

AUDIT REPORT



CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
BUREAU OF MANAGEMENT AUDIT
WILLIAM C. THOMPSON, JR., COMPTROLLER

Audit of the Travel Expenses of the Department of Education's Central Office

MD08-078A

June 30, 2008



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
1 CENTRE STREET
NEW YORK, N.Y. 10007-2341

WILLIAM C. THOMPSON, JR.
COMPTROLLER

To the Citizens of the City of New York

Ladies and Gentlemen:

In accordance with the responsibilities of the Comptroller contained in Chapter 5, §93, of the New York City Charter, my office conducted an audit to evaluate the adequacy of the Department of Education's (DOE's) internal controls over the travel expenses of its Central Office and determine whether these travel expenses were necessary, reasonable, and for authorized individuals.

The travel expenses of DOE's Central Office, which includes the Schools Chancellor and the major education and management officials of the school system, are primarily for teacher training, meetings, conferences, retreats, and transportation. Audits such as this provide a means of ensuring that City resources are used effectively, efficiently, and in the best interest of the public.

The results of our audit, which are presented in this report, have been discussed with DOE officials, and their comments have been considered in preparing this report.

I trust that this report contains information that is of interest to you. If you have any questions concerning this report, please e-mail my audit bureau at audit@comptroller.nyc.gov or telephone my office at 212-669-3747.

Very truly yours,

A handwritten signature in black ink, appearing to read "William C. Thompson, Jr.", written in a cursive style.

William C. Thompson, Jr.

WCT/ec

Report: MD08-078A
Filed: June 30, 2008

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*The City of New York
Office of the Comptroller
Bureau of Management Audit*

**Audit of the Travel Expenses of the
Department of Education's Central Office**

MD08-078A

AUDIT REPORT IN BRIEF

The audit determined the adequacy of the Department of Education's (DOE's) internal controls over the travel expenses of its Central Office and whether these travel expenses were necessary, reasonable, and for authorized individuals.

DOE provides primary and secondary education to more than one million pre-kindergarten through grade 12 students in approximately 1,400 schools. The DOE Central Office includes the Schools Chancellor and the major education and management officials of the school system. The Central Office also supports the regional offices (which are now known as the integrated service centers) and schools by providing accounting and payroll services, as well as staff recruitment and training.

DOE spent a total of \$16.3 million for travel expenditures during Fiscal Year 2007. Of this amount, approximately \$4.8 million was spent by the Central Office. Central Office travel expenses are primarily for teacher training, meetings, conferences, retreats, and transportation. For the processing of Central Office travel payments, the Central Administrative Offices (within the Central Office) send most travel voucher packages to the Central Business Office (CBO), which is one of 17 payment-processing offices that service the Central Office. During Fiscal Year 2007, the CBO processed 50 percent (approximately \$2.4 million) of the total value of Central Office travel voucher payments.

Audit Findings and Conclusions

DOE has inadequate internal controls over the travel expenses of its Central Office. The Central Office did not always adhere to DOE's own written procedures for the purchase and approval of travel expenses or to applicable sections of Comptroller's Directives #6 and #24. While we found that, in general, the sampled expenditures were adequately supported by invoices, their lack of underlying supporting documentation prevented us from determining whether all purchases were reasonable. In light of DOE's budget cuts for Fiscal Year 2008, DOE should ensure that adequate controls are in place to make certain that all expenditures are necessary, reasonable, and obtained at the best possible price.

The lack of internal DOE controls and oversight may have contributed to the failure of the Central Office to adhere to DOE's written procedures and City regulations, resulting in the inconsistencies we identified in the Central Office's purchasing procedures and processing of payment vouchers.

Audit Recommendations

Based on our findings, we make 14 recommendations, 6 of which are listed below. DOE should:

- Authorize an appropriate unit to conduct an independent review of the Central Administrative Offices' transactions to ensure compliance with DOE written procedures and Comptroller's Directives.
- Ensure that the Central Administrative Offices adhere to the bidding requirements of the *Standard Operating Procedures Manual* (SOPM) to ensure that needed goods and services are obtained at the best available price.
- Ensure that bids are solicited for conference facilities and associated services prior to using one of the contracted facility vendors. A contracted facility vendor should be used only if it is deemed to be the lowest responsible bidder.
- Ensure that its offices adhere to Comptroller's Directive #6 and provide proper written justification for an event with overnight accommodations.
- Ensure that purchasing documents are recorded prior to making its purchases to ensure that funds are available and that the estimated liabilities are recorded in the correct fiscal period.
- Ensure that its travel expenditures adhere to the established written procedures of Comptroller's Directive #6 and the SOPM, including allowable food expenditures and approved OP-221 and OD-7 forms.

DOE Response

In their response, DOE officials generally agreed with the audit's recommendations.

INTRODUCTION

Background

The Department of Education (DOE) provides primary and secondary education to more than one million pre-kindergarten through grade 12 students in approximately 1,400 schools. The DOE Central Office includes the Schools Chancellor and the major education and management officials of the school system. The Central Office also supports the regional offices (which are now known as the integrated service centers) and schools by providing accounting and payroll services, as well as staff recruitment and training.

DOE spent a total of \$16.3 million for travel expenditures during Fiscal Year 2007. Of this amount, approximately \$4.8 million was spent by the Central Office. Central Office travel expenses are primarily for teacher training, meetings, conferences, retreats, and transportation.

The payment of expenses for employee traveling, agency-provided meals and refreshments, and other miscellaneous agency expenses are governed by the New York City Comptroller's Directive #6, "Travel, Meals, Lodging and Miscellaneous Agency Expenses." The Directive provides guidelines and procedures for expenditures incurred in connection with official City business. The Department of Education's *Standard Operating Procedures Manual* (SOPM), issued by the Division of Financial Operations, outlines necessary requirements for the reimbursement of travel expenditures for conferences and out-of-town trips and identifies bidding and other considerations that must be followed when planning meetings and conferences.

The Central Administrative Offices within the Central Office make and/or approve travel expenditures and are responsible for preparing voucher packages to send to one of the 17 designated payment-processing offices that service the Central Office.¹ The entire voucher package is examined by the responsible processing office to determine whether the expenses are properly documented and have the appropriate approvals before the vouchers are processed for payment. All approved expenses are entered into the DOE financial tracking system, the Financial and Management Information System (FAMIS), and eventually are recorded into the City's Financial Management System (FMS).

The Central Administrative Offices send most of their travel voucher packages to the Central Business Office (CBO), which is one of the 17 processing offices. During Fiscal Year 2007, the CBO processed 50 percent (approximately \$2.4 million) of the total value of Central Office travel voucher payments made by the Central Administrative Offices.

¹ The 17 processing offices were identified to us by the then Director of Financial Management and Reporting of the Division of Financial Operations and by the Assistant Director of the Central Business Office.

Objectives

The objectives of this audit were to evaluate the adequacy of DOE's internal controls over the travel expenses of its Central Office and to determine whether these travel expenses were necessary, reasonable, and for authorized individuals.

Scope and Methodology

The scope period of this audit is Fiscal Year 2007.

To obtain an understanding of the policies, procedures, and internal controls of DOE over travel expenses of its Central Office, we interviewed the then Director of Financial Management and Reporting, the Deputy Administrator of the Office of Payable Operations, and the Director and Assistant Director of the CBO. We also reviewed and used as criteria Comptroller's Directive #1, "Principals of Internal Control," Comptroller's Directive #6, "Travel, Meals, Lodging and Miscellaneous Agency Expenses," Comptroller's Directive #24, "Agency Purchasing Procedures and Controls," and DOE's SOPM, specifically the chapters entitled "Travel and Conferences" and "OTPS Purchases."

To determine whether the Central Office complied with applicable procedures and regulations, and whether DOE has adequate internal controls over the travel expenses of its Central Administrative Offices, we tested a judgmental sample of travel expense vouchers processed by the CBO. The CBO was selected because it processed 50 percent (approximately \$2.4 million) of the approximately \$4.8 million of travel voucher payments made by the Central Office. In total, the CBO processed 4,021 travel-related transactions out of the population of 14,900 travel-related Central Office transactions.

We stratified this population and excluded all payments processed by the CBO with a value of less than \$500. The remaining population of at least \$500 included some 791 travel-related transactions with an approximate value of \$2 million. We sorted the 791 transactions according to the four object codes used and then sorted them in order of descending dollar value within each object code. We further excluded object code 453 (Non-Local Travel Expenditures, General) due to lack of materiality (20 transactions totaling only \$26,049).

From the remaining three travel expenditure object codes—451 (Local Travel Expenditures, General, 149 transactions totaling \$455,485); 452 (Local Travel Expenditures, Special, 382 transactions totaling \$1,122,841); and 454 (Non-Local Travel Expenditures, Special, 240 transactions totaling \$375,715)—we judgmentally selected the 15 highest dollar value transactions from each object code. Our sample of 45 transactions totaled \$408,565 of some 771 transactions of approximately \$2 million. The selection process included replacement of a transaction when a vendor that was previously selected was chosen again, regardless of the object code.

We determined whether the sampled expenses were reasonable, related to DOE operations, properly authorized and approved, and supported with the required documentation.

Furthermore, we determined whether the vouchers were properly processed through FAMIS, whether the correct object codes were used to charge the expenses, and whether those payments made from the imprest fund account (now known as Small Item Payment Process transactions) were properly processed and authorized.

We requested from the Central Administrative Offices the purchase documentation related to the sampled expenses and reviewed it to determine whether the offices were following proper procedures, including determining whether they adhered to proper bidding procedures and whether they recorded purchasing documents in a timely manner.

In addition, we determined whether DOE employees were reimbursed the allowed amounts by comparing the amounts they received to the rate schedule for hotel and meal expenses outlined in Comptroller's Directive #6 and the SOPM. We also determined whether employees attending conferences or meetings outside New York City completed the Application to Attend School Meeting, Conference or Convention outside New York City (Form OP-221) and whether employees requesting reimbursement had an authorized Business Expense Report (OD-7 form) on file.

We reviewed a previous audit of DOE entitled *Audit of the Travel Expenses of the Department of Education's Central Office* (MD04-063A, issued May 25, 2004) to determine whether there were any recurring issues.

The issues addressed in this audit report related to the CBO's processing of payments and the DOE controls over the Central Administrative Office purchases processed by the CBO. It must be noted that 6 of the 45 payments, although first determined to have been processed by the CBO, were processed by other offices. This initial determination was made by the then Director of Financial Management and Reporting and the Assistant Director of the CBO using the district numbers and location codes associated with payment information. We later found out that although a particular processing office normally processes payments for a particular Central Administrative Office, a voucher package and supporting material may be sent to another office to process the payments; DOE finds it more important that the bill gets paid rather than who pays it. We decided to keep these 6 payments as part of our sample and test these transactions in the same manner as the other 39 payments.

The results of our tests, while not projectable to the entire population of travel expenses, provided a reasonable basis for us to determine whether DOE has adequate controls over the travel expenses of its Central Office and whether the travel expenses were necessary, reasonable, and for authorized individuals.

Independence Disclosure

The former Director of Financial Management and Reporting of the Division of Financial Operations of the Department of Education was a key management figure and source of information during this audit. This individual left the Department of Education and assumed the position of Bureau Chief of Accountancy for the Office of the Comptroller on or about March 3,

2008. This individual was not involved in conducting this audit or in writing or reviewing this report since joining the Office of the Comptroller.

This audit was conducted in accordance with generally accepted government auditing standards (GAGAS) and included tests of records and other auditing procedures considered necessary. This audit was performed in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

Discussion of Audit Results

The matters covered in this report were discussed with DOE officials during and at the conclusion of this audit. A preliminary draft report was sent to DOE officials and was discussed at an exit conference held on May 9, 2008. On May 28, 2008, we submitted a draft report to DOE officials with a request for comments. We received a written response from DOE officials on June 17, 2008. In their response, they generally agreed with the audit's recommendations, stating:

The Department is making great strides in enhancing its existing system of internal controls over travel expenses and purchasing in its Central Office. In May 2008, the Department implemented a web-based Travel Reimbursement and Approval Certification system (TRAC) which complies with the Department's Standard Operating Procedures and Comptroller's Directive 6. In addition, the Department is in the final planning stages of developing a web-based application which will incorporate the requirement for three competitive bids (where applicable) and other business rules to better align practices with the SOP.

These initiatives coupled with continued training will ensure adherence to applicable guidelines and demonstrate the Department's ongoing commitment to a strong system of internal controls.

The full text of the DOE response is included as an addendum to this report.

FINDINGS AND RECOMMENDATIONS

DOE has inadequate internal controls over the travel expenses of its Central Office. The Central Office did not always adhere to DOE's own written procedures for the purchase and approval of travel expenses or to applicable sections of Comptroller's Directives #6 and #24. While we found that, in general, the sampled expenditures were adequately supported by invoices, their lack of underlying supporting documentation prevented us from determining whether all purchases were reasonable. In light of DOE's budget cuts for Fiscal Year 2008, DOE should ensure that adequate controls are in place to make certain that all expenditures are necessary, reasonable, and obtained at the best possible price.

The lack of internal DOE controls and oversight may have contributed to the failure of the Central Office to adhere to DOE's written procedures and City regulations, resulting in the inconsistencies we identified in the Central Office's purchasing procedures and processing of payment vouchers.

Inadequate Review of Central Administrative Office Transactions

No unit within DOE is responsible for reviewing the Central Administrative Office transactions for adherence to applicable procedures, such as bidding requirements, for ensuring that costs are within established limits, and for requiring adequate justification for events and travel expenses; therefore, no such review takes place.

DOE relies on each Central Administrative Office to adhere to all applicable procedures to ensure that the travel expenses are necessary, reasonable, and for authorized individuals only. However, without an independent review of these transactions, DOE has no assurance that proper procedures are being followed and is unable to identify areas that may need improvement. The following sections of the report will describe the identified areas of noncompliance that may have been avoided had an independent unit within DOE, such as the Office of the Auditor General, performed an adequate, independent review of the Central Administrative Office transactions.

Recommendation

1. DOE should authorize an appropriate unit to conduct an independent review of the Central Administrative Offices' transactions to ensure compliance with DOE written procedures and Comptroller's Directives.

DOE Response: "In May 2008, the DOE implemented a web-based Travel Reimbursement and Approval Certification system (TRAC) which strengthens internal controls over all local and out of town travel and conferences. This interactive application standardizes and streamlines the necessary advanced authorizations for travel; includes email alerts to authorized approvers; and provides an audit trail for the reimbursement of eligible travel-related expenditures. All hard copy supporting

documentation, such as expense receipts, are required to be maintained and readily available for audit.

“Pursuant to this recommendation, we will request our Office of Auditor General evaluate overall controls of central office travel transactions that have been completed in TRAC. The review will determine compliance with DOE written procedures and opportunities for enhancements for compliance with Comptroller’s Directive 6.”

Bidding Procedures Not Followed as Required

Central Offices did not always adhere to DOE’s bidding procedures. According to §5.2 of the SOPM concerning travel and conferences, solicitation of bids is required when a fee must be paid to a facility for a planned meeting or conference; the solicitation of bids should begin at least three months prior to the planned event. In addition, the receipt of “actual, detailed, responsive bids” is required from at least two vendors, and any bid in which the estimated value is greater than \$25,000 requires a public advertisement.

Our examination of the purchases made by the Central Administrative Offices relating to our sampled payment vouchers revealed 24 instances in which bids should have been obtained. Of these 24 instances, we found no evidence that bids were obtained in 8, totaling \$58,472.48. Table I, below, lists the 8 purchases.

Table I
Purchases with No Evidence of Bidding

	Vendor Name	Description of Purchase	Purchase Amount
1	NEW YORK UNIVERSITY	CONFERENCE FACILITIES (INCLUDING CATERING SERVICES)	13,429.75
2	LEHMAN COLLEGE OFFICE	CONFERENCE FACILITIES (INCLUDING CATERING SERVICES)	12,350.00
3	COURTYARD MARRIOTT*	EMPLOYEE RETREAT (INCLUDING CONFERENCE FACILITIES, CATERING SERVICES AND HOTEL ROOMS)	8,242.55
4	HUNTER COLLEGE	CONFERENCE FACILITIES	7,015.50
5	PACE UNIVERSITY, OFFICE	CONFERENCE FACILITIES	4,816.08
6	FASHION INSTITUTE OF TECHNOLOGY	CONFERENCE FACILITIES (INCLUDING CATERING SERVICES)	4,588.60
7	CENTER FOR AUTOMOTIVE EDUCATION & TRAINING	AUTOMOTIVE PROFESSIONAL DEVELOPMENT TRAINING CONFERENCE	4,400.00
8	UFT/NEW YORK CITY	CATERING SERVICES FOR TEACHER TRAINING SEMINARS	3,630.00
	TOTAL		\$58,472.48

*The sampled payment for the Courtyard Marriott was \$5,000. However, during the review of the supporting documentation for this purchase, we determined that an additional payment was made relating to this transaction for a total cost of \$8,242.55.

In two of the eight instances in which bids were not obtained, the Central Administrative Offices informed us that bidding was not performed for New York University and Center for Automotive Education & Training because they considered the vendors to be sole-source vendors. However, the Central Administrative Offices provided no documentation supporting the determination that these purchases were in fact sole-source procurements.

In addition to the above eight instances without bid solicitations, Central Administrative Offices did not follow at least one bidding requirement for 14 of the remaining 16 instances that required bidding (see Appendix for the 14 purchases and identified areas of noncompliance). Specifically, we found that:

- At least three vendors were not solicited for one purchase, as required by DOE's SOPM;
- Actual, detailed, responsive bids were not received from at least two vendors in four instances;
- For all 14 instances, there was no evidence that the bidding process began at least three months prior to the planned event; and
- There was no evidence of a public advertisement for two purchases that exceeded \$25,000 (from Baruch College and the Trustees of Columbia).

Rather than beginning the bidding process at least three months prior to the planned events as required, for 7 of the 14 cited instances, the Central Administrative Offices solicited bids between 20 and 85 days prior to the events; for the remaining 7 instances, the number of days could not be determined. As a result, DOE may not have received the best available price for its purchases. By not ensuring that bids are solicited at least three months before the planned event, there is a possibility that space that may have been available at a better price and could have been used by the Central Offices was no longer available at the time of the solicitation.

To ensure the best available price is received, DOE should ensure that the Central Administrative Offices adhere to DOE bidding procedures.

Recommendation

2. DOE should ensure that the Central Administrative Offices adhere to the bidding requirements of the SOPM to ensure that needed goods and services are obtained at the best available price.

DOE Response: "Prior to the audit the DOE also recognized the need for this improvement and had initiated a project strengthening compliance with its Standard Operating Procedures (SOP) in the procurement area. Currently, DOE is in the final planning stages of developing a web-based application which will incorporate the requirement for three consecutive bids (where applicable) and other business rules to better align practices with SOP."

No Justification to Use Systemwide Contracted Facility Providers

There was no justification for the use of conference facility providers having systemwide requirements agreements with DOE. According to DOE's authorization request to enter into systemwide requirements agreements with providers of conference facilities, four vendors submitted proposals in response to a Request for Proposal (RFP). The authorization request recommended that all four vendors be awarded a contract, as there "is a great need for contracted Conference facilities throughout the city." The authorization request also stated that "users are required to use **DOE facilities** unless such facilities are unavailable . . . [and] these contracts will only be utilized when it is determined that there is no suitable DOE space." (Emphasis in original.)

In three instances, totaling \$142,596, the Central Administrative Offices authorized the use of DOE systemwide contracted facility vendors for its conference space needs—the New York Marriott at the Brooklyn Bridge, costing \$104,482; New York Marriott La Guardia Airport, costing \$33,091; and Lighthouse International, costing \$5,023. However, there was no evidence that other space was sought before using these systemwide contracted facilities. Although DOE has systemwide agreements with each of these three vendors, the Central Administrative Offices should have determined whether any DOE facilities were available and documented their efforts.

Moreover, even if it was determined that there was no suitable DOE space available for these events, prior to using one of the provider facilities from the systemwide agreements, DOE should have solicited bids to ensure that it obtained the best available price. As indicated in the authorization request for the systemwide agreements, due to the lack of proposals received in response to the RFP, a DOE committee stated that the Division of Contracts & Purchasing "should have performed more vendor outreach before receiving proposals," but it nevertheless recommended awarding contracts to all four proposing sites at the negotiated rates, as it was necessary that some facility options be available. Under these circumstances, the systemwide agreements should have been used only if no other suitable lower-priced space was available. It should be noted that for the purchase with the New York Marriott at the Brooklyn Bridge, a Central Administrative Office official informed us that other sites had been explored at local universities and colleges, as were non-contracted vendors, but these spaces were deemed unsuitable. However, the official could not provide us with any documentation (e.g., names of other sites considered, persons contacted) to support this assertion.

Although the systemwide contracts include established rates for the conference facilities, the cost of the events could not always be reconciled with the contracted prices. The price sheets that are included in the contracts for the New York Marriott at the Brooklyn Bridge and New York Marriott La Guardia Airport list the associated costs for only the selected conference rooms. The costs of additional items and services provided at these conferences, including catering, use of audio and visual equipment, and hotel rooms (at the event held at the New York Marriott La Guardia Airport), were not specified in the contract. There were also several rooms billed by the New York Marriott at the Brooklyn Bridge that were not listed on the contract price sheets. Therefore, the actual cost of the events would be unknown in advance unless DOE obtained price plans or cost confirmations from the facility vendors based on its requested items and services. As is discussed later in the report, such advance planning and estimates of costs

were not always done. As a result, DOE is likely to be unaware of the actual cost of an event until the receipt of the invoice.

To ensure that the best available prices are received, DOE should solicit bids for conference facilities and associated services prior to using one of its systemwide agreements.

Recommendation

3. DOE should ensure that bids are solicited for conference facilities and associated services prior to using one of the contracted facility vendors. A contracted facility vendor should be used only if it is deemed to be the lowest responsible bidder.

DOE Response: “At times, due to time constraints and the nature of the conferences the DOE needs to utilize the system-wide vendors which can result in additional charges in order to meet educational priorities.

“As described previously, the DOE is in the final planning stages of developing a web-based application which will incorporate the requirement for three competitive bids. In addition, the DOE will continue to offer training to enhance awareness as to the procedures and guidelines to be used when soliciting vendors for conference facilities. This training effort will help ensure the best available prices are received and documentation is maintained to support that an outreach to find internal space had been completed.”

No Justification for Employee Retreats

The Central Administrative Offices did not always list the justification for DOE-sponsored employee conferences and meetings that involved overnight travel. As a result, we could not determine that these expenses were necessary.

According to Comptroller’s Directive #6, §5.0, “Overnight travel may be incurred in connection with a number of official business purposes, including attendance at a wide variety of business meetings, attending training and educational courses, attending professional development or industry conferences.” Travel that is not for a general business meeting,² such as for training, education, and attendance at professional or industry conferences, is generally subject to a higher level of scrutiny (and greater restrictions) than travel for purposes that are more directly related to City business matters. As part of the written request and authorization, Comptroller’s Directive #6 states that the agency must “detail the business need and expected benefits to be derived from the Overnight Travel . . . [and] describe how the Overnight Travel provides a specific educational or other benefit that cannot be gained in any other manner or within New York City or other Local Travel destination.”

² According to Comptroller’s Directive #6, §5.1, the term “‘General Business Meeting’ . . . refers to a meeting or appearance for the conduct of any official agency business purpose. The term differentiates such meetings from employee training, education and conference attendance activities.”

Our sample included six DOE-sponsored employee retreats and conferences, totaling \$87,686, that involved overnight accommodations. One of these six retreats was held within the City at the New York Marriott LaGuardia Airport, costing \$33,091, and the other five, totaling \$54,595, were held outside the five boroughs, as follows:

- Doral Arrowwood (in Rye Brook, New York, costing \$14,300)
- Mineral Resorts and Spa (in Vernon, New Jersey, costing \$12,428)
- Fallsview Resort (in Catskills, New York, costing \$11,970)
- Edith Macy Conference Center (in Briarcliff Manor, New York, costing \$7,654)
- Courtyard Marriott (in Tarrytown, New York, costing \$8,243)

There was no written justification of the necessity for conducting these employee retreats and conferences. In addition, there was no explanation of how the overnight travel provided any specific educational or other benefit that could not be gained in another manner and within New York City, without overnight accommodations.

Recommendation

DOE should:

4. Incorporate Comptroller's Directive #6 into its SOPM.

DOE Response: "The DOE will incorporate Comptroller's Directive 6 by reference in its Standard Operating Procedures (SOP), and will provide staff training."

5. Ensure that its offices adhere to Comptroller's Directive #6 and provide proper written justification for an event with overnight accommodations.

DOE Response: "As noted previously the DOE recently implements a new, web-based Travel Reimbursement and Approval Certification (TRAC) system. Pursuant to Directive 6 justification must be entered in TRAC as part of the travel request for overnight accommodations. Moreover, with respect to costs, DOE employees are required to consider the Government Services Administration (GSA) rate application to the location of the conference. TRAC is designed to ensure that employees adhere to this guideline."

Purchasing Documents Not Recorded in a Timely Manner

DOE did not always record its purchasing documents in a timely manner. According to Comptroller's Directive #24, §4.0, purchasing documents "are used to record the accounting event associated with the purchase . . . [and they] reserve or encumber funds from the purchasing agency's budget, close Requisitions and reclassify the pre-encumbrance as an encumbrance."

Of the sampled 45 payment vouchers, DOE recorded purchasing documents for 17 instances *after* receipt of the invoice, including two instances in which payments made during Fiscal Year 2007 were for services provided during Fiscal Year 2006.

Recording purchasing documents prior to making purchases enables DOE to record the estimated liability in the correct fiscal period and ensures that the City's financial records reflect planned expenditures. This would also provide DOE with a level of cash control and accountability, assuring management that the necessary funds are available, being used in the most effective way, and are in DOE's best interest. By not encumbering the funds, there is a potential that DOE may make purchases in excess of its available budget and be unable to pay for them.

Recommendation

6. DOE should ensure that purchasing documents are recorded prior to making its purchases to ensure that funds are available and that the estimated liabilities are recorded in the correct fiscal period.

DOE Response: "Through training the DOE will emphasize the importance of complying with Comptroller's Directive 24 and obtaining documentation prior to conducting any purchases. Further, for out of town [travel] and conferences the DOE's new TRAC application requires an estimation of costs associated with the travel be pre-encumbered in the City's Financial Management System."

Incorrect Object Codes

Eleven (24%) vouchers, totaling \$168,979, of the sampled 45 payment vouchers were charged to the incorrect object codes. For example, DOE incorrectly charged \$104,482 for an event for parents of students with disabilities held at the New York Marriott at the Brooklyn Bridge to object code 451 (Local Travel Expenditures, General), which is to be used for in-City expenditures relating to general business meetings. Instead, DOE should have charged this expenditure to object code 452 (Local Travel Expenditures, Special), which is used for local conferences.

In addition, there were another five payment vouchers, totaling \$49,455, relating to the sampled payment vouchers, that were incorrectly charged to object code 414 (Rentals, Land, Buildings and Structures). These five payments were for the cost of hotel rooms used during DOE conferences and retreats and should have been charged to one of the travel expenditure object codes. These five payments were related to five events, compromising 63 percent of their total cost of \$79,007.

DOE does not have an adequate procedure in place to ensure that vouchers are charged to the correct object codes. As a result, the risk that expenses may be charged to incorrect object codes (and in effect, hidden) is increased. It is important to note that we were made aware of these incorrectly charged vouchers because other vouchers related to these purchases were

correctly charged to travel-related object codes. It is possible that there are additional travel vouchers that were incorrectly charged to other object codes. That being the case, neither we nor DOE can determine with any certainty the actual cost of DOE's travel expenses.

Comptroller's Directive #24, §6.0, states, "Payment Voucher approvers must ensure that . . . the appropriate accounting and budget codes are being charged. This includes charging the correct unit of appropriation and correct object code within that unit of appropriation."

The use of the correct object code is important because it allows the agency to categorize the type and amount of a particular expense item within a fiscal year. This information is used to generate the year-end reports that identify expenditure patterns. Expenditures by object code are also reported in the Comptroller's *Comprehensive Annual Financial Report for the City of New York*. The use of incorrect budget codes can compromise management's ability to properly plan future budgets and prevent both the agency and others from knowing the true cost of an expense.

Recommendation

7. DOE should ensure that correct object codes are used when recording its expenditures.

DOE Response: "In January 2008, the DOE removed object code 414 from its budgeting application to help restrict future inappropriate charges to this code which should only be used for long-term leases of DOE schools and buildings.

"The DOE will generate quarterly reports to target and rectify potentially inappropriate object code charges to ensure accurate reporting in the City's financial statements. During Fiscal Year 2009 all TRAC transactions will only use travel object codes 451-454. In addition, we will reinforce the importance of using appropriate object codes through ongoing training sessions."

Purchases Not Always Made In Accordance with Written Procedures

DOE purchases did not always comply with the established written procedures of Comptroller's Directive #6 and the SOPM, as detailed in the following sections.

Food Expenses Exceeded Maximum Allowed

Four payment vouchers, totaling \$32,399, indicated \$25,654 in food expenses that were in excess of the allowed per-person amount. According to the SOPM, the maximum amount allowed per person for food expenditures at events that take place within the City is \$7.00 for breakfast, \$8.00 for lunch, and \$30.00 for dinner. For example, at a multiple day retreat, the per-person cost for breakfast was \$32.45 (including a charge of \$7.50 per person for coffee).

These four payment vouchers were for local training conferences provided to DOE employees held at the New York Marriott LaGuardia Airport, at Brooklyn and Manhattan UFT

facilities, at Lighthouse International, and at Fordham University. Had DOE charged the amounts allowed, its total food expenditure would have been \$15,001 for all the conferences, a difference of \$10,652 (42%) from the total amount spent.

OP-221 and OD-7 Forms Lacking

Four payment vouchers for out-of-town conferences, totaling \$35,442, did not have OP-221 forms (Application to Attend Meeting, Conference or Convention Outside NYC) for all required attendees. This form is used when employees do not expect to be in attendance at their regular place of business so that they may continue to receive their regular salaries and/or payment of expenses for that period. In total, 18 (23%) of the 78 attendees of the four events lacked an approved OP-221 form. Although an OP-221 form was provided for one of these 18 attendees, the form was not authorized.

According to §2.1.3 of the SOPM, “In the event the conference is **out-of-town**, all employees except for **the Chancellor and Deputy Chancellors** must complete an **OP 221** form and receive approval prior to attending and incurring expenses at the conference.” (Emphasis in original.) Clearly, this SOPM regulation regarding OP-221 applies to virtually all DOE employees with the exception of the Chancellor and Deputy Chancellors. Without these forms, there is a risk that employees may not be authorized to attend these out-of-town conferences and may be receiving undue compensation.

In addition, one payment voucher for foreign travel expenses, totaling \$2,168, did not have an approved OD-7 form (Business Expense Report). According to §2.6.2 of the SOPM, employees are required to complete an OD-7 form when incurring out-of-town travel expenses (including lodging, food, and registration fees). Although there was a form on file for this payment voucher, it was not authorized. This form is required to certify that expenses incurred by employees were for official DOE business. According to Comptroller’s Directive #6, §18.61, “When reimbursement requests are completed, employees must submit [them] to their designated supervisors for review and approval. Supervisors must review reimbursement claims . . . sign, date, and forward [them] to the agency travel liaison or fiscal office.” To safeguard its assets, DOE should ensure that reimbursements requests are properly reviewed and authorized before processing payments.

Recommendation

8. DOE should ensure that its travel expenditures adhere to the established written procedures of Comptroller’s Directive #6 and the SOPM, including allowable food expenditures and approved OP-221 and OD-7 forms.

DOE Response: “As noted previously, the DOE implemented a new, web-based TRAC application which strengthens internal controls over all local and out of town travel and conferences. TRAC complies with the DOE’s Standard Operating Procedures (SOP) and Directive 6. For overnight travel TRAC also features written online justification as well as financial edits compliant with GSA. In addition, the interactive and email features in

TRAC replace the hard copy versions of the OP-221 Application to Attend Meeting, Conference or Convention Outside NYC and OD-7 Business Expense Report.”

No List of Free or Low-Cost Facilities

DOE has not established a centralized list of free or low-cost facilities that can be used for meetings or conferences. According to §5.1 of its SOPM, to control costs, the individual responsible for planning a meeting or conference should “make every attempt to secure a **free or low cost facility** before using other sites where rental fees may be charged.” (Emphasis in original.) It further states that if a site that is not free or low-cost must be used, the process and the justification for this decision must be documented. Although the SOPM states that there are many DOE, government, and not-for-profit organization sites available and lists several sites that may be considered, a formal list of available sites is not available.

We requested a list or an explanation of what constitutes a low-cost vendor from the former Director of Financial Management and Reporting, but did not receive this information. Although the Director directed us to a DOE Web site listing four facilities having systemwide agreements, he could not tell us whether these four vendors were considered low-cost vendors, as referred to in the SOPM. The Director also informed us that the Central Administrative Offices may find a low-cost vendor on their own and that we would need to ask each respective Central Administrative Office what criteria it used in selecting the chosen vendor.

Without a formal list of free or low-cost facilities and without a definition of what DOE considers to be a low-cost vendor, we were unable to determine whether the selected vendors in our sampled payments were selected in accordance with DOE criteria. Further, without a listing of facilities to be used by its offices, DOE cannot ensure that the funds are being spent in the most efficient manner when planning a meeting or conference.

Recommendation

9. DOE should develop a list of free or low-cost facilities to be used for its conferences and meetings. If a list cannot be developed, DOE should define what it considers a low-cost vendor.

DOE Response: “Various central and school support offices within the DOE independently research and make an effort to obtain internal, free or low-cost facilities. The DOE will engage these offices to help develop a formal list of free or low-cost facilities and make it available on its web site for use when planning for conferences.”

Other Issues

In addition, we noted a number of other miscellaneous issues with regards to the sampled purchases, as follows:

Payment and Use of Metrocards

Two payment vouchers, totaling \$43,400, issued for the payment of 10,860 Metrocards (valued at \$4 each) lacked a proper log for the Metrocard distribution. As a result, we could not determine whether all purchased Metrocards were distributed and whether they were used for official DOE business. The Central Administrative Offices informed us that 9,860 Metrocards, costing \$39,440, were issued to students participating in the C.H.A.M.P.S Middle School Sports and Fitness Program; and 1,000 Metrocards, costing \$4,000, were issued to parents who attended an annual conference (held by the Office of English Language Learners) to cover their commuting costs. Without adequate supporting documentation, we are unable to ascertain whether all cards could be accounted for or were used for legitimate purposes.

According to the SOPM, for Metrocards distributed to employees, a logbook must be maintained requiring an employee signature and the serial number of the Metrocard issued. DOE should also maintain a similar logbook, including the serial numbers, for the Metrocards issued to non-employees as proof of distribution and to provide accountability for the purchased Metrocards.

Nonrecovery of Deposit

One payment voucher, in the amount of \$7,015.50, for conference space at Hunter College included a \$1,000 refundable deposit to be returned if the event did not exceed the contracted time and there were no damages to the premises. However, DOE provided no evidence that this deposit was recovered or an explanation as to why it was not returned. As a result, DOE may be due a refund from this vendor.

Lack of Detail for Five Payment Vouchers

Invoices for five payment vouchers, totaling \$39,757, lacked details or itemized listings of all incurred charges, as follows:

- Tri State Tours (for a staff retreat at Fallsview Resort in Catskills, New York), costing \$11,970, listed only the total cost of the retreat; an itemized listing of services (including the number and cost of rooms) was not provided.
- Grand Hyatt Hotel, costing \$7,218, did not provide an itemized list of the \$4,992 in food and beverage costs.
- UFT/New York City, costing \$3,630, did not list the details of the catering services provided; the provided invoice was a summary invoice listing eight invoice numbers with one total amount due.
- Lehman College Office, costing \$12,350, did not provide an itemized list of the \$5,000 in food costs.

- Fashion Institute of Technology, costing \$4,589, did not provide an itemized list of the \$4,369 in catering costs.

As a result, we could not determine what items and services were being paid for, whether those expenses were necessary and reasonable, and whether the food expenditures were within the per-person allowed amount. To maintain proper controls over its funds and to ensure that it only pays for goods and services that were requested and at the agreed-upon prices, DOE should ensure that detailed invoices are obtained from vendors before payment is remitted.

Lack of Documentation of Requested Services and Advance Confirmation of Prices

Documentation of requested services or documentation from the vendor confirming the requested services and the agreed-upon prices was not available for 19 payment vouchers (including 5 payment vouchers relating to the sampled payment vouchers), totaling \$237,088. Without a confirmation of prices, there is no assurance that DOE is paying the correct prices or paying only for items that were requested.

As previously discussed regarding the purchase at the New York Marriott at the Brooklyn Bridge costing \$104,482, although this vendor has a systemwide agreement with DOE, the cost of the event could not be determined using the contract information. When asked whether a listing of the required items or a written confirmation from the vendor identifying the costs was available, a Central Administrative Office official informed us that the only information available was an invoice. At the time of encumbrance, the Central Administrative Office did not list the requested items on the purchase order and merely provided the New York Marriott at the Brooklyn Bridge with a list of pertinent items that were needed.

DOE should ensure that an agreement or a written confirmation of requested goods and services, including the associated costs, are requested from vendors. This will ensure that DOE is aware that it will be provided with the requested items at the agreed-upon prices. DOE would be able to determine whether additional charges are included on the invoices that were not agreed upon and would be able to identify instances when vendors bill DOE for more than the amount agreed to.

Full Payment for Poorly Attended Retreat

DOE paid a total of \$11,970 for 30 employees (at a cost of \$399 per person) to attend a two-day, one-night staff development retreat at Fallsview Resort in Catskills, New York. Although DOE paid for 30 employees to attend, only 18 employees were present. DOE provided us a list of 24 employees who were scheduled to attend, but 6 of them were identified as “no shows.” As a result, DOE paid an additional \$4,788 for 12 employees who did not attend this retreat. DOE should ensure that its events are properly planned and that City resources are not wasted. To avoid unnecessary costs, DOE should make certain that it has a written agreement with the vendor that includes refunds for individuals who do not attend. If this is not possible, DOE should make every effort to find individuals to replace those who could not attend (depending on the amount of notice given), thereby ensuring that funds are not squandered.

Recommendations

To address these issues, DOE should:

10. Require that a logbook that includes serial numbers is maintained for Metrocards distributed to non-employees, as is required for its employees.

DOE Response: “The DOE will update its Standard Operating Procedures (SOP) to clarify logbook documentation for Metrocard distribution to employees also must be followed by non-employees, such as its students and parent chaperones. In addition, we will continue to provide training to ensure adherence to these applicable guidelines.”

11. Investigate the payment identified in this report made to Hunter College and determine whether it is owed the \$1,000 refundable deposit.

DOE Response: “In May 2008, the DOE followed up with the central office and Hunter College to pursue the reimbursement. If, at this point, the payment is deemed refundable we will deposit it to the City’s miscellaneous revenue account.”

12. Ensure that detailed invoices are received from vendors to ensure that it pays only for requested items at the agreed-upon prices.

DOE Response: “Through training the DOE will reinforce the need for itemized vendor invoices.”

13. Request a written agreement or confirmation of requested items from vendors, including associated costs, to ensure that all requested items will be provided at the agreed-upon prices; this will also help DOE to determine whether it is being properly billed.

DOE Response: “Through training the DOE will reinforce the need for sufficient details on vendor invoices to verify it is being correctly billed for charges incurred.”

Auditor Comment: Just as it is important to have sufficient details on vendor invoices, it is important for DOE to obtain written agreements or confirmations of requested goods and services at the time of the purchase to ensure that DOE is aware of the agreed-upon prices. Otherwise, DOE would not be able to determine whether additional charges are included on invoices or to identify any billed amounts that exceed the anticipated amounts.

14. Adequately plan its events in advance to avoid unnecessary costs (such as full payment for a significant number of “no show” participants at conferences or retreats).

DOE Response: “Through training the DOE will reinforce the need to plan events in advance to limit unnecessary costs and consider the inclusion of clauses in vendor agreements to obtain refunds for no show participants.”

Purchases That Did Not Adhere to Bidding Requirements

	Vendor Name	Description of Purchase	Sampled Amount	Purchase Amount	Bidding Requirements Not Followed		
					Three Vendors not Solicited	Detailed responsive bids not received from at least two vendors	Bidding not initiated at least three months prior to the planned event
1	BARUCH COLLEGE*	CONFERENCE FACILITIES	\$6,100.00	\$27,000.00		X	X
2	TRUSTEES OF COLUMBIA*	CONFERENCE FACILITIES (INCLUDING CATERING)	\$13,542.50	\$26,556.00		X	X
3	ST. JOHN'S UNIVERSITY	CONFERENCE FACILITIES (INCLUDING CATERING)	\$24,512.50	\$24,512.50		X	X
4	DORAL CONFERENCE CTR. ASSOC.*	EMPLOYEE RETREAT	\$5,200.00	\$14,300.00			X
5	MINERALS RESORT & SPA*	EMPLOYEE RETREAT	\$3,792.22	\$12,427.82	X		X
6	TRI STATE TOURS INC*	EMPLOYEE RETREAT	\$3,000.00	\$11,970.00			X
7	DEVRY INSTITUTE OF TECHNOLOGY	CONFERENCE FACILITIES	\$9,000.00	\$9,000.00			X
8	QUEENS COLLEGE FOUNDATION, INC.	CONFERENCE FACILITIES	\$7,760.00	\$7,760.00		X	X
9	EDITH MACY CONFERENCE CENTER	EMPLOYEE RETREAT	\$7,654.00	\$7,654.00			X
10	BOARD OF EDUCATION (for GRAND HYATT)	STUDENT RETREAT	\$4,725.00	\$7,218.12			X
11	FORDHAM UNIVERSITY*	CONFERENCE FACILITIES (INCLUDING CATERING)	\$4,541.00	\$6,291.00			X
12	CPJFK LLC	CONFERENCE FACILITIES (INCLUDING CATERING)	\$6,000.00	\$6,000.00			X
13	RA 22 PARK PLACE ENTERPRISES	CATERING SERVICES	\$5,032.50	\$5,032.50			X
14	THE NEW YORK BRANCH OF THE INT'L DYSLEXIA ASSOCIATION	CONFERENCE FACILITIES	\$3,600.00	\$3,600.00			X
	TOTAL		\$104,459.72	\$169,321.94	1	4	14

*During the review of the payment information for these six transactions, we identified additional payments relating to the same event and consider these additional payments part of the same purchase.

52 Chambers Street, Room 320
New York, New York 10007

+ 1 212-374-0209tel
+ 1 212-374-5688 fax



**Department of
Education**

Kathleen Grimm
Deputy Chancellor
Finance and Administration

KGrimm@schools.nyc.gov

June 16, 2008

Honorable John Graham
Deputy Comptroller for Policy, Audits, Accountability and Contracts
The City of New York Office of the Comptroller
1 Centre Street
New York, NY 10007-2341

Re: Audit of the Travel Expenses of the Department Of Education's
Central Office MD08-078A

Dear Mr. Graham:

This letter, together with the attachment, is the New York City Department of Education's response to the findings and recommendations made in the New York City Office of the Comptroller Draft Audit Report on the Travel Expenses of the Department of Education's Central Office.

We are pleased to inform you that the Department is making great strides in enhancing its existing system of internal controls over travel expenses and purchasing in its Central Office. In May of 2008, the Department implemented a web-based Travel Reimbursement and Approval Certification system (TRAC) which complies with the Department's Standard Operating Procedures and Comptroller's Directive 6. In addition, the Department is in the final planning stages of developing a web-based application which will incorporate the requirement for three competitive bids (where applicable) and other business rules to better align practices with the SOP.

These initiatives coupled with continued training will ensure adherence to applicable guidelines and demonstrate the Department's ongoing commitment to a strong system of internal controls.

Sincerely,

A handwritten signature in black ink that reads "Kathleen Grimm".

Kathleen Grimm

Attachment

c: Stephanie Keating
Vincent A. Giordano
David Ross

Brian Fleischer
John Wall
Richard Carlo

Maria Conklin
Suzette Irish
Amar Dyal

NEW YORK CITY DEPARTMENT OF EDUCATION
OFFICE OF AUDITOR GENERAL
External Audit Services

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Audit Implementation Plan Form C

PAGE 1 OF 14

RESPONSE DATE: June 11, 2008

AUDIT TITLE: Audit of the Travel Expenses of the Department of Education's Central Office

AUDITING AGENCY: NYC Office of the Comptroller

DIVISION: Bureau of Management Audit

DRAFT REPORT DATE: May 28, 2008

AUDIT NUMBER: MD08-078A

**C. RECOMMENDATION WHICH THE AGENCY
AGREES WITH BUT IS PENDING IMPLEMENTATION**

Recommendation 1: DOE should authorize an appropriate unit to conduct an independent review of the Central Administrative Offices' transactions to ensure compliance with DOE written procedures and Comptroller's Directives.

RESPONSE TO RECOMMENDATION

In May 2008, the DOE implemented a web-based Travel Reimbursement and Approval Certification system (TRAC) which strengthens internal controls over all local and out of town travel and conferences. This interactive application standardizes and streamlines the necessary advanced authorizations for travel; includes email alerts to authorized approvers; and provides an audit trail for the reimbursement of eligible travel-related expenditures. All hard copy supporting documentation, such as expense receipts, are required to be maintained and readily available for audit.

Pursuant to this recommendation, we will request our Office of Auditor General evaluate overall controls of central office travel transactions that have been completed in TRAC. The review will determine compliance with DOE written procedures and opportunities for enhancements for compliance with Comptroller's Directive 6.

TARGET IMPLEMENTATION DATE

June 30, 2009

RESPONSIBILITY CENTER

Office of Auditor General
Division of Financial Operations

Signature:




Print Name: Brian Fleischer
Vincent A. Giordano

6-11-08

Date

Print Title: Auditor General
Executive Director, DFO

NEW YORK CITY DEPARTMENT OF EDUCATION
OFFICE OF AUDITOR GENERAL
External Audit Services

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RESPONSE DATE: June 11, 2008

AUDIT TITLE: Audit of the Travel Expenses of the Department of Education's Central Office

AUDITING AGENCY: NYC Office of the Comptroller

DIVISION: Bureau of Management Audit

DRAFT REPORT DATE: May 28, 2008

AUDIT NUMBER: MD08-078A

**C. RECOMMENDATION WHICH THE AGENCY
AGREES WITH BUT IS PENDING IMPLEMENTATION**

Recommendation 2: DOE should ensure that the Central Administrative Offices adhere to the bidding requirements of the SOPM to ensure that needed goods and services are obtained at the best available price.

RESPONSE TO RECOMMENDATION

Prior to the audit the DOE also recognized the need for this improvement and had initiated a project of strengthening compliance with its Standard Operating Procedures (SOP) in the procurement area. Currently, DOE is in the final planning stages of developing a web-based application which will incorporate the requirement for three competitive bids (where applicable) and other business rules to better align practices with SOP.

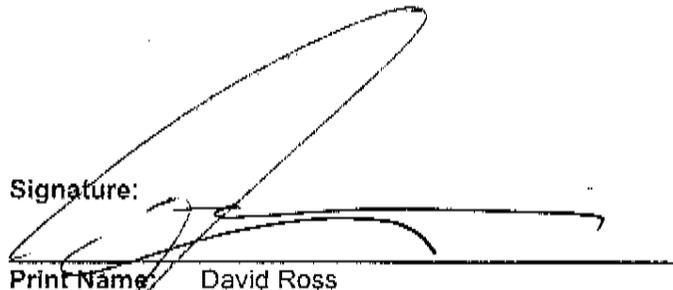
TARGET IMPLEMENTATION DATE

December 31, 2008

RESPONSIBILITY CENTER

Division of Contracts and Procurement

Signature:


Print Name: David Ross

Print Title: Executive Director


6/11/08
Date

NEW YORK CITY DEPARTMENT OF EDUCATION
OFFICE OF AUDITOR GENERAL
External Audit Services

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RESPONSE DATE: June 11, 2008

AUDIT TITLE: Audit of the Travel Expenses of the Department of Education's Central Office

AUDITING AGENCY: NYC Office of the Comptroller

DIVISION: Bureau of Management Audit

DRAFT REPORT DATE: May 28, 2008

AUDIT NUMBER: MD08-078A

**C. RECOMMENDATION WHICH THE AGENCY
AGREES WITH BUT IS PENDING IMPLEMENTATION**

Recommendation 3: DOE should ensure that bids are solicited for conference facilities and associated services prior to using one of the contracted facility vendors. A contracted facility vendor should be used only if it is deemed to be the lowest responsible bidder.

RESPONSE TO RECOMMENDATION

As noted in the audit, the DOE had secured competitive proposals for conference facilities which resulted in a system-wide agreement with four vendors at negotiated rates. At times, due to time constraints and the nature of the conferences the DOE needs to utilize the system-wide vendors which can result in additional charges in order to meet educational priorities.

As described previously, the DOE is in the final planning stages of developing a web-based application which will incorporate the requirement for three competitive bids. In addition, the DOE will continue to offer training to enhance awareness as to the procedures and guidelines to be used when soliciting vendors for conference facilities. This training effort will help ensure the best available prices are received and documentation is maintained to support that an outreach to find internal space had been completed.

TARGET IMPLEMENTATION DATE

December 31, 2008 (Bidding application)
June 30, 2009 (Training)

RESPONSIBILITY CENTER

Division of Contracts and Procurement
Division of Financial Operations

Signature:

Print Name: David Ross
Vincent A. Giordano

Print Title: Executive Directors, DCP/DFO

6/11/08
me
Date

NEW YORK CITY DEPARTMENT OF EDUCATION
OFFICE OF AUDITOR GENERAL
External Audit Services

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Audit Implementation Plan Form C

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RESPONSE DATE: June 11, 2008

AUDIT TITLE: Audit of the Travel Expenses of the Department of Education's Central Office

AUDITING AGENCY: NYC Office of the Comptroller

DIVISION: Bureau of Management Audit

DRAFT REPORT DATE: May 28, 2008

AUDIT NUMBER: MD08-078A

**C. RECOMMENDATION WHICH THE AGENCY
AGREES WITH BUT IS PENDING IMPLEMENTATION**

Recommendation 4: Incorporate Comptroller's Directive #6 into its SOPM.

RESPONSE TO RECOMMENDATION

The DOE will incorporate Comptroller's Directive 6 by reference in its Standard Operating Procedures (SOP), and will provide staff training.

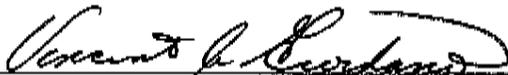
TARGET IMPLEMENTATION DATE

September 30, 2008 (SOP)
March 31, 2009 (Training)

RESPONSIBILITY CENTER

Division of Financial Operations

Signature:



Print Name: Vincent A. Giordano

Print Title: Executive Director

6-11-08

Date

NEW YORK CITY DEPARTMENT OF EDUCATION
OFFICE OF AUDITOR GENERAL
External Audit Services

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Audit Implementation Plan Form A

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RESPONSE DATE: June 11, 2008

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AUDITING AGENCY: NYC Office of the Comptroller

DIVISION: Bureau of Management Audit

DRAFT REPORT DATE: May 28, 2008

AUDIT NUMBER: MD08-078A

**A. RECOMMENDATION WHICH THE AGENCY
HAS IMPLEMENTED**

Recommendation 5: Ensure that its offices adhere to Comptroller's Directive # 6 and provide written justification for an event with overnight accommodations.

RESPONSE TO RECOMMENDATION

As noted previously the DOE recently implemented a new, web-based Travel Reimbursement and Approval Certification (TRAC) system. Pursuant to Directive 6 justification must be entered in TRAC as part of the travel request for overnight accommodations. Moreover, with respect to costs, DOE employees are required to consider the Government Services Administration (GSA) rate applicable to the location of the conference. TRAC is designed to ensure that employees adhere to this guideline.

IMPLEMENTATION DATE

May 5, 2008

RESPONSIBILITY CENTER

Division of Financial Operations

Signature:



Print Name: Vincent A. Giordano

6-11-08

Date

Print Title: Executive Director

NEW YORK CITY DEPARTMENT OF EDUCATION
OFFICE OF AUDITOR GENERAL
External Audit Services

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Audit Implementation Plan Form C

PAGE 6 OF 14

RESPONSE DATE: June 11, 2008

AUDIT TITLE: Audit of the Travel Expenses of the Department of Education's Central Office

AUDITING AGENCY: NYC Office of the Comptroller

DIVISION: Bureau of Management Audit

DRAFT REPORT DATE: May 28, 2008

AUDIT NUMBER: MD08-078A

**C. RECOMMENDATION WHICH THE AGENCY
AGREES WITH BUT IS PENDING IMPLEMENTATION**

Recommendation 6: DOE should ensure that purchasing documents are recorded prior to making its purchases to ensure that funds are available and that estimated liabilities are recorded in the correct fiscal period.

RESPONSE TO RECOMMENDATION

Through training the DOE will emphasize the importance of complying with Comptroller's Directive 24 and obtaining documentation prior to conducting any purchases. Further, for out of town and conferences the DOE's new TRAC application requires an estimation of costs associated with the travel be pre-encumbered in the City's Financial Management System.

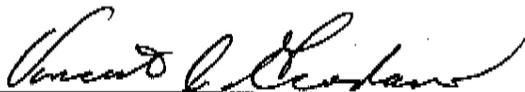
TARGET IMPLEMENTATION DATE

March 31, 2009

RESPONSIBILITY CENTER

Division of Financial Operations

Signature:



Print Name: Vincent A. Giordano

6-11-08

Date

Print Title: Executive Director

NEW YORK CITY DEPARTMENT OF EDUCATION
OFFICE OF AUDITOR GENERAL
External Audit Services

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Audit Implementation Plan Form B

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RESPONSE DATE: June 11, 2008

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AUDITING AGENCY: NYC Office of the Comptroller

DIVISION: Bureau of Management Audit

DRAFT REPORT DATE: May 28, 2008

AUDIT NUMBER: MD08-078A

**B. RECOMMENDATION WHICH THE AGENCY
HAS PARTIALLY IMPLEMENTED**

Recommendation 7: DOE should ensure that correct object codes are used when recording its expenditures.

WHAT HAS BEEN IMPLEMENTED?

In January 2008, the DOE removed object code 414 from its budgeting application to help restrict future inappropriate charges to this code which should only be used for long-term leases of DOE schools and buildings.

WHAT HAS TO BE IMPLEMENTED?

The DOE will generate quarterly reports to target and rectify potentially inappropriate object code charges to ensure accurate reporting in the City's financial statements. During Fiscal Year 2009 all TRAC transactions will only use travel object codes 451-454. In addition, we will reinforce the importance of using appropriate object codes through ongoing training sessions.

EXPECTED IMPLEMENTATION DATE

July 11, 2008 (Reports)
October 1, 2008 (Restricted codes in TRAC)
March 31, 2009 (Training)

RESPONSIBILITY CENTER

Division of Financial Operations

Signature:


Print Name: Vincent A. Giordano

6-11-08
Date

Print Title: Executive Director

NEW YORK CITY DEPARTMENT OF EDUCATION
OFFICE OF AUDITOR GENERAL
External Audit Services

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Audit Implementation Plan Form A

PAGE 8 OF 14

RESPONSE DATE: June 11, 2008

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AUDITING AGENCY: NYC Office of the Comptroller

DIVISION: Bureau of Management Audit

DRAFT REPORT DATE: May 28, 2008

AUDIT NUMBER: MD08-078A

**A. RECOMMENDATION WHICH THE AGENCY
HAS IMPLEMENTED**

Recommendation 8: DOE should ensure that its travel expenditures adhere to the established written procedures of Comptroller's Directive # 6 and SOPM, including allowable food expenditure and approved OP-221 and OD-7 forms.

RESPONSE TO RECOMMENDATION

As noted previously, the DOE implemented a new, web-based TRAC application which strengthens internal controls over all local and out of town travel and conferences. TRAC complies with the DOE's Standard Operating Procedures (SOP) and Directive 6. For overnight travel TRAC also features written online justification as well as financial edits compliant with GSA. In addition, the interactive and email features in TRAC replace the hard copy versions of the OP-221 Application to Attend Meeting, Conference or Convention Outside NYC and OD-7 Business Expense Report.

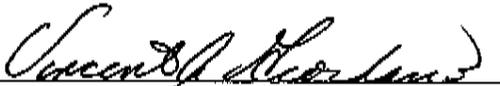
IMPLEMENTATION DATE

May 5, 2008

RESPONSIBILITY CENTER

Division of Financial Operations

Signature:



Print Name: Vincent A. Giordano

6-11-08

Date

Print Title: Executive Director

NEW YORK CITY DEPARTMENT OF EDUCATION
OFFICE OF AUDITOR GENERAL
External Audit Services

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RESPONSE DATE: June 11, 2008

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AUDIT NUMBER: MD08-078A

**C. RECOMMENDATION WHICH THE AGENCY
AGREES WITH BUT IS PENDING IMPLEMENTATION**

Recommendation 9: DOE should develop a list of free or low-cost facilities to be used for its conferences and meetings. If a list cannot be developed, DOE should define what it considers a low-cost vendor.

RESPONSE TO RECOMMENDATION

Various central and school support offices within the DOE independently research and make an effort to obtain internal, free or low-cost facilities. The DOE will engage these offices to help develop a formal list of free or low-cost facilities and make it available on its web site for use when planning for conferences.

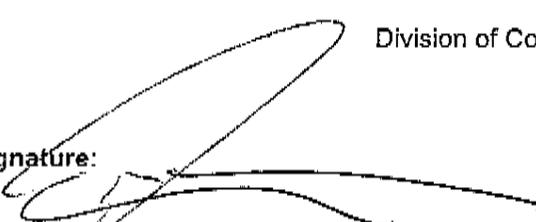
TARGET IMPLEMENTATION DATE

December 31, 2008

RESPONSIBILITY CENTER

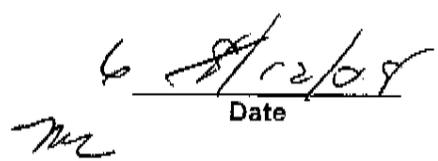
Division of Contracts and Purchasing

Signature:



Print Name: David Ross

Print Title: Executive Director



Date

NEW YORK CITY DEPARTMENT OF EDUCATION
OFFICE OF AUDITOR GENERAL
External Audit Services

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Audit Implementation Plan Form C

PAGE 10 OF 14

RESPONSE DATE: June 11, 2008

AUDIT TITLE: Audit of the Travel Expenses of the Department of Education's Central Office

AUDITING AGENCY: NYC Office of the Comptroller

DIVISION: Bureau of Management Audit

DRAFT REPORT DATE: May 28, 2008

AUDIT NUMBER: MD08-078A

**C. RECOMMENDATION WHICH THE AGENCY
AGREES WITH BUT IS PENDING IMPLEMENTATION**

Recommendation 10: Require that a logbook that includes serial numbers is maintained for Metrocards distributed to non-employees, as is required for its employees.

RESPONSE TO RECOMMENDATION

As explained in audit, the purposes for distributing the Metrocards to students and parents were for commuting costs related to sports and language programs. The DOE will update its Standard Operating Procedures (SOP) to clarify logbook documentation for Metrocard distribution to employees also must be followed by non-employees, such as its students and parent chaperones. In addition, we will continue to provide training to ensure adherence to these applicable guidelines.

TARGET IMPLEMENTATION DATE

September 30, 2008 (SOP)
March 31, 2009 (Training)

RESPONSIBILITY CENTER

Division of Financial Operations

Signature:



Print Name: Vincent A. Giordano

6-11-08
Date

Print Title: Executive Director

NEW YORK CITY DEPARTMENT OF EDUCATION
OFFICE OF AUDITOR GENERAL
External Audit Services

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RESPONSE DATE: June 11, 2008

AUDIT TITLE: Audit of the Travel Expenses of the Department of Education's Central Office

AUDITING AGENCY: NYC Office of the Comptroller

DIVISION: Bureau of Management Audit

DRAFT REPORT DATE: May 28, 2008

AUDIT NUMBER: MD08-078A

**C. RECOMMENDATION WHICH THE AGENCY
AGREES WITH BUT IS PENDING IMPLEMENTATION**

Recommendation 11: Investigate the payment identified in this report made to Hunter College and determine whether it is owed the refundable deposit.

RESPONSE TO RECOMMENDATION

In May 2008, the DOE followed up with the central office and Hunter College to pursue the reimbursement. If, at this point, the payment is deemed refundable we will deposit it to the City's miscellaneous revenue account.

TARGET IMPLEMENTATION DATE

August 31, 2008

RESPONSIBILITY CENTER

Division of Financial Operations

Signature:



Print Name: Vincent A. Giordano

6-11-08

Date

Print Title: Executive Director

NEW YORK CITY DEPARTMENT OF EDUCATION
OFFICE OF AUDITOR GENERAL
External Audit Services

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RESPONSE DATE: June 11, 2008

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AUDITING AGENCY: NYC Office of the Comptroller

DIVISION: Bureau of Management Audit

DRAFT REPORT DATE: May 28, 2008

AUDIT NUMBER: MD08-078A

**C. RECOMMENDATION WHICH THE AGENCY
AGREES WITH BUT IS PENDING IMPLEMENTATION**

Recommendation 12: Ensure that detailed invoices are received from vendors to ensure that it pays only for requested items at the agreed-upon prices.

RESPONSE TO RECOMMENDATION

Through training the DOE will reinforce the need for itemized vendor invoices.

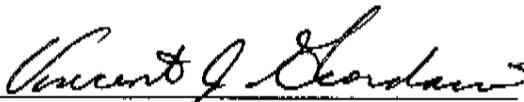
TARGET IMPLEMENTATION DATE

March 31, 2009

RESPONSIBILITY CENTER

Division of Financial Operations

Signature:



Print Name: Vincent A. Giordano

6-11-08

Date

Print Title: Executive Director

NEW YORK CITY DEPARTMENT OF EDUCATION
OFFICE OF AUDITOR GENERAL
External Audit Services

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RESPONSE DATE: June 11, 2008

AUDIT TITLE: Audit of the Travel Expenses of the Department of Education's Central Office

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DRAFT REPORT DATE: May 28, 2008

AUDIT NUMBER: MD08-078A

**C. RECOMMENDATION WHICH THE AGENCY
AGREES WITH BUT IS PENDING IMPLEMENTATION**

Recommendation 13: Request a written agreement or confirmation of requested items from vendors, including associated costs, to ensure that all requested items will be provided at the agreed-upon prices; this will also help DOE to determine whether it is being properly billed.

RESPONSE TO RECOMMENDATION

Through training the DOE will reinforce the need for sufficient details on vendor invoices to verify it is being correctly billed for charges incurred.

TARGET IMPLEMENTATION DATE

March 31, 2009

RESPONSIBILITY CENTER

Division of Financial Operations

Signature:



Print Name: Vincent A. Giordano

Print Title: Executive Director

6-11-08
Date

NEW YORK CITY DEPARTMENT OF EDUCATION
OFFICE OF AUDITOR GENERAL
External Audit Services

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RESPONSE DATE: June 11, 2008

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DRAFT REPORT DATE: May 28, 2008

AUDIT NUMBER: MD08-078A

**C. RECOMMENDATION WHICH THE AGENCY
AGREES WITH BUT IS PENDING IMPLEMENTATION**

Recommendation 14: Adequately plan its events in advance to avoid unnecessary costs (such as full payment for a significant number of "no shows" participants at conferences or retreats).

RESPONSE TO RECOMMENDATION

Through training the DOE will reinforce the need to plan events in advance to limit unnecessary costs and consider the inclusion of clauses in vendor agreements to obtain refunds for no show participants.

TARGET IMPLEMENTATION DATE

March 31, 2009

RESPONSIBILITY CENTER

Division of Financial Operations

Signature:



Print Name: Vincent A. Giordano

6-11-08

Date

Print Title: Executive Director