

AUDIT REPORT

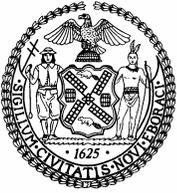


CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
BUREAU OF FINANCIAL AUDIT
WILLIAM C. THOMPSON, JR., COMPTROLLER

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

FS07-113F

October 15, 2007



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 8 and Alternative High Schools and Programs implemented recommendations made in a previous audit of expenditures.

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

William C. Thompson, Jr.

WCT/fh

Report: FS07-113F
Filed: October 15, 2007

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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 of Region 8 and
Alternative High Schools and Programs**

FS07-113F

AUDIT REPORT IN BRIEF

This is a follow-up audit to determine whether the Department of Education (DOE) has implemented the five recommendations made in a previous audit entitled *Audit Report on Other Than Personal Service (OTPS) Expenditures of Schools within Regional Operations Center for Region 8 and Alternative High Schools and Programs* (Audit No.FP05-078A, issued May 4, 2005). In this report, we discuss the five 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 8 and Alternative High Schools and Programs that required Regional Operations Center (ROC) approval. In that audit, the auditors determined that the officials of the ROC and schools in Regions 8 and Alternative High Schools and Programs (District 79) generally followed DOE's procurement policies and procedures for purchases that required ROC approval with the exception of the following: vendor invoices were not always on file; files lacked documentation showing that the items purchased were reasonable and necessary for the operation of the school and that the services were actually provided; and purchase files lacked evidence of competitive bidding.

Audit Findings and Conclusions

The current audit disclosed that DOE implemented four of the five recommendations and partially implemented one recommendation made in the previous audit. The recommendation that was partially implemented concerned ensuring that all services are rendered before the payment of invoices. In regard to that recommendation, we found that one purchase in our sample did not have on-line certification or other documentation to show that services were rendered. Therefore, we could not determine whether the purchasing school received the goods and services.

During this audit, we identified a new issue concerning one school that split a purchase to circumvent the monetary threshold that requires obtaining appropriate prior approval of the purchase by the ROC. Further, it appears that neither ROC 8 nor ROC 9 is fully accountable for purchases made by Bard High School.

Audit Recommendations

To address the issue from the previous audit that still exists, we recommend that DOE officials:

- Ensure that all goods and services that have been received be certified on-line prior to making payment.

To address the new issue identified in this audit, we recommend that DOE officials, in conjunction with the district representatives:

- Ensure that schools do not avoid the approval process by splitting the value of purchases.
- Ensure that the correct ROC is accountable for Bard High School purchase orders.

INTRODUCTION

Background

The DOE is organized into 10 regions including more than 1,400 schools 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, ROC officials review and approve: school-generated purchase orders, bidding documents for school purchases above certain monetary limits, and evidence of receipt of items purchased. ROC officials also process payments for school purchases, except for purchases made on behalf of the schools by the DOE Central Office. The ROC of Region 8 and Alternative High Schools and Programs (District 79) is responsible for the fiscal oversight of 171 schools.

There are several methods by which individual schools can purchase goods and services. Purchases can be made 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 requirements contracts with the DOE Office of Purchasing Management (OPM). ROC approval is not required for these purchases. Goods and services that are not available through Fastrack may be obtained by purchase orders prepared under the DOE Financial Accounting Management Information Systems (FAMIS).¹ 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 five 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 Region 8 and Alternative High Schools and Programs* (Audit No. FP05-078A, issued May 4, 2005).

Scope and Methodology

The scope period of this follow-up audit was Fiscal Year 2006. To obtain an understanding of DOE policies and procedures governing school OTPS purchases, we reviewed relevant documents and used sources of information and interviewed appropriate officials, including:

¹ The Financial Accounting Management Information System serves as DOE's accounting system.

- The prior audit report issued by the Comptroller's Office, *Audit Report on Other Than Personal Services Expenditures of Schools within the Department of Education Regional Operations Center for Region 8 and Alternative High Schools and Programs* (Audit No. FP05-078A, issued May 4, 2005);
- The *Standard Operating Procedures Manual, Division of Financial Operations* (SOPM), revised OTPS purchase chapter issued March 2006;
- On-line procedure document *Using FAMIS for Purchasing and Payments*;
- The operational flowchart of the school procurement process;
- OPM *School Purchasing Guide*, procurement policy chapter;
- *On-line Guide to Certification of Delivery*;
- Relevant memoranda, newsletters, and other documents available on the DOE Web site;
- DOE Audit Implementation Plan (AIP) dated December 19, 2005; and
- Region 8 and District 79 officials.

To assess whether DOE had implemented the corrective procedures outline in its AIP and whether the implementation of those procedures corrected the weaknesses cited in the previous report, we conducted tests on OTPS purchases made by Region 8 and District 79 in Fiscal Year 2006.

We selected all 18 non-contracted purchases from Region 8 and District 79 that were above \$5,000, the threshold that would require ROC approval. These purchases totaled \$163,719—7 purchases totaling \$68,719 from Region 8 and 11 purchases totaling \$95,000 from District 79.

We reviewed the files of the 18 purchases to determine whether the files contained the appropriate documentation to justify these purchases and payments and whether the Region 8 and District 79 schools complied with procurement regulations requiring written bids from separate vendors.

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 vendors. We reviewed the files of the 18 purchase orders to determine whether these purchases were certified on-line prior to the issuance of payments to the vendors.

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.

Discussion of Audit Results

The matters covered in this report were discussed with DOE officials during and at the conclusion of this audit. A preliminary draft report was sent to DOE officials and was discussed at an exit conference held on July 12, 2007. We submitted a draft report to DOE officials with a request for comments on July 25, 2007. We received a written response from DOE on August 13, 2007, wherein, DOE officials agreed to implement one recommendation and disagreed with the two other recommendations.

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

RESULTS OF FOLLOW-UP AUDIT

Of five recommendations made in the previous audit, this audit disclosed that DOE implemented four recommendations and partially implemented one. Our review of 18 purchases included 2 sole-source purchases, 10 purchases that required written bids, 5 competitive grants (programs or projects not funded by DOE), and one exception to bid. There were justification letters on file for the sole-source purchases. There were also vendor invoices on file for all the purchases that we reviewed. In addition, the ROC had solicited written bids and these bid documentations were maintained on file.

We noted a discrepancy in one of the competitive grant purchases where we could not determine whether the goods and services were delivered since there was no certification on-line or on file. We also noted a new internal control weakness not cited in the previous audit: one school split a purchase to circumvent the approval requirements for purchases exceeding \$5,000, the monetary threshold for these purchases, in this case issuing two purchase orders to the same vendor. It appears that neither ROC 8 nor ROC 9 is fully accountable for purchases made by Bard High School.

Previous Finding: “Missing Vendor Invoices and Substantiating Documentation”

Eleven of 40 purchases lacked vendor invoices or other documents that allow the confirmation of whether goods or services were necessary for the operation of the schools and whether they were actually received prior to payment. Nine purchases lacked vendor invoices. In addition, the files of four purchases lacked other critical documents to substantiate payment.

Previous Recommendation #1: ROC officials should ensure that “Vendor invoices are obtained and maintained on file for all goods and services purchased.”

Previous Recommendation #2: ROC officials should ensure that “School officials maintain documentation that demonstrates the need for items purchased and how they relate to the operation of the school.”

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

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

Current Status (Recommendation 1): IMPLEMENTED

We reviewed 18 purchase orders and found that all 18 vendor invoices were kept on file. Therefore, we consider this recommendation to be implemented.

Current Status (Recommendation 2): IMPLEMENTED

We found that all 18 purchases reviewed had sufficient documentation to demonstrate that the goods or services purchased were necessary for the operation of the schools. Therefore, we consider this recommendation to be fully implemented.

Previous Finding: “Lack of Solicitation Documents for Bids”

For 14 purchases made from non-contracted vendors, the schools were required to solicit bids from three vendors and obtain written responses from two vendors. Two purchases had no proof that the school obtained the written bids required. The two files contained documentation that telephone bids only were obtained. The SOPM requires that schools solicit three faxed or written bids for non-contracted purchases above \$5,000.

Previous Recommendation #3: The ROC officials should ensure that school officials “Comply with procurement regulations requiring written bids from separate vendors. In that regard, all bids must be independent and solicited from separate vendors.”

Previous Recommendation #4: The ROC officials should ensure that school officials “Maintain all appropriate bid documentation on file.”

Previous DOE Response: “Principals were given the authority to acquire phone bids for purchases up to \$5,000 and written bids between \$5,001 and \$10,000. However, proof of written bids for purchases over \$5,000 was not always forwarded to ROC in time to make payment. . . . School officials have been advised that written bids are required for purchases over \$5,000.

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

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

Current Status (Recommendation 3): IMPLEMENTED

Based on our review of the 18 sampled purchases, we found that the ROC had solicited three bids for those non-contracted purchases that required them. Therefore, we consider this recommendation to be implemented.

Current Status (Recommendation 4): IMPLEMENTED

Based on our review of the 18 sampled purchases, we found that the ROC maintains proper documentation of the bids on file. Therefore, we consider this recommendation to be implemented.

Previous Finding: “Invoice Improperly Paid”

One of the 40 sampled purchases payments was made before services were rendered; the payments should have been made after services were rendered. The ROC processed for payment a \$26,700 invoice for professional development workshops before the services were rendered. The principal certified that services were delivered by signing the first Daily Log of Work on March 3, 2004, and submitting it to the ROC. However, the ROC processed the payment on December 23, 2003—six months before the services were provided.

Previous Recommendation #5: “The ROC should ensure that all services are rendered before payment of invoices, in accordance with the SOPM.”

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

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

Current Status (Recommendation 5): PARTIALLY IMPLEMENTED

Of the 18 sampled purchases reviewed, one was not certified on-line and had no documentation stating that it was received. We could not conclude from the documentation whether the services were rendered before payment of invoices. Therefore, we consider this recommendation to be partially implemented.

New Issues

Bidding Procedure Was Not Followed at One School

During the current audit, we noted that Bard High School (M696) split a purchase to bypass the monetary threshold and avoid obtaining appropriate approvals from the ROC. At Bard High School, two sole-source vendor purchase orders were issued to the same vendor on February 3, 2006, for gym equipment—WO6010523 for \$10,702 and WO6010515 for \$12,414. The vendor submitted one invoice totaling \$23,118, and the ROC issued two vouchers to pay the vendor based on the open purchase orders. SOPM regulations require that the Executive Director of the Division of Contracts and Purchasing approve sole-source purchases costing between \$15,000 and \$100,000. Had one purchase order been issued for this purchase, it would have required the Executive Director's approval.

Inappropriate Payments Procedure

Bard High School is in Region 9 in Manhattan, but is the responsibility of Regional Operations Center E (Region 8), in Brooklyn. At a meeting with ROC 9 officials on April 27, 2007, the officials stated that ROC 9 is not responsible for Bard High School purchases. However, from the payment data provided by DOE, we found that all of Bard High School's purchases were actually paid by ROC 9. It appears that neither ROC 8 nor ROC 9 is fully accountable for purchases made by Bard High School. DOE should determine the ROC that will be responsible for the purchases made by Bard High School.

RECOMMENDATIONS

To address the issue from the previous audit that still exists, we recommend that DOE officials:

1. Ensure that all goods and services that have been received be certified on-line prior to making payment.

DOE Response: “The following measures were taken regarding this recommendation:

1. On-line certification of delivery in the FAMIS Portal is required for all purchase orders before payment is made.
2. The requirement that the delivery of goods and services be certified in the FAMIS Portal has been included in each of the Region’s training modules.
3. ROC staff e-mailed to principals reminders of items requiring certification.”

To address the new issues identified in this audit, we recommend that DOE officials, in conjunction with the district representatives:

2. Ensure that schools do not avoid the approval process by splitting the value of purchases.

DOE Response: “The school cited in this item, Bard HS, was participating in the pilot of the Autonomous Schools program during FY 2005. Whereas regular schools require ROC approval for purchases based on the thresholds set forth in the SOPM, Autonomous Schools were granted the privilege of higher thresholds. While it may appear that the school split a purchase, this is not case, as the school was not subject to the standard thresholds.”

The Autonomy Zone initiative is described on the DOE Children First website in the following manner: ‘The Chancellor also launched a pilot program called the “autonomy zone.” The principals whole schools were included in this pilot program were given additional decision-making power over their programs, their personnel, and their finances, in exchange for promising to meet ambitious achievement targets. In the first year, 85% of Department of Education schools in the zone pilot met their performance targets. This program has been expanded into the Empowerment Schools initiative.’”

Auditor Comment: DOE policy requires that all of the ROCs must follow the same procedures manual. DOE officials failed to inform the auditors during both the current audit and during the audit of ROC 9 and 10 that Bard High School is part of the Autonomy Zone program. For DOE to belatedly assert that Bard High School is subject to a new, relaxed standard is an attempt to avoid acknowledging that this purchase was split to circumvent procedures that require all purchases between \$15,000 and \$100,000 be approved by the Executive Director of the Division of Contracts.

As DOE officials stated in their response to this audit, “Whereas regular schools require ROC approval for purchases based on the thresholds set forth in the SOPM, Autonomous Schools were granted the privilege of higher thresholds.” However, this assertion does not explain why Bard High School and ROC 9, when presented with an invoice totaling \$23,118, split the purchase by issuing two vouchers to pay the vendor. If Bard High School is a participant in the Autonomy Zone program and subject to reduced scrutiny over its programs and finances, it would not need to split the purchase specified on this invoice. Given the additional decision-making power of the Bard High School principal over school finances, the ROC could have paid the invoice in full with one purchase order.

3. Ensure that the correct ROC is accountable for Bard High School purchase orders.

DOE Response: “As delineated and clarified to the auditor at the exit conference, that was not the case. ROC E, which handled Region 8 and Alternate High Schools and Programs, was the ROC responsible for approvals for all of the schools in the Autonomous Schools pilot program, including Bard HS. ROC E or ‘ROC 8’ as it is referred to in the audit report, had a team of staff dedicated to serving the Autonomous Schools, including any required ROC approvals. At that time, the Manhattan ROC (‘ROC 9’ in your findings) only handled the processing of extended use permits for the school, which were handled by the geographic ROC. . . . Please note that in FY 2007 Bard HS was served by the Empowerment Integrated Service Center, and in FY 2008 Bard HS will be served by their geographic Integrated Service Center, which is Manhattan.”

Auditor Comment: DOE’s response still does not address why ROC 9 paid for the purchases made by Bard High School, and it does not address how it will ensure that this situation does not reoccur in the future.



THE NEW YORK CITY DEPARTMENT OF EDUCATION

JOEL I. KLEIN, *Chancellor*

Kathleen Grimm, Deputy Chancellor for Finance and Administration

August 13, 2007

Honorable John Graham
Deputy Comptroller for Policy, Audits, Accountancy 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 of Region 8 and Alternative High Schools
and Programs, FS07-113F**

Dear Mr. Graham:

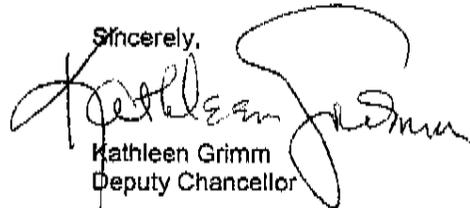
This letter, with attachment, reflects the New York City Department of Education's (DOE) response to the findings and recommendations made in the above-referenced Follow-up Audit Report of the New York City Office of the Comptroller.

The follow-up audit determined whether the DOE has implemented the five recommendations made in a previous audit entitled "Audit Report on Other Than Personal Services Expenditures of Schools within the Department of Education Regional Operations Center of Region 8 and Alternative High Schools and Programs", FP05-078A, issued May 4, 2005. We are pleased with the positive findings:

- The DOE implemented four of the five recommendations and partially implemented one recommendation made in the previous audit.
- The recommendation that was partially implemented concerned ensuring that all services are rendered before the payment of invoices. The following measures were taken regarding this recommendation:
 - On-line certification of delivery in the FAMIS Portal is required for all purchase orders before payment is made.
 - The requirement that the delivery of goods and services be certified in the FAMIS Portal has been included in each of the Region's training modules.
 - ROC staff e-mailed to principals reminders of items requiring certification.
- A new issue was also identified concerning one school that split a purchase to circumvent the monetary threshold that requires obtaining appropriate prior approval by the ROC. The school cited in this item, Bard HS, was participating in the pilot of the Autonomous Schools program during FY 2005. Whereas regular schools require ROC approval for purchases based on the thresholds set forth in the SOPM, Autonomous Schools were granted the privilege of higher thresholds. While it may appear that the school split a purchase, this is not the case, as the school was not subject to the standard thresholds.
 - The Autonomy Zone initiative is described on the DOE Children First website in the following manner:
 - "The Chancellor also launched a pilot program called the "autonomy zone." The principals whose schools were included in this pilot program were given additional decision-making power over their programs, their personnel, and their finances, in exchange for promising to meet ambitious achievement targets. In

- the first year, 85% of Department of Education schools in the zone pilot met their performance targets. This program has been expanded into the Empowerment Schools initiative. "
- The follow-up Audit Report also included the statement, "it appears that neither ROC 8 or ROC 9 is fully accountable for the purchases made by Bard HS". As delineated and clarified to the auditor at the exit conference, that was not the case. ROC E, which handled Region 8 and Alternative High Schools and Programs, was the ROC responsible for approvals for all of the schools in the Autonomous Schools pilot program, including Bard HS. ROC E or "ROC 8" as it is referred to in the audit report, had a team of staff dedicated to handling the approvals for Bard HS. The Manhattan ROC ("ROC 9" in your findings) only handled the processing of extended use permits for the school, which were handled by the geographic ROC. Attached is a copy School Allocation Memorandum #53, which indicates the relationship between the Autonomous Zone and ROC E. Please refer to note below table on the second page.

Sincerely,



Kathleen Grimm
Deputy Chancellor

Attachment

cc:	Brian Fleischer	Vincent Clark	Vincent Giordano	Sandy Brawer
	Nader Francis	Espi Semetis	Susan Olds	Magda Dekki
	Marlene Siegel	Mariano Guzman	David Ross	Angel Namnum
	Todd Johnson	Yvonne Torres	Robert Wilson	

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

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RESPONSE DATE: August 9, 2007

AUDIT TITLE: Follow-up Audit Report on Other Than Personal Services Expenditures of Schools within the Department of Education Regional Operations Center of Region 8 and Alternative High Schools and Programs

AUDITING AGENCY: Office of the Comptroller

DIVISION: Deputy Comptroller for Policy, Audits, Accountancy and Contracts

DRAFT REPORT DATE: July 24, 2007

AUDIT NUMBER: FS07-113F

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

The recommendation that was implemented concerned ensuring that all services are rendered before the payment of invoices. (Recommendation # 1)

RESPONSE TO RECOMMENDATION - IMPLEMENTATION PLAN

The following measures were taken regarding this recommendation:

1. On-line certification of delivery in the FAMIS Portal is required for all purchase orders before payment is made.
2. The requirement that the delivery of goods and services be certified in the FAMIS Portal has been included in each of the Region's training modules.
3. ROC staff e-mailed to principals reminders of items requiring certification.

IMPLEMENTATION DATE

On-going.

RESPONSIBILITY CENTER

ROC E; as of the DOE restructuring, ROC E is now known as the Brooklyn Integrated Service Center (ISC).

Signature:

Magda Dekki (Signature)

Print Name: Magda Dekki

8/10/07 (Date)

Print Title: Deputy Director, Business Services

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

PAGE 2 OF 3

RESPONSE DATE: August 9, 2007

AUDIT TITLE: Follow-up Audit Report on Other Than Personal Services Expenditures of Schools within the Department of Education Regional Operations Center of Region 8 and Alternative High Schools and Programs

AUDITING AGENCY: Office of the Comptroller

DIVISION: Deputy Comptroller for Policy, Audits, Accountancy and Contracts

DRAFT REPORT DATE: July 24, 2007

AUDIT NUMBER: FS07-113F

**D. RECOMMENDATION WHICH THE AGENCY
AGREES OR DISAGREES WITH AND WILL NOT IMPLEMENT (circle one)**

A new issue was also identified concerning one school that split a purchase to circumvent the monetary threshold that requires obtaining appropriate prior approval by the ROC. (Recommendation # 2)

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

The school cited in this item, Bard HS, was participating in the pilot of the Autonomous Schools program during FY 2005. Whereas regular schools require ROC approval for purchases based on the thresholds set forth in the SOPM, Autonomous Schools were granted the privilege of higher thresholds. While it may appear that the school split a purchase, this is not the case, as the school was not subject to the standard thresholds.

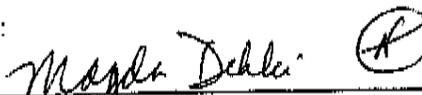
The Autonomy Zone initiative is described on the DOE Children First website in the following manner:

"The Chancellor also launched a pilot program called the "autonomy zone." The principals whose schools were included in this pilot program were given additional decision-making power over their programs, their personnel, and their finances, in exchange for promising to meet ambitious achievement targets. In the first year, 85% of Department of Education schools in the zone pilot met their performance targets. This program has been expanded into the Empowerment Schools initiative."

RESPONSIBILITY CENTER

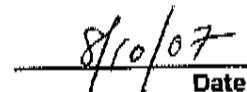
ROC E; as of the DOE restructuring, ROC E is now known as the Brooklyn Integrated Service Center (ISC).

Signature:



Print Name: Magda Dekki

Print Title: Deputy Director, Business Services


Date

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

PAGE 3 OF 3

RESPONSE DATE: August 9, 2007

AUDIT TITLE: Follow-up Audit Report on Other Than Personal Services Expenditures of Schools within the Department of Education Regional Operations Center of Region 8 and Alternative High Schools and Programs

AUDITING AGENCY: Office of the Comptroller

DIVISION: Deputy Comptroller for Policy, Audits, Accountancy and Contracts

DRAFT REPORT DATE: July 24, 2007

AUDIT NUMBER: FS07-113F

**D. RECOMMENDATION WHICH THE AGENCY
AGREES OR DISAGREES WITH AND WILL NOT IMPLEMENT (circle one)**

The follow-up Audit Report included a new issue and the statement that "it appears that neither ROC 8 or ROC 9 is fully accountable for the purchases made by Bard HS". (Recommendation # 3)

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

As delineated and clarified to the auditor at the exit conference, that was not the case. ROC E, which handled Region 8 and Alternative High Schools and Programs, was the ROC responsible for approvals for all of the schools in the Autonomous Schools pilot program, including Bard HS. ROC E or "ROC 8" as it is referred to in the audit report, had a team of staff dedicated to serving the Autonomous Schools, including any required ROC approvals. At that time, the Manhattan ROC ("ROC 9" in your findings) only handled the processing of extended use permits for the school, which were handled by the geographic ROC.

Attached is a copy School Allocation Memorandum #53, which indicates the established and known relationship between the Autonomous Zone and ROC E, in reference to a budget allocation. Please refer to note below table on the second page.

Please note that in FY 2007 Bard HS was served by the Empowerment Integrated Service Center, and in FY 2008 Bard HS will be served by their geographic Integrated Service Center, which is Manhattan.

RESPONSIBILITY CENTER

ROC E; as of the DOE restructuring, ROC E is now known as the Brooklyn Integrated Service Center (ISC).

Signature:

Magda Dekki 

Print Name: Magda Dekki

8/10/07

Date

Print Title: Deputy Director, Business Services



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

OFFICE OF THE CHIEF FINANCIAL OFFICER
52 Chambers Street, New York, NY 10007

BRUCE E FEIG
Chief Financial Officer

SCHOOL ALLOCATION MEMORANDUM NO. 53, FY06

DATE: July 14, 2005

TO: INSTRUCTIONAL LEADERSHIP DIVISION (ILD) SUPERINTENDENTS,
REGIONAL OPERATION CENTER (ROC) EXECUTIVE DIRECTORS,
And SCHOOL PRINCIPALS

FROM: Bruce E. Feig

SUBJECT: LONG TERM ABSENCE ALLOCATION FOR PER DIEM COSTS

This memorandum provides resources to defray per diem costs associated with teacher long term absences. Long-term teacher absence, for the purpose of a supplemental budget allocation, is defined as the continuous absence of a teacher with pay for more than thirty (30) consecutive school days for authorized reasons. Funds have been made available in the allocation category "TL Long Term Absence Coverage".

This represents a change from the prior year's allocation. In FY05, the allocation also included funding for teachers placed on hold harmless. However, this year the Regions received resources under the allocation category "TL ASA HH" for this purpose. Therefore, this allocation should NOT be used to cover hold harmless costs.

TO REQUEST REIMBURSEMENT FOR ASSOCIATED PER DIEM COSTS

The principal may submit to the school's Budget Team Leader a request, via e-mail, for reimbursement of the associated per diem cost for the days absent to date (31 or more).

- If the teacher has not yet returned to service, subsequent requests may be submitted at 30-day intervals.
- The following information should be included: name of the teacher, EIS identification number, reason for absence, and dates of continuous absence. The request is subject to verification and approval by the ROC Director.
- If approved, the ROC will allocate to the school an amount equal to:
(number of days absent - 8 days) x "Z" status per diem rate.
Eight (8) days will be deducted once to account for the average annual absence of teachers to be absorbed by the school's budget. This policy will remain in effect provided there are sufficient resources to support these allocations.
- **Funds to support per diem costs are to be allocated to schools via the Transfer Utility in Galaxy.**

The table below displays each Regional Operation Center allotment.

Long Term Absence for Per Diem Costs		
<i>Regional Operation Centers</i>	<i>Location</i>	<i>Absence Coverage</i>
A: Manhattan, 333 7th Ave	96MTRA	\$534,200
B: Bronx, Fordham Plaza	96XTRB	599,900
C: Queens, Linden Place	96QTRC	405,700
D: Queens, LIC Queens Plaza	96QTRD	617,100
E: Brooklyn, 131 Livingston St	96KTRE	360,100
F: Staten Island, Ocean Terrace	96RTRF	723,000
TOTAL		\$3,240,000

Note: Alternative HS Program and Autonomous Zone Schools are included in ROC E's allocation. Citywide Special Education has their own budget.

BEF:BGF:pav

Cc: Andres Alonso
Brian Osborne
Local Instructional Superintendents (LIS)