



Richmond City Auditor

Office of the Inspector General

Fighting government waste, fraud and abuse.

Umesh Dalal, CPA, CIA, CIG
Richmond City Auditor/Inspector General

May 10, 2010

Dr. Yvonne Brandon, Superintendent
Richmond Public Schools
900 E. Broad Street
Richmond, VA 23219

Dear Dr. Brandon:

Legal Requirements

In accordance with the Code of Virginia, §15.2-2511.2, the City Auditor is required to investigate all allegations received on the fraud hotline alleging fraud, waste and abuse.

Complaint

The City Auditor's/Inspector General's Office received a complaint alleging that nearly 1,000 new computers were purchased by Richmond Public Schools (RPS) and were being stored in their Parker Field warehouse. The complainant further alleged that most of the computers had been sitting in the warehouse for over a year and not delivered to the individual schools.

Background

Annually, the Virginia General Assembly allocates a sum of money to all Virginia school divisions. The funding for each division is based on the number of schools reporting student attendance.

There are reimbursement categories for allowable expenses as follows:

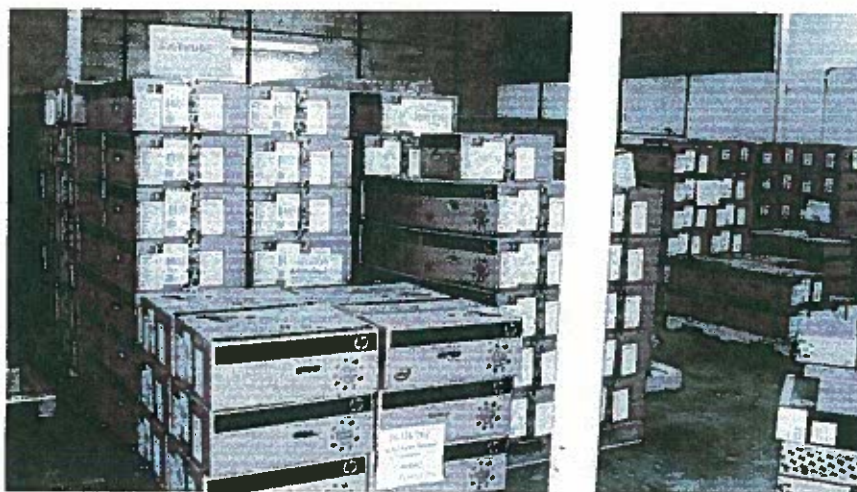
- Classroom multimedia computers;
- Infrastructure improvements to school buildings (electric and computer network wiring) to provide Internet ready local area network;
- Network improvements (servers, switches etc.) and
- Instructional software (limited).

According to a representative from VDOE, if the schools are not ready, the cost to purchase wireless hubs is an allowable reimbursement. School networks often have to be upgraded to carry the increased traffic, which is covered under the network improvements.

Observations

The investigator visited the warehouse and discovered the following:

- Over 500 computers in the warehouse as depicted in the following picture.



- Most of the computers were purchased in March 2009 and September 2009.
- Seven computers in the warehouse were purchased in 2006 and three were purchased in 2007. The computers were new and never installed in the schools. RPS purchased 1,450 computers. The cost for those computers totaled \$981,115, which averaged approximately \$677 per computer. This means that there was an idle investment of at least \$338,500 ($\677×500) that did not contribute any value to RPS. Most of the computers in the warehouse were purchased with the State of Virginia funding.

RPS Use of State Allocations

RPS allocations from the State of Virginia were as follows:

- Richmond City Public Schools was allocated \$1.4 million for the 2007-2008 school year (Series VIII funds). The funds became available for reimbursement for allowable expenditures in June 2008. RPS had a window of 18 months to spend this money. Accordingly, RPS requested and received \$1.2 million on 7/29/2009 and the remaining balance of \$267,470 was received on 10/2/2009.
- The Series IX (2008-2009) allocation of \$1.4 million remains unclaimed. However, RPS has spent about \$242,000 and has encumbered approximately \$750,000 for the purchase of computers.
- In May of 2010, Series X bonds when sold will make another \$1.4 million available to RPS.

School divisions are supposed to have an approved Technology Plan, which outlines such improvements and itemizes the use of these bond proceeds. According to a representative from the VDOE, RPS has an approved Technology Plan. Schools are required to obtain certification when they are technologically ready for SOL testing. As of March 26, 2010, RPS had not certified its elementary schools for SOL on-line testing.

The RPS Technology Department provided a schedule, which detailed implementation dates for the computers stored in the warehouse. According to the schedule, the proposed implementation in middle and elementary schools was to begin on March 22, 2010. However, as described before, the computers

were procured significantly ahead of the schedule. RPS representatives indicated that lack of resources available to the RPS Technology Department resulted in delayed implementation of the computers.

According to the Virginia Public School Authority, who administers the allocation of the funding, "Successful completion of the various levels of School Readiness Certification allows for added flexibility in the use of the Web-based SOL Technology Initiative funding originating from the sale of Virginia Public School Authority (VPSA) equipment notes. After School Readiness Certification is successfully completed for a school division's high schools, that division may use its VPSA funds for eligible technology expenditures at its middle schools. After School Readiness Certification is successfully completed for a school division's middle schools, that division may use its VPSA funds for eligible technology expenditures at its elementary schools."

Conclusions

A 2007 audit issued by the City Auditor's Office identified lack of appropriate technology resources available to the pupils of RPS. The audit also identified that RPS pupils had a competitive disadvantage compared to pupils in adjoining jurisdictions. Procuring computers and not installing them results in depriving opportunities to RPS pupils. Due to the dynamic environment of technology, funds spent to purchase computers close to the implementation date would buy the latest, improved technology, which represents a better value. Storing computers in the warehouse for an extended period may compromise their value. Similarly, computers purchased in 2006 and 2007 may have, or soon become, outdated. It appears that RPS needs a structured plan to implement technological improvements prior to spending funds. This will allow them to purchase the latest technology close to the date of implementation.

If you have any questions, please contact me at extension 5640.

Sincerely,



Umesh Dalal, CPA, CIA, CIG
City Auditor/Inspector General

Cc: RPS School Board
Mr. Jim Damm, Richmond Public Schools CFO
Richmond City Council Members
Mr. Byron C. Marshall, City of Richmond CAO