predominantly occurred because the expenditure data imported from the financial application into the State Aid Claim Form in the SAMS was not accurately calculated and properly recorded for each district during each year aid was claimed. For example, the total aidable expenditures imported and claimed exceeded the total eligible expenditures by \$1,811 in 2018-19, \$67,024 in 2019-20 and \$821,391 in 2020-21.

In addition, the aidable expenditures imported and claimed were not properly allocated to the districts during each year aid was claimed. This occurred because the financial application allocated the total recorded expenditures to nine of the 10 districts and allocations were based on the nine districts' RWADA for the fiscal year aid was being claimed, instead of each of the 10 districts' actual eligible expenditures incurred.

The claiming errors were not identified and corrected because the Director prepared and submitted claims with no oversight. In addition, the Director told us she was not aware the State Aid Claim Form was populated with data imported from the financial application, and she did not review the accuracy of the State Aid Claim Form before submission.

The Director also told us she thought the State aid reimbursements were calculated based on the expenditure data she recorded in the SA-109 Form in the SAMS during the 2018-19 through 2020-21 fiscal years. However, State aid reimbursements are calculated based solely on the allocation of aidable expenditures to each district included on the State Aid Claim Form in the SAMS. BOCES officials also did not prepare an annual reconciliation of the State aid expected to be received with the actual amounts received for each district, which would have detected the claiming errors.

Figure 3: Project State Aid Received Fiscal Years 2018-19 Through 2022-23

District ^a	State Aid			
	Entitled To	Received ^b	Not Received	Received Before Entitled To
Brushton-Moira	\$1,469,676	\$1,417,854	\$51,822	\$0
Chateaugay	337,931	730,044	0	392,113
Malone	4,163,909	3,875,247	288,662	0
Salmon River	3,049,722	2,780,809	268,913	0
Saranac Lake	267	0	267	0
St. Regis Falls	394,780	352,390	42,390	0
Tupper Lake	282,445	806,610	0	524,165
Totals	\$9,698,730	\$9,962,954	\$652,054	\$916,278

As a result, as of January 31, 2024, five districts had not received \$652,054 in State aid they were entitled to for the project, and two districts received \$916,278 in aid before being entitled to it (Figure 3).

a) Three districts (i.e., Lake Placid, Long Lake and Raquette Lake) were not entitled to receive State aid for the project because their RWADA aid ratios were 0 during each of the fiscal years aid should have been claimed for them (2018-19 through 2021-22).

b) Consists of the total amounts received by BOCES during the 2018-19 through 2020-21 fiscal years, including aid received before being entitled to it.

Because BOCES had not properly claimed State aid for the project during the audit period, we worked with BOCES officials and SED to determine how BOCES should correct the claiming errors.

BOCES can claim the remaining unclaimed aidable expenditures in 2023-24 for the eight districts that did not issue any debt to finance their share of the project. In addition, BOCES can claim the remaining unclaimed aidable expenditures for the other two districts as they incur eligible debt service expenditures related to the project.

As a result, we calculated that BOCES would be eligible to claim all unclaimed aidable expenditures for the project totaling approximately \$1.5 million in 2023-24 and 2024-25. If properly claimed, BOCES would receive State aid totaling \$816,460 for seven districts in 2023-24 and \$18,155 for two districts in 2024-25 (Figure 4).

Figure 4: Project State Aid to Claim Fiscal Years 2023-24 and 2024-25

District ^a	2023-24 State Aid ^b	2024-25 State Aid ^b	Total State Aid
Brushton-Moira	\$52,922	\$0	\$52,922
Chateaugay	50,048	15,061	65,109
Malone	294,963	0	294,963
Salmon River	268,913	0	268,913
Saranac Lake	22,114	0	22,114
St. Regis Falls	45,279	0	45,279
Tupper Lake	82,221	3,094	85,315
Totals	\$816,460	\$18,155	\$834,615

a) Three districts (i.e., Lake Placid, Long Lake and Raquette Lake) will not receive State aid because their RWADA aid ratios are 0 for the 2023-24 fiscal year.

b) Calculated based on the remaining unclaimed aidable expenditures that should be claimed for each district in 2023-24 and 2024-25 multiplied by their RWADA aid ratio (actual aid ratio for 2023-24 and projected aid ratio for 2024-25).

Because officials did not establish adequate procedures or provide oversight of the claiming of State aid for the project, during the audit period five districts did not receive all the State aid they were entitled to and two districts received aid before being entitled to it. In addition, if officials do not claim approximately \$1.5 million in eligible unclaimed project expenditures, seven districts will not benefit from approximately \$835,000 in State aid they are entitled to.

What Do We Recommend?

BOCES officials should:

1. Establish procedures and provide oversight to ensure State aid claims for reimbursement for projects are accurately prepared and submitted in a timely manner.
2. Ensure the calculation of aidable expenditures, used in the submission of State aid claims, is based on the actual eligible expenditures each district incurred for a project.

-
3. Annually reconcile the State aid expected to be received with the actual amounts received for each district when State aid is claimed for a project.
 4. Review all the unclaimed project expenditures identified in this report and ensure the Director submits corresponding claims for reimbursement through the SAMS in a timely manner based on SED's guidance.

Appendix A: Response From BOCES Officials



Franklin-Essex-Hamilton BOCES

Dale L. Breault Jr.
District Superintendent

Lori L. Tourville
Assistant Superintendent
for Instruction

Stacy M. Vincent
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Dennis J. Egan
Board President

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This will serve as the BOCES response and corrective action plan

Franklin Essex Hamilton BOCES

Capital Project State Aid

2024M-39

Audit Recommendation:

1. Review all the unclaimed project expenditures identified in this report and ensure the Director submits corresponding claims for reimbursement through the SAMS in a timely manner based on SED's guidance.

Implementation Plan of Action:

- To address unclaimed project expenditures identified in the OSC report, we have submitted all eligible claims through SAMS for 2023-24 following SED's guidance and will submit the remaining eligible claims in 2024-25.

Implementation Date:

This plan has been completed for eligible claims for 2023-24 and will be completed in 2024-25 for the remaining eligible claims.

Person Responsible for Implementation:

Jamie O'Dell – Director of Shared Business Services

Audit Recommendation:

2. Establish procedures and provide oversight to ensure State aid claims for reimbursement for projects are accurately prepared and submitted in a timely manner.

And

3. Ensure the calculation of aidable expenditures, used in the submission of State aid claims, is based on the actual eligible expenditures each district incurred for a project.

Implementation Plan of Action:

In response to the recommendations from the OSC auditor, Franklin Essex Hamilton BOCES has developed a plan to enhance financial governance and monitoring of capital construction state aid claims and project expenditure reports. This action plan is essential to address our previous overdependence on the accuracy of guidance by an

external financial advisor, who was responsible for the complex accounting and providing data for state aid claims associated with our recently completed capital project. The insights gained from the OSC audit have prompted us to introduce oversight measures for any future engagements with external financial consultants related to capital construction.

- We have developed and implemented detailed procedures for the accurate and timely preparation and submission of state aid claims, ensuring these are based on the actual eligible project expenditures incurred by each district. This process involves comprehensive training for staff to adhere to the new procedures.
- To ensure the accuracy and reliability of data received from the external financial advisor utilized, we have established robust controls including independent verification of their reports and periodic reviews. This involves cross-referencing report data with internal records and conducting regular audits on all data. We have also developed a validation protocol to ensure all data provided by the external financial advisor is thoroughly checked and verified before it is reported and/or submitted in any official capacity. (Please see Financial Auditor Control System Below)

Financial Auditor Control System

Objective

To ensure the accuracy and reliability of data received from an external financial advisor and validate all financial reports through independent verification and periodic reviews.

Components of the Control System

Detailed Contract/RFP/Bid Specifications:

- Include specific clauses in the contract with an external financial advisor that outline the requirement for accuracy, periodic reporting, and cooperation with verification processes.
- Contracts will specify the types of reports required, the frequency of submission, and the necessity for detailed supporting documentation.

Internal Validation:

- Develop an internal protocol for validating the data and reports received from the external financial advisor.
- This protocol will involve:
 - Cross-referencing data provided by the external financial advisors with internal financial records and external data sources where applicable.

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- Ensuring that all figures in the reports match the corresponding entries in internal records.
 - Verifying calculations used in the reports for accuracy.

Review

- Establish an independent review individual or team within the Business Office responsible for the verification of reports.
- The team or individual will be an experienced financial employee(s):
 - Conducting detailed reviews of all reports submitted by the external financial advisor.
 - Comparing data with internal records and identifying any discrepancies.
 - Documenting findings and suggesting corrections if needed.

Period Audits

- Schedule regular audits to review the accuracy and reliability of the data and reports.
 - Audits will be conducted quarterly.
 - The audit process will involve a thorough examination of a sample of reports and supporting documentation.
 - Individual or team will assess the compliance of the external financial advisor with contract terms and the accuracy of the financial data.

Feedback and Correction

- Develop a feedback loop with the contractor to address and correct any discrepancies or inaccuracies found during the verification process.
 - The independent review team will provide regular feedback to the external financial advisor on any discrepancies or issues identified.
 - Require the external financial advisor to make necessary corrections and resubmit the amended reports within a specified timeframe.
 - Document all feedback and corrective actions for accountability and future reference.
 - Regular updates will ensure transparency and continuous improvement in the financial oversight process.

By implementing such a robust control system, Franklin Essex Hamilton BOCES can ensure the accuracy and reliability of data received from external financial advisors, thereby improving financial oversight and accountability.

Implementation Date:

This plan has been completed.

Person Responsible for Implementation:

Jamie O'Dell – Director of Shared Business Services

Audit Recommendation:

4. Annually reconcile the State aid expected to be received with the actual amounts received for each district when State aid is claimed for a project.

Implementation Plan of Action:

- An annual reconciliation process has been put in place to compare expected state aid with the actual amounts received, addressing discrepancies promptly. (Please see Annual Reconciliation Process below.)

Annual Reconciliation Process

Objective: To ensure the accurate comparison of expected State aid with actual amounts received, and to promptly address any discrepancies.

Components of the Reconciliation Process

Data Collection

- Gather all relevant data on expected and actual State aid.
 - Collect data on expected State aid from budget projections, State aid claim forms, and other relevant documents.
 - Obtain actual State aid received data from bank statements, financial records, and State aid disbursement reports.

Reconciliation

- Compare the expected State aid amounts with the actual amounts received.
 - Create a reconciliation spreadsheet to list expected and actual State aid amounts for each district and project.
 - Identify any initial discrepancies between the expected and actual amounts.

Analysis

- Analyze any discrepancies to determine their causes.
 - Review supporting documentation to understand why discrepancies occurred (e.g., timing issues, calculation errors, reporting inaccuracies).

-
- Categorize discrepancies as either reconcilable (e.g., timing differences) or non-reconcilable (e.g., errors).

Resolution

- Resolve reconcilable discrepancies and address non-reconcilable discrepancies.
 - For reconcilable discrepancies, adjust records to reflect accurate amounts, documenting the reasons for adjustments.
 - For non-reconcilable discrepancies, investigate further to identify and correct underlying issues. This may involve contacting the State Department of Education for clarification or correction of errors.

Documentation and Reporting

- Document the reconciliation process and prepare a comprehensive report.
 - Maintain detailed records of the reconciliation process, including initial discrepancies identified, analysis performed, and actions taken to resolve discrepancies.
 - Prepare a reconciliation report summarizing findings, actions taken, and any remaining issues.

Review and Approval

- Submit the reconciliation report for review and approval to the District Superintendent.
 - The reconciliation report should be reviewed by District Superintendent
 - Obtain approval from the Board of Education, ensuring all stakeholders are informed of the reconciliation outcomes.

Continuous Improvement

- Implement improvements based on the reconciliation process outcomes.
 - Identify any systemic issues that led to discrepancies and develop action plans to prevent recurrence.
 - Adjust procedures and controls as necessary to improve the accuracy and timeliness of State aid data.

Implementation Date:

This plan has been completed.

Person Responsible for Implementation:

Jamie O'Dell – Director of Shared Business Services

Signed:

Date:

6/26/24

Name and Title

District Superintendent/CEO

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. We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, as well as the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed BOCES officials and reviewed various records and reports to gain an understanding of BOCES' procedures for claiming State aid for the project. We documented any associated effects of deficiencies in those procedures.
- We reviewed all aidable expenditures incurred for the project and the corresponding State aid claimed during the audit period to determine whether BOCES submitted State aid claims for reimbursement accurately and in a timely manner. For State aid that was not properly claimed, we determined the reason and calculated the amounts of any State aid BOCES did not claim or ineligibly claimed for each district during the audit period. Based on SED's guidance, we then calculated the amounts of any State aid BOCES was still eligible to claim for each district.

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

Appendix C: Resources and Services

Regional Office Directory

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

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/fiscal-monitoring

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/resources/planning-resources

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

www.osc.ny.gov/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.ny.gov/local-government/required-reporting

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/academy

Contact

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<https://www.osc.ny.gov/local-government>

Local Government and School Accountability Help Line: (866) 321-8503

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