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# Audit Report

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VESID  
Albany District Office  
An Audit of Select Purchases

For the Period

May 1, 2002 through July 3, 2002

AI-0305-2

April 18, 2007

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**The University of the State of New York**  
**THE STATE EDUCATION DEPARTMENT**  
**Office of Audit Services**  
**Albany, New York 12234**



THE UNIVERSITY OF THE STATE OF NEW YORK  
**THE STATE EDUCATION DEPARTMENT**

**To:** Rebecca Cort  
**From:** James Conway  
**Subject:** Audit Report

**Date:** April 18, 2007

The following is our final report (AI-0305-2) for the audit of VESID Albany District Office an Audit of Select Purchases for the period May 1, 2002 through July 3, 2002. The audit was conducted at the request of the Department's executive management and VESID's Deputy Commissioner in pursuit of Goal #5 of the Board of Regents/State Education Department Strategic Plan: "Resources under our care will be used or maintained in the public interest."

Ninety days from the issuance of this report, VESID officials will be asked to submit a report on actions taken as a result of this audit. This required report will be in the format of a recommendation implementation plan and it must specifically address what actions have been taken on each recommendation.

I appreciate the cooperation and courtesies extended to the staff during the review.

c: Commissioner Mills  
T. Savo  
E. Placke  
D. Brown-Johnson  
R. Johnson  
D. Segalla

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# Executive Summary

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## Background and Scope of the Audit

In response to the Office of Audit Services (OAS) audit *VESID Internal Controls Over the Procurement and Payment of Goods and Services (Report AI-0803-1)*, the State Education Department's executive management as well as the Deputy Commissioner for Vocational and Educational Services for Individuals with Disabilities requested that OAS follow-up on certain high risk transactions that were identified at two of the district offices surveyed as part of that audit. This report is on select activities at the Albany District office.

The audit examined documentation of certain purchases of photographic equipment that were paid for several years after the equipment was authorized for the consumers use. The purpose was to determine the circumstances surrounding the purchases and to advise management if any further action is needed.

## Audit Results

The audit determined that much of the documentation detailing the specific circumstances of the transactions were not available. However, in the majority of cases, the auditors were unable to obtain evidence which indicated that the consumer had received or was in a course that would require the type of equipment which had been purchased. Specific weaknesses in the processes used by VESID are discussed below.

- Consumer case files were destroyed prior to the scheduled destruction date established for record management purposes.
- Files that were available did not contain any documentation of the reason for backdating authorizations to a vendor.
- Some of the files contained no documentation that the consumer ever received the equipment.
- Authorizations were examined which do not appear on the VESID database.

It should be noted that this audit examined VESID processes and transactions that existed prior to the enhanced internal control procedures introduced in 2005. VESID management should review the results of this audit and ensure that controls now exist to prevent such occurrences.

## Comments of VESID Officials

VESID officials' comments about the findings were considered in preparing the report and are included as Appendix B. VESID officials agree with the recommendations and have developed a plan to address the weaknesses. In addition, VESID has already implemented some changes in response to a prior audit.

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# Introduction

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## Background

On September 3, 2004, the Office of Audit Services (OAS) issued *VESID Internal Controls Over the Procurement and Payment of Goods and Services (Report AI-0803-1)* report on the effectiveness of the internal control system and the practices, records, and documentation maintained by VESID for the procurement and payment of goods and services during the period January 1, 2000 through June 30, 2004. The audit determined that VESID had not established and maintained an effective internal control system, and as a result significant weaknesses existed. That report focused primarily on activities within the Manhattan District Office. In preparing for the conduct of that audit OAS staff visited two other district offices and analyzed purchasing data in order to gain an understanding of VESID controls and procedures. A limited number of potentially high-risk purchases were identified in those other district offices. Department executive management as well as the VESID Deputy Commissioner requested that follow-up audits be done on those purchases. This report represents the results of the additional review on those limited cases at the Albany district office.

## Objectives, Scope and Methodology

OAS staff visited the Albany District Office of VESID to obtain an understanding of VESID policies and procedures in place for the procurement of goods and services and to determine the type of documentation maintained by the office to support purchases.

Analysis of purchases at the Albany District Office identified a series of backdated authorizations. OAS conducted a limited case file review of 21 files containing 26 authorizations that were issued to a local photographic equipment vendor by Albany district office staff during May and July of 2002 and backdated from one to seven years. The authorizations involved 21 consumers and resulted in \$9,747.86 being paid to the vendor.

These authorizations were initially identified because it seemed unlikely that a going-concern proprietary business

would wait up to 7 years to bill for equipment provided to consumers. It would be expected that the purchase of photographic equipment on behalf of consumers would be a simple process that would be completed routinely within the initial authorization period.

OAS conducted a case file review to determine if sufficient information and documentation was available to verify that:

- an authorization was issued to the vendor;
- the consumer received that equipment; and
- evidence of supervisory approval to backdate the authorizations and issue payment existed.

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## Review Results

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OAS staff identified 21 case files for review. Seven of the case files had been destroyed. A review of the 14 that were available found that documentation of the backdating of authorizations was missing, and only about 26 percent of the amount vouchered by the vendor was supported by documentation.

### **Destruction of Consumer Files**

The VESID records retention schedule was developed in 1991 in consultation with the Office of State Archives and Records Administration. The schedule requires VESID district offices to retain consumer case folders for a period of five years after the record becomes inactive. If no activity takes place during the five year period, the case file should be destroyed. This five year period enables a counselor to access a former consumer's records to deliver services almost immediately, if needed, while at the same time providing the offices with the a schedule for disposing of unused materials.

Seven of the 21 case files requested were destroyed. These seven files contained eight of the authorizations to the photographic vendor. The authorizations were made in 2002, so the five-year criteria had not been met. District office staffs were unable to explain why the case files, which were the subject of this review, had been destroyed.

In addition to being unable to explain why the case files were destroyed, staff could not explain what had happened to the information/documentation generated as a result of the authorizations/payments made in 2002 for those seven consumers.

### **Consumer File Review -Lack of Documentation**

Noticeably absent from each of the fourteen case files provided was documentation of the activity that occurred between May and July of 2002. It would be expected that the files would contain information that would explain the circumstances behind a vendor requesting payment for goods that were authorized up to seven years prior. The files

should contain information regarding the need to backdate an authorization, supervisory approval to backdate, copies of the authorizations, and revised invoices from the vendor. No such information was in any of the files.

## Seven Files Contained no Documentation of Receipt of Goods

Seven of the files reviewed, which represented ten of the backdated authorizations, did not contain any documentation to verify that the consumer received the goods. It would be expected that documentation of the original transaction would be in the file. At a minimum the documentation should include the original authorization and a revised voucher indicating payment was due to the vendor.

## Seven Files Contained Documentation of Receipt of Goods

Seven of the files reviewed which represented eight of the backdated authorizations did contain documentation which showed that the consumer was involved in photography program in the past and received equipment at the time shown on the authorization. The documents included items such as class enrollment forms, supply and equipment requirements, copies of the prior authorization, case notes, and a receipt signed by the consumer acknowledging receipt of the goods.

The table below summarizes the results of the case file review and provides information on the authorizations which were issued.

Case File Review Results  
Backdated Authorizations Issued by the Albany District Office  
During the period: May 7 - July 15, 2002

Status of files and documentation	Number of consumers	Total number of AV's issued 2002	Number of AV's previously issued	Number of AV's not previously issued	Amount authorized	Amount vouchered
Files destroyed	7	8	7	1	\$ 3,034.15	\$ 2,618.20
Files with documentation	7	8	7	1	\$ 2,581.36	\$ 2,581.36
Files without documentation	7	10	6	4	\$ 4,548.30	\$ 4,548.30
Totals	21	26	20	6	\$10,163.81	\$ 9,747.86

Source: OAS analysis

As shown in the table, 8 of the 26 backdated authorizations were supported by some documentation of the receipt of goods by the consumer. That documentation represents 26 percent (\$2581.36/9,747.86) of the amount vouchered on the backdated authorizations.

## **Authorizations Exist, Which Are Not Recorded on the VESID Database**

A review of the VESID data base initially disclosed that 6 of the 26 authorizations which were backdated did not appear to be a replacement for a previous authorization to the vendor. However, OAS was able to obtain documentation from the case files, which indicates that in five of the six instances a prior authorization did exist.

OAS obtained a copy of an authorization issued to the photographic vendor on August 30, 1999, which did not appear on the VESID database. The authorization is similar to others which appear on the database except that it has "Done as an emergency" handwritten on it. The authorization number assigned to it is sequentially accurate when compared to the others issued during that time period and a check of the VESID database shows that this number is not accounted for. OAS located an equipment ownership form signed and dated by the consumer which indicated that they did receive the equipment in 1999. Similarly, in the remaining four case files where the VESID database indicated that a prior authorization had not been issued, a review of the cases files yielded similar results.

The existence of authorizations which are not accounted for on the VESID database represents a significant risk to VESID. If there is a method to create an authorization without having it recorded on the system, an unscrupulous VESID employee could create authorizations at will without any chance of detection.

## **Recommendations**

1. Ensure the District office complies with the records retention policy.
2. Require that counselors request consumer files from storage prior to initiating any new activity.
3. Require the creation of a new case folder when one does not exist to capture all activity.
4. Investigate the ability of district office staff to create and print an authorization without a record being created on the VESID or FM systems. Consider surveying district offices to determine instances of vouchers being received without an electronic record of its existence.

## **Comments of VESID Officials**

VESID officials agree with the recommendations.

Contributors to the Report  
VESID Albany District Office

- Bonnie Hahn, Auditor-in-Charge
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