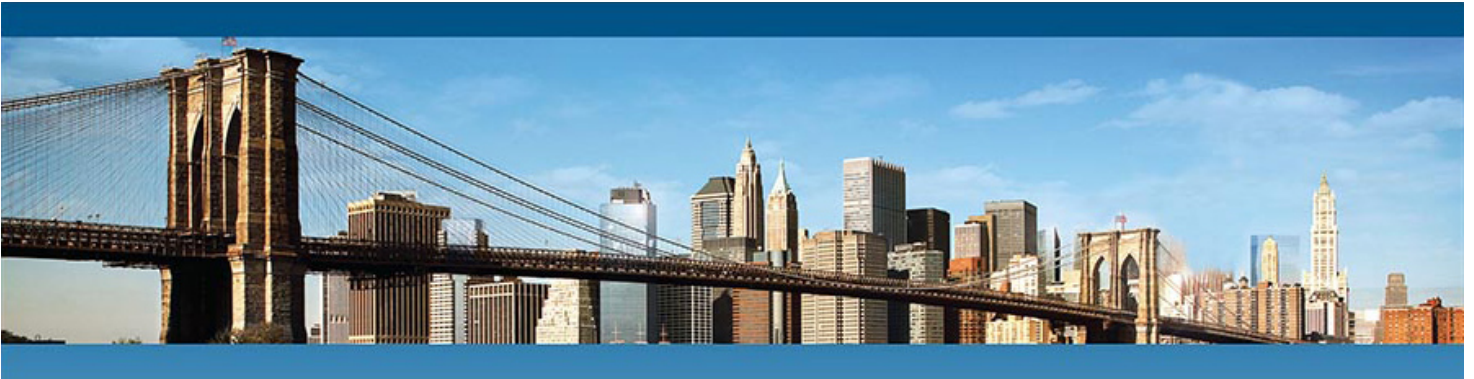




City of New York

OFFICE OF THE COMPTROLLER

Scott M. Stringer
COMPTROLLER



FINANCIAL AUDIT

Marjorie Landa

Deputy Comptroller for Audit

Audit Report on the Department of
Education's Travel and Conference
Expenses

FN17-102A

November 16, 2018

<http://comptroller.nyc.gov>



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

November 16, 2018

To the Residents of the City of New York:

My office has audited the New York City Department of Education (DOE) to determine whether DOE complied with its Standard Operating Procedures Manual (SOP) and with the applicable Comptroller's directives when paying for travel and conference expenses. We audit entities such as DOE as a means of increasing accountability and ensuring that City resources are used effectively, efficiently and in the best interest of the public.

The audit found that DOE did not fully comply with its SOPs or the applicable Comptroller's directives in connection with its payment for travel and conference expenses. Of the 136 sampled payments, 104 totaling \$986,598 (93 percent of the \$1,060,056 sampled amount), were not fully compliant with DOE's SOPs and/or the applicable Comptroller's directives. Specifically, we found that DOE approved and issued payments above the amounts allowed; approved payment for out-of-town lodging and meals, which exceeded the maximum allowable rate; failed to solicit required bids for purchases related to DOE events; approved payments without the requisite prior approval by the appropriate DOE officials; and did not maintain required supporting documentation. In addition, DOE incorrectly recorded and reported travel expenses in DOE's Financial Accounting Management Information System and consequently overstated its travel expenses by over \$3 million for Fiscal Year 2017. Finally, the audit identified over \$60,000 in waste that resulted from an inconsistency between DOE policies governing international travel for, respectively, staff and students.

The audit makes 16 recommendations including that DOE should: recoup the overcharges that it paid to vendors; obtain proper approval from its Division of Financial Operations before approving or paying a lodging charge for an employee at a rate that exceeds the applicable rate; solicit the required number of bids or quotes in advance to obtain the best possible prices for necessary goods and services; ensure that supporting documentation for travel and related expenses is properly maintained and available for audit and other authorized purposes; and consider incorporating additional approval for student trips that involve international or overnight travel and any trip for which a concern about security or safety is identified.

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

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

Sincerely,

Scott M. Stringer

TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
Audit Findings and Conclusions	1
Audit Recommendations	2
Agency Response	3
AUDIT REPORT	4
Background	4
Objectives	4
Scope and Methodology Statement.....	5
Discussion of Audit Results	5
FINDINGS	6
Payments Exceeded Negotiated Contract Prices	7
Use of Free or Low-Cost Contracted Facilities Not Explored for DOE-Sponsored Meetings and Activities	8
Required Justification Missing/Not Sufficient for Out-of-Town Travel for Conferences and Training	9
Improperly Processed Payments That Exceeded Maximum Allowable Rates.....	11
Missing Required Written Bids	12
Missing and Untimely Approvals of Travel and Conference Expenses	13
DOE Did Not Maintain Supporting Documentation for Travel Expenses	14
No Supporting Documentation.....	14
Inadequate Supporting Documentation.....	14
Incorrect Recording and Reporting of Travel Expenses.....	15
Over \$3 Million in Travel Expenses Incorrectly Recorded	15
Incorrect Object Codes Used.....	15
Inadequate Approval Requirements for Student Overseas Trips	17
RECOMMENDATIONS.....	18
DETAILED SCOPE AND METHODOLOGY	21
APPENDIX I	23
APPENDIX II	26
ADDENDUM	

THE CITY OF NEW YORK OFFICE OF THE COMPTROLLER FINANCIAL AUDIT

Audit Report on the Department of Education's Travel and Conference Expenses

FN17-102A

EXECUTIVE SUMMARY

The New York City Department of Education (DOE) has established policies and procedures that govern its payment of expenses related to employees' travel and participation in conferences, meetings, and training programs. DOE processes employees' travel requests in its centralized, electronic Travel Reimbursement and Approval Certification (TRAC) system and records its travel and conference expenditures, including those charged to its agency credit card, in DOE's Financial Accounting Management Information System (FAMIS), and the City's centralized Financial Management System (FMS).¹

DOE's Standard Operating Procedures Manual (SOP) for Travel and Conferences stipulates that all travel expenses must be approved prior to travel. DOE's Department of Financial Operations (DFO) is responsible for: (1) verifying that each charge was approved by the responsible official at each individual school or administrative office; (2) reviewing the charges for budget purposes; and (3) approving the monthly payment to the credit card provider. The approver is supposed to: (1) validate the proposed travel as furthering an educational purpose and the professional enhancement of the staff members concerned; and (2) ensure that budgeted funds needed to pay for the proposed travel are available. Further, according to DOE's SOP for Other than Personal Services (OTPS) expenses, DOE employees must follow DOE's procurement guidelines for acquiring goods and services related to training, meetings and conferences. DOE is also expected to comply with the internal control and accountability requirements for travel expenses and fund-administration established by City Comptroller's directives. In Fiscal Years 2016 and 2017, DOE reported approximately \$18 million and \$20 million in travel expenditures, respectively.

In this audit we determined whether DOE complied with its SOPs and with the applicable Comptroller's directives regarding travel and conference expenses.

Audit Findings and Conclusions

Our audit found that DOE did not fully comply with its SOPs or the applicable Comptroller's directives for travel and conference expenses. Of the 136 sampled payments, 104 totaling

¹ Each month DOE's credit card payment encompasses numerous travel-related charges that DOE employees incurred with various vendors, such as travel agencies, airlines, and hotels.

\$986,598 (93 percent of the \$1,060,056 sampled amount), were not fully compliant with DOE's SOPs and/or the applicable Comptroller's directives. Specifically, we found among other instances of noncompliance, that DOE:

- approved and issued payments of \$14,023 above the amounts allowed under two separate contracts, one for conference-space rental at a Brooklyn hotel, and the other for an out-of-state conference;
- expended \$233,167 for DOE-sponsored meetings held at privately-operated sites without having sought alternative free or low-cost facilities as required by its own policy;
- paid \$42,743 for employees to attend out-of-town conferences and training without written justification to show these expenses were necessary for the employees' professional and educational enhancement;
- approved payment of \$12,245 for out-of-town lodging and meals, which exceeded the maximum allowable rate of \$9,315 by \$2,930 (a 31 percent increase) without the required justification and approvals;
- failed to solicit required bids for 11 sampled payments, totaling \$269,684, for purchases related to DOE events, such as educational conferences and staff retreats;
- approved 14 payments totaling \$221,638 without the requisite prior approval by the appropriate DOE officials; and
- did not maintain and therefore was unable to provide one or more items of required supporting documentation for 43 travel expenses totaling \$246,799.

In addition, DOE incorrectly recorded and reported travel expenses in FAMIS and consequently overstated its travel expenses by over \$3 million for Fiscal Year 2017.

Finally, we identified over \$60,000 in waste that resulted from an inconsistency between DOE policies governing international travel for, respectively, staff and students. Specifically, while a third level of approval—by the Chancellor or the Chief Operating Officer or designee—is required for staff to travel internationally at DOE's expense, such approval is not required for DOE-paid international travel by students, or seemingly for the DOE staff members who accompany them. When the Chancellor's office canceled one such trip based on security concerns, DOE lost \$60,422 that it had paid out for services that were never used, and paid an additional \$97,000 for a replacement trip for most of the same students and staff members.

Audit Recommendations

To address these issues, we make 16 recommendations to DOE, including that the agency implement the following measures:

- Recoup the overcharges of \$14,023 that DOE paid to vendors as identified in this audit.
- Ensure that all invoice charges are compared with and matched to the applicable contract prices before payment is made.
- Explore the use of free or low-cost contracted facilities within the City for all business meetings and staff retreats.
- Ensure proper justification for staff's out-of-town travel was obtained and documented in the appropriate records relating to the travel expense before approving payment.

- Obtain proper approval from DOE's DFO before approving or paying a lodging charge for an employee at a rate that exceeds the applicable United States General Services Administration (GSA) rate.
- Solicit the required number of bids or quotes in advance to obtain the best possible prices for necessary goods and services.
- Ensure that all required approvals are obtained before travel commences and before the agency incurs expenses for lodging, meals, and conference attendance.
- Ensure that supporting documentation for travel and related expenses is properly maintained and available for audit and other authorized purposes.
- Consider incorporating in Chancellor's Regulation A-670 a requirement for Level 3 approval by the Chancellor or his/her designee for student trips that involve international or overnight travel and any trip for which a concern about security or safety is identified.

Agency Response

DOE agreed with 14 of the 16 recommendations and partially agreed with the 2 remaining recommendations. DOE stated, "Overall, we agree with most of the audit recommendations and acknowledge the opportunity to reinforce adherence to the DOE's policies and procedures. . . . [W]e will conduct additional trainings throughout the year to ensure all policies are followed. . . . We are also assessing the need for further changes and will continue to explore ways to improve our practices and procedures."

AUDIT REPORT

Background

DOE provides primary and secondary education to over one million students, from pre-kindergarten through grade 12, in 32 school districts with more than 1,800 schools and employs approximately 77,000 teachers.

DOE has established policies and procedures that govern its employees' DOE-paid travel, including their travel to and from, attendance at and participation in meetings, conferences and training programs, and has developed a centralized electronic information system to process and maintain records of its employees' travel requests. Specifically, DOE's TRAC allows employees to obtain approval for travel, and to apply for reimbursement of eligible travel-related expenses, electronically. In addition, DOE records all approved employee-travel and meeting expenses, including reimbursements to individual employees processed through TRAC, and DOE's monthly payments for travel-related charges on its agency credit card, in its FAMIS, which in turn, is used, in part, to record expenses in the City's centralized FMS.

According to DOE's SOP for Travel and Conferences, all travel expenses must be approved prior to travel. The approver is required to validate the proposed travel as furthering an educational purpose and the professional enhancement of the staff members concerned and ensure that funds are available. Further, according to DOE's SOP for OTPS expenses, DOE officials are required to follow DOE's procurement guidelines for acquiring goods and services related to training, meetings and conferences.

In addition to following its abovementioned internal SOPs, DOE is also required to comply with the internal control and accountability requirements for travel expenses and fund-administration established by three City Comptroller's directives:

- Directive #3: *Administration of Imprest Funds*, which governs the operation and control of such funds;²
- Directive #6: *Travel, Meals, Lodging and Miscellaneous Agency Expenses*, which governs expenditures for employee travel, agency-provided meals and refreshments, and a variety of other miscellaneous agency expenses; and
- Directive #24: *Agency Purchasing Procedures and Controls*, which prescribes accounting, internal control and documentation requirements relative to City agencies' purchasing transactions and expenditures.

In Fiscal Years 2016 and 2017, DOE reported approximately \$18 million and \$20 million in travel expenditures, respectively.

Objectives

The objectives of this audit were to determine whether DOE complied with its SOPs, as well as Comptroller's directives, regarding travel and conference expenses.

² Imprest Funds are agency-controlled checking accounts that can be used for small purchases and petty cash transactions.

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 period of this audit is Fiscal Year 2017, covering the period July 1, 2016 through June 30, 2017. 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

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 was thereafter discussed at an exit conference held on September 12, 2018. On October 2, 2018, we submitted a draft report to DOE with a request for comments. We received a written response from DOE on October 17, 2018. In its response, DOE agreed with 14 of the 16 recommendations and partially agreed with the 2 remaining recommendations. DOE stated, “Overall, we agree with most of the audit recommendations and acknowledge the opportunity to reinforce adherence to the DOE’s policies and procedures. . . . [W]e will conduct additional trainings throughout the year to ensure all policies are followed. . . . We are also assessing the need for further changes and will continue to explore ways to improve our practices and procedures.”

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

FINDINGS

DOE did not fully comply with its SOPs or the applicable Comptroller's Directives for travel and conference expenses. According to the records DOE provided, in Fiscal Year 2017, the agency approved and paid 42,508 travel expense vouchers, totaling \$20,385,987, which ranged in amount from under \$1 to \$482,170. Of the 136 payments we sampled, totaling \$1,060,056, we found that 104, totaling \$986,598 (93 percent), were not fully compliant with DOE's SOPs and/or the Comptroller's Directives.³

Specifically, we found, among other instances of noncompliance, that DOE:

- Approved and issued payments of \$14,023 above the amounts allowed under two separate contracts, one for conference-space rental at a Brooklyn hotel and registration, and the other for an out-of-state conference, resulting in a 7 percent overpayment;
- Expended \$233,167 (22 percent of the sampled payments by amount) for DOE-sponsored meetings held at privately-operated sites without having sought alternative free or low-cost facilities as required by its own policy;
- Paid \$42,743 for employees to attend out-of-town conferences and training programs without the written justification required by DOE policy to show that the expenses were necessary for the employees' professional and educational enhancement;
- Approved payment of \$12,245 for out-of-town lodging and meals, which exceeded the maximum allowable rate of \$9,315 by \$2,930 (a 31 percent increase) without the required justification and approvals;
- Failed to solicit bids as required by DOE's procurement policy for 11 payments totaling \$269,684, out of 17 sampled payments, for purchases related to events such as educational conferences and staff retreats;
- Approved 14 payments, totaling \$221,638 (21 percent of the sampled payments by amount) without evidence that the expenditures had been authorized by the appropriate DOE officials; and
- Did not maintain one or more required items of supporting documentation for 43 travel expense payments, totaling \$246,799 (23 percent of the sampled payments).

In addition, we found that DOE incorrectly recorded and reported \$3.5 million of travel expenses in FAMIS, in effect overstating its travel expenses by more than 17 percent for Fiscal Year 2017.

Finally, we identified over \$60,000 in waste that resulted from an inconsistency between DOE policies governing international travel for, respectively, staff and students. Specifically, while "Level 3 Approval" (a third-level of approval) is required for staff to travel internationally at DOE's expense, such approval is not required for DOE-paid international travel by students under Chancellor's Regulation A-670—or seemingly for the DOE staff members who accompany the students at DOE's expense. When the Chancellor's office canceled one such trip based on security concerns, DOE lost \$60,422 that it had paid to vendors for services that were never used, and paid an additional \$97,000 for a replacement trip for 16 students and 5 DOE staff members.

³ 104 of the 136 sampled payments consisted of 37 of the 46 approved payment vouchers and 67 of the 90 approved credit card charges. Further, they reflected travel expenses processed through 46 DOE payment vouchers and 90 credit card charges processed through 4 DOE payment vouchers. See Appendix I for a complete list of the 104 noncompliant payments.

In both instances, DOE did not require a third level of approval before the staff members incurred the travel expenses.

The details of these findings are discussed in the following sections of this report.

Payments Exceeded Negotiated Contract Prices

Of the sampled payments reviewed, we found that DOE made payments to two different vendors that collectively exceeded the negotiated prices stated in the associated contracts by a total of \$14,023. As detailed in Table I below, we found that payments for: (1) registration and training fees; and (2) the rental of conference space for a DOE-organized seminar, respectively, were made by DOE in amounts that exceeded the prices set forth in the vendors' contracts with DOE. In making these excess payments, DOE paid the amounts invoiced by the vendors without matching those invoices to the totals allowed by the vendors' contracts to ensure that the invoiced amounts were appropriate.

Table I

Payments Exceeded Negotiated Prices

	Invoiced & Paid Amount	Amount Payable Per Negotiated Contract	Excess Amount Paid
Registration for Out-of-State Conference - Contract #CT1-20179755106			
Summer Institute Registration and Training fees	\$154,681	\$152,571	\$2,110
New York Marriott at the Brooklyn Bridge - License #LIC0152			
Rental Space for Meeting	\$60,583	\$48,670	\$11,913
TOTAL	\$215,264	\$201,241	\$14,023

Regarding the rental space noted above, DOE provided documentation showing that New York Marriot Hotel at the Brooklyn Bridge was the lowest bidder, with a negotiated cost per day of \$48,670, capable of accommodating approximately 1,000 anticipated attendees for the *Professional Learning Teacher Session 3* seminar that took place on March 13, 2017. However, as shown in Table I above, the actual amount invoiced and paid by DOE for the one day captured by our sample, was \$60,583 for 784 attendees, resulting in an excess payment of \$11,913. According to DOE's Procurement Policy and Procedures, Chapter 4, Section 4-04(c)(3) Document Review and Payment,

[t]he Payment Officer shall match the invoice, applicable supporting documentation and applicable receiving documentation with the contract/purchase order and review all documents to assure conformity to the terms of the contract/purchase order. Where there is a discrepancy in the documentation, the Payment Officer shall notify the vendor and/or the Receiving Officer to rectify the problem.

The records provided by DOE contained no evidence to demonstrate that the DOE staff members who approved the two abovementioned overpayments had compared the invoice prices with the contract prices or notified the vendors of the discrepancies between them, as required by the above-quoted DOE policy. DOE's failure to check invoice prices against the terms of the contracts resulted in excess payments to the vendors and a waste of City funds.

Use of Free or Low-Cost Contracted Facilities Not Explored for DOE-Sponsored Meetings and Activities

Our review of the total 136 sample payments found 10 instances in which DOE paid private organizations, such as hotels, to serve as venues for DOE-sponsored events with no documentation demonstrating that it had explored whether free or low-cost facilities within the City could be used, as required by DOE's own policy. The total cost for these 10 events—business meetings and staff retreats—was \$233,167, 22 percent of the sampled amount, as shown in Table II below.

Table II

Free and Low-Cost Facilities Not Explored
for DOE Meetings
Fiscal Year 2017

Date of Event	Vendor's Name	Purpose of the Event	Amount
Local Meetings			
07/01/16	St. Francis College	STEM Summer on the City Teacher Learning	\$ 2,910
08/30/16	RHC Operating LLC	Job Fair at Yankee Stadium	\$ 23,180
12/07/16	NY Academy of Sciences	C IPL Retreat	\$ 20,988
03/06/17	St. Francis College	Training	\$ 1,600
03/13/17	The New York Marriott at the Brooklyn Bridge	Professional Learning Teacher Session 3	\$ 60,583
03/13/17	Fordham University	NYC Bronx Career Fair	\$ 3,845
03/30/17	The New York Marriott at the Brooklyn Bridge	Core Curriculum Showcase	\$ 99,716
Total			\$ 212,822
Out-of-Town Staff Retreats			
06/07/17	Tarrytown House Estate on the Hudson	Staff Retreat	\$ 12,883
06/09/17	Vila Roma in Callicoon, NY	Staff Retreat	\$ 4,186
06/09/17	Vila Roma in Callicoon, NY	Staff Retreat	\$ 3,276
Total			\$ 20,345
Grand Total Amount			\$ 233,167

According to Section 5.3 of DOE's SOP for Travel and Conferences, "[t]o minimize meeting expenditures, DOE should make every effort to schedule business meetings within the five boroughs of New York City, at City offices, and during customary business hours." Furthermore, Subsection 5.3.1 adds that "[a] suitable free or low cost DOE contracted facility (DOE, other government or not-for-profit organization site) should be used for DOE-sponsored meetings and activities." However, the documentation DOE provided contained no evidence that DOE had contacted other government agencies or not-for-profit organizations operating DOE-contracted facilities to determine whether the above-listed events could be held in other venues at no charge or at a lower cost. To the extent that DOE incurs conference and travel expenses without checking the availability of free and low-cost facilities, it cannot minimize such expenditures as required by its SOP.

As illustrated in Table II, we found that for 3 of the 10 abovementioned events DOE paid \$20,345 for out-of-town staff retreats without any documented effort to identify free or low-cost facilities

within the City. In one of those three instances, a school organized an overnight retreat for 40 staff members in Tarrytown, Westchester County, on June 7 and June 8, 2017. The agenda for the event indicates that one 90-minute staff meeting was scheduled for June 7, from 3:30 p.m. to 5:00 p.m., and six hours of activities were slated for June 8, consisting of three simultaneous workshops, from 9:00 a.m. to 2:00 p.m., and a staff meeting from 2:00 p.m. to 3:00 p.m. DOE's documentation included no evidence that DOE had explored whether the retreat could be held at a free facility within the City, such as a DOE school. Of the two consecutive days with staff-retreat activities on the agenda, the second—June 8, 2017—was the day on which 80 percent of the activities were scheduled. Within DOE, that date was also designated, City-wide, as the Chancellor's Conference Day for staff development, and students were not required to attend school; consequently school facilities that normally would have been used for classes may have been available for staff development activities. Nevertheless, rather than using a school facility for the staff meeting and workshops, DOE paid \$12,883, for lodging and meals for the retreat.

In addition, based on the information provided by DOE, there was no evidence that the Tarrytown retreat met the criteria for out-of-town overnight travel established by DOE's SOP for Travel and Conferences, Section 4.2. The SOP allows payment for out-of-town overnight lodging for a trip over 75 miles from the center of the City, which the Tarrytown retreat venue is not, if the following conditions are met:⁴

- The out-of-town travel would result in a work day of more than 11.5 hours from and to the employee's home; or
- The starting time of the activity is so early that the traveler, if starting the trip from his or her home or work location, would have to leave more than 2 hours earlier than is customary to arrive on time; or
- The business of the conference or meeting extends into or begins in the evening, and the traveler would be unable to return home or to his or her work location by 11 p.m.; or
- The conference, seminar or convention requires on-site preparation the day before the conference by the person attending; or
- It is imprudent to require the traveler to return home due to an unforeseeable situation.

Based on the information DOE provided, the conditions for overnight travel established by DOE's SOP did not apply to the Tarrytown retreat.

Required Justification Missing/Not Sufficient for Out-of-Town Travel for Conferences and Training

DOE lacked required justification for three payments (shown in Table III below), totaling \$42,743 for staff members' out-of-town travel for conferences and training, which constitutes 9.6 percent of the \$442,629 in sampled payments in that category. Specifically, Chapter 4 of DOE's SOP for Travel and Conferences states that with respect to out-of-town travel,

the approving authority must ensure that the traveler's TRAC request describes how this travel provides a specific educational or other benefit that cannot be gained in any other manner or within NYC or other local travel destination.

DOE's records relating to the three payments, however, failed to document the benefit that

⁴ The SOP determines the center of the City to be 59th Street and Columbus Circle in Manhattan.

required and justified the employees' traveling out-of-town.

Table III

Missing Required Justification for
Out-of-Town Conferences and
Training

Date of Event	Event Description	Types of Expenses	Amount	Number of payments Missing Justification for Travel/On-Site Training
06/18/16	Harvard Graduate School - Multiple Training Programs	Program Cost	\$ 40,425	1
07/16/16	Travel - Summer Institute, Philadelphia	Train Tickets	\$ 1,239	1
07/19/16	Travel - ADE Institute Conference, Berlin	Air Ticket	\$ 1,079	1
Total			\$ 42,743	3

In one instance shown above, DOE paid \$40,425 for 11 staff members to attend a five-day program at the Harvard Graduate School of Education (HGSE) in Cambridge, Massachusetts. Although the DOE SOP expressly requires that “the traveler’s TRAC request” describe the specific educational or other benefit of the travel “that cannot be gained in any other manner” or within New York City or other local site, neither DOE’s TRAC requests (provided for 7 of the 11 employees), its purchase orders, nor any other contemporaneous record provided to us described such benefits. In addition, DOE’s records did not address the benefits to be derived from on-site training as opposed to the online training available from the same provider. According to the HGSE’s catalog, HGSE offered the same training program online from August 1 to August 5, 2016, which for 11 attendees would have totaled \$28,325, i.e., \$12,100 less than DOE paid.

We also found that 60 staff members who attended 13 out-of-town conferences and training sessions did not provide synopses of the relevant subject matter covered at those events as required by Comptroller’s Directive #6, Section 7.3, pertaining to long-distance travel,

A brief synopsis of the relevant subject matter covered at the training, educational or professional conference must be submitted to the Agency Head or Designee within 14 business days of the employee's return and be available for Comptroller's audit. The synopsis should include, but not be limited to, a description of the benefits that will accrue to the agency because of attendance, the functional areas of the agency impacted, and any action taken or to be taken as a result of attendance. Additionally, the employee must ensure that relevant materials and/or a summary briefing of the information gained at the meeting is shared with appropriate members of the agency's staff.⁵

As noted in the Introduction to Comptroller’s Directive #6,

expenditures for employee travel, agency provided meals and refreshments, and a variety of other miscellaneous agency expenses. . . are often targets of abuse and should be the subject of careful agency scrutiny. . . . It is expected that agencies will regularly review their policies and, as appropriate, establish Agency

⁵ “Long-Distance Travel” refers to travel that is to a destination, other than a City employee’s Primary Workstation, that is not within the boundaries of New York City’s five boroughs, and the distance the employee travels is more than 75 miles from Columbus Circle, Manhattan [map reference omitted] and more than 75 miles from the Employee Residence. Long-Distance Travel may or may not include Overnight Travel. Comptroller’s Directive #6, Section 2.6.

Policies in order to limit the expenditure of public funds and appropriately manage the budgetary impact of these costs to the agency.

In the abovementioned instances, however, DOE approved and paid employees' travel expenditures without the careful scrutiny prescribed by the Comptroller's directive and in violation of DOE's own policies, resulting in an uneconomical use of public funds.

Improperly Processed Payments That Exceeded Maximum Allowable Rates

Of the 65 out-of-town trips sampled, we found 6 trips in which DOE's payments for employees' hotel lodging and meals exceeded the maximum allowable GSA rates, which DOE's policy references as the applicable standard for staff travel. With respect to the excess payments for lodging, DOE failed to document the justification that DOE's policy requires for approval. By exceeding the applicable maximum rates for lodging and meals, DOE improperly paid \$2,930 in excess expenses.

According to DOE's SOP for Travel and Conferences, Section 4.2 Overnight Lodging states that when lodging costs exceed the GSA guidelines,

the attendee/traveler will be prompted in TRAC to provide justification and obtain prior approval from the Executive Director, Division of Financial Operations (DFO) who is the Chancellor's designee for approving thresholds above GSA rates. The approving authority may authorize permission under the following circumstances:

- There is no other available low-cost lodging in the vicinity of the conference site
- There are other professional and/or cost-saving benefits by staying at the conference site
- If this results in reduced transportation and/or meal costs for the traveler.

The documentation DOE provided for four payments lacked both the explanation outlined in the above-quoted section of DOE's SOP guidelines and the required DFO approvals. In one of those instances, the audit found that DOE was charged premium rates for last-minute bookings. Comptroller's Directive #6, Section 5.4, Avoiding Last-Minute Arrangements, advises travelers to submit travel request well in advance of a planned trip because last-minute travel arrangements frequently translate into higher transportation and lodging costs.

For the remaining two payments DOE paid meal expenses that exceeded the applicable GSA rates for out-of-town meals, which was contrary to DOE's SOP for Travel and Conferences.

Table IV below lists the four instances of lodging rates exceeding the GSA rates without the prior approval of the Executive Director of DFO and the two instances that meal expenses exceeded the GSA daily per diem meal rate.

Table IV

Payments for Out-of-Town Lodgings
& Meals Exceeded Maximum
Allowable GSA Rates

Event Description	Amount Paid	Amount that should have been paid based on GSA Allowable Rate	Excess Amount Paid
Food/Travel Expenses reimbursed for National Summit from 10/25/2016 to 10/28/2016.			
Food - 10/25/2016	\$ 80	\$ 52	\$ 28
Food - 10/27/2016	\$ 92	\$ 69	\$ 23
Staff attending National Conference on Differentiated Instruction from 7/18/2016 to 7/23/2016.			
Last day invoice for 2 people	\$ 335	\$ 186	\$ 149
3 Last day invoices for 2 people @\$290	\$ 870	\$ 558	\$ 312
Last day invoice for 2 people	\$ 275	\$ 186	\$ 89
Last day invoice for 2 people	\$ 260	\$ 186	\$ 74
Staff Attending National Summit from 9/23/2016 to 9/27/2016			
Hotel for 4 days @249	\$ 1,992	\$ 1,692	\$ 300
National Summit for Educational Equity Conference 4/24/2017			
Invoice for one person - 3 days	\$ 1,017	\$ 726	\$ 291
HGSE -Data Wise Summer Course Certification			
Hotel for 5 days @289	\$ 5,780	\$ 4,940	\$ 840
Staff Retreat Lunch - Pine Restaurant			
Lunch for 40 Staff @\$29.95 +Service fee (\$239.60) +Taxes (\$106.32)	\$ 1,544	\$ 720	\$ 824
6			\$ 2,930

Missing Required Written Bids

DOE was unable to provide documentation to show that it solicited or obtained the required number of bids or price quotes for 11 sampled payments involving total expenditures of \$269,684. Details, including the procurement type and the specific deficiency noted for each purchase, are shown in Appendix II of this report.

According to DOE's Procurement Policy and Procedures, Section 3-10(b)(2)(ii), for simplified procurement of services and construction, bids from at least three vendors shall be solicited. In addition, "[r]esponsive bids or offers shall be obtained from at least two vendors. If only one responsive bid or offer is received in response to a solicitation, an award may be made to that vendor if the Procurement Manager determines that the price submitted is fair and reasonable and that other vendors had reasonable opportunity to respond."

As an example, DOE processed a payment totaling \$17,847 for a catering service for a team orientation at a DOE location in Long Island City but had not solicited the required three bids. Other examples include \$99,716 for a "core curriculum showcase" held at a hotel in Brooklyn and two staff retreats for approximately \$25,000 each. Without ensuring that written bids are solicited for services costing over \$5,000, DOE cannot be assured that it will obtain the best available price or the best value for its expenditure of public money.

Missing and Untimely Approvals of Travel and Conference Expenses

We found 14 payments totaling \$221,638, or 20.9 percent of the sampled payments by amount, for which DOE lacked proper or timely approval. Specifically, DOE made the following payments either without the approval required by its SOP or before the required approval was obtained:

- Five payments for facility rentals totaling \$180,101, each exceeding \$15,000, without the required approval of DOE's Chief Operating Officer;
- Two payments totaling \$27,500 for deposits for a planned, subsequently-canceled, international trip for a group of students and DOE staff, that the Superintendent had not yet approved;⁶
- Four payments, totaling \$12,701, for catering services that were provided before the purchase orders were approved; and
- Three payments, totaling \$1,336, without the approval signatures on the purchase orders.

DOE's SOP for OTPS Purchases, Chapter 2.1 which concerns authorization of purchases, states in part,

[t]o ensure that funds are spent responsibly, all OTPS purchase documents must be authorized by at least one, possibly more Department of Education officials.

The **Authorizing Official** [emphasis in original] is responsible for certifying that goods and services being ordered for a school/site are needed to conduct the educational or administrative program, and is in accordance with **all** [emphasis in original] NYC Department of Education rules and regulations including bidding and contracts.

Before authorizing a proposed expenditure, the authorizing official must check that the terms and conditions of the agreement, including the exact nature of the items or services to be provided, are specified on the appropriate purchasing document.

DOE should not pay or incur any expenses, including for travel and conferences, prior to obtaining the required approval from the designated authorizing official(s). The importance of such approval is highlighted in the Introduction to Comptroller's Directive #6, which states in part that "Approval' . . . refers specifically to an authorization in which the activity, the related expense, and the agency purpose have been explained in writing and signed by the Agency Head or his/her Designee. Wherever practicable, Approval must occur prior to the incurrence of the cost." Approval of an expense by the designated agency official is supposed to validate the necessity and reasonableness of the expense and the availability of the funds. Conversely, payments made and expenses incurred without the required approval or with an approval granted after the fact reflect poor internal control and expose the agency to a heightened risk of misuse of City funds.

⁶ The trip is further discussed subsequently in this report.

DOE Did Not Maintain Supporting Documentation for Travel Expenses

No Supporting Documentation

DOE was unable to provide any supporting documentation for 13 of the 90 sampled credit card charges (14 percent), totaling \$14,956, that were selected for our review. Seven of the 13 undocumented credit card payments, totaling \$14,714, involved the following unexplained charges:

- Three Amtrak charges, totaling \$6,537, one of which, for \$3,600, appears to be a duplicate, because it was in the exact same amount as another sampled Amtrak charge, and both charges referenced the same employee and travel date;
- Three charges, totaling \$2,821, at the Gaylord Opryland Resort, Nashville; Tennessee; and,
- One \$5,356 charge at the Holiday Inn, Waltham, Massachusetts.

Of the six remaining undocumented payments, five, totaling \$202, were related to transportation services provided by a car service company, and the sixth charge, for \$40, was for an unknown vendor. DOE officials stated that these six payments were related to fraudulent activities during the period from January 21, 2017 to March 22, 2017 when its credit card was compromised. However, DOE was unable to provide any correspondence between DOE and the credit card provider to support that claim or to show that DOE disputed these reportedly-fraudulent charges.

Since no documentation was available, we were unable to determine whether the abovementioned expenses were appropriate. DOE should strengthen its oversight over the credit card expenditures due to the volume of the charges; the four sampled monthly credit cards payments reflected over 4,000 charges in total.

Inadequate Supporting Documentation

DOE did not maintain adequate supporting documentation for 30 travel expenses sampled, totaling \$231,843.⁷ The following critical documents were missing from the documentation provided by DOE:

- Five payments, totaling \$95,375, did not include the negotiated contracts;
- Nine payments, totaling \$70,110, were missing TRAC requests;
- Three payments, totaling \$58,542, were missing the list of names of the travelers and/or the proof of their attendance at the relevant training program or meeting;
- Fourteen payments, totaling \$47,053, were missing invoices; and
- Two payments, totaling \$12,609, did not include purchase orders.

According to Section 2.4 of DOE's SOP for Travel and Conferences, "[a]pproved TRAC records and related supporting documentation are official DOE records. Even though TRAC was used in the approval process, all TRAC documents and supporting documentation must be printed and maintained in hard-copy form at the payment processing site (school or office) for at least six years. These documents may be requested for audit or review."

⁷ Some of these payments had more than one critical document missing.

DOE's failure to comply with its own guidelines regarding retention of records that may be requested for audit review is indicative of ineffective enforcement of its record keeping requirements and a lack of accountability for travel expenses.

Incorrect Recording and Reporting of Travel Expenses

DOE incorrectly processed certain travel expenses for Fiscal Year 2017 that resulted in inaccurate recording and reporting of Travel and Private Grants accounts totaling \$3.5 million. In addition, DOE used incorrect object codes, thereby distorting the budget and preventing proper accountability of the nature of the travel expenses.

Over \$3 Million in Travel Expenses Incorrectly Recorded

The audit revealed 2,046 payments, totaling more than \$3 million, for travel expenses that were processed incorrectly in FAMIS because of duplicate recording. These payments were reimbursements made by DOE's individual schools or administrative sites to pay for their share of travel and conference costs that were initially paid by DFO, on their behalf, through DOE's credit card. The individual locations reimbursed DFO by encumbering the funds and issuing checks payable to DFO. As a result, DOE's FAMIS system recorded both payments as separate travel expenses, once when DFO processed the expense through the credit card and again when the individual location reimbursed DFO for the same travel expense, resulting in duplicate recording of the same expense. However, rather than removing the duplicate travel expenses, DFO incorrectly recorded its receipt of the reimbursements from the individual DOE locations as Private Grants.

As a result of inaccurate recording of the above payments, the total travel and conference expenses for Fiscal Year 2017 were overstated by over \$3 million in FAMIS and subsequently in the Citywide FMS system. Correspondingly, the Private Grants were overstated by the same amount.

Based on our inquiry and discussion of this matter, DOE officials stated that as of February 9, 2018, they have instituted a new method of handling these payments. Rather than having individual schools or administrative sites generate a check to reimburse the credit card payments, DOE will transfer the expenditures to individual locations using journal entries.

Incorrect Object Codes Used

The audit identified 34 payments totaling \$482,062 for which DOE used incorrect object codes, thus distorting the actual expense type. Specifically, DOE used the following object codes to record travel expenses in FAMIS.

- 451 for general local business meeting and related expenditures;
- 452 for local conferences or trainings conducted by the City employees;
- 453 for expenditures by employees for out-of-city meal, transportation, lodging and incidental expenses for general business meetings; and
- 454 for out-of-city meal, transportation, lodging, registration and incidental expenses for educational training at professional/industry conferences and retreats.

However, among the payments attributed to the abovementioned object codes, we found 20 payments totaling \$237,129 that should have been charged to object code 461, which is for

admission fees and transportation related to student field trips. During our meeting with DOE on February 22, 2018 regarding this issue, DOE stated that DOE did not have an out-of-town travel object code for students. However, the description of DOE's object code 461 states,

Charge to this account costs related to pupil admissions to theaters, concerts, art exhibits, parks, museums and other cultural expeditions and **for out-of-city student trips and activities**. Also charge to this account all payments for per diem transportation for both tax levy and reimbursable programs that take place during and after the school day to such places as museums, concerts, etc. [emphasis added].

The 20 payments involving student trips were incorrectly processed using other travel object codes instead of the correct object code 461. The remaining 14 payments included: 9 out-of-town conference expenses that were incorrectly charged to local conference expenses; 3 payments involving expenses for food at local meetings that were incorrectly charged to transportation for other activities; and 2 payments for parental transportation and food that were incorrectly charged to DOE employees' transportation for local meetings and other activities.

Comptroller's Directive #24, *Agency Purchasing Procedures and Controls*, states, "Payment Voucher approvers must ensure that . . . [t]he appropriate accounting and budget codes are being charged. This includes charging the correct unit of appropriation and correct object code within that unit."

The use of proper object codes allows the agency to categorize the type and amount of a particular expense item within a fiscal year and identifies expenditure patterns. Using incorrect object codes not only distort the expense type but also hinders and compromises management's ability to properly plan future budgets and prevents both the agency and others from knowing the true cost of an expense.

Other Matter

Inadequate Approval Requirements for Student Overseas Trips

Although DOE staff members who travel internationally at DOE's expense must obtain three levels of approval in advance, including that of a senior DOE executive—the Chief Operating Officer and/or the Chancellor or his or her designee—DOE does not require the equivalent level of advance approval for DOE-paid international trips by students, even when DOE staff members organize the trip and accompany the students at DOE's expense. The audit revealed that DOE's lesser, two-level advance approval requirement for international travel by students and staff members was inadequate to prevent the waste of more than \$60,000 of public funds when the Chancellor canceled a planned international trip for which DOE had already paid.

The applicable DOE rules are Section 4.5 of DOE's SOP for Travel and Conferences, which requires "Level 3" approval by the abovementioned senior DOE executives for staff's international travel, and Chancellor's Regulation A-670, which governs all student trips—from a day's outing at a local park or cultural site to overnight and overseas travel—and requires only two levels of approval, that of the school principal and the district superintendent, for international travel. Although Chancellor's Regulation A-670 also states that the superintendent "must consult with" the Deputy Senior Supervising Superintendent if security concerns exist, it does not require any additional level of approval when security concerns are identified.

Our review of certain DOE expenditures for students' international travel revealed that DOE approved and paid over \$84,846, in advance, for a planned trip to Cuba for 16 students and 6 DOE staff members. The Chancellor later canceled the planned trip because of "political turmoil," according to DOE. Consequently, DOE lost \$60,422 in nonrefundable advance payments to vendors for trip-related services that were not used. Considering that the Chancellor canceled the trip, it appears that DOE could have avoided the waste of funds had the Chancellor's approval or that of the Chief Operating Officer been required in advance, as it is when DOE staff members travel internationally at DOE's expense for purposes other than student trips.

Moreover, after the cancellation of the Cuba trip, DOE approved and paid over \$97,000 for a replacement trip to Brazil for most of the same students and staff members, which also did not require "Level 3" approval. DOE's payment for the replacement trip included an itemized charge of \$3,300 for security in Rio and Sao Paulo, supported by documentation DOE obtained from the State Department stating that "Brazilian police and media report that violent crime rate remains high in most urban centers." Nevertheless, notwithstanding the State Department document that justified the security expenditure, DOE's "Trip Plan" form indicates that no travel warnings or advisory had been issued by the State Department. Moreover, when we asked DOE for documentation indicating whether the Deputy Senior Supervising Superintendent was consulted regarding the security concern, as required by the Chancellor's Regulation A-670, DOE responded that "approval" by the abovementioned official was not required.

DOE should review Chancellor's Regulation A-670 and consider adding a requirement for "Level 3" approval for DOE-paid international travel by students, as it does for staff's international travel, to prevent waste and abuse and mitigate potential risks to the safety of the students and staff.

RECOMMENDATIONS

DOE should:

1. Recoup the overcharges of \$14,023 that DOE paid to vendors as identified in this audit.

DOE's Response: "The DOE agrees with the recommendation and is already in the process of recouping the overcharges."

2. Ensure that all invoice charges are compared with and matched to the applicable contract prices before payment is made.

DOE's Response: "The DOE agrees with the recommendation inasmuch as it reflects current policy. Employees are expected to inspect and verify all invoices prior to payment."

3. Explore the use of free or low-cost contracted facilities within the City for all business meetings and staff retreats.

DOE's Response: "The DOE agrees with the recommendation inasmuch as it reflects current policy. Current operating procedures encourage the use of suitable, free or low-cost facilities for such events. These operating procedures include exploring DOE-contracted facilities, as well as other government or not-for-profit organization sites; competitive bidding for other facilities offering the best value for the event criteria (preferably, lowest priced); price negotiations; required approvals for space rentals exceeding established thresholds; and documentation of these efforts. The DOE will reinforce this in employee trainings in FY 2019."

4. Ensure proper justification for staff's out-of-town travel was obtained and documented in the appropriate records relating to the travel expense before approving payment.

DOE's Response: "The DOE agrees with the recommendation inasmuch as it reflects current policy. Staff must enter and/or upload justification, including training curricula and program materials, in the DOE's Travel Reimbursement and Approval Certification (TRAC) system for approval by the authorizer and before payment is issued."

5. Ensure that each employee who attends training or an educational or professional conference submits a synopsis within 14 business days of the employee's return and preserve its availability for audit by the City Comptroller.

DOE's Response: "The DOE partially agrees with this recommendation inasmuch as it reflects current policy. The DOE approves educational and professional conferences only when they offer its employees benefits to strengthen and/or further the DOE's mission and office goals. These benefits are often included in the training curricula and/or conference materials which are required in TRAC for approval. Further, as part of an educational organization, DOE pedagogic and non-pedagogic employees are expected to share and implement best practices obtained from educational and professional conferences."

Auditor's Comment: Comptroller's Directive #6 requires that every employee who attends a training, educational or professional conference requiring long-distance travel submit a brief synopsis of the relevant subject matter that was covered at the conference. Such synopses: (1) provide added assurance that the employees traveling at City expense properly attend the relevant educational and professional programs; and (2) reinforce the City policy that the purpose of such travel and conference attendance is to benefit the City agency where the employees work. Given that we found 60 instances of DOE staff members' having attended out-of-town conferences and training sessions *without*

providing the synopses required by the Comptroller's Directive, we encourage DOE to amend its procedures to require them.

6. Obtain proper approval from DFO before approving or paying a lodging charge for an employee at a rate that exceeds the applicable GSA rate.

DOE's Response: "The DOE agrees with this recommendation. DOE procedures dictate that GSA rates must be followed unless there are overriding professional benefits and/or other savings, as determined by the Executive Director of the Division of Financial Operations. The DOE will reinforce this in employee trainings in FY 2019."

7. Ensure that payments of per diem meal allowances do not exceed the applicable GSA rates.

DOE's Response: "The DOE agrees with the recommendation inasmuch as it reflects current policy. DOE procedures dictate that GSA rates must be followed unless there are overriding professional benefits and/or other savings, as determined by the Executive Director of the Division of Financial Operations. The DOE will reinforce this in employee trainings in FY 2019."

8. Make every effort to plan and book all trips and events far enough in advance to avoid paying excessive costs.

DOE's Response: "The DOE agrees with the recommendation inasmuch as it reflects current policy. Trips are planned and booked as far in advance as possible."

9. Solicit the required number of bids or quotes in advance to obtain the best possible prices for necessary goods and services.

DOE's Response: "The DOE agrees with the recommendation. For trips, all TRAC documents and supporting documentation, including competitive bids, must be printed and maintained in hard-copy form at the payment processing site (school or office) for at least six years. The DOE will reinforce this in employee trainings in FY 2019."

10. Ensure that all required approvals are obtained before travel commences and before the agency incurs expenses for lodging, meals, and conference attendance.

DOE's Response: "The DOE agrees with this recommendation inasmuch as it reflects current policy. Payments may not be made until approval is obtained. The DOE will reinforce this in employee trainings to take place in FY 2019."

11. Consistently monitor DOE's credit card charges and promptly dispute any fraudulent charges.

DOE's Response: "The DOE agrees with the recommendation inasmuch as it reflects current policy. Employees must inspect statements and dispute any fraudulent charges."

12. Ensure that supporting documentation for travel and related expenses is properly maintained and available for audit and other authorized purposes.

DOE's Response: "The DOE agrees with the recommendation. As noted in the audit report, standard operating procedures require such documentation be maintained on site for audit and other authorized purposes. The DOE will reinforce this in employee trainings in FY 2019."

13. Ensure that correct object codes are used when recording expenditures involving student travel, staff and parent transportation, conferences and incidentals, such as food for meetings.

DOE's Response: "The DOE agrees with the recommendation inasmuch as it reflects current policy. The DOE makes object code descriptions available to employees via the intranet and DOE Field Support Centers are available to clarify any questions for schools."

14. Provide training to staff to ensure that staff follow the proper procedures for procurement process, reviewing payments, recording expenses, and maintaining supporting documentation.

DOE's Response: "The DOE agrees with the recommendation and already provides trainings related to procurement, internal controls and maintaining documentation. These trainings will continue during FY 2019."

15. Consider incorporating in its Chancellor's Regulation A-670 a requirement for Level 3 approval by the Chancellor or his/her designee for student trips that involve international or overnight travel and any trip for which a concern about security or safety is identified.

DOE's Response: "The DOE partially agrees with this recommendation. Student safety and well-being are always at the forefront of decisions and arrangements regarding overnight or international trips, and involve appropriate oversight. All student trips require approval per Chancellor's Regulation A-670. We are exploring amending the regulation to require additional, final approval of student international trips."

Auditor Comment: Even though DOE stated that it partially agrees with our recommendation, we are pleased that it is exploring amending the regulation to require additional, final approval of student international trips. We encourage DOE to specifically consider requiring approval *by the Chancellor* or his or her designee for all international travel, as is currently required when DOE staff travel at DOE's expense for all purposes other than when they propose an international trip for students to be accompanied by DOE staff.

16. Complete the required "Trip-Plan" form accurately to reflect all risk factors that are assessed prior to incurring additional security costs and follow Chancellor's Regulation A-670, which requires consultation when a security concern exists.

DOE's Response: "The DOE agrees with this recommendation inasmuch as it reflects current policy. Student safety and well-being are always at the forefront of decisions and arrangements regarding overnight or international trips, and involve appropriate oversight. Chancellor's Regulation A-670 requires that a trip plan be prepared and include the appropriate security assessments for all trips."

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 period of this audit is Fiscal Year 2017 (July 1, 2016 through June 30, 2017).

To obtain an understanding of the policies, procedures and internal controls of DOE over travel and conference expenses, we interviewed officials at DOE and performed walk-throughs of DOE's travel initiation and reimbursement process and documented our understanding in a memorandum.

We also reviewed DOE's SOP for Travel and Conferences and for Procurement Policy and Procedures, and, Comptroller's Directives #3, *Administration of Imprest Funds*, #6, *Travel, Meals, Lodging and Miscellaneous Agency Expenses*, and #24, *Agency Purchasing Procedures and Controls*.

To determine the accuracy of the FAMIS data file that DOE provided for employee travel expenses, we compared the data contained in the file with the FMS data and obtained clarification from DOE for all identified discrepancies.

To determine whether DOE complied with the applicable procedures outlined in its policies and procedures, and Comptroller's directives, we sorted the 42,508 payments, totaling \$20,385,987, based on the travel expenditure object codes and randomly selected sample of 50 payments based on the weighted average percentage for each object code. The total amount of these 50 sampled payments was \$2,036,202, or 10 percent of the total travel and conference expenses for Fiscal Year 2017.

Four of the 50 selected payments, totaling \$1,501,882, were monthly credit card payments for travel and conference related expenses. Due to the volume of the charges each month, we decided to select samples from each of the four monthly credit card statements for our review. We first analyzed and summarized the monthly expenses into four to five categories: airfares, hotels, Amtrak, resorts and miscellaneous expenses. (Only two of the months had a category for miscellaneous expenses.) Except for the miscellaneous expenses category, we judgmentally selected, from each month, the highest five charges from each of the four categories for our review.⁸ For the two months that contained miscellaneous expenses, we judgmentally selected three charges for our review. In addition, we requested four more charges that were associated with the student trip to Cuba. As a result, we selected and reviewed a total of 90 credit card charges. The total amounts for the samples from the 46 payments and the 90 credit card charges were \$534,320 and \$525,736, respectively. The 136 selected payments totaling \$1,060,056 represented five percent of the total travel expenses reported by DOE.

Based on our review of the supporting documentation provided, we determined whether the sampled expenses were reasonable, properly authorized and approved, and included the justification for travel as an enhancement to perform employee duties and/or was a valid and necessary educational enhancement for student-graduation.

⁸ We summarized the credit card expenses based on the occurrence of the expense types. Each month might not have the same set of categories. For example, not every month has international lodging expenses or Lyft expenses.

To determine whether expenses for conferences and meetings were competitively priced and cost effective, we reviewed all space rental and food expenses over \$5,000 for the required bids.

To determine whether payments were in conformance with the vendor contract terms, we reviewed the contracts and compared the prices listed on the invoices to the negotiated prices on the contracts for services rendered. In addition, we determined whether DOE employees were reimbursed the allowable amounts by comparing the amounts reimbursed to the rate schedule for hotel and meals under U.S. Department of State.

Finally, we determined whether the fees paid to vendors for travel and hotel arrangements were in conformance with the vendor contracts.

The result of our tests, while not projectable to the population of DOE's travel expenses, provided a reasonable basis for us determine whether DOE complied with its SOPs, as well as the Comptroller's directives, regarding travel and conference expenses.

APPENDIX I

Sampled Payments with Issues

#	Document # or PO #	Transaction Amount	Payments Exceeded Negotiated Prices	Alternate Use of Facilities not Explored	Out-of-Town Conferences/Training		Payments Exceeded GSA Rates	Missing Bids or Quotes	Missing Approvals	Missing Documents	Incorrect Object Code	# of Issues
					Missing/ Insufficient Justification	Missing Synopsis						
1	WV170050552	\$ 2,114.75								X		1
2	WV170293451	154,681.00	X								X	2
3	TR170005407	348.02					X					1
4	FP170017111	1,106.00								X		1
5	FP170029480	1,044.90								X		1
6	FP170001110	12,358.80				X	X			X		3
7	WV170294452	12,883.20		X						X		2
8	WV170269627	4,498.00								X		1
9	WV170230761	4,395.00				X						1
10	FP170005668	3,313.20					X					1
11	FP170034471	4,461.80								X		1
12	FP170040449	5,233.69								X	X	2
13	FP170034002	2,863.06				X						1
14	WV170127098	3,175.00				X						1
15	FP170033833	4,340.02					X					1
16	WV170208624	8,381.56									X	1
17	WV170244229	1,950.00									X	1
18	WV170284668	615.00									X	1
19	WV170065297	17,847.16						X			X	2
20	WV170281434	1,543.92					X		X	X	X	4
21	WI170067764	19.00							X			1
22	WV170244280	1,662.00							X			1
23	WV170146521	1,224.64							X			1
24	FP170039005	25,000.00						X	X			2
25	WV170194963	3,845.00		X								1
26	WV170062350	23,180.00		X					X			2
27	WI170075152	92.40							X	X		2
28	WV170260708	3,200.00									X	1
29	WV170236523	5,500.00									X	1
30	WI170061010	250.00									X	1
31	WV170149193	1,235.00							X			1
32	WV170065402	8,260.00						X	X			2
33	WV170205067	60,583.39	X	X				X	X			4
34	WV170060113	2,910.00		X								1
35	WV170181249	20,988.00		X				X	X			3
36	WV170222300	99,716.15		X				X	X			3
37	WV170251903	1,600.00		X								1
38	WO170023154 CC	25,000.00							X		X	2

Sampled Payments with Issues

#	Document # or PO #	Transaction Amount	Payments Exceeded Negotiated Prices	Alternate Use of Facilities not Explored	Out-of-Town Conferences/Training		Payments Exceeded GSA Rates	Missing Bids or Quotes	Missing Approvals	Missing Documents	Incorrect Object Code	# of Issues
					Missing/ Insufficient Justification	Missing Synopsis						
39	WO170011002 CC	\$ 2,500.00							X		X	2
40	FP170028307 CC	1,396.21									X	1
41	FP170018605 CC	1,202.79									X	1
42	WV170218963 CC 1	1,561.60								X	X	2
43	WV170218963 CC 2	27.87								X		1
44	WV170218963 CC 5	26.58								X		1
45	WV170218963 CC 6	34.22								X		1
46	WV170218963 CC 7	12,521.16									X	1
47	WV170218963 CC 8	1,432.40				X						1
48	WV170218963 CC 9	1,432.40										1
49	WV170218963 CC 10	1,432.40										1
50	WV170218963 CC 11	39.81								X		1
51	WV170218963 CC 13	73.41								X		1
52	WV170218963 CC 14	61,458.00								X		1
53	WV170218963 CC 15	2,589.00								X		1
54	WV170218963 CC 16	97,515.00									X	1
55	WV170218963 CC 17	348.00								X		1
56	WV170218963 CC 18	10,586.24									X	1
57	WV170218963 CC 19	20,782.96								X		1
58	WV170055784 CC 21	40,425.00			X	X				X	X	4
59	WV170055784 CC 22	9,847.68								X	X	2
60	WV170055784 CC 23	9,474.97								X		1
61	WV170055784 CC 24	6,615.20					X	X				2
62	WV170055784 CC 25	5,355.95								X		1
63	WV170055784 CC 26	1,342.77				X				X		2
64	WV170055784 CC 27	1,342.77										1
65	WV170055784 CC 28	1,342.77										1
66	WV170055784 CC 29	1,342.77										1
67	WV170055784 CC 30	1,342.77										1
68	WV170055784 CC 31	1,239.00			X	X						1
69	WV170055784 CC 32	1,078.66			X	X						2
70	WV170055784 CC 34	911.20									X	1
71	WV170055784 CC 36	794.60										1
72	WV170055784 CC 39	774.20								X		1
73	WV170055784 CC 40	741.10									X	1
74	WV170190192 CC 42	42,125.00									X	1
75	WV170190192 CC 43	100.00									X	1

APPENDIX I

Sampled Payments with Issues

#	Document # or PO #	Transaction Amount	Payments Exceeded Negotiated Prices	Alternate Use of Facilities not Explored	Out-of-Town Conferences/Training		Payments Exceeded GSA Rates	Missing Bids or Quotes	Missing Approvals	Missing Documents	Incorrect Object Code	# of Issues
					Missing/ Insufficient Justification	Missing Synopsis						
76	WV170190192 CC 47	\$ 1,044.00								X		1
77	WV170190192 CC 48	1,944.80								X		1
78	WV170190192 CC 49	1,411.28								X		1
79	WV170190192 CC 50	831.27				X				X		2
80	WV170190192 CC 51	5,423.92						X				1
81	WV170190192 CC 57	10,664.00								X		1
82	WV170190192 CC 58	1,182.00				X				X	X	3
83	WV170190192 CC 59	3,634.40									X	1
84	WV170190192 CC 60	420.00								X		1
85	WV170190192 CC 62	280.00								X		1
86	WV170190192 CC 63	40.14								X		1
87	WV170277949 CC 67	10,129.27						X				1
88	WV170277949 CC 69	15,873.60									X	1
89	WV170277949 CC 70	13,583.57								X		1
90	WV170277949 CC 71	955.60									X	1
91	WV170277949 CC 72	4,186.00		X								1
92	WV170277949 CC 73	3,276.00		X						X		2
93	WV170277949 CC 74	940.26								X		1
94	WV170277949 CC 75	940.26								X		1
95	WV170277949 CC 76	940.26								X		1
96	WV170277949 CC 77	3,600.00									X	1
97	WV170277949 CC 78	3,600.00									X	1
98	WV170277949 CC 79	3,600.00									X	1
99	WV170277949 CC 80	3,600.00									X	1
100	WV170277949 CC 81	9,627.43						X				1
101	WV170277949 CC 82	3,600.00								X		1
102	WV170277949 CC 84	5,493.84						X		X	X	3
103	WV170277949 CC 85	707.62								X	X	2
104	WV170277949 CC 86	492.15				X						1
Total		\$986,597.79	2	10	3	13	6	11	14	43	34	

APPENDIX II

Missing Required Bids or Price Quotes

Simplified Procurement for Services - \$25,000.01 - \$100,000				Bidding Requirements Not Followed	
Vendor Name	Description of Purchase	Sampled Payment Amount	License Amount	Three written bids not solicited	Detailed responsive bids not received from at least two vendors
The New York Marriott at the Brooklyn Bridge	Professional Learning Teacher Session 3	\$ 60,583	\$ 97,339	X	X
The New York Marriott at the Brooklyn Bridge	Core Curriculum Showcase	\$ 99,716	\$ 99,716	X	X
		\$ 160,299	\$ 197,055	2	2
Simplified Procurement for Services - \$5,000.01 - \$25,000				Bidding Requirements Not Followed	
Vendor Name	Description of Purchase	Sampled Payment Amount	Purchase Orders Amount	Three written bids not solicited	
The Graduate Center of CUNY	Directors and Principals Retreat	\$ 25,000	\$ 25,000	X	
NY Academy of Science	CIPL Staff Retreat	\$ 20,988	\$ 24,588	X	
National 4H Council Center, Chevy Chase MD	Student Retreat Space	\$ 9,627	\$ 9,627	X	
Oliva Catering and Events	Catering Services	\$ 8,260	\$ 8,260	X	
COSI Inc.	Catering Services	\$ 17,847	\$ 17,847	X	
Hotel-Embassy Suites Buffalo NY	Student College Tour	\$ 10,129	\$ 10,129	X	
Sheraton Hotel	HGSE -Data Wise Summer Course Certification	\$ 6,615	\$ 6,615	X	
Hotel-Crowne Plaza, Washington DC	Washington DC Trip	\$ 5,494	\$ 5,494	X	
Hotel - Holiday Inn	Students Museums and College Tours	\$ 5,424	\$ 5,424	X	
		\$ 109,384	\$ 112,984	9	
Total All		\$ 269,683	\$ 310,039	11	



**Department of
Education**

Chancellor Richard A. Carranza

October 17, 2018

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 Travel and Conference Expenses
(FNI7-102A)

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 Travel and Conference Expenses (Report)*.

Introduction

Field trips and conferences offer important learning and professional development opportunities for students, teachers, principals and staff, and we have detailed and strict protocols in place governing travel and conference expenses for all employees. Our Standard Operating Procedures for Travel and Conferences are designed to ensure employees and their managers understand their duties and responsibilities in this area including, but not limited to, compliance with procurement guidelines and the prudent use of DOE funds for meetings, training, and conferences. In addition, the web-based Travel Reimbursement and Approval Certification (TRAC) system was created to automate internal controls and process travel-related requests.

Overall, we agree with most of the audit recommendations and acknowledge the opportunity to reinforce adherence to the DOE's policies and procedures. To date, school secretaries, field support, and procurement staff receive training about these guidelines, and we will conduct additional trainings throughout the year to ensure all policies are followed. Further, we strengthened our process by creating a convenient feature in TRAC for employees to upload their receipts, agendas, bids, and other supporting documentation for approval. We are also assessing the need for further changes and will continue to explore ways to improve our practices and procedures.

Response to Recommendations

Recommendation 1. *Recoup the overcharges of \$14,023 that DOE paid to as identified in this audit.*

Response. The DOE agrees with the recommendation and is already in the process of recouping the overcharges.

Recommendation 2. *Ensure that all invoice charges are compared with and matched to the applicable contract prices before payment is made.*

Response. The DOE agrees with the recommendation inasmuch as it reflects current policy. Employees are expected to inspect and verify all invoices prior to payment.

Recommendation 3. *Explore the use of free or low-cost contracted facilities within the City for all business meetings and staff retreats.*

Response. The DOE agrees with the recommendation inasmuch as it reflects current policy. Current operating procedures encourage the use of suitable, free or low-cost facilities for such events. These operating procedures include exploring DOE-contracted facilities, as well as other government or not-for-profit organization sites; competitive bidding for other facilities offering the best value for the event criteria (preferably, lowest priced); price negotiations; required approvals for space rentals exceeding established thresholds; and documentation of these efforts. The DOE will reinforce this in employee trainings in FY 2019.

Recommendation 4. *Ensure proper justification for staff's out-of-town travel was obtained and documented in the appropriate records relating to the travel expense before approving payment.*

Response. The DOE agrees with the recommendation inasmuch as it reflects current policy. Staff must enter and/or upload justification, including training curricula and program materials, in the DOE's Travel Reimbursement and Approval Certification (TRAC) system for approval by the authorizer and before payment is issued.

Recommendation 5. *Ensure that each employee who attends training or an educational or professional conference submits a synopsis within 14 business days of the employee's return and preserve its availability for audit by the City Comptroller.*

Response. The DOE partially agrees with this recommendation inasmuch as it reflects current policy. The DOE approves educational and professional conferences only when they offer its employees benefits to strengthen and/or further the DOE's mission and office goals. These benefits are often included in the training curricula and/or conference

materials which are required in TRAC for approval. Further, as part of an educational organization, DOE pedagogic and non-pedagogic employees are expected to share and implement best practices obtained from educational and professional conferences.

Recommendation 6. *Obtain proper approval from DFO before approving or paying a lodging charge for an employee at a rate that exceeds the applicable GSA rate.*

Response. The DOE agrees with this recommendation. DOE procedures dictate that GSA rates must be followed unless there are overriding professional benefits and/or other savings, as determined by the Executive Director of the Division of Financial Operations. The DOE will reinforce this in employee trainings in FY 2019.

Recommendation 7. *Ensure that payments of per diem meal allowances do not exceed the applicable GSA rates.*

Response. The DOE agrees with the recommendation inasmuch as it reflects current policy. DOE procedures dictate that GSA rates must be followed unless there are overriding professional benefits and/or other savings, as determined by the Executive Director of the Division of Financial Operations. The DOE will reinforce this in employee trainings in FY 2019.

Recommendation 8. *Make every effort to plan and book all trips and events far enough in advance to avoid paying excessive costs.*

Response. The DOE agrees with the recommendation inasmuch as it reflects current policy. Trips are planned and booked as far in advance as possible.

Recommendation 9. *Solicit the required number of bids or quotes in advance to obtain the best possible prices for necessary goods and services.*

Response. The DOE agrees with the recommendation. For trips, all TRAC documents and supporting documentation, including competitive bids, must be printed and maintained in hard-copy form at the payment processing site (school or office) for at least six years. The DOE will reinforce this in employee trainings in FY 2019.

Recommendation 10. *Ensure that all required approvals are obtained before travel commences and before the agency incurs expenses for lodging, meals and conference attendance.*

Response. The DOE agrees with this recommendation inasmuch as it reflects current policy. Payments may not be made until approval is obtained. The DOE will reinforce this in employee trainings to take place in FY 2019.

Recommendation 11. *Consistently monitor DOE's credit card charges and promptly dispute any fraudulent charges.*

Response. The DOE agrees with the recommendation inasmuch as it reflects current policy. Employees must inspect statements and dispute any fraudulent charges.

Recommendation 12. *Ensure that supporting documentation for travel and related expenses is properly maintained and available for audit and other authorized purposes.*

Response. The DOE agrees with the recommendation. As noted in the audit report, standard operating procedures require such documentation be maintained on site for audit and other authorized purposes. The DOE will reinforce this in employee trainings in FY 2019.

Recommendation 13. *Ensure that correct object codes are used when recording expenditures involving student travel, staff and parent transportation, conferences and incidentals, such as food for meetings.*

Response. The DOE agrees with the recommendation inasmuch as it reflects current policy. The DOE makes object code descriptions available to employees via the intranet and DOE Field Support Centers are available to clarify any questions for schools.

Recommendation 14. *Provide training to staff to ensure that staff follow the proper procedures for procurement process, reviewing payments, recording expenses and maintaining supporting documentation.*

Response. The DOE agrees with the recommendation and already provides trainings related to procurement, internal controls and maintaining documentation. These trainings will continue during FY 2019.

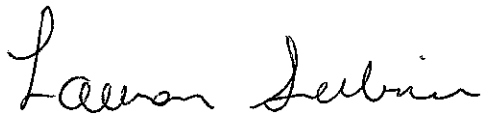
Recommendation 15. *Consider incorporating in its Chancellor's Regulation A-670 a requirement for Level 3 approval by the Chancellor or his/her designee for student trips that involve international or overnight travel or any trip for which a concern about security or safety is identified.*

Response. The DOE partially agrees with this recommendation. Student safety and well-being are always at the forefront of decisions and arrangements regarding overnight or international trips, and involve appropriate oversight. All student trips require approval per Chancellor's Regulation A-670. We are exploring amending the regulation to require additional, final approval of student international trips.

Recommendation 16. *Complete the required "Trip-Plan" form accurately to reflect all risk factors that are assessed prior to incurring additional security costs and follow Chancellor's Regulation A-670, which requires consultation when a security concern exists.*

Response. The DOE agrees with this recommendation inasmuch as it reflects current policy. Student safety and well-being are always at the forefront of decisions and arrangements regarding overnight or international trips, and involve appropriate oversight. Chancellor's Regulation A-670 requires that a trip plan be prepared and include the appropriate security assessments for all trips.

Sincerely,

A handwritten signature in black ink, appearing to read "Lauren Siciliano". The signature is fluid and cursive, with the first name "Lauren" and last name "Siciliano" clearly distinguishable.

Lauren Siciliano
Deputy Chief Operating Officer

C: Danya Labban