

ALAN G. HEVESI  
COMPTROLLER



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ALBANY, NEW YORK 12236

STATE OF NEW YORK  
OFFICE OF THE STATE COMPTROLLER

January 9, 2004

Mr. Joel I. Klein  
Chancellor  
New York City Department of Education  
52 Chambers Street  
New York, NY 10007

Re: Textbook Inventory Practices  
Report 2003-N-3

Dear Chancellor Klein:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1, of the State Constitution and Article III, Section 33, of the General Municipal Law, we audited the textbook inventory practices of the New York City Department of Education. Our audit covered the period July 1, 2001 through June 30, 2003.

**A. Background**

Article 15 of the New York State Education Law defines textbooks as any book, or book substitute, either hard or paper back cover, as well as workbooks, or manuals and instructional materials in an electronic format which are purchased for use in instructing students. All school districts in New York State receive annual State aid payments for textbook purchases, based on the number of registered students. The New York City Department of Education (Department) receives \$57.30 per school year for each Department enrolled student. For the 2002-03 school year, State aid for textbooks to the Department totaled about \$76.7 million.

Only textbooks included on the New York State Textbook List (NYSTL) are eligible for State aid. The Department's Division of Instructional Support, Instructional Materials Review Unit (IMRU) is responsible for determining whether a district's proposed textbook purchases are eligible for State aid. If the desired items are not NYSTL compliant, the textbooks can still be purchased using other Department funds if approved by IMRU. The Department distributes textbook funds to the community school districts, high schools and citywide special education based on October 31 pupil enrollments. The Department's expenditures for textbook purchases for the 2002-03 school year totaled \$175.4 million.

All approved textbooks are listed in the Department's annual Approved Textbooks and Ancillary Materials Catalog, with specific decisions regarding textbook purchases made at the school level. The Department's Standard Operating Procedures Manual (Manual) details the procedures that schools must follow to properly inventory and safeguard these textbooks.

**B. Audit Scope, Objective and Methodology**

We audited textbook inventory practices at selected high schools for the two-year period from July 1, 2001 through June 30, 2003. The objective of our performance audit was to determine whether the schools are following the Manual guidelines related to inventorying and safeguarding of textbooks and the distribution of excess textbooks. To accomplish our objective, we interviewed officials and staff from the Department's central office as well as from selected district offices and schools that we visited. We also reviewed relevant Department and State Education Department policies and procedures, as well as other records, data and documentation that were significant and relevant to our audit objective.

We contacted six of the seven high school district offices. We also visited a total of six of the 41 high schools in the Manhattan district and six of the 36 high schools in the Queens district in the spring of 2003. We selected high schools because, in comparison to elementary and intermediate schools, they have a greater number of textbook-based courses and the textbooks are generally more costly. The 12 high schools we visited comprised a judgmentally selected sample of six schools from each of the two districts. The sample schools were selected to reflect a cross section of schools in these districts.

We conducted our audit in accordance with generally accepted government auditing standards. Such standards require that we plan and perform our audit to adequately assess those operations of the Department that are included within our audit scope. These standards also require that we understand the Department's internal control structure and compliance with those laws, rules and regulations that are relevant to the operations included in our audit scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting and operating records and applying such other auditing procedures as we consider necessary in the circumstances. An audit also includes assessing the estimates, judgments and decisions made by management. We believe that our audit provides a reasonable basis for our findings, conclusions and recommendations.

We use a risk-based approach to select activities for audit. We therefore focus our audit efforts on those activities we have identified through a preliminary survey as having the greatest possibility of needing improvement. Consequently, by design, finite audit resources are used to identify where and how improvements can be made. Thus, little audit effort is devoted to reviewing operations that may be relatively efficient and effective. As a result, our audit reports are prepared on an "exception basis." This audit report, therefore, highlights those areas needing improvement and does not address activities that may be functioning properly.

## **C. Results of Audit**

We found that while all of the high schools and high school districts we visited had some inventory controls in place, these controls can be strengthened. We found that inventory records were not always accurate. In some cases, the number of recorded textbooks did not agree with our actual counts of the textbooks on hand, and some schools did not post recent book purchases to the inventory records in a timely manner. We also noted high schools that appeared to have excess textbooks, but they did not make adequate efforts to alert other schools of the availability of such textbooks so that schools can avoid unnecessary purchases.

### **1. Inventory Controls**

The Manual requires that, between March 1 and April 15 of every year, each school perform a physical inventory of textbooks on hand and reconcile the results with the inventory records. At the high school level, the assistant principal for each academic department generally is responsible for ensuring that the inventory records are maintained properly. Each academic department in each school performs its own inventory and maintains its own inventory records. Neither the school nor the central office compiles complete inventory records. After each department completes the inventory, the school is responsible for submitting an Annual Inventory Statement to their district office stating that the inventory was completed and that the records were adequately reconciled. Each district office is responsible for monitoring compliance with the physical inventory and inventory record keeping requirement.

To test the accuracy of the inventory records, we determined the quantities on hand for selected textbooks for two academic departments at each of the 12 sampled high schools, and compared our physical counts to the inventory records. We found that the quantities on hand did not always reconcile to inventory records for the textbooks we tested. When interviewed, school personnel offered explanations for the differences. The recorded quantities varied significantly, either over or under, from those actually on hand for 10 of the 24 departments tested, as follows:

<b>High School</b>	<b>Quantities On Hand Matched Inventory Records</b>	<b>School Personnel Explanations for Differences</b>
Stuyvesant	Math - Yes Science - No	Textbooks were lost due to outside summer school students who did not return the books. The lost textbooks were not reflected on the records.
LaGuardia	Math - Yes Social Studies - Yes	Not Applicable
Bergtraum	Math - No Science - No	Some math textbooks were on loan to other schools, were not posted to the inventory records when purchased, or were returned late by students and the records were not updated. Some science textbooks were stored in classrooms and not tracked on inventory records.
Park West	Math - No Science - No	Explanations included unreturned books, unrecorded purchases, and unrecorded textbooks returned by students.
Norman Thomas	Math - Yes Science - Yes	Not Applicable
Graphic Communication Arts	Math - No Science-Yes.	Perpetual inventory records for math textbooks had not been established and thus accuracy of counts could not be readily ascertained.
Cardozo	Math - No Science - Yes	Some purchased items were unrecorded, and some textbooks were not returned by students.
Forest Hills	Math - Yes Science - Yes	Not Applicable
Long Island City	Math - Yes Science - Yes	Not Applicable
Jamaica	Math - Yes Science - No	Textbooks were not returned by students, and purchases were not recorded properly.
Richmond Hill	Math - No Science - No	Teachers and students in classrooms were using some of the textbooks and this usage was not noted on the inventory records.
Bayside	Math - Yes English - Yes	Not Applicable

For the same two selected departments at each of the 12 sampled high schools, we attempted to trace recent textbook purchases to the inventory records to determine if they were recorded properly. We were unable to review the recording of recent purchases at Stuyvesant, Park West, Norman Thomas or Bayside high schools because the inventory records at these schools reported only cumulative total quantities and did not specifically list textbooks purchased in the current school year. In total, we tested 121 purchases from the remaining eight schools. We found that 18 (15 percent) of the 121 purchases, which ranged from 40 textbooks at Cardozo to 700 textbooks at Forest Hills, were not immediately posted to the inventory records, as shown in the following table:

<b>High School</b>	<b>Textbook Purchases</b>	<b>Purchases Not Recorded</b>	<b>Observations</b>
LaGuardia	15	0	Not applicable
Bergtraum	16	0	Not applicable
Graphic Communication Arts	9	0	Not applicable
Cardozo	12	3	Purchases were not recorded.
Forest Hills	18	6	There were no inventory records for three titles, and for the other three titles, the purchases were not recorded.
Long Island City	25	0	Not applicable
Jamaica	14	5	There was no record for one title and the complete purchase was not recorded for the other four items.
Richmond Hill	12	4	Purchases were not recorded.
Totals	121	18	

All the schools that we visited reported that retrieving textbooks from students at the end of the school terms is a significant problem. While the schools send dunning letters to the families of the students who fail to return their textbooks, any direct sanctions against the students for not returning textbooks are not permitted. Cardozo has experienced some success in collecting textbooks by offering students extra credits when their textbooks are returned timely. However, all the school personnel we interviewed indicated that they have sufficient textbooks for each student in each subject.

We also determined whether schools complied with the requirement to file the Annual Inventory Statements by requesting the statements on file at the six high school district offices we contacted. Officials at the Alternative district office told us that they did not collect any of the Annual Inventory Statements from the schools. Overall, we found that 46 of 189 (24 percent) schools did not submit the required statements. Removing the Alternative District data from our analysis reduces the exception rate to 19 of 162 required statements (12 percent). The following table shows the number of schools that submitted the required inventory statements for the six high school district offices.

School District	Number of High Schools		
	Total	Statements on File	Statements not on File
Manhattan **	41	40	1
Bronx *	29	20	9
Brooklyn **	29	26	3
BASIS **	27	21	6
Queens **	36	36	0
Alternative **	27	0	27
Totals	189	143	46

\* Information reflects school year 2001-02 (\*) or 2002-03 (\*\*).

District offices have not ensured that all schools file the required Annual Inventory Statements. Therefore, schools that have poor or non-existent inventory systems would not be detected. Inventory information is very valuable for educational and fiscal planning. Inventory records that are not up-to-date and are inaccurate cannot guide a site administrator in ordering new textbooks.

Department officials stated that the textbook losses due to textbooks not being returned by students are not significant. They also stated that any missing textbooks did not have a negative impact on the quality of education. In addition, they stated that inventory controls will be more closely monitored.

## 2. Excess Textbooks

The Manual requires that schools complete the annual inventory of textbooks and then offer excess textbooks to all other schools within the Department by whatever means possible, including posting to the Department’s Excess Textbook Listing on the Department’s website.

The Queens and Bronx district offices require that an excess textbook listing be circulated to other schools within their districts on a monthly basis, and intermittently to the other high school districts. The other four districts we reviewed indicated that they did not have a formal procedure for offering excess textbooks to other schools. According to the Department’s website, the Excess Textbook Listing is updated on a quarterly basis. Our review of the April 8, 2003 listing found that only 22 of the approximately 200 high schools had an entry on the website. Of the 22, 12 were Manhattan schools and 10 were in the other five districts. We noted high schools that appeared to have more textbooks than they currently were using. These textbooks were not posted on the excess textbook website administered by the Department. For example, Cardozo reported an inventory of 8,402 science textbooks on hand for the four major science categories. Of these, 4,722 (56 percent) were not in use during the spring 2003 term. Cardozo was not one of the schools that listed excess textbooks on the website.

Some school personnel stated that they are hesitant to distribute excess textbooks because they may need them in the future. Currently, the Department does not regularly review whether schools place such textbooks on the website. It is important to list excess textbooks on the

Department's website so that schools can avoid making unnecessary purchases for textbooks that are available from other schools.

### **Recommendations**

1. *Ensure that schools are performing annual physical inventories and complying with all Manual requirements regarding textbook inventory controls.*
2. *Ensure that high schools make all excess textbooks available for use by other high schools by first offering these textbooks to other high schools in the district and then posting them on the Department's Excess Textbook Listing website.*

A draft of this report was provided to Department officials for their review and comment. Their comments have been considered in preparing this final report and are included in Appendix A.. Department officials stated that they agree with and will implement our recommendations. Department officials agreed with the need for better communication and procedures for distributing excess books. They also stated that schools might need these excess textbooks in the future as often new initiatives and curricula are implemented which necessitate the use of these books.

Within 90 days after final release of this report, we request that the Chancellor of the New York City Department of Education report to the State Comptroller, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons therefor.

Major contributors to this report were Michael Solomon, Tom Trypuc, Christine Chu, Yvette Meaney, Hugh Zhang and Paul Bachman. We wish to thank the management and staff of the New York City Department of Education for the courtesies and cooperation extended to our auditors during this audit.

Very truly yours,

Steven E. Sossei  
Audit Director

cc: Mr. Andrew Levine  
Mr. Nader Francis



**THE NEW YORK CITY DEPARTMENT OF EDUCATION**

JOEL I. KLEIN, *Chancellor*

RICK STEWART, Auditor General

December 4, 2003

Steven E. Sossei, Audit Director  
State of New York  
Office of the State Comptroller  
110 State Street  
Albany, NY 12236

Re. Draft Audit Report on the Textbook  
Inventory Practices of the New York City  
Department of Education (2003-N-3)

Dear Mr. Sossei:

Enclosed is the Department of Education's response to the two recommendations made in the above draft audit report.

We agree with the two recommendations and have already implemented recommendation one and will follow-up with the newly created Regional Operation Centers to ensure the implementation of recommendation two.

Sincerely,

A handwritten signature in cursive script that reads "Andrew Levine".

Andrew Levine,  
Deputy Auditor General

AL:nf  
Enclosures

C: Kathleen Grimm  
Chad Vignola  
Donna Rey  
Espí Semetis  
Olga Nieves  
John Wall

Bruce Feig  
Louis Benevento  
Vincent Clark  
Marlene Siegel  
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Robert Wilson  
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NEW YORK CITY DEPARTMENT OF EDUCATION  
OFFICE OF AUDITOR GENERAL  
External Audit Services

PAGE 1 OF 2

RESPONSE DATE: 11/14/03

AUDIT TITLE: Textbook Inventory Practices

AUDITING AGENCY: NYS Comptroller's Office

DIVISION: \_\_\_\_\_

DRAFT REPORT DATE: October 14, 2003

AUDIT NUMBER: 2003-N-3

**A. RECOMMENDATION WHICH THE AGENCY  
HAS IMPLEMENTED**

1. Ensure that schools are performing annual physical inventories and complying with all Manual requirements regarding textbook inventory controls.

**RESPONSE TO RECOMMENDATION - IMPLEMENTATION PLAN**

As part of the DoE reorganization, the District Offices and High School Superintendencies were consolidated into six Regional Operations Centers (ROCs) and 10 Instructional Centers. The ROCs have established a calendar of required actions and monitor the schools for compliance. Textbook inventory is included on this list. In addition, the Office of Auditor General included textbook inventory practices in a training video distributed to all schools last year and have reviewed this in past audits.

**IMPLEMENTATION DATE**

**RESPONSIBILITY CENTER**

Office of Auditor General

Signature: Andrew Levine  
Print Name: Andrew Levine

11/13/03  
Date

Print Title: Deputy Auditor General

NEW YORK CITY DEPARTMENT OF EDUCATION  
OFFICE OF AUDITOR GENERAL  
External Audit Services

PAGE 2 OF 2

RESPONSE DATE: 11/14/03

AUDIT TITLE: Textbook Inventory Practices

AUDITING AGENCY: NYS Comptroller

DIVISION: \_\_\_\_\_

DRAFT REPORT DATE: October 14, 2003

AUDIT NUMBER: 2003-N-03

**C. RECOMMENDATION WHICH THE AGENCY  
AGREES WITH BUT IS PENDING IMPLEMENTATION**

2. Ensure that high schools make all excess textbooks available for use by other high schools by first offering these textbooks to other high schools in the district and then posting them on the Department's Excess Textbook Listing website.

**RESPONSE TO RECOMMENDATION**

As noted in the report, the Department does have a website which was utilized by several schools. The Division of Financial Operations will issue a memorandum to all high schools reminding them of the need to post their excess Textbooks on the website. It should be noted, however, as pointed out in the report that schools often need to keep extra textbooks on hand due to changing enrollment and new curriculum requirements.

**TARGET IMPLEMENTATION DATE**

January 30, 2004

**RESPONSIBILITY CENTER**

Division of Financial Operations

Signature:

*John Wall* (with initials JW in a circle)

Print Name: John Wall

12/4/03

Date

Print Title: Administrator, Office of Fiscal Affairs