

# AUDIT REPORT

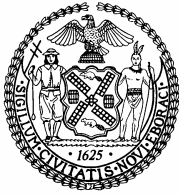


CITY OF NEW YORK  
OFFICE OF THE COMPTROLLER  
BUREAU OF FINANCIAL AUDIT  
**WILLIAM C. THOMPSON, JR., COMPTROLLER**

## **Follow-Up Audit Report on Other Than Personal Service Expenditures of Schools within the Department of Education Regional Operations Center for Regions 1 and 2**

*FS07-123F*

**May 21, 2008**



THE CITY OF NEW YORK  
OFFICE OF THE COMPTROLLER  
1 CENTRE STREET  
NEW YORK, N.Y. 10007-2341

WILLIAM C. THOMPSON, JR.  
COMPTROLLER

**To the Citizens of the City of New York**

Ladies and Gentlemen:

In accordance with the Comptroller's responsibilities contained in Chapter 5, §93, of the New York City Charter and Article 52-A, §259m, of the New York State Education Law, my office has performed a follow-up audit to determine whether the Department of Education (DOE) Regional Operations Center (ROC) for Regions 1 and 2 implemented recommendations made in a previous audit of expenditures.

Until July 2, 2007, ROCs provided operational and financial support to the schools they served. On 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 response is attached to this report.

I trust that this report contains information that is of interest to you. If you have any questions concerning this report, please e-mail my audit bureau at [audit@Comptroller.nyc.gov](mailto:audit@Comptroller.nyc.gov) or telephone my office at 212-669-3747.

Very truly yours,

William C. Thompson, Jr.

WCT/fh

**Report:** FS07-123F  
**Filed:** May 21, 2008

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

**Follow-Up Audit Report on  
Other Than Personal Service Expenditures of Schools  
Within the Department of Education Regional Operations  
Center for Regions 1 and 2**

**FS07-123F**

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**AUDIT REPORT IN BRIEF**

This follow-up audit determined whether the Department of Education (DOE) has implemented the 10 recommendations made in a previous audit entitled *Audit Report on Other Than Personal Services Expenditures of School within the Department of Education Regional Operations Center for Regions 1 and 2* (Audit No. MH05-079A, issued May 4, 2005). In this report, we discuss the 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 1 and 2 that required Regional Operations Center (ROC)<sup>1</sup> approval. In that audit, the auditors determined that the officials of the ROC and schools in Regions 1 and 2 did not follow DOE procurement policies and procedures for purchases that require ROC approval. Specifically, there were instances of noncompliance relating to lack of documentation on file to support purchases; lack of certifications of delivery for goods and services; lack of justification and Office of Purchasing Management (OPM) approval for sole-source purchases; and lack of bidding documents. Also lacking were vendor invoices, purchases made from non-contracted vendors contrary to DOE's *Standard Operating Procedures Manual* requirements, and purchases made prior to obtaining ROC approval.

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

## **Audit Findings and Conclusions**

Of the 10 recommendations made in the previous audit, the current audit disclosed that DOE implemented 4, and partially implemented 3 recommendations. The auditors could not determine the implementation status of 3 recommendations because the schools in our sample for the current audit did not make sole-source purchases exceeding the monetary threshold that would require OPM Administrator approval and because they did not purchase the items specified in the recommendation made in the prior report. We also noted several new issues not cited in the previous audit: DOE did not enter certifications of delivery in the DOE Financial Accounting Management Information Systems (FAMIS) in a timely manner; DOE incorrectly coded purchase orders; and schools split purchases to avoid the approval requirements for purchases exceeding \$5,000, the monetary threshold for these purchases.

## **Audit Recommendations**

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

1. Obtain certification of delivery for purchases of goods and services prior to payment of invoices.
2. Review solicited written bids to ensure compliance with the bidding guidelines before approving purchase orders.
3. Maintain copies of bid documentation.

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

4. Certification of delivery is entered in FAMIS on a timely manner.
5. Schools correctly classify all purchase orders.
6. Schools do not avoid the approval process by splitting the value of purchases.

## INTRODUCTION

### **Background**

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 Regions 1 and 2 is responsible for the fiscal oversight of 341 schools.

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

### **Objective**

This follow-up audit determined whether DOE implemented the 10 recommendations contained in a previous audit, *Audit Report on Other Than Personal Services Expenditures of School within the Department of Education Regional Operations Center for Regions 1 and 2* (Audit No. MH05-079A, 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 Other Than Personal Service (OTPS) purchases, we reviewed relevant documents and used the following sources of information:

- The prior audit report issued by the Comptroller's Office (*Audit Report on Other Than Personal Services Expenditures of School within the Department of Education Regional Operations Center for Regions 1 and 2* (Audit No. MH05-079A, issued May 4, 2005);

- The *Standard Operating Procedures Manual* (SOPM), DOE Division of Financial Operations, 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;
- DOE's *On-line Guide to Certification of Delivery*; and
- DOE's Audit Implementation Plan (AIP) for the recommendations made in the previous audit (MH05-079A), dated December 19, 2005.

To assess whether DOE had implemented the corrective procedures outlined in its AIP and whether the implementation of those procedures corrected the weaknesses cited in the previous audit, we conducted tests on OTPS purchases made by Regions 1 and 2 in Fiscal Year 2006.

There were 99 schools that had 192 purchase orders, totaling \$1,603,577.40. We judgmentally selected purchases made by the two schools in Region 1 and the two schools in Region 2 that had the greatest number of purchases exceeding \$5,000, the monetary threshold requiring ROC approval. The sample from these four schools covered 37 purchases orders and totaled \$385,217—27 purchases totaling \$278,228 from Region 1, and 10 purchases totaling \$106,989 from Region 2. The 37 purchase orders found in FAMIS included 11 purchase orders that required written bids, 2 sole-source purchases, 1 exception to bids, 2 purchases from contracted vendors and 21 purchase orders from competitive grant funds (programs and projects not funded by DOE).

To determine whether ROC officials ensure school compliance with SOPM requirements for sole-source justifications, we reviewed 2 of the 37 purchase orders that were identified as sole-source in the ROC files.

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 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 that the receipt of purchases was certified on-line prior to the issuance of payments to vendors. We reviewed the files of the sample purchases to determine whether the receipt of those purchases was certified on-line prior to the issuance of payments to the vendors.

The results of the above tests while not projectable to the population from which the samples were drawn presented a reasonable basis to determine whether the prior recommendations had been implemented.

Until July 2, 2007, ROCs provided operational and financial support to the schools they served. Subsequent to that date, Integrated Service Centers (ISCs) were established to continue

providing training to schools in standard operating procedures. ISCs may review reports of school expenditures to identify instances warranting follow-up contact with schools to reinforce procedures, thereby preventing violations of procedures.

This audit was conducted in accordance with generally accepted government auditing standards (GAGAS) and included tests of the records and other auditing procedures considered necessary. This audit was performed in accordance with the City Comptroller's audit responsibilities as set forth in Chapter 5, §93, of the New York City Charter.

### **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 March 17, 2008. On March 27, 2008, we submitted a draft report to DOE officials with a request for comments. We received a written response from DOE officials on April 14, 2008. DOE generally agreed with the findings and recommendations of this audit. Their comments are included as an addendum to this report.



## RESULTS OF FOLLOW-UP AUDIT

Of the 10 recommendations made in the previous audit, the current audit disclosed that DOE implemented 4, and partially implemented 3 recommendations. The auditors could not determine the implementation status of 3 recommendations because the schools in our sample for the current audit did not make sole-source purchases exceeding the monetary threshold that would require OPM Administrator approval, and because they did not purchase the items specified in the recommendation made in the prior report.

We reviewed a sample of 37 purchase orders and found that 4 were miscoded. Two of the four purchase orders were incorrectly classified as purchases from non-contracted vendors instead of contracted vendors, and the other two, which were in fact competitive grants, were incorrectly classified as exceptions to bidding. We examined payment records and found that four purchases were paid before goods and services were received, and two purchase orders lacked certifications of delivery. We also found two purchase orders that had no written bid information on file. Based on the samples reviewed, we found that ROC 1 and 2 maintained invoices on file and that there were justification letters in the sole-source purchase files. In addition, ROC 1 and 2 had provided SOPM training classes to the school staff.

During our current audit, we noted several new issues not cited in the previous audit: DOE did not enter certifications of delivery in FAMIS in a timely manner; DOE incorrectly coded purchase orders; and schools split purchases to avoid the approval requirements for purchases exceeding \$5,000, the monetary threshold for these purchases.

### **Previous Finding:** “Lack of Certification of Delivery for Goods or Services”

“ROC officials did not receive the required certification of delivery for 12 (43%) of 28 sampled purchases for goods or services before processing the payments.”

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

***Previous DOE Response:*** “ROC officials have instructed ROC staff not to make payments until certification of delivery has been documented by the school. This certification of delivery can be in the form of a signed bill of lading, packing slip, etc. This recommendation was reviewed with ROC staff on March, 2005.

“Because of the acknowledged difficulty of obtaining certificate of delivery from schools, an on-line certification of delivery system is being implemented. It is expected that the FAMIS portal enhancements will be implemented prior to the end of the current fiscal year.”

**Current Status:** PARTIALLY IMPLEMENTED

We reviewed 37 purchased orders and found that 4 of them were paid before the certification of delivery and that 2 purchase orders lacked certifications. Therefore, we consider this recommendation to be partially implemented.

**Previous Finding:** “Lack of Written Justification and OPM Approval for Sole-Source Purchases”

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

***Previous DOE Response:*** “ROC deputies and operations supervisors will approve sole vendor requests in the amount of \$15,000 or less prior to approval of purchases for goods or services. This will take place after a careful and thorough review of all documentation submitted by the school.”

**Current Status:** IMPLEMENTED

Our purchase order sample consisted of two sole-source purchases. We found written justification for both purchase orders on file. Therefore, we considered this recommendation to be implemented.

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

***Previous DOE Response:*** “Sole source requests exceeding \$15,000 will be sent to the appropriate OPM Administrator for approval. Approval of purchases by ROC officials will not be until sole source approval has been granted by OPM.”

**Current Status:** COULD NOT BE DETERMINED

We could not determine the status of this recommendation because the sole-source purchases in our sample did not exceed the \$5,000 threshold for professional services or the \$15,000 threshold for commodities that would require the approval of the OPM Administrator.

**Previous Finding:** “Lack of Purchase Bidding Documents”

“For three (60%) of the five sampled purchases of goods and services for which schools were required to obtain written bids, ROC employees approved the related purchase orders without receiving all bidding documentation to support the purchase.”

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

***Previous DOE Response:*** “ROC officials have instructed ROC staff that prior to approving purchase orders that require bids that all guidelines have been followed as referenced in the SOPM. ROCs will ensure that school officials comply with the SOPM written bids from independent and separate vendors. The steps include, but are not limited to, the ROC approval officers reviewing all written bid documentation prior to FAMIS electronic approval of purchase orders to ensure compliance.”

**Current Status: PARTIALLY IMPLEMENTED**

Our sample included 11 approved purchases orders that required written bids. We found that 2 of the 11 purchase orders had no written bid documentation. However, the remaining 9 purchase orders were reviewed by the ROC officials. Therefore, we consider this recommendation to be partially implemented.

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

***Previous DOE Response:*** “ROC officials have instructed ROC staff to maintain copies of all bids and attach to copies of all purchase orders.”

**Current Status: PARTIALLY IMPLEMENTED**

Of the 11 approved sample purchases that required written bids, we found that 2 purchase had no written bid documentation on file. Therefore, we consider this recommendation to be partially implemented.

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

***Previous DOE Response:*** “Public openings of sealed bids for non-contracted purchases above \$10,000 will be conducted in compliance with the SOPM. This process will be monitored by the contract managers. This has been implemented by the ROC officials and will be reiterated at the next training sessions conducted in May 2005.”

**Current Status: COULD NOT BE DETERMINED**

We could not determine the status of this recommendation because none of our sample purchase orders exceeded the \$10,000 non-contracted purchase threshold that would require a sealed bid be opened and read in public.<sup>2</sup>

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<sup>2</sup> DOE issued a SOPM in March 2006 that raised the threshold for sealed bids from \$10,000 to \$15,000.

**Previous Finding:** “Lack of Vendor Invoices”

“ROC files had no vendor invoices for three (11%) of 28 sampled purchases for goods or services before processing the payments.”

***Previous Recommendation #7:*** “ROC officials should obtain and maintain invoices for purchases of goods and services.”

***Previous DOE Response:*** “ROC officials have instructed ROC staff responsible for vouchering that they are responsible for obtaining invoices prior to making payments. Contracts managers have conducted training sessions around this recommendation. Invoices will be maintained at the ROC site.”

**Current Status:** IMPLEMENTED

We found that all of the purchases in our sample had invoices on file. Therefore, we consider this recommendation to be implemented.

**Previous Finding:** “Heavy Gym Equipment and Furniture Purchased From Non-contracted Vendors”

“Two purchases were approved by ROC officials from non-contracted vendors, contrary to SOPM requirements. The SOPM states, ‘There are items that **cannot be ordered directly from a vendor by a purchase order regardless of price.** They have been restricted, for safety reasons, from direct purchasing.’ [Emphasis in original] Examples of such items include all heavy gymnasium equipment and athletic field equipment, all classroom furniture, and all equipment and furniture that requires fastening to floors and walls.”

***Previous Recommendation #8:*** “ROC officials should not approve any purchases of heavy gym equipment or furniture from non-contracted vendors.”

***Previous DOE Response:*** “ROC officials have instructed ROC staff that they are not to approve the purchases of heavy gym equipment or furniture from non-contracted vendors. This will satisfy the safety requirements as detailed in the SOPM.”

**Current Status:** COULD NOT BE DETERMINED

We could not determine the status of this recommendation because our sample did not include any purchases of heavy gym equipment or furniture from non-contracted vendors.

**Previous Finding:** “Purchases Are Made Prior to Obtaining ROC Approval.”

“Although the ROC approved all 28 purchases in our sample, we found five (18%) instances in which the schools purchased goods or services prior to receiving ROC approval.

DOE requires that school purchases above \$5,000 obtained from a non-contracted vendor or purchases above \$15,000 obtained from a contracted vendor must be approved by the principal or authorized DOE official and by the ROC prior to the purchase being made.”

***Previous Recommendation #9:*** “ROC officials should notify all schools that purchases requiring ROC approval must not be made until the ROC has approved the purchase.”

***Previous DOE Response:*** “Schools have already been made aware and will be reminded at future ROC training sessions held for school personnel as well as school visits by ROC staff, emphasis will be placed upon school staff that ROC approval must be obtained prior to making commitments in those instances where ROC approval is required for the purchase of goods and services.”

**Current Status:** IMPLEMENTED

ROC 1 and 2 had provided SOPM training classes to the schools staff and principals. Therefore, we consider this recommendation to be implemented.

**Previous Finding:** “For one of the 28 purchase orders in our sample, the school had no record of ordering or receiving the items purchased . . . Middle School 118.”

***Previous Recommendation #10:*** “ROC officials should look into purchase order number WR0430700 and determine whether Middle School 118 received these books.”

***Previous DOE Response:*** “10x118’s [Middle School 118] did not receive any textbooks but rather a portion of funds were used to purchase classroom libraries for other schools. The Learning Support Center wanted to ensure constant support was given across the networks of schools.”

**Current Status:** IMPLEMENTED

We reviewed DOE’s previous response and concluded that the ROC officials did look into the purchase order. Although DOE explained the spending of the funds, the response raises the issue of whether such spending is appropriate. During our fieldwork, we checked whether this issue was present in our sample purchases and found that it was not. Therefore, we consider this recommendation to be implemented.

## **New Issues**

### **Untimely Entry of Certifications of Delivery in FAMIS**

SOPM §8.1 states, “Certification of Delivery must be done directly into the FAMIS Portal.” The certification attests that the goods and services ordered have been received, examined, and found to be correct. We found that 14 of the 37 purchase orders we reviewed were certified as prescribed by DOE procedures, but that these certifications were not entered on-line in FAMIS in a timely manner.

### **Incorrect Classification of Purchase Orders**

During the current audit, we found instances in which purchase orders were classified incorrectly. Our review of 37 sample purchases found that 4 of them were miscoded. Two of the purchases were classified as non-contracted vendor orders, but were in fact purchases from contracted vendors. The other two purchase orders should have been classified as competitive grants, but were incorrectly classified as exceptions to bidding.

### **Purchasing Procedures Were Not Followed**

During our audit, we found instances in which three schools split orders. During May 2006, the Claremont Elementary School (PS 042) issued two purchase orders, WO6017596 and WO6017800, for the same amount—\$3,185.83—to Hertz Furniture Systems. Both purchases combined would have exceeded the \$5,000 threshold that would require ROC approval. WO6017596 was issued on May 4, 2006, and WO6017800 on May 23, 2006. According to the ROC official, the school indicated that an “error was made by the school and did not realize the purchases were made within the same month.”

The second split order was made by the Evergreen Elementary School (PS 152), which issued two purchase orders (WO6003775 and WO6003778) on the same date and to the same vendor, National Center. The two purchases totaled \$5,017.60—\$2,979.20 for WO6003775 and \$2,038.40 for WO6003778. According to ROC officials, the school said that “These classroom books were purchased for different classroom in multiple subject areas.”

The third split purchase was made by The Academy of Scholarship and Entrepreneurship (PS 270), which issued two purchase orders (WO6021508 and WO6021537) to the Computer Age on June 1, 2006. The two purchase orders totaled \$6,578.00—\$3,588.00 for WO6021508 and \$2,990.00 for WO6021537. According to an ROC official, “Overhead projectors purchased for each classroom for instructional presentations.”

## RECOMMENDATIONS

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

1. Should obtain certification of delivery for purchases of goods and services prior to payment of invoices.

**DOE Response:** “This issue concerns purchases of goods and services made by the Instructional Learning Division (ILD). Of the 37 purchase orders reviewed, four (4) of them were paid before the certification of delivery and two (2) purchase orders lacked a record of certification. All six (6) of these exceptional items related to purchases made by the ILD.

“In July and August of 2005, the New York City Department of Education (NYCDOE) implemented a new Automated Certification System. This on-line system requires and confirms certification of delivery prior to the payment authorization for purchases of all goods and services. The staff at the Regional Operations Center (ROC) received training on the new system that same August and, in order to roll-out this new process to the schools in a timely manner, workshops for school personnel were scheduled and carried out in September and October of 2005. The staff at the ILD was trained after the training for school staff was completed as part of the final phase of the roll-out. Until the ILD staff was trained, and in an effort to pay bills in a timely manner, hard copies of certified invoices were acquired prior to payment and the on-line certification was completed at a later date.

“Both the Regional Operation Centers and the Instructional Learning Division (ILD) were eliminated as part of the NYCDOE reorganizations on July of 2007. The Bronx Integrated Service Center now continues to provide training to our staff and school personnel in an effort to ensure proper procurement guidelines are followed including the requirement that certification-of-delivery is necessary for purchases of goods and services prior to payment.”

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

**DOE Response:** “The Bronx Integrated Service Center representatives continue to provide training to our staff and school personnel to ensure compliance with the SOP [i.e., SOPM] and accuracy in all transactions.

“In September and November of 2007, as well as January of 2008, the ISC teams presented Procurement Workshops which addressed Bidding Guidelines as one of the topics discussed. These workshops provided presentations as well as printed guidelines for all pertinent areas of procurement. We continue to schedule workshops to review recommendations and the SOP with ISC personnel in order to reiterate the importance of keeping our schools in compliance.”

3. Maintain copies of bid documentation.

**DOE Response:** “The Bronx Integrated Service Center continues to provide training to our staff in an effort to ensure the maintenance of all records with an emphasis on schools bidding documentation. Each staff member has been instructed in the manner to label and properly file each school file. In addition, the ISC staff has advised school personnel on the advantages of using contracted vendors.

“We continue to schedule and present workshops to review recommendations and SOP with our ISC Representatives in order to inform them of school issues that need to be addressed.”

To address these new issues, we recommend that DOE officials, in conjunction with the district representatives should ensure that:

4. Certification of delivery is entered in FAMIS on a timely manner.

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

5. Schools correctly classify all purchase orders.

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

6. Schools do not avoid the approval process by splitting the value of purchases.

**DOE Response:** “The Bronx Integrated Services Center continues to provide training to our staff and school personnel in an effort to ensure each school follows all SOP and procurement guidelines. In addition, each training session reviews the bidding thresholds for various purchasing methods. We continue to schedule workshops to review recommendations and SOP with our ISC Representatives in order to inform them of school issues that need to be addressed.”



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Department of  
Education

Kathleen Grimm  
Deputy Chancellor  
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April 9, 2008

Honorable John Graham  
Deputy Comptroller for Policy, Audits, Accountability and Contracts  
The City of New York  
Office of the Comptroller  
1 Center Street  
New York, NY 10007-2341

Re: Follow-up Audit Report on Other Than Personal Services  
Expenditures of Schools within the Department of Education  
Regional Operations Center for Region 1 and 2  
FS07-123F

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 ten 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 for Region 1 and 2 (Audit No. MH05-079A, issued May 4, 2005).

Our response is as follows:

- The DOE implemented four and partially implemented three of the ten recommendations made in the previous audit. Additionally, three new recommendations were identified based on new issues.

We request that the following information be noted for the three (3) recommendations found to be partially implemented:

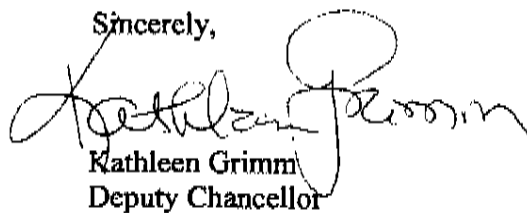
- Previous recommendation # 1: Only four of thirty-seven sample items were identified to not be in compliance with stated policy.

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- o Previous recommendations # 4 and 5: There appear to be duplicative references; specifically -- "Lack of Bidding Documentation" and "ROC official should maintain copies of bid documentation".

Sincerely,



Kathleen Grimm  
Deputy Chancellor

cc: Brain Fleisher	Vincent Clark	Vincent Giordano
Marlene Siegel	Mary Coffey	Espi Semetis
Susan Olds	Nader Francis	
Angel Namnum	Mariano Guzman	David Ross
Sandy Brawer	Yvonne Torres	Robert Wilson

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

Audit Implementation Plan Form A

PAGE 1 OF 6

RESPONSE DATE: April 4, 2008

AUDIT TITLE: Follow-up Audit Report on Other Than Personal Services  
Expenditures of Schools within the Department of Education  
Regional Operations Center for Region 1 and 2

AUDITING AGENCY: Office of the Comptroller

DIVISION: Audits, Accountancy and Contracts

DRAFT REPORT DATE: March 27, 2008

AUDIT NUMBER: FS07-123F

A. RECOMMENDATION WHICH THE AGENCY  
HAS IMPLEMENTED

Recommendation # 1: Should obtain certification of delivery for purchases of goods and services prior to payment of invoices.

RESPONSE TO RECOMMENDATION - IMPLEMENTATION PLAN

This issue concerns purchases of goods and services made by the Instructional Learning Division (ILD). Of the 37 purchase orders reviewed, four (4) of them were paid before the certification of delivery and two (2) purchase orders lacked a record of certification. All six (6) of these exceptional items related to purchases made by the ILD.

In July and August of 2005, the New York City Department of Education (NYCDOE) implemented a new Automated Certification System. This on-line system requires and confirms certification of delivery prior to the payment authorization for purchases of all goods and services. The staff at the Regional Operations Center (ROC) received training on the new system that same August and, in order to roll-out this new process to the schools in a timely manner, workshops for school personnel were scheduled and carried out in September and October of 2005. The staff at the ILD was trained after the training for school staff was completed as part of the final phase of the roll-out. Until the ILD staff was trained, and in an effort to pay bills in a timely manner, hard copies of certified invoices were acquired prior to payment and the on-line certification was completed at a later date.

Both the Regional Operation Centers and the Instructional Learning Division (ILD) were eliminated as part of the NYCDOE reorganizations on July of 2007. The Bronx Integrated Service Center now continues to provide training to our staff and school personnel in an effort to ensure proper procurement guidelines are followed including the requirement that certification-of-delivery is necessary for purchases of goods and services prior to payment

IMPLEMENTATION DATE

July 2007 - ongoing

RESPONSIBILITY CENTER

Bronx Integrated Service Center.

Signature: 

Print Name: Angel Namnum  
Print Title: Deputy Executive Director for Business  
Bronx Integrated Service Center

4/4/08  
Date

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

Audit Implementation Plan Form A

PAGE 2 OF 6

RESPONSE DATE: April 4, 2008

AUDIT TITLE: Follow-up Audit Report on Other Than Personal Services  
Expenditures of Schools within the Department of Education  
Regional Operations Center for Region 1 and 2

AUDITING AGENCY: Office of the Comptroller

DIVISION: Audits, Accountancy and Contracts

DRAFT REPORT DATE: March 27, 2008

AUDIT NUMBER: FS07-123F

A. RECOMMENDATION WHICH THE AGENCY  
HAS IMPLEMENTED

Recommendation # 2: Review solicited written bids to ensure compliance with the bidding guidelines before approving purchase orders.

RESPONSE TO RECOMMENDATION - IMPLEMENTATION PLAN

The Bronx Integrated Service Center representatives continue to provide training to our staff and school personnel to ensure compliance with the SOP and accuracy in all transactions.

In September and November of 2007, as well as January of 2008, the ISC teams presented Procurement Workshops which addressed Bidding Guidelines as one of the topics discussed. These workshops provided presentations as well as printed guidelines for all pertinent areas of procurement. We continue to schedule workshops to review recommendations and the SOP with ISC personnel in order to reiterate the importance of keeping our schools in compliance.

IMPLEMENTATION DATE

July 2007 – ongoing

RESPONSIBILITY CENTER

Bronx Integrated Service Center.

Signature:



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PAGE 3 OF 6

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DRAFT REPORT DATE: March 27, 2008

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A. RECOMMENDATION WHICH THE AGENCY  
HAS IMPLEMENTED

Recommendation # 3: Maintain copies of bidding documentation.

RESPONSE TO RECOMMENDATION - IMPLEMENTATION PLAN

The Bronx Integrated Service Center continues to provide training to our staff in an effort to ensure the maintenance of all records with an emphasis on schools bidding documentation. Each staff member has been instructed in the manner to label and properly file each school file. In addition, the ISC staff has advised school personnel of the advantages of using contracted vendors.

We continue to schedule and present workshops to review recommendations and SOP with our ISC Representatives in order to inform them of school issues that need to be addressed.

IMPLEMENTATION DATE

July 2007 – ongoing

RESPONSIBILITY CENTER

Bronx Integrated Service Center.

Signature: 

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NEW YORK CITY DEPARTMENT OF EDUCATION  
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Audit Implementation Plan **Form A**

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

Recommendation # 4: Certification of delivery is entered in FAMIS on a timely manner.

**RESPONSE TO RECOMMENDATION - IMPLEMENTATION PLAN**

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

**IMPLEMENTATION DATE**

July 2007 - ongoing

**RESPONSIBILITY CENTER**

Bronx Integrated Service Center.

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DRAFT REPORT DATE: March 27, 2008

AUDIT NUMBER: FS07-123F

A. RECOMMENDATION WHICH THE AGENCY  
HAS IMPLEMENTED

Recommendation # 5: Schools correctly classify all purchase orders.

RESPONSE TO RECOMMENDATION - IMPLEMENTATION PLAN

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

IMPLEMENTATION DATE

July 2007 - ongoing

RESPONSIBILITY CENTER

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Signature:



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A. RECOMMENDATION WHICH THE AGENCY  
HAS IMPLEMENTED

Recommendation # 6: Schools do not avoid the approval process by splitting the value of purchases.

RESPONSE TO RECOMMENDATION - IMPLEMENTATION PLAN

The Bronx Integrated Services Center continues to provide training to our staff and school personnel in an effort to ensure each school follows all SOP and procurement guidelines. In addition, each training session reviews the bidding thresholds for various purchasing methods. We continue to schedule workshops to review recommendations and SOP with our ISC Representatives in order to inform them of school issues that need to be addressed.

IMPLEMENTATION DATE

July 2007 - ongoing

RESPONSIBILITY CENTER

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Signature:



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4/4/08

Date