



Richmond City Council

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Richmond, Virginia

OFFICE OF THE CITY AUDITOR

AUDIT REPORT # 2010-01

on the

Richmond Public Schools Grants Management

12 months ended June 30, 2007

August 2009

OFFICIAL GOVERNMENT REPORT

Richmond City Council

OFFICE OF THE CITY AUDITOR

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*Committed to increasing government efficiency, effectiveness,
and accountability on behalf of the Citizens of Richmond.*

TABLE OF CONTENTS

Executive Summary.....	i
Comprehensive List of Recommendations.....	iv
Audit Overview.....	1
Background.....	2
Common Observations Related to All Grants Tested.....	7
Compliance Testing.....	13
Overall Conclusion of Compliance Testing.....	15
Observations Relevant to Particular Grant Audited.....	20
Carl Perkins Grant.....	20
EPA Clean School Bus Grant.....	20
Even Start Family Literacy Grant.....	22
Flow-through Grant.....	24
21st Century Community Learning Center.....	27
Other Observations.....	30
Management Responses.....	Appendix I



City of Richmond
City Auditor

Executive Summary

August 13, 2009

The Honorable Members of Richmond City Council
The Honorable Members of Richmond Public Schools Board
The Richmond City Audit Committee
Dr. Yvonne Brandon, Superintendent of Richmond Public Schools

Re: Audit of Richmond Public Schools (RPS) Grants Administration

The City Auditor's Office has completed an audit of the Richmond Public Schools (RPS) grants management operations for the 12 months ended June 30, 2007. The audit was conducted in accordance with Generally Accepted Government Auditing Standards.

The overall objectives of the audit were to:

- Evaluate the efficiency and effectiveness of the grants management operations;
- Determine the existence and effectiveness of the internal controls; and
- Verify compliance with policies, procedures, regulations and grant criteria/terms.

RPS receives most of its grant funding from the federal and state governments. Between FY2004 and FY2008, grant funding fluctuated between \$39 million and \$44 million. This funding has remained unchanged except for increases and decreases in federal and state entitlement/formula funds, such as Title I, Head Start and the United States Department of Agriculture (USDA) Breakfast and Lunch programs.

The following are the salient observations made during this audit:

- RPS does not have an overall grants program monitoring process that verifies accountability over public resources, which does not result in effective monitoring. Without proper monitoring, grant funds may not be utilized for the intended purposes. In addition, conditions and regulations established by the granting agencies may not be complied with. Non-compliance could result in the loss of funding. For an organization significantly dependent upon grant funding, this is a major risk.
- Based on the results and findings of the audit methodology employed, internal controls over the payment process are weak and are susceptible to the threat of fraud, waste and abuse. Adequate controls and procedures are not in place to effectively manage the grants awarded to RPS.
- Documentation to support the office's monitoring efforts was not maintained. The Grants Manager was unable to demonstrate any evidence of the monitoring efforts conducted for any of the grants audited. Formal procedures were not in place during FY2007. Thus, services provided were not always documented.
- Although opportunities may exist, RPS has not identified any significant additional grants opportunities in the past few years.
- Other than lack of proper support for the significant amount of expenditures tested, the Program Coordinators adequately administered and monitored the grants to ensure compliance with policies, procedures, regulations, and grant criteria/requirements. Repeatedly, expenditures were approved and processed for payment without adequate support (e.g. vendor invoices and hotel bills). 22% of the transactions reviewed (81 out of 361) were unsupported. The existing controls are not adequate to identify and prevent unallowable and questionable expenditures. Auditors identified that subsequent to the audit period, the RPS Finance Department has improved their procedures to mitigate the risk of unauthorized expenditures.
- Using EPA Clean School Bus grants, RPS could retrofit more buses than the original goal with an amount less than the grant award. The grant funds were utilized to carry out the program purpose within the grant parameters. However, it was noted that RPS did not have adequate procedures to review and approve expenditures to ensure that the vendor's invoiced charges were correct.

Upon inquiry, the vendor identified an overbilling of approximately \$32,000 of the grant funds. This appears to be a significant error which the RPS staff should have detected. To remedy this issue, the fleet vendor retrofitted an additional 18 buses.

- RPS did not have proper records to demonstrate their compliance with match requirements for the Even Start federal grant. According to the program guidance issued by the United States Department of Education, indirect costs cannot be utilized to satisfy cost sharing/matching requirements. However, indirect costs were inappropriately used to satisfy the match requirement.
- Lack of appropriate oversight may have resulted in an employee stealing \$14,750 from the Even Start grant funds. In addition, the employee admitted giving some of the GRTC bus passes purchased for \$10,000 to non-participants of the program. This employee is being prosecuted by the U. S. Attorney's office. She has pleaded guilty to the offense in a federal court.
- Irregularities and noncompliance with the Virginia Public Procurement Act were noticed in the procurement of specialized transportation services. However, RPS was already aware of the situation and took the initiative to comply with the procurement regulations.
- Expenditures were transferred among different funds and between funding periods without proper explanation and proper documentation. It was not possible for auditors to quantify the total amount of improper transfers in the RPS system. A lack of appropriate written procedure may have caused this occurrence.

The City Auditor's Office wishes to thank the RPS staff for their cooperation during this audit. A written management and action plan to this audit is included in Appendix I. Please contact the City Auditor's Office if you have any questions or comments.



Umesh Dalal, CPA, CIA, CIG
City Auditor

COMPREHENSIVE LIST OF RECOMMENDATIONS

	<i>Page</i>
1 <i>Implement an adequate organization-wide oversight controls and procedures to effectively manage all grant programs.</i>	9
2 <i>Document efforts undertaken to monitor the grants.</i>	9
3 <i>Compile and implement adequate policies and procedures and train staff accordingly.</i>	10
4 <i>Actively research and pursue grant funding from all possible public and private sources.</i>	12
5 <i>Implement a centralized grants/project record keeping system.</i>	12
6 <i>Implement an appropriate policy to train staff on the State and RPS' travel regulations and monitor compliance.</i>	19
7 <i>Maintain and forward adequate documentation supporting travel expenditures to Accounts Payable.</i>	19
8 <i>Implement a standardized process for procuring travel accommodations (hotel lodging and transportation) at the most economical rate and monitor for compliance.</i>	19
9 <i>Implement a formal process within Accounts Payable to ensure travel settlements are completed and required receipts are returned.</i>	19
10 <i>Ensure the fixed asset listing and equipment log contain the most up-to-date and accurate information.</i>	20
11 <i>Periodically, verify the physical existence of fixed assets.</i>	20
12 <i>Establish monitoring procedures to ensure that vendor billings for goods and services are accurate and properly authorized.</i>	22
13 <i>Adequately train staff to ensure compliance with grant requirements.</i>	24
14 <i>Ensure that only allowable costs are used to satisfy the match requirement.</i>	24
15 <i>Maintain supporting documentation to demonstrate grant compliance including indirect costs.</i>	24
16 <i>Prior to payment, ensure that all professional services invoices are independently verified by onsite school staff.</i>	27
17 <i>Maximize savings opportunities in specialized transportation services.</i>	27
18 <i>Set up distinct special fund account codes for grants that cover multiple schools.</i>	29
19 <i>Investigate the feasibility of utilizing one of the USDA programs to obtain food and snacks.</i>	29
20 <i>Ensure all journal entry requests for recording grant transfers have an adequate explanation and are properly supported.</i>	32
21 <i>Require that the grant reimbursement must match the description shown on the vendors' invoices/receipts.</i>	32
22 <i>Ensure only allowable goods and services in accordance with grants award are charged to the grant and are sought for reimbursement in the correct funding period.</i>	32

Audit Overview

Introduction

Pursuant to the signed proposal between the City Auditor's Office and the Richmond Public School Board, the City Auditor's Office has completed an audit of the Richmond Public Schools (RPS) grants management operations for the 12 months ended June 30, 2007. The audit was conducted in accordance with Generally Accepted Government Auditing Standards.

Objectives

The overall objectives of the audit were to:

- Evaluate the efficiency and effectiveness of the grants management operations;
- Determine the existence and effectiveness of the internal controls; and
- Verify compliance with policies, procedures, regulations and grant criteria/terms.

Methodology

To accomplish the objectives, the auditor performed the following procedures:

- Conducted interviews;
- Reviewed relevant records, policies and regulations; and
- Conducted other audit procedures as deemed necessary.

Management Responsibility

The Richmond Public Schools Board is responsible for maintaining the financial records of the District. It is also responsible for establishing and maintaining a system of internal accounting controls. In fulfilling this responsibility, the School Board is required to assess the expected benefits and related costs of control procedures.

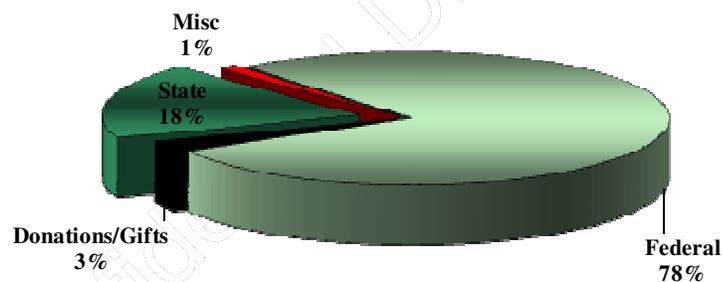
Background

Grant Funding

Grant funding represents approximately 14% of the School District's annual revenues. In FY2007, RPS received approximately \$44 million in grant funds from federal, state and local sources. This funding supports many important programs and services offered to students and staff. Grant funds allow RPS to extend existing services, introduce new initiatives, gain technological advances and subsidize programmatic staffing. These funds are dispersed throughout RPS and impact a variety of educational efforts.

The following chart shows that most of the funding comes from the state or the federal government:

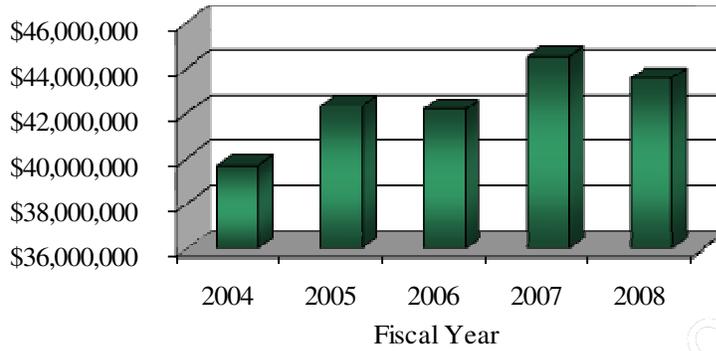
FY 2007 Grant Funding by Source



Source: % calculated by Auditor using Exhibit E – FY2007 CAFR

Between FY2004 and FY2008, grant funding fluctuated between \$39 million and \$44 million. The variances were attributed to increases and decreases in federal and state entitlement/formula funds, such as Title I, Head Start and the United States Department of Agriculture (USDA) Breakfast and Lunch programs.

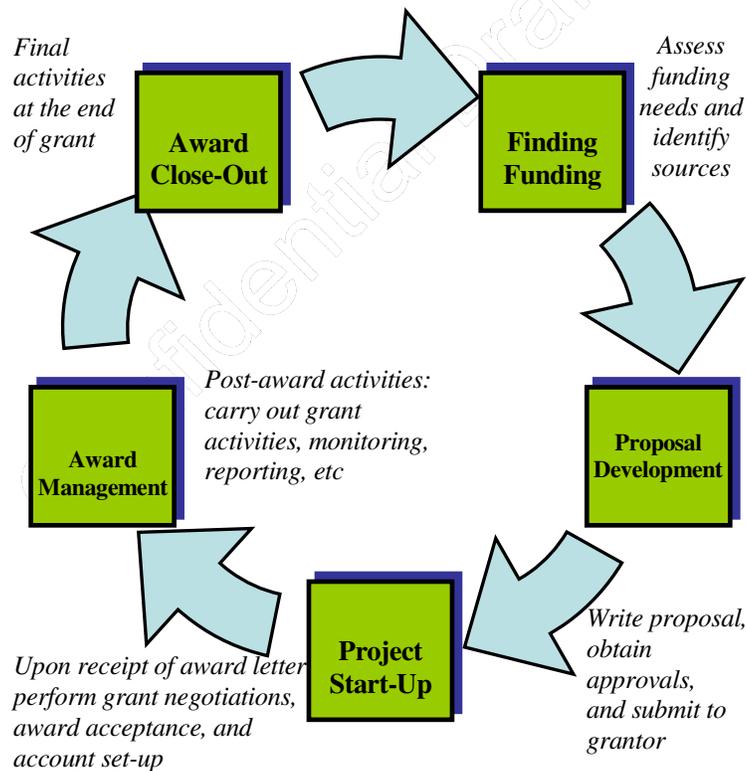
5 Year Grant Funding Trend



Source: CAFR Exhibit E

**RPS Grants
Life Cycle**

The grant process is cyclical. Its life cycle has five stages.



It is essential that adequate internal controls are in place at all stages to ensure that funds are properly used for intended purposes and to achieve intended results.

***Establishing
Accountability***

The following five-step approach appears to be appropriate for effectively monitoring grant programs and ensuring accountability.



Source: North Carolina Office of State Internal Auditor

Develop Monitoring Plan

A monitoring plan should be developed for each grant based upon the specifications contained in the grant agreement. The plan should address the type(s), timing and frequency of monitoring efforts and documentation requirements to capture monitoring efforts. Also, the plan should address how monitoring results will be communicated and to whom.

Train Monitors

Employees should be adequately trained to carry out job duties. Baseline education and training should be established for the position. Also, work expectations should be implemented.

Monitor Grants

The grants should be monitored on a continuous basis. Monitoring efforts should be adequately documented and communicated. Monitoring can be conducted through desk audits, onsite visits, and telephone calls.

Analyze Reports

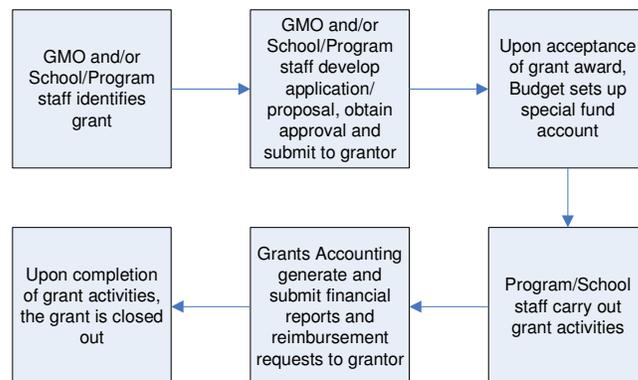
Required reports (periodic and annual) should be obtained and analyzed to ascertain that: 1) program goals and objectives have been met, 2) grant criteria/requirements have been adhered to, and 3) areas of concern have been identified and addressed.

Evaluate Performance

At the end of the grant period, the program should be evaluated to determine which expectations were met and the reasons for not meeting other expectations, if any.

***Grant
Coordination***

RPS has a partially centralized grants process, which requires a collaborative effort between the Office of Grants Management (Grants Management), the Budget Department, Grants Reporting and the departments/schools/programs receiving the awards. The various phases in the grant life cycle are carried out by multiple internal as well as external entities/departments.



As apparent from the above process flow, there does not appear to be an overall grants program monitoring process that verifies accountability over public resources, which does not result in effective monitoring. Without proper monitoring, grant funds may not be utilized for the intended purposes. In addition, conditions and regulations established by the granting agencies may not be complied with. Non-compliance could result in the loss of funding. For an organization significantly dependent upon grant funding, this is a major risk.

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Common Observations Related to All Grants Tested

Internal Controls

According to Government Auditing Standards, internal control, in the broadest sense, encompasses the agency's plan, policies, procedures, methods, and processes adopted by management to meet its mission, goals, and objectives. Internal control includes the processes for planning, organizing, directing, and controlling program operations. It also includes systems for measuring, reporting, and monitoring program performance.

Internal controls over the payment process are weak and susceptible to the threat of fraud, waste and abuse

The evidence obtained provides a reasonable basis for conclusions regarding the internal control structure and recommendations. Based on the results and findings of the audit methodology employed, internal controls over the payment process are weak and are susceptible to the threat of fraud, waste and abuse. Adequate controls and procedures are not in place to effectively manage the grants awarded to RPS.

Oversight Function

The Grants Management Office is currently a four and one half person shop (4 FTEs and 1 part-time) which includes the Grants Manager, Office Associate, Grants Writer, Grants Technical Assistant and a part-time accountant. The current Grants Manager was promoted to this position in September 2000. Prior to her promotion, the Grants Office supervising position had been vacant for about a year and a half. Initially, this office functioned only with the Grants Manager and a secretary until 2005 when the Grants Technical Assistant and Grants Writer were added to the office.

Except for the Grants Manager and the Office Associate, personnel costs are covered through indirect costs captured from allowable grants.

The office is also responsible for:

- Researching and identifying funding opportunities;
- Writing/developing grant proposals;
- Providing technical assistance to school and program staff;
- Conducting grant writing workshops; and
- Monitoring grant programs for programmatic and budgetary compliance.

As discussed before, grant monitoring is important for the grants administration process and for verifying proper accountability over grant funds. Monitoring should be conducted on a continuous basis throughout the grant period.

Oversight on grants management needs improvement

Documentation to support the office's efforts and accomplishments was not maintained. Upon inquiry, the Grants Manager was unable to demonstrate any evidence of the monitoring efforts conducted for any of the grants audited. According to the Grants Manager, formal procedures were not in place during FY2007. Thus, services provided were not always documented.

During this review, management implemented some formal procedures and documentation standards

During the audit, management implemented some formal procedures and documentation standards. For example, results of onsite visits are now documented on "Site Visit Forms," which address the nature of the visit, issues discussed with program staff and recommendations made. Also, meetings to discuss grant implementation plans are conducted with program/school staff for new grant awards and subsequent follow-ups are conducted to monitor implementation.

According to the Grants Manager, the monitoring efforts of Grants Management are focused on the grants that do not have a defined Program Coordinator/Manager (e.g. "Reading First" Grant). The office is not heavily involved in the grants that have Program Managers such as Head Start and Flow Through. In this situation, proper compliance with grant requirements and the existence of appropriate internal controls over grants administered by program Coordinator/Managers may not be evaluated. This may reduce the effectiveness of the centralized Grants Office and subject the grant funding to the risks of fraud, waste and abuse.

Recommendations:

- 1. Implement an adequate organization-wide oversight controls and procedures to effectively manage all grant programs.***
- 2. Document efforts undertaken to monitor the grants.***

Policies and Procedures

Adequate policies and procedures are not in place to govern the grants process. The Office of Grants Management and the Grants Reporting Unit maintain separate procedures. The combination of these procedures is not adequate to outline the grants process from identifying funding and resources to grant close out.

Adequate policies and procedures are not in place to govern the grants process

The Office of Grants Management's procedures address the development and submission of special fund initiatives and grant awards. The procedures appear to be vague as they do not provide detailed steps for accomplishing assigned tasks and outline the roles and responsibilities of the Office of Grants Management. The Grants Reporting procedures are more detailed, but do not address the tasks and steps that need to be carried out after the reimbursement requests are submitted. Guidance

regarding administering and monitoring grants and close out procedures are not in place.

Procedures manuals are useful for guiding day-to-day operations. It is a useful tool for training new employees and serves as a reference guide. Policies convey management expectations. Effective policies and procedures should include at a minimum:

- ***Policy statement*** to identify the area of concentration.
- ***Purpose*** to identify the overall purpose of the policy.
- ***Scope*** to identify who the procedures apply to.
- ***Procedures*** to outline and detail the steps that need to be completed to accomplish the purpose of the policy.
- ***Consequences*** to outline the penalties for failing to adhere to the policy.

Without policies and procedures, the staff may not have adequate guidance to comply with grant requirements. Inconsistent handling of grants may result in errors and omissions that may not be identified and/or misuse of funds that may not be detected in a timely manner.

Recommendation:

3. ***Compile and implement adequate policies and procedures and train staff accordingly.***

***Identification
of Funding
Source***

According to the Foundation Center, which maintains a comprehensive database of U.S. grant makers and their grants, at least \$19 billion in grant funding was awarded by foundations during 2006. Of the total award amount, approximately \$4.3 billion (23%) was awarded for

educational purposes. The top 50 foundations awarding funds in Virginia bestowed 1,533 grants totaling approximately \$362 million during 2006. During limited audit research, it was not possible to determine the total available federal and state funding appropriated for competitive educational grant awards.

According to the Grants Manager, both Grants Management and the schools/programs research a variety of resources such as various publications and the Department of Education notices and correspondences to identify funding opportunities. Research initiated by schools/programs is intended to identify additional opportunities for funding. However, it appears that neither Grants Management nor schools/programs have identified any significant additional funding for the past several years. Nearly all of the annual awards consist of recurring state and federal grants. Some of the funds (e.g. Even Start, Reading First, 21st Century Community Learning Centers) are multiple-year awards that were initially awarded on a competitive basis and thereafter on a continuous basis based upon performance.

Although opportunities may exist, RPS has not identified any significant additional grants opportunities in the past few years

Between FY2004 and FY2008, RPS' annual grant revenues remained unchanged with minor fluctuations attributed to changes in federal and state entitlement/formula funding. Also, the District did not tap into the numerous corporate and foundation funding sources. Auditors did not receive any evidence of substantial efforts made to research and pursue grants from private or public sources other than the existing, recurring state and federal grants. Based on observations, it appears that new funding sources are not actively pursued. With the budget shortfall for FY2010, it may be more important than ever for the District to seek out additional private funding sources.

Recommendation:

- 4. Actively research and pursue grant funding from all possible public and private sources.***

Record Keeping

RPS does not have a centralized grant record keeping system in place. During the compliance testing, it was noted that program information and results (i.e. participant demographics, test scores, and performance results) were keyed in separate management systems owned by the grantor. In order for management to obtain an understanding of the Division's grants landscape, reports and information would have to be obtained from each individual coordinator. However, having a centralized record keeping system will allow management to monitor and track the progress/status of all grants through a single means resulting in a better, overall management of grants.

Recommendation:

- 5. Implement a centralized grants/project record keeping system.***

City of Richmond Audit Report 2010-01**Richmond Public Schools****Grants Management****12 months ended June 30, 2007****August 2009**

Page 13 of 32

Compliance Testing

Auditors evaluated the internal controls and the administration procedures for ten grants, which were worth approximately \$18 million of the District's \$44 million portfolio.

Grant Name	Award Amount	Purpose
Adult Basic Education	\$ 402,390	Fund local adult education and literacy services programs
Carl Perkins	\$ 791,997	Provide vocational-technical education programs and services to prepare individuals for paid or unpaid employment in current or emerging occupations not requiring a baccalaureate or advanced degrees
EPA Clean School Bus	\$ 288,422	To reduce children's exposure to diesel exhaust and the amount of air pollution created by diesel school buses
Even Start Family Literacy Program	\$ 521,938	Break the intergenerational cycle of poverty and low literacy by improving academic achievement of parents and their young children
Flow Through	\$ 6,111,760	Provide appropriate free public education to children with disabilities
META Teacher Development and Retention	\$ 222,633	Increase student development through teacher development and retention
Reading First	\$ 634,183	Assist local educational agencies establish reading programs to ensure that all children are reading on or above grade level by the end of the third grade
Title I Comprehensive Service Reform (CSR)	\$ 88,308	Assist schools to develop/adopt and to implement comprehensive school reforms based upon scientific research and effective practices to help raise student achievement
21st Century Community Learning Centers	\$ 531,700	Provide culture enrichment opportunities during non-school hours, which help students meet state and local academic standards, and provide literacy and other educational services to families of participating children
Head Start	\$ 8,516,823	Promote school readiness through enhanced social and cognitive development of low-income children
Total	\$18,110,154	

Award amounts have been rounded and include match requirements

City of Richmond Audit Report 2010-01**Richmond Public Schools****Grants Management****12 months ended June 30, 2007****August 2009****Page 14 of 32**

The grants transactions were tested with the following objectives:

- The expenditures were allowable, reasonable, adequately supported and for the benefit of the program.
- Financial and programmatic reporting was factual, timely and mathematically accurate.
- Reimbursement requests were factual, timely, inclusive of only allowable goods/services, and mathematically accurate.
- Program objectives/measures were met.

Also, the grants were reviewed to ensure that the grant revenues and expenditures were tracked through a special fund; grant transactions were recorded to the correct period; match requirements were identified and transferred to the special funds; and the grants were properly closed out.

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Overall Conclusion of Compliance Testing

Other than lack of proper support for the significant amount of expenditures tested, the Program Coordinators adequately administered and monitored the grants to ensure compliance with policies, procedures, regulations, and grant criteria/requirements.

The expenditures tested were for: allowable goods and services, reasonableness and for the benefit of the programs

Generally, auditors observed that:

- The expenditures tested were for allowable goods and services, reasonableness and for the benefit of the programs.
- Program goals and objectives were met and in some cases exceeded.
- The required reporting and reimbursement requests were timely and mathematically accurate.

However, it was noted that the controls and procedures governing the payment process, as a whole, are weak and need to be strengthened and improved. Although only 1% (5 out of 361) of the transactions reviewed were unallowable and questionable expenditures, the existing controls are not adequate to identify and prevent such occurrences. Repeatedly, expenditures were approved and processed for payment without adequate support (e.g. vendor invoices and hotel bills). 22% of the transactions reviewed (81 out of 361) were unsupported.

Controls over payment of vendor bills needs significant improvement

Also, as required by the School Board Bylaws, travel settlements (providing evidence for expenditures) were not completed for cash advances. Furthermore, travel settlements were not required at all unless employees were requesting reimbursements. These discrepancies could result in the misuse of funds. There is a risk that

employees could receive travel advances in excess of actual expenditures.

Weak controls over travel expenditures may result in misuse

Documentation identifying the employee incurring the expense, the purpose of spending the funds and relevance to the program objective was not always provided. Departmental invoices, which are internally prepared documents, were substituted for supporting documentation. This was especially true for the travel related expenditures. Only signed Departmental Invoices and Permission to Attend forms were required to initiate and process the payments; payments were processed based upon the figures noted on these internal documents. Documentation such as hotel confirmations, airline quotes/confirmations, registration documents, and conference/training brochures were not required to be submitted with the payment requests. The Accounts Payable staff relied on the above noted forms as evidence for the verification of the requested payments for accuracy.

RPS Finance Department has improved their procedures to mitigate risk of unauthorized expenditures

If supporting documentation is not obtained, employees could be inappropriately compensated for training sessions they did not attend or expenditures which they did not incur. For example, an employee could receive a travel advance (lodging, meals, registration fees, etc), not attend the training and keep the advance. Since the employees are not required to complete travel settlements, it would be difficult, if not impossible, to detect this impropriety.

Also, inadequately supporting expenditures hinders the Accounts Payable and Grants Reporting staff from serving as additional check points to ensure that applicable travel regulations are adhered to and non-compliance issues are identified and addressed. However, in the recent

follow-up of a previous audit, the City Auditor staff found that the RPS Finance Department has taken steps to address these issues.

Applicable state travel regulations were not followed

Travel expenditures for some of the grants reviewed were governed by the State's Travel Regulations, which dictate the maximum per diem allowances that are reimbursable. It was also repeatedly noted that the State's Travel Regulations were not followed and that the most economical travel rates may not have been obtained. Pursuant to the Regulations:

- Daily meal allowances must be prorated 75% for travel days (arrival and departure dates). Also, the allowances must be reduced to reflect meals that are provided as a part of the training sessions. For example, if meals were provided in conjunction with the training session at no additional costs, the amount of the allowance would need to be adjusted accordingly.
- Hotel lodging only up to the maximum nightly rate plus taxes and fees are reimbursable and can be charged to the grant unless prior approval is obtained to exceed the maximum allowances.

Travel expenditures often exceeded the State maximum nightly rate. The overages were properly picked up by the District's operating fund

During compliance testing, it was noted that meal allowances were not prorated for travel days (arrival and departure dates); the full daily allowance of \$50, in accordance with RPS policy, was granted. Also, the allowances were not reduced to reflect meals that were provided as part of the training sessions. Although it is allowable to issue travel allowances using the District's internal policy, the amounts should be adjusted when necessary to coincide with the State's Travel Regulations.

Also, transportation accommodations were not procured in a consistent manner. It appears that each employee was responsible for booking

City of Richmond Audit Report 2010-01

Richmond Public Schools

Grants Management

12 months ended June 30, 2007

August 2009

Page 18 of 32

During FY2006-2007, the district absorbed approximately \$18,000 in travel expenditures which exceeded the State's maximum allowable rates

his/her travel accommodations through various means (i.e. telephone and online). Travel expenditures (i.e. meal allowances and hotel charges) which exceeded the State's maximum allowances were approved and granted. For the most part, only the expenditures up to the maximum allowances were actually charged to the grant. The remaining portion was absorbed by the District through the general fund. During FY2006-2007, the district absorbed approximately \$18,000 in travel expenditures which exceeded the State's maximum allowable rates.

Sufficient documentation is not submitted for adequate evaluation of expenditures

According to the Grants Reporting Supervisor, sufficient documentation is not submitted with the payment requests that would allow her staff to identify travel days and identify applicable hotel taxes and surcharges. Thus, meal allowances are not prorated and only the maximum allowed nightly rates are charged to the grant because those are the only rates that they are assured of.

However, according to the Associate Director of Financial Systems and Reporting for the Department of Education, the rates listed in the travel guidelines are acceptable by most hotels. There was some evidence that RPS employees may not be seeking the acceptable hotel rates in accordance with these guidelines. Also, there was limited evidence that RPS employees may not be taking advantage of the contracts that the State has with several in-state hotels. During this audit, auditors noted that RPS did not have a standardized process for procuring travel accommodations.

When feasible and cost effective, in-state lodging should be procured from hotels under contract with the State. Also, when traveling out of state, the employees should inquire if the hotel would honor the State's maximum allowed rate. This would not only improve the efficiency in

which funds are used but also reduce the dollar amount of training costs that RPS absorbs through the general fund.

If it is not feasible to utilize State-contracted hotels or if the hotels will not honor the maximum allowable rate, the entire amount could still be charged to the grant with proper approval and justification. According to the State's Travel Regulation, hotel rates up to 50% over the maximum allowance are reimbursable if they are justified and properly approved.

Recommendations:

- 6. Implement an appropriate policy to train staff on the State and RPS' travel regulations and monitor compliance.***
- 7. Maintain and forward adequate documentation supporting travel expenditures to Accounts Payable.***
- 8. Implement a standardized process for procuring travel accommodations (hotel lodging and transportation) at the most economical rate and monitor for compliance.***
- 9. Implement a formal process within Accounts Payable to ensure travel settlements are completed and required receipts are returned.***

Observations Relevant to Particular Grants Audited

Carl Perkins Grant

Approximately 85% of the \$792,000 Carl Perkins grant funds was used to purchase equipment such as computers and printers. Equipment, excluding furniture and lower value items, were tagged by RPS Property Management and inventoried as required by the grant terms. Appropriate records were kept for these assets. These records included the location of various assets, which is helpful in finding the asset when verification is needed.

Auditors noticed that some of these assets were moved from their original location without an appropriate change to the records. For example, several computers and printers within the Richmond Technical Center – South building were not located in the room identified in the records. According to the Principal, the equipment was moved due to programmatic reorganization. Unless there is frequent verification of the existence of the fixed assets inventory, this situation may pose a risk that a missing asset may not be identified in a timely manner.

Recommendations:

10. Ensure the fixed asset listing and equipment log contain the most up-to-date and accurate information.

11. Periodically, verify the physical existence of fixed assets.

EPA Clean School Bus Grant

The project within RPS was a collaborative effort with the City of Hopewell and the Virginia Department of Environmental Quality (VDEQ). A total of about \$288,000 was awarded for the period of January 1, 2006 through December 31, 2007 to retrofit 156 buses (129 of

RPS could retrofit more buses than the original goal with an amount less than grant award

the RPS buses and 27 of the City of Hopewell Public School buses) with diesel oxidation catalysts (DOC).

The grant was adequately administered and managed to ensure that the required number of buses were retrofitted in the established timeframe. In fact, the division was able to retrofit 223 buses, which exceeded the originally proposed number of 156 buses, and still had approximately \$39,000 remaining at the end of the grant period. The \$39,000 balance was utilized for additional repairs needed which aided the DOC equipment installation.

The grant funds were utilized to carry out the program purpose within the grant parameters. Funds were utilized to acquire the services of the Division's existing fleet management/maintenance contractor to purchase, install and performance test the diesel oxidation catalysts and fix/repair other components, as required, related to the DOC installation.

However, it was noted that RPS did not have adequate procedures to review and approve expenditures to ensure that the vendor's invoiced charges were correct. Upon inquiry, the vendor identified an overbilling of approximately \$32,000 of the grant funds. According to the General Manager for the fleet maintenance company, the total cost of the equipment purchased was inadvertently captured in the invoice rather than the cost of parts that were actually used. This appears to be a significant error which the RPS staff should have detected. To remedy this issue, the fleet vendor retrofitted an additional 18 buses, which are included in the above retrofit total.

RPS fleet vendor's \$32,000 overbilling to the grant was not detected by School personnel

Recommendation:

12. Establish monitoring procedures to ensure that vendor billings for goods and services are accurate and properly authorized.

***Even Start
Family
Literacy
Program***

RPS did not have proper records to demonstrate their compliance with match requirements for this grant

Matching Funds

Funds totaling approximately \$365,357 were awarded for the performance period of July 1, 2006 through August 30, 2007. An in-kind match of \$156,581 was provided which included indirect costs. The in-kind contributions consisted of personnel charges, facility usage, donated goods, internal services, etc. The Education Department General Administrative Regulations (EDGAR), the granting agency, requires proper accounting for an in-kind contribution. However, the match components were neither tracked in detail nor did the documentation provided exhibit the method used to compute the assigned values. According to the program guidance issued by the United States Department of Education, indirect costs cannot be utilized to satisfy cost sharing/matching requirements. However, indirect costs were inappropriately used to satisfy the match requirement. Therefore, it was not possible to determine whether RPS met the match requirement.

Fraudulent Activity

While the funds were generally utilized to procure allowable goods and services for the benefit of the program, the following fraudulent activity and other irregularities were observed:

- The Program Coordinator misused gift cards purchased using grant funds. Of the total gift card purchase, \$9,950 was used for her and her relatives' benefit. She also submitted fictitious reimbursement requests totaling \$2,228.27.

City of Richmond Audit Report 2010-01**Richmond Public Schools****Grants Management****12 months ended June 30, 2007****August 2009****Page 23 of 32**

Below is a summary of monies misappropriated by the Program Coordinator:

Cash withdrawals	\$2,572
Gift cards used for personal use	\$9,950
Fraudulent reimbursements obtained	\$2,228
Total	\$14,750

Fraudulent activity and other irregularities were observed during audit testing

The previously identified control weaknesses governing the payment process enabled this fraud to be perpetrated. Although the authority to approve such expenditures lies with the Grants Manager, she had verbally delegated approval to the Grants Technician. The \$15,000 check request, therefore, received no higher approvals.

In addition, it was noted that 1,000 bus passes, totaling \$10,000 were purchased during the program period ending in August 2007. The passes were purchased to provide a means of transportation for the program participants. However, the Coordinator could not produce documentation identifying the bus pass recipients. During an interview, the Coordinator admitted that the passes were issued to program participants as well as non-participants. The dollar amount of misuse could not be quantified.

- Amongst other irregularities noticed, on at least one field trip, family members of the program staff were allowed to participate and the associated costs were inappropriately charged to the grant.
- In addition, supporting documentation such as student records and test scores to support compliance/adherence to program goals and

objectives was not maintained. According to the Program Coordinator, the files were purged on a yearly basis after the completion of the annual evaluation. Therefore, it was not possible to verify if the program goals and objectives were achieved.

Recommendations:

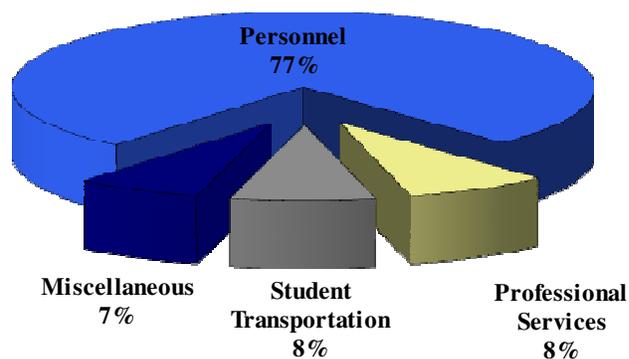
13. Adequately train staff to ensure compliance with grant requirements.

14. Ensure that only allowable costs are used to satisfy the match requirement.

15. Maintain supporting documentation to demonstrate grant compliance including indirect costs.

***Flow-through
Grant***

As noted below, most of the funds were utilized for personnel costs followed by expenditures for professional services (medical, psychological and speech therapy) and student transportation services.



Although, the expenditures tested were allowable and for the most part adequately supported, the following procurement issues were noticed:

Irregularities and noncompliance with the Public Procurement Act was noticed in the procurement of specialized transportation services

- Pursuant to the Education Department General Administrative Regulations (EDGAR), federal funds are subject to local/state procurement procedures. The Virginia Public Procurement Act requires competitive sealed bidding for the procurement of equipment, supplies and services which exceed \$50,000. Also, RPS procedures dictate that purchases exceeding \$500 be procured through the Purchasing Department.

Contracts for specialized transportation were not in place during the audit period. Approximately, \$480,000 was expended for student transportation services with the bulk of the funds going to two vendors. Vendor A received approximately \$300,000 of the funds and Vendor B received approximately \$140,000 of the funds.

The payments were processed on Departmental Invoices, which bypasses RPS' requirement that goods and services greater than \$500 be procured through the Purchasing Department. Also, RPS did not adhere to the competitive bidding requirement for purchases exceeding \$50,000.

RPS took initiative to correct the irregularities by awarding contracts appropriately

However, RPS was already aware of the situation and had taken steps to remedy the situation. Specialized transportation services contracts are currently in place. Contracts for such services were awarded to three vendors during December 2008.

The following audit analysis indicates that RPS did not receive the most favorable pricing during our audit period due to not procuring

City of Richmond Audit Report 2010-01

Richmond Public Schools

Grants Management

12 months ended June 30, 2007

August 2009

Page 26 of 32

the services competitively. The rates charged by one of the vendors who provided services during audit period varied significantly.

Vendor	Daily Round Trip Rate (Per Student) Before Contract	Daily Round Trip Rate (Per Student) After Contract
Vendor A	\$60	\$60
Vendor B	\$100-\$300	\$86-\$240

Vendor B contract rates vary based upon travel destination and if student is wheel chair bound.

Savings are possible if the services are procured prudently

As such, grant funds were not utilized as efficiently as possible. Also, procuring goods and services through non-competitive means could lead to favoritism, corruption and misuse.

The auditors reviewed a sample of payments for 13 students. Audit analysis revealed that competitively bid contracts would have resulted in savings ranging between approximately \$48,000 and \$91,000 as depicted in the following table:

# of Students	Vendor A			Vendor B
	Pre-Contract Daily Rate Per Student	Post-Contract Daily Rate Per Student	Savings Per Day	Savings Due to Sole Use of Vendor B
(A)	(B)	(C)	(B-C) x A	(C-\$60) x A
2	\$200	\$150	\$100	\$180
10	\$100	\$86	\$140	\$260
1	\$150	\$126	\$24	\$66
Total daily savings			\$264	\$506
Annual savings			\$47,520	\$91,080

However, according to the Day Placement Specialist, Vendor B has not demonstrated the ability to provide the level of specialized services required when transporting RPS students with severe behavioral and medical needs.

- Approximately 8% of the funds were expended on professional services such as nursing and speech therapy. The auditor observed inconsistent verification of professional services provided to students. These payments were verified by the onsite school staff on only some of the occasions. The remaining payments were reviewed and verified by the specialist, who provided oversight for the purchase but had not witnessed the provision of these services. Independent verification from the onsite school staff is the more desirable support for the payments.

Recommendations:

16. Prior to payment, ensure that all professional services invoices are independently verified by onsite school staff.

17. Maximize savings opportunities in specialized transportation services.

***21st Century
Community
Learning
Center***

RPS received a sub-award of \$531,700 from the Virginia Department of Education for the following schools for the period of November 1, 2005 through September 30, 2006. Funds were required to be expended by September 30, 2007.

City of Richmond Audit Report 2010-01**Richmond Public Schools****Grants Management****12 months ended June 30, 2007****August 2009****Page 28 of 32**

School	Dollar Amount of Award
Blackwell Elementary School, Elkhardt Middle School, and George Wythe High School	\$179,000
Overby-Sheppard Elementary	\$187,700
Fairfield Court Elementary School	\$165,000
Total	\$531,700

Pursuant to the grant proposal, funds were requested to establish community learning centers in the neighborhoods of Elkhardt Middle School, Martin Luther King Jr. Middle School (MLK), George Wythe High School, Blackwell Elementary School, Science Museum of Virginia, and a virtual learning center. Funding for MLK was received under a separate award. Specifically, funds were to be utilized as noted below:

- Teachers at various sites;
- Project Coordinator to work with virtual community learning center and George Wythe students;
- Project Director;
- Summer academies for children in Blackwell and FBO sites;
- Participant activities; and
- Software/programs/equipment at various sites.

However, based upon review of the budgeted expenditures and the reimbursement requests for the grant, it appeared the funding was spent only for Elkhardt Middle School. According to the Grants Manager and Budget staff, the expenditures were incurred for all three schools. RPS did not set up accounts for each school; a special fund account was set up only for Elkhardt Middle School. RPS' assertion could not be verified

by audit staff, since they did not provide documentation to support their statement.

Also, funds were used to purchase food and snack items for program participants from various retailers. Although such purchases are allowable, an opportunity exists for these expenditures to be funded through one of the United States Department of Agriculture (USDA) programs that provide meals and snacks for after-school programs. Acquiring food and snacks for the program participants through USDA would increase the allocation of funding that is maintained in the classroom. The City of Richmond's Parks, Recreation and Community Facilities Department already has a USDA program in place which provides meals to its after school program at several elementary schools that RPS can participate in.

The RPS Early Head Start Program, which is another grant program, has taken advantage of this option by acquiring a grant award through the USDA's Child Adult Care Food Program to purchase meals/snacks for program participants.

Recommendations:

18. Set up distinct special fund account codes for grants that cover multiple schools.

19. Investigate the feasibility of utilizing one of the USDA programs to obtain food and snacks.

Other Observations

Grants Reporting

The Grants Reporting Unit is responsible for monitoring grant and special fund expenditures; processing reimbursement requests, budget amendments, and journal entries; communicating with program staff; and completing year end close out procedures.

During the compliance testing, it was noted that adequate controls and procedures were in place within the unit to ensure that funds were expended by the required deadlines and that reimbursement requests were submitted in a timely manner. The reimbursement files were organized and well documented. However several areas of concern were also noted as follows:

- Based upon audit observations, it appears expenditures were transferred among different funds and between funding periods without proper explanations and supporting documentation. As a result, expenditures were claimed for reimbursement in incorrect funding periods and expenditures were inappropriately transferred to other grants. According to the Grants Reporting Supervisor, the Grants Reporting staff members rely on the Coordinators to know what is applicable to their grants. Thus, the Coordinator's requests are deemed appropriate and an explanation or documentation is not needed. However, if the requests appear unreasonable, the Grants Reporting staff will follow up with the Coordinators.

Expenditures were transferred among different funds and between funding periods without proper explanation and proper documentation

However, this method does not prevent erroneous accounting. For instance, the auditors observed that professional development expenditures of about \$3,000 for the Reading First Program related to the 2006 funding period were inappropriately transferred to the

City of Richmond Audit Report 2010-01**Richmond Public Schools****Grants Management****12 months ended June 30, 2007****August 2009****Page 31 of 32**

2007 funding period to seek reimbursement. Based upon the documentation provided, the payment request was posted during late October 2007, after the close of the grant period. RPS subsequently obtained proper approvals for this payment.

It was not possible for auditors to quantify the total amount of improper transfers in the RPS system. A lack of appropriate written procedure may have caused this occurrence.

- Expenditure details including vendor name, item description, check number, payment date and amount were required for both manual and electronic reimbursement requests for State grants. This information aids the State Program Specialist in determining if the funds were expended for allowable goods and services within the required timeframe. However, accurate details were not always included in the reimbursement requests as depicted in the following table:

Check Number	Purchase Amount	Description on supporting documentation	Description included in reimbursement request
426219	\$39.80	Art Supply purchases	Reimbursement for snack purchases
425371	\$87.34	Gift cards and batteries	Reimbursement for supplies purchased
419072	\$554.20	Shirts purchase	Materials and supplies for staff and students
420012	\$542.15	Food purchases and staff incentives	Reimbursement for supplies purchased
426996	\$97.96	Balloon delivery	Reimbursement for supplies purchased

Recommendations:

- 20. Ensure all journal entry requests for recording grant transfers have an adequate explanation and are properly supported.***
- 21. Require that the grant reimbursement must match the description shown on the vendors' invoices/receipts.***
- 22. Ensure only allowable goods and services in accordance with grants award are charged to the grant and are sought for reimbursement in the correct funding period.***

Confidential Draft 8-10-09

**MANAGEMENT RESPONSE FORM
RPS GRANTS MANAGEMENT**

#	RECOMMENDATION	CONCUR Y-N	ACTION STEPS
1	<i>Implement an adequate organization-wide oversight controls and procedures to effectively manage all grant programs.</i>	Y	RPS grants administration has implemented uniform procedures and established better controls to strengthen oversight for all grant programs. This accountability is collaborative between Grants Management, Finance Department, the Budget Department and appropriate program areas. Additionally, RPS is developing a centralized database to include all grants. Information retained in the database will provide better information and better oversight. RPS will also reorganize staff to ensure more general oversight of grants administration.
	RESPONSIBLE PERSON/TITLE		TARGET DATE
	Finance Director, Budget Director, Grants Manager		Completed
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
			The following oversight controls & procedures have been implemented to adequately and effectively manage the various grant programs: #1: two signatures are required for any departmental invoice of \$2,500 or higher; #2: no payment will be processed without the manager's original signature; #3: before any requests are authorized and approved for payment, supporting documents are required, such as agendas, names of attendees, sign-in sheets, and certificates; and #4: only approved vendors will be used for services.
#	RECOMMENDATION	CONCUR Y-N	ACTION STEPS
2	<i>Document efforts undertaken to monitor the grants.</i>	Y	RPS has implemented enhanced internal controls & procedures to monitor grants awarded to RPS.
	RESPONSIBLE PERSON/TITLE		TARGET DATE
	Grants Manager		Completed
			IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
			Continuous grant monitoring procedures include: site visits, meeting with program coordinators, attending program activities and meetings with program evaluators. To document all monitoring activities the following forms are used: #1: "Site Visit" form- created to document visits to program staff, purpose of the visit, topics discussed and recommendations; this information is shared with the program coordinator and appropriate school administrator. #2: "Issues Log" - to document receipt and resolution of issues received via phone calls, emails, memos and conversations; #3: "Grant Implementation" form - is reviewed quarterly with program coordinators; the review involves clarification of procedures related to purchasing, expenditures, payroll and subsequent approval process, reimbursement justifications, evidence of allowable activities, and monitoring and compliance issues, including # 4: Match/In-kind form; #5: Indirect cost form; #6: Uniform "Meeting Attendance" form; and #7: Materials and Equipment Disbursement log.

#	RECOMMENDATION	CONCUR Y-N	ACTION STEPS
3	<i>Compile and implement adequate policies and procedures and train staff accordingly.</i>	Y	A staff position was filled in 2007 to monitor designated grant programs. Grants Management staff has received training in related areas of effective grant monitoring. Within the Grants Management office, the technical assistant and the part-time grants accountant collaborate to provide oversight of grants in both programmatic and fiscal areas. A "Grants Administration Manual" is being developed that details policies and procedures from grant creation to grant closing. Staff development has been initiated with Finance department, Budget and all grant stakeholders to enhance knowledge of the grants process. Training has commenced with the Virginia Department of Education (VDOE).
	RESPONSIBLE PERSON/TITLE		TARGET DATE
	Budget Director, Grant Stakeholders		July, August & November 2009 and On-going
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
			Staff participated in Virginia Department of Education (VDOE) training in July 2009 and additional training was provided to principals, assistant principals, department heads and central administration during the August 2009 RPS leadership conference. The VDOE is scheduled to provide additional grants training November 2009.
#	RECOMMENDATION	CONCUR Y-N	ACTION STEPS
4	<i>Actively research and pursue grant funding from all possible public and private sources.</i>	N	The audit highlighted one grant resource directory, the Foundation Center. However, the district utilizes multiple resources including professional publications, list serves, newsletters, VDOE and other electronic grant alerts to scan funding opportunities that are appropriate for the K-12 environment. Multi-year awards do require an application in most cases. Many of the private foundations listed among the Foundation Center's database only contribute to 501(c)3 organizations. The revival of the Richmond Education Foundation will assist the district in accessing additional grant opportunities. Within the audit period and after, RPS was the beneficiary of grants from several major corporate foundations including: The Robins Foundation, Genworth, Altria, Capital One, MeadWestvaco, the Community Foundation, Lowe's Charitable & Educational Foundation and the Gates Foundation. Additionally, partnership grants with institutions of higher education have benefited our students.
	RESPONSIBLE PERSON/TITLE		TARGET DATE
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION

#	RECOMMENDATION	CONCUR Y-N	ACTION STEPS
5	<i>Implement a centralized grants/project record keeping system.</i>	Y	RPS has a centralized record keeping system. A module will be included in the data warehouse initiative to enhance centralized record keeping. In a collaborative effort, Grants Management, Grants Reporting and Budget are working to develop a unified procedure for governing the grants process from approval through completion.
	RESPONSIBLE PERSON/TITLE		TARGET DATE
	Grants Manager, Finance Director, Budget Director, Information Communication Technology Services (ICTS) Director		Ongoing - based on data warehouse project development
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
			The district will adhere to established performance measures tied to record keeping and monitoring activities. Forms mentioned in recommendation #2 will be part of the informational recordkeeping process.
#	RECOMMENDATION	CONCUR Y-N	ACTION STEPS
6	<i>Implement appropriate policy to train staff on the State and RPS' travel regulations and monitor compliance.</i>	Y	Grants Management and Grants Reporting staff attended training at the Virginia Association of Federal Education Program Administrators' Conference, July 2009. Furthermore, the Director of Grants Accounting & Reporting for the Department of Education, has agreed to provide training for grant's stakeholders in the fall.
	RESPONSIBLE PERSON/TITLE		TARGET DATE
	Grants Manager, Finance Director		Completed
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
			The district's "Permission to Attend" form has been revised to include documentation to provide proof of attempt to secure state or federal governmental rates. Late registration or conference capacity may impact the ability to obtain discounted or conference rates for lodging. Staff participated in VDOE training in July 2009 and additional training was provided to principals, assistant principals, department heads and central administration during the August 2009 RPS leadership conference. Additional VDOE training will occur November 2009.
#	RECOMMENDATION	CONCUR Y-N	ACTION STEPS
7	<i>Maintain and forward adequate documentation supporting travel expenditures to Accounts Payable.</i>	Y	Ninety-nine (99%) percent of the reviewed transactions in the audit were indicated to be allowable expenditures. One percent of the reviewed transactions was "unallowable and questionable" according to the report. The Finance Director will communicate administrative guidelines detailing required documentation to be submitted with the revised "Permission to Attend" form, and all travel and mileage reimbursement requests. Such documentation is routinely maintained with grant holders.
	RESPONSIBLE PERSON/TITLE		TARGET DATE
	Finance Director		Oct-09
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION

#	RECOMMENDATION	CONCUR Y-N	ACTION STEPS
8	<i>Implement a standardized process for procuring travel accommodations (hotel lodging and transportation) at the most economical rate and monitor for compliance.</i>	Y	
	RESPONSIBLE PERSON/TITLE		TARGET DATE
	Procurement Manager, Finance Director		Completed
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
			The district's objective is to obtain the most economical rate when securing travel accommodations. The district's revised "Permission to Attend" form includes a section for "proof of cost or price quote for lodging" in an attempt to secure state or federal government rates. Late registration may impact the ability to obtain discounted or conference rates for lodging. In 2007-2008 the Procurement Department contracted with a travel agency and communicated travel procurement guidelines to all RPS employees.
#	RECOMMENDATION	CONCUR Y-N	ACTION STEPS
9	<i>Implement a formal process within Accounts Payable to ensure travel settlements are completed and required receipts are returned.</i>	Y	The Finance Director will ensure that administrative guidelines are communicated throughout the district requiring detail documentation to be submitted with travel settlements. The Finance Director will enforce the travel procedures which are outlined in the Financial Procedures Manual and available on the Finance Department's website. Travel settlements will be more closely reviewed by the Finance department. Deviation from the established procedures may result in denial by the district of reimbursement of travel expenses.
	RESPONSIBLE PERSON/TITLE		TARGET DATE
	Finance Director		July 2009 and Ongoing
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
			Travel settlement training was provided to principals, assistant principals, department heads and central administration during the August 2009 RPS Leadership conference.

#	RECOMMENDATION	CONCUR Y-N	ACTION STEPS
10	<i>Ensure the fixed asset listing and equipment log contain the most up-to-date and accurate information.</i>	Partially concur	Partially concur. The fixed assets cited in the audit, were not missing; the equipment was in the school building. Building administrators are allowed to make program changes that may require movement of assets between classrooms or departments; however, movement of an asset between buildings or away from locations requires additional documentation to the property management office. Current inventory tracking procedures ensure improved tracking and movement of properly tagged assets. The property management system is updated as a result of the annual property inventory process.
	RESPONSIBLE PERSON/TITLE		TARGET DATE
	Procurement Manager, Grant Coordinator, ICTS Director		Ongoing
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
			Beginning in 2008, a GPS system became a standard requirement in the purchase of all computer hardware. Processes are in place to manually track all equipment purchases to ensure that they are in assigned locations. Fixed assets are tagged and matched to invoices. This information is cross-referenced in the property management system.
#	RECOMMENDATION	CONCUR Y-N	ACTION STEPS
11	<i>Periodically, verify the physical existence of fixed assets.</i>	Y	Inventory procedures for fixed assets have been enhanced.
	RESPONSIBLE PERSON/TITLE		TARGET DATE
	ICTS Director		Ongoing
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
			All new equipment is tagged upon receipt and keyed into the property management/inventory system. At year end, the instructional specialists review both newly purchased and old equipment with each CTE instructor and are provided a complete inventory listing. An inventory of equipment is maintained in the Career & Technical Education (CTE) office.
#	RECOMMENDATION	CONCUR Y-N	ACTION STEPS
12	<i>Establish monitoring procedures to ensure that vendor billings for goods and services are accurate and properly authorized.</i>	Y	RPS has strengthen internal controls to ensure that vendor billings for goods and services are accurate and properly authorized.
	RESPONSIBLE PERSON/TITLE		TARGET DATE
	Finance Director, Grants Manager, Grant Coordinators		Ongoing
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
			Grant coordinators and managers are responsible for analyzing vendor invoices, approving payments and reviewing transaction reports for compliance. Multiple signatures are required on departmental invoices \$2,500 or higher. Additionally, invoices are reviewed for supporting documentation. Failure to provide adequate supporting documentation with a departmental invoice may result in a delay of payment to a vendor.

#	RECOMMENDATION	CONCUR Y-N	ACTION STEPS
13	<i>Adequately train staff to ensure compliance with grant requirements.</i>	Y	Training opportunities have been implemented to ensure staff is current with applicable grant regulations and practices. Internal controls have been strengthened to identify irregularities within grant activities.
	RESPONSIBLE PERSON/TITLE		TARGET DATE
	Grants Manager, Grant Coordinators		Ongoing
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
			Staff participated in VDOE training in July 2009 and additional training was provided to principals, assistant principals, department heads and central administration during the August 2009 RPS Leadership Conference. Additional VDOE training will occur by November 2009.
#	RECOMMENDATION	CONCUR Y-N	ACTION STEPS
14	<i>Ensure that only allowable costs are used to satisfy the match requirement.</i>	Y	Only allowable costs are used to satisfy match requirements. Previously, summary documents were maintained for in-kind calculations.
	RESPONSIBLE PERSON/TITLE		TARGET DATE
	Grants Manager, Budget Director		Completed
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
			A form has been created and implemented to show in-kind cost detail and the methods used for computing the assigned values.
#	RECOMMENDATION	CONCUR Y-N	ACTION STEPS
15	<i>Maintain supporting documentation to demonstrate grant compliance including indirect costs.</i>	Y	Indirect cost rates are established by the DOE based upon a formula driven methodology. Indirect cost rates are grant specific and change each year. The current indirect rate for federal grants is currently set at 2% of the total grant budget, excluding capital outlay, i.e., equipment. Indirect cost charges are also detailed in the transaction description line of the OMEGA system.
	RESPONSIBLE PERSON/TITLE		TARGET DATE
	Grants Manager, Finance Director, Budget Director		Ongoing due to indirect cost changes
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
			A form has been created and implemented to show indirect cost detail and the methods used for computing the assigned values.

#	RECOMMENDATION	CONCUR Y-N	ACTION STEPS
16	<i>Prior to payment, ensure that all professional services invoices are independently verified by onsite school staff.</i>	Y	Previous method of central office verification has been enhanced to include on site verification and central office validation for all invoices for professional services.
	RESPONSIBLE PERSON/TITLE		TARGET DATE
	Exceptional Education & Student Services (EESS) Director		Completed
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
			Since the fall of the 2008, all invoices for professional services are verified by onsite staff.
#	RECOMMENDATION	CONCUR Y-N	ACTION STEPS
17	<i>Maximize savings opportunities in specialized transportation services.</i>	Y	During the summer of 2008, EESS began discussions with the Procurement Department to ascertain information needed to issue an RFP for specialized transportation. This was prior to an initial meeting on August 4, 2008 with the city auditor to discuss general information about the Individuals with Disabilities Education Act (IDEA) Flow-Through grant and the grant process. On August 21, 2008 the EESS provided to Procurement the information needed to develop an RFP for specialized transportation. On October 1, 2008, RFP 08-6055-10 for specialized transportation services was issued by Procurement with a closing date of October 24, 2008. On November 17 and November 24, 2008, Procurement, EESS and Transportation reviewed four proposals. On December 1, 2008, contracts were issued to three of the four vendors, two of which had been providing specialized transportation for students with disabilities for RPS prior to the new contracts being awarded. Since awarding the contracts, RPS saved approximately \$26,000 in 2008-2009. Multiple contracts were awarded to ensure unique behavioral and medical needs of students are met.
	RESPONSIBLE PERSON/TITLE		TARGET DATE
	EESS Director		Completed
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
			RPS was already in the RFP process for specialized transportation services when the city auditor raised concerns about specialized transportation contracts. Contracts are in place and staff is maximizing savings opportunities while ensuring that individual needs of the students with disabilities are met.
#	RECOMMENDATION	CONCUR Y-N	ACTION STEPS
18	<i>Set up distinct special fund account codes for grants that cover multiple schools.</i>	Y	The RPS chart of accounts includes a four character element to identify a school location or department. The budget account code for the grant cited in the audit was set up on the general ledger under one project name, identified as "Elkhardt." This account was established as a tracking mechanism. Common practice for the budget staff is to set up distinct grant budgets using a unique combination of fund and location codes for grants that cover multiple schools.
	RESPONSIBLE PERSON/TITLE		TARGET DATE
	Budget Director		Completed
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
			Grant identification and naming components in the general ledger have been expanded.

#	RECOMMENDATION	CONCUR Y-N	ACTION STEPS
19	<i>Investigate the feasibility of utilizing one of the USDA programs to obtain food and snacks.</i>	Y	RPS receives USDA grants for snacks. The district will explore mechanisms for schools to purchase snacks from the cafeteria using the USDA reimbursement program. Grants Management has investigated the feasibility of participating in USDA sponsored programs to obtain snacks for after school programs. The process involves program coordinators participating in training programs conducted by RPS' School Nutrition Services Department. A monthly roster is maintained of meals served. School Nutrition Services provides menu monitoring and submits verification for reimbursement to the district.
	RESPONSIBLE PERSON/TITLE		TARGET DATE
	Grants Manager, Nutrition Services Director		Ongoing
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
#	RECOMMENDATION	CONCUR Y-N	ACTION STEPS
20	<i>Ensure all journal entry requests for recording grant transfers have an adequate explanation and are properly supported.</i>	Y	Adequate supporting documentation and/or explanation is required to accompany journal entry requests. Supporting documentation and explanations will be maintained and filed with the journal entries.
	RESPONSIBLE PERSON/TITLE		TARGET DATE
	Finance Director		Ongoing
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
#	RECOMMENDATION	CONCUR Y-N	ACTION STEPS
21	<i>Require that grant reimbursement must match the description shown on the vendors' invoices/receipts.</i>	Y	The grant reimbursement system referenced in the audit is the VDOE's OMEGA reporting system which is limited to 100 characters. Accurate descriptive text will be submitted per OMEGA instructions.
	RESPONSIBLE PERSON/TITLE		TARGET DATE
	Finance Director		Ongoing
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
#	RECOMMENDATION	CONCUR Y-N	ACTION STEPS
22	<i>Ensure only allowable goods and services in accordance with grants award are charged to the grant and are sought for reimbursement in the correct funding period.</i>	Y	Grant coordinators will monitor available grant funds and grant end dates to ensure payments for grant transactions are submitted for processing within the correct grant period.
	RESPONSIBLE PERSON/TITLE		TARGET DATE
	Finance Director		Ongoing
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION