



# Yonkers City School District

## Internal Controls Over Selected Financial Activities

Report of Examination

Period Covered:

July 1, 2008 — September 1, 2009

2010M-18



Thomas P. DiNapoli

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# State of New York Office of the State Comptroller

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## **Division of Local Government and School Accountability**

June 2010

Dear School District Officials:

A top priority of the Office of the State Comptroller is to help school district officials manage their districts efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support district operations. The Comptroller oversees the fiscal affairs of districts statewide, as well as districts' 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 district operations and Board of Education governance. Audits also can identify strategies to reduce district costs and to strengthen controls intended to safeguard district assets.

Following is a report of our audit of the Yonkers City School District, entitled Internal Controls Over Selected Financial Activities. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the General Municipal Law.

This audit's results and recommendations are resources for district officials to use in effectively managing operations and in meeting the expectations of their constituents. 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 Yonkers City School District (District) is governed by the Board of Education (Board) which comprises nine trustees appointed by the Mayor of Yonkers. The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools (Superintendent) is the chief executive officer of the District and is responsible, along with other administrative staff, for the day-to-day management of the District under the direction of the Board.

The Assistant Superintendent of Finance is responsible for the overall operations of the Finance Department, under which the purchasing function is managed. The purchasing agent is responsible for the procurement of goods and services throughout the District and the Director for Information Technology is responsible for Information Technology (IT). Presently the senior accountant and the Assistant Superintendent for Finance are responsible for allocating access rights to the District's financial software.

### **Scope and Objective**

The objective of our audit was to evaluate internal controls over selected financial activities for the period July 1, 2008 through September 1, 2009. We expanded our scope to 2006 to review the awarding of the 2006 energy performance contracts. Our audit addressed the following related questions:

- Are internal controls over the request for proposal process appropriately designed and operating effectively to adequately safeguard District assets?
- Are access rights to computerized data appropriately assigned in accordance with employees' job functions?

### **Audit Results**

Although the Board adopted a procurement policy and District officials developed procedures to implement the policy, these policy and procedures did not provide guidelines for the use and evaluation of requests for proposals (RFPs) for awarding Energy Service Companies' contracts and professional services contracts. We reviewed the process used to award contracts to energy service companies and professional services providers who received contracts totaling approximately \$19 million. District officials awarded one contract to the company that scored the highest based on the criteria in the RFP; however, the second award went to the fourth highest rated company, with no explanation for the selection. In addition, District officials awarded the contract for the external

auditor to a firm whose proposal was not the lowest priced. Furthermore, officials did not use RFPs when awarding contracts to a law firm and a management consulting firm. As a result, the District may have paid more than necessary for these services.

The Board has not adopted comprehensive policies and procedures to ensure that access to the Districts' computerized financial data is restricted to only those functions required by individual employees' job duties. In addition, District officials have not implemented access controls to ensure proper segregation of duties within the computer system and to limit access to users based on their job descriptions and responsibilities. Furthermore, District officials did not review the access rights to the financial software to monitor employees' access to the financial data. We reviewed District access rights for the financial software, and found that Business Office staff members had access to aspects of the accounting system that were not a required part of their job function, resulting in inadequate segregation of duties within the financial computer system. Because of this access, certain employees could initiate improper transactions.

### **Comments of District Officials**

The results of our audit and recommendations have been discussed with District officials and their comments, which appear in Appendix A, have been considered in preparing this report. Except as specified in Appendix A, District officials generally agreed with our recommendations and indicated they planned to initiate corrective action. Appendix B includes our comments on the District's response.

# Introduction

## Background

The Yonkers City School District (District) is located in the City of Yonkers, Westchester County. The District is governed by the Board of Education (Board) which comprises nine trustees appointed by the Mayor of Yonkers. The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools (Superintendent) is the chief executive officer of the District and is responsible, along with other administrative staff, for the day-to-day management of the District under the direction of the Board.

The Assistant Superintendent of Finance is responsible for the overall operations of the Finance Department under which the purchasing function is managed. The purchasing agent is responsible for the procurement of goods and services throughout the District and the Director for Information Technology is responsible for Information Technology (IT). Presently the senior accountant and the Assistant Superintendent for Finance are responsible for allocating access rights to the financial software.

There are 39 schools in operation within the District, with approximately 25,000 students and 4,000 employees. The District's budgeted expenditures for the 2008-09 fiscal year were approximately \$484.6 million, which were funded primarily with State aid, real property taxes, and grants.

## Objective

The objective of our audit was to evaluate internal controls over selected financial activities. Our audit addressed the following related questions:

- Are internal controls over the request for proposal process appropriately designed and operating effectively to adequately safeguard District assets?
- Are access rights to computer processed data appropriately assigned in accordance with employees' job functions?

## Scope and Methodology

Our overall goal was to assess the adequacy of the internal controls put in place by officials to safeguard District assets. 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: financial oversight, cash receipts and disbursements, purchasing, and payroll and personal services. Based on that evaluation, we

determined that controls appeared to be adequate and limited risk existed in most of the financial areas we reviewed. We did determine that risk existed in the purchasing and information technology areas, and therefore, we examined internal controls over the request for proposal process and access rights to financial data for the Yonkers City School District for the period July 1, 2008 to September 1, 2009. We expanded our scope to 2006 to review the awarding of the 2006 energy performance contracts.

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 is included in Appendix C of this report.

**Comments of District  
Officials and Corrective  
Action**

The results of our audit and recommendations have been discussed with District officials and their comments, which appear in Appendix A, have been considered in preparing this report. Except as specified in Appendix A, District officials generally agreed with our recommendations and indicated they planned to initiate corrective action. Appendix B includes our comments on the District's response.

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of the General Municipal Law, Section 2116-a (3)(c) of the Education Law, and Section 170.12 of the Regulations of the Commissioner of Education, a written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and forwarded to our office within 90 days. To the extent practicable, implementation of the CAP must begin by the end of the next fiscal year. 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. The Board should make the CAP available for public review in the District Clerk's office.

# Request For Proposals

General Municipal Law (GML) requires District officials to adopt procurement policies and procedures to regulate the acquisition of goods and services which are not required to be competitively bid. Education Law allows large school districts to use a request for proposal (RFP) process to evaluate and select vendors to award energy performance contracts in lieu of competitive bidding. District officials are required to provide guidelines for evaluating proposals from Energy Service Companies (ESCO).<sup>1</sup> Although the District adopted procurement policies and procedures, these policies and procedures did not provide guidelines for the use of RFPs in general and specifically for evaluating ESCO proposals and professional services contracts. The procurement process used to award the energy performance contracts is inadequate. As a result, District officials may not have selected the most efficient and effective energy performance contractors.

## Energy Performance Contracts

District officials prepared RFP documents that prescribed the requirements for the proposals and the RFP process in early 2006. According to these RFP documents, the District's goal was to select two ESCOs to implement comprehensive energy performance contracts. The first step for a selected ESCO was to perform a Comprehensive Energy Audit (CEA)<sup>2</sup> of the buildings in its group. From that assessment, District officials would decide what projects would be completed.

The District expected to select one ESCO for each of two groups of buildings; each group would include approximately six buildings. Each successful ESCO was expected to perform a CEA of the buildings in its group. According to RFP documents, if a viable project was identified, the District would negotiate an energy performance contract for that group or part of the group. The RFP document included criteria by which District officials would evaluate the proposals including:

- Project Experience Rating
  - o New York State Department of Education Experience
  - o Consulting Architectural/Engineering

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<sup>1</sup> An ESCO is a firm that proposes, procures, installs, and possibly maintains energy conservation measures (ECM) and guarantees the facility's avoided energy costs resulting from implementing the measures will either exceed the total project cost or meet other contractual criteria.

<sup>2</sup> A Comprehensive Energy Audit (CEA) is a survey of existing energy systems of a facility for the purpose of proposing energy conservation measures and verifying that the proposed measures have the potential to generate energy savings.

- Technical Capability Rating
- Staff Rating
- Financial Capability Rating.

In May 2006 the district established a selection committee and provided guidelines under which they should operate. These guidelines required committee members to be diverse but have “the skills and ability to carry out the evaluation in a professional manner.” Essentially, the role of the selection committee was to review and evaluate the proposals of competing ESCOs in order to select the two most qualified companies to implement the project. Selecting team members with diverse backgrounds and perspectives can be valuable to ensure a thorough and competent review of the technical, financial, and legal components of the potential project. In addition, the contracts should be awarded to the two highest rated companies. We found that while the District’s ESCO team/committee did choose the highest rated company for the first ESCO selected, it did not award the second contract to the second highest rated company.

In February 2006 District officials advertised for RFPs. Six companies (potential ESCOs) submitted proposals to the District. The District established a committee of six persons including the City Engineer, a District Engineer, the Facilities Director, the purchasing agent, the Maintenance Supervisor and a custodial supervisor for the District. These persons were expected to review the proposals and supporting documentation that the six companies presented and evaluate them independently and without bias. Although the RFP document required committee members to present the results of their evaluation on a form that included the four main criteria and give a rating for each category, only four members of the committee prepared evaluation forms for the proposals that the companies submitted. In addition, we were presented with notes from a fifth member with no formal rating. District officials did not provide an explanation why the purchasing agent and the Facilities Director failed to prepare evaluation forms. The following table shows the total rating, in percentages, given to the six companies by four of the committee members:

Vendors	District Engineer	City Engineer	Maintenance Supervisor	Custodial Supervisor	Total	Average Score
Company A	66%	72%	62%	74%	274	68.5%
Company B (withdrew)	96%	86%	74%	86%	342	85.5%
Company C	36%	100%	60%	74%	270	67.5%
Company D	92%	96%	76%	84%	348	87%
Company E -ESCO 1	94%	100%	80%	76%	350	87.5%
Company F -ESCO 2	64%	96%	72%	74%	306	76.5%

The District entered into two energy performance contracts, one for \$10.1 million with Company E (ESCO 1), the highest scoring company, and the other for \$8.1 million with Company F (ESCO 2), the fourth highest scoring company. We have concerns with the basis of the award of the contract to ESCO 2, Company F because the award did not go to the second highest scoring company (Company D). As of January 8, 2010, our last day of field work, District officials had not provided us with an explanation or basis for the selection of ESCO 2. ESCO 1 had substantially completed the execution of its contract while ESCO 2 had just completed the design phase.

Because the District's procurement policy did not provide instructions for the use of RFPs in general and specifically for evaluating ESCO proposals, District officials did not award two energy performance contracts to the two companies that scored the highest, and did not document the reasons for their selections. District officials cannot be certain that they selected the two best companies to implement the proposed energy conservation measures, and neither can the taxpayers of the District.

### Professional Services

Competitive bidding is not required to procure professional services that involve specialized skill, training and expertise; use of professional judgment or discretion; and/or a high degree of creativity. While the District is not legally required to competitively bid when procuring professional services, using competition such as RFPs, is an effective way to ensure that the District receives the desired services for the best price. In addition, GML requires the District to adopt policies and procedures that govern the procurement of goods and services when competitive bidding is not required. An effective and comprehensive purchasing policy should require District officials to seek competition when procuring services. The appropriate use of competition provides taxpayers with the greatest assurance that services are procured in the most prudent and economical manner. The District's procurement policy did not

provide for the use of competition when acquiring services from professionals. Consequently, District officials awarded contracts to a law firm and a management consultant and paid them approximately \$547,000 and \$130,000, respectively, during the period July 1, 2008 through August 31, 2009 without requesting RFPs.

We reviewed the District's cash disbursement records for the period July 1, 2008 through September 1, 2009 and identified payments totaling \$2,030,492 that the District made to 16 professional service vendors. We selected five of these vendors who received total payments of \$805,343 during this period for review:

- Law Firm \$547,147
- Management Consultant \$130,000
- Claims Auditor \$75,996
- External Auditor \$26,600
- Internal Auditor \$25,600.

We found that the District did not use an RFP process to obtain the services of two of the five vendors tested: a law firm and a management consultant. The District used an RFP process for the remaining three vendors. Although RFPs were solicited, the contract for external auditor was awarded to the second lowest cost vendor (\$120,000) instead of the lowest cost vendor (\$118,500). District officials did not document their reasons for selecting the higher cost vendor.

## Recommendations

1. District officials should ensure that they solicit competition such as RFPs for all professional services.
2. The Board should amend its procurement policy and procedures to provide guidelines for the use of RFPs.
3. District officials should ensure that the process used to evaluate requests for proposals contains a requirement to document the reasons for the selections that are ultimately made.

## Access Rights to Computerized Data

The use of information technology (IT) affects the fundamental manner in which the District coordinates, processes, records, and reports transactions. The extent to which the District uses computer processing in significant accounting applications, as well as the complexity of that processing, determines the specific risks that IT poses to the District's internal controls.

Effective controls over users' access to computer operations restrict authorizations to only those functions needed for individuals to perform their job duties, and ensure that such access prevents them from being involved in multiple aspects of a financial transaction. In this way, system access controls help to preserve the proper segregation of duties. Officials can restrict access to some users while allowing greater access to others based on job function. The Board is responsible for adopting policies to ensure that access rights to the District's IT resources are appropriately restricted, and District officials must develop procedures for that purpose.

The Board has not adopted comprehensive policies and procedures to ensure that access to the District's computerized financial data is restricted to only those functions required by individual employees' job duties. In addition, District officials have not implemented access controls to ensure proper segregation of duties within the computer system and to limit access to users based on their job descriptions and responsibilities. Furthermore, District officials did not review access rights to the financial software to monitor employees' access to the financial data and adjust access rights. We reviewed District access rights records for the financial software and found that Business Office staff members had access to aspects of the accounting system that were not a required part of their job function, resulting in inadequate segregation of duties within the computer system.

For example, five employees/officers, including the Assistant Superintendent for Finance, two accountants and a budget analyst, have administrative rights that empower them to give access rights to other employees. In addition to these global rights, they also have a second user identification that allows them rights specific to their job functions. These rights could enable these individuals to add and delete vendors, create transactions through purchase requisitions and purchase orders, approve these transactions, generate accounts payable transactions and approve them for payment. The District has other levels of approvals in regard to the purchasing function, the Chief Administrative Officer, the Chief Academic Officer, and the claims

auditor, who are in positions to possibly prevent these irregularities from being fully executed. With these incompatible duties, however, these five employees could initiate unauthorized purchases.

The lack of comprehensive policies and procedures puts the District's financial data at risk, due to employees' excessive or conflicting access rights. As a result, there is an increased risk that errors, irregularities, or fraud could occur and not be detected and corrected in a timely manner. This risk is even greater for the purchasing agent and assistant purchasing agent. The procurement policy gives the purchasing agent and assistant purchasing agent significant autonomy to approve contracts below the bidding threshold. With this authority and their access rights to add and delete vendors, create purchase requisition and purchase orders, approve purchase orders and all transactions dealing with the purchases except for accounts payable, the purchasing agent and assistant purchasing agent had the ability to initiate improper transactions. Because of this control weakness, we reviewed transactions with approximately 90 vendors which included about 35 purchasing transactions, totaling \$10,435,105, during the period July 1, 2008 through August 31, 2009. Twenty-five of these transactions either were below the bidding thresholds or marginally exceeded the bidding thresholds. Our tests did not reveal any irregularities.

## **Recommendations**

4. The Board should adopt and implement comprehensive policies and procedures to limit access rights to the financial software to rights required for job functions.
5. District officials should periodically review access rights and ensure that no employee has access to areas not required for his or her job.

## **APPENDIX A**

### **RESPONSE FROM DISTRICT OFFICIALS**

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



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Yonkers, New York 10701  
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Fax 914 376-8218

**Bernard P. Pierorazio**  
Superintendent of Schools

**Joseph J. Bracchitta**  
Chief Administrative Officer

**Stanley F. Bronski**  
Assistant Superintendent for Finance

Fax: 845-567-0080

May 11, 2010

Mr. Christopher J. Ellis, Chief Examiner  
Office of the State Comptroller  
Newburgh Regional Office  
33 Airport Center Drive, Suite 103  
New Windsor NY 12553

**Re: Letter Responding to Preliminary Draft Findings - Yonkers City School District –  
Internal Controls Over Selected Financial Activities - Period Covered: July 1, 2008 –  
September 1, 2009, Report Number 2010M-18**

Dear Mr. Ellis:

The Yonkers City School District would like to commend the members of the Office of the State Comptroller's staff who conducted the audit. Representatives from the Office of the State Comptroller were professional, thorough and courteous during the course of the audit. We also extend our thanks to them for their advice and assistance in support of District efforts to ensure that our business operations reflect best practices, demonstrate accountability and exhibit transparency. The District is always appreciative of opportunities for improving operations.

### **Request for Proposal**

**Recommendation No. 1: District officials should ensure that they solicit competition such as RFPs for all professional services.**

The District will evaluate alternative means to solicit competition for professional services.

Consideration will be given to the use of Requests for Proposals for professional services above a given dollar amount that is still to be determined. Other methods and procedures will be explored as well. This will be done to provide a structure and degree of formality to the seeking

of competition for professional services. Evaluation of alternatives will be done by the Audit, Budget and Finance Committee. Final determination will be by the Board of Education.

**Recommendation No. 2: The Board should amend its procurements policy and procedures to provide guidelines for the use of RFPs.**

The District agrees with this recommendation. Procurement policy and procedures will be updated, within ninety days, to provide guidelines for the use of Requests for Proposals. This update will take into consideration ideas presented in your publication entitled “ Local Government Management Guide – Seeking Competition in Procurement ”.

**Recommendation No. 3: District officials should ensure that the process used to evaluate requests for proposals contains a requirement to document the reasons for the selections that are ultimately made.**

The District agrees with this recommendation. This will be implemented within ninety days.

**Access Rights to Computerized Data**

In the fourth paragraph under the heading Access Rights to Computerized Data there are errors of fact that should be corrected in this draft audit report.

In referring to rights specific to their job functions, the draft audit report states “ These rights could enable these individuals to add and delete vendors, create transactions through purchase requisitions and purchase orders, approve these transactions, generate accounts payable transactions and approve them for payment with only one person, the claims auditor, in a position to possibly prevent these irregularities from being fully executed. With these incompatible duties, these employees could misappropriate District funds without detection. ”

In fact, the draft audit report states, “ Our tests did not reveal any irregularities. ” This is the best indication that there are controls in place that are functioning as intended.

See  
Note 1  
Page 18

Transaction reports are sent monthly to all budget managers. These reports show the detail of what is being charged to their accounts.

The Purchasing function of adding and deleting vendors, processing purchase requisitions and creating purchase orders is separate from the Accounts Payable function of making payments based upon either receiving reports ( the goldenrod copy of the purchase order ) or approved claim forms. The draft audit report wrongly presents this fact. If someone in Purchasing were to create fictitious purchase orders, payment would not be made against these purchase orders because there is no authorized receiving report to enable this to happen. In fact, all purchase requisitions for the Finance department ( of which the Purchasing Department is a part of ) have two levels of approval authorization – the Assistant Superintendent for Finance and the Chief Administrative Officer. All receiving reports ( the goldenrod copy of the purchase order ) or claim forms for the Finance department require approval authorization before any payments can

See  
Note 1  
Page 18

be made. Therefore, the Purchasing function is separate from the Accounts Payable. It is incorrect to state “ ...these employees could misappropriate District funds without detection. ”

In the fifth paragraph also under the heading Access Rights to Computerized Data there is the statement, “ As a result, there is an increased risk that errors, irregularities, or fraud could occur and not be detected and corrected in a timely manner. This risk is even greater for the purchasing agent and assistant purchasing agent. The procurement policy gives the purchasing agent and assistant purchasing agent significant autonomy to approve contracts below the bidding threshold. With this authority and their access rights to add and delete vendors, create purchase requisition and purchase orders, approve purchase orders and all transactions dealing with the purchases except for accounts payable, the purchasing agent and assistant purchasing agent had the ability to initiate improper transactions and conceal them. ” In the previous paragraph above the District showed that there is a separation of duties between Purchasing and Accounts Payable. Therefore, it is not correct to say that the purchasing agent and assistant purchasing agent had the ability to initiate improper transaction and conceal them. There would not be any payments made without approved authorization for those payment requests.

See Note 1 Page 18
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**Recommendation No. 4: The Board should adapt and implement comprehensive policies and procedures to limit access rights to the financial software to rights required for job functions.**

This recommendation in the draft audit report seems to have an incorrect word. The word “ adapt ” should probably be “ adopt ”.

The District agrees with this recommendation. On April 26, 2010 access rights for the Purchasing Agent and Assistant Purchasing Agent were changed to accommodate the segregation of duties. This segregation includes the separation of adding and deleting vendors and the ability to create purchase orders.

Since the informal recommendation has been made, the District has reduced administrative access rights from six individuals to three individuals.

Currently, administrative access rights have been given to the Assistant Superintendent for Finance, an Information Technology Specialist and one Accountant. The Accountant is working to ensure that access right changes do not hinder the work performance of the staff.

The District will create a processing checklist as a signoff for the actions taken / evaluations made on individual purchase orders.

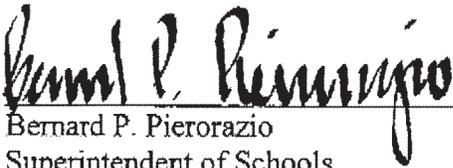
**Recommendation No. 5: District officials should periodically review access rights and ensure that no employee has access to areas not required for his of her job.**

The District agrees with this recommendation. The District has reviewed the access rights for all staff members and has eliminated the access rights of staff members whose job functions do not require them to have access to certain functions.

Access rights will be reviewed on a quarterly basis.

Sincerely,

YONKERS CITY SCHOOL DISTRICT



Bernard P. Pierorazio  
Superintendent of Schools

BPP:sb

C: Board of Education Trustees

Joseph J. Bracchitta, Chief Administrative Officer

Stanley F. Bronski, Assistant Superintendent for Finance

## **APPENDIX B**

### **OSC COMMENTS ON THE DISTRICT'S RESPONSE**

#### Note 1

The additional levels of authorization provided by the Assistant Superintendent for Finance and the Chief Administrative Officer would not prevent an unauthorized purchase from occurring. The practice of obtaining receiving reports or claim forms prior to payment could detect unauthorized purchases, but not until payment is requested and the items have been received. Once items are received, the District may be liable for payment. We modified our report to reflect that the Chief Administrative Officer and the claims auditor are in a position to detect irregularities that have occurred prior to payment.

## APPENDIX C

### AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the adequacy of the internal controls put in place by officials to safeguard District assets. 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: financial oversight, cash receipts and disbursements, purchasing, payroll and personal services and information technology.

During the initial assessment, we interviewed appropriate District officials, performed limited tests of transactions and reviewed pertinent documents, such as District policies and procedures manuals, 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 District's financial transactions as recorded in its databases. Further, we reviewed the District'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 where weaknesses existed, and evaluated those weaknesses for the risk of potential fraud, theft and/or professional misconduct. Based on that evaluation we determined that controls appeared to be adequate and limited risk existed in most of the financial areas we reviewed. We then decided on the reported objectives and scope by selecting for audit those areas most at risk. We selected the request for proposal process and access rights to computerized financial data for further audit testing.

To accomplish the objective of this audit and obtain valid audit evidence, we reviewed the proposals and supporting documentation that District officials used to award contracts for energy performance contracts. We evaluated the RFP processes that was used to award contracts to the respective vendors to determine if the RFP process was adequate and if District officials awarded these contracts based on a system designed to select the most suitable vendor.

We interviewed District officials and examined the following records to determine the effectiveness of internal controls pertaining to purchasing: policies and procedures, vendor payment files and invoices, payments to professional service vendors and RFPs.

We interviewed District officials and observed the District's IT system to test the District's IT system.

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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

## APPENDIX D

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Steven J. Hancox, Deputy Comptroller  
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