

CORRECTIVE ACTION PLAN

NAME OF SCHOOL: Newark Public Schools

TYPE OF AUDIT: Pro-Act Review

DATE OF ADVISORY BOARD MEETING: March 23, 2010

CONTACT PERSON:

TELEPHONE NUMBER:

FINDING NUMBER	FINDING	RECOMMENDATION	CORRECTIVE ACTION	COMPLETION DATE
1	<p>Confirming orders bypass the purchase order process because goods or services are received without, or prior to, issuing a purchase order with the proper authorization by the district's purchasing agent. The PROACT invoice was processed and paid without the required authorization.</p>	<p>The district must comply with State statute and district policy and properly issue purchase orders prior to services being rendered. The district should also follow the policy on payment of confirming orders (page 14 of purchasing manual) and update the manual to reflect proper authorizations. Accounts payable should not process confirming order invoices without proper approvals. In accordance with the terms of the RFP, consider withholding payments when services are performed without the authorization of a purchase order.</p>	<ol style="list-style-type: none"> 1. Enforce the "no tolerance policy" reflected in the current purchasing manual and update the manual to include employee ramifications for not following policy. This would include potential disciplinary action for an employee entering into an unauthorized purchase and/or potential liability for the purchase. 2. Update the purchasing manual and related form to reflect required approval for confirming order by removing the title "Deputy Superintendent", which is no longer applicable, and replacing it with the title "Chief Academic Officer". 3. Post the updated purchasing manual on the district's website for access by all district staff. 4. Issue a memo to all district personnel highlighting the key purchasing procedures, including the confirming order policy. 5. The Office of the Chief Financial Officer and Purchasing will review monthly the confirming order log maintained by purchasing to determine necessary employee action as stated in the policy. 6. Include in the new hire packet for managerial staff responsible for procurement action (Vice Principals and above), the purchasing process and the employee's responsibilities. 7. Payment will be processed by accounts payable only after the purchase order was issued and signed by the Business Administrator/Purchasing agent. Any confirming order will not be paid without approval by the School Business Administrator/Purchasing agent. 8. Newark will pay PROACT for services rendered, for an amount no greater than the original amount approved by the board, only after receipt of proper supporting documentation. 	<p>April 2010</p>

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2	NJSA 18A:18A-40 requires all contracts for the provision or performance of goods or services be in writing. A contract was never entered into with the vendor PROACT, an executive search firm and should have been.	Vendors should not commence work until a contract is executed detailing hourly or unit rate, maximum dollar amount, and identify any allowable reimbursable expenses and the corresponding rates/prices. Payment should not have been made to PROACT prior to the execution of a contract.	<ol style="list-style-type: none"> 1. Update the purchasing manual to reflect that the purchasing department will forward all contracts to the in-house legal council for review and approval prior to being sent to the vendor. The manual will also state that any vendor initiated changes resubmitted for review must be re-reviewed and approved by our in-house legal department prior to issuance. 2. Update the Policy and Procedures Guide To Procurement "Doing Business With The District" posted on our website for use by vendors to include the requirement that a district may not be obligated to pay and a vendor should not commence work prior to the issuance of an approved, signed purchase order and contract, if applicable. 	April 2010
3	The vendor provided and invoiced for additional work outside the scope of the original RFP, a violation of NJSA 18A:18A-4.5 under competitive contracting, which states that under no circumstances shall the provisions of a proposal under competitive contracting be subject to negotiation by the board.	District personnel should not request vendors to perform any services outside the scope of their contract unless a properly executed change order and contract amendment is executed prior to additional services being performed.	<ol style="list-style-type: none"> 1. The purchasing manual correctly states the policy. The Business Administrator will issue a memo to all district personnel highlighting the key purchasing procedures, including the applicability of the change order policy. 2. Post the complete updated purchasing manual on the district's website for access by all district staff. 3. Include in the new hire packet the purchasing process and the employee's responsibilities. 	April 2010

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4	Several irregularities were noted with the invoice and voucher package submitted for payment. Also there was no indication in the supporting documentation sent to accounts payable that the invoice was reviewed and complied with the terms of the contract and approved for payment by the contract administrator.	The district should comply with NJSIA 18A:19-2, which requires that no demand for payment be satisfied unless it is fully itemized and verified. In addition, reimbursable expenses should not be paid unless adequate supporting documentation is provided. Supporting documentation should be obtained from the vendor. The contract administrator should ensure that all invoices are in accordance with the terms of the contract. Receiving reports should be signed by an individual familiar with the contract terms and vendor performance and state that the invoice complies with the terms of the contract prior to payment to the vendor.	<ol style="list-style-type: none"> 1. Update our purchasing manual to indicate that accounts payable will not make payment to vendors without written verification and approval from the contract administrator that the goods or services have been received and that the invoice reflects the proper terms of the contract. In addition, the contract administrator is responsible for obtaining sufficient supporting documentation to verify the claim. 2. Define the contract administrator as the employee responsible for overseeing and managing the project, reviewing the invoice for propriety, and authorizing invoice for payment. 3. No further payments will be made to the vendor PROACT, without receipt of the required itemization and supporting documentation. 4. The Office of the Chief Financial Officer will test sample transactions throughout the year to determine compliance with the district's purchasing and accounts payable policies and procedures. This will include reviewing the invoice and contract terms and verifying that the vendor submits proper supporting documentation for the goods and/or services rendered. 	<p align="center">Immediately</p>

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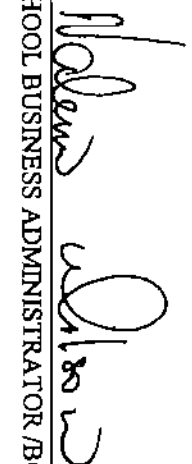
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5	The State regulations prohibit awarding a contract to a vendor prior to receiving the vendors valid business registration certificate. The district awarded the contract to PROACT prior to issuance of the certificate.	The district should comply with NJ regulations and not award contracts until the vendor submits proof of a valid business registration certificate.	<ol style="list-style-type: none"> 1. Update our purchasing policy as well as our Guide To Procurement "Doing Business With The District" to state that the business registration form must be submitted with the bid packet and that applying for the business registration certificate is not sufficient. 2. Purchasing has included this language in the standard template bid documents. 	April 2010 Completed


 CHIEF SCHOOL ADMINISTRATOR 3/17/10
 DATE


 SCHOOL BUSINESS ADMINISTRATOR/BOARD SECRETARY 3/17/10
 DATE