

Table of Contents

Race to the Top Program

January 17, 2014

	Page Number
BACKGROUND	2
OBJECTIVE	2
SCOPE AND METHODOLOGY	2
COMMENDATION	3
FINDINGS AND RECOMMENDATIONS	3-4

BACKGROUND

The American Recovery and Reinvestment Act of 2009 provided approximately \$4 billion for the Race to the Top program. The Race to the Top program is used to fund comprehensive education reform across four areas:

1. Adopting standards and assessments that prepare students to succeed in college and the workplace and to compete in the global economy.
2. Building data systems that measure student growth and success, and inform teachers and principals about how they can improve instruction.
3. Recruiting, developing, rewarding, and retaining effective teachers and principals.
4. Turning around the lowest performing schools.

In 2010, the state of Florida was awarded \$700 million for its Race to the Top program which included approximately \$23 million for Orange County Public Schools over a four year period.

During the four year grant period, the district's Race to the Top Department was staffed by an Executive Director, Project Manager and an Executive Assistant. As of August 31, 2013, the department is managed by a Director and the Executive Assistant. The department's role is to provide overall coordination and implementation monitoring of 13 projects over multiple work locations in the district. As of December 31, 2013, one year extensions have been requested and approved for 5 of the 13 projects. The department is responsible for communicating with project directors at numerous worksites and for maintaining timely and accurate information about the progress of all projects. The department also prepares quarterly reports for submission to the Florida Department of Education.

OBJECTIVE

Our audit objective was to review operational processes and procedures of the Race to the Top department, and to determine compliance with grant provisions, School Board Policies and sound business practices.

SCOPE AND METHODOLOGY

Since 2010/2011 was considered a planning year, our audit covered transactions and activities during the period from July 1, 2011 through December 31, 2013.

Our audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* of the Institute of Internal Auditors and included such procedures as deemed necessary to achieve the objective. Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. We are required to note any material deficiencies in accordance with Florida Statutes, School Board Policy and sound business practices. We also offer suggestions to improve controls or operational efficiency and effectiveness.

The results of our tests revealed no significant issues. However, we do have several findings and recommendations that we believe will further improve processes.

COMMENDATION

The Race to the Top program, in conjunction with private donations, has formed a successful partnership between the District and City Year Orlando. Principals at six district schools have reported that City Year Orlando continues to provide tutors and mentors that are serving as positive role models for students at-risk of dropping out.

FINDINGS AND RECOMMENDATIONS

Instructional Management System Vendor

The Instructional Management System (IMS) is being developed to provide teachers access to curriculum and student data in an online environment in order to increase student learning.

The initial IMS vendor, selected in July 2011, did not meet project deliverables and timelines and the District issued a termination letter in June 2013 after spending \$1,752,786. It should be noted that two new vendors have been selected and progress toward full implementation by June 30, 2014 is being made.

The Certificate of Liability Insurance on file with the Procurement Department for the initial IMS vendor was expired even before the effective date of the contract. The agreement with this vendor was dated July 28, 2011 and the Certificate of Insurance provided had an expiration date of July 1, 2011. An inquiry to the Risk Management Department disclosed no certificate on file. Section 14 of the agreement requires that the vendor procure and maintain insurance covering all operations under the agreement. When current certificates are not maintained, there is an increased risk that the District may not be protected if a liability suit occurs.

The District did not take advantage of a provision in the payment terms of the contract to withhold 5% from monthly progress billings pending final delivery and acceptance of implementation, integration and training services. The amount paid to the non-performing vendor that could have been retained under this provision totaled \$11,908.

We recommend that controls over vendor management be enhanced to address these concerns.

Consultant Timesheets

A review of consultant timesheets found district ICTS personnel, at times, used digital signature stamps to certify the hours worked by consultants. A digital signature stamp, in our opinion, does not document appropriate managerial review and approval of the hours worked by the consultants each month and could lead to improper or inaccurate payments.

We recommend that original signatures be required to document approval of all timesheets.

Lost Early Payment Discount

The District entered into a three year contract with two additional one year renewals for an annual subscription service for unlimited access to Encyclopaedia Britannica. An invoice totaling \$94,000 for the first year's payment was dated August 23, 2013 with payment terms allowing a 2% discount if paid within 20 days or net if paid within 30 days. A goods receipt was posted in the SAP system on September 10, 2013 and a check was issued on September 11, 2013. According to Accounts Payable personnel, it appears that the District issued payment within the 20 day period but did not deduct the early payment discount of \$1,880 from the invoice. It is our understanding that the District is currently working on a vendor payment strategy initiative to take advantage of early payment discounts.

We recommend that the District continue to pursue this strategy. In the meantime, we recommend that arrangements be made to take advantage of the early payment discount offered by this vendor each year.

Project Change Request Form

The consulting agreement for the Educational Data Warehouse project manager had term dates of November 28, 2011 to July 15, 2012. The agreement stated that any change shall be subject to mutual written agreement of the parties, using the "Project Change Request" form. Our review found two additional purchase orders totaling \$52,930 were issued after July 15, 2012 without an authorized project change request form.

A Change Order form to authorize additional hours for the IMS Help Desk consultant was not signed by both parties. It should be noted that the form was signed by the Race to the Top Executive Director but was not signed by the Department overseeing the work or the Consultant. The initial Statement of Work Agreement stated that any change shall be subject to mutual written agreement of the parties, using the "Project Change Request" form. This form was not used.

We recommend that procedures be reviewed and revised where necessary to ensure appropriate authorization is obtained for all project changes and that appropriate documentation is executed.

We wish to thank the staff of the Race to the Top Department for their cooperation and assistance during the audit.

Vince Roberts, CIA, Auditor

AUDIT RESPONSE MATRIX

FISCAL PERIOD: 2013-2014

DEPARTMENT/SCHOOL:
 ADMINISTRATOR/PRINCIPAL:
 DEPARTMENT HEAD/AREA SUPERINTENDENT:

Race to the Top
Scott Pearce
Dr. Gina Tovine

Exception Noted What is? What should be?	Management Response What needs to be done?	Responsible Person Who needs to do it?	Outcome Timeline When will the action be completed? What is the evidence of completion?
The initial IMS vendor, selected in July 2011, did not meet project deliverables and timelines and the District issued a termination letter in June 2013 after spending \$1,752,786	Action completed with termination letter	Action completed with termination letter	Completed. Two (2) replacement vendors have been selected and IMS implementation is on track for completion by June 30, 2014. Evidence in termination letter sent to vendor and current vendor contracts
The Certificate of Liability Insurance on file with the Procurement Department for the initial IMS vendor was expired even before the effective date of the contract	Ensure that documentation from vendors are accurate and current Enhanced Vendor Management	Procurement, Project Managers, Fund Managers	Ongoing action Evidence in vendor files containing accurate and current certificates, licensing, credentials and other required documentation
The District did not take advantage of a provision in the payment terms of the contract with first IMS vendor to withhold 5% from monthly progress billings	Ensure that provisions in contracts are upheld in making payments to vendors Enhanced Vendor Management	Procurement, Accounts Payable, Project Managers, Fund Managers	This action is complete as vendor is no longer under contract Evidence will be payment statements matching contract terms
A review of consultant timesheets found district ICTS personnel, at times, used digital signature stamps to certify the hours worked by consultants	Race to the Top ensures that all time sheets have original signatures before scanning for delivery, payments and archiving	Scott Pearce, Iris Holmes-Davis	Action is complete. All timesheets are verified to ensure original signatures are used. Evidence of completion is received timesheets in archives

<p>An invoice totaling \$94,000 was dated August 23, 2013 with payment terms allowing a 2% discount if paid within 20 days or net if paid within 30 days. Based on goods receipt posting, the district did not take advantage of an \$1,880 early payment discount available based on invoice terms</p>	<p>District needs to ensure that early payment discounts offered by vendors are noted and taken advantage of when possible</p> <p>Race to the Top will review grant invoices upon receipt for available discount terms and communicate terms with Accounts Payable</p>	<p>Procurement, Accounts Payable, Project Managers, Fund Managers,</p> <p>Scott Pearce, Iris Holmes-Davis</p>	<p>Ongoing action</p> <p>Evidence will be payment statements matching invoice terms</p> <p>Evidence will also include Race to the Top communications with Accounts Payable if/when discount terms are recorded</p>
<p>The consulting agreement for the Educational Data Warehouse project manager had term dates of November 28, 2011 to July 15, 2012. The agreement stated that any change shall be subject to mutual written agreement of the parties, using the "Project Change Request" form. Review found two additional purchase orders totaling \$52,930 were issued after July 15, 2012 without an authorized project change request form</p>	<p>Project Change Request Forms need to be utilized and appropriate authorization obtained for all project changes. The documentation needs to be appropriately executed. These changes include increases to lengths of contracts and changes in scope and/or payment terms</p> <p>Race to the Top will ensure the proper usage of Project Change Request Forms</p>	<p>Procurement, Project Managers, Fund Managers</p> <p>Scott Pearce, Iris Holmes-Davis</p>	<p>This action is complete as vendor is no longer under contract</p> <p>Ongoing action for future contracts.</p> <p>Evidence is authorized, executed and archived Project Change Request Forms</p>
<p>A Change Order form to authorize additional hours for the IMS Help Desk consultant was not signed by both parties. It should be noted that the form was signed by the Race to the Top Executive Director but was not signed by the Department overseeing the work or the Consultant. The initial Statement of Work Agreement stated that any change shall be subject to mutual written agreement of the parties, using the "Project Change Request" form. This form was not used.</p>	<p>Project Change Request Forms need to be utilized and appropriate authorization obtained for all project changes. The documentation needs to be appropriately executed. These changes include increases to lengths of contracts and changes in scope and/or payment terms</p> <p>Race to the Top will ensure the proper usage of Project Change Request Forms</p>	<p>Procurement, Project Managers, Fund Managers</p> <p>Scott Pearce, Iris Holmes-Davis</p>	<p>This action is complete as vendor is on final revision of contract</p> <p>Ongoing action for future contracts.</p> <p>Evidence is authorized, executed and archived Project Change Request Forms</p>