



# Syracuse Academy of Science Charter School

## Purchases From Selected Vendors, Enrollment and Billing

### Report of Examination

Period Covered:

July 1, 2010 — December 31, 2012

2012M-219



Thomas P. DiNapoli

# Table of Contents

	<b>Page</b>
<b>AUTHORITY LETTER</b>	2
<b>EXECUTIVE SUMMARY</b>	3
<b>INTRODUCTION</b>	5
Background	5
Objectives	5
Scope and Methodology	6
Comments of Local Officials and Corrective Action	6
<b>PURCHASES FROM SELECTED VENDORS</b>	7
Use of Competition	8
Cost Savings	11
Inventory Records	12
Recommendations	14
<b>STUDENT ENROLLMENT AND BILLING</b>	16
Enrollment	16
Billing	18
Recommendations	19
<b>APPENDIX A</b> Response From Local Officials	21
<b>APPENDIX B</b> OSC Comments on the School's Response	29
<b>APPENDIX C</b> Audit Methodology and Standards	30
<b>APPENDIX D</b> How to Obtain Additional Copies of the Report	32
<b>APPENDIX E</b> Local Regional Office Listing	33

# State of New York Office of the State Comptroller

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## Division of Local Government and School Accountability

July 2013

Dear School Officials:

A top priority of the Office of the State Comptroller is to help local government officials manage government resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and School Board governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard local government assets.

Following is a report of our audit of Syracuse Academy of Science Charter School, entitled Purchases from Selected Vendors, Enrollment and Billing. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Section 2854 of the Education Law.

This audit's results and recommendations are resources for School officials to use in effectively managing operations and in meeting the expectations of taxpayers, students and their parents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller  
Division of Local Government  
and School Accountability*



## State of New York Office of the State Comptroller

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# EXECUTIVE SUMMARY

The Syracuse Academy of Science Charter School (School) is located in the City of Syracuse in Onondaga County. It is governed by a Board of Trustees (Board) that has five members.<sup>1</sup> The Board is responsible for the general management and control of the School's financial and educational affairs. The Board appoints a Director who is responsible, along with the Operations Manager and other administrative staff, for the day-to-day management of the School under the direction of the Board.

The School's 2011-12 fiscal year operating budget expenses totaled approximately \$7 million. These expenses were funded with revenues derived from billing area school districts for resident pupils (92 percent), Federal and State grants (7 percent), and other revenue (1 percent). The School had approximately 600 enrolled students at the elementary and high school levels and 88 employees during the 2011-12 fiscal year.

### **Scope and Objectives**

The objectives of our audit were to examine purchases from selected vendors for the period July 1, 2010 to December 31, 2012, and the student enrollment and billing processes for the period July 1, 2011 to June 30, 2012. Our audit addressed the following related questions:

- Did School officials ensure that purchases from selected vendors were made in accordance with the School's charter and procurement procedures, and that goods and services were obtained at the most favorable terms and in the best interest of taxpayers?
- Are student enrollment records and billings to school districts accurate and supported?

### **Audit Results**

Our audit found that School officials routinely purchased school equipment and furnishings from a limited group of four vendors that were affiliated with one another. The required number of quotes was not always obtained, and quotes were sometimes dated after the purchase was made. School officials did not document verbal quotes, making it impossible to verify that the lowest quote was used or that the School paid the correct amount. School officials also received quotes for school equipment and furnishings from vendors that did not specialize in such items, and did not attempt to identify more suitable vendors that could have offered more competitive prices. These restrictive practices undermine

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<sup>1</sup> Subsequent to the completion of our fieldwork the Director informed us that the School had increased its Board from five to seven members.

the intent of true competition. As a result, we question the prudence of \$383,390 in purchases which the School likely could have obtained at lower prices.

In addition, some of the purchased items were in fact resold to the School after an affiliated vendor purchased the items online and marked up the price. Had School officials purchased these items either directly from the original vendor or through State contract, they could have saved \$5,220 on total purchases of \$54,940. We also identified \$5,500 in contractual discounts due to the School from its vendor of student information system software and training, which the School was able to recoup. By monitoring the terms of vendor contracts, School officials can help ensure that they are not overbilled for goods and services in the future.

In addition, School officials did not accurately record the items purchased in the School's inventory records. We found numerous discrepancies between inventory records and physical goods, many of which could not be located because the records were incomplete and did not include serial numbers. For example, of 21 computers related to one purchase, only one unit listed on inventory could be physically traced to the correct room, tag, and model; in another instance, the inventory reflected a purchase of 10 projectors while the purchase order was for 17. No one performed periodic physical inventories of electronic assets to keep the inventory records accurate and current, and deliveries were not checked against orders and invoices to verify that the correct items were received. As a result, there is limited assurance that all items the School bought and paid for are in fact in the School's possession.

We also found that School officials could not verify the current addresses of 32 out of the 42 students in our sample. The Director of Operations does not ensure all student information is recorded accurately prior to billing their school districts, and does not verify the accuracy of the year-end reconciliation<sup>2</sup> of the School's student information system with billings, which should identify any moneys that the School owes to the resident districts (over-billings) or vice versa (under-billings). Our comparison of the School's list of 598 students with its last billings identified 21 discrepancies. Due to these errors in the School's year-end reconciliation, the School did not identify and correct billing errors for nine of the 21 students whose billings were initially incorrect. As a result, the amount of credit that the School owed to the Syracuse City School District was overstated by \$43,790.

### **Comments of Local Officials**

The results of our audit and recommendations have been discussed with School officials and their comments, which appear in Appendix A, have been considered in preparing this report. Except as specified in Appendix A, School officials generally agreed with our recommendations and indicated they had already taken or planned to take corrective action. Appendix B includes our comments on issues raised in the School's response letter.

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<sup>2</sup> The School's year-end reconciliation indicated that the Syracuse City School District overpaid \$99,722 to the School.

# Introduction

## Background

A charter school is a public school financed by local, State and Federal resources that is not under the control of the local school board and is governed under Education Law Article 56. The Syracuse Academy of Science Charter School (School) is located in the City of Syracuse, in Onondaga County. It is governed by a Board of Trustees (Board) that has five members.<sup>3</sup> The Board is responsible for the general management and control of the School's financial and educational affairs. The Board appoints a Director who is responsible, along with the Operations Manager and other administrative staff, for the day-to-day management of the School under the direction of the Board. According to the School's charter the Operations Manager is responsible for keeping accurate computerized inventory records. An administrative assistant is responsible for student enrollment and the Operations Manager is responsible for preparing billings to school districts for students enrolled. Students living in the Syracuse City School District (SCSD) account for 93 percent of the enrolled students.

Charter schools have fewer legal operational requirements than traditional public schools. Most charter school requirements are contained in its by-laws, charter agreement, and fiscal/financial management plans. Charter schools are required to set both financial and academic goals and the renewal of the charter every five years is dependent on the school meeting these goals.

The School's 2011-12 fiscal year operating budget expenses totaled approximately \$7 million. These expenses were funded with revenues derived from billing area school districts for resident pupils (92 percent), Federal and State grants (7 percent), and other revenue (1 percent). The School had approximately 600 enrolled students and 88 employees during the 2011-12 fiscal year.

## Objectives

The objectives of our audit were to examine purchases from the selected vendors and the student enrollment and billing processes. Our audit addressed the following related questions:

- Did School officials ensure that purchases from selected vendors were made in accordance with the School's charter and procurement procedures, and that goods and services were obtained at the most favorable terms and in the best interest of taxpayers?

<sup>3</sup> Subsequent to the completion of our fieldwork the Director informed us that the School had increased its Board from five to seven members.

- Are student enrollment records and billings to school districts accurate and supported?

**Scope and  
Methodology**

We evaluated internal controls and determined that School officials have established adequate controls for most financial areas and, therefore, limited risk exists. While overall the internal controls appeared adequate, risk existed in the area of purchases from selected vendors, and enrollment records and billing to school districts. We examined the School's purchases from selected vendors from July 1, 2010, to December 31, 2012 and its current billing processes and the actual billings for the fiscal year July 1, 2011, to June 30, 2012.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix C of this report.

**Comments of  
Local Officials and  
Corrective Action**

The results of our audit and recommendations have been discussed with School officials and their comments, which appear in Appendix A, have been considered in preparing this report. Except as specified in Appendix A, School officials generally agreed with our recommendations and indicated they had already taken or planned to take corrective action. Appendix B includes our comments on issues raised in the School's response letter.

The Board has the responsibility to initiate corrective action. We encourage the Board to prepare a plan of action that addresses the recommendations in this report, and to forward the plan to our office within 90 days. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make this plan available for public review in the Main Office.



## Purchases From Selected Vendors

The Board is responsible for designing internal controls that help safeguard the School's assets and ensure the prudent and economical use of its moneys when procuring goods and services. The objectives of a procurement process are to obtain services or materials, supplies and equipment of the desired quality, in the quantity needed and at the lowest price, in compliance with applicable Board requirements. The appropriate use of competition helps ensure that procurements are not influenced by favoritism, fraud or corruption, and that taxpayer dollars are expended in the most efficient manner. It is also essential that the School's payments for goods and services are accurate and consistent with contract terms, and that the School maintains good inventory records to adequately account for and safeguard its purchased assets.

The School's charter and procurement procedures provide guidance to School officials responsible for procuring goods and services. Our audit identified four of the School's vendors that appear to be affiliated businesses; the same individual endorsed the deposited checks for each of the four vendors and the addresses of two of these businesses were the same. In addition, all four vendors used the same taxpayer identification number, according to W-9 forms on file at the School. Because the School conducted a significant amount of business with these vendors (\$800,000 during the audit period) and our initial review of written quotes identified inconsistencies, we examined all purchases from these vendors (represented in Table 1 as Vendors A, B, C and D) for compliance with provisions in the School's charter and procurement procedures. We also examined two other vendors (represented as Vendors E and F) with addresses in close proximity to the four related companies, all of which are in New Jersey. The School paid \$309,000<sup>4</sup> and \$92,000, respectively, to the other two vendors during our audit period.

<sup>4</sup> We subsequently found that Vendor E, which provides the student information system, operates an additional business under the "doing business as" (DBA) classification, to which the School made payments which are included in the total of \$309,000.



**Table 1: Purchases From Selected Vendors  
July 1, 2010 – December 31, 2012**

	Items	Amount
<b>Affiliated Vendors</b>		
A	Technology: computers, printers, cameras, cables, monitors, interactive white boards, projectors, etc.	\$390,365
B	Furniture (tables, chairs, bookcases, cubbies) and uniforms	\$309,437
C	Clothing: uniforms, costumes	\$61,679
D	Technology: cables, cameras, keyboards, speakers, projectors	\$39,709
	<b>Total</b>	<b>\$801,190</b>
<b>Vendors in Close Proximity</b>		
E	Software for student information system (SIS), testing services, summer institutes <sup>a</sup>	\$308,743
F	Marketing and office supplies	\$91,513

<sup>a</sup> This total includes another business affiliated with the SIS provider as a DBA (doing business as).

School officials sometimes obtained two of the three quotes required by the charter and procurement procedures from businesses that were affiliated with each other, or obtained quotes for school furnishings from vendors who were not in that primary business. In some instances the quotes were dated well after School officials made a purchase from another vendor. Officials also requested quotes from the same vendors repeatedly and, although these vendors never submitted the low quote, did not expand the list of potential suppliers to include vendors who could be more competitive. In some cases, the School could have saved money by using State contract vendors or by purchasing items on the open market. In addition, the items purchased from the selected vendors were not accurately recorded in the School’s inventory records, making it difficult to track the assets and verify they were on hand.

**Use of Competition**

Competition in the procurement of supplies, equipment and services paid for with public funds helps to ensure that such goods and services are purchased at the lowest available price. Accordingly, competitive price quotes should be obtained from independent, non-affiliated companies whose primary line of business is in the type of merchandise to be purchased. Charter schools may also use contracts awarded through the New York State Office of General Services (OGS)<sup>5</sup> which

<sup>5</sup> OGS awards contracts for the procurement of commodities, services, and technology products. OGS does not actively seek participation by schools in its contracts, but these contracts are available to schools, which may make purchases at the same prices and under the same terms as the State. OGS contracts reduce administrative costs and time required to prepare bid specifications and awards because OGS handles bid solicitation and evaluation, as well as contract development and management, and does not charge users for this service.

often offer lower prices for goods and services. Procurement policies and procedures should provide sufficient guidance to officials on what actions they should take to solicit competition for professional services.<sup>6</sup> The use of a request for proposals (RFP) process is an effective way to procure the desired professional services for the best price while documenting how the selection of the provider was made. Maintaining appropriate and current vendor lists is also essential to competitive procurement. School personnel should make a concerted effort to identify responsible vendors that are capable of providing, as a regular part of their business, the goods or services needed.

The School's charter and written procurement procedures require school officials to obtain three quotes for purchases of goods or services over \$10,000. In addition, the procurement procedures require Board approval for any purchases that exceed \$15,000. The School's charter excludes professional service contracts from the requirement for multiple quotes, but does not preclude the Director from seeking quotes. The Board minutes report only that a particular vendor was approved and do not list the approved dollar amount or the amounts of the competing quotes.

We reviewed School purchases from the selected vendors over \$10,000 that required quotes and purchases over \$15,000 that required Board approval. School officials have not taken adequate measures to obtain reasonable competition in acquiring goods and services and, therefore, we question the economic prudence of the School's purchases from certain vendors, which totaled approximately \$383,000.

Uniforms — A purchase of uniforms from Vendor B was approved by the Board on August 9, 2010. School officials paid \$34,772 to the vendor which matched a quote provided to us. The two alternative quotes were dated March 2, 2011 (seven months after the Board approved the purchase), and June 1, 2012 (two years after the Board approved the purchase), from two purportedly different vendors. School officials could not explain why the quotes were dated substantially after the purchase. Further, the quote dated June 1, 2012, bore a residential address which we traced to an internet posting of an address for the vendor whose quote was dated March 2, 2011. Another purchase of uniforms, from Vendor C for \$17,712, also included quotes from these same two affiliated vendors.

A \$34,859 purchase from Vendor C for uniforms was approved by the Board on March 8, 2011. School officials had only one quote on file, not three as required. The sole documented quote was from Vendor B,

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<sup>6</sup> Professional services generally include services requiring specialized or technical skills, expertise or knowledge, the exercise of professional judgment, or a high degree of creativity.

dated April 4, 2011, one month after the Board approved the contract, and was for \$35,859 (exactly \$1,000 more than the purchase from Vendor C).<sup>7</sup> Since Vendors B and C are related companies, these two quotes are in effect from the same entity. The Operations Manager told us that in the past he did not keep the low vendor's quote but used the invoiced amount as proof that the vendor's quote was lowest. As a result, there is no way to verify that the School obtained this quote and paid the amount quoted. Further, without documented alternative quotes before the purchase, there is no assurance of competition and, therefore, the School may not have paid the lowest possible price.

Furniture — The Board approved a \$31,457 purchase from Vendor B for furniture<sup>8</sup> for the elementary school on July 10, 2012. However, there was no quote on file from this vendor. Further, of the three alternative, higher quotes received, two were received after the purchase was made:

- A quote of \$42,014 from Vendor D was dated July 12, 2012 (two days after the Board approved the purchase from Vendor B). Vendors B and D are affiliated.
- A vendor whose primary business is home improvement/remodeling<sup>9</sup> submitted a quote of \$39,290 dated July 27, 2012 (17 days after the purchase).
- A furniture store that deals primarily with sofas and couches, not school furniture, submitted a \$43,157 quote dated July 1, 2012. Although this quote was received before the purchase was made, there is no justification for seeking these items from a vendor that does not sell them.

We identified three more furniture purchases from Vendor B totaling \$128,328 where alternate quotes were from these same businesses, which were either not in the primary business of school furniture or were affiliated with one another. These practices do not represent honest competition from independent vendors.

Equipment — We identified six purchases from Vendor A for computers, projectors, interactive whiteboards, and installation of cable at the elementary school between November 2011 and January 2012 in the amounts of \$17,125, \$10,125, \$17,784, \$35,590, \$38,788, and \$16,850. The School obtained alternative, higher quotes that were all

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<sup>7</sup> The individual items on this quote totaled \$35,051.

<sup>8</sup> Items purchased included choral risers, stacking chairs, student desks, activity tables, lockers, cubbies (storage compartments), and bookcases.

<sup>9</sup> We contacted the vendor who acknowledged that his trade was construction, but business was slow and he was trying to get into another line of business.

from the same two vendors for these six purchases. Although these were routine school items available from other sources, officials did not solicit quotes from other potential suppliers who could be more competitive.

We identified four other purchases with quotes dated after the Board approved a purchase and three purchases where the invoice date and/or shipping date was before the Board approved the purchase. School officials said that the quotes dated after the Board's approval were likely the result of the School obtaining the quote over the phone and receiving the written quote later. However, there was no documentation available to substantiate that the School had previously received a verbal quote on the purchase.

While in many cases the School obtained the quotes required by its charter and procurement policy, these restrictive purchasing practices did not serve the purpose of honest competition to ensure that the School obtained the best goods and services at the lowest possible price. Unless School officials obtain timely quotes from qualified, non-affiliated vendors, they are undermining the quote process and placing the School at ongoing risk of paying more than necessary. In the case of verbal quotes that precede a purchase or Board approval of a purchase, the related conversation should be documented and dated.

Professional Services — We reviewed payments to Vendor E totaling \$308,743 and traced them to signed service agreements for software support, testing, and staff training. Because the School's procedures do not require price quotes or proposals for professional-service purchases, the School did not solicit competition for the school years 2010-11 and 2011-12, which increases the risk of paying more than necessary for those services. School officials did issue an RFP for these professional services for the 2012-13 school year.

## **Cost Savings**

Along with using a competitive process to obtain the lowest possible price on required goods and services, School officials should purchase items directly from qualified vendors, where possible, rather than using a middleman that is reselling the goods at a markup. We found that, in some cases, one of the affiliated vendors acquired items from another vendor and charged the School a higher price for them.

We reviewed purchases from the four affiliated businesses (included in the previous findings) and attempted to find comparable price quotes.<sup>10</sup> Based on our review of four specific purchases, totaling

<sup>10</sup> Because most of the purchases were technology items which can change in price as new technology is introduced, we reviewed documented price lists at the time the purchases were made as well as recent purchases in the last six months, including archived OGS contract price lists for computers. For the document camera example, we examined the actual packing slip that accompanied the purchase sent by the online vendor showing the original price charged for the document cameras.

approximately \$54,940, School officials could have saved \$5,220 by purchasing the items directly from the source vendor, without using the affiliated businesses, and/or checking with other sources such as OGS or other vendors for better pricing. For example:

- The School purchased 15 document cameras (presentation devices) in September and October of 2012 from Vendor A at a total cost of \$12,290. Packing slips enclosed for one of the purchases showed what Vendor A was charged by a third-party vendor for 10 cameras ordered online and shipped directly to the School. We confirmed with the online vendor that the School could set up a business account and buy directly from that third-party company. If the School had done so, it could have saved \$3,305 on the 15 document cameras.
- The School made two separate purchases<sup>11</sup> of computers from Vendor A in November and December of 2011 (\$29,400 and \$2,800, totaling \$32,200). These computers were available on OGS contract for a total of \$31,234, which could have saved the School \$966.
- The School purchased 25 network security cameras from Vendor A in October 2012 for \$10,450. Our Internet search found the items were available for \$9,500 which could have saved the School \$950.

Additionally, we calculated a cost savings on the School's purchase of software and services from Vendor E. Three of the service agreements provided for certain services free of charge if the School purchased a specified number of the other services contained in that agreement. The School was billed, and paid for, \$5,500 in services that should have been free because the School purchased the specified number of other services. After we notified the School of the overpayment, School officials contacted the vendor and the School received a refund check for \$5,500.

By being more vigilant in seeking the lowest price available for goods and services, as well as monitoring contractual terms for compliance, School officials can help ensure that the School is not overpaying for goods and services.

## Inventory Records

To safeguard equipment purchased by the School, officials need to establish policies and procedures to adequately account for and protect these items. Good financial practices require that management maintain proper equipment records and perform a physical inventory

<sup>11</sup> One purchase was of 27 computers and the second was for two. The School returned six of the computers purchased, for a net purchase of 23 computers.

on an annual basis. A detailed inventory record should include, at a minimum, the purchase date, cost, location, assignment, and serial number of the items. The items should be periodically examined to establish their condition and ensure they have not been stolen or misappropriated.

The School's charter states that the Operations Manager is responsible for maintaining an accurate computerized inventory of all School assets. At our request, the Operations Manager provided us with two spreadsheets<sup>12</sup> that constituted the inventory of all items at the School. However, this list was deficient because it did not include detail such as serial numbers, making it impossible to determine, for example, if the document camera on the list was in fact the camera purchased in October 2012. We traced technology items such as computers, printers and monitors from the vendor invoices to the inventory records and found items missing from the inventory. The IT Director explained that some items were at the elementary school and provided us with another inventory for the elementary school.

We found various weaknesses with the School's inventory records, which generally included an item or tag number, room number where the item was located, type and brand of item, description/model, price, purchase order/invoice number, and date of disposal. However, neither the inventory list nor the invoices included serial numbers, so it was impossible to verify that the equipment in our sample matched the inventory record. For example:

- School officials purchased 17 projectors in September 2011 for \$13,949. However, inventory records showed only 10 projectors. We identified only three units that agreed with the inventory record; found four other projectors that were a different model; and observed just one projector in a room for which the inventory listed three projectors.
- School officials purchased 20 computer monitors in October 2010 for \$3,867. None of the 20 monitors were included in the inventory records. The IT Director gave us a list of where he thought the units were located. We attempted to verify the locations; only two monitors agreed in tag, room, and description.
- School officials purchased 27 computers in November 2011 and returned six units to the vendor. Although the net 21 units (purchased for \$30,388) were included in the inventory, we found numerous inaccuracies and omissions. For example,

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<sup>12</sup> One inventory record was of technology equipment and the other included non-technology items.



while the inventory showed that 20 computers were in a specific computer lab, 11 were in a different lab and one was in the IT office. Due to deficiencies in the inventory records, School officials could not verify where the remaining eight computers from the November 2011 purchase were located. Only one unit from this purchase listed on the inventory was traced to the correct room, tag, and model.

- School officials purchased 25 computers in November 2011. Our examination of these units showed that the School received a different model than ordered. The IT Director became aware of this only after we inquired as to where the computers were located. School officials contacted the vendor and were issued a credit for \$3,750.

The IT Director told us that, because the elementary grades were initially housed at the high school building before being moved to the new elementary school building, the circumstances related to the start-up process at the new location caused the inaccuracies in the inventory records. However, without serial numbers on the inventory list, School officials cannot easily determine where the technology assets are located. Further, officials did not conduct periodic physical inventories to ensure that the records are kept up-to-date and accurate, or routinely check deliveries to ensure that orders were correctly filled. As a result, School officials cannot be assured that the School's equipment is adequately accounted for and safeguarded from loss, misuse, or theft.

## Recommendations

1. School officials should ensure that, when multiple quotes are obtained, they are from companies that are not affiliated and that are primarily in the business of providing the type of goods/services that the School is purchasing.
2. School officials should ensure that quotes, whether verbal or written, are properly documented and that such documentation is retained on file. All quotes should comply with charter and policy requirements, and should be obtained within a reasonable period of time prior to the final purchase decision.
3. School officials should purchase goods directly from qualified vendors rather than from one who is buying the items from another vendor and reselling them at a markup, unless the reseller provides the lowest responsible quote.
4. School officials should explore the availability of OGS contracts for the items they are purchasing.



5. School officials should familiarize themselves with the provisions of vendor contracts to help ensure that the School is not overcharged.
6. The Board should establish a comprehensive inventory policy that clearly defines the duties, records, and procedures required for protecting the District's electronic equipment.
7. School officials should conduct periodic physical inventories to ensure the accuracy of the records and verify that this equipment is properly tagged and accounted for. All findings should be reported to management for their review and follow-up.
8. School officials should carefully compare the invoices they receive with the items in the shipment to verify that they are receiving what they ordered, and seek a refund if the items are not what was ordered.

## Student Enrollment and Billing

Education Law<sup>13</sup> provides for the funding of charter schools' operating budgets. A charter school derives most of its operating revenues from the school districts in which its students reside. Charter schools are required to keep an accurate and up-to-date attendance record of student enrollment and report such data to the school districts of residence in a timely manner. Based on enrollment count, attendance, or Full-Time Equivalent (FTE)<sup>14</sup> attendance, a charter school bills the school districts of residence for providing service to the students enrolled in the charter school. School districts are required to pay directly to the charter school for each student enrolled in the charter school who resides in their respective school district. The amount<sup>15</sup> paid per student is based on the respective school district's Approved Operating Expenditure (AOE) as computed by the State Education Department (SED). Payments are made by the Syracuse City School District (SCSD) in six installments beginning in July and every two months thereafter; other school districts<sup>16</sup> are billed three times during the school year.

### Enrollment

Enrollment at the School is at the option of the parent and the availability of a slot in the grade of the student. If there are more applicants than slots, officials hold a lottery to determine who is admitted to the School. Any parent or guardian wishing to enroll their child at the School must complete a written application form and provide certain required documentation.<sup>17</sup>

Among the documents required is proof of current residency. According to the School's residency verification policy, acceptable documents showing proof of address include a driver's license, local/State tax documents, voter registration forms, or other official documents addressed to the parent/legal guardian living with student. The administrative assistant verifies the proof of residence and a copy is placed in the student file.

<sup>13</sup> Article 56, Section 2856

<sup>14</sup> FTE is the decimal expression of the enrollment of a student in the charter school compared to the length of the annual session of the charter school. A student who is enrolled for the full school year has an FTE of 1.000, while a student who is enrolled half of the school year has an FTE of 0.500.

<sup>15</sup> The amount payable for each pupil is the product of the approved operating expenditure per pupil and the FTE enrollment of the student in the charter school.

<sup>16</sup> Twelve other school districts had students enrolled at the School.

<sup>17</sup> Required documentation includes current report card (with final report card to be sent to the Charter school in June), high school transcript with Regents exam grades, proof of residence, copy of child's birth certificate, copy of child's current immunization record, and copy of child's Individualized Education Program (if applicable).

School officials informed us that they use a number of methods to verify that students are still at the same address, unless a parent or student voluntarily notifies the School that the family has moved. At the beginning of each school year, the students are asked to fill out a Student Emergency Information card with contact information in case of an emergency, including the student's current address. The card is then compared to the address in a student information system (SIS). If the address in the SIS is different from the card, the secretary will follow up with the parent to request proof of address in order to change the address in the SIS. A copy of the proof of address is then placed in the student's file. Additionally, officials create a number of mailings throughout the year and may learn that a student has moved because the Post Office returns the mailing. Alternately, officials may receive a new transportation request from the parent notifying them that a student has moved.

We selected a sample of 42 students<sup>18</sup> from the 2011-12 fiscal year billing schedule to determine if there was current and sufficient proof of residency in the student's file. Our review identified deficiencies in proof and/or verification of current residence.

- For 15 students, there was no current 2011-12 school year address on file. The residence verification documents on file for these 15 students were between one and three years old.
- For 15 other students, the residence address used on the billing schedule was not supported. Six student addresses had no support on file and nine had support for only a previous address.
- School officials did not find one student's file and were unable to verify proof of current address in SIS.<sup>19</sup>
- School officials billed a previous address for one student, but there was proof of a current address for the 2011-12 school year.

The results of our review showed procedural and control deficiencies with the School's residence verification process. School officials could not verify the current address of 32 out of 42 students in our sample, an error rate of 76 percent. Because 93 percent of the students attending the School are residents of the SCSD, the failure to verify residency in a timely manner may not create billing errors if students

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<sup>18</sup> See Appendix B for sampling methodology.

<sup>19</sup> We verified in attendance records that the student was in attendance at the School during the 2011-12 school year.

moved to other locations within the SCSD. However, the risk remains that errors will be made due to the lack of follow-up procedures to verify residence status at each billing.

## Billing

A key component of any billing process is the recording and documentation of information needed to generate accurate billings in a timely manner. This entails making sure that all eligible individuals are billed and that ineligible individuals are not billed. If formulas are involved in reimbursement calculation, the information to calculate the reimbursement needs to be accurate. Furthermore, the billings must be periodically reconciled to supporting records and reviewed for accuracy.

The School uses the computerized SIS as its main data source for billing purposes. The administrative assistant enters data from each student's enrollment application into the SIS, including the student's name, address, guardians, grade, previous school, district of residence, entrance date, and exit date (if applicable). The administrative assistant manually enters SIS information into spreadsheets that the Operations Manager uses to bill school districts.<sup>20</sup> At the end of the school year, the Operations Manager completes a reconciliation of the total FTEs to be billed to each school district and any known billing errors are adjusted in the following school year's first billing for the SCSD. Refund checks are sent to the other districts. However, the Director of Operations does not ensure all student information is entered accurately or in a timely manner on the billing spreadsheet prior to billing the school districts, nor does he verify the accuracy of the year-end reconciliation. As a result, there is an increased risk that school districts are not billed correctly.

Due to these control weaknesses, we reviewed the School's year-end reconciliation<sup>21</sup> and final district billings to determine whether the School identified and corrected all errors. We compared the SIS list of students (598 in total) to the last billing list of students for the SCSD plus the last billing list of students for the other districts and identified 21 students who were either in SIS but not included on the billing list, or were on the billing list but not included in the SIS. Our comparison found that the School did not identify and correct billing errors for nine of the 21 students that were initially not billed correctly.

- For five students, the School did not bill the school district for 3.4 FTEs totaling \$41,039. Three of the students left during the year but the School did not bill the appropriate district for

<sup>20</sup> SCSD is billed the first of July, September, November, January, March and May. The other districts are billed the first of December, April and June.

<sup>21</sup> The School's year-end reconciliation indicated that SCSD overpaid \$99,722.

the partial years. Two of the students were in attendance at the time of the final billing to the SCSD but were not included on the billing list.

- The School over-billed the resident district for one student, totaling \$5,338.<sup>22</sup> The student registered but did not attend during the school year. When the student did not show up during the first week of school, the administrative assistant was not notified to remove the student from subsequent billings. This resulted in the School continuing to bill for this student.
- For three students the dates the School used in its final reconciliation billing were not correct, resulting in the School under-billing the resident district for .47 FTEs totaling \$5,583.

Additionally, our review of the School's year-end reconciliation identified reconciliation errors for five students: two students who enrolled after the sixth billing for .3 FTEs, totaling \$3,579, that were not included in the reconciliation, and three students for whom the wrong entrance date was used, overstating the FTEs by .09 totaling \$1,073.

Due to these errors in the School's year-end reconciliation, the amount that the School owed to SCSD was overstated by \$43,790.<sup>23</sup> (Had the School relied on its reconciliation, it would have credited SCSD with \$99,722 rather than the correct over-billings of \$55,932.) We discussed our determinations with School officials, who adjusted their reconciliation accordingly. We reviewed the School's reconciliations to the other school districts and did not find any differences.

School officials should establish a procedure to verify the accuracy of the billings to school districts to ensure that over-billings and under-billings are identified earlier in the process. At a minimum, School officials should compare students listed in the SIS to the list used for billing during the course of the bimonthly or trimester billings (depending on the district).

## Recommendations

9. School officials should ensure that every enrolled student has proof of residence and that such documentation is kept on file.

<sup>22</sup> While School officials removed the student from the main billing reconciliation, they did not remove the student from the Special Education reconciliation. Consequently, the resident district was billed at the Special Education billing rate.

<sup>23</sup> As calculated: \$41,039 (under-billed) -\$5,338 (over-billed) +\$5,583 +\$3,579 (under-billed) -\$1,073 (over-billed) = \$43,790

10. School officials should periodically re-verify and effectively document the residence of returning students to ensure that proof of residence addresses match updated addresses used for billing.
11. School officials should review the final billing reconciliation and compare the listings in the SIS to the billing spreadsheets to determine whether all eligible students are billed and that ineligible students are not billed.

## **APPENDIX A**

### **RESPONSE FROM LOCAL OFFICIALS**

The local officials' response to this audit can be found on the following pages.

The response letter refers to page numbers that appeared in the draft report. The page numbers have changed during the formatting of the final report.





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**SYRACUSE ACADEMY**  
OF SCIENCE CHARTER SCHOOL

June 24, 2013

**VIA HAND DELIVERY**

Ms. Rebecca Wilcox, CPA  
Office of the State Comptroller  
Syracuse Regional Office  
State Office Building, Room 409  
333 East Washington Street  
Syracuse, New York 13202-1428

Re: Response of Syracuse Academy of Science Charter School to Draft Findings of Examination, dated May 23, 2013

Ms. Wilcox:

This letter will serve as the response of the Board of Trustees (“Board”) of the Syracuse Academy of Science Charter School (“SASCSC” or the “School”) to the preliminary draft findings concerning your office’s recent examination of SASCSC (“Draft Report”). It will also detail the corrective action the Board has taken, or will take, in regard to noted areas where SASCSC can make improvement. The Board appreciates the opportunity to provide this response.

**A. Preliminary Statement**

First of all, the Board wishes to express its appreciation regarding the extraordinary amount of time the audit team devoted to its thorough and detailed examination of SASCSC. The examination spanned nearly eighteen months and carefully examined every aspect of the School’s operations during a two and one-half year period. This makes its finding that SASCSC “officials have established adequate controls for most financial areas” and presents “limited risk” for occurrence of financial improprieties or loss very meaningful. The Draft Report recognizes the School’s financial strength, which clearly indicates its judicious use of the resources provided to it, as well as its good financial hygiene.

While the Board is pleased to receive this general bill of good health, it also gave careful consideration to the areas where your office found room for improvement. As indicated below, the Board and its administrators will use this feedback to improve the Board’s policies and their implementation.

The following responses provide the Board’s observation to specific findings noted in the Draft Report and, where appropriate, the corrective action the Board will take in regard to identified issues.

## **B. SASCS Procurement Policies and Practices**

The Draft Report discusses a number of issues that pertain to the Board's procurement policy and the implementation of that policy. The following responds to those noted issues.

### **1. Quotes from Related Entities**

The audit team examined a large number of purchases and other transactions of SASCS during its examination, and even returned after completing its audit, to examine additional transactions. As noted in the Draft Report, the SASCS business office often obtained the number of quotes required by the Board's procurement policy. (Draft Report, p. 11.) However, in a limited number of cases, four vendors that appear to be related to one other provided two of the three quotes required by the Board's procurement policy. The Draft Report does not claim that SASCS paid more than was reasonable relative to these purchases. However, relying on two or more quotes from entities that share common management could frustrate one of the purposes of the Board's procurement policy.

It is important, however, to place this issue in context. The Board notes that these four vendors comprise a small sliver of the more than \$22 million in purchases that SASCS has made during its operations from approximately 900 different vendors. Further, these purchases occurred during a very hectic time when SASCS was pressed to complete preparations for the operation of its elementary grades. That said, however, the Board recognizes the problem inherent in such circumstances and, therefore, the following corrective actions regarding recommendations # 1 and # 2 have been taken and already implemented.

See  
Note 1  
Page 29

First, the Board now requires entities and/or persons submitting quotes or proposals to provide goods or services to certify they are not in collusion with any party regarding the subject purchase and have no knowledge of a related entity (*e.g.*, parent company, subsidiary, or entity subject to common control, etc.) intending to submit a quote or proposal concerning the same purchase. The Board will not consider more than one quote or proposal from related entities, relative to any purchase.

Second, even prior to receiving the Draft Report, the Board directed its administrators to consider only written quotes or proposals and to provide the Board with copies of all received written quotes/proposals relative to any purchase for which Board approval is required. Except in the case of an emergency, the administration may consider a verbal quote or proposal. In the case of emergent circumstances, when a verbal quote or proposal is accepted, the business office must document the terms of the quote/proposal and retain that documentation with other relevant information regarding the purchase, in accordance with the retention schedule of the Commissioner of Education. (*See* 8 N.Y.C.R.R. § 185.12, App. I.).

### **2. Quotes Sought After Board Approval of Purchases**

The Draft Report discusses a few instances in which SASCS received quotes after the Board has approved the purchase. As explained to the audit team, these limited transactions occurred during a hectic time when SASCS had to complete renovations and preparations for the

commencement of its elementary school grades in a compressed window of time.<sup>1</sup> It is also worth noting that in most cases, when the Board authorizes a purchase at a particular price, the School is free to accept a different and better quote thereafter. Therefore, it is likely in the School's best interests for its officers to consider quotes – even if received after the Board has approved a purchase – so the School can at least consider taking advantage of the better quote. Additionally, in most cases the Board can reject a purchase if necessary.

However, when Board policy requires School officials to consider three quotes for a purchase, the Board expects its officials to receive and consider the required quotes before making a purchase or asking for Board approval of a purchase. Therefore, the following corrective actions regarding recommendations # 2 have been already implemented. First, the Board has directed its administrator that, barring emergency circumstances, they are not to make any purchase or request without Board approval of any purchase for which three quotes are required. Second, the board has also directed its administrators to maintain all quotes received for a purchase in accordance with the Commissioner of Education's retention schedule. Finally, SASCS officials will no longer consider quotes or proposals received after Board approval of a purchase, unless the Board finds it is in the School's best interests to do so.

Additionally, following corrective actions regarding recommendations # 5 have been already implemented. The Board has directed its officials to provide actual quotes with a summary. Also, the summary will include the details such as shipment, discounts for bulk purchases and any other differences between the quotes.

### **3. Purchases Based on Lowest Price**

In a number of places, the Draft Report suggests that SASCS should select its vendors based primarily upon the criteria of price. While the Board's procurement policy is intended to ensure that SASCS pays competitive prices for the materials and services it purchases, the Board notes that it is not subject to General Municipal Law §103 and there are often additional considerations the Board and its officers may properly consider. Therefore, while the Board recognizes and appreciates the need to ensure SASCS purchases its goods and services at competitive prices, it declines to unnecessarily restrict itself to consideration of that singular criterion. It reserves the right to consider and, when appropriate, base its decision on additional criteria.

To be clear, the Board is not dismissing your office's guidance in this regard, but merely noting that – unlike municipalities – it has discretion to take into account a broader spectrum of considerations such as late payment or accepting a payment plan without interest and it reserves

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<sup>1</sup> The time pressure occurred because SASCS could not begin preparation for the elementary school grades until receiving approval from the State Education Department to begin operating these grades. It then had a limited time in which to procure space, complete renovations, purchase required furnishings and equipment, and hire needed faculty. It was in this context that these purchases occurred.



its right to do so when it is if in the School's best interests.<sup>2</sup> However, to improve its procurement procedures in this regard, the Board has taken and implemented the following corrective actions regarding recommendations # 4. SASCS officials will determine and consider, if available, pricing and terms from the Office of Governmental Services ("OGS"). Additionally, if a vendor is selected that did not offer the lowest price(s), SASCS will note the reason for the selection and retain that information with the documentation pertaining to the purchase.

#### **4. Use of Vendors Not Specializing in Items Purchased**

The Draft Report noted a few instances when SASCS requested a quote from a business that did not specialize in selling the item(s) sought. (Draft Report, pp. 10-11.) For example, it states that SASCS sought a quote for school furniture from a furniture store that did not typically sell classroom furniture. It is probably true that vendors that specialize in selling particular goods will often be able to provide a better price than vendors that do not do so. However, there are likely exceptions to this assumption and in these exceptional circumstances it may be in the School's best interests to do so. Therefore, the following corrective actions regarding recommendations # 3 have been taken and already implemented. The Board will consider quotes for goods or services from non-specialty vendors if they are lower than the quotes from vendors who frequently provide such goods or services. It has, however, underscored to its administrators that they should, in most cases, seek quotes for the purchase of specialty goods or services from vendors who frequently provide such goods or services.

#### **5. Professional Services**

The Draft Report discusses the School's contract for services from a vendor that provides it with professional and curriculum development services, which it identified as "Vendor E." The Draft Report suggests that SASCS contracted to pay this vendor \$308,743 for software, software support, testing services, and staff training. (Draft Report, p. 11.) It is important to note that this contract amount was the price for a myriad of services over two school years, plus their summer sessions. When considered in this context, it is readily apparent that the price is certainly competitive, particularly considering what surrounding school districts pay for similar services.

As indicated in the report, the school issued an RFP for these professional services in 2012-13 school year, and the Board selected this vendor based on its best offered pricing, terms, and history of quality work. This vendor has worked with SASCS since 2005 in the assessment and development of curriculum and staff development, which are areas in which consistency is important. Throughout this time, the Board has found this vendor's work to be excellent and of

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<sup>2</sup> The Draft Report notes that the audit team found that SASCS could have saved \$5220 relative to certain purchases by different vendors. That information is useful and the Board has emphasized it to its administrators. However, we should bear in mind that these purchases occurred when SASCS was under pressure to complete preparations for commencement of its elementary school grades and relocation of its K through 6 grades to a new school building. Thus, the School's administrators had limited time to seek the best possible price for some purchases. One could also say that, in any event, a better price for a purchase can always be found after the fact.

great value to the School and its success. This experience is, undoubtedly, a valid consideration for the Board.

It is also important to note the myriad of services this vendor provided SASCS during the two school years at issue. Not only did the vendor provide a license for valuable software, but also software support, test development and assessment, analysis of test results, curriculum development and assessment, teacher training and continuing education, and complete analysis and reporting regarding these areas. The agreed on amount for which these multiple services were provided is more than competitive with amounts paid by surrounding public school districts and other charter schools for less. Accordingly, the Board is confident that its contract with this vendor was a judicious use of resources.<sup>3</sup>

### C. Inventory Control

According to the Draft Report, SASCS' inventory records did not correctly record the location of certain computers and projectors, and its administrators could not immediately state their location of the equipment. To be clear, however, SASCS was not missing any equipment from its inventory, and SASCS' representatives offered on more than one occasion to verify that fact to the audit team. So far as we know, the team did not doubt this fact.

Specifically, the Draft Report states that SASCS officials could only locate 10 of 17 projectors that were purchased in September, 2001. However, all 17 projectors are in SASCS' schools. (Draft Report, p. 13.) As explained during the audit team conference, some discrepancies between the location of equipment and its recorded location in the inventory system occurred due to relocation of whole K through 6 students and furniture into a new school, reassignment and reconfiguration of the high school building offices and classrooms. Therefore, the relocation of several equipments between two buildings and classrooms was not updated correctly. However, all of the projectors were located and accounted for within a short time. The same is true regarding the 21 computers purchased in November 2011. The Draft Report states that SASCS officials could not immediately verify the location of a number of these computers. However, the School was able to account for all of the computers in a short time and its representatives so advised the audit team that equipments are in SASCS' possession.

See  
Note 2  
Page 29

However, the Board agrees that its inventory control process and system should be improved. Therefore, the following corrective actions regarding recommendations # 6, # 7 and # 8 have been taken and will be fully implemented by September 1st, 2013 (some are partially implemented). First, School has created the position of purchasing officer and directed Mr. Hayali to fill that position by August 15, 2013. The purchasing officer will have the primary duty of overseeing the School's procurement process for the purchase of goods and services and ensuring that the School's inventory database contains accurate information about purchased

<sup>3</sup> Apparently, the discussion regarding this vendor is premised entirely on the physical proximity of its offices to those of the four vendors discussed above. While that may be of some interest, it has limited value in evaluating the value of its services or the competitive nature of its pricing. The Draft Report does not reveal any connection between this vendor and any other vendor, and, so far as SASCS knows, there is none.

equipment, such as its make, model, serial number, purchase order number, and other relevant information, which will be confirmed against the information stated on packing slips, bills of lading, and/or invoices provided by the seller. The Board will develop and establish a comprehensive inventory policy which will include the above information as well by September 1st, 2013.

The Board has also authorized the purchase of an inventory control system (this purchase has been completed as of June 21st) that includes a bar code and scanner system, which will be capable of interacting with the School's inventory database. The purchasing officer will ensure that all equipment is tagged with a bar code that corresponds with information in the inventory database (e.g., model, serial number, description, and proper location). The purchasing officer is also charged with conducting semi-annual inventories of the School's equipment, using the bar code-scanner system to automatically update the location of equipment and/or identify misplaced or unserviceable equipment. The Board believes that this process and system will fully resolve the areas of improvement noted in the Draft Report. The Board has directed that this system be in place by September 1, 2013.

#### **D. Student Enrollment and Billing**

The Draft Report indicates that SASCS needs to make improvements to its information system concerning student residence, in order to accurately bill school districts of residence for Basic Charter School Tuition. According to the Draft Report, SASCS' officials could not immediately verify the residence of a number of students during the audit. Of course, we are sure you recognize that the School is limited in its means to detect changes in student residences during a school year. By necessity, it must primarily rely on parents to provide such information voluntarily. Otherwise, the School must rely on return mail or similar notices. It would not be feasible for the School to confirm all student residences during a school year.

However, the Board has directed its administration to improve the accuracy of its records regarding recommendations # 9, # 10 and # 11 by making the following corrective actions by September 1st, 2013. First, a parent or person in parental must verify the residence of every enrolled student at the start of every school year – regardless of whether a student is new to SASCS or a returning student. Second, the School's administrative offices will carefully track a series of at least eight (8) mailings to be made over the course of each school year. In the event a mailing is returned as undeliverable or a change of address notice is received, the School will confirm the student's residence and make any necessary changes to the student's records. The School's Administrative Assistant will ensure that any such changes are also made in the School's SIS database. Third, the Operations Manager must oversee an audit of a sampling of thirty (30) registration folders to ensure the accuracy of information contained in those files and that it matches the data contained in the SIS database which will be reported to the board during the October board meeting. These changes will be made in compliance with Education Law § 3209 and 8 N.Y.C.R.R. § 100.2(x), relative to homeless children.

Fourth, since September, 2012, SASCS has procured the services of a District Data Coordinator from OCM BOCES. This individual checks and maintains the accuracy of student



Ms. Rebecca Wilcox  
June 24, 2013  
Page 7 of 7

thirty (30) registration folders to ensure the accuracy of information contained in those files and that it matches the data contained in the SIS database which will be reported to the board during the October board meeting. These changes will be made in compliance with Education Law § 3209 and 8 N.Y.C.R.R. § 100.2(x), relative to homeless children.

Fourth, since September, 2012, SASCS has procured the services of a District Data Coordinator from OCM BOCES. This individual checks and maintains the accuracy of student data contained in SASCS files, its SIS database, and its other databases on a regular basis over the course of each school year. The Data Coordinator works closely with the School's Operations Manager and Deans of Students to ensure student data is accurate. These officers now meet within the last 90 days of each school year to ensure the School's student data is accurate and that its billing reconciliation process is also accurate.

#### **D. Conclusion**

The Board also wishes to thank your office for the diligence and professionalism exhibited during this examination. The Board is much encouraged by the confirmation of the School's strong financial position and the efficacy of its financial controls. The Board is grateful for the feedback and suggested areas of improvement, and confident that the corrective actions detailed above will resolve the issues noted in the Draft Report. The Board invites your office to visit SASCS next year in order to consider the efficacy of these changes and provide any additional feedback you think appropriate.

Please do not hesitate to contact me if you have any questions or wish to discuss the matter further.

Very truly yours,

Fehmi Damkaci, Ph.D.  
President, Board of Trustees

FD:

7312823.1



## APPENDIX B

### OSC COMMENTS ON THE SCHOOL'S RESPONSE

#### Note 1

Our audit objective with regard to purchasing was to examine only the selected vendors. We did not review payments made to any of the other vendors used by the School; therefore, our report does not draw any conclusions regarding purchases from them.

#### Note 2

After the exit conference, School officials informed us they had taken corrective action following our fieldwork to accurately record all of the items that we had identified as “not where the inventory records stated they would be.” We then selected two of those items (a computer monitor and a projector) and found that the projector was not where the updated inventory list indicated it would be. School officials asked that we keep looking so we expanded this brief test to four projectors, which our report had also identified, and still found discrepancies between the inventory tag number and the serial number for three of them.

## APPENDIX C

### AUDIT METHODOLOGY AND STANDARDS

The objective of our examination was to assess the financial operations of the school. To accomplish this, we performed an initial assessment of the internal controls so that we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of the following areas: general governance, Board oversight and financial condition, cash receipts and disbursements, purchasing, payroll, and information technology.

During the initial assessment, we interviewed appropriate School officials, performed limited tests of transactions, and reviewed pertinent documents, such as School policies, procedures, Board minutes, and financial records and reports. In addition, we obtained information directly from the computerized financial databases and then analyzed it electronically using computer-assisted techniques. This approach provided us with additional information about the School's financial transactions as recorded in its database. Further, we reviewed the School's internal controls and procedures over the computerized financial databases to help ensure that the information produced by such systems was reliable.

After reviewing the information gathered during our initial assessment, we determined that the controls appeared to be adequate and that limited risk existed for most of the financial areas we reviewed. We then decided upon the reported objective and scope for the areas with the greatest risk. We examined payments to selected vendors for the period of July 1, 2010, to December 31, 2012, and the enrollment and billing processes for the period July 1, 2011, to June 30, 2012. Our audit included various procedures to gather relevant evidence concerning our stated objectives, as follows:

- We reviewed canceled checks and determined that checks payable to four different vendors were being endorsed by the same individual.
- We requested copies of the selected vendors' back-up withholding forms (W-9) from the School to determine if businesses were related.
- We compared cost of items purchased from the selected vendors to available OGS contracts in order to quantify cost savings.
- We compared cost of items purchased from selected vendors to packing slips which showed the price charged by the third-party vendor used by the selected vendor (middleman) in order to quantify cost savings.
- We examined policies, recordkeeping, and other safeguards relating to School inventory.
- We requested a copy of the most recent inventory records for all School property from the Operations Manager.<sup>24</sup>

<sup>24</sup> During the audit we determined that a number of items were not recorded in the inventory, and were subsequently informed the School had another inventory record for the elementary school. The IT Director provided us with a list of items on that inventory.

- We inquired of the IT Director about items purchased from the selected vendors and not listed on the inventory log. When provided with the elementary school inventory, we identified specific units and traced them to their location in the building.
- We attempted to trace inventory purchased from our selected vendors to items identified in School records and to the physical location of the item.
- We interviewed School officials to gain an understanding of the enrollment and billing processes.
- We examined the students' files for proof-of-residence documentation and compared residence addresses on file to residence addresses used for billing.
- We reviewed attendance records, enrollment dates, and exit dates and ensured that computed FTEs matched attendance records and were accurate.
- We compared the AOE rates used by the School for billing the school districts of residence against rates established by the State Education Department.
- We selected 42 students for testing proof of residency, as follows. We randomly selected every 20th student for a total of 26 students from the Syracuse City School District regular billing. For the SCSD's Special Education billing, we selected every 10th student for a total of three students. For the other districts we selected every 15th student for a total of three students. We also selected the only Special Education student from a district other than Syracuse. Additionally, we selected every fourth student of those with FTEs of less than one, for a total of nine.
- We compared the SIS list of students to the billing lists for each district. We determined the number of students and FTEs that were not billed by the School and the number of students and FTEs that were billed by the School that should not have been billed.
- We compared the School year-end reconciliation to the SIS list of students. We determined the amount of credit owed to the SCSD by the School.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). 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.

## APPENDIX D

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**AND SCHOOL ACCOUNTABILITY**

Andrew A. SanFilippo, Executive Deputy Comptroller  
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