

AUDIT REPORT

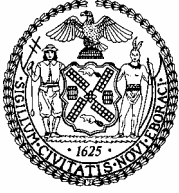


CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
BUREAU OF FINANCIAL AUDIT
WILLIAM C. THOMPSON, JR., COMPTROLLER

Audit Report on Other Than Personal Services Expenditures of Schools Within the Department of Education Regional Operations Center for Region 8 and Alternative High Schools and Programs

FP05-078A

May 4, 2005



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 Comptroller's responsibilities contained in Chapter 5, §93, of the New York City Charter and Article 52-A, §2590m, of the New York State Education Law, my office has examined Other Than Personal Services expenditures of schools within the Department of Education (DOE) Regional Operations Center (ROC) for Region 8 and Alternative High Schools and Programs. The audit determined whether DOE procurement policies and procedures were followed for purchases made by schools in Region 8 and Alternative High Schools and Programs that required ROC approval.

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

Audits such as this provide a means of ensuring that DOE purchasing procedures are being followed and that government funds are being used appropriately and in the best interest of the public.

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 cursive script that reads "William C. Thompson, Jr.".

William C. Thompson, Jr.

WCT/gr

Report: FP05-078A
Filed: May 4, 2005

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

**Audit Report on Other Than Personal Services Expenditures
Of Schools within the Department of Education
Regional Operations Center for Region 8
And Alternative High Schools and Programs**

FP05-078A

AUDIT REPORT IN BRIEF

The audit determined whether Department of Education (DOE) procurement policies and procedures were followed for purchases made by schools in Region 8 and Alternative High Schools and Programs that required Regional Operations Center (ROC) approval.

With the exception of the issues noted below, we found that officials of the ROC and schools of Region 8 and Alternative High Schools and Programs generally followed DOE procurement policies and procedures for purchases that required ROC approval. Specifically:

- Vendor invoices were not always on file;
- Purchase files lacked documentation showing that the items purchased were reasonable and necessary for the operation of the school and whether the services were actually provided; and;
- Purchase files lacked evidence of competitive bidding.

In addition, we found that one payment for services was made prior to the services being rendered. These problems are discussed in the following sections of the report.

We recommend that ROC officials should ensure that:

- Vendor invoices are obtained and maintained on file for all goods and services purchased.
- School officials maintain documentation that demonstrates the need for items purchased and how they relate to the operation of the school.

- School officials comply with procurement regulations requiring written bids from separate vendors. In that regard, all bids must be independent and solicited from separate vendors.
- School officials maintain all appropriate bid documentation on file.
- All services are rendered before payment of invoices, in accordance with the SOPM.

INTRODUCTION

Background

DOE provides primary and secondary education to more than one million New York City students. The school system is organized into 10 regions, each of which includes approximately 130 schools and programs. Six ROCs provide business and administrative services to the schools within their assigned regions. While school purchases are made at the individual school level, ROC officials review and approve: school-generated purchase orders, bidding documents for purchases above certain monetary limits; and evidence of receipt of items purchased. ROC officials also process payments for school purchases, except for purchases made on behalf of schools by the DOE Central Office.

There are several methods by which individual schools can purchase goods and services. Items can be procured through the DOE's on-line Fastrack Ordering System for general supplies, textbooks, computer and audio-visual software, athletic supplies, and other items currently available under requirement contracts with DOE's Office of Purchasing Management (OPM). ROC approval is not required for these purchases. Goods and services that are not available through Fastrack may be obtained by purchase orders prepared under the DOE Financial Accounting Management Information System (FAMIS).¹ Designated users at individual schools can use FAMIS to electronically generate purchase orders. ROC officials must approve purchases greater than \$15,000 that are obtained under DOE contracts and purchases greater than \$5,000 that are not obtained under DOE contract. Finally, small purchases or emergency purchases can be handled with a procurement card (P-card) or through the Small Item Payment Process (SIPP), formally known as the imprest fund. ROC officials review all P-card applications and all SIPP purchases greater than \$500.

The ROC for Region 8 and Alternative High Schools and Programs, the subject of this audit, is responsible for fiscal oversight of the schools within those regions. As of December 31, 2003, there were approximately 100,430 students in 164 schools in Region 8 and Alternative High Schools and Programs. For Fiscal Year 2004, there were 457 OTPS purchases for Region 8 and Alternative High Schools and Programs that required ROC approval; they totaled approximately \$17 million. The 457 OTPS purchases were attributable to 133 of the 164 schools.

¹ FAMIS links all financial accounting transactions, from budgeting and procurement to payment.

This is one of a series of audits conducted in accordance with the intent of Article 52-A, §2590m, of the New York State Education Law, which requires that the Comptroller audit the accounts of the (then) Board of Education and each community school district and report the results of the audits at least once every four years. Due to legal and organizational changes, the (then) Board of Education is now known as the Department of Education and the ROCs have assumed the administrative and business functions that the community school districts performed previously.

Objective

The objective of this audit was to determine whether DOE procurement policies and procedures were followed for purchases made by schools in Region 8 and Alternative High Schools and Programs that required ROC approval.

Scope and Methodology

The scope of this audit was Fiscal Year 2004. To obtain an understanding of the policies, procedures, and regulations governing OTPS purchases, we reviewed:

- OPM's *School Purchasing Guide*, Procurement Policy chapter;
- the *Standard Operating Procedures Manual for Schools and Financial Management Centers*, OTPS Purchases chapter, dated November 2002; and
- relevant DOE memoranda and newsletters posted on the DOE Web site.

To obtain an overview of the school purchasing process we reviewed a draft of the School Procurement Process flowchart from the DOE Office of Auditor General. To understand the internal controls and the responsibilities of ROC officials, we interviewed the ROC Director, deputy directors and contract officers and obtained the ROC organization chart depicting the functional units responsible for processing purchases. We also interviewed the Executive Director of the DOE Division of Financial Operations and the administrators of the DOE Fiscal Affairs and Accounts Payables Unit.

In addition, we reviewed relevant prior audit reports issued by the Comptroller's Office on community school district operations (*Audit Report on the Financial and Operating Practices of Community School District 15*, issued June 30, 2003, and *Audit Report on the Financial and Operating Practices of Community School District 5*, issued June 23, 2003). To familiarize ourselves with FAMIS, we reviewed the DOE guide, *Using FAMIS for Purchasing and Payments*.

In accordance with our audit objective our sampled purchases consisted of those contracted and non-contracted purchases that required ROC approval. Other purchases, which included those processed through Fastrack,² P-cards, SIPPs, and those relating to Universal Pre-Kindergarten contracts, were not reviewed since ROC approval is not required for these transactions.

To select our audit sample, we obtained the population database of Fiscal Year 2004 OTPS payments for Region 8 and Alternative High Schools and Programs. We randomly selected six out of the 36 schools that each had five or more purchases of goods and services that required ROC approval (three schools were selected from each region). In total, we reviewed all 40 purchases totaling \$1,033,395 at the six sampled schools, including 14 purchases from non-contracted vendors, 24 purchases from contracted vendors, and two grant purchases. Overall, there were 249 OTPS purchases totaling approximately \$9 million for Fiscal Year 2004 at the 36 schools that each had five or more purchases of goods and services requiring ROC approval.

We visited the schools from December 1 to December 21, 2004. We documented our understanding of the schools' purchasing practices and determined whether they were in accordance with the SOPM. For each sampled purchase, we reviewed the purchase files at the schools for the following documentation:

- Vendor invoices;
- Evidence that appropriate approvals were obtained for sole-source purchases exceeding \$5,000;
- Evidence of competitive bidding (when required);
- Documentation showing that professional services paid for were actually received; and
- Purchase orders with requisite authorizations and approvals.

We also determined whether the items purchased were on hand. Since ROC officials are responsible for reviewing compliance with DOE bidding requirements, confirming receipt of items purchased, and authorizing payments, we reviewed ROC files to determine whether they contained vendor invoices, appropriate bidding documentation, and certifications from school officials that goods and services purchased were actually received.

The results of the above tests, while not projectable to all Region 8 and Alternative High Schools and Programs whose purchases required ROC approval, provided a reasonable basis to assess compliance with DOE purchasing procedures.

² Fastrack purchases are forwarded to OPM, not the ROC, for entry into a production run to produce a machine-generated order.

* * * *

This audit was conducted in accordance with generally accepted government auditing standards (GAGAS) and included tests of the records and other auditing procedures considered necessary. This audit was performed in accordance with the responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter and Article 52-A, §2590m, of the New York State Education Law.

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 on March 2, 2005, and was discussed at an exit conference held on March 15, 2005. We submitted a draft report to DOE officials on March 23, 2005, with a request for comments. We received a written response from DOE officials on April 6, 2005.

In their comments, DOE officials generally agreed with the audit's findings and described the steps that they have taken or will take to address the audit's recommendations. DOE officials also stated, "Given that this was a huge transition year for the Department, we are pleased to see that the reports recognize the work that is being done by the ROCs...."

The full text of the DOE responses is included as addenda to this report.

FINDINGS AND RECOMMENDATIONS

With the exception of the issues noted below, we found that officials of the ROC and schools of Region 8 and Alternative High Schools and Programs generally followed DOE procurement policies and procedures for purchases that required ROC approval. Specifically:

- Vendor invoices were not always on file;
- Purchase files lacked documentation showing that the items purchased were reasonable and necessary for the operation of the school and whether the services were actually provided; and;
- Purchase files lacked evidence of competitive bidding.

In addition, we found that one payment for services was made prior to the services being rendered. These problems are discussed in the following sections of the report.

Missing Vendor Invoices and Substantiating Documentation

Of 40 sampled purchases, the files for 11 purchases lacked vendor invoices or other documents that would enable us to confirm whether goods or services were necessary for the operation of the schools and that they were actually received prior to payment. The files of nine purchases were missing vendor invoices. Therefore, we could not determine whether the amounts paid matched the amount billed by the vendors. In addition, the files of four purchases (which include two of the nine that were missing invoices), lacked other critical documents to substantiate payment, such as detailed agendas and attendance sheets for retreats and seminars.

For example, P.S. 25 paid Aussie Australian USA \$85,000 for professional development for teachers and administrators. The files did not contain the daily log of services that the vendor provided or the names of the teachers and administrators who participated in the program.

We obtained additional documentation from ROC and school officials at the exit conference. Specifically, the officials provided us with 58 new invoices that purportedly covered seven of the 11 purchases discussed in the report. However, 29 of the invoices did not indicate purchase order numbers and therefore could not be attributed to specific purchase orders. Moreover, nine of the 29 invoices were purportedly paid under more than one purchase order, which gives the impression that vendors were paid more than once for certain services. Overall, the documentation that was provided was insufficient to support any of the purchase orders questioned in the report. In fact, documentation in one case only raises further questions about the appropriateness of the purchase. In that case, school officials submitted an agenda indicating that a seminar was conducted in New York City over the course of a single business day. Therefore, we question over \$5,000 paid by DOE for lodgings in connection with this event.

Also, the documentation we received at the exit conference was not in the files of ROC or school officials during the course of our audit work. In fact, one of the invoices provided after the preliminary draft was issued was obtained by DOE from the vendor on the day of the exit

conference. Thus, we question whether officials had reviewed this documentation prior to approving the payment of the purchase orders.

Recommendations

The ROC should ensure that:

1. Vendor invoices are obtained and maintained on file for all goods and services purchased.
2. School officials maintain documentation that demonstrates the need for items purchased and how they relate to the operation of the school.

ROC Officials' Response: “Of the 40 sample purchase, the files for 9 purchases were missing vendor invoices at time of audit. However, these invoices were submitted at the exit conferences. The invoices submitted did not indicate purchase order numbers as vendors often reference only the school number and address on the invoice. In lieu of this, and to assure timely and accurate payments, Region 8 developed an internal spreadsheet which tracked payments for services rendered by the vendors at the respective school level. This step also ensures appropriate payment for services rendered.

“Staff has been instructed to ensure that all invoices are obtained in line with the SOPM and appropriately filed. ROC Team members will continue to provide the necessary training to emphasize that items purchased must support learning and contribute to the operation of the school. Responsibility for maintaining files is at the school level this will also be reiterated at the training sessions.”

Lack of Solicitation Documents for Bids

For 14 purchases made from non-contracted vendors, the schools were required to solicit bids from three vendors and obtain written responses from two vendors. The SOPM requires that schools solicit three faxed or written bids for non-contracted purchases above \$5,000. The SOPM defines competitive bidding as “soliciting bid proposals from a variety of different vendors thereby providing to taxpayers the greatest assurance that goods and services are procured in the most prudent and economical manner; that goods and services of desired quality are being acquired at the lowest possible price; and that procurements are reasonable and not influenced by favoritism, fraud or corruption.”

The files for two of the fourteen purchases had no proof that the school obtained the written bids required. Specifically, the two files contained only documentation that telephone bids were obtained. Clearly, the lack of bid documentation indicates a need to implement stronger internal controls over the solicitation process to provide adequate safeguards against fraud and abuse.

Recommendations

The ROC should ensure that school officials:

3. Comply with procurement regulations requiring written bids from separate vendors. In that regard, all bids must be independent and solicited from separate vendors.
4. Maintain all appropriate bid documentation on file.

ROC Officials' Response: “Principals were given the authority to acquire phone bids for purchases up to 5,000 and written bids between 5,001 and 10,000. However, proof of written bids for purchases over \$5,000 was not always forwarded to ROC in time to make payment. This recommendation pertained to two cases: 1) Principal received telephone bids with the expectation that the cost would not exceed \$5000. The purchase was for cameras; batteries and charger were not included in original estimate. The cost of these items caused the purchase to exceed the threshold by \$194. 2) School officials submitted 3 phone bids rather than written bids for a purchase over \$5000. School officials have been advised that written bids are required for purchases over \$5000.

“ROC Team members will continue to provide the necessary training to school staff and monitor this process. Additionally, we have stressed to schools that contracted vendors should be used wherever possible and that if there is a need to purchase from non-contracted vendors, bids must be obtained. For all purchases exceeding \$5,000, bids must be forwarded to the ROC prior to approval of the purchase order. Any bids received from vendors above \$10,000 must be sealed and read at a public opening. We will continue to reinforce with ROC procurement team members and schools the need to review bid documentation more closely prior to approval to ensure compliance.

“In addition, ROCs will ensure that school officials maintain all appropriate bid documentation by effective outreach communication and on-going training of school procurement staff. ROC Team members will review file maintenance systems during routine school visits and will recommend changes where necessary.”

Invoice Improperly Paid

For one of the 40 sampled purchases, the ROC processed for payment a \$26,700 invoice before the services were rendered. The invoice was for professional development workshops for teachers held from January 23 through June 4, 2004. The principal certified that services were delivered by signing the first Daily Log of Work on March 3, 2004, and submitting it to the ROC. However, the ROC processed the payment on December 23, 2003—six months before the services were provided.

The SOPM stipulates that, “services must be rendered prior to payments to vendors unless unique circumstances require prepayments.” The files, however, contained no

documentation showing that this was a unique situation requiring prepayment.

Recommendation

5. The ROC should ensure that all services are rendered before payment of invoices, in accordance with the SOPM.

ROC Officials' Response: “This recommendation pertained to 1 out of 40 sample purchases, where the ROC processed an invoice for payment based on receipt of invoice.

“In order to continue our efforts to follow proper procurement guidelines and always obtain certification of delivery of goods and services prior to payment of invoices, our office will reemphasize these rules to both our staff and school officials throughout our ongoing trainings. Additionally, the department is implementing an automated system to certify delivery which will be implemented in May 2005.”



THE NEW YORK CITY DEPARTMENT OF EDUCATION

JOEL I. KLEIN, *Chancellor*

OFFICE OF THE DEPUTY CHANCELLOR

Kathleen Grimm, Deputy Chancellor for Finance and Administration

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

(212) 374-0209 (Voice) (212) 374-5588 (Facsimile)

April 05, 2005

Greg Brooks
Deputy Comptroller for Policy, Audits, Accountancy & Contracts
The City of New York
Office of the Comptroller
1 Centre Street
New York, NY 10007-2341

Re: Draft Audit Reports Entitled: Other Than Personal
Services Expenditures of Schools within the
Department of Education's Regional Operation
Centers

Dear Mr. Brooks:

This letter, with attachments, reflects the New York City Department of Education's ("Department") response to the findings and recommendations made in the above-referenced Draft Audit Reports ("Draft Reports") of the New York City Office of the Comptroller for Fiscal Year 2003-04.

The audit period covers the first year of operation for the Department's newly created Regional Operations Centers (ROCs). Given that this was a huge transition year for the Department, we are pleased to see that the reports recognize the work that is being done by the ROCs and the reports' acknowledgement that the ROCs are generally following the procedures in the SOPM.

Throughout this first year, the ROCs management team worked closely with the Office of the Auditor General (OAG) and the Division of Financial Operations (DFO) to review and revise procurement protocols to bring them inline with the new philosophy for giving principals increased discretion while maintaining efficiencies in processes and proper fiscal controls. Many of the findings cited were a result of these changes. Though the changes were implemented in real time throughout the Regions, actually updating the SOPM lagged these decisions. In the instances where changes occurred in real time, it may not have been clear to the auditors that the ROCs were following newly adopted procedures. In many cases the ROC Director or Deputy was not consulted during the audit; therefore these changes were discussed at the exit conference. The opportunity to review and explain in detail the elements of findings was critical to demonstrating that the ROCs have implemented sound financial controls and good procurement practices, and did so in consultation with the OAG and DFO. It also gave the ROC staff an opportunity to understand questions that the auditors had and to clarify for the auditors changes in procedures that were in operation. Each ROC office presented back-up documentation to further substantiate practice that was in line with changes made to the system. During the exit conference, the auditors indicated a clear understanding of the impact of the transition year and the need for the level of clarification experienced during the conference; as a result much of the documentation presented as evidence that controls were established and in operation was accepted.

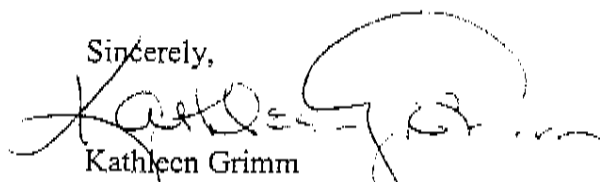
Several of the recommendations in the audit reflect areas where the ROCs, OAG, and DFO identified and have made provisions for needed change. The internal recommendations and changes were identified as a result of a review of the procurement processes conducted by the OAG in the fall '03. This review included a full process mapping, assessment of potential risk in audit standings and recommendations for change that would achieve proper controls and acceptable operating procedures. As a result, immediate implementation of recommendations was achieved where possible, and action plans were identified for other agreed upon changes. Please find additional information attached as follows:

Attachment I: Highlights the Departments' alignment with audit recommendations.

Attachment II: Summary of Management Implementation Strategies.

Attachment III: ROCs responses to individual findings.

Sincerely,



Kathleen Grimm

Deputy Chancellor for Finance and Administration

KG:

Enclosures

C:	Joel I. Klein	Maureen Hayes	Carmen Farina	LaVerne Srinivasan
	Michael Best	Irwin Kroot	Bruce E. Feig	Vincent A. Giordano
	Donna Rey	Sandy Brawer	Marlene Siegel	Robert Wilson
	Espi Semetis	Vincent Clark	David Ross	Alan Friedman
	Brian Fleischer	Marlene Malamy	Mary Coffey	Nader Francis
	Maria Conklin	Arnold Ali	John Wall	Richard Carlo

Attachment I

This section highlights those Audit Recommendations that are aligned with changes already made or that are planned.

Finding #1: Purchases made prior to ROC/Principal approval

Audit Recommendation: ROC/Principal approval required before purchases are made

Action Implemented: Automated Approval Process:

ROCs recognized early on the need to prioritize this issue and proactively implemented an automated approval process.

Edits were made to the FAMIS Portal (purchasing system) that provide proof of principal and ROC approval (for items >5,000). This proof is captured by the indication of the name of the authorizing individual and date of the authorization.

The on-line approval of requisitions by principals is available through Fastrack as well (no other approval required).

For both of these instances, auditors were not aware that on line documentation was available and did not ask for it, resulting in a finding that indicated lack of documentation. ROC staff did not realize this documentation was needed by the auditors. Once clarified on both sides, documentation was printed from the system and provided at and in some cases post the exit conference.

Finding #2: Lack of purchase bidding documents

Audit Recommendation: ROC officials should ensure proper bidding documents is obtained within the SOPM guidelines. Documentation should be maintained on file.

Actions Implemented:

Change in levels of Purchasing Authority

- a. **Bids:** Principals were given the authority to acquire phone bids for purchases up to 5,000 (previously \$2,500) and written bids for items between \$5,001 and \$10,000. [Documentation of written bids for purchases over \$5,000 was not always located in ROC files; however, auditors were able to substantiate documentation maintained at the schools].
- b. **SIPP changes in effect for Fiscal Year 2004:** All schools were authorized to enter payments for up to \$2,500 (previously not available to elementary and middle schools). Payments of \$500 or less are now posted directly to FAMIS at the site. Payments from \$501 to \$2,500 are electronically sent to the ROC for approval. ROC approval is also submitted electronically.

- c. **Purchasing-card:** Limits were increased to \$2,500 for single transactions (previously \$1,500). These cards are primarily used with contracted vendors. However, bidding requirements are required for purchases exceeding \$250.

Finding #3: Lack of written justification for sole source purchases; lack of OPM approval for sole source purchases.

Recommendation: ROC should obtain written justification for sole source purchase

Action Implemented:

A. Systems Enhancement

- i. Identification of vendors named in grants – Enhancement made to system to indicate vendors named as part of a grant. [Many items cited in the audit report did not require the approval of the OPM Administrator because they were named in a competitive grant. The SOPM states that “when a competitive grant is written and specifically mentions the name of vendor...further solicitation is not required.” System proof made available as documentation.]

B. Changes in ROC approval level

SOPM approval levels officially changed to reflect Fall 2004 decision to permit ROC approval of sole-source purchases between \$5,000.01 and \$15,000.00 for commodities and up to 5,000.01 for professional services without OPM involvement.

Finding # 4: Lack of certification before payment of invoices

Recommendation: ROCs should ensure certification before payment of invoices.

Action Implemented: Automated Certification of Delivery- Portal Enhancement

DFO has long recognized the challenges associated with obtaining signed documentation on delivery of goods from schools and offices; an automated system to certify delivery has been developed. (While the system is not available until May, 05, some offices accepted packing slips from the school as proof of delivery in order to pay bills before the June deadlines. Auditors wanted signed documentation from the principal.) DFO advises (September 2000 Policy Memo) that payments could be made to contracted vendors upon receipt of invoices without certification of delivery from principals in advance.

Attachment IIROC Management Action Plan:

- Automated Certification of Delivery – in response to the recognized difficulty in getting physical documentation from schools, principals will certify directly on line. Anticipated date: Spring/Summer '05
- ROC Academy Training - All procurement and contracts staff will attend training on revised protocols and procedures. The training is being developed and will be conducted by a team of OAG, DFO, and ROC staff as a part of the ROC Academy: Spring, '05
- Site Visits - As part of the ROC staff visits to schools, staff will conduct site reviews of the records that are kept at the school. Protocol of items to review will be developed and implemented following '05 ROC Academy training.
- OAG currently and will continue to provide individual support to schools, particularly to new principals and principals with new schools in setting up appropriate protocols, controls, and filing systems. Ongoing training for School-based staff will be provided.
- OAG, DFO, and ROC staff will work together to develop internal reports that identify areas where follow up is required. These reports will be used by ROC staff and will reflect what is needed to demonstrate best practices: Spring/Summer '05

Department-wide Initiative

Review and changes to the Contract process and procedures will serve to strengthen controls within the system.

Attachment III

Regional Operations Centers' Response to Audit Findings (See Attached)

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

Audit Implementation Plan Form A

PAGE 1 OF 3

RESPONSE DATE: March 31, 2005

AUDIT TITLE: OTPS Expenditures of Schools within the DOE Regions 8 and Alternative High Schools and Programs
AUDITING AGENCY: NYC Office of the Comptroller
DIVISION: Bureau of Management Audit
DRAFT REPORT DATE: March 23, 2005
AUDIT NUMBER: FP 05-078A

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

Recommendation #1: Vendor invoices are obtained and maintained on file for all goods and services purchased.
Recommendation #2: School officials maintain documentation that demonstrates the need for items purchased and how they relate to the operation of the school.

RESPONSE TO RECOMMENDATION - IMPLEMENTATION PLAN

Of the 40 sample purchase, the files for 9 purchases were missing vendor invoices at time of audit. However, these invoices were submitted at the exit conferences. The invoices submitted did not indicate purchase order numbers as vendors often reference only the school number and address on the invoice. In lieu of this, and to assure timely and accurate payments, Region 8 developed an internal spreadsheet which tracked payments for services rendered by the vendors at the respective school level. This step also ensures appropriate payment for services rendered.

Staff has been instructed to ensure that all invoices are obtained in line with the SOPM and appropriately filed. ROC Team members will continue to provide the necessary training to emphasize that items purchased must support learning and contribute to the operation of the school. Responsibility for maintaining files is at the school level this will also be reiterated at the training sessions.

IMPLEMENTATION DATE:

Ongoing

RESPONSIBILITY CENTER

BROOKLYN REGIONAL OPERATIONS CENTERS

Signature:

Print Name: Donna Rey

4/6/05
Date

Print Title: Director, Brooklyn Regional Operations Center (ROC)

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

Audit Implementation Plan Form A

PAGE 2 OF 3

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

- Recommendation #3: Comply with procurement regulations requiring written bids from separate vendor.
Recommendation #4: Maintain all appropriate bid documentation on file.

RESPONSE TO RECOMMENDATION

Principals were given the authority to acquire phone bids for purchases up to 5,000 and written bids between 5,001 and 10,000. However, proof of written bids for purchases over \$5,000 was not always forwarded to ROC in time to make payment. This recommendation pertained to two cases: 1) Principal received telephone bids with the expectation that the cost would not exceed \$5000. The purchase was for cameras; batteries and charger were not included in original estimate. The cost of these items caused the purchase to exceed the threshold by \$194. 2) School officials submitted 3 phone bids rather than written bids for a purchase over \$5000. School officials have been advised that written bids are required for purchases over \$5000.

ROC Team members will continue to provide the necessary training to school staff and monitor this process. Additionally, we have stressed to schools that contracted vendors should be used wherever possible and that if there is a need to purchase from non-contracted vendors, bids must be obtained. For all purchases exceeding \$5,000, bids must be forwarded to the ROC prior to approval of the purchase order. Any bids received from vendors above \$10,000 must be sealed and read at a public opening. We will continue to reinforce with ROC procurement team members and schools the need to review bid documentation more closely prior to approval to ensure compliance.

In addition, ROCs will ensure that school officials maintain all appropriate bid documentation by effective outreach communication and on-going training of school procurement staff. ROC Team members will review file maintenance systems during routine school visits and will recommend changes where necessary.

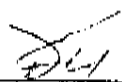
TARGET IMPLEMENTATION DATE

March 2005:

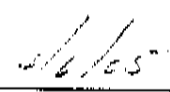
RESPONSIBILITY CENTER

BROOKLYN REGIONAL OPERATIONS CENTERS

Signature:



Print Name: Donna Rey



Date

Print Title: Director, Brooklyn Regional Operations Center (ROC)

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

Audit Implementation Plan Form A

PAGE 3 OF 3

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DRAFT REPORT DATE: March 23, 2005
AUDIT NUMBER: FP 05-078A

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

Recommendation #5: All services are rendered before payment of invoices, in accordance with SOPM

RESPONSE TO RECOMMENDATION - IMPLEMENTATION PLAN

This recommendation pertained to 1 out of 40 sample purchases, where the ROC processed an invoice for payment based on receipt of invoice.

In order to continue our efforts to follow proper procurement guidelines and always obtain certification of delivery of goods and services prior to payment of invoices, our office will reemphasize these rules to both our staff and school officials throughout our ongoing trainings. Additionally, the department is implementing an automated system to certify delivery which will be implemented in May 2005.

IMPLEMENTATION DATE

Ongoing policy

RESPONSIBILITY CENTER

BROOKLYN REGIONAL OPERATIONS CENTERS

Signature: _____

Print Name: Donna Rey

4/5/05
Date

Print Title: - Director, Brooklyn Regional Operations Center (ROC)