



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL
1999 BRYAN STREET, HARWOOD CENTER, SUITE 2630
DALLAS, TEXAS 75201-6817
PHONE: (214) 880-3031 FAX: (214) 880-2492



FEB 16 2005

Mr. Cecil J. Picard
State Superintendent of Education
Louisiana Department of Education
P.O. Box 94064
Baton Rouge, LA 70804-9064

Dear Mr. Picard:

This **Final Audit Report (ED-OIG/A06-E0008)** presents the results of our audit of the Title I Funds administered by the Orleans Parish School Board for the period July 1, 2001, through December 31, 2003. Our objective was to determine whether the Orleans Parish School Board (Orleans Parish), through the New Orleans Public Schools, properly accounted for and used Elementary and Secondary Education Act of 1965, as amended¹ (ESEA), Title I, Part A (Title I), funds in accordance with applicable laws and regulations.

We provided a draft of this report to the Louisiana Department of Education. (LDE). In its response to our draft report, LDE officials agreed with our findings No. 1 and No. 3 and concurred with a portion of finding No. 2. LDE officials provided additional support, not previously provided during the audit, and we reduced the amount of unsupported costs to \$51,884,155. We summarized LDE's comments in the body of this report and included a copy of the response as an Attachment.

BACKGROUND

The Title I program is authorized under the ESEA, as amended by the Improving America's Schools Act of 1994, Public Law 103-382 and the No Child Left Behind Act of 2001, Public Law 107-110. Title I grants are intended to help elementary and secondary schools establish and maintain programs that will improve the educational opportunities of educationally disadvantaged children who live in school attendance areas with high concentrations of children from low-income families. The funds are intended to provide instruction and instructional support for these disadvantaged children so they can master challenging curricula and meet State standards in core academic subjects.

¹ The No Child Left Behind Act of 2001 reauthorized the ESEA on January 8, 2002, and the Improving America's Schools Act of 1994 reauthorized the ESEA on October 20, 1994.

Title I funds are distributed from the Department of Education to States based primarily on poverty data provided for the local education agencies by the U.S. Bureau of the Census. The Louisiana Department of Education (LDE) disburses Title I funds to the local education agencies based on their request for reimbursement of Title I expenditures.

Our audit period covered July 1, 2001, through December 31, 2003. In fiscal year 2003, the Department of Education allocated \$256 million in Title I funds to Louisiana. During our audit period, Orleans Parish requested reimbursement for \$71.8 million it disbursed for Title I expenses. The amounts disbursed, by program year, were—

7/1/01—06/30/02	\$29,856,669
7/1/02—06/30/03	\$31,945,798
7/1/03—12/31/03	<u>\$10,021,838</u>
Total	<u>\$71,824,305</u>

AUDIT RESULTS

Orleans Parish did not properly account for and use nearly \$69.3 million of Title I funds in accordance with applicable regulations. Specifically, Orleans Parish received reimbursement from Title I funds for \$51,884,155 in unsupported expenditures for payroll (\$39,880,892), fringe benefits (\$9,219,059), contract services (\$62,130), travel (\$35,397), supplies (\$233,878), and equipment (\$2,452,799). Also, we are questioning an additional \$17,407,118 in Title I expenditures due to a scope limitation (see finding No. 3). Orleans Parish did properly account for and use \$2,533,031 in Title I grant funds.

FINDING NO. 1 – Payroll and Fringe Benefits Expenditures Were Not Adequately Documented

Orleans Parish was unable to provide adequate documentation to support the \$49.1 million in payroll and related fringe benefits claimed for reimbursement from Title I funds.

Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments, Attachment A, Paragraph C.1* (1997) provides, in part, that —

To be allowable under Federal awards, costs must . . . Be necessary and reasonable for proper and efficient performance and administration of Federal awards . . . Be allocable to Federal awards . . . Be adequately documented.

Additionally, OMB Circular A-87, Attachment B, Paragraph 11.h.3 (1997) provides that—

Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic

certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

We requested a listing of Orleans Parish employees assigned to work on Title I in order to select a sample of payroll costs for verification and compliance with OMB cost principles. We were not provided with an accurate or complete listing of Title I employees that matched the Title I payroll amounts in the reimbursement claims or the project completion reports. We initially requested the listing from the accountant who prepared the Title I claims for reimbursement. She directed us to the Information Technology Department, and we requested and obtained a listing. Although the list provided to us by the Information Technology Department contained names, we were unable to reconcile the salary amounts listed with the Title I reimbursement claims. Subsequently, the Consolidated (Title I) Program Director provided us with a list of names with no salary amounts. Because this second listing did not have any salary data, we could not verify or test this data against the amounts in the reimbursement claims. We also requested but never received a listing of Title I employees from the Human Resources Department.

During our audit fieldwork, the Comprehensive Annual Financial Report of the Orleans Parish School Board (OPSB) for the fiscal year ended June 30, 2003, was released. The certified public accounting firm disclaimed an opinion on the OPSB 2002-2003 financial statements, stating they could not certify the accuracy of the statements. Furthermore, the accounting firm disclaimed an opinion on Federal awards based on the significance of uncertainties and inability to rely on the basic accounting systems. The audit report contained 29 findings in which 23 had reportable conditions involving matters related to “significant deficiencies in internal control over financial reporting that . . . could adversely affect the School Board’s ability to administer a major federal program in accordance with the applicable laws, regulations, contracts, and grants.” The auditors concluded in the last finding on Federal programs that, “There appears to be a serious deficiency in the controls over coding of salaries and benefits to the program.”

RECOMMENDATIONS

We recommend that the Assistant Secretary for Elementary and Secondary Education instruct the Louisiana Department of Education to—

- 1.1 Provide sufficient documentation to support expenditures for payroll (\$39,880,892) and fringe benefits (\$9,219,059) or refund that amount to the Department of Education.
- 1.2 Require Orleans Parish to develop or improve its documentation, records storage, and records retention and retrieval procedures to ensure that adequate documentation of costs charged to Title I and other Federal grants is readily available.

- 1.3 Require Orleans Parish to establish a formal system of management controls to ensure costs charged to Title I and other Federal grants are properly accounted for and used in accordance with applicable laws and regulations.

LOUISIANA DEPARTMENT OF EDUCATION'S COMMENTS

LDE concurred with our finding and recommendations. LDE stated in its response, "LDE appreciates the seriousness of the issues raised in the draft audit report and acknowledges the material weaknesses in OPSB's current grants management system."

LDE further stated that the Orleans Parish staff have been working with an expert consultant to identify the employees paid with Title I funds and to obtain the necessary certifications, time distribution records, or alternative documentation to justify charges to Title I.

FINDING NO. 2 -- Non-Payroll Related Expenditures Were Not Documented

As part of our audit, we judgmentally selected 97 disbursements of the largest transactions from non-duplicated vendors totaling \$5,317,235 for testing from four expenditure categories-- contract services, travel, supplies, and equipment. Orleans Parish could not provide adequate documentation to support 24 of the transactions totaling \$2,784,204. Orleans Parish provided adequate documentation for the other 73 transactions and we accepted the associated costs of \$2,533,031.

OMB Circular A-87, Attachment A, Paragraph C.1 (1997) provides, in part, that —

To be allowable under Federal awards, costs must . . . Be necessary and reasonable for proper and efficient performance and administration of Federal awards . . . Be allocable to Federal awards . . . Be adequately documented.

Contract Services - Orleans Parish was unable to provide adequate documentation to support five disbursements totaling \$62,130. Specifically, they could not locate any documentation to support one disbursement of \$13,000, approval documents for three disbursements totaling \$36,130, and a Purchase Order or a Receiving Report for one disbursement of \$13,000. Adequate documentation was provided for 20 disbursements totaling \$571,381.

Travel Costs - Orleans Parish was unable to provide adequate documentation to support four disbursements totaling \$35,397. Specifically, they could not locate approval documents or receipts for two charges totaling \$25,832. For two additional charges, Orleans was unable to provide any documentation to support charges totaling \$9,565. Adequate documentation was provided for the other 21 charges totaling \$294,303.

Supplies – Orleans Parish was unable to provide adequate documentation to support five disbursements totaling \$233,878. Orleans Parish was unable to provide documentation supporting that the charges were Title I eligible or that the purchased products were received or properly approved. Orleans Parish plans to provide adequate documentation at a later date to the Department for evaluation. Orleans Parish did provide adequate documentation for 20 disbursements totaling \$1,275,966.

Equipment - Orleans Parish was unable to provide adequate documentation to support 10 disbursements totaling \$2,452,799. Specifically, one equipment charge was for the first of three annual lease payments of \$2,322,500 per year. The lease was for 39 mathematics workstations (inclusive of computer software, computer hardware, computer furniture, and interconnecting wiring).

This lease was awarded without undergoing competitive bidding/purchase procedures. Orleans Parish was unable to justify either the decision to not use competitive bidding/purchase procedures or the decision that a three-year lease was more cost effective than a purchase of the system.

Under the Louisiana State Purchasing Rules and Regulations, purchases over \$25,000 shall be advertised as competitive sealed bid. The rules and regulations also state that if the chief procurement officer determines in writing that there is only one source, then a contract may be awarded without competition, but this determination requires an explanation as to why no other source was suitable or acceptable.

Sections of OMB Circular A-87, provide, in part, that —

Attachment B, Paragraph 19 equipment and other capital expenditures are personal property with a useful life of more than one year and a value of \$5,000 or more. It also explains that Capital expenditures may be recovered through use allowance.

Attachment B, Paragraph 38.d, “Rental costs under leases which are required to be treated as capital leases under GAAP are allowable only up to the amount that would be allowed had the governmental unit purchased the property on the date the lease agreement was executed. This amount would include expenses such as depreciation or use allowance”

Attachment A, Paragraph C.1.a, “To be allowable under Federal awards, costs must . . . Be necessary and reasonable” Attachment A, Paragraph C.2 addresses reasonable costs and provides that, “A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.”

Orleans Parish was unable to locate approval documentation for four equipment charges totaling \$88,558, nor was there any indication on the purchase orders that the equipment was to be used for Title I purposes. We could not determine the Title I need for two additional disbursements totaling \$20,747, and Orleans Parish could not provide purchase orders or receiving reports for

these disbursements. We also found two additional disbursements of \$13,747 for which no receiving reports were provided, and one claimed disbursement of \$7,247 was found to be a duplicate entry for which no documentation was provided. Orleans Parish provided adequate documentation for 12 of the 22 disbursements totaling \$391,381.

RECOMMENDATIONS

We recommend that the Assistant Secretary for Elementary and Secondary Education instruct the Louisiana Department of Education to—

- 2.1 Provide sufficient documentation to support expenditures for non-payroll transactions (\$2,784,204) or refund that amount to the Department of Education.
- 2.2 Provide justification for sole source procurement or not allow future lease payments of \$4,645,000 for mathematics workstations.

LOUISIANA DEPARTMENT OF EDUCATION'S COMMENTS

LDE agreed with all aspects of our finding, except they disagreed with our conclusions on the \$2.3 annual equipment lease payment. Regarding Recommendation 2.1, LDE noted that Orleans Parish, “. . . has located some documentation to support the questioned charges. Those documents are attached as exhibits to this response. We request the opportunity to submit additional documents and further request the OIG review this documentation. . . .”

LDE did not concur with Recommendation 2.2. Of the 33 procurement transactions that we questioned in the draft report, LDE agreed with one of our conclusions and agreed to refund \$7,247 to the Department.

LDE stated that Orleans Parish disagreed with our conclusion that adequate documentation was not available to support an equipment charge for the first of three annual lease payments of \$2,322,500 per year. LDE argued that the contract did not consist of three annual lease payments, but was an installment contract to pay the purchase price over three years. LDE acknowledged that the Orleans Parish School Board's resolution approving the contract did not use clear terminology. The contractor originally offered to sell the software for a one-time payment of \$2.3 million or to enter into a lease-purchase agreement for \$2.5 million. Under the lease-purchase option, Orleans Parish would make installment payments over three years but at the end would own the software. Orleans Parish was able to negotiate a three-year agreement for \$2.3 million.

LDE stated that the purchase was exclusively for software. It did not include any hardware, computers, furniture, or wiring. “All such equipment was funded through a direct appropriation from the federal government to the vendor, not with Title I funds.”

LDE stated that the software that was purchased with Title I funds was proprietary software, available only from one source. The vendor holds a copyright to the software and is the only vendor who sells it. Attached to the LDE response was an Orleans Parish Purchasing Department Sole Source Justification form approving the purchase.

Lastly, LDE stated the Orleans Parish School Board conducted an appropriate price analysis before entering into a contract and determined an installment contract was more advantageous than a lump sum payment. The school board also determined the software was advantageously priced as compared to other government sales by the same vendor.

OIG'S RESPONSE

We reviewed LDE's response and while we have not changed our finding, we did accept additional supporting documentation resulting in modifications to our recommendations. Additionally, we asked LDE to submit any additional supporting documentation obtained from Orleans Parish to the Department of Education official responsible for audit resolution and to provide copies to our office. We will assist the Department in reviewing the supporting documentation when all documentation available has been provided.

We disagree with LDE's assertion that Orleans Parish used Title I funds to purchase software exclusively. We obtained and reviewed Municipal Lease Agreement No. 3085, which was dated August 20, 2003, and signed by the vendor and the Orleans Parish School Board. The lease agreement called for the vendor to provide an education learning system to 39 classrooms. The system included the computers, other hardware, furniture, software, and hardware and software maintenance for 1,170 workstations. Additionally, the vendor agreed to provide staff development for the teachers and administrators and to "provide the infrastructure to support this educational learning system, inclusive of electrical wiring, computer wiring, computer furniture, computer hardware, and peripherals." Additionally, the Orleans Parish Purchase Order referred to the initial payment of \$2,332,500 as, "First Payment of three payments for thirty-nine (39) ... classroom leases."

We disagree that Orleans Parish followed procedures and adequately justified the sole-source procurement required by 34 C.F.R. §§ 80.36(b)(9) and (c)(3) which state—

Grantees and subgrantees will maintain records sufficient to detail the significant history of a procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection and the basis for the contract price. . . . Grantees will have written selection procedures for procurement transactions.

Additionally, 34 C.F.R. §§ 80.36(c)(4) states—

Grantees and subgrantees will ensure that all prequalified lists of persons, firms, or products which are used in acquiring goods and services are current and include enough

qualified sources to ensure maximum open and free competition. Also, grantees and subgrantees will not preclude potential bidders from qualifying during the solicitation period.

The Sole Source Justification Form, provided to us by Orleans Parish's Purchasing Department and dated November 25, 2003, did not provide the rationale for using the vendor selected. After we asked Orleans Parish for the written details, the vendor sent a letter dated April 24, 2003, stating, "JRL Enterprises is the sole manufacturer and distributor of I CAN Learn© Education Systems." While the one-page letter stated that JRL Enterprises was the sole source, Orleans Parish never provided us with documentation drafted at the time the sole source occurred justifying the procurement method used or the basis for the contract price.

Furthermore, the Orleans Parish's chief procurement officer did not sign the sole-source justification provided by LDE nor did it contain a written determination and justification by the procurement officer to use sole source. The Orleans Parish Director of Compliance did not approve the sole source justification, as is required by school policy, and he refused to approve the purchase requisition. Additionally, the Director of Purchasing stated in a letter to the Director of Compliance that, "This contract was negotiated without any Purchasing involvement and resulted in unusual terms and conditions outside normal Orleans Parish School Board Operating Policies."

Orleans Parish was unable to demonstrate that it conducted the procurement transaction in a manner providing full and open competition. Therefore, we have not changed our recommendations.

FINDING NO. 3 – Questioned Expenditures Due to Audit Scope Limitation

Other costs totaling \$17,407,118 were charged to Title I during our audit period. We question these costs due to an audit scope limitation and the possibility of significant unsupported costs based on the high incidence of unsupported costs in the amounts we did audit.

At the completion of our audit fieldwork we requested a management representation letter from Orleans Parish officials. The *Government Auditing Standards*, paragraph 7.54, suggests that auditors obtain a written representation letter in order to confirm representations and to reduce the possibility of misunderstandings.

In his representation letter to us, the Orleans Parish Superintendent made the following statements:

“...In that connection, we confirm that to the best of our knowledge and belief:

- There may exist irregularities involving management or employees who have or had a significant role in New Orleans’ compliance with the Department’s requirements contained in the Elementary and Secondary Educational Act (ESEA) of 1965, as amended, Title I.
- There may be irregularities involving any persons, outside consultants for example, that could have a material influence on the compliance with the requirements contained in the ESEA of 1965, as amended, Title I.
- There are material transactions that may have not been properly recorded in the accounting records related to compliance with the Department’s requirements contained in the ESEA of 1965, as amended, Title I.
- We have furnished all documents and reports requested during the course of the audit but they may not be accurate nor complete.
- We have complied or disclosed any noncompliance with all laws and regulations pertaining to the ESEA of 1965, as amended, Title I.
- The computer-processed data and related records provided to your staff fairly present the administration of our computer system for July 1, 2001 through December 31, 2003. However, the data and related records may not be reliable when used for their intended purposes.”

The Orleans Parish Superintendent also informed us that because he had recently implemented a task force to target corruption within the school system, he could not possibly assure us that all Orleans Parish records were accurate or that the unaudited \$17,407,118 in costs claimed were reasonable, allowable, and allocable.

We believe several factors contributed to the cause of these serious deficiencies including a lack of adequate controls in Orleans Parish’s accounting system. During our audit, we learned that over 50 employees had open-system access to the Oracle Computer System. Open-system access allows individual employees to change financial and operational data outside of their functional department (Human Resources, Payroll, Payables, and Finance).

We also learned that basic security features to track changes in the Oracle system were either not set up properly or were overridden. As a result, Orleans Parish has never made use of the auditing feature in its Oracle software, which would be useful to determine who performed specific actions or to detect any malicious or unauthorized activities.

Additionally, the 2002-2003 Single Audit described significant deficiencies and the auditors disclaimed an opinion on Federal awards based on the significance of uncertainties and inability to rely on the basic accounting systems.

An audit scope limitation was encountered when the Superintendent could not assure us that records provided were reliable, the payroll computer system was accessible to over 50 employees, payroll records were not provided to us, lists of Title I employees were not provided to us, many expenditures sampled were not properly documented or were unlocatable, and the Single Audit auditor disclaimed an opinion on Federal awards due to significant deficiencies and the inability to rely on the accounting system.

RECOMMENDATIONS

We recommend that the Assistant Secretary for Elementary and Secondary Education instruct the Louisiana Department of Education to—

- 3.1 Provide sufficient documentation to support \$17,407,118 or refund that amount to the Department of Education.
- 3.2 Require Orleans Parish to establish adequate controls in its accounting system to ensure costs charged to Title I and other Federal grants are properly accounted for and used in accordance with applicable laws and regulations.

LOUISIANA DEPARTMENT OF EDUCATION'S COMMENTS

LDE concurred with our finding and recommendations. LDE stated in its response that Orleans Parish takes this finding very seriously, as it highlights significant problems that contributed to Findings 1 and 2. LDE stated Orleans Parish would continue to investigate the finding and to the best of its ability, develop a list of specific Title I charges for the school's internal audit staff to review for allowability under Title I regulations. LDE stated that it would then work closely with the Department of Education to resolve any remaining claims for unallowable expenditures.

SIGNIFICANT SUBSEQUENT EVENTS

On May 25, 2004, we issued Interim Audit Memorandum State and Local No. 04-03 to the Department's Chief Financial Officer and the Assistant Secretary for the Office of Elementary and Secondary Education. In the Memorandum we advised the Department of Education (Department) of the need to designate Orleans Parish as a high-risk grantee and to impose special conditions on all current and future awards to Orleans Parish. We also recommended that the

Department advise the LDE to consider placing special conditions on grants it makes to Orleans Parish that include Federal funds.

On July 16, 2004, the LDE notified the Department that beginning July 1, 2004, the Orleans Parish School District was considered to be in a "high risk" status for all Federal grant programs. The LDE cited 34 C.F.R. § 80.12, which states that a subgrantee may be considered high risk if an awarding agency determines that a subgrantee: "(3) has a management system which does not meet the management standards set forth in this part" The LDE also noted that, "[a]ccording to this law, an acceptable financial management system must provide adequate financial reporting, recordkeeping, internal controls, budget control, allowable costs, and cash management."

The LDE required Orleans Parish to meet certain conditions before the State would allocate Federal funds for fiscal year 2004-2005. These conditions include requiring Orleans Parish to:

1. Submit specific documentation to substantiate all expenditures for future requests for funds for all Federal programs.
2. Engage an independent certified public accountant to conduct a performance audit in which the efficiency and effectiveness of all fiscal operations, including but not limited to payroll, budget, contracts, procurement, and grants management, are examined.
3. Submit a detailed corrective action plan to specifically address all findings identified in the performance audit.
4. Provide a report on the benefits of outsourcing all or a portion of the district's fiscal processes and duties, including payroll, budget, contracts, and grant management.
5. Develop a structured system improvement plan containing timetables, measurable goals and priorities for, among other things, organizational and budgetary changes.

In response, the Orleans Parish Superintendent stated that he understood the seriousness of the high-risk status and intended to adhere totally and completely to all conditions, procedures and performances.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of our audit was to determine whether the Orleans Parish, through the New Orleans Public Schools, properly accounted for and used Title I, Part A grant funds in accordance with the ESEA of 1965, as amended, EDGAR, and the cost principles in OMB Circular A-87.

To accomplish our objective, we—

- Reviewed the financial statements and OMB Circular A-133 audit reports for the years ended June 30, 2002 and June 30, 2003;
- Reviewed Orleans Parish's Title I grant application and budget narrative;
- Reviewed Orleans Parish's Grant Performance Reports;
- Reviewed Orleans Parish's School Board Minutes for the meetings of November 26, 2003 and June 16, 2003;
- Reviewed written policies and procedures for budgeting, accounting, procurement, payroll, and fringe benefits for the Title I grants;
- Judgmentally selected 97 of the largest transactions from non-duplicated vendors and traced them to supporting documentation. The reviewed transactions account for \$5,317,235 or 23 percent of the total dollars expended to vendors. We reviewed 20 transactions for fiscal year 2001-2002, 60 for fiscal year 2002-2003, and 17 for part of fiscal year 2003-2004; and
- Interviewed various Orleans Parish employees and LDE officials.

We were unable to obtain and verify the accuracy, completeness, and reliability of computer-generated data documenting payroll charges for employees assigned to work on the Title I grant program. Even though we made several requests for data from Orleans Parish officials, they were unable to provide us with a list of Title I employees and the amounts charged to Title I for each employee. However, to achieve our audit objective for reviewing non-payroll transactions, we relied, in part, on computer-processed Title I funds request forms submitted to the LDE by Orleans Parish. We verified the completeness of the data by comparing source records to computer-generated request forms, and verified the authenticity by comparing computer-generated request forms to source documents.

We conducted our fieldwork at Orleans Parish Public Schools' Central Office between February 9, 2004, and April 1, 2004. We discussed the results of our audit with Orleans Parish officials on March 31, 2004. An exit conference was held with LDE officials on August 31, 2004.

Except as described above and the scope limitation described in Finding No. 3, our audit was performed in accordance with generally accepted government auditing standards appropriate to the scope of audit described above.

STATEMENT ON INTERNAL CONTROLS

Our assessment of Orleans Parish's internal control structure was limited to those areas identified while conducting substantive tests of costs charged to the Title I grant. Our audit disclosed a significant lack of internal controls, which adversely affected Orleans Parish's ability to administer Title I funds. Specifically, we concluded that Orleans Parish needs to improve its internal controls related to the maintenance and retention of payroll, personnel, and financial records, reviews and approval of transactions charged to Title I, and using competitive bidding

practices for significant equipment purchases. Those weaknesses and their effects are identified in the AUDIT RESULTS section of this report.

ADMINISTRATIVE MATTERS

Statements that managerial practices need improvements, as well as other conclusions and recommendations in this report represent the opinions of the Office of Inspector General. Determinations of corrective action to be taken will be made by the appropriate Department of Education officials.

If you have any additional comments or information that you believe may have a bearing on the resolution of this audit, you should send them directly to the following Education Department official, who will consider them before taking final Departmental action on the audit:

Raymond J. Simon
Assistant Secretary
Office of Elementary and Secondary Education
U.S. Department of Education
400 Maryland Avenue, SW
Washington, DC 20202

It is the policy of the U.S. Department of Education to expedite the resolution of audits by initiating timely action on the findings and recommendations contained therein. Therefore, receipt of your comments within 30 days would be greatly appreciated.

In accordance with Freedom of Information Act (5 U.S.C §552), reports issued by the Office of Inspector General are available, if requested, to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act.

Sincerely,

/s/
Sherri L. Demmel
Regional Inspector General
for Audit

Attachment

**Summary of Unsupported Costs, Other Questioned Costs, and Allowed Costs of
Title I Funds Administered by Orleans Parish
For the Period July 1, 2001, through December 31, 2003**

Unsupported Costs

Fiscal Year	2001-2002	2002-2003	2003-2004 through Dec 31, 2003	Totals
Salaries	\$17,713,393.64	\$16,477,993.49	\$5,689,505.34	\$39,880,892.47
Fringe Benefits	\$3,320,717.49	\$4,529,917.02	\$1,368,424.09	\$9,219,058.60
Payroll Total	\$21,034,111.13	\$21,007,910.51	\$7,057,929.43	\$49,099,951.07
Contract Services	\$1,980.00	\$60,149.63	\$0.00	\$62,129.63
Travel	\$25,832.32	\$5,964.79	\$3,600.00	\$35,397.11
Supplies	\$0.00	\$233,878.33	\$0.00	\$233,878.33
Equipment	\$88,558.14	\$41,741.16	\$2,322,500.00	\$2,452,799.30
Non-payroll Total	\$116,370.46	\$341,733.91	\$2,326,100.00	2,784,204.37
Unsupported Expenditures	\$21,150,481.59	\$21,349,644.42	\$9,384,029.43	<u>\$51,884,155.44</u>

Questioned Costs

Other Questioned Costs – Audit Scope Limitation	\$7,961,842.05	\$8,858,752.45	\$586,523.79	<u>\$17,407,118.29</u>
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Allowed Costs

Fiscal Year	2001-2002	2002-2003	2003-2004 through Dec 31, 2003	Totals
Contract Services	\$197,084.55	\$367,216.10	\$ 7,080.00	\$571,380.65
Travel	\$ 96,502.49	\$185,420.99	\$12,379.80	\$294,303.28
Supplies	\$418,050.02	\$840,691.61	\$17,224.85	\$1,275,966.48
Equipment	\$ 32,708.00	\$344,072.83	\$14,600.00	\$391,380.83
Allowed Costs Total	\$744,345.06	\$1,737,401.53	\$51,284.65	<u>\$2,533,031.24</u>



STATE OF LOUISIANA
DEPARTMENT OF EDUCATION
POST OFFICE BOX 94064, BATON ROUGE, LOUISIANA 70804-9064
Toll Free #: 1-877-453-2721
<http://www.doe.state.la.us>

Attachment

January 14, 2005

Sherri L. Demmel
Regional Inspector General for Audit
U.S. Department of Education
Office of Inspector General
1999 Bryan Street, Suite 2630
Dallas, Texas 75201-6817

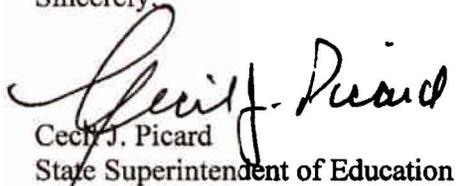
Dear Ms. Demmel:

On November 17, 2004, the Louisiana Department of Education (LDE) received Draft Audit Report, ED-OIG/A06-E00008, regarding the Orleans Parish School Board. The Louisiana Department of Education appreciates the opportunity to respond to the Office of Inspector General's (OIG) findings outlined in its draft audit report. This response was originally due thirty days after the date of the letter. On December 18, 2004, the LDE requested an extension to respond to the findings. The OIG granted the extension and required that this response be submitted no later than January 14, 2005.

Attached is a copy of the Louisiana Department of Education's response to the findings. If you have questions, please contact Dr. Robin Jarvis, Assistant Superintendent of the Office of Student and School Performance, at 225-342-3513 or use the toll-free number listed above.

Thank you for your cooperation.

Sincerely,


Cecil J. Picard
State Superintendent of Education

CJP: yyw

Enclosures

c: Marlyn J. Langley
Robin Jarvis, Ph.D.
Beth Scioneaux

"An Equal Opportunity Employer"

**Louisiana Department of Education
Response to Draft Audit Report: ED-OIG/A06-E0008**

Submitted to:
Sherri L. Demmel
Regional Inspector General for Audit
U.S. Department of Education
Office of Inspector General
1999 Bryan Street, Suite 2630
Dallas, Texas 75201-6817

The Louisiana of Education (LDE) appreciates the opportunity to respond to the Office of Inspector General's (OIG) findings outlined in its November 16, 2004, draft audit report about the use of Title I funds administered by the Orleans Parish School Board (OPSB). This response was originally due thirty days after the date of the letter; however, OIG granted an extension and required that this response be submitted no later than January 14, 2005.

LDE is working closely with OPSB to investigate the specific findings described in the draft report. Additionally, LDE has hired Grover Austin, an expert consultant with extensive prior audit experience, to work with Orleans Parish staff to locate and/or reconstruct necessary or missing documentation. Mr. Austin is a former state legislative auditor who is familiar with federal fiscal and administrative requirements, as well as with the Orleans Parish School System. Orleans Parish is devoting significant staff resources to work with Mr. Austin.

As discussed in more detail below, OPSB has located some documentation to support the questioned charges. Those documents are attached as exhibits to this response. We request the opportunity to submit additional documents and further request the OIG review this documentation before issuing a final audit report. OPSB is gathering the additional documentation and will send it to OIG promptly.

LDE appreciates the seriousness of the issues raised in the draft audit report and acknowledges there are material weaknesses in OPSB's current grants management system. Indeed, in response to these weaknesses and well before the issuance of this audit report, LDE placed the Orleans Parish School District (the District) on "high risk" status for all federal grants on July 16, 2004. As part of this status, LDE has attached special conditions to all allocations of federal funds to the District. Under the special conditions, the District must:

- Submit specific documentation to substantiate all expenditures of federal funds.

- Engage an independent certified public accountant to conduct a performance audit to examine the efficiency and effectiveness of all fiscal operations.
- Provide a report on the benefits of outsourcing all or a portion of the District's fiscal processes and duties.
- Develop a structured system improvement plan containing timetables, measurable goals and priorities for organizational and budgetary changes.

LDE and OPSB are committed to addressing these weaknesses and to strengthening the District's controls so it can better administer federal funds. In accordance with the special conditions, OPSB, under the oversight of LDE, is drafting detailed workplans with specific corrective action items. These workplans will focus on:

- Payroll
- Procurement
- Budget
- Grants Management
- Financial Management, including recordkeeping, reporting, internal controls and cash management

In addition to the external expertise of Grover Austin, OPSB has retained Deloitte & Touche to conduct a performance audit of the District's fiscal operations. Deloitte and Touche will provide OPSB with recommendations for systemic improvements. These recommendations will lay a foundation for the District's corrective action workplans. LDE will monitor this process and provide technical assistance where appropriate.

LDE and OPSB are also committed to addressing the specific issues raised by the draft audit report. LDE has the following responses to the auditors' findings:

Finding No. 1 – Payroll and Fringe Benefits Were Not Adequately Documented

The auditors found OPSB did not have sufficient documentation to support \$49.1 million in payroll and related fringe benefits claimed for reimbursement from Title I funds. OIG recommended OPSB provide the necessary documentation or return the funds to the U.S. Department of Education. District staff have been working with Mr. Austin to locate the documents necessary to support the questioned payroll benefits. Unfortunately, a hardware failure caused the loss of all electronic claims filed with LDE. Thus, OPSB will be unable to reconcile expenditures in the general ledger to the claim documents filed with LDE.

District staff will continue to work with Mr. Austin to identify the employees paid with Title I funds and to obtain any necessary certifications, time distribution records, or alternative documentation to justify the charges to Title I. Although we initially believed the District was missing critical payroll documents, District employees have just located extensive documentation related to these expenditures. These documents include a listing

of teachers supported with Title I funds and associated time and effort certifications. Mr. Austin is reviewing these documents to determine if they are sufficient to support the questioned charges. If necessary, Mr. Austin will also continue to review existing documentation to determine whether any reconstruction is possible. Finally, OPSB will review its current payroll procedures to identify areas that can be improved. OPSB will pay particular attention to the following areas:

- **Internal Controls** – OPSB will concentrate on increasing controls over its payroll system to ensure federal funds are properly allocated based on employees' time and effort, consistent with appropriate federal cost principles. For example, OPSB will ensure employee functions are properly segregated.
- **Document Retention** – A vital component of OPSB's workplan will be developing an improved system for the retention, maintenance and retrieval of necessary accounting and other payroll records. Part of this system will include ensuring all necessary payroll reconciliations are performed appropriately.
- **Training** – OPSB will provide training to all employees involved in federal programs. Trainings will focus on appropriate payroll certifications, record retention, and crosscutting administrative and fiscal management (e.g., OMB Circulars, EDGAR, and other requirements).

OPSB will consider other areas in need of improvement, especially any recommendations included in the Deloitte & Touche report.

Finding No. 2 – Non-Payroll Related Expenditures Were Not Documented

The auditors found Orleans Parish could not provide adequate documentation to support thirty-three procurement transactions. These transactions fell into the following categories: contract services, travel, supplies, and equipment. OIG recommended OPSB either provide the necessary documentation or return \$3,142,286 to the U.S. Department of Education. OPSB disagrees with some of the conclusions reached by the auditors.

Contract Services

The auditors concluded OPSB could not provide adequate documentation to support disbursements made for contract services. Specifically, the auditors noted:

- OPSB could not locate any documents to support one disbursement of \$13,000. OPSB has located invoices and other supporting documents for this disbursement and will make them available to OIG for its review.
- OPSB could not locate approval documents for five disbursements totaling \$182,635. For two of these disbursements, OPSB has located the requisite approval documents. Attached as Exhibit A is an excerpt from the minutes of a November 12, 2001, OPSB meeting. These minutes reflect that OPSB approved a contract with Xavier University at a cost not to exceed \$70,000. The auditors

questioned a \$25,000, payment made under that contract. Attached as Exhibit B is an excerpt from the minutes of an August 12, 2002, OPSB meeting. These minutes reflect OPSB approved a contract with Sylvan Education Solutions in the amount of \$1,496,036. The auditors questioned a \$121,504.80 payment made under that contract. For the remaining three disbursements, OPSB will provide OIG with an acknowledgement from the appropriate supervisors that they approved the purchases and used the items for allowable Title I purposes.

- OPSB could not provide a purchase order or receiving report for one disbursement of \$13,000. OPSB will provide OIG with an acknowledgement from the appropriate supervisor that District personnel purchased the item in accordance with the District's policies and procedures, received the item, and used it for allowable Title I purposes.

Travel

The auditors also concluded OPSB could not provide adequate documents to support five disbursements made for travel costs. Specifically, the auditors noted:

- Orleans Parish could not provide approval documents for three charges totaling \$91,400. For one disbursement OPSB has located the requisite approval document. Attached as Exhibit C is an approval memorandum dated July 30, 2002. The memorandum reflects an appropriate OPSB official approved a contract with Radisson Hotel of New Orleans for meeting rooms and catering services for the Annual Special Education Conference for Exceptional Children's Services and Title I Pre-Service. The auditors questioned a \$65,568 payment under this contract. For the remaining two disbursements, Orleans Parish will provide OIG with acknowledgements from the appropriate supervisors indicating they approved the travel for allowable Title I purposes. For two of these charges, Orleans Parish will provide receipts that were obtained from the vendors.
- Orleans Parish could not provide any documentation supporting two disbursements totaling \$9,565. Orleans Parish will provide OIG with acknowledgements from appropriate supervisors that they approved the travel for allowable Title I purposes and other supporting documentation.

Supplies

The auditors concluded OPSB could not provide adequate documents to support ten disbursements for supplies. Specifically, the auditors noted:

- OPSB could not provide documents to prove eight disbursements totaling \$267,548 were for eligible Title I purposes or that the products were received or properly approved. For three of these disbursements, OPSB has located some supporting documentation. Attached as Exhibit D is a receiving report indicating supplies from Wright Learning were received on December 11, 2002. These supplies totaled \$9,842. Attached as Exhibit E is an invoice from Successful for All Foundation, Inc. for \$10,870. Sharon L. Paul signed the invoice.

acknowledging the supplies were received. Attached as Exhibit F is a purchase order and corresponding invoice for supplies totaling \$12,958. These supplies were purchased from Corporate Business Supplies. OPSB will provide additional supporting documents, including acknowledgements from the appropriate supervisors that they approved the purchases, the items were received, and they were used for allowable Title I purposes.

- OPSB could not provide documentation justifying two sole source purchases totaling \$105,983. OPSB has located the requisite documentation. Attached as Exhibit G is an OPSB Purchasing Department Sole Source Justification form for the Race for Reading Program. The form is dated June 20, 2002, and approves a sole source contract with Project 59 for Youth Foundation, Inc. OPSB determined there are no regional distributors and that this is the only program that would meet the department's specialized needs. A letter from the vendor certifying it is the only vendor selling the reading program is also included. Attached as Exhibit H is a sole source approval for a contract with Lightspan Partnership, Inc. for additional Lightspan program instructional materials. OPSB determined a sole source contract was appropriate because the school already had an existing Lightspan program in place, but wanted to expand the program to other grade levels. Lightspan holds all relevant copyrights and is the only vendor that could provide the additional material. A letter from the vendor confirming its intellectual property rights is included.

Equipment

The auditors concluded OPSB could not provide documents to support three annual leases for thirty-nine mathematics workstations, including computer software, hardware, computers, furniture, and interconnecting wiring. These contracts were sole sourced. OPSB respectfully disagrees with the auditors' conclusions. The contract did not consist of three annual leases, but was an installment contract to pay the purchase price over three years. OPSB acknowledges its resolution approving the contract did not use clear terminology. JRL originally offered: (1) to sell the software for a one-time, upfront payment of \$2.3 million; or (2) to enter into a "lease-purchase" agreement for \$2.5 million. Under the lease-purchase option, OPSB would make installment payments over three years but at the end would own the software. OPSB negotiated with JRL and was able to enter into the three-year agreement for \$2.3 million. Attached as Exhibit I is a memorandum from an LDE attorney describing the background of the contract.

This purchase was exclusively for software. It did not include any hardware, computers, furniture or wiring. All such equipment was funded through a direct appropriation from the federal government to the vendor, not with Title I funds. This is confirmed by LDE's attorney in Exhibit I.

The software that was purchased with Title I funds was proprietary software, available from only one source. The vendor holds a copyright to the software and is the only vendor who sells it. Attached as Exhibit J is a letter from JRL confirming it holds

exclusive patents to the software.¹ This software is listed on the U.S. Department of Education's website, "What's Working in Education," as a best practice in Education. The Louisiana Public Bid Law (Title 38 of the Louisiana Revised Statutes), as well as the policies and procedures adopted by OPSB, allow the school board to enter into non-competitive contracts for proprietary software available from only one source. These rules are consistent with federal regulations, which allow grantees and subgrantees to use non-competitive procedures when "the item is available only from a single source." 34 CFR § 80.36(4). Attached as Exhibit K is an OPSB Purchasing Department Sole Source Justification form approving the purchase.

The auditors also questioned why OPSB entered into a three-year agreement with the vendor. Under the contract, the vendor absorbed all interest costs. The school board only paid for the direct cost of the software. Before entering into the contract, the school board conducted an appropriate price analysis and determined the installment contract was more advantageous than a lump sum payment. The school board also determined the software was advantageously priced as compared to other governmental sales. Attached as Exhibit L is a price analysis reflecting the price paid by OPSB compared to the prices paid by two other states. Based upon this comparison, it is evident OPSB paid a competitive price.

The auditors also noted:

- OPSB could not provide adequate documents to support four disbursements totaling \$88,558. OPSB will provide OIG with documents indicating the items were properly ordered in accordance with District policies, the items were received, and were used for approved Title I purposes.
- OPSB could not identify how three equipment charges totaling \$27,103 benefited the Title I program. For two of these charges, the auditor concluded OPSB could not provide purchase orders or receiving reports. For one of these charges, OPSB has located an invoice and acknowledgement of receipt. Attached as Exhibit M is an invoice from Audio Visual Mart for equipment totaling \$6,356. An employee signed the invoice to acknowledge the items were received. For another charge, OPSB has located an invoice, which is attached as Exhibit N. OPSB will provide OIG with a letter documenting the Title I program's need for the questioned items. Further, OPSB will provide acknowledgements from the appropriate supervisors indicating the items were purchased in accordance with the District's policies, the items were received, and they were used for allowable Title I purposes.
- OPSB could not provide receiving reports for two disbursements totaling \$13,747. OPSB can provide acknowledgements from the appropriate supervisors indicating

¹ Please note, the letter was emailed to OPSB. The word processing software contains a macro that automatically updates the date in the document. Although the document is dated December 8, 2004, it was in fact signed in April 2003. This is confirmed by the accompanying printout of the email from JRL to OPSB, which is dated April 24, 2003.

the items were purchased in accordance with the District's policies, the items were received, and they were used for allowable Title I purposes.

- OPSB made duplicate disbursements of \$7,247. OPSB agrees with the auditors and will refund \$7,247 to the U.S. Department of Education.

OPSB acknowledges the auditors identified weaknesses in its procurement procedures. OPSB will review its current procedures to identify areas that can be improved. OPSB will pay particular attention to the following areas:

- **The Approval Process** – As part of strengthening its management controls, OPSB will review each “decision point” to ensure the appropriate supervisors approve appropriate decisions. If necessary, OPSB will document these levels of review and train employees on how to get approval of purchase requests.
- **Justification of Purchases** – OPSB has adopted policies and procedures that are consistent with state and federal law. However, OPSB will review those procedures to determine if they need to be clarified or improved. Specifically, OPSB will review its procedures related to sole source contracts. OPSB will also provide training to ensure employee properly implement all procurement procedures.
- **Document Retention** – As discussed in Finding No. 1 above, a vital component of OPSB's workplan is to develop a process to retain and safeguard all necessary documentation.

Finding No. 3 – Questioned Expenditures Due to Scope Limitation

The auditors questioned an additional \$17,407, in Title I expenditures due to an audit scope limitation. OPSB notes there is no evidence these expenditures were inappropriate. OPSB takes this finding very seriously, as it highlights significant problems that contributed to Findings 1 and 2. As described above, OPSB is forming a task force and drafting detailed workplans with specific corrective action items to dramatically improve the District's financial management system.

District staff will continue to investigate this finding. To the best of its ability, OPSB will develop a list of the specific Title I charges and the OPSB internal audit office will audit the list to ensure all expenditures were allowable under Title I. LDE will then work closely and cooperatively with the U.S. Department of Education to resolve any remaining claims for unallowable expenditures.

SECTION C: CONSENT ITEMS**VI) UNIVERSITY COURSES LEARNING ACADEMIES and HIGH PRIORITY SCHOOLS**

Seventy-five participants including teachers and principals from the Learning Academies and high-priority schools will be selected to participate in specifically designed graduate-level university courses. The selection criteria for participants will be based on the first seventy-five teachers and principals who wish to enroll in the program. All participants must meet the university requirements and standards. If the enrollment falls below seventy-five, teachers and principals from the remaining corrective action schools will become eligible to participate. This initiative will become operational at a cost not to exceed \$70,000.00 per semester.

IASA, Title I/Consolidated Programs and Professional Development, in collaboration with Xavier University and the Department of Curriculum, Instruction and Educational Support Program, have identified courses that align with the district's instructional focus, State and Local Standards, high-stakes testing, and other initiatives that promote student learning. Course syllabi, textbooks, instructional materials, follow-up and support services will be selected and/or developed to complement the curriculum for the New Orleans Public Schools. The courses will be structured in a way that offers teachers and principals the opportunity to:

- become a certified reading specialist;
- apply and assess learned research-based practices;
- increase knowledge in the areas of reading, writing, mathematics, and technology;
- participate in a teacher-exchange program, peer coaching and focus/study groups sessions; and
- receive school-site support and assistance from university professors as practices taught in the courses are implemented in the classroom.

Additionally, teachers and principals will gain effective teaching and learning practices through proven professional development that has an impact that is far reaching. Participation in the courses will ensure sustained learning opportunities and the potential to increase academic performance for thousands of students. The course offerings will begin during the upcoming spring session.

Instructional Technology
Adv. Inst. Tech LA INTECH
Foundation of Reading
(Methods of Teaching Reading)
Diagnostic and Prescriptive Reading

Teaching Reading and Writing in the Content Areas
Mathematics the Workshop Way
Practicum in Reading
Special Problems in Research for Administrators
(Clinical Supervision and Supervisory Approaches to Instruction)

RECOMMENDATION: That the Orleans Parish School Board approve the graduate courses to be conducted at Xavier University for teachers and principals from the Learning Academies and High-Priority Schools during the Spring 2002 semester at a total cost not to exceed \$70,000.00. Funds are available in the Title I Accountability Grant.



3

SECTION D - PAGE 6
August 12, 2002

DIVISION OF FINANCIAL SERVICES

03-2.021

**THIRD PARTY CONTRACT FOR SUPPLEMENTAL EDUCATIONAL SERVICES
FOR TITLE I NON-PUBLIC SCHOOLS (REQUEST FOR PROPOSAL NO. 7732)**

Two proposals were received from firms to provide educational services for Title I non public schools. The proposals were reviewed by a Screening and Evaluation Committee composed of representatives from Purchasing, the Archdiocese of New Orleans and Title I. Sylvan Education Solutions was selected because of its experience, prior performance and cost.

Funds are available in the Title I Budget. The total cost of this contract is not to exceed \$1,496,036.00 for the period September 1, 2002 through August 31, 2003 with the option to renew for three (3) additional years if mutually agreeable under the same terms and conditions.

The Purchasing and Procurement Committee has reviewed this recommendation. The Board General Counsel will prepare the contract.

RECOMMENDATION: That the Orleans Parish School Board accept the proposal to enter into a contract with Sylvan Education Solutions in the amount of \$1,496,036.00 as previously listed. (Item #03-2.021 is funded in the Title I Budget).



MATERIALS & SUPPLIES \$97,126.50

RENTAL OF MEETING ROOMS & CATERING SERVICES FOR ANNUAL SPECIAL EDUCATION CONFERENCE FOR EXCEPTIONAL CHILDREN'S AND TITLE I PRE-SERVICE ON AUGUST 7-9, 2002 PROPOSAL #7739)

Requestor(s): [Redacted] Title I Exceptional Children's Service

Approving Administrative Officer: [Redacted]

Designation by Compliance Officer: General Bid

Advertisement Dates: Times Picayune
July 19, 2002

Opened: Monday, July 29, 2002

Vendors Receiving Bids: 13 **Vendors Responding:** 1

Principal of the Company:
RADISSON HOTEL (NEW ORLEANS, LA)

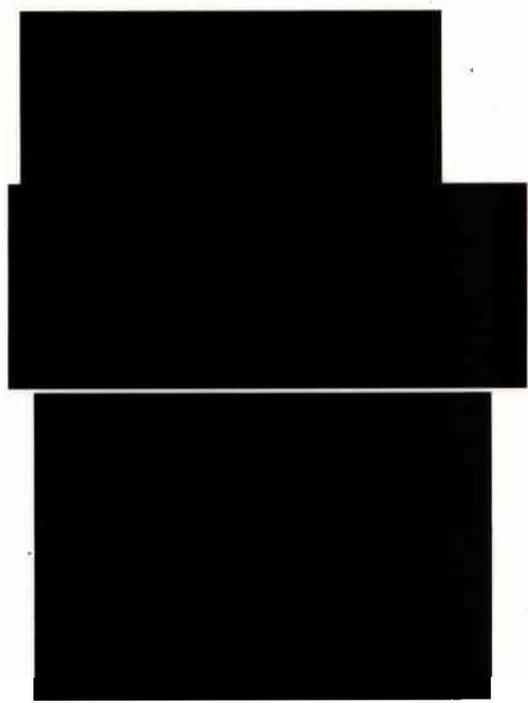
Background Information

These services are needed to facilitate the Annual Special Education Conference held by Exceptional Children's Services and the Pre-Service held by the Title I Department. The Radisson Hotel of New Orleans submitted the only bid meeting the specifications. Funds are available in the Exceptional Children's Services and Title I Accounts. The total cost of this purchase is \$97,126.50.

PREPARED ON 7/29/02 BY: [Redacted]

REVIEWED ON 7/29/02 .BY: [Redacted]

AUTHORIZED BY 7/29/02 BY: [Redacted]





NEW ORLEANS PUBLIC SCHOOLS

RECEIVING REPORT FOLLOW UP

ACCOUNTS PAYABLE SECTION

ORLEANS PARISH SCHOOL BOARD • 3510 GENERAL DEGAULLE DRIVE • NEW ORLEANS, LOUISIANA 70114

Wright Learning

12/5/02

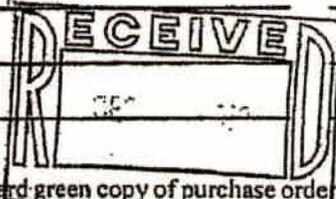
(Date)

If merchandise was received, please sign below and return to me for payment. Thanks

Dear Principal/Dept. Head

We have not received approvals on the purchase orders listed below:

PO DATE	PO NUMBER	VENDOR	AMOUNT
<i>10/24/02</i>	<i>0189678</i>	<i>Ensemble Office Essentials</i>	<i>9,842.50</i>



If delivery is complete and merchandise is satisfactory, please forward green copy of purchase order (or if the green copy has been sent, please send a signed copy of the purchase order) to the attention of the undersigned in the Accounts Payable Section. **WE THANK YOU FOR YOUR COOPERATION.**

If approval is being withheld, please state the reason below and return this copy only at once to the Accounts Payable Section. Also, please specify whether you contacted vendors concerning any difficulties.

If you have any questions, please call.

Very truly yours,

FOR REPLY TO ACCOUNTS PAYABLE

Merchandise Received

By:

Phone No.:

By:

Phone No.:

Date: *12/11/02*

FAX No.: (504) 365-5411

FORM NO.: AP 001 (5/98)

White - School/Dept. Response Copy
Send To A/P if Approval Withheld

Yellow - School/Dept. Copy

Pink

A/P Vendor File



NEW ORLEANS PARISH SCHOOL BOARD

PURCHASING DEPARTMENT
3510 GEN. DEGAULLE DR.
NEW ORLEANS, LA 70114
PHONE: (504) 385-5500
FAX: (504) 385-5509
FAX: (504) 385-5511

Purchase Order

PURCHASE ORDER NO.	REVISION	PAGE
0190788	0	1

THIS PURCHASE ORDER NO. MUST APPEAR ON ALL INVOICES, PACKING
LISTS, CARTONS AND CORRESPONDENCE RELATED TO THIS ORDER.

SHIP TO:

Title I Department
3500 General DeGaulle Drive
New Orleans, LA 70114
United States

BILL TO:

Accounts Payable
3510 General DeGaulle Drive
Suite 487
New Orleans, LA 70114
United States

VENDOR: CORPORATE BUSINESS SUPPLIES
273 PLAUCHE STREET
HARAHAN, LA 70123
United States

BUYER ACCOUNT NO.	VENDOR NO.	DATE OF ORDER/BUYER	REVISED DATE / BUYER
	5334	29-JUN-02	
SHIPMENT TERMS	SHIP VIA	F.O.B.	
net 30	Freight Carrier	Destination	
RIGHT TERMS	REQUESTOR / DELIVER TO	CONFIRM TO / TELEPHONE	
paid			

ITEM	PART NUMBER / DESCRIPTION	DELIVERY DATE	QUANTITY	UNIT	UNIT PRICE	EXTENSION	TAX
	REQ#55748 MARK FOR [REDACTED] ROOM 319 CONNEC TABLES TOP CNR2460 FINISH (ACM) CHERRY	29-JUL-02	8.00	Each	96.88	775.04	N
2	CONNEC TABLE FOLDING LEGS CNTELEG24-218	29-JUL-02	16.00	Each	94.08	1,505.28	N
3	CONNEC TABLES GANGING FLUSH PLATE CNGFP	29-JUL-02	12.00	Each	10.35	124.20	N
4	CONNEC TABLES BRAKING CASTERS CNCB	29-JUL-02	32.00	Each	9.65	308.80	N
5	SALERNO 4371-4 CHAIR COLOR: HUNTER GREE LEATHER/MOCK LEATHER 458/558-COLOR CODE	29-JUL-02	40.00	Each	244.96	9,798.40	N
6	SALERNO 4370-3 CHAIR COLOR: HUNTER GREEN LEATHER/MOCK LEATHER 458/558-CLOR CODE	29-JUL-02	1.00	Each	297	297.00	N
						12,808.72	

Prices indicated are "not to exceed" without prior approval from the Purchasing Department.
Unapproved increases will not be honored.

The Orleans Parish School Board is Exempt From All Federal Taxes
and City Sales Taxes.

Total

AUTHORIZED SIGNATURE



CORPORATE BUSINESS SUPPLIES, INC.
"Your Single Source Supplier"

273 PLAUCHE STREET
 HARAHAN, LA 70123
 PHONE (504) 734-3072 FAX (504) 734-3035

Attachment

18

Page 1 Of 1

REMIT
 273 Plauché Street
 Harahan, LA 70123

INVOICE NO. 45043 A

B
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O

ORLEANS PARISH SCHOOL BOARD (2)
 3510 GEN. DEGAULLE DR.
 ACCOUNTING DEPARTMENT
 NEW ORLEANS, LA 70114

S
H
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P
T
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TITLE I DEPT. [REDACTED]
 FOR [REDACTED]
 3500 GENERAL DEGAULLE

DATE	SHIP VIA	FOB	TERMS	SALES PERSON	PURCHASE ORDER NO.
17/02	Our Truck	DEL.	NET 21	AL	0190788

REQ.	QUANTITY SHIPPED	B.O.	ITEM NUMBER	DESCRIPTION	UNIT PRICE	EXTENDED PRICE
15.00	15.00	EA	BLB CNFLEDS	LEGS, CORR. FOLDING TABLE	94.00	1,410.00
8.00	8.00	EA	BLB CNR2468	TIP, CONNECTIBLES, CHERRY	95.88	775.04
12.00	12.00	EA	BLB CNRFP	CONNECTIBLES, GRABING FLUSH PLATE	18.35	220.20
32.00	32.00	EA	BLB CNCB	CONNECTIBLES, BARKING CASTERS	9.65	308.80
48.00	48.00	EA	BLB 43714	CHAIR, HUNTER GUN, LEATHER	244.95	9,758.76
1.00	1.00	EA	BLB 43703	CHAIR, LEATHER, HUNTER GUN	297.00	297.00
1.00	1.00	EA	STD CRB	STORAGE CHARGE	158.00	158.00

RECEIVED
 SEP 30 2002

ENTERED
 11/3/02

NOTE: A 1 1/2% SERVICE CHARGE will be added to PAST DUE ACCOUNTS. This is an ANNUAL PERCENTAGE RATE of 18%. Our responsibility ceases when goods are delivered and signed for. Returned merchandise will not be accepted without prior approval.

SUB TOTAL	12,958.71
TAX	0.00
SHIPPING	0.00
TOTAL DUE	12,958.71

CUSTOMER ORIGINAL

ORLEANS PARISH SCHOOL BOARD

PURCHASING DEPARTMENT

SOLE SOURCE JUSTIFICATION

School / Department: Little I

Requestor Name: [Redacted]

Commodity or Services: Race for Reading Program (Action Kit)
(Budget Unit Head)

Estimated expenditure or annual expenditure for the above commodity or service: \$ 68,000.00

Vendor Name and Address: Project 59 for Youth Foundation, Inc.

Initial all entries below that apply to the proposed purchase. Attach a memorandum containing complete justification and support documentation as directed below. (More than one entry will apply to most sole source products / services requested).

- 1. SOLE SOURCE REQUEST FOR THE ORIGINAL MANUFACTURER OR PROVIDER, THERE ARE NO REGIONAL DISTRIBUTORS. (Attach the manufacturer's written certification that no regional distributors exist; the certification will be valid for one (1) calendar year. Item No. 4 also must be completed).
- 2. SOLE SOURCE REQUEST IS FOR ONLY THE METRO (NEW ORLEANS) AREA DISTRIBUTOR OF THE ORIGINAL MANUFACTURER OR PROVIDER. (Attach the manufacturer's - not the distributors - written certification that identifies all regional distributors. Item No. 4 also must be completed).
- 3. THE PARTS / EQUIPMENT ARE NOT INTERCHANGEABLE WITH SIMILAR PARTS OF ANOTHER MANUFACTURER. (Explain in separate memorandum).
- 4. THIS IS THE ONLY KNOWN ITEM OR SERVICE THAT WILL MEET THE SPECIALIZED NEEDS OF THIS DEPARTMENT OR PERFORM THE INTENDED FUNCTION. (Attach memorandum with details of specialized function or application).
- 5. THE PARTS / EQUIPMENT ARE REQUIRED FROM THE SOURCE TO PERMIT STANDARDIZATION. (Attach memorandum - describing basis for standardization request).
- 6. The attached requisition has been reviewed by the Compliance Officer.

The undersigned request that competitive procurement be waived and that the vendor identified as the supplier in this justification is authorized as a sole source for the service

[Redacted Signature]

6/14/02
(DATE)

[Redacted Signature]

6-20-02
(DATE)

NOTE: PLEASE FORWARD THIS COMPLETED FORM AND SUPPORT DOCUMENTATION TO THE PURCHASING DEPARTMENT

SOLE SOURCE AUTHORIZATION - PURCHASING DEPARTMENT:

APPROVED: [Redacted]

DATE: 6/20/02

DISAPPROVED: _____

DATE: _____

REASON FOR DISAPPROVAL: _____



770-323-5166

P. 1 (13)

Jun. 10 2002 11:20AM FUJITSU PC



PROJECT 59 FOUNDATION • P.O. BOX 77048 • ATLANTA, GA 30357 • 404-659-READ • FAX: 770-323-5166

June 10, 2002

[Redacted]
New Orleans Public Schools
3500 General Degaulle
New Orleans, LA 70114

Re: Sole Source Declaration

Dear [Redacted]

Per our conversation, the Project 59 Race for Reading Program is exclusively provided by Project 59 for Youth Foundation, Inc.

The program contains:

- School Fact Survey
- Skill Assessment Forms
- Parent Guide
- Teacher Instructions
- Program Implementation Guide
- Car Assembly Kits

Please contact if you have questions or require additional information.

Best Regards,

[Redacted Signature]

[Redacted]



SOLE SOURCE-INSTRUCTIONAL MATERIALS \$37,983.00

2-025 ADDITIONAL LIGHTSPAN PROGRAM INSTRUCTIONAL MATERIALS FOR LITTLE WOODS ELEMENTARY SCHOOL

Requestor: [redacted] of Little Woods Elementary School

Approving Administrative Staff Officer: [redacted] of Title I

Designation by Compliance Officer: General Bid

Principals of the Company:
LIGHTSPAN PARTNERSHIP, INC (San Diego, CA)

[redacted]

RQ# 217574
RQ# 0183605

At the regular meeting, August 13, 2001, the School Board approved the purchase of Lightspan Program for Little Woods Elementary through the CSRD Grant. The Principal is requesting the purchase of additional materials to expand the Lightspan Program to other grade levels. Funds for this purchase are available in the Little Woods-IASA Instructional Supplies Account. The total cost of this purchase is \$37,983.00.

RECOMMENDED ON 03/04/02 BY:

[redacted signature block]

REVIEWED ON 03/04/02 BY:

AUTHORIZED ON 03/04/02 BY:

[redacted signature block]

EXHIBIT

LIGHTSPAN

September 5, 2003

[REDACTED]
Sylvania Williams Elementary School
3127 Martin Luther King Blvd.
New Orleans, LA 70125

Subject: Sole Source Letter

Dear [REDACTED]

Lightspan, Inc. is the sole source and provider of Lightspan products and services.

Lightspan, Inc. holds and retains sole and exclusive ownership of, and all rights, title, and interest in and to, (i) Lightspan Achieve Now™, Lightspan's K-8 interactive curriculum software product, (ii) The Lightspan Network®, Lightspan's educational activity and resource Internet service, and (iii) Lightspan eduTest Assessment™, Lightspan's educational assessment Internet service (collectively referred to as "Lightspan Products"). Lightspan holds sole and exclusive title to and ownership of, and/or holds all necessary and requisite rights, licenses and authority to distribute, all standard and optional features, functionality and services associated with the Lightspan Products.

Lightspan solely and exclusively owns all copyrights, trademarks, patents, trade secrets and any and all other intellectual property associated with the Lightspan Products. Lightspan is the sole source and sole provider of the Lightspan Products. Lightspan Achieve Now, The Lightspan Network and Lightspan eduTest Assessment are not available for purchase, licensing or distribution, directly or indirectly, from any third party OEM or reseller. Lightspan holds and retains any and all necessary licenses, permits and other administrative authorizations required to distribute and provide the Lightspan Products.

Very truly yours,

[REDACTED]

LIGHTSPAN, INC.

10140 Campus Point Drive
San Diego, CA 92121-1520
888 4 ALL KIDS PHONE
658.824.8001 FAX
www.lightspan.com

JRL Enterprise Contract 2003

Introduction:

JRL received a direct appropriation from the Congress/USDOE for the ICanLearn System on behalf of the Orleans Parish School Board. The direct appropriation was for hardware and installation. ORL SB was to pay for the software from Title 1 funds. The proposal to the SB for software was \$2.3 million for 3 years in an outright purchase, or \$2.5 for a 3 year lease-purchase. JRL intended to sell the lease purchase agreement on the open market, to derive its sale price of \$6.9 million. However, the resolution adopted by the ORL SB was miswritten, and the board adopted the lower amount as a lease-purchase. JRL decided not to pursue the interest amount and absorbed the interest charges.

Sole Source:

Orleans School Board has sole source provisions in its purchasing practices that mirror provision in the state procurement code. The effect is to adopt in part state purchasing regulations.

The purchase was of proprietary software, available only from one vendor, JRL. JRL has provided a sole source letter, and ORL SB created certification of sole source. JRL has provided additional sole source documentation from TX and AL.

The student software (electronic textbook) was on the state approved list of textbooks. The additional remedial textbook (pre-Algebra) and management software (Explorer) is only compatible with the approved textbooks. All of the software is proprietary and is not sold through retailers.

Competitive Pricing:

JRL provided a summary of its contracts for GA and MS, as well as its pricing. My review of the pricing indicates it is competitive, even advantageous, when compared to the GA/MS contracts.

Interest:

In that JRL absorbed the interest, Title 1 was not charged interest costs.

RS 39:1554 (E) [state procurement code] provides, "E. Political subdivisions authorized to adopt this Chapter. The procurement of supplies, services, major repairs, and construction by a political subdivision of this state shall be in accordance with the provisions of RS 38:2181 through 38:2316, except that if political subdivisions are authorized to adopt all or part of this Chapter and its accompanying regulations."

RS 39:1410.60 C1 [local government finances] provides, "As used in this Section, the term "debt" or "evidence of debt" shall not include a lease of a movable or an installment purchase agreement contains a nonappropriation clause, and does not contain an anti-substitution or penalty clause, provided that if such lease or installment purchase agreement is entered into in conjunction with the issuance of bonds, notes, certificates, or other obligations which would otherwise be required to be approved by the State Bond Commission, State Bond Commission approval of such financing transaction shall continue to be required."

RS 39:1596 [state procurement code] provides, "Any procurement not exceeding the amount established by executive order.....may be made in accordance with the small purchase procedures." The relevant executive order provides, "No competitive bidding is required.....Publications and/or copyrighted materials purchased directly from the publisher or copyright holder;"

School board purchasing regulations state, "A contract may be awarded for a required supply, service, or major repair when, under regulations, the Chief Executive Officer/Superintendent or designee determines in writing



Attachment

that there is only one source for the required goods and service

[REDACTED]

From: [REDACTED]
Sent: Wednesday, December 08, 2004 10:24 AM
To: [REDACTED]
Cc: [REDACTED]
Subject: FW: [REDACTED] SoleSource42403

[REDACTED]

Please find attached 2003 sole source letter and email trail.

Let me know if you need anything else. I can be reached at [REDACTED]

Regards,
[REDACTED]

From: [REDACTED]
Sent: Thursday, April 24, 2003 8:56 AM
To: [REDACTED]
Subject: [REDACTED] SoleSource42403

Electronic copy of sole source document attached.

[REDACTED]



Attachment

I CAN Learn®
Education Systems



JRL Enterprises, Inc.

3520 General DeGaulle Dr. • Suite 1100 • New Orleans, Louisiana 70114 • (504) 263-1380 • Fax: (504) 283-1545
Toll Free: (888) 263-1390 • Email: info@icanlearn.com • Website: www.icanlearn.com

December 8, 2004 *Date Field Comments to current date... see email for evidence of 03/04 source*

[REDACTED]
New Orleans Parish Public Schools
3510 General DeGaulle Drive
New Orleans, LA 70114

Dear [REDACTED]

Please accept this letter as our affirmation that JRL Enterprises, Inc. is the sole source for I CAN Learn® Education Systems. The "Interactive Computer Aided Natural Learning"® Education System, I CAN Learn® for short, and I CAN Learn® is protected against imitations by U.S. Patents #5,267,865, #5,441,415, #5,788,508, #6,604,856, Des. 385,431, European #0 656 139 and 12 foreign patents.

JRL Enterprises, Inc. is the sole manufacturer and distributor of I CAN Learn® Educational Systems. An independent study by the University of New Orleans Department of Educational Leadership and a Louisiana Certified Program Evaluator concluded:

"Students in the I CAN Learn® classes significantly outperformed students in the teacher-only classes regardless of ability level or gender. There is no doubt in my mind that students will learn more-and at an accelerated pace-if provided one-on-one, computer assisted, and teacher supported instruction that your product offers. The controlled conditions under which we validated this approach provide compelling evidence of its usefulness in improving student achievement. I am aware of no other product that is supported by such empirically-based evidence of success."

I trust that this is sufficient information to certify our sole source qualifications. Please call if there are any questions or if further information is required.

Sincerely,

[REDACTED]
JRL Enterprises, Inc.

ORLEANS PARISH SCHOOL BOARD

PURCHASING DEPARTMENT

SOLE SOURCE JUSTIFICATION

School / Department: Comptroller Programs + External Grants

Requestor Name: [REDACTED]

Goods or Services: LA CAS E-PLAN CHSSEAMS

Estimated expenditure of the above goods or services: \$ 2,322,500.00

Vendor Name and Address: JRL ENTERPRISES, INC.

Check all entries below that apply to the proposed purchase. (More than one entry will apply to most sole source products / services requested). Attach a memorandum containing complete justification and support documentation as directed below.

- 1. SOLE SOURCE REQUEST FOR THE ORIGINAL MANUFACTURER OR PROVIDER, THERE ARE NO REGIONAL DISTRIBUTORS. (Attach the manufacturer's written certification that no regional distributors exist; the certification will be valid for one (1) calendar year. Item No. 4 also must be completed).
- 2. SOLE SOURCE REQUEST IS FOR ONLY THE METRO (NEW ORLEANS) AREA DISTRIBUTOR OF THE ORIGINAL MANUFACTURER OR PROVIDER. (Attached the manufacturer's - not to distributors - written certification that identifies all regional distributors. Item No. 4 also must be completed).
- 3. THE PARTS / EQUIPMENT ARE NOT INTERCHANGEABLE WITH SIMILAR PARTS OF ANOTHER MANUFACTURER. (Explain in separate memorandum).
- 4. THIS IS THE ONLY KNOWN ITEM OR SERVICE THAT WILL MEET THE SPECIALIZED NEEDS OF THIS DEPARTMENT OR PERFORM THE INTENDED FUNCTION. (Attach memorandum with details of specialized function or application).
- 5. THE PARTS / EQUIPMENT ARE REQUIRED FROM THE SOURCE TO PERMIT STANDARDIZATION. (Attach memorandum-describing basis for standardization request).
- 6. The attached requisition has been reviewed by the Compliance Officer.

The undersigned request that competitive procurement be waived and that the vendor identified as the supplier of the service or material described in this sole source justification is authorized as a sole source for the service or material.

[REDACTED]

11/28/07
(DATE)

(DIVISION CHIEF)

(DATE)

NOTE: PLEASE FORWARD THIS COMPLETED FORM AND SUPPORT DOCUMENTATION TO THE PURCHASING DEPARTMENT

SOLE SOURCE AUTHORIZATION - PURCHASING DEPARTMENT:

APPROVED: [REDACTED]

DATE: NOV 26 2007

DISAPPROVE: [REDACTED]

DATE: _____

REASON FOR DISAPPROVAL: _____



JRL Cost Comparison

Client	New Orleans Public Schools 03	State of Mississippi 03	State of Georgia 02
Cost per new class purchase			
Quantity of classrooms	39	20	9
I CAN Learn Software	\$150,000.00	\$150,000.00	\$150,000.00
Utilities Software	Grant/in kind	Grant/in kind	\$2,500.00
Hardware	Grant/in kind	Grant/in kind	\$48,850.00
Furniture	Grant/in kind	Grant/in kind	\$28,650.00
Implementation	na	\$5,000.00	na
3 yr Service	Grant/in kind	\$45,000.00	\$50,000.00
3 yr Service (comm link)	Grant/in kind	Grant/in kind	\$10,000.00
3 yr Summer Conference	na	na	\$7,166.50
Installation	Grant/in kind	Grant/in kind	\$10,000.00
Sub-total	\$150,000.00	\$200,000.00	\$307,166.50
Total	\$5,850,000.00	\$4,000,000.00	\$2,764,498.50
Cost for service existing class			
Quantity of classrooms	12	na	na
Upgrade/Maintenance	\$33,125.00	na	na
3 yr Service	\$60,000.00	na	na
Sub-total	\$93,125.00	na	na
Total	\$1,117,500.00		
Contract totals	\$6,967,500.00	\$4,000,000.00	\$2,764,498.50

Software cost breakdown

	license qty	cost/license	extended class cost
I CAN Learn Software	1	\$25,000.00	\$25,000.00
Classroom Explorer	30	\$2,500.00	\$75,000.00
Algebra	20	\$2,500.00	\$50,000.00
Pre Algebra	10	\$0.00	\$0.00
Pre Algebra (in kind)			
		Total	\$150,000.00





INVOICE

NUMBER	PAGE
17607	1
DATE	
Feb 20 03	

AUDIO VISUAL MART, INC.

P.O. Box 23020
Harahan, LA 70183
(504) 733-1500

SOLD TO Orleans Parish School Board
3510 General DeGaulle Dr
New Orleans, LA 70114
ACCOUNTS PAYABLE

SHIP TO Walker Sr. High School
2832 General Meyer St.
New Orleans, LA 70114

ORDERING	ORDER DATE	CUSTOMER NO.	SALES PERSON	PURCHASE ORDER NO.	SHIP VIA	TERMS
17097	Feb 17 03	15020	J8	0190192 ✓	UPS--Regular Ground	Net 30 Days

QTY ORDERED	QTY SHIPPED	QTY. TO GO	ITEM NUMBER	DESCRIPTION	UNIT PRICE	EXTENDED PRICE
1	0	1	AVM-MISC	smartboard	1,889.00 ea	0.00
4	4	0	AVM-MISC	Epson 53 projector	1,589.00 ea	6,356.00
Serial Numbers for projectors, are as follows: EYM0221133K, EYM0310549K, EYM0310545K, EYM0310553K						
ENTERED						0.00

COMMENTS:

3/11 3pm
3/12 8pm
newer called back by states and phoned

MISC. CHARGES	0.00
SALES TAX	0.00
FREIGHT	0.00
TOTAL	6,356.00 ✓

ORLEANS PARISH SCHOOL BOARD
PURCHASING DEPARTMENT
 SUITE 450
 3510 GENERAL de GAULLE DRIVE
 NEW ORLEANS, LA 70114
 PHONE: (504) 304.5649
 FAX: (504) 365.5509
 FAX: (504) 365.5511

Purchase Order		
PURCHASE ORDER NO.	REVISION	PAGE
0193171-1	0	2
THIS PURCHASE ORDER NO. MUST APPEAR ON ALL INVOICES, PACKING SLIPS, CARTONS AND CORRESPONDENCE RELATIVE TO THIS ORDER.		

SHIP TO:
 Carver Senior High School
 3059 Higgins Boulevard
 New Orleans, LA 70126
 United States

BILL TO:
 Accounts Payable
 3510 General DeGaulle Drive
 Suite 487
 New Orleans, LA 70114
 United States

VENDOR: APPLIED BUSINESS CONCEPTS
 2829 VIRGINIA STREET
 KENNER, LA 70062
 United States

BUYER ACCOUNT NO.	VENDOR NO.	DATE OF ORDER/BUYER	REVISED DATE / BUYER
	5620	28-JUL-03	
SHIP TERMS	SHIP VIA	R.O.S.	
net 30	Freight Carrier	Destination	
SHIP TERMS	REQUESTOR / DELIVER TO	CONFIRM TO / TELEPHONE	
aid			

ITEM	PART NUMBER / DESCRIPTION	DELIVERY DATE	QUANTITY	UNIT	UNIT PRICE	EXTENSION	TAX
	Acc 11.172.6101.51510.0430.0000.0000		Req 0				
	2 TRAY FINISHER		1.00	Each	1695	1,695.00	N
	o SHIP TO: Address at top of page						



Total 7,247.00

FILE