

AUDIT REPORT



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

Follow-up Audit Report on Other Than Personal Service Expenditures of Schools within the Department of Education Regional Operations Center for Regions 6 and 7

FS07-122F

February 22, 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 Comptroller's responsibilities contained in Chapter 5, §93, of the New York City Charter and Article 52-A, §259m, of the New York State Education Law, my office performed a follow-up audit to determine whether the Department of Education (DOE) Regional Operations Center (ROC) for Regions 6 and 7 implemented recommendations made in a previous audit of expenditures.

Until July 2, 2007, ROCs provided operational and financial support to the schools they served, after which Integrated Service Centers (ISCs) were established to continue providing training to schools in standard operating procedures. ISCs may review reports of school expenditures to identify instances warranting follow-up contact with schools to reinforce procedures, thereby preventing violations of procedures. We audit City agencies such as this to ensure that they operate in a cost-effective, efficient manner and are accountable for the use of public funds.

The results of our follow-up audit, which are presented in this report, 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.

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 over a horizontal line.

William C. Thompson, Jr.

WCT/fh

Report: FS07-122F
Filed: March 19, 2008

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

**Follow-Up Audit Report on
Other Than Personal Service Expenditures of Schools
Within the Department of Education
Regional Operations Center for Regions 6 and 7**

FS07-122F

AUDIT REPORT IN BRIEF

This follow-up audit determined whether the Department of Education (DOE) implemented the seven recommendations made in a previous audit entitled *Audit Report on Other Than Personal Service Expenditures of Schools within Regional Operations Center for Region 6 and 7* (Audit No. MH05-069A, issued May 4, 2005). In this report, we discuss the seven recommendations from the prior audit in detail, as well as the implementation status of each recommendation.

The earlier audit determined whether DOE procurement policies and procedures were followed for purchases of goods and services made by schools in Regions 6 and 7 that required Regional Operations Center (ROC)¹ approval. In that audit, the auditors determined that the officials for the ROC and schools in regions 6 and 7 generally followed DOE procurement policies and procedures for purchases that required ROC approval with the exception of the following: ROC officials did not receive required certifications of delivery; did not ensure that there were written justifications for all three bid and sole source purchases; did not ensure purchases were approved by the Office of Procurement Management (OPM); did not obtain documentation for all bidding purchases; and obtained approval after goods and services were purchased.

¹ Until July 2, 2007, ROCs provided operational and financial support to the schools they served. Subsequent to that date, Integrated Service Centers (ISCs) were established to continue providing training to schools in standard operating procedures. ISCs may review reports of school expenditures to identify instances warranting follow-up contact with schools to reinforce procedures, thereby preventing violations of procedures.

Audit Findings and Conclusions

Of the seven recommendations made in the previous audit, the current audit disclosed that DOE partially implemented four. It has fully implemented the three recommendations that dealt with: ensuring compliance with the DOE *Standard Operating Procedures Manual* for sole-source professional service purchases of between \$5,000.01 and \$10,000; maintaining copies of bid documentation; and approving non-contracted purchases exceeding \$10,000 only after receiving sufficient evidence that sealed bids were obtained and read at a public opening. During the current audit, we identified three new issues. DOE did not enter certification of delivery of purchases on-line as prescribed; did not assign appropriate on-line access to staff responsible for entering certification of delivery in the DOE Financial Accounting Management Information Systems (FAMIS); and incorrectly coded purchase orders.

Audit Recommendations

To address the outstanding issues from the previous audit that still exist, we recommend that DOE officials:

1. Ensure that certification of delivery for purchases of goods and services is obtained prior to payment of invoices.
2. Ensure that written justification for all sole-source purchases is maintained.
3. Review solicited written bids to ensure compliance with the bidding guidelines before approving purchase orders.
4. Notify all schools that purchases requiring DOE approval must not be made until they receive those approvals.

To address new issues identified in this audit, we recommend that DOE officials:

5. Ensure that the dates in FAMIS coincide with the dates of certifications of delivery.
6. Grant appropriate levels of on-line access to DOE personnel performing the on-line certification-of-delivery procedure.
7. Ensure that purchase orders are correctly coded when entered in FAMIS.

INTRODUCTION

Background

DOE is organized into 10 regions that provide primary and secondary education to more than one million New York City students. Each region has a Learning Support Center that houses the instructional leadership team for the region as well as a full service support office. Six of the Learning Support Centers also house Regional Operations Centers (ROCs), which provide operational and financial support to the schools. While school purchases are made at the individual school level, these officials review and approve: school-generated purchase orders; bidding documents for school purchases that exceed certain monetary limits; and evidence of receipt of items purchased. DOE officials also process payments for school purchases, except for purchases made on behalf of the schools by the DOE Central Office. The Center for Regions 6 and 7 is responsible for the fiscal oversight of 251 schools in those two regions.

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 Systems for general supplies, textbooks, computer and audio-visual software, athletic supplies, and for other items currently available under requirement contracts with 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 Systems (FAMIS). Designated users at individual schools can use FAMIS to generate purchase orders electronically. 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 contracts. Finally, small purchases or emergency purchases can be handled with a procurement card (P-card) or through the Small Item Payment Process (SIPP), formerly known as the imprest fund. ROC officials review all P-card applications and all SIPP purchases greater than \$500.

Objective

This follow-up audit determined whether DOE implemented the seven recommendations contained in a previous audit, *Audit Report on Other Than Personal Service Expenditures of Schools within the Department of Education Regional Operations Center for Regions 6 and 7* (Audit No. MH05-069A, issued May 4, 2005).

Scope and Methodology

The time period reviewed in this follow-up audit was Fiscal Year 2006. To obtain an understanding of DOE policies and procedures governing school Other Than Personal Service (OTPS) purchases, we met with the Region 6 and 7 budget officer; we reviewed relevant documents; and used the following sources of information:

- The prior audit report issued by the Comptroller's Office, *Audit Report on Other Than Personal Service Expenditures of Schools within the Department of Education Regional Operations Center for Regions 6 and 7*, (Audit No. MH05-069A, issued May 4, 2005);
- The DOE *Standard Operating Procedures Manual (SOPM)*, DOE Division of Financial Operations, revised OTPS purchase chapter, issued March 2006;
- DOE purchasing procedures;
- On-line procedure document *Using FAMIS for Purchasing and Payments*;
- The training documentation for evidence that training sessions were performed;
- The *On-Line Guide to Certification of Delivery*;
- The operations flowchart of the procurement process to be followed by schools;
- The Audit Implementation Plan (AIP) dated December 19, 2005 provided by DOE in response to the previous recommendations.

To assess whether DOE had implemented the corrective procedures outlined in its AIP and whether the implementation of those procedures corrected the weaknesses cited in the previous audit, we conducted tests on OTPS purchases made by Region 6 and 7 in Fiscal Year 2006.

We judgmentally selected from each region three schools or programs that had the highest number of purchase orders in excess of \$5,000, the monetary threshold requiring ROC approval. The total population of these purchases was 135 purchase orders made by 78 schools totaling \$1,107,444. The sample from these six schools or programs covered 45 purchase orders and totaled \$394,388—26 purchase orders totaling \$224,456 from Region 6 and 19 purchase orders totaling \$169,932 from Region 7. The 45 purchase orders, found in FAMIS, included nine purchases identified as sole-source in the ROC files; 19 purchase orders that required written bids, two of which required sealed and publicly opened bids², and 17 purchase orders from competitive grant funds (programs and projects not funded by DOE).

To determine whether ROC officials ensure school compliance with SOPM requirements for sole-source justifications, we reviewed nine of the 45 purchase orders that were identified as sole-source in the ROC files, totaling \$64,638—three from Region 6 totaling \$27,218, and six from Region 7 totaling \$37,420.

To assess the compliance of school officials with SOPM regulations requiring evidence that sealed bids were obtained for non-contracted purchases above \$10,000 and read at a public

² One of these purchase orders was miscoded and did not require bids. So our review of this part of the sample was reduced to 18 purchase orders.

opening, we first determined whether the purchase orders were approved prior to March 2006.³ We reviewed two purchase order packages of non-contracted purchases that exceeded the \$10,000 threshold approved in March 2006 that required evidence that sealed bids had been obtained and read at a public opening.

To assess whether school officials complied with SOPM regulations that require ROC approval before purchases are made, we reviewed the 45 purchases and compared the approval date with the order date on the invoice to determine whether an order was placed prior to ROC approval.

We performed the above tests and by using the approval date from the purchase order and order date from the invoice, we documented the results in an Excel spreadsheet to indicate whether the reviewed files contained the appropriate documentation to justify these purchases and payments; and whether the Region 6 and 7 schools complied with the procurement regulations requiring written bids from separate vendors and signatures for ROC approval, had sealed bids read at public opening for purchases above \$10,000, provided sole-source justification letters, and ensured that purchase were not made before ROC approval.

During the period between the completion of the previous audit and the beginning of this follow-up audit, DOE added a new feature to FAMIS enabling school officials to certify the delivery of goods and services. The new feature allows school personnel to indicate on-line the time of receipt of goods or services and whether the receipt represented partial or full delivery of the purchase. This feature allows the ROC to verify on-line that purchases were certified as received prior to the issuance of payments to vendor. We obtained the files of the 45 purchase orders to determine whether these purchases were certified on-line as received prior to the issuance of payments to the vendors. We compared the receipt date noted on a printout of the on-line certifications of delivery with the date the invoice was paid as reflected on a printout of the on-line documents inquiry page.

Until July 2, 2007, ROCs provided operational and financial support to the schools they served. Subsequent to that date, Integrated Service Centers (ISCs) were established to continue providing training to schools in standard operating procedures. ISCs may review reports of school expenditures to identify instances warranting follow-up contact with schools to reinforce procedures, thereby preventing violations of procedures.

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 City Comptroller's audit responsibilities as set forth in Chapter 5, §93, of the New York City Charter.

³ In March 2006, the threshold for the approval was increased from \$10,000 to \$15,000.

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 November 2, 2007, and was discussed at an exit conference held on November 20, 2007. On January 17, 2008, we submitted a draft report to DOE officials with a request for comments. We received a written response from DOE officials on February 1, 2008, in which DOE questioned whether two of the four prior audit recommendations found to be partially implemented, should not instead be considered implemented since the error rate from our sample was so low.

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

RESULTS OF FOLLOW-UP AUDIT

The current audit disclosed that DOE implemented three of the seven recommendations and partially implemented four recommendations made in the previous audit. Our review of 45 purchase orders included nine purchases identified as sole-source in the ROC files; 19 purchase orders that required written bids, two of which required sealed and publicly opened bids⁴; and 17 purchase orders from competitive grant funds (programs and projects not funded by DOE).

We found 13 instances in the 45 sampled purchases orders we reviewed that violated SOPM requirements: in one instance a purchase had no evidence of written bids at the time of purchase, as required; in two instances, purchases made by means of sole-source procurement lacked the required written justification (in fact, one of these purchases had no documentation at all); in two instances, purchases were ordered before the required approval was obtained; and in one instance, payment was rendered before on-line certification of delivery. Also, during our audit, we found that data for four purchase orders was entered in the on-line system after the items were received, which is as an internal control weakness. In addition, DOE officials do not ensure that the Department of Instructional and Information Technology grants appropriate levels of access to school personnel who perform on-line certifications of delivery, which hinders the school officials' performance of their duties. Finally, DOE officials do not ensure that purchases orders are entered in FAMIS accurately. We were informed by a DOE representative that three purchase orders we had deemed noncompliant had been incorrectly entered in the system.

A review of training documentation disclosed that procurement training classes geared toward different levels of staff members—principals, secretaries, ROC staff, and supervisors—were held in Fiscal Year 2006. During the period July 2005 through June 2006, approximately 16 training topics were offered that covered various DOE procurement processes.

Previous Finding: “Certification of delivery payment”

“ROC officials did not receive required certification of delivery for four (10%) of 42 sampled purchases.”

Previous Recommendation #1: “ROC officials should obtain certification of delivery for purchases of goods and services prior to payment of invoices.”

Previous DOE Response: “The DOE is moving toward implementing on-line certification in the near future to ensure full compliance. In addition, we will be reinforcing with our schools and staff the importance of having certification documentation for goods and services.”

Current Status: PARTIALLY IMPLEMENTED

⁴ One of these purchase orders was miscoded and did not require bids. So our review of this part of the sample was reduced to 18 purchase orders.

We found that the invoices for one of the 45 purchase orders, WO6023704, had no certification of delivery but was paid nonetheless on September 6, 2006. Therefore, we consider this recommendation to be partially implemented.

Previous Finding: “Problems with sole-source purchases”

“ROC officials did not ensure that there was adequate written justification or OPM approval for all three sole-source purchases in our sample.”

Previous Recommendation #2: “ROC officials should ensure that school officials provide written justification for all sole-source purchases, in accordance with the SOPM. The ROC should review this documentation before approving such purchases.”

Previous DOE Response: “ROC contract officers and staff have been directed to implement a closer review of all sole source purchases above \$5,000 to ensure that they are in compliance with Standard Operating Procedure requirements.”

Current Status: PARTIALLY IMPLEMENTED

We reviewed nine purchase orders identified as sole-source procurement in the ROC files that would have required written justification, in accordance with the SOPM. However, at the exit conference, DOE provided us with documentation substantiating that one purchase order WO6011612 was incorrectly coded as a purchase order when this purchase was procured by means of a contract. Of the eight other purchases we reviewed, two, WO6016053 and WO6023704, lacked evidence of written justification. Therefore, we consider this recommendation to be partially implemented.

Previous Recommendation #3: “ROC officials should ensure that sole-source purchases are approved by the OPM Administrator when required.”

Previous DOE Response: “Now that it is clear that the regulations governing procurement of sole source items differ for professional services in contrast to commodities, we will ensure strict compliance with the procedures requiring approval of proposed sole source professional service orders, above \$5,000, by the OPM Administrator.”

Current Status: IMPLEMENTED

We found that four of the sole-source purchases we reviewed were for professional services, and cost between \$5,000.01 and \$10,000. These purchases had been approved by the OPM Administrator, as required. Therefore, we consider this recommendation fully implemented.

Previous Finding: “Problems with bidding documentation”

“For two (18%) of the 11 sampled purchases of goods and services for which schools were required to obtain written bids, ROC employees approved the related purchase orders without receiving all bidding documentation to support the purchases.”

Previous Recommendation #4: “ROC officials should review solicited written bids to ensure compliance with the bidding guidelines before approving purchase orders.”

Previous DOE Response: “For all purchases exceeding \$5,000, bids must be forwarded to the ROC prior to approval of the purchase order. . . . ROC procurement team members have also been made aware of the need to review bid documentation more closely prior to approval to ensure compliance.”

Current Status: PARTIALLY IMPLEMENTED

We reviewed 18 purchases that required solicitation of written bids before the approval of the purchase orders.⁵ Purchase order WO6007029 was received by the ROC on August 23, 2005, and had evidence of bidding, but the evidence was dated December 16, 2005, nearly three months later. Therefore, we consider this recommendation partially implemented.

Previous Recommendation #5: “ROC officials should maintain copies of bid documentation.”

Previous DOE Response: “Steps have been taken at the ROC to ensure the integrity of our filing system.”

Current Status: IMPLEMENTED

We reviewed 18 purchases orders that required solicited written bids and found all had bidding documentation.⁶ Therefore, we consider the recommendation to be implemented.

Previous Recommendation #6: “Approve non-contracted purchases above \$10,000 only after receiving sufficient evidence that sealed bids were obtained and read at a public opening.”

Previous DOE Response: “Any bids received from vendors above \$10,000 must be sealed and read at a public opening.”

Current Status: IMPLEMENTED

We found one purchase that was above the \$10,000 threshold. It had evidence that sealed bids had been obtained and was read at a public opening. Therefore, we consider this recommendation to be implemented.

Previous Finding: “Approval before purchase is made”

“Five (12%) of the 42 purchases for goods or services were made by the schools prior to receiving ROC approval.”

⁵ Please refer to footnote 2.

⁶ Ibid.

Previous Recommendation #7: “ROC officials should notify all schools that purchases requiring ROC approval must not be made until the ROC has approved the purchase.”

Previous DOE Response: “ROC staff continuously stress to schools the need to seek approval prior to procuring any goods or services whether or not ROC approval is required. This topic is discussed at monthly Principal Conferences, trainings, and through various correspondences with school personnel.”

Current Status: PARTIALLY IMPLEMENTED

We reviewed 45 purchase orders and found two purchases for goods and services, WO6007029 and WO6014852, that were made before the required ROC approval. Therefore, we find this recommendation partially implemented.

New Issues

Untimely Entry of Certifications of Delivery in FAMIS

SOPM §8.1 states, “Certification of Delivery must be done directly into the FAMIS Portal.” The certification attests that the goods and services ordered have been received, examined, and found to be correct. We found that 4 of the 45 purchase orders we reviewed were certified as prescribed by DOE procedures, but that the certifications were not entered on-line in FAMIS in a timely manner. Certification for purchase order WO6015243 was entered on-line in FAMIS on June 30, 2006; however, the purchase order had been certified on June 21, 2006, and paid on June 23, 2006. Purchase order WO6015245 was certified by e-mail on May 26, 2006, and paid on June 21, 2006, but the certification was not entered on-line in FAMIS until June 30, 2006. Purchase order WO6013051 was certified on May 19, 2006, and paid on June 5, 2006, but the certification was entered in FAMIS on June 30, 2006. Purchase order WO6011612 for classes held in 2004 and 2005 was certified on May 1, 2006, and paid on May 1, 2006; the certification was entered on June 28, 2006.

Lack of Appropriate On-Line Access

During the current audit, we noted that the Department of Instructional and Information Technology did not give school personnel appropriate levels of access to perform on-line certifications of delivery. Although, school personnel were able to manually write receipt dates and their signatures on a hard copy of the electronic purchase orders, they could not update the on-line certification according to the on-line certification manual. DOE officials should ensure that all personnel have the appropriate access level to perform their duties.

Purchase Orders Entered Incorrectly or Miscoded

During this audit, DOE representatives informed us that 3 of the 45 purchase orders that we found to be noncompliant with the previous recommendation had actually been incorrectly entered in FAMIS. This reveals that a data-entry issue exists, which must be addressed.

RECOMMENDATIONS

To address the outstanding issues from the previous audit that still exist, we recommend that DOE officials:

1. Ensure that certification of delivery for purchases of goods and services is obtained prior to payment of invoices.

DOE Response: “Of the 45 purchase orders reviewed, one was found to have no documentation for certification of delivery.”

2. Ensure that written justification for all sole-source purchases is maintained.

DOE Response: “Of the eight items reviewed, two items were found to have lacked written justification. Of those two items, we disagree with one cited. Item #WO6016053 was to the US Post Office for postage.”

3. Review solicited written bids to ensure compliance with the bidding guidelines before approving purchase orders.

DOE Response: “We continue to schedule workshops to review recommendations and the SOP with ISC personnel in order to reiterate the importance of keeping our schools in compliance.”

4. Notify all schools that purchases requiring DOE approval must not be made until they receive those approvals.

DOE Response: “School personnel continue to be reminded to adhere to the protocol set forth in the SOPM. ISC Representatives have been asked to reach out to any initiator of a purchase which not does not follow protocol and provide direction and information in order to correct any outstanding problems. We continue to provide training and assistance to ensure compliance at all levels.”

To address new issues identified in this audit, we recommend that DOE officials:

5. Ensure that the dates in FAMIS coincide with the dates of certifications of delivery.

DOE Response: “The Staten Island Integrated Support Center continues to provide training to our staff and school personnel in an effort to ensure timely on-line certification of delivery for all purchase orders prior to payment of the same.”

6. Grant appropriate levels of on-line access to DOE personnel performing the on-line certification-of-delivery procedure.

DOE Response: “While we agree that appropriate levels of on-line access should be provided to all DOE personnel performing the on-line certification-of-delivery procedure, we understand this finding to have involved only representatives from the Instructional Learning Division, which has been dissolved as of July 1, 2007.”

Auditor Comment: This audit found that the Department of Instructional and Information Technology, which is not part of the Instructional Learning Division, did not give school personnel appropriate levels of access to perform on-line certifications of delivery. DOE management has responsibility for assigning levels of access and should therefore ensure that appropriate levels of on-line access are granted to DOE personnel performing the on-line certification-of-delivery.

7. Ensure that purchase orders are correctly coded when entered in FAMIS.

DOE Response: “The Staten Island Integrated Support Center continues to provide training to our staff and school personnel in an effort to ensure timely accurate entries to the system for all orders placed. We continue to schedule workshops to review recommendations and SOP with our ISC Representatives in order to inform them of school issues that need to be addressed.”



THE NEW YORK CITY DEPARTMENT OF EDUCATION
JOEL I. KLEIN, *Chancellor*

**Department of
Education**

STATEN ISLAND INTEGRATED SERVICE CENTER
Espi Semetis, Executive Director
Louis K. Aiari, *Deputy Executive Director, Business Services*
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February 1, 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: Follow-up Audit Report on Other than Personal Services
Expenditures of Schools within the Department of Education
Regional Operations Center for Regions 6 and 7
Audit # FS07-122F

Dear Mr. Graham:

This letter, with attachment, reflects the New York City Department of Education's (DOE) response to the findings and recommendations made in the above-referenced Follow-up Audit Report of the New York City Office of the Comptroller.

The follow-up audit determined whether the DOE has implemented the seven recommendations made in a previous audit entitled "Audit Report on Other Than Personal Service Expenditures of Schools within the Department of Education Regional Operations Center for Regions 6 and 7 (Audit No. MH05-069A, issued March 2005). Our response is as follows:

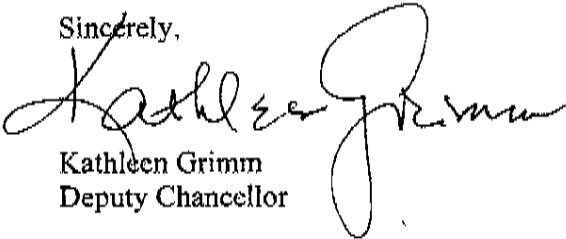
- This audit found that the DOE implemented three and partially implemented four of the seven recommendations made in the previous audit. Additionally, three new recommendations were identified based on new issues. We question whether two of the four partially implemented recommendations should also have been considered implemented for the following reasons:
 - Recommendation 1 - only one of forty-five sampled items was identified to not be in compliance with stated policy.
 - Recommendation 2 - only one of the eight items sampled was identified to not be in compliance with stated policy and that item was generated by the ILD which has since been disbanded.

FS07-122F Draft Audit Response
February 1, 2008
Page 2 of 2

In addition to the attached Agency Implementation Plans, I would like to bring your attention to a discrepancy which is included in the draft:

- In the Introduction section of the draft report, the third paragraph of the Scope and Methodology section, indicates *"Region 6 and Region 7 encompass 78 schools. During Fiscal Year 2006, the schools in these regions processed 135 purchase orders totaling \$1,107,444...."* In fact, and as indicated in the Background section of the report, *"The Center for Regions 6 and 7 is responsible for the fiscal oversight of 251 schools in those two regions"*. Additionally, during FY06, this ROC processed a total of 35,124 purchase orders totaling \$92.2 million. Of those orders processed, 3,534 were to non-contracted vendors, totaling \$4.8 million. While I don't believe this information impacts the findings in your report, I considered it necessary to mention.

Sincerely,



Kathleen Grimm
Deputy Chancellor

Attachment

cc:	Brian Fleischer	Vincent Clark	Vincent Giordano	Angel Namnum
	Mary Coffey	Espi Semetis	Susan Olds	Nader Francis
	Mariano Guzman	David Ross	Marlene Siegel	Yvonne Torres
	Robert Wilson	Louis K. Aiani		

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

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RESPONSE DATE: February 1, 2008

AUDIT TITLE: Follow-Up Audit Report on OTPS Expenditures of Schools In DOE Regions 6 and 7

AUDITING AGENCY: The City of New York Office of the Comptroller

DIVISION: Bureau of Financial Audit

DRAFT REPORT DATE: January 17, 2008

AUDIT NUMBER: FS07-122F

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

Recommendation # 1: Ensure that certification-of-delivery for purchases of goods and services is obtained prior to payment of invoices.

RESPONSE TO RECOMMENDATION - IMPLEMENTATION PLAN

The initial presentation of the Automated Certification of Delivery System occurred in July and August, 2005, with Regional Operations Center (ROC) staff training sessions held in August. School personnel attended one of ten subsequent workshops commencing on September 29, 2005 and continuing through November 1, 2005 in order to employ this function system-wide. The exact dates of training were September 29, October 6, October 7, October 12, October 19, October 20, October 25, October 27, October 28 and November 1, 2005. Instructional Learning Division (ILD) staff was trained once school training was complete, as a final phase of this roll-out. Until the ILD staff was trained, and in an effort to pay bills in a timely manner, hard copies of certification were acquired prior to paying invoices and on-line certification was completed at a later date.

Of the 45 purchase orders reviewed, one was found to have no documentation for certification of delivery. Documentation for this item was submitted to the auditor with a note that indicated "Auditor Returned w/o PO Attached". This note indicates that the item was submitted for a previous review and it was returned incomplete. We can only assume that the items which were not returned included the hard copy of a certification of delivery provided by the ILD representative.

The Staten Island Integrated Service Center continues to provide training to our staff and school personnel in an effort to ensure on-line certification of delivery for all purchase orders prior to payment of same. In September and November 2007, as well as January, 2008 the ISC teams presented Procurement Workshops which addressed certification-of-delivery as one of the topics discussed. These workshops provided presentations as well as printed guidelines for all pertinent areas of procurement. Lastly, certification-of-delivery was also addressed at a Budget Management Workshop presented for the Schools in January 2008.

We continue to schedule workshops to review recommendations and the SOP in order to inform our ISC teams of school issues that need to be addressed.

IMPLEMENTATION DATE

School / ISC Staff Training -- September, November 2007, January 2008 and ongoing

RESPONSIBILITY CENTER

Staten Island Integrated Service Center

Signature:



Print Name: Espi Semetis

Print Title: Executive Director, Staten Island Integrated Service Center

1/31/08

Date

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

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RESPONSE DATE: February 1, 2008

AUDIT TITLE: Follow-Up Audit Report on OTPS Expenditures of Schools in DOE Regions 6 and 7

AUDITING AGENCY: The City of New York Office of the Comptroller

DIVISION: Bureau of Financial Audit

DRAFT REPORT DATE: January 17, 2008

AUDIT NUMBER: FS07-122F

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

Recommendation # 2: Ensure that written justification for all sole-source purchases is maintained.

WHAT HAS BEEN IMPLEMENTED?

Of the eight items reviewed, two items were found to have lack of written justification. Of those two items, we disagree with one being cited. Item # WO6016053 was to the US Post Office for postage. Section 3.3.1, item 2 of the NYC DOE SOP Chapter on OTPS Purchases states:

"2. Sole Source

Definition: when a vendor, for very specific reasons, is identified as the only feasible source for obtaining certain items.

Exceptions to the bidding process are as follows:

- *Evidence that no other service provides substantially equivalent or similar benefits, and that, considering the benefits received, the cost of the service is reasonable.*
- *Document-able evidence that there is no possibility of competition for the procurement of the item.*
- *Use of copyrighted materials.*
- *Certain compatibility issues, which may exist.*
- *Organizational membership fees, postage, tickets/administrative fees, conference by non-NYC Department of Education organizations."*

WHAT HAS TO BE IMPLEMENTED?

The remaining item which was included in this finding, WO6023704, was a purchase order generated by the then-ILD, which was disbanded in June 2007 and all documentation sent to archives. Unfortunately, we were unable to locate these items when requested to do so by the auditor.

The Staten Island ISC is presently constructing a master archive file so that we may maintain organization of archived files as well as assigned locations generated by the Archive Center. Staff will be trained to utilize the archive system as efficiently as possible as part of this new master-system.

EXPECTED IMPLEMENTATION DATE

Archive Master File is expected to be implemented on or before April 1, 2008.

RESPONSIBILITY CENTER

Staten Island Integrated Service Center

Signature:



Print Name: Espi Semetis

Print Title: Executive Director, Staten Island Integrated Service Center

1/31/08

Date

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

PAGE 3 OF 7

RESPONSE DATE: February 1, 2008

AUDIT TITLE: Follow-Up Audit Report on OTPS Expenditures of Schools In DOE Regions 6 and 7

AUDITING AGENCY: The City of New York Office of the Comptroller

DIVISION: Bureau of Financial Audit

DRAFT REPORT DATE: January 17, 2008

AUDIT NUMBER: FS07-122F

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

Recommendation # 3: Review solicited written bids to ensure compliance with the bidding guidelines before approving purchase orders.

RESPONSE TO RECOMMENDATION - IMPLEMENTATION PLAN

Staten Island Integrated Support Center representatives continue to provide training to our staff and school personnel and consistently work to ensure compliance to SOP and accuracy in all transactions. In September and November 2007, as well as January, 2008 the ISC teams presented Procurement Workshops which addressed Bidding Guidelines as one of the topics discussed. These workshops provided presentations as well as printed guidelines for all pertinent areas of procurement. We continue to schedule workshops to review recommendations and the SOP with ISC personnel in order to reiterate the importance of keeping our schools in compliance.

IMPLEMENTATION DATE

School / ISC Staff Training – September, November 2007 and January, 2008 and ongoing

RESPONSIBILITY CENTER

Staten Island Integrated Service Center

Signature:



Print Name: Espy Semetis
Print Title: Executive Director, Staten Island Integrated Service Center

1/21/08

Date

NEW YORK CITY DEPARTMENT OF EDUCATION
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RESPONSE DATE: February 1, 2008

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DRAFT REPORT DATE: January 17, 2008

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

Recommendation # 4: Notify all schools that purchases requiring DOE approval must not be made until they receive those approvals.

RESPONSE TO RECOMMENDATION - IMPLEMENTATION PLAN

School personnel continue to be reminded to adhere to protocol set forth in the SOPM. ISC Representatives have been asked to reach out to any initiator of a purchase which does not follow protocol and provide direction and information in order to correct any outstanding problems. We continue to provide training and assistance to ensure compliance at all levels.

Of the two items that were cited in this finding, one was generated at the school level and the other was generated by the then-ILD (which has since been disbanded). The item generated at the school level has since been addressed with school personnel visited by team members for OTPS discussion and training on three separate occasions. Additionally, APO has attended two meetings and the supply secretary has attended one at which OTPS issues were discussed. In addition to the three general meetings attended by this school, at which OTPS issues were discussed, there were four other meetings in FY07 and FY08 at which OTPS was discussed and/or training was provided. ISC personnel are making every effort to keep our school personnel up-to-date on policy and procedure as well as ensuring that any misunderstanding is clarified in as timely a manner as possible.

We continue to schedule training sessions and assist school personnel on an ongoing basis.

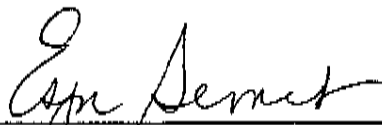
IMPLEMENTATION DATE

School / ISC Staff Training – September, November 2007 and January, 2008 and ongoing

RESPONSIBILITY CENTER

Staten Island Integrated Service Center

Signature:



Print Name: Esp Semetis

Print Title: Executive Director, Staten Island Integrated Service Center

1/31/08

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NEW YORK CITY DEPARTMENT OF EDUCATION
OFFICE OF AUDITOR GENERAL
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RESPONSE DATE: February 1, 2008

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AUDITING AGENCY: The City of New York Office of the Comptroller

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DRAFT REPORT DATE: January 17, 2008

AUDIT NUMBER: FS07-122F

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

Recommendation # 5: Ensure that the dates in FAMIS coincide with the dates of certifications of delivery.

RESPONSE TO RECOMMENDATION - IMPLEMENTATION PLAN

The Staten Island Integrated Support Center continues to provide training to our staff and school personnel in an effort to ensure timely on-line certification of delivery for all purchase orders prior to payment of the same. We continue to schedule and present workshops to review recommendations and SOP with our ISC Representatives in order to inform them of school issues that need to be addressed.

IMPLEMENTATION DATE

School / ISC Staff Training - ongoing

RESPONSIBILITY CENTER

Staten Island Integrated Service Center

Signature:



Print Name: Espi Semetls

Print Title: Executive Director, Staten Island Integrated Service Center

1/31/08

Date

NEW YORK CITY DEPARTMENT OF EDUCATION
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RESPONSE DATE: February 1, 2008

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DRAFT REPORT DATE: January 17, 2008

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**D. RECOMMENDATION WHICH THE AGENCY
AGREES OR DISAGREES WITH AND WILL NOT IMPLEMENT**

Recommendation # 6: Grant appropriate levels of on-line access to DOE personnel performing the on-line certification-of-delivery procedure.

**RESPONSE TO RECOMMENDATION
(ALTERNATIVE SOLUTIONS ON CURRENT SITUATION CITED IN AUDIT REPORT)**

While we agree that appropriate levels of on-line access should be provided to all DOE personnel performing the on-line certification-of-delivery procedure, we understand this finding to have involved only representatives from the Instructional Learning Division, which has been dissolved as of July 1, 2007.

The ISC continues to work with all users to ensure that they have appropriate access to necessary systems in order to efficiently perform the tasks for which they are responsible.

RESPONSIBILITY CENTER

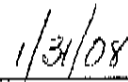
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Date

NEW YORK CITY DEPARTMENT OF EDUCATION
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RESPONSE DATE: February 1, 2008

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DRAFT REPORT DATE: January 17, 2008

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

Recommendation # 7: Ensure that purchase orders are correctly coded when entered in FAMIS.

RESPONSE TO RECOMMENDATION - IMPLEMENTATION PLAN

The Staten Island Integrated Support Center continues to provide training to our staff and school personnel in an effort to ensure timely accurate entries to the system for all orders placed. We continue to schedule workshops to review recommendations and SOP with our ISC Representatives in order to inform them of school issues that need to be addressed.

IMPLEMENTATION DATE

School / ISC Staff Training – ongoing

RESPONSIBILITY CENTER


Staten Island Integrated Service Center

Signature:



Print Name: Espi Semetis

Print Title: Executive Director, Staten Island Integrated Service Center



Date