



STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

January 17, 2007

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

Re: Textbook Inventory Practices
Report 2006-F-8

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 have followed-up on the actions taken by the officials of the New York City Department of Education (DoE) to implement the recommendations contained in our audit report, *Textbook Inventory Practices* (Report 2003-N-3).

Background, Scope and Objectives

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, manuals or 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. Each year, the DoE receives \$57.30 in State aid for textbooks for each enrolled student; a total of \$74.9 million for the 2005-06 school year. The DoE expended about \$145 million for textbooks during this same period.

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

Our initial audit, which was issued on January 9, 2004, examined the textbook inventory practices of the New York City Department of Education. Our prior audit found that, while all of the high schools and high school districts 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 that schools, with excess textbooks, did not always make adequate efforts to alert other schools of the availability of such textbooks - thus avoiding unnecessary purchases. The objective of our follow-up, which was conducted in accordance with generally accepted government auditing standards, was to assess the extent of implementation as of September 29, 2006 of the two recommendations included in our initial report.

Summary Conclusions and Status of Audit Recommendations

We found that DoE officials have made progress in correcting the problems we identified. However, additional improvements are needed. We found that DoE officials have partially implemented the two prior recommendations.

Follow-up Observations

Recommendation 1

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

Status - Partially Implemented

Agency Action - According to the Manual, revised in January 2006, school officials are required to perform an annual physical inventory of textbooks by April 15th of each year. They are then required to complete an online form, within 30 days, certifying that the inventory was updated.

We reviewed the inventory certifications for 136 of the DoE's 332 high schools. We found that, as of August 1, 2006, officials at 41 of the 136 schools had not certified that they had completed the required annual textbook inventory. DoE officials advised us that the online certification was used for the first time in 2006. They contended that most of the schools had completed the annual inventory by the specified date although all of them may not have completed the online certification. They further contended that even though the Regional Operation Centers had provided training to all of the schools, it was probably not realistic to expect 100-percent compliance with the online certification requirement because it has been imposed for less than a year.

Recommendation 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 DoE Excess Textbook Listing website.

Status - Partially Implemented

Agency Action - DoE officials informed us that the Excess Textbook Listing is no longer in use. They have since created a web tool, part of their FAMIS Portal, which enables schools to post their excess and/or obsolete textbooks. School officials with access to this application can then view a list of books that are no longer needed and are available for removal. However, we noted that not all schools are posting their excess or obsolete textbooks to the FAMIS Portal.

DoE officials told us that they have also partnered with three companies to remove obsolete textbooks from schools under a Book Buy Back program. Initiated in 2004, the program enables schools to receive compensation for obsolete books with resale value. They added that they have also implemented a process for removing textbooks from schools that are phasing out or closing. Each spring, such schools are canvassed for lists of textbooks that are no longer needed. They added that the regional personnel then work with the schools within their regions to transfer these books to other schools.

Major contributors to this report were Don Paupini, Joan Williams, and Adele Banks.

We would appreciate your response to this report within 30 days, indicating any actions planned to address the unresolved issues discussed in this report. We also thank the management and staff of the DoE for the courtesies and cooperation extended to our auditors during this process.

Very truly yours,

Kenrick Sifontes
Audit Manager

cc: Brian Fleischer, Auditor General, Department of Education (DoE)
Nader Francis, Director, Office of the Auditor General, DoE
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