
Audit Report

VESID
Mid-Hudson District Office
An Audit of Select Purchases

For the Period

January 1, 2000 through June 30, 2004

AI-0504-3

April 18, 2007

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-0504-3) for the audit of VESID Mid-Hudson District Office an Audit of Select Purchases for the period January 1, 2000 through June 30, 2004. 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
B. Solomkin

Executive Summary

Background and Scope of the Audit

In the September of 2004 the Office of Audit Service (OAS) issued Report AI-0803-1 *VESID Internal Controls Over the Procurement and Payment of Goods and Services*. That report focused primarily on activities within the Manhattan District Office. The report contained 30 recommendations and VESID management has implemented them and has established improved controls over the procurement process. However, in preparing for that audit certain patterns of authorizations were identified at other district offices that represented a potential abuse of the system. OAS staff, in conjunction with staff from the Office of Professions, followed-up by conducting an audit of a limited number of authorizations with the purpose of identifying instances of abuse.

The audit examined thirty-one case files for review from the Mid-Hudson District Office and satellite office. The selected cases primarily focused on the purchase of computers and related equipment, although four cases involved the provision of culinary training. Our objective was to determine if the goods and service were received by the consumers as part of their rehabilitation program.

Audit Results

The audit examined past transactions that occurred in an environment prior to changes initiated in response to the Manhattan District office. Selected for review were instances of multiple purchases from computer vendors within a three year time period, items picked up at the vendor by someone other than the consumer, and purchases shipped to the VESID offices.

- In 11 of the 22 cases, the consumers verified the receipt of various computer and electronic related items and 9 of them stated that a consultant had delivered the equipment and installed it.
- In one additional case the consumer's mother verified that the consumer had received various items from VESID, but she did not address the issue of delivery and installation of the equipment.
- In the remaining ten cases, the consumers could not be located or did not return multiple messages left for them.

In conclusion, no specific instances of abuse were identified based upon the number of consumers that were able to be contacted.

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

Background

In September of 2004 the Office of Audit Service issued Report AI-0803-1 *VESID Internal Controls Over the Procurement and Payment of Goods and Services*. 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 high-risk purchases were identified in those other district offices. Department executive management as well as the VESID Deputy Commissioner requested that a follow-up audit be done on those purchases. This report represents the results of the additional review on those limited cases at the Mid-Hudson District Office and its satellite office.

Objectives, Scope and Methodology

OAS staff visited the Mid-Hudson District Office of VESID located in Poughkeepsie and its satellite office in Kingston 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.

Interviews were conducted with the district office manager, business manager, finance clerk and calculations clerk to review the procedures in place for issuing authorizations, processing vouchers/invoices, shipping goods and equipment, and documenting the receipt of the items by the consumer. As a result of these interviews, weaknesses were identified in the policies and procedures regarding issuing authorizations and processing vouchers/invoices, ensuring a sufficient separation of duties among staff and retaining sufficient documentation.

A total of 31 consumer case files were identified as containing potentially high risk purchases. Eleven files were located in the District office and twenty in the satellite office. The selected cases primarily focused on the purchase

of computers and related equipment, although four cases involved the provision of culinary training. Our objective was to determine if the goods and services were received by the consumers.

Review Results

District office managers explained that in most cases the equipment is shipped to the district office where it is picked up by a computer consultant. The consultant takes the equipment back to their office, sets it up, and installs the software to ensure that it is working properly. Once the equipment has been tested, it is broken down, taken to the consumer's location where it is set up, and the consumer is instructed on its use. A copy of the "equipment order log" maintained by the Kingston satellite office to record the delivery of equipment was provided. A review of the "equipment order log" disclosed that some of the equipment purchased was not recorded on the log, record of deliveries was not complete, and there was no process in place to track the location or distribution of the items once they were received. The lack of procedures for recording and tracking items shipped to the district office, combined with an insufficient separation of duties and a lack of controls for issuing authorizations and processing invoices created a serious control weakness.

The high risk transactions that were identified through preliminary work at the District office included:

- multiple purchases from computer and electronic vendors occurring within a one to three year time frame for the same consumer, for example, the data base indicated that one consumer received a \$1,395 notebook computer in December of 2001 and a \$1,389 "computer system" in January of 2002;
- items picked up at the vendor by someone other than the consumer; and
- purchases shipped to the Poughkeepsie and Kingston District office rather than to the consumer's home.

These practices represent a higher risk for abuse. The consumer case file should contain documentation of the receipt of equipment provided to them as part of an Individualized Plan for Employment. The audit was able to verify the receipt of goods in nine of the consumer case files reviewed. However, a majority of the case files reviewed

did not contain sufficient information to determine if the consumer had received the equipment items purchased. As a result, 22 cases were identified as needing further review.

Consumer Interviews

Since documentation did not exist in the consumer file, the information on the 22 consumers and the purchases made on their behalf was provided to investigative staff of the Office of Professional Discipline who attempted to contact the consumers to verify the receipt of the goods and services. The level of detail on the purchases made on behalf of the consumer varied based on what was contained in the case file and/or the financial folder. This included case notes, authorizations and, in some cases, actual invoices.

- In 11 of the 22 cases, the consumers verified the receipt of various computer and electronic related items and nine of them stated that a consultant had delivered the equipment and installed it.
- In one additional case the consumer's mother verified that the consumer had received various items from VESID, but she did not address the issue of delivery and installation of the equipment.
- In the remaining ten cases, five of the consumers could not be located and five did not return multiple messages left for them.
- In 6 of the 12 cases where the consumer was located, they were unable to recall receiving services from individual vendors (consultants) charged to their account.

Another area of concern noted during the interviews, was a consumer who had acknowledged the receipt of computer and electronic equipment valued at approximately \$3,000 during a four month period in 2002, she stated that she was required to return the equipment before she relocated to Florida later that year. An entry in the consumer's case notes dated November 18, 2002 states "The consumer has not been in touch with her VRC. She did not respond to my contact letter dated October 8th asking her to contact me if she was still interested." No information regarding the return of the equipment was found.

The audit also noted a consumer with a self-employment goal who received \$18,538.10 worth of goods and services

in an eight-month period. Although the consumer verified that he had received the goods and services, no information was available to show that a waiver to exceed the self-employment cap of \$11,000 had been sought or received.

Recommendations

Recommendations to address the concerns identified in this limited audit were contained in the September 2004 audit report. Specifically, recommendations number 10, 14, 17, and 18.

- 10) Develop specific policies and procedures for the procurement and payment of goods and services and ensure staff are adequately trained and understand them.
- 14) Establish documentation requirements outlining the information that should be maintained in each case folder.
- 17) Develop documentation requirements to show consumers received the goods and services purchased for them.
- 18) Develop a policy defining when it is appropriate for goods to be shipped to the district offices and establish procedures for maintaining accountability over the goods.

Comments of VESID Officials

VESID officials' indicated that these recommendations have been implemented as part of the response to the 2004 audit.

Contributors to the Report
VESID Mid-Hudson

- Bonnie Hahn, Auditor in Charge
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