



City of New York

OFFICE OF THE COMPTROLLER

Scott M. Stringer
COMPTROLLER



MANAGEMENT AUDIT

Marjorie Landa

Deputy Comptroller for Audit

Audit Report on the Department of Education's Monitoring of Its Leadership Development Services Contract with the New York City Leadership Academy

MH17-076A

July 25, 2017

<http://comptroller.nyc.gov>



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
SCOTT M. STRINGER

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To the Residents of the City of New York:

My office has audited the New York City Department of Education (DOE) to determine whether it ensures that its payments to the New York City Leadership Academy (NYCLA) are adequately supported, and whether it adequately monitors NYCLA's compliance with the key requirements of its contract. We conduct audits such as this to increase accountability and ensure that education funds are expended appropriately and in the best interest of the public.

The audit found that DOE failed to adequately oversee its fiscal responsibilities during the period under review. Specifically, the audit found that DOE did not ensure that its payments to NYCLA were adequately supported. As a result, there was insufficient documentation to establish that payments of \$385,612 to NYCLA were appropriate or valid. The audit also found that DOE did not require NYCLA to provide progress reports or partake in required monthly meetings. DOE also failed to formally document a modification to the contract in writing.

The audit makes seven recommendations, including that DOE should ensure that it does not make payments for expenses that are not adequately supported; that it recoup any payments for which it is unable to verify that the goods were delivered or services rendered; that it request progress reports from NYCLA to aid in monitoring the contractor's performance; that it meet with NYCLA on a monthly basis; and that it ensure any modifications to the contract are documented in writing.

The results of this audit have been discussed with DOE officials and their comments have been considered in preparing this report. Their complete written response is attached to this report.

If you have any questions concerning this report, please email my Audit Bureau at audit@comptroller.nyc.gov.

Sincerely,

A handwritten signature in blue ink that reads "Scott M. Stringer".

Scott M. Stringer

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THE CITY OF NEW YORK OFFICE OF THE COMPTROLLER MANAGEMENT AUDIT

Audit Report on the Department of Education's Monitoring of Its Leadership Development Services Contract with the New York City Leadership Academy

MH17-076A

EXECUTIVE SUMMARY

The New York City Leadership Academy (NYCLA) is a tax-exempt nonprofit organization that prepares and supports educators to lead schools. In collaboration with NYCLA, the New York City (the City) Department of Education (DOE or the Department) launched the Aspiring Principals Program (APP) to address an anticipated need for more principals in New York City schools.

In July 2008, DOE entered into a requirements contract with NYCLA for leadership development services.¹ The total cost of this contract was not to exceed \$53,828,873. DOE extended the contract for a year for \$6.6 million and then renewed it in July 2014 for a five-year term, ending on June 30, 2019, at a cost not to exceed \$40,919,927. Pursuant to the original contract and the renewal, NYCLA agreed to provide leadership development services to “teacher leaders” (senior teachers) and aspiring principals through APP. APP offered preparation services for assistant principals desiring to become principals, coaching for new principals (those in the position for one year or less), coaching for experienced principals, and an apprenticeship program for teachers desiring to take on school leadership roles.

On August 5, 2016, DOE exercised its right to partially terminate its contract with NYLCA in connection with the Department’s decision to provide in-house training for aspiring principals. Pursuant to the partial termination letter, the obligations that remained under the contract would expire on June 30, 2017. However, on September 14, 2016, DOE amended its original termination letter, and added the provision that NYCLA shall continue through the end of June 2019 to provide experienced principal coaching services to schools that request such services, depending on the availability of funding.

¹ DOE defines a “requirements contract” as an agreement between the Department of Education and vendors to provide materials and services to any operating unit within the New York City school system. These contracts are established for a specified period of time, during which orders may be placed against them. Such contracts specify unit of measure, price per unit, specifications, an estimate of quantities to be ordered, etc.

Audit Findings and Conclusions

The audit found that DOE did not ensure that its payments to NYCLA were adequately supported. Specifically, we found that sampled payment requests were missing detailed records of the hours the coaches worked each day, as is required by the contract. Although DOE has comprehensive policies and procedures to ensure that transactions are accurately recorded and supported, it did not consistently follow them and, in particular, did not require NYCLA to adhere to its requirements that the specific hours worked each day be documented in order to receive payment. In addition, we found that DOE failed to require NYCLA to submit copies of the bills for which it requested reimbursement for expenses. As a result, we found that out of the \$559,667 sampled DOE payments made to NYCLA, \$394,007 were for coaching services, including some coaching-related services, \$385,612 (98 percent) of which we found to be inadequately supported.

The audit also found that DOE did not adequately monitor NYCLA's compliance with key provisions of its contract. Specifically, DOE did not require NYCLA to provide any of the progress reports to which DOE is entitled, to enable it to assess NYCLA's performance. Additionally, DOE did not provide adequate evidence that it conducted all of the monthly meetings with NYCLA as required by the contract.

Finally, the audit found that the unit price for tuition costs for 13 APP program participants was reduced without a written amendment to the contract. We further were not provided with any documentation that explained the basis for the price reduction. As a result, we were unable to determine whether it reflects a reduction in services to be provided by NYCLA.

Audit Recommendations

Based on our findings, we made seven recommendations to DOE:

- DOE should ensure that NYCLA maintains contemporaneous time records as required by the contract, and submit them along with all other required supporting documents to support requests for payments.
- Where reimbursement is sought for training and/or meeting expenses, DOE should ensure that adequate proof of the meeting is submitted, such as a sign-in sheet from the attendees and an agenda.
- DOE should not make payments for expenses that are not adequately supported in accordance with the terms of its contract with NYCLA.
- DOE should follow up and determine whether sufficient supporting documentation exists for the \$385,612 in inadequately supported payments identified in this report. DOE should recoup any payments for which it is unable to verify that the goods were delivered or services were rendered.
- DOE should request that NYCLA provide progress reports to aid in DOE's monitoring of its contractor's performance, as prescribed in the contract.
- DOE should meet with contractors on a monthly basis, as called for in the contract.
- DOE should ensure that any modifications to the contract are formally documented in writing, as required by the contract.

Agency Response

DOE stated that it agreed with five of the audit's seven recommendations, but as to three of those recommendations, it qualified its agreement stating that it agreed "inasmuch as" the recommendations reflected current practices. In addition, DOE disagreed with the recommendations that DOE request that NYCLA provide progress reports to aid DOE's monitoring of NCYLA's performance, as permitted by the contract, and it disagreed with the recommendation that DOE meet with NYCLA officials on a monthly basis, as called for in the contract.

AUDIT REPORT

Background

NYCLA is a tax-exempt nonprofit organization located in Long Island City. It was founded in 2003 with the mission of preparing and supporting aspiring school principals and assistant principals to meet the projected increased demand for both positions in City public schools. At the time, there were 1,257 schools in the City and it was predicted that 600 of them would need new principals in the upcoming years. NYCLA launched the APP to meet this need, through a collaboration with DOE's Office of Leadership, under the Division of Teaching and Learning.

In July 2008, the DOE entered into a requirements contract with NYCLA covering Fiscal Years (FYs) 2009-2013 (July 1, 2008, through June 30, 2013). Under this agreement, NYCLA agreed to provide leadership development services to "teacher leaders" (senior teachers) and aspiring principals through APP. The program offered preparation services for assistant principals who desired to become principals, coaching for new principals (those in the position for one year or less), coaching for experienced principals and an apprenticeship program for teachers desiring to take on school leadership roles.² The total cost of this contract was not to exceed \$53,828,873. Under the terms of the contract, DOE had the option to extend the contract for two additional one-year periods for FY 2014 (July 1, 2013, through June 30, 2014) and FY 2015 (July 1, 2014, through June 30, 2015). DOE exercised its option to extend the agreement for one additional year (FY 2014) at a cost not to exceed \$6,600,000.

In July 2014, DOE and NYCLA entered into a new requirements contract for services. Under this new agreement, NYCLA was to continue to provide services to current teacher leaders and aspiring principals through APP. This contract commenced in FY 2015 and was to end in FY 2019 (July 1, 2014, through June 30, 2019) at a cost not to exceed \$40,919,927.

On August 5, 2016, DOE exercised its right to partially terminate the NYCLA contract in connection with the Department's decision to provide in-house training for aspiring principals. The APP services that remained in effect after the partial termination were: (1) the completion of training for the current APP cohort; (2) coaching the 12 recent APP principal graduates; (3) coaching first year principals that NYCLA began coaching during the second half of FY 2016; and (4) performing consulting services under the apprenticeship program. These were all due to expire on June 30, 2017. On September 14, 2016, DOE amended its original termination letter, and added the provision that NYCLA would continue to provide experienced principal coaching services to schools that request such services, depending on the availability of funding.

Objectives

The objectives of this audit were to determine: (1) whether DOE ensures that its payments to NYCLA are adequately supported; and (2) whether DOE adequately monitors NYCLA's compliance with the key requirements of its leadership development services contract.

²The apprenticeship program, called the Leaders in Education Apprenticeship Program (LEAP), is a one-year on-the-job-program that focused on developing school-based pedagogues for assistant principal or principal roles. The program also included an internship in a school setting that focused on implementing innovative projects and honing leadership skills, guided by a mentor principal. LEAP was not reviewed as part of this audit.

Scope and Methodology Statement

We conducted this performance audit in accordance with generally accepted government auditing standards. 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

The scope of this audit covered the first six-months of FY 2017 (from July 1, 2016, to December 2, 2016). Please refer to the Detailed Scope and Methodology at the end of this report for the specific procedures and tests that were conducted.

Discussion of Audit Results with DOE

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 and discussed at an exit conference held on May 23, 2017. On June 5, 2017, we submitted a draft report to DOE with a request for comments. We received a written response from DOE on June 19, 2017.

DOE stated that it agreed with five of the audit's seven recommendations, but as to three of those recommendations, it qualified its agreement stating that it agreed "inasmuch as" the recommendations reflected current practices. In addition, DOE disagreed with the recommendations that DOE request that NYCLA provide progress reports to aid DOE's monitoring of NCYLA's performance, as permitted by the contract, and it disagreed with the recommendation that DOE meet with NYCLA officials on a monthly basis, as called for in the contract.

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

FINDINGS AND RECOMMENDATIONS

DOE does not ensure that its payments to NYCLA are adequately supported. Although DOE has comprehensive policies and procedures to ensure that transactions are accurately recorded and supported, it does not follow these policies and procedures in a consistent manner. Our review found that out of \$559,667 sampled DOE payments to NYCLA, \$394,007 were for coaching services, including some for coaching-related services, \$385,612 (98 percent) of which we found to be inadequately supported.

The audit also found that DOE does not adequately monitor NYCLA's compliance with key provisions of its contract. Specifically, the Department has not required that NYCLA provide any of the progress reports to which the Department is entitled, in order to assess NYCLA's performance. Additionally, DOE did not provide adequate evidence documenting its efforts to conduct monthly meetings with NYCLA.

Finally, the audit found that the unit price for tuition costs for 13 APP program participants was reduced without a written amendment to the contract. We further were not provided with any documentation that explained the basis for the price reduction. As a result, we were unable to determine whether it reflects a reduction in services to be provided by NYCLA.

These matters are discussed in greater detail in the following sections of this report.

DOE Payments Made without Adequate Support

We found that DOE did not have adequate documentation in the files to support \$385,612 (69 percent) of the \$559,667 sampled DOE payments made to NYCLA.³ All of the inadequately supported payments we sampled were for coaching services, including coaching-related services. As a result, inadequately supported coaching service payments made up 98 percent of the \$394,007 total coaching service and coaching-related payments in our sample. The balance of our sampled payments, \$165,660, were made for miscellaneous expenses, including stipends and participant/student tuition costs. We found that those miscellaneous payments were generally adequately supported.

Payments Made for Coaching Services

Pursuant to its contract, NYCLA is required to "support each invoice with appropriate documentation" such as "contemporaneously kept time records, attendance sheets, invoices of third parties, pay vouchers and other supporting documents." According to DOE officials, before it can be reimbursed, NYCLA must submit a payment request along with a *Project Time Detailed Report or Client Time Detailed Report* (Time Detailed Report). These Time Detailed Reports include: (1) the service type (e.g., new principal coaching); (2) the date range covered; (3) participants' names along with the code of the school in which they are currently employed; (4) the total hours that participants received the services; and (5) the name of the coach who provided the coaching service (this is noted only in the *Project Time Detailed Reports*).

In addition, DOE's Procurement Policy and Procedures (PPP) manual requires that in order to process payments for vendors and contractors DOE staff should match invoices to applicable

³ We reviewed 33 payments for \$559,667 made by DOE to NYCLA during the period July 1, 2016, through December 2, 2016. The sample was selected from a total of 180 payments DOE made to NYCLA during that period for \$1,094,597.

documentation and review purchase orders and other documents to ensure that the terms of the contract are met.

The coaching service payment requests we reviewed were almost all missing required “appropriate documentation” that detailed the hours the coaches worked on a daily basis, such as sign-in sheets. Instead, only the total numbers of hours billed for were generally found in the records. For example, in one package, NYCLA submitted a \$107,513 payment request for coaching services, but provided only the invoice, purchase order and Time Detailed Reports for the transactions. None of these documents indicated the specific dates and times the services were provided.

NYCLA’s omission of statements of the number of hours worked by each service provider each day is critical, since NYCLA was paid for coaching services based on the number of hours worked by its coaches. The absence of contemporaneous detailed time records hinders DOE’s ability to establish the exact days and hours worked by the coaches and to confirm that requested payment amounts were appropriate.

DOE officials stated that they primarily relied on the Time Detailed Reports to verify that services were provided. However, the Time Detailed Reports are not contemporaneous time records as required by the contract. Rather, they are summary documents, prepared sometime after the services are delivered that merely list the participants served, the date range in which services were provided, and the total number of hours of coaching provided during that period. They do not identify the specific dates and times of the coaching sessions.

In addition, while a DOE contract manager claimed that the accuracy of the time detailed reports are certified by either the coaches’ immediate supervisor, or by a NYCLA official, we found little evidence of this. Only 3 of the 33 payment packages we reviewed contained any reports that had signatures or certification statements. Moreover, even if all of the Time Detailed Reports were certified, they are not a suitable substitute for the contemporaneous time records (e.g. daily time records or sign-in sheets) that NYCLA is required to maintain.

DOE Response: “The invoices sampled by the auditors had sufficient information to confirm the services rendered. Furthermore, the New York Leadership Academy (NYCLA) maintained detailed time records, which in several instances were submitted with its invoices.”

Auditor Comment: We found that the invoices we sampled did not have sufficient information to confirm that the services paid for were in fact for services rendered. As noted in our finding, the payment packages that we reviewed contained only summary documents that did not provide the specifics of when the services were delivered. Contemporaneous time records that would support the summary line-items were missing, preventing us from evaluating whether the payments made by DOE were appropriate or accurate.

Payments Made for Coaching-Related Expenses

Our \$559,667 sample also included four coaching-related payment requests, totaling \$12,530, for training and meeting expenses. We found that three of the four sampled coaching-related payments, totaling \$4,135, were not adequately supported. None of these three payment requests contained copies of the bills for which NYCLA requested reimbursement, such as an invoice from the venue in which a meeting was held. Further, although each of the four requests

were for meetings, only one NYCLA payment package included an agenda to indicate that an event in question was contract-related.

Recommendations

1. DOE should ensure that NYCLA maintains contemporaneous time records as required by the contract and submits them along with all other required supporting documents to support requests for payments.

DOE Response: See response to Recommendation 3 below.

2. Where reimbursement is sought for training and/or meeting expenses, DOE should ensure that adequate proof of the meeting is submitted, such as a sign-in sheet from the attendees and an agenda.

DOE Response: “The DOE agrees with the recommendation inasmuch as it reflects current practice. As applicable, sign-in sheets and agenda are submitted by NYCLA as support of its invoices.”

Auditor Comment: We found that DOE’s current practices are not adequate. As we state in the report, three of the four coaching-related expenses sampled were not supported with signed attendance sheets and agendas as required. Consequently, we urge DOE to reinforce with its staff the importance of ensuring that all required documents are submitted by NYCLA before payments are approved.

3. DOE should not make payments for expenses that are not adequately supported in accordance with the terms of its contract with NYCLA.

DOE Response to Recommendations 1 and 3: “The DOE agrees with these recommendations, inasmuch as the DOE has procedures in place to approve payments for purchases supported with appropriate documentation.

The invoices sampled by the auditors had sufficient information to confirm the services rendered. Furthermore, the New York Leadership Academy (NYCLA) maintained detailed time records, which in several instances were submitted with its invoices. We will reinforce with our staff that all necessary records must be collected and reviewed before payments are approved.”

Auditor Comment: As we state earlier, we found that the sampled invoices did not have sufficient information to support payment. We urge DOE to require NYCLA to submit contemporaneous time records and attendance sheets with all of its payment packages and to reinforce with DOE staff the necessity of reviewing contemporaneously-prepared time records before rendering payment.

4. DOE should follow up and determine whether sufficient supporting documentation exists for the \$385,612 in questionable payments identified in this report. DOE should recoup any payments for which it is unable to verify that the goods were delivered or services were rendered.

DOE Response: “The DOE agrees with this recommendation and will make a determination regarding the payments and take appropriate actions where necessary.”

DOE Did Not Monitor NYCLA’s Compliance with Contract Terms

DOE Did Not Require that NYCLA Submit Quarterly Progress Reports

We found that DOE did not request or obtain any progress reports from NYCLA, notwithstanding contract provisions that require NYCLA to provide such information to enable DOE to assess NYCLA’s contract performance. Furthermore, DOE officials acknowledged that they do not have any formal process for evaluating NYCLA’s performance on a regular basis.

Pursuant to its contract with NYCLA, DOE is entitled to review fiscal or programmatic reports that might help it assess NYCLA’s performance. The contract specifically provides that NYCLA

shall comply fully with all [DOE] requests for fiscal, programmatic, progress, and any and all other types of reports. Progress reports shall include, but shall not be limited to, the names and number of participants served, the types of Services provided, the dates of Services, attendance and, where applicable, analyses of achievement and other school-level data reflecting participants tenure at their respective schools provided that [DOE] supplies all necessary data not in the Contractor’s possession.

Further, the contract directs that NYCLA “shall provide all reports quarterly in the format mutually agreed by Contractor and [DOE].”

DOE officials stated that although they do not have a formal process for evaluating NYCLA’s performance on a regular basis, their Office of Leadership staff monitors the contract performance by staying in close contact with NYCLA officials. They stated that they keep abreast of NYCLA’s activities through regular phone check-ins with NYCLA’s CEO and NYCLA’s APP Director and regular email communication between NYCLA staff and key members of DOE’s Office of Leadership team. However, DOE could not provide any documents to verify such monitoring efforts. Instead, they provided us with documents showing DOE staff’s participation in decision-making discussions pertaining to the APP program. None of these documents, however, provided an assessment of NYCLA’s performance, or reflected day-to-day communication between DOE and NYCLA, or contained any notations of visits by Office of Leadership staff to NYCLA offices to review program records.

As stated in DOE’s PPP manual, a key element of effective contract administration is monitoring and evaluating contractor performance. One of the best ways to accomplish this is by requiring a contractor to submit progress reports on its performance. In the absence of such reports, DOE’s ability to identify areas needing correction and monitor NYCLA’s efforts to take corrective action is hindered.

DOE Did Not Conduct Monthly Meetings Required in the Contract

According to the terms of the contract, “the Contractor and the Division of Teaching and Learning agree to meet no less than on a monthly basis at the [DOE] offices to discuss matters relating to the successful operation and progress of the Services provided by the Contractor . . . unless otherwise agreed to by the parties in writing.”

However, DOE failed to provide evidence that such monthly meetings took place. Neither did it provide evidence of an agreement between DOE and NYCLA to forgo the monthly meeting requirement. Instead, DOE provided us with an excel spreadsheet listing the dates and times of 11 events (check-ins, phone calls and budgetary meetings) that it stated occurred during the two-year period of March 5, 2014, through July 7, 2016. DOE had no memoranda or minutes detailing the matters discussed during those events, so we were unable to identify what, if any, issues were raised in those meetings and calls, whether any required further attention, and if any of those were ever followed up on.

In lieu of these monthly meetings, DOE officials claimed that their Office of Leadership staff stayed in close contact with NYCLA officials. However, formal monthly meetings provide a forum where significant issues impacting the contract can be discussed. The Department’s failure to conduct such meetings increases the risk that these matters may not be identified and addressed in a timely matter, if at all.

Recommendations

5. DOE should request that NYCLA provide progress reports to aid in DOE’s monitoring of its contractor’s performance, as prescribed in the contract.
6. DOE should meet with contractors on a monthly basis, as called for in the contract.

DOE Response to Recommendations 5 and 6: “The DOE disagrees with these recommendations.

Progress reports and monthly meetings are not required by the contract. Furthermore, because the DOE and NYCLA had been in constant communication via phone and email throughout the length of the agreements, the staff involved with the program saw no need to exercise their right to request monthly meetings or quarterly reports.”

Auditor Comment: As stated above, DOE acknowledged that it does not have a formal process for evaluating NYCLA’s performance on a regular basis. Moreover, DOE’s assertion that monthly meetings are not required by the contract is inconsistent with the contract, which clearly states that the parties “agree to meet no less than on a monthly basis.” Monthly meetings with the contractor—particularly with written meeting agendas and post-meeting summaries—could benefit DOE by providing the agency with an opportunity to address significant issues impacting the contract as they arise and to document those discussions for future reference should disagreements arise.

Furthermore, although the contract does not explicitly require that NYCLA submit progress reports to DOE, the terms of the contract provide DOE the option to request progress reports to help it assess NYCLA’s performance and identify areas needing correction. Therefore, we urge DOE to reconsider its response and implement these two recommendations.

Other Issues

Lack of Evidence of Amendment to Modify Unit Pricing, as Required in the Contract

According to the contract, “at any time throughout the Term, the parties may agree in writing to any modifications to Program design or scope that do not change the unit costs. (Changes in services that require a change to unit costs shall require a formal contract amendment.)”

During our review of the 33 sampled payments, we identified one invoice for tuition for 13 APP program participants. According to the Appendix Pricing Form associated with the contract, the monthly cost of tuition was \$2,322 per participant.⁴ However, in the invoice billed to DOE, NYCLA submitted a request for payment in the amount of \$1,916.66 per participant. This amounted to a total of \$5,269.42 *less than* the authorized contract amount (or \$405.34 less per person).

We found no formal amendment approving this reduction, nor did we find any documentation explaining why it was made. In response to our request for such evidence, a DOE official stated simply that “lowering the cost was not accomplished through a formal amendment.”

Since DOE has no documentation supporting the basis for the price reduction, we are unable to determine whether it reflects a similar reduction in services to be provided by NYCLA. Moreover, the absence of a formalized document noting the price change hinders DOE’s ability to identify the services for which NYCLA is being paid, and to ensure that DOE is paying agreed-upon fees. Were a dispute to arise between the two parties over payments, DOE’s ability to successfully argue that there was an agreement in place to lower the cost of services would be weakened.

Recommendation

7. DOE should ensure that any modifications to the contract are formally documented in writing, as required by the contract.

DOE Response: “The DOE agrees with the recommendation.”

⁴ The Pricing Form is contained in an appendix attached to a contract or agreement. It lists the agreed-upon cost for all services identified in the contract.

DETAILED SCOPE AND METHODOLOGY

We conducted this performance audit in accordance with generally accepted government auditing standards. 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

The scope of this audit covered the first six months of FY 2017 (from July 1, 2016, to December 2, 2016).

To achieve our audit objectives and gain an understanding of the internal controls governing DOE's review of payments to its vendors, we reviewed the 2014 contract agreement between DOE and NYCLA; DOE's PPP manual, amended as of February 24, 2016; copies of its Notice of Partial Termination Letters dated August 5, 2016 and September 14, 2016; and regulation C-30 of the Regulations of the Chancellor (Chancellor's Regulations).

To gain an understanding of DOE's monitoring and oversight responsibilities, we interviewed the Executive Director of Principal Pipeline Strategy, the Senior Executive Director of the Office of Leadership, the Operation Manager of the Office of Leadership, a Supervisor for DOE's school-based payments within Accounts Payable, and a Clerical Associate for DOE's Central Business Office within Accounts Payable.

We requested and received a list of all payment transactions posted to DOE's Financial Accounting Management Information System (FAMIS) made to NYCLA for FY 2015, 2016 and 2017. The list represented 782 payment transactions made from August 6, 2014 through November 28 2016. Since we were provided with *Termination Letters* showing that the contract was partially terminated, our review focused on the first six months of DOE's payments to NYCLA in FY 2017 (July 1, 2016, to December 2, 2016).

To determine whether the payment transactions from FAMIS were complete and accurate, we independently obtained a listing of transactions from the City's Financial Management System (FMS) of all payments made to NYCLA for the same period, and compared the transactions from the list of FAMIS payments to the transactions recorded in FMS.

To ascertain whether payments made by DOE to NYCLA were adequately supported, we selected a sample of 33 payments totaling \$559,667 made during the first six-months of FY 2017. During that period, DOE made 180 payments totaling \$1,094,597 to NYCLA. The sample consisted of (1) the three largest payments (totaling \$454,890.80) during that period, and (2) 30 randomly selected payments totaling \$104,776.10. We retrieved the payment packages associated with each of the payments to determine whether there was sufficient evidence to support each payment transaction. We also requested copies of the purchase orders and determined whether the payments were for previously authorized services.

To ascertain whether DOE monitored NYCLA's compliance with the key terms of the contract, we requested that DOE provide us with evidence of its monitoring efforts, including the review of progress reports obtained from NYCLA and the holding of monthly status meetings.

The results of these tests, while not projectable to the population of payments made to NYCLA during the period reviewed, provided a reasonable basis for us to evaluate DOE's controls to ensure that payments to NYCLA are adequately supported.



Phil Weinberg, Deputy Chancellor

June 19, 2017

Ms. Marjorie Landa
Deputy Comptroller for Audits
New York City Office of the Comptroller
1 Centre Street, Room 1100
New York, NY 10007-2341

Re: Audit Report on the Department of Education's Monitoring of Its Leadership Development Services Contract with the New York City Leadership Academy (MH17-076A)

Dear Ms. Landa:

This letter will serve as the New York City Department of Education's (DOE) formal response to the New York City Office of the Comptroller's (Comptroller) draft audit report of the *Department of Education's Monitoring of Its Leadership Development Services Contract with the New York City Leadership Academy (Report)*.

Except for tailored coaching for experienced principals which is referred to as Service four (4) in the contract, all services under contract will be terminated as of June 30th, 2017. Our response to the recommendations consider the contract termination and have been tailored accordingly.

Response to Recommendations:

Recommendation 1. *DOE should ensure that NYCLA maintains contemporaneous time records as required by the contract and submits them along with all other required supporting documents to support requests for payments.*

Recommendation 3. *DOE should not make payments for expenses that are not adequately supported in accordance with the terms of its contract with NYCLA.*

Response to Recommendation 1 and 3. The DOE agrees with these recommendations, inasmuch as the DOE has procedures in place to approve payments for purchases supported with appropriate documentation.

The invoices sampled by the auditors had sufficient information to confirm the services rendered. Furthermore, the New York City Leadership Academy (NYCLA) maintained detailed time records, which in several instances were submitted with its invoices.

We will reinforce with our staff that all necessary records must be collected and reviewed before payments are approved.

Recommendation 2. *Where reimbursement is sought for training and/or meeting expenses, DOE should ensure that adequate proof of the meeting is submitted, such as sign-in sheet from the attendees and agenda.*

Response. The DOE agrees with the recommendation inasmuch as it reflects current practice.

As applicable, sign-in sheets and agenda are submitted by NYCLA as support to its invoices.

Recommendation 4. *DOE should follow up and determine whether sufficient supporting documentation exists for the \$385,612 in questionable payments identified in this report. DOE should recoup any payments for which it is unable to verify that the goods were delivered or services were rendered.*

Response. The DOE agrees with this recommendation and will make a determination regarding the payments and take appropriate actions where necessary.

Recommendation 5. *DOE should request that NYCLA provide progress reports to aid in DOE's monitoring of its contractor's performance as prescribed in the contract.*

Recommendation 6. *DOE should meet with contractors on a monthly basis as called for in the contract.*

Response to Recommendation 5 and 6. The DOE disagrees with these recommendations.

Progress reports and monthly meetings are not required by the contract. Furthermore, because the DOE and NYCLA had been in constant communication via phone and e-mail throughout the length of the agreement, the staff involved with the program saw no need to exercise their right to request monthly meetings or quarterly reports.

Recommendation 7. *DOE should ensure that any modifications to the contract are formally documented in writing, as required by the contract.*

Response. The DOE agrees with the recommendation.

The DOE will ensure that any future modification to the terms of the contract are documented in writing.

Sincerely,



Phil Weinberg
Deputy Chancellor