

SAVANNAH-CHATHAM COUNTY BOARD OF EDUCATION
Internal Audit Department



TO: Board of Education

THROUGH: M. Ann Levett, Ed.D., Superintendent of Schools
Larry Jackson, Chief Financial Officer
Julian Childers, Interim Association Superintendent of School
Transformation & Innovation
Dr. Kimberly Hancock, Associate Superintendent Learning Support
Services

FROM: Leah Underwood, Acting Director of Internal Audit

DATE: October 28, 2021

SUBJECT: Report on Audit of RFP#21-05

We have completed our Audit of RFP#21-05. Our audit report is presented in the sections listed below:

- I. AUDIT OBJECTIVES**
- II. AUDIT SCOPE**
- III. BACKGROUND**
- IV. OBSERVATIONS**

Management's response to our report is attached in its entirety. In addition, the specific action that management has agreed to take in response to each recommendation is included in the Management Action Plan, along with who is responsible for the action and when it will be completed.

I. AUDIT OBJECTIVES

Our audit was designed to meet specific objectives. Within those objectives, we focused on areas where we identified opportunities for improvement in contract compliance and transparency. The objectives of our audit were as follows:

1. Determine that applicable District policies and administrative regulations were followed during the award to all vendors in RFP#21-05.
2. Determine if the District is in compliance with its responsibilities as defined in all vendor contracts awarded under RFP#21-05.
3. Determine if the awarded vendors are in compliance with its responsibilities as defined in all applicable contracts awarded under RFP#21-05.

II. AUDIT SCOPE

The Audit of RFP#21-05 was conducted as a contract audit based on the level of expenditures identified in our yearly risk assessment of vendor expenditures. As we looked further into the expenditures, reviewing the RFP would provide more value to the District, instead of just one of the vendors involved with the RFP.

We reviewed the contracts of all awarded vendors and conducted internal control tests of payment and invoicing controls. We identified transactions using Munis (District's Financial System). All purchase orders that had a reference of RFP#21-05 were pulled for review. Using CDMS (District's Document Management System), we identified other contracts from the same vendor during the same time period to ensure no duplicate contracts from the same materials were being used.

We reviewed Board Docs for Board approvals connected to RFP#21-05 and reviewed grant application documents from the Compensatory Programs Department.

We conducted interviews with the Academic Affairs and the Compensatory Programs Department for clarification and understanding of the need for the RFP and its purpose in meeting the needs of the School Improvement Grant.

We reviewed the Purchasing Department's documents to ensure compliance with Board policies and procedures for the awarding of vendors.

Our fieldwork was conducted during the period of February 2021 through September 2021.

Internal Audit conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that the audit be planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for our observations and conclusions based on the audit objectives. Internal Audit believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

At the end of each observation, we have identified the Board's priority goals that are most likely affected by our observations. Internal Audit has made recommendations to help support the achievement of these goals. The Board's Priority Goals are:

- Goal 1: Student Success, Academic Achievement, and Life Readiness,
- Goal 2: Family Engagement and Stakeholder Partnerships,
- Goal 3: Recruitment, Selection, Retentions, and Talent Development, and
- Goal 4: Fiscal Responsibility and Resource Stewardship.

III. BACKGROUND

In June 2020, the Purchasing Department released a Request for Proposal (RFP) for Instructional Resources, Professional Development and Coaching Support for School Improvement. The RFP was created to support instructional needs outlined in the December 2019 Georgia Systems Continuous Improvement Grant (SIG-GSCI). The District utilized the funds from the grant to provide instructional resources and professional development in the areas of reading and mathematics with the goal of building teacher capacity in the components of improving reading, writing, and content learning. On September 2020, the Board approved the award of contracts to Curriculum Associates, LLC; Houghton Mifflin Harcourt Publishing Company; Scholastic, Inc.; Teacher Created Materials, Inc.; and TNTP, Inc. with an estimated first year cost of \$1,134,298. As of September 2021, the total cost of expenditures referenced to RFP#21-05 was \$1,899,314. (See the table on page 4 for the Board approval breakdown.)

We would like to thank District management and staff for their assistance during our audit and recognize the following areas of compliance.

- All insurance requirements within all five vendor contracts were documented and compliant with contract terms.
- The Purchase Department's RFP evaluation process was documented and completed as required by State Purchasing and District guidelines.

IV. Observations

Observation A. Communication to the Board

(DAS Goal 4)

Communication to the Board for renewals and ratification approvals were not an accurate reflection of the District's purchases under RFP#21-05.

Agenda items are written by the Purchasing Department in conjunction with the department responsible for requesting the RFP or annual contract. For RFP#21-05, the Academic Affairs Department is the responsible party. Below is a breakdown of the Board agenda items:

Date of Agenda Item	Approval Request	Actions of the District	Observations
Sept. 9, 2020	Contract Awards for five vendors with estimated first year cost of \$1,134,298.	The estimated first year cost was intended for the SIG-GSCI grant.	There was no reference to the Board in this agenda item of the connection to the grant.
January 13, 2021	Ratification of the first agenda for additional purchase of equipment for one of the vendors.	Increased estimated first cost by \$778,003. The Cares Act I was used for this purchase.	Estimated first year cost with this purchase increased to \$1,912,301.
August 11, 2021	Renewal of contracts awarded under RFP#21-05 with estimated second year cost of \$282,840.	The estimated second year cost is based on the remaining items to be purchased through SIG-GSCI grant.	Total invoiced cost after first year was \$1,899,314. Total Purchase Order Amount was \$2,132,523. This included items purchased using other funding sources and invoices not billed within FY21.
October 6, 2021	Ratification of the August 11, 2021 renewal for an additional purchase of \$1,171,676; Increasing the second year estimated costs to be \$1,454,516.	The additional purchase will be funded by the Cares Act.	The date of the renewal was documented incorrectly. The agenda referenced September 8, 2021 when it should have been August 11, 2021.

The information provided to the Board through the agenda items should be the most accurate representation of the actions by the District when the information is presented to the Board. Not only does this provide transparency to the public, but also information to the Board of the District's needs to implement their goals. The financial information within the Board agenda item also provides information to the Board as it relates to the funding source. The table on page 4 is a breakdown of information that was provided for RFP#21-05 as of October 6, 2021. Board Policy DJE Purchasing, sets the guidelines for purchasing approvals for individual purchases as well as contracts. The approval levels are based on the dollar amount of the purchase. There is no policy or procedure that defines how the information to the Board should be presented.

In our discussions with the Purchasing Department and the Division of Academic Affairs, we have found the two departments have begun monthly meetings as of October 2021 to discuss product and professional service needs that will require RFP's and multi-level approvals. The intent of these meetings is to increase communication between the two departments and reduce the duplication of services by identifying department needs and the timing of those needs. Internal Audit encourages the continuation of these meetings as they will serve as a preventive measure to reduce any financial risks to the District. Based on our review, we recommend the following to strengthen current practices and to improve accurate communication to the Board.

Recommendations for Observation A

To Division of Finance:

1. By using the same format of the discussions with the Division of Academic Affairs for identifying the purchasing needs of the department, set up and maintain continuous monthly meetings with all other divisions within the District.
2. Develop a procedure within the department manual that outlines the process of creating Board Agenda items in conjunction with the Superintendent's office. At a minimum, this procedure should include information that reflects all funding sources and previous actions of the Board (for ratifications) to ensure transparency and provide knowledge of the internal actions of the District.

Observation B. Payment Terms

(DAS Goals 4)

Payment terms between the District and vendor are defined in a vendor's contract and within the District's purchase order document. The payment terms based on the vendor contracts required invoices to be paid within 40 days for all but one vendor whose payment terms are net 30. The Payment terms within the District's purchase order states, "the date of receipt of an invoice shall be the

date of receipt of a corrected invoice or acceptance of conforming supplies, whichever is later.” The District’s process of acknowledging the receipt of goods or services is not based on the date the District receives the invoice but from the date the goods or services are received by the department/school.

In our review of the payment term controls, we identified the number of days between the date of the invoice to the check date. We found 17 invoices (53%) were not paid within the 40 days. The greatest disparity of days occurred between the date of the invoice to the date the goods/services were received.

An invoice is a sales agreement between a vendor and the District. It is developed based on the services or goods rendered. The invoice documents these services, and the payment implies that the District agrees and is satisfied with the services or goods received. Timely payments not only are driven by contract terms, but they also build confidence in the relationship between the District and the vendor. Based on our observations, we recommended the following:

Recommendations for Observation B

To Division of Academic Affairs and Division of Finance:

1. Develop a monitoring process over invoices to ensure payments are made within the contract terms for RFP#21-05 and other contracts maintained by the department. (Academic Affairs)
2. Perform a review of the language within the payment term section of the purchase order to ensure the language reflects current practices or adjust procedures to ensure compliance with current language. (Finance)
3. Develop a procedure for the end user within the Munis Training Guide that requires a disclosure note to be documented in Munis of the reason(s) why the receipt of goods/services did not comply with contract terms. (Finance)

