MUNICIPAL AUDITING REPORT

ROANOKE CITY PUBLIC SCHOOLS

Investigation – School Gifts

Report Number: 10001

Audit Plan Number: 09812

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BACKGROUND

On June 19, 2009, the Municipal Auditing Department received an unsigned letter via the Unites States Postal Service. Among other things, the writer alleged that the school administration had, in violation of Board Policy KH, accepted a gift without obtaining the approval of the Roanoke City School Board. The gift in question was used furniture which was allegedly donated by a vendor who regularly provides services to the School Division. The School Audit Committee, in consultation with the Chairman of the School Board, directed the Municipal Auditing Department to investigate the allegation and report back to the Committee.

Donation Overview:

On Wednesday, November 12, 2008, members of the School Division's Technology and Information Services staff, and the Superintendent, received an email from a representative of one of the School Division's telecommunications providers. The company was closing a Roanoke area office and offering the furniture and office supplies that it no longer needed to the School Division. The vendor requested that all items be removed from the office by Friday, November 14. The School Division's Maintenance department was notified and staff was subsequently dispatched to pick up any available items that could potentially be used in the schools or central office. Two other non-profit organizations participated in this giveaway. The following is an itemized listing of the furniture and fixtures donated to Roanoke City Public Schools:

Type/Quantity	Description
Desks	
4	L-shaped desks
2	Desk (6' x 2')
31	Desk units (combination of corner and straight)
3	Desks – no file drawers (30" x 6')
Bookshelves	
1	Metal bookshelf (34.5" x 41")
3	Wood bookshelves (36" x 54")
1	Metal bookshelf (36" x 71")
2	Metal bookshelves (34.25" x 81")

Cubicle Panels	
2	Panels (2' x 4')
73	Panels (3' x 4')
15	Panels (4' x 4')
14	Panels (5' x 4')
4	Panels (36" x 40")
5	Panels (60" x 40")
2	Panels (30" x 80")
2	Glass panels (30" x 80")
7	Panels (48" x 80")
2	Door unit panels (48" x 80")
Miscellaneous	
1	Metal file cabinet (2 drawer)
1	Round table (42")
1	Cabinet unit
4	Rolling chairs
7	Chairs

Of these items, two (2) desks are being used at Patrick Henry High School. Twenty-three (23) desks, one (1) cabinet, and approximately thirty-six (36) panels are stored at Preston Park Elementary. The remainder of the furniture is being utilized at Central Services. Items located downtown appear to be in fair to good condition and are currently in service. [See Exhibits 1-5]

Donated supplies included three-ring binders, laptop carrying bags, and a collection of various metal and plastic sorters and stacking file trays. These items were gathered by Media Services staff and were made available for use across the division.

During the course of FY2009, Roanoke City Public Schools disbursed approximately $148,481 to the contributing vendor for services rendered.

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives:

The objectives of the audit were as follows:

1. To determine if the School Administration's acceptance of the November 14, 2008, donation of supplies and office furnishings was in accordance with Roanoke City School Board and Virginia Department of Education [VDOE] policies and regulations.

2. To determine if the School Administration's acceptance of the November 14, 2008, donation of supplies and office furnishings was in compliance with the Code of the City of Roanoke and the Code of Virginia.

3. To verify donated assets were received and retained by the School Division.

Scope:

The scope of the audit addressed only donations by the vendor named in the complaint. We considered procurement and payment activity associated with the named vendor to the extent necessary to evaluate potential conflicts of interest. The audit was not designed to evaluate compliance with Division procurement policies, Virginia procurement laws, or the requirements of the Federal E-rate program.

Methodology:

We utilized the following methodology to complete this audit:

- Interviewed the Deputy Superintendent for Operations, Director of Purchasing and Financial Control, Director of Grants and Media Services, as well as staff in the Maintenance, Administrative Technology, and Supply Services departments.

- Interviewed the company representative who initiated the donation.

- Requested a listing of donated items from both the School Administration and from the donor representative.

- Reviewed School Board agendas for actions related to vendor services.

- Reviewed School Board policy and Virginia Department of Education requirements relevant to donations.

- Reviewed the Code of the City of Roanoke and Code of Virginia for applicable donation regulations.

- Reviewed FY09 checks, along with supporting documentation, disbursed to the vendor.

- Reviewed the most recent contract with the vendor.

- Viewed and photographed a portion of the donated furniture and assigned a general rating to the physical condition of the items.

OBSERVATION 1

Acceptance of Donation

Roanoke City School Board Policy KH, "Public Gifts to the Schools," states, "The School Board shall act on individual requests of offers of gifts from individuals to schools or the school division and on the limitations on advertising and commercial interests in purchasing and presenting gifts." It seems that the intent of this policy is to enable the School Board to consider the various aspects of a gift before accepting it. The donor may have specified requirements that the Board would want to consider, or the gift may imply an endorsement by the Board based on its placement on school property. In any case, the policy appears to require that the School Board be given the opportunity to reject any offer of a gift from the public.

The gift in question was used furniture and office supplies such as binders, file trays, and computer bags. There were no donor-specified requirements related to how the gift was to be used and there were no significant markings on the equipment or supplies that could be construed as endorsing any product or service. The market value of the gift could not be estimated at the time of the audit as many of the components were in storage and not assembled.

Based on the characteristics of the gift and the two day time frame for taking possession of the property, the School Administration appears to have acted prudently when it secured the gift in advance of Board approval. Policy KH does not provide guidance for this type of situation. As such, Policy BFE, "Administration in Policy Absence," could be considered applicable to the November 14 donation. This policy requires that any action taken by the Superintendent, for which the Board has provided no guidelines, must be reviewed by the School Board at its next regular meeting. In our opinion, the School Administration should have presented a report to the Board no later than the December 9, 2008, Board Meeting.

OBSERVATION 2

Record Keeping

An itemized record of donated items was neither documented by the School Division nor by the donor company. A School Division employee developed a list of donated furniture and fixtures at our request. Per Generally Accepted Accounting Principals, donated assets should be recorded at fair market value at the time of the donation. A clear understanding of the items donated is necessary to properly estimate their value.

One objective of a good system of internal controls centers on the safeguarding of resources. An important control activity related to this objective is to record transactions and events in a timely manner. This allows management to ensure that outdated, inaccurate, or unavailable information does not adversely impact operations. Timely and accurate recordkeeping also significantly decreases the risk of theft, waste, and abuse.

Other matters noted during the audit were communicated to management orally and by memo.

CONCLUSIONS

1. The School Administration's acceptance of used furniture and office supplies was not completed in accordance with Roanoke City School Board Policy BFE. It was in accordance with Virginia Department of Education policies and regulations.

2. Donation acceptance was in compliance with the Code of the City of Roanoke and the Code of Virginia.

3. We were unable to determine if the School Division received and retained all donated assets given that there was no formal inventory taken at the time assets were transferred from the donor to the Division.

MANAGEMENT RESPONSE

The Administration acknowledges and agrees that its acceptance of used furniture and office supplies was not completed in accordance with Roanoke City School Board Policy BFE. A report should have been made to the School Board by December 2008. Instead, the report was made to the School Board at its July 2009 meeting.

The Administration is taking aggressive steps to exercise improved diligence in the implementation of School Board Policy KH. For example, training for all Principals, Assistant Principals, Directors, and other RCPS leaders on Policy KH was provided at the annual RCPS Leadership Conference, held at Stonewall Jackson Middle School on Monday, August 17, 2009 and Tuesday, August 18, 2009.

The Administration acknowledges and agrees that its acceptance of used furniture and office supplies was completed in accordance with Virginia Department of Education policies and regulations, the Code of the City of Roanoke, and the Code of Virginia.

The administration acknowledges the Municipal Auditor's conclusion related to the inventory of donated assets. Should a situation such as this one emerge in the future, greater care will be taken to inventory the assets at the time of their transfer from the donor to the Division. More generally, all donations received under School Board Policy KH will be fully inventoried and appropriately recorded.

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Exhibit 1

Cubicle Panels

Exhibit 2

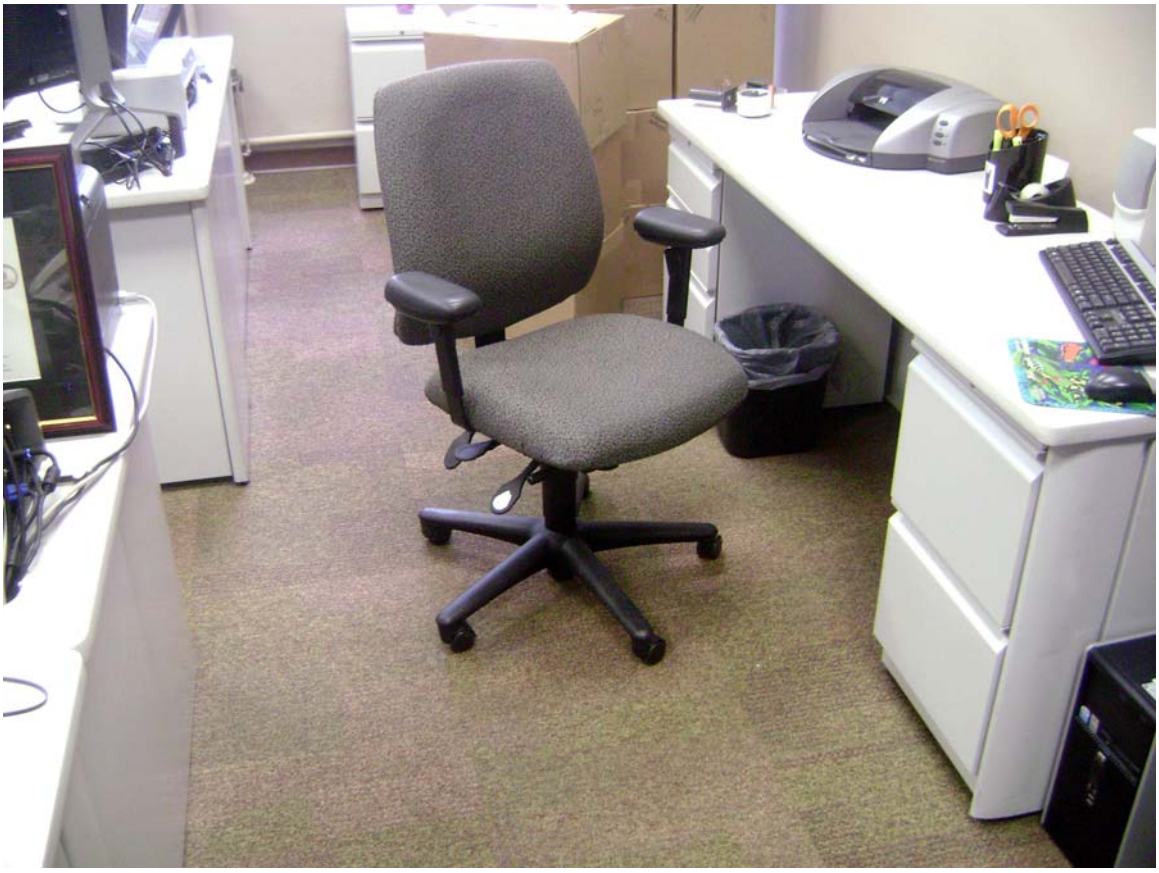
Workstation

Exhibit 3

Unassembled Workstations

Exhibit 4

Desk [L-Shaped]

Exhibit 5

Desk Top and File Pedestals