



Utica Academy of Science Charter School Purchasing

Report of Examination

Period Covered:

July 1, 2013 — September 30, 2014

2015M-71



Thomas P. DiNapoli

Table of Contents

| | Page |
|---|------|
| AUTHORITY LETTER | 1 |
| INTRODUCTION | 2 |
| Background | 2 |
| Objective | 2 |
| Scope and Methodology | 3 |
| Comments of School Officials | 3 |
| PURCHASING | 4 |
| APPENDIX A Response From School Officials | 6 |
| APPENDIX B Audit Methodology and Standards | 8 |
| APPENDIX C How to Obtain Additional Copies of the Report | 9 |
| APPENDIX D Local Regional Office Listing | 10 |

State of New York Office of the State Comptroller

Division of Local Government and School Accountability

June 2015

Dear School Officials:

A top priority of the Office of the State Comptroller is to help charter school officials manage school financial operations efficiently and effectively and, by so doing, provide accountability for moneys spent to support school operations. The Comptroller audits the financial operations of charter schools outside of New York City to promote compliance with relevant statutes and observance of good business practices. This oversight identifies opportunities for improving school financial operations and Board governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard school assets.

Following is a report of our audit of the Utica Academy of Science Charter School, entitled Purchasing. 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 New York State Education Law as amended by Chapter 56 of the Laws of 2014.

This audit's results and recommendations are resources for school officials to use in effectively managing financial operations and in meeting the expectations of the taxpayers. 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*

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 Utica Academy of Science Charter School (School) is located in the City of Utica, in Oneida County. The school is modeled after the Syracuse Academy of Science Charter School (SASCS) and is governed by a Board of Trustees (Board) that has the same seven members as the SASCS. The Board is responsible for the general management and control of the School's financial and educational affairs. The Board appoints a Superintendent to oversee the two schools and a School Director (Director) who is responsible, along with the Operations Manager¹ and other administrative staff, for day-to-day School management under the Board's direction. A purchasing agent is responsible for processing purchases.

Charter schools have fewer legal operational requirements than traditional public schools. Most charter school requirements are contained in the bylaws, 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 was granted a provisional charter in November 2012 by the Board of Regents of the University of the State of New York and began operations in the 2013-14 school year. The SASCS made startup purchases on behalf of the School during our audit period. The School's 2014-15 fiscal year operating budget appropriations totaled approximately \$2.7 million. These appropriations were funded with revenues derived from billing area school districts for resident pupils (84 percent), federal and State aid attributed to these pupils (11 percent) and other income and contributions (5 percent). The School had approximately 240 enrolled students and 30 employees during the 2014-15 fiscal year.

Objective

The objective of our audit was to examine the School's purchasing procedures. Our audit addressed the following related question:

¹ The Operations Manager is an employee of the SASCS and is part of an agreement between the School and the SASCS to provide business office operations, human resource services and partial information technology consultation services. An additional contract between the schools covers academics and curriculum-related matters.

- Did School officials ensure that goods and services were purchased competitively and payments made to SASCS were for appropriate School purchases?

**Scope and
Methodology**

We examined the School's purchasing practices for the period July 1, 2013 through September 30, 2014. We extended our audit period back to November 2012 to include startup purchases made by SASCS on behalf of the School that were reimbursed to SASCS during our audit period.

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 B of this report.

**Comments of
School Officials**

The results of our audit have been discussed with School officials, and their comments, which appear in Appendix A, have been considered in preparing this report. School officials agreed with our audit report.

Purchasing

To ensure School resources are safeguarded, it is imperative that the Board take an active oversight role and establish guidelines for School officials and other staff to follow when purchasing goods and services. The objectives of a procurement process are to obtain services, 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. Additionally, the School should maintain sufficient inventory records to adequately account for and safeguard its purchased assets.

During our audit period, the School had two purchasing policies. The first policy was effective from July 2012 through June 30, 2014. It required School officials to obtain three quotes and the Superintendent's approval for purchases of goods or services over \$10,000 and to obtain additional Board approval for purchases over \$15,000. There were no quote requirements for purchases below \$10,000. The School's practice for purchases under \$10,000 was to have the Director approve purchase requests and then forward the requests to SASCS for the Operations Manager's approval. The purchasing agent, also located at SASCS, then received the approved purchase requests from the Operations Manager and created and approved the purchase order.

The Board adopted a new policy effective July 1, 2014, which required three written quotes and the Superintendent's approval for purchases between \$10,000 and \$20,000 and additional Board approval for any purchases over \$20,000. The new policy also required verbal quotes; however, there are no specific number of quotes required for purchases below \$10,000. The new policy formally set purchase request limits for the Director and Operations Manager's approval.² While the purchasing agent still creates purchase orders, purchase orders are now approved by the Operations Manager.

During our audit period, the School made payments to vendors totaling more than \$1.2 million. We reviewed a sample of purchases made under each procurement policy.

² Purchases up to \$500 are approved by the Dean, purchases \$500 to \$3,000 are approved by the Director, and purchases \$3,000 to \$10,000 are approved by the Operations Manager. The School currently does not have a Dean, so the Director signs purchases up to \$3,000.

- For the period July 1, 2013 through June 30, 2014 we reviewed four purchases totaling \$129,800, which were over \$15,000 each. These purchases were for computers, lockers, classroom furnishings and a truck and required three quotes and approval by both the Superintendent and Board. We also reviewed eight purchases totaling \$30,560 that were below the threshold of obtaining quotes and the Board's approval. Some examples of these purchases were for rent, cafeteria food, cleaning supplies, advertising and travel.
- For the new policy, we reviewed one purchase totaling \$22,600 for insurance. This purchase required three quotes and approval by both the Superintendent and Board. We also reviewed six purchases totaling \$4,040 for an interpreter, fans, a flag, tools, a grill and a mower. These purchases were below \$10,000; therefore, School officials were required to obtain verbal quotes and approval from the Director.

We found no exceptions for either policy.

The School also reimbursed the SASCS \$266,175 for startup purchases made by SASCS prior to the School receiving its funding. SASCS purchased computers, a vehicle, whiteboards, conference tables and chairs, desks, advertising, cafeteria food and office and cleaning supplies on behalf of the School. We judgmentally³ selected 95 technology items such as computers, printers and monitors from the vendor invoices to determine whether this equipment was on the School's inventory records and on hand. We found no exceptions. In addition, the School has two contracts with SASCS. One contract is for accounting and payroll services (\$110 per student) and the other is for academic services (\$40 per student). In total the School paid \$22,043 for these services during our audit period. These services included teacher training, observation and support provided by SASCS. The School also paid SASCS for the School's portion of insurance (health, vision, dental and liability). We found that all payments made to SASCS were for valid School purposes.

School officials have generally made purchases after obtaining the necessary approvals and, if applicable, after obtaining the appropriate number of quotes as designated in the purchasing policy. In addition, School officials had written agreements with SASCS, so they had a clear understanding of the services they were paying for.

³ See Appendix B, Audit Methodology and Standards, for details on our sample selection.

APPENDIX A

RESPONSE FROM SCHOOL OFFICIALS

The School officials' response to this audit can be found on the following page.



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June 15, 2015

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Syracuse Regional Office
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Re: Utica Academy of Science Charter School Audit.

Dear Ms. Wilcox:

This letter comprises the response of the Utica Academy of Science Charter School ("UASCS") to the audit report that your office recently shared. As you know, UASCS operates under the same management umbrella as the Syracuse Academy of Science Charter School ("SASCS"). In the year of 2013, your office audited SASCS, and the audit report identified specific improvements that SASCS needed to achieve relative to technology inventory control and its purchasing procedures. SASCS took those recommendations very seriously and spent significant time, energy and resources in making those improvements. UASCS directly benefited from these improvements, and the findings of the UASCS audit report are a direct reflection of the efficacy of those efforts.

We have addressed each of the areas of improvement noted in the SASCS 2013 audit report, and implemented all of the improvements without exception in our new school; Utica Academy of Science Charter School.

During the past six months, your office engaged in an exacting and thorough inspection of each aspect of the operating procedures of Utica Academy of Science Charter School, including its inventory control, vendor relationships, purchasing procedures, and a myriad of other areas. As stated in the report, your team found every piece of equipment located where the school's inventory control data indicated it would be, with the correct serial number, tag number, and room number recorded. Additionally, there was not a single exception to school's adherence to its purchasing procedures. We think that these findings reflect significant progress and an earnest effort in both UASCS and SASCS.

We wish to thank you and your team once again for its diligent efforts. We appreciate our working relationship with the Comptroller's office, and will continuously strive to improve. Our goal is to be an example of efficiency and excellence in business practices to other charter schools, and we appreciate the assistance your office provides in that regard.

Best regards,

Dr. Tolga Hayali
Superintendent
UASCS and SASCS

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the School's purchasing practices for the period July 1, 2013 through September 30, 2014. We extended our audit period back to November 2012 to include startup purchases made by SASCS on behalf of the School that were reimbursed to SASCS during our audit period. To accomplish the objective of our audit and obtain valid audit evidence, we performed the following audit procedures:

- We reviewed Board policies and interviewed the Operations Manager, Director, Accounts Payable Clerk/Purchasing Agent, Administrative Assistant and Assistant Operations Manager to gain an understanding of internal controls surrounding the procurement process.
- We analyzed the School's computer-processed disbursement data for our audit period to verify the data's completeness, consistency and reliability.
- We randomly selected one month and traced copies of bank-provided canceled checks to the claims packets, which included the invoices and purchase orders, to verify the reliability of the data.
- We reviewed payments to high-risk vendors and traced payments to purchase requests, purchase orders, invoices and checks.
- We traced selected items over the Board approval limit to Board minutes to verify Board approval.
- We randomly selected 10 payments that were below the Board approval levels and traced these to the claims packets (copies of checks, invoices, purchase orders and purchase requests).
- We traced all charges from SASCS to invoices, purchase orders and purchase requests, to verify that they were appropriate School charges.
- We obtained written representations from all Board members and key School officials that disclosed their outside employment and business interests and those of their spouses. We reviewed any disbursements to individuals or organizations who were identified on the responses.
- We judgmentally selected 95 separate items of technology-related equipment that have a higher risk of being lost or stolen (computers, cameras, laser printers, monitors, projectors and tablet computers) identified during our review of purchasing and traced these items to School inventory lists. We then traced them to their locations and verified tag numbers on the assets.

We conducted this performance audit in accordance with 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

APPENDIX C

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