



**A Report to the
Audit Committee**

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Audit of the Metro Nashville Public Schools Financial Matters

August 20, 2018

Metropolitan
Nashville
Office of
Internal Audit

EXECUTIVE SUMMARY

August 20, 2018



Why We Did This Audit

The audit was initiated because the Metropolitan Nashville Board of Public Education Chair, Anna Shepard and Vice Chair, Jill Speering, along with Council Member Steve Glover requested a review of Metro Nashville Public Schools financial matters.

What We Recommend

Determine if the Metropolitan Nashville Board of Public Education could benefit from a cost accounting report that separates central office costs from other district costs.

Audit of the Metro Nashville Public Schools Financial Matters

BACKGROUND

The Metro Nashville Public Schools prepares an operating budget and submits it to the Metropolitan Nashville Board of Public Education annually. The budget is submitted to the Mayor and the Metropolitan Nashville Government Council. Once it is approved by the Council, the budget becomes law.

The General Purpose School Fund operating budget includes local and state funding sources. Some additional state funding for enrollment “growth” is available if annual enrollment meets certain “growth” requirements. Metro Nashville Public Schools budgeted to receive “growth” funds, but enrollment instead dropped, so no “growth” funds were received. Thus, a funding shortfall was created for the fiscal year 2018.

OBJECTIVES AND SCOPE

The audit objectives are to describe and determine:

- At what point evidence of shortfalls in revenue was or should have become evident to the district, specifically the circumstances surrounding the current \$7.5 million funding shortfall in the fiscal year 2018 budget.
- The extent to which clerical errors affected the fiscal year 2019 budget process.
- The circumstances leading to the withholding of funding from individual schools as communicated to principals in September 2017 and March 2018.
- Costs for central office payroll and vehicles.
- The extent to which administrative and school-based expenditures have fallen within the constraints of the budget.
- The extent to which revenue has matched expenditures.
- Cost for travel and consultants compared to previous years and the approved budgets.
- Contracts entered into that might have affected available funds.

The scope of the audit included the requested items in the fiscal years 2018 and 2017, and comparison with the fiscal year 2016.

WHAT WE FOUND

The current accounting and budget structure do not completely meet the needs of certain members of the Metropolitan Nashville Board of Public Education to identify central office versus centralized services costs. (See Observation A.)

GOVERNANCE

Metro Nashville Public Schools reports to the Metropolitan Nashville Board of Public Education. The Metropolitan Nashville Board of Public Education manages and controls all public schools established under its jurisdiction. It has primary authority over school matters, but management responsibilities are delegated to the Director of Schools.

OPERATING FINANCE STRUCTURE

Exhibit A shows, the Metro Nashville Public Schools expenditures for all funds totaled over \$1.2 billion for the fiscal year 2017. The General Purpose School Fund and Debt Service Fund expenditures comprised 73 percent of all Metro Nashville Public Schools expenditures. The General Purpose School Fund is the chief operating fund for the Metro Nashville Public Schools. It comprises 66 percent of the total School System expenditures and is the focus of the analyses performed in this review.

Exhibit A - Metro Nashville Public Schools Total Expenditures All Funds

Fund	FY 2016	FY 2017	Percent FY 2017
General Purpose School	\$ 795,342,887	\$ 833,811,336	66
Debt Service	80,759,496	86,472,928	7
Nutritional Services	46,442,496	50,772,715	4
Educational Services - Federal, State, and Local Grants	160,279,295	182,900,182	14
School Self Insurance	878,570	2,132,686	0
School Print Shop	506,061	454,776	0
Professional Employee Insurance	110,259,797	115,344,293	9
Total	\$1,194,468,602	\$1,271,888,916	

Source: Metropolitan Nashville Government Comprehensive Annual Report

The Metro Nashville Public Schools General Purpose School Fund is presented as a major fund in the Metropolitan Nashville Government Comprehensive Annual Financial Report. The General Purpose School Fund is used to account for the receipt and disbursement of federal, state, and local funds for education purposes, except those required to be accounted for in another fund (usually capital, debt service, and so forth.) Within the Metro Nashville Public Schools, the General Purpose School Fund has local and state funds, and there are additional funds used to account for federal grants, capital projects, debt service, and so forth. Only the total amount of each federal grant award expected is included in the operating budget process.

The operating budget is by function and object. Examples of functions are the Office of Director of Schools, Board of Education, Chief Financial Officer, and Literacy Program. Examples of objects are Salaries – Certificated, Salaries – Support, Supplies and Materials, and Travel. Based on the general ledger coding, the expenditure and budget for an object within a function are recorded. See examples in Exhibit B.

Exhibit B – Example of General Purpose School Fund Accounting Function Codes and Object Codes

Function Code	Function Name	Object Code	Object Name
1100	Office of the Director of Schools	0xx	Salaries - Certificated
1110	Board of Education	1xx	Salaries - Clerical
1150	Chief Financial Officer	8xx	Travel/Mileage
2232	Literacy Program	9xx	Contracted Services

Source: Metro Nashville Public Schools' 2017-2018 Operating Budget

State funding is the Basic Education Program, based on a complex state formula and on prior year enrollment. These funds are distributed through the Tennessee Department of Education.

Local funds are appropriated by the Metropolitan Nashville Government Council.

Federal funds are budgeted according to the Tennessee Department of Education's guidance, and their budgets are separate and filed with the Tennessee Department of Education.

CONCLUSIONS ON OBJECTIVE ITEMS REQUESTED

- 1) *Describe and determine at what point evidence of shortfalls in revenue was or should have become evident to the district, specifically the circumstances surrounding the \$7.5 million funding shortfall in the fiscal year 2018 budget.*

There was a \$7.5 million funding shortfall in state Basic Education Program funding. The monthly estimates of the state Basic Education Program funding from the Tennessee Department of Education were monitored during the spring 2017 budget preparation and throughout the year. However, the estimates could have continued to fluctuate until at least January 2018. In addition, enrollment could have increased throughout the fall 2017 months to meet the requirements for growth funds, since the later months of the school year are weighted more heavily in the enrollment calculation.

The timing of when management "should have known" and made adjustments accordingly is an internal decision by the Metropolitan Nashville Public Schools.

In March 2018, the Basic Education Program funding for the 2017-2018 school year was expected to be \$7.5 million short. A portion of this shortage consisted of \$5 million budgeted in expectation of receiving Basic Education Program growth funds. However, that \$5 million was not received because no enrollment growth occurred. In addition, \$2.5 million less than the original Basic Education Program estimate from the Tennessee Department of Education was received for the Basic Education Program estimated on prior year enrollment.

Exhibit C– General Purpose School Fund Changes in Basic Education Program Estimates

Month	Estimate	Previous Month's Estimate
April 2017	\$293,567,000	NA
May 2017	288,945,000	\$(4,622,000)
June 2017	288,846,000	(99,000)
July 2017	288,314,000	(532,000)
January 2018	291,446,864	3,132,864
Approved Budget versus January 2018 Revised Corrected Amount		
Approved Budget included \$5 million expected growth funds	298,994,000	
January 2018 Revised Corrected Amount	291,446,864	\$(7,547,136)

Source: Metro Nashville Public Schools’ correspondence from the Tennessee Department of Education and approved budget

Exhibit D– Metro Nashville Public Schools Historical Student Enrollment Growth Percentage

School Year	Enrollment	Growth Percentage
2014-15	84,353	1.80
2015-16	85,797	1.71
2016-17	86,633	0.97
2017-18 Projected	87,590	1.10
2017-18 Actual	85,399	-1.42

Source: Metro Nashville Public Schools

- 2) Describe and determine the extent to which clerical errors affected the fiscal year 2019 budget process.

One error in an exhibit of centralized services was included in information sent to principals for their school budget process. The exhibit of centralized services was sent to principals for information only and did not affect their school budgets. The centralized services expense decreased \$12,239,605, from \$315,765,900 to \$303,526,295, after the correction was made. Centralized services are costs paid for services provided to schools on a district-wide basis.

- 3) Circumstances leading to withholding of funding from schools

The Metropolitan Nashville Office of Internal Audit did not observe evidence of funds being withheld or principals being told funds were withheld from schools.

In March 2018, management implemented a hiring and spending freeze on certain items. The freeze did not apply to the hiring of teachers or bus drivers. The freeze did not mean that purchases could never be allowed, but instead meant that an extra level of approval would be necessary. For items in the freeze, a written exception process had to be followed. In addition, centralized services, such as transportation, maintenance, information technology contracted items, and so forth would still be required to be provided to schools.

Per the communication to principals on March 7, 2018, “This freeze will include all school purchases that fall into the budget category of non-staff expenses (software, supplies, transportation, field

trips, IT purchases, equipment and so forth.) This spending freeze does not apply to federal or school activity funds.” In this communication to principals, the items listed refer to only the items that are budgeted within school budgets, not provided through centralized services.

The communication also clarified how schools could request exceptions to the freeze, “The following general guidelines have been developed for reviewing purchase requests from schools:

- Purchase orders which have already been approved and for which there is a contractual obligation will be reviewed and will be honored to the extent of the obligation. Expenditures over and above any contractual obligation must be submitted as exception requests, including those which would be made on an open purchase order.
- Purchases that are 100 percent grant funded will be approved.
- Previously approved field trips will not be impacted.
- All other purchase requests will be reviewed for impact on service delivery to schools and students, including those, which may have already been submitted but not yet approved, or approved but not yet executed.
- All requests for exception to the freeze on school spending must be approved by the Executive Director of School Support and Improvement and Community Superintendent and submitted to the Chief of Schools on the attached form (School Spending Freeze Exception Request.)
- The Director of Schools will have the final approval on any exceptions.”

4) *Describe and determine central office payroll costs, the number of employees hired in the central office, and vehicles.*

Number Employees Hired in Central Office

Metro Nashville Public Schools is unable to separate central office employees from centralized services employees because a definition of central office does not exist. (See Observation A.)

However, the Metro Nashville Public Schools Chief Human Resources Officer provided her determination of the breakdown of actual filled positions in the “central office,” excluding the positions for centralized services and schools. Based on her schedule (Exhibit E.1) the “central office” increased the number of positions from July 1, 2017, through February 2018. There was a decrease in the number of positions from July 1, 2016, to July 1, 2017.

Exhibit E.1 – Metro Nashville Public Schools Central Office Actual Headcount

Fiscal Year	Federal	Local	R12	Total	+/- Prior Year
2018	68	384	4	456	26
2017	67	363	NA	430	(9)
2016	61	378	NA	439	NA

Source: Metro Nashville Public Schools Chief Human Resources Officer

Central Office Payroll Costs

Metro Nashville Public Schools is unable to separate central office costs from centralized services costs because a definition of central office does not exist. (See Observation A.)

However, the Metro Nashville Public Schools Chief Human Resources Officer and the Budget and Financial Reporting section provided the salaries and related benefits of the Actual Headcount shown in Exhibit E.1 and Exhibit E.2.

Exhibit E.2 – Metro Nashville Public Schools Central Office Payroll Costs for Actual Headcount

Fiscal Year	Number of Employees	Average Salary and Benefits	Total Salary and Benefits	+/- Prior Year
2018	456	\$90,139	\$41,103,384	\$1,527,044
2017	430	92,038	39,576,340	1,734,540
2016	439	86,200	37,841,800	NA

Source: Metro Nashville Public Schools Chief Human Resources Officer and the Budget and Financial Reporting section

Vehicles

Vehicles were assigned to the new four community superintendent positions, as an alternative to paying mileage, in fall 2017. These vehicles assigned were removed from the pool of available vehicles used by other staff. Four new vehicles were ordered in September 2017 to replace the four vehicles that were removed from the pool. The four new vehicles were received in January 2018. Approved capital project funds were used to pay for the new vehicles; therefore, there was no effect on the operating budget.

- 5) *The extent to which administrative and school-based expenditures have fallen within the constraints of the budget.*

Exhibit F shows the budget versus actual expenditures by non-school-based, school-based, and charter/reimbursable expenditure groups for fiscal years 2016, 2017, and 2018 (through June 26, 2018) per Metro Nashville Public Schools Budgeting and Financial Reporting provided classifications.

Exhibit F– General Purpose School Fund Budget to Actual by Function Category, School-Based, and Charter/Reimbursable Expenditures for the Fiscal Years 2018 (See Note *), 2017, and 2016

Period	Function	Function Category	Budget	Actual	Encumbrance	Variance (Over)/Under
2018*	1000	Administration	\$17,950,100	\$16,534,697	\$1,655,523	(\$240,120)
2018*	2000	Leadership and Learning	87,025,439	86,297,604	5,423,533	(4,695,698)
2018*	3000	Attendance and Social Services	12,522,700	8,774,863	71,737	3,676,101
2018*	4000	Transportation	38,016,200	38,348,226	644,455	(976,482)
2018*	5000	Operation of Plant	56,107,300	54,331,793	616,131	1,159,376
2018*	6000	Maintenance of Building	20,358,900	18,781,068	879,586	698,246
2018*	7000	Fixed Charges	42,212,500	40,189,374	46,261	1,976,865
2018*	8000	Adult and Community Services	71,201	67,251	0	3,950
2018*	NA	School-Based	492,286,760	491,230,204	778,584	277,972
2018*	NA	Charter /Reimbursable	112,748,600	114,849,529	48,387	(2,149,316)
		Total Fiscal Year 2018	\$879,299,700	\$869,404,609	\$10,164,197	
2017	1000	Administration	\$16,702,200	\$15,403,934	NA	\$1,298,266
2017	2000	Leadership and Learning	109,121,885	86,382,558	NA	22,739,327

Period	Function	Function Category	Budget	Actual	Encumbrance	Variance (Over)/Under
2017	3000	Attendance and Social Services	9,361,000	8,451,530	NA	909,470
2017	4000	Transportation	36,885,300	40,189,196	NA	(3,303,896)
2017	5000	Operation of Plant	57,612,000	55,126,834	NA	2,485,166
2017	6000	Maintenance of Building	19,762,500	20,208,485	NA	(445,985)
2017	7000	Fixed Charges	40,428,900	40,986,889	NA	(557,989)
2017	8000	Adult and Community Services	76,100	37,320	NA	38,780
2017	NA	School-Based	459,029,015	470,228,425	NA	(11,199,410)
2017	NA	Charter /Reimbursable	94,320,800	96,796,165	NA	(2,475,365)
		Total Fiscal Year 2017	\$843,299,700	\$833,811,336		
2016	1000	Administration	\$16,309,600	\$15,289,888	NA	\$1,019,712
2016	2000	Leadership and Learning	82,730,892	82,618,343	NA	112,549
2016	3000	Attendance and Social Services	9,037,800	8,161,334	NA	876,466
2016	4000	Transportation	34,302,100	39,511,098	NA	(5,208,998)
2016	5000	Operation of Plant	59,981,800	55,368,698	NA	4,613,102
2016	6000	Maintenance of Building	19,746,900	19,766,358	NA	(19,458)
2016	7000	Fixed Charges	39,685,500	39,234,896	NA	450,604
2016	8000	Adult and Community Services	143,974	122,415	NA	21,559
2016	NA	School-Based	473,453,634	459,666,480	NA	13,787,154
2016	NA	Charter /Reimbursable	74,607,800	75,603,377	NA	(995,577)
		Total Fiscal Year 2016	\$810,000,000	\$795,342,887		

Source: Metropolitan Nashville Government JD Edwards EnterpriseOne Financial System and Metro Nashville Public Schools Budgeting and Financial Reporting provided classifications.

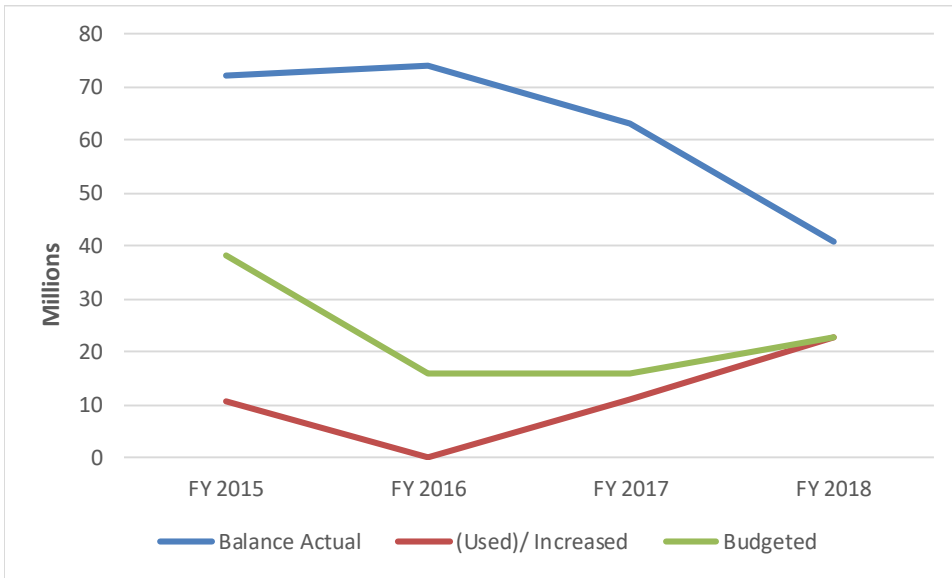
* Actual expenditures for the fiscal year 2018 were not closed. 2018 Variance Includes Encumbrances

6) *The extent to which revenues and expenditures have matched*

Revenue and expenditures have matched for fiscal years 2016 and 2017. Use of fund balance was budgeted to account for the difference between revenue and expenditures.

Exhibit G shows in the fiscal year 2016, the Mayor's Budget recommended and the Metropolitan Nashville Council approved the use of \$16,000,000 from the General Purpose School Fund's fund balance, but none was needed. In the fiscal year 2017, \$16,000,000 from the General Purpose School Fund's fund balance was budgeted for use, but only \$10,869,404 was used, \$5,130,596 less than expected. In the fiscal year 2018, \$19,059,900 from the General Purpose School Fund's fund balance was budgeted, and an additional \$3,500,000 usage of fund balance was approved by the Metropolitan Nashville Council on June 20, 2018, for anticipated expenses beyond the original budget estimate.

**Exhibit G– General Purpose School Fund Balance Usage between Fiscal Years 2015 and 2018
(Fiscal Year 2018 reflects budget amounts, not actual amounts)**



Source: Metropolitan Nashville Government Comprehensive Annual Financial Report – Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Purpose School Fund.

Fiscal Year 2018 is based on Metropolitan Nashville Council appropriations. Actual expenditures for the fiscal year 2018 were not closed.

See Appendix A on page 17 to review details from the Metropolitan Nashville Government Comprehensive Annual Financial Report – Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Purpose School Fund for fiscal years 2016 and 2017.

7) Describe and determine the cost of travel.

Exhibits H, I, and J show the General Purpose School Fund travel expenditures by total line item 8 type objects (Exhibit H), by functions with actual expenditures in the top 20 functions in the fiscal year (Exhibit I), and by expense type greater than \$10,000 (Exhibit J). Local Travel is primarily employee mileage reimbursement and employee parking reimbursement.

Exhibit H– General Purpose School Fund Travel (Line Item 8) Budget to Actual for Fiscal Years 2016, 2017, and 2018

Line Item Category 8	FY 2016	FY 2017	FY 2018
Actual	\$1,090,722	\$1,275,428	\$ 765,950
Budget	1,454,004	1,587,970	1,535,813
Under/(Over) Budget	363,282	312,542	769,863

Exhibit I– General Purpose School Fund Travel Actual Expense in Top 20 Functions for Fiscal Years 2016, 2017, or 2018

Function	FY 2016		FY 2017		FY 2018	
	Budget	Actual	Budget	Actual	Budget	Actual
2137--ADVANCE ACADEMICS	\$ 348,500	\$215,462	\$ 441,500	\$ 228,042	\$ 392,300	\$134,173
2320--REGULAR TEACHING	96,500	105,442	20,000	75,992	20,000	94,053
2200--STAFF DEVELOPMENT	75,000	60,173	75,000	47,601	75,000	15,952
2178--INFORMATION TECHNOLOGY	61,600	57,496	61,600	53,484	61,600	45,962
2820--SPECIAL EDUCATION	113,600	52,799	113,400	66,252	113,600	65,768
2060--DISCIPLINE SERVICES	25,000	49,196	45,000	40,856	35,000	17,917
3250--FAMILY & COMMUNITY SERVICE	40,000	40,545	40,000	20,930	40,000	13,085
2203--ADMIN STAFF DEVELOPMENT	20,000	37,290	31,800	12,993	30,000	18,693
2232--LITERACY PROGRAM	26,900	36,602	82,000	66,186	99,400	35,455
2310--PRINCIPALS	55,900	33,636	55,900	21,062	55,900	16,789
3260--COMMUNITY ACHIEVES	21,000	32,995	30,000	19,181	30,000	24,674
3210--CLUSTER BASED STUDENT SUPPORT	45,000	32,932	45,000	39,952	81,000	24,336
2050--LEADERSHIP AND LEARNING	50,000	29,247	33,000	61,880	33,000	22,242
2324--ENGLISH LANGUAGE LEARNING	30,000	28,265	30,000	184,066	30,000	26,895
1200--HUMAN RESOURCES	50,000	22,103	50,000	14,195	50,000	12,673
2171--LIBRARY INFORMATION SERVICES	26,000	21,248	26,000	7,710	13,500	7,691
1110--BOARD MEMBERS EXPENSE	17,300	18,375	17,300	49,690	17,300	14,941
2136--PROGRAM GIFTED/TALENTED	31,500	17,857	31,500	11,995	4,800	5,606
2650--NON-TRADITIONAL SCHOOLS	23,128	17,128	27,150	23,217	22,600	5,865

Function	FY 2016		FY 2017		FY 2018	
	Budget	Actual	Budget	Actual	Budget	Actual
2160--PSYCHOLOGICAL SERVICE	15,500	16,969	15,500	12,357	15,500	13,612
5325--PROPERTY SECURITY	9,500	16,658	16,000	16,418	16,000	6,895
2332--SMALL LEARNING COMMUNITIES	54,200	13,323	54,200	34,386	54,200	7,414
6300--MAINTENANCE/BUILDING	3,500	8,888	3,500	9,469	3,500	11,418
1100--OFFICE/DIR /SCHOOLS	2,700	3,847	2,700	11,131	2,700	10,366
2080--K TWELVE ADMINISTRATION	0	0	24,000	5,016	24,000	16,938
Total of MNPS Functions Listed	\$1,242,328	\$968,476	\$1,372,050	\$1,134,061	\$1,320,900	\$669,413

Exhibit J– General Purpose School Fund Travel Actual Expenses Type greater than \$10,000 for Fiscal Years 2016, 2017, and 2018

Expense Description	FY 2016		FY 2017		FY 2018	
	Amount	Expense Description	Amount	Expense Description	Amount	Expense Description
EMPLOYEE LOCAL TRAVEL/PARKING	\$304,143	EMPLOYEE LOCAL TRAVEL/PARKING	\$316,952	EMPLOYEE LOCAL TRAVEL/PARKING	\$291,854	
SOUTHWEST AIRLINES	109,524	TRANSPORTATION COST (Student Buses)	152,355	SOUTHWEST AIRLINES	95,021	
PREMIER PARKING OF TN LLC	52,891	SOUTHWEST AIRLINES	116,156	PREMIER PARKING OF TN LLC	92,466	
MARRIOTT	29,301	PREMIER PARKING OF TN LLC	74,113	HILTON	21,745	
HYATT HOTELS	28,249	MARRIOTT	39,001	CAMBRIDGE INTERNATIONAL	14,468	
CAMBRIDGE INTERNATIONAL	25,400	ARBINGER INSTITUTE LLC	19,898	MARRIOTT	12,607	
DOUBLETREE	25,034	READING RECOVERY COUNCIL	19,745			
CENTRAL PARKING SYSTEMS OF TN	24,480	AVID CENTER	19,695			
PREMIER PARKING OF TN LLC	24,173	SPRINGHILL SUITES	17,670			
INT*BACCALAUREATE ORG	19,319	HYATT HOTELS	16,262			
HILTON	15,989	AMERICAN AIRLINES	14,892			
AVID CENTER	13,675	HOLIDAY INNS	14,364			
AMERICAN AIRLINES	13,175	NCACINC.COM	12,375			
ENTERPRISE RENT-A-CAR	12,697	FOGLER, SHARON L	12,150			
GAYLORD OPRYLAND	12,175	WASHINGTON MELROSE	11,269			
SHERATON	10,067	CAMBRIDGE INTERNATIONAL	11,063			
		SHERATON	10,691			
		GIFT STUDIES WEB	10,328			

Exhibits H, I, and J

Source: Metropolitan Nashville Government JD Edwards EnterpriseOne Financial System

Note: FY2018 actual expenditures as of July 1, 2018, financial records for the fiscal year were not closed.

8) Describe and determine the costs for consultants.

Metro Nashville Public Schools is unable to separate expenditures for consultants from contracted services expenditures. Exhibits K, L, and M show General Purpose fund contracted services expenditures by total line item 9 type objects (Exhibit K), by functions with actual expenditures greater than \$750,000 (Exhibit L), and by expense type greater than \$500,000 (Exhibit M).

Exhibit K– General Purpose School Fund Contracted Services (Line Item 9) Budget to Actual for Fiscal Years 2016, 2017, and 2018

Line Item Category 9	FY 2016	FY 2017	FY 2018
Actual	\$48,450,022	\$50,281,000	\$52,421,380
Budget	49,917,726	52,663,700	56,525,870
Under/(Over) Budget	\$ 1,467,704	\$ 2,382,700	\$ 4,104,490

Exhibit L– General Purpose School Fund Functions with Contracted Services Expense Greater Than \$750,000 for Fiscal Years 2016, 2017, or 2018

	Function	FY 2016		FY 2017		FY 2018		Encumbrance
		Budget	Actual	Budget	Actual	Budget	Actual	
5212	CUSTODIAL AND GROUNDS	\$20,730,800	\$20,363,908	\$20,730,800	\$21,006,101	\$21,383,700	\$21,393,167	
2820	SPECIAL EDUCATION	6,500,000	5,726,307	6,500,000	5,810,392	6,300,000	5,493,482	1,106,064
2314	HEALTH SERVICES	4,652,000	4,503,903	4,771,000	4,635,819	4,771,000	3,927,994	100,971
2320	REGULAR TEACHING	1,386,600	2,552,894	1,131,400	27,321	1,131,400	6,177	-
1200	HUMAN RESOURCES	2,595,100	2,018,139	2,161,300	1,644,634	2,161,300	2,411,995	1,265,488
2555	METRO IT CHARGES	1,636,400	1,636,400	2,184,500	2,184,500	2,115,400	2,148,400	-
2178	INFORMATION TECHNOLOGY	1,378,600	1,322,233	2,484,300	2,243,853	3,085,000	2,907,999	7,105
2203	ADMIN STAFF DEVELOPMENT	1,924,500	1,304,523	2,152,500	2,149,041	1,879,000	1,762,076	9,060
2200	STAFF DEVELOPMENT	1,100,000	1,008,869	960,000	1,665,099	1,308,000	1,483,180	503,190
2328	PRE-K MODEL CENTERS	690,500	898,544	636,200	782,125	280,000	191,104	132,525
4319	MTA BUS PASSES	750,000	849,944	750,600	819,301	750,600	608,944	57,557
2336	VANDERBILT MATH & SCIENCE	750,000	719,250	1,145,000	1,023,303	1,149,500	1,280,447	-
4130	OPERATION/SCHOOL BUSES	102,700	696,434	982,000	778,346	982,000	752,578	35,418
6300	MAINTENANCE/BUILDING	540,400	623,015	556,400	467,805	556,400	769,695	302,475
2170	RESEARCH, ASSESSMENT, AND EVAL	790,000	61,798	637,300	927,683	1,625,800	1,284,396	10,270
2282	STEM(SCIENCE-TECH-ENGIN-MATH)	36,000	3,800	86,000	18,049	2,363,200	2,083,165	200,374

Exhibit M– MNPS General Purpose School Fund Contracted Services Expenses Type greater than \$500,000 for Fiscal Years 2016, 2017, or 2018

FY2016		FY2017		FY2018	
Expense Description	Amount	Expense Description	Amount	Expense Description	Amount
GCA EDUCATION SVCS INC	20,645,808	GCA EDUCATION SVCS INC	21,006,101	GCA EDUCATION SVCS INC	21,393,167
Transfer - Metro Health Services	4,225,470	Transfer - Metro Health Services	4,375,485	Transfer - Metro Health Services	4,226,905
DELL FINANCIAL SVCS LLC	2,542,805	SCHOOL BUS CONSULTANTS LLC	3,124,693	SCHOOL BUS CONSULTANTS LLC	2,989,427
GENESIS LEARNING CENTERS	1,745,365	Transfer - Metro ITS	2,087,700	DISCOVERY EDUCATION	2,152,880
Transfer - Metro ITS	1,535,400	GENESIS LEARNING CENTERS	1,910,809	Transfer - Metro ITS	2,148,400
SPECTRUM CENTER SCHOOLS	1,470,258	CDW GOVERNMENT INC	1,336,690	GENESIS LEARNING CENTERS	1,818,781
EDUCATIONAL BASED SVCS	1,101,314	VANDERBILT UNIV/CNTRCT&GRANT	1,295,000	EDUCATIONAL BASED SVCS	1,386,066
VANDERBILT UNIV/CNTRCT&GRANT	829,957	SPECTRUM CENTER SCHOOLS	1,206,003	SPECTRUM CENTER SCHOOLS	1,123,783
METRO TRANSIT AUTHORITY	791,822	EDUCATIONAL BASED SVCS	1,187,807	CDW GOVERNMENT INC	1,112,101
KRONOS INC	710,285	VANDERBILT UNIV/CNTRCT&GRANT	1,147,360	EDUCATION SOLUTIONS SERVICES	1,023,862
CARLOS LEWIS&SONS HOUSE MOVER	593,320	METRO TRANSIT AUTHORITY	793,750	KRONOS INC	785,976
TEACH FOR AMERICA	590,000	KRONOS INC	768,849	METRO TRANSIT AUTHORITY	713,212
SCHOOL BUS CONSULTANTS LLC	581,804	CARLOS LEWIS & SONS HOUSE MOVER	613,296	INFINITE CAMPUS INC	709,562
RICOH USA INC	543,634	LIPSCOMB UNIV	531,024	PERFORMANCE MATTERS LLC	659,403
				LIPSCOMB UNIV	652,497

Exhibits K, L, and M

Source: Metropolitan Nashville JD Edwards EnterpriseOne Financial System

Note: FY2018 actual expenditures as of July 1, 2018, financial records for the fiscal year were not closed. At this time, there was \$4.6 million in additional encumbrances for Contracted Services line item 9.

9) Describe and determine contracts entered that might have affected available funds.

Exhibit N list all vendors with an increase or decrease in expenditures in excess of \$100,000 in the fiscal year 2017 or 2018 in comparison with the base year of the fiscal year 2016. Twenty-one of these vendors did not have any expenditures with the vendor number listed in the fiscal year 2016. Some of the vendors listed are related to utilities or other government agencies that do not have contracts. In addition, a listing of new approved contracts or contract amendments with a value in greater than or equal to \$500,000 is listed in Appendix B, starting on page 19.

Exhibit N– General Purpose School Fund Vendors with Increase or Decrease in Expenditures in Excess of \$100,000 in the Fiscal Year 2017 or Fiscal Year 2018 in Comparison with the Fiscal Year 2016

Address Number	Name	FY 2016 Base Year	FY 2017	FY17 Difference With FY16	FY 2018	FY18 Difference With FY16	Last Contract or Amendment
177796	SCHOOL BUS CONSULTANTS LLC	589,054	3,124,693	2,535,638	2,989,427	2,400,373	06/18/2018
476804	DISCOVERY EDUCATION (MARYLAND)	230,531	437,388	206,858	2,388,882	2,158,351	07/10/2017
228641	CDW GOVERNMENT INC	919,252	2,103,661	1,184,409	1,785,338	866,087	03/13/2017
308662	EDUCATION SOLUTIONS SERVICES	0	0	0	1,023,862	1,023,862	08/24/2017
182007	VANDERBILT UNIV/CNTRCT & GRANT	216,755	1,147,360	930,605	473,950	257,195	07/12/2018
747689	GCA EDUCATION SVCS INC	20,725,064	21,105,093	380,029	21,470,718	745,654	07/06/2015
456751	UNIVERSITY OF PITTSBURGH	0	723,609	723,609	310,578	310,578	03/07/2018
184039	INFINITE CAMPUS INC	0	6,458	6,458	710,518	710,518	09/10/2015
470627	WEX (WRIGHT EXPRESS FINANCIAL)	2,397,849	2,887,186	489,336	3,064,155	666,306	06/09/2011 GS
276664	PERFORMANCE MATTERS LLC	0	39,250	39,250	659,403	659,403	07/11/2018
227430	HOUGHTON MIFFLIN HARCOURT	40,458	652,246	611,788	103,843	63,385	11/11/2013
236994	DELL MARKETING LP	1,127,178	1,718,171	590,993	1,242,227	115,049	05/04/2015
566059	COLLEGE BOARD	0	0	0	503,743	503,743	06/05/2018
594060	LIPSCOMB UNIV	176,324	552,988	376,665	663,220	486,897	07/13/2018
574937	EDGENUITY INC	2,500	105,000	102,500	453,995	451,495	10/18/2017
789613	NORTHWEST EVALUATION ASSOC	40,530	452,229	411,699	464,283	423,753	07/21/2017
213044	A Z OFFICE RESOURCE INC	1,401,651	1,762,779	361,129	1,121,585	-280,065	03/04/2016
252712	FASTBRIDGE LEARNING LLC	0	350,478	350,478	241,409	241,409	07/21/2017
174370	RJ YOUNG CO	0	0	0	335,089	335,089	10/15/2017
404901	NCS PEARSON INC (MAINTENANCE)	261,223	590,240	329,016	442,930	181,706	06/20/2017
375540	PEARSON EDUCATION	-303,463	6,188	309,651	-24	303,439	12/29/2014
181867	TOTAL MECHANICAL SOLUTIONS LLC	157,400	454,904	297,504	454,278	296,878	05/19/2017
236111	BEACON TECHNOLOGIES	96,463	385,434	288,970	68,554	-27,910	01/31/2017

Address Number	Name	FY 2016 Base Year	FY 2017	FY17 Difference With FY16	FY 2018	FY18 Difference With FY16	Last Contract or Amendment
844695	HOWARD TECHNOLOGY SOLUTIONS	86,543	45,935	-40,608	371,772	285,229	Purchase Orders
545232	EDUCATIONAL BASED SVCS	1,101,314	1,187,807	86,493	1,386,066	284,752	12/06/2017
474911	PROTECTION ONE / CAM CONNECTION	119,836	377,419	257,583	396,580	276,745	06/20/2017
429960	ZANER BLOSER INC	0	267,681	267,681	237,257	237,257	01/30/2013
278937	TRISTAR MECHANICAL LLC	0	88,249	88,249	266,102	266,102	05/10/2017
527030	KERRY G CAMPBELL INC	0	265,200	265,200	56,017	56,017	01/10/2017
430930	ACT INC	125,040	356,242	231,203	266,332	141,293	Purchase Orders
172249	GALLUP ORGANIZATION, THE	0	230,246	230,246	2,270	2,270	08/4/2016
243685	VANDERBILT UNIVERSITY MEDICAL	8,055	91,451	83,396	207,404	199,349	07/12/2018
419596	REPUBLIC SVCS NASH /ALLIED WASTE	878,681	1,069,873	191,192	949,727	71,046	Purchase Orders
257405	FRANKLIN SPEECH & LEARNING CEN	0	180,146	180,146	1,873	1,873	07/18/2017
458489	STUDIES WEEKLY INC	244,470	423,222	178,752	247,214	2,744	09/13/2016
286109	PANORAMA EDUCATION INC	0	0	0	178,000	178,000	03/16/2017
214530	BSE/HARRIS ELECTRIC	354,298	529,021	174,723	323,049	-31,248	Purchase Orders
426857	STEPS TO LITERACY LLC	0	0	0	166,583	166,583	Purchase Orders
173771	GENESIS LEARNING CENTERS	1,745,365	1,910,809	165,444	1,818,781	73,417	05/21/2018
187409	HORTON GROUP	0	164,891	164,891	42,859	42,859	07/10/2017
177521	GUY BROWN INTERIORS LLC	119,556	253,858	134,302	278,987	159,431	Purchase Orders
712012	A ACTION AIR HVAC INC	57,200	152,301	95,101	202,360	145,160	02/06/2017
304200	CERTICA SOLUTIONS INC	0	0	0	143,615	143,615	09/11/2017
269459	RESEARCH FOR BETTER TEACHING	0	21,961	21,961	143,277	143,277	Purchase Orders
941753	CAMBRIDGE INTERNATIONAL EXAMINE	84,269	90,380	6,110	219,792	135,523	06/26/2018
657482	BUSINESS SYSTEMS & CONSULTANTS	82,119	206,289	124,170	110,662	28,543	05/18/2017
172265	SAFARI MONTAGE	4,000	123,037	119,037	0	-4,000	06/29/2015
299023	SNIDER FLEET SOLUTIONS	0	0	0	117,888	117,888	Purchase Orders
257603	ARBINGER INSTITUTE LLC	0	110,610	110,610	-2,979	-2,979	11/21/2016
225071	EDUCATION NETWORKS OF AMERICA	388,712	305,162	-83,551	491,138	102,425	10/24/2017
262519	TIRE CENTERS LLC	116,313	217,711	101,399	-10,033	-126,346	10/18/2013 GS
282080	MICROREPLAY INC	0	33,110	33,110	101,314	101,314	Purchase Orders
333123	HST INTERIOR ELEMENTS	0	100,961	100,961	3,366	3,366	03/14/2016 GS
429782	GA STATE UNIVERSITY	100,485	0	-100,485	0	-100,485	11/04/2015

Address Number	Name	FY 2016 Base Year	FY 2017	FY17 Difference With FY16	FY 2018	FY18 Difference With FY16	Last Contract or Amendment
473035	CONEXION AMERICAS	274,167	173,402	-100,765	3,950	-270,217	08/30/2017
189368	RR BOOKS	129,289	27,938	-101,351	2,227	-127,063	Purchase Orders
495234	VANDERBILT UNIVERSITY (PEABODY)	170,865	21,720	-149,145	66,413	-104,452	07/12/2018
786413	SCHOLASTIC INC	343,305	238,632	-104,674	37,999	-305,306	09/04/2015
443694	CARL BLACK CHEVROLET	277,181	169,999	-107,182	99,272	-177,909	01/27/2016
461664	RICHARDSON, ERIN	119,800	0	-119,800	0	-119,800	Purchase Orders
471852	UNIVERSITY OF MEMPHIS	126,000	0	-126,000	0	-126,000	12/02/2013
860266	BUCK INSTITUTE FOR EDUCATION	179,327	51,619	-127,708	4,000	-175,327	08/21/2015
725394	DK BRAND STRATEGY	129,800	0	-129,800	0	-129,800	05/05/2015
792223	AT&T DATACOMM	136,491	1,007	-135,484	0	-136,491	11/02/2016
683636	GRP DYNAMICS & STRATEGY TRAINING	137,981	0	-137,981	0	-137,981	03/18/2016
940113	DISTINGUISHED PROF EDU INSTITUTE	219,641	72,255	-147,386	50,798	-168,843	09/23/2016
216409	TAFA, INC	183,553	8,085	-175,468	0	-183,553	Purchase Orders
608210	TRISTAR DIGITAL CONNECTIONS LL	185,787	0	-185,787	6,919	-178,868	06/18/2015
181562	AMERICAN ALLIANCE FOR INNOVATIVE	226,755	41,600	-185,155	-11,000	-237,755	07/12/2018
650989	TEACH FOR AMERICA	590,880	405,000	-185,880	410,830	-180,050	04/26/2018
430957	MID-CONTINENT RSCH EDU&LRNG	198,437	0	-198,437	0	-198,437	09/30/2015
332032	MNPD METRO BOARD OF PUBLIC EDU	282,096	83,444	-198,653	72,457	-209,639	
683508	PITNEY BOWES RESERVE ACCT	250,000	0	-250,000	0	-250,000	02/26/2018
214201	TEACHING STRATEGIES INC	308,921	50,000	-258,921	168	-308,753	07/20/2018
797044	SPECTRUM CENTER SCHOOLS	1,470,258	1,206,003	-264,255	1,123,783	-346,475	08/14/2017
665465	TYLER TECHNOLOGIES	341,886	59,466	-282,420	0	-341,886	10/31/2016
634064	MACKIN EDUCATIONAL RESOURCES	425,495	71,290	-354,205	118,339	-307,156	06/23/2017
228982	VANDERBILT UNIV/CNTRCT&GRANT	1,049,882	1,321,760	271,877	23,183	-1,026,699	07/12/2018
167659	DELL FINANCIAL SVCS LLC	1,326,700	0	-1,326,700	-40	-1,326,740	06/03/2015
172607	TN BOOK CO	4,989,106	1,235,755	-3,753,351	1,142,829	-3,846,276	Purchase Orders

Source: Metropolitan Nashville JD Edwards EnterpriseOne Financial System

Note: FY2018 actual expenditures as of July 1, 2018, financial records for the fiscal year were not closed.

GS = Metro Nashville Government- General Services Department Contract

AUDIT OBSERVATION

Internal control helps entities achieve important objectives, and sustain and improve performance. The Committee of Sponsoring Organizations of the Treadway Commission (COSO), *Internal Control – Integrated Framework*, enables organizations to effectively and efficiently develop systems of internal control that adapt to changing business and operating environment, mitigate risks to acceptable levels, and support sound decision making and governance of the organization. The audit observations listed are offered to assist management in fulfilling their internal control responsibilities.

Observation A – Differentiate between Central Office and Centralized Services Costs

Metro Nashville Public Schools account and budget structure do not facilitate separating the central office from centralized services costs because a definition of central office does not exist. The operating budget line-item structure is by function and object. A function total may include costs for the central office, centralized services, or specific costs for schools. Centralized services include items such as transportation, maintenance, and other services provided to schools on a district-wide basis, often per district-wide contracted services.

Not being able to differentiate and track central office cost does not meet all of the Metropolitan Nashville Board of Public Education board members' cost accounting reporting needs.

Criteria:

COSO, Control Activities—Principle 13—The organization obtains or generates and uses relevant, quality information to support the functioning of internal control.

Recommendation for the management of the Metro Nashville Public Schools to:

1. Determine if the Metropolitan Nashville Board of Public Education could benefit from a cost accounting report that separates central office costs from other district costs.
2. While still complying with existing Tennessee Department of Education reporting requirements, if the cost accounting report in "1." above is determined to be a benefit, define central office expenditures and determine if the ongoing Oracle R12.2 Enterprise Business Suite implementation project could facilitate budgeting and tracking of central office versus centralized services costs.

GOVERNMENT AUDITING STANDARDS COMPLIANCE

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

METHODOLOGY

To accomplish our audit objectives, we performed the following steps:

- Interviewed key personnel within the Metro Nashville Public Schools administrative office.
- Reviewed existing policies.
- Reviewed general ledger system documentation, budgets, best practices for budgets and account classifications, contracts, and human resource office documentation.
- Analyzed transactions and trial balances from J D Edwards EnterpriseOne financial system for fiscal years 2016, 2017, and 2018.
- Reconciled analyzed financial information to the Metropolitan Nashville Government Comprehensive Annual Financial Report for fiscal years 2016 and 2017.
- Reviewed documentation and correspondence from the Tennessee Department of Education.
- Reviewed communications to principals and school budgets.
- Considered risk of fraud, waste, and abuse.

AUDIT TEAM

Mary Cole, CPA, CFE, CISA, CGFM, Project In-Charge Auditor

Mark Swann, CPA, CIA, CISA, ACDA, CMFO, Metropolitan Auditor

APPENDIX A – GENERAL PURPOSE SCHOOL FUND CENTRAL OFFICE INCLUDING CENTRALIZED SERVICES FUNCTIONS

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES:				
Property taxes	\$ 302,518,200	\$ 302,518,200	\$ 303,170,443	\$ 652,243
Local option sales tax	217,353,900	217,353,900	216,851,995	(501,905)
Other taxes, licenses and permits	10,839,300	10,839,300	12,874,885	2,035,585
Fines, forfeits and penalties	1,200	1,200	500	(700)
Revenues from the use of money or property	-	-	78,912	78,912
Revenues from other governmental agencies	290,479,100	290,479,100	282,305,033	(8,174,067)
Charges for current services	1,230,000	1,230,000	2,096,445	866,445
Compensation for loss, sale or damage to property	1,628,000	1,628,000	2,549,949	921,949
Contributions and gifts	600,000	600,000	794,925	194,925
Miscellaneous	150,000	150,000	109,552	(40,448)
Total revenues	<u>824,799,700</u>	<u>824,799,700</u>	<u>820,832,639</u>	<u>(3,967,061)</u>
EXPENDITURES:				
Education	<u>744,170,900</u>	<u>744,170,900</u>	<u>733,212,851</u>	<u>10,958,049</u>
Total expenditures	<u>744,170,900</u>	<u>744,170,900</u>	<u>733,212,851</u>	<u>10,958,049</u>
Excess (deficiency) of revenues over expenditures	<u>80,628,800</u>	<u>80,628,800</u>	<u>87,619,788</u>	<u>6,990,988</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	2,500,000	2,500,000	2,109,293	(390,707)
Transfers out	<u>(99,128,800)</u>	<u>(99,128,800)</u>	<u>(100,598,485)</u>	<u>(1,469,685)</u>
Total other financing sources (uses)	<u>(96,628,800)</u>	<u>(96,628,800)</u>	<u>(98,489,192)</u>	<u>(1,860,392)</u>
Net change in fund balances	(16,000,000)	(16,000,000)	(10,869,404)	5,130,596
FUND BALANCES, beginning of year	<u>74,097,134</u>	<u>74,097,134</u>	<u>74,097,134</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 58,097,134</u>	<u>\$ 58,097,134</u>	<u>\$ 63,227,730</u>	<u>\$ 5,130,596</u>

Source: Metropolitan Nashville Government Comprehensive Annual Financial Report, page B-17

Note 1 – The \$100,598,485 actual expenditure for Other Financing Uses for “Transfers out” represents:

Object Account	Account Descriptions	Amount
531001	Transfer Operational (Charter Schools)	\$ 95,933,799
531100	Transfer Legal Services	192,000
531150	Transfer Health Services	4,375,886
531510	Transfer Self Fund Debt	96,800
	Total Transfers Out Fiscal Year 2017	\$100,598,485

Source: Metropolitan Nashville JD Edwards EnterpriseOne Financial System

APPENDIX A – GENERAL PURPOSE SCHOOL FUND CENTRAL OFFICE INCLUDING CENTRALIZED SERVICES FUNCTIONS

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 293,426,500	\$ 293,426,500	\$ 293,315,950	\$ (110,550)
Local option sales tax	210,866,400	210,866,400	214,139,486	3,273,086
Other taxes, licenses and permits	8,657,900	8,657,900	10,554,471	1,896,571
Fines, forfeits and penalties	1,200	1,200	483	(717)
Revenues from the use of money or property	-	-	118,226	118,226
Revenues from other governmental agencies	274,940,000	274,940,000	270,064,976	(4,875,024)
Charges for current services	1,230,000	1,230,000	3,651,642	2,421,642
Compensation for loss, sale or damage to property	1,628,000	1,628,000	2,373,287	745,287
Contributions and gifts	600,000	600,000	546,737	(53,263)
Miscellaneous	150,000	150,000	151,256	1,256
Total revenues	791,500,000	791,500,000	794,916,514	3,416,514
EXPENDITURES:				
Education	727,835,479	727,835,479	712,892,805	14,942,674
Total expenditures	727,835,479	727,835,479	712,892,805	14,942,674
Excess (deficiency) of revenues over expenditures	63,664,521	63,664,521	82,023,709	18,359,188
OTHER FINANCING SOURCES (USES):				
Transfers in	2,500,000	2,500,000	2,407,975	(92,025)
Transfers out	(82,164,521)	(82,164,521)	(82,450,082)	(285,561)
Total other financing sources (uses)	(79,664,521)	(79,664,521)	(80,042,107)	(377,586)
Net change in fund balances	(16,000,000)	(16,000,000)	1,981,602	17,981,602
FUND BALANCES, beginning of year	72,115,532	72,115,532	72,115,532	-
FUND BALANCES, end of year	\$ 56,115,532	\$ 56,115,532	\$ 74,097,134	\$ 17,981,602

Source: Metropolitan Nashville Government Comprehensive Annual Financial Report, page B-17

Note 2 – The \$82,450,082 actual expenditure for Other Financing Uses for “Transfers out” represents:

Object Account	Account Descriptions	Amount
531001	Transfer Operational (Charter Schools)	\$75,067,105
531100	Transfer Legal Services	192,000
531150	Transfer Health Services	4,226,457
531510	Transfer Self Fund Debt	101,000
531520	Transfer Energy Plan	2,863,521
	Total Transfers Out Fiscal Year 2016	\$82,450,082

Source: Metropolitan Nashville JD Edwards EnterpriseOne Financial System

APPENDIX B – LIST OF FISCAL YEAR 2016 AND 2018 NEW CONTRACTS WITH AUTHORIZATION GREATER THAN OR EQUAL \$500,000

Vendor	Description of Goods/Services	Contract #	Funding Source	Contract / Amendment Authorization	Date Filed with Clerk
Metro Public Health Department	Provide and manage school nursing services	2-216516-03	Operating Budget; Federal Funds	\$23,000,000	7/17/2017
Discovery Education, Inc.	STEAM implementation in middle schools	2-476804-09	Operating Budget	11,415,000	7/10/2017
Genesis Learning Center	Operation of Special Education Day School for K-12 (Replacement contract to add State required language)	2-173771-04	Operating Budget	10,000,000	9/21/2016
Spectrum Academy of Tennessee	Day School for Special Ed Students	2-797044-00	Operating Budget	8,200,000	9/8/2016
Educational Based Services	Purchase SLP and OT/PT services for Exceptional Education	2-545232-02	Operating Budget; Federal Funds	5,100,000	11/7/2017
Centerstone of Tennessee	Mental health services for students attending Cora Howe and Murrell Special Education Day Schools	2-404131-05	Operating Budget; Federal Funds	4,400,000	8/9/2017
Advanced Mechanical Contractors	Amendment 5 to increase contract value.	2-262220-00A5	Operating Budget; Capital Funds	3,385,000	4/5/2018
Mid-South Bus Center	School Buses (Lift)	2-171347-10	Operating Budget	3,000,000	6/19/2018
TriStar Mechanical	IDIQ for HVAC service and Installation	2-278937-01	Operating Budget	3,000,000	7/11/2017
School Bus Consultants, LLC	Consulting services to support the Tyler Technologies GPS software implementation; substitute bus drivers	2-177796-01	Operating Budget; Capital Funds	3,000,000	2/10/2017
Demand Mechanical	Amendment 1 to increase contract value.	2-795211-03A1	Operating Budget; Capital Funds	2,615,000	4/16/2018
Premier Protective Services	Amendment to add workshop for Jere Baxter	2-167645-00	Operating Budget	2,500,000	9/15/2016
Mid-South Bus Center	OEM Bus and Engine Parts and Labor for Thomas Buses... IDIQ	2-171347-09	Operating Budget	2,000,000	3/27/2018
Special Security and Patrol, Inc.	Services of unarmed security guards and off-duty law enforcement officers for MNPS	2-829033-01	Operating Budget	2,000,000	10/21/2016
Educational Based Services	First Amendment to increase compensation	2-545232-01A1	Operating Budget; Federal Funds	2,000,000	9/23/2016
TriStar Mechanical	Correct ownership change and increase funding	2-278937-00	Operating Budget	1,950,000	5/10/2017
School Bus Consultants, LLC	Amendment 3 to increase the not to exceed value by \$ 2,955,000, attach attachment B - MOU, and modify scope not to include any consulting services.	2-177796-01A3	Operating Budget	1,500,000	6/18/2018
Nashville Machine Elevator Company Inc	IDIQ for Elevator service and Installation	2-174216-00	Operating Budget	1,500,000	7/11/2017
Centerstone of Tennessee	Amendment to add compensation for 2016-2017	2-404131-03A3	Operating Budget	1,475,000	9/2/2016

APPENDIX B – LIST OF FISCAL YEAR 2016 AND 2018 NEW CONTRACTS WITH AUTHORIZATION GREATER THAN OR EQUAL \$500,000

Schoology, Inc.	Learning Management System (LMS)	2-260594-00	Operating Budget	1,300,000	9/6/2017
Oliver Little Gipson Engineering, Inc	Mechanical, Electrical, and Plumbing Engineering service for small projects and renovations	2-294221-00	Operating Budget; Capital Funds	1,250,000	6/23/2017
Trane Company	Chiller Maintenance Contract	2-175288-01	Operating Budget	1,250,000	10/26/2016
Catapult Learning, LLC	First Amendment to extend the contract term to August 22, 2022, increase the funding for the 2017-2018 school year by \$491,200.57, set the 2017-2018 administration rate/indirect rate at 3.81%, and add \$720,000 to cover funding for the 2018-2019 school year.	2-450537-07A1	Federal Funds	1,211,201	4/18/2018
SRI International	Education Innovation and Research Program Mid-Phase	2-315931-00	Federal Funds	1,046,022	3/15/2018
Allovue, Inc	K-12 Financial Budgeting Tool	2-313768-01	Operating Budget	1,000,000	12/19/2017
Helton Management Group LLC, d/b/a Education Solutions Services	Substitute Teacher Services	2-00695-00	Operating Budget	1,000,000	8/24/2017
All Star Fire Protection	IDIQ Fire Sprinklers	2-172348-00	Operating Budget; Capital Funds	1,000,000	7/11/2017
Mitchell Plumbing	IDIQ Plumbing	2-538833-01	Operating Budget; Capital Funds	1,000,000	7/11/2017
Johnson Controls	IDIQ Fire Alarm and Sprinklers	2-401731-01	Operating Budget; Capital Funds	1,000,000	7/10/2017
LMG LLC	IDIQ for Audio Visual Service	2-288713-00	Operating Budget; Capital Funds	1,000,000	7/10/2017
Protection One Alarm Monitoring, Inc.	IDIQ for Fire Alarm Service and Installation	2-474911-02	Operating Budget	1,000,000	6/20/2017
Advanced Mechanical Contractors	Amendment 4 to correct ownership change and increase funding	2-262220-00A4	Operating Budget; Capital Funds	1,000,000	5/11/2017
Teach for America, Inc.	Amendment to add additional compensation	2-00163-01A5	Operating Budget	1,000,000	1/18/2017
BFI Waste Services, LLC	Trash and recycling dumpster pickup	2-214863-00	Operating Budget	1,000,000	8/4/2016
Aquaphase, Inc.	HVAC Water Treatment Services (zones 1, 5, 6)	2-171640-01	Operating Budget	875,000	4/26/2018
Chem-Aqua, Inc.	HVAC Water Treatment Services (zones 2, 3, 4)	2-00554-01	Operating Budget	875,000	4/26/2018
LiveSchool Inc	Ryder contract to ENA contract 2-225071-08	2-866685-01	Operating Budget; Capital Funds	800,000	3/15/2017
Advance Education, Inc.	STEAM certifications at MNPS middle schools	2-805908-00	Operating Budget	795,600	9/12/2017

APPENDIX B – LIST OF FISCAL YEAR 2016 AND 2018 NEW CONTRACTS WITH AUTHORIZATION GREATER THAN OR EQUAL \$500,000

Discovery Education, Inc.	Science TechBooks	2-476804-08	Operating Budget	769,454	6/29/2017
Cumberland International Trucks Inc.	OEM Bus and Engine Parts and Labor for IC Buses. IDIQ. Paid through Fleet Charge	2-174242-03	Operating Budget	750,000	3/26/2018
Metro Transit Authority	MOU for bus passes (StriDe program) 2017-2018	2-559722-08	Operating Budget	750,000	7/10/2017
Protection One Alarm Monitoring, Inc.	Intrusion alarm Monitoring	2-474911-01	Operating Budget	750,000	1/17/2017
Metro Transit Authority	MOU for bus passes (StriDe program) 2016-2017	2-559722-05	Operating Budget	750,000	12/5/2016
Communities in Schools of Tennessee	Amendment #1 to extend the contract term and increase the not-to-exceed amount by \$740,000.	2-178017-02A1	Operating Budget	740,000	7/5/2018
Catapult Learning, LLC	Purchase tutoring services provided by Title 1 for non-public schools	2-450537-07	Federal Funds	720,000	9/25/2017
WELL CHILD, INC	Vision and hearing Screenings in MNPS Schools and various Davidson County Schools	2-00114-02	Operating Budget; Federal Funds	700,000	5/29/2018
Regents of the University of Colorado	Education Innovation and Research Program Mid-Phase	2-00705-00	Federal Funds	694,696	3/30/2018
Middle Tennessee Exterminator	Pest Control Services for all of MNPS	2-229529-00	Operating Budget	684,900	4/10/2017
Ken Smith Auto Parts, Inc.	Five (5) year Indefinite Delivery Indefinite Quantity contract for the provision of automotive and commercial equipment batteries.	2-460263-00	Operating Budget	650,000	6/19/2018
Scarab Behavioral Health Services, LLC	Behavior Services for disabled students	2-834133-02	Operating Budget	650,000	12/21/2016
Vanderbilt University	Peabody college-Master of Teaching and learning in Urban Schools	2-218740-28	Federal Funds	607,802	1/23/2018
Performance Matters LLC	Piggyback Orange County contract for Unify assessment delivery & analysis system	2-276664-01	Operating Budget	594,275	12/22/2016
Performance Matters LLC	Piggyback Shelby County contract for TrueNorthLogic PD Management module (replaces Schoolnet)	2-276664-00	Operating Budget	530,004	1/4/2017
AT&T	Amendment to extend the contract term and increase available compensation	2-593811-01A1	Operating Budget	500,000	7/2/2018
College Board	Honors Supplementary Curriculum for ELA (Grades 6-8) with Data Use Agreement included as Attachment D to Contract	2-224892-10	Operating Budget	500,000	6/5/2018
Certica Solutions, Inc.	Assessment Item Bank for Math, ELA, Social Studies, and Science	2-304200-00	Operating Budget	500,000	9/11/2017
System Integrations, Inc.	A+ credit recovery software & licenses	2-686871-03	Operating Budget	500,000	9/6/2017

APPENDIX B – LIST OF FISCAL YEAR 2016 AND 2018 NEW CONTRACTS WITH AUTHORIZATION GREATER THAN OR EQUAL \$500,000

Puckett Engineering	Second Contract for engineering services	2-877603-00	Operating Budget	500,000	10/17/2016
NASHVILLE PUBLIC LIBRARY	Nashville Public Library MOU / Limitless Library Program & Integrated Library System	2-223432-03	Operating Budget	500,000	10/7/2016

Source: Metro Nashville Public Schools Director of Procurement



METRO
NASHVILLE
PUBLIC
SCHOOLS

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Date: August 16, 2018

To: Mark S. Swann, Metropolitan Auditor

From: Shawn Joseph, Director of Schools

A handwritten signature in blue ink, appearing to read "Shawn Joseph".

RE: MNPS Internal Audit Report

This is to acknowledge receipt of the report “Audit of the Metro Nashville Public Schools Financial Matters” and to confirm that we will act on the recommendations to:

1. Determine if the Metropolitan Nashville Board of Public Education could benefit from a cost accounting report that separates central office costs from other district costs.
2. If the cost accounting report in “1.” above is determined to be a benefit, define central office expenditures and determine if the ongoing Oracle R12 Enterprise Business Suite implementation project could facilitate budgeting and tracking of central office versus centralized services costs while still complying with existing Tennessee Department of Education reporting requirements.

APPENDIX B – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

We believe that operational management is in a unique position to best understand their operations and may be able to identify more innovative and effective approaches, and we encourage them to do so when providing their response to our recommendations.

Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
<i>Recommendations for the management of the Metro Nashville Public Schools to:</i>		
A.1 Determine if the Metropolitan Nashville Board of Public Education could benefit from a cost accounting report that separates central office costs from other district costs.	Accept.	06/30/2019
A.2 While still complying with existing Tennessee Department of Education reporting requirements, if the cost accounting report in "1." above is determined to be a benefit, define central office expenditures and determine if the ongoing Oracle R12.2 Enterprise Business Suite implementation project could facilitate budgeting and tracking of central office versus centralized services costs.	Accept.	06/30/2019