TENNESSEE COMPTROLLER OF THE TREASURY

JASON E. MUMPOWER
Comptroller

To not identify specific vulnerabilities that could be exploited within the Memphis Shelby County Schools' information technology infrastructure and software applications, or used to facilitate the misuse of county funds, we requested that CLA redact certain portions of the report. Disclosing these vulnerabilities could pose a security risk by revealing information that may be considered confidential under Section 10-7-504(i), Tennessee Code Annotated.

Sound business practices require the implementation of appropriate controls. In the absence of such controls, unauthorized system activity may occur. These deficiencies resulted from insufficient management oversight.

Memphis Shelby County Schools

State of Tennessee Comptroller of the Treasury
CLA Reports

June 30, 2026

CliftonLarsonAllen LLP

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June 30, 2026

Jason E. Mumpower
Tennessee Comptroller of the Treasury
425 Rep. John Lewis Way North
Nashville, TN 37243

RE: Memphis Shelby County Schools

Dear Mr. Mumpower:

CliftonLarsonAllen LLP (CLA) is pleased to submit this report prepared at the request of the Tennessee Comptroller of the Treasury in connection with the review of the financial practices, governance, and operations of Memphis-Shelby County Schools (MSCS or "the District"). This transmittal accompanies a comprehensive report issued in four separate but related volumes: Volume I – *Internal Controls Assessment and IT Cybersecurity Risk Assessment*, Volume II – *Forensic Audit*, Volume III – *Whitehaven Investigation*, and *Volume IV – TennCare Evaluation.*

The work underlying these volumes was conducted pursuant to the engagement authorized by the Comptroller and described in the engagement letter dated July 28, 2025, as subsequently expanded. Collectively, the procedures performed for the forensic audit were designed to evaluate risks, identify potential irregularities, and assess governance, compliance, and financial practices across MSCS for fiscal years 2021-22 through 2023-24, as well as assess the internal controls for the current period.

Volume I – Internal Controls Assessment and IT Cybersecurity Risk Assessment

Volume I documents CLA's evaluation of the design and implementation of MSCS's internal controls. This volume addresses whether controls were suitably designed and operating to mitigate risk and prevent or detect fraud, waste, and abuse across key operational and financial processes. Additionally, the IT Cybersecurity Risk Assessment presents the results of CLA's information security controls and procedures assessment and the digital forensic investigation.

Critical Observations:

Internal Controls Assessment

1. **Insufficient internal audit team lacking structure for a school district of this size**

   Absence of a formal internal audit universe, documented risk assessment, and risk-based annual and multi-year audit plans, limiting the ability to align audit coverage with the District's highest-risk areas. The District lacks any comprehensive audit methodology and a formal reporting relationship with the Audit Committee. These observations reflect a function that performs

important activities but lacks the structure, documentation, and strategic alignment necessary to operate as an independent, risk- focused assurance function. The District does not maintain a formal internal audit universe, a documented risk assessment, or risk-based annual and multi-year audit plans, which limits the ability to align audit coverage with the District's highest-risk areas. In addition, the District lacks a comprehensive audit methodology and a formal reporting relationship with the Audit Committee. Collectively, these conditions reflect an internal audit function that performs certain important activities but lacks the structure, documentation, independence, and strategic alignment necessary to operate as an effective, risk-focused assurance function.

2. **The District lacks formalized documented policies and procedures**

   Many critical processes operate without formally documented, current, and standardized procedures. Where policies exist, they are frequently outdated, lack clearly assigned ownership, or are embedded within operational manuals rather than approved governance documents. This results in inconsistent execution, reliance on institutional knowledge, and heightened continuity risk.

3. **Non-compliance or partial compliance with state laws, regulations, and District policies**

   Several observations reflect non-compliance or partial compliance with state laws, regulations, and District policies (e.g., procurement approvals, school funds audit requirements, licensure reporting, record retention). These gaps elevate legal, financial, and reputational risk and underscore the need for stronger compliance monitoring.

4. **No visibility into third-party risks and vendor management practices**

   Vendor management practices, including vendor inventories, SOC report reviews, contract monitoring, and vendor risk assessments, are not consistently formalized or integrated across the organization. This limits visibility into third-party risks, contractual compliance, and reliance on external service providers.

<u>IT Risk Assessment</u>

1. [redacted]

2. [redacted]

[redacted]

3. [redacted]

[redacted]

4. [redacted]

[redacted]

Volume II – *Forensic Audit*

Volume II details the forensic audit procedures performed, the resulting observations, and conclusions. This volume focuses on the identification and examination of potential evidence of fraud, waste, abuse, non-compliance, and other irregularities through detailed transactional testing, document review, interviews, and analytical procedures. Table 1 presents at a high level the observations made by testing area and by type and critical observations are discussed immediately after.

Table 1: Results of Forensic Audit – Observations by Testing Area and by Type

Testing Area	Evidence Suggesting			Evidence Suggesting Non-Compliance with:		Total
	Potential Fraud	Waste	Abuse	Internal Policy	Federal Grant	
Contracts	$ -	$ 209,884.93	$ 50,077,249.60	$ 62,351,915.85	$ -	$ 112,639,050.38
ACH Transactions	250,000.00-	400,000.00	3,070,735.01	575,780.34	-	4,296,515.35
P-cards	-	-	-	1,089,004.78	-	1,089,004.78
Budget	-	-	-	822,291.17	-	822,291.17
Federal Grants ESSER	-	-	-	-	291,000.00	291,000.00
Payroll	-	153,239.35	-	53,346.09	-	206,585.44
Travel Reimbursements	-	-	-	77,284.81	-	77,284.81
Charter Schools	-	-	-	66,096.26	-	66,096.26
Journal Entries	-	-	-	22,906.08	-	22,906.08
Federal Grants	-	-	-	15,354.10	-	15,354.10
Total	$ 250,000.00	$ 763,124.28	$ 53,147,984.61	$ 65,073,979.48	$ 291,000.00	$ 119,526,088.37

Critical Observations:

1. **Evidence of Potential Fraud, Waste and Abuse Identified in Procurements, Contract and Vendor Management, and Facilities**

   CLA identified instances totaling approximately **$54,161,108.89** that were classified as evidence of fraud, waste or abuse due to weaknesses in the District's management, oversight, and control environment related to professional, non-professional services contracting, ACH transactions and payroll. The contracts include Custodial Services, Principal Mentors, Security Consultant, Council of the Great City Schools, Forward Consulting, and YMCA of Memphis & the Mid-South.

2. **Potential Non-compliance with District Policies and Procedures**

   CLA identified a broader population of transactions totaling **$65,073,979.48** that did not rise to the level of waste or abuse but reflected non-compliance with District policies and procedures, indicating significant internal control and documentation deficiencies. This includes disbursements associated with journal entries, P-cards, ACH transactions, bank statements, travel reimbursements, and payroll.

3. **Potential Non-compliance with Federal Grants**

   CLA identified evidence of non-compliance with federal grants requirements within ESSER totaling **$291,000.00**. Specifically, federal funds were used to pay a vendor despite documented MSCS concerns of negligent and/or incomplete work, indicating insufficient verification of deliverables prior to payment. Further, twenty-four portable AC units could not be accounted for in the District's records and two portable AC units were observed with missing ESSER tags.

4. **Form I-9 Violations Exposing the District to USCIS Issues**

   Based on procedures performed, CLA determined the District failed to locate and provide 86 out of 250 employee Forms I-9 selected for compliance. Due to the disorganized state of the documents, the District failed to locate many of the files required to demonstrate compliance.

5. **Issues with Record Retention Across Multiple Systems**

   In multiple instances, key records were not located in any systems, requiring CLA to reconstruct contract histories across systems and submit repeated follow-up requests to locate documentation not available in APECS or Contract Advantage. Additionally, CLA identified multiple information systems utilized by MSCS in the performance of its operations. CLA requested and was granted access to the majority of these systems to obtain information necessary to perform procedures within the scope of this engagement.

6. **Degradation of Institutional Knowledge**

   During the scope period, MSCS faced multiple leadership transitions. The turnover impacted the retention of staff, eroded institutional knowledge, created inefficiencies in the organizational stability of the core functions at MSCS, and increased internal control weaknesses and financial risks. The forensic audit has been impacted considerably resulting in the need for multiple interviews about specific areas of the scope of work to obtain a clear understanding of the processes that were in place. The lack of consistent knowledge around processes, procedures and applications has resulted in CLA conducting over 142 interviews to obtain information relevant to the forensic audit.

Volume III – Whitehaven Investigation

Presents results relating to procedures performed under an expanded scope to examine the fundraising and construction of the Herbert STEM Center focusing on whether funds raised from public and private sources were properly applied and whether conflicts of interest existed related to fundraising activities or construction contracts.

Critical Observations:

1. **Lack of Formal Agreement with the District**

   No formal written agreement existed between the District and Whitehaven STEM Building, Inc. governing the project, resulting in undocumented expectations related to project scope, roles, and responsibilities.

2. **Reduction in Building Size from Original Concept and Communication Gaps**

   The decision to reduce the size of the Herbert STEM Center occurred during the design phase, with the final construction contract reflecting a smaller facility than earlier design concepts. While no construction change orders were required, gaps were identified in stakeholder communication, such as the absence of documented approval by the Whitehaven High School Principal for a smaller than originally designed building.

3. **Project Funded through Public and Private Contributions – Conflict of Interest Evaluation not applicable**

   The project was funded through approximately **$9.9 million** in combined public and private contributions, with public entities providing 58% of total funding and private donors contributing 42%. Despite the predominance of public funds, competitive procurement was not required because the contractor and architect were identified in advance and public funding approvals did not impose procurement requirements. Accordingly, no procurement-related conflict-of-interest evaluation was applicable.

4. **Project Expenditures Were Properly Supported by Documentation**

   Total project expenditures totaled approximately **$9.1 million**, primarily paid to the construction contractor and architect, with smaller amounts paid to SchoolSeed and other vendors. Expenditures were adequately supported and determined to be appropriate and directly related to construction and related project activities.

5. **Diminished Trust and a Lack of Transparency Surround the Remaining Funds**

   A balance of approximately **$880,171.37** remains in the Whitehaven STEM Building, Inc. account at SchoolSeed. Communication with the District regarding the bank statements to confirm the balance amount, intended use, and access to these funds has been insufficient and appears to be contributing to diminished trust between Whitehaven STEM Building, Inc. and the Whitehaven community.

Volume IV – TennCare

Presents results relating to procedures performed under an expanded scope to examine the TennCare school-based billing audit workbook. The scope of this review was limited to analysis of the user-provided patient documentation and included (1) a review of claim-level testing results; (2) review of associated billing data; (3) analysis of documented exception categories and descriptions; and (4) aggregation of exception trends by service line, provider type, and error category.

Critical Observations:

1. **45.6% Error rate indicating elevated compliance risk within the sampled population**

   The claim sample contained 248 tested claims, of which 135 were marked **Pass** and 113 were marked **Fail**. Most failures were related to documentation, including missing total time for time-based CPT codes, incomplete IEP/IHP signatures, and incorrect units billed.

2. **Documentation gaps dominate the failures**

   Documentation error was assigned to 91 failed claims, representing the dominant exception category. The most frequent single issue was “Missing Total Time Spent on Time-Based CPT”, which appeared 61 times. IEP/IHP missing signatures appeared 31 times, while incorrect “Number of units Billed” appeared 23 times. “Missing Consent Form” was cited 11 times, indicating a smaller but recurring consent-control issue.

Across each volume, CLA has identified observations and provided corresponding recommendations tailored to the specific scope and time period reviewed. In certain instances, recommendations may appear duplicative across volumes; however, such repetition is intentional and reflects that similar conditions or control considerations were observed during different review periods. Specifically, recommendations arising from forensic audit procedures covering fiscal years 2021-22 to 2023-24 may overlap with those arising from the internal controls assessment and other work performed during fiscal year 2024-25 and the current period. CLA has presented these observations separately to accurately reflect the distinct timeframes, evidentiary bases, and objectives of each engagement.

We appreciate the cooperation and assistance provided by the Office of the Comptroller throughout this engagement. We trust that this report will assist the Comptroller and the Tennessee General Assembly in carrying out their oversight responsibilities. We would be pleased to discuss the contents of this report or respond to any questions you may have.

Respectfully submitted,

CliftonLarsonAllen LLP

Folashade Abiola-Banjac, Esq.
Principal – Leader, Forensics, Litigation, and Investigations

Memphis Shelby County Schools Internal Controls Assessment and IT Cybersecurity Risk Assessment

State of Tennessee Comptroller of the Treasury Report
VOLUME I

June 30, 2026

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CliftonLarsonAllen LLP
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June 30, 2026

Jason E. Mumpower
Tennessee Comptroller of the Treasury
425 Rep. John Lewis Way North
Nashville, TN 37243

Dear Mr. Mumpower:

This draft report provides you, Tennessee Comptroller of the Treasury (Comptroller or "the State") leadership the results of the internal controls assessment related to the areas of concern over the Memphis-Shelby County Schools (MSCS or "the District") for fiscal year 2025 (July 1, 2024 – June 30, 2025), as well as the initial observations from the IT cybersecurity risk assessment, and as a means to prioritize risk mitigation and/or remediation strategies.

This assessment was performed in accordance with Statement on Standards for Consulting Services established by the American Institute of Public Accountants (AICPA). The consulting procedures under this engagement do not constitute a review or examination under the AICPA's attestation standards, nor an audit made in accordance with Generally Accepted Auditing Standards (GAAS), the objective of which would be the expression of an opinion or conclusion on the subject matter in accordance with the criteria. Accordingly, we do not express such an opinion, attestation, or provide any other form of assurance and did not otherwise verify or audit any information provided to us.

In addition, the procedures performed by CLA are not a substitution for MSCS management's responsibility to maintain a system of controls to mitigate risk. The internal controls assessment was designed to provide the Comptroller with insight into inherent and specific risks and deficiencies throughout the MSCS organization. Fraud and irregularities by their very nature are most often hidden, and no absolute assurance can be given that all such matters have been detected. Our engagement cannot be relied on to disclose all irregularities or illegal acts, including fraud that may exist. This report is intended for the use of the Comptroller, the General Assembly, and MSCS management and Board.

We appreciate the cooperation and assistance provided by the Office of the Comptroller throughout this engagement. We trust that this report will assist the Comptroller and the Tennessee General Assembly in carrying out their oversight responsibilities. We would be pleased to discuss the contents of this report or respond to any questions you may have.

Respectfully submitted,

CLA (CliftonLarsonAllen LLP)

Dan Resnick	Sean Hall	Brent Warner
Principal	Manager	Signing Director

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Internal Controls

Internal Controls - Executive Summary

CLA performed an internal controls assessment of MSCS on behalf of the State, to assess the design and operating effectiveness of internal controls to achieve the State's objectives. Any conclusions reached are our professional judgement based on the relevant data obtained in performing the procedures. Had additional or different information been provided our conclusions may be different. Management alone is accountable for the adequacy of their implemented processes and controls.

We performed the internal controls assessment for the period July 1, 2024, through June 30, 2025, in accordance with the timeline established per the engagement letter dated July 24, 2025.

Interviews were performed with many key stakeholders in the District to gain an understanding of processes, risks, and internal controls, specifically for the areas deemed to be in-scope as defined in the engagement letter. After the interview process, we performed effectiveness testing; specifically performing walkthroughs of processes and internal controls with the key stakeholders including inquiry, observation, and inspection of documentation.

Based on the results of the testing procedures, CLA developed this report to communicate and address the following:

- Leading practice control activities
- Observations identified during the assessment
- Recommendations and leading practices
- Risk ranking per individual observation

Internal Controls - Objectives and Scope

CLA performed an internal controls assessment for the State to assess whether internal controls are suitably designed and operating effectively to achieve control objectives at MSCS.

The internal controls assessment was performed as a result of the State recognizing the importance of a sound internal control environment in assisting with the achievement of MSCS's strategic objectives.

The objective was to perform an internal controls assessment for MSCS, specifically the following:

- Perform an internal control assessment to evaluate the design and operating effectiveness of processes and internal controls.
- Identify process and internal control improvement opportunities.
- Propose changes that mitigate risk and better support internal controls.
- Develop a work program tailored for MSCS and utilize the work program to perform a detailed review to validate the design and operating effectiveness of internal controls identified in previous steps.

The scope of the internal controls assessment included assessing control environments in place for the following areas and processes:

- Planning & Strategy
- Preliminary Assessment
- Internal Controls and Risk Management
- Federal and State Funding Review
- Procurement and Contract Management
- Financial Transactions and Controls
- Vendor and Conflicts of Interest
- Governance and Compliance

CLA leveraged the *COSO Internal Control–Integrated Framework* during its engagement, as it is one of the most widely used models for designing, implementing, and evaluating internal controls.

In addition, the Tennessee Comptroller of the Treasury's *Internal Control and Compliance Manual* states the following related to COSO: "Establishing and maintaining a system of internal controls is required by state and federal law. Implementing the five components of internal control (per COSO internal control standards) should be considered mandatory."

The five components of COSO internal control are:

1. **Control Environment** - This sets the tone for the organization by establishing expectations for integrity, ethical values, governance oversight, organizational structure, and accountability. It forms the foundation for all other internal control components.

2. **Risk Assessment** - Organizations identify, analyze, and respond to risks that could affect achievement of objectives. This includes setting clear objectives, identifying risks, assessing fraud risk, and evaluating changes that could impact controls.

3. **Control Activities** - These are the specific actions—policies, procedures, approvals, verifications, reconciliations, segregation of duties—implemented to mitigate risks and ensure directives are carried out.

4. **Information and Communication** - Relevant, timely, and quality information must be generated and communicated across the organization to support internal control, including both internal and external communication channels.

5. **Monitoring Activities** - Ongoing evaluations, separate evaluations, or a combination of both ensure that internal controls continue to operate effectively over time. Deficiencies are identified and addressed promptly.

Internal Controls - Conclusion

We appreciate the opportunity to assist MSCS as they continue to focus on improving their internal control infrastructure.

Overall, we thought individuals were very knowledgeable of the processes and procedures for which they are responsible and were able to provide the information needed to complete our internal controls assessment procedures in a timely and efficient manner.

The following are key themes resulting from the internal controls assessment:

- The internal audit observations indicate that the Internal Audit function has not yet reached a level of maturity consistent with leading practices for independence, governance, and risk-based assurance. Key gaps include the absence of a formal audit universe, documented risk assessment, and risk-based annual and multi-year audit plans, limiting the ability to align audit coverage with the district's highest-risk areas. Foundational governance elements, such as a current Internal Audit Charter, comprehensive audit methodology, and formal reporting relationship with the Audit Committee, are outdated or incomplete, constraining independence and Board oversight. In addition, Internal Audit reporting to the Board is limited, and certain activities, including school funds audits, do not fully align with state requirements. Collectively, these observations reflect a function that performs important activities but lacks the structure, documentation, and strategic alignment necessary to operate as an independent, risk-focused assurance function.
- Lack of system user access reviews across departments and applications. User access provisioning, modification, termination, and periodic access reviews are not consistently performed or documented across systems and applications. These gaps increase the risk of unauthorized access, excessive privileges, and delayed removal of access following role changes or termination.
- Governance structures, policies, and oversight mechanisms are not consistently designed or enforced across departments. Key governance controls, such as conflict of interest management, ethics and fraud reporting oversight, audit committee reporting, and policy ownership, lack formalized accountability and recurring reporting, increasing the risk of unmanaged compliance and integrity issues.
- Many critical processes operate without formally documented, current, and standardized procedures. Where policies exist, they are frequently outdated, lack clearly assigned ownership, or are embedded within operational manuals rather than approved governance documents. This results in inconsistent execution, reliance on institutional knowledge, and heightened continuity risk.
- Ongoing monitoring controls, exception reporting, key performance indicators, and management review activities are limited or inconsistently applied. In many cases, controls are performed but not retained as evidence, reducing transparency and weakening the ability to demonstrate effective internal control operation over time.

- Several observations reflect noncompliance or partial compliance with state laws, regulations, and district policies (e.g., procurement approvals, school funds audit requirements, licensure reporting, record retention, funding). These gaps elevate legal, financial, and reputational risk and underscore the need for stronger compliance monitoring.
- Documented quality assurance to verify data entry completeness and accuracy is not performed. Across multiple operational areas, including HR, procurement, contracts, payroll, accounting and reporting, budgeting, and accounts payable, formal quality assurance reviews are either absent or inconsistently documented. Data entry accuracy, completeness of supporting documentation, and supervisory review are often informal, limiting management's ability to detect errors, irregularities, or control failures.
- Vendor management practices, including vendor inventories, SOC report reviews, contract monitoring, and vendor risk assessments, are not consistently formalized or integrated across the organization. This limits visibility into third-party risks, contractual compliance, and reliance on external service providers.
- Formalization of controls in finance related to chart of account management, journal entries, reconciliations, reserves and special projects, backups, month end checklists, and standardization of accounting transactions entered by other district departments (fee waivers, inventory, warehouse fleet, donated assets).
- Alignment of processes and control activities to appropriate departments (e.g., APECS reporting, stipend and bonus processing, warehouse fleet and fuel tracking).
- Enhancement of monitoring procedures in the federal and state funding areas.

The observations and recommendations presented in this report are intended to support leadership in prioritizing improvements, strengthening operational consistency, and advancing the overall maturity of MSCS's internal control structure over time. The table below summarizes the distribution of observations by risk rating across the in-scope control domains.

Table 1: Distribution of Observations by Risk Rating

Control Domain	High	Moderate	Low	Total
Governance	12	5	0	17
Human Resources	6	4	0	10
Internal Audit	7	6	0	13
Contracts	4	7	0	11
Procurement and Vendor Management	6	6	2	14
Accounts Payable	0	3	4	7
Payroll	0	3	0	3
Accounting & Reporting	1	9	2	12
Federal Funding	0	0	5	5
State Funding	0	1	1	2
Budgeting	0	2	2	4

Internal Controls - Detailed Observation Listing

CLA noted in the Internal Controls Assessment table, starting on the following page, opportunities to implement or improve the design and operating effectiveness of internal controls. Observations are generally departures from the District's policies and procedures, or gaps or weaknesses within the internal control and information technology environment. Observations are rated as high, moderate, or low, as defined in the sections below. Based on the review of the content of each observation, one of the following definitions is assigned to facilitate comparison and determine risk.[1]

- **High** – A high risk observation represents breakdowns in the control environment and includes such conditions as risk of financial loss, repeat observations, systemic control weaknesses, noncompliance with laws and regulations, observations with potentially significant financial statement impact, a lack of segregation of duties in high-risk areas, observations which if not corrected could disrupt the business line or company as a whole, and weaknesses in computer controls, such as security over key systems or personnel being able to affect accounts for which they are not accountable. This definition is not meant to be all inclusive, but rather to provide management guidance as to what may be considered a significant observation concerning the District's internal controls or operations.

- **Moderate** – Moderate risk observations represent isolated control exceptions that impact the risk and control assessment of individual business units and/or portions of business processes. Other observations are typically within the control of business unit management and may be corrected with minimal disruption to the business processes. If left unchecked, other observations may increase the risk to the organization and deteriorate to the level of significant observations. Other observations may include isolated instances of noncompliance with policies or control weaknesses that do not represent significant risk to the District.

- **Low –** Low risk observations cover situations that are not considered significant observations or other observations. Additional comments may include comments on process improvement based on audit observations; matters that came to our attention during the audit where we believe management should be appraised of the situation, yet no financial, operational, or regulatory compliance control has been violated and no recommendations can yet be formulated; or matters outside of our scope that may warrant management consideration.

[1] These definitions are also applicable to the IT Cybersecurity Risk Assessment starting on page 67.

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
Internal Controls Assessment					
Governance					
1	**Ethics and Fraud Hotline Processing** Implementing an Ethics and Fraud Reporting hotline is a leading practice demonstrating an organization's commitment to ethical conduct, transparency, and accountability. An Ethics and Fraud Reporting hotline provides a secure and confidential channel for employees, stakeholders, and other parties to report unethical behavior, misconduct, or violations of policies and regulations. MSCS uses a vendor, Lighthouse, to facilitate Ethics and Fraud Reporting hotline processing. These vendor tools facilitate standardized processing, including investigation, decisioning, retention, and reporting. They also help enable early detection of misconduct and compliance risks through consistent, fair, and timely intake, investigation, and escalation of concerns. Hotlines assist in strengthening ethical culture and governance by providing transparency, actionable insights, and effective oversight via regular reporting for management and the board. MSCS Internal Audit currently serves as the administrator of the district's Ethics and Fraud Reporting hotline.	CLA noted the following: • While a small number of submissions are investigated directly by Internal Audit, the majority are forwarded to HR/Employee Relations, school-level leadership, or other administrative offices. Upon referral, Internal Audit closes the item in Lighthouse and does not confirm an investigation occurred or if the matter was subsequently or adequately resolved. • Supporting documentation related to Ethics and Fraud Reporting processing is not retained within Lighthouse. • Documentation, either in Lighthouse or retained by the applicable processing departments, is consistently inadequate for a reasonable person to determine what was performed for submission resolution or closure. • Formally documented procedures do not exist to standardize processing expectations in a decentralized processing environment, including investigation requirements, decisioning, retention, and reporting. • Reporting of Ethics and Fraud Reporting activity to the board or an appropriate committee thereof does not exist. Due to the lack of centralized oversight, allegations can remain uninvestigated, be handled inconsistently across the district, or reach closure without any documented justification.	CLA recommends the following: • Governance and ownership of the district's Ethics and Fraud Reporting hotline responsibilities should be formally defined to verify every submission, whether investigated internally or referred to another office, is fully researched, documented, and if any actions are warranted for resolution. • Records related to Ethics and Fraud Reporting processing and investigation should be centrally retained in the secure and role-based access system of record, Lighthouse. • All submissions should be reviewed and signed off on by a secondary individual in Internal Audit/owning department, for quality assurance. • Formally develop and document standardized procedures for Ethics and Fraud Reporting processing, including referrals, assessment of allegations and investigation requirements, decisioning, as well as records and documentation requirements to close issues. • Report Ethics and Fraud Reporting activity to the board or an appropriate committee on a quarterly basis.		High

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
		This undermines the integrity, transparency, and reliability of the Ethics and Fraud Reporting process and exposes the district to operational, reputational, and legal risk.			
2	**Conflicts of Interest** Completing an annual conflict of interest disclosure and attestation, as well as whenever a potential conflict arises, assists the organization in adhering to a transparent and accountable culture, and helps maintain the integrity and trustworthiness of the Board and the community. Data received should be reviewed and risk assessed by management of the appropriate department, and monitoring and follow-up performed on any high-risk identified conflicts.	CLA noted the following related to conflicts of interest: A) Conflict of interest disclosures and attestations were not requested from the Board or obtained from key employees during our scope period (FY '22-25). B) For the FY '26 conflict of interest disclosure and attestation request, a population of key employees was not determined before sending out the request. C) In addition, data capture was not received in a way that would allow data to be leveraged by necessary departments to assess the severity of any reported conflicts (e.g., HR, procurement). D) Formally documented monitoring, escalation, and mitigation plans do not exist for identified conflicts. E) Conflict of Interest Policy (4003) listed revision date on BoardDocs was more than 10 years ago (2013). If the district does not require employees, particularly those in decision-making or sensitive roles, to complete periodic conflict of interest disclosures and attestations, there is a heightened risk that actual, potential, or perceived conflicts of interest will go unidentified and unmanaged.	CLA recommends the following related to conflicts of interest: A) Complete an annual conflict of interest disclosure and attestation for all key employees, including Board members. Attestations should include, but are not limited to, financial ownership/investments, family relationships, related business interests, fiduciary responsibilities, anything of value received from vendors in the previous 12 months, and family relationships with vendors. B) For conflict of interest disclosure and attestation requests, verify the requested individuals align with the definition of a key employee for the district for data collection purposes. C) Have data capture be received in a way allowing information to be assessed and leveraged by necessary departments to assess the severity of any reported conflicts (e.g., HR, procurement).		High

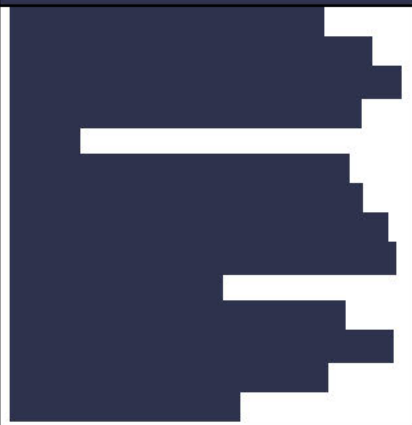
#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
		This increases the risk of employees making decisions influenced by personal or financial interests resulting in compromised objectivity, impaired decision-making, fraud, favoritism, improper vendor selection, financial loss through biased procurement or contract awards, and damage to district reputation and stakeholder trust.	D) Formally implement and document monitoring controls, assessing the severity of any reported conflicts, and developing appropriate mitigation plans (e.g., recusal from certain decisions, reassignment of responsibilities, increased supervisory oversight) as necessary. In addition, areas like procurement should implement and document a control as part of their due diligence to verify conflicts do not exist between management and the vendor. E) Assess and update the Conflict-of-Interest Policy to reflect determined practices and controls.		
3	**User Access Reviews** Regular access reviews of users with access to company systems and applications should be conducted to verify only current employees have access and access granted is appropriate for their roles.	CLA noted periodic user access reviews for IT systems and applications are not performed. Lack of periodic access reviews increases the risk that former employees or individuals with inappropriate access levels may retain access to systems and applications. This can lead to unauthorized access, data breaches, and potential misuse of system capabilities.	CLA recommends a periodic user access review be performed (annually at a minimum) for system and application users to verify access is accurate and appropriate. Systems and applications identified include, but are not limited to, Active Directory, APECS, FIS Global, Contract Advantage, Teammate, and Lighthouse.		High
4	**Policy Management** Policies establish clear expectations and requirements to guide decision-making, manage risk, and promote consistent behavior across the organization.	CLA noted the following: • MSCS maintains polices on their BoardDocs webpage and leverages a tracker for biennial review of their approximately 215 policies. Per review of the policies on BoardDocs, 102 policies have not had their revised date updated within the past 10 years (47%) with an average revision period of all policies being in September 2017.	CLA recommends the following: • Update the revision date to incorporate the most recent Board approval date.		High

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
	Leading practice is to assign policy ownership to appropriate department leadership, and periodically review and update content to verify it reflects the current culture and environment of the organization. The MSCS District is responsible for approximately 215 active policies across departments.	• The Responsibility section of policies consistently states, "The Superintendent is responsible for ensuring that this policy is followed," without listing a responsible department or title of the individual in that department who would be responsible for processes contained within the policy. Failure to periodically revise policies as well as assigning policy ownership increases the risk of non-compliance with the current operating environment, inconsistent decision-making, operational inefficiencies, and unmanaged exposure to legal and reputational harm.	• Assign an owning party/leader for each policy, based on department, responsible for performing periodic reviews and revisions of their applicable area/department policies.		
5	**Procurement Policy** Policies establish clear expectations and requirements to guide decision-making, manage risk, and promote consistent behavior across the organization. Leading practice is to ensure critical policies are provided to employees upon being hired and included in an annual policy acknowledgement process.	CLA noted the following: • Procurement policy is currently embedded within a document titled "Procurement Services Manual." Out of the approximate 215 policies published on BoardDocs, there is no actual Procurement Policy which governs topics such as requirements for requisitions and bidding. The manual includes language regarding repercussions for violation of the stated policy, demonstrating the intent to function as a formal District policy. • The Procurement Services Manual, which is posted on the MSCS District website, was last revised on 12/1/2023. The manual contains the name and contact information for a Director who is no longer with the school district. Lack of a board-approved Procurement Policy with clearly assigned ownership, and periodic revision of the policy, exposes the district to compliance, financial, operational, and reputational risks.	CLA recommends the following: • MSCS develop and implement a formal, board-approved Procurement Policy that clearly defines requisition requirements, bidding thresholds, competitive procurement procedures, approval authorities, and staff responsibilities. • The district separate policy from procedural guidance by maintaining the Procurement Services Manual as an operational document aligned to the new policy, updated periodically to reflect current organizational structure, remove outdated contact information, and verify alignment with board-approved policy language.		High

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
		Without a formally adopted policy governing requisitions, bidding thresholds, competitive processes, and procurement authority, the district cannot verify consistent, legally compliant purchasing practices.	• Training should be provided and available to all procurement and school-based staff once revisions are adopted for consistent application across the district.		
6	**Record Retention Policy** Per the Record Retention Policy (3012), "Each department, in collaboration with General Counsel, shall develop a records retention and disposal schedule to govern the records under their purview. Schedules for the retention and disposal of records shall be catalogued in a District Records Retention and Disposal Plan."	CLA noted schedules for the retention and disposal of records for various departments were not catalogued in a District Records Retention and Disposal Plan. The absence of a centralized, catalogued Records Retention and Disposal Plan across MSCS departments exposes the district to compliance, legal, and operational risks. In addition, the Forensics team noted the following related to record retention in their report: • Bank statements: instances of incomplete or missing supporting documentation. These deficiencies did not prevent or impede payment, and the expenses reviewed generally appeared to represent legitimate District business activities. In certain instances, transactions did not include all required physical supporting documentation in accordance with District policy; however, the transactions were approved within the APECS system. These matters do not indicate waste or abuse but rather reflect noncompliance with internal documentation requirements and constitute an internal control deficiency. • P-cards and check requests: instances of incomplete or missing supporting documentation which did not prevent or impede payment. However, based on the analysis and testing performed, the expenses reviewed appeared to reflect legitimate District business activities.	CLA recommends alignment with Policy 3012 and the office of the General Counsel provide oversight for each department to develop a records retention and disposal schedule to govern the records under their purview. Management of the schedule shall be the responsibility of the office of the General Counsel.		High

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
		In some cases, transactions did not include all required physical supporting documentation as required by District policy; however, the transactions were approved within the APECS system. These instances do not indicate waste or abuse but reflect noncompliance with internal documentation requirements, representing an internal control failure • Travel reimbursements: instances of incomplete or missing supporting documentation which did not prevent or impede payment. However, based on the analysis and testing performed, the expenses reviewed appeared to reflect legitimate District business activities. In some cases, transactions did not include all required physical supporting documentation as required by District policy; however, the transactions were approved within the APECS system. These instances do not indicate waste or abuse but reflect noncompliance with internal documentation requirements, representing an internal control failure (see Record Retention Policy and Payment observations in the table below).			
7	**User Access Change Management** Leading practice is to operate a formally documented management process requiring business justification and appropriate approvals before access is granted or changed, controlled execution of account provisioning/modification/disablement in accordance with defined policies and role criteria.	CLA noted formal change management for user access is not in place to include: • An approved request (ticket/work order). • Documented business justification. • Evidence of review/authorization (business owner and IT). • Testing/validation (including segregation of duties impacts). • Implementation date/time and implementer. • Post-change verification and retention of evidence.	CLA recommends Management implement formally documented user access change management, including the following: • Require ticketed requests with business justification and system/data-owner approval before provisioning • Enforce role-based access (least privilege) with defined criteria; restrict ad hoc exceptions and document approvals for any deviations.		High

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
	Including prompt revocation upon termination, and ongoing monitoring and periodic recertification to prevent unauthorized or excessive access.	Lack of formal user access change management increases the risk that inappropriate, excessive, or unauthorized access is granted or retained, which can lead to unauthorized transactions or changes to data, fraud, data loss, regulatory noncompliance, and unreliable financial/operational reporting due to insufficient traceability and monitoring of account changes.	• Maintain segregation of duties between request/approval and implementation; log who requested/approved/provisioned and when. • Update user access for new, terminated, and department transfers promptly upon role change or termination (with defined SLAs). • Perform periodic access recertifications and remediate exceptions.		
8	[redacted]	[redacted]	[redacted]		[redacted]

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
					
9	**Journal Entry Segregation of Duties** Leading practice for journal entry processing is to segregate initiation/preparation of journal entries from their authorization/approval and posting, so that no individual can initiate, authorize, record, and process the same entry end-to-end.	CLA noted the following for journal entry segregation of duties: • 12 user groups with access to both create and approve journal entries o 62 unique employees across groups, with 20 having access to do both. o Six admin users with update or override access Lack of journal appropriately segregated journal entries could result in individuals recording and approving unauthorized or inappropriate entries, increasing the likelihood of fraud or error and resulting in misstated financial statements.	CLA recommends management design and implement role-based segregation of duties over journal entry processing so no individual can initiate/prepare, approve, and post the same journal entry.		High

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
10					

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
11	**Vendor Management SOD** Leading practice is to segregate duties so that no users (including administrative accounts) can both create or modify vendor master data, initiate purchasing transactions (e.g., requisitions/POs) and/or approve those transactions for payment. Instead, responsibilities for authorization, processing/recording, and review should be assigned to different individuals with role-based access controls.	CLA noted there were nine individuals with the ability to create/modify a vendor, create a requisition for a vendor to have a PO generated, and approve the requisition for payment. In addition, there were four admin accounts with the same access capabilities. Inadequate segregation of duties increases the risk unauthorized or fictitious vendors and improper purchases could be created and approved without independent review, resulting in possible fraudulent or duplicate payments and/or misappropriation of funds.	CLA recommends management implement and enforce role-based segregation of duties (SoD) across the vendor to payment process so that no individual (and no administrative account) can create/modify vendor master data, initiate purchasing transactions, and approve those transactions for payment.		High

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
12	**APECS Reporting** Leading practice is to run report creation through a standardized service request management intake process (single queue/service catalog) where business departments submit defined report requests, the reporting function owns requirements and data definitions, and IT provides controlled enablement (data access, platforms, and change control), with documented approvals, prioritization/SLAs, testing/validation, version control, and an auditable release process to ensure reports are accurate, secure, repeatable, and support agreed service quality.	CLA noted MSCS areas request APECS reporting from the IT department when new or ad-hoc reports are needed. A standardized, ticketed process with defined ownership, approvals, prioritization, and documented testing/release controls for report requests and creation does not exist. In addition, IT should provide control enablement (data access, platforms, and change control) and should not be the primary department for facilitation of report creation. Lack of a formal, standardized ticketing process with defined ownership, approvals, prioritization, and documented testing/release controls for report requests and creation could result in inconsistent creation of reports without clear traceability, resulting in reporting outputs not being complete and accurate.	CLA recommends the following: • Realign ownership of APECS report creation out of IT to a more appropriate department (e.g., Research, Evaluation, Accountability, and Data Strategy) • Implementing a single, ticketed reporting request process with required intake fields (purpose, due date, frequency, data elements, sensitivity) to verify requests are trackable, prioritized, and fulfilled consistently. • Define requirements/metrics and perform UAT to verify completeness and accuracy of reports before deployment. • Maintain a report catalog (owner, definition, source, refresh, security classification)		Moderate
13	**Code of Conduct** Having a code of conduct attestation is a leading practice establishing an organization's commitment to ethical behavior and compliance. This process provides reasonable assurance employees and relevant stakeholders understand and adhere to the organization's ethical standards and policies.	CLA noted Policy 0020, Ethics, and Policy 0022, Board Members' Code of Conduct, do not require employees or Board Members to formally complete and sign a code of conduct attestation annually. Failure to implement and enforce a code of conduct attestation increases the risk of non-compliance with ethical standards, increased legal and regulatory risks, reputational damage, financial losses, and impact to the organizational culture.	CLA recommends requiring staff and Board Members to formally complete and sign a code of conduct attestation at hiring, and again annually.		Moderate

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
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#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
15	**Settlement Approvals** Per Policy 2012, Contract Requirements Approval and Signatory Authority, "Settlements of over one hundred thousand dollars ($100,000) must be approved and signed by the Executive Committee. Settlements requiring specific performance shall be approved and signed by the Executive Committee or Superintendent. The Superintendent (or designee) is authorized to approve and sign settlements under one hundred thousand dollars ($100,000)."	During fiscal year 2025, there were two settlements is excess of $100,000. One was signed by the Interim Superintendent and the Board Chair while the second one was signed only by the Board Chair, and formal approval by the full Executive Committee was not documented. Failure to obtain required approvals and signatures for qualifying settlements may result in commitments made without proper authority, weakening governance oversight and increasing the risk of invalid or contested agreements.	CLA recommends obtaining approvals for settlements exceeding $100,000 as required by Policy 2012 and monitor settlements adherence in conjunction with Board reporting every six months.		Moderate
16	**Fidelity Bond** Strong governance practice is for a school district to maintain a fidelity bond explicitly covering school board members for losses arising from fraud, dishonesty, or misuse of district funds. Because board members often have authority to approve budgets, contracts, and financial transactions, including them in the district's fidelity bond establishes protection against financial loss stemming from intentional or negligent acts. Leading districts formalize this requirement in board policy, verify coverage annually with their insurer, and verify the bond amount is sufficient relative to the district's financial activity. The District has Policy #2003, Bonded Employees and Officers, in place for this purpose.	The Bonded Employees and Officers Policy includes important elements of a fidelity-bond program. CLA noted the following opportunities related to the Policy: • Coverage amount of $5,000 for board members may be outdated or insufficient. No subsequent revision dates are noted on the Policy since its issuance on August 26, 2010. • Include board members in the district's blanket fidelity bond and not rely on individual bonds. A blanket bond is permitted and may simplify compliance while providing stronger coverage than older individual bond amounts. • Requirement for periodic review of bond adequacy • Clarity on what types of acts are covered (fraud, dishonesty, theft, or misuse of funds). Insufficient or outdated fidelity bond coverage for Board members and other covered officials increases the risk that losses from fraud, dishonesty, theft, or misuse of district funds may not be adequately protected or recoverable.	CLA recommends Management update Policy #2003, Bonded Employees and Officers, to align with the terms of the district's actual fidelity bond, including coverage amounts, individuals and positions covered, and any requirements for blanket versus individual bond coverage. The revised Board policy should clearly identify whether school board members, the superintendent, and other employees who handle district funds or prepare accounting records are covered under the current bond and whether the policy's stated coverage limits remain appropriate based on the district's financial activity, risk exposure, and insurer guidance.		Moderate

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
			In addition, the district should implement an annual review process, performed by MSCS Risk Management and communicated to the board, to confirm that Board policy and fidelity bond coverage remain aligned and adequate.		
17	**Board Self Assessments** Boards conducting regular self-assessments is a leading practice enhancing the Board's effectiveness, accountability, and alignment with the organization's mission and strategic goals. Self-assessments provide an opportunity for Board members to reflect on their performance, identify strengths and areas for improvement, and address skill gaps. By systematically evaluating its own practices, the Board can implement best practices, foster a culture of continuous improvement, and determine it is well-equipped to make informed decisions and respond to emerging challenges. Regular self-assessments also promote transparency and build stakeholder confidence in the Board's governance capabilities.	For fiscal year 2025, CLA noted district Board members do not complete self-assessments to assist in the identification of strengths and weaknesses, enhance governance practices, improve decision making and foster accountability for continuous improvement, strengthen board dynamics, align with organizational goals, and facilitate succession planning. Lack of self-assessments can lead to diminished effectiveness, lack of accountability, and potential misalignment with the organization's mission and strategic goals. Without self-assessment, the Board may overlook areas for improvement, fail to address skill gaps, and miss opportunities to enhance governance practices. This can lead to poor decision-making, reduced stakeholder confidence, and an inability to respond effectively to emerging challenges.	CLA recommends implementation of a structured Board self-assessment process. Examples include, but are not limited to, composition and structure, responsibilities and performance, dynamics and culture, leadership and development, and stakeholder engagement.		Moderate

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
Human Resources					
18	**State Board of Education (SBE) Reporting** SBE Licensure Discipline Reports are required to be submitted to the State Board by the Director of Schools or their designee. Tennessee law requires directors of schools to report educator suspensions, dismissals, resignations tied to misconduct (including sexual misconduct), and qualifying criminal convictions within 30 days.	CLA noted SBE Licensure Discipline Reports were not submitted to the State for fiscal year 2025. The Director of Schools (Superintendent) signatures were not received as the Superintendent communicated to staff that they did not feel comfortable signing them, causing the forms to not be sent to the state during the period. Not submitting required reporting to the state to the Tennessee State Board of Education increases legal, operational, and student-safety risks. It also allows potentially unfit educators to retain active licenses, increasing the risk of continued misconduct, harm to students, and liability for negligent retention or failure to report.	CLA recommends MSCS implement tracking and monitoring of SBE Licensure Discipline Reports to verify they are provided within required timeframes. Results of reporting should also be provided to appropriate management and/or committee. In addition, formal designation of a primary reporter (usually HR Director, Employee Relations Director, or Legal Counsel) should be obtained via written authority from the superintendent.		High
19	**Succession Planning** A formal, documented succession planning process is considered a leading governance and risk-management practice for maintaining organizational continuity, preserving institutional knowledge, and reducing operational disruption when key personnel transitions occur. Effective programs typically include identification of critical roles, assessment of talent pipelines, development plans for potential successors, and periodic review by senior leadership.	Discussions with HR Leadership indicate that the organization does not have a formal, documented succession planning process in place. Leadership transitions are managed on an informal, ad-hoc basis, and there is no structured approach for identifying critical roles, assessing internal talent pipelines, or preparing potential successors. The absence of a defined framework limits the organization's ability to ensure continuity of operations and retain institutional knowledge during key personnel changes. Organizations that lack a structured succession planning framework face increased vulnerability to skill gaps, delays in decision-making, and diminished strategic resilience during leadership changes.	CLA recommends management design and implement a formal, organizational-wide succession planning program that identifies critical roles, evaluates internal talent pipelines, and establishes development plans for potential successors. The program should be documented, periodically reviewed, and approved by senior leadership to maintain continuity of operations, preserve institutional knowledge, and reduce the risk of disruption during leadership transitions. Incorporating defined responsibilities, timelines, and monitoring mechanisms will help ensure the process remains current, consistently applied, and aligned with strategic objectives.		High

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
20	**HR Data Entry - Quality Assurance** Leading practice is for HR staff to perform a documented quality assurance review of data manually entered into the HR system of record before finalizing the record. The reviewing individual performs quality assurance to validate key data fields such as name, SSN, address, pay rate, position, FTE status, and effective dates match source documents and signs off electronically or manually to evidence completion. Any discrepancies identified during the review are corrected prior to transmitting the data to Payroll. HR or the workflow tool retains evidence of the review for audit and monitoring purposes.	CLA noted HR manually keys in data to the system of record, APECS, for new hires and subsequent changes. Currently there is not a documented quality assurance control by a second staff member to verify employee data is entered into the system of record accurately. HR stated any errors will be communicated to them by Payroll. Absence of a formal quality assurance review for new employee records entered into the system of record increases the risk of inaccurate, incomplete, or inconsistent HR data. As HR is entering this data into the system of record, they are the primary function responsible for integrity of the data, supported by Payroll who validates data aligns with payroll requirements, flagging discrepancies.	CLA recommends HR implement a formally documented quality assurance control to verify accuracy and completeness of data entered into APECS, performed by a secondary individual other than the preparer, with clear evidence of review and approval. For new hires, management should also consider discussing a system interface between iCims and APECS, to systemically transfer data from HR's recruitment application to APECS.		Moderate

21	**Employee File Checklists - Onboarding**
	MSCS HR completes an Employee File Checklist to verify required hiring, compliance, and onboarding activities are completed for new employees. The checklist is maintained centrally and retained as part of the employee's personnel record.
		CLA noted the following during their review of Employee File Checklists:
		• Three different versions of Employee File Checklists were used for fiscal year 2025 (1 from 2022, 2 from 2024).
		• The Checklist does not include I-9s as a requirement. I-9s are retained separately from the employee file.
		• 16 of 45 new employees had I-9 statements, with copies of their identification, properly retained (36%). Of these:
		  • 20 of 45 new hires sampled (44%) did not have an I-9 retained.
		  • 9 of 25 I-9s (36%) did not have copies of identification retained.
			CLA recommends the following for Employee File Checklists:
			• Leverage the most up-to-date version of the Checklist, housed centrally on an HR shared site.
			• Retain I-9s in the employee file, and not separately.
			• Retain I-9s, and copies of identification, for all employees.
			• Retain licensure information verified during onboarding in the employee file.
			• Standardize checklist completion through formally documented procedures.
					High

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
		• Licensure information verified during Checklist completion is not retained within the employee file. • Consistency of checklist completion varied based upon the individual completing the checklist • Review of file and Checklist completion were not performed by a second HR individual for quality assurance purposes. Errors, omissions, or inconsistencies in the Employee File Checklist may result in non-compliance with regulatory or organizational requirements.	• Implement a quality assurance control for accurate completion Employee File Checklists		
22	**HR Offboarding Checklist** Leading practice is for HR to implement a formally documented offboarding control for all terminated employees, to verify timely removal of system access, physical access, other organizational privileges, and equipment to be returned. The checklist serves as evidence that all access removal steps were performed.	CLA noted HR does not have a formal offboarding workflow, automated or manual, to verify that all system, application, and physical access for terminated employees is removed in a complete and timely manner. In the absence of a structured process or checklist, HR and IT rely on ad-hoc and email communication and informal practices, resulting in inconsistent execution and no documented evidence that all required deprovisioning steps were performed. Lack of a control to document offboarding increases the risk of terminated employees retaining unauthorized access and loss of assets.	HR should establish a formally documented offboarding control to verify all system, application, physical access, and return of equipment have been completed promptly for terminated employees. Management should develop and implement a standardized offboarding checklist and maintain the checklist in a centralized department shared drive.		Moderate
23	**Organizational Charts** Leading practice for is to maintain current, clearly defined organizational charts verifying reporting lines, delegated authorities, and segregation of duties in a transparent, consistent way.	CLA noted MSCS HR does not require standardized organizational charts or formal requirements governing their creation, ownership, or updating. As a result, reporting lines, role responsibilities, and accountability structures are not consistently documented or easily verifiable.	CLA recommends MSCS HR require and assist in creating requirements to develop and maintain formal organizational charts that document reporting lines, key roles, and functional responsibilities to support effective oversight.		Moderate

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
	Org charts should be formally owned, updated promptly after structural changes, and accessible to all relevant stakeholders to reduce ambiguity in roles and accountability.	In addition, through inquiry across teams, it was noted personnel did not know who to reach out to when they have questions or need support, most commonly in the area of HR, a department that has gone through consistent turnover and department reorganization. Including both functional and reporting relationships strengthens governance by showing how decisions and oversight flow through the institution. This lack of standardization increases the risk of unclear authority, inconsistent communication, and gaps in oversight or segregation of duties.	Charts should be reviewed at least annually, or whenever significant changes occur, to verify accuracy and alignment with actual operations. HR should inquire of vendor's whose tools and applications they use, which have org chart structure capabilities, to be used for district operations. HR is a standard assignment of ownership for this control, verifying updates are timely and consistently communicated.		
24	**Benchmarking** Leading practice is for HR to perform regular, structured benchmarking to assess compensation, benefits, and staffing. Benchmarking should use credible external data sources and be integrated into workforce planning and budgeting cycles to inform evidence-based decisions. Results should be documented, reviewed with leadership, and used to drive continuous improvement in talent strategy.	CLA noted MSCS HR does not have standardized processes or defined requirements for conducting HR benchmarking across compensation, benefits, or staffing. In the absence of a formal approach, HR lacks consistent market insights to inform decision-making, assess competitiveness, or identify improvement opportunities. This gap increases the risk of inefficient resource allocation, and reduced ability to attract and retain talent.	CLA recommends the district perform a formal HR benchmarking process to compare its practices and compensation structures with relevant market peers. If internal capacity or experience is not available, we recommend an external industry expert be hired to perform this benchmarking.		High
25	**HR Procedures** Procedures exist to standardize and direct the step-by-step completion of processes and controls within the department and are retained in shared location for department staff to access. Procedures are updated when processes and controls change.	CLA noted HR procedures are not in place to standardize and direct completion of step-by-step processes and controls within the department. The absence of documented department procedures increases the likelihood of inconsistent work practices, errors, and knowledge gaps across staff.	CLA recommends HR management create procedures for staff to assist them in completion of their day-to-day job responsibilities, and formally review and document procedure updates, at a minimum annually.		Moderate

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
		Without standardized guidance, employees may rely on informal or outdated methods, which can lead to operational inefficiencies, compliance failures, service quality issues, and heightened dependency on individual employees' institutional knowledge.			
26					
27					

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
	[redacted]	[redacted]			
Internal Audit					
28	**School Funds Audit - Completion** Per the Tennessee Department of Education's Internal School Funds Manual, in regard to annual school funds audits, "The annual audit must be prepared by a certified public accountant in good standing with the Tennessee Board of Accountancy, or by the Comptroller of the Treasury."	CLA noted the annual school fund audits of each school within the district are performed by the district's internal audit department and are not prepared by a certified public accountant or the Comptroller of the Treasury. The external auditor compiles reporting from all of the school funds audits performed by the Internal Audit Department and aggregates the results in their report. Non-adherence to Internal School Funds Manual requirements increases the risk of financial mismanagement, inaccurate reporting, and noncompliance with state-mandated accounting standards.	CLA recommends the district adhere to Internal School Fund requirements of having annual school funds audits be prepared by a certified public accountant in good standing with the Tennessee Board of Accountancy, or by the Comptroller of the Treasury.		High
29	**School Funds Audit - Scope Period** Per the Tennessee Department of Education's Internal School Funds Manual, in regard to annual school funds audits, "Audits should cover at least one fiscal year, 12 months, unless otherwise approved by the Comptroller. Ordinarily, the fiscal year ends on June 30 for Tennessee governmental entities."	CLA noted the annual school fund audit scope period is tracked and monitored by the Internal Audit Department to cover a calendar year from when the audit commences, but does not cover the district fiscal year, as required. Non-adherence to Internal School Funds Manual requirements increases the risk of financial mismanagement, inaccurate reporting, and noncompliance with state-mandated accounting standards.	CLA recommends the district adhere to the following Internal School Fund requirements as stated in the Internal School Funds Manual: "The timing of submission of audit contracts can affect the timeliness of the audit. As a rule, audit contracts should be executed before the end of the fiscal year to be audited. However, contracting for the audit of internal school funds is different.		High

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
			Because some of the audit procedures conducted on behalf of the Division of Local Government Audit must be conducted while school is still in session, all county schools should contract by September 30 of the fiscal year to be audited (nine months prior to the end of the fiscal year)."		
30	**Internal Audit Reporting Line** Leading practice requires the Internal Audit function to maintain organizational independence through a dual reporting structure. Specifically, the Chief Audit Executive should have a functional reporting line to the Audit Committee (or equivalent oversight body of the Board) and an administrative reporting line to senior executive management.	CLA noted the Chief Audit Executive reports functionally to the Legal department, and administratively to the superintendent. Without a functional reporting line to the Audit Committee, Internal Audit's independence may be impaired, increasing the risk that significant control deficiencies, compliance issues, or fraud risks are not identified, escalated, or addressed in a timely manner.	CLA recommends the Chief Audit Executive have a functional reporting line to the Audit Committee (or equivalent oversight body of the Board) and an administrative reporting line to the superintendent. Functional reporting to the Audit Committee should include: • Approval of the Internal Audit charter • Approval of the risk-based audit plan • Evaluation of Internal Audit performance • Oversight of the appointment and removal of the Chief Audit Executive • Review of significant audit findings and management's corrective actions		High
31	**Internal Audit Charter** Leading practice requires the Internal Audit function to operate under a formally documented Internal Audit Charter that is approved by the Audit Committee (or equivalent governing body) and reviewed periodically.	CLA noted the Internal Audit Charter has not been updated since January 2022, and references Shelby County Schools, not Memphis-Shelby County Schools.	CLA recommends the Internal Audit Charter be updated to align with the current Memphis-Shelby County School district, explicitly address foundational professional standards followed (i.e., Institute of Internal Auditors, Yellow Book), and is approved by an Audit Committee or equivalent governing body.		Moderate

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
	The charter serves as the foundational governance document that defines Internal Audit's purpose, authority, responsibility, and independence, and aligns the function with recognized professional standards.	In addition, the Charter does not address foundational professional standards followed (i.e., Institute of Internal Auditors, Yellow Book) and is not approved by the Superintendent, an Audit Committee, or equivalent governing body.			
32	**Internal Audit Manual** Leading practice requires the Internal Audit function to maintain a comprehensive, formally documented Internal Audit Manual that provides detailed guidance on how audit activities are planned, executed, reported, and followed up.	CLA noted the Internal Audit function does not maintain a comprehensive, formally documented Internal Audit Manual that provides detailed guidance on how audit activities are planned, executed, reported, and followed up on. The Manual serves as the primary operational reference for Internal Audit staff and supports consistency, quality, and compliance with professional standards.	CLA recommends Management formally document and implement a comprehensive Internal Audit Manual that defines standardized audit methodologies, roles and responsibilities, documentation requirements, quality assurance practices, and alignment with applicable professional standards. The Internal Audit Manual should be formally approved by the Chief Audit Executive, periodically reviewed, and updated as organizational risks, audit practices, or professional standards evolve.		Moderate
33	**Internal Audit Universe** Leading practice requires the Internal Audit function to maintain a comprehensive, documented Internal Audit Universe that identifies all auditable entities within the organization. The audit universe serves as the foundation for risk-based audit planning and should encompass the full scope of the organization's operations.	CLA noted Internal Audit has not established or maintained a comprehensive and documented audit universe identifying all auditable entities across the district. As a result, Internal Audit lacks a complete inventory of processes, functions, systems, and operational areas that may warrant audit coverage. Currently, school fund audits of each school are where team efforts are primarily focused.	CLA recommends Management develop and maintain a comprehensive Internal Audit Universe identifying all auditable entities, including major operational areas, processes, systems, compliance areas, and significant programs. The audit universe should be periodically reviewed and updated to reflect changes in organizational structure, operations, systems, or risk profile.		High

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
		Without a formally defined audit universe, Management has limited visibility into the full scope of potential auditable areas, and there is no documented baseline to demonstrate that all significant risk areas are considered for audit.			
34	**Internal Audit Risk Assessment** Leading practice requires Internal Audit to perform a formal, documented risk assessment to prioritize the audit universe. Risk assessments should consider a combination of quantitative and qualitative risk factors, such as financial impact and materiality, operational complexity, regulatory and compliance exposure, prior audit results, management concerns, volume of transactions, and susceptibility to fraud.	CLA noted Internal Audit has not performed a formal, documented risk assessment to evaluate and prioritize auditable areas within the organization. In the absence of a structured risk assessment process, audit coverage may not be consistently aligned with the district's highest-risk areas, and the rationale for audit selection is not clearly documented. Lack of a formal risk assessment limits Management's ability to assess whether audit resources are being appropriately directed toward areas of greatest significance and risk.	CLA recommends Management implement a formal, documented internal audit risk assessment that incorporates quantitative and qualitative risk factors. The risk assessment should be performed at least annually and incorporate appropriate input from senior management. Documenting and regularly updating the risk assessment will help verify audit priorities are aligned with organizational risks and support informed oversight and decision-making.		High
35	**Internal Audit Annual and Multi-Year Plans** Leading practice is for Internal Audit to develop an annual and multi-year audit plan, based on the risk-ranked audit universe. The annual audit plan should outline, audits and advisory engagements to be performed, estimated timing and resource requirements, coverage of key financial, operational, compliance, and IT risks.	CLA noted Internal Audit has not developed formal, risk-based annual or multi-year audit plans derived from a documented audit universe and risk assessment. As a result, audit activities may be reactive or inconsistent, and there is limited assurance that audit coverage is sufficient or balanced over time. Additionally, the absence of formally approved plans reduces transparency into audit priorities and limits management's ability to provide effective oversight of Internal Audit activities.	CLA recommends Management develop a risk-based annual and multi-year internal audit plans leveraging the documented audit universe and risk assessment. The plans should define the scope, timing, and resource requirements for planned audit engagements and be formally reviewed and approved by the Audit Committee. Internal Audit should also establish a process to periodically reassess and adjust audit plans in response to significant changes or emerging risks, with changes communicated to the Audit Committee.		High

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	Leading practice also includes maintaining a rolling multi-year audit plan (typically three years) to verify all areas receive sufficient audit coverage, based on risk, and long-term risks and strategic initiatives are considered.				
36	**Audit Committee/Board Reporting** Leading practice is for the Chief Audit Executive (CAE) to maintain a direct, structured, and recurring reporting relationship with the Board or its Audit Committee, ensuring independence, transparency, and effective oversight. Policy 0024, Board Committees, states the Budget, Finance, and Audit Committee provides oversight and assurance to the Board on audit programs, internal controls, and approves meeting minutes.	CLA noted that while a Budget, Finance, and Audit Committee exists and is a standing agenda item at Board Meetings, the CAE does not present periodically to the Board. In addition, during the FY2024-25 period, the Committee met six times. A review of the agendas, meeting minutes and/or documents provided for review and/or presentation for these meetings showed there was no alignment to any internal or external audit activity or function. Without regular communication, the Board may lack timely visibility into significant control weaknesses, management's responsiveness to audit recommendations, and the overall effectiveness and independence of the Internal Audit function.	CLA recommends the CAE present to the Board at regularly scheduled intervals (e.g., quarterly). Presentations should include: • Status of the annual audit plan • Significant findings and emerging risks • Follow up on prior audit recommendations • Resource needs or constraints • Any matters requiring Board attention		High
37	**External Auditor Rotation** The Tennessee Comptroller Audit Manual Standards and Procedures states, "The Comptroller's Office encourages auditor rotation when a government engages a CPA firm to perform the annual audit."	MSCS has used the same external auditor to audit their financial statements and school funds since at least the 2015 fiscal year. Long-tenured engagements can create an appearance of reduced independence, familiarity threats, and reduced professional skepticism.	CLA recommends the district rotate external auditor firms every 5 years. Common benefits of rotation include increased independence and objectivity, reduction in familiarity threats with management, and opportunity for improved insights when new auditors reassess past practices.		Moderate

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38	**Audit Reports - Overall Conclusions** Leading practice is to implement a standardized Overall Conclusion section at the beginning of each internal audit report, clearly communicating the auditor's overall assessment of control design and operating effectiveness over the scope area, aligned to the audit objectives and evaluation criteria. The overall conclusion should be supported by a consistent rating methodology, directly tied to the most significant issues identified.	CLA noted audits of school funds have five distinct areas tested during each engagement, each with their own conclusion of either Adequate, Needs Improvement, or Unsatisfactory. The five areas tested are Cash Controls, Revenue Receipts, Disbursements, Fundraising/Resale Activities, and Equipment. Audit reports do not include an overall conclusion of the school's internal control. Lack of an overall conclusion in the audit report does not allow management quick and clear interpretation of the significance of the control environment and issues identified and does not assist in prioritization where it may be most needed, allowing key risks to persist.	CLA recommends management implement a standard Overall Conclusion in every audit report, stating the assurance level for the scoped area, alignment to objectives, and is supported by testing results.		Moderate
39	**Audit Engagement Timeliness** Internal Audit should establish and operate to defined timeliness expectations for each phase of the engagement (planning, fieldwork, reporting), and cycle time performance metrics that are monitored and reported to leadership to drive continuous improvement.	CLA noted the average length of time for Internal Audit to perform school funds audits from start to finish was 148 days (median of 149 days, maximum of 278 days, and a minimum of 11 days). Lack of established and defined timelines, coupled with cycle time monitoring, increases the risk significant control weaknesses are not communicated in a timely manner for management to take corrective action. This can result in prolonged risk exposure and delayed remediation.	CLA recommends management implement timeline standards for each phase of the audit (planning, fieldwork, reporting), and track, monitor, and report on adherence, with periodic reporting assist in driving continuous improvement.		Moderate

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40	**Professional Development Program** Leading practice for internal audit departments is to implement a professional development program establishing continuing professional education (CPE) requirements and minimum certification expectations, documented in the Internal Audit Manual. CPE adherence is centrally tracked, and periodic skills-gap assessments are performed to verify the function collectively possesses the knowledge and competencies necessary to execute the internal audit plan.	CLA noted training for the audit department is performed but is not formally tracked. In addition, there are no audit-related certification requirements for the audit team for professional development. Lack of formally establishing and tracking required CPE training and certification status increases the risk auditors will not maintain competencies needed to perform engagements with due professional care, resulting in inconsistent audit quality, missed or improperly assessed risks (e.g., fraud, IT, emerging issues), reduced ability to execute the audit plan effectively, and potential nonconformance with professional standards.	CLA recommends management implement a formal training and certification program defining role based required training and minimum certification expectations, supported by a centralized tracking mechanism. The program should include a documented competency framework and periodic skills assessment, as well as a minimum annual CPE requirement.		Moderate
Contracts					
41	**Contract Communication - Board** All contracts are approved and signed according to MSCS policy. When making a request to the Board for approval to enter into a contract, administration shall provide specific information including but not limited to the topics outlined within Policy "2012 Contract Requirements, Approval and Signature Authority."	CLA notes while Board Briefing materials are consistently submitted to the Board along with each recommended contract for approval, the contents of the briefing materials vary and do not consistently include all the information required as outlined in the "2012 Contract Requirement Approval and Signature Authority" policy. The informational items most commonly omitted include why the recommended contract is the best purchase, other options for addressing the purchase, sustainability plan, implementation plan, and number/description of staff positions to be created as applicable. Inconsistent inclusion of required information in Board Briefing materials exposes the district to governance, financial, operational, and transparency risks.	In order to establish consistent compliance with required submittal of information to the Board for contract approval, CLA recommends the use of a fillable standard template which includes each of the required information topics as outlined in Contract Requirements Policy 2012.		Moderate

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
42	**Contract Quality Assurance** Leading practice suggests organizations to implement a formal quality assurance process to validate the accuracy, completeness, authorization, and compliance of contracts entered into the contract system of record. The quality assurance control should be designed to verify contract data in the system of record accurately reflects executed agreements.	CLA noted quality assurance is not performed on contracts entered into the system of record, Contract Advantage. Finalized contracts are uploaded and entered into Contract Advantage by individuals from departments across the district. Once items are entered into the system, contract data (e.g., contract value, dates, pricing, amendments, and approval authority) is not reviewed to verify information accurately aligns with fully executed agreements and approved amendments. This has resulted in missing data and incorrect information being populated into the system, such as: A) 25 out of 264 Professional Services contracts in the population of contracts expiring in FY25 or later did not contain a Contract Effective date. B) 21 out of 30 Professional Services contracts tested had contract effective dates which varied from the date entered in Contract Advantage. Many of these deviations were due to the contract term date being entered versus the effective date, which is typically the date the contract is fully executed by both parties. C) 2 out of 30 Professional Services contracts were executed without obtaining the required Purchase Authorization Form (PAF) from Procurement that is to be attached to every contract request to establish evidence the requisition has been approved. Another contract sample did not contain the revised and final PAF with the contract documentation in the system.	CLA recommends management design and implementation of formal quality assurance control over contracts entered into the system of record. At a minimum, the quality assurance control should include independent post-entry review of contract records to validate key terms against executed contracts and amendments, confirmation of required approvals and documentation, and timely correction of identified errors. Quality assurance procedures should be standardized, documented, and supported by appropriate segregation of duties.		High

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
		D) Two contracts for Professional Services from Christian Brothers University for dual exam credits for the 2024-2025 school year were categorized as "Non-Professional Services" contract type, whereas an agreement to amend one of these contracts for the spring semester (2025-0559) was correctly categorized as "Professional Services." CLA further notes the superseded spring services contract, while it showed an expiration date in the system of 12/31/2024, was still categorized as "Active" in Contract Advantage as of 3/1/2026. E) Professional Services contract 2025-0559 contains an incorrect contract number reference in the first page footer of the final executed copy of the contract. In addition, the Forensic Audit report included in Volume II notes that a contract bypassed the procurement process and no PAF, requisition, or PO were identified. As a result, management has limited assurance that contract data maintained in the system of record is complete and accurate. This increases the likelihood errors or omissions in contract records may go undetected.			
43	**Contract Ongoing Monitoring** Leading practice suggests organizations to implement ongoing monitoring over contracts maintained in the system of record to verify contract data remains accurate, complete, timely, authorized, and compliant throughout the contract lifecycle.	CLA noted ongoing monitoring and reporting controls over contract data entered into the system of record are not in place. Specifically, there is no reporting to detect inaccuracies, missing documentation, delayed entries, or authorization gaps. As a result, management has limited assurance that the contract system of record is complete, accurate, timely, and compliant with contracting policies.	CLA recommends Management design and implement formal, ongoing monitoring controls and reporting for contract data to verify data is complete, accurate, and exceptions are appropriately identified and corrected.		Moderate

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
	Ongoing monitoring should include periodic exception reporting to identify inconsistencies between recorded contract data and executed agreements, amendments, approval requirements, and lifecycle milestones.	This increases the risk of incorrect obligations, renewal/expiration oversights, and non-compliant terms. In one instance, CLA observed that a purchase order was issued for a superseded Professional Services contract as the contract was not marked as expired in the system.	Monitoring results should be routinely reported to management, and remediation activities documented and tracked to closure.		
44	**Contract Authorization: Non-Professional Services** All contracts are approved and signed according to MSCS policy. All contracts other than Professional Services contract types that are less than or equal to $99,999 shall be approved and signed by the Superintendent and/or designee, unless exemptions apply.	During testing of contracts less than or equal to $99,999 requiring Superintendent or designee approval and signature, CLA noted an agreement for dual credit course education services incurred during the fall semester of the 24-25 school year (July 1, 2024, to December 31, 2024) was not approved and executed until December 12, 2024 after services were substantially completed. While no payments were made to the vendor (Christian Brothers University) until after the executed contract was in place, the absence of an approved requisition and executed contract is in violation of the procurement policy published in the Procurement Services Manual which states: "A. All vendors are required to have a valid contract or Purchase Order (purchases over $3,500) prior to providing services or delivering goods to a school or office within the District. B. MSCS employee must ensure that prior to receipt of services or goods delivered by a vendor, that the appropriate procedures are followed to ensure payment to the vendor. C. An MSCS employee may be subject to personal liability if they willfully or intentionally violate the policies and procedures set forth in this Procurement Manual including liability for the costs of services or goods incurred by the District."	CLA recommends MSCS establish a formal escalation process when services begin without an executed contract, including: • Services and the Superintendent's designee. • Documentation of the circumstances and responsible personnel. • Corrective action or disciplinary measures when appropriate.		Moderate

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		Without an authorized agreement defining scope, pricing, and terms, the District may be unable to enforce service expectations, or challenge disputed charges, increasing the risk of unbudgeted expenditures, vendor disputes, and undermines transparency and weakens internal controls designed to safeguard public funds. In addition, the Forensic Audit report included in Volume II notes an inappropriate concentration of authority whereby individual employees were able to select vendors, execute contracts, and approve invoices without independent review. The Forensic Audit report included in Volume II notes that treating a contract as valid prior to execution creates significant risk. It may result in unauthorized commitments, improper payments, or obligations incurred without legal authority. This is particularly concerning when the same individual has the ability to select vendors, execute contracts, and approve invoices, as it bypasses required authorization controls and undermines governance safeguards (see Contract Authorization observations in the table below.			
45	**Contract Authorization: Professional Services** All contracts are approved and signed according to MSCS policy. Professional Services contracts less than $75,000 require approval and signature from the Superintendent, and those greater than or equal to $75,000 require Board approval.	During testing of Professional Services contracts, CLA noted one contract less than $75,000 (2025-0143 for services to be completed by September 30, 2024) did not contain the signature of the Superintendent preventing it from being a fully executed contract. However, services were rendered by the service provider under the scope of the agreement without an approved requisition and purchase order in place.	CLA recommends management design and implementation of formal quality assurance control over contracts entered into the system of record.		Moderate

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		Additionally, CLA observed one contract that was in a second renewal term during the 2024-2025 school year defined in prior executed contracts to be valued at $75,000. The renewal was executed on September 3, 2024 for $74,900 placing it below the threshold requiring Board approval without sufficient documentation or explanation to substantiate the fee reduction in the current year, creating the appearance of circumvention of the contract approval policy.	At a minimum, the quality assurance control should include independent post-entry review of contract records to validate key terms against executed contracts and amendments, confirmation of required approvals and documentation, and timely correction of identified errors. Quality assurance procedures should be standardized, documented, and supported by appropriate segregation of duties.		
46	**Request for Qualifications** Policies and procedures are documented that establish expectations applicable to all stakeholders to promote standard operating procedures that align with current processes within each department.	While the Professional Services Contracts Policy (2013) states these types of contracts shall not be based upon competitive bids, the policy does not clearly indicate when a Request for Qualifications ("RFQ") is required, or other required documentation to justify the vendor selection. CLA observed out of 30 Professional Services contracts tested, most samples did not appear to have supporting documentation to justify why a vendor was selected or if there were others considered prior to entering into the contract.	In order to eliminate inconsistent practices and the potential for vendor bias, CLA recommends the Professional Services policies and procedures be updated to include specific requirements for the selection of Professional Services contract awards.		High
47	**Contract Authorization: Non-Professional Service MSAs** All contracts are approved and signed according to MSCS policy. All contracts other than Professional Services contract types less than or equal to $99,999 shall be approved and signed by the Superintendent and/or designee, unless exemptions apply.	Master Service Agreements (MSAs) typically establish agreed upon rates for goods or services procured on an as needed basis and do not include a stated contract value. As a result, they are often entered into the system of record, Contract Advantage, with a value of $0 or $0.01. Because Policy 2012 (Contract Requirements) permit staff other than the Superintendent to execute contracts based on stated value, MSAs assigned a $0 value may be approved by individuals other than the Superintendent, even when cumulative spending ultimately exceeds $100,000.	CLA recommends updating MSA contract authorization policies and procedures to better align approval requirements with the risk posed by MSAs that may exceed $100,000 in spend.		High

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	Professional Services contracts less than $75,000 require approval and signature from the Superintendent, and those greater than or equal to $75,000 require Board approval.	MSAs recorded with nominal or no contract value increase the risk that cumulative spend may exceed authorization thresholds without appropriate Superintendent or Board approval.			
48	**Contract Communication - Board** Per MSCS Policy "2012 Contract Requirements, Approval and Signature Authority," the Board is to be provided with a list of written contracts with a value between $25,000 and $99,999 and all commodity contracts greater than or equal to $100,000. Professional service contracts with a value between $25,000 and $74,999 shall also be provided.	MSAs typically establish rates without a stated contract value and are therefore often entered into Contract Advantage at $0 or $0.01, resulting in exclusion from Board reporting. CLA observed MSAs supported by a $0 Procurement Authorization Form (PAF) may generate multiple purchase orders cumulatively exceeding $100,000 in a fiscal year, while the absence of detective controls limits assurance the Board is informed when contract spend exceeds certain thresholds or budgets. MSAs recorded with nominal or no contract value increase the risk that cumulative contract spend may not be identified, monitored, or reported to the Board when required.	CLA recommends reporting controls be implemented to verify monitoring and reporting of contract spend against approved amounts. The Board should be provided timely reporting for procurement activity subject to Board visibility.		High
49	**Contract Procedures** Procedures exist to standardize and direct the step-by-step completion of processes and controls within the department and are retained in shared location for department staff to access. Procedures are updated when processes and controls change.	CLA noted desktop procedures for end-to-end contract administration and data entry are not in place to standardize and direct completion of step-by-step processes and controls within the department. The absence of documented department procedures increases the likelihood of inconsistent work practices, errors, and knowledge gaps across staff.	CLA recommends Contract Administration management create desktop procedures for staff to assist them in completion of their day-to-day job responsibilities, and formally review and document procedure updates, at a minimum annually.		Moderate

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
50	**Contract Reporting Categorization** Leading practice is to implement system contract classifications between procurement and contract systems, aligning classifications for reporting purposes and completeness and accuracy of vendor and contract information.	CLA noted several in-scope contracts were unable to have system reports created for them as the procurement system, APECS, and contract system, Contract Advantage, are not aligned in how they are categorized. Failure to standardize contract classifications across procurement and contract systems increases the risk that contract and vendor information is incomplete, inaccurate, or inconsistent.	CLA recommends management implement standardized, system required contract classifications aligned and consistently applied across the procurement system and the contract management system. Both systems should be configured with shared classification taxonomy to prevent inconsistent or incomplete contract and vendor data.		Moderate
51	**Contracts Key Process Indicators** Leading practice for contracts management functions includes establishing key process indicators (KPIs) providing management with visibility into contract cycle times, compliance with approval requirements, and process effectiveness. KPIs support proactive management oversight and reduce the risk of delayed execution, noncompliance, or inconsistent contracting practices.	At the time of review, CLA noted the contracts department had not formally defined, documented, or monitored KPIs to evaluate contract lifecycle timeliness, alignment with procurement requirements, or internal service expectations. Without KPIs, management may be unable to consistently assess compliance with contracting policies and approval requirements, increasing the risk of unauthorized or late-executed contracts.	CLA recommends management develop and implement KPIs for the contracts department to support effective oversight of the contract lifecycle. KPIs should be aligned with contract processing objectives and requirements, assigned to accountable owners, and reviewed on a recurring basis by management.		Moderate
Procurement & Vendor Management					
52	**Vendor Management Program** Leading practice for vendor management programs is to identify, assess, and monitor risks associated with outsourcing to vendors and service providers.	CLA noted MSCS has not established a formal Vendor Management Program. Lack of a formal vendor management program could expose the organization to operational, financial, contractual, and reputational risks, as well as create inefficiencies by leveraging multiple vendors for similar services or not utilizing company funds efficiently.	CLA recommends MSCS implement a Vendor Management Program, governed by leadership across appropriate departments via a work group or management committee.		High

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
	Vendor Management Programs assist in mitigating operational disruptions, monitoring vendor performance, verifying compliance with contractual terms, and assisting in reporting to management and the Board on fiscal responsibility of vendor usage.		The vendor Management Program should include risk rating vendors, tracking high risk vendors, assigning responsible managers, service level agreements, due diligence, and reporting on the status of vendors to leadership.		
53	**Dormant Vendors** Leading practice suggests vendor master files to be periodically reviewed for purposes of identifying vendors with no purchasing or payment activity over a defined period of time (typically 18-24 months). Vendors meeting the inactivity criteria should be inactivated/not deleted within the system of record to preserve historical records while preventing unauthorized or unnecessary transactions.	CLA noted vendor activity within the vendor master file has not been assessed since implementation of APECS (before the merger in 2013). Vendors remaining active with no payment activity over an extended period of time increases the risk of unauthorized or fraudulent payments, as dormant vendors may be used to process invalid transactions.	CLA recommends management establish a timeframe in which vendors should be inactivated in the APECS system after a period of payment inactivity. CLA also recommends ongoing monitoring by management to assess vendor payment inactivity. Management should work with APECS on the initial assessment to systemically inactivate vendors who haven't been paid for a set period of time, versus manually creating a report and performing the updates, based on the volume of vendors.		High
54	**Vendor PO Boxes** Leading practice suggests that vendors maintain a valid physical street address in the vendor master file to support vendor legitimacy verification, regulatory compliance, and fraud risk mitigation.	CLA noted, out of approximately 21,000 active vendors, 1,230 vendors (5.9%) had only a PO Box on file, and not a physical address. PO Boxes should not be used as the sole address for vendors and permittable only as secondary mailing addresses when a documented business or operational need exists. Exceptions (e.g., government entities or regulated utilities) should be formally approved and documented. Vendor master records should clearly distinguish between physical and mailing addresses, and periodic vendor file reviews should validate the continued appropriateness of any PO Box usage.	CLA recommends management require physical addresses for all vendors during their onboarding process, with any exceptions documented and approved. CLA also recommends ongoing monitoring by management to validate the continued appropriateness of any PO Box usage.		Moderate

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
55	**SOC Reports and Reviews** Service Organization Control (SOC) Reports provide a standardized methodology for end users to evaluate a service provider's internal controls and determine end user control considerations that should be in place within the control environment. User reviews of SOC reports assess vendor controls, user controls, and subservice organizations involved in the vendor's processing.	CLA noted critical service providers have not been identified for which SOC Reports should be obtained and reviewed. Not obtaining and reviewing SOC reports from critical service providers results in a lack of insight into the service provider's control environment, what the user should have in place in their control environment, and the service provider's ability to protect sensitive data and maintain operational integrity, resulting in financial impacts and operational disruptions.	CLA recommends critical service providers be identified, and SOC reports obtained and reviewed and documented for each vendor annually. Content of the review should identify any exceptions noted by the outside auditor, user control considerations and associated controls in place to identify any gaps, as well as subservice organizations used by the vendor.		Moderate
56	**Vendor Quality Assurance** New vendors are set up in APECS with a unique vendor number based on valid supporting documentation such as W-9's or other valid documents. A TIN match is completed on the IRS website to validate legal entity names and tax ID information is correct for 1099s. Vendor profiles are approved in APECS by the Purchasing Department.	CLA noted out of 45 new vendor records tested: A) 1 vendor's business entity type did not agree between APECS and the W-9. B) 2 vendor addresses did not match the W-9 and no other support was available. One of the address errors was a transposition of the street address. C) 2 vendor records did not contain supporting documentation to substantiate the vendor profile. D) 1 vendor W-9 contained incorrect information not detected at the time of vendor record creation/approval. Procurement corrected these during the audit. E) 3 vendor records did not contain support to substantiate the IRS TIN match was completed at the time of vendor creation. Procurement corrected these during the audit. F) 2 vendors were students who received Valedictorian/Salutatorian merit payments in excess of the IRS tax threshold.	In order to establish completeness and accuracy over vendor record information, CLA recommends quality assurance review procedures and controls be included in the vendor setup and maintenance process. Best practice control procedures for vendor setup and maintenance include a quality review of the vendor profile against valid support as well as the completeness of all support to be retained with the profile. The quality review is recommended to be completed by an individual who does not have access to set up or modify the vendor's information.		Moderate

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
		Procurement does not complete IRS TIN matches for student profiles and did not complete 1099 information within the vendor profile. Merit awards are typically treated as taxable prizes by the IRS and a 1099 should be issued in these cases.			
57	**Single/Sole Source Procurement** Policies and procedures establish expectations applicable to all stakeholders. Per the Procurement Services Manual, Sole Source Justification Forms require approval from the school's Instructional Area Superintendent, or for Offices, and approval from Senior Staff.	CLA noted the manual and form do not clearly define who is an authorized "Senior Staff" member required to authorize the Sole Source Justification Form, creating ambiguity in the interpretation of a properly authorized form.	In order to eliminate inconsistent practices and the potential for improperly authorized single/sole source purchases, CLA recommends the Procurement policies and forms be updated to clearly define who is authorized as a Senior Staff member.		Low
58	**Purchase Authorization: $3,500 - $24,999** Purchases between $3,500 - $24,999 require a Purchase Advisory Form (PAF) if the purchase requires a contract, an approved requisition to verify the budget/purchase total, three competitive quotes (if available), and a purchase order (PO) signed by the Director of Procurement.	Out of 45 samples tested, CLA observed the following: • PO 2516496 had an expired equipment lease attached as support and evidence was not readily available to substantiate a valid, current contract. • PO 2530512 for services referenced a PAF and a need for a contract in the internal notes within APECS, but no contract was issued and evidence was not readily available for the PAF. Documented rationale was not available within APECS for the deviation from policy which requires a PAF and contract for professional services. • PO 2510384 for bus fuel was made under a valid and active contract, but the rate used in the PO did not agree to the fuel rate in the contract and there was a lack of evidence (i.e. quote) to support the purchase price used.	CLA recommends the following: • All Buyers and Procurement staff receive training regarding the required procedures and supporting documentation for each requisition and PO in order to process an approval. • Process enhancements be implemented to include an independent review by a senior staff member of approved requisitions that are held in a batch within APECS awaiting release and printing of the PO. An independent review of approved requisitions should include verifying key information and required supporting documentation is included with the requisition prior to releasing the PO.		Moderate

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
		Incomplete or inconsistent procurement support increases the risk that purchases are made without valid contract authority, required approvals, or pricing support.	The review should be completed by a staff member that did not act as the approving Buyer on the requisitions. • Regular internal audits over procurement activity could help identify non-compliance timelier to enforce corrective actions.		
59	[redacted]	[redacted]	[redacted]		[redacted]
60	[redacted]	[redacted]	[redacted]		[redacted]

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
61					

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
62	[redacted]	[redacted]	[redacted]		[redacted]
63	**Procurement Procedures** Procedures exist to standardize and direct the step-by-step completion of processes and controls within the department and are retained in shared location for department staff to access. Procedures are updated when processes and controls change.	While there is a Procurement Manual published, CLA noted detailed desktop procedures for procurement are not in place to standardize and direct completion of step-by-step processes and controls within the department. The absence of documented department procedures increases the likelihood of inconsistent work practices, errors, and knowledge gaps across staff.	CLA recommends Procurement management create desktop procedures for staff to assist them in completion of their day-to-day job responsibilities, and formally review and document procedure updates, at a minimum annually.		Moderate

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
			The procedure document should align with procurement and contract policies, but should exist as a separate, more detailed document.		
64	**Procurement Key Process Indicators** Leading practice for procurement functions includes establishing key performance indicators (KPIs) that provide management with visibility into procurement cycle times, compliance with approval and purchasing requirements, and overall process effectiveness. KPIs support proactive management oversight and reduce the risk of delays in acquiring goods and services, noncompliance with procurement policies, or inconsistent purchasing practices.	At the time of review, CLA noted the procurement department had not formally defined, documented, or monitored KPIs to evaluate procurement timeliness, adherence to approval and competitive procurement requirements, or service quality provided to internal stakeholders. Without KPIs, management may be unable to consistently assess procurement performance or identify noncompliance with purchasing policies and approval thresholds, increasing the risk of unauthorized purchases, delayed procurements, or operational disruptions.	CLA recommends management develop and implement KPIs for the procurement department to support effective oversight of the procure-to-pay lifecycle. KPIs should be aligned with procurement objectives and policy requirements, assigned to accountable owners, and reviewed on a recurring basis by management.		Moderate
65	**Code of Federal Regulation Adherence** Shelby County follows Uniform and General Guidance Standards §200.318 General Procurement Standards through 200.326 Contract provisions.	CLA was able to conclude the entity generally complies with the Code of Federal Regulation standards through documented guidelines in the Procurement Services Manual as well as general terms and conditions that are included in the standard Invitation for Bid forms. However, notes there is not a comprehensive mapping document to support how MSCS complies with each standard, and CLA could not locate any documented discussion regarding topic S200.323, Procurement of Recovered Materials. The absence of a mapping document which outlines how the entity complies with the Code of Federal Regulation could unintentionally result in non-compliance.	CLA recommends MSCS formally maintain a document which maps their compliance to each component of the Procurement Standards within the Code of Federal Regulation in order to verify policies and procedures are in place to adhere to the Code.		Low

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
Accounts Payable					
66	**Out of Compliance Letters** Accounts Payable (AP) obtains and verifies supporting documentation before processing and releasing vendor payments. An Out of Compliance Letter (OOCL) is issued to department personnel for any invoice > $3,500.01 without an approved PO or an approved contract (if necessary), in which actions must be taken before the District can process a payment. Proper approvals and documentation are submitted back to AP before payment will be made.	CLA noted there were no monitoring or reporting controls implemented for Out of Compliance Letters during fiscal year 2025, as they were processed outside of the APECS system. Without a control to identify the population of Out of Compliance letters, there was no sample and subsequent testing CLA was able to perform.	CLA recommends implementing a monitoring control to track Out of Compliance Letters processed by the AP department. Per AP, they are automating the facilitation and sign-off of Out of Compliance Letters into APECS. A monitoring control for Out of Compliance Letters should also be implemented to verify Letters are being processed timely and accurately.		Low
67	**Computer Equipment Procurement** Leading practice suggests all requests for computer equipment (including laptops, desktops, monitors, peripherals, and mobile devices) be reviewed and approved by Information Technology prior to purchase or issuance. Information Technology approval verifies requested equipment aligns with established technology standards, security requirements, compatibility with the existing environment, and lifecycle management practices.	CLA noted computer equipment procured did not require Information Technology's approval during the 2025 fiscal year. Computer equipment being acquired or issued without IT review and approval exposes MSCS to increased risk that non-standard or unsupported devices enter the environment, which may result in security vulnerabilities, data protection issues, ineffective asset tracking, and higher support and maintenance costs.	CLA recommends purchasing departments obtain IT's approval before computer equipment is purchased. AP recently began adding IT's approval for items which weren't previously part of catalogue approvals.		Moderate

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
68	**Accounts Payable Aging Review** Leading practice involves Accounts Payable performing a recurring review of aged open accounts payable to verify accuracy, validity, and timely resolution of outstanding obligations. This review should occur at least monthly and include identification of invoices that are past due, unmatched, duplicated, or no longer valid.	CLA noted Accounts Payable currently does not run an aged AP listing for review. Per conversations with AP no periodic review of aged AP is performed. This is a common procedure and or practice. Issues related to not performing this procedure include, risk of overstated Liabilities and Expenses, budget compliance risk, cutoff and risk. Not regularly assessing accounts payable aging increases likelihood of carrying inaccurate or invalid liabilities on its books, increasing the risk of misstated financial reports and weakened budget oversight.	CLA recommends Management generate an aged payables report at least monthly, reviewing all items exceeding established aging thresholds, investigating invoices that appear past due, unmatched, duplicated, or no longer valid. Staff should document the disposition of aged items, and a supervisor should review and approve the completed aged-payables analysis to verify timely follow-up, escalation of unresolved items, and adherence to district policy.		Moderate
69	**Payment Processing** Accounts Payable payments are processed via a third party, and department staff reconcile totals from the MSCS payment file to confirmation from the third party of actual payments. Management reviews and signs off on reconciliation and paperwork is filed.	CLA noted two of 15 samples (13%) tested where the MSCS payment file did not reconcile to the amount disbursed by the vendor. The amounts were minor compared to the total disbursement and management acknowledged the outliers. Unreconciled differences between the district's payment file and vendor disbursed amounts, even when individually small, signal weaknesses in payment accuracy, financial controls, and oversight.	CLA recommends management formalize their reconciliation process to verify all MSCS payment files fully match the amounts disbursed by vendors before payments are finalized, and discrepancies are investigated and dispositioned. While these files were maintained separately in employees' filing cabinets, based on who completed the reconciliation for the payment run, we recommend establishing a spreadsheet retained on a shared department drive for completing the reconciliation control, as well as storing electronic reports and third-party email confirmations. The employee performing the reconciliation and supervisor reviewing and approving that any differences have been addressed can be documented on the shared document.		Moderate

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
70	**Purchases >$3,500** Leading practice requires an approved purchase order before any goods or services are ordered or paid for. MSCS policy requires a purchase order for all disbursements over $3,500.	CLA noted two of 40 samples (5%) tested for disbursements greater than $3,500 noted no authorization and/or account coding. Disbursements tested included large contracts with ongoing purchase orders with no significant issues noted, with management acknowledging the exceptions. In addition, the Forensic Audit report included in Volume II notes disbursement process related deficiencies, including incomplete or missing supporting documentation. Despite these deficiencies, the transactions reviewed appeared to reflect legitimate District business activities and were approved within the APECS system. While these matters do not indicate fraud, waste, or abuse, they reflect noncompliance with District documentation requirements and internal control weaknesses Payments processed without documented approval or account coding increases the risk of unauthorized expenditures and misclassification of financial activity.	CLA recommends staff responsible for processing payments should verify each invoice or payment request contains the appropriate approval, funding source, and expenditure coding, and return incomplete documentation to the originating department for correction prior to payment. A supervisory review/reporting could be implemented to confirm exceptions are identified, investigated, and resolved.		Low
71	**Purchases <$3,500** MSCS policy requires purchases for goods and services for amounts less than or equal to $3,500 to have approval from proper budget center manager and management level above the budget center manager.	CLA noted one of 25 samples (4%) tested for disbursements less than or equal to $3,500 noted no authorization and or account coding, with management acknowledging the outlier. Payments processed without documented approval or account coding increases the risk of unauthorized expenditures and misclassification of financial activity.	CLA recommends staff responsible for processing payments should verify each invoice or payment request contains the appropriate approval, funding source, and expenditure coding, and return incomplete documentation to the originating department for correction prior to payment. A supervisory review/reporting could be implemented to confirm exceptions are identified, investigated, and resolved.		Low

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
72	**Accounts Payable Key Process Indicators** Leading practice for accounts payable functions includes the establishment of key process indicators (KPIs) aligned with process objectives, risks, and stakeholder expectations. Such indicators enable management to monitor performance, detect emerging issues, and support data-driven decision-making.	The AP function processes a high volume of payments and is critical to financial stewardship, compliance with payment terms, and vendor relationships. Currently, management does not utilize defined KPIs to monitor the effectiveness, efficiency, and timeliness of AP operations. In the absence of KPIs, management may not have sufficient visibility into AP performance, increasing the risk of possible operational deficiencies going undetected and being addressed.	CLA recommends management develop and implement a set of KPIs for AP to support ongoing monitoring of process effectiveness, timeliness, and control performance. KPIs should be clearly defined, aligned with AP objectives and risks, supported by reliable data sources, and reviewed on a recurring basis by management.		Low
Payroll					
73	**Payroll Processing Checklist** Using a standardized payroll processing checklist for every payroll cycle is a leading practice that strengthens accuracy, accountability, and internal control reliability. A well-designed checklist outlines all critical steps in the payroll workflow, such as verifying personnel changes, reviewing time and attendance data, confirming exception items, validating deductions and benefits, and reconciling payroll totals, and requires preparer and supervisory sign-off before payroll is finalized. Payroll does maintain a checklist staff leverages and references for guidance during payroll processing.	CLA noted that while Payroll leverages a checklist document to reference during payroll processing, preparer and supervisor sign-off is not documented for each payroll cycle. Without documented evidence that required payroll steps were performed each cycle, the district cannot demonstrate that key controls, such as verifying personnel changes, reviewing time and attendance data, validating deductions, and reconciling payroll totals, were executed consistently. This increases the likelihood of payroll errors, missed steps, unauthorized changes, and incorrect payments going undetected.	CLA recommends Payroll update and complete the payroll checklist for each payroll cycle, from pre-processing through final payroll submission. Management should verify the checklist: • Reflects every required payroll activity, including preparatory steps, exception report reviews, reconciliations, approvals, and pos-processing tasks • Is reviewed and updated regularly to reflect system changes, policy updates, and process enhancements • Is used consistently by payroll staff for every payroll run to ensure all required steps are completed • Includes documented evidence of completion to support accountability and provide an audit trail.		Moderate

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
74	**Exception Reporting** A leading practice is for payroll exception reporting to be reviewed every payroll run through a structured, documented, and independently validated process to verify all anomalies are identified, investigated, and resolved before payroll is finalized. MSCS Payroll includes stop pay issues, employees on leave missing proper coding, duplicate or multiple deductions, high dollar/unusual amounts, inactive employees generating pay, missing or late time sheets, excess leave usage, off cycle/missed payment exceptions, and benefit/deduction inconsistencies.	CLA noted Payroll staff complete the process of completing exception reporting between each trial payroll run and the final payroll run. However, reports reviewed are not retained, and individuals performing the review do not document the actions of their review and actions taken related to the review, to document the control. When payroll exception reports are reviewed but not formally documented, the District lacks verifiable evidence key payroll controls were performed. Without clear documentation of who reviewed exceptions, what issues were identified, and how they were resolved, there is an increased risk errors, unauthorized pay changes, or fraudulent activity may go undetected.	CLA recommends the following for exception reports generated between the trial payroll run and the final payroll: • Retain copies of all exception reports as part of the payroll processing record • Reviewer documents evidence of their review • Document resolution of exceptions, including supporting documentation for adjustments • Supervisory review to confirm reports and related documentation are complete and retained in accordance with record retention requirements.		Moderate
75	**Manual Checks** Leading practice for manual checks includes maintaining strict control over all manual (physical) check stock. Manual checks should be prenumbered, securely stored, issued only to authorized personnel, and recorded in a complete and accurate manual check log at the time checks are removed from inventory. Voided, spoiled, or unused checks should be retained, clearly marked, logged, and periodically reconciled to payroll records and bank activity to verify all check numbers are accounted for.	For fiscal year 2025, CLA noted manual payroll checks numbered #38459 through #38466 were issued; however, checks #38463 and #38464 did not appear in the CHECKREG downloads. Management reported that the manual check log was missing and may have been inadvertently discarded during front desk staff turnover. As a result, documentation supporting the issuance and sequence of manual checks was incomplete. In addition, per inquiry with staff, it was noted the individuals picking up settlement checks did not sign or date the check log upon obtaining the check. Failure to maintain complete and accurate records for manual checks increases the risk of lost, misappropriated, or unauthorized payments.	CLA recommends management perform the following: • Re-establish and maintain a complete manual check log documenting all issued, voided, spoiled, and unused check numbers. • Require authorized personnel to sign and date documentation acknowledging receipt of manual checks. • Perform periodic reconciliations between the manual check log, checks on hand, payroll registers, and bank activity. • Retain all supporting documentation for manual checks.		Moderate

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
Accounting & Reporting					
76	**Chart of Account (COA) Management** Leading practice is to manage the COA under a formal governance model with clear ownership, standards, and change authority to enable consistent processing and reliable reporting. A centralized COA owner should enforce naming conventions and segment definitions for uniform coding and comparable information. All COA updates should follow a documented change management workflow.	CLA noted the following with the COA: • COA ownership has not been defined • Centralized approvals are not required for adds/changes/deletes • Monitoring/reporting of COA changes is not performed In addition, departments outside of Accounting & Reporting can create new GL accounts, requests can be made directly to the vendor by district departments to make COA changes, and duplicative names exist within the COA. Lack of COA ownership, centralized approvals, and monitoring increases the risk of unauthorized or duplicative GL account changes, resulting in misclassified transactions and unreliable financial reporting.	CLA recommends management perform the following: • Establish formal Policy with COA Ownership (e.g., Controller/Accounting & Reporting) • Limit the ability to create/modify GL accounts to a role based group within the responsible department • Require all COA changes (add/change/inactivate) be submitted via a standard request form/workflow explaining the purpose of the request and approval is required by COA owner or delegate • Remediate duplicative account names, inactivate unused/duplicate accounts, and confirm correct mapping to financial statement lines, budget categories, and management reporting • Changes to existing accounts have a new account created for data integrity purposes • Perform and document review of periodic reporting on changes		High
77	**Journal Entry Processing** Leading practice for journal entry processing is to segregate preparation from approval, require accountable management review for department-originated entries, and monitor override or bypass activity through controlled workflow reporting.	MSCS personnel prepare journal entries with all receiving final approval from the Accounting & Reporting Controller. CLA noted the following related to journal entries: • The system allows users to bypass, insert, or substitute approvers within the workflow, and formal exception reporting over bypassed or substituted approvals does not exist. • Journal Entry support is inconsistently retained within the system of record.	CLA recommends management perform the following related to journal entry approval design: • Formally define approval routing expectations for journal entries, including when department managers and supervisors are required to review entries impacting their areas.		Moderate

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		• Final approval is heavily concentrated with one individual, creating personnel dependency. Due to these workflow design limitations, journal entries may be approved without the intended management level of supervisory accountability, increasing the risk of unauthorized, unsupported, or inaccurate entries being recorded.	In addition, implement exception reporting over bypassed, substituted, or otherwise nonstandard approvals and review the report periodically. • Require all journal entry support to be centrally retained within the system of record, or in a formally designated repository linked to the journal entry, before the entry can be approved and posted. • Establish backup approvers with sufficient accounting knowledge to reduce key person dependency while maintaining segregation of duties.		
78	**Reconciliation Completion** Leading practice for reconciliation documentation is to have standardized preparer and reviewer sign-off, date of completion/review, and aging of reconciling items with formally defined escalation and clearing thresholds.	MSCS accounting personnel prepare and review reconciliations monthly. CLA noted the following related to reconciliation documentation and aging: • Preparer and approver sign-off is not consistently formalized on all reconciliations. • Reconciling items are not always consistently dated within the reconciliation. A formal policy for clearing, escalating, or writing off aged reconciling items is not documented, although 90 days is used informally in some areas. Inconsistent sign-off and aging documentation reduces accountability and makes it more difficult to determine whether reconciliations were completed timely and whether old reconciling items were appropriately resolved.	CLA recommends management perform the following related to reconciliation documentation: • Standardize reconciliation templates to include preparer name, reviewer name, and preparation/review dates within the workbook. • Require reconciling items to include transaction or identification dates and clear explanatory support. In addition, formally define aging, escalation, and write-off expectations for reconciling items, including a review threshold such as 90 days, as appropriate.		Moderate

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79	**Reserves & Special Projects** Leading practice for restricted projects and reserves is to establish defined monitoring thresholds, periodic review expectations, and documented spend plans for significant rollover balances to verify funds are used in accordance with their intended purpose.	MSCS calculates year-end reserves and rollover balances for restricted projects and special revenue activity. CLA noted the following related to reserve and project balance monitoring: • Certain projects accumulate significant balances year over year without formal thresholds for when review or intervention is required. • Management monitoring occurs, but documented spending plans are not consistently required for projects with large rollover balances. • The current process allows balances to remain in place without a formal action plan to explain timing or purpose of future use. In the absence of defined thresholds and required action plans, restricted balances may accumulate inappropriately and funds may effectively function as informal reserves rather than being used for their intended purpose.	CLA recommends management perform the following related to reserve and project balance monitoring: • Establish review thresholds for project and reserve balances that trigger management follow-up. • Require documented spending or action plans for projects with large or growing rollover balances. • Periodically review significant balances with responsible program leadership and document conclusions regarding the continued need for the balance. • Align reserve and rollover monitoring expectations within a formal SOP or policy guidance document.		Moderate
80	**Backup Establishment** Leading practice for accounting departments is to establish trained backups for all key processes and control activities to promote continuity of operations, timely completion of responsibilities, and reduced dependency on single individuals during periods of absence, turnover, or increased workload.	CLA noted backups have not been established for key process and control activities within the Accounting & Reporting department. Insufficient cross-coverage in the accounting department may result in delays, errors, or missed control activities when key personnel are unavailable.	Management should designate and train backups for key accounting processes and control activities to help ensure responsibilities are performed timely and consistently when primary personnel are unavailable.		Moderate

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81	**Mileage Reimbursement** Leading practice for mileage reimbursement processing is to configure system fields so employees cannot submit incomplete claims and reviewers can focus on reasonableness and approval rather than administrative returns.	MSCS requires mileage claims to be submitted through the TRIPS portal with manager approval and accounting review. CLA noted the comments field used to describe the purpose of each trip is not required by the system. Claims without sufficient comments may be returned manually by accounting for correction. The control therefore relies on a downstream review to identify incomplete requests rather than preventing submission of incomplete claims. Because required trip purpose information is not system-enforced, mileage claims may be submitted incomplete, increasing administrative rework and the risk of insufficient support for reimbursement.	CLA recommends management request the portal administrator to configure the comments field as a required field for each mileage trip entry.		Low
82	**Expense Monitoring** Leading practice for travel monitoring is to supplement transactional approval controls with periodic analytics over travel activity by location, request center, and staffing metrics to identify unusual trends or outliers.	MSCS has a defined process for travel requisitions, approvals, support review, and monitoring. CLA noted the following related to travel monitoring analytics: • Formal monthly or quarterly analytics over travel spend by school, department, or request center are not performed. Without periodic analytical monitoring, unusual travel trends or excessive spending by location may not be identified timely even when individual transactions are approved appropriately.	CLA recommends management perform the following related to travel monitoring: • Develop recurring travel analytics by school, location, or request center, including total spend and average number of staff, to identify outliers. • Require periodic management review of the resulting analytics and documented follow-up on significant anomalies.		Low

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
83	**Month-End Close Checklist** Leading practice for month-end close is to maintain a formal, standardized checklist that identifies all key close activities, assigns clear ownership, establishes due dates, and have documented preparer and reviewer sign-off to support timely, complete, and accurate financial reporting.	CLA observed that while the Accounting & Reporting team maintains month-end close checklists, checklist completion is not consistently formalized or evidenced across the process. Incomplete or inconsistently completed month-end close checklists increase the risk key close activities are missed, delayed, or not evidenced, which may result in incomplete or inaccurate financial information.	CLA recommends management formalize the month-end close checklist process by requiring each assigned task to be completed, documented, and retained each period, with clear preparer ownership, completion dates, and reviewer sign-off.		Moderate
84	**Donated Asset Categorization** Per Policy 2019, "the Superintendent or his/her designee shall establish a process by which all grants, gifts, donations, and sponsorships are requested, received and administered. The process at minimum shall establish proper internal controls over monitoring and compliance requirements; accounting and financial reporting; and program administration."	During the 2025 fiscal year, CLA noted three groupings of asset additions incorrectly categorized as donations by non-Accounting & Reporting personnel. These three groupings included 2,023 assets totaling more than $853,361. Assets were properly categorized during the course of the audit, and an additional categorization was established to better identify transfers of equipment to the District. For fiscal year 2025, there were 171 actual items donated totaling $153,385. Misclassification of asset additions as donations by personnel increases the risk of misstated capital asset records and financial reporting, including inaccurate contribution revenue, asset valuation/disclosure, and supporting documentation.	CLA recommends policy alignment for "a process by which all grants, gifts, donations, and sponsorships are requested, received and administered. The process at minimum shall establish proper internal controls over monitoring and compliance requirements; accounting and financial reporting; and program administration." This could include centralization of classification authority, standardization of intake documentation, periodic training and alignment between responsible departments, as well as ongoing monitoring. Appropriate policies and procedures should be updated to align with process and control determinations to align with policy.		Moderate

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
85	**Warehouse Fleet & Fuel Tracking** A leading practice for centralized fuel or fleet services is to establish clear governance and integrate necessary departments (i.e., HR and Accounting) into the control environment. Each vehicle is tied to a specific budget for purposes of tracking fuel and vehicle costs, and fuel card assignments are approved and changes communicated timely.	CLA noted the following: • HR is currently not integrated into the control environment for fuel card and fleet budget alignment, resulting in active fuel cards being assigned to terminated employees. Notification of termination is currently placed on other departments to notify the Warehouse, not a centralized source. • While fuel cards are vehicle specific and usage is tracked in the E.J. Ward system, Accounting lacks visibility into current vehicle-to-employee assignments and budget codes tied to those vehicles for accurate financial recording. • E.J. Ward data is provided to Information Technology for upload into APECS, as opposed to responsible Warehouse personnel performing the upload. • Multiple cards per employee, shared vehicles among rotating drivers, and vehicles in Security and Warehouse assigned to supervisors rather than individual drivers. Lack of alignment between departments, as well as a centralized tracking record linking vehicles and fuel cards to current employees and budget codes, increases the risk of unauthorized fuel usage, misallocation of fuel costs across schools or departments, and misstatement of expenditures at the school, department, or program level.	CLA recommends responsible Warehouse management perform the following: • Maintain a single master assignment record that ties each vehicle (or pooled vehicle group) and fuel card to the current authorized driver(s) (or pool) and default budget code. • Implement a control communicating HR termination data to responsible Warehouse personnel for updating records and timely deactivation of necessary fuel cards. Automation between applications should be implemented, where possible. • Provide Accounting access to the master record, system of record, or system reporting for budget and expense accounting purposes. • Uploading of data into APECS by responsible Warehouse personnel, as well as periodic exception monitoring to identify inactive employees, unassigned vehicles, and miscoded fuel charges for corrective action.		Moderate

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86	**Fee Waivers** Policy 6047, School Fees and Debts, and the TN DOE Office of Local Finance Internal School Funds Manual (Title 8, Student Fees/Fee Waiver) restrict fee waiver use to allowable student fees. These include instructional-day activities/field trips, required course supplies, refundable security deposits, certain summer school fees, and graduation ceremony fees, and are not to be used for general operating or warehouse supply purchases.	CLA noted departments and schools processing fee waivers for non-permitted items under the fee waiver program (i.e., warehouse purchases, diploma seals, copy paper). Processing fee waivers for non-permitted items increases the risk of noncompliance with Board Policy 2047 and applicable state guidance. Additionally, improper use of fee waivers may divert limited waiver capacity and funding away from permitted student needs, reducing resources available for eligible items.	CLA recommends Accounting & Reporting perform the following: • Communicate written guidelines, available to all departments on a district shared site, and provide training to applicable areas and staff. • Create an approval workflow, either within or outside of the system, for department management to sign-off on fee-waivers signifying their approval of appropriateness of the categorizing. • Work with the vendor to block or flag ineligible transaction types, where possible. • Create exception reporting that is reviewed regularly (e.g. monthly), to verify proper coding and communicate improper coding to department heads for correction.		Moderate
87	**Inventory - Recording** A leading practice for school districts is to record inventoried items, including items purchased with federal grant funds such as ESSER, at their actual acquisition cost in the inventory system to reflect the amount paid to acquire the asset. Additionally, districts should implement regular inventory reconciliations and document all inventory movements to maintain accurate records.	CLA noted the items below were purchased with ESSER funds and recorded in the inventory system at zero acquisition cost, and not actual acquisition cost: • Bottled water - 19,000 cases acquired at a cost of $96,900. • Textbooks - 197,836 textbooks acquired; cost unable to be determined based on inconsistent tracking. Recording inventory at zero cost may result in understated assets on the financial statements and could obscure actual utilization of ESSER funds. Furthermore, maintaining accurate inventory records is essential for transparency to verify federal funds are used appropriately and can be properly tracked for financial reporting purposes.	CLA recommends management record inventory at their actual acquisition cost by implementing controls in the form of documented procedures outlining proper categorization and recording, training to applicable areas to educate responsible personnel, and monthly report monitoring to identify items recorded at zero cost. Incorrectly categorized items should be escalated and communicated to applicable department leadership for correction.		Moderate

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
Federal Funding					
88	**School-Level Monitoring** Local Education Agencies (LEAs) should maintain a standardized monitoring process that requires each Title I school to complete and submit the annual School-Level Monitoring Checklist by the established deadline. The process should include documented review evidenced by required signatures and dates from both the assigned Federal Programs designee and the school's Professional Learning Community coach, as well as timely follow-up on missing or incomplete submissions.	CLA noted that eight of the 20 (40%) schools tested had one or more exceptions related to required checklist sign-off documentation. Specifically, the annual School-Level Monitoring Checklist did not include the required sign-off and/or date by the assigned Federal Programs designee and/or the school's Professional Learning Community coach. Incomplete School-Level Monitoring Checklist approvals reduce evidence of oversight and may result in noncompliance with Title I monitoring requirements.	MSCS should strengthen its monitoring procedures to ensure annual School-Level Monitoring Checklists are completed fully and timely for all Title I schools, including required sign-off and date by both the assigned Federal Programs designee and the school's Professional Learning Community coach. The Office of Federal Programs should implement follow-up procedures for missing or incomplete checklists, maintain evidence of remediation, and escalate repeated noncompliance as appropriate to support consistent school-level compliance and effective Title I program oversight.		Moderate
89	**School Inventory** LEAs should maintain a standardized annual inventory process requiring each Title I school to perform, document, and timely submit a physical inventory of equipment purchased with Title I funds. Inventory submissions should be reviewed for completeness and accuracy, reconciled to equipment on hand, and followed up on as needed for missing, incomplete, or discrepant results to support accountability, safeguarding of assets, and compliance with federal program requirements.	CLA noted that two of the 20 (10%) schools selected had exceptions related to the required annual physical inventory of equipment purchased with Title I funds. Specifically, one school did not submit the required inventory, and one school submitted an inventory that was rejected by the Office of Federal Programs. Inaccurate or incomplete inventory records increase the risk of loss, misuse, or unsupported use of Title I-funded equipment and may lead to noncompliance with federal requirements.	MSCS should strengthen its procedures for annual physical inventories of equipment purchased with Title I funds to ensure all Title I schools timely submit complete and acceptable inventory records to the Office of Federal Programs. The Office of Federal Programs should follow up promptly on missing submissions, communicate deficiencies requiring correction, and track resolution of rejected inventories to support accountability for Title I-funded assets and consistent compliance with inventory requirements.		Low

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90	**EOY Checklist Record Retention** LEAs should maintain a standardized annual process requiring each Title I school to timely complete, sign, and upload the End-of-Year Checklist to the school's Title I Crate, where it is retained as documentation supporting compliance with federal record retention requirements.	CLA noted that four of the 20 (20%) schools selected did not submit the required Title I School End-of-Year Checklist to MSCS. Because the checklist was not submitted, these same four schools also lacked evidence of required sign-offs and timely submission prior to the established deadline. Failure to submit required year-end compliance documentation limits the district's ability to demonstrate school-level compliance and increases the risk that issues are not identified or addressed timely.	MSCS should strengthen its year-end monitoring procedures to ensure all Title I schools complete, sign, and submit the End-of-Year Checklist by the established deadline and retain the completed checklist in the school's Title I Crate. The Office of Federal Programs should follow up promptly on missing or incomplete submissions, track resolution of exceptions, and escalate noncompliance as appropriate to support consistent adherence to federal record retention requirements.		Low
91	**Semi-annual certifications** LEAs should maintain a formal process requiring timely completion, review, and retention of Title I school semi-annual certifications to help ensure payroll costs charged to Title I are supported by required documentation for employees working solely on allowable schoolwide activities. This practice will promote consistency in compliance practices across schools, support monitoring by the Office of Federal Programs, and help reduce the risk of unsupported payroll charges or missing documentation during audit or program review.	Based on testing of 20 Title I schools, CLA noted that all 20 schools properly submitted fall semi-annual certifications; however, three schools (15%) did not submit spring semi-annual certifications. As a result, those schools did not maintain complete supporting documentation for the full year to demonstrate compliance with requirements applicable to employees paid 100% from Title I-A funds for allowable Schoolwide Program activities. Incomplete semi-annual certification documentation may limit MSCS's ability to evidence that payroll costs charged to Title I-A were appropriately supported and may increase the risk of noncompliance with federal program requirements.	CLA recommends that MSCS strengthen its monitoring procedures over semi-annual certifications by ensuring all Title I schools timely complete, sign, date, and retain required fall and spring certifications for applicable employees working 100% on allowable Schoolwide Program activities. Monitoring procedures should include follow-up on missing certifications, review for completeness, and escalation of exceptions as necessary to support compliance with federal documentation requirements and retention of complete payroll support.		Low

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
92	**Quarterly Stipends** LEAs should maintain a formal process for the quarterly PLC Coach stipend verification submissions, including standardized requirements for preparation, review, approval, and retention of certification forms. This practice will ensure that each form is completed for the appropriate reporting period and school year, supported by required signatures and timely submissions. LEAs should maintain monitoring controls to identify missing, incomplete, duplicate or inconsistent certifications and follow up with schools as needed to support accurate stipend payments and compliance with program requirements.	Testing of quarterly PLC Coach stipend verification forms identified exceptions at three schools. Two schools did not maintain a completed stipend verification for one quarter reviewed. In addition, one school submitted verification forms for two different PLC Coaches for school year 2025–26, while the review scope was limited to school year 2024–25. These exceptions indicate the stipend verification process was not consistently completed and maintained in accordance with district requirements. Incomplete or inaccurate stipend support increases the risk of unsupported payroll payments, improper period reporting, and noncompliance with district requirements.	MSCS should strengthen controls over the quarterly PLC Coach stipend verification process by requiring schools to complete, review, and retain verification forms for the appropriate reporting period and school year prior to stipend payment. In addition, MSCS should implement a monitoring process to identify missing, incomplete, or inconsistent certifications and follow up with schools timely to support compliance and accurate payment of PLC Coach stipends.		Low
State Funding					
93	**TISA Accountability Report** Local Education Agencies (LEAs) leading practice is to establish a formal, documented annual governance process for the TISA Accountability Report that requires cross-functional preparation, documented alignment of budgeted expenditures to student achievement goals, and completion of public comment and Board of Education approval prior to submission to the Tennessee Department of Education (TDOE).	Based on review of the TISA Accountability Report and related Board of Education documentation, the district did not evidence that the report was approved by the Board prior to the required submission deadline. Board meeting records indicate the report was reviewed after the applicable filing deadline. In addition, the report reflects the district currently does not meet the State's targeted benchmark for third-grade English Language Arts (ELA) proficiency and projects achieving the benchmark beyond 2030.	Management should strengthen its governance and review process to ensure timely Board approval and submission of the TISA Accountability Report, and consider enhancing near-term, measurable strategies to more closely align projected student achievement outcomes with State expectations.		Moderate

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
		While the report includes long-term improvement plans, the projected timeline extends significantly beyond the State-established goal, which may limit the report's effectiveness in demonstrating near-term progress toward required student achievement outcomes. The TISA Accountability Report is intended to promote transparency and accountability by linking funding decisions to measurable student outcomes. Untimely submission and extended timelines for achieving required proficiency benchmarks may increase the risk of noncompliance with TDOE requirements and could subject the district to increased oversight or corrective action.			
94	**LEA Compliance Report** The LEA Compliance Report provides formal assurance to the Tennessee Department of Education's (TNDOE) that LEAs are meeting all applicable federal and state requirements, maintaining effective internal controls, and upholding board-approved policies.	CLA noted that the district did not submit the required LEA Compliance Report by the TNDOE established due date of November 28, 2025. The report was submitted after the deadline, resulting in noncompliance with TNDOE's reporting requirements. Timely submission is necessary to ensure the district maintains compliance with state expectations, preserves eligibility for applicable funding, and avoids potential corrective actions. Failure to meet required deadlines increases the risk of administrative findings, delays in state review processes, and potential impacts on the district's annual approval status.	Management should implement procedures to verify the LEA Compliance Report is completed, reviewed, and submitted to the TNDOE by the established annual deadline. This may include establishing internal submission timelines, assigning clear responsibility for report preparation and approval, and implementing monitoring controls to track progress toward completion.		Low

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
Budgeting					
95	**Budget Load Validation** Leading practice for budget data loads and system imports is to maintain formally documented validation controls over data transferred between source files, import templates, and system uploads, including evidence of preparer completion and independent review.	MSCS uses multiple files and systems during the budget build and load process, including projected enrollment files from Operations, upload templates for Allovue, and CSV load files for APECS. CLA noted the following related to budget load validation and documentation: • Budget data is reformatted from a source file into a separate upload template for import into Allovue. • Quality checks are performed; however, those checks are not formally documented by the preparer or approved by a reviewer. • The final APECS budget load is validated through visual tie out to totals and approved functional amounts, but that review is not consistently evidenced through standardized documentation. • The state ePlan submission is also validated through screenshots and review procedures, but the control is not formalized within a documented checklist or sign off process. Without documented validation and review over budget data transfers and imports, errors in source-to-system movement may not be identified timely, increasing the risk of inaccurate budget information being loaded into core systems and used for reporting and decision making.	CLA recommends management perform the following related to budget loads and system imports: • Formally document the validation steps performed when moving budget data between source files, import templates, Allovue, APECS, and ePlan. • Require preparer and reviewer sign-off, including dates, for key load and tie-out activities. • Standardize post-load control evidence, such as retained total tie outs by fund/function and reconciliations to approved budget amounts. • Maintain the validation documentation in a central folder to support consistency, auditability, and continuity across budget cycles.		Moderate
96	**Budget Transfer Support** Leading practice for budget transfers is to have standardized documentation supporting the purpose of non-routine or significant transfers and to retain that support in a central location accessible to approvers and reviewers.	MSCS routes budget transfers through departmental and budget office approvals in APECS, and system rules prevent invalid transfers from being submitted. CLA noted the following related to transfer support documentation:	CLA recommends management perform the following related to budget transfer support: • Define documentation expectations for budget transfers, particularly for large, unusual, or cross-department items.		Moderate

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
		• Transfer requests include account coding and notes within APECS; however, supporting documentation for the underlying business purpose is not consistently retained with the transaction. • The budget team often relies on notes, object-level knowledge, and contextual awareness from board meetings or prior discussions when evaluating transfers. • For larger or less routine transfers, support such as contract detail, funding rationale, or detailed explanations is not consistently attached or centrally retained with the approval record. Although the workflow helps validate coding and approval, inconsistent retention of business support reduces transparency and makes it more difficult for a reasonable person to determine why certain transfers were approved.	• Require standardized supporting rationale to be retained in a central folder or linked repository when attachment in the system of record attachment is not feasible. • Establish thresholds for enhanced support requirements, such as contracts, funding memoranda, or approval explanations for significant transfers. • Continue using workflow approvals in APECS while strengthening supporting documentation retained outside the system where necessary.		
97	**Amendment Review Documentation** Leading practice for budget amendment processing is to use standardized templates, reconciliations, and evidenced review procedures, including preparer and reviewer sign-off over amendment schedules and supporting calculations.	MSCS uses standardized templates to collect amendment information from fund owners and reconciles submitted changes to APECS by project and function before preparing the board resolution. CLA noted the following related to amendment reconciliation documentation: • Preparer and reviewer sign-offs, including completion and review dates, are not formally embedded within the reconciliation workbooks Without standardized sign-off and dating of amendment reconciliations, accountability over preparation and management review is reduced and it is more difficult to demonstrate the timing and completion of the control.	CLA recommends management perform the following related to budget amendment reconciliations: • Add preparer and reviewer sign-off, including completion and review dates, to amendment reconciliation workbooks.		Low

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
98	**Allovue Interface Monitoring** Leading practice for system interfaces and dashboard reporting is to perform periodic documented reconciliations or spot checks between the system of record and downstream reporting tools to verify data is transferred completely and accurately.	MSCS uses the Allovue Manage module as a dashboard and monitoring tool, with a nightly feed from APECS. CLA noted the following related to interface monitoring: • The nightly APECS feed has an informal review performed by management for selected departments to confirm figures appear reasonable. • Those spot checks are not formally documented, and there is no standardized record of departments reviewed, amounts compared, reviewer, or date of review. Without documented monitoring of the APECS-to-Allovue interface, data transfer issues may not be identified timely, increasing the risk management relies on incomplete or inaccurate dashboard information.	CLA recommends management perform the following related to interface monitoring: • Formally document periodic reviews between APECS and Allovue, including departments reviewed, amounts compared, reviewer, and date. • Establish a defined monitoring cadence, such as weekly during early implementation and monthly thereafter, as confidence in the interface increases. • Retain evidence of completed checks in a central location. • Escalate and document follow-up on any variances identified between APECS and Allovue.		Low

IT Cybersecurity Risk Assessment

IT Cybersecurity - Executive Summary

CLA conducted an IT cybersecurity risk assessment of the current environment to identify and evaluate the governance maturity and operational resilience across critical technology domains. Any conclusions reached are our professional judgement based on the relevant data obtained in performing the procedures. Had additional or different information been provided our conclusions may be different. The sufficiency of the procedures is solely the responsibility of management.

Interviews were performed with key Information Technology and Security stakeholders in the District to gain an understanding of processes, governance, and technology configurations in place within the environment. The assessment identified opportunities to enhance a number of key enterprise risk management functions, including identity lifecycle governance, disaster recovery and business continuity planning, vendor security risk management, infrastructure resiliency, and governance documentation maturity.

Based on the results of the assessment, CLA identified the following key observations:

1. [redacted]

2. [redacted]

3. [redacted]

[redacted]

4. [redacted]

[redacted]

IT Cybersecurity - Assessment Scope and Summary Observations

CLA conducted an initial cybersecurity assessment designed to evaluate the current state of selected security governance, operational controls, and technical safeguards supporting MSCS's information technology environment. The objective of the assessment was to identify potential control gaps, operational risks, and opportunities to strengthen MSCS's cybersecurity posture. The assessment was conducted through a combination of stakeholder interviews, documentation review, policy evaluation, and analysis of select technical and operational artifacts.

The scope of the engagement focused on ten key cybersecurity domains that represent foundational components of a mature security program. These domains included Information Security Program Management, IT Governance and Risk Management, Identity and Access Management, Vendor Security Risk Management, Business Continuity and Disaster Recovery, Network Protections, Data Security, Endpoint Protection, Logging and Monitoring, and IT Asset Management. Each domain was evaluated to determine whether appropriate policies, procedures, governance structures, and operational practices are in place to support the protection of sensitive information, ensure the availability of critical systems, and maintain appropriate oversight of technology risks across the organization.

The observations and recommendations presented in this report are intended to support leadership in prioritizing improvements, strengthening operational consistency, and advancing the overall maturity of MSCS's cybersecurity program over time. Multiple high-risk observations were identified including [redacted] The table below summarizes the distribution of observations by risk rating across the in-scope control domains.

Table 1: Distribution of Observations by Risk Rating

Control Domain	High	Moderate	Low	Total
[redacted]	0	4	0	4
[redacted]	2	2	0	4
[redacted]	4	3	0	7
[redacted]	4	0	1	5
[redacted]	4	1	1	6
[redacted]	4	3	0	7
[redacted]	3	1	1	5
[redacted]	3	1	0	4
[redacted]	4	1	0	5
[redacted]	2	2	0	4

The following are additional high-risk themes resulting from the IT Cybersecurity Risk Assessment:

- Several foundational cybersecurity policies and operational controls are in place; however, documentation and formal governance structures need to be further strengthened to support consistent implementation and oversight within the environment.

- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]
- IT Governance documentation would benefit from updated templates and increased formalization.

IT Cybersecurity - Conclusion

The IT Cybersecurity Risk Assessment identified that the MSCS IT and Security team has established several foundational elements of a cybersecurity program, including limited policies, core endpoint protections, and limited network segmentation. These efforts provide a baseline for managing technology risk across a large and complex environment. Building on this foundation, the assessment identified several opportunities to further strengthen the IT organization's governance, operational consistency, and visibility into cybersecurity risk.

The observations in this report should be viewed as opportunities to advance the maturity of MSCS's cybersecurity program. Several of the observations relate to enhancing oversight, expanding documentation, [redacted] remain protected as MSCS continues to evolve its technology environment and expand its use of integrated educational platforms.

The control table that follows contains the specific recommendations for each observation; however, the following items represent the top recommendations for management's consideration.

[redacted]

[redacted]

IT Cybersecurity - Detailed Observation Listing

CLA noted the following opportunities to implement or improve the design and operating effectiveness of internal controls. Observations are rated as high, moderate, or low, as defined on page 6.

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
IT Cybersecurity Risk Assessment					
Domain:					
1					
2					

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
3					
4					

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
Domain:					
5					
6					

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
7					
8					
Domain:					
9					

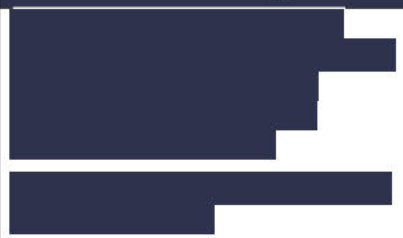
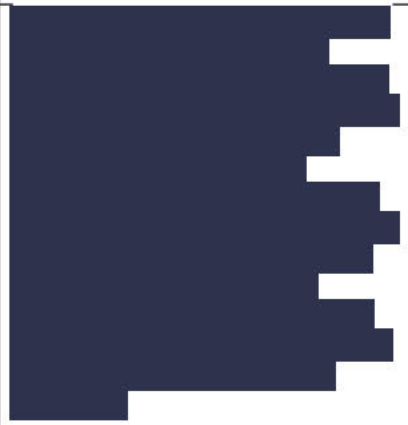
#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
10					
11					
12					

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
13					
14					
15					

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
Domain:					
16					
17					
18					

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
19					
20					

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
Domain:					
21					
22					

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
23					
24					
25					

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
26					
Domain:					
27					
28					

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
29					
30					

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
31					

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
32					
33					

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
Domain:					
34					
35					

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
36					
37					

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
38					
Domain:					
39					
40					

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
41	[redacted]	[redacted]	[redacted]		[redacted]
42	[redacted]	[redacted]	[redacted]		[redacted]

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
Domain:					
43					
44					
45					

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
46					
47					

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
Domain:					
48					

#	Leading Practice/ Control Activity	CLA Observation (and criteria)	CLA Recommendation	Management's Response	Rating
49					
50					
51					

Information about CliftonLarsonAllen LLP

Established on January 2, 2012, CLA is well positioned with knowledge, insight, and industry-specific accounting, tax, and consulting services. CLA is the result of a union between Clifton Gunderson and LarsonAllen, both established more than 60 years ago. CLA has a national forensic services and state and local government practice.

CLA is one of the largest professional service and accounting firms in the country with a growing global network. With a nationwide team of experienced professionals, clients include law firms, school districts, CEOs, leaders in education, municipalities, governmental agencies, the law enforcement community, commercial businesses, and not-for-profit agencies.

The CLA Cybersecurity practice is a nationally recognized advisory team that helps organizations strengthen cybersecurity governance, manage technology risk, and enhance resilience against an evolving threat landscape.

Dan Resnick is the Managing Principal of the Cybersecurity practice of CLA, where he leads a nationwide team delivering cybersecurity consulting services across technical security assessments, penetration testing, governance and risk programs, and regulatory compliance initiatives. He brings more than 15 years of experience helping organizations strengthen cybersecurity programs, improve risk visibility, and align security capabilities with business objectives. Throughout his career, Dan has worked closely with executive leadership and technology teams to assess security programs, address emerging cyber risks, and support the development of practical, risk-informed security strategies. He holds a Master of Science in Information Systems from Indiana University's Kelley School of Business and maintains multiple industry certifications including CISSP, CISA, and CCSP.

The CLA Business Risk Services provides advisory services focused on helping organizations identify, assess, and mitigate financial, operational, compliance, and governance risks in accordance with applicable professional consulting standards and work closely with leadership to evaluate current-state control environments, identify gaps and improvement opportunities, and prioritize remediation efforts.

Brian Pye is the Managing Principal of the Business Risk Services practice of CLA, where he leads a nationwide team delivering internal audit, risk management and internal control consulting services across the state and local government industry. He brings more than 25 years of professional experience helping organizations strengthen controls, improve governance, and align process improvement with business objectives. Throughout his career, Brian has worked closely with executive leadership and internal audit teams to assess emerging risks, and support the development of practical, risk-informed governance strategies. He holds a Bachelor of science – accounting and business administration from University of St. Thomas in St. Paul, MN. Brian is also on the Board of Directors from the MN chapter of the Institute of Internal Auditors.

Memphis Shelby County Schools Forensic Audit

State of Tennessee Comptroller of the Treasury
Forensic Audit Report
VOLUME II

June 30, 2026

Prepared by:
Folashade Abiola-Banjac, Esq.
Ana Rodriguez, CPA, CFE

CliftonLarsonAllen LLP

CLAconnect.com
CPAS | CONSULTANTS | WEALTH ADVISORS

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CliftonLarsonAllen LLP
CLAconnect.com

June 30, 2026

Jason E. Mumpower
Tennessee Comptroller of the Treasury
425 Rep. John Lewis Way North
Nashville, TN 37243

RE: Memphis Shelby County Schools

Dear Mr. Mumpower:

CliftonLarsonAllen LLP (CLA) was retained by the State of Tennessee, Comptroller of the Treasury ("Comptroller" or "the State") to perform a forensic audit with regard to Memphis-Shelby County Schools (MSCS or "the District") for the fiscal years 2022 to 2024. The purpose of this report is to provide the results of our work.

We performed our engagement in accordance with the Statement on Standards for Forensic Services No. 1 (SSFS No. 1) of the American Institute of Certified Public Accountants (AICPA) and the Code of Professional Standards of the Association of Certified Fraud Examiners (ACFE). This report does not constitute an audit, compilation, or review, in accordance with standards of the AICPA, the objective of which would be the expression of an opinion on any specified elements, accounts, or items. Accordingly, CLA does not express such an opinion. The professional standards promulgated by the AICPA prohibit CLA from rendering an opinion as to whether there has been any fraud or other criminal activity by anyone associated with this engagement. The professional standards promulgated by the ACFE prohibit Certified Fraud Examiners (CFEs) from expressing opinions regarding the guilt or innocence of any person or party. Therefore, CLA does not render such opinions.

Fraud and irregularities by their very nature are most often hidden, and no absolute assurance can be given that all such matters have been detected. Our engagement cannot be relied on to disclose all irregularities or illegal acts, including fraud that may exist. However, to the extent such matters have come to our attention, we have included them in this report.

Respectfully submitted,

CliftonLarsonAllen LLP

Folashade Abiola-Banjac, Esq.

Principal- Leader of Forensic, Litigation and Investigations

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1. Executive Summary

Background

CliftonLarsonAllen LLP was retained by the State to perform forensic audit services regarding MSCS for the period of July 1, 2021, through June 30, 2024. Specifically, CLA conducted a forensic audit of the financial records, transactions, and processes of MSCS to identify and evaluate evidence of potential fraud, waste, or abuse.[1]

Memphis Shelby County Schools

Memphis-Shelby County Schools (MSCS) is Tennessee's largest school district, serving approximately 106,000 students across more than 200 schools, and is Shelby County's second-largest employer with nearly 14,000 employees. Governed by a nine-member elected Board of Education ("the Board") MSCS operates with an annual budget of approximately $1.8 billion and is led by a superintendent responsible for day-to-day operations.

During the forensic audit scope period (July 1, 2021–June 30, 2024), MSCS experienced significant leadership turnover, with three superintendents serving in succession. These transitions contributed to organizational instability, adversely affecting staff retention, institutional knowledge, operational efficiency and internal controls, and increasing overall financial and governance risk.

CLA conducted interviews with MSCS leadership and the Board to gain an understanding of the events that led to the forensic audit. Throughout these discussions the following key issues were raised:

1. Reorganization of the management team with the intent to streamline processes after each superintendent appointment created instability and confusion for the staff.

2. Abrupt changes to the electronic contracts approval process to a manual process resulted in disorganization, documentation issues, delays, and impacts to key programs and initiatives needed by the students of MSCS.

3. Budget decisions resulted in over 1,000 positions eliminated from the District.

4. Lack of consistency and enforcement of the document retention policies due to position eliminations resulted in erosion of institutional knowledge.

[1] Under the ACFE guidance, occupational fraud is described as the use of one's occupation for personal enrichment through the deliberate misuse or misapplication of an organization's resources or assets. Under ACFE guidance, waste and abuse involve the misuse or mismanagement of resources, often stemming from inefficiency or improper use of authority, without the clear intent to deceive required to constitute evidence of fraud.

Scope of Work

The scope of work requested by the State was to test, using a risk-based approach, certain financial records and transactions of the District based on specific areas of analysis outlined by the State. The following is a summary of those areas identified by the State that created the basis for CLA's forensic audit procedures:

1. **Federal and state funding review:** Assess compliance, proper allocation, and use of federal and state funds specifically in the following areas:
    a. Title I, elementary and secondary school emergency relief funds, and Head Start programs
    b. Charter schools

2. **Procurement and contract management**: Determine whether procurement practices were fair, transparent, and in compliance with policy and law, specifically in the following areas:
    a. Contracts and solicitations pertaining to specific concerns presented by the State and through anonymous whistleblower complaints
    b. Inclusion of subcontractors
    c. Nutrition contracts
    d. Single source, sole source, and emergency contracts
    e. Professional services contracts
    f. Low-dollar contracts

3. **Financial transactions and controls**: Detect potential fraud, abuse, or control weaknesses in financial operations, specifically in the following areas:
    a. Journal entries
    b. ACH transactions
    c. Bank statements
    d. Payroll and employee compensation
    e. P-card and check requests
    f. Suspicious accounts
    g. Travel reimbursements
    h. Budget issues

4. **Vendors and conflicts of interest**: Identify conflicts of interest, favoritism, or policy violations involving vendors.
5. **Governance and compliance**: Assess compliance with governance policies, particularly related to transparency and ethics.
6. **Fiscal agent oversight**: Examine the role and accountability of SchoolSeed as a fiscal agent.

This report communicates CLA's observations as it pertains to evidence or documentation that is indicative of potential fraud, waste, or abuse identified by CLA through the performance of the forensic audit. The professional standards promulgated by the AICPA

prohibit CLA from rendering an opinion as to whether there has been any fraud or other criminal activity by anyone associated with this engagement. The professional standards promulgated by the ACFE prohibit Certified Fraud Examiners (CFEs) from expressing opinions regarding the guilt or innocence of any person or party. Therefore, CLA does not render such opinions.

Fraud and irregularities by their very nature are most often hidden, and no absolute assurance can be given that all such matters have been detected. Our engagement cannot be relied on to disclose all irregularities or illegal acts, including fraud that may exist. However, to the extent such matters have come to our attention, we have included them in this report.

This executive summary is not meant to be a standalone document, and it is recommended that the entire report be read to obtain a complete understanding of the work performed, observations, and recommendations by CLA.

Summary of Work Performed

CLA undertook the following procedures to complete the forensic audit of the District and assessed the areas identified by the State.

1. **Initial entrance conference:** On August 7, 2025, CLA conducted a virtual entrance conference with District leadership and members of the State of Tennessee, Comptroller of the Treasury office. The purpose of this meeting was to make introductions and discuss timing, expectations, and agree on the cadence of communication between the District and CLA.

2. **Document request**: Throughout the forensic audit, CLA requested that the District provide specific financial data and documents necessary for CLA to perform analytic procedures, select transaction samples for further examination, and obtain supporting documentation for the transactions tested. Additional document requests were communicated to the District regularly throughout the forensic audit, as it was an iterative process as CLA selected additional transactions for testing and identified additional information needed. CLA encountered considerable delays in receiving responses to several of these requests.

3. **Interviews conducted:** Beginning on August 11, 2025, and continuing through the date of this report, CLA conducted over 142 interviews of current and former District staff, Board Members, and certain third-parties to gain an understanding of relevant processes that would inform the analytics and assessment of the areas of concern identified by the State. The purpose of these interviews was to make relevant inquiries, discuss questions, and review the status of outstanding requests. Attachment 01 includes a list of the interviews performed and the dates of the interviews.

4. **Data collection and analysis:** In early August 2025, the District provided query access to its business information and accounting system, APECS, that contains modules for human resources/payroll and finance. CLA requested query access to APECS so that financial data

and other information available in the system could be directly accessed and retrieved throughout the forensic audit.

CLA exported the District's financial data directly from APECS, including trial balance summaries, general ledger details, subledger details, disbursement ledgers, and payroll registers. Separately, the District provided CLA with a copy of the chart of accounts for fiscal years 2022 through 2024.

Obtaining the relevant financial data from APECS allowed CLA to perform various analyses prior to selecting risk-based samples for testing. Specific analyses performed for each area of testing are discussed throughout section *5. Results of Forensic Audit* beginning on page 33.

5. **Selection of samples**: Within each area of analysis identified by the State, and where appropriate, CLA selected a risk-based sample for testing to assess the specific matter raised by the State and determine if there was evidence indicative of fraud, waste, or abuse. The specific method and scope for selecting each sample varied by area and is discussed further in section *5. Results of Forensic Audit* beginning on page 33.

   Where available, CLA identified supporting documentation in APECS and Contract Advantage for the transactions selected for detailed testing.[2] If sufficient supporting documentation was not located in either of these document repositories, CLA requested additional supporting documentation from the District.

6. **Email review**: Electronic copies of certain District email accounts were obtained from the District for certain current and former employees and Board members whom it was believed would have communications relevant to the forensic audit scope. The email files were uploaded to a third-party document review platform, Logikcull, for review and analysis. When documentation was insufficient or when CLA required further context, CLA conducted keyword searches within email files to locate pertinent communications.

   CLA experienced a six-week delay in obtaining the requested email files. On August 5, 2025, CLA requested PST email files from the District, which encountered export challenges; after an unsuccessful alternative involving a secure hard drive, CLA was granted Microsoft 365 access on September 16, 2025, enabling direct retrieval of required email accounts, with additional mailboxes obtained as needed during the engagement. Table 1 lists the population statistics for the email review conducted.

Table 1: Email Files Retrieved by CLA

Description	Quantification
Number of Custodians	47
Count of emails/attached documents	3,829,716
Number of pages	24,970,136
Size	2.52TB

[2] Contract Advantage is the contract lifecycle management software system in use by the District.

7. **Public records research:** Public records research was conducted to identify associations of District leadership and Board members. The purpose of the public records searches was to identify a list of individuals, organizations, corporations, and addresses associated with each individual that was compared to the various transactions of the District. This procedure can help identify potential fictitious employees or vendors, or possible conflicts of interest. This data was gathered through open-source internet resources and various public records databases.

8. **Challenges encountered:** CLA's ability to complete planned procedures and obtain sufficient appropriate evidence related to procurement, contracting, and vendor management was materially constrained by the District's delayed and incomplete production of requested records, the absence of centrally maintained procurement data, and fragmented record-keeping practices. Challenges were further compounded by records being dispersed across multiple systems with inconsistent retention practices.

Results of Forensic Audit

The following results summarize the forensic audit conducted by CLA, the primary objective of which was to perform procedures to assess whether evidence indicative of potential fraud, waste, or abuse by District employees and/or the Board existed. CLA's conclusions are based on the totality of information and documentation available during the course of the forensic audit.

The results of this forensic audit identified three distinct categories of matters. First, evidence indicates that certain transactions totaling $54,161,108.89 are consistent with the ACFE guidance describing potential fraud ($250,000.00), waste ($763,124.28), and abuse ($53,147,984.61) based on factors such as payments for work not performed, inadequate oversight, unsupported or duplicative billings, contracting and payment activity occurring outside established procurement controls, or payments for services duplicative of existing District resources or benefits. Second, CLA identified a broader population of transactions totaling $65,073,979.48 that did not rise to the level of potential fraud, waste, or abuse but reflected non-compliance with District policies and procedures, indicating significant internal control and documentation deficiencies. Lastly, CLA identified a small population of transactions totaling $291,000.00 that reflected non-compliance with federal regulations pertaining to federal grants. These observations are summarized in Table 2.

Table 2: Results of Forensic Audit – Observations by Testing Area and by Type

Testing Area	Evidence Suggesting			Evidence Suggesting Non-Compliance with:		Total
	Potential Fraud	Waste	Abuse	Internal Policy	Federal Grant	
Contracts	$ -	$ 209,884.93	$ 50,077,249.60	$ 62,351,915.85	$ -	$ 112,639,050.38
ACH Transactions	250,000.00	400,000.00	3,070,735.01	575,780.34	-	4,296,515.35
P-cards	-	-	-	1,089,004.78	-	1,089,004.78
Budget	-	-	-	822,291.17	-	822,291.17
Federal Grants ESSER	-	-	-	-	291,000.00	291,000.00
Payroll	-	153,239.35	-	53,346.09	-	206,585.44

Testing Area	Evidence Suggesting			Evidence Suggesting Non-Compliance with:		Total
	Potential Fraud	Waste	Abuse	Internal Policy	Federal Grant	
Travel Reimbursements	-	-	-	77,284.81	-	77,284.81
Charter Schools	-	-	-	66,096.26	-	66,096.26
Journal Entries	-	-	-	22,906.08	-	22,906.08
Federal Grants	-	-	-	15,354.10	-	15,354.10
Total	$ 250,000.00	$ 763,124.28	$ 53,147,984.61	$ 65,073,979.48	$ 291,000.00	$ 119,526,088.37

The following three table summaries are intended to provide transparency into the nature and financial impact of the issues identified and to illustrate the control weaknesses that informed the conclusions presented. A brief description of the results by testing area is included in this executive summary following these three tables. Table 3 lists disbursements for which evidence consistent with the ACFE guidance on fraud, waste, or abuse was identified.

Table 3: Summary of Transactions for Which Evidence Supporting Potential Fraud, Waste, or Abuse was identified

Testing Area	Determination	Description	Amount Disbursed
Contracts	Abuse	Contract award was directed to a sole vendor outside the evaluation committee's recommendation and without documented justification.	$ 48,430,744.52
ACH Transactions	Abuse	Vendor had a conflict of interest with an employee who had the authority to hire and influence the selection of vendors.	3,070,735.01
Contracts	Abuse	The District executed and paid a subsequent contract without clearly authorized renewal provisions and without issuing required purchase orders, creating procurement and compliance violations.	674,288.00
ACH Transactions	Waste	Vendor was paid for work MSCS determined was performed in a deficient or negligent manner.	400,000.00
ACH Transactions	Evidence of Potential Fraud	Vendor was paid for work that MSCS determined was not completed.	250,000.00
Contracts	Abuse	Contracts executed and paid outside of established procurement and accounts payable controls resulting in disbursements without required oversight and safeguards.	198,000.00
Contracts	Abuse	Contract awarded despite not being the lowest bidder and without documented justification for replacing the original awardee. Contract modified by vendor without proper signatory authority or review.	193,725.00
Contracts	Abuse	Project management work performed without an active, board-approved contract, work conducted after contract expiration, and the inappropriate use of emergency procurement procedures for non-emergency circumstances.	175,433.55
Contracts	Abuse	Payments made in advance of services being completed; invoices lacked required detail; approval of duplicative or unsupported invoices; unsupported charges for meals, travel, and subcontractors contrary to contractual requirements.	100,000.00

Testing Area	Determination	Description	Amount Disbursed
Contracts	Abuse	Contract intentionally backdated after realizing out of compliance, potential vendor influence concerns.	99,821.75
Payroll	Waste	Vacation and final pay calculations were not supported or reconciled, including duplicate payments.	88,045.71
Contracts	Abuse	Inadequate contract oversight and invoicing practices, including unsupported billing, invoices lacking required detail, billing for unrealistic numbers of workdays, and approval of payments without verifiable evidence that services were performed as billed.	84,000.00
Payroll	Waste	Post-termination payments were made to employees and not recovered.	65,193.64
Contracts	Waste	Duplication of scope and services, concerning invoice detail.	61,098.00
Contracts	Abuse	Unsupported services, the services provided do not match the scope of the services contracted, payments do not align with contract terms.	56,623.84
Contracts	Waste	Duplication of scope and services, concerning invoice detail.	56,324.93
Contracts	Waste	Executive coaching contract appears duplicative of existing membership benefits already providing similar services at no additional cost; invoices lacked sufficient detail and did not clearly support the basis for billing.	45,000.00
Contracts	Waste	Additional executive coaching services contracted while similar services were already available and being provided through existing membership benefits, indicating redundant contracting.	30,000.00
Contracts	Abuse	Disbursement paid exceeded the contract amount.	27,708.94
Contracts	Abuse	Identical invoice descriptions that lacked hours and date. Unsupported increase in billing.	20,000.00
Contracts	Abuse	Retroactive contract execution, No PO, Invoices lacking detail.	14,000.00
Contracts	Waste	Additional executive coaching services contracted while similar services were already available and being provided through existing membership benefits, indicating redundant contracting.	11,462.00
Contracts	Waste	Three instances of unsupported rate increases from $3,000.00 to $5,000.00.	6,000.00
Contracts	Abuse	Vendor charging time for working on tasks unrelated to the contract and for charging to attend an MSCS conference that the vendor sponsored and presented at.	2,904.00
Total			$ 54,161,108.89

Table 4 lists instances of evidence of potential non-compliance with District policies and procedures.

Table 4: Summary of Instances of Potential Non-compliance with Internal Policies

Testing Area	Determination	Description	Amount Disbursed
Contracts	Non-compliance with Internal Policy	Thirteen transactions where board notification was not included in the Nutrition Services Quarterly Report.	$ 21,656,734.11

Testing Area	Determination	Description	Amount Disbursed
Contracts	Non-compliance with Internal Policy	Nine samples did not have an Intent to Award Letter.	19,359,230.32
Contracts	Non-compliance with Internal Policy	Contracts for which required Procurement Advisory Forms (PAFs) could not be located.	12,738,808.80
Contracts	Non-compliance with Internal Policy	Contract amounts and references were inconsistent between Contract Advantage and APECS, indicating a lack of reconciliation.	1,781,944.00
Contracts	Non-compliance with Internal Policy	Seven professional services contracts where evidence of required Board approval was not attached to the associated purchase orders.	1,377,407.50
Contracts	Non-compliance with Internal Policy	Direct payments were made without requisitions or POs, and contract reference numbers did not match.	1,080,280.00
P-cards	Non-compliance with Internal Policy	Twenty check requests were missing a signature on the attached invoice.	1,076,727.11
Contracts	Non-compliance with Internal Policy	Contracts where the required PAF could not be located in either Contract Advantage or APECS, the District's designated systems of record for procurement documentation.	991,418.75
Contracts	Non-compliance with Internal Policy	Invoices did not include the level of detail required by the underlying contractual agreements.	969,341.02
Contracts	Non-compliance with Internal Policy	Twelve professional services contracts that were executed without appropriate signatory authority in accordance with District policy and formally delegated authority memoranda.	794,751.70
Contracts	Non-compliance with Internal Policy	Emergency contracts were executed without required approval documentation.	464,389.00
Budget	Non-compliance with Internal Policy	Board allocation expenditures included costs that did not meet allowable student benefit criteria.	426,793.21
Contracts	Non-compliance with Internal Policy	Contracts lacking supporting documentation of required bids.	319,391.17
Budget	Non-compliance with Internal Policy	Board allocation discrepancies resulted from timing differences and incorrect project code usage.	259,098.85
Contracts	Non-compliance with Internal Policy	The District continued to work with vendor and issue purchase orders and payments to the vendor on an expired contract before the Board approved a contract renewal retroactively.	229,233.62
ACH Transactions	Non-compliance with Internal Policy	Two ACH transactions exceeded the dollar threshold requiring a PO or a contract; however, neither was obtained prior to the purchase.	212,159.00
ACH Transactions	Non-compliance with Internal Policy	Fifteen ACH samples were missing a signature on the attached invoice.	164,745.86
Contracts	Non-compliance with Internal Policy	No PAF or Requisition forms were found for the contract in question.	158,578.23

Testing Area	Determination	Description	Amount Disbursed
Budget	Non-compliance with Internal Policy	Board allocation requests were not initiated by principals, approved by the appropriate Board member, or both.	109,604.95
ACH Transactions	Non-compliance with Internal Policy	Four manual warrant samples were missing a signature on the attached invoice.	106,853.00
Contracts	Non-compliance with Internal Policy	Contracts lacking supporting documentation of required quotes.	93,545.10
Contracts	Non-compliance with Internal Policy	Contracts where work began prior to contract execution and/or procurement authorization.	89,610.00
Contracts	Non-compliance with Internal Policy	A contract was paid in a single disbursement without evidence of an issued PO.	75,000.00
ACH Transactions	Non-compliance with Internal Policy	Three manual warrant samples exceeded the dollar threshold requiring a PO; however, no POs were obtained for these transactions.	72,601.00
Charter Schools	Non-compliance with Internal Policy	Two transactions tested did not have supporting documentation attached beyond the reimbursement request submitted by the charter school.	66,096.26
Contracts	Non-compliance with Internal Policy	No records were found relating to a SOW obtained for a purchase order approved and paid for on a valid invoice.	57,600.00
Payroll	Non-compliance with Internal Policy	Manual payroll checks were issued without documented justification, violating district procedures.	53,346.09
Contracts	Non-compliance with Internal Policy	Contracts lacking supporting documentation of Board approval.	47,955.88
Travel Reimbursements	Non-compliance with Internal Policy	26 travel reimbursements where the employee did not complete their expense report within five to seven days following the conclusion of travel.	31,525.52
Travel Reimbursements	Non-compliance with Internal Policy	26 travel reimbursements where employees did not submit the required travel pre-approval forms with sufficient advance notice prior to travel.	27,121.63
Budget	Non-compliance with Internal Policy	Board member discretionary budgets were allocated across districts or transferred between Board members without documented authorization.	26,794.16
Contracts	Non-compliance with Internal Policy	Contracts where work began prior to contract execution and/or procurement authorization.	16,350.00
Contracts	Non-compliance with Internal Policy	Payments made to vendor subsequent to the end of the contract.	16,189.45
ACH Transactions	Non-compliance with Internal Policy	Ten ACH samples were below the dollar threshold requiring an AP Payment Request Form; however, the required form could not be located.	15,999.18
Federal Grants	Non-compliance with Internal Policy	Two instances in which the required minimum three vendor quotes were not obtained.	13,964.00
Contracts	Non-compliance with Internal Policy	Contract where work was not awarded to the lowest quote.	13,900.00

Testing Area	Determination	Description	Amount Disbursed
P-cards	Non-compliance with Internal Policy	Six check requests were below the dollar threshold requiring an AP Payment Request Form; however, the required form could not be located.	12,277.67
Contracts	Non-compliance with Internal Policy	Payments made to vendor subsequent to the end of the contract.	11,757.20
Journal Entries	Non-compliance with Internal Policy	Errors in entries were identified with no subsequent corrections.	11,387.32
Journal Entries	Non-compliance with Internal Policy	Printing services pricing recorded in journal entries did not align with published pricing guides.	9,545.96
Travel Reimbursements	Non-compliance with Internal Policy	Seven federally-funded travel reimbursements did not have the required Travel Justification Form attached to the support in APECS.	9,440.81
Travel Reimbursements	Non-compliance with Internal Policy	Four federally-funded samples did not have an approved Travel Justification Form attached to the support in APECS.	5,541.80
Contracts	Non-compliance with Internal Policy	Contracts for which required Procurement Advisory Forms (PAFs) could not be located and lacking documentation of required quotes.	5,000.00
Contracts	Non-compliance with Internal Policy	An incorrect invoice was maintained in APECS.	3,500.00
ACH Transactions	Non-compliance with Internal Policy	One vCard sample exceeded the dollar threshold requiring a PO; however, no PO was obtained for this transaction.	3,422.30
Travel Reimbursements	Non-compliance with Internal Policy	For one travel reimbursement, the travel requisition was submitted after the date of travel.	2,131.05
Journal Entries	Non-compliance with Internal Policy	Inconsistent fueling training and the absence of standardized instructions increase the risk of erroneous fuel transactions.	1,972.80
Federal Grants	Non-compliance with Internal Policy	One instance in which a PAF was required but not obtained.	1,390.10
Travel Reimbursements	Non-compliance with Internal Policy	For one sample, the travel requisition was not submitted prior to travel.	1,190.76
Travel Reimbursements	Non-compliance with Internal Policy	On one travel reimbursement, no receipts were provided for taxi, luggage fees, and airport parking.	213.23
Travel Reimbursements	Non-compliance with Internal Policy	On one travel reimbursement the valet parking was incorrectly marked as tolls on the expense report.	99.85
Travel Reimbursements	Non-compliance with Internal Policy	One travel reimbursement included the purchase of a preferred seat.	20.16
Total			$ 65,073,979.48

Table 5: Summary of Instances of Potential Non-compliance with Federal Grants

Testing Area	Determination	Description	Amount Disbursed
Federal Grants – ESSER	Non-compliance with Federal Grant	Federal funds were used to pay a vendor despite documented MSCS concerns of negligent and/or incomplete work, indicating insufficient verification of deliverables prior to payment.[3]	$ 200,000.00
Federal Grants – ESSER	Non-compliance with Federal Grant	Twenty-four Portable AC units could not be accounted for.	84,000.00
Federal Grants – ESSER	Non-compliance with Federal Grant	Two Portable AC units were observed with missing ESSER tags.	7,000.00
Total			$ 291,000.00

1. Federal and State Funding Review

Title I, ESSER, and Head Start Funding:

Based on procedures performed, CLA identified evidence of potential non-compliance with federal grants requirements within ESSER. Limited non-compliance was found relating to Title I or Head Start grants.

Upon completion of CLA's review of the Title I, ESSER, and Head Start grant programs, CLA identified three areas of potential non-compliance with federal grants related to ESSER expenditures totaling approximately $291,000.00. CLA additionally identified limited instances of non-compliance with internal policies and procedures within the Head Start program, that included missing Personnel Action Forms (PAFs) and failures to obtain required competitive quotes. Beyond these exceptions, the primary observations related to insufficient, incomplete, or unclear supporting documentation. Documentation maintained within APECS did not consistently demonstrate the purpose, allowability, or compliance of transactions, requiring extensive inquiries and additional requests. Although most transactions were ultimately determined to be compliant, the lack of contemporaneous documentation limited the District's ability to readily demonstrate compliance and increased reliance on employee knowledge and after-the-fact explanations.

Regarding ESSER funding, CLA identified weaknesses in inventory management and asset tracking within the educational warehouse. While tested transactions were generally matched to supporting records, ESSER-funded inventory was frequently commingled with non-ESSER inventory without consistent physical identification, and ESSER-specific inventory tracking procedures were not formally established or consistently followed. The most significant instance of non-compliance involved the purchase, tracking, and monitoring of portable air conditioning units acquired with ESSER funds. CLA additionally identified expenditures for payments made to a vendor despite documented District concerns regarding negligent and incomplete work performance.

[3] This instance of non-compliance with federal grant is part of the $400,000.00 identified in the category of waste included in Table 2 for a vendor that was paid for work MSCS determined was performed in a deficient or negligent manner.

Within the Head Start program, CLA identified a small number of instances in which required PAFs were not obtained and competitive quotation requirements were not followed. While these exceptions represent non-compliance with District policies and procedures, they were isolated in nature. Each determination of non-compliance with a federal grant and non-compliance with internal policy is discussed in detail in Section 5.A *Federal and State Funding Review* and summarized in Table 6 and Table 7.

Table 6: Grant Transactions Determinations of Potential Non-compliance with Federal Grants

Determination	Description	Amount Disbursed
Non-compliance with Federal Grant	Federal funds were used to pay a vendor despite documented MSCS concerns of negligent and/or incomplete work, indicating insufficient verification of deliverables prior to payment.	$ 200,000.00
Non-compliance with Federal Grant	Twenty-four Portable AC units could not be accounted for.	84,000.00
Non-compliance with Federal Grant	Two Portable AC units were observed with missing ESSER tags.	7,000.00
Total		$ 291,000.00

Table 7: Grant Transactions Determinations of Potential Non-compliance with Internal Policy

Determination	Description	Amount Disbursed
Non-compliance with Internal Policy	Two instances in which the required minimum three vendor quotes were not obtained.	$ 13,964.00
Non-compliance with Internal Policy	One instance in which a PAF was required but not obtained.	1,390.10
Total		$ 15,354.10

Charter School Disbursements:

Based on procedures performed, CLA did not identify evidence of potential fraud, waste, or abuse related to the distribution of state, local and federal funding to charter schools.

Based on the procedures performed, CLA identified areas of non-compliance related to missing documentation and unexplained variances for charter school reimbursements processed outside of the charter school office. A portion of the sample tested lacked invoices or sufficient supporting documentation beyond reimbursement requests, and in other instances, invoiced amounts did not agree to reimbursed amounts without adequate explanation. These deficiencies resulted in approximately 25 percent of the transaction sample tested being noncompliant and required expansion of the sample. In contrast, the charter school office demonstrated strong internal controls and effective use of the CRATE system, supporting reliable document retention, review, and correction of errors prior to payment. CLA did not identify issues with reimbursements processed through the charter school office. Additionally, CLA reviewed standard BEP and TISA funding allocations for accuracy and did not have observations relating to these disbursements.

2. Procurement and Contract Management

Based on the procedures performed, CLA identified evidence suggesting that contracts totaling $50,287,134.98 are consistent with ACFE guidance on waste and abuse, including $209,884.93 classified as waste and $50,077,249.60 classified as abuse, attributable to deficiencies in the District's management, oversight, and control environment for professional and non-professional services contracting.

Evidence suggests that contracts totaling $50,287,134.98 are consistent with the ACFE guidance describing waste and abuse. CLA experienced multiple delays during the engagement primarily due to the lack of supporting documentation and the absence of centrally tracked procurement data.

The contracts for which evidence is consistent with the ACFE guidance describing waste and abuse are detailed in Table 8 below. Each contract is discussed in detail in Section *5.B. Procurement and Contract Management.*

The most significant concentration of observations relates to:

- Potential abuse, driven largely by custodial services contracting, which accounted for $48,430,744.52 of disbursements determined to be consistent with the ACFE guidance on definition of abuse
- Professional services contracts, which exhibited a combination of potential waste and abuse totaling over $4.9 million in disbursements

In addition, CLA identified $62,351,915.85 in disbursements reflecting non-compliance with internal policy. These non-compliance observations were pervasive across multiple contract categories and primarily reflect breakdowns in procurement processes, documentation, approval controls, and adherence to established policies. While these instances do not rise to the level of fraud, waste, or abuse, they demonstrate significant weaknesses in the District's control environment and limit its ability to demonstrate transparency, accountability, and compliance with procurement requirements. Notable areas include:

- Non-professional and special procurement contracts, which collectively resulted in more than $16.5 million in disbursements associated with non-compliance
- Nutrition contracts, which reflected $41.0 million in disbursements lacking compliance with internal policy requirements

These observations are summarized in Table 8.

Table 8: Contract Determinations of Potential Waste, Abuse, and Non-compliance

Section	Evidence of Waste	Evidence of Abuse	Evidence of Non-Compliance with Internal Policy	Total Disbursed
Contracts and Solicitations - Professional Services	$209,884.93	$ 572,445.59	$ 4,301,028.97	$ 5,083,359.49

Section	Evidence of Waste	Evidence of Abuse	Evidence of Non-Compliance with Internal Policy	Total Disbursed
Contracts and Solicitations - Non-Professional	-	-	13,234,950.95	13,234,950.95
Contracts and Solicitations - Special Procurement	-	-	3,326,613.00	3,326,613.00
Subcontractors - Validity and Inclusion	-	-	-	-
After School Care Contracts	-	674,288.00	-	674,288.00
Custodial Contracts	-	48,430,744.52	-	48,430,744.52
Lobbying Services Contracts	-	-	-	-
Public Relations Contracts	-	27,708.94	-	27,708.94
Remote Learning Contracts	-	-	-	-
Low Voltage Wiring Contracts	-	-	286,833.62	286,833.62
Project Management Contracts	-	372,062.55	-	372,062.55
Architectural Design Firms Contracts	-	-	186,524.88	186,524.88
HVAC Vendor - Ewing Kessler	-	-	-	-
Nutrition Contracts	-	-	41,015,964.43	41,015,964.43
Total	$209,884.93	$50,077,249.60	$ 62,351,915.85	$112,639,050.38

3. Financial Transactions and Controls

Journal Entries

Based on procedures performed, CLA did not identify evidence of fraud, waste, or abuse related to the journal entries tested.

Approvals were consistently documented within APECS; however, supporting documentation was not centrally organized or consistently retained within the system. Records were frequently dispersed across departments, external systems, and legacy applications, limiting independent verification and auditability. These conditions constrained testing efficiency and reduced the extent to which additional procedures provided incremental value. The observations made are summarized in Table 9.

Table 9: Determinations of Potential Non-compliance in Journal Entries

Determination	Description	Amount Disbursed
Non-compliance with Internal Policies	Inconsistent fueling training and the absence of standardized instructions increase the risk of erroneous fuel transactions.	$ 1,972.80
Non-compliance with Internal Policies	Printing services pricing recorded in journal entries did not align with published pricing guides.	9,545.96
Non-compliance with Internal Policies	Errors in entries were identified with no subsequent corrections.	11,387.32
Total		$ 22,906.08

ACH Transactions

Based on procedures performed, CLA identified a total of $3,720,735.01 of transactions indicative of potential fraud, waste, and abuse. In addition, CLA identified ACH transactions totaling $575,780.34 issued in violation of District policies and procedures.

CLA identified indicators of fraud, waste, and abuse relating to a specific MSCS vendor. These were payments made for repair and emergency type work based on purchase orders not pertaining to any contract. The instances were consistent with the ACFE guidance describing fraud, waste, and abuse. Details are discussed in Section 5.C.ii *ACH Transactions* and summarized in Table 10.

Table 10: ACH Transactions Determinations of Indicators of Potential Fraud, Waste, and Abuse

Determination	Description	Amount Disbursed
Waste	Vendor was paid for work MSCS determined was performed in a deficient or negligent manner.	$ 400,000.00
Abuse	Vendor had a conflict of interest with an employee who had the authority to hire and influence the selection of vendors.	3,070,735.01
Evidence of Potential Fraud	Vendor was paid for work that MSCS determined was not completed.	250,000.00
Total		$ 3,720,735.01

In addition to the indicators of fraud, waste, and abuse, disbursement testing primarily identified process-related deficiencies, including incomplete or missing supporting documentation as listed in Table 11. Despite these deficiencies, the transactions reviewed appeared to reflect legitimate District business activities and were approved within the APECS system. While these matters do not indicate fraud, waste, or abuse, they reflect non-compliance with District documentation requirements and internal control weaknesses.

Table 11: ACH Transactions Determinations of Potential Non-compliance with Internal Policy

Determination	Description	Amount Disbursed
Non-compliance with Internal Policy	Two ACH samples exceeded the dollar threshold requiring a PO or a contract; however, neither was obtained prior to the purchase.	$ 212,159.00
Non-compliance with Internal Policy	Fifteen ACH samples were missing a signature on the attached invoice.	164,745.86
Non-compliance with Internal Policy	Four manual warrant samples were missing a signature on the attached invoice.	106,853.00
Non-compliance with Internal Policy	Three manual warrant samples exceeded the dollar threshold requiring a PO; however, no POs were obtained for these transactions.	72,601.00
Non-compliance with Internal Policy	Ten ACH samples requiring an AP Payment Request Form; however, the required form could not be located.	15,999.18
Non-compliance with Internal Policy	One vCard sample exceeded the dollar threshold requiring a PO; however, no PO was obtained for this transaction.	3,422.30
Total		$ 575,780.34

Bank Statements

CLA did not identify any evidence of malfeasance or evidence of fraud in the transactions occurring through the bank statements. Additionally, this analysis and reconciling of bank statements and disbursements was used to assist in the analysis, sample selection, testing, and email review discussed in other sections.

Payroll and Employee Compensation

Based on the procedures performed, CLA identified evidence suggesting payments totaling $153,239.35 in payroll and vacation/final pay are consistent with the ACFE guidance describing waste and $53,346.09 with evidence of potential non-compliance with internal policies for a total of $206,585.44.

While no evidence of systemic fraud, such as ghost employees, was identified, testing revealed significant documentation and records-management deficiencies that limited validation procedures. Supporting personnel and payroll documentation was not consistently maintained or readily accessible, restricting independent verification of compensation and payroll transactions. In addition, post-termination payments, unsupported or duplicate vacation payouts, and manual payroll checks issued without documented justification reflect breakdowns in payroll controls and oversight. These observations are summarized in Table 12.

Table 12: Evidence of Waste And Potential Non-Compliance as it Relates to Payroll

Determination	Description	Amount Disbursed
Waste	Post-termination payments were made to employees and not recovered.	$ 65,193.64
Waste	Vacation and final pay calculations were not supported or reconciled, including duplicate payments.	88,045.71
Non-compliance with Internal Policies	Manual payroll checks were issued without documented justification, violating district procedures	53,346.09
Total		$ 206,585.44

Based on procedures performed, CLA determined that 86 of 250 employees sampled failed the Forms I-9 retention and completeness USCIS requirements, including 36 active employees whose files did not meet the requirements.

CLA identified significant weaknesses in historical Forms I-9 retention, organization, and compliance. During the interim reporting period, the missing Forms I-9 appeared largely attributable to disorganized file retention practices, and the storage area at that time lacked a door and was secured only by a curtain, creating a deficiency in safeguarding employees' personally identifiable information (Figure 1). Since issuance of the interim report, CLA confirmed that the Forms I-9 are now maintained in an office with a locking door, and the District has assigned two staff members to review and organize the forms. While these actions improved the physical safeguarding and organization of the records, unresolved deficiencies continue to indicate weaknesses in historical file retention, organization, and the District's ability to timely demonstrate compliance with USCIS retention and completeness requirements.

Figure 1: Forms I-9 Storage at Central Office

P-Cards and Check Requests

Based on procedures performed, CLA identified P-card and Check requests totaling $1,089,004.78 issued in violation of District policies and procedures.

Based on the procedures performed, CLA did not identify evidence of fraud, waste, or abuse related to P-cards and check requests. The observations resulting from disbursement testing primarily consisted of process-related deficiencies, most notably instances of incomplete or missing supporting documentation which did not prevent or impede payment (Table 13). However, based on the analysis and testing performed, the expenses reviewed appeared to reflect legitimate District business activities. In some cases, transactions did not include all required physical supporting documentation as required by District policy; however, the transactions were approved within the APECS system. These instances do not indicate waste or abuse but reflect non-compliance with internal documentation requirements, representing an internal control failure.

Table 13: P-Card and Check Requests Determinations of Potential Non-compliance with Internal Policy

Determination	Description	Amount Disbursed
Non-compliance with Internal Policy	Twenty check requests were missing a signature on the attached invoice.	$ 1,076,727.11
Non-compliance with Internal Policy	Six check requests were below the dollar threshold requiring an AP Payment Request Form; however, the required form could not be located.	12,277.67
Total		$ 1,089,004.78

Suspicious Accounts

Based on procedures performed, CLA did not identify evidence of fraud, waste, or abuse related to suspicious accounts.

CLA conducted this review through a Chart of Accounts analysis combined with integrated journal entry analytics, transaction testing, and account-level reviews rather than a standalone sample. Procedures were informed in part by allegations from the District's whistleblower hotline regarding a previously identified dummy account, which could not be substantiated and was reported to no longer exist. CLA noted that the District does not maintain a formal chart of accounts policy and instead relies on system controls, centralized finance oversight, and external guidance under the Tennessee Internal School Uniform Accounting Policy Manual, which limited the structure available to evaluate account-level activity.

Travel Reimbursements

Based on procedures performed, CLA identified $77,284.81 in travel reimbursements issued in violation of District policies and procedures.

Based on the procedures performed, CLA did not identify evidence of fraud, waste, or abuse related to travel reimbursements. The observations resulting from disbursement testing primarily consisted of process-related deficiencies, most notably instances of incomplete or missing supporting documentation which did not prevent or impede payment (Table 14). However, based on the analysis and testing performed, the expenses reviewed appeared to reflect legitimate District business activities. In some cases, transactions did not include all required physical supporting documentation as required by District policy; however, the transactions were approved within the APECS system. These instances do not indicate waste or abuse but reflect non-compliance with internal documentation requirements, representing an internal control failure.

Table 14: Travel Reimbursements Determinations of Potential Non-compliance with Internal Policy

Determination	Description	Amount Disbursed
Non-compliance with Internal Policy	26 travel reimbursements where the employee did not complete their expense report within five to seven days following the conclusion of travel.	$ 31,525.52

Determination	Description	Amount Disbursed
Non-compliance with Internal Policy	26 travel reimbursements where employees did not submit the required travel pre-approval forms with sufficient advance notice prior to travel.	27,121.63
Non-compliance with Internal Policy	Seven federally-funded travel reimbursements did not have the required Travel Justification Form attached to the support in APECS.	9,440.81
Non-compliance with Internal Policy	Four travel-related expenditures that were federally-funded did not have an approved Travel Justification Form attached to the support in APECS.	5,541.80
Non-compliance with Internal Policy	For one travel reimbursement, the travel requisition was submitted after the date of travel.	2,131.05
Non-compliance with Internal Policy	For one sample, the travel requisition was not submitted prior to travel.	1,190.76
Non-compliance with Internal Policy	On one travel reimbursement, no receipts were provided for taxi, luggage fees, and airport parking.	213.23
Non-compliance with Internal Policy	On one travel reimbursement the valet parking was incorrectly marked as tolls on the expense report.	99.85
Non-compliance with Internal Policy	One travel reimbursement included the purchase of a preferred seat.	$20.16
Total		$ 77,284.81

Budget Analysis

Based on procedures performed, CLA did not identify evidence of potential fraud, waste, or abuse related to budget analysis; however, evidence of potential non-compliance with internal policies totaling $822,271.17 was identified.

CLA did not identify pervasive budgeting errors indicative of fraud, waste, or abuse. The primary issue identified was fragmented and decentralized records-management practices related to budget revisions, transfers, and discretionary expenditures, which limited traceability and constrained validation procedures. Budget approvals, supporting documentation, and reconciliations were frequently maintained outside APECS, reducing transparency and the ability to readily verify Board approval and proper recording of budget activity. CLA identified instances of non-compliance with internal policies related to Board allocations and discretionary budgets, as summarized in Table 15.

Table 15: Instances of Potential Non-Compliance with Internal Policies

Determination	Description	Amount Disbursed
Non-compliance with Internal Policies	Board allocation requests were not initiated by principals, approved by the appropriate Board member, or both.	$ 109,604.95
Non-compliance with Internal Policies	Board allocation expenditures included costs that did not meet allowable student benefit criteria.	426,793.21
Non-compliance with Internal Policies	Board allocation discrepancies resulted from timing differences and incorrect project code usage.	259,098.85

Determination	Description	Amount Disbursed
Non-compliance with Internal Policies	Board member discretionary budgets were allocated across districts or transferred between Board members without documented authorization.	26,794.16
Total		$ 822,291.17

4. Governance and Compliance

Compliance

Based on procedures performed, CLA did not identify evidence of fraud, waste, or abuse related to Board compliance. However, isolated compliance and conduct deficiencies were identified.

Based on the results of work performed, the Board generally demonstrated adherence to key governance and ethics requirements during the forensic audit period. However, isolated compliance and conduct deficiencies were identified. Specifically, lapses in the timely public filing of required Statements of Disclosure of Interests, as well as an instance of Board Member conduct inconsistent with established Board policies, indicate weaknesses in oversight, compliance monitoring, and role clarity. Although management and the Board took corrective actions upon identification of these matters, including locating missing disclosures and issuing a formal reprimand, these observations underscore the need to strengthen controls, clarify accountability, and provide ongoing training to promote consistent compliance with ethical and governance standards.

Procurement Correspondence

CLA identified certain instances of email correspondence that suggest potential non-compliance with the procurement process.

The primary concern identified relates to indications of potential Board member influence over the procurement process, as evidenced by direct involvement of the Board Chair in initiating contact with a vendor and prompting execution of a contract with a public relations vendor for $15,000.00. This was done outside of established procurement procedures. In addition, an ancillary issue was noted within the vendor master file, where multiple name variations were used for the same vendor. While this inconsistency does not, in itself, demonstrate improper influence, it represents a secondary control weakness that may limit transparency and hinder the District's ability to effectively track vendor activity, aggregate payments, and fully assess compliance with procurement requirements.

Compliance Letters

Based on procedures performed, CLA concluded that the District's Out-of-Compliance letter process was inconsistently applied and inadequately documented during the scope period.

CLA concluded that the District's Out-of-Compliance letter process was applied inconsistently and insufficiently documented during fiscal years 2022 and 2023, resulting in limited evidence of enforcement or disciplinary follow-through for procurement non-compliance under Policy 2006. Although the volume of Out-of-Compliance letters increased in fiscal year 2023, required documentation was not consistently retained in employee HR files, signed letters were not centrally maintained, and management was unable to explain process breakdowns due to staff turnover. Subsequent revisions to Policy 2006 in late 2023 raised the compliance threshold and eliminated disciplinary requirements, coinciding with a decline in Out-of-Compliance letters in fiscal year 2024. Overall, the District lacked a consistently enforced and well-documented control framework to support accountability for procurement non-compliance during the period reviewed.

Open Meetings

Board members and legal counsel engaged in multiple email communications outside of duly noticed meetings that may have facilitated collective input on substantive District matters, posing a risk of deliberations occurring outside public view and potential non-compliance with the Tennessee Open Meetings Act requirements.

In at least four instances, Board members and/or legal counsel engaged in email communications outside of duly noticed public meetings that involved a quorum or were designed to facilitate collective input on substantive District business. These communications addressed significant matters, including superintendent search planning, contract negotiations, meeting scheduling, compensation decisions, and consulting engagements. While the nature and extent of deliberation varied across the instances, the observed patterns reflect a risk that Board business was discussed, advanced, or shaped outside the public meeting process. Additionally, a closed session meeting appears to have taken place; however, Board minutes do not reflect it. Collectively, these matters may not be consistent with the intent of the Tennessee Open Meetings Act, which requires that deliberations on public business occur openly, and may contribute to the appearance that decisions were being developed outside of public view.

5. Fiscal Agent Oversight

SchoolSeed Fund Usage

Based on procedures performed, CLA's ability to assess SchoolSeed's broader fiscal agent role or the completeness of MSCS-related financial activity was materially limited.

CLA conducted targeted forensic procedures to evaluate SchoolSeed's role as a fiscal agent for funds benefiting the District. Testing focused on the 2023 and 2024 MSCS Leadership Symposiums due to SchoolSeed's limited production of financial records. Procedures performed included interviews with SchoolSeed leadership; review of District contract and vendor records; and transaction-level testing of revenues, expenses, and administrative fees using general ledger data and supporting documentation provided by SchoolSeed. This testing identified significant documentation and recordkeeping deficiencies, including unsupported and partially supported transactions; reliance on

internally prepared spreadsheets in lieu of third-party evidence; variances between recorded amounts and supporting documentation; transactions reflected in supporting files but not recorded in the general ledger; and inconsistent application and documentation of administrative fees. CLA also identified discrepancies between SchoolSeed's representations that no contracts existed with MSCS and District records reflecting multiple executed agreements and related payments involving SchoolSeed. Due to the absence of complete SchoolSeed general ledger data, bank statements, and organization-wide financial records, procedures could not be extended beyond the Leadership Symposium activities. As a result, CLA's ability to assess SchoolSeed's broader fiscal agent role or the completeness of MSCS-related financial activity was materially limited.

Conclusion

Based on the procedures performed, CLA identified $54,161,108.89 in disbursements that are consistent with the ACFE guidance on waste and abuse. The abuse observations are driven by inadequate oversight, unsupported or duplicative billings, procurement and payment activity occurring outside established controls, and services that duplicated existing benefits. The most significant concentration of observations relates to a contract for custodial services, accounting for $48,430,744.52 of the $53,147,984.61 in disbursements identified as consistent with the ACFE guidance on definition of abuse.

Additionally, the forensic audit identified $65,073,979.48 in non-compliance with District policies and procedures, reflecting significant and recurring internal control, documentation, and records-management deficiencies that materially impaired the District's ability to demonstrate compliance, accountability, and effective stewardship of public funds. While many transactions appeared to represent legitimate District business activities, the lack of contemporaneous support, fragmented systems, and inconsistent policy enforcement increased the risk of error, non-compliance, and undetected misconduct, particularly across key disbursement processes such as ACH transactions, manual warrants and checks, P-card and check request activity, and travel reimbursements processed without required documentation, approvals, or adherence to procurement requirements.

Lastly, CLA's review of the Title I, ESSER, and Head Start grant programs identified instances of non-compliance totaling approximately $291,000.00. The primary theme across all programs was insufficient and unclear supporting documentation, particularly within APECS, which limited the District's ability to readily demonstrate compliance and increased reliance on after-the-fact explanations, despite most transactions ultimately being deemed allowable.

To address the internal control deficiencies and issues identified through the performance of this forensic audit, this report includes 185 observations and provides 133 recommendations to be considered to strengthen MSCS internal control processes. The number of recommendations is lower than the number of observations, as recommendations were consolidated where multiple observations across different areas reflected common underlying themes and control weaknesses. The observations and recommendations are presented in detail throughout the body of the report; for ease of reference, Attachment 2

provides a consolidated listing of the observations (abridged) and Attachment 3 provides a corresponding listing of the recommendations.

2. Background

CliftonLarsonAllen LLP was retained by the State to perform forensic audit services regarding MSCS for the period of July 1, 2021, through June 30, 2024. Specifically, CLA conducted a forensic audit of the financial records, transactions, and processes of MSCS to identify and evaluate evidence of fraud, waste, and abuse.

Memphis Shelby County Schools

MSCS is Tennessee's largest school district, serving approximately 106,000 students across more than 200 schools located throughout the city of Memphis and the unincorporated areas of Shelby County.[4] MSCS is also Shelby County's second-largest employer, with nearly 14,000 employees, including more than 6,000 teachers.[4] MSCS is among the largest school districts in the United States with a total budget of approximately $1.8 billion.[5]

The Shelby County Board of Education is comprised of nine elected Board Members representing all districts in Shelby County.[6] The Board governs the business operations of MSCS and is responsible for establishing policies, adopting budgets, and appointing the superintendent of schools. Once the Board approves the operating budget, it must also be approved by the Shelby County Commission.[6]

The superintendent functions as the District's chief executive officer, responsible for overseeing day-to-day operations and ensuring implementation of Board policies.[6] MSCS is organized into various departments, each led by administrative personnel who support the District's primary revenue sources.[7] Major expenditures are allocated to instruction, support services, administration, transportation, facility operations, charter schools, centralized nutrition services, debt service, and capital security.[6]

During the scope period of the forensic audit (July 1, 2021, through June 30, 2024), three different superintendents held the role.[8] Specifically, Dr. Joris Ray served as superintendent until his resignation in August 2022. On August 30, 2022, Tutonial "Toni" Williams was appointed following Dr. Ray's resignation and served throughout fiscal year 2023 and most of fiscal year 2024 until the permanent appointment of Dr. Marie N. Feagins in February 2024. Dr. Feagins officially began her tenure on April 1, 2024, and on January 21, 2025, the MSCS Board of Education voted to terminate her contract following several months of controversy.

The multiple leadership transitions created instability which has had measurable operational, financial and governance impacts on MSCS. The turnover impacted the retention of staff,

[4] https://www.scsk12.org/about/

[5] https://www.scsk12.org/nr/?PN=article&aid=2372

[6] https://www.scsk12.org/board/

[7] The primary revenue sources for MSCS include the State of Tennessee, Shelby County, the Federal government, and the City of Memphis.

[8] Per interviews with MSCS leadership.

eroded institutional knowledge, created inefficiencies in the organizational stability of the core functions at MSCS, and increased internal control weaknesses and financial risks.

CLA conducted interviews with MSCS leadership and the Board of Education to gain an understanding of the events that led to the need for a forensic audit. Throughout the discussions the following key issues were raised:

1. Reorganization of the management team with the intent to streamline processes after each superintendent appointment created instability and confusion for the staff.[9]
2. Abrupt changes to the electronic contracts approval process to a manual process resulted in disorganization, documentation issues, delays, and impacts to key programs and initiatives needed by the students of MSCS.[10]
3. Budget decisions that resulted in over 1,000 positions eliminated from the District.[11]
4. Lack of consistency and enforcement of the document retention policies due to position eliminations and erosion of institutional knowledge.[12]

[9] CLA notes most of these leaders have been employees of MSCS throughout the full scope period and note the most disruptive changes occurred during the previous superintendent's tenure.

[10] Multiple MSCS employees communicated that the most disruptive change occurred in the contracts process. The previous superintendent implemented a manual folder-based process in which all contracts were required to be submitted in physical folders, color-coded as green, yellow, or red to denote their level of importance. Once the contracts were approved and endorsed by the previous superintendent the final contract would be uploaded into Contract Advantage. This was a sharp change from the fully electronic contracts process.

[11] MSCS leadership communicated that the Board approved the previous superintendent's plans to eliminate over 1,000 District positions. The reason given for the position cuts involved the sunset of COVID relief act funds and the need to reduce the budget back to pre-COVID levels.

[12] Interviews revealed a lack of understanding of the key positions that were needed by MSCS and therefore, many positions that were cut were necessary for the District.

3. Scope of Work Performed

CLA performed a forensic audit of the District for the period of July 1, 2021, through June 30, 2024, utilizing a risk-based approach that targets higher risk transactions through analytics to identify specific transactions for detailed testing.

CLA and the State agreed that CLA would perform forensic audit services related to six areas identified by the State. The six areas of analysis include: (1) federal and state funding, (2) procurement and contract management, (3) financial transactions and controls, (4) vendors and conflicts of interest, (5) governance and compliance, and (6) fiscal agent oversight. The specific areas of analysis requested by the State are identified at the beginning of each subsection in section 5. *Results of Forensic Audit* beginning on page 33.

The procedures included below provide an overview of the work performed that resulted in the observations that are communicated in this report.

A. Planning and strategy – Accomplished through planning and meetings with the State to discuss the engagement process and agree on an outline of responsibilities, timeframes, and deadlines.

B. Assessment – Accomplished through the review of the District's data and financial and compliance reports. This phase also included interviews with MSCS employees to understand current and historical processes and procedures relevant to the forensic audit. Where appropriate, CLA reviewed information from anonymous complaints. CLA obtained from the District relevant process and procedure manuals and financial data to conduct appropriate financial analytics.

C. Forensic evaluation – Documented processes and internal controls of the District to help inform the risk-based analytics and sample selection process. Developed testing criteria for the various areas to be examined.

D. Testing and analysis – Included the performance of public records searches for certain individuals and entities as determined appropriate through the course of the forensic audit. CLA obtained and reviewed the email boxes for individuals considered to be District leadership and other individuals whose emails may contain relevant information. Selected samples and completed testing for the various areas of analysis identified by the State are described in additional detail in section *5. Results of Forensic Audit* beginning on page 33.

E. Reporting – Included bi-monthly verbal status updates to the State and progress reports as requested.

4. Summary of Work Performed

In order to complete the scope of work agreed upon by the State and CLA, the following work was conducted by CLA to complete the forensic audit of the District.

A. Initial Entrance Conference

CLA conducted a virtual initial entrance conference with the State and the District on August 7, 2025. In attendance were Lee Ann West and Katie Armstrong, from the State, and Dr. Roderick Richmond, current MSCS superintendent; Tito Langston, Assistant Superintendent of Operations; Gary Hannah, Chief of Staff; Justin Bailey, General Counsel; Derrick Morris, Director II of Federal Programs and Operations; Leslie Knighten, Controller; Richard Berroa, Information Technology Officer; LaQueeya Braxton, Director of Procurement; and William Fulton, Director of Internal Audit. The purpose of this conference was to make introductions and discuss timing, expectations, and agree on the cadence of communication between the District and CLA. Additionally, systems used by the District for financial and procurement purposes were discussed and access was subsequently granted to CLA.

An in-person kickoff meeting took place at the District offices on August 11, 2025, bringing together CLA staff and District leadership to formally commence the forensic audit and the on-site work scheduled for that week.

B. Document Request

In early August 2025, an initial document request was submitted to the District to obtain financial data and documents needed to perform analytics and ultimately select a sample of transactions for testing. The document request lists were updated and communicated to the District frequently. CLA began meeting with District leadership as needed to discuss the status of document requests on August 25, 2025, and a weekly virtual meeting between District leadership and CLA was established beginning October 20, 2025, to discuss the status of document requests and answer any questions that may have arisen.

C. Interviews Conducted

CLA visited the District from August 11, 2025, through August 14, 2025, to conduct initial process interviews of District staff. CLA maintained a monthly onsite presence at MSCS throughout the forensic audit.[13] Additional interviews were conducted both on-site and virtually over the course of the forensic audit. In sum, CLA conducted over 142 interviews and numerous phone calls. The purpose of these interviews was to gather detailed information on the processes occurring within the District as it relates to financial transactions and procurement. During this time, CLA also conducted interviews of MSCS

[13] Except for the month of March when CLA was focused on preparing the interim report, CLA visited MSCS every month (August to May) to conduct interviews, review documents, perform walkthroughs and obtain contextual information for the different areas of examination.

Board Members and County commissioners. A schedule of the interviews conducted is included in this report as Attachment 01.

D. Data Collection and Analysis

In August 2025, the District provided CLA query access to the human resources/payroll and financial modules within its business information and accounting system, APECS allowing CLA to directly access and retrieve relevant data throughout the forensic audit.[14] CLA exported District financial data directly from APECS, including trial balance summaries, general ledger details, subledger details, disbursement ledgers, and payroll registers. Separately, the District provided CLA with a copy of the chart of accounts for fiscal years 2022 through 2024. The collected data was uploaded into CLA's data analysis software where it was indexed, summarized, and analyzed.[15] Prior to performing any analysis, CLA reconciled revenue, expenses, assets, and liabilities from the general ledger detail to the trial balances. CLA then reconciled the trial balance accounts to the District's audited financial statements for fiscal years 2022 through 2024, with minimal differences, which confirmed the APECS data exported was complete and accurate.

Obtaining the relevant District financial data from APECS allowed CLA to perform various analyses prior to selecting risk-based samples for testing. Specific analyses performed for each area of testing are discussed throughout section *5. Results of Forensic Audit* beginning on page 33.

E. Selection of Samples

Within each area of analysis (discussed in section *5. Results of Forensic Audit* beginning on page 33), and where appropriate, CLA selected a risk-based sample for testing to assess the specific area of analysis identified by the State and determine if there was evidence indicative of fraud, waste, or abuse. The specific method and scope for selecting each sample varied by area and is discussed further in the results section. Where available, through the query access the District provided CLA for APECS, and Contract Advantage, CLA identified supporting documentation for the transactions selected for detailed testing.[16] If sufficient supporting documentation was not located in either of these document repositories, CLA requested additional supporting documentation from the District.

F. Email Review

On August 5, 2025, CLA requested that the District provide electronic copies of specific email accounts in PST format for upload to a secure, designated SharePoint site intended for file transfers. The District encountered challenges in exporting the files as requested.

[14] CLA also received access to the District's human resources system, iCIMS, which did not contain financial data requiring reconciliation.

[15] Prior to upload, some data sets were normalized to ensure the data would transfer accurately between its native file format at the data analysis software.

[16] Contract Advantage is the contract lifecycle management software system in use by the District.

On August 21, 2025, CLA supplied the District with a secure, empty 4TB hard drive for uploading the PST email files as an alternative solution; however, the District did not return the hard drive to CLA. On September 16, 2025, CLA was granted authorization to access the MSCS Microsoft 365 platform for the purpose of retrieving email files and promptly initiated the file download process.[17] The email files were uploaded to a third-party document review platform, Logikcull, for review and analysis.[18] Throughout the course of the engagement, CLA has retrieved the email boxes of additional individuals as needed. The review encompassed correspondence files for approximately 47 current and former District Board members and employees as summarized in Table 16.

Table 16: Email Files Retrieved by CLA

Description	Quantification
Number of Custodians	47
Count of emails/attached documents	3,829,716
Number of pages	24,970,136
Size	2.52TB

G. Public Records Research

Public records research was conducted to identify associations of District leadership and MSCS Board members. The purpose of the public records searches was to identify a list of individuals, organizations, corporations, and addresses associated with each individual that was compared to the various transactions of the District. This procedure can help identify potential fictitious employees or vendors, or possible conflicts of interest. This data was gathered through open-source internet resources and various public records databases, including databases detailing real property ownership and Secretary of State's databases for corporate affiliations.

H. Challenges Encountered

CLA performed the procedures described in this section in accordance with the AICPA Statement on Standards for Forensic Services No. 1 (SSFS No. 1). However, CLA's ability to complete planned procedures and obtain sufficient appropriate evidence related to procurement, contract, and vendor management was materially delayed by the District's failure to timely produce certain requested records and by the absence of centrally maintained procurement data.

Non-Production and Late Production of Supporting Documentation

Completion of procurement and contract testing required access to supporting documentation to substantiate procurement method, approvals, contract execution, amendments, contract monitoring, invoice support, and payment authorization. CLA issued its initial document request in early August 2025 and provided MSCS with rolling lists of requested documents and follow-up questions throughout the engagement. From

[17] CLA was granted access to the eDiscovery platform within Microsoft 365 and was not provided with administrative privileges for the District's entire Microsoft 365 cloud environment.

[18] Logikcull is a cloud-based eDiscovery software used by CLA to conduct digital evidence review.

September 2025 through early June 2026, CLA conducted weekly status calls with District leadership, performed interviews, and exchanged extensive email correspondence to obtain documentation not readily available in APECS and to resolve open items. Further, CLA conducted monthly onsite visits to discuss outstanding documents, conduct walkthroughs and search for physical documents needed to perform testing.

Where documentation was not provided, CLA was unable to complete planned procedures designed to corroborate procurement methods, validate approvals and authority, confirm contract execution and amendments, evaluate oversight of deliverables, and substantiate invoicing. In such instances, CLA was left to conduct extensive document and email review and interviews to try and obtain the information needed. Conclusions were limited to the records available.

Delayed Access to Email Evidence

The testing procedures involved an examination of pertinent email communications to gain insight into the circumstances related to disbursements, transactions, and additional procedures outlined in this report. As discussed in section F. *Email Review* on page 28, CLA requested email files for relevant current and former employees and Board Members on August 5, 2025. MSCS did not provide the requested email files and CLA was granted access to retrieve the files directly approximately six weeks later.

This delay materially hindered CLA's ability to timely corroborate contract documentation, resolve gaps in contract files, and complete testing procedures that relied on email evidence to confirm decision-making, approvals, and contextual information.

Decentralized Application Ownership and Limited IT Governance Increase Access Control and Data Security Risk

A significant portion of business applications are procured and managed outside of centralized IT oversight, with departments retaining ownership and administrative control over many systems. While certain core systems are integrated with Azure-based SSO, numerous applications operate independently without consistent enforcement of SSO, MFA, centralized logging, or standardized provisioning and deprovisioning controls. This decentralized model reduces visibility into where sensitive data resides, how access is granted and revoked, and whether vendor security practices meet district expectations.

Fragmented Systems and Inconsistent Record Retention

CLA encountered recurring challenges arising from fragmented record retention across multiple systems, including Contract Advantage, APECS, shared drives, and email repositories, and from inconsistent practices regarding where executed contracts and supporting documentation were maintained. In multiple instances, key records were not consistently located, requiring CLA to reconstruct contract histories across systems and submit repeated follow-up requests to locate documentation not available in APECS or Contract Advantage. Additionally, CLA identified multiple information systems utilized by MSCS in the performance of its operations. CLA requested and was granted access to the

majority of these systems, as shown in Table 17, to obtain information necessary to perform procedures within the scope of this engagement.

Table 17: Systems Currently in Use by MSCS[19]

Area	Application	System Description
Core	APECS	Enterprise financial and HR system supporting payroll processing (time tracking, attendance, paystubs), budget management (general ledger, financial reporting, audits), procurement (requisitions, purchase orders, vendor management), HR records, benefits administration, and employee timekeeping
Budgeting	Allovue Allocate	Budgeting and financial planning tool used for allocations, forecasting, and monthly budget-to-actual reviews, including staffing. Integrates with APECS for data feeds
Budgeting	ePlan	State of Tennessee budgeting application used for budget planning and uploads to the State, including budget templates and approval tracking
Budgeting / Grants	School Funds Online	System used by school secretaries to record and manage school-level financial transactions and compliance. All schools use the same platform
Procurement	Contract Request	Tool used to administer the contract fulfillment process, typically for one-year contract terms
Procurement	Contract Advantage	Repository for fully executed contracts. Used for managing and executing procurement contracts
Audit	TeamMate+	Internal audit management tool used to support audit planning, execution, and documentation
Audit	Lighthouse	Third-party complaint and ethics hotline provider
Administration	iCIMS	Applicant tracking and onboarding system. Applicants upload documents directly, and employee files remain in iCIMS as part of the hiring record
Accounts Payable	FIS Global	Third-party financial application used for check processing and bank integrations, including ACH and virtual card payments. Includes Positive Pay for check fraud prevention
HR / Payroll	UKG	Biometric timekeeping system primarily used by Security and Nutrition Services staff. Job data exports into APECS for approval
Administration	PowerSchool	Student information system containing personal data for all students
Procurement	NASPO	Cooperative purchasing platform operated by the National Association of State Procurement Officials, providing access to competitively sourced contracts for goods and services, including emergency and IT purchases
Procurement	IonWave	Electronic bidding and billing system used for goods and street bids posted by procurement services
Charter Schools Department	Title I Crate	Web-Based centralized document management system that supports the processing of reimbursements within the charter schools department at MSCS. Although the system is named Title I CRATE, it is used to process other types of federal funding as well.

The above-described conditions increased the effort required to obtain forensic audit evidence, delayed completion of procedures, and limited CLA's ability to verify the

[19] The systems CLA was granted access to include: APECS, Allovue Allocate, ePlan, School Funds Online, Contract Advantage, Contract Request, TeamMate+, Lighthouse, Title I CRATE, and iCIMS.

completeness of contract files. Where executed contracts or supporting documentation could not be confirmed, determinations were limited to the evidence available.

Degradation of Institutional Knowledge

During the scope period, MSCS faced multiple leadership transitions. The turnover impacted the retention of staff, eroded institutional knowledge, created inefficiencies in the organizational stability of the core functions at MSCS, and increased internal control weaknesses and financial risks. The forensic audit has been impacted considerably resulting in the need for multiple interviews about specific areas of the scope of work to obtain a clear understanding of the processes that were in place. The lack of consistent knowledge around processes, procedures, and applications has resulted in CLA conducting over 142 interviews to obtain information relevant to the forensic audit. Refer to Attachment 01 for the list of interviews conducted.

5. Results of Forensic Audit

The following sections provide the details of the area(s) of analysis identified by the State or through other communications to CLA, analysis performed, sample selection methodology, results from testing, observations, and recommendations for process improvements. The observations and recommendations are based upon the work performed by CLA during the scope of this engagement.

A. Federal and State Funding Review

This section focuses on obtaining an understanding of selected federal programs, including Title I, Elementary and Secondary School Emergency Relief (ESSER), and Head Start Programs. The scope of this section is to assess compliance, proper allocation, and use of federal and state funds. This included obtaining an understanding of each program, verifying that total funds were properly received, recorded, and deposited, and evaluating whether expenditures complied with applicable federal requirements. This included assessing whether costs were allowable under program guidelines and appropriately allocable to the respective grants.

Due to the varying internal policies and procedures applicable to each type of transaction when determining allowability and allocability under the grant, each grant has been divided into four subcategories of activity: disbursements, travel, journal entries, and payroll. Each subcategory was reviewed separately to account for the specific rules and documentation standards that apply to the specific type of expenditure. This approach allows for a more precise assessment of compliance with federal regulations and the terms and conditions of each grant program.

i. Federal and State Funding – Title I

Area of Analysis

This section focuses on obtaining an understanding of the costs associated with various Title I grants received by the District during the scope period. The procedures performed include reconciliation to the general ledger, analysis, and sample testing, which were designed to assess whether the District appropriately applied requirements related to allowability, compliance with applicable federal regulations, and proper allocation of costs charged to the grants.

Title I grants are ongoing federal education grants designed to provide supplemental funding to school districts that serve high percentages of students from low-income families. The purpose of Title I is to help make certain that all students have access to a high-quality education and support programs that improve academic achievement. Title I funds are federal pass-through grants. The U.S Department of Education awards Title I funds annually to the State Educational Agencies (SEAs) and then the SEAs allocate and distribute those funds to the local educational agencies (LEAs) based on a federal allocation formula that considers student enrollment and poverty levels.

The following section presents the final results of Title I testing and review. The section describes the procedures performed and summarizes the District's compliance with applicable federal requirements related to the use of Title I funds.

Applicable Policies/Procedures and Best Practices

CLA reviewed all available District policies and procedures, applicable federal guidance, and supplemented this review with interviews of the District's director of federal programs and the director of grant management and compliance in order to gain an understanding of the District's practices and controls related to grant administration and compliance.

The District receives Title I funds from the state of Tennessee and uses these funds within the District school system and also disburses a portion of funds to the charter schools authorized by the District.

With respect to charter school payments, the Schedule of Expenditures of Federal Awards (SEFA) included in the District's financial statements contains the following statement: "There were no federal awards passed through to subrecipients." This statement communicates that the District is taking responsibility for all Title I funds expended by the charters as it relates to federal funding and the requirements under Uniform Grant Guidance (UGG).[20] The District retains responsibility for funds expended by charter schools under applicable grants. Charter schools are therefore required to submit reimbursement requests with complete supporting documentation, including proof of payment. Upon review and verification of allowability, the District reimburses the charter schools for eligible grant expenses.

The Code of Federal Regulations 2 CFR § 200.403(c) states, costs must meet specific criteria to be allowable including: "be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the recipient or subrecipient." Accordingly, from a compliance perspective, all schools are expected to follow applicable District internal policies in addition to the requirements set forth in the grant compliance supplement.

The District uses a policies and procedures manual that is aligned with the requirements of the UGG and has also released a reference guide to assist all employees and charter schools in complying with the Title I program. The manual contains the internal controls and grant management standards used by the District to confirm compliance with federal funds.

Accordingly, in compliance with UGG:

- Title I activities and expenditures must be reasonable, necessary, and aligned with identified student needs based on a comprehensive needs assessment. Procedurally, schools participating in Title I are required to engage in annual

[20] The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) are codified at 2 CFR Part 200.

planning and oversight activities, including the development and implementation of a school improvement plan. Schools are also required to conduct an annual Title I meeting to inform parents of program participation, requirements, and opportunities for involvement, with all supporting documentation maintained for compliance and monitoring purposes.

- Fiscal procedures governing Title I require that all expenditures be preapproved, properly documented, and processed through the District's established financial systems. Purchases must include clear justification demonstrating how the expense supports instructional goals and benefits eligible students. Budget monitoring is conducted throughout the year to confirm expenditure remains within approved allocations, and budget revisions or transfers are subject to review and approval by designated federal programs management.
- Payroll and staffing procedures require that employees are funded in whole or in part with Title I resources. Documentation should include required time and effort, including semi-annual certifications. [21] The director of federal programs communicated that the District uses semi-annual certifications, personnel activity reports, and reconciliations to comply with time and effort requirements. Additionally, as an internal policy the District does not allow overtime to be charged through Title I, in order to reduce risk of unallowable payroll expenditures.
- Inventory and asset management procedures apply to all equipment purchased with Title I funds. Such equipment must be properly tagged, recorded, and tracked in accordance with District inventory policies and used exclusively for instructional purposes. These items must be fully traceable. Schools are responsible for maintaining accurate inventory records and following established procedures for reporting missing, stolen, transferred, or disposed items. These controls help safeguard assets purchased with federal funds.

CLA visited the educational warehouse where lower value supplies are stored and reviewed the associated standard operating procedures (SOPs). The director of federal programs communicated that Title I supplies are typically shipped directly to individual schools and are not stored at the general (or "mixed") educational warehouse. Accordingly, the controls around the storage and handling of warehouse supplies will be further discussed and reviewed in the next section 5.A.ii *Federal and State Funding – ESSER.*

Best practices for Title I administration include proactive planning, clear documentation, and ongoing communication among program staff, school leadership, and parents. Effective Title I programs are regularly monitored to confirm funds are used as intended and achieve educational outcomes.

[21] Per conversation with the director of federal programs every position funded through Title I at the District is 100% funded and no employee's salary is split between Title I and another funding source.

Analysis and Sample Selection

Prior to developing a sample for detailed testing of selected Title I transactions, CLA performed a federal grants reconciliation to align grant revenue and expenditures across the general ledger, ePlan, and the SEFA.[22] In the majority of instances, no variances were identified, or differences were sufficiently explained, most commonly attributable to timing-related items such as deferred revenue adjustments or accrued receivables. CLA noted that a limited number of variances remained unresolved, as district personnel responsible for processing the transactions during the forensic audit period were no longer employed by MSCS and therefore were unable to provide clarification. These unexplained variances represented less than one percent of total Title I expenditures.

For sample selection, CLA applied a risk-based approach informed by data analytics, including analysis summarized by relevant attributes, including transaction type, funding source, dollar value, payee, and account. This analysis was further supplemented by a review of an already-established allegations and complaints listing. From the full Title I population, CLA initially selected 200 general transactions totaling $8,744,883.13 over the scope period of fiscal years 2022 to 2024. Due to the inconsistent storage of documentation, scope, and risk associated with this area, CLA decreased the sample size to 179 transactions totaling $6,298,064.58. Table 18 explains the distribution of this final sample across the three categories: disbursements, journal entries, and travel.[23]

Table 18: Distribution of Title I Categories Tested

Category	Total Tested	Amount Tested
Disbursements	147	$ 3,542,068.38
Journal Entries	24	2,691,621.00
Travel	8	64,375.20
Total	179	$ 6,298,064.58

For each sample selection, CLA tested compliance with both applicable federal compliance requirements, and the District policies and procedures relevant to each transaction category. CLA accessed the District's APECS system to retrieve and review supporting documentation and approvals. For information not available within APECS, CLA requested documentation through inquiry with appropriate District personnel. For distributions selected that were made to a charter school, CLA additionally utilized the Title I CRATE system.[24]

[22] The SEFA (Schedule of Expenditures of Federal Awards) is the official schedule that shows how much federal funding an entity spent, by program, and serves as the foundation for a Single Audit.

[23] Due to the scope of procedures, assessed risk, and coverage of payroll testing in other areas of the forensic audit, CLA did not perform testing on specific Title I payroll transactions.

[24] Title I CRATE by 806 Technologies is a web-based compliance and documentation management platform used by the charter office at the District to receive, document, and approve transactions before they are moved to APECS.

Results of Analysis and Testing

Based on the testing performed, CLA did not identify areas of non-compliance, fraud, waste, or abuse. The observations identified primarily relate to insufficient and incomplete supporting documentation, as well as an initial lack of clarity of the supporting documentation available in APECS. In several instances, the documentation uploaded to APECS did not clearly demonstrate the purpose, allowability, or compliance of the transaction. Consequently, the compliance of certain transactions could not be initially determined based solely on the documentation maintained in APECS and required multiple additional inquiries with District personnel and several follow-up requests.

Observation #1 Inconsistent written documentation to support travel requests.

CLA noted inconsistent application of providing written justification on travel forms as required by District policy.[25] In the travel expenses sampled, CLA did receive additional information to confirm it was in fact travel in accordance with the grant, through further inquiries.

Observation #2 Supporting documentation was missing from APECS.

Supporting documentation related to disbursements for District-operating public schools, including multiple quotes, contracts, and requests for proposals (RFPs), were not consistently uploaded and retained within APECS.[26] Based on discussions with District personnel, this was attributed in part to storage limitations within APECS.

Although the District-operated public schools had some missing documentation, underlying support for disbursements related to charter school expenditures was identified in APECS and were maintained in the District's secondary storage management system, CRATE.[27]

Observation #3 Journal entries lack sufficient clarity.

Journal entries often lacked sufficient clarity regarding the purpose or rationale for the adjustment. The journal entries often described what accounts were being adjusted but failed to describe the reasons for the adjustments. While supporting documentation was available for all five samples tested and reviewed, they did not have justification as to why the entries

[25] 2020-Travel Expense Policy.

[26] This statement does not include charter schools.

[27] CRATE is utilized by multiple departments within the District, including the grants office.

occurred. These samples required additional inquiry to verify the reason they were made to confirm compliance with the grant.

Observation #4 There was inconsistent use of the location code within the general ledger.

CLA observed that certain Title I expenditure transactions were recorded using location code 1000 (Central Office) in the general ledger rather than the specific school location to which the expenses related. The controller acknowledged that assigning expenses to the appropriate school location is considered best practice and that this best practice has been communicated to the departments; however, this practice is not consistently followed. If the correct location is not entered, it creates difficulty in determining which school location benefited from the expenditure.

Observation #5 Recurring journal entries are not documented in a written standard operating procedures manual.

Regularly occurring and appropriately documented journal entries are used to correct expenditures initially charged to federal grants that are subsequently determined to be unallowable for the specific federal award. This includes, for example, the removal of overtime and hybrid retirement payroll costs for employees fully funded by Title I, consistent with internal policy and Title I allowability requirements. However, the process for documenting and recording journal entries is not listed in an SOP.[28]

Conclusions

Based on the procedures performed CLA did not identify areas of non-compliance, fraud, waste, or abuse. The observations identified relate to insufficient and incomplete supporting documentation, as well as an initial lack of clarity of the supporting documentation available in APECS. CLA gained clarity only after multiple further inquiries and requests for additional documentation.

Recommendations

CLA recommends the following regarding Title I expenditures.

Recommendation #1 CLA recommends that the District consistently apply the written justification requirements in its travel policy by

[28] This practice is followed by the District's federal funds department; however, it is not formally documented in an approved policy or SOP.

requiring that each travel justification explicitly demonstrates the necessity of the travel and its direct relationship to the applicable Title I grant award.

Recommendation #2 Centralize journal entry processes across departments to improve consistency, transparency, and oversight.

The District should establish standardized requirements for preparation, review, and documentation of journal entries to improve consistency, transparency, and oversight. This should include requiring a clear written justification for each journal entry, captured within APECS or attached as supporting documentation, along with centralized access to all supporting records. Implementing these measures will strengthen finance's ability to independently validate entries at approval, reduce informal inquiries, enhance interdepartmental coordination, and support efficiency, accountability, and identification of recurring control weaknesses.

Recommendation #3 CLA recommends that the District develop a formal SOP to document the process for recurring journal entries. Documenting the process for recurring journal entries is important to promote consistency, accuracy, and transparency in financial reporting.

Recommendation #4 CLA recommends that the District develop a written standard operating procedure requiring the use of the specific school location code when expenditures are directly related to a particular school. Establishing this requirement would promote consistent accounting practices, improve the accuracy of financial reporting at the school level, and enhance transparency over how resources are allocated and spent.

ii. Federal and State Funding – ESSER

Area of Analysis

This section focuses on obtaining an understanding of the costs associated with various ESSER grants received by the District during the scope period. The procedures performed include analysis and sample testing, which were designed to assess whether the District appropriately applied requirements related to allowability, compliance with applicable federal regulations, and proper allocation of costs charged to the grants.

The ESSER grants were temporary emergency relief federal funding programs created to help school districts respond to and recover from the impacts of the COVID-19 pandemic. ESSER funds were intended to support safe school programs, address learning loss, provide mental health support, improve air quality, and maintain

continuity of education services. The U.S. Department of Education distributed ESSER funds to the SEAs, and the SEAs allocated and distributed those funds to the LEAs. ESSER funding was provided in three funding phases, ESSER, ESSER 2.0, and ESSER 3.0. All grants are now closed out, but ESSER, ESSER 2.0, and ESSER 3.0, were all relevant to the forensic audit scope period.

Applicable Policies/Procedures and Best Practices

CLA reviewed available District policies and procedures, applicable federal guidance, and supplemented this review through interviews with the District's director of federal programs, and the director of grant management and compliance. Additionally, CLA performed site visits to further evaluate operational practices and obtain an understanding of the District's internal controls related to grant administration and compliance. As part of these procedures, CLA visited the District's central and educational warehouses, where COVID-19-related supplies, including face masks, hand sanitizer, instructional materials, textbooks, and other consumable items, were stored.

As ESSER was a one-time federal program, the District did not develop grant specific policies and procedures unique to ESSER funding. Instead, the District administered ESSER funds in accordance with existing federal guidance and the internal policies and procedures manual, which is aligned with the requirements of the UGG and relates to all federal grants, as discussed in the previous section.

The Federal guidance for the ESSER grants requires recipients to demonstrate that costs incurred by SEAs and subrecipients are allowable under the applicable statutory and regulatory provisions and are consistent with the purpose of the Education Stabilization Fund (ESF) Fund, which is to prevent, prepare for, and respond to COVID-19.[29]

Due to a specifically identified allegation, CLA conducted additional procedures to evaluate the District's equipment management and inventory control practices in accordance with UGG sections 2 CFR Part 200, Subpart D. As part of this evaluation, CLA focused on key sections of UGG including but not limited to:

- **2 CFR § 200.313(d)(1),** which requires equipment records to include a serial number or other identification number sufficient to track the asset.[30]
- **2 CFR § 200.313(d)(2)**, which requires a physical inventory of the property to be conducted, and the results to be reconciled with the property records at least once every two years.

[29] Compliance Supplement, 84.425D.

[30] CLA conducted procedures to verify that assets traced during testing were appropriately identified with ESSER inventory labels and included serial numbers or other unique identifiers that agreed to the District's inventory listing.

- **2 CFR § 200.313(d)(3)**, which requires a control system to be in place to ensure safeguards for preventing property loss, damage, or theft.

- **2 CFR § 200.302(b)(4)**, which requires recipients to maintain effective control and accountability over assets to ensure they are adequately safeguarded and used solely for authorized purposes.

Analysis and Sample Selection

Prior to developing a sample for detailed testing of selected ESSER transactions, CLA performed a federal grants reconciliation to align grant revenue and expenditures across the general ledger, ePlan, and the SEFA. As a result of these procedures, all ESSER reimbursements were reconciled without any variances identified.

Next, CLA deployed a risk-based approach informed by data analytics, including analysis summarized by relevant attributes, including transaction type, funding source, dollar value, payee, and account. This analysis was further supplemented by conducting research and email review to identify allegations and complaints potentially relevant to ESSER. From the full ESSER population, CLA originally selected 200 transactions totaling $86,596,219.13 over the scope period of fiscal years 2022 to 2024.[31] Due to the inconsistent storage of documentation, scope, and risk associated with this area, CLA decreased the sample size to 183 transactions totaling $80,268,406.91. Table 19 indicates the distribution of this sample across three categories: disbursements, journal entries, and travel.[32]

Table 19: Distribution of ESSER categories tested.

Category	Total Tested	Amount Tested
Disbursements	153	$ 37,865,912.29
Journal Entries	25	42,374,959.65
Travel	5	27,534.97
Total	183	$ 80,268,406.91

As described previously, for each sample selection, CLA tested compliance with both applicable federal compliance requirements, and the District policies and procedures relevant to each transaction category. CLA accessed the District's APECS system to retrieve and review supporting documentation and approvals. For information not available within APECS, CLA obtained necessary documentation through inquiry with appropriate District personnel. For distributions selected that were made to a charter school, CLA additionally utilized Title I CRATE. CLA also visited selected school sites to verify the existence of certain assets and evaluate whether assets were appropriately

[31] The full population includes ESSER, ESSER 2.0, and ESSER 3.0.

[32] Due to the scope of procedures, assessed risk, and coverage of payroll testing in other areas, CLA did not perform testing on specific payroll transactions.

identified and tracked in a manner consistent with the equipment inventory and property management requirements outlined in the UGG.[33]

In addition to the risk-based sample, CLA conducted a review of all portable air conditioning (AC) unit purchases made during the scope period as portable AC units were determined, through work performed, to be high risk. In June 2022, the District purchased 240 portable AC units at a total cost of $840,000. CLA requested the inventory listing, including the current location of the units and judgmentally selected a sample of 24 units to trace during on-site procedures at the District.

Results of Analysis and Testing

The results of testing ESSER funded expenditures identified several process-related deficiencies primarily related to insufficient and incomplete supporting documentation within APECS, a lack of clarity in the documentation retained, and opportunities to strengthen overall document management practices and understanding of federal grant requirements.[34] In several instances, the documentation did not clearly demonstrate the purpose, allowability, or compliance of the transaction as it relates to COVID-19. As a result, the compliance of certain transactions could not be readily determined based solely on the documentation maintained in APECS and required additional inquiries and explanations from District personnel.

Furthermore, CLA identified evidence of non-compliance pertaining to inventory management of portable AC units purchased with ESSER funds. Specifically, CLA noted that the District had not conducted an inventory of these units prior to CLA's inquiry. The absence of established inventory procedures and asset tracking resulted in a lack of accountability over these federally-funded assets. Observations made in this are listed below.

Observation #6 There was insufficient documentation attached to the transactions in APECS to clearly demonstrate the purpose and alignment with ESSER.

Observation #7 The District's supporting documentation did not always clearly demonstrate the relation between certain expenditures and COVID-19-related purposes. All of the transactions tested and reviewed were found to be compliant with ESSER fund requirements through additional inquiries responded to after the issuance of CLA's report.

[33] CLA conducted site visits to Riverwood Elementary School, Dexter Middle School, Gardenview Elementary School, Winchester Elementary School, Sheffield Career Technology Center, Shelby Oaks Elementary School, Holmes Road Elementary School, Richland Elementary School, and Whitehaven High School.

[34] ESSER supplies are stored in the educational warehouse before they are distributed to the individual schools.

Observation #8 Inventory storage and tracking of ESSER-funded supplies were insufficient.

CLA reviewed inventory storage and tracking practices through a visit to the District's educational warehouse. During this visit, CLA observed that certain COVID-19-related items, such as face masks and hand sanitizer, were appropriately stored separately in a secured area of the warehouse. However, other ESSER-funded supplies, including textbooks and instructional materials, were stored alongside non-ESSER inventory without consistent physical identification or coding. While these items could be traced to ESSER funding within APECS, doing so required additional steps and was not readily apparent from warehouse storage practices alone.

When ESSER-funding inventory is commingled with non-ESSER inventory and not clearly identified, the District increases the risk that it cannot readily demonstrate that grant-funded assets are being used, safeguarded, and tracked in accordance with grant requirements.

Observation #9 Textbooks purchased with ESSER funds were not cataloged consistently.

CLA observed that, under a prior administration, certain ESSER-funded textbooks were intended to be identified using catalog numbers ending with the letter "E" to distinguish them from non-ESSER inventory. However, this practice was not formalized through a documented SOP and is not reflected in the current policy. As a result, consistency in identifying and tracing ESSER-funded inventory relied on system inquiries and staff knowledge rather than documented procedures, which creates a risk.

CLA tested one purchase order, which included multiple catalog numbers that occurred during the time that the "E" practice was in place for the catalog number. Regarding the one random sample selected, these textbooks catalog numbers should have had the "E" identifier; however, they were entered incorrectly without the suffix. As a result, the catalog numbers for this sample reflected the standard general fund structure rather than the ESSER-designated structure.

Observation #10 Although the District did not consistently follow its own catalog number policy, it demonstrated to CLA the ability to trace transactions and inventory to ESSER funding for the transactions tested. Opportunities exist to improve documentation clarity, consistency, and ease of traceability to support more efficient

assessment of allowability and compliance. Observed evidence of operational need for portable air conditioning units.

There was an immediate operational need for portable AC units in certain schools where air conditioning systems are outdated and not functioning at full capacity. Further, a limited review of emails identified communications regarding AC needs, with no indications of improper use or missing units.

Observation #11 Weaknesses were identified in asset-tagging for ESSER-funded equipment.

CLA identified certain asset-tagging deficiencies, including two units that had missing ESSER tags on items subject to tagging requirements. Additionally, CLA identified one unit which had a serial number tag that appeared to have been removed and reapplied. Although the existence of all 24 sampled units was verified, the absence of ESSER tags on certain assets and the inadequate securing of identification tags limit the District's ability to consistently track, identify, and safeguard federally-funded property. This increases the risk of misidentification or loss and reduces the effectiveness of inventory controls. Figure 2 shows the unit with the reapplied serial number tag.

Figure 2: Portable Air Conditioning Unit

Observation #12 Duplicate portable air conditioning unit serial numbers existed within the inventory tracking system.

CLA observed two instances of portable AC units recorded with duplicate serial numbers within the District's inventory records. These items were included in the sample selection and

subsequently discussed with District personnel. Through inquiry, District personnel indicated that the duplicate serial numbers were originally entered into the inventory system approximately four years prior and remained uncorrected until after CLA's review of the portable AC units.

District personnel further noted that the issue had been previously identified; however, attempts to investigate and resolve the discrepancies were not completed due to the decentralized distribution of the AC units across multiple school locations, which limited the District's ability to physically verify the assets. This provides evidence of non-compliance with the applicable code of federal regulation.

Observation #13 No inventory review procedures were performed for ESSER-funded portable air conditioning units.

The District purchased approximately 240 portable AC units with ESSER funds in 2022; however, no physical inventory review procedures were performed following acquisition until CLA's inquiry, a span of approximately four years. Additionally, the District's inventory system records did not include the school locations that housed the individual AC units. Consequently, the District could not initially demonstrate the existence, location, or proper safeguarding of these federally-funded assets, increasing the risk of loss or misuse and limiting its ability to support compliance with federal property management requirements. While the individual units fall below the capitalization threshold, Uniform Guidance establishes that all federally-funded property must be subject to effective control and accountability, particularly for high-risk items.

Observation #14 Twenty-four portable AC Units purchased at a value of $84,000 in total, could not be located.

CLA notes that upon inquiry by CLA, MSCS took prompt action to verify the existence of the units. Based on follow-up procedures, CLA was informed that the District was able to locate 216 of the 240 units (approximately 90%); however, 24 units remain unaccounted for as of the date of this report.[35] Due to deficiencies in the District's inventory management practices, CLA is unable to

[35] CLA has been advised that the district will continue to search for the 24 missing units.

determine the disposition of the missing units, including whether they were lost, misplaced, disposed of, or potentially subject to fraud, waste, or abuse. The absence of timely inventory procedures and reconciliation to asset records limits the District's ability to demonstrate accountability and proper safeguarding of federally-funded assets, thereby creating a condition of non-compliance with ESSER grant requirements.

Observation #15 There was insufficient justification to demonstrate grant compliance in Travel Justification Forms filed in APECS.

Justifications provided on the "Travel Justification Form for Employee" lacked sufficient detail to demonstrate how the travel was related to the ESSER grant. Specifically, the documentation often lacked a clear explanation of reasons for the employee's travel and how it was necessary for the grant purpose, or how the travel supported activities to prevent, prepare for, and respond to COVID-19. However, through additional inquiry, CLA was able to determine that these instances of travel were compliant with ESSER guidelines.

Observation #16 There was inconsistent use of the location code within the general ledger for ESSER expenditures.

CLA observed that certain ESSER expenditure transactions were recorded using location code 1000, Central Office in the general ledger rather than the specific school location to which the expenses related. Failure to enter the correct location increases the difficulty in determining which school location benefited from the expenditure and impairs the District's ability to effectively track inventory.

Conclusions

CLA identified conditions of non-compliance with ESSER grant requirements, specifically related to inventory management, asset tracking, and safeguarding of federally-funded equipment. The District's failure to perform timely inventory review procedures and maintain accurate location and identification records for ESSER-funded assets represents a breakdown in internal controls over federally-funded property. Additionally, due to these deficiencies, CLA was unable to verify the existence of 24 portable AC units, purchased for $84,000.00 on June 21, 2022, as they remain unaccounted for. CLA cannot determine whether these items were lost, misplaced, disposed of, or potentially subject to fraud, waste, or abuse. Consequently, CLA has classified these observations under non-compliance with federal regulations.

Recommendations

CLA recommends the following regarding ESSER expenditures.

Recommendation #5 The District should consider updating its warehouse storage guidelines to ensure that supplies purchased with federal grant funds are clearly labeled and stored in locations that are easily identifiable by warehouse personnel. In addition, the District should consider revising the warehouse standard operating procedures to explicitly reference federal grants, such as ESSER and Title I, and outline expectations as a best practice for the handling, identification, and tracking of grant funded inventory.

The District should also consider providing training to warehouse staff on federal grant organization and the importance of grant compliance to promote consistency, accountability, and awareness across warehouse operations.

Recommendation #6 The District should strengthen asset identification controls by implementing standardized procedures for tagging federally-funded equipment. This should include assigning each asset a unique identifier, such as an asset tag or barcode, at the time of receipt and ensuring that tagging information is properly recorded in the inventory system. The District should also establish procedures to periodically verify the presence and condition of tags during physical inventory review processes and utilize durable, tamper-resistant methods to affix tags to reduce the risk of detachment or loss. Enhancing these controls will support consistent asset identification and improve the District's ability to track and safeguard federally-funded property.

Recommendation #7 The District should implement formal and consistent inventory procedures for all federally-funded equipment to ensure compliance with federal requirements. This includes conducting physical inventory counts at least every two years, or more frequently, in accordance with District policy, and performing timely reconciliation of physical counts to inventory records. Any discrepancies identified during these procedures should be promptly investigated, resolved, and documented. Additionally, the District endeavors to locate the 24 portable AC units that are unaccounted for.

Recommendation #8 The District should enhance its inventory management system to ensure that all federally-funded assets are assigned and maintained with accurate and up-to-date location information. This should include recording the specific school site, and

where applicable, room-level detail for each asset, and updating this information whenever assets are transferred, relocated, or disposed of. Implementing controls to periodically verify location data as part of inventory procedures will improve traceability and support effective oversight of assets.

Recommendation #9 The District should enhance its overall internal control environment related to federally-funded assets by developing and enforcing comprehensive written policies and procedures. These policies should address asset-tagging, inventory frequency, reconciliation processes, asset transfers, and disposal procedures. Additionally, the District should assign clear roles and responsibilities for asset management at both the central office and school levels and provide training both to personnel involved in inventory and asset tracking processes as well as personnel in the facilities department at the District. Ongoing monitoring and management review of inventory practices should also be implemented to ensure compliance and identify areas for improvement.

Recommendation #10 The District should consider updating and consistently enforcing the policy concerning written justification statements within the Travel Expense Policy. This states that the written statement must justify that travel is necessary to the specific federal award. Although the ESSER grants have concluded, strengthening compliance with this requirement would help guarantee that all federal grants, including future temporary or emergency programs, are supported by documentation that clearly demonstrates compliance with applicable grant requirements when travel expenses are incurred.

iii. Federal and State Funding – Head Start

Area of Analysis

This section focuses on obtaining an understanding of the costs associated with various Head Start grants received by the District during the scope period. The procedures performed include analysis and sample testing. These procedures were designed to assess whether the District appropriately applied requirements related to allowability, compliance with applicable federal regulations, and proper allocation of costs charged to the grants.

The Head Start grants are federal discretionary grants awarded by the Office of Head Start (OHS) at the Department of Health and Human Services. The programs are designed to promote school readiness for children, birth to age five, who are from low-income families. The grant supports early learning and education as well as family engagement, mental health, and nutrition services. Head Start funds are awarded

directly to the LEA after an application, assuming they meet the eligibility criteria and provide services to low-income children.

The District operated Head Start programs for the entirety of the forensic audit scope period; however effective fiscal year 2026, the District has lost its Head Start funding and program responsibility has transitioned to Porter-Leath.[36] Porter-Leath is a Memphis-based nonprofit founded over 175 years ago. They provide community-centered support for children and families in the mid-south and have been serving Head Start since 2001.

Applicable Policies/Procedures and Best Practices

CLA reviewed all available District policies and procedures, applicable federal guidance, the District's accounting and the financial procedures manual specifically developed for the Head Start program. Additionally, CLA supplemented this review with interviews of the District's executive director of early childhood in order to gain an understanding of the District's practices and controls related to grant administration and compliance.

During the scope period the District maintained comprehensive policies and procedures governing the administration of Head Start funding that were designed to maintain compliance with applicable federal, state, and local requirements. The District created a manual specifically for the Head Start Program that was used in conjunction with the District's policies and procedures. The District also prepared a PowerPoint presentation that was used in annual trainings. The policies and procedures manual formally adopted the requirements of 45 CFR Part 75, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.[37]

The District's Head Start program operated on a calendar year basis beginning January 1 and ending December 31. Fiscal accountability was maintained through the use of the District's APECS system, which allowed Head Start transactions to be separately identified while remaining integrated within the District's general ledger. The District's policies prohibited the charging of unsupported, unallowable, or improperly allocated costs to the Head Start program and it is the responsibility of the District's Head Start administrative staff to determine the allowability of costs with UGG guidance.

Individual budgets were prepared for funding sources, and each grant or program manager was required to be aware of budget modification requirements. Budget development and management procedures were structured to align financial resources with programmatic goals identified through community needs assessments, program assessments, and federal grant guidance. Annual budgets and

[36] CLA reviewed the deficiency letters for matters that could affect the scope or testing of the engagement and noted that the deficiency letters did not relate to financial non-compliance.

[37] Adopting the requirements of 45 CFR Part 75 was effective August 2022.

subsequent amendments were developed collaboratively by program leadership and fiscal staff and were subject to review and approval by both the Policy Council and the MSCS Board of Education. Procurement and purchasing activities related to Head Start funding were required to follow the District's procurement policies. There were specific lists to follow regarding the procedures for allocability, determining reasonableness, and allowability. Sole-source contract procurement was allowed under Head Start, only when specific circumstances exist. Travel and professional development expenditures charged to Head Start funding were subject to advance approval and require a complete travel authorization packet, including documented justification.

Collectively, these policies and procedures reflect best practices in federal grant administration, including centralized fiscal oversight, segregation of duties, strong documentation standards, routine reconciliations, and active governance involvement. While the District lost its Head Start funding effective July 1, 2025, and program operations transitioned to Porter-Leath, the accounting and financial controls were not cited in any deficiency letters, and the factors contributing to the loss of funding were outside the accounting and financial control environment.

Analysis and Sample Selection

Prior to developing a sample for detailed testing of selected Head Start transactions, CLA performed a federal grants reconciliation to align grant revenue and expenditures across the general ledger and the SEFA. As a result of these procedures, CLA did not identify any variances between the SEFA and expenditures on the general ledger.

CLA deployed a risk-based approach informed by data analytics, including analysis summarization by relevant attributes, including transaction type, funding source, dollar value, payee, and account. This analysis was further supplemented by conducting research and email review to identify allegations and complaints potentially relevant to Head Start. From the full Head Start population of $72,731,011.48, CLA initially selected a sample of 200 general transactions totaling $3,804,811.52 over the scope period of fiscal years 2022 to 2024. Due to the inconsistent storage of documentation, scope, and risk associated with this area, CLA decreased the sample size to 106 transactions totaling $2,215,312.19. Table 20 explains the distribution of this sample by category.[38]

Table 20: Distribution of Head Start categories tested

Category	Total Tested	Amount Tested
Disbursements	57	$ 1,401,761.51
Journal Entries	41	788,293.04
Travel	8	25,257.64
Total	106	$ 2,215,312.19

[38] Due to the scope of procedures, assessed risk, and coverage of payroll testing in other areas, CLA did not perform testing on specific payroll transactions.

For each sample selection, CLA tested compliance with both applicable federal compliance requirements, and the District policies and procedures relevant to each transaction category. CLA accessed the District's APECS system to retrieve and review supporting documentation and approvals. For information not available within APECS, CLA obtained necessary documentation through inquiry with the executive director of early childhood.

Results of Analysis and Testing

Based on the testing performed, CLA did not discover any areas of non-compliance fraud, waste, or abuse.

However, during the review of journal entries within this section, CLA identified a vendor relationship that presented a conflict of interest with a District employee. This relationship contributed to instances of waste and abuse unrelated to Head Start expenditures and is therefore discussed in the section 5.C.ii. *ACH Transactions*.

The additional issues identified primarily relate to insufficient and incomplete supporting documentation, as well as lack of clarity of the supporting documentation uploaded to APECS. In several instances, the documentation did not clearly demonstrate the purpose, allowability, or compliance of the transaction. As a result, the compliance of certain transactions could not be readily determined based solely on the documentation maintained in APECS and required additional inquiry with and requests of District personnel.

Observation #17 Head Start has strong, well-documented policies and procedures.

The District has developed comprehensive, well written policies and procedures specifically tailored to the Head Start program. The policies are reinforced with annual training presentations, to ensure all Head Start staff are knowledgeable of District requirements and federal compliance obligations. This demonstrates a strong commitment to consistent implementation and staff awareness as it relates to Head Start funding.

Observation #18 The Head Start program executive director was highly knowledgeable of program requirements.

The District's executive director of early childhood has nearly 30 years of experience with the District and has served in the executive director role for approximately six years. This long tenure facilitated effective and efficient communication during information requests, as the executive director demonstrated a strong understanding of both District policies and applicable federal guidelines, contributing positively to program oversight and compliance.

Observation #19 There was reliance on shared drive storage for supporting documentation rather than maintenance of these records within APECS.

CLA observed that certain underlying support could not be located within APECS and was instead maintained on a shared drive. In this instance, the practice did not result in compliance issues; however, it did cause delays in testing. These delays were mitigated by the long tenure and institutional knowledge of the executive director. Nevertheless, due to the potential impact of staff turnover, maintaining documentation outside of APECS is not considered a best practice and may pose challenges to the existence of documentation, timely access, and continuity in the future.

Observation #20 There was inconsistent use of the location code within the general ledger.

CLA observed that certain Head Start transactions were recorded using location code 7211 - Head Start Education in the general ledger rather than recording to the specific school location to which the expenses related. Failure to enter the correct location increases the difficulty in determining which school location benefited from the expenditure.

Observation #21 CLA identified one instance in which a PAF was required but was not obtained, the total amount of this disbursement was $1,390.10.

Observation #22 CLA identified two instances in which the required minimum of three vendor quotes was not obtained in accordance with established procurement requirements, the total amount of this disbursement was $13,964.00.

Conclusions

Based on the procedures performed, CLA did not identify areas of fraud, waste, or abuse; however, CLA did identify $15,354.10 of non-compliance. Concerns identified primarily relate to insufficient and incomplete supporting documentation, as well as lack of clarity of the supporting documentation uploaded to APECS.

Recommendations

CLA recommends the following regarding improvements to the policies and procedures of the Head Start grant. Although the Head Start program is not continuing, the District continues to operate four additional Pre-K programs serving approximately 3,500 students; therefore, these recommendations remain applicable and can be used to support the ongoing programs.

Recommendation #11 The District should establish and enforce a comprehensive document management and retention framework that requires all procurement and contract-related documentation to be centrally stored in a single, accessible repository (e.g., APECS, Contract Advantage, or another designated system). This repository should include, at a minimum, executed contracts and amendments, Board approvals, bids and quotes, bid evaluations, intent-to-award documentation, invoices and receipts, Payment Request Forms, business purpose justification, and evidence of approvals. The District should implement standardized documentation checklists, system controls, and clear policies outlining retention requirements, storage locations, and cross-referencing protocols where multiple systems are used. Additionally, management should establish expectations for timely responsiveness to audit requests, perform periodic monitoring to ensure documentation completeness and compliance, and provide training to staff to reinforce proper documentation and retention practices, thereby improving accessibility, transparency, and continuity despite personnel changes.

Recommendation #12 CLA recommends early childhood education staff more consistently utilize the general ledger location code when recording Head Start expenditures on the general ledger. A significant portion of Head Start expenses have been charged to location code 7211, early childhood education, rather than to the specific school location where the costs were incurred. As the appropriate location codes are already established within the general ledger, charging expenses to the actual school location would enhance the District's ability to trace, analyze, and report expenditures by site. Improved use of location codes would provide clearer insight into which costs are attributable to each school.

iv. Charter Schools – Distribution of State, Local, and Federal Funding to Charter Schools

Area of Analysis

The State requested that CLA identify all charter schools authorized to operate under MSCS and verify the accurate distribution of state, local, and federal funding to those charter schools.

Applicable Policies/Procedures and Best Practices

CLA reviewed applicable policies and procedures related to charter school funding and further supplemented this review by conducting interviews with the controller, the director of charter schools, and the assistant superintendent of operations to

obtain a more comprehensive understanding of the District's processes. In addition, CLA considered relevant guidance in T.C.A. § 49-13-112(a) issued by the state of Tennessee.[39]

Distributions by the District are administered through a combination of state formula payments, Basic Education Program (BEP) or Tennessee Investment in Student Achievement (TISA) allocations and reimbursements for federal and state grant funded expenditures, with controls designed to confirm allowability, documentation, and appropriate approvals.[40]

- The BEP and TISA payments are allocations based on a funding formula provided by the state of Tennessee.[41] The reimbursements are from any federal or state grants where funds are being provided to charter schools by the LEA or the District. In this instance the charter schools must submit a reimbursement request form designed by the District, an invoice, proof of payment, and any other documents required by the District's policies and procedures. The charter school office indicated it centralizes most charter school reimbursements through CRATE to improve tracking and support compliance.

- The charter school office noted that items routed through this office are submitted by charter schools into CRATE and reviewed through a multi-level approval workflow. It was communicated to CLA that charter schools are expected to submit supporting documentation with reimbursement requests and that reimbursements should not be processed without adequate support. For expenditures that require a larger volume of supporting documentation, for example the documentation required for a contract, this supporting documentation may be maintained in CRATE while disbursement packets are transmitted to the accounts payable department for processing and storage within APECS.
- Additionally, charter school office leadership noted that charter school distributions should follow "the most restrictive" requirements across federal and state rules because funds flow through the District and are reflected on the District's SEFA, noting the District has no sub-recipients and is fully responsible and accountable for all funds used by the charter schools, emphasizing the importance of consistent compliance with governing requirements and internal controls. Best practices highlighted by the process include maintaining a clear mapping and timeline of the distributions and approvals within CRATE.

[39] T.C.A. stands for Tennessee Code Annotated.

[40] Beginning in FY2024, BEP payments were replaced by TISA payments.

[41] Beginning in FY2024, when the BEP payments were replaced with TISA payments, the state also began to provide Charter Funding Letters explaining the Average Daily Membership (ADM) and revenue data used in the funding allocation.

The charter school office was established and operational starting in early fiscal year 2022, with CRATE being implemented in late fiscal year 2022. The charter office is still evolving and although most charter school distributions are processed by this office, not all charter school distributions follow this process.

Analysis and Sample Selection

During this analysis CLA performed two procedures. First, CLA identified all reimbursement payments made to charter schools based on submitted reimbursement requests. Secondly, CLA reviewed a sample of allocation-based disbursements made to the charter schools to verify that payments were properly remitted by the District.[42]

The first analysis performed sought to identify all disbursements made to charter schools by examining payments recorded as charter school disbursements within the District's bank statements. CLA then reconciled these disbursements to the general ledger to match each payment to the corresponding charter school location code. CLA encountered limitations in completing this reconciliation due to inconsistent application of location codes used to identify the different charter schools within the general ledger. To address this limitation, CLA reviewed the payee descriptions recorded in the general ledger in addition to the location codes to confirm that no charter school disbursements were omitted from the analysis.

From this population, CLA excluded Fund 12, as transactions within this fund were being tested separately within the federal funds section of this report. From the remaining population, CLA selected a sample of 21 disbursements for detailed testing over the scope period of fiscal years 2022 to 2024. In selecting the sample, CLA applied professional judgment and gave special consideration to transactions associated with charter schools that were the subject of reported complaints or allegations.

The second analysis utilized the same disbursement schedule obtained from the District's bank statements. From this population, CLA identified all payments with an "allocation" description and selected a random sample of 15 charter schools, consisting of five schools from each fiscal year within the scope period from 2022 through 2024. The purpose of this testing was to compare BEP and TISA allocation amounts recorded in the general ledger and compare the bank statements details against State provided allocation schedules.

As part of this testing, CLA reviewed available supporting documentation for State allocations, including State provided Excel files, general ledger, bank statement data, and corresponding allocation letters.

[42] This references both BEP and TISA payments.

Results of Analysis and Testing

CLA noted the following during the charter school distribution testing processes:

Observation #23 There was missing supporting documentation in violation of Board policy 3012 – *Records Management* as well as the Statutory framework for District and School Audits in T.C.A. § 49-13-127.[43]

CLA observed that two out of 21 charter school disbursements tested did not have supporting documentation attached beyond the reimbursement request submitted by the charter school.[44] Both transactions related to the Safe Schools grant issued by the state of Tennessee.[45] CLA submitted follow-up inquiries to both the chief of safety and security, who approved and signed the reimbursement requests, and to the assistant superintendent of operations; however, after several weeks, and over five inquires the supporting documentation could not be located. CLA was informed that the documentation may be contained within boxes of files in storage; however, the documents have not been located as of the date of this report. These conditions indicate the District's records were not consistently organized, retained, or readily retrievable in a manner that supports timely, efficient, and accurate access to information.

The two transactions without supporting documentation totaled $66,096.26 and were noted to be both for alarm monitor and security guard services; however, without invoices CLA cannot confirm that the transactions were in fact for these services. CLA notes there were no receipts, invoices, or contracts available or provided to CLA even after multiple requests. These results indicate that for approximately 10% of the sample tested, the District's records were not consistently organized, or readily retrievable in a manner that supports timely, efficient, and accurate access to information as required under Board policy 3012 – *Records Management*. Consequently, the sample will require expansion.

Observation #24 There were missing supporting explanations or reconciliations.

CLA observed that, for three of the 21 charter school disbursements tested, the supporting invoices did not match the

[43] This requirement notes that documentation must be kept for five years after an audit.

[44] At minimum this should include an invoice and proof of payment.

[45] The Safe Schools Grant is a non-recurring grant used to implement security, prevention, and intervention strategies into all Shelby County Schools.

amounts reimbursed. In these instances, the invoice totals exceeded the reimbursement amounts requested, which reduced the risk of over-reimbursement. However, upon inquiry, the variances could not be explained either by the chief of safety and security, who approved and signed the reimbursement requests, or the assistant superintendent of operations.

The two transactions for which no adequate explanation for the variance was provided totaled $31,374.50 and represent approximately 15% of the sample tested.[46] It should be noted that both this observation and Observation #25 relate to reimbursements issued to charter schools that were processed outside of the charter office.

Observation #25 There was inconsistent use of the location code within the general ledger.

During the analysis of total distributions to charter schools, CLA identified limitations resulting from the inconsistent use of charter school location codes in the general ledger. According to discussions with the controller, departments have been instructed to use the specific school location code; however, CLA notes this guidance is not always consistently applied. Failure to enter the correct location increases the difficulty in determining which school location benefited from the expenditure.

Observation #26 CRATE system capabilities are being used to their full potential and are very well organized.

The CRATE system, implemented in Spring 2022, was observed by CLA to be a well-organized and effectively utilized tool within the charter school office.[47] This web-based system functions efficiently throughout the entire process, from initial document upload through multiple levels of approval, document retention, and submission to the accounts payable department. While CLA recognizes that other departments have access to CRATE and may use it in varying capacities, the charter school office's consistent and comprehensive use demonstrates full utilization of the system's capabilities and is considered a departmental strength.

[46] The Supporting documentation reflected an amount greater than the payment made; however, the reason for the lower payment could not be determined, as no explanatory notes were available and the employees who processed the transaction are no longer with the District.

[47] Prior to the implementation of the CRATE system paper reimbursement requests were used.

During sample testing, CLA observed that an incorrect account number on a reimbursement request was identified and corrected through the multi-level approval process. Although the error was not detected by the initial reviewer, it was identified by a subsequent reviewer prior to submission to accounts payable. CLA further noted that, upon inquiry, all supporting documentation related to this transaction was easily located due to the organized storage of records within the CRATE system.

Observation #27 There are inconsistencies regarding the allocation of grants to the appropriate funds.

The controller communicated there was a practice of assigning certain grants to Fund 01, General Fund, versus Fund 08, Discretionary Grants, or Fund 12, Federal Grants and these would typically not be handled through the charter school office. As a general rule and as a best practice starting in fiscal year 2025, after all the existing grants performance periods under former leadership have ended, Fund 01 will not include grants or projects unless a match requirement exists.

Observation #28 Standard BEP and TISA allocations were accurate and consistent with State schedules.

Standard BEP and TISA allocation amounts for all samples tested agreed to State-provided schedules and were accurately recorded in the general ledger, with corresponding activity appropriately reconciled to the corresponding bank statements. No variances were identified.

Conclusions

Based on the procedures performed, CLA has identified areas of non-compliance for charter school disbursements, which included two transactions totaling $66,096.26 that did not have sufficient supporting documentation. However, no evidence of fraud, waste, or abuse has been identified. The evidence of non-compliance discovered was attributable only to transactions handled outside of the charter school office. Approximately 25% of the transactions tested failed to meet requirements for compliance due to lack of documentation.

Recommendations

CLA recommends the following regarding charter school disbursements:

Recommendation #13 The District should consider requiring that all charter school distributions, including all state, local, and federal grant payments, with the exception of facilities and nutrition related disbursements, be processed through the charter

school office. Centralizing all charter related disbursements within the charter school office would promote consistency in processing, improve oversight and accountability, strengthen compliance with applicable state and federal requirements, and enhance transparency over charter school funding. This approach would also reduce the risk of missing documentation and inconsistent treatment across departments and support more effective monitoring, reporting, and reconciliation of charter school distributions.

Recommendation #14 The District should consider establishing and enforcing a requirement that all charter school disbursements be charged to the applicable charter school location code. Any deviations from this requirement should be limited, formally approved, and clearly documented within APECS to guarantee consistency, auditability of charter school transactions, and facilitate a more efficient and effective way to analyze all charter school disbursements.

Recommendation #15 The District should consider establishing and formally documenting a policy, or matrix that clearly identifies (1) which grants are to be administered and disbursed through each District fund, and (2) the designated responsible department or party for each grant. This matrix should be communicated and made accessible to all relevant District employees and charter school staff. Implementing this practice would strengthen accountability, clarify roles and responsibilities, promote consistent processing of grant disbursements, and enhance compliance with applicable state and federal requirements.

v. Charter Schools – Investigate Any Ties Between Charter School Leadership and Current and Former MSCS Board Members/Administrators

Area of Analysis

This section covers the investigation into potential ties between charter school leadership and current and former MSCS Board members. In addition, this section also addresses the concerns raised in the allegations listing.

Applicable Policies/Procedures and Best Practices

CLA reviewed the Board policy 4003 - *Conflicts of Interest*, noting "Senior management employees or key employees shall not have a direct or indirect financial or material interest in any business or organization that has a business relation with Shelby County Schools." CLA then reviewed the business relationships to determine if any would violate the policy.

Analysis and Sample Selection

In response to the concerns outlined in the allegations identified through research and email review conducted, CLA compiled a comprehensive list of charter school leaders for fiscal years 2022 through 2024. In addition, CLA assembled a roster of all current and former MSCS Board Members and administrators within the scope period. The identification of these individuals was based on information provided by the District and supplemented by a review of the District's website to verify both current and former leadership. Through this process CLA identified 483 individuals that held leadership positions during the scope period. Following identification, CLA conducted public records searches for each individual using CLEAR.[48] However, the searches were limited to name only identifiers, which in some instances made it difficult to determine the appropriate individual as multiple persons in the Memphis area shared the same names and ages.

The CLEAR reports provided information on potential addresses, telephone numbers, court records including bankruptcy and criminal records, and lists of associated entities and individuals. After the reports were compiled CLA reviewed each report and identified key information for comparison with other analyses.

Results of Analysis and Testing

Through the public records search, CLA identified and reviewed CLEAR results for 423 individuals in leadership positions. For 46 of the 483 individuals, the volume of potential matches associated with their names prevented CLA from determining the correct individual.

Additionally, 14 individuals did not generate results in CLEAR, which may be attributable to the use of alternate names or identifying information not available at the time of the search.

CLA reviewed eight individuals associated with a charter school for which the results of research and email review revealed allegations existed. However, the review of the CLEAR reports associated with them did not result in matches that reveal concerns. The CLEAR report for the individual mentioned in the allegations did not describe any concerning information pertaining to the forensic audit scope period. Table 21 summarizes the results of CLEAR reports.

[48] CLEAR is a web-based program that retrieves publicly available information, including addresses, telephone numbers, and associated individuals or entities.

Table 21: Results of CLEAR Reports

Status	Number
Individuals Identified and Reviewed	423
Unable to Identify the Correct Individual[49]	46
No Individuals Matched[50]	14
Total	483

Conclusions

Based on the results of the public records research conducted, CLA has not identified any non-compliance with policy 4003, significant concerns, or notable issues among the individuals reviewed.

Recommendations

Based on the workplan steps performed related to ties between charter school leadership and the District leadership, CLA has not identified any recommendations within this section.

B. Procurement and Contract Management

The scope of work included an extensive review of the procurement and vendor management processes. This section focuses on evaluating whether procurement and contract management practices were fair, transparent, competitive, and compliant with applicable laws, policies, and Board approval requirements.

Based on procedures performed, CLA identified conditions consistent with abuse totaling approximately $50,077,249.60 and waste totaling approximately $209,884.93, resulting from unsupported or unverifiable invoicing, payments inconsistent with contract terms, duplication of services, and circumvention of established procurement and accounts payable controls.

The review of contracts and procurement practices identified not only instances of waste and abuse, but also a significant volume of non-compliance with established procurement policies, contract requirements, and documentation standards in the amount of $62,351,915.85. Refer to summary included in Table 22.

Table 22: Contract Determinations of Potential Waste, Abuse, and Non-compliance

Section	Evidence of Waste	Evidence of Abuse	Evidence of Non-Compliance with Internal Policy	Total Disbursed
Contracts and Solicitations - Professional Services	$ 209,884.93	$ 572,445.59	$ 4,301,028.97	$ 5,083,359.49
Contracts and Solicitations - Non-Professional	-	-	13,234,950.95	13,234,950.95
Contracts and Solicitations - Special Procurement	-	-	3,326,613.00	3,326,613.00
Subcontractors - Validity and Inclusion	-	-	-	-
After School Care Contracts	-	674,288.00	-	674,288.00
Custodial Contracts	-	48,430,744.52	-	48,430,744.52

[49] The CLEAR search returned multiple records associated with individuals sharing similar names.

[50] CLEAR did not identify reportable data linked to the particular name.

Section	Evidence of Waste	Evidence of Abuse	Evidence of Non-Compliance with Internal Policy	Total Disbursed
Lobbying Services Contracts	-	-	-	-
Public Relations Contracts	-	27,708.94	-	27,708.94
Remote Learning Contracts	-	-	-	-
Low Voltage Wiring Contracts	-	-	286,833.62	286,833.62
Project Management Contracts	-	372,062.55	-	372,062.55
Architectural Design Firms Contracts	-	-	186,524.88	186,524.88
HVAC Vendor - Ewing Kessler	-	-	-	-
Nutrition Contracts	-	-	41,015,964.43	41,015,964.43
Total	$ 209,884.93	$ 50,077,249.60	$ 62,351,915.85	$112,639,050.38

Based on the procedures performed, CLA observed recurring deficiencies in contract execution, approval processes, and invoice support, including contracts executed without appropriate signatory authority, missing Procurement Advisory Forms (PAFs), lack of supporting Board approval documentation, and invoices that did not meet contractual requirements for detail and substantiation. In total, these non-compliance observations span multiple contracts and represent a material population of disbursements characterized by control breakdowns rather than isolated procedural errors. These conditions indicate deficiencies in the design and consistent application of procurement controls and limit the District's ability to demonstrate compliance, transparency, and accountability over professional services contracting.

These issues were driven by inadequate documentation, insufficient monitoring of consultant performance, and an inappropriate concentration of authority whereby individual employees were able to select vendors, execute contracts, and approve invoices without independent review. Collectively, these deficiencies reflect structural control and governance failures rather than isolated lapses and expose the District to continued financial, compliance, and reputational risk absent corrective action.

CLA experienced delays during the engagement primarily due to limitations in the availability of supporting documentation and the absence of centrally tracked procurement data. In early August 2025, CLA requested a comprehensive listing of single source, sole source, and emergency contracts. CLA and MSCS engaged in ongoing communications, including weekly meetings beginning in September 2025, to follow up on this and other outstanding requests. During this period, MSCS indicated that the requested contract listing was in progress. In December 2025, MSCS informed CLA that it was unable to produce the listing because these contract classifications were not centrally tracked.

As a result, CLA undertook an independent process to identify the population of single source, sole source, and emergency contracts. This process required review of approximately 4,000 contracts across multiple MSCS systems and examination of available documentation to determine procurement treatment.

Throughout the forensic audit, CLA conducted weekly status calls, interviews, and extensive email correspondence to identify documentation needs, posed follow-up questions, and requested additional information. CLA provided MSCS with rolling lists of requested documents and asked MSCS to either produce the requested information,

indicate when information could not be produced, or provide explanatory or alternative documentation.

Lastly, contract testing procedures included review of relevant email communications to understand the context surrounding contract execution and to identify potential conflicts of interest.

Sample Selection

CLA requested a report containing all contracts within the forensic scope period and received an initial listing of 2,914 contracts. Subsequent to this request, MSCS provided an additional listing of 1,190 professional services contracts, 287 of which were not included in the initial report provided to CLA, increasing the total population to 3,201.[51] In order to test contracts according to their governing procedures, the listing was divided into four categories: low-dollar contracts that did not require a requisition, professional services contracts, non-professional services contracts, and special procurement contracts.[52,53] For each area, CLA obtained information regarding processes and procedures through interviews and documentation.

Contract execution and payment practices were analyzed to confirm whether goods and services were received prior to payment and that expenditures were supported by appropriate approvals and documentation such as purchase orders (PO or PO's), invoices, and receipts. Vendor qualifications, licensing, and compliance with strategic sourcing and professional services requirements are also being assessed to determine whether vendors met minimum eligibility standards at the time of award.

CLA used a risk-based approach to select a sample of contracts for testing in each of the four areas focusing on relevant allegations and areas of concern, including the following:

(1) Relevant allegations identified on the scope of work

(2) Anonymous allegation submissions to MSCS Internal Audit via Lighthouse[54]

(3) Allegations identified through interviews and research

(4) Contracts valued at an amount close to but below approval thresholds

Additional contracts were randomly selected to create a sample size of 10% of the total population or greater in each of the four areas. Further selections were made for testing as required during the process. Details regarding each sample will be provided in subsequent sections.

[51] MSCS was unable to provide an explanation as to why those 287 contracts were not included in the originally-provided listing.

[52] For the purposes of this report, low-dollar contracts refer to those contracts falling beneath the dollar threshold requiring a requisition.

[53] For the purposes of this report, special procurements refer to single source, sole source, or emergency contracts.

[54] Lighthouse is a third-party, confidential, and anonymous hotline provider used by the District to report fraud, ethics violations, harassment, and HR misconduct.

Contracts related to Nutrition are not included in the sample listed above and will be discussed separately in *5.B.v: Nutrition Contracts*.

Testing criteria

The contracts were tested for compliance with MSCS internal policies, and where applicable, the Code of Federal Regulations, (CFR), *§200.318 General Procurement Standards* through *CFR §200.326 Contract Provisions*.[55] For each contract tested, CLA assessed the following:

(1) Adherence to policies and procedures

(2) The deliverables were met by the vendor

(3) Sufficiency of contract oversight

(4) Potential conflicts of interest with MSCS employees and Board Members

(5) Evidence of fraud, waste, or abuse

CLA obtained copies of the *Procurement Services Reference Manual* and other internal policies and procedures related to the approval and execution of contracts. On November 28, 2023, the Board approved changes in procurement thresholds and approval requirements.[56] Most notably, the revised policies increased the dollar threshold for purchases that do not require a requisition from $500.00 to $3,500.00, thereby expanding the range of goods and services that may be procured without initiating a requisition. Correspondingly, the lower dollar bands for goods and services purchases subject to requisition, quote, and purchase order requirements were adjusted to begin at $3,500.00 rather than $500.00.[57]

In addition, the revised policies lowered the professional services Board approval threshold from $100,000.00 to $75,000.00, resulting in professional service contracts and amendments requiring Board approval at a lower dollar value than in prior years. The contract amendment provisions were updated accordingly to clarify that professional services amendments are governed by the revised $75,000.00 threshold, even where the general amendment framework continues to reference $100,000.00.

The revised policies did not change the overall procurement workflow, approval structure, or sequencing of required steps, including requisition intake, competitive bidding or RFP/IFB requirements, contract execution, and Board approval processes. Key competitive procurement triggers, including the $25,000.00 threshold for formal bids or RFPs and the $100,000.00 benchmarks for non-professional services contracts remained substantively unchanged.

CLA noted that per Board policy *2006: Purchasing Authority*, and *2012: Contract Requirements, Approval, and Signatory Authority*, a purchase order is considered a legal

[55] Per the Procurement Services Reference Manual, the follows CFR §200.318 General Procurement Standards through 200.326 Contract provisions. In instances where purchasing requirements differ, the District adheres to the most restrictive requirement unless otherwise provided in the applicable federal regulations.

[56] Contracts were tested to the appropriate criteria based on the execution date of the contract.

[57] For purposes of this report, this is referred to as the $500.00/$3,500.00 threshold.

document and is required for every purchase over the $500.00/$3,500.00 threshold, but that a written contract is only a requirement in the 18 circumstances listed in policy 2012. Therefore, CLA did not view the mere absence of a contract as a violation of policy unless the 18 circumstances referenced in policy 2012 applied to the disbursement.

Further, CLA conducted extensive email review to obtain contextual information, additional documentation and in some cases, to obtain the underlying support needed to complete testing. The email files were uploaded and reviewed by deploying a number of keywords searched to identify communication relevant to the contract. Table 23 lists the population statistics of the email review conducted.

Table 23: Email Review Population

Email Review	
Number of Custodians	47
Count of emails/attached documents	3,829,716
Number of pages	24,970,136
Size	2.52TB

The specific policies and procedures relevant to each testing area are discussed in greater detail in the sections below.

i. Contracts and Solicitations – Professional Services

The review of professional services contracts identified deficiencies in procurement, contract administration, and invoice oversight. Testing of a risk-based sample revealed that these issues were not isolated, but indicative of systemic weaknesses in governance, documentation, and internal controls over professional services contracting.

CLA identified multiple instances of evidence of potential abuse, waste, and non-compliance, driven primarily by inadequate contract oversight, insufficient documentation to substantiate services rendered, execution of contracts outside established procurement processes, and inconsistent adherence to approval and monitoring requirements.

Professional services contracts reviewed resulted in the observations summarized in Table 24.

Table 24: Professional Services Contract Determinations

Determination	Amount Disbursed
Abuse	$ 572,445.59
Waste	209,884.93
Non-compliance	4,301,028.97
	$ 5,083,359.49

Area of Analysis

Assess compliance, oversight, and potential conflicts of interest as it pertains to professional services contracts and related disbursements.

Applicable Policies/Procedures and Best Practices

CLA reviewed all available District policies and procedures, applicable federal guidance, and supplemented this review with interviews of procurement, contracts, legal, and accounts payable personnel in order to gain an understanding of the District's practices and controls related to procurement, contracts, and vendor management.

A professional services contract is a written agreement for services provided by an individual or organization possessing specialized, professional, or intellectual expertise that is acquired through advanced education, training, or experience, as distinguished from services that are routine, repetitive, or primarily manual in nature. District policies define professional services to include, but not limited to, auditing, accounting and financial services, legal services, medical services, insurance, business and educational consulting, professional development, research and evaluation services, surveys and studies, technical and information-technology services, and software development.

Professional services contracts are not subject to competitive bidding requirements and instead must be awarded based on demonstrated competence, qualifications, integrity, and the ability to perform the required services at a fair and reasonable cost, although RFQ or RFP processes may be used to document and support the selection decision.

No single policy documents the full lifecycle of a professional services contract, requiring the process to be reconstructed across Purchasing Authority, Contract Requirements, Procurement guidance, and Accounts Payable procedures. Based on a thorough examination of relevant policies and procedures, as well as information gathered during interviews, CLA has developed an understanding of the process at a high level as outlined below:

1. *Contract Initiation*

   The process begins when a department identifies a need for professional services and submits a requisition via APECS. The procurement team issues a Procurement Advisory Form, (PAF), approved by the director of procurement, and sends it to the requestor. The requestor must then submit the PAF and supporting documents to Contract Request, starting the contract process with the Office of the General Counsel. CLA interviews revealed that the requestor self-classifies the contract as professional or non-professional in the Contract Request portal; this classification is not checked by procurement or legal at intake and is corrected later if a contract advisor finds it inaccurate.

2. *Contract Drafting, Review, and Execution*

   The legal department/contract administration team oversees contract drafting, review, and execution. Each request is assigned to a contract advisor who drafts or reviews agreements using District-approved templates, negotiates terms with

vendors, and consults internal stakeholders as needed. After finalizing terms, contracts are signed via DocuSign and stored electronically in Contract Advantage, the District's official contract repository.[58]

3. *Approval Authority and Board Review*

   Per Board policies *2013: Professional Services Contracts* and *2012: Contract Requirements, Approval and Signing Authority*, all professional services contracts require a written contract, prior legal review by the Office of General Counsel, and approval by the superintendent, the superintendent's designee, or the Board of Education depending on contract value and term. On August 29, 2023, Board policy 2013 was revised to lower the Board approval threshold from $100,000.00 for professional services contracts to $75,000.00. Both the original and the revised version of Board policy 2013 require Board approval of any professional services contract extending beyond one year, regardless of dollar amount.

4. *Service Delivery and Oversight*

   The contract monitor is accountable for monitoring vendor performance, ensuring that services are delivered as specified in the contract, and authorizing invoices to confirm that these services have been rendered. Procurement and Legal are not responsible for monitoring performance after contract execution.

5. *Invoice Review and Payment*

   Accounts Payable matches vendor invoices to purchase orders and contracts, verifies receipt of goods or completion of services, and checks approval signatures against dollar thresholds.[59] AP relies on departmental approval for contracted work and does not independently verify compliance with deliverables.

In addition to the policies and procedures set by MSCS, the contracts often contained additional clauses addressing invoicing, payment, and the provision of services. While it was not a requirement for an MSCS-drafted contract to be used, many of the contracts reviewed by CLA were drafted by MSCS. Contracts drafted by MSCS generally included provisions such as prohibiting vendor payments prior to the receipt of goods or services, restricting the assignment of contractual obligations without prior written consent from MSCS, and specifying payment terms.

Analysis and Sample Selection

The District supplied CLA with a list of all contracts executed during the scope period, including their associated dollar values. The District's report also identified each

[58] CLA was informed that for a period of time in fiscal year2024, a disconnect between Docusign and Contract Advantage occurred, causing executed contracts not to be retained in Contract Advantage. The District does not retain physical copies of executed contracts.

[59] The contract monitor is responsible for verifying the receipt of goods and services in APECS while the accounts payable team confirms that receipt is noted in APECS prior to processing an invoice.

contract by "contract type." CLA subsequently segregated all contracts classified as professional services or consulting to determine the overall population of professional services agreements. Upon analyzing this population, CLA employed a risk-based methodology to select a sample of contracts for testing, prioritizing relevant allegations and specific areas of concern, including the following:

1) Relevant allegations identified on the scope of work
2) Anonymous allegation submissions to MSCS Internal Audit via Lighthouse
3) Allegations identified through interviews and research
4) Contracts valued at an amount close to but below approval thresholds

Additional contracts were randomly selected to create a sample size of at least 10% of the total professional services contract population.

The results of that analysis yielded 155 initial contracts to be tested in detail. CLA retrieved or requested supporting documentation for each contract. The District granted CLA access to their contract management system, Contract Advantage; their business information and accounting system, APECS; and their internal procurement drive. To the extent documentation for a contract was limited, or CLA wanted additional context, CLA searched the email files for communication surrounding a contract/contractor. For instances where the required supporting documentation was not readily available to CLA, CLA made requests and inquiries to the District.

During the testing process, further contracts were incorporated into the testing population according to the risk-based sample selection methodology. The total population tested and value of those contracts is shown in Table 25.[60]

Table 25: Professional Services Testing Population

Selection	Total Population	Total Contracts Tested	Percentage Tested	Total Contract Value
Initial selection	898	155	17%	$ 23,984,700.39
Additional selection[61]		74	8%	22,028,336.36
Total	898	229	25%	$ 46,013,036.75

For each contract included in the sample, CLA performed detailed testing, summarized in the high-level outline below. The testing was designed to assess compliance with applicable requirements; evaluate the effectiveness of management review and oversight controls; and identify indicators of non-compliance, control breakdowns, or potential fraud, waste, or abuse.

[60] The value associated with contracts in this table represents the value of the contract which is the data that is stored in Contract Advantage. The actual disbursements associated with each contract may vary from the contract value.

[61] This additional selection includes those contracts associated with the Deputy Superintendent discussed in Observation #49 and other risk-based samples identified throughout the testing process.

1. *Contract Initiation and Approval*

   CLA completed detailed testing to determine whether:

   a. The execution and approval of the professional services contracts complied with policies and procedures
   b. Oversight of the contract by the designated contract monitor was sufficient
   c. The contractual obligations were met by the contractor
   d. There was any indication of fraud, waste, or abuse

2. *Management Review and Approval*

   CLA completed detailed testing to determine whether:

   a. The invoices contained appropriate approval signatures

3. *Invoice Submission*

   CLA completed detailed testing to determine whether:

   a. A completed payment request form was submitted to Accounts Payable
   b. Documentation was provided in support of the payment request

4. *Receipt of Services*

   CLA completed detailed testing to determine whether:

   a. Services were received prior to payment
   b. The services received and the transaction amounts were reasonable
   c. The purchase appears to be for services needed in the performance of official duties and for use and benefit of the District

5. *Conflicts of Interest*

   CLA completed detailed testing to determine whether:

   a. A conflict of interest or the appearance of a conflict of interest exists
   b. Evidence that an employee accepted a favor, gift, service, or accommodation as part of this procurement process
   c. The contracts and procurement documentation contain the required conflict of interest language

Results of Analysis and Testing

A risk-based sample of 229 professional services contracts was selected for detailed testing. The observations revealed several process deficiencies, such as incomplete or missing supporting documentation, a lack of contract oversight, and improper invoice approvals. Following comprehensive analysis and detailed transaction testing, CLA identified conditions consistent with potential abuse, including inadequate support to demonstrate what services were performed. As a result, we were unable to assess whether invoicing accurately reflected services rendered or whether District funds were used appropriately, consistent with ACFE investigative standards and AICPA professional guidance. CLA did not identify any indications of malfeasance or evidence of fraud. However, CLA did identify instances of waste and abuse.

The results of this testing and observations are as follows:

Observation #29 The conflict-of-interest language required by Policy 4003 was not identified in any documentation.

Policy 4003: Conflict of Interest requires "All Shelby County Schools procurement documents shall contain a clause reserving the right of the school district to review vendor, supplier, or contractor records to determine whether a conflict of interest exists." CLA did not identify any documentation containing this clause. Although the standard contracts provided by the District typically contained a clause requiring vendors to retain records pertaining to the contract for three years, they did not include any provisions addressing the retention in relation to a determination of potential conflicts of interest. CLA consulted with General Counsel regarding the omission of this requirement; however, General Counsel was unable to offer an explanation.

Observation #30 CLA observed a lack of oversight of the consultants engaged as principal mentors, leading to instances where work was invoiced despite not being completed. CLA also identified a lack of review of the underlying support for the stated work performed.

Several contracts were identified in which former MSCS employees were contracted to provide mentorship to select MSCS principals.

Vendor: Principal Mentor 01

Two professional services contracts with vendor Principal Mentor 01,[62,63] were included in the initial professional services testing population. As part of a

[62] The consultant's name is redacted for privacy.

[63] Principal Mentor 01 is a former District employee.

risk-based sample selection methodology, a third contract with Principal Mentor 01 was selected to address areas exhibiting heightened risk characteristics identified during the course of the initial review. The three contracts are listed in Table 26.

Table 26: Principal Mentor 01 Contracts

Contract #	Execution	Expiration	Amount
2022-0634	2/18/2022	6/30/2022	$ 30,000.00
2023-0310	10/19/2022	6/30/2023	30,000.00
2024-0362	11/6/2023	11/11/2023	24,000.00
Total			$ 84,000.00

Contract 2022-0634, $30,000.00

The details of contract 2022-0634 per the agreement and the scope of work are as follows:

Scope: As stated in the contract "to assist the District in building leadership capacity of principals to ensure conducive environment for learning and Covid testing."

Compensation (SOW): "Consultant shall be paid $500 per day for services satisfactorily performed in accordance with this Agreement for an amount not to exceed $30,000. Such compensation shall be due and payable upon submission of invoices and reports to the Office of Superintendent. The invoices shall set forth in detail the services performed by consultant, the date and location where such services were performed, the amount due consultant as compensation for such services, any and [*sic*] other information reasonably requested by the District. Said invoices shall be submitted monthly. The dates, times, and locations shall be mutually agreed upon by the parties."

Compensation (Contract): "Upon completion of the Services, Consultant shall submit an invoice to SCBE with the following information: (i) a detailed description of the Services rendered; (ii) names of the employees rendering the Services; and (iii) dates on which the Services were rendered. Under no circumstance should Consultant invoice SCBE for Services not yet completed. SCBE will pay all accurate invoices within thirty (30) days following receipt of such invoice and all invoices shall include adequate supporting documentation as required."

The contract was signed by the former deputy superintendent, strategic operations and finance and by the director of federal programs and grants on behalf of the District.[64]

[64] The former deputy superintendent separated from the District in November 2022.

CLA identified five disbursements to Principal Mentor 01 related to this contract as listed in Table 27.

Table 27: Disbursements Related to 2022-0634

Invoice No.	Tran. Date	Inv. Date	Payments
SVC033122	4/6/2022	3/31/2022	$ 8,500.00
SVC042922	5/2/2022	4/29/2022	7,250.00
SVC053122	6/3/2022	5/31/2022	10,500.00
10006	6/15/2022	4/29/2022	2,000.00
10005	6/15/2022	4/29/2022	1,750.00
Total			$ 30,000.00

CLA reviewed invoices authorized by the former deputy superintendent, strategic operations, for each of the five disbursements. Each invoice contained an identical description of services provided and payment calculation method, with variations only in date ranges and quantities specific to each invoice.

CLA made the following observations on these disbursements:

- The invoices provided are not in compliance with the terms of contract 2022-0634, as they do not indicate the specific dates on which the work was performed; instead, they list a date range during which a quantity of workdays occurred as evidenced in Figure 3.

Figure 3: Example of Principal Mentor 01 Consulting Invoice for Contract 2022-0634

Item(s)	Date	Description	Quantity	Unit Price	Amount
Consultation	2/21/2022 to 3/31/2022	Consultation with principals on creating environment for learning and Covid-testing	17 days	500.00	8,500.00

- The description of services included on all five invoices does not provide a "detailed description of the services rendered" and instead provides an identical summary of the scope of work on each invoice.
- Invoice #SVC033122 and invoice #10005 both cover the time period of March 1, 2022 through March 31, 2022 for a combined 20.5 days of work. Because the actual dates that the work was completed were not detailed on the invoice, CLA is unable to determine whether Principal Mentor 01 received payment for work previously billed or why work for the same time period was billed months apart. Invoice # SVC033122 was received by Accounts Payable in April 2022 and invoice #10005 was received by Accounts Payable in June 2022.
- Invoice # SVC042922 and invoice #10006 both cover the time period of April 1, 2022 through April 29, 2022 for a combined 18.5 days of work. Because the actual dates that the work was completed were not detailed on the invoice, CLA is unable to determine whether Principal Mentor 01 received payment for work previously billed or why work for the same time period was billed a month apart. Invoice # SVC042922 was received by Accounts Payable in May 2022 and invoice #10006 was received by Accounts Payable in June 2022.

- Invoice # SVC053122 bills the time period of May 2, 2022 through May 31, 2022, for a total of 21 days of work. The scope of work attached to professional services agreement 2022-0634 states that the contract terminates on May 18, 2022, but that the "Consultant agrees to provide to the District and/or principals reasonable follow-up and/or support services in connection with the coaching and/or mentoring sessions." The 2021-2022 MSCS academic calendar shows that school was in session 20 days in May 2022. CLA was informed in interviews that the principal mentoring activities only occurred on days school was in session.

Contract 2023-0310, $30,000.00

In accordance with the risk-based sample selection methodology, Contract 2023-0310 was included as an additional item beyond the original sample population. The details of contract 2023-0310 per the agreement and the scope of work are as follows:

Scope: "To assist the District in building leadership capacity of principals and teacher leaders."

Compensation (SOW): "Consultant shall be paid $500 per day for services satisfactorily performed in accordance with this Agreement for an amount not to exceed $30,000."

Compensation (Contract): "Upon completion of the Services, Consultant shall submit an invoice to SCBE with the following information: (i) a detailed description of the Services rendered; (ii) names of the employees rendering the Services; and (iii) dates on which the Services were rendered. Under no circumstance should Consultant invoice SCBE for Services not yet completed. SCBE will pay all accurate invoices within thirty (30) days following receipt of such invoice and all invoices shall include adequate supporting documentation as required."

CLA identified five disbursements to Principal Mentor 01 related to this contract as listed in Table 28.

Table 28: Disbursements Related to 2023-0310

Invoice No.	Tran. Date	Inv. Date	Payments
10001	12/5/2022	10/31/2022	$ 4,000.00
10003	12/20/2022	12/19/2022	6,000.00
10002	12/20/2022	11/30/2022	6,750.00
10004	2/8/2023	1/31/2023	7,000.00
10007	3/27/2023	2/28/2023	6,250.00
Total			$30,000.00

CLA reviewed invoices authorized by the deputy superintendent for each of the five disbursements. Each invoice contained an identical description of services provided and payment calculation method, with variations only in date ranges and quantities specific to each invoice. Figure 4 provides an example.

Figure 4: Example of Principal Mentor 01 Consulting Invoice for Contract 2023-0310

Item(s)	Date	Description	Quantity	Unit Price	Amount
Consultation	10/20/22 to 10/31/22	Consultation with principals on mentoring principals on mutually agreed upon area(s) for growth	8.00 days	500.00	4000.00

CLA made the following observations on these disbursements:

- The invoices provided are not in compliance with the terms of contract 2023-0310, as they do not indicate the specific dates on which the work was performed; instead, they list a date range during which a quantity of workdays occurred.
- The description of services included on all five invoices does not provide a "detailed description of the services rendered" and instead provides an identical summary of the scope of work on each invoice.

Contract 2024-0362, $24,000.00

The details of contract 2024-0362 per the agreement and the scope of work are as follows:

Scope: "To assist the District in building leadership capacity of principals to ensure conducive environment for learning and Covid testing."

Compensation (SOW): "Consultant shall be paid $500 per day for services satisfactorily performed in accordance with this Agreement for an amount not to exceed $24,000. Such compensation shall be due and payable upon submission of invoices and reports to the Office of the Deputy Superintendent. The invoices shall set forth in detail the services performed by the consultant, the date and location where such services were performed, the amount due the consultant as compensation for such services, and any other information reasonably requested by the District. The invoice will be submitted at the conclusion of the contract. The dates, times, and locations of services shall be mutually agreed upon by the parties."

Compensation (Contract): "In consideration of Consultant's performance of the Services delineated above, MSCS agrees to pay, for services rendered, up to an amount not to exceed under this Agreement the total amount Twenty-Four Thousand and 00/100 Dollars ($24,00.00), as outlined in Exhibit A. Consultant shall submit monthly invoices to MSCS with the following information: (i) a detailed description of the services rendered; and (ii) hours worked on each of the services rendered. Under no circumstance should Consultant invoice MSCS for a Service that is not yet completed. MSCS will pay all accurate invoices within thirty (30) days following receipt of such invoice and all invoices shall include adequate supporting documentation as required."

The contract was signed by the current deputy superintendent, and by the director of federal programs and grants on behalf of the District.

CLA identified three disbursements to Principal Mentor 01 related to this contract as indicated in Table 29.

Table 29: Disbursements Related to 2024-0362

Invoice No.	Tran. Date	Inv. Date	Payments
00009	1/26/2024	11/30/2023	$ 8,000.00
00010	1/26/2024	12/8/2023	8,000.00
00011	1/26/2024	12/15/2023	8,000.00
Total			$ 24,000.00

CLA reviewed invoices authorized by the deputy superintendent for each of the three disbursements. Each invoice contained an identical description of services provided and payment calculation method, with variations only in months specific to each invoice. The invoices relating to 2024-0362 do not include a range of dates or a quantity of days worked, and instead only list the month in which the work occurred and the total amount billed. Each invoice reflects a billing amount of $8,000.00, corresponding to 16 workdays at a rate of $500.00 per day. Figure 5 contains an example of an invoice.

Figure 5: Example of Principal Mentor 01 Consulting Invoice for Contract 2024-0362

Item(s)	Date	Description	Amount
Consultation	December 2023	1. Mentor principals and teacher leads to monitor and improve instruction for student impact by learning loss for the subgroups: economically disadvantaged students, students with disabilities and English Learners. 2. Provide professional learning opportunities for principals and teacher leads to understand their data (grades, assessments, attendance, chronic absentee rate, discipline, etc.) and how to use it to improve practice, strategies and results consistent with best practice. 3. Guide and assist principals and teacher leaders in the development of a strong instructional culture and collaborative relationships with teachers, parents and other community members to support students in the subgroups: economically disadvantaged students, students with disabilities and English Learners.	$8000.00

CLA made the following observations on these disbursements:

- The invoices provided are not in compliance with the terms of contract 2024-0362, as they do not indicate the specific dates on which the work was performed; instead, they list the month during which work occurred. The invoices do not specify the dates of work performed or indicate the number of days worked.
- The description of services included on all five invoices does not provide a "detailed description of the services rendered" and instead provides an identical summary of the scope of work on each invoice.

- Invoice #00010 is dated December 8, 2023 and bills for $8,000.00 of work completed in December 2023, equating to 16 days at a rate of $500 per day. Invoice #00011 is dated December 15, 2023 and bills for $8,000.00 of work completed in December 2023, equating to 16 days at a rate of $500 per day. Combined the two invoices bill for $16,000.00 of work occurring in December 2023, equating to 32 days of work at a rate of $500 per day. The month of December has a total of 31 days, including weekends and holidays. The MSCS 2023-2024 academic calendar shows that schools were in session for a total of 13 days in December 2023. Therefore, it would not have been possible for Principal Mentor 01 to complete 32 days of work in December 2023. Both invoices were approved by the deputy superintendent via signature on each invoice; however, the signatures were not dated.

CLA conducted extensive document review and multiple interviews with the deputy superintendent, a current MSCS principal that participated in the mentor program as a mentee, and the chief of business operations to understand the breadth of the principal mentoring program and how the program was conducted, monitored, and billed. Through these interviews and through context gained via a search of relevant email communications, CLA learned the following:

- CLA spoke with the deputy superintendent to understand how comfort was gained as to the days invoiced on contracts 2023-0310 and 2024-0362. The deputy superintendent stated that she was aware of what work was being conducted due to meetings she held with Principal Mentor 01 and therefore was comfortable with the description of work included on the invoices.
- When asked how the deputy superintendent confirmed the days worked for the invoices related to contracts 2023-0310 and 2024-0362, she stated both that she would call the principals to confirm, and that a secretary would call the principals to confirm the dates worked.
- CLA spoke with a current MSCS principal that participated in the mentoring program with Principal Mentor 01. The principal stated that he did not receive any phone calls or email communications regarding confirmation of the days he worked with Principal Mentor 01.
- The principal stated that there were no records kept as to the days and times Principal Mentor 01 was on-site.
- CLA asked the deputy superintendent to explain why Principal Mentor 01 was paid for more days of work than what occurred on the academic calendars. She stated that the mentors would attend family support gatherings and community events with the principals on weekends.
- CLA learned in other interviews that consulting activities only occurred on days when school was in session. The principal interviewed by CLA indicated that Principal Mentor 01 would visit the school approximately once a month during the mentoring program and there was little communication between monthly visits.

- CLA inquired as to whether there was a legitimate reason for Principal Mentor 01 invoicing for 32 days in December 2023 given the fact that there are only 31 days in the month. The deputy superintendent stated that he may have had two mentees in one day. CLA notes that the contracted compensation rate was $500.00 per day and there were no stipulations allowing for additional payment for multiple mentees per day.
- Both the deputy superintendent and the principal indicated there were not any records, reports, metrics, or data kept in relation to the principal mentor program.
- CLA was unable to determine why Principal Mentor 01's compensation was contracted at a daily rate and how the rate of $500.00 was agreed upon.

The invoicing and approval procedures related to the three Principal Mentor 01 contracts totaling $84,000.00 indicate concerns regarding the use of public resources and oversight practices. Instances such as billing for unrealistic workdays, insufficient supporting documentation, and limited invoice detail demonstrates conduct that departs from prudent business practice and indicates misuse of position and controls. These observations are consistent with the ACFE's definition of abuse as mismanagement or misuse of resources, including using authority inappropriately even when fraud intent is not established.

Vendor: Process to Progress

CLA identified vendor Process to Progress, LLC as another vendor contracted to perform principal mentoring services in the District and completed detail testing on three contracts associated with this vendor as summarized in Table 30.[65]

Table 30: Process to Progress, LLC Contracts

Contract #	Execution	Expiration	Amount
2022-0180	08/26/2021	06/30/2022	$ 45,000.00
2022-0566	01/28/2022	09/30/2022	40,000.00
2023-0419	11/17/2022	06/30/2023	90,000.00
Total			$ 175,000.00

Contract 2022-0180, $45,000.00 and Contract Amendment 2022-0566, $40,000.00

The details of contract 2022-0180, per the agreement and the scope of work are as follows:

Scope: "Consultant will provide mentoring services to principals."

Compensation (SOW): "This engagement will be conducted on a contract for the amount of $45,000 that will provide mentoring for 400 hours up to 10 mentees,

[65] Process to Progress, LLC is the corporation of a former MSCS employee who provides consulting services to the District.

40 hours each or prorated to meet the number of mentees offered. Example five (5) mentees will receive 80 hours."

Compensation (Contract): "Upon completion of Consultant's services, SCBE agrees to pay Consultant an amount not to exceed amount of Forty-Five Thousand and 00/100 Dollars ($45,000.00) Upon completion of the Services, Consultant shall submit an invoice to SCBE with the following information: (i) a detailed description of the Services rendered; (ii) names of the employees rendering the Services; and (iii) dates on which the Services were rendered. Under no circumstance should Consultant invoice SCBE for Services not yet completed. SCBE will pay all accurate invoices within thirty (30) days following receipt of such invoice and all invoices shall include adequate supporting documentation as required."

2022-0566, Amendment to 2022-0810: "SCS and Consultant now wish to amend the Agreement to: (1) include additional Services; (2) extend the dates for which the Services will be performed to September 30, 2022; (3) and increase to the compensation amount of the Agreement by Forty Thousand and 00/00 Dollars ($40,000.00) for a total compensation amount of Eighty-Five Thousand and 00/100 Dollars ($85,000.00)."

The contract and the amendment were signed by the current deputy superintendent on behalf of the District.

CLA identified nine disbursements to Process to Progress, LLC related to this contract 2022-0180. The documentation for select disbursements is summarized in Table 31.

Table 31: Disbursements Related to 2022-0180

Invoice No.	Tran. Date	Inv. Date	Payments
1000	11/15/2021	10/1/2021	$ 4,500.00
1001	11/23/2021	11/2/2021	4,415.63
1002	12/10/2021	11/8/2021	5,850.00
1003	1/19/2022	1/10/2022	4,050.00
1004	2/9/2022	2/8/2022	5,062.50
1005	3/14/2022	3/10/2022	4,500.00
1006	4/6/2022	4/5/2022	4,500.00
1007	5/11/2022	5/5/2022	4,162.50
1008	6/3/2022	6/2/2022	4,275.00
Total			$ 41,315.63

CLA made the following observation on these disbursements:

- The detail saved in APECS for each invoice varied. Invoice# 1000 only includes the hours and rates worked at certain schools during the period of September 9, 2021 through September 27, 2021. An email was identified saved separately from the invoice detailing the individuals mentored with dates and times to support invoice #1000. Invoice #1001 included a copy of the spreadsheet detailing the dates and times of the mentoring activities attached to the invoice. Invoice #1006 included a memo indicating that a sign-

in sheet and agenda were attached, however, those documents are not available in APECS. Invoice #1002 did not include any of the supporting documents.

CLA is unable to determine whether the supporting documentation was not submitted by Process to Progress, LLC or if all supporting documentation was not stored in APECS; however, it appears that the vendor was in the practice of keeping detailed records and submitting the records to the District, but that the support documents were uploaded to APECS inconsistently by the District.

CLA reviewed the five disbursements related to the contract amendment and made similar observations as to the inconsistency of documentation retained in APECS.

- Contract Amendment 2022-0189 is classified in Contract Advantage as non-professional services, despite the original contract being classified as professional services as listed in Figure 6. CLA was informed in interviews that the contract requestor determines the contract type when submitting the information in Contract Request, and that the legal department should be correcting the contract type if necessary.

Figure 6: Contract Advantage Classifications

Contract Name	Contract #	SCS Entity	Contracting Party	Responsible Person	Contract Type
Process to Progress LLC- Professional Services- 2022-2023	2023-0419	Strategic Leadership	Process to Progress LLC	[redacted]	Professional Services
Process to Progress LLC - Amendment to 2022-0189 (Principal Mentoring)	2022-0566	Academics	Process to Progress LLC		Non-Professional Services
Process to Progress LLC - Principal Mentoring Service	2022-0180	Strategic Leadership	Process to Progress LLC		Professional Services

Contract 2023-0419, $90,000.00

CLA reviewed contract 2023-0419 and determined that this contract had a similar scope, documentation, and observations as contract 2022-0810 and amendment 2022-0566. No additional observations were noted.

While CLA noted inconsistent recordkeeping and documentation retention practices related to invoices and contract classification, these deficiencies appear administrative in nature. Based on the procedures performed, there is no evidence that these issues resulted in fraud, waste, or abuse, as the services were performed, payments were supported by some level of documentation, and no improper benefit or misuse of funds was identified.

Observation #31 CLA observed established policies and procedures were not adhered to when contracting a consultant, resulting in a vendor performing work outside of the official procurement framework and $198,000.00 being invoiced to the District without an allocated budget for these funds.

Vendor: Security Consultant 01

Two professional services contracts for vendor Security Consultant 01 were identified included in the professional services testing population as communicated in Table 32.

Table 32: Security Consultant 01 Contracts

Contract #	Execution	Expiration	Amount
2022-0308	10/07/2021	06/30/2022	$ 99,000.00
2022-1008	06/29/2022	06/30/2023	99,000.00
Total			$ 198,000.00

Contract 2022-0308, $99,000.00

Contract 2022-0308 was selected as part of the risk-based sample methodology due to the amount of the contract falling immediately below the Board approval threshold.

Scope: See Figure 7 for the 2022-0308 contract scope.

Figure 7: Scope of Contract 2022-0308

SHELBY COUNTY SCHOOLS SCOPE OF SERVICES

Provide institutional security services, including, but not limited to:

1. Serve as Shelby County Schools's ("SCS") advisor on matters related to the security of its buildings, programs, and events.
2. Assist SCS with development and revision of its safety plans and adherence to obligations contained in the School Security Act of 1981 (Tennessee Code Annotated Section 49-6-4201 et seq.) and the Schools Against Violence in Education Act or SAVE Act (Tennessee Code Annotated Section 49-6-801 et seq.).
3. Review, analyze, and assess SCS's security program to identify strengths, weaknesses, and provide recommendations.
4. Assist SCS with assessing, developing, and/or revising protocols and training modules for active shooter preparation.
5. Evaluate and assist with developing security strategies for emergency response situations, incident prevention, and event security procedures.
6. Maintain availability to SCS Superintendent, or his designee, to respond and advise on security related inquiries that may arise.

Compensation: "In consideration of the consulting services rendered, including any and all extraordinary reasonable expenses, CLIENT shall pay CONTRACTOR amount not to exceed Ninety-Nine Thousand Dollars ($99,000) (the "Fee") in monthly installments, with the first invoice dated on or about October 15, 2021. CLIENT shall pay CONTRACTOR within 30 days after receiving such invoice-or any invoice for any extraordinary reasonable expenses, approved in advance by CLIENT."

The contract was signed by the superintendent at the time and the former general counsel and chief legal officer on behalf of the District.

CLA identified nine disbursements related to contract 2022-0308 as shown in Table 33.

Table 33: Disbursements Related to 2022-0308

Invoice No.	Invoice Date	Acct Date	Description	Payment
1001	10/5/2021	9/2/2022	OFFICE OF GENERAL COUNSEL-SERVICES	$11,000.00
1002	11/15/2021	9/2/2022	OFFICE OF GENERAL COUNSEL-SERVICES	11,000.00
1003	12/15/2021	9/2/2022	OFFICE OF GENERAL COUNSEL-SERVICES	11,000.00
1004	1/15/2022	9/2/2022	OFFICE OF GENERAL COUNSEL-SERVICES	11,000.00
1005	2/15/2022	9/2/2022	OFFICE OF GENERAL COUNSEL-SERVICES	11,000.00
1006	3/15/2022	9/2/2022	OFFICE OF GENERAL COUNSEL-SERVICES	11,000.00
1007	4/15/2022	9/2/2022	OFFICE OF GENERAL COUNSEL-SERVICES	11,000.00
1008	5/15/2022	9/2/2022	OFFICE OF GENERAL COUNSEL-SERVICES	11,000.00
1009	6/15/2022	9/2/2022	OFFICE OF GENERAL COUNSEL-SERVICES	11,000.00
Total				$99,000.00

CLA made the following observations on contract 2022-0308 and the related disbursements:

- All payments to Security Consultant 01 related to contract 2022-0308 were issued via check #726001 dated September 2, 2022. No purchase order, PAF, or requisition documentation was found for any of the disbursements, suggesting that this contract did not adhere to the established procurement process.

  Per the *Procurement Services Reference Manual*, pg. 12, "For purchases over $500.00, the District requires verification of the budget for the total amount of the goods and/or services. Procurement's receipt of the requisition with the purchase total is confirmation that the budget is verified and encumbered." By sidestepping the procurement process, the funds for the $99,000.00 were not encumbered.

  A payment request form was submitted to AP on August 31, 2022 by the former general counsel for the full $99,000.00 contract amount. Per MSCS policies and procedures in place at the time, payments supported by a payment request form "typically are made for an invoice that is $500.00 and under and without an APECS PO, the request form must have an itemized invoice attached, the account code expense and approval signatures."

- An email chain between Security Consultant 01 and MSCS employees was identified showing that Security Consultant 01 was not a registered MSCS vendor until June 29, 2022 despite the contract being executed in October 2021.

  Per MSCS policies, procedures and the information obtained in interviews, the MSCS procurement team is responsible for new vendor approval and registration. This includes receiving and reviewing the vendor's W-9

information, performing an IRS TIN match, and verifying that the vendor is not on any debarment or suspension lists.

When the procurement process was bypassed for contract 2022-0308, Security Consultant 01 was able to perform work for the District as an unregistered vendor and without going through any of the necessary checks and balances.

- CLA was unable to locate any evidence that an Out-of-Compliance letter was issued prior to the payment being processed. The MSCS procurement policies in place at the time state "A requisition is required for each purchase over $500. If AP receives an invoice for a purchase over $500 and the employee did not receive an approved purchase order, the employee will receive an Out-of-Compliance letter that will go into their HR file. After receipt of an Out-of-Compliance letter(s), the employee may be disciplined by HR."

  CLA spoke with the assistant superintendent of operations regarding the out of compliance letter for contract 2022-0308. He indicated that he developed the out of compliance letter program and stated that in order for a vendor in an out of compliance situation to be paid, an Out-of-Compliance letter has to be signed. When inquired regarding this particular contract, the assistant superintendent acknowledged recollection of the vendor's completed work but was unable to recall any details concerning an out-of-compliance letter. Despite efforts to locate a copy of the letter, the assistant superintendent was not successful in finding one. CLA has not been provided with the signed out-of-compliance letter.

Contract 2022-1008, $99,000.00

Contract 2022-1008 was selected as part of the risk-based sample methodology due to the amount of the contract falling immediately below the Board approval threshold.

Scope: See Figure 8 for the 2022-1008 contract scope.

Figure 8: Scope of Contract 2022-1008

MEMPHIS SHELBY COUNTY SCHOOLS SCOPE OF SERVICES

Provide institutional security services, including, but not limited to:

1. Serve as Memphis Shelby County Schools's ("SCS") advisor on matters related to the security of its buildings, programs, and events.
2. Assist MSCS with development and revision of its safety plans and adherence to obligations contained in the School Security Act of 1981 (Tennessee Code Annotated Section 49-6-4201 et seq.) and the Schools Against Violence in Education Act or SAVE Act (Tennessee Code Annotated Section 49-6-801 et seq.).
3. Assist with implementation of security recommendations provided through scope of current and previous relationship with Contractor and consistent with developed and revised security plans.
4. Draft, review, analyze, and revise written solicitations for services and goods related to the developed and revised security plans to ensure such are consistent with MSCS security goals.
5. Review, analyze, and assess MSCS's security program to identify strengths, weaknesses, and provide recommendations throughout implementation of developed and revised security plan.
6. Assist SCS with assessing, developing, and/or revising protocols and training modules for active shooter preparation.
7. Evaluate and assist with developing security strategies for emergency response situations, incident prevention, and event security procedures.
8. Maintain availability to MSCS Superintendent, or his designee, to respond and advise on security related inquiries that may arise.

Compensation: "In consideration of the consulting services rendered, including any and all extraordinary reasonable expenses, CLIENT shall pay CONTRACTOR amount not to exceed Ninety-Nine Thousand Dollars ($99,000) (the "Fee") in monthly installments, with the first invoice dated on or about July 15, 2022. CLIENT shall pay CONTRACTOR within 30 days after receiving such invoice-or any invoice for any extraordinary reasonable expenses, approved in advance by CLIENT."

The contract was signed by the former superintendent and the former general counsel and chief legal officer on behalf of the District.

CLA identified 12 disbursements related to contract 2022-1008, shown in Table 34 below.

Table 34: Disbursements Related to 2022-1008

Invoice No.	Invoice Date	Acct Date	Description	Payment
1010	7/15/2022	8/24/2023	PY-SECURITY CONSULTING SERVICE	$ 8,250.00
1011	8/15/2022	8/24/2023	PY-SECURITY CONSULTING SERVICE	8,250.00
1012	9/15/2022	8/24/2023	PY-SECURITY CONSULTING SERVICE	8,250.00
1013	10/15/2022	8/24/2023	PY-SECURITY CONSULTING SERVICE	8,250.00
1014	11/15/2022	8/24/2023	PY-SECURITY CONSULTING SERVICE	8,250.00
1015	12/15/2022	8/24/2023	PY-SECURITY CONSULTING SERVICE	8,250.00

Invoice No.	Invoice Date	Acct Date	Description	Payment
1016	1/15/2023	8/24/2023	PY-SECURITY CONSULTING SERVICE	8,250.00
1017	2/15/2023	8/24/2023	PY-SECURITY CONSULTING SERVICE	8,250.00
1018	3/15/2023	8/24/2023	PY-SECURITY CONSULTING SERVICE	8,250.00
1019	4/15/2023	8/24/2023	PY-SECURITY CONSULTING SERVICE	8,250.00
1020	5/15/2023	8/24/2023	PY-SECURITY CONSULTING SERVICE	8,250.00
1021	6/15/2023	8/24/2023	PY-SECURITY CONSULTING SERVICE	8,250.00
Total				$99,000.00

CLA made the following observations on contract 2022-1008 and the related disbursements:

- Similar to 2022-0308, this contract bypassed the procurement process and no PAF, requisition, or PO were identified. The invoices were submitted via a payment request form authorized by the chief of safety and security. The full $99,000 was paid via check # 758130 in FY2024 for work completed in FY2023. Because no requisition or PO was issued, the funds were not encumbered.

- Beginning in July 2023, it was noted that discussions took place regarding the withholding of payment contingent upon the signing of an Out-of-Compliance letter. The assistant superintendent of operations directed that such a letter be issued to the chief of safety and security; however, the chief of safety and security declined to accept the letter, citing that the contract had been initiated by the general counsel and the superintendent at that time.

  The disagreement surrounding who would sign the Out-of-Compliance letter and the account from which the unencumbered $99,000.00 would be paid from continued through August 2023.

- An email dated August 24, 2023 from the assistant superintendent of operations indicated that he would “get” the chief of safety and security to sign an Out-of-Compliance letter. When interviewed, neither the assistant superintendent of operations nor the chief of safety and security had any recollection of the circumstances surrounding an out of compliance letter for Security Consultant 01.

  The assistant superintendent of operations was unable to provide CLA with any evidence that an out of compliance letter was signed.

Based on the procedures performed, there is sufficient evidence to conclude that the payments related to contracts 2022-0308 and 2022-1008 totaling $198,000.00 constituted abuse. The contracts and related payments repeatedly bypassed established procurement and accounts payable controls, including requisition, purchase order, vendor registration, budget encumbrance, and out-of-compliance requirements, contrary to MSCS policies and procedures. As a result, significant District funds were disbursed without required oversight, documentation, or internal control safeguards. While no evidence of intentional

deception was identified, the pattern of control circumvention, lack of documentation, and failure to enforce compliance mechanisms resulted in improper use of District resources and exposed the District to financial and compliance risk.

Observation #32 CLA observed that contract 2024-0436 contained conflicting terms and lacked oversight.

Vendor: EdSpace Consulting Group, LLC

A contract was identified for Edspace Consulting Group, LLC (EdSpace) consistent with information listed in Table 35.

Table 35: EdSpace Consulting Group, LLC Contract

Contract #	Execution	Expiration	Amount
2024-0436	12/01/2023	06/30/2024	$ 35,000.00

Scope: Consultant shall, upon request, provide consultation services and strategic advice regarding leadership coaching and development and other matters impacting federal, state, and local education issues.

Compensation: "In consideration of Consultant's performance of the Services delineated above, MSCS agrees to pay, for services rendered, up to an amount not to exceed under this Agreement the total amount of Thirty Five Thousand Dollars ($35,000.00) ("the Fee"), payable in monthly installments of Three Thousand Five-Hundred Dollars ($3,500.00). Consultant shall submit monthly invoices to MSCS with the following information: (i) a detailed description of the services rendered; and (ii) hours worked on each of the services rendered. MSCS will pay all accurate invoices within thirty (30) days following receipt of such."

Table 36 lists the four payments disbursed under the contract #2024-0436.

Table 36: Disbursements Related to Contract #2024-0436

Invoice No.	Tran. Date	Inv. Date	Payments
11	11/20/2023	10/30/2023	$ 3,500.00
12	12/04/2023	11/29/2023	3,500.00
13	01/08/2024	12/27/2023	3,500.00
14	02/21/2024	01/31/2024	3,500.00
Total			$ 14,000.00

CLA made the following observations on this contract and the related disbursements:

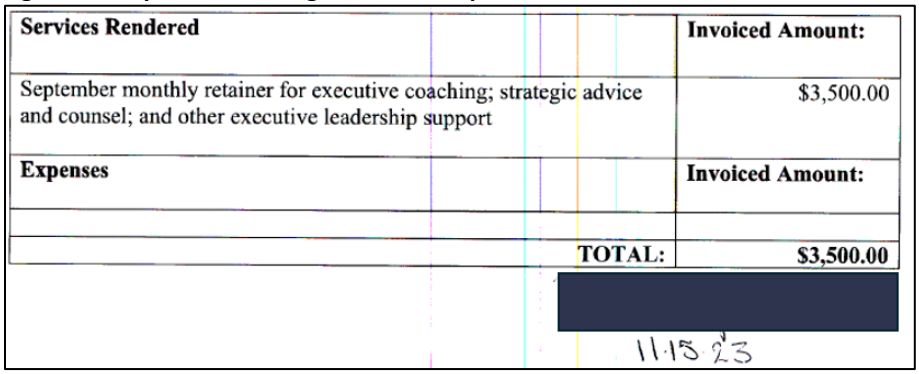
- CLA observed that all four payments were "direct pay" payments, indicating that they were not paid with a P.O. By not using a PO, the funds for this contract were not encumbered.

- PO #2410618 was created on December 4, 2023, in the amount of $35,000.00, and closed on June 17, 2024 without any funds being disbursed under that PO, despite being created prior to the last two disbursements.

- The contract was executed December 1, 2023. The invoiced work was for September, October, November, and December 2023. No context was provided as to why a PO was not created for these transactions or why the contract was completed after the fact.

- Per the contract, the invoices were required to contain a detailed description of services and the hours worked on each service, however, the invoices listed "monthly retainer for executive coaching; strategic advice and counsel; and other executive leadership support" without any hourly breakdowns or detailed task descriptions. See Figure 9 below for an excerpt of an invoice submitted under contract #2024-0436.

Figure 9: EdSpace Consulting Invoice Excerpt



Services Rendered	Invoiced Amount:
September monthly retainer for executive coaching; strategic advice and counsel; and other executive leadership support	$3,500.00
Expenses	**Invoiced Amount:**
TOTAL:	**$3,500.00**

[redacted]

11.15.23

The circumstances surrounding this contract are consistent with ACFE guidance on abuse, due to the apparent circumvention of established procurement and contract management controls. Specifically, the contract was executed after the period in which services were reportedly performed (September through December 2023), with no documented explanation for the absence of a purchase order or the retroactive nature of the agreement, suggesting potential override of standard approval processes. In addition, contractual requirements mandating detailed invoices, including dates of service and descriptions of work performed, were not adhered to; instead, invoices contained only a generalized description of services. This lack of specificity impairs the District's ability to verify that services were performed in accordance with the contract and reflects non-compliance with established documentation and oversight expectations. Collectively, these factors indicate misuse of internal processes and controls, consistent with ACFE abuse indicators, and raise concerns regarding accountability and transparency.

Observation #33 CLA observed that contract 2021-0990 was backdated approximately nine months, possibly due to a relationship with a board member.

Vendor: GT Security Inc.

Vendor GT Security Inc. (GT Security) originally contracted with the district in Fiscal Year 2017 for a one-year contract with the option to renew four additional one-year terms. The third option, contract 2020-0683, expired on November 30, 2020. The fourth and final option was executed under contract 2021-0990 as listed in Table 37.

Table 37: Contract #2021-0990

Contract #	Execution	Expiration	Amount	Disbursed
2021-0990	08/09/2021	11/30/2021	$ 100,000.00	$ 99,821.75

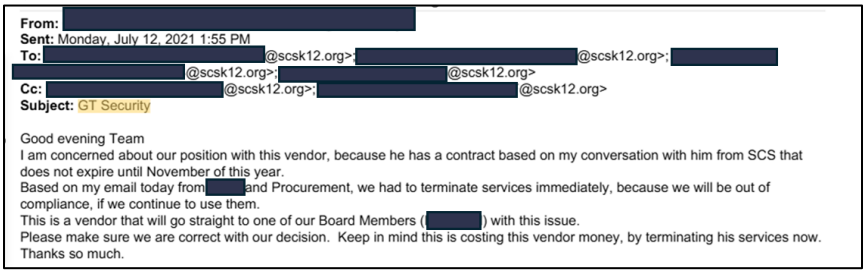
CLA identified 127 separate disbursements under this contract totaling $99,821.75, paid under PO #2212097. The term of this contract was for December 1, 2020 through November 30, 2021. The following observations regarding this contract were made:

- Contract 2021-0990 was not executed until August 2021; however, the vendor continued to provide services to the district between the expiration of contract 2020-0683 and 2021-0990.

- Contract 2021-0990 was backdated to December 1, 2020, but was not approved by the board until July 27, 2021.

- An email was identified dated July 12, 2021 indicating that once the District became aware that GT Services was operating without a contract in place, services were terminated immediately; however, the executive director of safety and security stated "This is a vendor that will go straight to one of our Board Members… with this issue." See Figure 10 below.

Figure 10: Email Dated July 12, 2021



From: [redacted]
Sent: Monday, July 12, 2021 1:55 PM
To: [redacted]@scsk12.org>; [redacted]@scsk12.org>; [redacted]@scsk12.org>; [redacted]@scsk12.org>
Cc: [redacted]@scsk12.org>; [redacted]@scsk12.org>
Subject: GT Security

Good evening Team
I am concerned about our position with this vendor, because he has a contract based on my conversation with him from SCS that does not expire until November of this year.
Based on my email today from [redacted] and Procurement, we had to terminate services immediately, because we will be out of compliance, if we continue to use them.
This is a vendor that will go straight to one of our Board Members ([redacted]) with this issue.
Please make sure we are correct with our decision. Keep in mind this is costing this vendor money, by terminating his services now.
Thanks so much.

Based on the procedures performed, the disbursements totaling $99,821.75 paid to GT Security under PO #2212097 raise concerns consistent with the ACFE definition of abuse and present potential conflict of interest considerations under Shelby County Schools Policy 4003.

GT Security continued to provide services to the District in the period between the expiration of Contract 2020-0683 and the execution of Contract 2021-0990, despite no fully executed agreement being in place.

Although the contract reflects a term commencing December 1, 2020, it was not approved by the Board until July 27, 2021 and not fully executed until August 2021. Backdating the agreement to retroactively legitimize services already rendered circumvents the District's established approval and procurement controls and is not reflective of the conduct of a prudent organization. Internal recognition of this issue is further supported by the July 12, 2021 email confirming that, once the District identified GT Security was operating without a contract, services were terminated.

The facts also present potential conflict of interest concerns. Policy 4003 expressly prohibits vendors from attempting to influence school board members, senior management, or key employees outside of the approved procurement process and provides that any vendor who violates the policy shall be barred from obtaining contracts with the District for two years from the date the violation first occurred. Section 31 of contract 2021-0990 similarly contains a conflict-of-interest warranty restricting indirect compensation, employment, or material interests connecting the vendor to District employees or officials. The executive director of safety and security's statement that "This is a vendor that will go straight to one of our Board Members… with this issue" suggests a perceived ability for GT Security to bypass approved procurement channels and communicate directly with Board members. While the statement alone does not establish that prohibited communication occurred, when considered alongside the retroactive contract execution and continued service delivery without an executed agreement, it raises a reasonable concern that the vendor relationship may have operated outside the procurement framework contemplated by Policy 4003.

Taken together, the facts and circumstances surrounding contract 2021-0990 are consistent with the ACFE guidance on abuse and present potential conflict of interest concerns under Policy 4003.

Observation #34 CLA observed that contracts 2022-0639 and 2024-0435 contained conflicting terms and lacked oversight.

Vendor: Charter School Consultant 01

Two contracts were identified for Charter School Consultant 01, the current CEO of a charter school network operating under the MSCS umbrella. These are listed in Table 38.

Table 38: Charter School Consultant 01 Contracts

Contract #	Execution	Expiration	Amount
2022-0639	02/24/2022	12/22/2022	$ 40,000.00
2024-0435	02/04/2024	06/30/2024	60,000.00

Total	$ 100,000.00

Contract 2022-0639, $40,000

Scope: A detailed scope and timeline of deliverables is attached to contract 2022-0639 and is included as Figure 11.

Figure 11: 2022-0639 Scope Excerpt

Scope of work: (*see Appendix for a timetable with milestones*)

- Engage, lead and facilitate multiple stakeholder conversations
- Organize and convene at least four Frayser Collaborative meetings
- Organize and convene at least four community conversations
- Manage a subcontractor for a community needs assessment
- Organize, convene and facilitate at least four Frayser school leader conversations
- Manage the creation and implementation of a monitoring tool for participating schools relative to partnership goals
- Organize and facilitate at least four bi-monthly meetings in Phase 2
- Write and submit at four reports to SCS (two mid-year and 2 end of year reports)

Compensation (Contract): "In consideration of Consultant's performance of the Services delineated above, SCBE agrees to pay up to an amount not to exceed Forty Thousand Dollars ($40,000.00) (the "Fee"). Consultant shall submit monthly invoices to SCBE with the following information: (i) a detailed description of the services rendered; and (ii) hours worked on each of the services rendered. Under no circumstance should Consultant invoice SCBE for a Service that is not yet completed."

Compensation (SOW):

Figure 12: Budget included in the SOW for contract 2022-0639

	BUDGET
Year 1 - Phase 1	
Consultant's time ($250 x 60 hrs)	$15,000
Subcontractor for needs assessment	$12,000
Incentives and Meals	$ 7,000
Subcontractor for project assistant	$ 4,000
Mileage and travel (.56 cents a mile)	$ 2,000
Total: $40,000	

The contract was signed by the current deputy superintendent on behalf of the District.

One disbursement related to this contract in the amount of $40,000.00 was identified as included in Table 39.

Table 39: Disbursement related to Contract 2022-0639

Invoice No.	Tran. Date	Inv. Date	Payments
SVC033122	04/05/2022	03/31/22	$ 40,000.00

CLA made the following observations on contract 2022-0639 and the related disbursements:

- Charter School Consultant 01 was paid in advance of services being completed.

  Section 2. Compensation in the contract states "Under no circumstance should Consultant invoice SCBE for a Service that is not yet completed." The sole invoice provided by Charter School Consultant 01 and approved by the deputy superintendent was paid in full approximately six weeks subsequent to the contract execution date. The SOW attached to the executed contract includes a timeline of deliverables extending through September 2022 and includes the submission of four reports to the District. The deputy superintendent informed CLA that any reports received from Charter School Consultant 01 were verbal.

- The invoice provided by Charter School Consultant 01 lacks the required information.

  The contract states that Consultant shall submit monthly invoices to SCBE with the following information: "(i) a detailed description of the services rendered; and (ii) hours worked on each of the services rendered." The sole invoice submitted by the consultant and approved by the deputy superintendent included a one-sentence description as justification for $40,000.00, which is included in Figure 13.

Figure 13: Invoice SVC033122 Description

Item(s)	Date	Description	Quantity	Unit Price	Amount
Consult on and create a transition process from ASD to SCS 2021-2022	3/31/2022	Consult on and create a transition process from ASD to SCS 2012-2022	1	40,000	40,000

  Charter School Consultant 01 only submitted one invoice for the full contract amount instead of monthly invoices including the detail of hours worked as required by the contract. He informed CLA that he was not asked to submit monthly invoices and that he was told if he had a contract, he would "at some point get paid."

- The $40,000.00 scope of work included the cost for subcontractors, meals, and travel which conflicted with the terms of the contract.

  Section 3. Travel and Reimbursable Expenses in contract 2022-0639 states: "All travel and meal expenses shall be limited to SCBE's per diem limits. Consultant must provide supporting documentation to SCS to evidence and justify reimbursements, prior to any payment."

Charter School Consultant 01 informed CLA that as part of his job he would attend lunches or dinners and that the travel cost included in the contract involved driving to different locations around Memphis. No supporting documentation was provided to substantiate the $9,000.00 charged to the District for meals, travel, or mileage.

- The $40,000.00 scope of work included $16,000.00 for subcontractor work that could not be substantiated.

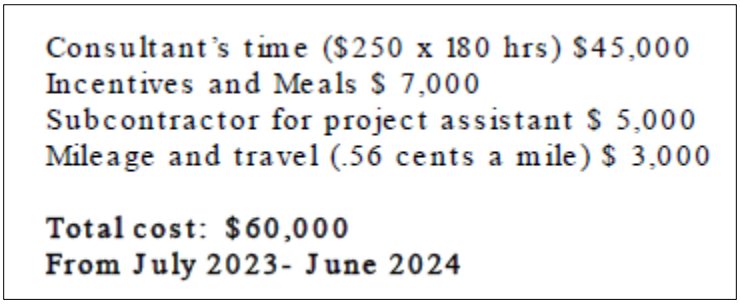
  Charter School Consultant 01 stated that initially he "brought people in to organize meetings," but that he could not recall the details of any work completed by subcontractors. The deputy superintendent indicated that she was not aware of any work completed by subcontractors on this contract.

Contract 2024-0435, $60,000.00

Scope: A detailed scope and timeline of deliverables is attached to contract 2024-0435.

Compensation (Contract): "In consideration of Consultant's performance of the Services delineated above, SCBE agrees to pay up to an amount not to exceed Sixty Thousand Dollars ($60,000.00) (the "Fee"). Consultant shall submit monthly invoices to SCBE with the following information: (i) a detailed description of the services rendered; and (ii) hours worked on each of the services rendered. Under no circumstance should Consultant invoice SCBE for a Service that is not yet completed." Figure 14 includes contract details.

Figure 14: Compensation from the SOW of Contract 2024-0435



The contract was signed by the current deputy superintendent on behalf of the District. Table 40 summarizes the four disbursements related to this contract totaling $60,000.00.

Table 40: Disbursements Related to Contract 2024-0435

Invoice No.	Tran. Date	Invoice Date	Payment
000224-01	3/11/2024	2/13/2024	$20,000.00
000324-02	3/25/2024	3/15/2024	15,000.00
000424-03	4/25/2024	4/15/2024	15,000.00
000524-04	6/13/2024	5/15/2024	10,000.00
Total			$60,000.00

CLA made the following observations on contract 2024-0435 and the related disbursements:

- Contract 2024-0435 states "Consultant shall submit monthly invoices to SCBE with the following information: (i) a detailed description of the services rendered; and (ii) hours worked on each of the services rendered." Similar to contract 2022-0639, the invoices provided lacked hours worked, or a detailed description of the work performed as exhibited in Figure 15.

Figure 15: Invoice Detail Related to Contract 2024-0435

Item(s)	Date	Description	Quantity	Unit Price	Amount
Consult on and help create a transition process for the new High school to be built in Frayser on the MLK site.	5/15/2024	Consult on and help create a transition process for the new high school to be built in Frayser on the MLK site.	1	10,000	10,000

- The $60,000.00 scope of work included the cost for subcontractors, meals, and travel which conflicted with the terms of the contract.

  Section 3. Travel and Reimbursable Expenses in contract 2024-0435 states: "All travel and meal expenses shall be limited to SCBE's per diem limits. Consultant must provide supporting documentation to SCS to evidence and justify reimbursements, prior to any payment."

  Charter School Consultant 01 informed CLA that as part of his job he would attend lunches or dinners and that the travel cost included in the contract involved driving to different locations around Memphis. No supporting documentation was provided to substantiate the $10,000.00 charged to the District for meals, travel, or mileage.

- The $60,000.00 scope of work included $5,000.00 for subcontractor work. Charter School Consultant 01 stated that initially he "brought people in to organize meetings," but that he could not recall the details of any work completed by subcontractors. The deputy superintendent indicated that she was not aware of any work completed by subcontractors on this contract.

- Invoices 000324-02 and 000424-03 were duplicative. Both invoices billed for work dated March 15, 2024 and approved with signature by the deputy superintendent. Since the invoices lacked the required detail, CLA is unable to determine whether the intention was for the invoices to bill for separate services.

Based on the procedures performed, there is sufficient evidence to conclude that the payments related to contracts 2022-0639 and 2024-0435 totaling $100,000.00 constituted abuse as defined by the ACFE, as payments were made and approved in a manner that misused public resources and disregarded clear contractual requirements. Specifically, advance payment for uncompleted services, acceptance of invoices lacking required detail, inclusion of unsupported costs for meals, travel, and subcontractors, and approval of expenditures without substantiating documentation reflect conduct that departs from reasonable and prudent business practices. This conclusion is consistent with ACFE's definition of abuse, which characterizes abuse as the mismanagement or misuse of resources, including the improper use of authority or position, even when intent to commit fraud cannot be conclusively established.

Observation #35 MSCS employees at a certain level are authorized to select vendors, execute contracts, and approve invoices, demonstrating insufficient internal controls.

In Observation #29 and Observation #32, the deputy superintendent was authorized to select a vendor, execute a contract, and approve invoices for payment. Likewise, in Observation #31, the general counsel and chief legal officer followed a similar process; however, they were able to bypass the procurement procedure entirely, which would have included additional verification steps regarding the vendor's legitimacy. In that instance, the vendor had been performing work for the District for close to a year before submitting the necessary vendor paperwork to the District.

This arrangement demonstrates insufficient internal controls due to an inappropriate concentration of duties vested in a single individual. The deputy superintendent is authorized to select vendors, execute contracts, and approve invoices, which eliminates critical checks and balances within the procurement and payment process. Effective internal controls require the segregation of key responsibilities to reduce the risk of error, misuse of authority, or inappropriate transactions. When these functions are performed by one individual, the likelihood of undetected errors or irregularities is significantly increased.

This concentration of authority reduces opportunities for independent oversight and review. Vendor selection, contract execution, and invoice approval are intended to function as discrete control points that facilitate verification throughout each stage of a transaction. CLA was advised that the MSCS legal team is tasked with approving the legal form of contracts; however, in Observation #32, the contract with Charter School Consultant 01 received approval from the general counsel, despite payment terms in the statement of work conflicting directly with those outlined in the contract. Both Observation #29 and Observation #32 cite approved invoices that do not align with contractual terms. The accounts payable team reported to CLA that once an invoice has been signed and approved, no further steps are taken to confirm its accuracy or appropriateness prior to payment processing. Similarly, in Observation #31, procurement was unable to complete vendor verification procedures due to the procurement process being circumvented. In the absence of independent review at

each phase, reasonable assurance cannot be provided that transactions adhere to organizational policies, contractual obligations, or relevant regulations.

Additionally, this control weakness exposes the organization to heightened financial, operational, and reputational risk. The absence of segregated duties may create opportunities for conflicts of interest, unauthorized commitments, or improper payments to occur without timely detection. Over time, such deficiencies can undermine the overall control environment and erode confidence in the organization's governance and fiscal oversight practices.

Observation #36 CLA observed inadequate contracting and oversight that resulted in unsupported billing and the potential duplication of services already paid for.

Vendor: Council of the Great City Schools, 2023-0426, $45,000.00

Scope: "Council of the Great City Schools will provide executive coaching services, including one on-one coaching for the Deputy Superintendent, Academics. This programming is intended to support the Deputy Superintendent in leading and managing a large urban school district. The Deputy Superintendent will be provided with a Primary Coach who will lead the support and guidance. At times, the Primary Coach may involve additional coaches to provide targeted support in specific areas, as well. The Deputy Superintendent and Coach will commit to attending regular virtual coaching sessions, to be scheduled at mutually agreed upon times between the Coach and the Deputy Superintendent."

Compensation: "(a) The total Consultant fees will not exceed $45,000.00. (b) Coaching time will be billed at $300.00 per hour, with one-hour increments. (c) For on-site visits, the following fees will be incurred – inclusive of consultant time and travel expenses: (i) one-day visit will be billed at $5,000.00; (ii) two-day visit will be billed at $7,000.00."

The contract was signed by the current deputy superintendent on behalf of the District.[66]

Table 41 lists the two disbursements related to this contract totaling $45,000.00.

Table 41: Disbursements Related to 2023-0426

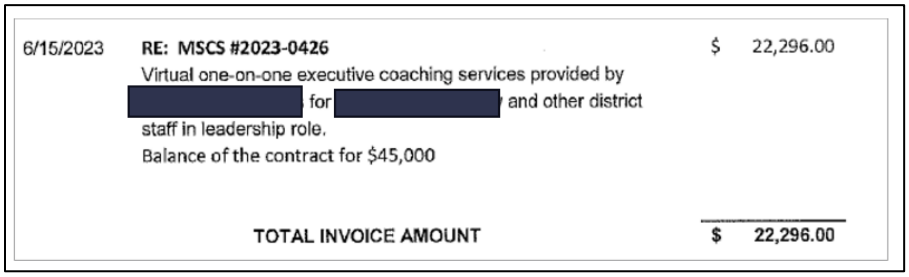
Invoice No.	Tran. Date	Invoice Date	Payment
4010-22-SMSCS	5/30/2023	5/24/2023	$ 22,704.00
4010-22-SMSCS2	6/21/2023	6/15/2023	22,296.00
Total			$ 45,000.00

CLA made the following observations on contract 2023-0426 and the related disbursements:

[66] The deputy superintendent signed additional professional services contracts with this vendor outside of the scope period: contracts 2025-0143 and 2026-0122.

- The scope of work adopted in the contract states that work was to be billed hourly at the rate of $300.00 per hour, with one-hour increments for up to $45,000.00; however, invoice 4010-22-SMSCS2 for $22,296.00 appears to bill for the remaining balance of the contract and not for additional work completed as evidenced in Figure 16.

Figure 16: Excerpt from Invoice 4010-22-SMCS2



6/15/2023	**RE: MSCS #2023-0426** Virtual one-on-one executive coaching services provided by [redacted] for [redacted] and other district staff in leadership role. Balance of the contract for $45,000	$ 22,296.00
	TOTAL INVOICE AMOUNT	**$ 22,296.00**

- Invoice 4010-22-SMSCS lists only a total number of hours worked during the period of August 2022 and June 2023, and states that the services were provided to the deputy superintendent "and other District staff in leadership role." The deputy superintendent informed CLA that the services of this particular consultant were not provided to other MSCS leadership. Because the invoice did not contain any billing detail, CLA was unable to determine what services the consultant may have provided and the invoice conflicted with the account of the deputy superintendent who was responsible for signing the invoice and authorizing payment.

- Contract 2023-0426 was drafted by Council of the Great City Schools and did not contain any of the conflict-of-interest language required by MSCS Board policies.

- This contract illustrates that an MSCS employee of a certain level has the authority to choose a vendor, sign a contract, and approve invoices without further controls to prevent deficiencies.

- The *Procurement Services Reference Manual* in place at the time states that all vendors are required to have a valid contract or purchase order prior to providing services or delivering goods to a school or office within the District. Contract 2023-0426 was not executed until November 17, 2022; however, invoice 4010-22-SMSCS indicates work began in August 2022.

  From an internal control perspective, treating a contract as valid prior to execution creates significant risk. It may result in unauthorized commitments, improper payments, or obligations incurred without legal authority. This is particularly concerning when the same individual has the ability to select vendors, execute contracts, and approve invoices, as it bypasses required authorization controls and undermines governance safeguards.

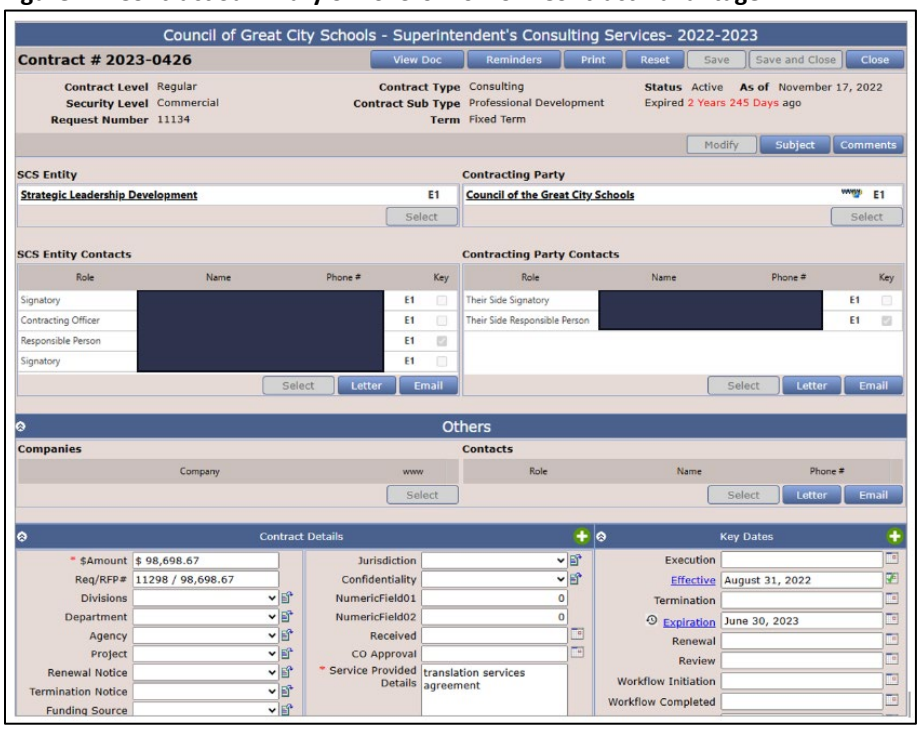
- CLA identified an email indicating that Council for Great City Schools was providing coaching services to the deputy superintendent as early as December 2021, but CLA was unable to locate any contract that would have authorized such work. CLA did identify a disbursement to Council for the Great City Schools for $52,541.00, paid for by check #697578 on September 8, 2021 and supported by an invoice indicating the payment was for membership dues for fiscal year 2023. A similar payment in the amount of $56,117.00 paid for by check #717635 on May 13. 2022 and supported by an invoice indicating the payment was for membership dues for fiscal year 2023 was also identified.

  CLA located the Council for the Great City Schools website, which provides a summary of membership benefits dated September 2022.[67] Included among these benefits is "access to leadership support for Superintendents and their executive teams to improve leadership and management," along with other listed coaching and leadership support services. This evidence indicates that services were provided to the deputy superintendent in fiscal year2022 without an additional cost or separate contract and should have also been available to the deputy superintendent for fiscal year 2023 as a membership benefit.

- The contract information retained in Contract Advantage, the contract record keeping system for the District, is not accurate. The contract amount is listed as $98,698.67, and the service provided is listed as "translation services agreement," as shown in Figure 17.

[67] https://www.cgcs.org/

Figure 17: Contract Summary of 2023-0426 from Contract Advantage



CLA was informed that Contract Advantage is the only system used to store contracts. Per the Great Minds website, the parent company that produces the Contract Advantage software, Contract Advantage is used to store, manage, track, and control contracts from creation through expiration or renewal. Failing to store accurate information in Contract Advantage can expose the District to missed renewal deadlines, compliance violations, and financial risk because contracts, obligations, and approvals may be incomplete or incorrect. It also undermines accountability and audit readiness, making it harder to demonstrate proper stewardship of public or grant-funded resources.

Considering the District's existing membership with The Council of the Great City Schools, which already provides executive coaching and support services, the additional $45,000.00 contract with the same organization appears redundant and lacks justification based on demonstrated need or added value. Accordingly, CLA determined that the $45,000.00 represents waste, as it reflects an avoidable and inefficient use of District resources resulting from inadequate oversight and duplication of services.

Observation #37 CLA observed duplicative leadership support services occurring in the same time period for the same MSCS employee.

Vendor: Forward Consulting

Two professional services contracts were identified for Forward Consulting as shown in Table 42.

Table 42: Forward Consulting Contracts

Contract #	Execution	Expiration	Amount
2021-1042			$ 30,000.00
2022-0963	06/21/2022	06/30/2023	30,000.00
Total			$ 60,000.00

2021-1042, $30,000.00

Scope: The scope of work incorporated into contract 2021-1042 is as shown in Figure 18.

Figure 18: Scope of Work Incorporated into 2021-1042

Forward Consulting Firm will provide the following services through bi-weekly in-person and/or virtual sessions and touchpoints:

- Forward proposes to train and support the Deputy Superintendent and designees (herein after the "executive leadership team") in leadership strategies that will increase their ability to influence their direct reports to work toward the accomplishment of the district's vision and operationalizing the vision into actionable and concrete steps.
- Forward proposes to train and support the executive leadership team on the tenets of The Together Leader to develop mission driven tools, habits, and systems to effectively and efficiently lead their teams
- Forward proposes to provide one-on-one coaching and mentoring to the executive leadership team and will work directly with the Deputy Superintendent in prioritizing change management and execution to determine necessary action steps.

As a result of the proposed services, the Deputy Superintendent and executive leadership team will develop the following competencies:

- Use results, processes, and relationships to create a more effective team culture
- Identify and implement strategies for building collective efficacy
- Develop structures for change management
- Create processes for using data to make decisions and monitor progress
- Develop a growth mindset orientation with current leadership theories and strategies to bolster effective effort and deliberate practice

Compensation: "SCS agrees to pay Consultant a flat-rate amount not to exceed Thirty thousand and 00/100 Dollars ($30,000.00). Consultant will submit invoices to SCS only as Services are provided."

The contract was signed by the current deputy superintendent on behalf of the District.[68]

Table 43 lists the three disbursements related to this contract in the amount of $11,462.00.[69]

Table 43: Disbursements Related to 2021-1042

Invoice No.	Tran. Date	Inv. Date	Payments
225025273	10/20/2021	9/6/2021	$ 5,198.00
225029169	11/4/2021	10/20/2021	2,314.00
225035788	12/2/2021	11/30/2021	3,950.00
Total			$ 11,462.00

2022-0963, $30,000.00

Scope: The scope of work incorporated into contract 2022-0963, which is shown in Figure 19, is identical to that in contract 2021-1042.

Figure 19: Scope of Work Incorporated into 2022-0963

Forward Consulting Firm will provide the following services through weekly in-person and/or virtual sessions and touchpoints:

- Forward proposes to train and support the Deputy Superintendent and any designees (herein after the "executive leadership team") in leadership strategies that will increase their ability to influence their direct reports to work toward the accomplishment of the district's vision and operationalizing the vision into actionable and concrete steps.
- Forward proposes to provide one-on-one coaching and mentoring to the executive leadership team and will work directly with the Deputy Superintendent in prioritizing change management and execution to determine necessary action steps.

As a result of the proposed services, the Deputy Superintendent and executive leadership team will develop the following competencies:

- Use results, processes, and relationships to create a more effective team culture
- Identify and implement strategies for building collective efficacy
- Develop structures for change management
- Create processes for using data to make decisions and monitor progress
- Develop a growth mindset orientation with current leadership theories and strategies to bolster effective effort and deliberate practice

Table 44 lists the two disbursements CLA identified related to contract 2022-0963.

Table 44: Disbursements Related to 2022-0963

Invoice No.	Tran. Date	Inv. Date	Payments
10	12/02/2022	11/27/2022	$ 15,000.00
11	05/31/2023	05/27/2023	15,000.00
Total			$ 30,000.00

[68] The deputy superintendent signed additional professional services contracts with this vendor outside of the scope period: contracts 2025-0143 and 2026-0122.

[69] While contract 2021-1042 allowed for disbursements not to exceed $30,000.00, only $11,462.00 in disbursements were made before the PO was closed. No additional invoices or disbursements related to this contract were identified.

CLA made the following observations on the Forward Consulting contracts and the related disbursements:

- The PO for the first contract that encumbered the $30,000.00 contract amount was closed after only $11,462.00 was spent. All $30,000.00 was expended on the second contract.

- In Observation #36, the duplicative contracting of services for executive coaching and mentoring on behalf of the deputy superintendent was discussed, and an email dated December 3, 2021 indicates that The Council of the Great City Schools was providing these services in late 2021 as part of their membership benefits.

  Based on this information, CLA concludes that the additional contracting in the amount of $41,462.00 for executive coaching and mentoring constituted waste, as the services were already available and being provided through the Council of the Great City Schools' membership benefits at no additional cost.

Observation #38 CLA observed two vendors with identical scopes of work contracted simultaneously.

Hamilton Strategy & Consulting (Figure 20) and FBS of Memphis (Figure 21) were vendors that received consulting contracts with identical scopes of work in 2023 as shown in Table 45.

Table 45: FBS of Memphis and Hamilton Strategy and Consulting Contracts

Vendor	Invoice No.	Executed	Contracted	Disbursed
FBS of Memphis	2023-0247	09/28/2022	$ 61, 120.00	$ 56,324.93
Hamilton Strategy	2023-0476	Not Dated	61, 120.00	61,098.00
	Total			$ 117,422.93

Figure 20: FBS Scope of Work, Contract #2023-0247

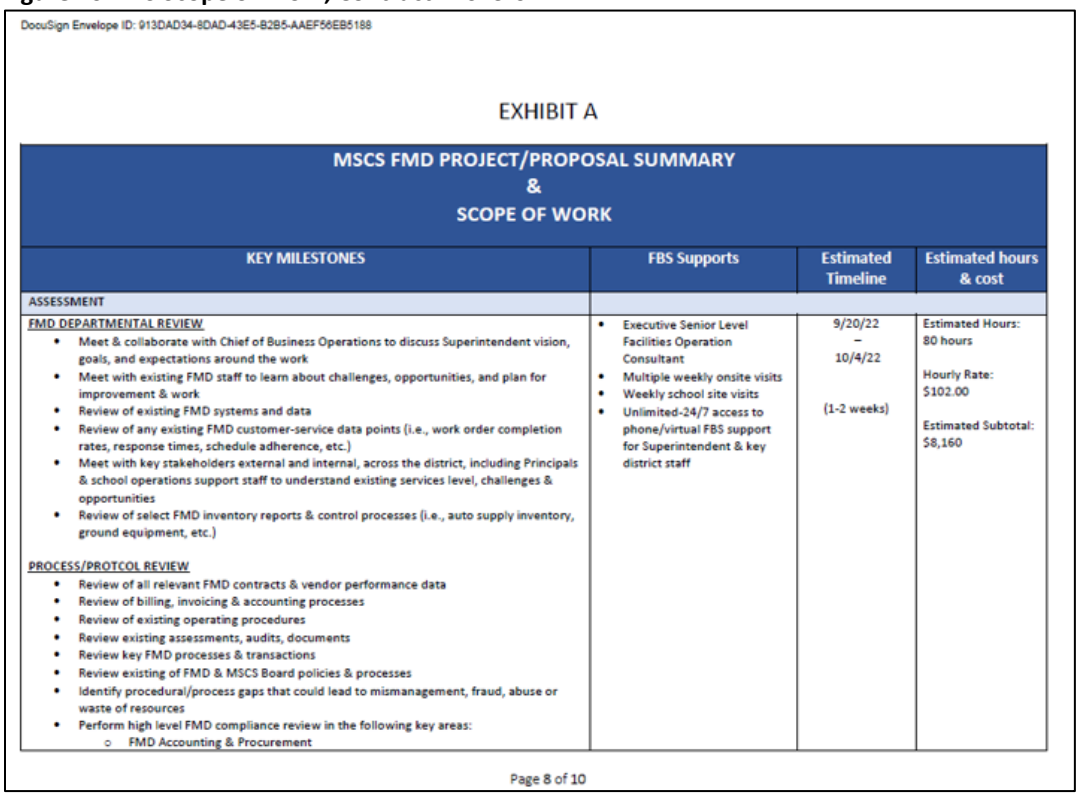


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EXHIBIT A

MSCS FMD PROJECT/PROPOSAL SUMMARY & SCOPE OF WORK

KEY MILESTONES	FBS Supports	Estimated Timeline	Estimated hours & cost
ASSESSMENT			
FMD DEPARTMENTAL REVIEW • Meet & collaborate with Chief of Business Operations to discuss Superintendent vision, goals, and expectations around the work • Meet with existing FMD staff to learn about challenges, opportunities, and plan for improvement & work • Review of existing FMD systems and data • Review of any existing FMD customer-service data points (i.e., work order completion rates, response times, schedule adherence, etc.) • Meet with key stakeholders external and internal, across the district, including Principals & school operations support staff to understand existing services level, challenges & opportunities • Review of select FMD inventory reports & control processes (i.e., auto supply inventory, ground equipment, etc.) PROCESS/PROTCOL REVIEW • Review of all relevant FMD contracts & vendor performance data • Review of billing, invoicing & accounting processes • Review of existing operating procedures • Review existing assessments, audits, documents • Review key FMD processes & transactions • Review existing of FMD & MSCS Board policies & processes • Identify procedural/process gaps that could lead to mismanagement, fraud, abuse or waste of resources • Perform high level FMD compliance review in the following key areas: ○ FMD Accounting & Procurement	• Executive Senior Level Facilities Operation Consultant • Multiple weekly onsite visits • Weekly school site visits • Unlimited-24/7 access to phone/virtual FBS support for Superintendent & key district staff	9/20/22 – 10/4/22 (1-2 weeks)	Estimated Hours: 80 hours Hourly Rate: $102.00 Estimated Subtotal: $8,160

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Figure 21: Hamilton Strategy & Consulting Scope of Work, Contract #2023-0476

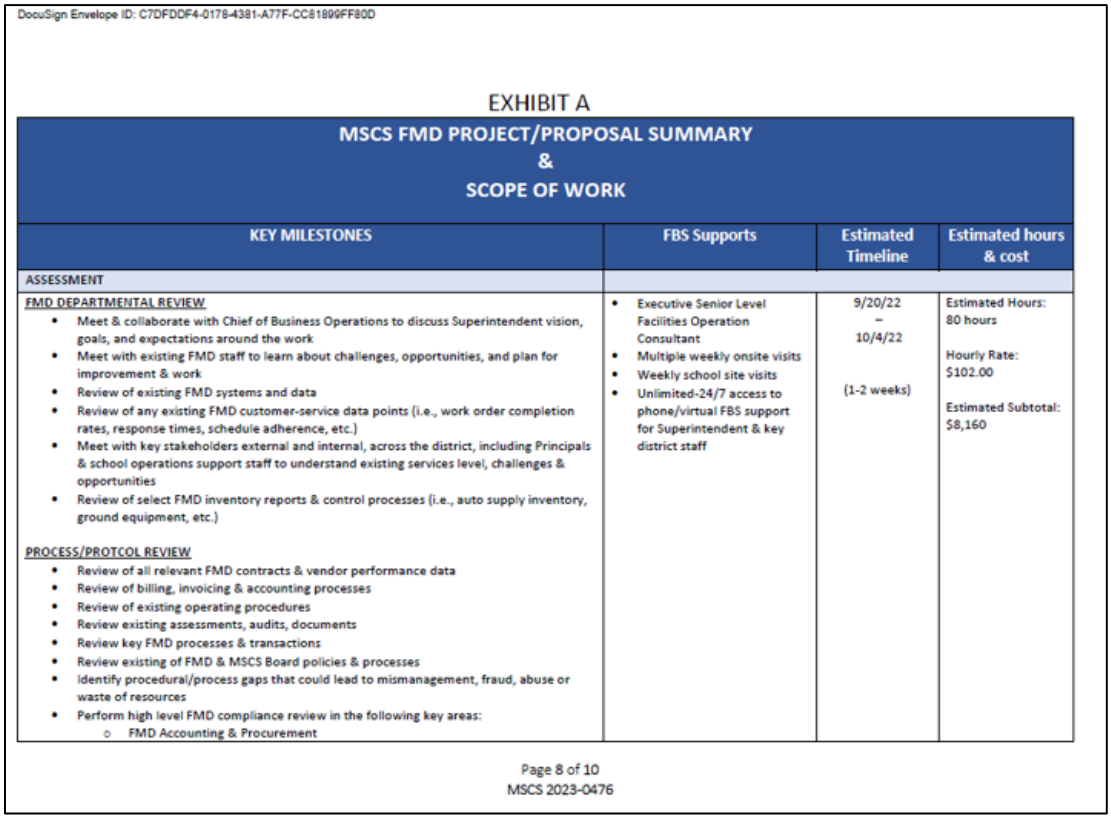

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EXHIBIT A

MSCS FMD PROJECT/PROPOSAL SUMMARY & SCOPE OF WORK

KEY MILESTONES	FBS Supports	Estimated Timeline	Estimated hours & cost
ASSESSMENT			
FMD DEPARTMENTAL REVIEW • Meet & collaborate with Chief of Business Operations to discuss Superintendent vision, goals, and expectations around the work • Meet with existing FMD staff to learn about challenges, opportunities, and plan for improvement & work • Review of existing FMD systems and data • Review of any existing FMD customer-service data points (i.e., work order completion rates, response times, schedule adherence, etc.) • Meet with key stakeholders external and internal, across the district, including Principals & school operations support staff to understand existing services level, challenges & opportunities • Review of select FMD inventory reports & control processes (i.e., auto supply inventory, ground equipment, etc.) PROCESS/PROTCOL REVIEW • Review of all relevant FMD contracts & vendor performance data • Review of billing, invoicing & accounting processes • Review of existing operating procedures • Review existing assessments, audits, documents • Review key FMD processes & transactions • Review existing of FMD & MSCS Board policies & processes • Identify procedural/process gaps that could lead to mismanagement, fraud, abuse or waste of resources • Perform high level FMD compliance review in the following key areas: ○ FMD Accounting & Procurement	• Executive Senior Level Facilities Operation Consultant • Multiple weekly onsite visits • Weekly school site visits • Unlimited-24/7 access to phone/virtual FBS support for Superintendent & key district staff	9/20/22 – 10/4/22 (1-2 weeks)	Estimated Hours: 80 hours Hourly Rate: $102.00 Estimated Subtotal: $8,160

Page 8 of 10
MSCS 2023-0476

CLA reviewed the invoices for both contracts to determine whether there was duplication of work being conducted. The support saved in APECS does not show the full task description for the invoices provided by Hamilton Strategy & Consulting; however, some of the days and hours listed appear to be unreasonable, including meetings with MSCS staff and candidates for MSCS job openings on Saturdays and Sundays.

Additionally, the consultant for Hamilton Consulting & Strategy was concurrently employed with a vendor of the district, CBRE. Communications appear from both his Hamilton Strategy email and his CBRE email during this time and CLA is unable to determine which vendor the work was attributed to, or if CBRE was aware of the dual employment. At some point during the contract period, a public records request into this individual and his contract was made. The Chief of Business Operations at the time denied knowing any information despite being the consultant's main point of contact and despite previously working together at CBRE.

Regarding FBS of Memphis, in addition to the duplication of services, the invoices lacked the hours worked on each task as required by the contract. Two invoices contained expenses for reimbursement, and no supporting documentation was submitted as required by the contract. CLA noted that during internal discussions regarding this contract, the interim superintendent would blind copy the consultant, a former MSCS employee, on the emails.

Due to the duplication in scope and services, and the additional invoicing concerns, the disbursements related to both contracts totaling $117,422.93 are consistent with the ACFE guidance on waste.

An additional contract with vendor FBS of Memphis was identified. Contract #2024-0201 in the amount of $65,000.00 was executed on October 27, 2023 as listed in Table 46.

Table 46: FBS of Memphis, Contract #2024-0201

Contract #	Execution	Expiration	Amount	Disbursed
2024-0201	10/27/2023	01/31/2024	$ 65,000.00	$ 62,580.00

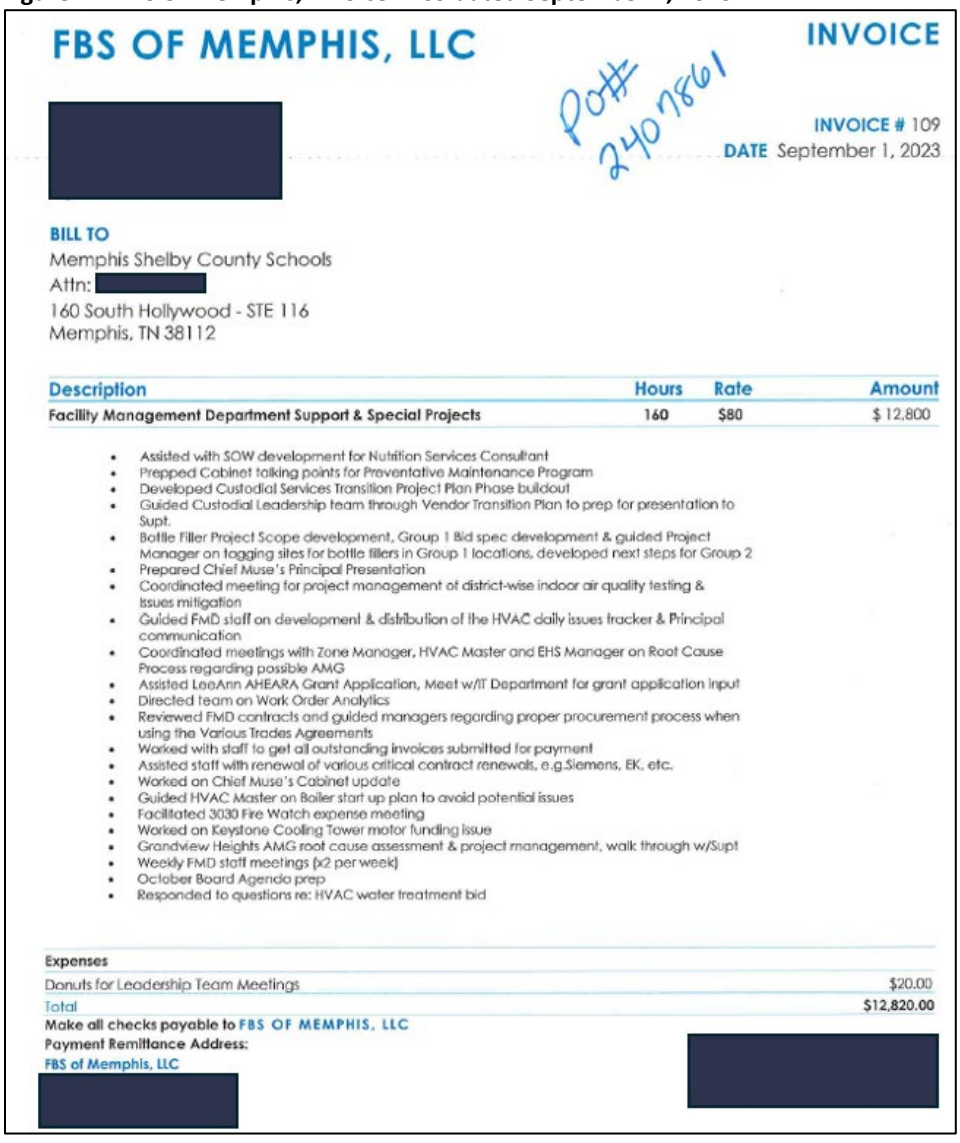
A review of the agreement and supporting invoices identified multiple compliance concerns related to scope, documentation, and timing. The contract limits services to specific areas, including bottle filling stations, custodial transition, and procurement consulting. However, invoices include a broad range of activities, such as general departmental support, executive-level assistance, and involvement in HVAC, intercom, nutrition, and board-related matters, that appear to extend beyond the defined scope.

Invoices also do not meet contractual requirements. While the agreement requires detailed descriptions and hours worked per service, invoices instead present total monthly hours with task listings but no allocation of time by activity.

This limits the District's ability to verify that billed services were within scope and reasonably supported.

Additionally, invoice activity reflects services performed prior to contract execution on October 27, 2023, and issuance of the purchase order on October 30, 2023. This represents a potential procurement compliance exception. See invoice #109 in Figure 22 below. The invoice is dated September 1, 2023, prior to the contract execution and PO issuance date.

Figure 22: FBS of Memphis, Invoice #109 dated September 1, 2023



FBS OF MEMPHIS, LLC

INVOICE

PO# 2407861

[redacted]

INVOICE # 109

DATE September 1, 2023

BILL TO

Memphis Shelby County Schools

Attn: [redacted]

160 South Hollywood - STE 116

Memphis, TN 38112

Description	Hours	Rate	Amount
Facility Management Department Support & Special Projects	160	$80	$ 12,800

- Assisted with SOW development for Nutrition Services Consultant
- Prepped Cabinet talking points for Preventative Maintenance Program
- Developed Custodial Services Transition Project Plan Phase buildout
- Guided Custodial Leadership team through Vendor Transition Plan to prep for presentation to Supt.
- Bottle Filler Project Scope development, Group 1 Bid spec development & guided Project Manager on tagging sites for bottle fillers in Group 1 locations, developed next steps for Group 2
- Prepared Chief Muse's Principal Presentation
- Coordinated meeting for project management of district-wise indoor air quality testing & issues mitigation
- Guided FMD staff on development & distribution of the HVAC daily issues tracker & Principal communication
- Coordinated meetings with Zone Manager, HVAC Master and EHS Manager on Root Cause Process regarding possible AMG
- Assisted LeeAnn AHEARA Grant Application, Meet w/IT Department for grant application input
- Directed team on Work Order Analytics
- Reviewed FMD contracts and guided managers regarding proper procurement process when using the Various Trades Agreements
- Worked with staff to get all outstanding invoices submitted for payment
- Assisted staff with renewal of various critical contract renewals, e.g.Siemens, EK, etc.
- Worked on Chief Muse's Cabinet update
- Guided HVAC Master on Boiler start up plan to avoid potential issues
- Facilitated 3030 Fire Watch expense meeting
- Worked on Keystone Cooling Tower motor funding issue
- Grandview Heights AMG root cause assessment & project management, walk through w/Supt
- Weekly FMD staff meetings (x2 per week)
- October Board Agenda prep
- Responded to questions re: HVAC water treatment bid

Expenses	
Donuts for Leadership Team Meetings	$20.00
Total	$12,820.00

Make all checks payable to FBS OF MEMPHIS, LLC

Payment Remittance Address:

FBS of Memphis, LLC

[redacted]

[redacted]

Overall, the issues identified are non-compliant with contract terms and internal procurement and invoicing requirements. Invoicing practices did not meet explicit contract provisions requiring detailed support, services billed appear to extend beyond the authorized scope, and certain activities may have been

performed prior to contract execution. These conditions indicate weaknesses in adherence to established policies and controls.

An additional contract was also identified for Hamilton Strategy & Consulting as listed in Table 47.

Table 47: Additional Hamilton Strategy & Consulting Contract

Contract #	Execution	Expiration	Amount	Disbursed
2024-0271	12/15/2023	03/01/2024	$ 32,020.00	$ 27,030.00

Similar to above, invoice evidence indicates that work began as early as November 6, 2023, prior to the agreement's execution, while several billed activities do not clearly align with the defined scope of work. The contract appears to have been applied to a broader range of services than originally intended, and the timing and structure of the invoicing limit the ability to determine whether the services were appropriate, necessary, and properly authorized. Collectively, these factors further reflect gaps in compliance with established procurement and contract administration requirements.

Observation #39 CLA observed several contracts incorrectly classified as professional services in Contract Advantage.

As previously discussed in Observation #29, CLA was informed that the contract requestor is responsible for selecting the contract classification when submitting a request through Contract Request, and the contracts team is responsible for correcting the classification if necessary. CLA identified multiple contracts that are incorrectly classified in Contract Advantage as professional services. Examples include contracts 2024-0213 (software licenses), 2023-0471 (underground storage tank maintenance), 2021-0721 and 2021-0723 (indoor bleacher maintenance) and 2022-0036 (access to AP courses). Although CLA's review indicates that these contracts were likely administered and processed as non-professional services contracts, the inaccurate classification in Contract Advantage limits the District's ability to reliably report, monitor, and analyze contract activity by service type. This misclassification also reduces transparency, impairs management's ability to assess compliance with procurement requirements, and increases the risk that contracts subject to different approval thresholds, reporting requirements, or Board oversight may not be identified or reviewed appropriately. Over time, these data integrity issues weaken contract management controls and hinder effective oversight of District spending.

Observation #40 CLA observed 12 professional services contracts totaling $794,751.70 that were executed without appropriate signatory

authority in accordance with District policy and formally delegated authority memoranda.

A review of the applicable delegation memoranda in effect over the relevant period demonstrates that the District has established multiple iterations of tiered signature authority, with defined roles and thresholds that evolved over time:

- September 2020 Delegation established a multi-tiered structure requiring progressively higher levels of authorization based on contract value (Figure 23). For example, contracts between approximately $3,001 and $9,999 required a Director, Executive Director, or Assistant Superintendent signature; contracts between $10,000 and $50,000 required a Chief; and contracts between $50,001 and $99,999 required a Deputy Superintendent.

Figure 23: Delegation of Superintendent's Signing Authority, Effective September 14, 2020

Effective September 14, 2020, the Superintendent hereby designates the following categories of employees to execute contracts and memoranda of understanding (MOUs) on behalf of the Board in the following amounts as follows:

Contract/MOU Amount Threshold	Designated Contract/MOU Signatories	Explanation
$0 - $3,000	Principal *and* Assistant Superintendent	Contracts for goods and services obtained at the school level and that fall within this amount threshold *must be signed by the principal and an Assistant Superintendent* for the contract to be valid and compliant with policy and this memorandum. Contracts for goods and services *not* obtained at the school level and fall within this amount threshold require signature from an Assistant Superintendent for the contract to be valid and compliant with policy and this memorandum.
$3,001 - $9,999	Director, Executive Director *or* Assistant Superintendent	All contracts for goods and services that fall within this amount threshold, *regardless of whether it originated at the school level*, require signature from a Director, Executive Director or an Assistant Superintendent for the contract to be valid and compliant with policy and this memorandum.
$10,000 - $50,000	Chief	Contracts for goods and services that fall within this amount threshold, *regardless of whether it originated at the school level*, require signature from a Chief for the contract to be valid and compliant with policy and this memorandum.
$50,001 – $99,999	Deputy Superintendent	Contracts for goods and services that fall within this amount threshold, *regardless of whether it originated at the school level*, require signature from a Deputy Superintendent for the contract to be valid and compliant with policy and this memorandum.

This memorandum replaces and supersedes any prior signature delegation memoranda. The Superintendent retains the sole authority to execute any contract or MOU with a value less than or equal to $99,999. This memorandum is not intended to forego the requirement for legal review of contracts and other legal documents by the Office of the General Counsel prior to signature. All delegations are subject to periodic review and may be revoked or amended upon written notice or changes in personnel.

- April 2023 Delegation similarly maintained a tiered structure but revised thresholds and roles (Figure 24). Contracts between $10,000 and $24,999 required a Chief or Deputy Superintendent, while contracts between $25,000 and $99,999 required the Superintendent's signature. Lower-

dollar thresholds permitted execution by Directors, Executive Directors, or Assistant Superintendents.

Figure 24: Delegation of Superintendent's Signing Authority, Effective April 10, 2023

Effective immediately, the Superintendent hereby designates the following categories of employees to execute contracts and memoranda of understanding (MOUs) on behalf of the Board in the following amounts as follows:

Contract/MOU Amount Threshold	Designated Contract/MOU Signatories	Explanation
$0 - $3,000	Principal *and* Assistant Superintendent	Contracts for goods and services obtained at the school level and that fall within this amount threshold *must be signed by the principal and an Assistant Superintendent* for the contract to be valid and compliant with policy and this memorandum. Contracts for goods and services *not* obtained at the school level and fall within this amount threshold require signature from an Assistant Superintendent for the contract to be valid and compliant with policy and this memorandum.
$3,001 - $9,999	Director, Executive Director *or* Assistant Superintendent	All contracts for goods and services that fall within this amount threshold, *regardless of whether it originated at the school level*, require signature from a Director, Executive Director or an Assistant Superintendent for the contract to be valid and compliant with policy and this memorandum.
$10,000 - $24,999	Chief or Deputy Superintendent	Contracts for goods and services that fall within this amount threshold, *regardless of whether it originated at the school level*, require signature from a Chief or Deputy Superintendent for the contract to be valid and compliant with policy and this memorandum.
$25,000 – $99,999	Superintendent	Contracts for goods and services that fall within this amount threshold, *regardless of whether it originated at the school level*, require signature from the Superintendent for the contract to be valid and compliant with policy and this memorandum.

This memorandum replaces and supersedes any prior signature delegation memoranda. The Superintendent retains the authority to execute any contract or MOU with a value less than or equal to $99,999. This memorandum is not intended to forego the requirement for legal review of contracts and other legal documents by the Office of the General Counsel prior to signature. All delegations are subject to periodic review and may be revoked or amended upon written notice or changes in personnel.

- The October 2024 Delegation significantly streamlined the structure, reducing it to two tiers: contracts between $0 and $3,500 require a Senior Leader signature, while all contracts between $3,501 and $99,999 require the Superintendent's signature to be valid and compliant (Figure 25).

Figure 25: Delegation of Superintendent's Signing Authority, Effective October 4, 2024

Policy 2012 of the Shelby County Board of Education ("Board"), "Contract Requirements, Approval and Signatory Authority," states in relevant part that all written contracts less than or equal to Ninety-Nine Thousand Nine Hundred Ninety-Nine Dollars ($99,999) shall be approved and signed **by the Superintendent and/or designee**, unless exemptions apply, and therefore authorizes the Superintendent to designate certain categories of employees to sign on the School District's behalf certain contracts that do not require the Board's approval.*

Effective immediately, the Superintendent hereby designates the following categories of employees to execute contracts and memoranda of understanding (MOUs) on behalf of the Board in the following amounts as follows:

Contract/MOU Amount Threshold	Designated Contract/MOU Signatories	Explanation
$0 - $3,500	Senior Leader	All contracts for goods and services that fall within this amount threshold, *regardless of whether it originated at the school level or central office*, requires a signature from the Senior Leader for the contract to be valid and compliant with policy and this memorandum.
$3,501 - $99,999	Superintendent	All contracts for goods and services that fall within this amount threshold, requires a signature from the Superintendent for the contract to be valid and compliant with policy and this memorandum.

This memorandum replaces and supersedes any prior signature delegation memoranda. The Superintendent retains the authority to execute any contract or MOU with a value less than or equal to $99,999. This memorandum is not intended to forego the requirement for legal review of contracts and other legal documents by the Office of the General Counsel prior to signature. All delegations are subject to periodic review and may be revoked or amended upon written notice or changes in personnel.

These memoranda collectively demonstrate that, regardless of the applicable period, the District consistently required contracts to be executed only by specifically designated roles aligned with defined dollar thresholds.

The execution of 12 contracts by individuals outside of these delegated authorities indicates non-compliance with Policy 2012 and the corresponding delegation frameworks in effect at the time of execution. This condition raises concerns regarding the validity and enforceability of the affected agreements, as contracts executed without proper authority may not be considered binding on the District. Additionally, the lack of adherence to defined approval thresholds weakens internal controls intended to ensure appropriate review, oversight, and accountability over contractual obligations, and increases the risk of unauthorized commitments.

The underlying factors contributing to these instances of non-compliance, including the lack of centralized and clearly communicated signatory authority guidance, are discussed further in Observation #41 below.

Observation #41 CLA noted that the District's delegation of contract signatory authority was not maintained within a centralized, formally accessible policy framework. While Shelby County Board of Education Policy 2012 establishes that contracts must be executed by the Superintendent or an authorized designee, the detailed delegation of authority was communicated through separate memoranda that were not incorporated into the Procurement Services Manual or consistently maintained alongside other governing policies.

Specifically, the delegation memoranda outlining authorized signatories and corresponding dollar thresholds were not included in the Procurement Services Manual, nor were they located within a centralized policy repository accessible to personnel responsible for procurement, contracting, or approval processes. As a result, individuals were required to rely on standalone communications that were not systematically organized or readily retrievable.

Additionally, during interviews, District personnel were generally unable to identify where the delegation memoranda were located or clearly articulate which version of the signing authority guidance was in effect at the time contracts were executed. This lack of awareness indicates that the memoranda were not

consistently distributed, maintained, or communicated as part of standard procurement or governance practices.

Through document review procedures, CLA identified three separate delegation memoranda dated September 2020, April 2023, and October 2024 through email correspondence rather than through formal policy channels. These memoranda reflect changes in authorized roles and thresholds over time. However, it remains unclear whether additional memoranda were issued during the period under review, as no complete or centralized record of such delegations was identified.

Email correspondence suggests that these three memoranda were the primary guidance relied upon by District personnel; however, the reliance on informal dissemination methods and the absence of a definitive, centralized source of authority contributed to confusion regarding applicable signing thresholds and authorized signatories. Communications reviewed reflected inconsistent understanding among personnel as to which delegation framework governed at specific points in time.

The lack of centralized documentation, clear communication, and formal integration of signatory authority guidance into established policy and procedural resources weakens internal controls over contract execution. This condition increases the risk of inconsistent application of approval requirements, unauthorized commitments, and uncertainty regarding the validity and enforceability of executed contracts

Observation #42 Based on procedures performed, CLA identified 16 professional services contracts totaling $991,418.75 in disbursements for which the required Procurement Advisory Form (PAF) could not be located in either Contract Advantage or APECS, the District's designated systems of record for procurement documentation.

Per the Procurement Services Manual, the PAF is a required document completed by Procurement Services to indicate the actions necessary to process a requisition and serves as evidence that the requisition has been reviewed and approved by Procurement. The manual further states that the PAF must be attached to contract requests submitted to General Counsel and included with all required supporting documentation; failure to include the PAF may result in rejection of the contract request.

The absence of PAFs across these 16 contracts indicates that required procurement review and documentation protocols were not consistently followed or retained. This condition limits the ability to verify that procurements were appropriately

assessed, approved, and processed in accordance with established policies and procedures, and reduces the overall transparency and auditability of the procurement process.

Observation #43

CLA identified seven professional services contracts totaling $1,377,407.50 in disbursements for which evidence of required Board approval was not attached to the associated purchase orders. As a result, it was unclear what documentation was reviewed or relied upon at the time the POs were created and approved.

The Procurement Services Manual requires that purchases of goods and services with a cost of $100,000.00 or more be presented for Board approval prior to execution, and that procurement documentation be maintained to support the approval and processing of such transactions. Additionally, the purchase order serves as a legal document that should reflect relevant supporting details, including, where applicable, the date of Board approval.

While, in certain instances, a Board approval date was noted on the PO, the absence of the underlying Board approval documentation (e.g., Board agenda item, approval memo, or supporting resolution) prevented verification of the accuracy and completeness of the information recorded. Without this documentation, it is unclear how the Board approval date included on the PO was obtained, validated, or corroborated at the time of processing.

Furthermore, the Procurement Services Manual emphasizes the importance of maintaining adequate records on all procurement transactions and ensuring that appropriate approvals are obtained prior to issuing purchase orders or executing contracts. The lack of retained Board approval documentation limits the ability to demonstrate compliance with these requirements and hinders the audit trail necessary to support procurement decisions.

This condition indicates a breakdown in documentation and recordkeeping controls related to high-value procurements requiring Board oversight. The absence of supporting Board approval documentation increases the risk that purchase orders could be issued without appropriate authorization, reduces transparency into the approval process, and limits the District’s ability to substantiate that expenditures were properly reviewed

and approved in accordance with established policies and procedures.

Observation #44 CLA observed one professional services contract totaling $75,000.00, which was paid in a single disbursement without evidence of an issued PO. As a result, the payment was processed without documentation demonstrating that the required procurement steps were completed prior to the authorization of services and disbursement of funds.

The Procurement Services Manual requires that all purchases exceeding $500.00 be supported by an approved purchase order and explicitly states that vendors must have a valid contract or PO prior to providing services or delivering goods. The manual further emphasizes that services rendered without a properly executed contract or PO are performed at the vendor's risk and that invoices may not be processed without appropriate authorization.

The absence of a PO for this contract indicates that the procurement process was not followed in accordance with established policy, specifically with respect to pre-authorization controls. This condition limits the District's ability to demonstrate that funding was properly encumbered, approvals were obtained, and the procurement was reviewed prior to service delivery. Additionally, it weakens internal controls designed to ensure compliance with procurement requirements and increases the risk of unauthorized or unsupported disbursements.

Observation #45 CLA identified one professional services contract totaling $3,500.00 in disbursements for which an incorrect invoice was maintained in APECS. The invoice stored in the system was unrelated to the vendor associated with the contract and did not correspond to the goods or services procured. The Procurement Services Manual requires that accurate and complete documentation be maintained to support procurement transactions, including invoices that substantiate the validity of payments.

The presence of an unrelated invoice within the official procurement record indicates a breakdown in controls over invoice review, validation, and recordkeeping. This condition limits the ability to verify that payments were made for appropriate and authorized services, undermines the reliability

of APECS as the system of record, and increases the risk of payment errors or unsupported disbursements.

Observation #46 CLA observed four professional services contracts, in addition to others discussed elsewhere in this report, totaling $969,341.02 in disbursements for which invoices did not include the level of detail required by the underlying contractual agreements. Specifically, invoices frequently lacked key support such as detailed descriptions of tasks performed, time spent by task, and, where applicable, the names of personnel performing the work and dates services were rendered.

The Procurement Services Manual establishes that contracts for professional services must clearly define deliverables and requirements and that all work should be described in sufficient detail to ensure clarity and enable verification of compliance. Supporting documentation, including invoices, should align with contract requirements and provide sufficient detail to substantiate that services billed were performed in accordance with agreed-upon terms.

The absence of required invoice detail limits the District's ability to validate that billed services were performed, assess whether charges are reasonable and allowable, and confirm compliance with contractual terms. Without itemized descriptions of work performed, time incurred, and personnel involved, there is insufficient transparency into the nature and extent of services provided.

This condition indicates a breakdown in controls over invoice review and contract compliance monitoring. It increases the risk of overbilling, unsupported or inappropriate charges, and payment for services not fully performed or not aligned with contract requirements. Additionally, it undermines the audit trail necessary to support disbursements and weakens the District's ability to enforce accountability over vendor performance and contractual obligations.

Observation #47 CLA noted several instances where one or more parties did not date contract signatures. While District policies and the Procurement Services Manual do not explicitly require signatures to be dated, the absence of signature dates limits the ability to clearly establish when agreements were formally executed.

Without dated signatures, it is more difficult to determine whether contracts were fully executed prior to the commencement of services, issuance of purchase orders, or processing of payments. This reduces the clarity of the contract

timeline and weakens the overall audit trail supporting procurement and contracting activities.

Although not a stated policy requirement, documenting the date of execution is a widely accepted control practice that supports accountability, transparency, and compliance monitoring. The absence of this information increases the risk of uncertainty regarding contract enforceability periods, sequencing of approvals, and alignment with procurement requirements.

Observation #48 The procurement Services Manual does not fully reflect electronic PO processes.

During the forensic audit process, CLA noted that portions of the Procurement Services Manual appear to reflect a paper-based purchasing environment and have not been fully updated to align with the District's current electronic system (APECS). While the manual establishes that purchase orders are required for purchases over $500.00 and serve as a legal document supporting procurement transactions, certain procedural language references physical documentation and manual processes rather than clearly addressing electronic workflows.

This misalignment creates ambiguity regarding how key controls, such as approvals, documentation retention, and receipt verification, should operate within the electronic system. As a result, staff may apply requirements inconsistently, increasing the risk of gaps in documentation, weakened audit trails, and inconsistent execution of procurement controls.

Observation #49 During the initial testing phase, observations were made as to the lack of oversight on contracts initiated and monitored by the chief of academics. Based on those procedures, CLA selected an additional testing population consisting of those contracts signed or monitored by the chief of academics that were not included in the original professional services testing population. CLA identified five additional contracts with disbursements consistent with the ACFE definition of waste totaling $82,623.84.[70] Those five contracts are discussed in greater detail below.

[70] The value of the five contracts totaled $107,499.84; however, not all contracted funds were disbursed.

Vendor: Empowerment Consultant

CLA tested one contract related to an empowerment consultant which is listed in Table 48.

Table 48: Empowerment Consultant Contract

Contract #	Execution Date	Expiration Date	Amount
2023-0159	09/01/2022	06/30/2023	$ 30,000.00

Scope: Train and support the Deputy Superintendent and designees in team building and organizational culture development.

Compensation: 10 sessions, $3,000.00 per session.

CLA identified six disbursements related to contract 2023-0159 (Table 49).

Table 49: Contract 2023-0159 Disbursements

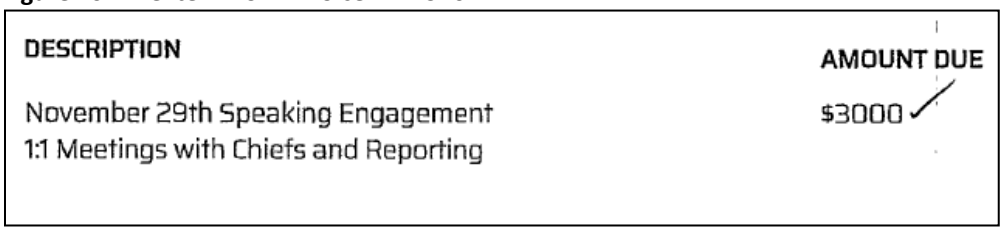
Contract #	Execution Date	Expiration Date	Amount
1292022	12/2/2022	11/30/2022	$ 3,000.00
1152022	12/2/2022	11/15/2022	3,000.00
11072022	12/14/2022	10/31/2022	3,000.00
1232023	2/8/2023	1/23/2023	3,000.00
1182023	2/8/2023	1/18/2023	3,000.00
5232023	6/9/2023	5/23/2023	15,000.00
Total			$ 30,000.00

CLA made the following observations on these disbursements:

- Five of the six invoices reflected charges consistent with the contractual rate of $3,000.00 per session. However, the final invoice (Invoice No. 5232023) included three sessions billed at $5,000.00 per session, representing an unexplained increase of $2,000.00 per session relative to the contractually established rate. No contract amendment, written authorization, justification, or change order was provided to support this deviation from the agreed pricing terms.

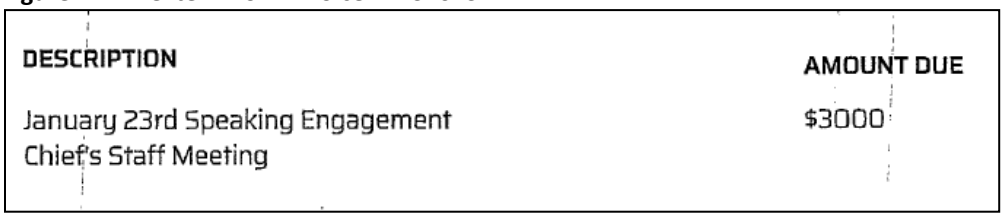
- A comparison of invoice descriptions indicates that two of the sessions billed at the higher $5,000.00 rate were substantively similar, if not duplicative, of prior sessions billed at $3,000.00 earlier in the contract period. See Figure 26 to Figure 28. The nature of the services did not materially differ in scope, complexity, or duration in a manner that would reasonably support a premium fee.

Figure 26: Line Item from Invoice #11292022



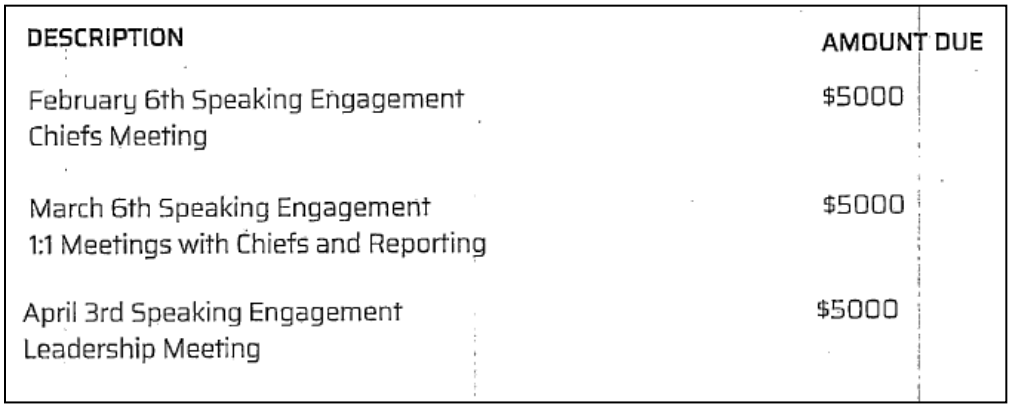
DESCRIPTION	AMOUNT DUE
November 29th Speaking Engagement 1:1 Meetings with Chiefs and Reporting	$3000 ✓

Figure 27: Line item from Invoice #1232023



DESCRIPTION	AMOUNT DUE
January 23rd Speaking Engagement Chief's Staff Meeting	$3000

Figure 28: Line Items from Invoice #5232023



DESCRIPTION	AMOUNT DUE
February 6th Speaking Engagement Chiefs Meeting	$5000
March 6th Speaking Engagement 1:1 Meetings with Chiefs and Reporting	$5000
April 3rd Speaking Engagement Leadership Meeting	$5000

The absence of documented approval for the increased per-session charges, coupled with the lack of a demonstrable change in scope or deliverables, reflects a breakdown in contract monitoring and invoice review controls. While the total contract value was not exceeded, the payment of higher per-unit costs without documented justification resulted in $6,000.00 in disbursements that CLA determined to be inconsistent with contractual terms and aligned with the ACFE definition of waste; specifically, the unnecessary or unreasonable use of organizational resources due to inadequate oversight and failure to enforce agreed-upon pricing.

Vendor: Masterpeace Motivational, LLC

CLA identified vendor Masterpeace Motivational, LLC as another vendor contracted by the chief of academics and completed detail testing on three contracts associated with this vendor. Table 50 lists the contracts with this vendor.

Table 50: Masterpeace Motivational Contracts

Contract #	Execution Date	Expiration Date	Amount
2022-0808	04/28/2022	05/27/2022	$ 7,500.00
2023-0392	11/7/2022	6/30/2023	24,999.84
2023-0671	3/2/2023	6/30/2023	25,000.00
Total			$ 57,499.84

Contract 2022-0808, $7,500.00

The details of contract 2022-0808, per the agreement and scope of work are as follows:

Scope: Consultant will provide between six and ten Memphis-Shelby County Middle & High Schools over 15 workdays starting May 9, and ending May 27, 2022, to speak in front of students and gather the information needed via Q&A to inform a full school year's plan of improving the self-esteem, self-motivation, and behavior of minority youth who are under the auspices of SCBE.

Compensation: The cost breakdown was attached to the contract as shown below in Figure 29.

Figure 29: Cost Breakdown Attached to Contract 2022-0808

Cost Breakdown

Area of Service	Days/ Sessions	Daily Rate	Transportation Costs
Inspirational Speaking/Fact-gathering for 2022-23 school year	15 days; 10 schools per week; 2 schools per day; 2 hours per visit; 4 hrs per day; Each school visited 3x	$500 per 4-hr day.	$128.00 per week. This is built into monthly fee.
Estimated Total		= $7,500	

CLA identified one disbursement related to contract 2022-0808 as listed in Table 51.

Table 51: Disbursement Related to Contract 2022-0808

Invoice No.	Tran. Date	Inv. Date	Payments
1	06/08/2022	05/30/2022	$ 7,500.00

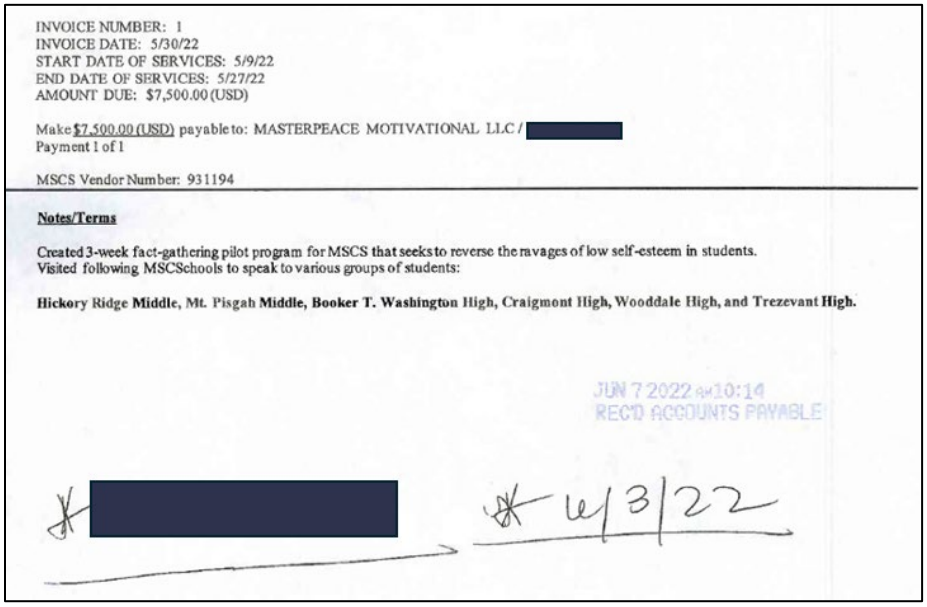
CLA made the following observations on this disbursement:

- The cost breakdown attached to contract 2022-0808 states that the consultant will visit ten schools per week at the daily rate of $500.00 per 4-hr day, and that each school was to be visited three times, for a total of 30 visits.

Section 2 of the contract states that the invoice should include a detailed description of the services rendered, including the dates on which the services were rendered.

- The invoice submitted for this disbursement lacks the dates on which services were rendered and only lists six schools as opposed to the ten schools used to calculate the $7,500.00 contract fee. The invoice, which is included in Figure 30, does not indicate how many times each school was visited and MSCS was unable to provide evidence that thirty visits occurred.

Figure 30: Invoice #1 Related to Contract 2022-0808



INVOICE NUMBER: 1
INVOICE DATE: 5/30/22
START DATE OF SERVICES: 5/9/22
END DATE OF SERVICES: 5/27/22
AMOUNT DUE: $7,500.00 (USD)

Make $7,500.00 (USD) payable to: MASTERPEACE MOTIVATIONAL LLC / [redacted]
Payment 1 of 1

MSCS Vendor Number: 931194

Notes/Terms

Created 3-week fact-gathering pilot program for MSCS that seeks to reverse the ravages of low self-esteem in students.
Visited following MSCSchools to speak to various groups of students:

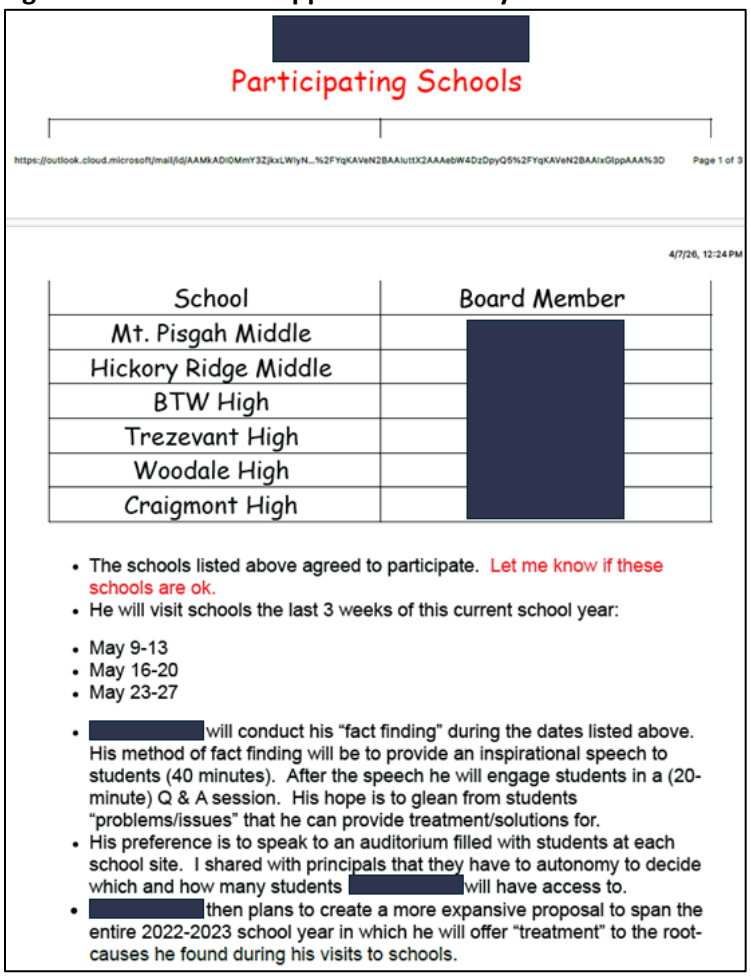
Hickory Ridge Middle, Mt. Pisgah Middle, Booker T. Washington High, Craigmont High, Wooddale High, and Trezevant High.

JUN 7 2022 #10:14
RECD ACCOUNTS PAYABLE

[redacted] 6/3/22

- The cost breakdown attached to contract 2022-0808 states that each visit will be two hours long. Additional documentation provided by MSCS indicates that the visits conducted by this consultant would consist of a 40-minute "inspirational speech" and a 20-minute Q&A session, for a total of one hour. See Figure 31. It is unclear from this additional support as to how many visits each school received and whether additional visits were made to match the time and cost breakdown provided in the contract.

Figure 31: Additional Support Provided by MSCS



[redacted]

Participating Schools

https://outlook.cloud.microsoft/mail/id/AAMkADI0MmY3ZjkxLWIyN...%2FYqKAVeN2BAAIuttX2AAAebW4DzDpyQ5%2FYqKAVeN2BAAIxGIppAAA%3D Page 1 of 3

4/7/26, 12:24 PM

School	Board Member
Mt. Pisgah Middle	[redacted]
Hickory Ridge Middle	
BTW High	
Trezevant High	
Woodale High	
Craigmont High	

- The schools listed above agreed to participate. Let me know if these schools are ok.
- He will visit schools the last 3 weeks of this current school year:
- May 9-13
- May 16-20
- May 23-27
- [redacted] will conduct his "fact finding" during the dates listed above. His method of fact finding will be to provide an inspirational speech to students (40 minutes). After the speech he will engage students in a (20-minute) Q & A session. His hope is to glean from students "problems/issues" that he can provide treatment/solutions for.
- His preference is to speak to an auditorium filled with students at each school site. I shared with principals that they have to autonomy to decide which and how many students [redacted] will have access to.
- [redacted] then plans to create a more expansive proposal to span the entire 2022-2023 school year in which he will offer "treatment" to the root-causes he found during his visits to schools.

- The cost breakdown attached to contract 2022-0808 states that the $7,500.00 fee is inclusive of a $128.00 per week transportation reimbursement. Per Section 3 of the contract, the "Consultant is not entitled to be reimbursed for its expenses for travel (coach fare), transportation, lodging, or food related to and required for Consultant to provide the services."

Taken together, the deficiencies noted in this disbursement, including the absence of required service dates, the inability to substantiate the number and duration of visits billed, inconsistencies between the contractual cost basis and the actual services described, and the inclusion of transportation costs expressly prohibited by the contract, reflect a breakdown in adherence to contractual terms and invoice review controls. While evidence of fraudulent intent was not identified, the payment of public funds without sufficient support that services were rendered as contracted is consistent with the ACFE definition of abuse, which encompasses the misuse of organizational resources and the circumvention of established policies and controls for purposes other than those intended. In this instance, MSCS funds were disbursed based on unsupported and

internally inconsistent billing representations, resulting in transfers of value that were not demonstrably aligned with the contract's stated scope, pricing structure, or reimbursement provisions.

Contract 2023-0392, $24,999.84

The details of contract 2023-0392, per the agreement and scope of work are as follows:

Scope: Consultant will provide the TISe© After-School Program non-academic interventions by focusing on reversing the ravages of low self-esteem in the lives of students who would best benefit for this type of assistance.

Compensation: The cost detail was attached to the contract as shown in Figure 32.

Figure 32: Cost Detail

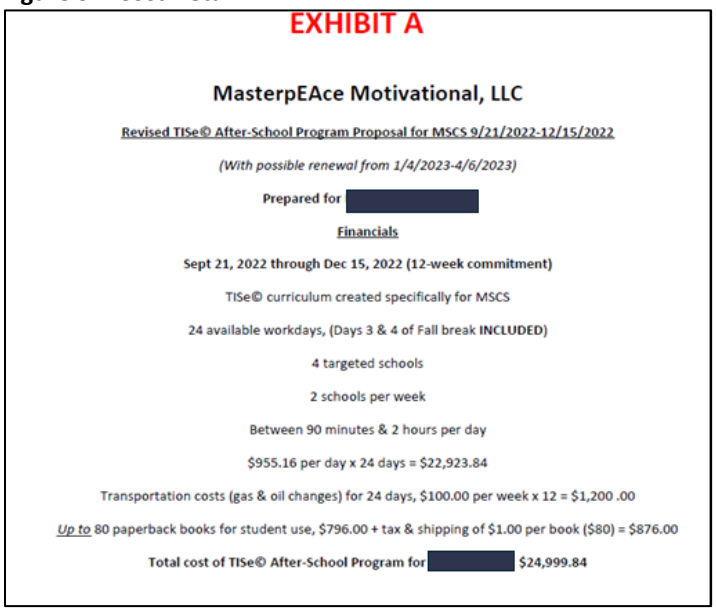


EXHIBIT A

MasterpEAce Motivational, LLC

Revised TISe© After-School Program Proposal for MSCS 9/21/2022-12/15/2022

(With possible renewal from 1/4/2023-4/6/2023)

Prepared for [redacted]

Financials

Sept 21, 2022 through Dec 15, 2022 (12-week commitment)

TISe© curriculum created specifically for MSCS

24 available workdays, (Days 3 & 4 of Fall break INCLUDED)

4 targeted schools

2 schools per week

Between 90 minutes & 2 hours per day

$955.16 per day x 24 days = $22,923.84

Transportation costs (gas & oil changes) for 24 days, $100.00 per week x 12 = $1,200 .00

Up to 80 paperback books for student use, $796.00 + tax & shipping of $1.00 per book ($80) = $876.00

Total cost of TISe© After-School Program for [redacted] $24,999.84

CLA identified the disbursements listed in Table 52related to contract 2023-0392:

Table 52: Disbursements Related to Contract 2023-0392

Invoice No.	Tran. Date	Inv. Date	Payments
1-2022	11/18/2022	11/15/2022	$ 16,082.56
2-2022	12/05/2022	11/29/2022	8,041.28
Total			$ 24,123.84

CLA made the following observations on these disbursements:

- The invoices do not include enough information to determine the days worked, whether the charge includes a cost for materials, or the sites visited. Additionally, the contract was not executed until November 7, 2022, but the

first invoice, accounting for 64% of the contract, was dated November 15, 2022.

- The SOW included $1,200 for transportation, which is prohibited by Section 3: Travel and Reimbursable Expenses in the contract.

- MSCS provided additional support upon request as shown in Figure 33; however, this flyer only accounts for 18 days/one hour each. The SOW is for 24 days/1.5-2 hours each. Additionally, the SOW indicates the services will be provided during an after-school program and the below flyer is for a mid-day program for boys only.

Figure 33: Additional Support Provided by MSCS

Collectively, these conditions indicate that the disbursements were made without adequate assurance that services were rendered in accordance with the contract and statement of work. The invoices lacked sufficient detail to verify days worked, sites served, or whether additional costs were embedded in the charges; a substantial portion of the contract value was invoiced almost immediately after execution; transportation costs were included despite being expressly prohibited; and the supporting documentation provided did not reconcile to the scope, duration, timing, or intended population of services described in the SOW. Absent evidence of fraudulent intent, these weaknesses nonetheless reflect a failure to follow contractual requirements and internal review controls, resulting in payments that were not demonstrably supported by contract-compliant performance. As such, the conduct and resulting disbursements are consistent with the ACFE definition of abuse, characterized by the misuse of organizational resources and the circumvention of established policies and safeguards leading to expenditures that did not clearly align with MSCS's contractual expectations or intended programmatic purpose.

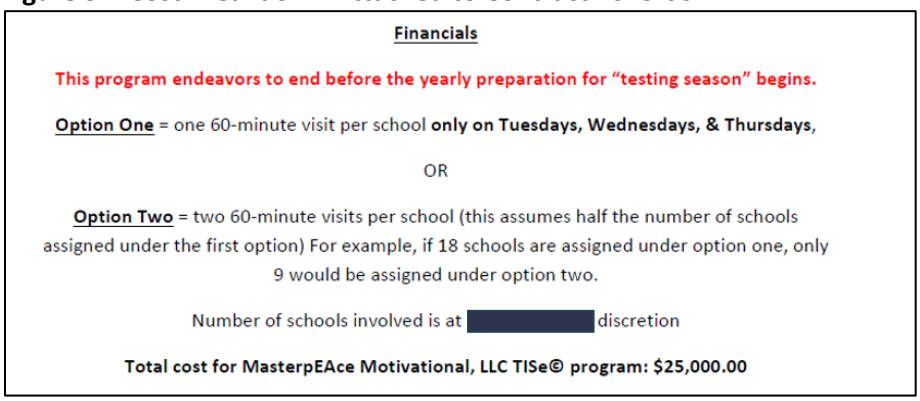
Contract 2023-0671, $25,000.00

The details of contract 2023-0671, per the agreement and scope of work are as follows:

Scope: Consultant will provide the Second Semester TISe© After-School Program nonacademic interventions by focusing on reversing the ravages of low self-esteem in the lives of students who would best benefit for this type of assistance.

Compensation: The cost breakdown was attached to the contract as shown in Figure 34 below.

Figure 34: Cost Breakdown Attached to Contract 2023-0671



Financials

This program endeavors to end before the yearly preparation for "testing season" begins.

Option One = one 60-minute visit per school **only on Tuesdays, Wednesdays, & Thursdays,**

OR

Option Two = two 60-minute visits per school (this assumes half the number of schools assigned under the first option) For example, if 18 schools are assigned under option one, only 9 would be assigned under option two.

Number of schools involved is at [redacted] discretion

Total cost for MasterpEAce Motivational, LLC TISe© program: $25,000.00

CLA identified the two disbursements included in Table 53 relating to contract 2023-0671:

Table 53: Disbursements Related to Contract 2023-0671

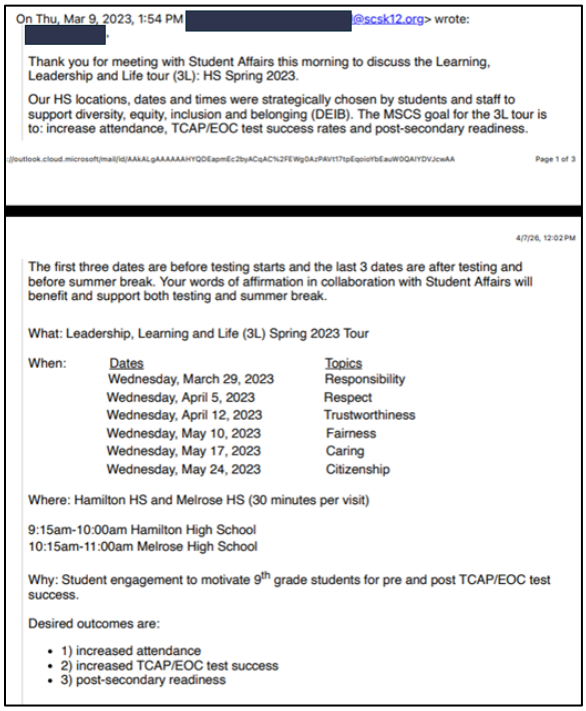
Invoice No.	Tran. Date	Inv. Date	Payments
SVC041223	04/26/2023	04/12/2023	$ 12,500.00

Invoice No.	Tran. Date	Inv. Date	Payments
SVC051523	05/18/2023	05/17/2023	12,500.00
Total			$ 25,000.00

CLA made the following observations on these disbursements:

- MSCS provided the email shown in Figure 35 as additional support for the disbursements. The program described in the email does not match the program described in the SOW and invoices. The scope of work in the contract describes an after-school program and the email indicates that these services are to be offered during the day. The details provided in Exhibit A of the contract give options for visits to 9 or 18 schools for 60 minutes each for a total of 18 hours, and the email indicates that only two schools would be serviced for 30 minutes each for a total of six hours. No support was provided to confirm the visits actually occurred.

Figure 35: Additional Support Provided by MSCS for Disbursements, Contract 2023-0671



On Thu, Mar 9, 2023, 1:54 PM [redacted]@scsk12.org> wrote:
[redacted],

Thank you for meeting with Student Affairs this morning to discuss the Learning, Leadership and Life tour (3L): HS Spring 2023.

Our HS locations, dates and times were strategically chosen by students and staff to support diversity, equity, inclusion and belonging (DEIB). The MSCS goal for the 3L tour is to: increase attendance, TCAP/EOC test success rates and post-secondary readiness.

Page 1 of 3

4/7/26, 12:02 PM

The first three dates are before testing starts and the last 3 dates are after testing and before summer break. Your words of affirmation in collaboration with Student Affairs will benefit and support both testing and summer break.

What: Leadership, Learning and Life (3L) Spring 2023 Tour

When:	Dates	Topics
	Wednesday, March 29, 2023	Responsibility
	Wednesday, April 5, 2023	Respect
	Wednesday, April 12, 2023	Trustworthiness
	Wednesday, May 10, 2023	Fairness
	Wednesday, May 17, 2023	Caring
	Wednesday, May 24, 2023	Citizenship

Where: Hamilton HS and Melrose HS (30 minutes per visit)

9:15am-10:00am Hamilton High School
10:15am-11:00am Melrose High School

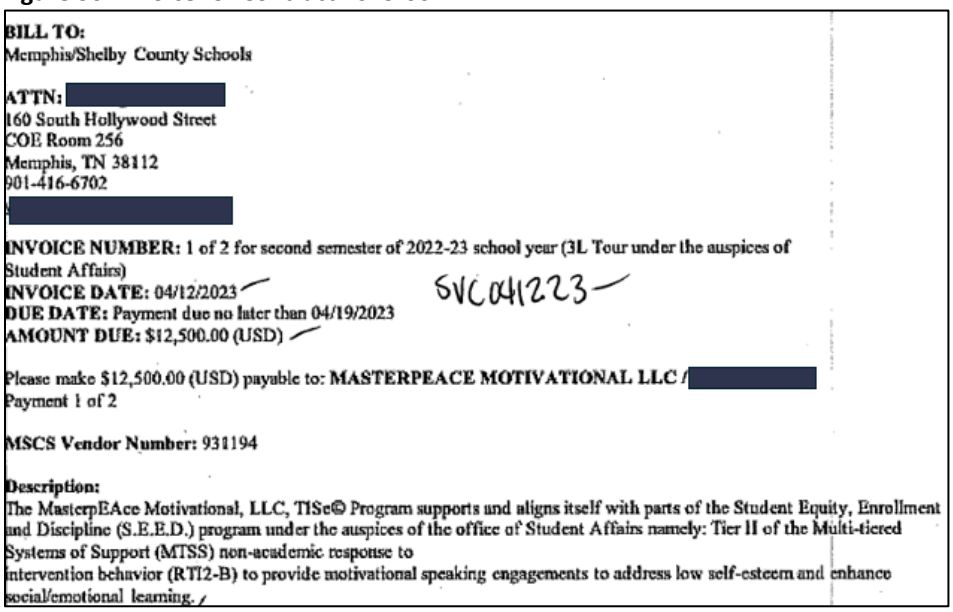
Why: Student engagement to motivate 9th grade students for pre and post TCAP/EOC test success.

Desired outcomes are:

- 1) increased attendance
- 2) increased TCAP/EOC test success
- 3) post-secondary readiness

- The two invoices submitted lacked detailed descriptions of the services provided and did not specify the dates on which those services took place, as required by the contract. Instead, they contained a program description identical to what was presented on invoices for contract 2023-0392. Although both contracts outlined the same scope of work and had similar fee amounts, their cost breakdowns differed regarding the number of days and visits planned. Furthermore, the District's additional support for each contract revealed significant differences in the expected work. Invoices for both 2023 contracts are shown below in Figure 36 and Figure 37.

Figure 36: Invoice for Contract 2023-0671



BILL TO:
Memphis/Shelby County Schools

ATTN: [redacted]
160 South Hollywood Street
COE Room 256
Memphis, TN 38112
901-416-6702
[redacted]

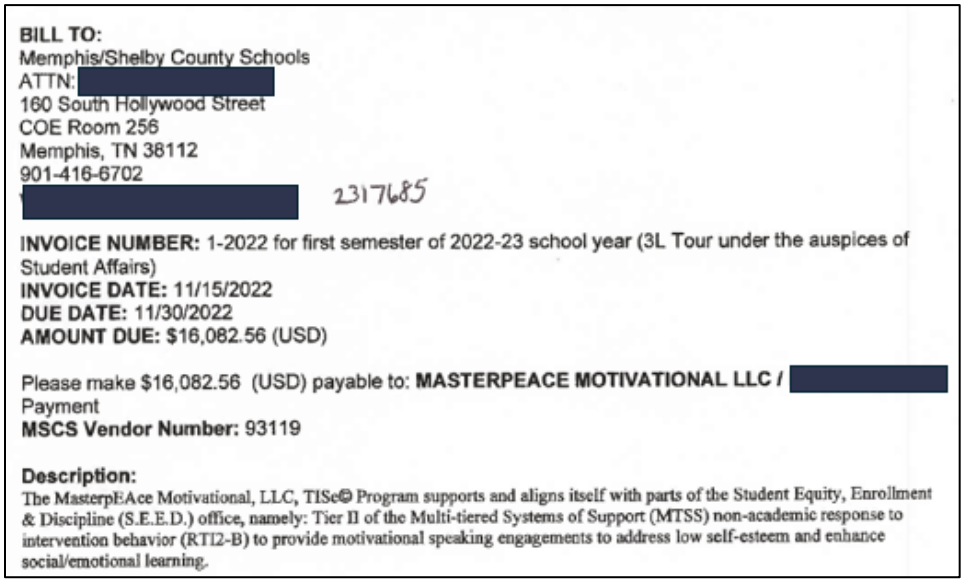
INVOICE NUMBER: 1 of 2 for second semester of 2022-23 school year (3L Tour under the auspices of Student Affairs)
INVOICE DATE: 04/12/2023 SVC041223
DUE DATE: Payment due no later than 04/19/2023
AMOUNT DUE: $12,500.00 (USD)

Please make $12,500.00 (USD) payable to: **MASTERPEACE MOTIVATIONAL LLC /** [redacted]
Payment 1 of 2

MSCS Vendor Number: 931194

Description:
The MasterpEAce Motivational, LLC, TISe© Program supports and aligns itself with parts of the Student Equity, Enrollment and Discipline (S.E.E.D.) program under the auspices of the office of Student Affairs namely: Tier II of the Multi-tiered Systems of Support (MTSS) non-academic response to intervention behavior (RTI2-B) to provide motivational speaking engagements to address low self-esteem and enhance social/emotional learning.

Figure 37: Invoice for Contract 2023-0392



BILL TO:
Memphis/Shelby County Schools
ATTN: [redacted]
160 South Hollywood Street
COE Room 256
Memphis, TN 38112
901-416-6702
[redacted] 2317685

INVOICE NUMBER: 1-2022 for first semester of 2022-23 school year (3L Tour under the auspices of Student Affairs)
INVOICE DATE: 11/15/2022
DUE DATE: 11/30/2022
AMOUNT DUE: $16,082.56 (USD)

Please make $16,082.56 (USD) payable to: **MASTERPEACE MOTIVATIONAL LLC /** [redacted]
Payment
MSCS Vendor Number: 93119

Description:
The MasterpEAce Motivational, LLC, TISe© Program supports and aligns itself with parts of the Student Equity, Enrollment & Discipline (S.E.E.D.) office, namely: Tier II of the Multi-tiered Systems of Support (MTSS) non-academic response to intervention behavior (RTI2-B) to provide motivational speaking engagements to address low self-esteem and enhance social/emotional learning.

- Invoice # SVC051523 is dated May 15, 2023 and was approved by the Chief of Academics on May 16, 2023. The additional support provided by MSCS indicates that two school visits were to occur on dates subsequent to the invoice date. Section 2: Compensation of Contract 2023-0671 states that "under no circumstance should Consultant invoice SCBE for Services not yet completed." The District did not provide any additional support to indicate that all work was completed prior to May 15, 2023, therefore invoice # SVC051523 was approved and paid in violation of the contract.

Based on the foregoing, the disbursements under Contract 2023-0671 exhibit multiple control and compliance deficiencies, including material inconsistencies

between the contracted scope of work and the services described in supporting documentation, insufficient invoice detail to substantiate that contracted services were performed, and approval and payment of an invoice for services not demonstrated to have been completed at the time of billing, contrary to the contract's express terms. Collectively, these conditions indicate that District funds were expended without adequate assurance of benefit received and in violation of established contractual requirements.

Accordingly, the payments totaling $25,000.00 under Contract 2023-0671 are consistent with the ACFE definition of abuse, in that District resources were used in a manner contrary to policy and contractual safeguards, even absent evidence of fraudulent intent. To the extent that services were partial, duplicative, or not substantiated at all, the expenditures may also be indicative of waste, as they reflect inefficient use of funds stemming from weak documentation, oversight, and invoice review practices.

CLA's review of three contracts awarded to Masterpeace Motivational, LLC identified recurring deficiencies in contract execution, invoice documentation, and oversight that undermined the District's ability to substantiate that services were performed in accordance with contractual requirements. Across all three contracts, invoices lacked sufficient detail to verify dates worked, duration and location of services, or alignment with the scope of work; supporting documentation was incomplete, internally inconsistent, or contradicted the contractual terms; and, in certain instances, payments were approved despite clear violations of express contract provisions, including prohibitions on billing for services not yet completed and on reimbursable costs.

Taken collectively, the disbursements totaling $56,623.84 under these three contracts are consistent with the ACFE definition of abuse, in that District resources were misused through the circumvention or breakdown of established contractual safeguards and invoice review controls, even in the absence of evidence of fraudulent intent. The District expended funds without adequate assurance that services were rendered as contracted, that pricing was supported by verifiable performance, or that payments aligned with the timing, scope, and cost structure approved in the agreements.

Further, to the extent that services were unsupported, partial, duplicative, prematurely invoiced, or inefficiently delivered relative to contract expectations, these same disbursements may also be indicative of waste, reflecting the

unnecessary or unreasonable use of public resources resulting from inadequate documentation, monitoring, and enforcement of contract terms.

(1) Vendor: Educational Group 01

CLA tested one contract, listed in Table 54, related to an empowerment consultant:

Table 54: Empowerment Consultant Contract

Contract #	Execution Date	Expiration Date	Amount
2024-0623	03/22/2024	06/30/2024	$ 20,000.00

Scope: Consultant shall, upon request, provide the following services through biweekly in-person and/or virtual sessions; mentor designated ILDs and/or designees in strategic planning; support the Deputy Superintendent in completion of the TEAM Evaluation Process for the 2023-24 FSY.

Compensation: $20,000.00 for biweekly in-person or virtual sessions or touchpoints throughout the scope period.

CLA identified four disbursements related to contract 2024-0623 as listed in Table 55.

Table 55: Contract 2024-0623 Disbursements

Invoice No.	Tran. Date	Inv. Date	Payments
001	04/03/2024	04/01/2024	$ 4,000.00
002	04/22/2024	04/15/2024	4,000.00
003	05/13/2024	05/03/2024	4,000.00
004	06/03/2024	05/24/2024	8,000.00
Total			$ 20,000.00

CLA made the following observations on these disbursements:

- Section 2: Compensation in contract 2024-0623 states that the "Consultant shall submit monthly invoices to MSCS with the following information: (i) a detailed description of the services rendered; and (ii) hours worked on each of the services rendered. Under no circumstance should Consultant invoice MSCS for a Service that is not yet completed." All invoices submitted included an identical high-level description of the scope of work and lacked the dates and hours that services were performed as required by the contract (Figure 38).

Figure 38: Sample of Invoice Description for Contract 2024-0623

DESCRIPTION	AMOUNT
PO No.: 2419407 **Vendor Number: 932820** Professional Services: Strategic Planning Support Deputy Superintendent and designee in developing reports.	$ 4,000
TOTAL	**$4,000**

- Invoice #004 was billed at $8,000.00, yet its description matched that of invoices billed at $4,000.00 (Figure 39). No further documentation or justification was provided to support the increased compensation for the identical invoice description.

Figure 39: Invoice #004 for Contract 2024-0623

DESCRIPTION	AMOUNT
PO No.: 2419407 **Vendor Number: 932820** Professional Services: Strategic Planning Support Deputy Superintendent and designee in developing reports.	$ 8,000
TOTAL	**$8,000**

CLA's review of Contract 2024-0623 with Educational Group 01 identified deficiencies in invoice documentation, pricing consistency, and adherence to contractual billing requirements that limited the District's ability to substantiate that services were rendered in accordance with the agreement. Specifically, all invoices lacked the dates and hours worked required by Section 2 of the contract, relied on identical high-level descriptions that did not demonstrate completion of discrete services, and included an unexplained increase in compensation on the final invoice without corresponding changes in scope, deliverables, or documented justification.

Taken together, the disbursements totaling $20,000.00 under Contract 2024-0623 are consistent with the Association of Certified Fraud Examiners' (ACFE) definition of abuse, in that District funds were expended in a manner inconsistent with contractual safeguards and established invoice review controls, even absent evidence of fraudulent intent. The approval and payment of invoices that did not comply with mandatory billing requirements and the acceptance of increased compensation without support reflect a circumvention of internal controls designed to ensure accountability and value received.

Additionally, to the extent that the unsupported increase in the final invoice and the lack of substantiating detail prevented MSCS from verifying the reasonableness of the compensation relative to services performed, the expenditure may also be indicative of waste, representing the inefficient or unreasonable use of public resources stemming from inadequate documentation, monitoring, and enforcement of contract terms.

Based on the procedures performed and the conditions identified in the five contracts referenced, CLA concluded that the disbursements reviewed in this section are consistent with the ACFE definition of abuse, with certain characteristics also indicative of waste. The primary and controlling conclusion across all sections is abuse, as the conduct involved the misuse of authority and

circumvention or non-enforcement of contractual requirements and internal control safeguards, even in the absence of evidence of fraudulent intent.

Specifically, across the five contracts reviewed, CLA identified systemic weaknesses in contract administration and invoice review, including approval of invoices that lacked required detail, deviations from contractual pricing or scope without documented authorization, premature or unsupported billing, and payments made without sufficient evidence that services were rendered in accordance with contractual terms. These conditions demonstrate failures in enforcing established policies and controls that are intended to protect public resources and ensure accountability.

Accordingly, CLA identified $82,623.84 in disbursements across the five contracts that are consistent with the ACFE definition of abuse, as District funds were expended under circumstances reflecting a breakdown in control, oversight, and adherence to contractual safeguards. To the extent that these control failures also resulted in inefficient or unreasonable use of resources without a demonstrable corresponding benefit, certain disbursements may additionally be indicative of waste; however, this characterization is secondary to and does not supplant the abuse determination reached throughout the report.

Taken together, the observations reflect a pattern of inadequate enforcement of contract terms and invoice documentation requirements, underscoring the need for strengthened monitoring, clearer accountability, and more rigorous review practices to reduce the risk of future misuse of District funds.

Conclusion

Based on the procedures performed, including detailed testing of a risk-based sample of professional services contracts with an aggregate value exceeding $46 million, CLA did not identify evidence of fraud or intentional malfeasance related to professional services contracting. However, the results of this forensic audit identified significant and pervasive deficiencies in the District's contracting, oversight, and payment practices. CLA identified evidence supporting waste or abuse in 19 professional services contracts, representing approximately $782,330.52 and non-compliance with internal policies and procedures in the amount of $4,301,028.97.

Across the population tested, CLA identified recurring weaknesses in contract execution, monitoring of services, invoice review, and adherence to contractual and policy requirements. These deficiencies included, but were not limited to:

- Inadequate documentation to support services billed and paid;
- Invoices lacking required detail such as dates worked, hours or days performed, and descriptions sufficient to substantiate services rendered;
- Payments made in advance of services being completed, contrary to contract terms;

- Inconsistent or nonexistent monitoring of consultant performance and deliverables;
- Contracts executed or amended without proper procurement, budget verification, or encumbrance controls;
- Vendors performing services prior to contract execution or vendor registration; and
- Misclassification of contracts within Contract Advantage, impairing transparency, and oversight.

In several instances, CLA identified conditions consistent with the ACFE guidance describing abuse where public resources were misused or managed imprudently despite the absence of evidence demonstrating fraudulent intent. These conditions included unsupported billing, unrealistic or unverifiable invoicing practices, circumvention of established procurement controls, and the approval of payments that conflicted with contractual requirements.

CLA also observed systemic internal control weaknesses, particularly an inappropriate concentration of authority whereby individual employees were able to select vendors, execute contracts, and approve invoices without independent review. This lack of segregation of duties significantly weakens the control environment and increases the risk of improper payments, conflicts of interest, and undetected non-compliance. As a result, CLA added additional professional services contracts to the testing population.

Taken together, the issues identified, which are listed in Table 56, suggest that the deficiencies observed are not isolated incidents but rather reflect broader structural and governance challenges in the District's management of professional services contracts. Absent corrective action, these weaknesses expose the District to continued financial, compliance, and reputational risk.

Table 56: Summary of Professional Services Contracts for Which Evidence Supporting Waste or Abuse Was Identified

Vendor	Contract #	Determination	Amount Contracted	Amount Disbursed
Principal Mentor 01	2022-0634	Abuse	$ 30,000.00	$ 30,000.00
Principal Mentor 01	2023-0310	Abuse	30,000.00	30,000.00
Principal Mentor 01	2024-0362	Abuse	24,000.00	24,000.00
Security Consultant 01	2022-0308	Abuse	99,000.00	99,000.00
Security Consultant 01	2022-1008	Abuse	99,000.00	99,000.00
EdSpace Consulting	2024-0436	Abuse	35,000.00	14,000.00
GT Security Inc	2021-0990	Abuse	100,000.00	99,821.75
Charter School Consultant 01	2022-0639	Abuse	40,000.00	40,000.00
Charter School Consultant 01	2024-0435	Abuse	60,000.00	60,000.00
MasterPeace Motivational	2022-0808	Abuse	7,500.00	7,500.00
MasterPeace Motivational	2023-0392	Abuse	24,999.84	24,123.84
MasterPeace Motivational	2023-0671	Abuse	25,000.00	25,000.00
Educational Group 01	2024-0623	Abuse	20,000.00	20,000.00
Council of the Great City Schools	2023-0426	Waste	45,000.00	45,000.00

Vendor	Contract #	Determination	Amount Contracted	Amount Disbursed
Forward Consulting	2021-1042	Waste	30,000.00	11,462.00
Forward Consulting	2022-0963	Waste	30,000.00	30,000.00
FBS of Memphis	2023-0247	Waste	61,120.00	56,324.93
Hamilton Strategy & Consulting	2023-0476	Waste	61,120.00	61,098.00
Empowerment Consultant	2023-0159	Waste	30,000.00	6,000.00
			$ 851,739.84	$ 782,330.52

In addition to the instances of waste and abuse identified, the testing of professional services contracts revealed evidence of widespread non-compliance with District policies and procedures, totaling approximately $4.3 million in disbursements across multiple contracts. These observations included contracts executed without proper delegated authority, missing or incomplete procurement documentation (including PAFs and evidence of required Board approval), payments processed without required purchase orders, and invoices lacking sufficient detail to substantiate services performed. In several instances, services commenced prior to contract execution or procurement authorization, and contract requirements governing invoicing and documentation were not enforced. While these matters do not necessarily reflect fraud or intentional misconduct, they represent significant internal control deficiencies and governance weaknesses that impair the District's ability to verify that funds were used in accordance with established policies and contractual terms.

Collectively, these non-compliance conditions demonstrate a systemic failure to consistently enforce procurement controls, maintain complete and accurate documentation, and ensure appropriate oversight of contract execution and payment processes. The absence of these controls increases the risk of unauthorized commitments, unsupported disbursements, and undetected errors, and reduces the District's ability to defend procurement decisions under audit or regulatory scrutiny. Addressing these issues will require strengthening policy enforcement, improving documentation standards, centralizing key procurement controls, and reinforcing accountability across all stages of the contracting lifecycle.

Table 57: Summary of Professional Services Contracts for Which Potential Non-Compliance to Internal Policies and/or Procedures Was Identified

Non-Compliance Observations	Amount Disbursed
Contracts lacking supporting documentation of required Board approval attached to purchase orders	$ 1,377,407.50
Contracts for which required Procurement Advisory Forms (PAFs) could not be located	991,418.75
Contracts with invoices lacking required detail to substantiate services performed	969,341.02
Contracts executed without appropriate signatory authority in accordance with delegation memoranda	794,751.70
Contracts where work began prior to contract execution and/or procurement authorization	89,610.00
Contract paid without issuance of a required purchase order	75,000.00
Contract with incorrect/unrelated invoice stored in APECS	3,500.00
Total	$ 4,301,028.97

Recommendations

CLA offers the following recommendations for consideration. In addition to the recommendations below, refer to Recommendation #11.

Recommendation #16 Improve coordination between Procurement and the Contracts team to support complete documentation of procurement decisions.

The District should formally document and disseminate roles and responsibilities for Procurement, Contracts/Legal, and Accounts Payable as they relate to procurement processes. This documentation should specify who is responsible, accountable, consulted, and informed at each stage of the process, including exceptions and escalation paths.

The lack of clarity observed during interviews and testing resulted in gaps where:

- Procurement assumed legal or accounts payable would validate compliance;
- Accounts payable relied on invoice signatures without verifying contractual alignment; and
- Contract advisors were not positioned to enforce compliance once contracts were executed.

A clearly documented responsibility matrix would reduce ambiguity, strengthen accountability, and support consistent application of controls across departments. The District should enhance coordination between Procurement and the Contracts team so that procurement decisions (e.g., RFP/RFQ processes) are formally communicated, documented, and retained within Contract Advantage to support a complete and consistent audit trail.

Recommendation #17 Implement mandatory cross-functional checkpoints.

The District should implement mandatory cross-functional checkpoints for professional services contracts, particularly prior to execution and prior to payment. These checkpoints should require confirmation that:

- Procurement requirements have been satisfied and budget has been verified;
- Contracts are executed and reflect approved terms;

- Vendors are properly registered and eligible for payment; and
- Invoices include sufficient detail and align with contractual deliverables.

Requiring affirmative confirmation at defined points would reduce reliance on informal practices and prevent transactions from progressing when required steps have not been completed.

Recommendation #18 Provide joint training and reinforce shared accountability.

The District should conduct joint training sessions for procurement, contracts/legal, and accounts payable staff focused on the end-to-end procurement process. Training should emphasize how each function's responsibilities intersect and how failures at any point can result in improper payments, compliance violations, or misuse of public resources.

Reinforcing shared accountability across functions would help shift the culture from task-based processing to collective stewardship of District funds.

Recommendation #19 Establish clear accountability for contract oversight after execution and strengthen invoice review and documentation requirements.

The District should establish a comprehensive contract monitoring and invoice review framework for contracts that clearly assigns accountability for oversight from contract execution through completion. This framework should require designation of a contract owner responsible for verifying service delivery, reviewing invoices for compliance with contract terms, and maintaining contemporaneous documentation of monitoring activities. Standardized procedures should be implemented, including required documentation of oversight activities in a centralized system, use of invoice review checklists aligned to contract provisions (e.g., dates of service, level of effort, deliverables, and budget coding), and evidence of review and approval prior to payment (e.g., signatures or system-based approvals in APECS). Additionally, the District should enforce consistent invoice content requirements and establish system-based controls or validation checks to ensure completeness, accuracy, and traceability of expenditures to approved funding sources before payment is processed.

Recommendation #20 Prohibit advance payment absent explicit authorization.

The District should reaffirm and enforce policies prohibiting payment for services prior to completion unless explicitly authorized by contract and supported by appropriate safeguards. Any exceptions should require documented justification and higher-level approval.

Recommendation #21 Improve segregation of duties.

The District should evaluate and redesign its internal controls to promote appropriate segregation of duties across vendor selection, contract execution, invoice approval, and payment processing. No single individual should have authority over all phases of a professional services transaction.

Recommendation #22 Enforce procurement and vendor registration requirements.

The District should implement and enforce comprehensive controls to ensure that all vendors comply with required procurement, registration, and safety requirements prior to commencing work or accessing District facilities. This includes requiring vendors to complete registration, fingerprinting, and background checks, with clearance verified through a centralized system before approval. Additionally, the District should reinforce adherence to established procurement processes such as requisitions, budget verification, and purchase orders where applicable and prohibit vendors from beginning services until all requirements are fully completed and documented. Ongoing monitoring procedures should be established to ensure continued compliance, and any circumvention of procurement, registration, or safety controls should be addressed through corrective and disciplinary actions.

Recommendation #23 Enhance contract classification and system integrity.

The District should conduct a comprehensive review of professional services contract classifications within Contract Advantage and correct inaccuracies. Controls should be implemented to increase the likelihood that the contract type is reviewed and validated at intake, as misclassification undermines reporting, compliance monitoring, and Board oversight.

Recommendation #24 Consolidate and document the professional services contract lifecycle.

The District should develop a consolidated, end-to-end professional services contracting procedure that integrates procurement, legal, contract administration, and accounts payable requirements. A single, documented workflow would reduce reliance on informal practices and institutional knowledge and promote consistent compliance across departments.

Recommendation #25 Implement pre-execution controls within APECS and contract systems.

The District should configure system-based controls within APECS and Contract Advantage to prevent processing of contracts, invoices, or payments unless required prerequisites are completed (e.g., executed contract, vendor registration, approved requisition/PO where applicable). Hard-stop controls would reduce the ability to bypass procurement and contract approval requirements.

Recommendation #26 Require contract execution date validation controls.

The District should require verification that contracts are fully executed prior to the commencement of services. This may include system validation of execution dates and controls to prevent invoice processing for services performed prior to contract execution unless formally approved and documented as an exception.

Recommendation #27 Establish standardized invoice review checklists.

The District should implement a standardized invoice review checklist aligned with contract provisions, requiring verification of key elements such as dates of service, level of effort, deliverables, and alignment with contract terms. Completion of the checklist should be documented prior to payment approval.

Recommendation #28 Strengthen controls over contract amendments and scope changes.

The District should require that all contracts, renewals, extensions, and scope changes are formally procured, approved, and fully executed prior to the commencement or continuation of services and before any related payments are processed. The District should ensure renewal provisions are clearly incorporated into executed contracts; require verification of an active, appropriately approved contract and purchase order prior to processing transactions; and

implement a formal contract tracking process with expiration monitoring to prevent lapses in authorization.

In accordance with Board Policy 2006, all contracts requiring Board approval should be presented and approved in advance of their effective dates. Additionally, contract terms including scope, pricing, start and end dates, and payment methodology, should be clearly defined at execution, and any modifications including changes to scope, deliverables, or pricing, should be formalized through written amendments approved by individuals with delegated authority and, where required, the Board. These actions will promote consistent compliance with procurement requirements, reduce reliance on informal practices, and ensure all contractual activities are properly authorized, documented, and monitored.

Recommendation #29 Formalize and strengthen exception and non-compliance review processes.

The District should formalize a comprehensive exception review process for transactions that do not comply with established procurement and contract management requirements (e.g., services performed prior to contract execution, unsupported or insufficiently detailed invoices, or payments processed outside standard controls). This process should require clear documentation of the circumstances, supervisory review, and appropriate approval prior to payment.

While the District has established an Out-of-Compliance letter process intended to address instances where purchases are made without an approved purchase order, this process is limited in scope and does not address the broader range of non-compliance identified during testing. Additionally, as noted elsewhere in this report, the Out-of-Compliance process was not consistently applied in practice.

Accordingly, the District should expand and standardize its non-compliance framework to capture all types of procurement and contracting exceptions. This should include centralized tracking of exceptions, documentation of root causes, and periodic monitoring to identify trends and implement corrective actions. Strengthening this process will improve accountability, reinforce adherence to policies, and reduce the likelihood of recurring control failures.

Recommendation #30 Require documented basis for professional services vendor selection.

Although competitive bidding is not required for professional services, the District should require documentation supporting the basis for vendor selection using datapoints such as qualifications, experience, reasonableness of pricing, to demonstrate that procurement decisions were made in the District's best interest.

ii. Contracts and Solicitations – Non-Professional Services

The testing of non-professional services contracts revealed widespread non-compliance with District policies and procedures, totaling approximately $13.2 million in non-professional services contracts as summarized in Table 58. While these matters do not necessarily reflect fraud or intentional misconduct, they represent significant internal control deficiencies and governance weaknesses that impair the District's ability to verify that funds were used in accordance with established policies and contractual terms.

Table 58: Summary of Non-Professional Services Contracts for Which Potential Non-Compliance with Internal Policies and/or Procedures Was Identified

Non-Compliance Observations	Amount Disbursed
Contracts for which required Procurement Advisory Forms (PAFs) could not be located	$ 12,738,808.80
Contracts lacking supporting documentation of required bids	319,391.17
Contracts lacking supporting documentation of Board approval	47,955.88
Contracts lacking supporting documentation of required quotes	93,545.10
Contracts where work began prior to contract execution and/or procurement authorization	16,350
Contract where work was not awarded to the lowest quote	13,900
Contracts for which required Procurement Advisory Forms (PAFs) could not be located and lacking documentation of required quotes	5,000
Total	$ 13,234,950.95

Area of Analysis

Assess compliance, oversight, and potential conflicts of interest as it pertains to non-professional services contracts and related disbursements.

Applicable Policies/Procedures and Best Practices

CLA reviewed all available District policies and procedures, applicable federal guidance, and supplemented this review with interviews of procurement, contracts, legal, and accounts payable personnel in order to gain an understanding of the District's practices and controls related to procurement, contracts, and vendor management.

Unlike professional services contracts, non-professional services contracts are subject to competitive bidding requirements when the total value of a purchase or contract exceeds $25,000.00, regardless of funding source or whether the purchase is made

by a school or a central department.[71] Board approval of a contract is required when the non-professional services contract is for $100,000.00 or more.

No single policy documents the full lifecycle of a non-professional services contract, requiring the process to be reconstructed across Purchasing Authority, Contract Requirements, Procurement guidance, and Accounts Payable procedures. Based on a thorough examination of relevant policies and procedures, as well as information gathered during interviews, CLA has developed an understanding of the process at a high level as outlined below:

1. *Request Initiation*

   The process begins when a department identifies a need for a non-professional services contract and submits a requisition via APECS. The procurement team issues a Procurement Advisory Form, (PAF), approved by the director of procurement, and sends it to the requestor. The PAF will indicate whether competitive bidding and/or Board approval is necessary before a contract request is submitted.

2. *Competitive Bidding*

   Once a purchase reaches the formal solicitation threshold, procurement collaborates closely with the requesting department to develop a clear scope of work or specifications, while procurement facilitates the process and ensures the requirements are non-restrictive and compliant with policy and Tennessee Code Annotated.

   Solicitations are publicly advertised for the required period, typically at least ten days for Invitations to Bid, and are posted on the District's procurement website, distributed to vendor lists, and published in local newspapers; for RFPs and IFBs, pre-proposal or pre-bid meetings may be held to clarify requirements. Responses are evaluated by a cross-functional committee of internal stakeholders and subject matter experts, whose members must execute confidentiality and conflict-of-interest certifications; committees use standardized scoring rubrics tied to the scope of work, with pricing typically weighted at a smaller percentage to emphasize overall value.

   Procurement documents the solicitation, scoring, and communications in centralized electronic drives and retains hard copies in accordance with record-retention requirements. Based on the evaluation results, procurement prepares an award recommendation, generally to the lowest responsive and responsible bidder or the highest-scoring proposer, and, when required by dollar

[71] In addition to professional services contracts, contracts that are designated as sole source, single source, emergency, and those that are purchased under a cooperative purchasing agreement are not subject to competitive bidding.

thresholds, submits the recommended award for Board approval with supporting documentation.

3. *Contract Drafting, Review, and Execution*

   After approval, the contract is routed through Legal for drafting and execution, signatures are obtained via DocuSign or wet signature as applicable, and a purchase order is issued in the financial system before work begins.

   The requestor must submit the PAF and supporting documentation to Contract Request, starting the contract process with the Office of the General Counsel. CLA interviews revealed that the requestor self-classifies the contract as professional or non-professional in the Contract Request portal; this classification is not checked by procurement or legal at intake and is corrected later if a contract advisor finds it inaccurate.

   The legal department/contract administration oversees contract drafting, review, and execution. Each request is assigned to a contract advisor who drafts or reviews agreements using District-approved templates, negotiates terms with vendors, and consults internal stakeholders as needed. After finalizing terms, contracts are signed via DocuSign and stored electronically in Contract Advantage, the District's official contract repository.

   Finally, award information is publicly posted as required, procurement files are archived, and responsibility for ongoing contract administration and invoice approval transitions to the appropriate department and Accounts Payable, ensuring transparency, compliance, and auditability throughout the process.

4. *Goods/Service Delivery and Oversight*

   The contract monitor is accountable for monitoring vendor performance, ensuring that services are delivered as specified in the contract, and authorizing invoices to confirm that these services have been rendered. Procurement and legal are not responsible for monitoring performance after contract execution.

5. *Invoice Review and Payment*

   Accounts payable matches vendor invoices to purchase orders and contracts, verifies receipt of goods or completion of services, and checks approval signatures against dollar thresholds. Accounts payable relies on departmental certification for contracted work and does not independently verify compliance with deliverables.

   In addition to the policies and procedures set by MSCS, the contracts often contained additional clauses addressing invoicing, payment, and the provision of services. While it was not a requirement for an MSCS-drafted contract to be used, many of the contracts reviewed by CLA were drafted by MSCS. Contracts drafted by MSCS generally included provisions such as prohibiting vendor payments prior

to the receipt of goods or services, restricting the assignment of contractual obligations without prior written consent from MSCS, and specifying payment terms.

Analysis and Sample Selection

The District supplied CLA with a comprehensive list of all contracts executed during the scope period, including their associated dollar values. The District's report also identified each contract by "contract type." CLA subsequently segregated all contracts classified as non-professional services contracts to determine the overall population. Upon analyzing this population, CLA employed a risk-based methodology to select a sample of contracts for testing, prioritizing relevant allegations and specific areas of concern, including the following:

1) Relevant allegations identified on the scope of work
2) Anonymous allegation submissions to MSCS Internal Audit via Lighthouse
3) Allegations identified through interviews and research
4) Contracts valued at an amount close to but below approval thresholds

Additional contracts were randomly selected to create a sample size of at least 10% of the total non-professional services contract population.

The results of that analysis yielded 166 contracts to be tested in detail as listed in Table 59. CLA retrieved or requested available supporting documentation for each contract. The District granted CLA access to their contract management system, Contract Advantage; their business information and accounting system, APECS; and their internal procurement drive. To the extent documentation for a contract was limited, or CLA wanted additional context, CLA searched the email files for communication surrounding a contract/contractor. For instances where the required supporting documentation was not readily available to CLA, CLA made requests and inquiries to the District; however, the District did not provide a response to those requests at the time of drafting this report.

Table 59: Non-Professional Services Testing Population

Selection	Total Contracts Tested	Total Contract Value
Initial selection	166	$ 413,993,184.25

Results of Analysis and Testing

A risk-based sample of 166 non-professional services contracts was selected for detailed testing. The observations revealed several process deficiencies, such as incomplete or missing supporting documentation. Following comprehensive analysis and detailed transaction testing, CLA did not identify any indications of malfeasance or evidence of fraud.

The results of this testing and observations are as follows:

Observation #50 11 samples totaling $93,545.10 were within the dollar threshold requiring three quotes; however, the quotes could not be located in either Contract Advantage or APECS, the District's designated systems of record for procurement documentation.

Observation #51 Four samples totaling $319,391.17 in disbursements were above the dollar threshold requiring competitive bidding; however, no evidence of competitive bidding could be located in either Contract Advantage or APECS, the District's designated systems of record for procurement documentation.

Observation #52 CLA observed evidence of vendors performing services prior to contract execution, as detailed below:

a) Contract 2022-0310 with Design 31, LLC included an invoice for $8,750.00 dated August 23, 2021 in the supporting documentation within APECS; however, the associated PAF was not signed until September 29, 2021.

b) Contract 2022-0211 with Rhodes Lauck & Associates, Inc. included an invoice for $1,200.00 dated August 23, 2021 in the supporting documentation within APECS; however, the associated PAF was not signed until August 24, 2021.

c) Contract 2022-0307 with Rhodes Lauck & Associates, Inc. included an invoice for $1,200.00 dated August 23, 2021 in the supporting documentation within APECS; however, the associated PAF was not signed until September 18, 2021.

d) Contract 2022-0658 with Lamar Advertising of Memphis. included an invoice for $2,200.00 dated December 13, 2021 in the supporting documentation within APECS; however, the associated PAF was not signed until February 25, 2022.

e) Contract 2023-0957 with Ed Murphey Classic included an invoice for $3,000.00 dated April 5, 2023 in the supporting documentation within APECS; however, the associated Procurement Advisory Form was not signed until April 26, 2023.

Observation #53 CLA observed evidence of contracts being awarded to the vendor who did not submit the lowest quote, as detailed below:

a) Contract 2022-0456 with LiveSchool, Inc. was awarded based on its quote of $3,950.00; however, a lower quote of $2,339.75 was submitted by another vendor.

b) Contract 2022-0596 with Perpetual Motion, LLC was awarded based on its quote of $9,950.00; however, a lower quote of $9,375.00 was submitted by Churchill.

Observation #54 CLA identified six non-professional services contracts totaling $12,738,808.80 in disbursements for which the required PAF could not be located in either Contract Advantage or APECS, the District's designated systems of record for procurement documentation.

Observation #55 CLA identified one non-professional services contract totaling $47,955.88 in disbursements for which evidence of required Board approval was not attached to the associated purchase orders. As a result, it was unclear what documentation was reviewed or relied upon at the time the POs were created and approved.

Observation #56 CLA identified one non-professional services contract totaling $5,000.00 in disbursements for which the required PAF or evidence of three quotes could not be located in either Contract Advantage or APECS.

Conclusion

Based on the work performed, including the testing of a risk-based sample of non-professional services contracts with an aggregate value exceeding $413 million, CLA did not identify evidence of fraud or intentional malfeasance. However, the results indicate significant and pervasive weaknesses in the District's contracting related to non-professional services.

Across the population tested, CLA identified recurring deficiencies in contract execution and adherence to contractual and policy requirements. These deficiencies included, but were not limited to:

- Missing documentation to support competitive bidding process;
- Vendors performing services prior to contract execution or vendor registration; and
- Contracts awarded to vendors that were not the lowest bidder.

Taken together, the issues identified suggest that the deficiencies observed are not isolated incidents but rather reflect broader structural and governance challenges in the District's management of non-professional services contracts. Absent corrective action, these weaknesses expose the District to continued financial, compliance, and reputational risk.

The testing of non-professional services contracts revealed widespread non-compliance with District policies and procedures, totaling approximately $13.2 million in non-professional services contracts as summarized in Table 60. While these matters do not necessarily reflect fraud or intentional misconduct, they represent significant internal control deficiencies and governance weaknesses that impair the

District's ability to verify that funds were used in accordance with established policies and contractual terms.

Table 60: Summary of Non-Professional Services Contracts for Which Potential Non-Compliance to Internal Policies and/or Procedures Was Identified

Non-Compliance Observations	Amount Disbursed
Contracts for which required Procurement Advisory Forms (PAFs) could not be located	$ 12,738,808.80
Contracts lacking supporting documentation of required bids	319,391.17
Contracts lacking supporting documentation of Board approval	47,955.88
Contracts lacking supporting documentation of required quotes	93,545.10
Contracts where work began prior to contract execution and/or procurement authorization	16,350
Contract where work was not awarded to the lowest quote	13,900
Contracts for which required Procurement Advisory Forms (PAFs) could not be located and lacking documentation of required quotes	5,000
Total	$ 13,234,950.95

Recommendations

For recommendations relevant to this section, please refer to Recommendation #11 and Recommendation #61.

iii. Contracts and Solicitations – Low Dollar Contracts

Area of Analysis

Assess compliance, oversight, and potential conflicts of interest as it pertains to low-dollar contracts and related disbursements. For purposes of this analysis, procurement compliance requirements were evaluated based on the applicable threshold in effect at the time of each transaction, specifically the $500.00 threshold prior to November 28, 2023 and the revised $3,500.00 threshold thereafter.

Applicable Policies/Procedures and Best Practices

CLA reviewed all available District policies and procedures, applicable federal guidance, and supplemented this review with interviews of procurement, contracts, legal, and accounts payable personnel in order to gain an understanding of the District's practices and controls related to procurement, contracts, and vendor management.

MSCS procurement guidance distinguishes between purchases that require a requisition and PO and a limited category of low-dollar transactions that may be processed as "invoice purchasing," meaning the District allows the transaction to proceed without a requisition or PO solely because the total dollar amount falls below a defined threshold.[72] Prior to the November 2023 policy change, Board policy *2006: Purchasing Authority*, incorporated into *the Procurement Services Reference Manual*, allowed individual purchases of $500.00 or less to proceed without a PO and were

[72] All purchases utilizing federal funds, regardless of cost, must be submitted via a requisition.

therefore treated as non-PO expenditures, with invoices routed directly to accounts payable. Following the policy change, this low-dollar "invoice purchasing" threshold increased to $3,500.00 or less, and purchases within this range likewise do not require a PO; invoices are sent directly to accounts payable for processing.

No single policy documents the full lifecycle of the low-dollar contract, requiring the process to be reconstructed across Purchasing Authority, Contract Requirements, Procurement guidance, and Accounts Payable procedures. Through review of relevant policies and procedures and through information obtained in interviews, CLA understands the process to be the following:

1. *Contract Initiation and Approval*

   When a contract is used on low-dollar transactions, departments must initiate a contract request and route it for review and approval in accordance with *Policy 2012* and related general counsel procedures. Contracts must be reviewed for legal sufficiency and executed by authorized signatories prior to the commencement of services. Per the *Procurement Services Reference Manual*, all contract requests are submitted to general counsel through Contract Request, and must include a PAF, indicating the action required to process a requisition. Per the manual, "The PAF is evidence to General Counsel that the requisition (budget) has been approved and the item in the contract request has been viewed/approved by Procurement."

2. *Management Review and Approval*

   Low-dollar transactions are initiated directly by schools or departments through purchases made with vendors without the need to create a requisition or purchase order in APECS. Invoices for these transactions are sent directly to accounts payable. This practice is authorized under *Policy 2006: Purchasing Authority*, which allows invoice-based purchasing below the established dollar thresholds.

   Before payment can be processed, the invoice must be reviewed and approved by the budget center manager and the next higher level of management, certifying that the expense is valid, allowable, and properly charged. This approval requirement is explicitly stated in *Policy 2006: Purchasing Authority* and reinforced in *the Accounts Payable Policies and Procedures Manual* for non-purchase-order expenditures. These approvals serve as the primary internal control in lieu of a purchase order and receiving match.

3. *Invoice Submission*

   The *Accounts Payable Standard Operating Procedures Manual* requires a completed PAF to be submitted alongside any invoices for transactions falling below the $500.00/$3,500.00 threshold. Each Payment Request Form was reviewed to determine whether it contained (1) signature approvals, (2)

appropriate support documentation, (3) correct budgetary coding, and (4) District authorized dollar amounts prior to being processed for payment.

4. *Receipt of Goods and Services*

   District policy and accounts payable procedures generally prohibit payment prior to the receipt of goods or completion of services. *Policy 2006: Purchasing Authority* and the *Accounts Payable Policies and Procedures Manual* establish that vendor payments are to be made only after verification that goods have been received or services have been performed, as evidenced through receiving documentation, management approval, or other required support.

5. *Conflicts of Interest*

   Board policy *4003: Conflict of Interest* establishes standards so that key employees and senior management conduct all professional activities with integrity and avoid actual or perceived conflicts between personal interests and the interests of the school system.

   The policy prohibits employees from holding financial or material interests in entities doing business with the District, misusing confidential information, accepting inappropriate gifts or favors, or engaging in activities that could improperly influence procurement decisions, personnel actions, or student outcomes. The conflict-of-interest policy imposes requirements on vendors and contractors, including a mandate that all MSCS procurement documents contain a clause reserving the District's right to review vendor, supplier, or contractor records to determine whether a conflict of interest

   In addition to the policies and procedures set by MSCS, the contracts often contained additional clauses addressing invoicing, payment, and the provision of services or goods. While it was not a requirement for an MSCS-drafted contract to be used, many of the contracts reviewed by CLA were drafted by MSCS. Contracts drafted by MSCS generally included provisions such as prohibiting vendor payments prior to the receipt of goods or services, restricting the assignment of contractual obligations without prior written consent from MSCS, and specifying payment terms.

<u>Analysis and Sample Selection</u>

CLA used a risk-based approach to select this sample of contracts for testing focusing on relevant allegations and areas of concern, including the following:

1) Relevant allegations identified on the scope of work;
2) Anonymous allegation submissions to MSCS Internal Audit via Lighthouse;
3) Allegations identified through interviews and research; and
4) Contracts valued at an amount close to but below approval thresholds

Additional contracts were randomly selected to create a sample size of 10% of the total low-dollar contract population.

The results of that initial analysis yielded 36 contracts to be tested in detail, with additional samples to be selected subsequent to this draft report. CLA retrieved or requested supporting documentation for each contract. The District granted CLA access to their contract management system, Contract Advantage; their business information and accounting system, APECS; and their internal procurement drive. To the extent documentation for a contract was limited, or CLA wanted additional context, CLA searched the email files for communication surrounding a contract/contractor.

CLA observed that during the period surrounding the policy change, there was uncertainty and inconsistency in the application of the updated policy. Of the 36 samples selected, 22 fell outside the defined testing scope based on the contract request origination date and dollar thresholds. Additionally, CLA was not provided with documentation identifying the exact effective date of the policy change by the District; this information was instead identified post-testing through email review procedures. As a result, the observations derived from this testing are presented qualitatively and have not been quantified.

Results of Analysis and Testing

The objective of this testing was to assess compliance with applicable procurement, contract management, and accounts payable requirements, with a focus on contract execution, supporting documentation, approval processes, and adherence to established policies. The sample was selected using a combination of risk-based and random sampling methodologies to achieve appropriate coverage of the population, and testing was performed against defined criteria to identify potential control gaps and areas of non-compliance.

The results of the procedures performed indicate varying levels of compliance with established procurement, contract management, and accounts payable requirements across the contracts tested. While no instances of fraud, waste, or abuse were identified, the testing revealed recurring inconsistencies in documentation, approval processes, and adherence to required controls. These results highlight gaps in the application of key policies and supporting procedures, particularly in areas such as conflict-of-interest safeguards, sole source justification, and invoice processing, which collectively limit assurance over full compliance with District requirements.

Observation #57 CLA observed inconsistent use and documentation of the payment request forms.

CLA identified that Payment Request Forms were not maintained for several samples where they would typically be expected based on the dollar threshold of the transaction However, in these instances, the District instead processed the transactions through the PO process.

The Procurement Services Manual permits purchases below established thresholds (under $3,500.00 for samples initiated after December 1, 2023 and under $500.00 samples initiated prior to December 1, 2023) to be processed without a purchase order, with payment supported by invoices and appropriate approval documentation. For these lower-dollar transactions, a Payment Request Form or equivalent documentation is generally used to evidence approval and support the payment process.

While the absence of Payment Request Forms represents a deviation from the typical documentation approach for lower-dollar purchases, the use of the PO process reflects adherence to a more stringent control framework. The PO process requires requisition entry, budget verification, and formal approvals prior to issuance, providing a higher level of oversight than is required for transactions below the threshold. As such, although documentation was not aligned with the expected process for lower-dollar transactions, the procedures performed were more robust than required under District policy.

Observation #58 CLA identified multiple instances where invoices did not contain evidence of formal approval, observing several invoices that lacked any approval signatures or other clear indication of review prior to payment.

The Procurement Services Manual requires that invoices be supported by appropriate approval to demonstrate that goods or services were received, reviewed, and authorized for payment. For transactions not processed through a PO, the manual specifically states that invoices must be approved by the budget center manager and the appropriate level of management prior to processing for payment. In addition, the broader procurement framework emphasizes that all expenditures must be properly authorized and supported by documentation evidencing review and approval.

The absence of approval signatures and consistent evidence of invoice review limits the District's ability to demonstrate that payments were properly authorized and aligned with approved procurement actions. This condition represents a breakdown in invoice processing controls and reduces accountability over disbursements, increasing the risk of unauthorized or unsupported payments.

Observation #59 CLA identified that nine invoices included budget codes, while the remaining invoices reviewed did not contain this information. The inconsistent inclusion of budget codes across invoices limits the ability to consistently trace expenditures to approved funding sources and budget allocations.

The Procurement Services Manual emphasizes that purchases must be supported by approved requisitions and verified funding prior to procurement, and that documentation should support the authorization and accountability of expenditures. Budget verification and linkage to funding sources are integral components of this control framework, as requisitions and related documentation are intended to provide evidence that expenditures are aligned with approved budgets.

The absence of budget codes on a majority of invoices reduces transparency and weakens the audit trail between invoices, approved requisitions, and funding sources. Although some invoices reflected appropriate coding, the inconsistent application of this information indicates gaps in documentation practices and limits assurance that expenditures can be readily traced and validated against approved budgets.

Observation #60 CLA identified several instances where purchases charged to Fund 12 (federal funds and grants) were processed using blanket POs, which are defined as POs established to facilitate repeated purchases from a single vendor over a defined period without specifying individual transactions in advance.

The Procurement Services Manual states that Fund 12 purchases are subject to federal regulations and must adhere to more restrictive requirements where applicable. Federal procurement standards emphasize transparency, specificity, and proper documentation of goods and services procured. Additionally, the manual indicates that blanket purchase orders are generally used for repetitive purchases from a single vendor; however, such mechanisms are not appropriate where federal funding requirements necessitate clear identification of goods or services and associated costs.

The use of blanket POs for Fund 12 transactions limits visibility into the specific nature, timing, and purpose of expenditures and may not meet federal documentation and accountability standards. As a result, this practice increases the risk of non-compliance with federal procurement requirements and reduces the District's ability to demonstrate proper stewardship of grant-funded resources.

Conclusion

Based on the procedures performed, no evidence of fraud, waste, or abuse was identified within the sample of low-dollar contracts tested. However, overall compliance with District procurement, contract management, and accounts payable requirements was inconsistent. The testing identified recurring documentation gaps and control weaknesses across several areas, including contract execution,

procurement documentation, invoice processing, and adherence to funding-specific requirements.

While certain processes, such as the use of purchase orders in place of lower-threshold payment methods, reflect the application of more stringent controls, these practices were not consistently aligned with prescribed procedures or documentation standards. Additionally, gaps in invoice approvals, inconsistent use of budget coding, lack of sole source justification, and the use of blanket purchase orders for federally-funded transactions limit the District's ability to demonstrate full compliance with internal policies and federal requirements.

Collectively, these issues reduce transparency, weaken auditability, and limit assurance that procurement activities were consistently executed in accordance with established policies and applicable regulations.

Recommendations

CLA offers the following recommendations for consideration. In addition to the recommendations below, refer to Recommendation #11 and Recommendation #19.

Recommendation #31 Standardize invoice content and budget coding practices.

The District should require consistent inclusion of key information on invoices, including budget codes, to strengthen traceability between expenditures and approved funding sources. Consideration should be given to system-based controls or validation checks to prevent processing of invoices lacking required information.

Recommendation #32 Clarify and reinforce requirements for federal funded purchases (Fund 12).

The District should provide targeted guidance and training on procurement requirements specific to federal funding, including restrictions on the use of blanket purchase orders and the need for detailed, transaction-level documentation. Controls should be implemented to prevent the use of blanket POs for Fund 12 transactions when not permitted.

Recommendation #33 Improve policy communication, implementation, and change management.

Given the inconsistencies identified, the District should enhance communication and implementation practices related to procurement policies and procedures. This should include not only periodic training for staff involved in procurement and accounts payable processes, but also

formalized communication protocols when policies are introduced, revised, or clarified.

Specifically, updates to policies should be accompanied by clear, centralized communication that outlines the nature of the change, expectations for compliance, and the effective date of the revised policy. Documentation of policy changes should be readily accessible, and staff should be provided with sufficient guidance to ensure consistent application. Strengthening communication around policy updates will help reduce confusion, improve adherence, and support consistent execution of procurement and financial controls across the District.

iv. Contracts and Solicitations – Special Procurement

Area of Analysis

Assess compliance, oversight, and potential conflicts of interest as it pertains to single, sole, or emergency contracts.

Applicable Policies/Procedures and Best Practices

CLA reviewed all available District policies and procedures, applicable federal guidance, and supplemented this review with interviews of procurement, contracts, legal, and accounts payable personnel in order to gain an understanding of the District's practices and controls related to procurement, contracts, and vendor management.

Documented procedures reviewed included *Policy 2006 - Purchasing Authority* sections 2006.III.D and 2006.IV.B, the *Procurement Services Reference Manual*, *Board Policy 4003: Conflicts of Interest*, and *Policy 2012: Contract Requirements, Approval, and Signatory Authority*. Together, these policies define special procurements, outline the required supporting documentation and justification, and explain how procurement requests must be submitted.

A special procurement occurs when unusual or unique circumstances make full competitive sealed bidding not feasible. These procurements generally fall into three categories Under Policy 2006: sole source, single source, and emergency procurements as follows.

- Sole source procurement applies when only one supplier can provide the required goods or services, making competitive bidding unnecessary. Prior approval by the Instructional Area Superintendent must be documented in a sole source justification form. Past performance alone is not a valid basis for a sole source justification.

- Single source procurement applies when multiple suppliers exist, but a specific vendor must be chosen for a particular reason, such as a service issue, availability, or capacity. Prior approval by the Instructional Area Superintendent must be documented in a single source justification form.

- Emergency procurements occur when an unforeseen situation creates an immediate threat to life, health, safety, or property, or when prompt action is needed to prevent or reduce disruption to the District and school operations. Prior approval must be obtained through emergency purchase approval forms. Furthermore, the District requires POs to authorize vendor purchases and for transactions below the PO threshold, a PAF must be used instead. Emergency purchases approved by the Director of Purchasing or the Superintendent's designee are exempt from this PO requirement. That exemption must be documented, and any such purchase that meets the $100,000 Board approval threshold should be presented to the Board at a regular meeting.

Analysis and Sample Selection

In August 2025, CLA requested a comprehensive list of all single source, sole source, and emergency contracts. Despite ongoing communication, including weekly status meetings and on-site interviews, MSCS advised in December 2025 that the District could not produce the list because these classifications had not been tracked. Thus, the District supplied CLA with a list of all contracts executed during the scope period, including their associated dollar values.

For the forensic audit period, this list yielded 3,075 contracts, including duplicates, with a total contract value of $1,130,049,524.96 for detailed testing as summarized in Table 61 and Table 62.

Table 61: Manual Review of the 3,075 Contracts by Type

Contract Type	Count	Percentage
None/Standard[73]	2,538	82.5%
Sole Source	496	16.1%
Single Source	18	0.6%
Emergency	3	0.1%
Other/Unspecified[74]	20	0.7%
Total	3,075	100.0%

Table 62: Manual Review of the 3,075 Contracts by Status

Contract Status	Count	Percentage
Active	1,259	40.9%

[73] Many of these contracts lacked documentation supporting a sole or single source classification and were therefore classified as "none" rather than as special procurements. This included the many contracts the District identified as sole source in Contract Request, although the documents CLA located did not indicate a special procurement classification.

[74] The procurement method could not be determined from Contract Advantage, APECS, or the emails reviewed.

Contract Status	Count	Percentage
Expired	1,357	44.1%
In Progress	72	2.3%
Purchase Order Only	183	6.0%
In DocuSign	97	3.2%
Cancelled/Abandoned	36	1.2%
Other	71	2.3%
Total	3,075	100.0%

CLA retrieved or requested supporting documentation for each contract and used Contract Advantage to locate contracts and APECS to obtain related records. When required documentation was not readily available, CLA submitted requests and performed follow-up inquiries with the District. Testing focused only on contracts identified as sole source, single source, or emergency procurements. For each special procurement contract, CLA also reviewed emails to identify potential vendor conflicts of interest and to locate supporting documentation, including justification forms, approvals, and any indicators of fraud, waste, or abuse not captured in the systems.

For each contract identified as a special procurement, CLA performed detailed testing, summarized in the high-level outline below.

1. *Justification* - CLA completed detailed testing to determine whether:
    a. The reason for the special procurement (single/sole/emergency) is clearly stated;
    b. An emergency purchase approval form was identified;
    c. A sole/single source justification form was identified;
    d. The justification complies with Policy 2006.III.D and 2006.IV.B and the *Procurement Services Reference Manual;*
    e. The price was fairly established; and
    f. For sole source, a sole source letter was obtained from the vendor.
2. *Contract Initiation and Approval* - CLA completed detailed testing to determine whether:
    a. A completed PAF was documented;
    b. A requisition number was documented;
    c. A purchase order number was identified, when required; and
    d. Proper approval was obtained by the Chief, Director/Superintendent, or the Board.
3. *Conflicts of Interest* - CLA completed detailed testing to determine whether:
    a. A conflict of interest or the appearance of a conflict of interest exists;
    b. A senior management/key employee has direct or indirect financial interest;
    c. There is indication that an employee disclosed information to a vendor;

d. There is evidence that an employee accepted a favor, gift, service, or accommodation as part of this procurement process; and

e. A vendor attempted to influence school board members or key employees.

Results of Analysis and Testing

Based on the procedures performed, CLA identified that procurement methods were not consistently documented within Contract Request and Contract Advantage. In addition, the Contracts Team neither questioned nor documented the procurement method selected by the requestor or the justification for that method. The Contracts team communicated that they had not received formal vendor training on Contract Advantage. Further, in some cases, CLA could not determine the applicable procurement type because supporting documentation was insufficient.

CLA also noted the absence of system integration or reconciliations between Contract Advantage and APECS, a lack of exception reporting and monitoring controls within Contract Advantage, and the failure to integrate the conflict-of-interest process into procurement decision-making. The results of this testing and observations are as follows:

Observation #61 The Contract Request submissions and Contract Advantage intake process has limitations, including inconsistent documentation of procurement methods.

Many Contract Advantage summaries and supporting documents do not indicate the procurement method, even when it is identified in Contract Request. Through inquiries, CLA noted that Contract Request and Contract Advantage are different views of the same system and that the Contracts Team does not work within APECS. Instead, the team relies on the PAFs and other uploaded supporting documentation, making procurement method data dependent on the information entered by the requestor.

Observation #62 The Contracts Team does not independently validate or document procurement method determinations.

Additionally, when a PAF is not uploaded, the procurement method ultimately used becomes difficult to verify because APECS does not track that information.

CLA confirmed that the Contracts Team processes contracts as received and that Procurement separately manages the RFP process. As a result, procurement method determinations may not be consistently supported, documented, or traceable.

Observation #63 CLA confirmed that the Contracts Team has not received formal vendor-provided training on Contract Advantage and that staff originally trained on the system are no longer employed by the District. As a result, there is an increased risk of inconsistent system uses and processing practices.

Observation #64 There is a lack of system integration or reconciliation between Contract Advantage and APECS.

Contract Advantage, managed by Legal/Contracts, and APECS, managed by Procurement/Finance, operate independently and are not connected through an automated data feed or reconciliation process. Based on inquiry, CLA confirmed that the Contracts Team does not access APECS and instead relies on the documents provided. As a result, no one verifies whether the information in Contract Advantage matches APECS.

APECS does not record the procurement method used, such as sole source, single source, emergency, competitive bid, cooperative, or piggyback. Contract Advantage captures this information only when the requestor enters it in Contract Request, but the field is not required and is often left blank. As a result, if the PAF is not uploaded to Contract Advantage, the procurement method cannot be traced across District systems.

Observation #65 There is a lack of exception reporting or monitoring controls in Contract Advantage.

When asked whether exception reporting exists to identify inconsistent contracts, such as those with $0 amounts, missing required fields, or active status despite expiration, District personnel indicated they were unaware of any such reporting. It was also explained that the system can generate reports by contract type, but it does not automatically flag data anomalies or other red-flag conditions.

This gap is significant given the size of the population, 3,075 contracts, and the number of data quality issues identified. These included contracts entered as $0 and never updated, even when fully executed agreements were valued in the millions, such as a $25 million custodial contract recorded at $0.00 in Contract Advantage.[75, 76]

[75] Contracts 2021-0587 and 2021-0589, totaling $25,895,400, had expired statuses and $0 amounts recorded in Contract Advantage.

[76] CLA reviewed 546 contracts reflecting a value of $1.00 or less in Contract Advantage. Of those, 44 contracts contained supporting documentation reflecting stated dollar values that were not carried into the system, including two Mansfield Oil contracts totaling $7,211,819.33 and one First 8 In contract for

Observation #66 The conflict of interest process is not integrated with procurement decision-making.

Testing indicated that when the procurement method could not be determined, conflict of interest questions were largely unanswerable. Accordingly, CLA could not determine whether applicable conflict of interest safeguards had been applied.

Observation #67 CLA noticed a pattern of insufficient documentation, which prevented the determination of the proper procurement method.

For 21 contracts tested, CLA was unable to determine whether the contract represented a special procurement because supporting documentation was insufficient. Specifically, these contracts did not include a PAF in Contract Advantage, contained no information in the Requests field, and did not yield any documentation during email review identifying the procurement method.

Observation #68 Requisition numbers and purchase orders were frequently missing.

CLA identified 315 contracts with no purchase order number and 235 contracts with no requisition number. These omissions weaken the link between contracts recorded in Contract Advantage and the related budget approval and payment activity in APECS.

Observation #69 PAFs contained errors or were missing. These deficiencies impaired the ability to trace contracts between systems:

a) CLA noted 75 PAFs contained an incorrect requisition number;

b) PAFs were missing entirely in 67 instances; and

c) In 24 additional instances, PAFs did not include a requisition number and instead listed "N/A," a budget document reference, or a purchase order number.

Observation #70 There were missing or unexecuted contracts in Contract Advantage.

CLA identified 18 contracts in Contract Advantage that did not include an executed agreement, and two contained no

$6,890,000.00. An additional eight contracts could not be evaluated because no supporting documentation was available in Contract Advantage.

documentation at all. This included at least one contract for which CLA identified no executed agreement, no purchase order, and no related activity in APECS, despite the contract appearing in the system.

Observation #71 CLA identified contract amount mismatches between systems.

For 13 contracts, the requisition amount did not match the contract amount. In addition, APECS contained incorrect contract reference numbers for three contracts. CLA noted a large discrepancy of $1,781,944.00, suggesting a lack of reconciliation between Contract Advantage and APECS.[77]

Observation #72 At least three direct payments, including amounts of $80,280.00 and $1,000,000.00, were made without a related requisition or PO in APECS. In addition, three other contracts had APECS reference numbers that did not match the contract numbers tested, further weakening the audit trail.

Observation #73 Single and sole source contracts were frequently misclassified and lacked required justification.

The Contracts Team classified 496 contracts in Contract Advantage as "Sole" and 18 contacts as "Single," even though these designations were not supported.[78] In addition, required sole source or single source justification forms were not completed for these contracts, contrary to Policy 2006.III.D.

CLA also identified 23 contracts marked as "Sole" or "Single" in Contract Advantage that were procured through an RFP, RFQ, or competitive bid process which shows these contracts were incorrectly identified as sole or single source.

Observation #74 Required vendor support for sole source procurements was missing.

When a sole vendor was used, the District generally did not obtain vendor sole source letters or quotes, even though Policy 2006 requires both to show that the vendor was the only available source and that pricing was fair and reasonable. Of the

[77] Contract 2024-0228 has a recorded amount of $2,167,793 in Contract Advantage but an amount of $3,949,737 recorded in APECS.

[78] In late May 2026, CLA was informed that Contract Request within Contract Advantage identifies the procurement type for each contract. Based on this information, many samples CLA had initially classified as involving no special procurement were identified in Contract Request as sole source. CLA also noted that sole source appeared to be used as a catch-all category for special procurements, indicating that some samples may not meet the criteria for a true sole source designation.

contracts tested, only three instances included a vendor sole source letter.

Observation #75 At least two contracts were classified as "Sole" in Contract Advantage even though emails and descriptions indicated they were emergency procurements; however, no emergency purchase form was completed. CLA also identified vendors, including Raptor Technologies, KQ Communications, and Refined Practices, with similar contracts classified inconsistently across years without documented support for the differing treatment.

Observation #76 Three emergency contracts tested, totaling $464,389.00, lacked the required emergency purchase approval form. In some cases, the circumstances also did not appear to meet the Policy 2006.III.D requirement of an unforeseen danger to life, health, safety, or property.

Observation #77 CLA noted contract irregularities.

Contract 2021-0708 was labeled in Contract Advantage as a sole source contract, but it appeared to have been an emergency procurement. A different vendor had already been awarded a multi-year contract for the same work. In addition, invoices were dated before the contract was executed, the PAF listed a different contract number, and the Board approved the "emergency" contract only after services had already been performed.

Conclusion

Based on the work performed, CLA did not identify evidence of fraud, waste, or abuse. However, the District did not demonstrate consistent compliance with established procurement policies governing special procurements, including sole source, single source, and emergency contracts. Key controls designed to ensure appropriate justification, approval, and documentation of procurement methods were not consistently implemented or maintained.

Specifically, procurement methods were not reliably documented or validated, limiting the District's ability to demonstrate that contracts were appropriately classified and supported in accordance with Policy 2006. In addition, the lack of system integration between Contract Advantage and APECS, combined with the absence of exception reporting and monitoring controls, weakened oversight, and impaired the reliability of procurement data across systems.

Widespread documentation deficiencies further limited traceability across the procurement-to-payment cycle, including missing or inaccurate PAFs, absent requisition and purchase order information, and incomplete or unexecuted contract records. These issues contributed to inconsistencies in contract classification,

including unsupported use of sole and single source designations and a lack of required justification and vendor support documentation. Emergency procurements also frequently lacked appropriate approval forms or did not appear to meet policy-defined criteria. These observations are summarized in Table 63.

Collectively, these conditions reduce transparency, weaken the audit trail, and increase the risk that procurement decisions may not be appropriately justified, approved, or monitored. In addition, the inability to consistently determine procurement methods limited CLA's ability to fully assess compliance and evaluate potential conflicts of interest in certain instances.

Table 63: Summary of Special Procurement Contracts for Which Potential Non-Compliance with Internal Policies and/or Procedures Was Identified

Testing Area	Determination	Description	Amount Disbursed
Contracts	Non-compliance with Internal Policies	Contract amounts and references were inconsistent between Contract Advantage and APECS, indicating a lack of reconciliation.	$1,781,944.00
Contracts	Non-compliance with Internal Policies	Direct payments were made without requisitions or POs, and contract reference numbers did not match.	1,080,280.00
Contracts	Non-compliance with Internal Policies	Emergency contracts were executed without required approval documentation.	464,389.00
Total			$3,326,613.00

Recommendations

CLA offers the following recommendations for consideration. In addition to the recommendations below, refer to Recommendation #16 and Recommendation #18.

Recommendation #34 Require consistent identification of the procurement method across all contracts.

The District should require that the procurement method (e.g., competitive bid, sole source, single source, emergency, cooperative, piggyback) be captured as a mandatory field within Contract Advantage and consistently reflected across all contract records and supporting documentation. Controls should be implemented to prevent submission or approval of contract requests with missing procurement method information.

Recommendation #35 Standardize contract documentation requirements to support procurement classification and auditability.

The District should implement standardized documentation requirements for all contracts to maintain sufficient information is maintained to determine the procurement method. At a minimum, required documentation should

include a completed PAF, procurement method designation, and supporting evidence of the procurement process.

Recommendation #36 Require justification documentation for noncompetitive procurements.

The District should enforce compliance with Policy 2006 by requiring the completion and retention of Single/Sole Source Justification Forms for all applicable procurements. System controls or workflow approvals should be implemented to prevent contract execution without the required justification documentation.

Recommendation #37 Obtain adequate vendor support for sole source procurements.

The District should require vendors to provide appropriate supporting documentation for sole source procurements, including vendor sole source letters and pricing support (e.g., quotes or cost analysis), to demonstrate that the vendor is the only available source and that pricing is fair and reasonable.

Recommendation #38 Strengthen system-level controls by reconciling Contract Advantage and APECS data.

This reconciliation will assist in identifying and resolving discrepancies in contract amounts, requisitions, and purchase orders. This process should include periodic review and documented resolution of differences.

The District should also evaluate opportunities to integrate Contract Advantage and APECS or implement automated data interfaces to ensure consistency of key contract data (e.g., procurement method, contract amount, requisition number, and PO). At a minimum, a formal reconciliation control should be implemented and documented.

Recommendation #39 Reinforce controls over disbursements by requiring complete procurement support for all payments.

The District should prohibit payments without an associated requisition and purchase order, except where explicitly allowed by policy and appropriately documented. Exceptions should be reviewed and approved, with supporting documentation retained.

v. Subcontractors – Validity and Inclusion

Area of Analysis

The area of assessment for this subsection is the validity and appropriateness of the inclusion of subcontractors. Of specific interest was the District's contract with First Student, Inc. (First Student), due to certain allegations made by Certified Defenders of America (CDA) that CDA was improperly listed as a subcontractor on the contract and that the District disbursed $34,779.92 to First Student for services attributed to CDA, which CDA never provided.[79]

Applicable Policies/Procedures and Best Practices

CLA reviewed the District's Office of Economic Opportunity (OEO) policies, procedures, and program guidelines applicable to subcontractor inclusion and Small, Minority, and Women-Owned Business Enterprise (SBE/MWBE) participation, applicable to the forensic audit period. The compliance monitoring system is discussed following the brief excerpts from relevant policies, procedures, and contract clauses listed below.

- Policy 2010 – *Supplier Diversity:*
    - IV. Policy Statement – The Shelby County Board of Education (hereafter referred to as the "Board") recognizes that small businesses and businesses owned by minorities and/or women (hereafter referred to as SBEs/MWBEs), frequently face unique problems that are not encountered by large majority-owned businesses. Therefore, it is the policy of the Board to take necessary affirmative steps, in accordance with 2 CFR 200.321, to assure that equal opportunities are provided for MWBEs to participate in the performance of District contracts financed in whole or in part with federal funds.
- *SBE/MWBE Program Administrative and Procedure Manual*, dated February 29, 2024:
    - 2.3 Goal Setting Committee – Each Goal Setting Committee or series of Goal Setting Committees is to be appointed and chaired by the Diversity Director or designee. The committee establishes SBE/MWBE program goals for recommendation to the School Board (e.g., contract-by-contract subcontracting goals) based upon industry categories, vendor availability, project-specific characteristics, and SBE/MWBE utilization.
    - 2.8 SBE Certification, Small Business Enterprise Directory – The District will create an SBE Directory that lists SBEs categorized by

[79] The District hired First Student, Inc. to provide bus services under contract 2021-0624.

types of firms to facilitate identifying businesses with capabilities relevant to a particular specification. The Program Administrator will continuously update and maintain the directory on the computer and on hard copy.

- 4.2 Program Compliance – Bidders shall provide with the bid, Form A, SBE/MWBE Utilization Commitment, identifying the amount of SBE/MWBE participation to meet SBE/MWBE objectives. If a bidder's Form A is not accurate at the time of award due to withdrawal or purported substitution of an SBE/MWBE in the interim the bid will be deemed non-responsive unless, upon notification by the bidder of such change(s), the General Counsel provides written approval and the bidder timely submits an amended Form A reflecting the approved change(s).

- 5.4 Updating Subcontracting Portion of Contract – If a bidder elects to subcontract any portion of a contract that the bidder did not previously identify to the District as a subcontracting opportunity, or if the scope of work on a contract increases for any reason in a manner that creates a new SBE/MWBE subcontracting opportunity (whether through a change order, contract amendment, inaccurate initial estimate by the bidder or otherwise), the bidder shall: (a) promptly notify the District of the new subcontracting opportunity and, (b) inform the District whether the bidder, existing SBEs, MWBEs, or other subcontractor(s) can perform the new opportunity.

- Contract 2021-0624:

  - Section 25.01. SUBCONTRACTORS. CONTRACTOR shall not subcontract all or any part of the Services without the prior written consent of DISTRICT, which will not be unreasonably withheld.

  - Section 27.06. SUPPLIER DIVERSITY. CONTRACTOR acknowledges that it is aware of DISTRICT'S Local Preference Purchasing Policy, Minority, Women and Disadvantaged Business Enterprise Participation Policy, and Fair Business Program (collectively known as the "Supplier Diversity Program"). CONTRACTOR agrees to promote the goals of the DISTRICT'S Supplier Diversity Program in the performance of the Services hereunder to the fullest extent possible, and to report to DISTRICT, on a quarterly basis, its use of suppliers meeting the goals of the program in the performance of the Services. CONTRACTOR hereby commits, and the DISTRICT hereby consents, to CONTRACTOR's subcontracting up to thirty (30) of the routes to a local minority, woman, or disadvantaged business enterprise.

The District utilizes the B2Gnow portal for post-award compliance monitoring of SBE/MWBE subcontractor participation. Within B2Gnow, the OEO compliance officer creates contract profiles, adds prime contractors and subcontractors, and monitors

payment flows between the prime and its subcontractors. When the prime receives payment from the District, the prime is required to report payments to its subcontractors within the B2Gnow system, and the subcontractors must confirm receipt of payment.

Analysis and Sample Selection

To conduct this assessment, CLA performed the following analysis and sample selection procedures to assess the validity of subcontractor inclusion on the First Student contract:

- Reviewed the original RFP submission, contract documents, and SBE/MWBE participation forms to determine whether CDA was identified as a subcontractor at the time of bid or contract execution.

- Reviewed payment activity associated with First Student's issuance of $34,779.92 relating to subcontractors

For each area of subcontractor analysis, CLA performed the following procedures:

- Reviewed RFP #111920TJ, issued October 29, 2020, which set an SBE/MWBE participation goal of 10 percent as defined as the total dollar value of the subcontracts awarded to certified SBE/MWBE divided by the total dollar value bid amount.

- Reviewed the First Student proposal package submitted in response on November 19, 2020, including all SBE/MWBE participation forms (Form A and Form B), which certified that First Student would expend a minimum of 10.58% of total dollars of the contract with SBE/MWBE subcontractors.

- Reviewed Contract 2021-0624, executed February 25, 2021, including all exhibits, amendments, and subcontractor-related provisions, covering the initial term of July 16, 2021, through July 31, 2025, with an option for a one-year renewal upon written mutual agreement.

- Reviewed the deviation request First Student submitted to the District's OEO on July 29, 2023, requesting the addition of CDA as a subcontractor.

- Reviewed the July 2023 B2Gnow SBE/MWBE subcontractor payment report completed and submitted by First Student to the District to certify subcontractor payments and demonstrate compliance with contractual SBE/MWBE utilization requirements.

- Reviewed email correspondence between First Student, the District, and CDA relating to the original complaint, subcontractor listing, and subsequent removal from July 19, 2023, through March 14, 2025.

- Conducted interviews with the OEO to understand the OEO's subcontractor management procedures, the B2Gnow compliance monitoring system, and the specific circumstances surrounding First Student's deviation request to add CDA to the contract.

- Reviewed CDA's allegations, including the formal complaint letter shared with the District on September 5, 2023, and information shared with news channel WREG.[80]

- Reviewed City of Memphis portal screenshots referenced in the complaint to assess the source, context, and accuracy of the information observed and cited by CDA in its complaint and related allegations.

- Reviewed the official letter sent by First Student's General Counsel to CDA on October 4, 2024, explaining the error.

Results of Analysis and Testing

Based on the results of procedures performed, CLA determined that Certified Defenders of America (CDA) was not included as a subcontractor in the original First Student procurement or executed contract, and that the $34,779.92 payment referenced in the complaint represented a legitimate disbursement to First Student for approved subcontractor services, not attributable to CDA as detailed in the following observations:

Observation #78 CDA was not identified as a subcontractor in the original First Student bid submission or the executed contract.

CLA reviewed the original RFP #111920TJ and First Student's proposal package dated November 19, 2021, and determined that none of the First Student bid documents named CDA or indicated that CDA would be utilized as a subcontractor. The First Student bid package included Form A, *Minority and Women-Owned Business Enterprise Subcontractor Project Plan, Subcontractor/Supplier Utilization*, which named nine subcontractors. The bid package also included nine signed Forms B – *Letter of Intent to Perform as a Subcontractor or Subconsultant*. The nine subcontractors are shown in Table 64.

Table 64: SBE/MWBE Subcontractors in First Student Bid Package

Subcontractor Name	Form B Signature Date
ABC Charter Services, LLC	11/4/2020
Mid-South Drug Testing, Inc.	11/5/2020
Fresh Start Facility Services, Inc.	11/10/2020
Industrial Sales Company of Memphis	11/11/2020

[80] https://wreg.com/news/investigations/woman-says-mscs-paid-another-company-34k-for-work-she-never-did/

Subcontractor Name	Form B Signature Date
Cole's Screen Printing	11/11/2020
Gregory's Lawn Service	11/11/2020
APG Office Furnishings, Inc.	11/13/2020
My Faith, Inc.	11/15/2020
Thomas Consultants	11/17/2020

CLA's interviews with the OEO confirmed that under the District's SBE/MWBE program procedures, a prime contractor is required to identify its intended subcontractors in its bid submission, and both the prime and the subcontractor must sign the required participation forms prior to submission, attesting that both parties agree to collaborate on the project. The OEO further confirmed that CDA did not appear on any original bid documentation submitted by First Student.

CLA also reviewed Contract 2021-0624, executed February 25, 2021, and noted that it does not identify any specific subcontractors, including CDA. Consistent with Article 25 of the contract, subcontractors are not incorporated into the agreement and instead must be separately proposed by the contractor and approved in writing by the District prior to performing services. Accordingly, the absence of CDA from the executed contract aligns with the contract structure, as subcontractor identification is addressed through a subsequent approval process rather than embedded within the agreement, and the SBE/MWBE subcontractors identified in the bid package were not carried forward into the contract.

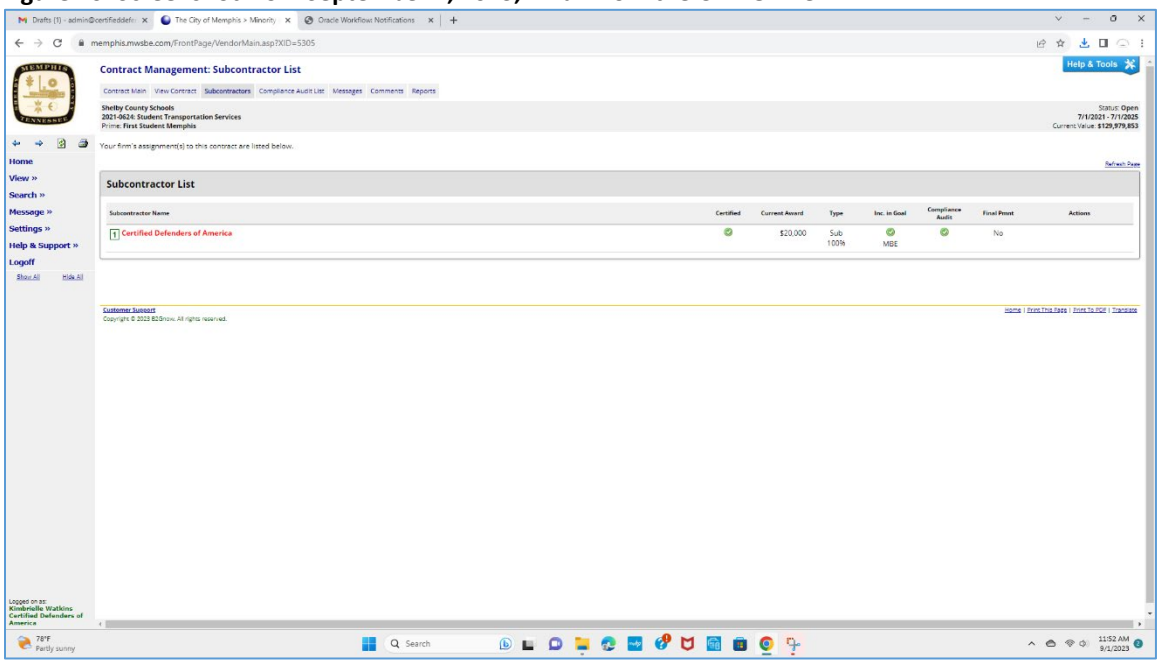
On July 19, 2023, a First Student employee, proactively submitted a deviation request to the District's OEO to add additional subcontractors, including CDA, to the First Student contract.[81] The deviation request for additional firm(s) form named Dart Pest Control, LLC, providing pest control services, with a $10,000 annual cost, starting July 14, 2023 and CDA providing security patrol services, with a $20,000 annual cost, starting July 19, 2023.

According to an internal timeline provided by the OEO, on August 22, 2023, the SBE/MWBE program confirmed that the additional subcontractors, including CDA would be added to the First Student contract. On September 1, 2023, the owner of CDA, sent an email to the District's former MWSBE Manager, stating that the City of Memphis's B2Gnow system reflected CDA as a subcontractor of First Student regarding an award with the District, despite CDA having no contractual relationship or

[81] The OEO explained that the deviation request form is used when a prime contractor wishes to include additional subcontractors after contract award and is not part of the original procurement process.

communication with First Student and that this inclusion was later attributed to an administrative error by First Student. The CDA owner responded to the MWSBE manager , "I understand [Name Redacted] from First Student explained it was a mistake on her end. Again, thank you for the clarification." Figure 40 shows one of the CDA owner's screenshots of the City of Memphis B2Gnow system, which shows CDA as a subcontractor for contract 2021-0624, the prime First Student Memphis, and the current award $20,000.

Figure 40: Screenshot from September 1, 2023, Email from the CDA Owner



Based on the interviews with the OEO, upon discovery of the error, the OEO was notified and CDA was promptly removed from the District's B2Gnow portal.[82] The OEO further explained the submission occurred in error because the First Student employee was unaware that another security vendor had already been engaged and submitted the request prior to the OEO completing its review and before CDA had been contacted or had agreed to participate.

Despite the CDA owner's acknowledgement of the error, on September 5, 2023, the CDA owner emailed the District's general counsel to submit a formal complaint asserting that CDA had been improperly listed as a subcontractor without its knowledge

[82] The OEO confirmed for CLA that it cannot retrieve historical screen captures from B2Gnow because it is a live system that only display current information about contracts. As a result, CLA could not independently verify screenshots of before and after CDA was removed as a subcontractor to contract 2021-0624.

or consent, raised concerns regarding potential fraud and misuse of minority vendor participation, and requested a formal review and investigation into the matter.

On October 23, 2023, the OEO informed the District's internal audit department, "After being informed by [First Student representative] that the request was an error, I removed Certified Defenders of America from First Student's portal in B2Gnow. This was a procedural step because only the firms working with First Student should have access to their portal in B2Gnow."

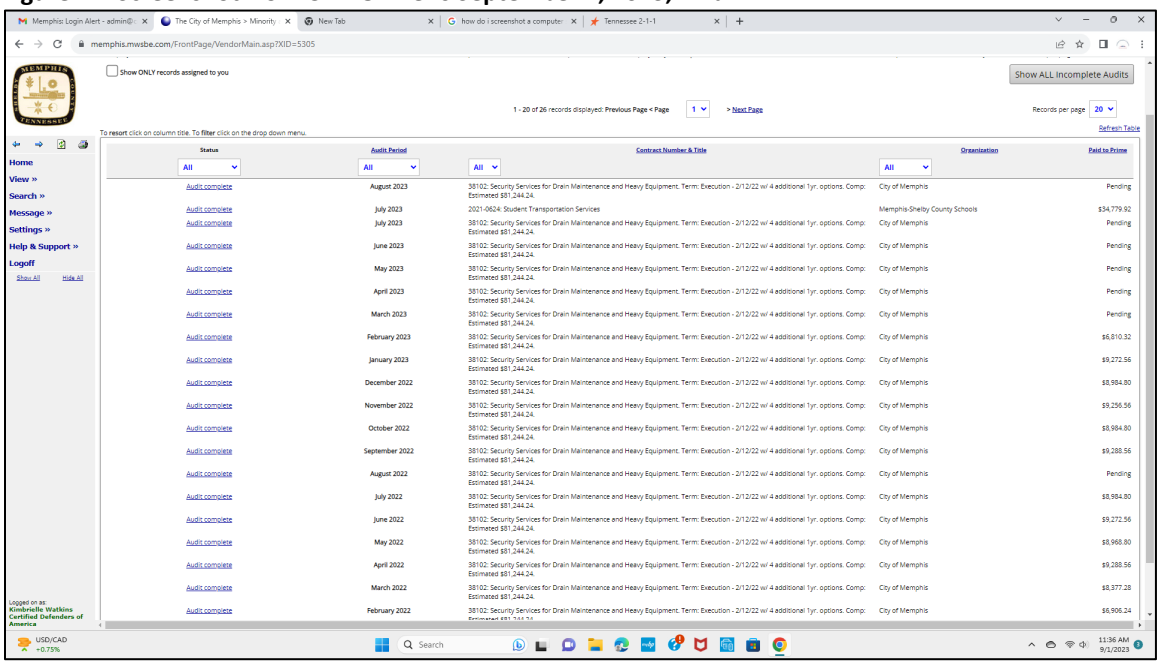
On September 6, 2024, the CDA owner sent a subsequent email to approximately 81 recipients, including City of Memphis, Shelby County, and District officials. The CDA owner expanded allegations to include both the City of Memphis and the District contracting processes, reiterating concerns regarding improper contracting practices, bid award reversals, and the inclusion of CDA as a subcontractor without consent, and indicating potential legal action if the matter remained unresolved.

In all instances in which the CDA owner alleged wrongdoing, the supporting documentation referenced City of Memphis B2Gnow screenshots reflecting CDA as a subcontractor on the First Student contract; however, these records do not align with the underlying procurement documentation, which consistently demonstrates that CDA was not identified in the original bid submission. Interviews further confirmed that the inclusion of CDA resulted from an administrative error by First Student, which the District corrected promptly upon notification by removing CDA from the B2Gnow system. Accordingly, the available evidence supports that CDA was not an approved or engaged subcontractor under the contract, and the erroneous listing was identified and remediated by the District once discovered.

Observation #79 The $34,779.92 payment referenced in CDA's complaint was a legitimate disbursement to First Student for approved subcontractor services in July 2023 and was not attributable to CDA.

CDA's September 1, 2023 email to the OEO included screenshots from the City of Memphis website, and in the September 5, 2023 formal complaint, the CDA owner alleged that the District disbursed $34,779.92 to First Student for CDA-related services in July 2023 despite CDA not providing any services to First Student or the District. Figure 41 one of the screenshots from the September 1, 2023, email, which reflects a pending payment of $34,779.92 associated with contract 2021-0624.

Figure 41: Screenshot from CDA Owner's September 1, 2023, Email



CLA investigated this allegation and determined that the payment in question totaling $34,779.92 for July 2023 was made to First Student with approximately 47% attributable to services performed by First Student and 53% attributable to services provided by approved subcontractors of First Student. None of the payment amount pertained to CDA.

CLA's review of APECS confirmed that no payment was made by the District to First Student specifically for CDA's services, and no disbursement from First Student to CDA was identified in the B2Gnow compliance monitoring system. The OEO confirmed that after reviewing the District portal, CDA never had an active contract profile, and no payment from First Student to CDA was recorded in the system.

The screenshots referenced in CDA's complaint, which purported to show CDA listed as a subcontractor on the First Student contract, displayed the City of Memphis logo, not the MSCS logo. The OEO confirmed that the City of Memphis and MSCS use the same B2Gnow compliance monitoring platform but maintain separate portals, and CLA could not determine why the City of Memphis portal displayed information that was not reflected in the MSCS portal. The amount of $34,779.92 visible on the screenshot appeared to reflect the total payment to First Student for the month rather than a single payment designated for CDA. The OEO provided a summary of the payments to First Student in July 2023 totaling $34,779.92 shown in Table 65.

Table 65: July 2023 Payments to First Student Totaling $34,779.92

Vendor ID	Vendor Name	Check Number	Check Date	Check Amount
112793	First Student Inc	754656	7/5/2023	$ 242.50
112793	First Student Inc	754768	7/7/2023	3,853.59
112793	First Student Inc	755580	7/19/2023	28,062.88
112793	First Student Inc	755724	7/21/2023	613.70
112793	First Student Inc	756113	7/28/2023	2,007.25
Total				$ 34,779.92

The OEO stated that when a prime contractor receives payment from the District, the B2Gnow system requires the prime to report what was paid to its subcontractors, and both the prime and the subcontractor must confirm the payment, a confirmation that never occurred for CDA because CDA was not party to the contract.

First Student and MSCS issued a joint statement confirming: "First Student has never been given or accepted payment by MSCS for Certified Defenders of America or any other vendor that did not provide subcontracted services… A total payment to First Student in the amount of $34,779.92 for the month of July 2023 was partially distributed to a number of approved subcontractors, none of which was Certified Defenders of America."

The OEO provided a detailed listing of subcontractor payment records from B2Gnow for the First Student contract in July 2023. CLA verified the distribution of payments to approved subcontractors during July 2023 did not include payments to CDA. However, the subcontractor payments totaled $18,262.74 and the remainder was retained by First Student, which represented an SBE/MWBE utilization rate of 52.509%. Figure 42 shows the District's B2Gnow compliance monitoring of the $34,779.92 payment.

Figure 42: B2Gnow Compliance Monitoring of $34,779.92 Payment in July 2023

Compliance Audit Summary - July 2023 and Totals To July 2023

	July 2023 Payments	July 2023 Percent	Totals to July 2023 Payments	Totals to July 2023 Percent
Contract Award Value & Goal			$129,979,853.00	Goal: 10.580%
Paid to Prime	$34,779.92		$59,372,953.73	
For Credit Payments	$18,262.74	52.509%	$2,950,646.57	4.970%
Goal Types				
For Credit to **M/WBE** Goal	$0.00	0.000%	$0.00	0.000%
For Credit to **MBE** Goal	$16,787.74	48.268%	$2,924,326.57	4.925%
For Credit to **WBE** Goal	$1,475.00	4.241%	$26,320.00	0.044%

Table 66 summarizes the First Student payments to its subcontractors in July 2023, totaling $18,262.74.

Table 66: First Student July 2023 Payments to Subcontractors

Subcontractor Name	Payment Amount
93 Octane, LLC	$ 4,750.00
Action Chemical, Inc.	4,627.47
Fresh Start Facility Services, Inc.	1,600.00
HeartBeat-CPR LLC	2,575.00
Industrial Sales Company of Memphis, Inc.	785.27
My Faith, Inc.	2,450.00
Mid-South Drug Testing, Inc.	1,475.00
Total	$ 18,262.74

Conclusions

Based on the procedures performed, CLA concluded that CDA was never a valid subcontractor on the First Student contract 2021-0624. CDA was not identified in the original RFP response, was not named in the executed contract, did not sign any subcontractor participation forms, did not enter into a subcontract with First Student, and did not provide any services to First Student or the District. CDA's temporary appearance in the B2Gnow portal was the result of an erroneous deviation request submitted by a First Student employee who did not realize that First Student had already contracted with another security vendor. Upon notification, the District promptly removed CDA from the portal.

CLA further concluded that the $34,779.92 disbursement referenced in CDA's complaint was a legitimate payment to First Student for July 2023 that was partially distributed to approved subcontractors, none of which was CDA. CLA identified no evidence that the District made any payment to First Student for CDA's services or that CDA received any direct or indirect payment in connection with the First Student contract. Accordingly, CLA determined that the allegations made by CDA are not supported by the evidence reviewed.

CLA also notes that in December 2024 and January 2025, CDA separately alleged that a District security contract was revoked in retaliation for CDA's complaint against First Student. This allegation falls outside the scope of this subsection and has not been assessed as part of this analysis.

Recommendations

CLA recommends the following regarding subcontractor review:

Recommendation #40 The District should implement periodic reconciliation procedures between the MSCS B2Gnow portal and the City of Memphis B2Gnow portal to ensure consistency of subcontractor data across platforms. The District should also establish a formal process for reviewing and resolving discrepancies in subcontractor listings identified by vendors

or the public. Additionally, the District should update its SBE/MWBE Program Manual to reflect the procedural improvements recommended by the 2024 Disparity Study conducted by Griffin & Strong, P.C., including enhanced post-award compliance monitoring, formalized subcontractor change procedures, and documented notification protocols to ensure that subcontractors are properly informed of their inclusion on District contracts.

vi. After School Care Contracts

Area of Analysis

At the State's request, CLA reviewed after-school care contracts and the associated bid proposals maintained by the District. The District represented to CLA that after-school care providers operating during the regular school year are not under contract with the District; rather, these providers are engaged and compensated directly by caretakers. The District further represented that the after-school care contracts and bid proposals in its possession pertain exclusively to aftercare services provided in connection with the Summer Learning Academy (SLA), a District-operated summer enrichment program administered through the Office of Extended Learning Programs.

The SLA is a tuition-free, multi-week program serving students in rising grades K through 9, designed to mitigate summer learning loss through reading and math instruction, academic intervention, and enrichment activities. As part of the program, the District provides before- and after-care services at no cost to families on a first-come, first-served basis, which is the component to which the contracts and bid proposals under review relate. Accordingly, CLA performed procedures over the SLA aftercare contracts and related bid proposals to assess compliance with the District's procurement policies, evaluate the adequacy of supporting documentation, and identify any indicators of waste, abuse, or non-compliance. The results of CLA's procedures are summarized below.

The aftercare contracts reviewed in this section relate exclusively to services provided in connection with the District’s Summer Learning Academy (SLA) program, and do not include after school programming occurring during the regular academic year.

Applicable Policies/Procedures and Best Practices

During Fiscal Years 2022, 2023 and 2024, the District released RFPs soliciting vendors to provide aftercare services in support of the SLA. These solicitations sought providers capable of delivering supervised aftercare programming, including staffing, activities, and related support services, for students enrolled in the SLA across designated District sites. The services contemplated under these RFPs are classified as non-professional services under the District's procurement framework, as they do

not require the specialized expertise, licensure, or advanced credentials that characterize professional services engagements.

Accordingly, the procurement of these aftercare services is governed by the District's policies and procedures applicable to non-professional services contracts, which establish the requirements for competitive solicitation, evaluation of proposals, board approval thresholds, contract execution, and ongoing contract administration. These policies and procedures, including the applicable approval workflows and documentation standards, are discussed in detail earlier in Section *5.B.ii* of this report and are incorporated herein by reference for purposes of evaluating the District's compliance with respect to the SLA aftercare contracts reviewed.

Results of Analysis and Testing

(1) Vendor: YMCA of Memphis & the Mid-south

Contract 2021-0975, $250,000.00

The YMCA of Memphis & the Mid-South (The YMCA) was awarded contract 2021-0975 pursuant to RFP # 052521TJ for the provision of before and after services during the SLA session during the summer in 2021 (Fiscal Year 2022). As set forth in the RFP, the District anticipated 20,000 student participants across 107 school sites during the period of July 6, 2021 through July 30, 2021.

Figure 43: Excerpt from RFP #052521TJ

A. Program Elements

The respondent shall provide Before and After Childcare to all elementary and middle school sites for the Summer Learning Academy. Currently, there are 107 schools hosting the program. The provider must be able to provide on-site care for 20,000 students. Before care will begin at @6:30 am until the start of the program and after care will operate from the end of the program until @6:00 pm.

In response to the RFP, the District received submissions from two vendors: The YMCA and Memphis Bears, Inc. PAL.[83] The proposal submitted by Memphis Bears, Inc. PAL indicated a maximum service capacity of 200 participants. Due to the significant disparity between this capacity and the District's anticipated need for 20,000 participants, the District determined that Memphis Bears, Inc. PAL lacked the operational capacity to fulfill the scope of the RFP and did not advance the proposal to the scoring phase.[84]

Master Services Agreement 2021-0975 was awarded to the YMCA and presented to the Board for approval on June 29, 2021. The documents presented to the

[83] Memphis Bears, Inc. PAL is a non-profit organization that provides youth intervention and juvenile crime prevention services in the Memphis area.

[84] CLA confirmed this information was presented to the Board during the contract approval process.

Board estimate the contract amount to be $250,000.00, however; CLA noted that the contract itself does not list an amount but instead lists a per-child fee.

Figure 44: Compensation & Payments Section, Contract 2021-0975

Section 3. Compensation & Payments. For the Services, SCS shall pay the Contractor for participating students at a School or Department for which a Work Order has been submitted at the following rates:

PROGRAM FEES (PER CHILD)	
DESCRIPTION	COST
Before School	$25/week
After School	$40/week
Before & After School	$50/week

Four payments were disbursed related to contact 2021-0975 as shown in Table 67.

Table 67: Disbursements Related to Contract 2021-0975

Invoice No.	Tran. Date	Inv. Date	Payments
225027075	10/27/2021	07/09/2021	$ 42,125.00
225027111	10/27/2021	07/16/2021	46,300.00
225027114	10/27/2021	07/23/2021	47,315.00
225027112	10/27/2021	07/30/2021	47,315.00
Total			$ 183,055.00

CLA made the following observation on these disbursements and the procurement process for contract 2021-0975:

- The purchase order associated with this contract was not entered into the system until September 24, 2021, subsequent to the completion of all contracted services. As a result, the related funds were not encumbered prior to the provision of services, contrary to the MSCS Procurement Services Manual, which requires a valid Purchase Order be in place prior to a vendor providing goods or services.

- The same document containing the before-and-after care headcounts for all four weeks of the program was saved under four separate invoice numbers and invoice dates to create four separate transactions disbursed on the same day.

- The total number of program participants across 70 sites were as listed in Table 68.

Table 68: SLA Before-and-After Care Program Participants

Program Week	Before Care Only	After Care Only	Before & After Care	Total Students
Week 1	41	295	586	922
Week 2	48	335	634	1,017
Week 3	51	331	656	1,038
Week 4	51	331	656	1,038

- The headcounts were identical in weeks three and four, with no variation across the 70 sites. CLA requested attendance sheets for those weeks to verify the headcounts and was informed that the District did not request attendance sheets.

- The actual participant headcount fell significantly short of the 20,000 estimated students across 107 school sites anticipated in RFP #052521TJ. To evaluate the basis for this projection, CLA interviewed several District personnel involved in the development of the RFP. According to those interviewed, the State of Tennessee issued a summer learning mandate in response to the COVID-19 pandemic, prompting the District to seek a provider with sufficient operational capacity to serve its student population, which totaled approximately 100,000 students at the time. Given the uncertainty surrounding pandemic-related participation levels, including the possibility that parents may be hesitant to return their children to in-person programming, District personnel estimated participation at approximately 20% of the student population, resulting in the 20,000-participant figure reflected in the RFP.

- CLA noted that the proposal submitted by the YMCA estimated a $1,000,000.00 fee for serving approximately 5,000 students. When asked how the District gained comfort with the significant departure from the 20,000 estimated program participants, they could not recall. Figure 45 includes the proposal budget.

Figure 45: YMCA Proposal Budget

YMCA OF MEMPHIS & THE MID-SOUTH
Overall Budget Before & After School Summer Learning Academies

the YMCA
FOR YOUTH DEVELOPMENT®
FOR HEALTHY LIVING
FOR SOCIAL RESPONSIBILITY

REVENUE		
Before & Afterschool Fee per enrolled child ($50/child/week)	$1,000,000	
TOTAL REVENUE	$1,000,000	
EXPENSES	**AMOUNT**	**BUDGET NOTES**
Program Salaries	$608,797	Site Coordinator and group leaders (direct service) and training hours. Serving 5000 students at 1:15 ratio
Taxes & Benefits	$57,836	
Office Supplies	$8,025	$50 per site
Program Supplies	$80,000	Supplies for curriculum and porgram expense
Technology	$21,400	Telephones, connectivity plan, check-in devices at 107 sites
Local Mileage	$2,000	Mileage for oversight staff traveling between schools
General Administrative Services	$200,000	Financial services & payroll, human resources, recruitment, childcare operations team, childcare directors & billing department
Insurance	$8,025	
TOTAL EXPENSES	$986,083	
TOTAL NET	**$13,917**	

CLA also interviewed the District personnel responsible for developing RFP #052521TJ to assess Procurement Services' involvement in the solicitation. Those interviewed confirmed that Procurement Services was not consulted during the development of the RFP, including the formulation of the 20,000-participant estimate. This reflects a siloed procurement planning process in which program

stakeholders, who are not procurement subject matter experts, independently established the scope and capacity requirements of the solicitation without the benefit of Procurement Services' guidance on competitive solicitation practices. As a result, the stakeholders likely did not appreciate that significantly overstating the anticipated participant volume could have a deterring effect on competition by discouraging otherwise capable vendors, such as those able to serve fewer than 2,000 participants, from responding. This outcome is consistent with the District's experience under RFP #052521TJ, in which only two proposals were received and one was eliminated solely on the basis of capacity. Greater coordination between program stakeholders and Procurement Services during the RFP development phase may have resulted in a more accurate scope, broader vendor participation, and a more competitive procurement outcome.

Based on the procedures performed, CLA did not identify evidence of fraud, waste, or abuse in connection with Contract 2021-0975 or the related disbursements to the YMCA, nor did CLA identify direct violations of District policy, with the exception of the purchase order being created subsequent to the provision of services, inconsistent with the MSCS Procurement Services Manual's requirement that a valid Purchase Order be in place prior to a vendor providing goods or services. However, the purchase order was issued prior to payment, and the disbursements were supported by invoices and approved through the District's standard payment process. The remaining observations reflect deficiencies in procurement planning, invoice documentation, and verification of services rendered that, while not rising to the level of policy non-compliance, represent departures from sound procurement and internal control practices. Recommendations addressing these matters are provided at the conclusion of this section.

Contract 2022-0830, $1,350,000.00

The YMCA was awarded contract 2022-0830 pursuant to RFP# 4042022CW for the provision of before and after care services during the SLA session occurring during the Summer in 2022 (Fiscal Year 2023). The scope of services for this RFP stated that the provider “must be able to provide on-site care for 15,000 students” across 60 sites during the period of June 13, 2022 through July 15, 2022 as included in Figure 46.

Figure 46: Scope of Services Excerpt from RFP# 4042022CW

Effective start and end date: June 13, 2022 to July 15, 2022.

A. Program Elements

The respondent shall provide Before and After Childcare to all elementary and middle school sites for the Summer Learning Academy. There are 60 schools hosting the program. See Appendix J for a list of school sites. The provider must be able to provide on-site care for 15,000 students. Before care will begin at @6:30 am until the start of the program and after care will operate from the end of the program until @6:00 pm. If the provider plans to cluster the schools, a detailed plan must be submitted with the proposal.

The District received one response to the RFP, and Master Services Agreement 2022-0830 was awarded to the YMCA. Similar to contract 2021-0975, the agreement did not contain a dollar amount and instead listed the per-child program fees as evidenced in Figure 47. The Board approved the contract on May 31, 2022.

Figure 47: Compensation & Payments Section, Contract 2022-0830

Section 3. Compensation & Payments. For the Services, SCS shall pay the Contractor for participating students at a School or Department for which a Work Order has been submitted at the following rates:

PROGRAM FEES (PER CHILD)	
DESCRIPTION	COST
Before School	$40/week
After School	$60/week
Before & After School	$80/week

Table 69 lists the two payments disbursed related to contract 2022-0830.

Table 69: Disbursements Related to Contract 2022-0830

Invoice No.	Tran. Date	Inv. Date	Payments
235014538	09/08/2022	08/15/2022	$ 416,520.00
235014536	09/08/2022	08/15/2022	286,880.00
Total			$ 703,400.00

CLA made the following observation on these disbursements and the procurement process for contract 2022-0830:

- CLA observed that the RFP scope of services included an anticipated attendance of 15,000, significantly higher than the highest attendance week of 1,038 the previous year.

- The YMCA implemented significant fee increases year over year as shown in Table 70.

Table 70: Year Over Year YMCA Fee Increases by Program

Program	2021 Fees	2022 Fees	YOY Increase
Before Care	$25.00	$40.00	60%
After Care	40.00	60.00	50%
Both	50.00	80.00	60%

- Like the payments related to contract 2021-0975, the invoices consisted of a per-service headcount by week/by site. The invoice containing all five weeks of the program was saved under two separate invoice numbers with one invoice covering the first three program weeks and the second invoice covering the last two program weeks.

- The PO for these transactions was created on June 2, 2022, prior to the commencement of services.

- The program attendance increased significantly from the Summer 2021 program as summarized in Table 71.

Table 71: SLA Before-and-After Care Program Participants

Program Week	Before Care Only	After Care Only	Before & After Care	Total Students
Week 1	49	479	1,292	1,820
Week 2	53	496	1,344	1,893
Week 3	55	505	1,382	1,942
Week 4	55	508	1,384	1,947
Week 5	55	508	1,385	1,948

  Similar to the previous contract, CLA noted that the attendance during the last two weeks of the program remained flat but for one additional student receiving before and after care services during the final week.

- The District did not question the similar attendance headcounts nor did they request the attendance sheets for the program. Therefore, CLA is unable to independently verify the attendance.

While contract 2022-0830 was procured and approved in accordance with established processes, and no evidence of fraud, waste, or abuse was identified, the review highlighted areas of concern related to oversight and planning. Additionally, no instances of direct policy violation were noted; however, weaknesses in invoice review and contract administration were evident. The District did not obtain or review supporting attendance documentation, and anomalies in participation trends, particularly the consistently flat attendance in later program weeks, were not questioned, limiting the ability to independently validate the amounts billed and paid.

Further, similar to prior observations, the RFP appears to have been developed by program stakeholders rather than procurement personnel, which likely contributed to the significantly overstated attendance projections included in the scope of services. This overestimation was not aligned with historical program data and may have had the unintended effect of limiting vendor participation, as only a single response was received. Overstating the anticipated scope of services may have also limited vendor participation, as evidenced by the single proposal received, thereby reducing competitive pricing pressure and effectively subjecting the District to the fee structure proposed by the sole respondent, which included substantial year-over-year increases of approximately 50% to 60%.

While the program did experience increased participation compared to the prior year, the disparity between projected and actual attendance, combined with substantial fee increases and limited competition, underscores the need for enhanced coordination with procurement functions and more robust review procedures to support effective contracting and payment oversight.

Contract 2023-0911, $1,300,000.00

The YMCA of Memphis & the Mid-South was awarded contract 2022-0830 pursuant to RFP #04042022 to provide before and after care services during Summer Learning Academy sessions, with a total contract amount not to exceed $1,350,000.00.[85] The contract was executed as the initial one-year agreement following the RFP award. The RFP documentation and materials presented to the Board for approval indicated that the award was for a one-year contract with two additional one-year renewal options.

The renewal option language described in the RFP and Board materials was not incorporated into Contract 2022-0830 in fiscal year 2022. Contract 2023-0911, intended to represent the first one-year renewal option, was approved by the Board on May 30, 2023. Because Contract 2022-0830 did not include provisions authorizing renewal options, it is unclear whether issuance of a new RFP was required prior to the execution of Contract 2023-0911.

Two disbursements associated with Contract 2023-0911 were identified, totaling $674,288.00 as listed in Table 72. Both disbursements were processed without the issuance of purchase orders; instead, Payment Request Forms were submitted.

Table 72: Disbursements related to 2023-0911

Type	Doc Date	Acct Date	Invoice No.	Payment Amount
DirPay	8/22/2023	11/27/2023	2023-2	$ 404,658.00
DirPay	8/22/2023	11/27/2023	2023-1	269,630.00
Total				$ 674,288.00

- Documentation dated November 16, 2023, which was attached to the disbursements by accounts payable indicates that the assistant superintendent of operations advised the chief of academic operations and school support that an Out-of-Compliance letter was not required because the contract had received Board approval.[86]

- Board Policy 2006: *Purchasing Authority*, states that all purchases exceeding $500.00 must be supported by an approved purchase order, unless the purchase qualifies as:[87]

  - an emergency purchase approved by the Director of Purchasing or the Superintendent's designee; or

[85] Contract 2022-0830 was approved by Board vote at the May 31, 2022 Board Business Meeting.

[86] The out of compliance process is discussed in greater detail in section *5.D Governance and Compliance*, beginning on page 157.

[87] For reference, Board Policy 2006 effective November 27, 2023, updated this amount from $500.00 to $3,500.00.

  - a financial transaction expressly exempted from the purchase order process in accordance with the policy.

- The policy references a "Purchase Order Exemption List," which is described as being approved by the superintendent, maintained by the procurement department, and publicly available on the District's website.[88]
- As of the date of this report, the hyperlink to the *Purchase Order Exemption List* contained within Board Policy 2006 is nonfunctional, and no such list was located through a search of the MSCS website.[89]
- CLA identified several undated versions of a Purchase Order Exemption List through a review of email files. None of the exemption lists reviewed identified approved contracts or Board-approved agreements as exemptions from the purchase order requirement.
- An earlier email dated August 17, 2023, sent by the assistant superintendent of operations, was identified in which he stated, "Sending a reminder about the YMCA. There is no current PO. Trying to prevent this one from being out of compliance as well." This communication indicates an awareness that the absence of an approved PO would constitute a compliance issue under District procurement requirements and a potential effort or desire to circumvent the out-of-compliance policy.

The conduct observed is consistent with ACFE guidance describing abuse, as it reflects the circumvention of established procurement controls and policies to facilitate contract payments without required purchase orders, despite leadership's awareness of non-compliance. While there is no evidence of personal enrichment or intent to deceive, the actions represent an improper use of authority that exposed the District to financial and compliance risk and undermined internal controls.

Conclusion

Across the three SLA before and after care contracts reviewed (Contracts 2021-0975, 2022-0830, and 2023-0911), CLA did not identify evidence of fraud, waste, or abuse for the 2021 and 2022 contracts; however, Contract 2023-0911 included conduct consistent with the ACFE guidance on abuse due to the circumvention of established procurement controls, specifically the absence of required purchase orders and efforts to avoid the out-of-compliance process.

Notwithstanding the absence of fraud or widespread policy violations in the earlier contracts, the review identified recurring deficiencies in procurement planning, contract administration, and oversight. These included:

[88] The purchase order process was followed for the disbursements associated with the first contract – contract number 2022-0830.

[89] http://www.scsk12.org/uf/procurement/files/2014/Financial%20Transactions%20Exempted%20From%20the%20Purchase%20Order%20Process%2001.28.pdf

- Significant overestimation of program participation in RFPs relative to historical attendance,

- Limited vendor competition, including instances where only one proposal was received,

- Substantial year-over-year fee increases without competitive pricing pressure,

- Inadequate invoice review procedures, including the lack of supporting attendance documentation, and

- Failure to question anomalies in program participation data, limiting the District's ability to validate amounts billed.

In addition, the RFP development process appeared to be led predominantly by program stakeholders rather than Procurement Services, which contributed to unrealistic scope assumptions. These overstated participation estimates likely discouraged potential vendors with lower service capacity and reduced competition, thereby increasing the District's exposure to vendor-proposed pricing structures without sufficient market validation.

Collectively, these conditions do not reflect isolated control failures but rather systemic weaknesses in procurement planning and contract oversight, which increased the risk of unsupported payments, reduced pricing competitiveness, and diminished the District's ability to demonstrate effective stewardship of public funds.

Recommendations

CLA offers the following recommendations for consideration. In addition to the recommendations below, refer to Recommendation #28.

Recommendation #41 Require Procurement Services to actively participate in drafting RFP scopes, including validation of assumptions (e.g., attendance projections), to ensure realistic requirements and maximize competition.

Greater involvement from Procurement Services will help align solicitations with market conditions, improve the structure of evaluation criteria, and ensure that scopes are written in a manner that encourages broader vendor participation. This coordination will also reduce the risk of unintentionally limiting competition due to unrealistic capacity requirements and will support more transparent and defensible procurement outcome.

Recommendation #42 Mandate that all program estimates included in solicitations be supported by historical data, trend analysis, or

documented assumptions to improve accuracy and defensibility.

Requiring quantitative support for key assumptions will improve the reliability of procurement planning and reduce the likelihood of material variances between projected and actual program participation. This practice will also strengthen the District's ability to justify procurement decisions and demonstrate that contract scopes were developed based on reasonable and supportable inputs rather than subjective estimates.

Recommendation #43 When limited or single responses are received, require enhanced review, including price reasonableness analysis and consideration of re-solicitation where appropriate.

Limited competition introduces increased risk that pricing is not reflective of market conditions and may not represent best value to the District. Implementing additional review procedures in these circumstances will provide greater assurance that pricing is reasonable and terms are appropriate, while also reinforcing accountability in situations where competitive pressures are reduced.

Recommendation #44 Where applicable, require vendors to submit detailed supporting attendance records by site and date and require District personnel to review and retain such documentation prior to payment approval.

Formalizing invoice verification procedures will strengthen internal controls over disbursements and improve the District's ability to substantiate payments. Consistent documentation requirements will also enhance auditability and reduce reliance on vendor-provided summaries without independent support, thereby mitigating the risk of unsupported or inaccurate billing.

Recommendation #45 Develop procedures requiring independent validation or periodic audit of attendance data to support invoice accuracy and program reporting.

Independent verification of participation data will provide an additional control layer over a key billing driver and ensure that reported attendance aligns with actual program activity. This will increase confidence in payment accuracy, improve program oversight, and reduce the risk of errors or discrepancies going undetected over the course of the program.

Recommendation #46 Require contracts to clearly define total not-to-exceed amounts, billing structures, and documentation requirements to improve clarity and oversight.

Clearly defined contractual terms will reduce ambiguity in billing expectations and strengthen enforceability of contract provisions. Establishing explicit documentation standards within the contract itself will also support consistent administration and provide a basis for holding vendors accountable for detailed and transparent invoicing practices.

Recommendation #47 Reinforce requirements that purchase orders must be issued prior to the commencement of services, with no exceptions absent formally documented and approved exemptions.

Strict adherence to purchase order requirements is critical to maintaining proper budgetary control and ensuring that funds are appropriately encumbered prior to commitment. Reinforcing this control will reduce the risk of unauthorized expenditures, improve financial oversight, and ensure alignment with established procurement and accounts payable policies.

vii. Custodial Contracts

CLA testing of the custodial contracts determined payments made based on the abuse of authority totaling $48,430,744.52.

Area of Analysis

The area of assessment for this subsection is the procurement, evaluation, and assignment of custodial service contracts across the District, with specific attention to (1) the rationale for transitioning between multiple-vendor and single-vendor contract structures, (2) how contractors were assigned to specific school zones, and (3) whether relationships between contractors and current or former District personnel may have influenced procurement outcomes. This analysis also considers discrepancies between evaluation committee recommendations and final contract awards, as well as the level of involvement of custodial and ground operations staff and subject matter experts in the procurement process.

Applicable Policies/Procedures and Best Practices

The custodial and grounds operations follows the same processes, procedures and guidelines as outlined in *5.B.ii Contracts and Solicitations – Non-Professional Services*. The historical zone structure and outsourcing model, the procurement evaluation process, and historical custodial contract costs are summarized below.

Historical Zone Structure and Outsourcing Model

- The District has historically organized its approximately 160 school facilities into four custodial zones, each containing approximately 40 to 45 schools, divided geographically by northwest, northeast, southwest, and southeast quadrants. This model has been in place since at least 2014, when the newly merged Memphis-Shelby County Schools District contracted custodial services to GCA Services Group (GCA), the legacy Shelby County Schools custodial vendor.[90]

- Zone assignments have remained static over time. Custodial and grounds operations personnel confirmed that the geographic composition of each zone has not changed since the model was established.

- Under the standard procurement model, vendors are required to submit proposals covering all four zones, with each zone priced individually based on the total square footage of the school facilities assigned to that zone. The evaluation committee selects the best-qualified vendor for each zone, with no single vendor typically awarded more than two zones. This expectation was formalized in the March 2022 RFP language, which explicitly stated that no single vendor could be awarded more than two zones.[91]

Procurement Evaluation Process

- Custodial contract solicitations are managed through formal RFP processes administered by procurement services. The process includes a mandatory pre-bid meeting, a solicitation period of approximately 20 to 30 days for vendors to compile and submit proposals, and a structured evaluation by a committee.

- Evaluation committees are composed of District principals, school operations personnel, personnel from business operations, custodial and grounds operations, the career and technical education center, and the athletics department. The standard practice, as described to CLA, is to include the department leader and at least two subject matter experts, such as custodial zone managers or supervisors, on the evaluation panel, along with principals and cross-functional stakeholders, to ensure that vendor capabilities align with operational needs.

[90] GCA Services Group was acquired by ABM Industries (ABM) on September 1, 2017. References to GCA in this subsection are for historical context only, as the vendor submitted all subsequent proposals under the ABM name.

[91] RFP 03292022LJS, issued March 8, 2022, included the sentence "SCBE reserves the right to award the project to one (1) or multiple respondent(s) in its best interest, a price is requested for the four zones." RFP 08072023TL, issued July 18, 2023, removed the phrase "one (1) or."

- Attendance at the pre-bid meeting is mandatory for all panel participants, who must be present, sign the attendance roll, and participate in the proceedings.

- Evaluation committee members score proposals using paper scoring forms based on an evaluation matrix identifying key components, including qualifications and experience, quality assurance, customer service, project plan, cost, references, and financial stability. A total weighted score based on a 0 to 4 scale is determined from the final evaluation form.

- Committee members from custodial and grounds operations score proposals based on historical knowledge, past performance, quality control, and staffing plans. The financial stability, cost, local vendor preference, and SBE/MWBE participation components are evaluated separately by procurement services.

- Completed scorecards are submitted to the director of procurement. Procurement services tallies the scores within the rubric, adds additional points for local vendor preference or SBE/MWBE participation where applicable, and compiles the final evaluation results.

Prior Contract Cost History

As documented in the Board Briefing for RFP #03292022LJS to be presented on April 26, 2022, Table 73 summarizes the District's custodial services contract costs for the three fiscal years prior to 2022-23.

Table 73: Historical Contract Costs

Fiscal Year	Contract Cost
2019-20	$ 23,291,079
2020-21	23,931,584
2021-22	25,895,400

Analysis and Sample Selection

To conduct this assessment, CLA reviewed procurement files and evaluation documentation for RFP #03292022LJS for Custodial Cleaning Services, issued on or about March 8, 2022, related Board approval materials, contract agreements, disbursement records, internal audit reports, and relevant correspondence. CLA also reviewed Board meeting recordings and transcripts, analyzed custodial contract cost data, and conducted interviews with current and former District personnel across procurement, operations, and business functions.

Results of Analysis and Testing

Based on the document review, email review, Board materials analysis, financial analysis, and interviews conducted, CLA identified the following observations:

Observation #80 ServiceMaster FM was awarded all four custodial zones in 2022, in violation of the evaluation committee's multi-vendor recommendation, and the circumstances reviewed indicate that District leadership influenced the final contract award outside the established procurement process, resulting in payments made consistent with ACFE guidance on abuse in the amount of $48,430,744.52.

Background and Historical Context

As mentioned, since the 2014 merger of Memphis City Schools and Shelby County Schools, the District has outsourced custodial cleaning services and organized its approximately 160 facilities into four geographic zones. From 2014 through 2017, GCA Services Group served as the primary custodial vendor and utilized ServiceMaster FM as a minority subcontractor to meet SBE/MWBE participation goals. In 2017, the District completed a competitive RFP and awarded custodial contracts to Aramark and ServiceMaster Clean, with Aramark utilizing Fresh Start Facility Services as a minority subcontractor and ServiceMaster Clean utilizing its franchisees, ServiceMaster FM and ServiceMaster Stratos, across separate zones. This multi-vendor model remained in place through 2021.

In 2021, the District completed another RFP and awarded custodial contracts to ServiceMaster Clean and SKB Facilities & Maintenance, Inc. (SKB). According to custodial and grounds operations personnel, the zone structure at that time included ServiceMaster Stratos in Zone 1, SKB in Zone 2, and ServiceMaster FM in Zones 3 and 4.

<u>The 2022 RFP Process and Evaluation Committee</u>

In early 2022, the District initiated RFP #03292022LJS for Custodial Cleaning Services. The evaluation committee was comprised of eight members, including representatives from principals, school operations, business operations, custodial and grounds operations, the career and technical education center, and the athletics department. Multiple interviewees confirmed that they were selected to serve on the evaluation committee by the Director of Custodial and Grounds Operations, and described their role as scoring proposals based on the submitted package, with the ability to draw upon historical knowledge of vendor past performance, quality control practices, staffing plans, and operational capabilities. The financial stability and cost components were evaluated separately by Procurement Services. The evaluation committee met on or around April 7, 2022.

Seven vendors submitted proposals in response to the RFP: ABM, Aramark, HES Facilities Management (HES), ParCou LLC, ServiceMaster Clean, Fresh Start Facility Services, and SKB. On the evening of April 7, 2022, the Operations Sourcing Manager in Procurement Services, transmitted the evaluation committee's cumulative scorecard and vendor pricing sheet to the former Chief of Business Operations.

The evaluation results, documented in the scorecard for RFP #03292022LJS, reflected cumulative scores and rankings across all four zones shown in Table 74.

Table 74: RFP #03292022LJS Evaluation Results (All Zones)

Rank	Vendor	Cumulative Score
1st	ServiceMaster Clean	3.24
2nd	SKB Facilities & Maintenance	3.22
3rd	HES Facilities Management	3.20
4th	ABM	3.19
5th	ParCou, LLC	3.17
6th	Fresh Start Facility Services	2.69
7th	Aramark	2.52

The scores were consistent across all four zones, with ServiceMaster Clean ranking first, SKB second, and HES third in each zone.[92]

Multi-Vendor Recommendation

On April 8, 2022, at 3:07 PM, the former Director of Custodial and Grounds emailed the former Chief of Business Operations and the former Director of Facilities Management, transmitting a draft set of Board documents, including the Board Presentation, BAR, Board Resolution, and budget verification forms for three recommended vendors, HES, SKB, and ServiceMaster Clean. He wrote, "… I don't have the final numbers (BAFO) but as of right now this is a rough draft of the documents needed, thx." At 6:52 PM, the former Chief of Business Operations responded, "… I will review and get back to you with any concerns."

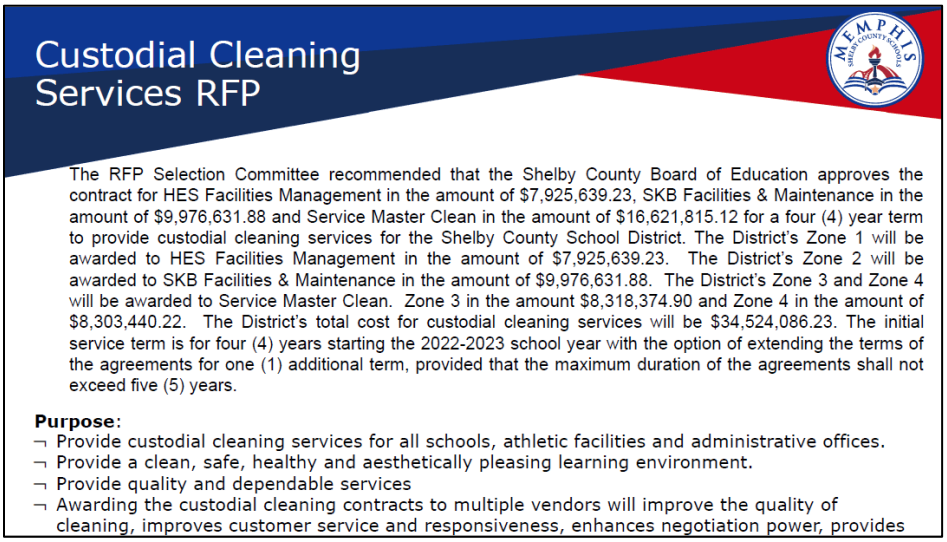
The former Director of Custodial and Grounds' recommendation, as documented in the Board presentation slide, stated: "The RFP Selection Committee recommended that the Shelby County

[92] CLA attempted to recalculate the cumulative scorecard from the eight individual scorecards submitted by evaluation committee members. However, the cumulative scorecard incorporated cost and financial stability scores that were assessed independently by procurement services and did not appear on the individual member scorecards, preventing CLA from independently replicating the cumulative totals. Interviewees did not dispute the accuracy of the cumulative scores and confirmed that the final rankings reflected the evaluation committee's assessments.

Board of Education approves [sic] the contract for HES Facilities Management in the amount of $7,925,639.23, SKB Facilities & Maintenance in the amount of $9,976,631.88 and Service Master Clean in the amount of $16,621,815.12 for a four (4) year term to provide custodial cleaning services for the Shelby County School District. The District's Zone 1 will be awarded to HES Facilities Management in the amount of $7,925,639.23. The District's Zone 2 will be awarded to SKB Facilities & Maintenance in the amount of $9,976,631.88. The District's Zone 3 and Zone 4 will be awarded to Service Master Clean. Zone 3 in the amount $8,318,374.90 and Zone 4 in the amount of $8,303,440.22. The District's total cost for custodial cleaning services will be $34,524,086.23."[93]

The recommendation further stated that awarding the custodial cleaning contracts to multiple vendors would improve the quality of cleaning, improve customer service and responsiveness, enhance negotiation power, provide multiple procurement supplies, allow flexibility in anomaly resolution, and allow better mitigation of risk. The Board presentation slide is included in Figure 48.

Figure 48: April 8, 2022, Board Presentation Slide



Custodial Cleaning Services RFP

The RFP Selection Committee recommended that the Shelby County Board of Education approves the contract for HES Facilities Management in the amount of $7,925,639.23, SKB Facilities & Maintenance in the amount of $9,976,631.88 and Service Master Clean in the amount of $16,621,815.12 for a four (4) year term to provide custodial cleaning services for the Shelby County School District. The District's Zone 1 will be awarded to HES Facilities Management in the amount of $7,925,639.23. The District's Zone 2 will be awarded to SKB Facilities & Maintenance in the amount of $9,976,631.88. The District's Zone 3 and Zone 4 will be awarded to Service Master Clean. Zone 3 in the amount $8,318,374.90 and Zone 4 in the amount of $8,303,440.22. The District's total cost for custodial cleaning services will be $34,524,086.23. The initial service term is for four (4) years starting the 2022-2023 school year with the option of extending the terms of the agreements for one (1) additional term, provided that the maximum duration of the agreements shall not exceed five (5) years.

Purpose:
- Provide custodial cleaning services for all schools, athletic facilities and administrative offices.
- Provide a clean, safe, healthy and aesthetically pleasing learning environment.
- Provide quality and dependable services
- Awarding the custodial cleaning contracts to multiple vendors will improve the quality of cleaning, improves customer service and responsiveness, enhances negotiation power, provides

The same recommendation is recorded in the BAR form and Board Briefing included in Figure 49 and Figure 50.

[93] On August 22, 2022, The former Director of Custodial and Grounds forwarded the April 8, 2022, email with the draft Board presentation attachments to his personal email address. One minute later, The former Director of Custodial and Grounds forwarded the same email and attachments to a custodial and grounds manager with the message, "Hang on to this, thx."

Figure 49: April 8, 2022, BAR Form

BOARDDOCS ENTRY INFORMATION

Meeting: April Work Session

Subject: **Custodial Cleaning Services**

Examples:

Procurement:	Expeditionary Learning PD
Grant (no contract review):	Verizon Foundation Grants
Federal/State Req.	Special Course Applications

Dollar Amount: $34,524,086.23
Example: $102,000.00 (include total amount of multi-year contracts)

Budgeted: Yes
(Yes, if item is included in the budget book)

Budget Source:01 – General Fund
It is recommended that the Shelby County Board of Education approves the contract for **HES Facilities Management** in the amount of **$7,925,639.23**, **SKB Facilities & Maintenance** in the amount of **$9,976,631.88** and **Service Master Clean** in the amount of **$16,621,815.12** for a four (4) year term to provide custodial cleaning services for the Shelby County School District. The District's Zone 1 will be awarded to **HES Facilities Management** in the amount of $7,925,639.23. The District's Zone 2 will be awarded to **SKB Facilities & Maintenance** in the amount of $9,976,631.88. The District's Zone 3 and Zone 4 will be awarded to **Service Master Clean**. Zone 3 in the amount $8,318,374.90 and Zone 4 in the amount of $8,303,440.22. The District's total cost for custodial cleaning services will be **$34,524,086.23**. The initial service term is for four (4) years starting the 2022-2023 school year with the option of extending the terms of the agreements for one (1) additional term, provided that the maximum duration of the agreements shall not exceed five (5) years.

Provide details of agenda item use/purpose.
Example: It is recommended that the Shelby County Board of Education approves the request for professional services in the amount of $102,000.

Approval Tree: Business Operations
Public Content:

Rev. <AUTODATE>

Figure 50: April 8, 2022 Board Briefing

04-7-2027

Request for Proposals	
Department:	**Business Operations**
Division/School:	**Custodial & Grounds**
Commodity Group:	**Custodial Cleaning Services**
Funding Source:	**Fund 01-General Fund-Custodial Services Budget**

Recommendation:
It is recommended that the Shelby County Board of Education approves the contract for **HES Facilities Management** in the amount of **$7,925,639.23**, **SKB Facilities & Maintenance** in the amount of **$9,976,631.88** and **Service Master Clean** in the amount of **$16,621,815.12** for a four (4) year term to provide custodial cleaning services for the Shelby County School District. The District's Zone 1 will be awarded to **HES Facilities Management** in the amount of $7,925,639.23. The District's Zone 2 will be awarded to **SKB Facilities & Maintenance** in the amount of $9,976,631.88. The District's Zone 3 and Zone 4 will be awarded to **Service Master Clean**. Zone 3 in the amount $8,318,374.90 and Zone 4 in the amount of $8,303,440.22. The District's total cost for custodial cleaning services will be **$34,524,086.23**. The initial service term is for four (4) years starting the 2022-2023 school year with the option of extending the terms of the agreements for one (1) additional term, provided that the maximum duration of the agreements shall not exceed five (5) years.

If all parties are in agreement to renew the initial contract for any, pricing cannot exceed previous year's Consumer Price Index with a cap of 3%.

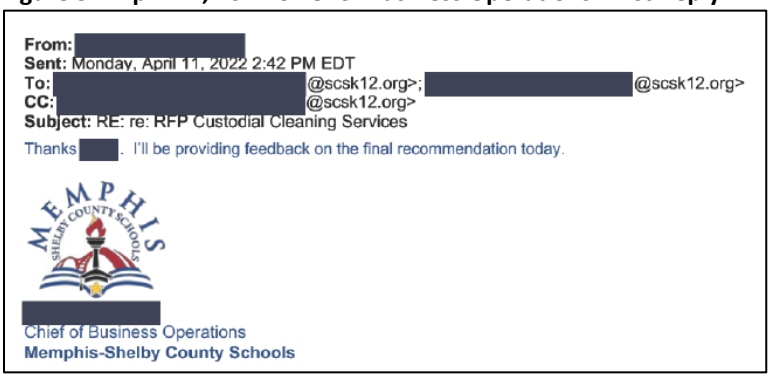
The former Director of Custodial and Grounds also prepared separate budget verification forms for each of the three

recommended vendors, with amounts consistent with those documented in the corresponding Board presentation materials.

Departure from the Committee Recommendation

Despite the former Director of Custodial and Grounds' documented multi-vendor recommendation, the contract was ultimately awarded solely to ServiceMaster FM for all four zones. On April 11, 2022, at 2:42 PM, the former Chief of Business Operations replied to the former Director of Custodial and Grounds, "Thanks … I'll be providing feedback on the final recommendation today." (Figure 51).

Figure 51: April 11, 2022 Chief of Business Operations' First Reply

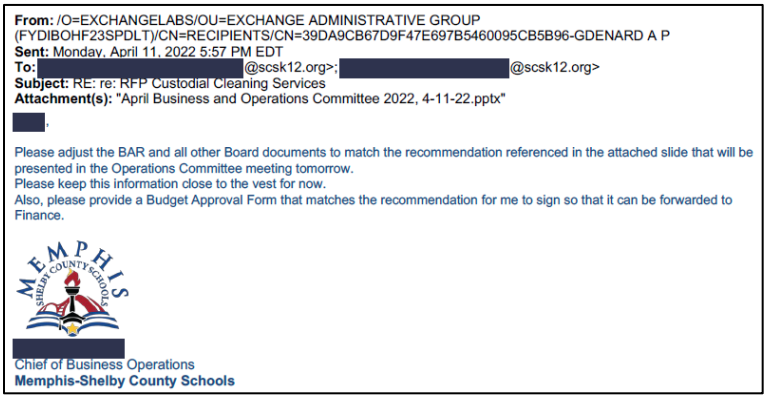

From: [redacted]
Sent: Monday, April 11, 2022 2:42 PM EDT
To: [redacted]@scsk12.org>; [redacted]@scsk12.org>
CC: [redacted]@scsk12.org>
Subject: RE: re: RFP Custodial Cleaning Services

Thanks [redacted]. I'll be providing feedback on the final recommendation today.

[redacted]
Chief of Business Operations
Memphis-Shelby County Schools

At 5:57 PM, the former Chief of Business Operations replied again, "… Please adjust the BAR and all other Board documents to match the recommendation referenced in the attached slide that will be presented in the Operations Committee meeting tomorrow. Please keep this information close to the vest for now. Also, please provide a Budget Approval Form that matches the recommendation for me to sign so that it can be forwarded to Finance." See Figure 52 below.

Figure 52: April 11, 2022 Chief of Business Operations Second Reply


From: /O=EXCHANGELABS/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=39DA9CB67D9F47E697B5460095CB5B96-GDENARD A P
Sent: Monday, April 11, 2022 5:57 PM EDT
To: [redacted]@scsk12.org>; [redacted]@scsk12.org>
Subject: RE: re: RFP Custodial Cleaning Services
Attachment(s): "April Business and Operations Committee 2022, 4-11-22.pptx"

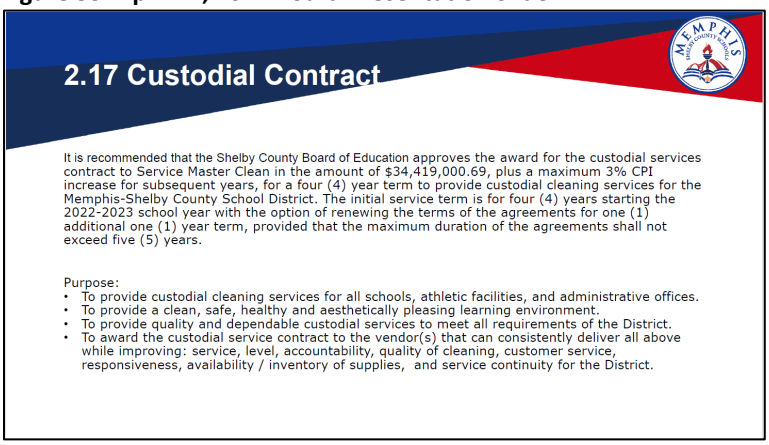
[redacted].

Please adjust the BAR and all other Board documents to match the recommendation referenced in the attached slide that will be presented in the Operations Committee meeting tomorrow.
Please keep this information close to the vest for now.
Also, please provide a Budget Approval Form that matches the recommendation for me to sign so that it can be forwarded to Finance.

[redacted]
Chief of Business Operations
Memphis-Shelby County Schools

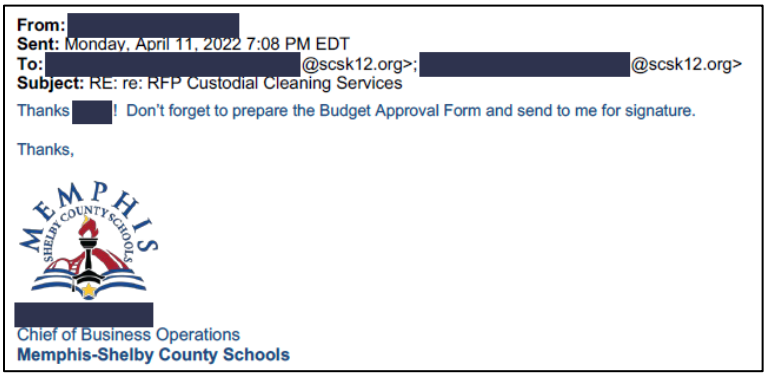
The email contained a revised Board presentation slide that recommended awarding the entire custodial services contract to Service Master Clean in the amount of $34,419,000.69. Figure 53 contains the former Chief of Business Operations' revised April 11, 2022, Board presentation slide.

Figure 53: April 11, 2022 Board Presentation Slide



At 6:42 PM, the former Director of Custodial and Grounds replied to the former Chief of Business Operations with a listing of the evaluation committee members and a revised BAR form and Board Briefing, both updated to reflect the former Chief of Business Operations' directive to award the entire contract to ServiceMaster Clean.[94] At 7:08 PM, the former Chief of Business Operations replied, "Thanks …! Don't forget to prepare the Budget Approval Form and send to me for signature." (Figure 54).

Figure 54: April 11, 2022 Chief of Business Operations Third Reply

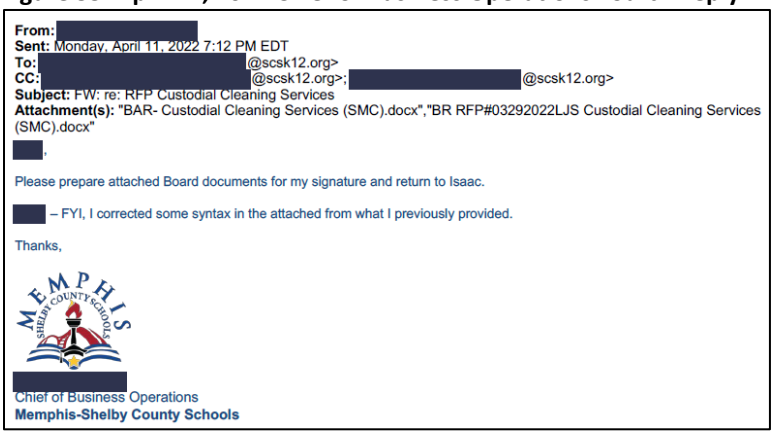


At 7:12 PM, the former Chief of Business Operations forwarded the revised Board documents to his executive assistant and

[94] The former Director of Custodial and Grounds' reply listed 10 evaluation committee members; however, interviews confirmed that two of the individuals listed did not serve on the committee, and the final committee consisted of eight members.

wrote, "Please prepare attached Board documents for my signature and return to …. – FYI, I corrected some syntax in the attached from what I previously provided." (Figure 55).

Figure 55: April 11, 2022 Chief of Business Operations Fourth Reply



From: [redacted]
Sent: Monday, April 11, 2022 7:12 PM EDT
To: [redacted]@scsk12.org>
CC: [redacted]@scsk12.org>; [redacted]@scsk12.org>
Subject: FW: re: RFP Custodial Cleaning Services
Attachment(s): "BAR- Custodial Cleaning Services (SMC).docx","BR RFP#03292022LJS Custodial Cleaning Services (SMC).docx"

[redacted],

Please prepare attached Board documents for my signature and return to Isaac.

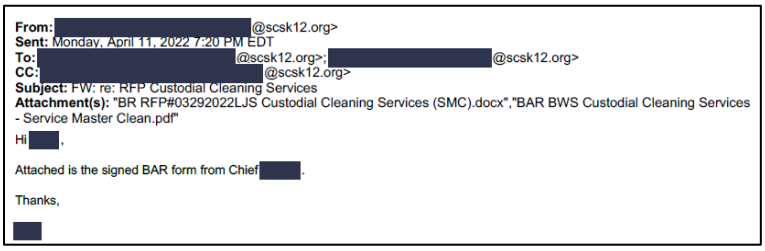
[redacted] – FYI, I corrected some syntax in the attached from what I previously provided.

Thanks,

[redacted]
Chief of Business Operations
Memphis-Shelby County Schools

At 7:20 PM, the executive assistant replied to the former Director of Custodial and Grounds with the signed BAR form attached, bearing the former Chief of Business Operations' signature (Figure 56).

Figure 56: April 11, 2022 Executive Assistant Reply



From: [redacted]@scsk12.org>
Sent: Monday, April 11, 2022 7:20 PM EDT
To: [redacted]@scsk12.org>; [redacted]@scsk12.org>
CC: [redacted]@scsk12.org>
Subject: FW: re: RFP Custodial Cleaning Services
Attachment(s): "BR RFP#03292022LJS Custodial Cleaning Services (SMC).docx","BAR BWS Custodial Cleaning Services - Service Master Clean.pdf"

Hi [redacted],

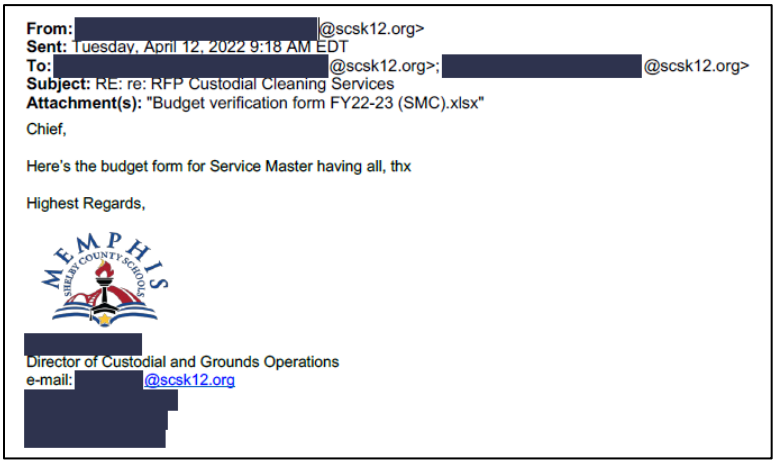
Attached is the signed BAR form from Chief [redacted].

Thanks,

[redacted]

On April 12, 2022, at 9:18 AM, the former Director of Custodial and Grounds replied, "Chief, Here's the budget form for Service Master having all, thx." The email contained the requested budget verification form reflecting the requested change to budget the entire contract award of $34,419,000.69 to ServiceMaster Clean (Figure 57).

Figure 57: April 12, 2022 Director of Custodial and Grounds Operations First Reply



From: [redacted]@scsk12.org>
Sent: Tuesday, April 12, 2022 9:18 AM EDT
To: [redacted]@scsk12.org>; [redacted]@scsk12.org>
Subject: RE: re: RFP Custodial Cleaning Services
Attachment(s): "Budget verification form FY22-23 (SMC).xlsx"

Chief,

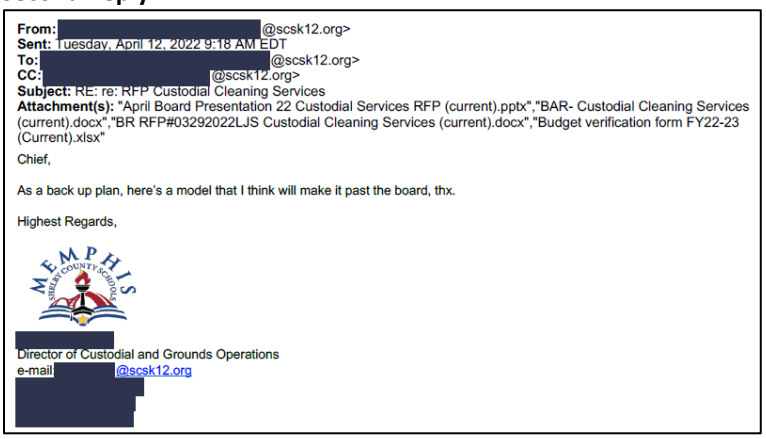
Here's the budget form for Service Master having all, thx

Highest Regards,

[redacted]
Director of Custodial and Grounds Operations
e-mail: [redacted]@scsk12.org
[redacted]

Separately, at 9:18 AM, the former Director of Custodial and Grounds sent a second email to the former Chief of Business Operations with a different message, writing, "Chief, As a back up plan, here's a model that I think will make it past the board, thx." (Figure 58).

Figure 58: April 12, 2022 Director of Custodial and Grounds Operations Second Reply



From: [redacted]@scsk12.org>
Sent: Tuesday, April 12, 2022 9:18 AM EDT
To: [redacted]@scsk12.org>
CC: [redacted]@scsk12.org>
Subject: RE: re: RFP Custodial Cleaning Services
Attachment(s): "April Board Presentation 22 Custodial Services RFP (current).pptx","BAR- Custodial Cleaning Services (current).docx","BR RFP#03292022LJS Custodial Cleaning Services (current).docx","Budget verification form FY22-23 (Current).xlsx"

Chief,

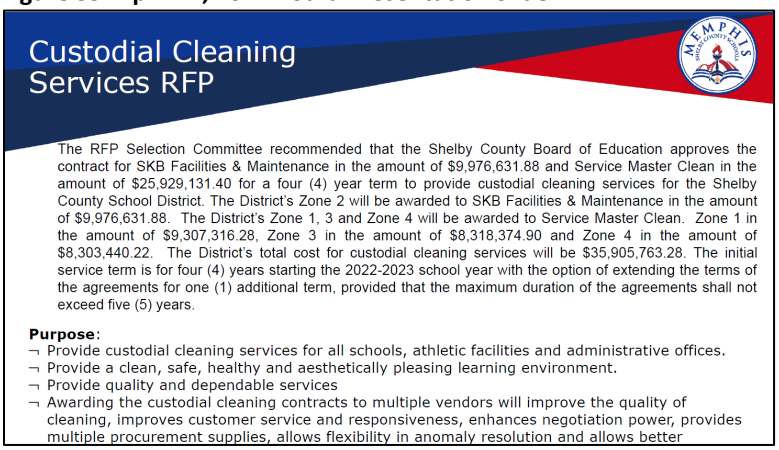
As a back up plan, here's a model that I think will make it past the board, thx.

Highest Regards,

[redacted]
Director of Custodial and Grounds Operations
e-mail: [redacted]@scsk12.org
[redacted]

This email contained a third version of the Board presentation slide, BAR form, Board Briefing, and budget verification form proposing an alternative award structure: Zone 2 to SKB Facilities & Maintenance in the amount of $9,976,631.88 and Zones 1, 3, and 4 to ServiceMaster Clean in the amount of $25,929,131.40. Figure 59 provides the April 12, 2022 third revision of the Board presentation slide.

Figure 59: April 12, 2022 Board Presentation Slide



At 1:26 PM, the former Chief of Business Operations replied to the former Director of Custodial and Grounds with a copy of the signed budget verification form. At 1:37 PM, the former Operations Sourcing Manager requested that the former Director of Custodial and Grounds complete the Board Briefing recommending the Board approve the full $34,419,000.69 award to ServiceMaster Clean. At 1:39 PM, the former Director of Facilities Management forwarded the signed budget verification form bearing the former Chief of Business Operations' signature to the former Operations Sourcing Manager, who in turn forwarded it to the Deputy Chief Financial Officer at 1:43 PM. At 1:46 PM, the Deputy Chief Financial Officer forwarded the signed budget verification form to the Chief Financial Officer. At 2:51 PM, the former Director of Custodial and Grounds replied to the former Operations Sourcing Manager with the completed Board Briefing, noting, "Filled in from last years info, thx."

Earlier that morning, at 8:51 AM, the former Director of Facilities Management had sent a calendar invitation for a meeting at 1:30 PM on April 12, 2022, with the subject "Custodial Contract Discussion" and the location "Eugene's Office-CNC." The invitation included the former Director of Custodial and Grounds and three other individuals from business operations, nutrition, and facilities maintenance.

Board Meeting Presentation and Approval Process

CLA reviewed the contents of the Board meeting documents for the April 26, 2022, May 31, 2022, and June 6, 2022, meetings and confirmed that the presentation materials were consistent with

the finalized versions reviewed during the email correspondence analysis.[95]

- *April 26, 2022 Board Business Meeting: Item Removed from Agenda*

  The custodial services contract was originally listed as Item 11.31 on the consent agenda for the April 26, 2022 Board Business Meeting. However, the item was designated as "REMOVED FROM AGENDA" prior to the Board's vote on the consent agenda. The meeting minutes do not reflect any discussion regarding the reason the custodial contract item was removed from the agenda.

- *May 31, 2022 Board Business Meeting: Motion Failed*

  The custodial services contract was presented at the May 31, 2022 Board Business Meeting. The custodial contract item was removed from the consent agenda to the Request for Action section for separate discussion and vote. The recommendation presented to the Board stated: "It is recommended that the Shelby County Board of Education approves the award for the custodial services contract to Service Master Clean in the amount of $34,419,000.69, plus a maximum 3% CPI increase for subsequent years, for a four (4) year term to provide custodial cleaning services for the Memphis-Shelby County School District." Upon roll call vote, the motion failed to be approved after receiving two votes in the affirmative and four votes in the negative, with three members absent.

- *June 6, 2022 Special Called Meeting: Contract Approved*

  A Special Called Meeting was held on June 6, 2022 for the sole purpose of taking action on the custodial cleaning services contract. The recommendation presented to the Board was identical in substance to the May 31, 2022. The meeting minutes reflected that custodial employees appeared at the meeting to advocate for a pay raise in connection with the custodial contract. The motion

[95] CLA also attempted to obtain video or audio recordings of each of these three Board meetings; however, the District's confirmed that they were unable to locate any recordings for the requested dates.

passed with seven votes in the affirmative, with two members absent.

Vendor-sponsored event attended by the former Chief of Business Operations

On June 10, 2022, the owner of ServiceMaster FM invited the former Chief of Business Operations to an event titled "Corporate Meeting" at Fleming's Prime Steakhouse & Wine Bar in Memphis. According to the meeting invitation, the former Chief of Business Operations was the only District employee invited to the event, which also included employees of ServiceMaster Clean and ServiceMaster FM. the former Chief of Business Operations accepted the invitation.

Inconsistencies in Board Presentation Materials: Multiple Vendor vs. Singular Vendor Language

CLA's review of the Board meeting documents identified inconsistencies in the language used across the April 26, 2022 and May 31, 2022 presentation materials regarding the recommendation of multiple versus a single vendor. Despite the former Chief of Business Operations' directive on April 11, 2022 to award the entire contract to ServiceMaster Clean as the sole vendor, certain sections of the BAR forms and Board Briefings retained language referencing multiple vendors.

The April 26, 2022 BAR form and Board Briefing contained multiple references to "multiple vendors," "all vendors," and "vendor(s)" throughout the Measurable Outcomes Expected, Explanation of Expected Benefits, Implementation Plan, Purpose, and Conclusion sections. These references were inconsistent with the sole-vendor recommendation to ServiceMaster Clean stated at the top of each document and indicated that the underlying language from the former Director of Custodial and Grounds' original multi-vendor recommendation had not been updated to reflect the former Chief of Business Operations' directive.

The May 31, 2022 BAR form corrected most of the plural language, updating references to reflect a singular vendor. However, the May 31, 2022 Board Briefing still contained residual inconsistencies. While the recommendation and purpose sections referenced a singular vendor, the conclusion section retained language more consistent with a multi-vendor award structure.

By the June 6, 2022 Special Called Meeting, the presentation materials reflected the singular-vendor recommendation to ServiceMaster Clean, and the language in the BAR form was consistent with a sole-vendor award. The contract was approved at this meeting as described above.

These inconsistencies are notable because the retention of multi-vendor language in the Board documents presented on April 26 and May 31 suggests that the materials were not thoroughly updated following the former Chief of Business Operations' directive, leaving vestiges of the former Director of Custodial and Grounds' original multi-vendor recommendation in the materials presented for Board approval.

Contract Execution and Subsequent Performance

Following the Board's approval on June 6, 2022, the District executed contract 2022-0973, the Custodial Services Agreement, between the District and ServiceMaster Clean. Although the agreement was dated June 6, 2022, the contract was not fully executed until July 12, 2022, when the Superintendent signed it. Notably, the contract term commenced June 1, 2022, five days before the Board voted to approve the contract and over five weeks before the agreement was fully executed. Under Article 2, Section 2.01, the Board approved ServiceMaster FM as the subcontractor to perform custodial services under the agreement.

CLA reviewed the District's disbursement history for Contract 2022-0973 as recorded in APECS and confirmed that ServiceMaster Clean received 23 payments between September 21, 2022 and February 5, 2024, totaling $48,430,744.52.[96] Table 75 summarizes the disbursements by fiscal year.

Table 75: Disbursements to ServiceMaster Clean (Contract 2022-0973)

Fiscal Year	No. of Payments	Total Disbursed
2022-2023	15	$ 28,648,544.11
2023-2024	8	19,782,200.41
Total	16	$ 48,430,744.52

[96] Although contract 2022-0973 was terminated effective December 31, 2023, ServiceMaster Clean continued to receive invoice payments through February 5, 2024. On January 9, 2024, Custodial and Grounds requested an increase to the purchase order for cover final invoices for contract 2022-0973 as the purchase order had a remaining zero-dollar balance. The requested increase of $18,355,558.53 was intended to cover the first six months of the contract's second year. CLA notes that it was not sufficiently clear from the information presented to the Board that the approximately $34 million approved for the four-year contract represented the cost for the first year only (fiscal year 2022-23). Accordingly, the contract was in effect for fiscal year 2022-23 and the first half of 2023-24. Observations relating to sufficiency and clarity of information presented to the Board is discussed in Section 5.E. Governance and Compliance.

Interviewees within custodial and grounds operations consistently reported that ServiceMaster FM's performance declined after assuming responsibility for all four zones. Multiple interviewees stated that ServiceMaster FM had performed well historically when servicing one or two zones but lacked the management structure and leadership infrastructure to sustain performance across all four zones simultaneously.

In May 2023, the Board publicly discussed the need for cleaner schools and addressed complaints from parents and school staff. On June 27, 2023, the Board voted to rebid custodial services. On July 12, 2023, the District issued a Notice of Termination to ServiceMaster Clean under Section 18 of the agreement, terminating Contract 2022-0973 effective October 8, 2023. On September 4, 2023, the District issued a follow-up letter in response to ServiceMaster Clean's request to reconsider the termination; however, the District stated that it would proceed with termination for convenience, with the effective date extended to December 31, 2023.

On July 18, 2023, the District reissued the custodial services solicitation as RFP #08072023TL, with proposals due August 7, 2023. The rebid resulted in the return to a multi-vendor model, with the RFP language explicitly requiring that no single vendor could be awarded more than two zones.

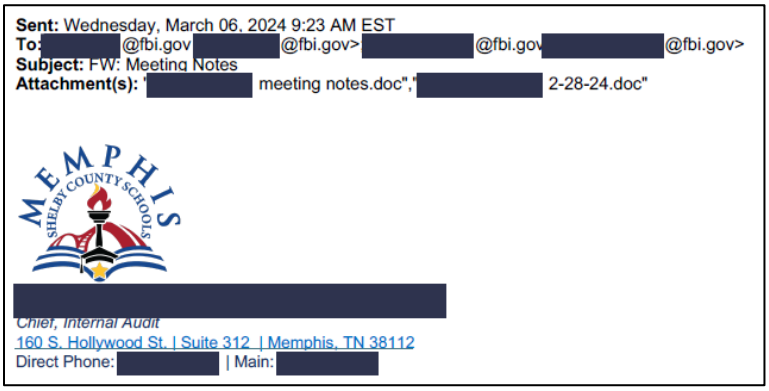
District Internal Audit Investigation and Referral

CLA learned through interviews conducted that on February 28, 2024, the District's internal auditors met with a former District employee to gather information regarding the custodial services contract. The former employees' account to Internal Audit was consistent with the documentary evidence reviewed by CLA: the evaluation committee recommended multiple vendors, the former Chief of Business Operations directed the award to a single vendor, and the former Director of Custodial and Grounds objected. The former employee further alleged that the contract cost was inflated by approximately $2 million to $4 million above the justified level, that a portion of this increase was intended to be diverted as kickbacks to a member of management and to an individual not employed by the District, and that ServiceMaster Stratos was removed from the contract because its owner was not expected to participate in the alleged arrangement.

Internal Audit determined that the former employee's account was credible enough to warrant further inquiry. The internal auditors attempted to formally interview the former Chief of Business Operations regarding the directive to override the

committee's recommendation; however, the former Chief of Business Operations refused to identify who directed him to change the award. Before a formal interview could be scheduled, the former Chief of Business Operations was placed on paid administrative leave and subsequently resigned from the District on January 4, 2023.[97] The internal auditors additionally requested the procurement file from the former Operations Sourcing Manager, who, after receiving the request, resigned from the District and consequently internal auditors were unable to interview this employee. Lacking the resources to conduct a full investigation, Internal Audit referred the matter to the Federal Bureau of Investigations (FBI). (Figure 60).

Figure 60: March 6, 2024 Internal Audit Referral


Sent: Wednesday, March 06, 2024 9:23 AM EST
To: [redacted]@fbi.gov [redacted]@fbi.gov> [redacted]@fbi.gov [redacted]@fbi.gov>
Subject: FW: Meeting Notes
Attachment(s): "[redacted] meeting notes.doc","[redacted] 2-28-24.doc"

[redacted]
Chief, Internal Audit
160 S. Hollywood St. | Suite 312 | Memphis, TN 38112
Direct Phone: [redacted] | Main: [redacted]

CLA was unable to independently verify the specific allegations regarding kickbacks, diverted funds, or improper payments, as CLA did not have access to the financial records of either the vendor or the former member of District management named in the allegation. No documentation substantiating these financial allegations was identified in the procurement records, payment records, or contract files reviewed. CLA is also unaware of the outcome of the referral to the FBI.

Conclusion

Based on the procedures performed, CLA concluded that the evaluation committee's documented recommendation for RFP #03292022LJS proposed awarding custodial contracts to three vendors across four zones for a total cost of $34,524,086.23. This recommendation was overridden by the former Chief of Business Operations, who on April 11, 2022, directed the former Director of Custodial and Grounds to revise all Board documents to reflect a sole-vendor award to ServiceMaster Clean in the

[97] APECS recorded termination date as both December 9, 2022, and January 4, 2023 for the Chief of Business Operations employment. Internal audit confirmed the correct date was January 4, 2023. Observations relating to employment-related information inconsistencies are discussed in Section 5.c.iv. *Payroll and Employee Compensation.*

amount of $34,419,000.69 annually.[98] The email correspondence, Board materials, and interviews consistently demonstrate that the single-vendor award was not the evaluation committee's recommendation, was not supported by custodial and grounds operations leadership, and was implemented without a documented rationale or justification in the procurement file. The former Director of Custodial and Grounds objected to the directive, declined to present the revised recommendation to the Board, and proposed an alternative multi-vendor structure that was disregarded. The Board presentation materials presented on April 26 and May 31, 2022 retained vestiges of the original multi-vendor language, further evidencing that the documents were hastily revised to conform to the former Chief of Business Operations' directive rather than developed through the standard procurement process. The District disbursed a total of $48,430,744.52 to ServiceMaster Clean under Contract 2022-0973 as listed in Table 76. CLA has classified these disbursements as abuse of authority, as the contract award was directed by the former Chief of Business Operations outside the established procurement process, contrary to the evaluation committee's recommendation, and without documented justification.

Table 76: Summary of Contract Amount and Amount Disbursed

Testing Area	Determination	Description	Contract Amount[99]	Amount Disbursed
Contracts	Abuse	Contract award was directed to a sole vendor outside the evaluation committee's recommendation and without documented justification.	$52,774,559.22	$48,430,744.52

Recommendations

CLA recommends the following regarding custodial contract procurement:

Recommendation #48 The District should require that evaluation committee recommendations for contracts exceeding $100,000.00 be documented in their original form and preserved in the procurement file, including all individual scorecards, the composite recommendation, and any subsequent revisions. Any deviation between the committee's recommendation and the final recommendation presented to the Board must be documented in writing with justification for the change, approved by the Superintendent or designee, and retained in the procurement file.

[98] The total contract cost decreased from $34,524,086.23 to $34,419,000.69 because ServiceMaster Clean's proposed cost for all four zones was $105,085.54 lower than the cost of using multiple vendors.

[99] As mentioned, the contract amount for the first year was $34,419,000.69 and the amount listed in the table includes the contract amount for the first year plus the contract amount relating to the first six months of the second year (through December 31, 2023). The contract amount listed ($52,774,559.22) included the first-year contract plus the Purchase Order for the cost of the period from July 1, 2023 to December 31, 2023 ($18,355,558.53). The calculation is as follows: $34,419,000.69 + 18,355,558.53 = $52,774,559.22.

Recommendation #49 The District should implement controls to ensure that Board presentation materials accurately reflect the evaluation committee's findings. Any modification to the committee's recommendation must be clearly identified in the Board materials, including the identity of the individual who authorized the modification and the basis for the change, to ensure full transparency in the Board's decision-making process.

The District should establish a formal escalation and reporting protocol requiring that when a department head or senior administrator directs a change to a procurement recommendation that overrides an evaluation committee's documented findings, the change must be reported to the Superintendent, the Chief Financial Officer, and the Board Chair. The protocol should include safeguards to protect employees who raise concerns about procurement irregularities from retaliation and should require that any such override be presented to the Board with full disclosure of both the original committee recommendation and the basis for the modification.

viii. Lobbying Services Contracts

Area of Analysis

Assess all contracts and supporting documentation for lobbying services.

Applicable Policies/Procedures and Best Practices

Lobbying Services Contracts follow the same processes, procedures and guidelines as outlined in 5.B.i *Contracts and Solicitations – Professional Services*.

Analysis and Sample Selection

In the course of the investigation, CLA identified several lobbying contracts procured by the District during the scope period as listed in Table 77.

Table 77: Lobbying Contracts within the Scope Period

Contracting Party	Contract Number	Contract Amount
Fred D. Thompson, II	2022-0060	$ 82,500.00
Dean & Associates[100]	2022-0612	72,000.00
Fred D. Thompson, II	2023-0036	90,000.00
Capitol Resources, LLC	2023-0413	15,000.00
Dean & Associates	2023-0618	72,000.00
Fred D. Thompson, II	2024-0189	90,000.00
Millsaps Gowan Government Relations	2024-0489	60,000.00
Waller Lansden Dortch & Davis, LLC	2023-0414	84,000.00
Total		$ 565,500.00

[100] CLA determined that all payments on this contract were reversed.

CLA conducted a detailed review of documentation related to lobbying, including contract procurement materials, email correspondence, and work product generated by lobbying contractors. In addition, CLA met with the District's General Counsel to obtain relevant insights into lobbying activities.

The District operates within a highly regulated public education environment in which critical decisions related to funding, policy, and operations are largely determined at the state and local levels. As a result, the District relies on external government relations and lobbying services to effectively advocate for its interests, navigate complex legislative processes, and maintain a consistent presence with policymakers. Contractors are tasked with tracking and analyzing legislation, maintaining relationships with elected officials, advising on policy strategy, and representing the District's interests before legislative and administrative bodies.

These responsibilities require specialized expertise and continual on-the-ground engagement with policymakers. These functions are not typically embedded within a school district's internal administrative structure. While MSCS maintains internal legal and administrative staff, the District is not structured to sustain full-time personnel dedicated to legislative monitoring, direct advocacy, and relationship management with state and local officials. Effective advocacy requires maintaining a "boots on the ground" presence at legislative sessions, committee hearings, and stakeholder meetings, as well as continuously tracking rapidly evolving policy developments. These activities demand both dedicated time and established relationships that external consultants are specifically retained to provide.

Further, government relations services support the District in navigating complex regulatory environments and aligning with broader educational stakeholders. MSCS contractors coordinate with organizations such as statewide education associations and coalitions to strengthen advocacy efforts and amplify influence. These collaborations help ensure that the District's priorities are represented within broader policy discussions and that MSCS is not disadvantaged relative to other stakeholders, such as teachers' unions, charter school organizations, or private sector interest groups, that also actively participate in the legislative process.

Fred D. Thompson, II

Fred D. Thompson provides comprehensive state-level government relations services, primarily focused on direct legislative advocacy and policy engagement. His scope includes serving as a liaison to the Tennessee General Assembly and executive agencies, monitoring and analyzing legislation, developing legislative strategy, and communicating the District's positions to policymakers. He also maintains ongoing relationships with legislators and coordinates with key education stakeholder groups to influence policy outcomes. He provides the District continuous presence and direct advocacy before decision-makers, ensuring MSCS has active representation in legislative proceedings and the ability to influence policy development in real time.

Dean & Associates

Dean & Associates specializes in local government relations and community-based legislative engagement. Their scope includes advising the District on interactions with the Memphis City Council and Shelby County Commission, attending meetings of local governing bodies, tracking local legislative developments, and facilitating engagement opportunities between District leadership and elected officials. They provide the District strengthened local advocacy and coordinated engagement at the municipal and county level, ensuring alignment between District priorities and local governmental decision-making.

Capitol Resources, LLC

Capitol Resources, LLC provides strategic government affairs consulting with a focus on messaging, stakeholder coordination, and legislative strategy development. Their services include advising on effective communication with legislative and executive branch officials, identifying and engaging key partners and stakeholders, monitoring legislation and budget developments, and developing strategies to advance or oppose policy initiatives. Unlike direct lobbyists, their role emphasizes planning, positioning, and coordination of advocacy efforts. They provide the District enhanced strategic direction and alignment of its advocacy efforts, enabling MSCS to more effectively navigate complex political environments and pursue its legislative objectives.

Millsaps Gowan Government Relations

Millsaps Gowan Government Relations provides state-level legislative and administrative advocacy services related to public education policy in Tennessee. Their scope includes tracking legislation, representing MSCS interests throughout the legislative process, identifying opportunities to advance the District's policy agenda, and monitoring actions of the State Board of Education while providing timely updates. They provide the District expanded representation through coordinated statewide advocacy and access to broader legislative networks, which enhances the District's ability to influence education policy at scale.

Waller Lansden Dortch & Davis, LLP

Waller Lansden Dortch & Davis, LLP provides government relations services integrated with legal advisory and public relations expertise. The group claims to have deep ties throughout the Tennessee General Assembly, the Governor's Administration, and State agencies and Regulatory Boards. Their scope includes advising on policy strategy, providing high-level guidance on legislative priorities, supporting long-term mission alignment, and developing relationships with policymakers, stakeholder groups, and state agencies. The firm also assists in mitigating potential reputational risks and executing strategic responses when needed. They provide the District access to an approach that combines legal insight with advocacy strategy, enabling MSCS to proactively manage policy risks and position itself effectively within the legislative environment.

Results of Analysis and Testing

CLA did not identify any indications of malfeasance or evidence of fraud related to lobbying contracts. The lobbying contracts reviewed were procured appropriately through the professional services procedures.

Absent professional representation, MSCS would face significant challenges in maintaining visibility and influence in legislative and policy discussions. The scope, complexity, and pace of governmental decision-making, combined with the need for established relationships and continuous engagement, make it impractical for the District to perform these functions solely with internal resources. As such, the use of external lobbying and government relations services is critical for ensuring that MSCS's interests are effectively represented and that the District can secure the resources and policy outcomes necessary to support its students and operations.

Conclusion

CLA did not identify any indications of malfeasance or evidence of fraud related to lobbying contracts. The use of external lobbying and government relations services is necessary given the complexity of legislative processes and the need for ongoing engagement and established relationships, which cannot be effectively maintained through internal resources alone.

Recommendations

Based on the workplan steps performed related to lobbying, CLA has not identified any recommendations within this section as of the time of this report.

ix. Public Relations Contracts

Area of Analysis

Assess contracts related to public relations and determine how the contracts were awarded. Identify services provided and why in-house resources were not utilized.

Applicable Policies/Procedures and Best Practices

Public Relations Contracts follow the same processes, procedures and guidelines as outlined in 5.B.i *Contracts and Solicitations – Professional Services*.

Analysis and Sample Selection

In the course of the investigation, CLA identified three public relations contracts procured by the District during the scope period as listed in Table 78.

Table 78: Public Relations Contracts within the Scope Period

Contracting Party	Contract Number	Contract Amount
Kingdom Quality Communications	2023-0008	$ 15,000.00
Kingdom Quality Communications	2023-0215	99,500.00

Contracting Party	Contract Number	Contract Amount
The Carter Malone Group	2024-0404	70,000.00
Total		$ 184,500.00

CLA conducted a detailed review of documentation related to public relations, including contract procurement materials, email correspondence, and work product generated by public relations contractors. In addition, CLA met with the Assistant Superintendent of Operations and Strategic Communications Officer to obtain relevant insights into public relations activities.

The District engaged external public relations firms during a period marked by significant leadership turnover, public scrutiny, and operational instability at the superintendent level. The District's use of outside communications support occurred against a backdrop of frequent changes in executive leadership, highly publicized governance disputes, and growing attention from State officials, media outlets, and community stakeholders.

Superintendent turnover placed the District in a sustained state of transition, limiting continuity in messaging and complicating the District's ability to present a consistent narrative regarding its strategic direction, governance decisions, and day to day operations. During this period, the District faced overlapping challenges that amplified reputational risk, including public disagreement among board members, community concerns about academic performance and staffing shortages, and increased media coverage of leadership exits and appointments.

In this environment, the engagement of external PR firms appears to have been driven by a need to stabilize communications, supplement internal capacity, and provide professional support during times when senior leadership and communications staff were frequently changing. External firms offered District leadership additional expertise in media relations, crisis response, message discipline, and stakeholder communications at a time when internal attention was heavily consumed by leadership transitions and governance issues.

Kingdom Quality Communications

Kingdom Quality Communications (KQ) was initially hired by the Board in July 2022 (Contract 2023-0008) to handle the Board's crisis media management following the departure of the Former Superintendent. The scope of work included development of outreach strategies, drafting and managing media communications, and coordinating messaging with internal stakeholders. During this time, the Former Superintendent was facing allegations of improper conduct that called for an internal investigation ultimately leading to his resignation. According to a February 2023 email from a Board member recalling the engagement, KQ was retained shortly before the start of the school year in response to the emerging crisis and subsequently supported the District in managing press conferences, responding to constituent inquiries, and coordinating communications for special-called meetings. An August 26, 2022 email exchange indicates that KQ's engagement was limited to supporting crisis media related to the investigation, and that as media inquiries subsided, both

parties agreed to conclude services. District leadership acknowledged that KQ had provided substantial support during the crisis and confirmed that internal communications staff could manage ongoing communications, with the option to re-engage KQ if needed in the future.

Following the conclusion of the initial contract, KQ was again hired by the Board for communications support for the superintendent search process (Contract 2023-0215). The scope of work included research and planning activities to develop a comprehensive public relations strategy, as well as ongoing implementation and execution support. This encompassed stakeholder engagement through interviews, surveys, and focus groups; development of a detailed PR plan with objectives, messaging, and timelines; creation of marketing and communication materials; social media management; media relations and outreach; and coordination of stakeholder engagement efforts. The agreement also included ongoing evaluation of performance against established goals and provided crisis communication support, including development and review of messaging and execution of outreach strategies as needed.

A May 2023 email exchange confirms that KQ was brought on to lead media and community relations for the superintendent search during the busy school year. Once the school year had ended, the MSCS Communications Department had the capacity to continue the work as the superintendent search continued.

The Carter Malone Group

The Carter Malone Group was hired by the Board in November 2023 (Contract 2024-0404) to handle communications efforts for the Board including managing social media, coordinating community meetings, handling public relations, and working with the District's communications team to create and distribute a monthly newsletter. During that time, there was significant turnover and reduction in staffing in the communications department. Lacking significant internal support, the decision was made to engage the professional services of an external communications firm to assist the Board with routine external communications to prioritize transparency and provide more community and media access to the Board.

Results of Analysis and Testing

CLA did not identify any indications of malfeasance or evidence of fraud related to public relations contracts. The public relations contracts reviewed were procured appropriately through the professional services procedures.

The decision to retain external PR services does not indicate inappropriate intent. Rather, it reflects a governance level response to instability and reputational pressure commonly observed in organizations experiencing executive turnover. The District's engagement of KQ Communications and the Carter Malone Group appears to have been tied to the District's need for enhanced communications capacity during a period of sustained superintendent turnover, increased scrutiny, and elevated risk to

public confidence. These engagements functioned as a support mechanism during instability, rather than as a substitute for permanent leadership.

Observation #81 Based on the procedures performed, there is sufficient evidence to conclude that the payments totaling $27,708.97 related to Contract 2023-0215, executed in September 2022 with KQ Communication, are consistent with the ACFE's guidance on abuse. The initial contract was for $46,500.00. On November 21, 2022, the contract was amended to extend services through March 31, 2023, and to add $53,000.00, increasing the total contract value to $99,500.00; however, there is no evidence of Board approval after the contract exceeded the $75,000.00 threshold requiring such approval. Two purchase orders were issued under this contract, including the initial Purchase Order No. 2313794 for $46,500.00 and Purchase Order No. 2323503, which was subsequently increased to $96,208.94 to reflect additional scope related to "Increase payment for Superintendent Search." In total, payments under these two purchase orders amounted to $127,208.94, exceeding the amended contract value of $99,500.00 by $27,708.94, and no additional contract amendment was identified to authorize this increase.[101]

Procurement controls require that expenditures remain within approved contract limits and that purchase orders reflect formally executed amendments. The District issued a purchase order of $96,208.94 that was not aligned with the $53,000.00 amendment, indicating inadequate contract monitoring and a breakdown in procurement controls. As a result, the District exceeded the authorized contract ceiling by $27,708.94, representing an improper use of funds inconsistent with contract terms and constituting abuse, while also weakening financial oversight and increasing the risk of non-compliance with procurement policies.

Conclusion

CLA did not identify any evidence of fraud related to public relations contracts. Superintendent transitions resulted in leadership structures, which may not have included long term communications planning or sufficient capacity to manage prolonged media scrutiny. The engagement of PR firms during this period suggests an

[101] During the course of the forensic audit, CLA became aware that the president and founding partner of KQ Communications is married to an MSCS employee. Based on procedures performed, CLA determined that this individual had no involvement in the vendor selection, procurement, or contracting processes. Accordingly, no concerns related to a conflict of interest were identified.

effort to mitigate disruption, ensure responsiveness, and maintain a degree of consistency in external communications despite changes in senior leadership.

However, payments totaling $27,708.94 under Contract 2023-0215 with KQ Communication constituted abuse, as the District exceeded the approved contract value reflecting a breakdown in procurement controls and inadequate contract monitoring.

Recommendations

Based on the workplan steps performed related to public relations, CLA has not identified any additional recommendations specific to this section. Relevant recommendations can be found in Recommendation #19 and Recommendation #28.

x. Remote Learning Contracts

Area of Analysis

Assess the documented justification for the implementation of remote learning programs, including any analyses, policies, or strategic plans supporting the need for remote learning. Evaluate the District's plans and efforts to address in-person teacher vacancies.

Applicable Policies/Procedures and Best Practices

Remote Learning Contracts follow the same processes, procedures and guidelines as outlined in 5.B.i *Contracts and Solicitations – Professional Services*.

Analysis and Sample Selection

CLA determined that Proximity Learning is the District's sole provider of remote learning services. Funding for Proximity is shared between Academics and Human Resources, with Human Resources retaining responsibility for teacher recruitment. During the scope period, the District awarded two contracts to Proximity totaling $11,699,990.00.

CLA conducted a detailed review of documentation related to remote learning, including contract procurement materials, email correspondence, and program evaluation reports. In addition, CLA met with the Assistant Superintendent of Operations, the Director of K - 16 Strategies, and the Executive Director of Research, Evaluation, Accountability, and Data Strategy to obtain relevant insights about the remote learning program.[102]

[102] K-16 Strategies refers to college and career readiness efforts, partnerships, and outcome tracking that extend beyond high school into postsecondary education.

Justification for the Implementation of Remote Learning Programs

Proximity Learning is utilized as a response to persistent certified teacher vacancies, rather than as a core instructional strategy. Proximity is a temporary, vacancy-mitigation tool intended to maintain instructional continuity when in-person hiring efforts are unsuccessful. The model enables the District to provide students with access to a certified teacher of record through live, synchronous virtual instruction, while students remain physically present in classrooms under the supervision of an in-person staff member. This structure was initially implemented as a response to staffing constraints and expanded over time as vacancies persisted despite ongoing recruitment efforts.

There is no single districtwide policy or long-term plan that governed the adoption of Proximity; instead, decisions were made collaboratively among academic leadership, human resources, and school administrators based on real-time staffing conditions. Proximity was generally implemented after teaching positions remained vacant for a sustained period, with schools prioritizing coverage in core or tested subjects and focusing on campuses with the greatest staffing needs. District leadership characterized Proximity as a "last-resort" solution, used only after other options, such as hiring certified teachers, utilizing substitutes, or adjusting schedules, were exhausted. Additionally, its flexible, "pay-as-you-go" structure allows the District to scale services according to need and discontinue use when positions are filled.

Proximity does not replace or reduce the need for in-person teachers. Schools continue to actively recruit and post vacancies, including mid-year hires, and transition away from Proximity instruction as soon as certified in-person teachers are secured. As a result, Proximity has functioned as a bridging mechanism, mitigating the operational effects of vacancies rather than resolving underlying staffing challenges.

Plans to Address Teacher Vacancies

The District has implemented a multi-faceted approach to address persistent in-person teacher vacancies, combining both immediate staffing interventions and longer-term recruitment and retention strategies. With vacancies numbering in the hundreds, the District treats staffing shortages as an ongoing operational challenge requiring a continuous response. Rather than relying on a single solution, the District has implemented a number of strategies designed to maintain uninterrupted in-person instruction while expanding the pipeline of qualified educators.

These efforts include large-scale hiring events and job fairs that enable school leaders to interview and hire candidates directly. In addition, MSCS continues to utilize substitutes, instructional assistants, and individuals working under provisional or emergency licensure to ensure that classrooms remain staffed while permanent teachers are recruited. These measures are intended to preserve standard school

operations and avoid unstaffed classrooms or reduced course offerings during periods of staffing shortages.

To address vacancies more sustainably, the District has emphasized expanding recruitment pipelines and entry pathways into the profession. This includes supporting teachers working toward licensure under state-approved permits and investing in alternative preparation programs, such as teacher residency models that place candidates in classrooms while they complete required training. The District has also centralized hiring processes through talent pools and recruitment platforms to improve the speed and alignment of candidate placements with school needs. Collectively, these strategies are intended to broaden the pool of qualified applicants and reduce dependence on short-term staffing solutions.

Retention has been identified as a critical component of the District's vacancy reduction strategy. The District has highlighted initiatives aimed at improving teacher stability and long-term retention. District leadership has emphasized the importance of school-level support, such as instructional coaching and leadership engagement, in maintaining teacher satisfaction and reducing turnover over time. Additionally, recruitment and retention efforts are supported by broader compensation initiatives, including state-level salary increases and financial incentives tied to licensure attainment.

Role of the Research, Evaluation, Accountability, and Data Strategy Team

The District's Research, Evaluation, Accountability, and Data Strategy Team is in charge of evaluating the effectiveness of Proximity Learning through data-driven analyses focused primarily on student outcomes. The team initiated the structured evaluation of Proximity Learning during the 2022–2023 school year.

The evaluation approach emphasized quantitative measures of academic performance, with state assessment results serving as the primary indicator and course grades used as a secondary measure. Findings from the analyses, as well as subsequent evaluation reports, indicate that student academic outcomes associated with Proximity were generally weaker than those of comparable students receiving traditional in-person instruction, particularly on state end-of-course (EOC) assessments. Across multiple evaluation periods, Proximity students underperformed in most tested subjects, with limited exceptions where performance differences were not statistically significant. While course grade outcomes were more mixed in certain years, evaluators noted that these measures were less reliable due to variability in grading practices. At the same time, evaluation observations consistently confirmed that Proximity fulfilled its operational purpose of providing certified instructors in classrooms where vacancies existed, ensuring continuity of instruction and compliance with certification requirements.

The purpose of the evaluation was not to determine whether Proximity Learning was superior to in-person instruction, but rather to assess outcomes given the absence of viable staffing alternatives. Consistent with this framing, Proximity was characterized as a necessary, last-resort solution, and evaluation results were used to inform

understanding of its academic impact rather than to position it as a preferred instructional model.

Results of Analysis and Testing

CLA did not identify any indications of malfeasance or evidence of fraud related to remote learning contracts. The District's use of Proximity Learning is a temporary, contingency-based staffing strategy designed to ensure continuity of instruction in the face of persistent teacher shortages. While the model has enabled the District to maintain classroom instruction and compliance with certification requirements, it has not addressed the root causes of vacancies and is not positioned as a long-term replacement for in-person teaching staff. The District's approach to addressing teacher vacancies prioritizes maintaining in-person instruction in the short term while building longer-term capacity through recruitment and retention initiatives. While these efforts demonstrate a coordinated response to ongoing staffing challenges, the District continues to experience structural pressures that limit its ability to fully eliminate vacancies.

Observation #82 While the District has implemented a range of short-term staffing interventions and longer-term recruitment and retention strategies, there is no evidence of a formalized return on investment (ROI) analysis comparing these approaches. As noted, the District continues to rely on remote learning contracts, such as those provided by Proximity Learning, as a temporary solution to persistent vacancies, while also investing in broader pipeline development and retention initiatives. Evaluation results indicate that student outcomes associated with remote learning are generally weaker than those in traditional in-person settings, despite fulfilling operational needs for staffing continuity. However, the relative cost-effectiveness and long-term impact of continuing short-term solutions versus accelerating investment in sustainable recruitment strategies have not been formally assessed. Without this analysis, the District lacks a comprehensive framework to guide resource allocation decisions and ensure alignment between financial investments and student performance outcomes.

Conclusion

CLA did not identify any indications of malfeasance or evidence of fraud related to remote learning contracts. The District's use of Proximity Learning reflects a temporary approach to mitigating teacher vacancies. The approach supports continuity of instruction but does not address underlying staffing challenges. While the District has implemented coordinated short- and long-term recruitment and retention strategies, structural pressures continue to limit its ability to fully eliminate vacancies.

Recommendations

Recommendation #50 The District should continue to build upon its existing recruitment initiatives, including hiring events, alternative certification pathways, and teacher residency programs, which are designed to expand the pipeline of qualified educators and reduce long-term reliance on temporary staffing solutions. Sustained focus on these strategies is critical to addressing the root causes of vacancies and improving long-term staffing stability.

xi. Low Voltage Wiring Contracts

Area of Analysis

The State requested that CLA assess whether procurement and installation of low voltage wiring (Oteka Technologies) complied with applicable procurement policies, and identify any indicator of overbilling, duplicate payments, unauthorized change orders, or incomplete or substandard work.

Applicable Policies/Procedures and Best Practices

Services provided by vendors such as Oteka fall under the definition of non-professional services. Applicable policies and procedures for non-professional services are as described in section 5.B.ii *Contracts and Solicitations – Non-Professional Services* starting on page 134. Specifically, for this vendor there were several master service agreements and contracts as well as purchases of equipment issued to this vendor during the forensic audit period (fiscal year 2022 to 2024). Additionally, there were purchases made under the Master Facilities Service Agreements and micro purchases. For reference, a brief description of these various types of agreements are listed below.

- A Master Service Agreement (MSA) is a foundational contract that establishes the general legal and commercial terms governing an ongoing relationship between parties. Rather than defining specific work, it serves as a framework under which future projects are executed through separate Statements of Work (SOWs) that outline the details of each engagement. A competitive procurement process is applicable. According to MSCS procedures, it is not required for MSAs to be reviewed and approved by the Board; and SOWs are required to be brought before the Board only if they are at a cost of $100,000.00 or more.
- A standard contract typically covers a single transaction or project and includes both the overarching terms and the specific scope in one agreement. A competitive procurement process is applicable, depending on the contract amount and contracts require Board review and approval if they meet or exceed the $100,000.00 threshold.

- Equipment purchases do not require a separate standalone contract because they are executed through the procurement and purchase order (PO) process, which itself serves as the legally binding instrument. A competitive procurement process is applicable, depending on the contract amount, and these too require board review and approval.
- Master Facilities Services Agreements are used by the Facilities department and they were typically used for smaller projects that were generally under $10,000.00. According to MSCS's procedures, these did not require a competitive procurement process or Board review and approval.
- A micro-purchase generally refers to a low-dollar procurement allowing purchases without competitive bidding, provided the price is reasonable and appropriately documented.

Analysis and Sample Selection

Oteka Technologies, LLC is a Memphis, Tennessee-based minority-owned business founded in 2016 that specializes in low-voltage cabling and technology infrastructure services. The company focuses on the installation and integration of network and communications systems, including structured cabling for data, voice, and video networks, fiber optic infrastructure, and security technologies such as cameras, access control, and alarm systems. In the context of public-sector work, including projects for school districts, its services are typically associated with internal network infrastructure and security system support, which fall within the scope of low-voltage electrical and communications work rather than general building electrical construction.

For context, this vendor first conducted work for the District, in fiscal year 2018, when it received payments of less than $100,000.00 for smaller projects. Payments to this vendor were approximately $1 million in 2019, and $2 million in 2020. For year 2021 the payments were lower, at approximately $350,000.00.

CLA identified all payments made to the vendor Oteka Technologies during the forensic audit period and attempted to map those payments to the related contracts. However, mapping individual payments to specific contracts was only partially possible due to inconsistent or incomplete references between purchase orders recorded in APECS and the associated contracts.

In total, 366 payments were made to this vendor during the audit period, including 86, 162, and 118 payments in fiscal years 2022, 2023, and 2024, respectively.

CLA requested that MSCS assist in identifying the applicable contracts for all purchase orders and conducted an extensive review of Board minutes and email correspondence to better understand the relationship between contracts and related purchase orders. This was necessary to assess whether overbilling, duplicate payments, or unauthorized change orders had occurred.

This effort was significantly complicated by the number and variety of agreements (including MSAs, Facilities MSAs, contracts, equipment purchases, and micro-purchases), as well as overlapping performance periods. Despite these challenges, CLA ultimately obtained sufficient documentation to support that purchase orders and related payments were appropriately associated with the relevant agreements, enabling further review.

This review of contracts and related payments was performed to understand the nature of the goods and services provided by the vendor, evaluate whether the procurement process complied with applicable policies, and assess for any indications of overbilling, duplicate payments, unauthorized change orders, or incomplete or substandard work. Table 79 presents payments to this vendor by contract (or purchase type) and fiscal year, based on the District's payment issuance date.

Table 79: Payments to Oteka by Fiscal Year Based on Check Date

Description	Description of Work	FY2022	FY2023	FY2024	Total
MSA - Contract 2021-0694	Network Cabling Services under E-Rate Cabling Program (USAC Funding) under terms and conditions as set by TEBC Contract #68611 between the State of Tennessee and Oteka.	$ 454,323.88	$2,553,174.14	$2,016,121.05	$5,023,619.07
MSA - Contract 2021-1029	Non E-Rate cabling and IT Services	162,633.42	229,233.62	-	391,867.04
MSA - Contract 2023-0381	Non E-Rate cabling and IT Services	-	2,124,674.82	309,687.21	2,434,362.03
MSA - Contract 2024-0039	Non E-Rate cabling and IT Services	-	-	2,451,533.46	2,451,533.46
No Contract - Equipment Only	Purchase of equipment (Cameras, Aiphones, servers)[103]	1,043,339.74	1,055,354.75	51,432.01	2,150,126.50
Contract 2022-0402	Fire Alarm System Replacement project at Mitchell High School	-	133,551.60	-	133,551.60
Contract 2023-0280	Fire alarm replacement for Gardenview Elementary School	-	33,020.10	44,892.90	77,913.00
Contract 2023-0281	Fire alarm replacement for Sherwood Elementary School	-	-	105,396.35	105,396.35
Master Facilities Services Agreement	Purchase of goods and services under Master Facilities Services Agreement	14,995.03	-	-	14,995.03
Under Micro Purchase Threshold	Under	623.50	2,793.32	12,430.00	15,846.82
Total		$1,675,915.57	$6,131,802.35	$4,991,492.98	$12,799,210.90

[103] Aiphone Corporation is a manufacturer of intercom and security communication systems commonly used in schools for classroom-to-office communication and door access.

Results of Analysis

CLA did not identify evidence of overbilling, duplicate payments, unauthorized change orders, improper procurement processes, or failure to obtain Board review and approval. Similarly, based on results of interviews conducted there was no information provided to CLA that would indicate incomplete or substandard work by this vendor. Nonetheless, several observations were noted related to contract management and the information provided to the Board. As previously noted, purchases from this vendor fell into five categories, and the paragraphs below summarize the high-level results related to procurement and Board approval.

- The first category of contracts listed in this table consists of Master Service Agreements (MSAs) for services such as network cabling and information technology support, which are further divided into E-Rate and non-E-Rate contracts. These represented the largest contracts and, although structured as MSAs that, based on procedures communicated to CLA, did not require Board approval, some were nonetheless presented to the Board. All SOWs tested under these MSAs were appropriately submitted for Board review and approval and were appropriately procured. Certain observations were identified related to contract management rather than procurement; these observations are discussed at the end of this section. Additional details regarding these contracts are provided below to provide additional details relating to these contracts.

    - **Contract 2021-0694:** This was a $6,969,319.20 three-year contract awarded to the vendor through a piggyback procurement process, utilizing an existing contract between the vendor and the Tennessee Educational Broadband Consortium (TEBC) for E-Rate. Under this approach, the District relied on the competitively procured state contract rather than conducting a separate solicitation. The contract covered upgrades to fiber optic cabling, specifically cable construction for the installation of intercom replacements at various school locations. There were three separate projects within this MSA contract that include, 1) the installation of intercoms at various school locations that was treated as a construction project, 2) the wiring installation for security systems at several schools, and 3) the fiber optic installations at various schools based on E-Rates pricing model where by the District's cost was paid at 85% by USAC funding and 15% by the District. The contract effective date was from May 3, 2021 to June 30, 2025.

    - **Contract 2021-1029 and 2023-0381**: Oteka was the only vendor providing low-voltage wiring installation services during the initial period of the forensic audit, as it was the sole respondent to RFP #06102021, published on May 19, 2021. Consequently, Oteka was the only vendor selected for this MSA, which was utilized by the Facilities, Construction, and Information Technology Departments. CLA confirmed that the procurement was publicly issued and

identified no indication that additional vendors responded. The initial contract (2021-1029) was effective from August 10, 2021, through August 9, 2022, with options for two one-year renewals. Following the expiration of the original term, the contract was reinstated on December 9, 2022, retroactively effective from August 10, 2022, through August 10, 2023, under a new contract number (2023-0381). The Board approved the reinstated contract at its December 6, 2022, meeting. This contract represents the non–E-Rate agreement for low-voltage wiring installation services.

- **Contract 2024-0039:** Beginning in fiscal year 2023-24, four additional vendors were awarded MSAs alongside Oteka based on responses to RFP #05042023LB, issued on April 20, 2023. District personnel communicated to CLA that, while Oteka's work was of good quality, it was decided to issue an RFP to attempt to have more vendors who may provide this type of services. This contract with Oteka represents an extension of the prior agreement (2023-0381) for low-voltage wiring installation services and was effective from July 18, 2023, through June 30, 2024.

- The second category includes equipment-only purchases, which did not require formal contracts but did require both a competitive procurement process and Board approval. A total of ten payments were made, all of which were appropriately procured and approved by the Board. These purchases were made by the Security department for items such as security cameras and Aiphones, which were installed by District personnel; therefore, a services contract was not required. The Board approved the purchase of cameras totaling $1,043,339.74 at its September 28, 2021 meeting. Additional camera purchases were approved at the June 28, 2022 meeting, at which time installation services were also approved. The total amount approved was $2,567,527.24; however, the documentation provided to the Board did not clearly distinguish between amounts allocated for equipment purchases and those for installation services. Certain observations related to the clarity of information provided to the Board were identified and are discussed at the end of this section.

- The third category consists of three individual contracts for fire alarm replacement services at three schools. They were all confirmed to be appropriately procured through a public process and for two that exceeded the $100,000.00 threshold requiring board approval, appropriate Board approval was received. No observations were made regarding these contracts.

- The fourth category includes Master Facilities Services Agreements which were for minor facilities projects not exceeding $10,000.00. These were for three separate projects, the largest being cabling for cameras and motion detectors for the MSCS welcome center at a cost of $9,359.52. These

agreements apply to projects authorized in a purchase order and are not subject to competitive bids. No observations were made about these payments.

- The final category includes purchases made under the micro-purchase thresholds of $500.00 through November 2023, or under $3,500.00 after November 2023. None of the purchases identified under the micro-purchase designation exceeded the threshold limits.[104]

The observations below were made relating to the contract management and the quality of information provided to the Board for certain purchases.

Observation #83 The MSA under contract 2021-1029 was effective for a one-year term beginning August 10, 2021, and ending August 9, 2022. However, eight payments, totaling $229,233.62, were made for invoices dated after August 9, 2022, in violation of policy. This indicates that purchase orders continued to be assigned and payments processed under the MSA after its expiration. Although the contract included options to renew for two additional one-year terms, it was not formally reinstated until December 9, 2022, at which time it was made retroactively effective from August 10, 2022. A new contract number (2023-0381) was assigned at that time. Notably, payments had already been made prior to execution of the reinstated contract. The Board subsequently approved the reinstated contract at its December 6, 2022, meeting; however, this approval occurred after the start of the renewal term and after related payments had been processed. Accordingly, while the contract was ultimately presented to and approved by the Board, the timing of the approval and continuation of payments prior to execution reflect a deviation from Board Policy 2006, which requires that contracts extending beyond one year, as well as non-professional service contracts exceeding $100,000.00, be approved by the Board.

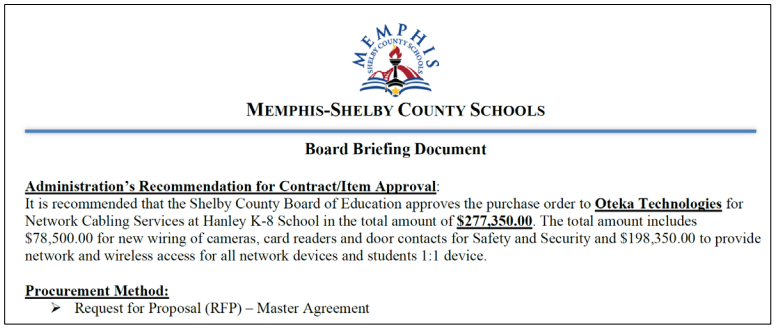
Observation #84 In violation of policy, no vendor quote was located for purchase order 2325337, totaling $57,600.00, related to services for the Whitney ES Intrusion Upgrade Wiring project dated February 24, 2023, under MSA contract 2023-0381. However, an appropriate vendor invoice supporting the amount paid was available. The absence of a quote is not in compliance with the MSA requirement that all work under this MSA is to be approved

[104] For example, a payment of $3,315.00 was made on May 8, 2024, for services relating to the repair and installation of cabling for portables in the back of the facility at Snowden School, due to pole damage. An appropriately approved invoice with sufficient detail and a complete Payment Request were on file for this payment.

through the submission of a SOW that provides the details as to the work that will be performed.

Observation #85 Neither the SOWs nor the invoices submitted by the vendor indicated the contract number to which they related. This created challenges in determining the appropriate contract associated with each purchase order and corresponding invoice, particularly given the number of contracts active during the same time period. Additionally, there is no way for the Board to identify, based on the SOWs presented, to what contract the SOWs pertain as the MSA/Contract information was not consistently included in the Board Request or Board Briefing documents. For example, see Figure 61 for a Board Briefing document that communicates a related MSA exists but does not list the related contract number for the MSA.[105]

Figure 61: PO Referencing Incorrect Contract Number



MEMPHIS-SHELBY COUNTY SCHOOLS

Board Briefing Document

Administration's Recommendation for Contract/Item Approval:
It is recommended that the Shelby County Board of Education approves the purchase order to **Oteka Technologies** for Network Cabling Services at Hanley K-8 School in the total amount of **$277,350.00**. The total amount includes $78,500.00 for new wiring of cameras, card readers and door contacts for Safety and Security and $198,350.00 to provide network and wireless access for all network devices and students 1:1 device.

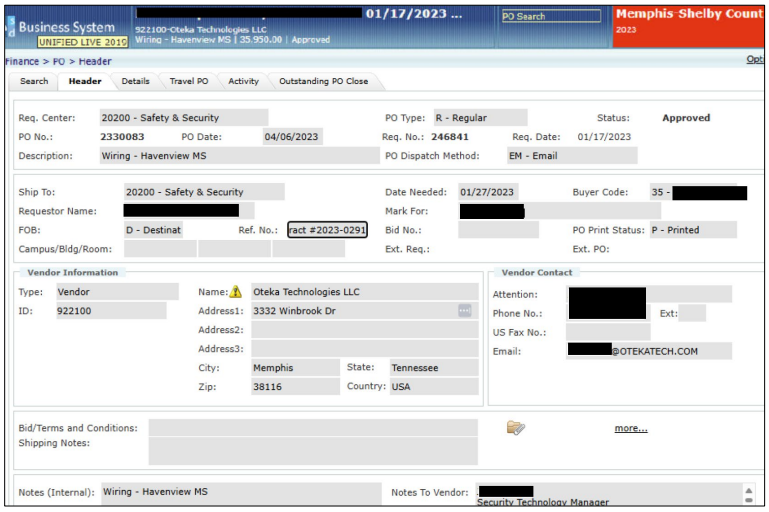
Procurement Method:
- Request for Proposal (RFP) – Master Agreement

This issue was further compounded by the ineffective use of APECS, where a field exists to assign a contract number to each purchase order; however, this field was not consistently completed or was entered incorrectly, as it relies on manual input. For example, a payment made on October 31, 2023, in the amount of $15,950 included contract number 2023-0291 in the purchase order reference field; however, that contract number pertained to a different vendor. CLA determined that the correct contract number should have been 2023-0381.

While this example illustrates the issue, multiple instances were identified in which the contract number field was either left blank or populated with an incorrect contract number, including cases where the contract number corresponded to the vendor but was not the applicable agreement. Figure 62 includes the purchase order details that incorrectly list a contract number for a different vendor.

[105] This request for contract/item approval related to the MSA related to contract Number 2024-0039.

Figure 62: PO Referencing Incorrect Contract Number



Observation #86 An internal control weakness was identified as it relates to the MSA process. As mentioned, it is not required under the current District process to have MSA reviewed and approved by the Board and only when an SOW equals or exceeds $100,000.00, is the SOW required to be submitted for Board review. This means that there could be a significant number of SOWs under an MSA for which the Board would have no visibility if none of the SOWs exceeded the $100,000.00 threshold but overall combined multiple SOWs may result hundreds of thousands dollars and potentially more if none of them meet the $100,000.00 individually An internal control weakness was identified related to the MSA approval process. As noted, under the current District process, MSAs are not required to be reviewed and approved by the Board; instead, only individual Statements of Work (SOWs) with values equal to or exceeding $100,000 are submitted for Board review. As a result, the Board may have limited visibility into the total level of activity under an MSA when multiple SOWs fall below the $100,000.00 threshold. While each individual SOW may not require Board approval, the aggregate value of multiple SOWs issued under a single MSA could result in significant expenditures, potentially totaling hundreds of thousands of dollars or more, without formal Board review. For example, contract 2021-1029 related to an MSA had a total of 27 payments totaling $391,867.04, none of which required board review.

Observation #87 Although the appropriate procurement process was used to procure the services from this vendor, Contract Advantage, incorrectly listed certain contracts with this vendor as professional services contracts or consulting contracts. Upon CLA's inquiry, the District representatives communicated that

Contract Advantage information was updated to correctly reflect the contracts as non-professional services.

Conclusion

Overall, CLA did not identify evidence of overbilling, duplicate payments, unauthorized change orders, improper procurement processes, or failure to obtain Board review and approval. This indicates that, in substance, expenditures reviewed were appropriate and aligned with approved activities. Similarly, based on results of interviews conducted there was no information provided to CLA that would indicate incomplete or substandard work by this vendor. However, several observations were identified related to contract administration, documentation, and the timing and clarity of information provided to the Board as summarized in Table 80.

Specifically, control gaps were noted in areas including contract renewals and retroactive approvals, completeness of procurement documentation, and the consistent identification of contract information across SOWs, invoices, and purchase orders. These issues were further compounded by manual processes and inconsistent data entry within APECS, which limited traceability and auditability. Additionally, the current MSA approval structure may limit Board visibility into the aggregate level of expenditures when individual SOWs fall below approval thresholds. While these observations do not indicate improper activity, they reflect opportunities to strengthen internal controls, improve transparency, and enhance governance oversight, particularly with respect to contract management and reporting to the Board.

Table 80: Areas of Potential Non-Compliance Relating to Low-Voltage Wiring Contracts

Testing Area	Determination	Description	Amount Disbursed
Contracts	Non-compliance with Internal Policies	The District continued to work with vendor and issue purchase orders and payments to the vendor on an expired contract before the Board approved a contract renewal retroactively.	$229,233.62
Contracts	Non-compliance with Internal Policies	No records were found relating to a SOW obtained for a purchase order approved and paid for on a valid invoice.	57,600.00
Total			$286,833.62

Recommendations

CLA offers the following recommendations for consideration. In addition to the recommendations below, refer to Recommendation #11, Recommendation #28, and Recommendation #23.

Recommendation #51 Implement controls to ensure that contract numbers are consistently and accurately referenced across all procurement and payment documentation, including SOWs, invoices, purchase orders, and Board materials. This should include requiring vendors to include the applicable contract number

on all submitted documentation, mandating completion and validation of the contract number field within APECS, and incorporating review procedures to verify accuracy prior to purchase order issuance and payment processing. APECS should be utilized to its capacity to link purchase orders to their related contracts. Additionally, Board Request and Briefing documents should consistently reference the applicable contract or MSA to enhance transparency and traceability. These measures will improve contract-level tracking, support auditability, and strengthen overall contract management and oversight.

Recommendation #52 Enhance MSA oversight framework to improve Board visibility into cumulative expenditures. This could include establishing thresholds that require Board review not only at the individual SOW level but also when aggregate spending under an MSA exceeds a defined limit. Additionally, the District should implement monitoring procedures to track total expenditures by MSA and periodically report this information to the Board. Strengthening these controls would help ensure greater transparency, support informed governance decisions, and reduce the risk of significant cumulative spending occurring without appropriate Board awareness or oversight.

xii. Project Management Contracts

Area of Analysis

The State requested that CLA examine project management contracts for indicators of procurement irregularities, conflicts of interest, excessive or duplicative fees, and assess whether the contracted services were necessary, cost-effective, and aligned with the entity's internal capacity and project objectives. The District provided CLA with a list of project management related contracts that included two contracts with Allworld Project Management (Allworld), and one contract with CBRE|Heery; however, the project management services performed under the CBRE contract were subcontracted to Allworld.

Applicable Policies and Procedures

According to their LinkedIn profile, "Allworld Project Management, LLC (AWPM) is a professional service firm launched in 2010 and based in the Memphis, TN area. Allworld Project Management is established to provide a full range of project and program management services customized to the needs of both public and private sector clients."[106] The services provided by Allworld are consistent with those defined as professional services under Board Policy 2013: Professional Services Contracts. The

[106] https://www.linkedin.com/company/allworld-project-management/

policies and procedures governing the procurement of professional services contracts are discussed earlier in Section 5.B.i of this report.

Analysis and Sample Selection

The three contracts reviewed are as follows:

- **2021-0708**, **$200,000.00:** Project Management of the needlepoint bipolar ionization (NPBI) project .[107] This contract was procured as an emergency service, therefore no RFP was issued for this contract.

- **2022-0784, $193,725.00:** Project Management of the Geeter K-8 addition. RFP #03232022MT was issued for this contract.

- **2023-0818, $2,740,335.00** Project Management of the New East Region High School (NERHS) build. The contract is between MSCS and CBRE|Heery with Allworld named as the subcontractor. RFQ #02022023LJS was issued for this contract.

In addition to the contracts listed above, CLA also conducted targeted searches of all communications and conducted interviews of District employees covering topics relevant to Allworld, CBRE|Heery, and project management.

On April 22, 2026, CLA initiated an interview request to Allworld's CEO and Vice President of Construction Services. A virtual interview was scheduled to occur on June 3, 2026, and at Allworld's request, CLA informed Allworld that the topics of discussion would be provided a few days prior to the meeting. Those topics were provided to Allworld on May 28, 2026. On June 2, 2026, the afternoon prior to the scheduled interview, CLA was contacted by the law firm Butler Snow LLP and was informed that Allworld had retained the firm to represent them and that Allworld had been advised not to attend the interview.

Results of Analysis and Testing

The following timeline summarizes key events related to the procurement, contracting, and administration of project management services involving Allworld across fiscal years 2022 through 2024. It is intended to provide a chronological framework for understanding the sequence and context of decisions, actions, and communications that informed the engagement and oversight of these contracts. The timeline highlights critical points where procurement processes, contract authorization, and vendor interactions intersected, and identifies instances where activities occurred outside established policies, contractual terms, or expected governance practices. This chronology supports the observations and conclusions

[107] Needlepoint bipolar ionization is an active air-cleaning technology that uses an existing HVAC system to release positive and negative ions into the air. Certain research suggests these ions attach to airborne particles and pathogens like viruses and mold, causing them to cluster together so they can be easily captured by standard air filters.

that follow by linking identified issues to specific dates, transactions, and documented events.

- ***January 2021*** – Allworld's work on the NPBI project begins despite not having a contract in place.

- ***February 2021*** – In email dated February 1, 2021, the former chief of business operations refers to Allworld as "our strategic project management partner" when referencing the collaboration with Allworld on a project Allworld wasn't contracted to manage.

- ***February 2021*** – The Allworld CEO participates in the RFQ evaluation process for RFQ# 021121GJ. The required Confidentiality & Conflict of Interest disclosure form was not located in the RFQ file kept in the district.[108]

- ***April 2021*** – The former chief of business operations requests approval from the director of procurement services to enter into an emergency contract for with Allworld for project management services. The request does not disclose that Allworld had been performing work on the NPBI project since January 2021.[109]

- ***May 2021*** – The MSCS Board approves contract 2021-0708 for NPBI project management services in the amount of $200,000.00. The contract term was June 2, 2021 through September 30, 2021. The board documents do not mention that the contract was an emergency contract.

- ***June 2021*** – Contract 2021-0708 was executed by all parties, and PO #2122073 was issued.

- ***September 2021*** – Contract 2021-0708 expires. The contract states the completion of services should occur no later than September 30, 2021.

- ***December 2021*** – PO#2122073 closes with $130,957.86 of the $200,000.00 expended. The remaining funds are no longer encumbered. The invoice submitted contains several charges for travel and other reimbursable expenses despite being prohibited by section 3 of the contract, which is included in Figure 63.

[108] CLA was unable to locate the Confidentiality & Conflict of Interest Disclosure form for the Allworld CEO in District's procurement files. The District was unable to independently produce a form upon request, nor was the District able to confirm that a form was ever completed. Allworld did not engage in discussions with CLA per the advice of their counsel.

[109] In December 2021, MSCS Internal Audit issued a report finding that the chief of business operations "exceeded his authority" in allowing a vendor to commence work prior to the Board approval of an unrelated contract.

Figure 63: Excerpt of Contract 2021-0708

> **Section 3. Travel and Reimbursable Expenses.** Consultant shall not be entitled to reimbursement of expenses for travel (coach fare), transportation, lodging or food related to the Services provided under this Agreement.

- ***March 2022*** – Allworld responds to RFP# 03232022MT, a solicitation for construction project management services for four upcoming construction projects.

- ***April 2022*** – An invoice in the amount of $43,583.14 related to contract 2021-0708 was paid, despite the PO being closed.

- ***April 2022*** – An email from MSCS procurement dated April 4, 2022 shows that the project management services for all four construction projects in RFP# 03232022MT were initially awarded to a different vendor based on their best and final offer (BAFO), which is included in Figure 64.

Figure 64: Original Endorsement of Award to the Other Vendor

Memphis-Shelby County Schools

Department of Major Construction

April 4, 2022

[redacted]
Director of Procurement
160 S. Hollywood Street C-162
Memphis, Tennessee 38112

Subject: RFP#03232022MT- Construction Project Management Services

Dear [redacted]

After review of the scoring and the best-and-final offers for the above-mentioned services, the Department of Major Construction has completed its review and evaluation of the information as provided by the Procurement department.

This letter is a formal notifcation that the Department of Major Construction endorses and will support the Procurement department in issuing a Letter of Intent to Award to [redacted]

The total project amounts for each project include the following:

School Location	Project Type	CM Services
Geeter K-8	Classroom Addition	$111,140.00
Geeter K-8	HVAC Replacement	$94,739.00
Havenview MS	HVAC Replacement	$92,429.00
Whitehaven ES	HVAC Replacement	$48,584.00
	TOTAL SERVICES	$346,892.00

Respectfully Submitted,

[redacted]

Director of Major Construction

A second email dated April 6, 2022 from the MSCS director of major construction stated that one of the four projects, the Geeter K-8 addition, was to be awarded to Allworld in order to "accommodate somewhat of an equal division of

expense;" however, the BAFO submitted by Allworld was 74% higher than the BAFO submitted by the other vendor as summarized in Figure 65.[110]

Figure 65: Best and Final Offers from Allworld and the Other Vendor

MSCS Construction Project Management Services - BAFO	4/4/2022 13:00	
	All World	[redacted]
School		
Geeter K-8 (Addition)	$193,725.00	$111,140.00
Geeter K-8 (HVAC)	$131,582.00	$94,739.00
Havenview MS	$128,374.00	$92,429.00
Whitehaven ES	$67,477.00	$48,584.00
Total Cost of RFP	$521,158.00	$346,892.00

The board approves contract 2022-0784 in the amount of $193,725.00 and the contract is executed. The contract is effective April 27, 2022 and does not contain a termination date.

- ***June 2022*** – A third and final invoice related to contract 2021-0708 was paid in the amount $892.35, despite the PO being closed.

- ***June 2022*** – Allworld sends a letter to an MSCS construction manager changing the terms of contract 2022-0784 from payment based on detailed services rendered to payment in 16 equal installments. These changes are not incorporated into a formal amendment. MSCS was unable to provide evidence that these changes were reviewed or approved by the Board or the Superintendent.[111]

- ***January 2023*** – RFQ# 02022023LJS - Construction Project Management Services is released, soliciting project management services for the New East Region High School (NERHS) project. The district received two responses, both firms responded in conjunction with Allworld.

- ***February 2023*** – Allworld submits their first invoice under contract 2022-0784 in the amount of $12,080.00 covering services provided July 2022. The invoice is questioned internally due to the $12,080.00 being attributed to a single meeting and the review of drawings. In the email chain discussing the invoice, a consultant in the MSCS facilities department states that the chief of business operations "was late assigning Allworld a project, and eventually settled on Geeter." CLA made inquiry of MSCS as to the context of this comment and why Allworld would need to have a project assigned; however, because the District staff involved in

[110] A contact with the other vendor was never executed. The project management services for the remaining projects were handled by MSCS staff.

[111] CLA interviewed the MSCS general counsel to understand the process in which contracts should be amended and who would have the authority to amend existing contracts. The general counsel confirmed that a vendor and an MSCS employee without proper signing authority would not have the ability to make material changes to an executed contract, and that changing payment terms would be considered a material change.

the conversation are no longer employed by the District, no additional context could be provided.

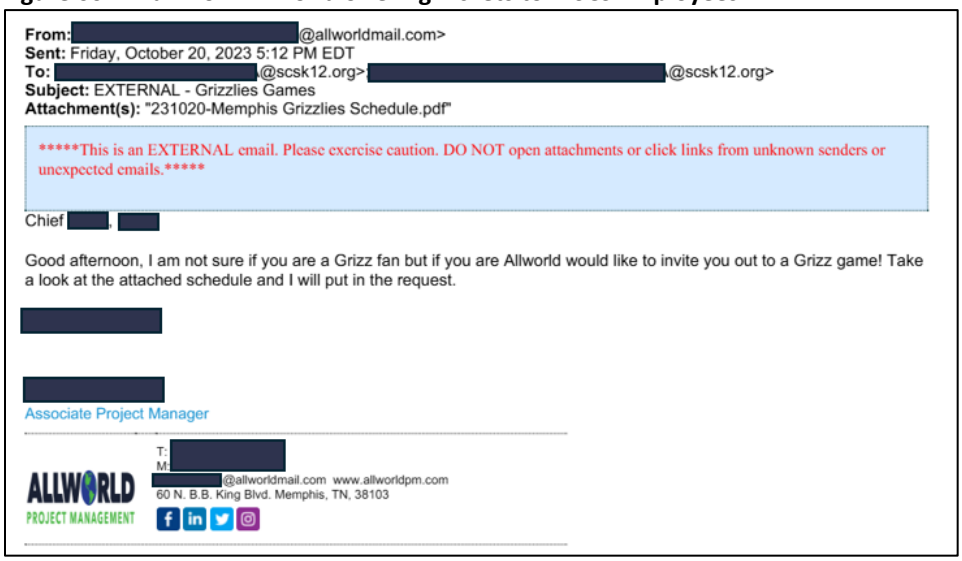
- ***February 2023*** – Allworld begins work on the New East Region High School project as early as February 28, 2023 without a contract in place.

- ***May 2023*** – The contract term for contract 2023-0817 begins May 1, 2023. The contract is between MSCS and CBRE|Heery with Allworld as a subcontractor.[112]

- ***August 2023*** – Allworld proposes that they manage the Frayser High School construction project in addition to NERHS under contract 2023-0817 and using the funds encumbered for that contract. The former chief of internal audit informed the Allworld CEO that using those funds on anything other than the NERHS project would be misappropriation.[113]

- ***October 2023*** – An associate project manager from Allworld offered Memphis Grizzlies tickets on behalf of Allworld to the former chief of business operations via email, which is included in Figure 66. No response was identified.

Figure 66: Email from Allworld offering Tickets to MSCS Employees



- ***January 2024*** – the sitting superintendent sends Allworld a list of upcoming ESSER-funded construction projects that she requests Allworld's assistance with. The total fee to Allworld is listed as $1,277,545.87. Throughout the month several conversations take place via email regarding Allworld managing approximately 13 upcoming construction projects. Allworld submits a proposal in the amount of

[112] The chief of business operations employed by the district during this solicitation process was the senior facilities director at CBRE until October 2022. The chief of business operations was part of the scoring committee for this RFP.

[113] Several charges related to the Frayser High School project were identified on invoices submitted under contract 2023-0817.

$1,229,141.00; however, the director of procurement informs the team that project management services for construction require an RFP.[114,115]

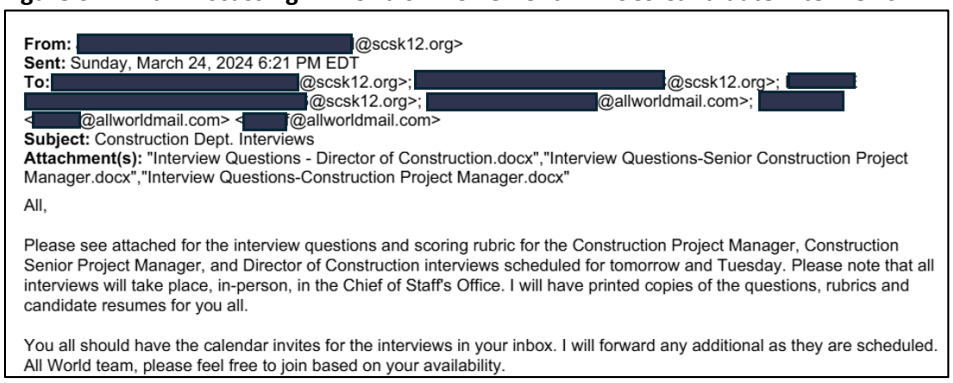
- ***January 2024*** – An associate project manager identifies themselves as "part of the MSCS project management team" to a vendor on a construction project that Allworld was not under contract to manage.

- ***March 2024*** – An amendment to contract 2022-0784 was executed to include a termination date of May 30, 2024.

- ***March 2024*** – An individual at Allworld emailed a member of the MSCS facilities team with suggestions on how to draft construction project management RFPs in the future. The email contains sample RFPs from other school districts and states, "We like several things about the language of this RFP," and "this allows the district to add additional projects or scope needs without having to go back through the RFP and/or contracting process again."

- ***March 2024*** – Allworld employees attend and score candidates for several District positions: Director of Construction, Senior Construction Project Manager, and Construction Project Manager. This is discussed in email communication included in Figure 67.

Figure 67: Email Discussing Allworld's Involvement in MSCS Candidate Interviews



From: [redacted]@scsk12.org>
Sent: Sunday, March 24, 2024 6:21 PM EDT
To: [redacted]@scsk12.org>; [redacted]@scsk12.org>; [redacted]@scsk12.org>; [redacted]@allworldmail.com>; [redacted] <[redacted]@allworldmail.com> <[redacted]@allworldmail.com>
Subject: Construction Dept. Interviews
Attachment(s): "Interview Questions - Director of Construction.docx","Interview Questions-Senior Construction Project Manager.docx","Interview Questions-Construction Project Manager.docx"

All,

Please see attached for the interview questions and scoring rubric for the Construction Project Manager, Construction Senior Project Manager, and Director of Construction interviews scheduled for tomorrow and Tuesday. Please note that all interviews will take place, in-person, in the Chief of Staff's Office. I will have printed copies of the questions, rubrics and candidate resumes for you all.

You all should have the calendar invites for the interviews in your inbox. I will forward any additional as they are scheduled. All World team, please feel free to join based on your availability.

- ***May 2024*** – Contract 2022-0784 ends pursuant to the termination date of the amendment.

[114] T.C.A. § 49-2-203(a)(3)(C) requires that the services "are to be procured for each project through a written request for proposals process through advertisement," and that the RFP can include "up to three (3) sites, if construction at all sites will occur at substantially the same time."

[115] The proposal sent by Allworld listed the amount as "$1,229.141;" however, based on the calculation provided in the proposal, this amount is a decimal place error, and the amount proposed is $1,229,141.00. ($66,440,087*.0185 = $1,229,141.00).

Observation #88 Services commenced before contract award ("after-the-fact" contracting).

The timeline reflects that Allworld began work on Contract 2021-0708 as early as January 2021, prior to Board approval and before a contract was awarded. This practice is inconsistent with MSCS procurement guidance requiring vendors to possess a valid contract or purchase order before providing goods/services and warning that invoices lacking a valid contract/PO should not be processed.

MSCS's Procurement Manual explicitly addresses "After the Fact Contracts," stating employees are out of compliance if they authorize services before a contract is fully executed and instructing personnel not to authorize commencement of services absent a valid contract and/or purchase order. These provisions align with federal procurement expectations that nonfederal entities maintain documented procurement procedures and proper oversight of contractor performance under valid agreements.

Commencing vendor services before contract award reduces the effectiveness of competitive procurement, creates leverage for the vendor to seek retroactive approvals, and increases the risk that pricing and terms were not established through authorized processes.

Observation #89 Procurement files and conflict of interest documentation lacked completeness.

The timeline indicates that, in February 2021, Allworld's CEO participated in an RFQ evaluation process (RFQ# 021121GJ) without evidence of a completed confidentiality/conflict of interest disclosure form. CLA was unable to locate such documentation in procurement files, the District was unable to produce the form upon request, and Allworld through their attorney declined the opportunity to clarify any missing documentation.

MSCS procurement guidance stresses ethics and the need to avoid conflicts or the appearance of conflicts during procurement, including prohibitions on gifts and a general expectation of integrity and transparency in procurement decision making. Further, federal standards require written standards of conduct addressing conflicts of interest for employees/agents involved in vendor selection, award, and

administration, and prohibit participation where real or apparent conflicts exist.

Vendor participation in evaluation activities, particularly without documented safeguards, creates an elevated risk of procurement integrity impairment and undermines demonstrability of fairness and independence.

Observation #90 Emergency procurement lacked required justification.

In April 2021, the former chief of business operations requested approval to enter into an emergency contract with Allworld for project management services; however, the request did not disclose that Allworld had already been performing work since January 2021. This omission limited transparency regarding the sequence of events and impeded the ability to evaluate whether the circumstances met the criteria for an emergency procurement.

Under Tennessee law, construction of school buildings and additions to existing buildings is generally subject to competitive procurement requirements, including public advertisement and competitive bidding, unless a valid and documented emergency exists.[116] While state law permits waiver of advertisement requirements in the event of an emergency, such exceptions are narrowly construed and intended to address unforeseen dangers to life, health, safety, or property, rather than procurement delays arising from planning or administrative circumstances.

Consistent with state law, the MSCS Procurement Services Manual defines emergency procurement as arising from unforeseen conditions creating an immediate and serious need that cannot be met through normal procurement methods and permits emergency purchases only with appropriate approval and subsequent Board reporting when required. The manual further cautions against "after the fact" contracting and emphasizes that services should not commence prior to the execution of a valid contract and purchase order, as discussed in Observation #88.

To the extent construction or construction related project management services were funded, in whole or in part, with ESSER or other federal funds, additional procurement requirements apply. Federal Uniform Guidance requires non-federal entities to conduct procurement transactions in a manner

[116] T.C.A. § 49 2 203(a)(3)

providing full and open competition and prohibits the use of noncompetitive procurements except under limited circumstances, including true public exigency or emergency.[117] Even where an emergency condition is asserted, federal guidance requires the non-federal entity to document the basis for noncompetitive procurement and to limit such procurement to the scope and duration necessary to address the emergency condition.

Federal standards further require recipients to maintain documented procurement procedures and oversight to ensure contractors perform in accordance with the terms, conditions, and scope of their contracts.[118] Where services begin prior to contract execution and prior to a documented emergency determination, it becomes more difficult to demonstrate that subsequent contracting decisions complied with federal competition requirements or that the emergency exception was appropriately invoked.

When construction related services, particularly those potentially funded with federal funds, commence prior to contract execution and are later characterized as emergency procurement, the emergency rationale may function as a retroactive justification rather than a contemporaneous response to an unforeseen exigency. Such circumstances elevate the risk of non-compliance with Tennessee competitive bidding requirements for school construction and with federal procurement standards applicable to ESSER funded activities and reduce the defensibility of the procurement decision under audit or regulatory review.

Observation #91 Award and allocation decisions were not evidently based on established evaluation criteria.

In April 2022, procurement correspondence reflected that project management services for the four construction projects within RFP# 03232022MT were initially awarded to another vendor based on best and final offers; however, a subsequent email indicated that one project, the Geeter K-8 addition, would be awarded to Allworld to "accommodate somewhat of an equal

[117] CFR § 200.320(c)

[118] 2 C.F.R. § 200.318

division of expense," despite Allworld's BAFO being 74% higher than the other vendor's BAFO.

MSCS procurement guidance emphasizes fair competition, integrity, and transparency, and explains that RFPs are awarded based on evaluation criteria beyond low bid and are evaluated by a convened team/committee. However, the rationale described ("equal division of expense") is not, on its face, an evaluation criterion tied to best value, qualifications, scope performance, or other standard procurement factors.

Award rationales that are not linked to documented evaluation criteria create elevated risk of perceived favoritism, challenge-ability, and difficulty substantiating that procurement decisions were based on objective factors.

Observation #92 Concerns were identified relating to contract term clarity and unauthorized changes to payment structure.

The review identified concerns regarding contract term clarity and the authorization of material changes to the payment structure under Contract 2022-0784 (Geeter K 8 Addition), which was funded, in whole or in part, with ESSER funds. The contract was executed effective April 27, 2022 and initially did not contain a termination date; an amendment establishing a termination date of May 30, 2024 was not executed until March 2024.

In June 2022, Allworld transmitted correspondence to MSCS proposing changes to the contract's payment terms. CLA was provided with multiple versions of the June 2022 letters, including one version that changed compensation based on detailed services rendered to payment based on percentage complete, and another version proposing payment in equal installments. These letters were not located within Contract Advantage or APECS, and MSCS was unable to provide evidence that either version was formally retained within the District's official contract or procurement records.

The documentation further reflects that the District employee who accepted or acknowledged the revised payment terms was the Director of Construction. Under MSCS Board policies governing purchasing authority and contract execution, a director level position would not possess the signatory authority required to modify or enter into a contract of this dollar amount. MSCS could not provide evidence that the payment term changes were reviewed or approved by Legal, the Superintendent, or the

Board, nor were the changes incorporated into a formally executed contract amendment.

MSCS procurement and board policies require that contracts and material contract modifications follow established review and approval protocols, including appropriate signatory authorization and, where applicable, Board approval. The absence of a formal amendment, combined with acceptance of revised payment terms by an employee lacking delegated authority, indicates that the compensation structure was modified outside of prescribed governance and contract control mechanisms.

Because ESSER funds were used to pay for this contract, the absence of a formally approved amendment modifying payment methodology has additional compliance implications. Federal Uniform Guidance requires recipients of federal funds to maintain documented procurement procedures, ensure that contracts clearly define the scope and method of payment, and provide oversight to ensure that contractors perform in accordance with the approved terms and conditions of the contract.[119] Further, payments charged to federal awards must be supported by documentation demonstrating that costs are allowable, allocable, and consistent with the terms of the approved agreement. Material changes to compensation structure, such as a shift to percentage complete billing, without formal approval and documentation reduce the District's ability to demonstrate compliance with these requirements.

Material changes to contract payment methodology on an ESSER-funded contract implemented through informal correspondence, accepted by an employee without signatory authority, and not incorporated into a formally executed amendment, create elevated risk of unauthorized commitment of federal funds. These conditions weaken the legal enforceability of revised terms, impair the District's ability to substantiate payments under federal cost principles, and increase exposure to audit findings related to internal control

[119] 2 C.F.R. § 200.318

deficiencies, unsupported costs, or non-compliance with federal procurement and grant requirements.

Observation #93 Vendor role boundaries and representation as District team members were noted.

The review identified concerns regarding vendor role boundaries and representations made by Allworld personnel regarding their affiliation with the District. In January 2024, an associate project manager employed by Allworld represented themselves to a third-party vendor as being "part of the MSCS project management team" on a construction project for which Allworld did not have an executed contract. This representation occurred outside the scope of any documented contract authority or purchase order.

MSCS procurement policy requires that vendors provide services only pursuant to a valid, fully executed contract and purchase order and cautions that services performed outside authorized procurement processes are not binding on the District. The Procurement Services Manual further emphasizes employee fiduciary duties, ethical conduct, and the need to avoid conflicts of interest or the appearance of conflicts in procurement activities.

Allowing or tolerating vendor representations implying District affiliation blurs the distinction between contractor and agency and creates conflict of interest risks. Federal procurement standards recognize organizational conflicts of interest where a contractor's relationships or activities impair objectivity, create an unfair competitive advantage, or compromise the government's ability to maintain independent oversight. Representing a vendor as part of the District team risks discouraging competition, influencing other vendors or stakeholders, and positioning the vendor to shape decisions or information flows outside a competitively awarded scope.

Vendor representations implying MSCS affiliation, absent contractual authority, increase the risk of conflicts of interest, undermine competitive neutrality, and weaken procurement and oversight controls. These conditions are inconsistent with MSCS procurement and ethics policies and federal requirements

mandating independent, arm's length contractor relationships and documented oversight.

Observation #94 There was attempted expansion of scope and use of encumbered funds outside project purpose.

In August 2023, Allworld proposed managing an additional project (Frayser High School) under Contract 2023-0817 and using encumbered funds established for NERHS project; internal audit leadership advised that using those funds on anything other than NERHS would be misappropriation, and charges related to the Frayser High School project were later identified on invoices under the NERHS contract.

Federal procurement standards require oversight to ensure contractors perform in accordance with contract terms and conditions. Misallocating charges across projects increases risk of non-compliance with contract scope, grant allowability (where federal funds are involved), and accurate cost attribution.

Shifting costs between projects and expanding scope without formal authorization elevates mischarging risk and complicates verification that expenditures were allowable, allocable, and consistent with the intended purpose of encumbered funds.

Observation #95 Gifts/gratuities and procurement ethics indicators existed.

The review identified procurement ethics concerns related to offers of gifts or entertainment by Allworld personnel. In October 2023, an associate project manager employed by Allworld offered Memphis Grizzlies tickets to the former chief of business operations. While the review did not identify evidence that the offer was accepted or declined, the offer itself constitutes a procurement ethics issue.

MSCS procurement policy expressly prohibits District employees from soliciting or accepting personal favors, gifts, gratuities, or offers of entertainment from vendors that are doing or seeking to do business with the District and further identifies tickets to events and entertainment as impermissible incentives. These prohibitions are designed to prevent favoritism, undue influence, or the appearance thereof, regardless of intent or acceptance.

Allworld is a long-standing project management firm that has been in existence for multiple years and regularly performs work for public school districts, municipalities, and other public

entities, including MSCS.[120] As an experienced municipal contractor operating in regulated public sector environments, Allworld would reasonably be expected to be familiar with common government procurement ethics standards prohibiting gifts or entertainment offered to public officials or senior administrators. The offer of professional sports tickets reflects a conduct inconsistent with widely recognized public sector ethical norms.

Even when not accepted, vendor gifts or entertainment offers create an appearance of impropriety risk and serve as red flags in procurement integrity reviews. When such conduct originates from an experienced vendor with ongoing public sector relationships, the risk is heightened that the conduct may undermine confidence in the independence of procurement and contract administration decisions. This behavior is inconsistent with MSCS procurement ethics policies and increases exposure to audit findings related to vendor conduct, ethics compliance, and procurement integrity.

Observation #96 Procurement planning for ESSER-funded construction and RFP requirements involved AllWorld.

In January 2024, the superintendent sent Allworld a list of upcoming ESSER funded construction projects and requested Allworld's assistance, with a total fee estimate exceeding $1.2 million; procurement leadership advised the team that construction project management services require an RFP. The MSCS Procurement Manual requires planning, competitive processes based on thresholds, and adherence to federal procurement guidance, including Uniform Guidance procurement standards. T.C.A. §49-2-203(a)(3)(C) requires construction related services to be procured for each project through a written RFP process with advertisement and limiting an RFP to up to three sites if construction occurs at substantially the same time.

Engaging a vendor to support planning across numerous projects without initiating appropriate solicitation procedures increases the risk of vendor shaping scope/specifications in a manner that favors the vendor and increases the risk of non-compliance with state procurement requirements and federal procurement standards where federal funds are implicated.

[120] The Allworld website states that the company has been in business since 2010. https://www.allworldpm.com/about-us

Observation #97 Vendor influence on future solicitation documents occurred.

The review identified concerns regarding vendor influence over future solicitation documents. In March 2024, an Allworld employee emailed members of the MSCS facilities team with suggested language and sample construction project management RFPs from other jurisdictions, including commentary stating, “We like several things about the language of this RFP,” and advocating for provisions that would allow the District to add additional projects or scope without returning through the RFP or contracting process.

This activity raised procurement integrity concerns because the suggested language would have governed solicitations for which Allworld would reasonably be expected to submit proposals. Allowing a prospective vendor to shape solicitation requirements, evaluation structure, or contract flexibility for procurements in which it may compete creates a heightened risk of biased ground rules, a recognized form of organizational conflict of interest. In such circumstances, the vendor is positioned to influence the requirements in a manner that may favor its business model, staffing approach, pricing structure, or competitive strengths, whether intentionally or inadvertently.

MSCS procurement policies emphasize fair and open competition, centralized procurement authority, and the need to avoid favoritism or conduct that could provide an unfair competitive advantage. Federal procurement standards similarly caution against arrangements that impair objectivity, compromise independence, or undermine full and open competition, even in the absence of demonstrated misconduct. Shaping RFP language for future work, particularly language designed to expand scope without re competition, conflicts with these principles by weakening competitive safeguards and limiting transparency.

Vendor involvement in drafting or influencing solicitation documents for procurements in which the vendor may later propose presents a material organizational conflict of interest risk. Such involvement threatens the integrity and defensibility of the procurement process, increases the likelihood of bid challenges or audit findings, and reduces confidence that procurement outcomes reflect independent, arm’s length decision making in the best interest of the District.

Observation #98 Vendor participation in District employment interviews and procurement integrity occurred.

The review identified concerns related to Allworld's attendance and participation in interviews for District employment positions whose responsibilities could directly influence procurement outcomes, contract administration, or project oversight associated with Allworld's current or prospective work. Vendor involvement in District hiring processes, particularly for roles connected to facilities, construction management, procurement, finance, or executive decision making, raises significant procurement integrity and governance risks.

MSCS procurement and ethics principles require that vendor relationships be maintained on an arm's length basis, with clear separation between District personnel functions and contractor activities. Employment decisions are an inherent governmental function and carry long term implications for procurement authority, evaluation independence, and contract oversight. Allowing a vendor with existing or anticipated contractual interests to attend, observe, or participate in candidate interviews blurs the boundary between independent contractor and District decision maker and risks undermining the independence of both staffing and procurement processes.

From a procurement integrity perspective, a vendor's participation in interviews for positions that may:

- develop or approve scopes of work,
- influence solicitation strategies or evaluation criteria,
- oversee vendor performance,
- approve invoices or amendments, or
- participate in future procurement committees,

creates a heightened conflict of interest risk. In these circumstances, the vendor may be intentionally or unintentionally positioned to influence the selection of individuals whose decisions could later affect the vendor's ability to win or retain work, modify scope, or receive favorable contract treatment. This risk exists regardless of whether the vendor formally votes, makes recommendations, or merely attends interviews.

Federal and public sector procurement standards recognize conflict of interest risks where a contractor's relationships impair objectivity, create biased ground rules, provide unequal access to

information, or compromise the government's ability to maintain independent oversight. Vendor participation in hiring decisions implicates multiple areas, including impaired objectivity by influencing who will oversee the vendor and unequal access to information by gaining insight into internal staffing plans, priorities, or decision makers. These risks are particularly acute where the vendor is an incumbent contractor or is actively pursuing additional work.

MSCS policies also emphasize employee fiduciary duties and ethical conduct, including the obligation to avoid conflicts of interest or the appearance thereof. Allowing vendor participation in interviews for District positions that interact with procurement functions is inconsistent with these principles and weakens internal controls designed to preserve independence, fairness, and public confidence in District decision making.

Vendor attendance or participation in District employment interviews for positions with procurement or oversight influence presents a material conflict of interest risk. Such involvement undermines the separation between District governance and contractor interests, increases the appearance of favoritism or undue influence, and weakens the defensibility of subsequent procurement and contract administration decisions. These conditions are inconsistent with sound procurement governance and increase exposure to audit findings related to conflicts of interest, procurement integrity, and internal control deficiencies.

Observation #99 Invoice payment issues (closed PO, post-term charges, and disallowed costs) were identified.

The timeline reflects multiple payment concerns under the three Allworld contracts:

2021-0708:

CLA reviewed the invoices associated with contract 2021-0708 and made the following observations:

- The PO associated with the contract (PO #2122073) closed in December 2021, yet an invoice of $43,583.14 was paid in April 2022, despite the PO being closed.
- A further invoice of $892.35 was paid in June 2022, again despite the PO being closed.

- The contract term was June 2, 2021 through September 30, 2021, and the contract stated services should be completed no later than September 30, 2021.

- An invoice submitted included travel and reimbursable expenses despite contract language prohibiting reimbursement for those costs.

MSCS procurement guidance states the District will not process invoices without a valid contract or purchase order executed by authorized personnel and emphasizes that purchases over $500 require a valid purchase order. The manual also frames ethics and stewardship expectations that purchases and payments must follow applicable law and policy and warns that purchases/contracts made in violation of policy are void and not binding.

Paying invoices after PO closure or after contract term expiration and paying disallowed costs that are prohibited by contract language, increases the risk of unauthorized expenditures and complicates confirmation that payments were for allowable, supported, and properly authorized services.

Charges totaling $137,832.61 are consistent with the ACFE guidance on abuse due to policies and contract terms not being followed, work being conducted without a board-approved contract in place, and work being conducted following the expiration of the contract. However, the use of the emergency procurement method in a situation that does not rise to the definition of emergency as set forth in the procurement services manual is consistent with ACFE guidance on abuse. The total charges for this contract that are consistent with the ACFE guidance on abuse are $175,433.55.

2022-0784:

The ACFE defines abuse as conduct that departs from expected standards of behavior, often involving the misuse of authority or discretion to obtain an unintended benefit, even where such conduct may not rise to the level of fraud. The circumstances surrounding contract 2022-0784 are consistent with this definition. Although the contract was awarded through a formal RFP process, the allocation of the Geeter K-8 project to Allworld occurred after pricing and evaluation outcomes indicated another vendor as the best-value awardee. The stated rationale of achieving an “equal division of expense,” despite Allworld’s significantly higher pricing, reflects an exercise of discretion inconsistent with the purpose and internal-control intent of

competitive procurement. While not necessarily unlawful, this deviation from objective, criteria-based decision-making aligns with ACFE abuse indicators, whereby authority is used in a manner that circumvents the spirit of established controls.

The internal control concerns were further compounded during contract administration. In June 2022, Allworld proposed material changes to the contract's payment structure, shifting compensation to percentage-complete or installment-based payments, which were accepted by a director-level District employee lacking delegated contracting authority. These changes were not incorporated into a formally executed amendment, were not captured in official contract systems, and were not reviewed or approved by Legal, the superintendent, or the Board. Under the ACFE framework, modifying financial terms through informal correspondence and unauthorized acceptance is consistent with misuse of positional authority and a circumvention of governance controls, rather than an inadvertent administrative error. The conduct effectively altered risk allocation, payment timing, and oversight without the safeguards embedded in formal approval processes.

Because ESSER funds were used to pay for Contract 2022-0784, these actions carry heightened significance. Federal grant internal control expectations require clear contract terms, defined payment methodologies, documented approvals, and oversight sufficient to ensure that expenditures are allowable, allocable, and consistent with the approved agreement. Informal modification of payment terms and reliance on unauthorized approvals weaken the District's ability to demonstrate compliance with these requirements and increase exposure to questioned costs.

Taken together, the rationale supporting the award of Contract 2022-0784, totaling $193,725.00, and the subsequent unauthorized modifications to its payment structure reflect a pattern of behavior consistent with abuse as defined by the ACFE; namely, the improper use of authority and discretion that undermined internal controls, reduced transparency, and exposed the District to financial and compliance risk, even absent evidence of fraudulent intent.

2023-0817:

The review identified charges totaling $1,994.00 on invoices submitted under the Allworld contract that were attributable to activities associated with the Frayser High School project, notwithstanding that the contract funds were encumbered for

the NERHS project. The timeline reflects that, in August 2023, when Allworld proposed managing the Frayser project using funds encumbered for the NERHS project, the former chief of internal audit explicitly advised the Allworld CEO that using those funds for any purpose other than the encumbered project would constitute misappropriation. Despite this warning, subsequent invoice review identified Frayser related transactions charged to the contract, indicating a failure to properly segregate costs and to adhere to stated funding restrictions.

In addition, the review noted that an Allworld employee charged seven hours totaling $910.00 to the same contract for attending the 2024 “Opportunity Is Our Business” conference, an event sponsored by Allworld through a financial contribution and at which Allworld also participated as a speaker. The conference was unrelated to the scope or objectives of the contracted project, and the time charged did not reflect work performed in furtherance of District deliverables. Taken together, the $2,904.00 in off scope and improperly allocated charges is consistent with the ACFE definition of abuse, as it reflects the misuse of authority and discretion to charge costs that were not aligned with the contract’s authorized purpose, even absent evidence of fraudulent intent.

Conclusion

Across the three contracts reviewed, CLA found disbursements totaling $372,063.00 to be consistent with the ACFE definition of abuse. Collectively, these observations indicate not only quantified misuse of funds, but broader systemic exposure across a contract portfolio, driven by internal-control breakdowns and inappropriate vendor influence rather than isolated error.

Based on the review of the Allworld contracts, supporting documentation, and applicable District policies, Tennessee statutes, and federal procurement standards, the relationship between Allworld and MSCS exhibited pervasive procurement, governance, and contract administration weaknesses over multiple fiscal years. These issues were not isolated to a single transaction or decision point, but instead reflected recurring themes related to contract formation, authorization, vendor role boundaries, payment integrity, and procurement independence.

Specifically, the review identified instances where services commenced prior to contract execution, emergency procurement assertions lacked full disclosure, invoices were paid outside established purchase order and contract term controls, and material changes to compensation structures were implemented without formal amendments or approval by officials with delegated contracting authority. These conditions were compounded by vendor conduct that blurred the line between contractor and District personnel, including representations of affiliation with MSCS, participation in hiring interviews, input into future solicitation documents for

procurements in which the vendor could compete, and offers of entertainment to senior District leadership.

Where ESSER and other federal funds were used to pay for Allworld's services, these deficiencies carry heightened significance. Federal procurement standards require documented procedures, full and open competition, arm's length contractor relationships, and clear contractual terms governing scope and payment. The absence of formal approvals, incomplete contract records, and vendor involvement in governance related activities limited MSCS's ability to demonstrate compliance with these requirements and increased the risk of conflict of interest, unauthorized commitments, and questioned costs.

Collectively, the conditions noted increase MSCS's exposure to audit findings, procurement challenges, and reputational risk, and weaken assurance that procurement outcomes reflected independent, objective, and competitively defensible decision making in the best interest of the District.

Recommendations

CLA offers the following recommendations for consideration. In addition to the recommendations below, refer to Recommendation #11, Recommendation #28, and Recommendation #23.

Recommendation #53 Clarify and enforce delegated authority.

MSCS should reaffirm and communicate delegated contracting and signatory authority thresholds to all operational departments. Acceptance of vendor proposals or changes by employees lacking authority should be expressly prohibited, and unauthorized commitments should be addressed through established corrective protocols.

Recommendation #54 Strengthen emergency procurement governance.

MSCS should require that emergency procurements be supported by contemporaneous documentation demonstrating the existence of an unforeseen exigency, the necessity for noncompetitive procurement, and clear limitations on scope and duration. Emergency procurement approvals should include explicit disclosures regarding any prior vendor involvement or work performed.

More on emergency procurement can be found in Section 5.B.iv *Contracts and Solicitations – Special Procurement*.

Recommendation #55 Establish firm vendor role boundaries.

MSCS should explicitly prohibit vendors from representing themselves as District personnel, participating in governance activities, attending hiring interviews, or otherwise functioning as an extension of the District absent express contractual authorization. Vendor roles should be clearly defined, communicated, and monitored to preserve arm's length relationships.

Recommendation #56 Mitigate organizational conflict of interest risks.

MSCS should adopt or strengthen procedures to identify, document, and mitigate conflicts of interest, including prohibitions on:

- Vendor participation in drafting or influencing solicitations they may propose on,
- Vendor attendance or participation in interviews for District positions with procurement or oversight influence, and
- Vendor access to nonpublic information outside a competitive process.

Where vendor input is unavoidable for technical reasons, such input should be carefully structured, documented, and firewalled from competitive decision making.

Recommendation #57 Reaffirm gift and ethics expectations.

MSCS should reiterate to vendors and employees that offers of gifts, entertainment, or gratuities are prohibited, regardless of acceptance. Ethics expectations should be reinforced through training, contract language, and vendor communications, particularly for vendors with longstanding public sector relationships.

Recommendation #58 Vendor discipline for conflicts of interest and ethics violations.

MSCS should establish and consistently apply a graduated disciplinary framework for vendors engaged in conflicts of interest, conflict of interest conduct, or procurement ethics violations. The framework should require prompt documentation and review by both Procurement and Legal Services and provide proportionate corrective actions, including written warnings, mandatory corrective action plans, removal of vendor personnel from District activities,

invoice holds, contract termination for cause, and, where warranted, temporary suspension or debarment from future contracting. Disciplinary escalation should be required where conflicts are repeated, unmanaged, or involve improper influence (e.g., vendor participation in hiring, shaping solicitations they may compete on, or offering prohibited gifts). This approach aligns with MSCS procurement and ethics policies and federal requirements to maintain arm's length vendor relationships and protect public and federal funds.

This framework should be implemented as a coordinated, cross-functional effort between Procurement and Legal Services, ensuring that disciplinary actions are both operationally consistent and legally sound. These functions should not operate in silos; rather, they should engage in regular communication, shared review processes, and joint decision-making to ensure that vendor issues are evaluated holistically from both a compliance and legal risk perspective. Establishing clear protocols for collaboration, including defined roles, escalation pathways, and documentation standards, will promote consistent application of disciplinary measures, reduce the risk of fragmented or inconsistent responses, and strengthen overall governance and accountability in vendor oversight.

xiii. Architectural Design Firm Contracts

Area of Analysis

The State requested that CLA assess the selection and contracting process for architectural design firms involved in school construction projects, including evaluation criteria, procurement method, and approval authorities. The State further requested that CLA review how school design plans are approved and whether those plans are assessed for cost-efficiency and functional integration of critical infrastructure such as wiring, HVAC, and plumbing systems.

Applicable Policies/Procedures and Best Practices

Services provided by architectural design firms fall under the definition of professional services. Applicable policies and procedures for professional services are as described in section 5.B.i *Contracts and Solicitations – Professional Services* starting on page 65.

Analysis and Sample Selection

The District provided CLA with a list of architectural design contracts. CLA performed an email review and additional research to identify any architectural contracts that may not have been included in the District's listing but were executed or active during

the forensic audit period. The listing provided by MSCS included nine contracts; however, the email review and research conducted identified three additional architectural contracts that fell within the forensic audit period. Table 81 reflects all architectural contracts confirmed by CLA as within the scope.

Table 81: List of Architectural Design Firm Contracts

Contract #	Contract Name	Contracting Party	Contract Amount	Total Payments During FA Period
2022-0868	Design and Architecture for New Frayser HS 2022-0868	A2H	$4,588,680.00	$3,036,954.45
2023-0254	Nashville Roof Consultants - Bolton HS Roofing - 2022-2023	Nashville Roof Consultants	34,000.00	30,284.45
2023-0255	Nashville Roof Consultants - Peabody ES - 2022-2023	Nashville Roof Consultants	25,750.00	19,366.00
2023-0622	Ross Witt Architecture - Alton ES - 2022-2023	Ross Witt Architecture[121]	428,570.00	-
2023-0676	McGehee Nicholson Burke Architects - Westwood HS Roof Replacements	McGehee Nicholson Burke Architects, P.C.	226,250.00	158,578.23
2023-0766	Nashville Roof Consultants-Robert R. Church-2022-2023	Nashville Roof Consultants	39,720.00	29,064.00
2023-0768	Nashville Roof Consultants-Westwood High School-2022-2023	Nashville Roof Consultants	47,400.00	13,141.80
2023-0772	Nashville Roof Consultants-Alcy Roof Consultant	Nashville Roof Consultants	2,750.00	2,750.00
2023-0835	Renaissance Group - New East Region HS	Renaissance Group, Inc.; Fleming Architects[122]	5,527,500.00	1,050,187.50
2024-0477	Nashville Roof Consultants - AB Hill - 2023-2024	Nashville Roof Consultants	78,725.00	40,635.00
2024-0479	Nashville Roof Consultants - Georgian Hills MS- 2023-2024	Nashville Roof Consultants	81,450.00	23,985.00
2024-0485	Nashville Roof Consultants - Treadwell - 2023-2024	Nashville Roof Consultants	119,050.00	33,197.50

CLA examined all of the architectural contracts during the scope period and conducted interviews with relevant MSCS employees, email review, and research to assess the selection and contracting process for each. CLA's examination also aimed to gain an understanding of how school plans are approved and whether they are assessed for cost efficiency and functional integration of critical infrastructure. The primary source of information was the current Facilities Officer.

[121] Although a contract was executed, the work was not performed, and no payments were issued against this contract.

[122] Contract 2023-0835 was executed and work commenced by the architecture firm before the land was secured for the construction of the New East Region High School. However, the city ultimately did not approve the use of the land and the construction plans halted. It appears that the architecture firm worked in good faith until notice was given by MSCS to cease work. At which point no further work was performed or billed to MSCS. Refer to section 5.B.xi *Project Management Contracts*, where further details concerning the New East Region High School are communicated.

Results of Analysis

Based on results of interviews and review of MSCS board governance materials, facilities planning resolutions, and the district's Design & Construction Guidelines, architectural design plans are developed by the administration and subject to multi-phase technical review (e.g., schematic design, design development, and construction document phases) prior to presentation to the Board for approval.[123] Cost-efficiency is addressed through alignment with budgetary planning, competitive procurement processes, and, in certain cases, formal cost-benefit or energy-efficiency evaluations. Additionally, design plans are subject to detailed technical standards and review procedures that address the integration and performance of building systems, including HVAC, electrical, and plumbing infrastructure.

Specifically, the Facilities Officer described the process as follows:

- School design plans are developed through defined phases (programming, schematic design, and design development) involving collaboration between architects, construction staff, and key stakeholders to ensure alignment with educational, operational, and site requirements.

- Plans are subject to internal review and sign-off by specialized district teams (e.g., facilities, technology, maintenance), with external experts engaged as needed, prior to finalization.

- Project costs are evaluated and refined during design development, including a formal value engineering process aimed at reducing costs without compromising functionality, durability, or long-term maintenance.

- Architectural and engineering systems (HVAC, electrical, plumbing, IT, safety, and security) are incorporated and vetted during design development to ensure functional integration and alignment with district standards.

- The construction team continues involvement through project execution to verify adherence to approved plans and address necessary adjustments.

The assessment of all architectural contracts primarily resulted in confirmation of an appropriate selection and contracting process for architectural design firms involved in school construction projects, including evaluation criteria, procurement methods, and approval authorities.

For the majority of the contracts examined, CLA noted no observations, as they appeared to have followed appropriate procurement and approval processes. Additionally, documentation demonstrated that work was performed in accordance with the executed contracts and invoices, with evidence of acknowledgment by the

[123] The District Department of Design & Construction developed written Design/Planning Principles & Construction Guidelines for MSCS. These written guidelines are shared with potential vendors through the public invitation for bid process.

applicable MSCS department that the work was completed. However, CLA made certain observations relating to the failure to follow the District's established policies and procedures as discussed below.

Observation #100 The District did not consistently prepare or retain required documentation supporting the procurement process for an architectural contract.

Contract 2023-0676, $158,578.23

Contract was procured as a proposal under the professional services classification, which is permissible for architectural contracts. The contract was for $226,250.00 and total payments during the forensic audit period totaled $158,578.23. The work included design services for the Westwood High School roof replacement. The contract was appropriately executed; however, there was no Procurement Advisory Form (PAF), and no procurement requisition was located for this contract. A PAF was located for a contract amendment taking place on September 6, 2023.

Observation #101 The District made payments for services performed after contract expiration due to a failure to execute timely amendments extending the contract terms.

Contract 2023-0766, $11,757.20

The contract was procured as a proposal for professional services related to the design of a roof replacement for Robert R. Church Elementary; no bid was required under the professional services designation. The contract had an effective period from April 10, 2023, through April 6, 2024; however, it was not executed by the District until June 8, 2023. Work did not commence until July 10, 2023, following execution of the agreement. Although the one-year effective period suggests that performance could reasonably extend over a full year, the delayed execution contributed to work continuing beyond the April 6, 2024, contract expiration date. As a result, two invoices totaling $11,757.20 were paid for services performed after the contract had expired. CLA did not identify evidence of willful disregard for established processes or intentional continuation beyond the contract term; rather, this appears to have resulted from weaknesses in contract monitoring, whereby the impending expiration date was not identified in advance or at the time the payments were processed.

Contract 2023-0254, $16,189.45

The contract was procured as a proposal for professional services related to the design of a roof replacement for Bolton High School; no bid was required under the professional services designation. The contract was executed by the District, with approval by the Chief Business Officer, which was permissible at the time. The contract had an effective period from October 4, 2022, through November 3, 2023, and was signed by the District representative on October 6, 2022.

Work under the contract continued through February 29, 2024, beyond the established contract expiration date. Although total payments did not exceed the contract amount, no amendment was executed to extend the contract term. As a result, two invoices totaling $16,189.45 were paid for work performed after the contract expiration date. CLA did not identify evidence of willful disregard for established processes or intentional continuation beyond the contract term; rather, this appears to have resulted from weaknesses in contract monitoring, whereby the impending expiration date was not identified in advance or at the time the payments were processed.

Conclusion

Overall, while the assessment of architectural contracts largely confirmed that the District followed appropriate procurement, contracting, and approval processes, the exceptions identified indicate opportunities to strengthen internal controls related to procurement documentation and contract term management. Specifically, the absence of required procurement documentation in one instance and the continuation of work beyond established contract periods without formal amendments in others suggest gaps in ensuring contract compliance throughout the lifecycle of the agreements. Table 82 lists the dollar value of the architectural contracts containing evidence of non-compliance with MSCS internal policies.

Table 82: Summary of Architectural Contracts for Which Evidence Supporting Non-Compliance with Internal Policy Was Identified for Disbursements

Testing Area	Determination	Description	Amount Contracted	Amount Disbursed[124]
Contract	Non-Compliance with Internal Policy	No PAF or Requisition forms were found for the contract in question.	$ 226,250.00	$ 158,578.23
Contracts	Non-Compliance with Internal Policy	Payments made to vendor subsequent to the end of the contract.	34,000.00	16,189.45
Contracts	Non-Compliance with Internal Policy	Payments made to vendor subsequent to the end of the contract.	39,720.00	11,757.20
Total				$ 186,524.88

Recommendations

For recommendations relevant to this section, please refer to Recommendation #11.

xiv. HVAC Vendor – Ewing Kessler

Area of Analysis

During CLA's forensic audit, an allegation was received regarding the District's public procurement process for Heating, Ventilation, and Air Conditioning (HVAC) services. Specifically, it was alleged that the District's bid specifications were structured in a manner that limited competition, effectively resulting in Ewing Kessler being the only HVAC vendor in the Memphis area capable of submitting a responsive bid. The allegation further asserted that this outcome was attributable to the specificity of the requirements outlined in the bid documentation and suggested the existence of a close relationship between Ewing Kessler and the District. To investigate this concern, CLA conducted further analysis on this vendor, in addition to the testing already completed throughout section 5.A *Federal and State Funding Review*.

Applicable Policies and Procedures

The policies and procedures governing the procurement of professional services contracts are discussed earlier in Section 5.B.i *Contracts and Solicitations – Professional Services*. Ewing Kessler is a commercial HVAC and building automation firm that specializes in engineered solutions for sustainable design, and energy-efficient HVAC. The services provided by Ewing Kessler are consistent with those defined as professional services under Board Policy 2013: Professional Services Contracts as well as those defined under Board Policy 2012: Contract Requirements. Written contracts are required for any dollar value when there are construction, renovations, repairs, and maintenance of facilities.

Analysis and Sample Selection

CLA met with the Director of Facilities and the Director of Construction to obtain relevant insights. CLA then reviewed a sample of bids, MSAs, contracts, IFBs, and conducted email review. Additionally, CLA examined the District's Design and Planning Principles and Guidelines document, including Appendix J – Preferred HVAC Manufacturers, which outlines HVAC specifications. As part of these procedures, CLA

specifically evaluated contract language to assess whether the language provided for preferential treatment to any vendor or indicate the presence of conflicts of interest.

Results of Analysis and Testing

Based on the procedures performed, CLA did not identify any instances in which the language contained within IFBs or related bid documentation resulted in preferential treatment toward a specific vendor. The procurement documents reviewed were structured in a manner that supported open competition and did not appear to unduly restrict participation. However, CLA noted that the District incorporates certain HVAC-related specifications within its bid documents that reflect preferred operational characteristics. These include, but are not limited to, requirements related to acceptable noise levels and compatibility with the District's existing building management system.[125] While such specifications may influence vendor participation based on product capabilities, they appear to be grounded in operational needs of a school rather than designed to favor a particular vendor.

In addition, through discussions with the current Director of Facilities and the Director of Construction, CLA obtained further context regarding the District's procurement practices. District leadership indicated that the procurement process is intended to remain open and accessible to all qualified vendors, with participation primarily dependent on vendors' ability to meet the specified requirements and their willingness to submit bids. Based on the audit procedures performed, including document review and interviews, CLA did not identify evidence indicating that the District's bidding practices resulted in or were intended to result in preferential treatment of specific vendors. Overall, the available information supports the conclusion that the District's procurement processes are designed to promote fair competition, with any limiting factors attributable to operational specifications rather than vendor favoritism.

Conclusion

Based on the procedures performed and CLA's understanding of the District's bidding processes, including IFBs and contracts, no clear evidence of preferential treatment toward specific vendors was identified. While the District includes certain HVAC related specifications within its procurement documents, evaluating the technical appropriateness of these specifications falls outside the scope of this work. CLA's role is to assess procurement processes from a financial and compliance perspective, and CLA does not possess the specialized expertise required to assess HVAC system design or equipment specifications. Based on the information available, the bidding process, IFBs, and contracts appear generally structured to allow for participation by multiple

[124] The table shows the amount disbursed that did not comply with the internal policy as communicated in the related observations, not the total amount disbursed for the contract.

[125] Siemens is the energy management system used by the district.

vendors, though no determination is made regarding the technical neutrality of the specifications.

Recommendations

No recommendations are provided for this section, as CLA did not identify evidence of preferential treatment or non-compliance based on the procedures performed as it pertains to vendor Ewing Kessler.

xv. Nutrition Contracts

Area of Analysis

Assess contracts associated with food services provided in school cafeterias, including the procurement and award processes, total expenditures, and the methods used for food storage and distribution across schools.

Applicable Policies/Procedures and Best Practices

The central nutrition center, (CNC), team follows the same policies and procedures as outlined in 5.B.ii *Contracts and Solicitations – Non-Professional Services* with a few variations to the vendor selection process. The general process is summarized below:

1) An IFB is issued and publicly advertised, however, for purchases below $24,999, no RFP is necessary instead three bids are required.

2) Bids are evaluated, and the best proposal for the District needs is selected.

3) An Intent to Award letter is issued to the selected vendor(s).[126]

4) A PO is generated to authorize the transaction.

5) The IFB is included in the quarterly report presented to the Board.[127]

CLA met with Nutrition Warehouse personnel and finance staff supporting the Nutrition Department to gain an understanding of the District's food storage, receiving, distribution, and accounting processes. The process is as follows:

- **Storage:** Food inventory is centrally stored at a District-managed warehouse facility, which includes multiple storage environments: a freezer, cooler, central kitchen, and dry storage (located in Building 7). In addition to District schools, the CNC provides services to participating charter schools that opt into MSCS nutrition services. These charter schools follow the same

[126] The Intent to Award letter serves as the contract, as Nutrition Services does not execute a separate formal written contract with vendors.

[127] Board approval is not required for commodity purchases within the Nutrition Department. In lieu of approval, the Department provides the Board with a Nutrition Services Quarterly Commodity Report.

processes as District schools, including adherence to established nutritional standards and delivery methods, and no separate storage or distribution processes were identified for charter operations.

- **Receiving:** Food receiving and intake procedures are standardized across all inventory supporting both District and participating charter schools. Once food is ordered, it is delivered directly to the warehouse receiving area. Upon arrival, warehouse staff reviews the bill of lading and performs a quality control inspection, which includes (1) verifying that quantities received agree to the bill of lading and (2) confirming that product expiration dates meet the requirement of at least 50% remaining shelf life. Following inspection, inventory is placed in the appropriate storage environment based on product type.

- **Physical Inventory:** The warehouse utilizes shelf and aisle labeling to support inventory organization; however, within each storage environment, items are generally placed based on available space rather than consistent product grouping. As a result, identical products (e.g., corndogs) may be stored in multiple locations alongside dissimilar items. This practice is not consistent with proper inventory management practices, as it reduces visibility over inventory location and increases the risk of inefficient stock rotation and expiration.

- **Order Fulfillment:** While warehouse staff make efforts to adhere to the First-In, First-Out (FIFO) method when fulfilling orders, the decentralized storage of identical products necessitates a manual weekly review of expiration dates to support proper rotation. This approach is inefficient and increases the risk of oversight errors. Despite these storage and inventory management constraints and poor inventory management practices, the District's annual write-off due to spoilage is less than 1% of total food received.

- **Inventory Tracking:** Inventory is tracked within the Edison system, which records all incoming goods.[128] However, Edison does not track specific item locations within the warehouse beyond the general storage environment. To address this limitation, warehouse management maintains a supplementary Microsoft Excel spreadsheet to track inventory movement and location details.

- **Order Fulfillment**: Once the three-week menu is approved, individual schools submit orders to the warehouse. A warehouse clerk generates pick tickets, which are provided to warehouse staff responsible for pulling inventory. Selected items are reviewed, prepared, and distributed to schools. After

[128] Edison is a nutrition software designed for managing cafeteria operations. It integrates menu planning, inventory control, nutrient analysis, and dietary guidelines.

fulfillment, the pick ticket is returned to the clerk and entered into Edison, which generates a corresponding receipt for the school.

- **Reconciliation:** The accounting process requires manual reconciliation between Edison and APECS, as the systems are not integrated. As a result, discrepancies may arise and require manual adjustments within APECS.

Analysis and Sample Selection

CLA selected a risk-based sample, ensuring that all types of bids, amounts, and years were covered. The District provided CLA with a listing of all bids/contracts executed during the scope period, including the associated dollar values.[129] This listing included a population of 136 with a total value of $228,948,143.02.

From this population, CLA selected a sample of nine bids from each fiscal year for 2022 through 2024, resulting in a total of 27 bids. The aggregate value of the selected sample was $78,983,853.61, representing approximately 34% of the population. Some bids aimed to select a single vendor, while others aimed to select multiple vendors. From those bids that aimed to select multiple vendors, CLA identified 44 specific contracts totaling $39,134,619.67 to perform detailed testing. Table 83 explains the distribution of this initial bid sample and the total contracts tested.

Table 83: Nutrition Contracts Sample Selection

Selection	Number	Total Value
Initial bid selection	27	$ 78,983,853.61
Contracts tested	44	39,134,619.67

To facilitate review of the documentation required for testing, the District provided CLA with access to their contract management system, Contract Advantage; their business information and accounting system, APECS; and their internal procurement drive. In instances where supporting documentation was not available through these systems, CLA requested the necessary documents directly from the District.

For the selected contracts, CLA performed detailed testing to assess compliance with policies, procedures, and controls; evaluate the effectiveness of management review and oversight; and identify indicators of non-compliance, control deficiencies, or potential fraud, waste, or abuse. CLA conducted the testing outlined in 5.B.ii *Contracts and Solicitations – Non-Professional Services* with a few exceptions that apply only to Nutrition related contracts as follows.

3. Commodity purchases do not require a formal written contract, unlike other types of procurement. Instead, the IFB number serves as the contract number, and the Intent to Award Letter functions as the contract at the time it is presented.

[129] The listing provided by MSCS includes both bids and contracts, as certain bids included the execution of multiple contracts.

4. Per the competitive bid requirements, these commodity purchases do not require board approval since they are defined as items normally used in the routine operation of the District. They do require board notification, therefore a monthly report which includes commodity purchases and awards is provided to the board. The report includes the IFB number, a description of the bid, the awarded vendors, and the total amount awarded.

5. As the Intent to Award Letter functions as the contract, CLA assessed whether the Intent to Award Letters were retained.

Results of Analysis and Testing

Based on the testing performed, CLA did not identify areas of non-compliance, fraud, waste, or abuse. The observations identified several process-related deficiencies, including inconsistencies in the location and organization of supporting documentation, instances of missing or incomplete documentation, and situations in which the Nutrition Department did not adhere to established procurement policies without having an alternative written policy in place. The results of this testing and observations are as follows:

Observation #102 Documentation of Board notifications for commodity purchases was inadequate.

CLA identified instances where the Nutrition Services Quarterly Commodity Reports were not provided to the Board for review Specifically, of the 44 samples selected for detailed testing, 13 transactions met the threshold for Board notification based on established District practices; however, these were not included in the Nutrition Services Quarterly Report. The aggregate value of these transactions totaled $21,656,734.11.

Observation #103 MSCS did not maintain formal contract documentation and retained incomplete supporting documentation.

As part of detailed testing, CLA reviewed a total of 44 contract samples. Of these, nine samples did not have an Intent to Award letter retained, with an aggregate value of $19,359,230.32. However, in accordance with the 2024 Procurement Services Manual, a PO constitutes a legal document that obligates the District to remit payment to the vendor. Each of the nine samples was supported by a corresponding purchase order, indicating that a financial obligation was formally established despite the absence of an Intent to Award letter.

Additionally, CLA identified seven samples that included traditional executed contracts; however, these purchases were not related to commodity procurements. Instead, they were for services such as cafeteria redesigns, grease removal, and walk-in

freezer maintenance and installation. These were noted to be appropriately supported.

Observation #104 MSCS did not maintain documentation linking purchase orders (POs) to the corresponding Invitations for Bids (IFB).

While performing detailed testing of payments and supporting invoices, CLA relied on the description field within APECS to identify which payments corresponded to specific bids, as individual bids could span multiple purchase orders and fiscal years. However, the descriptions were not consistently recorded, limiting CLA's ability to clearly trace payments to the related bid awards.

Observation #105 Inconsistencies were identified between the wording included in MSCS's Intent to Award letters and the manner in which those terms are applied within Nutrition Department procurement practices.

CLA was informed that Board approval was not required for commodity purchases within the Nutrition Department. However, the Intent to Award Letter indicates that purchases exceeding $100,000.00 require prior Board approval, creating an inconsistency between stated practice and documented requirements. Figure 68 includes the language of the Intent to Award Letter.

Figure 68: Intent to Award Letter IFB06032024MES

> If an agreement is required, the recommendation will be submitted to MSCS General Counsel Office for contract preparation. MSCS will move forward with the award upon approval, which may include full execution of a contract and approval of Shelby County Board Members at the next scheduled Board Meeting Session should the dollar amount total be $100,000.00 or more.

Observation #106 Conflicting language in the Intent to Award Letter creates inconsistencies in its application as a binding contract.

CLA was informed that the Intent to Award Letter can serve as the contract and establishes the contract start date. However, the language within the letter contradicts this understanding, as it explicitly states that vendors are not to commence services until a purchase order has been issued (Figure 69).

Figure 69: Portion of Intent to Award Letter IFB06032024MES

> Please note that this notice of intent to award is not intended to create rights, interests, or claims of entitlement in any recipient of this notice. We appreciate your interest in doing business with Memphis-Shelby County Schools. Therefore, Vendors shall not provide any service or product to Memphis-Shelby County Schools (MSCS) until receipt of an official Purchase Order (P.O.).

Observation #107 MSCS did not maintain a Centralized Documentation Management System and demonstrated inconsistent record retention practices.

The Nutrition Department utilizes multiple systems for supporting document storage, including Contract Advantage, APECS, and the Procurement Drive. However, there is no centralized or standardized approach to document retention, this requires searching across multiple systems to locate supporting documentation. In most instances, at least two systems had to be reviewed to identify all relevant records for a single transaction. During testing, when CLA was initially unable to locate certain supporting documents, the District was often able to locate those documents in alternate locations. This indicates that documentation exists but is not consistently stored to ensure accessibility and completeness. As a result of these inconsistencies in system usage and document retention practices, CLA noted gaps in supporting documentation across the tested population. Specifically, 25 out of 44 sampled transactions were missing at least one required supporting document. These transactions represented a total value of $31,795,748.37. Overall, the lack of a centralized document management approach and consistent retention practices reduces transparency, limits auditability, and increases the risk that required documentation may not be readily available when needed.

Conclusion

The analysis of Nutrition contracts identified control and documentation deficiencies that limited transparency and consistency in the procurement process, including missing support for board reporting, incomplete retention of award documentation, and inconsistencies between written guidance and departmental practice. While these issues indicate opportunities to strengthen oversight, record retention, and alignment of procedures, the detailed testing did not identify evidence of fraud, waste, or abuse.

Recommendations

CLA offers the following recommendations for consideration. In addition to the recommendations below, refer to Recommendation #11.

Recommendation #59 The District should implement formal procedures to ensure that all required Quarterly Commodity Reports are consistently prepared, properly retained, and readily accessible.

Recommendation #60 The District should establish and document a formal policy outlining the required form of contract documentation for commodity purchases. This policy should clearly define the roles of the IFB, Intent to Award Letter, and purchase order, and specify documentation and retention requirements. CLA notes the document being distinguished as the "contract" should be a signed document so that it is executed and legally enforceable.

Recommendation #61 The District should standardize how bids are recorded within APECS, including requiring that all related payments be consistently linked to the appropriate bid number. Implementing system controls or procedural requirements to ensure accurate linkage will improve completeness, traceability, and visibility over all payments associated with each bid.

Recommendation #62 The District should review and revise the language within the Intent to Award Letter to ensure it aligns with actual procurement practices of the Nutrition Department and District policies.

Recommendation #63 Due to the limitations of Edison's warehouse system, specifically its inability to track the location and movement of inventory, and its lack of integration with APECS the District should consider upgrading its warehouse management software. This will make the inventory tracking process less manual, more efficient, transparent, and accurate.

C. Financial Transactions and Controls

This section summarizes the review of financial transactions and related controls, encompassing journal entries, ACH transactions, bank statements, payroll and employee compensation, P-cards and check requests, suspicious accounts, and budget issues.

i. Journal Entries

Area of Analysis

CLA analyzed journal entry activity to identify evidence of fraud, abuse, or control weaknesses. CLA performed analytical procedures to identify unusual activity and assessed the adequacy of supporting documentation and evidence of review and approval for the entries tested.

Applicable Policies/Procedures and Best Practices

CLA reviewed available policies, procedures, and supporting documentation related to journal entry controls and supplemented this work with interviews of finance staff and departmental accountants who had limited documentation. Documented

procedures include an internal control narrative governing journal entry processing within APECS, which details documentation requirements, standardized formats, segregation of duties, and multi-level approvals, with automated posting to the general ledger upon approval.

Where written policies did not fully describe the practice, CLA sought to obtain an understanding through interviews with finance leadership. Management represented that fund owners initiate and review entries, with final approval by the controller and/or assistant superintendent of operations, and that entries lacking adequate support are returned for correction. Management also described ongoing monitoring activities, including ledger reviews, bank reconciliation reviews, heightened scrutiny of general fund activity, and manual controls such as account freezes and period locks. Management indicated these procedures are reviewed at least annually.

CLA also considered District Policy 3012 – *Records Management* and the *Tennessee Internal School Uniform Accounting Policy Manual,* Accounting and Reporting – Section 7, which requires maintenance of core accounting records and emphasizes that journal entries must identify the applicable fund, account, amount, and explanation.

Analysis and Sample Selection

CLA downloaded journal entry summary and transaction-level detail directly from APECS for the fiscal years under review and reconciled the data to assess population completeness prior to testing. CLA applied a risk-based approach considering elevated-risk indicators, including activity in new, inactive, or seldom-used accounts; unusually large or stratified dollar amounts; digit-preference anomalies (Benford's analysis); period-over-period trends; suspicious timing (e.g., weekends, holidays, late-night entries, or entries posted after the accounting date); duplicate or voided entries; and entries responsive to allegations or keyword searches, including concerns related to "dummy" accounts.

Using this approach, CLA selected a sample of 158 journal entries totaling $43,770,207,535.57 from a population of 40,228 entries across fiscal years 2022 to 2024. Table 82 summarizes the quantity and total amount of journal entries selected by fiscal year.

Table 84: Quantity and Total Amount of Journal Entries by Fiscal Year

Fiscal Year	Quantity	Total Amount
2021-22	48	$ 55,391,746.32
2022-23	56	64,766,183.22
2023-24	54	43,650,049,606.03
Total	158	$ 43,770,207,535.57

Sample amounts reflected total debits or credits associated with each balanced journal entry, and testing considered each line item comprising the entry. The sample was allocated proportionally by fiscal year, stratified into seven monetary tiers, and further distributed across months, entry types, operators, entry status, and timing.

For each sampled entry, CLA tested for evidence of appropriate review and approval and evaluated whether sufficient supporting documentation was attached to substantiate the recorded activity. CLA also assessed whether documentation aligned with recorded amounts and account coding and whether approval attributes were consistent with the District's described control framework.

Results of Analysis and Testing

Based on results of testing, CLA noted issues primarily related to the sufficiency, clarity, and availability of supporting documentation; difficulty readily determining business purpose for certain entries; and reduced transparency where entries may change while accounting periods remain open. CLA also noted reliance on practices described in interviews that were not fully documented or existed outside the finance department's direct oversight, such as accounting practices at the central nutrition center that are maintained on a separate system, MCS Edison Menus & Inventory (Edison).[130]

CLA performed additional procedures to investigate potential "dummy" and temporary accounts and entries tied to individuals and vendors of specific concern. In certain instances, CLA could not fully test these areas due to missing support, limited system records, lack of corroborating emails, or insufficient information beyond management representations. These conditions indicate the District's records were not consistently organized, retained, or readily retrievable as required under District Policy 3012 – *Records Management*.

Observation #108 Journal entry approvals occur, but independent verification is constrained by decentralized processes and system limitations.

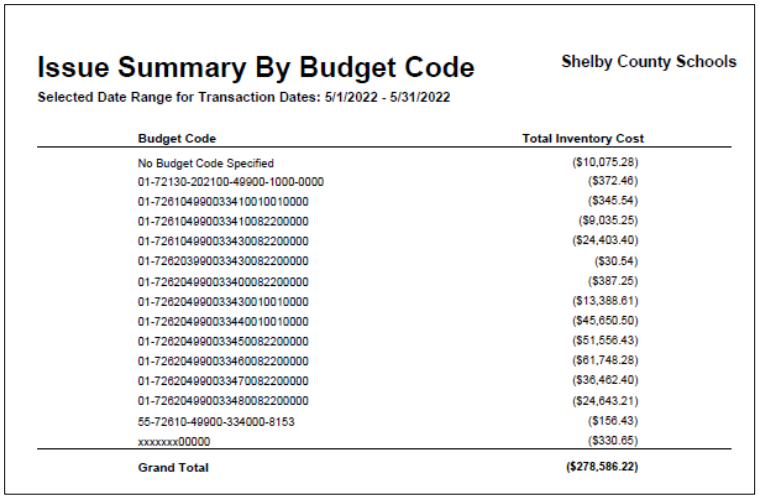
CLA did not identify manual journal entries posted without approval, and no entries were entirely unsupported or left unanswered; approvals were visible in APECS, indicating certain front-end controls are functioning. However, finance often could not independently verify underlying support and business purpose for entries originating outside finance because attachments in APECS were frequently limited to summary spreadsheets or brief descriptions. Approximately, 109 of the entries selected for testing had either no or limited supporting documentation readily available for review in APECS, totaling $43,703,738,495.52. This amount does not represent evidence of waste, fraud, or abuse, but rather it reflects the total journal entry activity that could not be reconciled to attached supporting documentation.

For example, an inventory-related journal entry posted in fiscal year 2022 recorded $320,374.24 for the issuance of materials to

[130] Edison is a nutrition software designed for managing cafeteria operations. It integrates menu planning, inventory control, nutrient analysis, and dietary guidelines.

fulfill maintenance tickets, which did not agree to the documentation attached in APECS which reflected a lower issuance of $278,586.22. The extent of the documentation attached in APECS is included in Figure 70. Finance explained that the data had been exported from an inventory management system (SchoolDude) that was no longer accessible. Although the journal entry included a detailed description, the documentation available in APECS did not substantiate the transaction-level details. As a result, finance relied on representations from the warehouse when approving the entry rather than having direct access to supporting records to verify the details.

Figure 70: Extent of Supporting Documentation Attached to Journal Entry



Issue Summary By Budget Code

Shelby County Schools

Selected Date Range for Transaction Dates: 5/1/2022 - 5/31/2022

Budget Code	Total Inventory Cost
No Budget Code Specified	($10,075.28)
01-72130-202100-49900-1000-0000	($372.46)
01-726104990033410010010000	($345.54)
01-726104990033410082200000	($9,035.25)
01-726104990033430082200000	($24,403.40)
01-726203990033430082200000	($30.54)
01-726204990033400082200000	($387.25)
01-726204990033430010010000	($13,388.61)
01-726204990033440010010000	($45,650.50)
01-726204990033450082200000	($51,556.43)
01-726204990033460082200000	($61,748.28)
01-726204990033470082200000	($36,462.40)
01-726204990033480082200000	($24,643.21)
55-72610-49900-334000-8153	($156.43)
xxxxxxx00000	($330.65)
Grand Total	**($278,586.22)**

CLA's inquiries frequently required referrals across multiple departments (e.g., payroll, HR, benefits, food and nutrition services, warehouse operations, and printing), reflecting decentralized origination and finance's limited access to source documentation outside APECS. APECS is a legacy system with limited reporting, audit trails, and cross-system validation, with support often obtained through informal channels such as email, reducing review transparency. CLA further observed that some returned entries remained live and were edited directly rather than corrected via separate entries, and that APECS does not consistently capture detailed audit trails for certain system-generated imports. Collectively, these conditions limit finance's ability to exercise effective independent oversight at approval and increase reliance on originating-department representations.

Observation #109 Manual inventory processes in the nutrition services warehouses limit accuracy and real-time visibility.

Inventory processes rely on manual procedures (cycle counts, receiving, picking, returns, and location tracking) using a system external to APECS, requiring periodic journal entries to true-up inventory between systems. Support is scanned to nutrition services shared drives that finance cannot access. Seven of the entries selected for testing relied on this manual true-up process between the two systems, totaling $116,629.10 in inventory reconciliation entries. Manual processes increase exposure to count inaccuracies (time delays), limited location/expiration tracking (spoiled/misplaced inventory), and clerical errors. CLA also observed the warehouse system uses the same identifying invoice number for similar products from different vendors with different case sizes/costs, for example, 4 packages of 4 oz. at $20 versus 8 packages of 10 oz. at $120, creating risk of shipping/receiving mismatches and additional reconciliation. The lack of timely inventory data, automated scan-based systems, and unique identifiers limits real-time inventory accuracy and the ability to isolate deficiencies.

Observation #110 Warehouse and Fulfillment inventory controls rely heavily on manual processes and physical records.

The warehouse and fulfillment department similarly relies heavily on manual inventory processes. While some activity is tracked in APECS, underlying data still requires manual entry, and key source documents (e.g., bills of lading and order-fulfillment tracking/sign-offs) are often retained onsite as hard copies (filing cabinets/boxes) rather than digitized, increasing risk of loss/damage and requiring onsite review to follow the audit trail. These conditions increase exposure to inaccurate counts (time delays), limited location tracking (misplaced inventory), and clerical errors, and the absence of timely data/scan-based systems limits real-time inventory accuracy. Approximately 43 of the entries selected for testing were warehouse and fulfillment department entries that relied on this manual data entry process, totaling $43,627,421,096.18.

Observation #111 Inconsistent fueling training and the absence of standardized instructions increase the risk of erroneous fuel transactions.

CLA tested five journal entries totaling $1,972.80 related to the Fuel, System Interface.[131] Based on discussions with District

[131] APECS recorded the operator for these journal entries as “Fuel, System Interface.”

personnel, these entries are automatically generated by the fuel monitoring system, EJ Ward, and posted to the general ledger to record District vehicles refueling activity. CLA performed additional procedures to understand the nature of these entries and the processes supporting them.

CLA observed that District employees assigned fuel cards and vehicles are expected to refuel at District fueling locations; however, training on proper fueling procedures is inconsistent and refresher training is not regularly provided. In addition, written fueling instructions are generally not available at fueling sites. These conditions increase the risk of user error and improper fuel transactions. CLA identified instances in which fuel cards timed out because the operator did not pump fuel soon after swiping the fuel card, after which employees continued swiping the card at other pumps, resulting in multiple zero-dollar transactions.[132] While these zero-dollar transactions were not included in the entries that CLA selected for testing, 4,158 such entries were identified across the period under review. These transactions were recorded in EJ Ward and posted to APECS, unnecessarily cluttering transaction records and complicating review. Without recurring training and standardized instructions, the District remains exposed to avoidable errors and inefficiencies in fuel transactions.

Observation #112 Printing services pricing, as recorded in journal entries reflected in attached printing requisition documents, were not consistent with results of recalculations based on published pricing guides.

Six sampled journal entries, totaling $9,545.96, were printing services entries that were not fully supported by the attached printing requisition form when the services selected on the form were recalculated by CLA using the concurrent print services price list found in the District's warehouse and fulfillment services reference manual.

For example, a printing requisition form attached to a printing services-related journal entry posted in fiscal year 2023 detailed 300 color copies to be printed on 11 x 17-inch white, all-purpose paper, with each resulting copy laminated. The "For Office Use Only" calculation of the printing services pricing for the job described is shown in Figure 71.

[132] The EJ Ward Fuel Control Terminal requires the operator authorize the pump, select the fuel, and lift the nozzle within approximately 30 seconds before the system times out for security.

Figure 71: "For Office Use Only" Internal Pricing Calculation for Printing Services Journal Entry

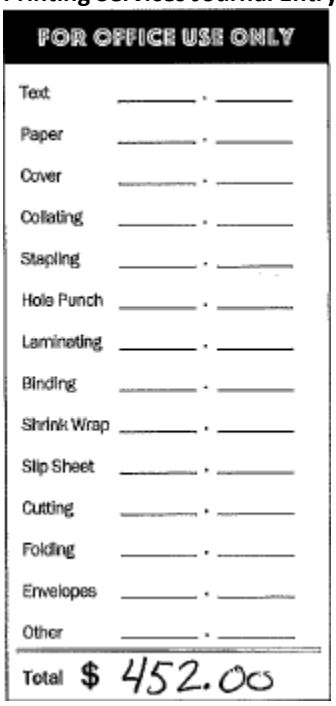


Table 85 shows CLA's recalculation of the printing described using the concurrent Print Services Price List.

Table 85: Recalculated Total for Printing Services Journal Entry

Service	Quantity	Price	Total Calculated
Color 11 x 17 (*1-2000*)	300	$ 0.52/sheet	$ 156.00
Lamination 11 x 17	300	1.50/sheet	450.00
Total			$ 606.00

The resulting $154.00 difference was not explained by any identified discounts, corrections, or subsequent revisions to the printing order, and the full price was not reflected in the selected journal entry.

CLA noted that the manual print requisition process requires requestors to complete a form and independently calculate job pricing based on the described services. However, the requisition form and published Print Services Price List are inconsistent, with services organized differently or omitted, and the form does not include pricing. Additionally, no evident secondary review or managerial approval was identified. These conditions increase the risk of inaccurate journal entries, incorrect orders, and clerical errors.

Observation #113 Errors in entries were identified with no subsequent corrections.

CLA identified erroneous journal entries in five sampled journal entries, totaling $11,387.32, none of which were subsequently corrected. Four involved adjusting or reclassification entries recorded to incorrect accounts, and one involved an expenditure recorded to an account inconsistent with its description. These errors went undetected and uncorrected as a result of the conditions discussed in Observation #108, including the decentralized nature of the District's departments and finance's limited access to source documentation, which constrained its ability to provide independent oversight.

Conclusions

Based on the journal entry testing performed, the primary issue identified was the significant delays caused by the District's failure to organize, retain, and centrally file supporting documentation in accordance with its records-management standards. The lack of complete and accessible support impeded timely procedures, required repeated cross-departmental inquiries, and limited the extent of meaningful additional testing. Within the scope of work performed and documentation provided, CLA did not identify evidence of fraud, waste, or abuse related to journal vouchers; however, records-management deficiencies were the principal constraint on testing. Table 86 summarizes the journal entries tested for which CLA identified non-compliance with internal policies.

Table 86: Journal Entry Testing

Testing Area	Determination	Description	Amount Disbursed
Journal Entries	Non-compliance with Internal Policies	Inconsistent fueling training and the absence of standardized instructions increase the risk of erroneous fuel transactions.	$ 1,972.80
Journal Entries	Non-compliance with Internal Policies	Printing services pricing recorded in journal entries did not align with published pricing guides.	9,545.96
Journal Entries	Non-compliance with Internal Policies	Errors in entries were identified with no subsequent corrections.	11,387.32
Total			$ 22,906.08

Recommendations

CLA recommends the following regarding improvements to journal entries, including those initiated or recorded by departments outside of the finance department. In addition to the recommendations below, refer to Recommendation #2.

Recommendation #64 Evaluate finance and enterprise resource planning solutions that more effectively integrate with systems used by other departments, including payroll and inventory.

Improved integration would allow operational and financial data to flow directly into the financial system, reducing reliance on manual uploads, summary-level documentation, and decentralized recordkeeping, while enhancing reporting capabilities, audit trail visibility, and finance's ability to trace journal entry origins and subsequent corrections.

Recommendation #65 Implement warehouse software solutions that integrate with its finance/ERP systems.

Integration would support automated inventory adjustments and real-time valuation and counts. Implementing scanners for receiving, picking, cycle counts, and location tracking would allow inventory data to be updated as activities occur and reduce reliance on manual processes.

Recommendation #66 Update and clearly post standardized operating instructions at all fuel pumps and terminals and provide hands-on training for employees who use the fuel system.

Employees should be required to follow documented procedures when issues arise, such as pump malfunctions or card deactivations, and the District should maintain training records to identify individuals or departments requiring additional support or refresher instruction.

Recommendation #67 Enhance documentation within the EJ Ward system, where feasible, to record key events such as pump issues and fuel card deactivations or reactivations.

The documentation enhancement should include relevant timestamps and points of contact. Improved documentation would strengthen transparency and auditability of fuel transactions. The District should evaluate opportunities for IT or operational personnel to perform limited reconciliations or exception reviews of daily fuel data files prior to import into APECS, particularly given the absence of pre-posting reconciliation controls.

Recommendation #68 Consider a transition from manual internal forms to standardized digital forms with embedded, automated calculation functionality.

Digital forms should incorporate applicable pricing schedules or rate structures, allow for structured selection and modification of relevant inputs or specifications, and automatically compute totals to reduce errors, omissions, and inconsistent application of established guidance.

ii. ACH Transactions

Area of Analysis

At issue is whether ACH transactions are appropriate, made to legitimate vendors following District procedures, and whether the selected contractors are utilizing legitimate banking information. CLA assessed the ACH transactions for unusual patterns, split transactions, high-risk vendors, misappropriations, personal expenses, or potential overpayments.

Applicable Policies/Procedures and Best Practices

CLA reviewed available policies, procedures, and supporting documentation related to accounts payable (AP). Where formal documentation was limited, this review was supplemented with multiple interviews of finance department personnel. Documented procedures reviewed included the AP Standard Operating Procedures and an internal control narrative governing accounts payable processing. This narrative describes required supporting documentation, the use of standardized formats within the APECS financial system, and multi-level approval workflows that vary based on funding source and employee role.

Per CLA's review of the available documentation supplemented by multiple interviews, CLA noted requisitions are initiated in APECS by the requesting employee and routed electronically through established approval workflows. Once approved, requisitions are forwarded to the procurement department, where POs are generated. The District requires the use of POs to authorize purchases from vendors. A Payment Request Form is to be submitted in lieu of a PO for transactions falling below the $500.00/$3,500.00 threshold.[133]

Upon receipt of goods or services, the requester enters receipt information into APECS for the associated PO. If necessary, an AP associate may enter the receipt with verification that goods have been received or services have been performed, as evidenced through receiving documentation, management approval, or other

[133] Policy 2006 – *Purchasing Authority* states that prior to August 29, 2023, the dollar threshold requiring use of an AP Payment Request Form was $500.00 Effective August 29, 2023, the District increased this threshold to $3,500.00.

required support. This process establishes verification that goods or services were received prior to payment.

Vendor invoices are mailed or emailed directly to AP and entered into APECS by AP staff. AP staff forwards the invoices back to the requesting employee for signature verification. The system enforces three-way matching among the PO, receipt, and invoice. AP relies on departmental certification for contracted work and does not independently verify compliance with deliverables. Invoices within established tolerance limits are eligible for processing upon authorization. Invoices exceeding tolerance limits are routed back to the procurement department for review and resolution, which may result in a vendor credit or a PO amendment. If a required receipt has not been entered, the system automatically places the invoice on hold until receipt confirmation is completed. Authorized invoices and supporting documentation are scanned and electronically attached in APECS under a system assigned voucher identification number.

MSCS processes accounts payable transactions under three distinct payment categories:

- Vendor Invoices: Payments for supplies, equipment, service agreements, and other goods or services procured through an approved APECS PO.
- AP Payment Request Forms: Used for invoices of $500.00/$3,500.00 or less that do not have an associated APECS PO. These requests require an itemized invoice, valid budgetary account coding, and appropriate approval signatures.
- AP Reimbursement Request Forms: Used when schools or departments seek reimbursement for purchases of $500.00/$3,500.00 or less made with approved vendors without using the PO process. These requests require an itemized invoice, valid budgetary account coding, and appropriate approval signatures.

Vendor payments are processed via check, ACH, or virtual card (vCard).[134] Payments are issued every Monday, Wednesday, Friday, and the last day of each month, and are disbursed by Fiserv Global Services, a division of Regions Bank. Vendors elect ACH or vCard payments by coordinating directly with Fiserv Global Services.

Analysis and Sample Selection

CLA used data analytics techniques to identify patterns and anomalies within the disbursement ledger to support the selection of a sample of ACH transactions for testing. As part of this process, CLA also selected samples of check,[135] vCard and

[134] vCards, offered by Fiserv Global, are virtual prepaid cards that offer vendors an efficient, secure method for payment issuance.

[135] Checks are tested in section *5.C.v. P-Cards and Check Requests.*

manual warrant payments.[136] The data analytics procedures included trending disbursements over time by vendor and account to identify unusual fluctuations in payment activity. CLA also analyzed transactions with amounts just below established approval thresholds and selected a sample for testing to assess whether appropriate authorization was obtained. Following the completion of these data analytics procedures, CLA applied a risk-based sampling approach that focused on relevant allegations and key areas of analysis, including the following:

1) Transactions with amounts just below the $3,500.00 approval threshold, which would otherwise require a complete PO
2) Transactions with round dollar amounts
3) Transactions occurring in fiscal years with significant fluctuations in expenses
4) Instances where the accounting date differed significantly from the document date
5) Instances where the payee name in the general ledger differed from the payee name in the Sungard report
6) Transactions with unusual, vague, or missing descriptions
7) Payments to vendors exhibiting significant fluctuations in expense activity

The results of the analysis identified 61 ACH transactions totaling $2,018,104.91, 23 manual warrants totaling $285,653.85, and 30 vCard disbursements totaling $118,287.16 to be tested in detail. CLA performed testing by comparing the selected samples to the District accounts payable policies to determine:

1) If appropriate approvals were obtained;
2) If the required documentation was appropriate and complete;
3) If the expense was appropriate in performance of official District duties; and
4) If there was evidence of fraud or misuse of funds.

CLA examined the related supporting documentation available in APECS, such as invoice, PO, payment request, purchase requisition, and all workflow approvals. Additionally, if the purchase was part of a contract, CLA reviewed the executed contract. When supporting documentation was not readily available, CLA made requests and inquiries to the District for the needed documentation and explanation. Additionally, CLA used investigative techniques such as email review to further examine and assess the context surrounding the samples selected.

[136] See section *5.C.iii. Bank Statements* for additional detail on how these payments were identified. Manual warrants are checks printed in-house by the payroll department.

Results of Analysis and Testing

CLA performed detailed disbursement testing, including a review of supporting documentation and related email correspondence. These procedures identified control and process deficiencies, including multiple instances of incomplete and/or missing supporting documentation. The analysis further identified one vendor exhibiting indicators of potential fraud, waste, or abuse of District funds, while transactions associated with the remaining vendors appeared consistent with legitimate business purposes.[137].

The results of this testing and observations are as follows:

Observation #114 The District did not consistently comply with policy requirements related to supporting documentation for ACH disbursements, as detailed below:

a) Ten samples totaling $15,999.18 were below the dollar threshold requiring an AP Payment Request Form; however, the required form could not be located.

i) Nine of these samples totaling $15,339.09 were processed using a PO, although a PO was not required for these transactions. The District controller indicated that use of a PO is considered an acceptable substitute for the payment request form. CLA notes that this practice is not consistent with the requirements outlined in District policy. CLA confirmed through interviews that the payment request form process is still in place and is the process that should be followed for low-dollar transactions.

ii) One sample totaling $660.09 consisted of two payments on a lease with Ricoh USA for equipment for John P Freeman Optional School and Oakshire Elementary School.

b) For 15 samples totaling $164,745.86, the attached invoice did not have a signature; however, the transactions were approved within the APECS system. These instances do not indicate waste or abuse but reflect non-compliance with internal documentation requirements, representing an internal control failure. The District controller requires all invoices to be signed and dated to support internal control objectives and to document verification that goods or services were received or completed.

Observation #115 Two samples totaling $212,159.00 exceeded the dollar threshold requiring a PO or a contract; however, neither was obtained prior

[137] CLA notes that a portion of the identified misuse of funds involved Federal Funding sources.

to the purchase.[138] In both instances, an Out-of-Compliance letter was subsequently issued for violating Board Policy 2006-*Purchasing Authority*.

a) One payment of $101,871.82 was part of the Phase 7 billing (total billed was $147,935.00) for the 3030 Jackson Avenue (Bayer Building) project. The support obtained included an invoice and a payment request form signed in January 2023 by the chief of business operations, financial advisor, and senior accountant. The Out-of-Compliance letter was dated January 24, 2023.[139] As a result, CLA gained comfort that the transactions represented legitimate District business; however, the transactions were not compliant with the District's internal policy requiring the use of a purchase order.

b) The other sample totaling $64,224.00 was for night guards for North East Preparatory School. The support obtained included invoices and two payment request forms signed in January 2024 by the chief of business operations. Two Out-of-Compliance letters were dated January 23, 2024. As a result, CLA gained comfort that the transactions represented legitimate District business; however, the transactions were not compliant with the District's internal policy requiring the use of a purchase order.

Observation #116 The District did not consistently comply with policy requirements related to supporting documentation for manual warrant disbursements, as detailed below:

a) Three samples totaling $72,601.00 exceeded the dollar threshold requiring a PO; however, no POs were obtained for these transactions. All three transactions included an approved payment request form, a supporting invoice, and appropriate approvals within the APECS system. As a result, CLA gained comfort that the transactions represented legitimate District business; however, the transactions were not compliant with the District's internal policy requiring the use of a purchase order.

b) For four samples totaling $106,853.00, the attached invoice did not have a signature; however, the transactions were approved within the APECS system. These instances do not

[138] The total of $212,159.00 is comprised of an ACH payment of $147,935.00 disbursed on February 15, 2023, and an ACH payment of $64,224.00 disbursed on February 29, 2024 ($147,935.00 + $64,224.00 = $212,159.00).

[139] Out-of-Compliance letters are discussed in detail in section *5.D. iii. Compliance letters*.

indicate waste or abuse but reflect non-compliance with internal documentation requirements, representing an internal control failure. The District controller requires all invoices to be signed and dated to support internal control objectives and to document verification that goods or services were received or completed.

Observation #117 The District did not consistently comply with policy requirements related to supporting documentation for vCard disbursements, as detailed below:

a) One sample totaling $3,422.30 exceeded the dollar threshold requiring a PO; however, no PO was obtained for this transaction. The support obtained included an approved payment request form, a supporting invoice, and appropriate approvals within the APECS system. As a result, CLA gained comfort that the transaction represented legitimate District business; however, the transaction was not compliant with the District's internal policy requiring the use of a purchase order.

Observation #118 Significant indicators of abuse were identified relating to disbursements issued to one vendor, Mid-South Renovations, totaling $3,070,735.01.

CLA's review identified evidence that a conflict of interest existed between vendor Mid-South Renovations and the Director of Facilities Maintenance at the time. The existence of this conflict of interest is inconsistent with District Conflict of Interest Policy 4003 and is based on the vendor's engagement of a company owned by the Director of Facilities to perform work, as well as the company owned by Director of Facilities receiving approximately $68,000.00 to $78,000.00 in payments from the vendor, according to the results of an internal audit. The District terminated the relationship with the vendor on July 25, 2022.

The vendor received over $3 million in payments in fiscal year 2022 based on purchase orders issued to this vendor through several Master Facilities Service Agreements. Several observations relating to this vendor indicate preferential treatment stemming from the conflict of interest, as described in the subsections a) to f) below.

a) MSCS did not comply with District Policy 2012 requiring written contracts for certain services, including repair and maintenance activities.

Several Master Facility Service Agreements were identified; however, not all purchase orders issued corresponded to an executed Master Facility Service Agreement.[140] One instance was identified in which a painting project performed by Mid-South Renovations at a cost of $24,500.00 did not have a Master Facility Services Agreement in place. Discussions with the Contract Administrator within the Office of General Counsel indicated that these Master Facility Service Agreements are not processed through the Legal or Procurement departments and are instead maintained within the Facilities Department as they are supposed to be for amounts not exceeding $10,000.00 or $25,000.00, depending on the time period of effective policy. This limits oversight and transparency, creating conditions in which fraud, waste, and abuse can more easily occur.

b) Vendor selection was justified as being based on prior experience rather than cost consideration, despite significant price differences for the services.

   CLA noted that in one instance reviewed, three quotes were obtained; however, the highest-priced vendor, Mid-South Renovations, was selected based on the justification that the school had previously worked with the vendor. The selected quote exceeded the lowest-cost vendor's quote by $7,500.00.

c) Purchase Orders were issued at amounts just below the Board approval threshold, indicating potential circumvention of approval requirements.

   CLA notes that POs below the $100,000.00 threshold do not require Board approval; however, three POs during the scope period were processed at amounts just below this threshold, raising concerns that transactions may have been structured to circumvent the Board approval requirement. Email correspondence on March 21, 2022, reviewed by CLA further indicated that the Director of Procurement had explicitly communicated to the Director of Facilities that any procurement exceeding $100,000.00, including emergency purchases, must be submitted for Board approval.

[140] CLA's review of Contract Advantage identified only two contracts with this vendor during the scope period, both of which had been canceled.

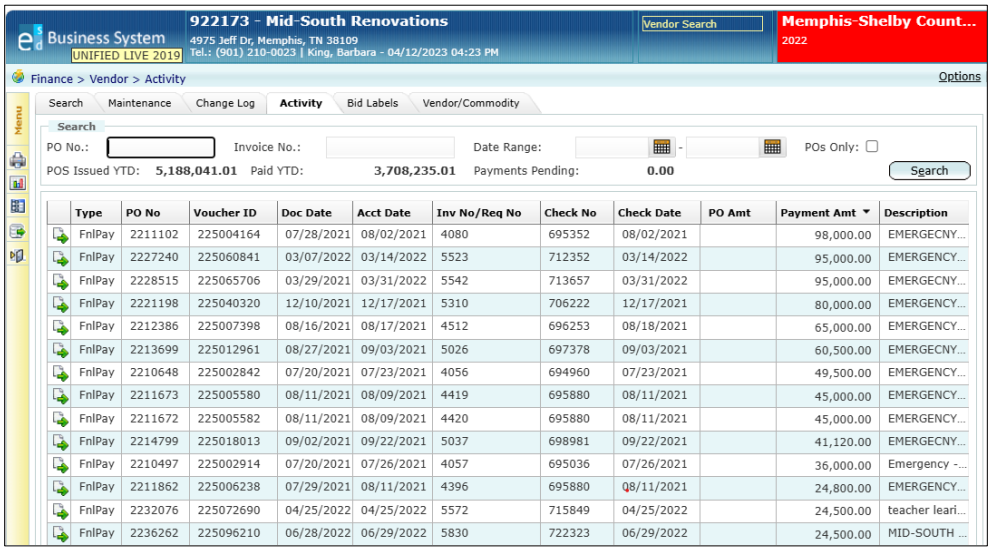
d) MSCS continued to engage the vendor through October 2022, despite the vendor's failure to complete required background screening procedures.

   Based on discussions with the Director of Safety and Security, vendors contracting with the District are required to register online to complete fingerprinting and background checks if they are expected to enter school grounds. However, upon inquiry regarding Mid-South Renovations, CLA was informed that the vendor only presented identification and completed a vendor notification form with the District and there is no evidence that the vendor underwent fingerprinting or a background check. Based on the types of services this vendor provides their work would require to enter school grounds and therefore this policy of a background check requirement applies to them.

e) Transactions were frequently classified as emergencies, raising concerns regarding the appropriateness of this designation and potential circumvention of procurement requirements.

   12 transactions totaling $734,920.00, each over $24,500.00, were categorized as emergencies. This pattern raised concerns regarding the appropriateness of the emergency designation. CLA inquired with current employees of the District who agreed some of these transactions were not consistent with the definition of an emergency. Furthermore, these transactions would have required a contract and no contract was in place, only a Purchase Order. This provides additional evidence of disregard for District policies. One example of this issue involved a $45,000.00 emergency repair project at Kirby Stadium. The emergency justification documented in the approval email stated that the stadium constituted a safety hazard; however, no supporting details or documentation were provided to substantiate the nature or severity of the hazard prior to approval. Further review of the related invoice indicated that the services performed included repairs to the concessions area, ticket booth, and media box, consisting of painting, roofing, and siding work. Based on the documentation reviewed, it was unclear how these repairs constituted an emergency condition requiring expedited procurement or approval. Figure 72 presents an APECS listing of emergency purchases, sorted in descending order by payment amount.

Figure 72: Listing of Emergency Payments to Mid-South Renovations in FY2022



Business System — UNIFIED LIVE 2019

922173 - Mid-South Renovations
4975 Jeff Dr, Memphis, TN 38109
Tel.: (901) 210-0023 | King, Barbara - 04/12/2023 04:23 PM

Vendor Search

Memphis-Shelby Count...
2022

Finance > Vendor > Activity

Options

Search | Maintenance | Change Log | Activity | Bid Labels | Vendor/Commodity

Search

PO No.: Invoice No.: Date Range: POs Only:

POS Issued YTD: 5,188,041.01 Paid YTD: 3,708,235.01 Payments Pending: 0.00

Search

Type	PO No	Voucher ID	Doc Date	Acct Date	Inv No/Req No	Check No	Check Date	PO Amt	Payment Amt	Description
FnlPay	2211102	225004164	07/28/2021	08/02/2021	4080	695352	08/02/2021		98,000.00	EMERGECNY...
FnlPay	2227240	225060841	03/07/2022	03/14/2022	5523	712352	03/14/2022		95,000.00	EMERGENCY...
FnlPay	2228515	225065706	03/29/2021	03/31/2022	5542	713657	03/31/2022		95,000.00	EMERGECNY...
FnlPay	2221198	225040320	12/10/2021	12/17/2021	5310	706222	12/17/2021		80,000.00	EMERGENCY...
FnlPay	2212386	225007398	08/16/2021	08/17/2021	4512	696253	08/18/2021		65,000.00	EMERGENCY...
FnlPay	2213699	225012961	08/27/2021	09/03/2021	5026	697378	09/03/2021		60,500.00	EMERGECNY...
FnlPay	2210648	225002842	07/20/2021	07/23/2021	4056	694960	07/23/2021		49,500.00	EMERGENCY...
FnlPay	2211673	225005580	08/11/2021	08/09/2021	4419	695880	08/11/2021		45,000.00	EMERGENCY...
FnlPay	2211672	225005582	08/11/2021	08/09/2021	4420	695880	08/11/2021		45,000.00	EMERGENCY...
FnlPay	2214799	225018013	09/02/2021	09/22/2021	5037	698981	09/22/2021		41,120.00	EMERGECNY...
FnlPay	2210497	225002914	07/20/2021	07/26/2021	4057	695036	07/26/2021		36,000.00	Emergency -...
FnlPay	2211862	225006238	07/29/2021	08/11/2021	4396	695880	08/11/2021		24,800.00	EMERGENCY...
FnlPay	2232076	225072690	04/25/2022	04/25/2022	5572	715849	04/25/2022		24,500.00	teacher leari...
FnlPay	2236262	225096210	06/28/2022	06/29/2022	5830	722323	06/29/2022		24,500.00	MID-SOUTH ...

f) The emergency procurement process was inconsistent with the timeline, bidding outcomes, and evidenced vendor conflict indicators.

CLA noted that one of the final projects assigned to this vendor, prior to the District discontinuing the relationship, involved an HVAC project at the Norris Road building with an approximate value of $1,133,940.00. This project was initiated as an emergency procurement in March 2022 by the Director of Facilities. The Director of Procurement instructed the Director of Facilities to proceed with obtaining three quotes, and an IFB was subsequently issued. A pre-bid meeting was held with six vendors in attendance, including Mid-South Renovations.

In May 2022, the Director of Facilities informed the Director of Procurement that no bids had been received and requested the issuance of an emergency purchase order to Mid-South Renovations to perform the work. CLA notes that Mid-South Renovations had attended the earlier pre-bid meeting. The vendor ultimately did not complete the project due to the issuance of a sanction letter by the District on July 5, 2022, and no payments were made for this work.

The project was subsequently re-bid twice and was not completed until after February 7, 2023, nearly one year after being designated as emergency procurement. This extended timeline does not align with the nature of an emergency

procurement, which is typically intended to address immediate and urgent needs, and therefore provides additional evidence of this vendor being favored as a result of the relationship with the Director of Facilities, at the time.

Observation #119 CLA identified $400,000.00 in disbursements to Mid-South Renovations for which evidence of waste was identified.

This $400,000.00 relates to disbursements issued to Mid-South Renovations for work, that according to MSCS, was performed negligently by the vendor. MSCS is currently pursuing litigation to recover funds associated with the deficient work. These expenditures were funded with federal grant monies, raising potential compliance concerns. Refer to the 5.A.ii *Federal and State Funding – ESSER* section beginning on page 39 for additional context.

Observation #120 CLA identified $250,000.00 in disbursements to Mid-South Renovations exhibiting indicators of potential fraud.

This $250,000.00 relates to payments issued for work that, according to MSCS, was not completed. CLA further notes that a portion of these expenditures was funded with federal grant monies, raising potential compliance concerns. MSCS is currently pursuing litigation to recover the associated funds. Refer to the 5.A.ii *Federal and State Funding – ESSER* section for additional context.

Observation #121 The District lacks a formal and communicated vendor debarment process, resulting in inconsistent vendor risk awareness across departments.

CLA identified an internal email issued by the General Counsel's office to others in the same office that listed four vendors the District should avoid engaging due to, "nonperformance or negligent performance, and sometimes because of straight up fraudulent actions." Through discussions with General Counsel staff, CLA confirmed that this communication was distributed internally within the Legal department only and was not shared with other departments, including Procurement. Additionally, the District does not maintain a formal internal debarment or restricted vendor list.

CLA identified a control weakness related to the absence of a centralized and communicated list of vendors deemed high-risk based on the District's prior negative experiences. As a result,

relevant personnel across the District may not be aware of vendors with known performance or compliance concerns.

Conclusion

The observations resulting from testing of District ACH, manual warrant, and vCard transactions primarily consisted of process-related deficiencies, most notably instances of incomplete or missing supporting documentation which did not prevent or impede payment (Table 87). However, based on the analysis and testing performed, the expenses reviewed overall appeared to reflect legitimate District business activities. However, during additional disbursement review, CLA identified $3,070,735.01 of abuse, $400,000.00 of waste, and $250,000.00 of evidence of potential fraud as summarized in Table 88.

Table 87: ACH Transaction Determinations of Potential Non-compliance with Internal Policy

Determination	Description	Amount Disbursed
Non-compliance with Internal Policy	Two ACH samples exceeded the dollar threshold requiring a PO or a contract; however, neither was obtained prior to the purchase.	$ 212,159.00
Non-compliance with Internal Policy	Fifteen ACH samples were missing a signature on the attached invoice.	164,745.86
Non-compliance with Internal Policy	Four manual warrant samples were missing a signature on the attached invoice.	106,853.00
Non-compliance with Internal Policy	Three manual warrant samples exceeded the dollar threshold requiring a PO; however, no POs were obtained for these transactions.	72,601.00
Non-compliance with Internal Policy	Ten ACH samples requiring an AP Payment Request Form; however, the required form could not be located.	15,999.18
Non-compliance with Internal Policy	One vCard sample exceeded the dollar threshold requiring a PO; however, no PO was obtained for this transaction.	3,422.30
Total		$ 575,780.34

Table 88: ACH Transaction Determinations of Evidence of Potential Fraud, Waste, and Abuse

Determination	Description	Amount Disbursed
Evidence of Potential Fraud	Vendor was paid for work that MSCS determined was not completed.	$ 250,000.00
Waste	One vendor was paid for work that MSCS determined was performed in a deficient or negligent manner.	400,000.00
Abuse	One vendor had a conflict of interest with an employee who had the authority to hire and influence the selection of vendors.	3,070,735.01
Total		$ 3,720,735.01

Recommendations

The following recommendations are suggested to improve controls and processes for District ACH practices. In addition to the recommendations below, refer to

Recommendation #11, Recommendation #18, Recommendation #22, and Recommendation #54.

Recommendation #69 Consider whether certain disciplinary steps may be necessary for employees that continue to demonstrate non-compliance with procurement policies. Additional training and periodic communication with District employees regarding requirements, timelines, and expectations could improve compliance.

Recommendation #70 The District should clarify and update policy guidance to specify whether a physically signed invoice is required for disbursements or whether electronic receipt confirmation and approvals within the APECS system are sufficient to meet documentation and internal control requirements.

Recommendation #71 The District should enhance compliance with Conflict of Interest Policy 4003 by requiring annual disclosures, conducting periodic reviews of vendor relationships, and performing independent oversight of procurements involving key personnel. Identified conflicts should be formally documented and appropriately addressed.

Recommendation #72 The District should require that all applicable services, particularly construction, renovation, repair, and maintenance, are supported by formal, executed contracts that are reviewed by Legal and Procurement and are maintained in Contract Advantage or another centralized repository. The use of agreements maintained outside standard procurement and legal processes, such as a Master Facilities Service Agreement should be discontinued or formally incorporated into established workflows to ensure appropriate oversight, review, and approval.

Recommendation #73 The District should establish and maintain a formal, centralized vendor debarment or restricted vendor list that clearly identifies vendors prohibited from doing business due to performance, compliance, or ethical concerns. The District should implement procedures to ensure that this list is regularly updated, formally approved, and distributed to all relevant departments, including Procurement, Facilities, and any personnel involved in vendor selection and contracting

iii. Bank Statements

Area of Analysis

The State requested CLA to analyze bank statement activity to determine the flow of cash and how it reconciles with the general ledger.

Applicable Policies/Procedures and Best Practices

CLA reviewed available policies, procedures, and supporting documentation related to bank accounts. Where formal documentation was limited, this review was supplemented with multiple interviews of finance department personnel. The District bank accounts policy (2017 – *District Bank Accounts*) establishes requirements for the authorization, use, and oversight of all bank accounts maintained by or on behalf of the District. The policy requires that all District funds be deposited into authorized bank accounts used solely for legitimate District business purposes and expressly approved by the superintendent or designee. District bank accounts must be established with authorized depository institutions, reconciled monthly, and subject to audit. The policy restricts the opening of departmental or office-level accounts and prohibits unauthorized or non-District uses of District funds or tax identification numbers.

The District has the following bank accounts:

- Account xxx1371 is a depository account used to make transfers to other accounts and receive and track all electronic deposits, payments, and refunds.
- Account xxx9881 is the payroll clearing account used to track all payroll related expenditures and transfers to fund the District payroll obligations.
- Account xxx0553 is the accounts payable general fund clearing account used to track all vendor payments, including payroll liability payments, and transfers to fund the District obligations and pay outstanding bills.

Daily bank activity is reviewed by the cashier and the senior accountant. The daily review of cash transactions ensures that all transactions are accurately recorded in the general ledger and properly coded to the appropriate accounts. This control supports timely detection of errors or irregularities and promotes accurate cash reporting. On a monthly basis, the senior accountant is responsible for reconciling the cash general ledger accounts to the Region's monthly bank statements. Any reconciling items or variances identified during the reconciliation process are investigated and resolved as necessary to ensure completeness and accuracy of recorded cash balances. The bank reconciliation is performed monthly upon receipt of the bank statement and is required to be completed no later than the third

business day of the subsequent month, providing timely assurance over cash balances and supporting effective financial oversight.

Analysis and Sample Selection

Following the conversion of District bank statements into data tables, CLA reconciled disbursements clearing the bank accounts to the District's general ledger to assess the completeness of disbursements recorded in the financial system. CLA noted that check numbers are assigned to all disbursements, regardless of whether they were issued via check, ACH, or vCard. This practice reflects the District's use of Fiserv Global Services, a division of Regions Bank, as the ultimate payment processor. Vendors elect the payment type by coordinating directly with Fiserv Global Services, not with the District. SunGard, a division of Fiserv, serves as the District's third-party payment processor and works in coordination with Regions Bank to process and manage accounts payable disbursements.

CLA also learned that the District's ACH batching process prevents direct reconciliation of bank statement activity to the general ledger. As a result, Sungard reports serve as the crosswalk between general ledger disbursements and bank statement activity for check, ACH, and vCard payments. CLA obtained the Sungard reports and used our forensic analysis tool to match general ledger check numbers to the corresponding check number field in the Sungard reports. The matched data were extracted into a database. CLA determined that all Sungard transactions had a corresponding match in the general ledger. This database was used to select samples for testing in report sections *ii ACH Transactions* and *v P-Cards and Checks Requests.*

CLA identified 9,142 general ledger line items for which Sungard reports did not contain corresponding details. District finance personnel explained that Sungard reports include only checks processed through the AP department. Accordingly, transactions not reflected in the Sungard reports represent manual warrants or payroll checks, which are printed in-house by payroll or within the accounting and reporting department. CLA selected a sample of manual warrants for testing as part of section *ii ACH Transactions.*

In addition, CLA performed a series of analyses on bank statement activity to understand the nature of transactions occurring within the District's bank accounts. This included a review for unusual activity, such as transfers to other financial institutions and branch or ATM cash withdrawals.

Results of Analysis and Testing

Based on the analyses performed of transactions in the bank statements, CLA did not find any evidence of malfeasance or evidence of fraud. Further, CLA did not identify any occurrences of ATM withdrawals of cash, or transfers to other banking institutions. CLA verified that all transfers take place only between District bank accounts or the Shelby County Trustee Office concentration account.

To reconcile the bank statements to the general ledger and Sungard reports, CLA first compared total disbursements recorded in the general ledger to the total check payments clearing the bank accounts. The resulting difference was expected to represent ACH activity. CLA then compared this difference to the total ACH disbursements reflected in the bank statements. Certain reconciling items remained after this comparison and are attributable to two factors: bank statement adjustments and transactions associated with the Regions Bank ACH autopay purchasing card program.

Conclusions

CLA did not identify any evidence of malfeasance or evidence of fraud in the transactions occurring through the bank statements. Additionally, this analysis and reconciling of bank statements and disbursements was used to assist in the analysis, testing, sample selection, and email review discussed in other sections.

Recommendations

No specific recommendations are given regarding the bank statements.

iv. Payroll and Employee Compensation

Area of Analysis

CLA analyzed payroll, compensation, and personnel records to identify evidence of potential fraud, abuse, or control weaknesses. CLA structured its work around three areas: (1) potential abuse of compensation and time-related payments (e.g., duplicate payments, inflated salaries or benefits, overtime, and bonuses); (2) employee qualifications and compliance with hiring and licensing requirements; and (3) verification of Forms I-9 to assess compliance with federal employment eligibility requirements and to identify indicators of ghost employees.

Applicable Policies/Procedures and Best Practices

CLA reviewed available policies, procedures, and supporting documentation related to payroll processing, employee compensation, employee qualifications, and employment eligibility verification, including internal control narratives for payroll operations, personnel administration, and onboarding, and supplemented this with interviews of payroll, compensation, budget, HR staffing, compliance, and IT personnel where documentation was limited. Key processes such as employee compensation and payroll processing controls, employee qualifications requirements, and employee eligibility verifications (I-9 forms) are discussed below.

- *Employee Compensation and Payroll Processing Controls*

  Payroll is processed biweekly with controls including layered time approvals, location-assigned payroll associate review, exception/error reporting, “payments pending” review for new hires/terminations/changes, and

checklists for regular, off-cycle, and stipend payrolls; pay is primarily by direct deposit with limited manual checks. Historically, payroll performed downstream reasonableness review of amounts loaded into APECS; currently, compensation and budget approve amounts before processing, and payroll focuses on processing, trial runs, and error resolution. IT imports compensation data into APECS (salary schedules, step/column matrices, step advancements, and certain supplemental/retro adjustments) using custom queries and batch utilities applying District-specific rules (e.g., minimum service thresholds), with limited post-import audits. Notably, the annual fiscal-year rollover, the single largest recurring driver of payroll cost changes, is executed by IT through a custom SQL query that calculates step advancements and applies eligibility rules, with no independent HR or Compensation review of the query logic, the calculated increases, or the post-upload results.

- *Employee Qualifications and Compliance with Hiring and Licensing Requirements*

  Management represented that HR oversees onboarding and qualification review (education, experience, licensure, certification, endorsements) prior to hire/promotion, with staffing advisors coordinating with compliance for instructional and administrative licensure requirements. Compliance monitors licensure using APECS reports, State systems such as TN Compass, iCIMS records, and manual tracking tools. CLA also considered the *Tennessee Internal School Uniform Accounting Policy Manual*, Administration of Internal School Funds, Section 4, addressing internal control objectives for authorized pay, proper approval/recording, and retention of supporting personnel documentation. The District maintains in iCIMS listings of minimum job qualifications including education, experience, and licensure requirements by position, which are used to evaluate candidate eligibility and support compensation and placement decisions. Based on these representations, CLA expected that evidence supporting employee qualifications was maintained in the employee's personnel file.

- *Employment Eligibility Verification (Forms I-9 and E-Verify)*

  CLA reviewed United States Citizenship and Immigration Services (USCIS) guidance (including Handbook for Employers, Form M-274 and Form I-9 instructions): Forms I-9 must be completed at hire (Section 1 by the first day; Section 2 within three business days) and retained three years after hire or one year after employment ends, whichever is later. Interviews indicated Forms I-9 were historically maintained in physical form, previously stored in the District's central office in or near the HR vault in Room 158, and later moved to HR offices on the second floor to align with USCIS guidance to keep Forms I-9 separate from personnel files. Management represented that E-Verify is used after Form I-9 completion; USCIS guidance clarifies E-Verify does not replace Form I-9 completion, retention, or production requirements and requires recording the E-Verify case verification number on the Form I-9

or retaining the case documentation with it. CLA also understands HR has experienced significant staffing turnover; while management described efforts to formalize onboarding, these efforts are separate from Form I-9 completion, E-Verify case management, and Form I-9 retention requirements.

Analysis and Sample Selection

CLA selected a sample of employees for compensation, qualifications, and Forms I-9 testing to maximize overlap across testing areas. Sample sizes are summarized in Table 89 and discussed in detail below.

Table 89: Payroll Sample Sizes

Sample Type	Quantity
Compensation	196
Manual Checks Issued	29
Post-Termination Payments	30
Qualifications	130
Forms I-9	250
Duplicate Direct Deposit Accounts	226

Compensation Analysis and Sample Selection

CLA initially selected a sample of 196 employees who received total compensation of $45,595,023.95 during the scope period to provide coverage across employee types, compensation categories, and risk indicators identified through analytics and interviews.

Prior to testing, the District was provided with the listing of employee files selected - for testing. The District physically provided files, many of which were voluminous, for each employee. CLA notes that many employees' "HR files" included dozens or over a hundred of pages of relevant and irrelevant information that cluttered the employee file and made testing incredibly inefficient and time consuming. Due to the disorganized condition of HR files and the District's and CLA's inability to consistently locate and substantiate compensation data, the effective testable sample was reduced from 196 to 92 employees, representing $18,667,377.70 in compensation. This reduction reflects the broad issue of locating relevant employee records within the HR files and record-availability. The disorganization limitations resulted in a change in sample size rather than a change in scope or risk-based approach. Sample selection was informed by payroll analytics, allegations and whistleblower complaints gathered through review of emails and the District's whistleblower hotline, interviews, and document review.

- CLA prioritized employees associated with elevated-risk indicators, including secondary compensation (stipends, vehicle allowances, bonuses, or supplemental pay); payments from the iZONE cost center without a corresponding stipend; manual payroll checks; payments issued after an employee's APECS termination date; excessive overtime; compensation elevated relative to similarly titled employees; hires or promotions during the scope period; employees whose records could not be consistently traced

between APECS and iCIMS; and Board Members receiving compensation exceeding $25,000 annually.

- CLA selected 40 manual payroll checks totaling $614,980.63, representing 94% of manual check value during the period, based on review of the APECS Check Register.
- CLA also selected 30 employees who received $1,458,376.85 in payroll disbursements after recorded termination dates, identified by comparing payroll register data to termination dates in APECS, due to the heightened risk of overpayments.
- CLA also performed analytics over direct deposit data to identify duplicate bank routing and account numbers. Using a risk-based approach, CLA excluded likely related employees and focused on remaining outliers, which were selected for further review using APECS, iCIMS, and available Forms I-9.[141]

Qualifications Analysis and Sample Selection

CLA initially selected a risk-based sample of 130 employees receiving $26,153,491.24 in compensation, targeting individuals associated with allegations, analytic risk indicators, and hires or promotions into positions requiring licensure. However, due to the disorganization of the HR files, the effective testable sample was reduced to 98 employees, representing $19,946,654.13, reflecting record-availability and disorganization constraints rather than a change in approach.[142]

Additionally, CLA reviewed allegations and whistleblower complaints related to qualifications, licensure, nepotism, hiring practices, and potential payroll abuse. Where allegations lacked sufficient detail, CLA performed additional procedures to reasonably identify affected employees and supplemented selections with newly hired or promoted employees in licensed or credentialed roles.

Forms I-9 Analysis and Sample Selection

CLA initially planned dual-purpose Forms I-9 testing using the 250-employee compensation and qualifications population. During fieldwork, CLA learned Forms I-9 were only available on-site for employees hired or rehired during or after fiscal year 2016. Accordingly,

[141] The District provided a report containing direct deposit information for 17,089 unique active employees, including names, employee IDs, and associated bank routing and account numbers. The report reflected only the most recent direct deposit information on file and excluded historical data and terminated employees. As a result, the analysis was limited to identifying potential duplicate direct deposit accounts among active employees.

[142] CLA's employee qualification testing was limited to the specific positions for which employees held, were hired or promoted and that were selected for detailed qualifications testing. As a result, compensation associated with secondary positions or supplemental earnings not tied to the tested position was excluded from the qualifications analysis.

- CLA revised the Forms I-9 population to 250 employees, consisting of 125 previously selected employees meeting the hire-date criteria and 125 randomly selected employees hired or rehired during that period.

Compensation Testing Performed

For each sampled employee, CLA compared gross pay reflected in APECS payroll registers for calendar years 2022 to 2024 to approved compensation to assess consistency with authorization. Additionally,

- CLA evaluated employment status at the time of payment and reviewed documentation supporting hires, pay changes, stipends, bonuses, allowances, and time reporting. Compensation was traced to available support, including contracts, assignment sheets, salary schedules, authorization forms, stipend and bonus records, and related payroll documentation.
- For employees identified through duplicate direct deposit analytics, CLA assessed whether records represented distinct individuals by reviewing APECS, iCIMS, and, where necessary, Forms I-9.
- For manual payroll checks, CLA evaluated whether issuance was documented and approved, whether amounts and timing were reasonable, and whether identity verification and log documentation were present.
- For post-termination payments, CLA reviewed APECS event history and supporting documentation to determine whether payments reflected valid compensation events (e.g., final pay or vacation payouts).

Qualifications Testing Performed

For each sampled employee, CLA reviewed personnel files to determine whether documentation supporting qualifications, licensure, experience, and employment eligibility was present and appropriately approved. CLA compared documented qualifications to job descriptions in iCIMS and verified degrees where required. Additionally,

- For licensed positions (including teachers, principals, and administrators), CLA verified licensure status using TN Compass and reviewed fingerprinting, background checks, and evidence of HR approval. For rehired employees, CLA assessed whether files contained complete candidate information and approver-dated signatures to support rehire decisions.

Forms I-9 Testing Performed

CLA tested Form I-9 compliance by inspecting archived HR records and evaluating availability, completeness, and retention. For inactive employees with missing Forms I-9, CLA calculated retention requirements using the three-years-from-hire or one-year-from-termination rule to distinguish potential non-compliance from permissible destruction under USCIS guidelines. Additionally, Where Forms I-9 could

not be located, CLA allowed additional time for retrieval and evaluated compliance based on available information.

Results of Analysis and Testing

Based on payroll compensation, employee qualifications, and Forms I-9 testing performed, CLA identified the following observations primarily related to the availability, sufficiency, organization, and clarity of supporting documentation maintained within employee files, APECS, and iCIMS.

The following are observations related to testing of Forms I-9:

Observation #122 Eighty-six out of 250 employees sampled failed the Forms I-9 retention and completeness USCIS requirements. [143]

Of 126 active employees 36 of the active employee files failed the Forms I-9 retention and completeness required by USCIS requirements. Based on observations and photographs (see Figure 73) taken by CLA during the interim reporting period, the missing Forms I-9 appeared largely attributable to significant disorganization in file retention practices. At that time, the room used to store I-9 files lacked a door and was secured only by a curtain. Although the room was located within the HR office with access limited to HR personnel, this condition represented a critical deficiency in the District's safeguarding of employees' personally identifiable information.

Since issuance of the interim report, CLA confirmed that Forms I-9 are currently maintained in an office with a locking door. District personnel communicated that efforts are underway to organize the Forms I-9, and CLA verified that two staff members are currently assigned to review and organize the forms. While these corrective actions improve the physical safeguarding and organization of the Forms I-9, the remaining unresolved deficiencies continue to indicate weaknesses in historical file retention, organization, and the District's ability to timely demonstrate compliance with USCIS retention and completeness requirements.

[143] Subsequent to issuance of the interim report, the District provided 14 additional Forms I-9 for CLA's review, reducing the number of sampled employees with unresolved Forms I-9 deficiencies from 100 to 86.

Figure 73: Prior Forms I-9 Storage at Central Office[144]

Observation #123 HR's inconsistent use of iCIMS for Form I-9 retention increases compliance risk.

CLA observed that while the District's applicant tracking system, iCIMS, includes functionality to centrally upload, retain, and manage Forms I-9, this capability has not been consistently utilized. Instead, Forms I-9 have historically been maintained across multiple physical locations and storage methods, resulting in decentralized recordkeeping and reduced visibility. The underutilization of iCIMS for centralized Form I-9 retention, combined with inconsistent retention practices, increases the risk that required documentation is unavailable, prematurely destroyed, or not readily accessible for inspection.

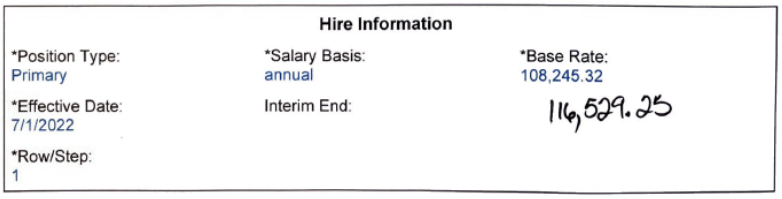
[144] For security purposes, CLA did not photograph the updated security measures implemented by the District since issuance of the interim report.

The following are observations related to testing of compensation:

Observation #124 Hourly and contract pay rates are not consistently supported by documentation.

Forty-two sampled employees, totaling $4,831,274.24, did not reconcile to support and some files had only contracts (no assignment sheet) where contract amounts did not agree to APECS. This amount does not represent wasteful costs; rather, it reflects the total compensation for employees whose documentation could not be fully reconciled to supporting records. Additionally, four employee assignment-sheet rates were increased without explanation. Figure 74 provides an example where the employee's base rate was $108,245.32 in iCIMS, while a handwritten amount of $116,529.25 was entered into APECS and became the employee's actual base salary without recording an explanation for the change.

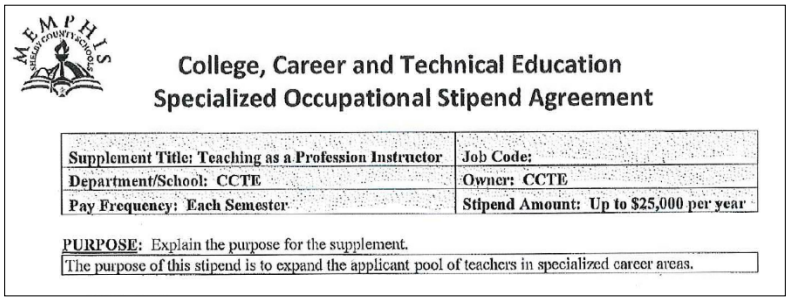
Figure 74: Handwritten Base Salary without Explanation



Observation #125 Stipend and bonus payments lack complete and consistent documentation.

Approximately, 94 of the stipend and bonuses tested, totaling $876,779.20, had discrepancies including missing detail/signatures/names, incorrect totals, partial support, and documentation that showed eligibility but not the stipend amount (or a different amount than paid). For example, CLA reviewed a College, Career and Technical Education (CCTE) Specialized Occupational Stipend Agreement for an employee that received $3,725.00 in fiscal year 2022. However, the agreement described the compensation as "Up to $25,000" and did not include a rubric or criteria explaining how the stipend amount was determined. Figure 75 illustrates the vague compensation language included in the agreement.

Figure 75: CCTE Stipend Agreement



College, Career and Technical Education
Specialized Occupational Stipend Agreement

Supplement Title: Teaching as a Profession Instructor	Job Code:
Department/School: CCTE	Owner: CCTE
Pay Frequency: Each Semester	Stipend Amount: Up to $25,000 per year

PURPOSE: Explain the purpose for the supplement.
The purpose of this stipend is to expand the applicant pool of teachers in specialized career areas.

Observation #126 Payroll step and row increases are programmed with limited independent review.

Step/row increases are largely programmed and uploaded into APECS by a small number of individuals using a custom SQL-based import utility (e.g., eligibility includes completing at least 50% of the prior fiscal year); payroll reviews output, and HR is not currently involved in review/approval/audit, with minimal independent secondary review. The interviews indicated the individuals involved in the SQL import utility have the ability to make compensation changes with little to no oversight.

Observation #127 CLA identified evidence indicating that three employees received post-termination payments totaling $65,193.64. These are consistent with the ACFE guidance describing waste due to a terminated employee's lack of notice to the District of overpayment and the District's lack of recovery of the overpayments.

Part of this observation includes two employees who continued to receive payments for their base salary after the employees separated from the District. It was communicated to CLA that this may happen when the different locations do not timely communicate to the central office. Payroll relies on HR termination data in APECS; if dates/comments are deleted/modified, payroll cannot make the stop-pay decision. CLA was informed that the District did not try to recover the overpayments.

For example, CLA identified an instance where an employee appeared to receive $21,343.36 in compensation during the four months following separation, based on dates reflected in APECS. Payroll indicated it was notified on December 15, 2021, by the school's financial secretary that the employee's last day worked had been August 23, 2021. HR separately indicated it was notified on December 14, 2021, that the employee had left in August, at which point the resignation was processed and backdated to July

25, 2021, the actual resignation date. HR further noted a discrepancy between the school's last reported workday for the employee and the resignation date recorded in the APECS. This sequence of events illustrates how differences in notification timing, reliance on system-recorded termination dates, and subsequent modification of termination information can result in payments continuing until central office records are updated, limiting payroll's ability to independently determine when pay should be stopped. There is no indication the District attempted to recover the overpayments or requested the former employee to return the overpayments. Figure 76 Shows a summary of these payments.

Figure 76: Employee Received Payments After Termination Date

EMPLOYEEID	FIRST_NAME_LAST_NAME	CHECK_DATE	EMP_TERMINATION_DATE	JOB_TITLE	JOB_TITLE_DESCRIPTION	Sum of CURRENT_GROSS
[redacted]		8/6/2021	7/25/2021	10119	Classroom Teacher ESL	2,371.48
		8/20/2021	7/25/2021	10119	Classroom Teacher ESL	2,371.48
		9/3/2021	7/25/2021	10119	Classroom Teacher ESL	2,371.49
		9/17/2021	7/25/2021	10119	Classroom Teacher ESL	2,371.48
		10/1/2021	7/25/2021	10119	Classroom Teacher ESL	2,371.49
		10/15/2021	7/25/2021	10119	Classroom Teacher ESL	2,371.48
		10/29/2021	7/25/2021	10119	Classroom Teacher ESL	2,371.49
		11/12/2021	7/25/2021	10119	Classroom Teacher ESL	2,371.48
		11/26/2021	7/25/2021	10119	Classroom Teacher ESL	2,371.49
	Total					21,343.36

Observation #128 CLA determined that the vacation and final pay calculations were not fully supported or reconciled for five employees, totaling $88,045.71, and therefore classify these payments as waste.

Vacation/final pay support was inconsistent as APECS Job and Payment "Units/Paid" did not match attendance hours. For example, a duplicate vacation payout of $11,816.61 was identified for one employee for the same date. Figure 77 shows duplicate vacation payout of $11,816.61 recorded in APECS and confirmed by the District.

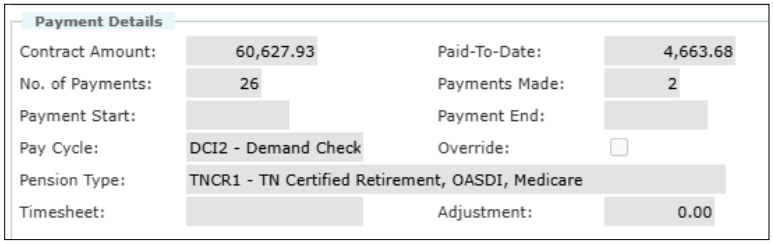
Figure 77: Duplicate Vacation Payouts

Job Title	Job Title	Position Type	Contract Amount	Payments	Rate	Position Len	Contract Start
Job Class	Salary Schedule	Position No	Paid to Date	Factor	Units	Contract Len	Contract End
Cost Center	Employee Category	Contribution Grp		Timesheet Hrs	Document #	J&P Id	End Reason
Vacation Payout		Secondary	0.00		44.4100	0.00	06/28/2021
59 - VACATION PAYOUT		29278	11,816.61	1.0000			06/30/2021
	Adjustment/Other					1148794	
	Account No and %:	01-73300-18900-302100-8163-0000				100.00	
Vacation Payout		Secondary	0.00		44.4100	0.00	06/28/2021
59 - VACATION PAYOUT		29278	11,816.61	1.0000		0.00	06/30/2021
	Adjustment/Other					1149815	
	Account No and %:	01-73300-18900-302100-8163-0000				100.00	

Observation #129 CLA determined that 26 manual payroll checks totaling $53,346.09 were issued without clear or documented justification. These payments do not raise to the level of waste or abuse; however, they were issued in violation of the District's policies and procedures.

APECS job and payment detail showed some checks as "Demand Check" (off-cycle) and others tied to regular cycles ("12MON – 12 Month," "10MON – 10 Month," "STPND – Stipend"), but no documentation substantiated why manual checks were used instead of direct deposit. Figure 78 shows that the only indication in APECS that the disbursement was a manual payroll check is its classification as a "DCI2 - Demand Check" rather than part of the regular payroll cycle. Other than inquiry with payroll personnel, no documentation was available to explain why the manual check was issued.

Figure 78: Example of Demand Check in APECS



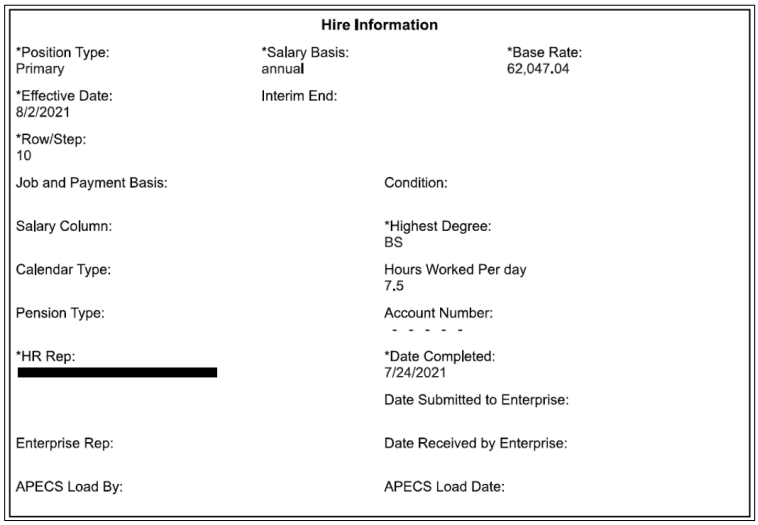
Payment Details

Contract Amount:	60,627.93	Paid-To-Date:	4,663.68
No. of Payments:	26	Payments Made:	2
Payment Start:		Payment End:	
Pay Cycle:	DCI2 - Demand Check	Override:	☐
Pension Type:	TNCR1 - TN Certified Retirement, OASDI, Medicare		
Timesheet:		Adjustment:	0.00

Observation #130 Salary payments are not consistently supported or aligned with authorized salary schedules.

For 21 salary roles, totaling $3,369,587.49, CLA could not locate an assignment sheet, contract, or other supporting documentation in iCIMS or the employee's HR file even though APECS reflected a salary schedule and column for the position. This amount does not represent wasteful costs; rather, it reflects the total compensation for employees whose documentation could not be reconciled to complete records. Assignment sheets were not consistently stored in iCIMS, and key hire data was often incomplete (effective date, base rate, step/row, salary column, calendar type, highest degree, hours/day). Figure 79 contains an example of this. When assignment sheets are not in the employee file or iCIMS, this made it difficult for CLA to properly calculate the correct payrate for the employee.

Figure 79: Incomplete Assignment Sheet



Hire Information

*Position Type: Primary	*Salary Basis: annual	*Base Rate: 62,047.04
*Effective Date: 8/2/2021	Interim End:	
*Row/Step: 10		
Job and Payment Basis:	Condition:	
Salary Column:	*Highest Degree: BS	
Calendar Type:	Hours Worked Per day 7.5	
Pension Type:	Account Number: - - - - -	
*HR Rep: [redacted]	*Date Completed: 7/24/2021	
	Date Submitted to Enterprise:	
Enterprise Rep:	Date Received by Enterprise:	
APECS Load By:	APECS Load Date:	

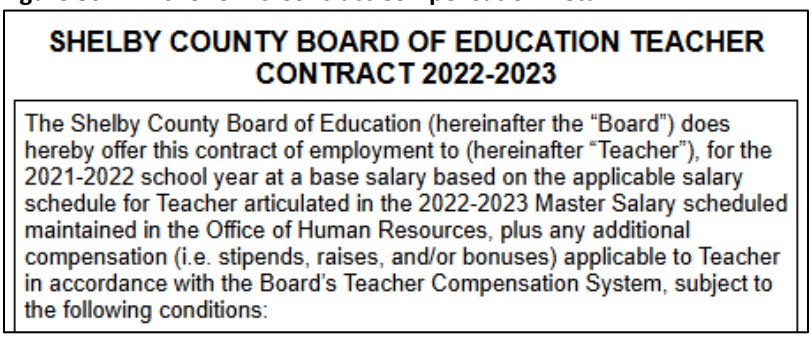
Observation #131 CLA made compensation determinations for 20 employees, totaling $2,161,224.71 based on inference rather than period-specific support.

When fiscal-year documentation for sampled employees was unavailable, CLA relied on the most recent assignment sheet or stipend-tracking record to assess the reasonableness of recorded compensation. Using that baseline, CLA projected forward by the number of elapsed fiscal years, applying standard step-progression and stipend-experience assumptions, to estimate the employee's expected salary placement in the year under review.

For example, one classroom teacher's most recent assignment sheet was dated October 2017 and reflected placement at Salary Row 2. In the absence of more current documentation, CLA added four fiscal years of step progression to infer that the employee's placement in fiscal year 2022 would be Salary Row 6. While this inference aligned with recorded compensation in some instances, discrepancies identified in other cases could not be resolved due to the lack of contemporaneous supporting documentation.

These limitations were compounded by gaps in the District's iCIMS system, which, for the employee referenced above, contained only a fiscal year 2023 contract. That contract included only vague compensation language and lacked the detail necessary to verify the employee's salary. Figure 80 illustrates the fiscal year 2023 contract and its limited compensation references.

Figure 80: FY 2023 iCIMS Contract Compensation Detail



SHELBY COUNTY BOARD OF EDUCATION TEACHER CONTRACT 2022-2023

The Shelby County Board of Education (hereinafter the "Board") does hereby offer this contract of employment to (hereinafter "Teacher"), for the 2021-2022 school year at a base salary based on the applicable salary schedule for Teacher articulated in the 2022-2023 Master Salary scheduled maintained in the Office of Human Resources, plus any additional compensation (i.e. stipends, raises, and/or bonuses) applicable to Teacher in accordance with the Board's Teacher Compensation System, subject to the following conditions:

Observation #132 Prior service and payment history for two rehired employees was not verifiable. These rehired employees received $97,789.29 in compensation between fiscal year 2022 and fiscal year 2024.

Although rehire files existed for these employees, the documentation did not include verifiable prior work experience or payment history, limiting CLA's ability to confirm the appropriateness of their compensation placement. For example, one employee was initially hired as a teacher under a contract spanning March 21, 2022, through June 2, 2022, and was subsequently rehired as a librarian on July 29, 2024, before being terminated on August 23, 2024. Despite the employee's prior service with the District, the only file provided covered the fiscal year 2025 period, leaving no documentation to support compensation placement during the earlier periods under review.

Observation #133 Manual check activity was missing the manual check list and supporting documentation. The 29 manual checks tested, totaling $621,049.63, were not supported by a manual check log.

The manual check log which is where employees receiving a manual check sign in acknowledgement of receipt was unavailable as it was reported missing and possibly discarded during front desk turnover. This left no centralized record of issuance/approval/justification that CLA could review. Additionally, documentation explaining why manual checks were issued instead of standard payroll was also not identified. Without the ability to view this log, CLA is not able to confirm the employees' attestation of receipt of manual check.

Observation #134 Non-routine termination payments lack centralized and complete documentation.

When non-routine termination payments, such as severance agreements and special accrual payouts, are not documented in APECS or iCIMS, independent verification requires reliance on

externally maintained source documents and management explanations rather than the District's systems of record.

For example, the former Superintendent was severed on August 23, 2022, pursuant to a Board resolution and executed General Release, entitling the employee to 18 months of salary, payout of all accrued vacation and sick days, and 12 months of COBRA coverage, estimated at approximately $575,000.00. Neither the severance terms, the General Release, nor the authorizing Board resolution were reflected in APECS or iCIMS. To reconstruct and verify the payments, CLA had to obtain and cross-reference the original and amended employment contracts, a separately maintained base-salary memo, the Board resolution, the General Release, and inquire with District payroll staff.

This reconstruction revealed further complications. APECS reflected a total salary of $322,528.70 but contained no documentation explaining that a $12,404.95 secondary pay line representing a 4% tax-sheltered annuity contribution, a detail confirmed only through follow-up correspondence. Additionally, the fiscal year 2022 vacation payout of 360 hours ($55,608.41) exceeded the District's 280-hour policy maximum; the contractual basis for the higher cap (45 vacation days per the employment contract) could only be verified by reviewing the contract itself, not through any record in APECS or iCIMS.[145]

Observation #135 Shared direct-deposit accounts were identified, but no clear indicators of fraud were found.

CLA analyzed direct-deposit information for 17,089 active employees as of February 11, 2026, as part of a routine payroll-integrity control to assess the risk of potential fraud, such as ghost employees, or improper payments through shared direct-deposit bank accounts. The analysis excluded terminated employees because banking data was not available in APECS. CLA identified 226 instances of identical bank routing and account numbers, most involving employees with the same or similar last names, suggesting legitimate shared accounts. For cases involving different last names, CLA reviewed available Form I-9 documentation; however, the information was often outdated or inconsistent with system records, therefore, results were inconclusive due to data limitations.

[145] District Policy 4025 – *Vacation / Personal Leave*

Observation #136 APECS lacks sufficient audit trails for payroll batch and import activity.

Payroll batch imports (stipends/bonuses/supplemental pay) can be uploaded to the backend of APECS via CSV by limited users, but APECS lacks sufficient backend audit trails (origin/preparation/review/authorization), with no systematic monitoring/logging and limited traceability after import, raising risk of unauthorized/inappropriate transactions.

Observation #137 APECS does not retain terminated-employee data needed for historical monitoring of duplicate direct-deposit bank accounts.

APECS direct-deposit reporting excludes terminated employees, preventing District-wide historical analysis of shared bank routing and account numbers, and lacks automated or systematic monitoring to identify duplicate direct-deposit bank accounts, creating opportunity for duplicate payments without timely detection.

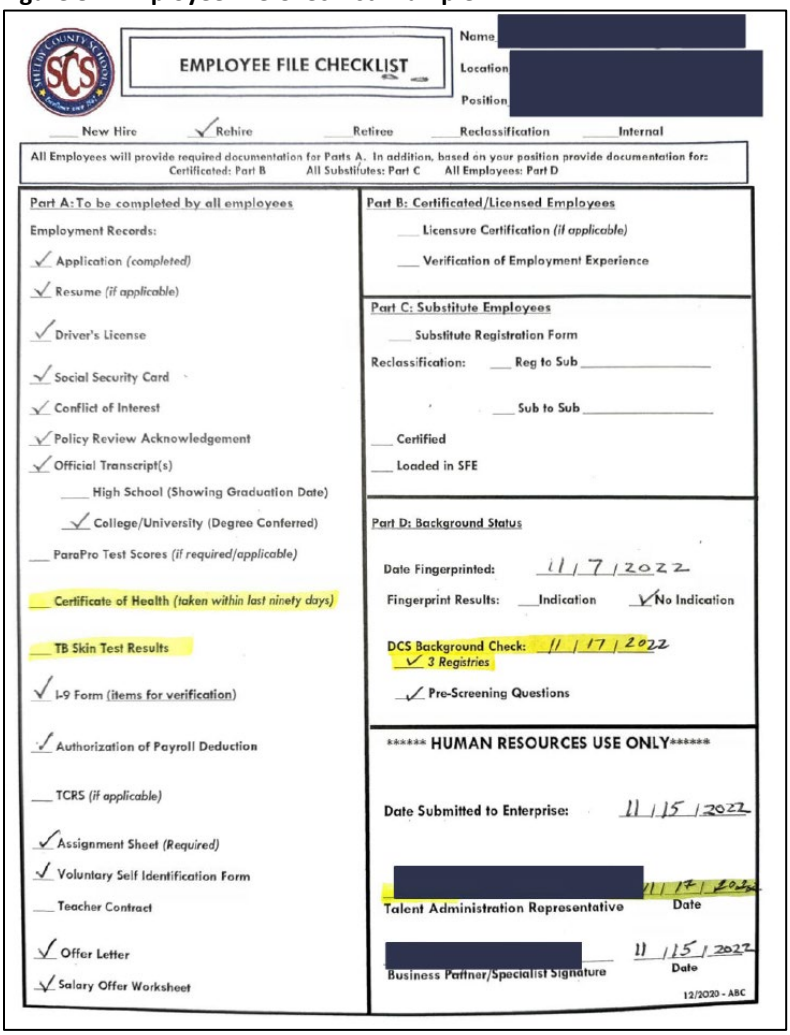
The following are observations related to testing qualifications:

Observation #138 Employee file checklist use and retention were inconsistent for 90 employee files tested.

Checklist versions changed without documented effective dates; fields were inconsistently completed; identity documents (driver's licenses/Social Security cards) were often not in files (may be with Forms I-9); and signature workflow (HR Advisors prepare; HR Specialists/Associates review) was inconsistently evidenced with missing/incomplete signatures. District management explained that the HR office has gone through several changes in the last few years and at one point approximately 50% of the staff was lost, during another period the District had a consulting firm provide outsources HR duties. The explanation provided accounts for the inconsistencies observed.

Figure 81 illustrates how some employee file checklists were completed with some fields highlighted and unchecked.

Figure 81: Employee File Checklist Example



EMPLOYEE FILE CHECKLIST

Name [redacted]
Location [redacted]
Position

___ New Hire ✓ Rehire ___ Retiree ___ Reclassification ___ Internal

All Employees will provide required documentation for Parts A. In addition, based on your position provide documentation for:
Certificated: Part B All Substitutes: Part C All Employees: Part D

Part A: To be completed by all employees

Employment Records:
- ✓ Application *(completed)*
- ✓ Resume *(if applicable)*
- ✓ Driver's License
- ✓ Social Security Card
- ✓ Conflict of Interest
- ✓ Policy Review Acknowledgement
- ✓ Official Transcript(s)
  - ___ High School (Showing Graduation Date)
  - ✓ College/University (Degree Conferred)
- ___ ParaPro Test Scores *(if required/applicable)*
- ___ Certificate of Health *(taken within last ninety days)*
- ___ TB Skin Test Results
- ✓ I-9 Form (items for verification)
- ✓ Authorization of Payroll Deduction
- ___ TCRS *(if applicable)*
- ✓ Assignment Sheet *(Required)*
- ✓ Voluntary Self Identification Form
- ___ Teacher Contract
- ✓ Offer Letter
- ✓ Salary Offer Worksheet

Part B: Certificated/Licensed Employees
- ___ Licensure Certification *(if applicable)*
- ___ Verification of Employment Experience

Part C: Substitute Employees
- ___ Substitute Registration Form

Reclassification: ___ Reg to Sub _____
___ Sub to Sub _____
- ___ Certified
- ___ Loaded in SFE

Part D: Background Status

Date Fingerprinted: 11/7/2022
Fingerprint Results: ___ Indication ✓ No Indication
DCS Background Check: 11/17/2022
✓ 3 Registries
✓ Pre-Screening Questions

****** HUMAN RESOURCES USE ONLY******

Date Submitted to Enterprise: 11/15/2022

[redacted] 11/17/2022
Talent Administration Representative Date

[redacted] 11/15/2022
Business Partner/Specialist Signature Date

12/2020 - ABC

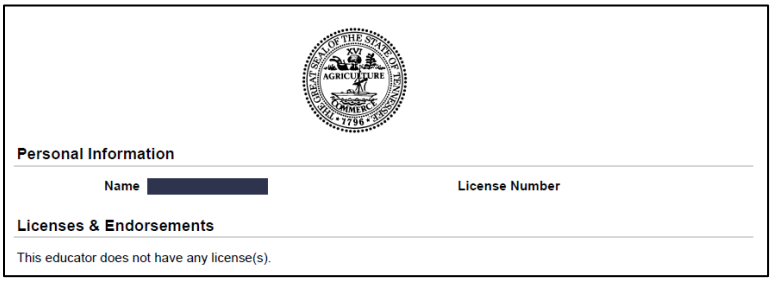
Observation #139 Documentation did not consistently demonstrate compliance with minimum job qualifications.

Based on personnel records, job descriptions, and iCIMS, five employees from the sample tested appeared not to meet minimum job qualifications, with missing support for education/experience/credentials, limiting ability to demonstrate compliance with hiring standards. For example, one employee hired as an instructional facilitator, a position that required a minimum of five years of teaching experience, appeared to not meet this requirement. The employee graduated from university in fiscal year 2019, was hired by the District in fiscal year 2020 as a teacher in training, and hired as an instructional facilitator in fiscal year 2023. This job history would indicate the employee only had approximately three years of teaching experience.

Observation #140 State licensure documentation was missing, expired, or incomplete for certain positions.

CLA identified five instances where required licensure evidence was missing/expired/incomplete or lacked required endorsements; or supporting documentation was not consistently maintained in personnel files or within iCIMS, limiting the ability to demonstrate compliance. For example, one employee was hired as a deputy superintendent, but neither the personnel file, iCIMS, nor Human Resources could provide documentation of the position's minimum qualifications. For testing purposes, CLA compared the role to comparable assistant superintendent positions, which required possession or eligibility for a Tennessee superintendent license; however, the employee did not appear to hold such a license.[146] Additionally, the personnel file and TN Compass were missing evidence of an active superintendent license or documentation demonstrating eligibility to obtain such licensure. Further, there was no documentation in the personnel file that the employee had a Board-approved exception to the job qualifications.[147] Figure 82 includes the TN Compass results for the employee and no active or inactive licenses.

Figure 82: TN Compass License Results



Observation #141 The Employee File contains information that a relative was involved in the hiring, onboarding, or compensation process(es) within HR.

CLA identified one instance where a relative of the employee appeared to be involved in the hiring, onboarding, or compensation process within HR, potentially limiting the independence of employment decisions. While the employee

[146] CLA reviewed the employee file, iCIMS job descriptions, APECS records, and related email correspondence but was unable to locate a position description specific to the deputy superintendent role. The District's Human Resources also confirmed they were unable to locate a job description for the position. However, CLA noted that comparable assistant superintendent positions required a valid Tennessee professional or instructional leader administrator license.

[147] CLA verified the deputy superintendent is no longer employed at the District.

appeared to meet the minimum qualifications for the position of "ReSet Room Assistant," the Salary Worksheet was completed by an enrollment advisor, identified as a relative of the applicant, which appears to indicate that this relative was directly involved in determining the applicant's compensation. This may represent a violation of District Policy 4063 – *Employment of Relatives (Nepotism)*, which governs conflicts of interest and nepotism in employment practices. Although the Assignment Sheet was separately completed by other HR staff, the involvement of a relative in the compensation process raises concerns regarding whether appropriate safeguards were in place to ensure the applicant's salary was established independently and in accordance with District policy.

Observation #142 The Employee File provided for review was either missing or a rehired employee file was provided but was out of scope and the original file was not present.

CLA identified two instances where HR either could not provide the sampled employee's personnel file or provided a rehire file that fell outside the scope of our testing period; the original file corresponding to the employee's initial hire was not presented, limiting our ability to reconcile compensation to supporting documentation. For example, one sampled employee's HR file reflected a rehire date outside the period under review, while the original file covering the applicable testing period was not produced. Without access to the original personnel file, key employment terms, including base salary rates, assignment sheets, and contract agreements, could not be verified against the amounts recorded in APECS. In other instances, HR was unable to locate or produce any personnel file for the sampled employee, leaving no documentation available to support the compensation paid during the period under review.

Conclusions

Completion of planned procedures was materially affected by the District's failure to maintain complete, organized, and centrally retrievable personnel and payroll records. Consequently, the testing required alternative procedures, repeated inquiries, and reliance on limited or indirect documentation, which reduced effective testable samples from 196 to 92 employees for compensation and from 130 to 98 employees for qualifications testing. This pattern reflected record-availability and disorganization constraints rather than changes in scope or risk-based approach.

Based on the procedures performed and the consistency of issues identified across compensation, qualifications, and Forms I-9 testing, CLA concludes that additional testing would not provide meaningful incremental insight, as the work completed was

sufficient to identify and characterize the nature and extent of deficiencies in this area.

CLA's 21 observations primarily relate to the availability, sufficiency, organization, and clarity of supporting documentation maintained within employee files, APECS, and iCIMS, as well as weaknesses in internal controls over payroll processing, Forms I-9 retention and compliance, and employee qualification verification. CLA identified evidence consistent with the ACFE guidance describing waste totaling $153,239.35 ($65,193.64 + $88,045.71) and payments made in violation of the District's stated policies and procedures totaling $53,346.09 as listed in Table 90.

Table 90: Payroll and Employee Observations of Potential Non-Compliance

Testing Area	Determination	Description	Amount Disbursed
Payroll	Waste	Post-termination payments were made to employees and not recovered.	$ 65,193.64
Payroll	Waste	Vacation and final pay calculations were not supported or reconciled, including duplicate payments.	88,045.71
Payroll	Non-compliance with Internal Policies	Manual payroll checks were issued without documented justification, violating district procedures	53,346.09
Total			$ 206,585.44

Recommendations

CLA recommends the following regarding Forms I-9:

Recommendation #74 Standardize procedures for calculating and applying Form I-9 retention requirements for inactive employees, including the "three years from hire or one year from termination, whichever is later" rule.

Recommendation #75 Strengthen review procedures to ensure Forms I-9 are complete and supported by required Section 2 documentation (List A or List B + List C).

Recommendation #76 Provide targeted training and written guidance on Form I-9 requirements, retention rules, and E-Verify processes, particularly given HR staffing turnover.

Recommendation #77 Where feasible, use existing systems to securely store digitized Forms I-9 while maintaining originals separately from personnel files and protecting them from unauthorized access.

CLA recommends the following regarding compensation:

Recommendation #78 Standardize and enforce a "complete compensation support package" for all pay-rate actions (new hire, change,

stipend/bonus, step/grade movement), including a finalized assignment sheet or contract (as applicable), effective date, rate/amount, position identifier, and documented approvals with version control.

Recommendation #79 Implement exception reporting for hourly pay to flag when reported hours × authorized rate does not agree to gross pay or when gross pay reflects an unapproved rate, with documented resolution retained.

Recommendation #80 Strengthen stipend and bonus documentation by requiring a uniform detail schedule (employee name/ID, periods covered, approved amounts, footed totals, and authorization) retained centrally and linked to the APECS transaction.

Recommendation #81 Centralize retention and linkage of compensation documentation to APECS through a controlled repository or attachment standard to support year-specific auditability.

Recommendation #82 Perform periodic audits of APECS pay configuration (schedule/column/row, pay codes, maximums) and implement automated controls to flag rates exceeding authorized matrices.

Recommendation #83 Establish a rehire compensation validation checklist requiring documented verification of prior service/work history retained in the employee file.

Recommendation #84 Formalize review and approval of payroll step and row increases loaded into APECS, including documented secondary review by Human Resources or other independent personnel, with clearly defined roles to strengthen segregation of duties.

Recommendation #85 Enhance auditability of payroll batch uploads and backend imports in APECS by retaining audit trails for source, preparation, review, approval, and execution, and performing periodic monitoring to trace transactions to originating files.

Recommendation #86 Reestablish and maintain a centralized manual check log documenting payee, amount, pay period, payment type, reason, approval evidence, and processing date.

Recommendation #87 Require documented justification and approval for issuing manual checks, particularly for payments normally processed via direct deposit.

Recommendation #88 Strengthen controls over termination-related payouts by standardizing calculation support and reconciling APECS Job and Payment detail to Attendance (or other source-of-record) hours, with defined rounding conventions.

Recommendation #89 Implement automated pre-processing controls within APECS to detect and flag potential duplicate payments (including duplicate vacation payouts, final-pay disbursements, and same-period/same-amount transactions) prior to payroll finalization, with documented resolution required before release.

Recommendation #90 Formalize a stop-pay workflow assigning responsibility for timely termination entry in APECS, removal from pay-eligible status, and review of post-termination exceptions before payroll finalization.

Recommendation #91 Require complete approval packages for severance and other non-routine termination payments, including governing agreements, calculations, authorization, and linkage to APECS records. Require that any contractual exceptions to accrual caps be documented and linked to the authorizing agreement in APECS prior to processing

Recommendation #92 Implement a consistent separation-notification protocol requiring locations to notify HR promptly and HR to confirm termination entry in APECS, supplemented by periodic roster/budget reviews.

Recommendation #93 Establish a formal overpayment identification, notification, and recovery protocol requiring the District to document the overpayment amount and cause, issue timely written notification to the former employee, pursue recovery through available administrative or legal channels, and retain documentation of all recovery efforts and outcomes in APECS or the employee's personnel file.

Recommendation #94 Implement automated exception reporting to identify duplicate bank routing and account numbers in APECS, with periodic review and documented conclusions.

Recommendation #95 Establish documentation requirements to support shared direct deposit accounts (e.g., familial/domestic relationship), retained consistently in personnel files or iCIMS.

Recommendation #96 Evaluate options to retain and report historical direct deposit data, including terminated employees, to enhance detection of duplicate accounts and potential overpayments.

CLA recommends the following regarding employee qualifications:

Recommendation #97 Enhance verification and documentation of employee qualifications aligned to minimum job requirements, with consistent retention in personnel files and iCIMS and periodic reviews to remediate gaps.

Recommendation #98 Implement controls to ensure employees in licensed positions maintain active, appropriate licensure with required endorsements, including centralized tracking and consistent documentation retention.

Recommendation #99 Strengthen controls to identify and disclose familial or personal relationships between HR staff and applicants or employees, require documented recusal of the related party from hiring, onboarding, and compensation processes in accordance with District Policy 4063, and implement independent secondary review of all compensation-related documents to prevent unilateral pay determinations by individuals with potential conflicts of interest.

Recommendation #100 Establish file retention and retrieval procedures requiring HR to maintain and produce original personnel files corresponding to an employee's initial hire date, including base salary rates, assignment sheets, and contract agreements, regardless of subsequent rehire activity, supplemented by a centralized tracking mechanism and periodic audits to identify and remediate missing or incomplete files.

v. P-Cards and Checks Requests

Area of Analysis

At issue whether the District followed policies and procedures regarding documentation requirements and approval limits on monthly P-Card statements. CLA assessed P-card payments and check requests for unusual patterns, split transactions, high-risk vendors, misappropriations, personal expenses, or potential overpayments.

Applicable Policies/Procedures and Best Practices

CLA reviewed available policies, procedures, and supporting documentation related to accounts payable. Where formal documentation was limited, this review was supplemented with multiple interviews of finance department personnel. Documented procedures reviewed included the AP *Standard Operating Procedures* and an internal control narrative governing accounts payable processing. This narrative describes required supporting documentation, the use of standardized formats within the APECS financial system, and multi-level approval workflows that

vary based on funding source and employee role. See section *ii. ACH Transactions* for details of the AP process.

Finance department personnel explained to CLA that District employees are not issued P-cards. The only P-cards in use are a ghost travel card and a fingerprinting card. There is no physical card associated with the ghost travel card; rather, it is used to process payments for hotels and airline reservations related to employee travel. The District's travel reimbursement process is described in detail in section *vii. Travel Reimbursements.*[148] The fingerprinting card is used exclusively for new employee fingerprinting as part of the background check process. The chief of business operations is the only individual authorized to use this card.

Analysis and Sample Selection

CLA performed review and analysis of the fingerprinting card and determined that it was used appropriately and solely for fingerprinting-related expenses. Transactions associated with the travel card were tested as part of the procedures described in section *vii. Travel Reimbursements.*

CLA used data analytics techniques to identify patterns and anomalies within the disbursement ledger to support the selection of a sample of check transactions for testing. The data analytics procedures included trending disbursements over time by vendor and account to identify unusual fluctuations in payment activity. CLA also analyzed transactions with amounts just below established approval thresholds and selected a sample for testing to assess whether appropriate authorization was obtained. Following the completion of these data analytics procedures, CLA applied a risk-based sampling approach that focused on relevant allegations and key areas of analysis, including the following:

1) Transactions with amounts just below the $3,500.00 approval threshold, which would otherwise require a complete PO
2) Transactions with round dollar amounts
3) Transactions occurring in fiscal years with significant fluctuations in expenses
4) Instances where the accounting date differed significantly from the document date
5) Instances where the payee name in the general ledger differed from the payee name in the Sungard report
6) Transactions with unusual, vague, or missing descriptions

[148] A travel requisition and PO are required before travel reservations can be applied to the card. Employees do not have access to the travel card. Once required documentation is submitted and travel is approved through the established process, the District charges the travel card directly.

7) Payments to vendors exhibiting significant fluctuations in expense activity

The results of the analysis identified 57 check disbursements totaling $3,044,119.12 to be tested in detail. CLA performed testing by comparing the selected disbursements to the District accounts payable policies to determine the following:

1) If appropriate approvals were obtained
2) If the required documentation was appropriate and complete
3) If the expense was appropriate in performance of official District duties
4) If there was evidence of fraud or misuse of funds

CLA examined the related supporting documentation available in APECS, such as invoice, PO, payment request, purchase requisition, and all workflow approvals. Additionally, if the purchase was part of a contract, CLA reviewed the executed contract. When supporting documentation was not readily available, CLA made requests and inquiries to the District for the needed documentation and explanation. Additionally, CLA used investigative techniques such as email review and to further examine and assess the context surrounding the samples selected.

Results of Analysis and Testing

CLA determined that there is no evidence of fraud, waste, or abuse in relation to the use of District P-cards. The results of check disbursement testing identified process deficiencies including multiple instances of incomplete or missing supporting documentation. Based on the analysis performed and detailed transaction testing conducted, CLA did not identify evidence of fraud, waste, or abuse in check disbursements. Additionally, CLA did not find evidence of misuse of District funds, and the disbursements tested appeared to be associated with legitimate business purposes.

The results of this testing and observations are as follows:

Observation #143 The District did not consistently comply with policy requirements related to supporting documentation for check disbursements, as detailed below:

a) Six samples totaling $12,277.67 were below the dollar threshold requiring an AP Payment Request Form; however, the required form could not be located. These samples were processed using a PO, although a PO was not required for the transaction. The District controller indicated that use of a PO is considered an acceptable substitute for the payment request form. CLA notes that this practice is not consistent with the requirements outlined in District policy. CLA confirmed through interviews that the Payment Request

Form process is still in place and is the process that should be followed for low-dollar transactions.

b) For twenty samples totaling $1,076,727.11, the attached invoice did not have a signature; however, the transactions were approved within the APECS system. These instances do not indicate waste or abuse but reflect non-compliance with internal documentation requirements, representing an internal control failure. The District controller requires all invoices to be signed and dated to support internal control objectives and to document verification that goods or services were received or completed.

Conclusions

The observations resulting from testing of check transactions primarily consisted of process-related deficiencies, most notably instances of incomplete or missing supporting documentation as summarized in Table 91. However, based on the analysis and testing performed, the expenses reviewed overall appeared to reflect legitimate District business activities. CLA did not identify evidence of fraud, waste or abuse in the disbursements tested.

Table 91: Check Request Determinations of Potential Non-compliance with Internal Policy

Determination	Description	Amount Disbursed
Non-compliance with Internal Policy	Twenty check requests were missing a signature on the attached invoice.	$ 1,076,727.11
Non-compliance with Internal Policy	Six check requests were below the dollar threshold requiring an AP Payment Request Form; however, the required form could not be located.	12,277.67
Total		$ 1,089,004.78

Recommendations

The following recommendations are suggested to improve controls and processes. In addition to the recommendation below, refer to Recommendation #11, Recommendation #69.

Recommendation #101 The District should clarify and update policy guidance to specify whether a physically signed invoice is required for disbursements or whether electronic receipt confirmation and approvals within the APECS system are sufficient to meet documentation and internal control requirements.

vi. Suspicious Accounts

Area of Analysis

CLA analyzed potentially suspicious accounts to identify off-the-books, dummy, or temporary accounts that could indicate fraud, abuse, or control weaknesses.

Applicable Policies/Procedures and Best Practices

CLA determined the District does not maintain a formal chart of accounts policy. Account structure and usage are guided by system controls, operational practices, and external guidance, including the *Tennessee Internal School Uniform Accounting Policy Manual*, Chart of Accounts – Section 9, which allows local discretion in account numbering provided titles and descriptions are applied consistently.

Finance leadership represented that account oversight is centralized within the finance department and includes approval of account creation, ledger reviews, account freezes, month-end and year-end reviews, and restriction or closure of inactive accounts.

Analysis and Sample Selection

CLA evaluated accounts with account descriptions that appeared unusual or lacking an apparent business purpose and assessed whether any were associated with current or former employees, Board Members, or administrators. Procedures were informed in part by allegations from the District's whistleblower hotline regarding a previously identified dummy account that could not be substantiated and was later reported to no longer exist. CLA conducted this review through a chart of accounts analysis, including journal entry analytics, transaction testing, and account-level reviews.

CLA did not select a separate sample for suspicious accounts. Instead, CLA reviewed the chart of accounts and related APECS activity for fiscal year 2022 to fiscal year 2024, evaluating account descriptions, usage, transaction volume, dollar magnitude, timing of creation/inactivation, and responsiveness to allegations. CLA analyzed new and inactive account codes across functions, objects, departments, locations, and projects and assessed whether any accounts appeared associated with employees, Board Members, or administrators outside standard payroll or administrative activity.

Results of Analysis and Testing

CLA did not identify evidence of off-the-books, dummy, or temporary accounts. CLA identified 152 new and 374 inactive account codes, primarily added during fiscal year 2023 and fiscal year 2024, consistent with routine maintenance rather than improper activity. Certain inactive codes established prior to July 1, 2021, remained in the system but reflected legacy structures. Placeholder and control accounts (e.g., Zero Department, Zero Project, Control Account, No Object Code Required) served routine system purposes, and employee-, Board-, and administrator-related accounts reviewed were standard payroll, benefits, or administrative accounts.

Although no suspicious accounts were identified, testing was prolonged due to legacy account codes, inactive locations remaining available for use, and supporting documentation maintained outside the system of record.

Observation #144 The District lacks a formal policy governing the chart of accounts.

The District does not have a formal policy in its official policy manual that addresses the structure, maintenance, and oversight of the chart of accounts. While the *Tennessee Internal School Uniform Accounting Policy Manual* (Chart of Accounts – Section 9) permits districts discretion in account configuration provided titles and descriptions are applied consistently, the absence of a District-specific policy results in reliance on management practices rather than documented requirements. Through interviews, finance leadership described centralized oversight of account creation and maintenance, supported by manual controls such as ledger reviews, account freezes, and periodic review during month-end and year-end close. Although these practices provide some level of control, the lack of formally documented policies increases reliance on institutional knowledge and informal processes.

Observation #145 The continued availability of inactive location codes in APECS contributed to miscoding and required manual reclassification.

CLA identified transactions coded to inactive school locations requiring reclassification, as discussed in *5.A.* These conditions did not indicate off-the-books activity but contributed to miscoding and manual corrections.

Conclusions

CLA has not identified evidence of off-the-books, dummy, or temporary accounts.

Recommendations

While no corrective actions specific to off-the-books accounts are recommended, CLA suggests the following to strengthen account-level controls:

Recommendation #102 Document formal policies for creation, modification, inactivation, and monitoring of Chart of Accounts elements.

Recommendation #103 Formalize periodic reviews to identify and inactivate unused location, project, and object codes.

Recommendation #104 Restrict use of inactive or legacy account codes in APECS, where feasible.

Recommendation #105 Periodically review placeholder and control accounts to confirm appropriate use.

Recommendation #106 Document existing oversight practices (ledger reviews, account freezes, account maintenance), including frequency and responsible parties.

vii. Travel Reimbursements

Area of Analysis

At issue is whether travel claims and reimbursements to current and former District Board Members and administrators were for legitimate business purposes and in compliance with travel expense policies and procedures.

Applicable Policies/Procedures and Best Practices

CLA reviewed available policies, procedures, and supporting documentation related to travel reimbursements. Where formal documentation was limited, this review was supplemented with multiple interviews of finance department personnel.

CLA noted the District processes employee travel and travel reimbursements through APECS to ensure proper authorization, budgetary control, and compliance with District travel policies (2020- *Travel Expense Policy*). Employees must obtain pre-approval for all travel by submitting a travel requisition in APECS. This requisition should be submitted at least 30 days before the trip, or 60 days in advance if the travel is federally-funded. The requisition is routed through required approval levels, including authorized departmental officials. Travel arrangements may not be made until the requisition is fully approved and a travel-specific PO is issued by finance.

Upon completion of travel, the employee is required to submit a travel expense report in APECS to request reimbursement. The expense report must include detailed, itemized supporting documentation for allowable expenses such as lodging, registration fees, transportation, and other reimbursable costs, in accordance with District travel policies. Expense reports are required to be submitted to the finance department within five to seven days following the conclusion of travel. Once approved, expense reports requesting reimbursement are forwarded to the AP department for processing. AP personnel review the documentation and approvals prior to issuing reimbursement to the employee.

During interviews with finance department personnel, CLA learned that travel funded with federal sources is required to submit a travel justification form at least 45 days prior to travel. In early fiscal year 2026, the District expanded this requirement to apply to all travel, strengthening pre-authorization and compliance controls.

During testing, CLA observed that some employees submitted paper copies of the travel expense reports that are typically completed in APECS. Finance personnel confirmed that submission within the APECS system is the required method for processing travel reimbursements. Paper forms are used by some employees due to familiarity with legacy processes; however, all expenses must ultimately be entered

into APECS. Teachers and principals often complete paper forms and rely on school financial secretaries to enter the information into APECS.

CLA also learned that Board Members are exempt from the travel justification form requirement and do not follow the standard travel requisition process. Instead, Board Members receive travel advances, which represents an exception to standard District travel controls.

Analysis and Sample Selection

To select a sample, CLA isolated all transactions recorded in the general ledger under object codes 52400 and 35500, which are designated for travel. CLA determined that these object codes include more than employee travel reimbursements. Specifically, they also capture payments made directly to vendors for items such as facility rentals for trainings and meals associated with employee in-service days. Because the general ledger does not distinguish reimbursements from other travel-related expenditures, CLA isolated payments made to individuals and reviewed the transaction description fields for location-related information to determine whether the payment represented a travel reimbursement. CLA then applied a risk-based sampling approach that focused on relevant allegations and key areas of analysis, including the following:

1) Payments made to current and former Board Members;
2) Payments to individuals exceeding $1,000.00; and
3) Payments occurring in fiscal years with significant fluctuations in travel expenses.

The results of the analysis identified 52 travel reimbursements totaling $65,305.90 to be tested in detail. CLA performed testing by comparing the selected samples to the District travel policy to determine the following:

1) If appropriate approvals were obtained prior to travel;
2) If the required documentation was appropriate and complete;
3) If the travel was appropriate in performance of official District duties, such as athletic group travel, student recruiting, conferences, trainings, etc.;
4) If there was evidence of duplicate payments for reimbursements; and
5) If there was evidence of fraud or misuse of funds (e.g., personal travel expenses).

CLA examined the related supporting documentation available in APECS, such as receipts, travel authorization form, travel justification form, travel expense report, budget authorization, and all workflow approvals. When supporting documentation was not readily available, CLA made requests and inquiries to the District for the needed documentation and explanation. Additionally, CLA used investigative

techniques such as email review and to further examine and assess the context surrounding the samples selected.

Results of Analysis and Testing

The results of testing travel reimbursements identified several process-related deficiencies, including instances of incomplete or missing supporting documentation, as well as timing issues. These timing issues included situations in where employees either failed to submit pre-approval forms with enough advance notice before their trips or did not provide their expense reports promptly after returning from travel. Based on the analysis performed and detailed testing conducted, CLA did not identify any evidence of fraud, waste, or abuse.

The results of this testing and observations are as follows:

Observation #146 CLA noted 26 reimbursements totaling $27,121.63 where employees did not submit the required travel pre-approval forms with sufficient advance notice prior to travel.[149] Based on discussions with finance personnel, travel expenses will be paid as long as the travel is legitimate and approved at the departmental level, whether or not the pre-approval is submitted within the required timeframe. While this observation does not appear to be attributable to deficiencies in District controls or oversight, it increases administrative burden and may reduce the efficiency of the travel reimbursement process.

Observation #147 CLA noted 26 reimbursements totaling $31,525.52 where employees did not complete their expense report within five to seven days following the conclusion of travel. Based on discussions with finance personnel, travel expenses will be paid as long as the travel is legitimate and approved at the departmental level, whether or not the expenses are submitted within the required timeframe. While this observation does not appear to be attributable to deficiencies in District controls or oversight, it increases administrative burden and may reduce the efficiency of the travel reimbursement process.

Observation #148 The District did not consistently comply with policy requirements related to supporting documentation for travel reimbursements, as detailed below:

[149] This requisition should be submitted at least 30 days before the trip, or 60 days in advance if the travel is federally-funded.

a) Seven federally-funded samples totaling $9,440.81 did not have the required Travel Justification Form attached to the support in APECS.[150]

b) For four federally-funded samples totaling $5,541.80, the Travel Justification Form attached to the support in APECS was not approved.

c) For one sample totaling $2,131.05, the travel requisition was submitted after the date of travel.

d) For one sample totaling $1,190.76, the travel requisition was not submitted prior to travel.

Observation #149 CLA noted one reimbursement where valet parking amounting to $99.85 was incorrectly marked as tolls on the expense report.

Observation #150 CLA noted one reimbursement where no receipts were provided for taxi, luggage fees, and airport parking totaling $213.23.

Observation #151 CLA noted one reimbursement for purchase of a preferred seat for $20.16, violating the District travel policy.

Conclusion

The observations resulting from the testing of travel reimbursements primarily consisted of process-related deficiencies, including missing supporting documentation and timing issues due to limited staff as listed in Table 92. Although procedural deficiencies were identified, CLA did not find evidence that current or former District Board Members or administrators misused District funds. All travel costs tested in this sample appeared to be for appropriate District business purposes. CLA did not identify evidence of duplicate reimbursement payments, evidence of fraud, or misuse of District funds.

Table 92: Travel Reimbursement Determinations of Potential Non-compliance with Internal Policy

Determination	Description	Amount Disbursed
Non-compliance with Internal Policy	26 reimbursements where the employee did not complete their expense report within five to seven days following the conclusion of travel.	$ 31,525.52
Non-compliance with Internal Policy	26 reimbursements where employees did not submit the required travel pre-approval forms with sufficient advance notice prior to travel.	27,121.63
Non-compliance with Internal Policy	Seven federally-funded reimbursements did not have the required Travel Justification Form attached to the support in APECS.	9,440.81

[150] Refer to section *5.A. Federal and State Funding Review* for additional discussion relating to federally-funded programs.

Determination	Description	Amount Disbursed
Non-compliance with Internal Policy	For four federally-funded samples totaling, the Travel Justification Form attached to the support in APECS was not approved.	5,541.80
Non-compliance with Internal Policy	For one reimbursement, the travel requisition was submitted after the date of travel.	2,131.05
Non-compliance with Internal Policy	For one sample, the travel requisition was not submitted prior to travel.	1,190.76
Non-compliance with Internal Policy	On one reimbursement, no receipts were provided for taxi, luggage fees, and airport parking.	213.23
Non-compliance with Internal Policy	On one reimbursement the valet parking was incorrectly marked as tolls on the expense report.	99.85
Non-compliance with Internal Policy	One reimbursement included the purchase of a preferred seat.	20.16
Total		$ 77,284.81

Recommendations

The following recommendations are suggested to improve controls and processes for District travel reimbursements:

Recommendation #107 Ensure all appropriate approvals are obtained timely and documented prior to completing the procurement process. If approval was not obtained or travel occurred prior to approvals, document the reason. Consider whether certain disciplinary steps may be necessary for employees that continue to demonstrate non-compliance. Additional training and periodic communication to District employees regarding pre-approval requirements, timelines, and expectations could improve compliance and help ensure that travel requests are reviewed and approved in a timely manner.

Recommendation #108 The District should consider increasing the number of staff authorized to review and approve travel reimbursements. At the time of testing, only one staff member is responsible for processing travel reimbursements for the entire District, including teachers, staff, administrators, management, and Board Members. While this observation does not indicate a control failure, delayed processing may increase administrative backlog. Consideration of additional staffing resources or process automation may help improve the timeliness of reimbursement processing and reduce delays during periods of high transaction volume.

Recommendation #109 The District should increase efforts to ensure all relevant support is maintained in APECS. The support should include the travel justification form, travel requisition, detailed invoice and receipts, description of the purpose of travel, and evidence of appropriate advance approvals.

Recommendation #110 Review and update the District's travel policies to formally reflect current practices, including the requirement that all travel be supported by an approved travel justification form and the documented exemption of Board Members from standard travel requirements.

viii. Budget Analysis

Area of Analysis

At the State's request, the scope of this review included an assessment of budgeting controls, governance, and expenditure practices to identify potential fraud, waste, abuse, or control weaknesses. It additionally included an evaluation of how MSCS develops, approves, monitors, and executes budgets, including budget development, revisions, transfers, and how budgetary decisions are reflected in financial records. The scope also included analysis of budget transfers and approvals, review of Board meeting minutes, and evaluation of whether budgetary decisions were supported by complete and accurate financial information, informed in part by allegations regarding inadequate budget oversight.

The scope further included an examination of Board Member discretionary expenditures and facility maintenance budgets, including costs associated with unoccupied facilities, to assess alignment with approved budgets and intended purposes. This work included evaluating expenditures for programs, activities, and facilities; identifying costs related to unoccupied or underutilized properties; and assessing whether spending appeared unauthorized, excessive, or inconsistent with operational needs.

Applicable Policies/Procedures and Best Practices

CLA reviewed available budgeting policies and supplemented this review with interviews of budget and fiscal planning, facilities, and executive office personnel. The District's *Board Policy Manual*, including Policy 2001 – *Annual Operating Budget*, establishes requirements for budget adoption, amendments, transfers, and monitoring, including Board approval thresholds and compliance with state law.

Based on interviews, APECS serves as the system of record for budgeting, accounting, and expenditures, while Allovue Allocate is used primarily for school-level budget development and monitoring. Adopted budgets are approved by the Board and uploaded into APECS, with budget-to-actual monitoring performed through system reports and management review. Allovue Allocate functions as a planning tool and does not process transactions or reflect real-time accounting activity. CLA also considered guidance from the Tennessee *Internal School Uniform Accounting Policy Manual*, which emphasizes formally adopted budgets, documentation retention, and ongoing monitoring.

Board Member Discretionary Budgets

CLA reviewed available policies, procedures, and supporting documentation related to Board member discretionary allocation budget controls and supplemented this work with interviews of Board Office personnel. During the period under review, fiscal year 2022 to fiscal year 2024, no formal District-wide written policy governed Board member discretionary allocations. A guidance document titled "How to Spend Allocation" was distributed to school principals as early as 2021 and outlined general expectations for how allocation funds could be used, including procurement thresholds and examples of allowable and non-allowable expenditures, but interviewees described this document as informational, apart from the procurement procedures it referenced, rather than an official policy.

Board Office staff stated that each Board member receives an annual allocation of $125,000.00, effective July 1 of each fiscal year, and that each Board member supports a defined set of schools within their assigned district. The process described that a school principal would submit a request to the Board member assigned to their school, who would review the request and determine whether to approve it based on the nature and amount of the expenditure. Upon approval, Board Office staff facilitated the completion of a Board allocation tracking spreadsheet. The request was then prepared for a resolution to be considered at the next Board working session and, if approved, subsequently voted on at the next Board business meeting. Once approved and signed by the superintendent and the Chair of the Board, the Budget team assigned a budget code to the allocation, which was then communicated to the principal to enable the expenditure. Receipts were expected to be returned to the Board Office upon completion of the expenditure.

Interviewees described informal criteria for allowable and non-allowable expenditures, including a distinction between educational or student-benefit purposes, such as field trips, student incentives, school beautification, apparel, and books. Non-allowable expenditures included items that should be funded through other departments or budgets, such as computers, furniture, textbooks, and capital expenditures and maintenance. Procurement thresholds aligned with General Fund requirements. Expenditures of $10,000.00 or more required at least one bid, expenditures between $3,500.00 and $9,999.00 required three quotes, and expenditures below $3,500.00 required three quotes or a pricing sheet. Unused allocation funds that did not meet a rollover threshold of $5,000.00 reverted to the General Fund at fiscal year-end and did not carry forward to the Board member's subsequent allocation. Funds exceeding the rollover threshold could carry forward to the next fiscal year under a unique new budget code, with the understanding that they were associated with a contract and must be utilized for the same approved purpose.

Interviewees stated that no formal handoff processes or documentation occurred between the departure of the previous Board Office Manager in early 2024 and the onboarding of new Board Office staff beginning in mid-2024. Interviewees confirmed that standard operating procedures for the Board Office remain in development. Denied requests were not formally tracked and existed only in email replies to

principals. During the period under review, the only effective restriction on expenditures was the discretion of the individual Board member; no secondary review, rubric, or oversight mechanism was identified beyond the Board's formal vote. A new formal policy, the Board Strategic School Fund Allocations Program, was approved on February 11, 2026, introducing structured categories and requiring alignment with District priorities and documentation of prospective outcomes for Board member discretionary allocation spending.

Unoccupied Facilities Costs

CLA reviewed District policies and procedures governing unoccupied, underutilized, and surplus facilities, including Policy 7002 – *Real Estate*, and supplemented this review with interviews of facilities, budget and fiscal planning, and finance personnel. Policy 7002 requires the District to consider facility condition, capacity utilization, potential short- and long-term fiscal impacts, and whether a facility should remain District-purposed, be repurposed, leased, sold, transferred, subdivided, exchanged, or otherwise disposed of. The policy also requires analysis and Board consideration when facilities are closed or no longer needed, including whether continued ownership, maintenance, demolition, sale, or other disposition is in the District's operational and financial interest.

CLA also considered guidance from the Tennessee *Internal School Uniform Accounting Policy Manual*, which identifies Operation of Plant and Maintenance of Plant expenditures as costs related to keeping facilities clean, ready for use, safe, comfortable, and in effective working condition, including utilities, custodial services, maintenance, repairs, and related supplies. Based on these policies and guidance, CLA evaluated whether costs associated with unoccupied facilities were properly identified by facility, supported by sufficient documentation, accurately coded to the appropriate fund, function, object, and location/cost center, and consistent with the District's documented plans for maintaining, repurposing, leasing, selling, transferring, or otherwise disposing of the facilities.

Analysis and Sample Selection

Budget Revisions & Transfers

CLA analyzed budget revisions and transfers recorded in APECS for fiscal year 2022 to fiscal year 2024 and selected samples of 50 revisions and 50 transfers, totaling $1,195,410,945.04 and $1,209,527,436.12, respectively.[151] Selection emphasized elevated-risk indicators, including large dollar amounts, high-volume amendment periods, federal and restricted funds (including ESSER), cross-function transfers, limited documentation, unclear approvals, and corrective-type adjustments. Table 93 summarizes the sample selection by fiscal year.

[151] CLA summarized budget revision and budget transfer activity using absolute values because APECS records debits as positive amounts and credits as negative amounts. Using absolute values prevents credits from offsetting debits and understating the total volume of transactions tested.

Table 93: Budget Revision and Transfer Sample by Fiscal Year

Type	2022	2023	2024	Total
Budget Revision	$1,134,564,177.36	$ 6,206,036.24	$ 54,640,731.44	$1,195,410,945.04
Budget Transfer	515,922,192.72	458,010,943.95	235,594,299.45	1,209,527,436.12
Total	$1,650,486,370.08	$464,216,980.19	$290,235,030.89	$2,404,938,381.16

Board Member Discretionary Budgets

CLA analyzed discretionary allocations for fiscal year 2022 to fiscal year 2024 and selected 103 transactions totaling $543,549.17.[152] Selection prioritized transactions with elevated risk indicators, including missing approvals, incomplete documentation, reclassifications, credit card payments, proximity to procurement thresholds, and timing inconsistencies.

Unoccupied Facilities Costs

CLA identified wholly vacant facilities using publicly available Underutilized and Vacant Facilities Reports for fiscal year 2022 to fiscal year 2024 and selected 51 transactions totaling $789,730.83 for testing.[153] Transactions primarily related to utilities, maintenance, and construction-related costs. Table 94 summarizes the sample by vendor.

Table 94: Unoccupied Facilities Sample by Vendor

Vendor	Sample Quantity	Amount
Memphis Light Gas and Water Division	37	$ 288,438.03
Barnes & Brower Inc	12	494,131.80
Hotel & Restaurant Supply	1	6,561.00
Siemens Industry Inc	1	600.00
Total	51	$ 789,730.83

Results of Analysis and Testing

Based on testing, CLA noted issues primarily related to the District's reliance on decentralized, off-system processes and documentation for budgeting activity; limited system-based traceability between APECS entries and Board-approved budget amendments; informal management of Board member discretionary allocations through spreadsheets and email rather than enforceable system controls; and inconsistent documentation of authorization, allowable use, and project code application for discretionary spending. Unoccupied facility costs were generally

[152] Based on discussions with finance department staff, the Board Members are assigned a unique project code every fiscal year, with the first two digits indicating the fiscal year in which the funds were authorized and the last two digits indicating the Board Member the project code is assigned to (i.e., 2101 denotes fiscal year 2021 and the Board Member assigned to 01).

[153] CLA confirmed wholly vacant facilities during the scope period through discussions with the facilities services officer. Reports were received from the District's facilities services officers as well as the Tennessee state website: https://www.tn.gov/content/dam/tn/education/nonpublic/chtr_sch/SCS%20Underutilized%20and%20Vacant%20Facilities%20Report.pdf.

limited in dollar value and consistent with utility, maintenance, and construction-related activity, though approval documentation was inconsistent and instances of expenses miscoded to inactive location codes were identified. Below are CLA's observations relating to budgeting issues.

Budget Revisions & Transfers

Observation #152 The District's budgeting process is decentralized across multiple systems and departments, with limited system-integrated controls, resulting in inefficiencies and reduced consistency, particularly during high-demand periods or staff turnover.

Interviews with budget, fiscal planning, and executive office personnel confirmed that the District uses different systems and groups to manage its budget. APECS is the main system for budgeting and accounting, and Allovue Allocate is used for school-level planning and monitoring. Central office departments do not enter budget requests directly into APECS. Instead, they submit requests on Excel templates, which are then combined, reviewed, and uploaded into APECS after the Board approves the budget. The District has a Budget Amendment Reconciliation Procedure that sets standard steps for processing amendments, including variance analysis, document retention, and separation of duties. However, budget-to-actual monitoring and forecasting are performed through manual management review rather than automated controls in APECS. This split structure creates inefficiencies, especially during the budget cycle and at year-end. It also increases reliance on individual departments, which can be less effective when staff turnover reduces institutional knowledge.

Observation #153 Budget revisions and transfers lack system-based traceability to supporting documentation and approvals.

CLA identified 34 budget revisions and 40 budget transfers that lacked visible support in APECS and relied on off-system documentation. The District does not attach supporting documentation within APECS; instead, traceability depends on matching APECS entries to Board documents, SharePoint-stored mapping files, and off-system Excel workbooks. A revision or transfer only appears in Board-presented budget resolutions if it crossed functional categories, and even then, locating the specific entry within the budget amendment folders is not straightforward.

CLA reviewed the budget amendment folders for fiscal years 2022 to 2024 and attempted to match sampled items to Board-approved documents. In fiscal year 2022, the folders were organized by month, making it easy to match each entry. Starting

in fiscal year 2023, the District only presented amendments to the Board in five months a year, making it much harder to identify when each item was approved. Line items were also grouped together before Board presentation, so small changes appeared as large combined amounts in APECS. This made it nearly impossible to trace a single entry back to a specific Board-approved item without significant manual effort. The District's only additional support was a high-level list of expense functions, which did not allow transaction-level tracing. Figure 83 illustrates the mapping information provided.

Figure 83: Function Mapping Response

Expense Functions	High Level Function Name
71100	Instruction
71150	Instruction
71200	Instruction
71300	Instruction
71400	Instruction
72110	Student Support
72120	Student Support
72130	Student Support
72210	Instructional Support
72215	Instructional Support
72220	Instructional Support
72230	Instructional Support
72250	Instructional Support
72260	Instructional Support
72310	General administration
72320	General administration
72410	Office of principal
72510	Business Administration
72520	Business Administration
72610	Plant services
72620	Plant services
72710	Student transportation
72810	Other Support Services
73100	Food service
73300	Community service
73400	Community service
76100	Capital outlay
82130	Debt service
82230	Debt service
91300	Capital outlay
99100	Charter schools
01-99100-59000-325010-1000-0000	OPEB
01-72520-20600-325010-0154-0000	Retiree Benefits
01-72520-20700-325010-0154-0000	Retiree Benefits

Observation #154 Board approval requirements for budget changes are not readily evident within APECS.

APECS transaction data does not clearly indicate whether a budget revision or transfer required Board approval or whether such approval was obtained. System functionality allows certain users to process entries without additional system-level

approval, and approval evidence supporting budget amendments is maintained outside of APECS. In addition, Board approvals are often granted at an aggregated functional level, which may encompass multiple underlying account-level changes that are not individually reflected within APECS.

As a result of these limitations, APECS does not maintain a complete or transparent approval history for budget transactions. Of the items sampled, CLA was unable to trace 16 budget revisions and 19 budget transfers to corresponding budget resolutions, preventing verification of Board approval within the system. This limitation does not indicate that approvals were not obtained; rather, the lack of system-based traceability constrained validation procedures.

Board Member Discretionary Budgets

Observation #155 Board member discretionary budgets are managed through informal processes and decentralized documentation.

All 103 Board member discretionary allocation transactions selected for testing were tracked using manual spreadsheets and emails to record requests, allocations, balances, and revisions. No formal reconciliation or review took place between the Board Office, Budgeting, and Finance to confirm accuracy or catch errors and overages.

The District also has no official policy governing Board member discretionary spending. This gap increases the risk of funds being spent on non-allowable items, expenditures exceeding approved budgets, inaccurate year-end rollovers, unauthorized transfers between Board members, and duplicate allocations. CLA also identified allocations totaling $128,070.58 that were missing at least one piece of supporting documentation. Because recordkeeping relied on shared email inboxes, individual Board Office files, and shared drives, CLA could not confirm whether the District followed its described historical processes.

Observation #156 Board allocation requests were not initiated by principals, approved by the appropriate Board member, or both, violating the described process.

CLA identified 28 Board allocation entries totaling $109,604.95 that were missing required authorization: 11 entries , totaling $45,250.00, lacked evidence of principal initiation, three entries, totaling $6,213.95, lacked Board member approval, and 14

entries, totaling $58,141.00, lacked both. In the 11 entries without principal initiation, either no documentation existed or the documentation showed a different person had initiated the request.

Observation #157 Board allocation expenditures included capital, operational, employee appreciation, and supply costs that do not align with the allowable cost criteria directly benefiting students.

CLA identified 64 Board allocation entries totaling $426,793.21 that did not meet the allowable cost criteria for directly benefiting students. These included 33 entries totaling $364,763.97 for capital asset improvements or purchases that should have been funded through capital or maintenance budgets, and 31 entries totaling $62,029.24 for operational, program, or supply and equipment costs, including 22 employee appreciation entries totaling $33,694.86.

Observation #158 Timing differences and incorrect project code use created discrepancies in Board allocation tracking and recording.

CLA identified two Board allocation entries totaling $17,000.00 where approval and expenditure crossed fiscal years, causing negative budget transfers or discrepancies in later years. CLA also identified 15 entries totaling $126,514.10 recorded under prior-year project codes, indicating the operator either did not know the current year's code or did not understand how to roll forward Board allocations.

CLA's review of Board allocation project codes used between fiscal years 2022 and 2024 identified 13 unique codes that exceeded the $125,000 spending limit described by interviewees and reflected in the documentation reviewed, as shown in Table 95.

Table 95: Board Allocation Program Codes Exceeding $125,000

Program Code	Amount Exceeding $125,000
2201	$ 13,618.65
2202	11,515.85
2302	15,800.60
2303	35,120.78
2204	33,230.10
2105	7,039.83
2206	29,799.94
2306	18,514.84
2207	32,201.88
2208	24,196.94
2209	5,981.90
2309	2,223.01
2409	29,854.53

Program Code	Amount Exceeding $125,000
Total	$ 259,098.85

Observation #159 Board member discretionary budgets were allocated across districts or transferred between Board members without documented authorization.[154]

CLA identified 10 Board allocation entries totaling $26,794.16 where the allocation either came from a Board member whose district did not include the requesting school or involved a direct or indirect transfer of funds to another Board member without documented approval from the Board members involved.

Unoccupied Facilities Costs

Observation #160 Unoccupied facility costs were of low dollar value, but approval documentation was inconsistent.

Costs were limited and generally reasonable, such as monthly utility payments for unoccupied facilities that averaged $2,423.85 for the sample CLA tested; however, approval documentation varied, particularly for ACH utility payments.

Observation #161 Miscoding of an expense to an inactive location code required manual reclassification.

CLA identified a $6,561.00 expense paid to Hotel & Restaurant Supply for a three-door reach-in freezer that was incorrectly coded to Manor Lake Elementary School, a wholly vacant facility as evidenced in the 2022 Underutilized and Vacant Facilities Report. However, the supporting documentation reviewed by CLA confirmed that the freezer was intended for Melrose High School (location code 2493) but was mistakenly charged to Manor Lake Elementary School (location code 2483) and later corrected through a reclassifying journal entry. While not indicative of fraud, waste, or abuse, this example illustrates how expenses can be miscoded to inactive locations due to the continued availability of legacy location codes, requiring manual correction to ensure accurate reporting.[155]

[154] The District's schools are divided into nine Board districts, each represented by one Board member. Current district assignments: https://www.scsk12.org/board/index?PN=44

[155] Refer to section *5.A. Federal and State Funding Review*, for additional observations relating to deficiencies in properly recording the location codes in the general ledger.

Conclusions

Based on the budget analysis performed, CLA did not identify pervasive budgeting errors or evidence of fraud, waste, or abuse within the scope of work and documentation provided. However, fragmented records-management practices, limited system-based traceability between APECS and supporting documentation, and the informal management of Board member discretionary allocations were the principal constraints on testing and represent meaningful control weaknesses as listed in Table 96. While individual transaction-level errors were limited in dollar value, the structural and procedural conditions described warrant corrective action to strengthen oversight, accountability, and audit trail integrity across the District's budgeting processes.

Table 96: Budgeting Instances That Were Potentially Non-Compliant with Internal Policies

Testing Area	Determination	Description	Amount Disbursed
Budgets	Non-compliance with Internal Policies	Board allocation requests were not initiated by principals, approved by the appropriate Board member, or both.	$ 109,604.95
Budgets	Non-compliance with Internal Policies	Board allocation expenditures included costs that did not meet allowable student benefit criteria.	426,793.21
Budgets	Non-compliance with Internal Policies	Board allocation discrepancies resulted from timing differences and incorrect project code usage.	259,098.85
Budgets	Non-compliance with Internal Policies	Board member discretionary budgets were allocated across districts or transferred between Board members without documented authorization.	26,794.16
Total			$ 822,291.17

Recommendations

The following recommendations are suggested to improve controls and processes:

Budget Revisions & Transfers

Recommendation #111 The District should continue efforts to centralize budgeting and financial oversight functions to reduce reliance on decentralized, department-level processes that diminish during periods of staff turnover. Specifically, the District should formalize and standardize the budget development process across central office departments by transitioning from department-submitted Excel templates to a unified budget development workflow within APECS or Allovue Allocate. Budget-to-actual monitoring and monthly forecasting should be supported by systematic, recurring reporting generated from APECS rather than relying primarily on management review and departmental meetings. The District should document written procedures for each stage of the budget cycle: development, adoption, amendment,

reconciliation, and year-end close. These procedures should be paired with role-specific desk guides that show staff how the work is actually performed. The guides should include system navigation steps, sample reports, reconciliation tie-outs, and worked examples of common reconciling items. Both should be reviewed and updated periodically to support new and promoted staff and preserve continuity through turnover.

Recommendation #112 The District should require that supporting documentation for all budget revisions and transfers, including budget amendment exhibits, Board resolution references, and reconciliation workpapers, be attached directly within APECS at the transaction level or linked through a standardized reference field that identifies the corresponding Board meeting date, resolution number, and amendment folder location. To improve traceability, the District should adopt a consistent filing structure for budget amendment folders across fiscal years, including monthly or period-specific subfolders that correspond to the months in which amendments are presented to the Board. Individual line items within a revision or transfer should be recorded and retained at a level of detail sufficient to trace each APECS entry to a discrete Board-approved line item without requiring manual aggregation or reliance on off-system source files. Where line items are rolled up into functional-level totals for Board presentation, the District should maintain and retain a detailed mapping schedule that identifies each underlying account-level change comprising the aggregated amount.

Recommendation #113 The District should configure APECS to clearly distinguish between budget changes that require Board approval and those that do not, based on the criteria established in Policy 2001; specifically, whether the change crosses functional categories, impacts salary and benefit accounts, or results in an increase or decrease to the adopted budget. Each budget revision and transfer entered into APECS should include a required field or notation indicating whether Board approval was required, the basis for that determination, and, if applicable, the corresponding Board resolution number and approval date. The District should also review and restrict superuser access within APECS to ensure that budget revisions requiring Board approval are not entered and self-approved without an independent system-level review or secondary approval step. Where Board-approved revisions encompass multiple underlying account-level changes, the

approval record within APECS should reference the functional-level authorization and link to the detailed mapping schedule identifying each account-level component, as recommended in Recommendation #112.

Board Member Discretionary Budgets

Recommendation #114 Formalize Board Member discretionary budget policies, approval criteria, documentation, and centralized tracking.

Unoccupied Facilities Costs

Recommendation #115 Strengthen documentation standards for unoccupied facility expenditures, including consistent facility identification and centralized approval evidence.

Recommendation #116 Restrict use of inactive or legacy account codes in APECS, where feasible.

D. Vendors and Conflicts of Interest

The scope of work for this Vendors and Conflicts of Interest section includes an evaluation of vendor integrity, compliance with strategic sourcing policies, and the identification of conflicts of interest, favoritism, or policy violations involving vendors, across two areas: (i) assessment of the current pool of qualified MSCS vendors for validity, compliance with the District's Strategic Sourcing Policy, debarment or suspension status, and financial relationships between vendors or contractors and current or former MSCS Board Members and administrators; and (ii) assessment of conflict-of-interest disclosures, questionable relationships between employees, vendors, and contractors, direct or indirect benefits received by current or former Board Members, administrators, or their family members through contracts, and contract decisions that may have bypassed Board voting requirements. Each of these areas is addressed within this Vendors and Conflicts of Interest section of the report, except for matters related to (1) questionable relationships between employees, (2)vendors, and contractors; (3) direct or indirect benefits received by current or former Board Members, administrators, or their family members through contracts; and (4) contract decisions that may have bypassed Board voting requirements. These matters are addressed individually within the respective contract testing sections of this report, where CLA identified specific instances of potential conflicts of interest, improper influence, or governance concerns.

i. Vendor Listing and Conflict of Interest

Area of Analysis

The area of assessment for this subsection is the validity of the District's qualified vendors and approved supplier listings, financial disclosures and relationships between vendors and key District employees, and the identification of debarred, suspended, or denied vendors and the reasons for such actions.

Applicable Policies/Procedures and Best Practices

The following ethics and related policies were identified as applicable to vendor qualification, strategic sourcing, conflict of interest disclosures, and vendor integrity screening. The most relevant provisions of each policy are summarized below.

- 0021 – *Code of Ethics*:
    - Section 2 – Disclosure of personal interest in voting matters: An official or employee with the responsibility to vote on a measure shall disclose during the meeting at which the vote takes place, before the vote and to be included in the minutes, any personal interest that affects or that would lead a reasonable person to infer that it affects the official's or employee's vote on the measure. In addition, the official or employee may, to the extent allowed by law, recuse himself or herself from voting on the measure.
    - Section 3 – Disclosure of personal interest in voting matters: an official or employee with the responsibility to vote on a measure shall disclose during the meeting at which the vote takes place, before the vote and to be included in the minutes, any personal interest that affects or that would lead a reasonable person to infer that it affects the official's or employee's vote on the measure. In addition, the official or employee may, to the extent allowed by law, recuse himself or herself from voting on the measure.
- 0022 – *Board Members' Code of Conduct*:
    - The Board commits itself and its members to ethical, business like and lawful conduct, including proper use of authority.
    - Board Members will represent the interest of the citizens of the entire school district.
    - Board Members may not attempt to exercise individual authority over the organization.
- 4003 – *Conflicts of Interest*:
    - Policy 4003 requires key employees and senior management of Shelby County Schools to avoid any actual or apparent conflict of interest in their dealings with suppliers, customers, other employees, and any entity doing or seeking to do business with the District. Employees must also avoid any direct or indirect financial or material interest in firms doing business with the system. To document compliance, key employees, senior management, and any employee or close relative who receives pay from, holds a material interest in, serves on the board of, or sells goods or services to such an entity must complete an annual conflict of interest disclosure. The District

subsequently adopted a revised Board Policy 4003 on December 2, 2025, renamed Employee Conflict of Interest, which extended the conflict of interest requirements to all District employees rather than only key employees and senior management.

- *Procurement Services References Manual,* revised September 1, 2021:
    - MSCS Procurement Services adheres to a strict code of ethics aligned with the standards of the National Association of Purchasing Management and the National Institute of Governmental Purchasing, promoting honesty, integrity, and efficiency in the purchasing function. The District also approves Strategic Sourcing suppliers for office supplies, educational supplies, printing services, and equipment such as computers and copiers, with pricing established through competitive bids and RFPs. Use of these contracts is highly recommended, and a list of suppliers and pricing is available on the District's website under Doing Business with MSCS, Pricing Catalogs.
- TN Code § 12-4-101 (2024) – *Personal Interest of Officers Prohibited*:
    - Under Tenn. Code Ann. § 12-4-101, it is unlawful for any officer, committee member, director, or other person responsible for voting on, awarding, or supervising a public contract to be directly interested in that contract (meaning a contract with the official personally or with a business in which the official is the sole proprietor, partner, or controlling shareholder), or to be indirectly interested unless the officer publicly acknowledges the interest. The direct interest prohibition does not apply to general votes on a budget, appropriation, or tax rate resolution, except where the vote concerns a specific amendment or appropriation in which the person is directly interested.
- Federal Debarment and Suspension Requirements (SAM.gov):
    - As a recipient of federal funds, the District is required to verify that vendors and contractors are not excluded from participation in federally-funded programs. Procurement checks SAM.gov for debarment and exclusion status and checks contractor licenses for operations procurements, which functions as a vendor risk screening practice tied to integrity concerns. Similarly, procurement checks the state of Tennessee disbarred vendors website for debarment status.[156]

[156] The State of Tennessee Debarred Vendor website is: https://www.tn.gov/content/dam/tn/generalservices/documents/cpo/other/Debarred_Vendors.pdf. At the time of analysis, it contained only 17 company names.

- Procedural Information Obtained Through Interviews and Document Review:
    - Bid evaluation committee members must sign a confidentiality and conflict-of-interest form each time they serve on a committee. CLA also identified internal correspondence among the District's personnel reflecting an effort to compile and maintain a list of vendors with whom the District should not do business with. Emails identified multiple vendors and associated vendor profiles that General Counsel recommended be blocked or monitored based on active litigation, counterclaims, or efforts to recover payments made for work not performed or negligently performed. The correspondence indicated that some of these vendors had multiple vendor profiles in the District's system and that coordination between General Counsel, Procurement, and Accounts Payable was ongoing to determine which profiles should be blocked.

Analysis and Sample Selection

To conduct this assessment, CLA performed the following analysis and sample selection procedures to assess vendor validity, compliance, and vendor–District relationships:

- Vendor Pool Validity – CLA obtained the District's master vendor listing as of August 9, 2025, containing 46,594 vendors.[157] CLA assessed the vendor listing for indicators of invalid or potentially fictitious vendors, including duplicate vendor records, vendors with incomplete addresses, vendors sharing addresses, and vendors with international addresses. CLA assessed active vendors that were marked as voided or test in the vendor name and analyzed the concentration of vendors using PO box addresses.

- Financial Disclosures and Vendor Relationships – CLA obtained the annual conflict of interest disclosure forms filed by key employees during the scope period as well as information on Board Member and administrators' relatives and associates retrieved through background checks. CLA obtained and reviewed 727 disclosures for fiscal year 2022. The District did not collect disclosure forms from key employees in fiscal years 2023 and 2024.[158, 159] CLA cross-referenced disclosed financial interests, business affiliations, outside

[157] The District's master vendor listing contained 20,712 active, 15,994 inactive, and 9,888 frozen vendors. Based on interviews with District personnel, vendors are given inactive status when purchasing from the vendor has been dormant for an extended period and given frozen status when there's a service complaint, incomplete vendor profile, or missing documentation.

[158] The District did not collect disclosure forms in fiscal year 2025 either but reimplemented the collection process in fiscal year 2026.

[159] The District does not require vendors to submit separate conflict-of-interest disclosure forms; however, vendors acknowledge the District's conflict-of-interest policy by executing the vendor registration form at the time of enrollment.

employment, and background information against the District's master vendor listing to identify potential undisclosed relationships.[160]

- Debarred, Suspended, or Denied Vendors – CLA screened the District's vendor population against the federal System for Award Management (SAM.gov) exclusion database and the state of Tennessee disbarred vendors website to identify vendors that were debarred, suspended, or otherwise ineligible to receive contract awards during the scope period.[161] For any matches identified, CLA reviewed the underlying cause and assessed whether the District had transacted with the vendor during or after the period of exclusion.

- Strategic Sourcing Policy Compliance[162] – CLA requested the District's lists of qualified suppliers ("pricing catalogs") maintained under the Strategic Sourcing program for the forensic audit period. The District did not produce the pricing catalogs in effect during the scope period until mid-June 2026, at which time CLA received an archive containing 433 files with varying levels of identification and organization. Due to the volume and limited organization of the files, and the proximity to the report due date, CLA was unable to reliably determine which pricing catalogs were in effect during the forensic audit period. CLA instead relied on the fiscal year 2026 pricing catalogs publicly available on the District's website to evaluate whether the listings were historically maintained, supported by required qualification documentation, and periodically reviewed in accordance with District policy.[163]

  According to the Procurement Services Reference Manual, the District approves Strategic Sourcing suppliers for office supplies, educational supplies, printing services, and equipment (including computers, computer maintenance, copiers, and copier maintenance), with contract pricing already in place for many types of equipment used in classrooms. These contracts are intended to provide schools and departments with improved pricing and services, and their use is highly recommended where strategic sourcing contracts are in place. Strategic Sourcing suppliers are selected based on

[160] Policy 4003 defines "key employees" as supervisory and non-supervisory employees with direct responsibilities in approving, specifying, managing, or recommending procurements, as well as those performing contracted management services with procurement authority and support personnel handling procurement-related information. This includes senior management, assistant principals, curriculum specialists, teachers recommending curricula, administrative and clerical personnel supporting senior management or key employees, and financial secretaries.

[161] CLA utilized the most recent version of the SAM.gov debarred database, SAMS Exclusions Public Extract V2 26161.

[162] The scope of work references this area as the Strategic Sourcing Policy; however, the *Procurement Services Reference Manual* refers to this program as Strategic Sourcing Suppliers. CLA uses the term Strategic Sourcing throughout this section to refer to the same program.

[163] District Pricing Catalogs are publicly available at: https://www.scsk12.org/procurement25/?PN=885

competitive bids or requests for proposals, and all requests for the purchase of these items must be made in APECS. CLA assessed whether vendors in the Strategic Sourcing supplier list received disbursements during the scope and whether procurements from non-listed vendors were supported by documented exceptions or justifications.

For each area of vendor listing analysis, CLA performed the following procedures:

- Compared the master vendor file to key employee and their relatives/associates addresses to identify potential relationships between vendors and District employees.

- Reviewed financial disclosure forms filed by key employees and cross-referenced disclosed interests to the master vendor listing.

- Screened 46,594 vendors against SAM.gov and the State of Tennessee debarred vendors and evaluated the results of any matches.

- Traced a risk-based sample of vendors from the approved supplier list to supporting qualification documentation, including business licenses, insurance certificates, and W-9 forms, to assess whether vendor qualification requirements under the Strategic Sourcing Policy were met and documented.

- Reviewed vendor disbursement data for vendors appearing and not appearing on the approved supplier list to identify potential non-compliance with strategic sourcing requirements.

Results of Analysis and Testing

Given the close-knit nature of the Memphis community, pre-existing relationships between District personnel and vendors are common; however, MSCS conflict-of-interest policies focus on financial interests and decision-making authority rather than personal familiarity. These policies rely on disclosures, recusal, and structured procurement controls to distinguish acceptable relationships from actual or perceived conflicts

Based on the vendor listing and conflict of interest analysis and testing performed, CLA identified the following observations:

Observation #162 The District master vendor listing included 2,584 vendor names with blank or incomplete addresses. Of the 2,584 vendors with blank or incomplete addresses, 311 were listed as active, which limits the District's ability to verify vendor legitimacy, issue accurate 1099s, and identify potential duplicate or fictitious vendors.

Observation #163 The District’s master vendor listing included 104 vendor names containing “void” or “test” within the vendor name field, despite

APECS providing designated status fields (e.g., inactive or frozen) to indicate vendor status. CLA confirmed that all identified vendors were appropriately classified as inactive or frozen within APECS, and a sample of 10 such vendors did not receive payments between fiscal year 2022 and 2024.

While the use of "void" or "test" in vendor names does not appear to be a widespread practice and did not result in improper payments based on testing performed, the presence of these naming conventions within the master vendor listing is not a best practice and may increase the risk of confusion, improper use, or reduced oversight, given that formal status indicators already exist within the system.

Observation #164 The District's master vendor listing contained 4,746 vendors that shared a similar name and address with at least one other vendor record. While the majority of these were a mix of active and inactive or frozen records, CLA identified 129 fully active vendor records with similar names and addresses. Further review confirmed that multiple active vendors sharing the same name and address received payments during the scope period, as illustrated in Figure 84. The existence of duplicate active vendor records increases the risk of duplicate payments, complicates vendor management and 1099 reporting, and weakens the District's ability to detect fictitious vendor schemes, particularly where duplicate records could be exploited to route payments without detection.

Figure 84: Multiple Vendors with Same Name and Address

ID	Name	Order/Remittance Address	Phone	Fax	Vendor Class	Status
400139	IDN - ACME Inc	4168 NEW GETWELL ROAD MEMPHIS, TN - ...	(901) 795-2250	(901) 795-2265		Active
107949	IDN-ACME Inc	4168 NEW GETWELL RD MEMPHIS, TN - 381...	(901) 795-2250	(901) 795-2265		Active
927539	IDN-ACME, INC	4168 NEW GETWELL RD Memphis, TN - 381...	(901) 795-2250	(901) 795-2265		Active

Observation #165 The District did not collect Conflict of Interest disclosure forms from key employees for fiscal year 2023 and 2024 as required by Policy 4003. The absence of these forms for two consecutive fiscal years impaired CLA's ability to evaluate whether key employees involved in the procurement process maintained undisclosed financial relationships with vendors or contractors doing business with the District. Without completed COI disclosures on file, the District is at risk that contracts could be influenced by undisclosed personal or financial interests without detection.[164]

[164] Based on the interviews with Internal Audit, the District did not collect Conflict of Interest disclosure forms for fiscal years 2023 and 2024 because it intended to implement a new disclosure process.

Observation #166 CLA cross-referenced the District's master vendor listing against the federal SAM.GOV exclusion database and identified one vendor, Overwatch Global Strategies, LLC, currently listed as ineligible.[165] The vendor was created in APECS on November 17, 2020 and remains active in the District's system, although its federal debarment was effective January 22, 2025. CLA reviewed disbursement activity and found no record of payments to this vendor during the scope period. However, the vendor's continued active status in APECS presents a risk that the District could inadvertently award a contract or process a payment to a federally debarred entity.

Observation #167 After requesting pricing catalogs on April 9, 2026, the District did not produce the pricing catalogs in effect during the scope period until mid-June 2026, at which time CLA received an archive of 433 files with varying levels of identification and organization. The volume of files, combined with inconsistent naming conventions and limited organization, did not allow CLA to reliably identify which pricing catalogs were in effect during fiscal years 2022 to 2024 within the time remaining before the report due date. As a result, CLA could not assess the District's compliance with its strategic sourcing requirements for fiscal years 2022 through 2024. CLA alternatively obtained the fiscal year 2026 pricing catalogs publicly available on the District's website and performed a comparative analysis of disbursements between strategic sourcing suppliers and their non-strategic sourcing counterparts. The analysis indicated the District utilized strategic sourcing suppliers more frequently; however, because the catalogs used postdate the scope period, CLA cannot definitively conclude whether the District complied with its strategic sourcing policy during the audit period.

Observation #168 Memphis is a tight-knit community where many individuals working within MSCS and the local vendor community are likely to know one another through prior employment, professional networks, civic involvement, or long-standing personal relationships.

MSCS conflict-of-interest policies focus on financial interests, decision-making authority, and the potential for improper influence, rather than on mere personal or professional acquaintance. As long as required disclosures are made and individuals with potential conflicts are appropriately recused from related decisions, pre-existing relationships alone are not

[165] CLA verified the vendor address in APECS matched the address in the SAM.gov debarred list: 221 River Street, 9th Floor, Hoboken, NJ 07030.

prohibited. MSCS policies address this reality through controls such as conflict-of-interest certifications, cross-functional evaluation committees, and documented procurement processes, which are intended to distinguish acceptable professional familiarity from actual or perceived conflicts.

Conclusions

Based on the results of work performed, the District's vendor management controls do not provide reasonable assurance that the master vendor listing is accurate, complete, and free from integrity risks. CLA identified deficiencies across each area of vendor listing analysis, including incomplete vendor records, duplicate active vendor profiles receiving payments, a federally debarred vendor remaining active in APECS, and the absence of required conflict of interest disclosures for two consecutive fiscal years. Additionally, the District's pricing catalogs in effect during the scope period were not produced until mid-June 2026, and the archive provided contained 433 files with varying levels of identification and organization, which prevented CLA from reliably identifying the applicable catalogs within the time remaining before the report due date and, accordingly, from fully assessing compliance with the District's strategic sourcing policy. Collectively, these deficiencies indicate that the District lacks sufficient preventive and detective controls over vendor qualification, vendor data integrity, and the identification of conflicts of interest within the procurement process.

Assessments of questionable relationships between employees, vendors, and contractors; direct or indirect benefits received by current or former Board Members, administrators, or their family members through contracts; and contract decisions that may have bypassed Board voting requirements are addressed within the respective contract testing sections of this report where CLA identified specific instances relevant to those areas.

Recommendations

CLA recommends the following regarding vendor listing and qualification:

Recommendation #117 The District should perform a comprehensive review of its master vendor listing to identify and remediate all active vendor records with blank or incomplete addresses. Going forward, the District should implement system-level input controls in APECS that require complete address information before a vendor record can be activated or used for payment processing.

Recommendation #118 The District should discontinue the practice of embedding status indicators such as "void" or "test" within vendor name fields and instead rely exclusively on the designated status fields within APECS (e.g., inactive or frozen) to reflect vendor status. Existing vendor records containing these naming

conventions should be reviewed and reclassified using the appropriate system status designations.

Recommendation #119 The District should perform a periodic review of its master vendor listing to identify and consolidate duplicate vendor records sharing similar names and addresses. Active duplicate records should be evaluated for consolidation, and the District should implement a vendor master data governance process, including duplicate detection controls at the point of vendor creation, to prevent the accumulation of duplicate records going forward.

Recommendation #120 The District should immediately resume the annual collection of Conflict of Interest disclosure forms from all key employees and senior management as required by Policy 4003. The District should also implement a tracking and monitoring mechanism to ensure timely completion and follow-up on non-submissions and should cross-reference disclosed interests against the master vendor listing on an annual basis to identify potential conflicts at the point of procurement.

Recommendation #121 The District should implement a periodic screening process to compare its active vendor population against the federal SAM.GOV exclusion database and the State of Tennessee debarred vendors list. Any vendors identified as debarred, suspended, or otherwise ineligible should be immediately deactivated in APECS and flagged to prevent future contract awards or payments. This screening should be performed no less than annually and at the point of new vendor creation.

Recommendation #122 The District should retain all strategic sourcing pricing catalogs and approved supplier listings for the duration of each contract period and for a sufficient period thereafter to support audit and compliance review. Retained catalogs should be organized and clearly labeled by effective fiscal year and supplier category so that the applicable catalog for any given period can be readily identified. The District should also establish a process to periodically reconcile procurement activity against the approved supplier listings to verify that strategic sourcing suppliers are being utilized as required and that any procurements from non-listed vendors are supported by documented exceptions.

E. Governance and Compliance

The scope of work for this Governance and Compliance section includes an evaluation of compliance with governance policies, with particular emphasis on transparency and ethical considerations, across four areas: (i) assessment of compliance as it relates to the Board's adherence to ethics policies and disclosure requirements; (ii) assessment of procurement-related correspondence for evidence of conflicts of interest or improper influence; (iii) assessment of compliance letters and actions related to unapproved purchase orders and any associated disciplinary actions; and (iv) assessment of whether evidence exists of potential violations of the Tennessee Open Meetings Act. Each of these areas is addressed within this Governance and Compliance section of the report.

i. Compliance

Area of Analysis

The area of assessment for this subsection is the Board's adherence to ethics policies and disclosure requirements.

Applicable Policies/Procedures and Best Practices

The following ethics and related policies were identified as applicable to the Board's compliance assessment. The most relevant provisions of each policy are summarized below.

- 0018 - *Board-Staff Communications*:
    - All official communications to the Board from principals, supervisors, teachers, or other District staff members shall be submitted through superintendent or designee.
    - All official communications, request for information, suggestions, and concerns will be communicated to District staff through the superintendent or executive staff…the Board is responsible for refraining from directing District staff concerning administrative matters or day-to-day activities.
- 0020 – *Ethics*:
    - Article IV - My relations with other Board Members: (1) I recognize that authority rests only with the Board in official meetings and that the individual has no legal status outside of such meetings. (2) I will refuse to make promises as to how I will vote on a matter which should properly come before the Board as whole.
    - Article VI - My relations to myself: Section 2 - I will avoid being placed in a position of conflict of interest, and will refrain from using my Board position for personal or partisan gain.

- 0021 – *Code of Ethics*:
    - Section 2 - Disclosure of personal interest in voting matters: An official or employee with the responsibility to vote on a measure shall disclose during the meeting at which the vote takes place, before the vote and to be included in the minutes, any personal interest that affects or that would lead a reasonable person to infer that it affects the official's or employee's vote on the measure. In addition, the official or employee may, to the extent allowed by law, recuse himself or herself from voting on the measure.
    - Section 3 - Disclosure of personal interest in voting matters: an official or employee with the responsibility to vote on a measure shall disclose during the meeting at which the vote takes place, before the vote and to be included in the minutes, any personal interest that affects or that would lead a reasonable person to infer that it affects the official's or employee's vote on the measure. In addition, the official or employee may, to the extent allowed by law, recuse himself or herself from voting on the measure.
- 0022 – *Board Members' Code of Conduct*:
    - The Board commits itself and its members to ethical, business like and lawful conduct, including proper use of authority.
    - Board Members will represent the interest of the citizens of the entire school district.
    - Board Members may not attempt to exercise individual authority over the organization.

Analysis and Sample Selection

To conduct this assessment, CLA performed ongoing research and email reviews to identify potential indications of ethics policy violations. CLA also conducted interviews with selected Board Members to assess their understanding of applicable ethics policies. In addition, CLA reviewed all Board Members' Statements of Disclosure of Interests (ss-8005) filings with the Tennessee Ethics Commission to determine whether all required disclosures were submitted for all applicable years.[166] CLA then compiled the names of entities and organizations disclosed by Board Members and searched the District's general ledger to identify any related payments. For any such payments identified, CLA evaluated whether a contract existed and whether the applicable Board Member voted on the contract or appropriately recused themselves. CLA additionally requested that any Conflict-of-Interest Disclosure Statements completed by Board Members during the forensic audit scope

[166] The Tennessee Ethics Commission's online Statement of Disclosure of Interests public search portal, which allows users to review filed conflict-of-interest disclosures for state and local officials and candidates is accessible at the following: https://conflict.app.tn.gov/conflict/search.htm.

period be provided to CLA. The District informed CLA that there were no disclosures on file for the period requested.

Results of Analysis and Testing

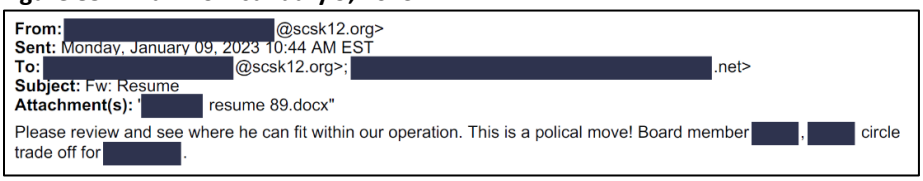
Through the review of the compiled names of entities and organizations disclosed by Board Members and searched for in the District's general ledger, there were no indications that a Board Member may have influenced or voted on approving a contract to a District vendor that was also affiliated with the Board Member.

CLA noted the following observations.

Observation #169 All Board Members filed their Statements of Disclosure of Interests (SS-8005) for the years applicable to them, and these completed forms were publicly available with one exception. Based on their position, a Board Member was required to file Statements of Disclosure of Interests for all calendar years within the forensic audit period (2021, 2022, 2023, and 2024). However, Statements of Disclosure of Interests (SS-8005) for 2023 and 2024 were not located on the Tennessee Ethics Commission's online portal. CLA inquired with the current Board Manager, who was able to locate the 2023 and 2024 forms, which had been completed on paper. Nonetheless, although these forms were completed, they were not publicly available on the Tennessee Ethics Commission's online portal. The current Board Manager explained that the Board had a Senior Advisor during fiscal year 2024–25 who is no longer with the District as of September 2025. In responding to CLA's request, the 2023, 2024, and 2025 forms were located and submitted to the Tennessee Ethics Commission. These forms were uploaded on March 11, 2026, and April 6, 2026, and are currently visible on the Tennessee Ethics Commission website. This was a corrective action after discussion with CLA and after CLA had drafted the report.

Observation #170 A Board member appears to have exerted influence over the promotion of an employee, which appears inconsistent with Board Policy 0022, Board Members Code of Conduct. On January 9, 2023, an email from the Chief of Business Operations directed another employee to identify an available position for an existing staff member, stating: "Please review and see where he can fit within our operation. This is a polical [sic] move! Board member ... circle trade off for ..." See Figure 85 for this email with redactions applied.

Figure 85: Email from January 9, 2023


From: [redacted]@scsk12.org>
Sent: Monday, January 09, 2023 10:44 AM EST
To: [redacted]@scsk12.org>; [redacted].net>
Subject: Fw: Resume
Attachment(s): "[redacted] resume 89.docx"
Please review and see where he can fit within our operation. This is a polical move! Board member [redacted], [redacted] circle trade off for [redacted].

Observation #171 At the time of this communication, the employee held the position of Community Schools Manager. Effective April 24, 2023, the employee title changed to Senior Manager - Board and Government Affairs. Subsequently, on April 16, 2024, the same Board member forwarded the employee's resume to a former Shelby County Schools Board member with the message: "Please follow up with me."[167] These communications, when considered in conjunction with the subsequent change in title, raise concerns regarding potential Board member involvement in personnel decisions.

Observation #172 Another Board Member engaged in conduct that constituted an alleged violation of District Policy 0022, *Board Members Code of Conduct.* Specifically, the Board Member appeared to attempt to exercise individual authority over the organization by attending a parent-teacher meeting and engaging in conduct that intimidated and harassed the assistant principal and principal of a school. This conduct further appears to have violated District Policy 0018, *Board–Staff Communications*. As a result of this conduct, the Board Member was formally reprimanded through an official letter issued on November 21, 2023.

Conclusions

Based on the results of work though the date of this report, it appears that the Board generally demonstrated adherence to key governance and ethics requirements during the forensic audit period; however, isolated compliance and conduct deficiencies were identified. Specifically, lapses in the timely public filing of required Statements of Disclosure of Interests and three instances of Board Member conduct inconsistent with established Board policies indicate weaknesses in oversight, compliance monitoring, and role clarity. While management and the Board took corrective actions upon identification of the issues communicated, including locating missing disclosures and issuing a formal reprimand, these observations underscore the need for strengthened controls, clearer accountability, and ongoing training to ensure consistent compliance with ethical and governance standards.

[167] The employee retired from the District on May 1, 2026.

Recommendations

CLA recommends the following regarding compliance with Board ethics and disclosure requirements.

Recommendation #123 The Board should implement and enforce a formal process to ensure that all Statements of Disclosure of Interests (SS-8005) are timely filed, submitted, and publicly posted in accordance with Tennessee Ethics Commission requirements. This process should include documented responsibility, verification of public availability on the Ethics Commission's portal, and periodic compliance reviews. Additionally, Board members should receive annual reminders and written confirmation of filing requirements to prevent future compliance failures.

Recommendation #124 The District appropriately addressed a Board policy violation by issuing a formal reprimand to Board Member Keith Williams on November 21, 2023. To further mitigate the risk of recurrence, the Board should reinforce training and guidance regarding Board Member roles, authority limitations, and required communications protocols with District staff. The Board should also consider periodic refresher training on the Board Members Code of Conduct and Board–Staff Communications policies to ensure continued compliance and understanding.

Recommendation #125 Reinforce and formalize expectations regarding appropriate Board member conduct and interactions with District personnel to prevent potential undue influence on administrative and operational matters. This should include the implementation of mandatory, ongoing governance and ethics training for all Board members focused on appropriate roles and responsibilities, prohibitions on involvement in personnel decisions, compliance with District Policy 0018 governing Board–staff communications, and the identification and avoidance of conflicts of interest, including those involving family members. Additionally, the District should reiterate and enforce existing policies clarifying that personnel decisions and program administration are the responsibility of District management, and that Board members should not intervene in individual employment or application-related matters. The District should also establish clear protocols for handling Board member inquiries by requiring that such requests be routed through appropriate administrative channels, documented as necessary, and supported by guidance for staff on responding to potentially inappropriate requests

ii. Procurement Correspondence

Area of Analysis

The area of analysis calls for a review of communications between procurement staff and District current and former Board Members and administrators for evidence of conflict of interest or improper influence.

Applicable Policies/Procedures and Best Practices

The following applicable policies were identified and considered concerning communications between Board Members and staff relating to procurement correspondence with the intention of applying improper influence. The most relevant provisions of each policy are summarized below.

- Refer to Board policy 0018 - *Board-Staff Communications* listed previously.
- 4003 – *Conflicts of Interest*
    - No vendor/supplier/contractor shall attempt to influence school board members, senior management personnel, or key employees in any way that is outside of the approved procedures used for procuring goods or services.

Analysis and Sample Selection

To address the scope of this section CLA conducted public research, reviewed the contents of the District's whistleblower hotline, reviewed email communications by applying targeted keyword searches, and conducted interviews. Additionally, as the other areas of analysis within the forensic audit were undertaken, CLA evaluated the possibility of potential evidence of conflict of interest.

Results of Analysis and Testing

Through the procedures performed, CLA confirmed that communications between Board members, management, and staff related to procurement matters generally did not contain evidence of conflicts of interest or improper influence. However, CLA identified one instance in which a Board member appeared to influence the procurement of a vendor contract outside of established processes. This observation is communicated below along with an ancillary observation resulting from scrutiny of vendor file maintenance process.

Observation #173 Email communications indicate that the Board Chair directly contacted a public relations vendor, Kingdon Quality (KQ) Communications. On July 7, 2022, the Board Chair forwarded an email to general counsel and a member of management that included a link to a proposal/contract, stating, "I need to retain a PR firm and have reached out to KQ Communications. Please see

attached contract." No responses to this email were identified; however, Professional Services Agreement No. 2023-0008 was executed the same day, July 7, 2022, by the Chief of Communications. The agreement provided for crisis communication support in the amount of $15,000.00. Evidence indicates the vendor performed services related to communications guidance concerning allegations of impropriety involving the Superintendent at the time. The engagement concluded on August 26, 2022, when the vendor communicated that, having managed the crisis media aspects of the investigation, the contract could be concluded and responsibility transitioned to the District's communications department. The Board Chair's direct involvement in initiating contact with the vendor presents concerns regarding influence over the procurement process outside established procedures.[168]

Observation #174 Review of the vendor master file identified that vendor number 919786 was associated with three separate name variations: "KQ Communication," "KQ Communications," and "Kingdom Quality Communications." The use of inconsistent vendor naming conventions within the system creates a risk of duplicate or fragmented vendor records, which may impair accurate tracking, reporting, and aggregation of vendor activity. In addition, such inconsistencies may hinder effective monitoring of total payments, contract compliance, and procurement thresholds.

Conclusions

The primary concern identified relates to indications of potential Board member influence over the procurement process, as evidenced by direct involvement of the Board Chair in initiating contact with a vendor and prompting execution of a contract outside of established procedures. In addition, an ancillary issue was noted within the vendor master file, where multiple name variations were used for the same vendor. While this inconsistency does not, in itself, demonstrate improper influence, it represents a secondary control weakness that may limit transparency and hinder the District's ability to effectively track vendor activity, aggregate payments, and fully assess compliance with procurement requirements.

iii. Compliance letters

Area of Analysis

The area of analysis for this subsection includes an examination of correspondence and actions related to unapproved purchase orders, including a review of compliance

[168] A separate contract (No. 2023-0215) was executed in September 2022 for three months of public relations support in the amount of $46,500.00. The Board member was not involved in the procurement of the separate contract; however, CLA identified separate observation which is discussed in Observation #81.

letters issued in response to such activity and an assessment of any resulting disciplinary actions taken. This analysis focuses on evaluating whether established policies and procedures were followed, how instances of non-compliance were addressed, and whether corrective or disciplinary measures, if any, were documented and applied consistently.

Applicable Policies/Procedures and Best Practices

The District implemented a policy change during the scope of work for this forensic audit, which covers fiscal years 2022 through 2024. Accordingly, both policies are presented below, and the applicable policy is referenced based on the period under review.

- From the beginning of the forensic audit period, which begins July 1, 2021 through approximately November 27, 2023, the applicable policy was Policy 2006 – Purchasing Authority. Procedures for this policy were reflected in the District's Procurement Services Reference Manual, initially revised in February 2020, and subsequently revised on September 1, 2021. Specifically, Policy 2006 stated that "all purchase orders over $500.00 shall be by purchase order, and no purchase over this amount shall be made nor payment approved unless covered by an approved purchase order, except for (i) emergency purchases as defined in this policy and approved by the superintendent (or designee), or (ii) financial transactions exempted from the purchase order process in accordance with this policy." The District's Procurement Services Reference Manual, under the heading "Steps in the Procurement Process" and the subheading "Purchasing Dollar Thresholds," further explained that a requisition is required for each purchase over $500.00. If Accounts Payable received an invoice for a purchase exceeding $500.00 without an approved purchase order, the employee would receive an Out-of-Compliance letter that would be placed in the employee's HR file. Furthermore, upon receipt of one or more Out-of-Compliance letters, the employee could be subject to disciplinary action by Human Resources.

- Policy 2006 – Purchasing Authority was updated effective August 29, 2023, and the Procurement Services Reference Manual was subsequently revised effective December 1, 2023. These changes increased the purchase order requirement threshold from $500.00 to $3,500.00. The policy specifically states that "all purchases over three-thousand five-hundred dollars ($3,500.00) shall be by purchase order, and no purchase over this amount shall be made nor payment approved unless covered by an approved purchase order, except for (i) emergency purchases as defined in this policy and approved by the superintendent (or designee), or (ii) financial transactions exempted from the purchase order process in accordance with this policy." Additionally, the Procurement Services Reference Manual, revised December 1, 2023, states that "all purchases over $3,500 must be made by a valid MSCS purchase order. A requisition is required for each purchase over $3,500. If Accounts Payable received an invoice for a purchase over $3,500 and the employee did not receive an approved purchase order,

the department's chief will receive an Out-of-Compliance letter, and corrective actions must be taken before the District can process payment." Notably, the prior requirement for an Out-of-Compliance letter to be issued to the employee, placed in the employee's HR file, and subject the employee to disciplinary action by Human Resources was removed. Accordingly, the applicable period for CLA to examine letters and actions related to unapproved purchase orders and any resulting disciplinary actions is limited to July 1, 2021, through November 30, 2023.

Analysis and Sample Selection

On November 24, 2025, CLA requested a listing of Out-of-Compliance letters for fiscal years 2022 to 2024. By December 10, 2025, CLA was told that a listing did not exist as it was never prepared. As no listing existed, CLA requested that all compliance letters issued for this period be provided. By December 19, 2025, CLA was provided with access to a ShareFile that housed the Out-of-Compliance letters for fiscal year 2024. CLA immediately communicated that fiscal years 2022 and 2023 were outstanding. On January 22, 2026, the files for fiscal years 2022 and 2023 were shared. For the 2022 and 2023 fiscal years a single folder was provided which included 109 Microsoft Word documents with the letters completed; however, none of these letters were signed. From time of request to time of delivery it was approximately two months, which contributed to CLA's inability to complete the work for this section.

The file for fiscal year 2024 contained 34 PDF, 13 of which were W9s and other miscellaneous documents. The remaining 21 PDF documents were primarily unsigned Out-of-Compliance letters. CLA inquired regarding this and was told that signed Out-of-Compliance letters were at the time not maintained in a specific repository as they were scanned into APECS for processing of payment after they were received back signed. There was only one fully signed letter, which had been issued on December 12, 2024, for $68,486.04, and it was issued to the Safety and Security Department.

Due to these circumstances, and the fact that CLA could not rely only on the primarily unsigned Out-of-Compliance letters provided, CLA additionally relied on the out-of-compliance letters identified through the results of email review to supplement this examination. In total, for the forensic audit period, 129 Out-of-Compliance letters were located as shown in Table 97.

Table 97: Out-Of-Compliance Letters

Fiscal Year	Number of OOC Letters Found	PO Required for Amounts Over	OCC Letter Placement in HR File Applicable
FY2022	18	$500.00	YES
FY2023	83	$500.00	YES
FY2024	28	$500.00 & $3,500.00	Only through 8/29/2023
Total	129		

By the time CLA visited the District from January 12, 2026, to January 16, 2026, the additional files for fiscal years 2022 and 2023 had not been provided and CLA had until that point selected a sample based on preliminary email review results. The sample selected included 14 employee files to examine for the presence of an Out-

of-Compliance letter in their HR file. After receiving the Out-of-Compliance letters for fiscal years 2022 and 2023 and additional sample of 12 employee files were selected.

Results of Analysis and Testing

The pattern observed with respect to Out-of-Compliance (OOC) letters indicates that, in fiscal year 2022, the number of such letters was relatively low, with 18 letters identified through a review of files provided and review of email correspondence conducted by CLA. In fiscal year 2023, however, a significant increase in Out-of-Compliance letters was observed. The District revised Policy 2006 on August 29, 2023, which raised the threshold for issuing an Out-of-Compliance letter from $500.00 to $3,500.00. Additionally, the *Procurement Services Reference Manual*, revised effective December 1, 2023, removed the requirement that Out-of-Compliance letters be placed in an employee's Human Resources (HR) file and that employees be subject to disciplinary action by Human Resources. Following these policy changes, the number of Out-of-Compliance letters issued in fiscal year 2024 decreased.

As part of the procedures performed, CLA examined a sample of 12 employee HR files from fiscal years 2022 and 2023 to determine whether Out-of-Compliance letters were placed in the employees' HR files and whether there was any evidence of disciplinary action related to failure or repeated failure to comply with District Policy 2006 and associated procedures requiring purchase orders for purchases of $500.00 or more. None of the 12 employee files selected for testing contained an Out-of-Compliance letter and there was no evidence that any disciplinary action was even initiated in response to the employee failure to adhere to District procurement policies and procedures. CLA inquired as to why the required process for placing Out-of-Compliance letters in employee HR files did not appear to have been followed. The response provided to CLA was that individuals previously responsible for this process are no longer employed by the District, and current personnel did not have knowledge of why the required process was not followed.

CLA further inquired as to why the Out-of-Compliance letters identified for fiscal years 2022 and 2023 consisted only of Microsoft Word documents and did not include copies of signed letters returned by the employees to whom the letters were issued. The response received was that the letters were signed and returned; however, the signed copies may have been saved in individual employees' OneDrive accounts rather than in a centralized shared file repository. It was further noted that the employee responsible for managing Out-of-Compliance letters during fiscal years 2022 and 2023 is no longer employed by MSCS. It was communicated to CLA that the signed Out-of-Compliance letters would have been uploaded to APECS as supporting documentation for proof of payment. CLA did not access APECS to confirm this statement as the primary scope of this section was to assess actions related to unapproved purchase orders and any resulting disciplinary action.

Observation #175 CLA identified a breakdown in the District's enforcement and documentation of disciplinary procedures related to non-compliance with Policy 2006. Although Out-of-Compliance

letters were required to be placed in employee HR files and could result in disciplinary action, none of the 12 employee HR files tested for fiscal years 2022 and 2023 contained such letters, nor was there evidence that disciplinary action was initiated for failure or repeated failure to comply with procurement policies. Management was unable to explain why the required process was not followed, citing the departure of personnel previously responsible for administering the process and the absence of institutional knowledge to account for the lapse.

Observation #176 CLA identified only one instance of potential disciplinary action related to non-compliance with Policy 2006. This instance involved an Out-of-Compliance letter issued to two senior facilities employees in connection with a $528,765 transaction for which a purchase order was created (PO No. 2229094) but no executed contract was identified. Although the Out-of-Compliance letter was signed by the chief business officer, no evidence of follow-up disciplinary action was identified.

Conclusions

CLA concluded that the District's Out-of-Compliance letter process was inconsistently applied and inadequately documented during fiscal years 2022 and 2023, resulting in limited evidence of enforcement or disciplinary follow-through for procurement non-compliance under Policy 2006. Although an increase in Out-of-Compliance letters was observed in fiscal year 2023, required documentation was not consistently retained in employee HR files, management was unable to explain the breakdown in process due to staff turnover, and signed letters were not centrally maintained. Subsequent policy revisions in late 2023 raised the compliance threshold and removed disciplinary requirements, coinciding with a decline in Out-of-Compliance letters in fiscal year 2024. Overall, the District lacked a consistently enforced and documented control framework to support accountability for procurement non-compliance during the period reviewed.

Recommendations

CLA advises the following regarding procurement compliance in accordance with District Policy 2006.

Recommendation #126 Formalize and document enforcement responsibilities for procurement non-compliance by clearly defining and documenting responsibility for issuing, tracking, and enforcing Out-of-Compliance letters, including ownership of follow-up actions, to ensure consistent application of Policy 2006 requirements regardless of personnel changes.

Recommendation #127 CLA recommends that the District establish a centralized repository for Out-of-Compliance letters and related documentation, including signed acknowledgments, to ensure records are retained, accessible, and auditable. This process should include documented standards for where and how compliance records are stored.

Recommendation #128 CLA recommends that the District implement periodic monitoring or supervisory review to confirm that Out-of-Compliance letters are issued, retained, and resolved in accordance with applicable policy, and that exceptions or repeat non-compliance are identified and addressed in a timely manner.

iv. Open Meetings

Area of Analysis

The area of analysis for this subsection focuses on the review of Board Member correspondence to determine potential violations of the Tennessee Open Meetings Act.

Applicable Policies/Procedures and Best Practices

This section summarizes the key requirements of the Tennessee Open Meetings Act (the "Act"), which governs how public bodies conduct meetings and make decisions. The Act is intended to ensure transparency in governmental decision-making by requiring that public business be conducted openly and that the public be afforded meaningful access to meetings where policy is discussed or decided.

- Purpose of the Open Meeting Act: The Tennessee Open Meetings Act, codified at Tennessee Code Annotated § 8-44-101, declares that the formation of public policy and the conduct of public business must be carried out openly and not in secret. The Act reflects the General Assembly's intent that governmental deliberations and decision-making processes be accessible to the public.
- What constitutes a "meeting": Under the Act, a "meeting" generally includes any convening of a governing body at which a quorum is present for the purpose of making a decision or deliberating toward a decision on public business.
- Core requirement of the Act: The Open Meetings Act requires governing bodies to conduct meetings openly, provide adequate public notice, allow public participation on matters involving official action, maintain and make available meeting minutes, conduct all votes publicly, and post meeting agendas in advance as required by law.

Analysis and Sample Selection

To address the scope of this section, CLA conducted public-source research, reviewed information submitted through the District's whistleblower hotline, reviewed Board minutes, and interviewed certain Board Members to assess their knowledge of and involvement in matters related to the Tennessee Open Meetings Act. Additionally, CLA analyzed email communications using targeted keyword searches to identify potential indicators of violations to the Tennessee Open Meetings Act.

Results of Analysis and Testing

CLA identified certain instances of email correspondence that suggest potential non-compliance with the Tennessee Open Meetings Act, as detailed in the following observations.

Observation #177 On May 18, 2023, a Board member emailed the full Board (a quorum) and shared perspectives and suggested next steps on multiple Board matters. The email addressed planning and scheduling of superintendent search meetings, expectations for agendas and pre-work, and consideration of related Board policies. It also raised questions regarding consultant engagements and associated costs (including KQ Communications and a facilitator), referenced prior payments and contract terms, and requested additional supporting documentation. Additionally, the email discussed timing and expectations for appointing a new Superintendent, outlined considerations for the Superintendent evaluation process (including concerns related to a consulting engagement), and encouraged detailed review of the proposed budget, including a recommendation to schedule a budget retreat. The communication also noted the need for further discussion of community-related matters in a future executive session. A separate Board member subsequently forwarded this email, along with attachments including a public relations contract (#2023-0008) and a document titled "New MSCS Superintendent Onboarding Draft" to a personal email address.

This communication, which was distributed to a quorum outside of a public meeting, included substantive discussion and suggested actions related to District business. Although no responses were observed, the nature of the communication may present considerations under the Tennessee Open Meetings Act, which discourages electronic exchanges among a quorum on public business outside a properly noticed meeting. The subsequent forwarding of the email to personal accounts further reflects handling of Board-related matters outside the formal meeting setting and may contribute to the appearance of deliberations occurring outside the public view.

Observation #178 On June 19, 2023, a Board member emailed the full Board (a quorum) requesting postponement of a specially-called meeting scheduled for June 20, 2023, to discuss the interim superintendent's contract, noting that he and three other members would be unavailable due to scheduled travel. The member emphasized the importance of full Board participation for transparency and accountability and requested suspension of the Board policy requiring five-day notice. Alternatively, the member requested permission to participate via video. Responses to the email acknowledged the five-day notice requirement and indicated that administrative staff would provide guidance, with a subsequent response expressing interest in that guidance. The meeting was later postponed to June 27, 2023.

While no direct evidence of deliberation was identified, the distribution of substantive Board-related communication to a quorum outside a public meeting, combined with the eventual postponement of the meeting, presents a condition that may be viewed as inconsistent with the intent of the Tennessee Open Meetings Act. This communication may also create the appearance that Board business was advanced outside the public meeting process.

Observation #179 On March 6, 2024, legal counsel emailed three Board members advising that he would later that day send a communication to the full Board requesting each member's input on the starting compensation for the new superintendent. Subsequent communications to individual Board members indicated that the process would involve gathering input separately from each member and then reporting progress and areas of consensus collectively. Legal counsel further stated, "by doing it this way we should avoid any violations of the open meeting laws."

This communication presents a potential concern under the Tennessee Open Meetings Act. The proposed approach of soliciting individual Board members' input and developing a collective consensus outside a public meeting may be viewed as inconsistent with the Act's requirement that deliberations on public business occur openly. Although the initial communication was sent to fewer than a quorum, it outlines a process that could facilitate collective deliberation and decision-making outside a properly noticed public meeting.

Observation #180 On April 4, 2024, general counsel circulated an email concerning a consulting services contract drafted for the outgoing interim superintendent. From that date through April 16, 2024, several Board members continued the email exchange. The email chain

reflects ongoing discussion among multiple Board members regarding revisions to a proposed professional services agreement for the outgoing interim superintendent. The communications include updates from counsel, expressions of Board members' positions on contractual obligations, compensation, and reporting structure, as well as concerns regarding adherence to existing agreements and Board processes. Several members expressed support for making payments and finalizing contract terms, while others questioned the need for a revised agreement and emphasized the importance of honoring prior commitments.

This email chain raises concerns under the Tennessee Open Meetings Act. The communication involves a quorum of Board members engaging in substantive, back-and-forth discussion regarding a professional services agreement, including contract terms, compensation, and related obligations. The exchange reflects deliberation on public business outside of a properly noticed public meeting and may not be consistent with the Act's requirement that such deliberations occur openly.

Observation #181 A calendar invitation sent to all Board members reflects a meeting scheduled for August 9, 2022, from 5:15 p.m. to 5:45 p.m., noted to occur immediately following a Special Called Executive Session. Neither the original calendar published for the week of August 8-12, nor the revised calendar published for the same week, listed the Board closed-session meeting scheduled for 5:15 p.m. to 5:45 p.m. Available Board minutes and publicly posted records did not identify documentation of a corresponding closed session on that date. Similarly, the official minutes posted on the District's website do not reference a closed session for that date. A contemporaneous news article published the night of August 9, 2022, mentions that the Board held a closed session meeting without public notice suggesting the closed-session meeting took place. The topic of the closed session meeting was not listed in the calendar invitation sent to the Board members.[169]

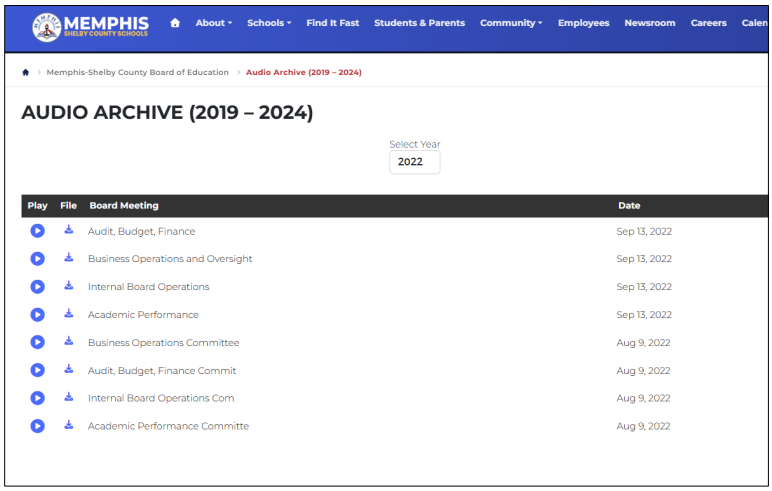
Although a calendar invitation reflects that a closed-session Board meeting was scheduled for August 9, 2022, this meeting was not included in either the originally published or revised

[169] For context, on July 13, 2022, a Special Meeting was called to consider and take action on allegations of MSCS policy violations involving the superintendent at that time. On August 23, 2022, another Special Called meeting was held to consider and discuss the superintendent's employment relationship. Given the timing and subject matter of these meetings, it is possible that the closed-session meeting referenced on August 9, 2022, related to similar matters.

public calendars for that week. Furthermore, no corresponding documentation or reference to the meeting was identified in officially posted Board minutes or other public records. These circumstances indicate a violation of the Tennessee Open Meetings Act arising from a lack of required transparency and public notice.

Observation #182 The District's 2022 audio archives appear incomplete, as the archive includes entries for August 9, 2022, and September 13, 2022; however, the August 9, 2022, entry does not contain an audio recording. Because the archive is intended to capture formal Board meetings, the absence of recorded audio, together with the lack of corresponding documentation, indicates that the archival record of meetings may be incomplete. Figure 86 shows the listing of calendar year 2022 audio files.[170]

Figure 86: Board Meeting Audio Archives for Calendar Year 2022



While the Tennessee Open Meetings Act requires maintenance and availability of meeting minutes, it does not require that audio recordings be created or retained; however, these inconsistencies reflect gaps in the information made available to the public.

Conclusion

In at least four instances, Board members and/or legal counsel engaged in email communications outside of duly noticed public meetings that involved a quorum or were designed to facilitate collective input on substantive District business. These communications addressed significant matters, including superintendent search planning, contract negotiations, meeting scheduling, compensation decisions, and

[170] CLA was informed by an MSCS representative that all existing audio recordings of Board meetings are reflected in this listing and that no additional recordings exist for calendar year 2022.

consulting engagements. While the nature and extent of deliberation varied across the instances, the observed patterns reflect a risk that Board business was discussed, advanced, or shaped outside the public meeting process. Additionally, a closed session meeting appears to have taken place; however, Board minutes do not reflect it. Collectively, these matters may not be consistent with the intent of the Tennessee Open Meetings Act, which requires that deliberations on public business occur openly, and may contribute to the appearance that decisions were being developed outside of public view.

Recommendations

CLA provides the following recommendations as it relates to ensuring compliance with governance policies, particularly related to transparency and adherence to the Tennessee Open Meetings Act.

Recommendation #129 Strengthen governance practices to ensure compliance with the Tennessee Open Meetings Act and to reinforce the principle that deliberations on public business occur in an open and transparent manner. Specifically, the Board should conduct formal Open Meetings Act training for all Board members, legal counsel, and relevant administrative staff at least on an annual basis. The training should address what constitutes quorum deliberation, risks associated with on-going communications and consensus-building outside of public meetings.

Recommendation #130 Implement procedures to route substantive Board discussions through formal meeting structures that include work sessions, special-called meetings, or committee meetings, with proper notice and documentation.

Recommendation #131 CLA recommends that the District strengthen its governance and records-management practices related to Board meetings by implementing procedures to ensure that all meetings, including closed or executive sessions, are properly noticed, documented, and retained in accordance with applicable law and District policy. This should include maintaining complete and consistent records of meeting notices, calendar invitations, agendas, minutes, and audio recordings; periodically reconciling publicly posted records to internal scheduling documentation; and assigning responsibility for verifying that all official Board records are complete and accurately reflect Board activity.

F. Fiscal Agent Oversight

i. SchoolSeed Fund Usage

Area of Analysis

This section addresses the scope of work and the results of the work performed pursuant to the role and accountability of SchoolSeed as a fiscal agent to MSCS by identifying all funds it managed by SchoolSeed and assessing whether expenditures, fees, and financial practices were appropriate, transparent, and beneficial to MSCS.

The basis for investigating the relationship between MSCS and SchoolSeed stems from SchoolSeed's role as a fiscal intermediary for certain donor-funded activities benefiting MSCS students, which creates inherent fiduciary, transparency, and governance risks. The objective of the forensic audit is to understand what funds were managed, how expenditures and fees were handled, and whether relationships with District leadership introduced conflicts of interest or improper influence. This includes an evaluation of compliance with applicable agreements and ethical standards, with particular attention to potential conflicts of interest involving current or former MSCS Board Members or administrators and any political contributions that could pose governance or reputational risks, to determine whether SchoolSeed fulfilled its fiduciary obligations and whether adequate oversight of public and grant funds existed.

Scope Limitation

Based on procedures performed, CLA was able to complete only a limited portion of the planned work due to incomplete and insufficient documentation provided by SchoolSeed, despite subsequent requests for additional information. Procedures performed included conducting research, email review, interviews, and review of documentation produced by SchoolSeed relating primarily to the 2023 and 2024 Leadership Symposiums, including accounting ledgers, payment and receipt information, and other materials related to sponsorship and exhibitor registration.

As discussed in the interim report, CLA requested a list of contracts related to MSCS and any supporting documentation for such contracts, audited financial statements, and a full QuickBooks backup for fiscal year2021-2022 to current, SchoolSeed reported that no such contracts existed and provided documentation for the Leadership Symposium projects only, without producing full QuickBooks records or additional supporting documentation, which materially limited the scope of work CLA could perform and restricted analysis to that isolated activity rather than SchoolSeed's broader fiscal agent activities related to MSCS.

Subsequent to the issuance of the interim report, SchoolSeed provided a single transaction listing for the MWSBE MSCS Fund covering activity from January 2023 through December 2024. This listing represents a limited subset of activity rather than a complete population of MSCS-related transactions. While the listing provided incremental visibility into certain transactions, it did not constitute a complete set of accounting records and did not include a full general ledger, bank statements, or reconciliations necessary to

validate the completeness or accuracy of the activity presented. The provision of a single transaction listing did not materially expand the scope of procedures that could be performed.

Additionally, CLA is aware of allegations that companies seeking MSCS contracts made payments to SchoolSeed, after which SchoolSeed allegedly entered into bogus agreements with District officials to facilitate kickbacks. However, CLA's ability to investigate these allegations remains limited because SchoolSeed did not comply with our requests for the complete general ledger and bank statements, preventing a full assessment of financial activity beyond the symposium-specific records provided.

Applicable Policies/Procedures and Best Practices

The policies, procedures, and best practices relevant to SchoolSeed's services as a strategic partner and fiscal agent to MSCS are determined by the form and substance of the contractual relationships established with the District, including professional services contracts, MOUs, and fiscal agent agreements.

- Board policy 2013: *Professional Services Contracts*: This policy establishes how MSCS secures and oversees professional services to safeguard District resources and promote prudent, ethical use aligned with District goals. It applies to professional service contracts of $5,000.00 or more that are not otherwise covered by established purchasing procedures and defines professional services broadly to include consulting, legal, financial, technical, educational, and similar specialized services. Contracts are not competitively bid but are instead awarded based on competence, integrity, and cost, as permitted by state law. The Superintendent has authority to approve contracts up to $99,999.00, while contracts exceeding that amount require Board approval and a detailed justification addressing need, cost, outcomes, and sustainability.

However, if no contract exists between the SchoolSeed and the District or if SchoolSeed is operating solely under donor agreements and does not provide professional services to the District pursuant to a District-executed contract, then this policy would not be applicable, because the scope is limited to District contracts for professional services. Without complete information from SchoolSeed regarding all donor agreements and other funds used for the benefit of MSCS, CLA was unable to determine when or whether the District's professional services policy would apply.

Analysis and Sample Selection

CLA conducted an interview with Vincent McCaskill, President and CEO of SchoolSeed, on September 15, 2025, to obtain an understanding of SchoolSeed's role, activities, and accountability as a fiscal agent in connection with MSCS. During the interview, Mr. McCaskill discussed SchoolSeed's mission, its history of supporting MSCS through donor-funded and grant-funded initiatives, the types of funds managed, processes for approving and documenting projects, fiscal accountability practices, relationships with MSCS leadership, conflict-of-interest and whistleblower protocols, and the circumstances surrounding a $45,000.00 payment associated with the leadership symposium. In this

interview, Mr. McCaskill stated that SchoolSeed does not maintain standing contracts with MSCS but rather engages in MSCS-related work on a limited and project-specific basis, reports primarily to donors rather than the District, and maintains financial records at the individual project level.

As a result of the interview, CLA obtained context regarding SchoolSeed's practices and agreed-upon documentation for the Leadership Symposium projects for 2023 and 2024, while also identifying limitations related to the absence of formal contracts and comprehensive financial records for broader MSCS-related activities. Our analysis was limited by the scope of information provided, as we did not receive complete general ledger data and relied only on records and documentation specifically produced for the 2023 and 2024 MSCS Leadership Symposiums, which constrained our ability to assess transactions or balances outside those events.

According to an email sent to MSCS school leaders, the MSCS Leadership Symposium is a premier professional learning and networking event designed for emerging and experienced school leaders to learn from expert keynote speakers and leaders in education, network with other school leaders across the Mid-South, and spark ideas to transform K-12 learning environments. Subsequent receipt of a single transaction listing did not resolve these limitations, as it did not represent a complete population of MSCS-related activity or include supporting accounting records.

Results of Analysis and Testing

Contracts with MSCS

CLA interviewed Vincent McCaskill, President and CEO of SchoolSeed, on September 15, 2025, to obtain an understanding of SchoolSeed's role, activities, and accountability as a fiscal agent in connection with Memphis-Shelby County Schools. Following this interview, on September 19, 2025, CLA sent a document request to Mr. McCaskill requesting the following:

- List of contracts related to District and any documentation regarding context/supporting documentation
- Audited financial statements for fiscal year2021-2022 to current
- QuickBooks back up for 2021-2022 to current (Mr. McCaskill indicated in our interview that SchoolSeed would need to discuss this request with counsel)

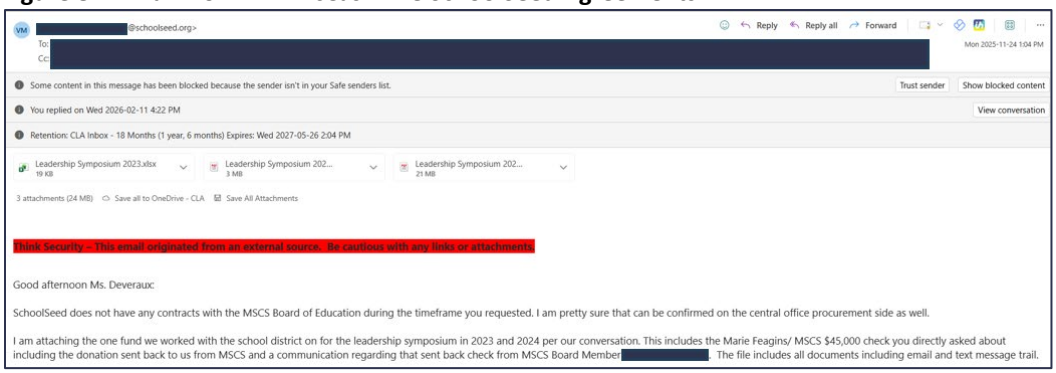
Mr. McCaskill responded on September 22, 2025, acknowledging the request, expressing concerns and seeking clarification on whether similar requests were being made of other District partners, the rationale for requesting this information from SchoolSeed, and whether any allegations exist that the SchoolSeed Board should be aware of, in order to maintain transparency and inform its Board appropriately.

CLA responded on October 21, 2025, that the information requests were part of a broader, consistent due-diligence effort involving multiple MSCS strategic partners, with requests tailored to each entity's role and relevance to the forensic and compliance

objectives. Additionally, SchoolSeed's inclusion reflects its fiduciary relevance, not necessarily any specific concern, and replied that no specific allegations involving SchoolSeed had been identified at that time, while reaffirming CLA's commitment to collaboration.

On November 24, 2025, Mr. McCaskill responded "SchoolSeed does not have any contracts with the MSCS Board of Education during the timeframe you requested" and provided the documentation related to the 2023 and 2024 Leadership Symposiums discussed above only. See Figure 87 below.[171]

Figure 87: Email from Mr. McCaskill re SchoolSeed Agreements



However, CLA reviewed Contract Advantage and identified multiple MSCS agreements with SchoolSeed or SchoolSeed Foundation, including professional services, non-professional services, purchases, and MOU/fiscal agent agreements and multiple vendor payments to SchoolSeed related to the contracts and agreements. Table 98 includes a listing of contracts and agreements with SchoolSeed CLA identified in Contract Advantage.

Table 98: MSCS Contracts and Agreements with SchoolSeed

Contract Name	Contract #	Contract Type	Execution	Expiration	Amount	Status
SchoolSeed Foundation (Reimagining 901)	2021-0995	Purchase		30-Jun-21	$50,320.83	Expired
SchoolSeed Foundation - Support & Services to support Finance Department	2021-0807	Professional Services		30-Jun-21	2,000.00	Expired
Shelby County Schools and School Seed Program Implementation 2021	2021-0718	Non-Professional Services		30-Jun-21	40,000.00	Expired
School Seed- (Bereavement, Counseling and Funeral Services for SCS Students)	2021-0376	Non-Professional Services		30-Jun-21	5,000.00	Expired
SchoolSeed (Statement of Work NO. 4)	2021-0502	Non-Professional Services		7-Dec-21	9,500.00	Expired
SchoolSeed Foundation (Financial project	2021-0611	Professional Services		22-Jan-22	78,250.00	Expired

[171] Vincent McCaskill, email message to CLA, November 24, 2025.

Contract Name	Contract #	Contract Type	Execution	Expiration	Amount	Status
management/ White Station HS Courtyard)						
SchoolSeed Foundation - Support & Services to support TCC projects and programs	2021-0626	Non-Professional Services		22-Feb-22	5,000.00	Expired
SchoolSeed (Funeral Services Facilitator)	2022-0633	Non-Professional Services		28-Feb-22	3,400.00	Expired
School Seed Foundation And Shelby County Schools 2021	2022-0152	Professional Services		31-May-22	29,000.00	Expired
SchoolSeed Foundation - Professional Services Agreement - State of the District 2022	2022-0604	Professional Services		30-Jun-22	95,000.00	Expired
School Seed Foundtion (SCS Coordination of 901 Reimaging and PD Logistics)	2022-0292	Professional Services		30-Jun-22	49,200.00	Expired
SchoolSeed Foundation (Student Services for Bereavement)	2022-0112	Non-Professional Services		30-Jun-22	5,000.00	Expired
SchoolSeed (FedEx Sponsorship Agreement for New East T-STEAM Academy)	2018-0346	Sponsorship	8-Dec-17	31-Jul-22	250,000.00	Expired
SchoolSeed (Fiscal Agent for White Station Project)	2022-0844	Fundraising Contract		30-Jun-23	22,000.00	Active
School Seed Foundation (Fiscal Agent Agreement)	2021-0388	Memorandum of Understanding			99,000.00	Active
The R. Brad Martin Family Foundation (Ridgeway HS Donation)	2020-0401	Memorandum of Understanding			100,000.00	In DocuSign
SchoolSeed (Master Social Media Advertising Services)	2016-0447	Advertising	20-Jul-16		25,000.00	Active

The District's contracts records in Contract Advantage and disbursement records in APECS contradict Mr. McCaskill's assertion that SchoolSeed did not have any agreements or contracts with MSCS during the period under review, as the District's systems reflect multiple executed contracts, memoranda of understanding, professional and non-professional services agreements, and a fiscal agent agreement involving SchoolSeed or SchoolSeed Foundation, along with associated purchase orders and payments across fiscal years 2021 - 2023. These records include contracts explicitly labeled as "Fiscal Agent Agreement," "Fundraising Contract," "Professional Services," and "State of the District" support, demonstrating that formal contractual relationships and District payments to SchoolSeed existed during the timeframe, notwithstanding statements made by Mr. McCaskill.

CLA sent a follow-up email to Mr. McCaskill on February 11, 2026, and provided the above list of contracts, requesting the following documents:

- A copy of the executed contract or agreement[172]
- QuickBooks ledger detail data reflecting activity related to the contract
- All supporting documentation (including invoices, payment support, amendments, correspondence, or other relevant records)

Mr. McCaskill responded expressing concern that SchoolSeed has been uniquely targeted and reiterated that no allegations were disclosed to its Board, and emphasized SchoolSeed's expectation that the review remain objective, within scope, and not connected to matters involving the former superintendent, while affirming a continued commitment to transparency and protecting the organization's reputation. CLA has not received any additional information for this request as of the issuance of this report.

2023 Leadership Symposium

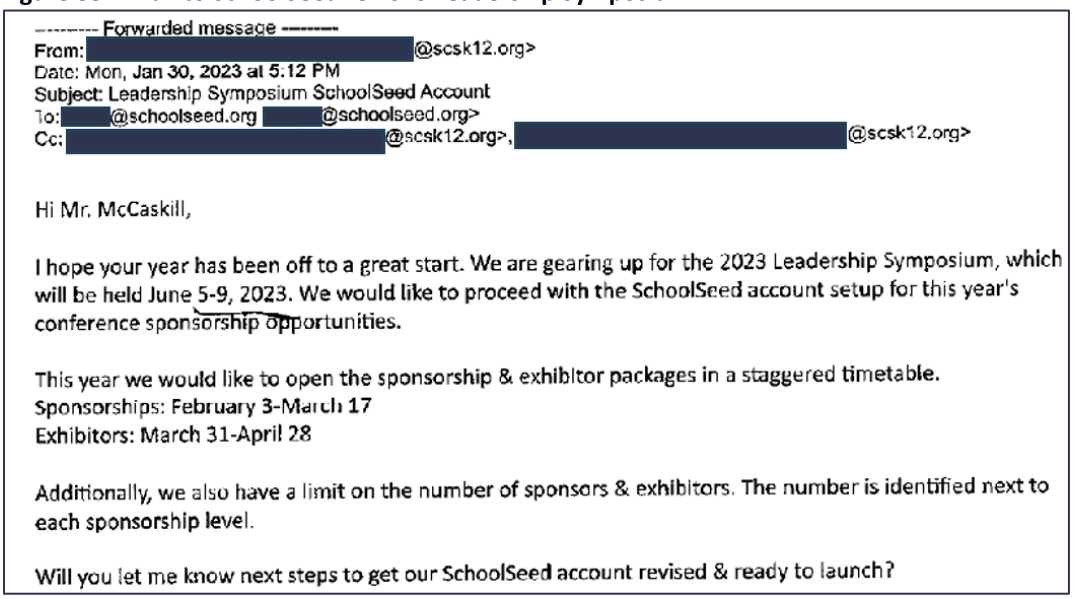
On January 30, 2023, a Leadership Development Project & Logistics Advisor in MSCS's Teaching & Learning Academy Mr. McCaskill, requesting setup of the SchoolSeed account for the 2023 Leadership Symposium and outlining sponsorship timelines and requirements. See Figure 88 below. The email was sent directly to Mr. McCaskill's SchoolSeed email and copied other MSCS Teaching & Learning Academy staff. In this initial outreach, MSCS explained that:

- The symposium required external sponsorship and exhibitor revenue collection;
- Funds would be processed through SchoolSeed rather than directly by MSCS; and
- The account needed to support conference-specific sponsorship opportunities.

This request came from MSCS's Teaching & Learning Academy leadership staff and was addressed directly to SchoolSeed's executive leadership as shown in Figure 88.

[172] CLA located certain SchoolSeed contracts in Contract Advantage; however, CLA also requested all contracts and supporting documentation form SchoolSeed.

Figure 88: Email to SchoolSeed re 2023 Leadership Symposium



---------- Forwarded message ---------
From: [redacted]@scsk12.org>
Date: Mon, Jan 30, 2023 at 5:12 PM
Subject: Leadership Symposium SchoolSeed Account
To: [redacted]@schoolseed.org [redacted]@schoolseed.org>
Cc: [redacted]@scsk12.org>, [redacted]@scsk12.org>

Hi Mr. McCaskill,

I hope your year has been off to a great start. We are gearing up for the 2023 Leadership Symposium, which will be held June 5-9, 2023. We would like to proceed with the SchoolSeed account setup for this year's conference sponsorship opportunities.

This year we would like to open the sponsorship & exhibitor packages in a staggered timetable.
Sponsorships: February 3-March 17
Exhibitors: March 31-April 28

Additionally, we also have a limit on the number of sponsors & exhibitors. The number is identified next to each sponsorship level.

Will you let me know next steps to get our SchoolSeed account revised & ready to launch?

Following MSCS's request for the 2023 symposium, MSCS staff and SchoolSeed leadership engaged in ongoing email communication to configure and operate the symposium account, including creating or updating the online sponsorship and exhibitor registration form, establishing staggered registration timelines, setting participation caps, correcting sponsorship descriptions and dollar ranges, and incorporating MSCS-provided narrative content. SchoolSeed confirmed when requested updates were made and when the registration portal was active. After MSCS publicly launched the sponsorship materials, MSCS requested access to the SchoolSeed account to monitor registrations and confirm the system was functioning properly, which SchoolSeed acknowledged.

SchoolSeed processed all symposium-related funds as fiscal agent, while MSCS directed sponsors and exhibitors to the platform, coordinated payment logistics, and worked with SchoolSeed on checks, credit-card payments, reimbursements, W-9 form requests, and payment confirmations. As the event approached, MSCS sought ongoing financial oversight by requesting weekly balance updates to ensure funds were accurately allocated and spent, and SchoolSeed agreed to provide that reporting, reflecting an active and continuing oversight relationship rather than a one-time transaction.

Symposium Expenses

CLA reviewed the general ledger and supporting documentation provided by SchoolSeed. The review process involved examining general ledger postings and tracing each transaction, where available, to supporting documentation such as invoices, receipts, sponsorship confirmations, Formsite records, and related email

correspondence.[173] Transactions lacking direct third-party support were identified and evaluated separately, with revenues and expenses categorized as fully supported, partially supported, or unsupported.

CLA noted that four expense transactions and one revenue transaction were adequately supported with appropriate documentation, including venue rentals, travel insurance, ticketing, and certain sponsor payments. Table 99 details supported expenses and Table 100 shows the supported revenue transactions and the supporting documentation that was provided by SchoolSeed.

Table 99: Supported Expenses

Expense	Amount	PDF Support
White Door Events	$ 6,201.72	Rental contract + receipt
Travel	35.00	Letter from Allianz Global Assistance MSCS for travel insurance
Ticketmaster	275.06	Ticket receipt
Lana J. Live	386.25	Invoice + "paid" email
Total	$ 6,898.03	

Table 100: Supported Revenue

Revenue	Amount	PDF Support
Engagel Learning LLC	$ 5,000.00	Formsite Confirmation Form
Total	$ 5,000.00	

Symposium Revenues

Eighteen revenue transactions were supported only by internal spreadsheets which consist primarily of sponsorships, exhibitor fees, and donations where the sole evidence provided was an internally maintained Microsoft Excel document sponsor listing or worksheet, rather than third-party documentation. This spreadsheet typically lists the sponsor or contributor name, an expected contribution amount, and, in some cases, a Formsite reference number, but did not include proof that funds were actually remitted or received. However, the amounts on the spreadsheet match the amounts recorded in the general ledger. Appropriate independent support would include third-party evidence such as executed sponsorship or exhibitor agreements, Formsite or payment platform confirmation emails showing the amount authorized and paid, bank deposit records, or remittance advice issued by the sponsor. Table 101 details the transactions supported only by the internally prepared spreadsheet.

Table 101: Partially Supported Revenue[174]

Name	Amount	PDF Support
PSC, Inc	$ 10,000.00	Excel Sponsor Listing
Grand Canyon University	300.00	Excel Sponsor Listing
American Fidelity Assurance Compnay	55.00	Excel Sponsor Listing

[173] Formsite is a cloud-based online form and survey platform used to create, publish, and manage electronic forms for data collection. It is commonly used by organizations for registrations, applications, requests, surveys, and other structured data-gathering.

[174] For all tables in this section of the report, any misspellings or typographical errors are taken directly from documentation provided by SchoolSeed and have not been corrected or modified by CLA.

Name	Amount	PDF Support
Taneka Johnson	55.00	Excel Sponsor Listing
HeartBeat- CPR	155.00	Excel Sponsor Listing
ACOT Associates Group , LLC	55.00	Excel Sponsor Listing
A Little bite of Everything Appareal	55.00	Excel Sponsor Listing
WAKIL Solutions, LLC	110.00	Excel Sponsor Listing
Cole's Screen Printing	330.00	Excel Sponsor Listing
Champion Awards Inc.	2,000.00	Excel Sponsor Listing
Burton Farris Consulting	55.00	Excel Sponsor Listing
Harris Family Agency "The Family Resource Place"	55.00	Excel Sponsor Listing
C.M.Farris Fine Art	55.00	Excel Sponsor Listing
My Girl Nonprofit Organization	55.00	Excel Sponsor Listing
Houghton Mifflin Harcourt (HMH)	2,000.00	Excel Sponsor Listing
Cole's Screen Painting	2,000.00	Excel Sponsor Listing
Imagine Learning LLC	5,000.00	Excel Sponsor Listing
CIGNA	10,000.00	Excel Sponsor Listing
Total	$ 32,335.00	

CLA's review identified four revenue transactions with variances where amounts recorded in the general ledger did not agree with the amounts reflected in supporting documentation, most commonly the internal sponsor listings maintained in an Excel document. These variances included instances in which the general ledger reflected lower payments than the sponsorship amounts listed in the spreadsheet, resulting in unexplained differences between recorded and supported revenue.

Table 102: Revenue Variances

Name	Amount per GL	Amount per PDF Support	Variance
Brain POP	$ 2,000.00	$ 5,000.00	$ (3,000.00)
Amplify	2,000.00	5,000.00	(3,000.00)
Achievement Network (Anet)	2,000.00	4,000.00	(2,000.00)
Carnegie Learning	700.00	1,500.00	(800.00)
Totals	$ 6,700.00	$ 15,500.00	$ (8,800.00)

Insufficient Documentation

Additionally, 35 expense transactions and 15 revenue transactions lacked sufficient supporting documentation, indicating documentation gaps and reconciliation issues that affect the overall reliability and transparency of SchoolSeed's financial records. In many instances the general ledger either contained no information or did not contain sufficient information to determine the nature of the expenses. Table 103 details the expenses in the general ledger for which no supporting documentation was provided, and Table 104 contains the detail of the revenues recorded in the general ledger for which no supporting documentation was provided.

Table 103: Unsupported Expenses

No.	Name	Amount	Memo/Description
1		(505.95)	
2	Newborn, Charles	(186.56)	reimbursement
3	Bright Minds Speakers LLC	(5,000.00)	invoice # 04122023-1 Memphis Shelby County Schools

No.	Name	Amount	Memo/Description
4		(500.00)	10% admin fee mid south leadership
5	Bright Minds Speakers LLC	(5,000.00)	invoice # 05012023
6	Bright Minds Speakers LLC	(5,000.00)	invoice # 05012023-1
7	Crown Trophy	(65.00)	27544
8	Crown Trophy	(180.00)	27578
9	Pinnacle Bank	(263.37)	
10	Pinnacle Bank	(386.25)	
11	Pinnacle Bank	(1,510.40)	
12	Pinnacle Bank	(247.64)	
13	Pinnacle Bank	(817.60)	
14	Pinnacle Bank	(4,326.00)	
15	Prestige AV & Creative Services	(2,286.00)	Job # 222795
16	Cedric Smith	(500.00)	MSCS Mid South Leadership DJ
17	Gerald Richardson	(3,500.00)	MSCS Mid South leadership
18	Gerald Richardson	(500.00)	MSCS Mid South leadership
19		(50.00)	kroger
20		(3,401.04)	kroger
21		(1,200.00)	
22		(539.75)	
23		(1,885.36)	best buys total of most
24		(6,413.73)	hotel
25		(652.04)	
26		(780.00)	
27		(5,000.00)	selfie
28		(25.00)	Create10 me
29		(569.90)	
30		(766.06)	
31		(257.50)	Memphis Sports
32		(1,381.38)	Sheraton
33		(318.30)	Sheraton
34		(250.00)	burton sq
35	Cole's Screen Printing	(5,519.80)	invoices13390, 13060, 12791
Total		$(59,784.63)	

Table 104: Unsupported Revenue[175]

No.	Name	Amount	Memo/Description
1	Valecia Marshall	$ 5,000.00	Mid South
2	Process to Progress LLC	2,000.00	Mid south leader symposium
3	Laura Szczepanski	2,000.00	Mid South leadership sysmposium
4	Javier Encinas	2,000.00	Mid South leadership sysmposium
5	Develop CTR	2,000.00	Mid South leadership sysmposium
6	Sandra Cagel	5,000.00	Mid south sysmposium
7	Judith Oran	5,000.00	Mid South leadership
8	Kalya Muniz	2,000.00	MId South leadership
9	GCE Market Online	2,000.00	Mid south leadership
10	FlexPoint Education Cloud	2,000.00	Mid South leadership
11	Vicky Joe	2,000.00	Mid South Leadership
12		55.00	
13	Stephon Smallwood	55.00	Mid south leardership

[175] For all tables in this section of the report, any misspellings or typographical errors are taken directly from documentation provided by SchoolSeed and have not been corrected or modified by CLA.

No.	Name	Amount	Memo/Description
14	Credit from Office Depot	539.76	Office Depot
15	Credit Best Buy	165.72	Best Buy
Total		$ 31,815.48	

Incomplete General Ledger Information

CLA also noted that certain expenses were identified within the supporting documentation that did not appear in the general ledger provided for review. The presence of these expenses in invoices, receipts, or other supporting records, without corresponding entries in the general ledger, indicates that the general ledger may not be complete. This condition suggests that either all symposium-related expenses were not recorded in the general ledger or that some sponsor payments and related activity reflected in the supporting documentation were not fully or accurately posted. As a result, the completeness of the general ledger cannot be fully relied upon, increasing the risk that reported financial activity does not fully reflect all symposium transactions. Table 105 is a list of the transactions for which support was provided, but were not recorded in the general ledger.

Table 105: Transactions not in GL

Date	Reference Number	Amount	Name	Business Name	Document Description
5/2/2023	7506656	$ 100.00	Praticia Spears	Freed-Hardeman University	Formsite
5/7/2024		43.81		Walmart	Receipt
5/19/2023	7560055	55.00	Krupa Jiminez	T-Mobile	Excel Sponsor Worksheet
5/19/2023	7559964	5,000.00	Joel Mayes	Mayes Educational Services	Excel Sponsor Worksheet
5/19/2023	7559444	2,000.00	Chrystie Edwards	TNTP	Excel Sponsor Worksheet
5/15/2023	7544565	55.00	Lameka Ivy	Ivy Mediation and Consultingm LLC	Excel Sponsor Worksheet
5/15/2023	7544512	55.00	Andrew Ramsey	Elite Detergent Distributions, LLC	Excel Sponsor Worksheet
5/15/2023	7544501	55.00	Melissa Smith	enmotion Promotion	Excel Sponsor Worksheet
5/10/2023	7530460	2,000.00	Erica Hodges Fox	McGraw Hill	Excel Sponsor Worksheet
5/9/2023	7526719	350.00	Michael Benge	Carnegie Learning	Excel Sponsor Worksheet
5/5/2023	7513934	5,000.00	Louis Massato	FlexPoint Education Cloud	Excel Sponsor Worksheet
4/20/2023	7473390	5,000.00	Kade Dickerson	Grand Canyon University	Excel Sponsor Worksheet
4/19/2023	7469178	5,000.00	Megan Easterling	TNV	Excel Sponsor Worksheet
4/5/2023	7427591	5,000.00	Erika Henderson	Collaborative Classroom	Excel Sponsor Worksheet
4/5/2023	7426590	5,000.00	Lisa Womack	STEMscopes	Excel Sponsor Worksheet
4/5/2023	7426013	5,000.00	Drew Bedurah	Nearpod	Excel Sponsor Worksheet
4/4/2023	7421145	5,000.00	James Bacchus	Process to Progress LLC (P2P)	Excel Sponsor Worksheet
3/20/2023	7376887	15,000.00	Mary Olds	YMCA of Memphis & the Mid-South	Excel Sponsor Worksheet
Total		$ 59,713.81			

Registration Deadlines

CLA located the 2023 Leadership Symposium sponsor packet, which established registration deadlines for sponsors and exhibitors, and tested whether the transaction dates recorded in the general ledger complied with those deadlines. Transaction dates for sponsor and exhibitor revenues were compared to the applicable deadlines outlined in the packet to determine timely registration. Figure 89 shows the registration deadlines based on sponsorship level.

Figure 89: 2023 Leadership Symposium Sponsorship Packet

Based on the results of this testing, CLA identified instances where certain sponsor transactions appeared, based on the dates reflected in the general ledger detail provided, to fall outside the established sponsor registration deadline. These instances may reflect delays in recording transactions in the general ledger rather than actual non-compliance with the deadline. While such instances do not necessarily indicate that sponsor registration deadlines were missed, they highlight the importance of timely and accurate recording in the general ledger.

Table 106: Sponsorship Level Deadlines

Description	Met	Not Met
Sponsor Deadline	1	5
Exhibitor Deadline	8	7

SchoolSeed Administrative Fee

In addition, CLA noted that SchoolSeed consistently assessed an administrative fee on sponsorship and donation revenue associated with the 2023 Leadership Symposium. Based on the general ledger activity within the limited records provided, these administrative fees ranged from 10% to 15% of the related sponsorship amounts and were recorded as separate deductions from gross revenue. The application of these fees was observed across a wide range of sponsor and contributor transactions, indicating a standard practice; however, the rate applied was not always consistent, with some transactions reflecting a higher percentage than others. Table 107 below shows the administrative fees per the general ledger and the revenue to which the administrative fee was applied.[176]

Table 107: Administrative Fees[177]

Name	Memo/Description	Amount	Notes
Valecia Marshall (Credit Card Payment)	Mid South	$ 5,000.00	
	10% admin fee Mid South	(500.00)	
Engagel Learning LLC	Mid south leadership sysmposium	5,000.00	
	10% admin fee	(500.00)	
Process to Progress LLC (Credit Card Payment)	Mid south leader symposium	2,000.00	
	10% admin fee Mid south leader symposium	(200.00)	
Laura Szczepanski (Credit Card Payment)	Mid South leadership sysmposium	2,000.00	
Javier Encinas (Credit Card Payment)	Mid South leadership sysmposium	2,000.00	
Develop CTR (Credit Card Payment)	Mid South leadership sysmposium	2,000.00	
	10% admin fee Mid south leadership sysmposium	(600.00)	
Sandra Cagel (Credit Card Payment)	Mid south sysmposium	5,000.00	
	10% admin fee mid south sysmposium	(500.00)	
Brain POP (Credit Card Payment)	Mid South leadership SYM	2,000.00	
	10% admin fee Mid South Leadership	(200.00)	
Amplify (Credit Card Payment)	Mid south leadership	2,000.00	
PSC, Inc (Credit Card Payment)	Mid south leadership	10,000.00	
	10% admin fee Mid south leadership	(200.00)	
	10% admin fee Mid south leadership	(1,000.00)	
Kalya Muniz (Credit Card Payment)	MId South leadership	2,000.00	

[176] The notes column identifies instances where a 15% administrative fee was applied as opposed to 10%, or where no administrative fees were applied.

[177] For all tables in this section of the report, any misspellings or typographical errors are taken directly from documentation provided by SchoolSeed and have not been corrected or modified by CLA.

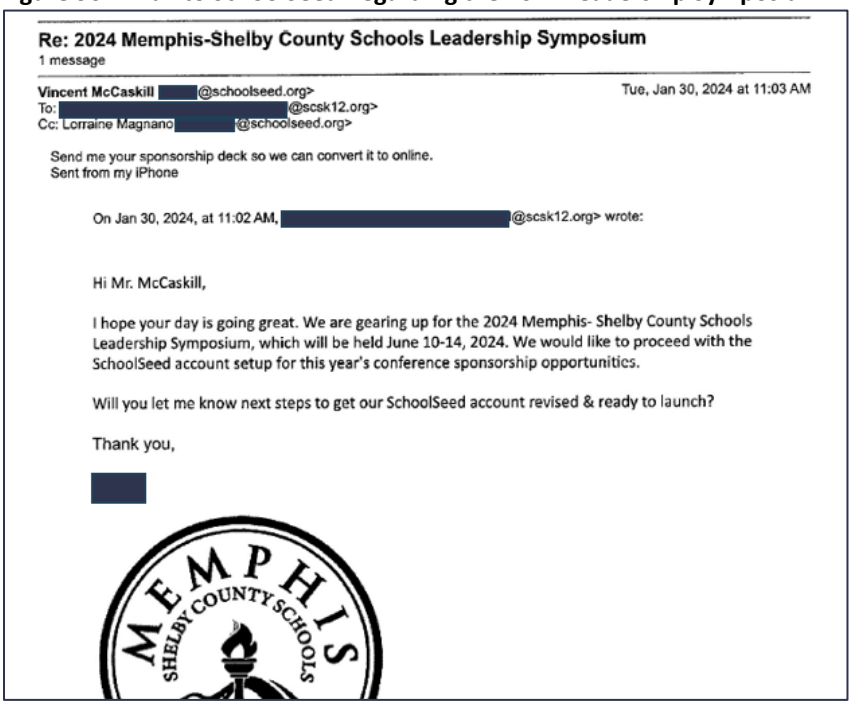
Name	Memo/Description	Amount	Notes
	10% admin fee Mid south leadership	(200.00)	
GCE Market Online (Credit Card Payment)	Mid south leadership	2,000.00	
	10% admin fee	(200.00)	
Memphis Light Gas & Water (Check)	2023 Mid south Leadership	2,000.00	
	10% admin fee Mid south leadership	(200.00)	
FlexPoint Education Cloud (Credit Card Payment)	Mid South leadership	2,000.00	
	10% admin fee Midsouth leadership	(200.00)	
Grand Canyon University (credit Card Payment)	Mid South Leadership	300.00	
Vicky Joe (redit Card Payment)	Mid South Leadership	2,000.00	
	10% admin fee Midsouth leadership	(230.00)	
American Fidelity Assurance Compnay (Credit Card Payment)	Mid south	55.00	
	10% admin fee	(5.50)	
Taneka Johnson (Credit Card Payment)	Mid south leadership	55.00	
	10% admin fee Mid South leadership	(5.50)	
HeartBeat- CPR (Credit Card Payment)	Mid south leadership	155.00	
ACOT Associates Group , LLC (Credit Card Payment)	Mid south leadership	55.00	
	10% admin fee Mid South leadership	(21.00)	
A Little bite of Everything Appareal (Credit Card Payment)	Mid South leadership	55.00	
WAKIL Solutions, LLC (Credit Card Payment)	Mid South leadership	110.00	
Cole's Screen Printing (Credit Card Payment)	Mid South leadership	330.00	
	15% admin fee Mid South Leadership	(74.25)	15% fee
	10% admin fee Mid south leadership	(200.00)	No revenue identified for this administrative fee
Burton Farris Consulting (Credit Card Payment)	Mid south leadership	55.00	
Harris Family Agency "The Family Resource Place" (Credit Card)	Mid south leadership	55.00	
C.M.Farris Fine Art (Credit Card Payment)	Mid south leadership	55.00	
My Girl Nonprofit Organization (Credit Card Payment)	Mid south leadership	55.00	
	10% admin fee Mid south leadership	(22.00)	

Name	Memo/Description	Amount	Notes
Stephon Smallwood (Credit Card Payment)	Mid south leardership	55.00	
	10% admin fee	(5.50)	
Houghton Mifflin Harcourt (HMH) (Credit Card Payment)	Mid south leadership	2,000.00	
	10% mid south ledership	(200.00)	
Cole's Screen Painting (credit Card Payment)	Mid south leadership	2,000.00	
	10% admin fee Mid south leadership	(200.00)	
Achievement Network (Anet) (Credit Card Payment)	Mid south leadership	2,000.00	
	10% admin fee Mid-south leadership	(200.00)	
Imagine Learning LLC (Check)	Mid south leadership	5,000.00	
	10% admin fee Mid south	(500.00)	
CIGNA (Check)	Mid south leadership	10,000.00	
	10% admin fee Mid South Leadership	(1,000.00)	
Carnegie Learning (Check)	for mid-south leadership	700.00	
	10% admin fee	(70.00)	
Total Sponsor Payments		$ 70,090.00	
Total Admin Fee		$ (7,233.75)	10.3%

2024 Leadership Symposium

In a January 30, 2024 email, the Director of Leadership Development at MSCS, explicitly stated MSCS was "gearing up for the 2024 Memphis-Shelby County Schools Leadership Symposium" and requested to "proceed with the SchoolSeed account setup for this year's conference sponsorship opportunities." Specifically, the email shows MSCS Leadership Development officials directing that SchoolSeed be used for sponsorship processing and financial setup for the 2024 symposium. See Figure 90 below.

Figure 90: Email to SchoolSeed Regarding the 2024 Leadership Symposium



Re: 2024 Memphis-Shelby County Schools Leadership Symposium
1 message

Vincent McCaskill [redacted]@schoolseed.org> Tue, Jan 30, 2024 at 11:03 AM
To: [redacted]@scsk12.org>
Cc: Lorraine Magnano [redacted]@schoolseed.org>

Send me your sponsorship deck so we can convert it to online.
Sent from my iPhone

On Jan 30, 2024, at 11:02 AM, [redacted]@scsk12.org> wrote:

Hi Mr. McCaskill,

I hope your day is going great. We are gearing up for the 2024 Memphis- Shelby County Schools Leadership Symposium, which will be held June 10-14, 2024. We would like to proceed with the SchoolSeed account setup for this year's conference sponsorship opportunities.

Will you let me know next steps to get our SchoolSeed account revised & ready to launch?

Thank you,

[redacted]

MEMPHIS SHELBY COUNTY SCHOOLS

Based on the documentation examined by CLA, MSCS served as the program owner and content authority for the symposium. Its responsibilities include designing and leading the symposium as a professional development event for MSCS leaders, determining sponsorship structures and pricing, which were then implemented through SchoolSeed, providing operational direction regarding who should have access to financial and registration data, and approving use of symposium funds. Emails from MSCS staff including leadership development personnel show that MSCS retained decision-making authority over the symposium and its funds, even though the funds were held externally.

The documentation reviewed demonstrates that, as with the 2023 Leadership Symposium, SchoolSeed acted as the fiscal agent and administrative intermediary. Its documented roles included:

- Receiving sponsorship payments and donations made payable to SchoolSeed Foundation for the symposium;
- Maintaining the symposium account where funds were deposited and tracked;
- Processing payments for symposium-related expenses (e.g., Cvent, printing, decor, vendors);
- Charging and retaining an administrative fee (generally 15%), consistently reflected throughout the ledger; and
- Providing financial access and reporting to MSCS-designated staff upon request.

Invoices, checks, merchant receipts, and internal accounting tables all list SchoolSeed Foundation as payee or merchant of record, confirming its fiscal-agent function.

CLA's work was based on documentation provided by SchoolSeed related to the 2024 Leadership Symposium. This documentation included the symposium general ledger, detailed transaction listings, and a compiled PDF document containing supporting materials such as vendor invoices, check copies, merchant receipts, sponsorship confirmations, and relevant email correspondence. CLA also reviewed internal Excel sponsor listings generated through Formsite, which tracked sponsor names, contribution amounts, reference numbers, and status information, as well as emails relating to refunds, redeposits, and the transfer of funds between the 2023 and 2024 symposium accounts.

As part of its analysis, CLA performed a transaction-level review of revenues and expenses recorded in the symposium general ledger. Individual general ledger postings were examined and, where possible, traced directly to third-party supporting documentation such as invoices, receipts, check images, merchant confirmations, and corroborating emails or text messages. Transactions that lacked direct third-party documentation were not assumed to be supported; instead, they were identified and evaluated separately. CLA classified transactions into supported, partially supported, or unsupported categories, applying this framework independently to both revenues and expenses.

Symposium Expenses

CLA noted that three expense transactions and four revenue transactions were adequately supported with appropriate documentation, including invoices, check copies, emails, and certain sponsor payments. Table 108 details supported expenses and shows the supported revenue transactions and the supporting documentation that was provided by SchoolSeed.

Table 108: Supported Expenses

Expense	Amount	PDF Support
Cvent, Inc.	$ 26,040.00	Invoice and email
Cvent, Inc.	3,000.00	Invoice and email
Memphis-Shelby County Schools	45,635.33	Check copy and email
Total	$ 74,675.33	

Table 109: Supported Revenues

Revenue	Amount	PDF Support
Brian Cole	$ 2,000.00	Merchant email receipt
YMCA of Memphis & the Mid South	10,000.00	Check copy
Cambium Learning Inc.	5,000.00	Check copy
Memphis County Shelby Schools	45,635.33	Check copy, email and text
Total	$ 62,635.33	

Symposium Revenues

Ten revenue transactions were supported only by internal spreadsheets which consist primarily of sponsorships, exhibitor fees, and donations where the sole evidence provided was an internally maintained Excel sponsor listing or worksheet, rather than third-party documentation. This spreadsheet typically lists the sponsor or contributor name, an expected contribution amount, and, in some cases, a Formsite reference number, but did not include proof that funds were remitted or received. However, the amounts on the spreadsheet tie to the amounts recorded in the general ledger. Appropriate independent support would include third-party evidence such as executed sponsorship or exhibitor agreements, Formsite or payment platform confirmation emails showing the amount authorized and paid, bank deposit records, or remittance advice issued by the sponsor. Table 110 details the transactions supported only by the internally prepared spreadsheet.

Table 110: Partially Supported Revenue

Revenue	Amount	PDF Support
Zoe Beckham	$ 2,000.00	Excel Sponsor Listing
Sarah Stuart	5,000.00	Excel Sponsor Listing
Sean Amicucci	1,000.00	Excel Sponsor Listing
American Book Company	10,000.00	Excel Sponsor Listing
Shauna Carlson	2,000.00	Excel Sponsor Listing
Personal Computer Systems, Inc.	10,000.00	Excel Sponsor Listing
Image Learning LLC	5,000.00	Excel Sponsor Listing
Grand Canyon University	2,000.00	Excel Sponsor Listing
Darius James	2,000.00	Excel Sponsor Listing
Freed-Hardeman University	750.00	Excel Sponsor Listing
Total	$ 39,750.00	

Variances

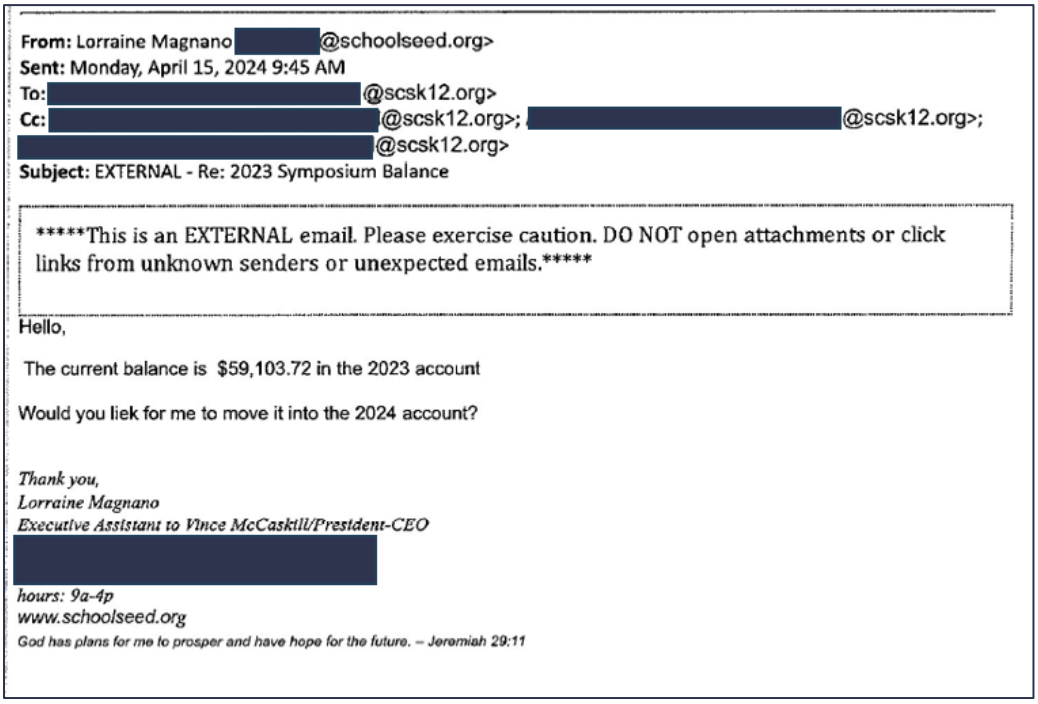
CLA also performed a reconciliation and variance analysis, comparing amounts recorded in the general ledger to amounts reflected in the supporting documentation provided. CLA noted a transaction labeled as a transfer of funds from the 2023 account to the 2024 account. While an email requested a transfer of $59,103.72, the general ledger reflected a transfer of $31,903.72, resulting in an identified variance of approximately $27,200.00.

The detail of the variance identified between the amount transferred per the general ledger to the balance per the email provided is shown in Figure 91 after Table 111 below.

Table 111: Variance in 2023 Balance Transfer

Payee per GL	Amount per GL	Amount per email	Variance
Transfer funds to the 2024 account per the client	$ 31,903.72	$ 59,103.70	$ (27,199.98)

Figure 91: Email re 2023 Account Balance



From: Lorraine Magnano [redacted]@schoolseed.org>
Sent: Monday, April 15, 2024 9:45 AM
To: [redacted]@scsk12.org>
Cc: [redacted]@scsk12.org>; [redacted]@scsk12.org>; [redacted]@scsk12.org>
Subject: EXTERNAL - Re: 2023 Symposium Balance

*****This is an EXTERNAL email. Please exercise caution. DO NOT open attachments or click links from unknown senders or unexpected emails.*****

Hello,

The current balance is $59,103.72 in the 2023 account

Would you liek for me to move it into the 2024 account?

Thank you,
Lorraine Magnano
Executive Assistant to Vince McCaskill/President-CEO
[redacted]
hours: 9a-4p
www.schoolseed.org
God has plans for me to prosper and have hope for the future. – Jeremiah 29:11

Insufficient Documentation

Additionally, ten expense transactions and six revenue transactions lacked sufficient support altogether, indicating documentation gaps and reconciliation issues that affect the overall reliability and transparency of SchoolSeed's financial records. In many instances the general ledger either contained no information or did not contain sufficient information to determine the nature of the expenses.

Table 112 details the expenses in the general ledger for which no support was provided, and Table 113 contains the detail of the revenues recorded in the general ledger for which no support was provided.

Table 112: Unsupported Expenses

No.	Name	Amount	Memo/Description
1	Target	$ 1,025.00	
2	Target	600.00	
3	Kroger	1,575.00	
4	Kroger	1,575.00	
5	Coles Screen Printing	3,354.88	Banners and Stand qt 14592
6	Crafty Little Extras	1,800.00	Balloon Decor
7	Ritzee Florist & Interior Designs	375.00	invoice 1289
8	Massage By Design, Inc.	4,887.50	
9	Reclass	1,086.01	per Rachel Anderson on a call
10	Pivot School Improvement Leaders	2,000.00	refund
Total		$ 18,278.39	

Table 113: Unsupported Revenues

No.	Name	Amount	Memo/Description
1	Ann Larson	$ 2,000.00	id south leadership
2	Alexis Priore	2,000.00	
3		750.00	
4		2,000.00	
5		75.00	Kroger Credit on GC
6	Champion Awards	2,000.00	donation
Total		$ 8,825.00	

Registration Deadlines

CLA located the 2024 Leadership Symposium sponsor packet, which established registration deadlines for sponsors and exhibitors, and tested whether the transaction dates recorded in the general ledger complied with those deadlines. Transaction dates for sponsor and exhibitor revenues were compared to the applicable deadlines outlined in the packet to determine timely registration. Figure 92 shows the registration deadlines based on sponsorship level.

Figure 92: 2024 Leadership Symposium Sponsorship Package

Based on the results of this testing, CLA identified instances where certain sponsor transactions appeared, based on the dates reflected in the general ledger detail

provided, to fall outside the established sponsor registration deadline. These instances may reflect delays in recording transactions in the general ledger rather than actual non-compliance with the deadline. Table 114 below shows the status of sponsor registration deadlines.

Table 114: Sponsorship Level Deadlines

Description	Met	Not Met
Sponsor Deadline	1	5
Exhibitor Deadline	4	5

Administrative Fees

Administrative fees were assessed by SchoolSeed on sponsorship revenue associated with the 2024 Leadership Symposium and were generally calculated at a rate of 15% of the underlying sponsorship amounts. CLA reviewed these fees by comparing the amounts recorded in the limited general ledger provided to the related sponsorship revenue and recalculating the expected fee based on the stated percentage. In most instances, the administrative fees recorded aligned with the 15% rate and were consistently applied across sponsorship transactions. However, CLA noted certain reclassification entries and adjustments in which the effective administrative fee rate differed from 15%, including instances where fees were split or partially reclassified. These differences were documented in the administrative fee analysis and reflected in Table 115 below.[178]

Table 115: Administration Fees

Date	Ref No.	Memo	Increase	Decrease	Calc %	Notes
03/18/2024	YMCA of Memphis & the Mid South		$ 10,000.00			
03/18/2024	03.18.24 admin fees	15% admin fee		1,500.00	15%	
03/21/2024	03.21.24 CC merchant		2,000.00			
03/21/2024	03.21.24 CC merchant		5,000.00			
03/21/2024	03.21.24 CC merchant	15% admin fee 2024 Midsouth Leadership		1,050.00	15%	
03/22/2024	03.22.24 cc merchant	mid south leadership	2,000.00			
03/22/2024	03.22.24 cc merchant	mid south leadership 15% admin fee		300.00	15%	
03/26/2024	03.26.24 cc merchant		1,000.00			
03/26/2024	03.26.24 cc merchant	15% admin fee		150.00	15%	
04/01/2024		donation	10,000.00			

[178] The Notes column identifies transactions for which no administrative fee was applied with the note "No Admin Fee."

Date	Ref No.	Memo	Increase	Decrease	Calc %	Notes
04/01/2024	04.01.24 reclass $	15% admin fee Mid South leadership		1,500.00	15%	
04/08/2024	04.08.24 cc merchant	2024 mid south leadership	2,000.00			
04/08/2024	04.08.24 cc merchant	15% admin fee mid south leadership		300.00	15%	
04/23/2024	04.23.24 cc merchant		2,000.00			
04/23/2024	04.23.24 cc merchant			300.00	15%	
04/25/2024	04.25.24 cc merchant		750.00			
04/25/2024	04.25.24 cc merchant			112.50	15%	
04/29/2024	04.29.24 cc merchant		2,000.00			
04/29/2024	04.29.24 cc merchant	15% admin fee		300.00	15%	
05/08/2024	Personal Computer Systems, Inc.	donation	10,000.00			No Admin Fee
05/13/2024	Image Learning LLC	donation	5,000.00			
05/13/2024	5.13.24 admin fees	15% admin fee		750.00	15%	
05/15/2024	5.15.24cc merchant		2,000.00			
05/15/2024	5.15.24cc merchant	15% admin fee		300.00	15%	
06/04/2024	6.4.24 cc mercahnt		2,000.00			
06/04/2024	6.4.24 cc mercahnt	15% admin fee		300.00	15%	
07/12/2024		donation	2,000.00			No Admin Fee
07/14/2024	7.14.24 cc merchant	donation	2,000.00			
07/14/2024		donation	750.00			
07/14/2024		Donatioin	5,000.00			
07/16/2024	7.16.24 reclass $$	15$ admin fee		112.50		
07/16/2024	7.16.24 reclass $$	15% admin fee		750.00	11%	
Total			$ 65,500.00	$ 7,725.00		

Observations

Observation #183 CLA's review identified significant governance, documentation, and oversight challenges related to SchoolSeed's role as a fiscal agent for MSCS-related activities. Although SchoolSeed asserted that it did not

maintain contracts or agreements with MSCS during the period under review, MSCS records maintained in APECS reflect multiple executed contracts, memoranda of understanding, professional and non-professional services agreements, and fiscal agent arrangements involving SchoolSeed or SchoolSeed Foundation. This inconsistency between representations made during interviews and District system records limited transparency and complicated the assessment of roles, responsibilities, and accountability.

Observation #184 CLA's testing was constrained by SchoolSeed's limited production of financial records. SchoolSeed did not provide a complete general ledger, bank statements, or full QuickBooks records for the period under review and instead produced documentation limited to the 2023 and 2024 Leadership Symposiums, supplemented by a single transaction listing that did not represent a complete population of MSCS-related activity. As a result, CLA's analysis was restricted to those discrete projects and could not be extended to other MSCS-related contracts, payments, or donor-funded activities reflected in District records.

Observation #185 Within the Leadership Symposium projects reviewed, CLA identified weaknesses in documentation and financial recordkeeping, including unsupported or partially supported revenue and expense transactions, reliance on internally prepared spreadsheets in lieu of third-party evidence, inconsistencies between the general ledger and supporting documentation, and transactions appearing in supporting files but not recorded in the general ledger. CLA also noted inconsistent application and documentation of administrative fees assessed by SchoolSeed, increasing the risk that fees were not fully transparent or uniformly applied.

Conclusions

Inconsistencies between SchoolSeed's representations and District records, coupled with incomplete record production, limited CLA's ability to fully assess contractual relationships, financial activity, and accountability. The additional transaction listing provided did not resolve these limitations, as it did not include comprehensive or reconcilable accounting records. Within the limited scope reviewed, deficiencies in recordkeeping and fee documentation further increased the risk that financial transactions were not uniformly administered.

Recommendations

The following recommendations are suggested to improve controls and processes:

Recommendation #132 SchoolSeed should formalize its relationships with Memphis-Shelby County Schools through clear, written agreements for any and all activity in which SchoolSeed acts as a fiscal agent, intermediary, or administrator of funds benefiting MSCS. Such agreements should clearly define the scope of services, roles and responsibilities, reporting requirements, fee structures, documentation standards, and audit or inspection rights to reduce ambiguity and enhance accountability for all parties.

Recommendation #133 SchoolSeed should continue to enhance its financial documentation framework by maintaining comprehensive, project-level and organization-wide accounting records supported by third-party documentation. Although CLA has not yet requested specific additional information and SchoolSeed indicated that all documentation for the Learning Symposiums was provided, subsequent information requests as the review progresses may provide an opportunity to locate documentation not previously provided. Maintaining readily available third-party support would further support transparency and auditability.

6. Conclusion

Based on the procedures performed, CLA identified evidence that $54,161,108.89 in funds disbursed were consistent with the ACFE guidance describing potential fraud ($250,000.00), waste ($763,124.28), and abuse ($53,147,984.61).

This includes contract-related disbursements consistent with the ACFE guidelines on waste in the amount of $209,884.93 and abuse in the amount of $50,077,249.60 related to disbursements for professional and non-professional services contracts due to inadequate oversight, unsupported or duplicative billings, contracting and payment activity occurring outside established procurement controls, and services that were duplicative of existing benefits. The most significant observations relate to a contract for custodial services, accounting for $48,430,744.52 in disbursements identified as consistent with the ACFE guidance pertaining to the definition of abuse due to management override of the public procurement process.

Additionally, CLA identified widespread instances of non-compliance with District policies and procedures totaling $65,073,979.48, which, while not rising to the level of potential fraud, waste, or abuse, reflect significant internal control failures and governance weaknesses. These matters relate to ACH disbursements, manual warrants, manual payroll checks, P-card and check request activity, and travel reimbursements processed without required documentation, approvals, or adherence to procurement requirements.

The forensic audit identified significant and recurring internal control, documentation, and records-management deficiencies that materially impaired the District's ability to demonstrate compliance, accountability, and effective stewardship of public funds. While many transactions reviewed appeared to represent legitimate District business activities, the absence of contemporaneous support, fragmented systems, inconsistent enforcement of policies, and reliance on institutional knowledge rather than documented controls increased the risk of error, non-compliance, and undetected misconduct.

To address the internal control deficiencies and issues identified through the performance of this forensic audit, this report includes 185 observations and provides 133 recommendations to be considered to strengthen MSCS internal control processes. The number of recommendations is lower than the number of observations, as recommendations were consolidated where multiple observations across different areas reflected common underlying themes and control weaknesses. The observations and recommendations are presented in detail throughout the body of the report; for ease of reference, Attachment 2 provides a consolidated listing of the observations (abridged) and Attachment 3 provides a corresponding listing of the recommendations.

7. Professional Standards Followed by CliftonLarsonAllen LLP

The overall scope of work and approach was conducted utilizing standards in accordance with the Statement on Standards for Forensic Services No. 1 (SSFS No. 1) of the American Institute of Certified Public Accountants (AICPA) and the Code of Professional Standards of the Association of Certified Fraud Examiners (ACFE). This report does not constitute an audit, compilation, or review, in accordance with standards of the AICPA, the objective of which would be the expression of an opinion on any specified elements, accounts, or items. Accordingly, CLA does not express such an opinion.

Because of the unique nature of fraud, and because our engagement was limited to the matters described in the engagement letter, fraud and/or financial irregularities may exist within the organization that we may not have identified during the performance of our procedures. However, if during the performance of our services other matters had come to our attention suggesting possible financial improprieties and/or irregularities, we would have communicated such matters to the State.

The professional standards promulgated by the AICPA prohibit CLA from rendering an opinion as to whether there has been any fraud or other criminal activity by anyone associated with this engagement. Therefore, CLA does not render such opinions.

8. Information about CliftonLarsonAllen LLP

Established on January 2, 2012, CLA is well positioned with knowledge, insight, and industry-specific accounting, tax, and consulting services. CLA is the result of a union between Clifton Gunderson and LarsonAllen, both established more than 60 years ago. CLA has both a national Forensic Services practice and a State and Local Government practice.

CLA is one of the largest professional service and accounting firms in the country with a growing global network. With a nationwide team of experienced professionals, clients include law firms, school districts, CEOs, leaders in education, municipalities, governmental agencies, the law enforcement community, commercial businesses, and not-for-profit agencies. The CLA Forensic Services team is a highly respected and sought-out authority in fraud prevention, detection, and investigation. Our multi-disciplined team is comprised of Certified Public Accountants, Certified Fraud Examiners, professionals Certified in Financial Forensics, and attorneys who practice as forensic accountants.

Fola Abiola-Banjac, Esq. is an experienced licensed attorney practicing as a forensic accountant. Ms. Abiola-Banjac is accomplished and results-driven, offering extensive experience providing forensic, ethics, and regulatory compliance guidance to the leadership of public and private sector organizations, with extensive experience in forensic accounting investigations, document review, and the development of expert opinions. She has a demonstrated record of success investigating allegations of fraud, regulatory, and ethical requirements. She leads the forensic, litigation and investigations practice (Forensic Services) and offers a history of delivering solid results in a series of positions with CliftonLarsonAllen, Federal Energy Regulatory Commission, the Securities and Exchange Commission, and other corporations and agencies.

Ana Rodriguez, CPA, CFE, is a technical director in the Forensic Services practice of CLA and collaborated with Ms. Abiola-Banjac, providing oversight and guidance to the team throughout this engagement. Her practice areas include accounting and auditing, fraud investigations and examinations, forensic accounting, internal control review and analysis, and litigation support. She brings over twelve years of experience in forensic accounting and fraud investigations, with a focus on educational institutions including school districts, colleges, and universities. As a forensic accountant and fraud examiner, Ms. Rodriguez has testified in administrative hearings for higher education entities and has served as an expert witness in criminal matters in the State of California.

9. List of Attachments

Table 116: List of Attachments

Attachment No.	Attachment Description
Attachment 01	List of interviews conducted
Attachment 02	List of abridged observations
Attachment 03	List of recommendations

Attachment 1

MSCS Forensic Audit - List of Interviews Conducted

	Title	Date of Interview	Location
1	Superintendent	8/11/2025	In person
2	Director of Auditing	8/11/2025	In person
3	IT Director	8/11/2025	In person
4	Policy Manager	8/11/2025	In person
5	Director of Procurement	8/11/2025	In person
6	Procurement Advisor	8/11/2025	In person
7	Controller	8/11/2025	In person
8	Facilities and Operations Manager	8/11/2025	In person
9	Assistant Superintendent of Operations	8/12/2025	In person
10	MSCS Board Members	8/12/2025	In person
11	General Counsel	8/12/2025	In person
12	Contract Administrator	8/12/2025	In person
13	Procurement Supply Chain Manager	8/12/2025	In person
14	Director of Payroll	8/12/2025	In person
15	Facilities Officer	8/12/2025	In person
16	Accounts Payable Manager	8/12/2025	In person
17	Director II Federal Programs & Operations	8/13/2025	In person
18	Director of Grants Management & Compliance	8/13/2025	In person
19	General Counsel; Contract Advisor	8/13/2025	In person
20	Board Member	8/13/2025	In person
21	Director of Charter Schools	8/13/2025	In person
22	Director of Virtual Schools	8/13/2025	In person
23	Director of Charter Schools	8/13/2025	In person
24	Manager of HR Staffing	8/13/2025	In person
25	Compliance Advisor	8/13/2025	In person
26	Controller	8/13/2025	In person
27	Director of Budgeting & Fiscal Planning	8/19/2025	In person
28	Chief of Human Resources	8/27/2025	Virtual
29	President/CEO SchoolSeed	9/15/2025	Virtual
30	TN DEO, Senior Coordinator Early Childhood Quality and Supports	9/17/2025	Virtual
31	Former Director of Auditing	9/22/2025	In person
32	Senior Procurement Buyer	9/22/2025	In person
33	Controller	9/22/2025	In person
34	Grant Manager for Head Start	9/22/2025	Virtual
35	Advisor - Non-Instructional Staffing	9/22/2025	In person
36	Department Superintendent of Education Services	9/22/2025	In person
37	Accountant	9/22/2025	In person
38	Executive Director of Talent Management	9/22/2025	In person
39	General Counsel	9/23/2025	In person
40	Charter Finance Director	9/23/2025	In person
41	Director of Procurement	9/23/2025	In person
42	Director of Mental Health Center	9/23/2025	In person
43	Director of Charter Schools	9/23/2025	In person
44	Senior Benefits Advisor	9/23/2025	In person
45	Executive Director of Exception Education	9/23/2025	In person
46	Senior Compensation Advisor	9/23/2025	In person
47	Compliance	9/23/2025	In person
48	Exceptional Education Advisor (Medicaid Reimbursement)	9/24/2025	In person
49	Executive Services Advisor	9/24/2025	In person

MSCS Forensic Audit - List of Interviews Conducted

	Title	Date of Interview	Location
50	Former Internal Audit Chief	9/25/2025	Virtual
51	Accounts Payable	10/6/2025	Virtual
52	Nutrition - Procurement	10/23/2025	In person
53	Nutrition Senior Accountant	10/23/2025	In person
54	Commissioner	11/10/2025	Virtual
55	Charter Finance Director	11/18/2025	Virtual
56	Controller	11/24/2025	Virtual
57	Information Technology ERP Database Advisor	12/3/2025	Virtual
58	General Counsel	1/12/2026	In person
59	Information Technology ERP Database Advisor	1/12/2026	Virtual
60	Department Superintendent of Education Services	1/12/2026	In person
61	Assistant Superintendent of Operations	1/12/2026	In person
62	Grant Manager for Head Start	1/12/2026	In person
63	Contract Analyst	1/13/2026	In person
64	Principal Cordova Middle School	1/13/2026	In person
65	Security Tech Manager	1/13/2026	In person
66	Data and Research	1/13/2026	In person
67	Chief of Security	1/13/2026	In person
68	Proximity Lead	1/13/2026	In person
69	Senior Compensation Advisor	1/13/2026	In person
70	Assistant Superintendent of Operations	1/14/2026	In person
71	Accountant Travel	1/14/2026	In person
72	Charter Finance Director	1/14/2026	In person
73	Facilities Officer	1/14/2026	In person
74	Director of Charter Schools	1/14/2026	In person
75	Director of Grants Management & Compliance	1/14/2026	In person
76	Manager of HR Staffing	1/14/2026	In person
77	Director of Payroll	1/14/2026	In person
78	Director II Federal Programs & Operations	1/15/2026	In person
79	Business Finance Officer	1/15/2026	In person
80	Director of Budgeting & Fiscal Planning	1/15/2026	In person
81	Assistant Superintendent of Operations	1/15/2026	In person
82	Manager of HR Instructional Staffing	1/15/2026	In person
83	President/CEO SchoolSeed	1/15/2026	Virtual
84	Whitehaven STEM Building, Inc. Representative	1/15/2026	Virtual
85	Executive Services Advisor (Board Staff)	1/27/2026	Virtual
86	President/CEO SchoolSeed; Accounting Manager SchoolSeed	2/6/2026	Virtual
87	ED of Business Operations; Director of Warehousing; Warehouse Manager	2/12/2026	Virtual
88	Assistant Superintendent of Operations	2/16/2026	Virtual
89	Department Superintendent of Education Services	2/16/2026	In person
90	Frayser Community Project	2/16/2026	In person
91	Department Superintendent of Education Services	2/16/2026	In person
92	Coordinator Graduations	2/16/2026	In person
93	Building Operations	2/16/2026	In person
94	Building Operations	2/16/2026	In person
95	General Counsel	2/17/2026	In person
96	Controller	2/17/2026	In person
97	Charter Finance Director; Controller	2/17/2026	In person

MSCS Forensic Audit - List of Interviews Conducted

	Title	Date of Interview	Location
98	Supply Chain Manager; Distribution Manager, Analyst Distribution; Senior	2/17/2026	In person
99	Controller	2/17/2026	In person
100	Charter Finance Director, Controller	2/17/2026	in person
101	Dir of Grants Management & Compliance; Grant Planning & Budgeting; Dir of Federal Programs	2/17/2026	In person
102	Office of School Compliance; Internal Auditor	2/18/2026	In person
103	Assistant Superintendent of Operations	2/18/2026	In person
104	Director of Warehouse Operations	2/18/2026	In person
105	Principal, Whitehaven High School	2/20/2026	In person
106	System Administration and Security Manager; IT Programmer Advisor; Warehouse and Fulfillment Director; Executive Director, Business Operations; Warehouse Operations Manager	2/20/2026	Virtual
107	Principal, White Station High School	2/20/2026	In person
108	Warehouse Team	2/23/2026	Virtual
109	Board Chair	2/24/2026	Virtual
110	Assistant Superintendent of Operations	4/9/2026	Virtual
111	Superintendent; General Counsel	4/14/2026	Virtual
112	Director of Custodial & Grounds Operations	4/27/2026	In person
113	Board Office Administrative Assistant	4/27/2026	In person
114	Executive Director Business Operations	4/27/2026	In person
115	School Compliance	4/28/2026	In person
116	Zone 1-4 Manager	4/28/2026	In person
117	MWBE Advisor	4/29/2026	In person
118	Assistant Superintendent of Operations	4/29/2026	In person
119	Manager, Executive Services	4/29/2026	In person
120	Superintendent	4/29/2026	In person
121	Facilities Officer	4/29/2026	In person
122	IT Security Manager	4/30/2026	In person
123	Director of Custodial & Grounds Operations	5/6/2026	Virtual
124	Zone 1-4 Manager	5/8/2026	Virtual
125	Assistant Superintendent of Operations	5/13/2026	Virtual
126	Supply Chain Manager; Distribution Manager	5/14/2026	Virtual
127	Facilities Officer, Director of Construction	5/14/2026	Virtual
128	Security Tech Manager	5/18/2026	In person
129	Facilities Officer	5/18/2026	In person
130	Program Advisor	5/18/2026	In person
131	Director Extended Learning	5/18/2026	In person
132	Assistant Superintendent of Operations	5/19/2026	In person
133	Internal Auditor	5/19/2026	In person
134	MWBE Advisor	5/20/2026	In person
135	Strategic Communications Officer	5/20/2026	In person
136	General Counsel	5/20/2026	In person
137	Former Director of Auditing	5/20/2026	In person
138	Zone 1-4 Supervisor	5/21/2026	In person
139	Former Director of Custodial and Grounds	5/21/2026	In person
140	Superintendent	5/21/2026	In person
141	Contract Administrator	5/28/2026	In person
142	FBI Special Agent	5/29/2026	Virtual

Attachment 2

Abridged Report Observations

The following list is an abridged summary of the observations identified within the MSCS Forensic Audit report, organized by forensic audit area[1]. Where applicable, CLA cross-referenced observations sharing common conditions or root causes to indicate related findings. This summary is provided for reference only and does not include the full context or supporting detail underlying each observation. Readers should refer to the full report for the complete observations and supporting details.

A. Federal and State Funding Review

i. Federal and State Funding – Title I

Observation #1 Inconsistent written documentation to support travel requests.

CLA noted inconsistent application of providing written justification on travel forms as required by District policy. In the travel expenses sampled, CLA did receive additional information to confirm it was in fact travel in accordance with the grant, through further inquiries.

Observation #2 Supporting documentation was missing from APECS.

Supporting documentation related to disbursements for District-operating public schools, including multiple quotes, contracts, and requests for proposals (RFPs), were not consistently uploaded and retained within APECS. Based on discussions with District personnel, this was attributed in part to storage limitations within APECS.

Although the District-operated public schools had some missing documentation, underlying support for disbursements related to charter school expenditures were identified in APECS and were maintained in the District's secondary storage management system, CRATE.

Observation #3 Journal entries lack sufficient clarity.

Journal entries often lacked sufficient clarity regarding the purpose or rationale for the adjustment. The journal entries often described what accounts were being adjusted but failed to describe the reasons for the adjustments. While supporting documentation was available for all five out of five samples tested and reviewed as of the date of this report, they did not have justification as to why the entries occurred. These samples required additional inquiry to verify the reason they were made to confirm compliance with the grant.

Observation #4 There was inconsistent use of the location code within the general ledger.

[1] Areas of the forensic audit report that did not result in observations are not included in this summary.

CLA observed that certain Title I expenditure transactions were recorded using location code 1000 (Central Office) in the general ledger rather than the specific school location to which the expenses related. The controller acknowledged that assigning expenses to the appropriate school location is considered best practice and that this best practice has been communicated to the departments; however, this practice is not consistently followed. If the correct location is not entered, it creates difficulty in determining which school location benefited from the expenditure.

Observation #5 Recurring journal entries are not documented in a written standard operating procedures manual.

Regularly occurring and appropriately documented journal entries are used to correct expenditures initially charged to federal grants that are subsequently determined to be unallowable for the specific federal award. This includes, for example, the removal of overtime and hybrid retirement payroll costs for employees fully funded by Title I, consistent with internal policy and Title I allowability requirements. However, the process for documenting and recording journal entries is not listed in an SOP.

ii. Federal and State Funding – ESSER

Observation #6 There was insufficient documentation attached to the transactions in APECS to clearly demonstrate the purpose and alignment with ESSER.

Observation #7 The District's supporting documentation did not always clearly demonstrate the relation between certain expenditures and COVID-19-related purposes. All of the transactions tested and reviewed were found to be compliant with ESSER fund requirements through additional inquiries responded to after the issuance of CLA's report.

Observation #8 Inventory storage and tracking of ESSER-funded supplies were insufficient.

CLA reviewed inventory storage and tracking practices through a visit to the District's educational warehouse. During this visit, CLA observed that certain COVID-19-related items, such as face masks and hand sanitizer, were appropriately stored separately in a secured area of the warehouse. However, other ESSER-funded supplies, including textbooks and instructional materials, were stored alongside non-ESSER inventory without consistent physical identification or coding. While these items could be traced to ESSER funding within APECS, doing so required additional steps and was not readily apparent from warehouse storage practices alone.

Observation #9 Textbooks purchased with ESSER funds were not cataloged consistently.

CLA observed that, under a prior administration, certain ESSER-funded textbooks were intended to be identified using catalog numbers ending with the letter "E" to distinguish them from non-ESSER inventory. However, this practice was not formalized through a documented SOP and is not reflected in the current policy. As a result, consistency in identifying and tracing ESSER-funded inventory relied on system inquiries and staff knowledge rather than documented procedures, which creates a risk.

CLA tested one purchase order, which included multiple catalog numbers, that occurred during the time that the "E" practice was in place for the catalog number. Regarding the one random sample selected, these textbooks catalog numbers should have had the "E" identifier; however, they were entered incorrectly without the suffix. As a result, the catalog numbers for this sample reflected the standard general fund structure rather than the ESSER-designated structure.

Observation #10 Although the District did not consistently follow its own catalog number policy, it demonstrated to CLA the ability to trace transactions and inventory to ESSER funding for the transactions tested. Opportunities exist to improve documentation clarity, consistency, and ease of traceability to support more efficient assessment of allowability and compliance. Observed evidence of operational need for portable air conditioning units.

There was an immediate operational need for portable AC units in certain schools where air conditioning systems are outdated and not functioning at full capacity. Further, a limited review of emails identified communications regarding AC needs, with no indications of improper use or missing units.

Observation #11 Weaknesses were identified in asset tagging for ESSER-funded equipment.

CLA identified certain asset-tagging deficiencies, including two units that had missing ESSER tags on items subject to tagging requirements. Additionally, CLA identified one unit which had a serial number tag that appeared to have been removed and reapplied. Although the existence of all 24 sampled units was verified, the absence of ESSER tags on certain assets and the inadequate securing of identification tags limit the District's ability to consistently track, identify, and safeguard federally-funded property. This increases the risk of misidentification or loss and reduces the effectiveness of inventory controls. The image below shows the unit with the reapplied serial number tag.

Observation #12 Duplicate portable air conditioning unit serial numbers existed within the inventory tracking system.

CLA observed two instances of portable AC units recorded with duplicate serial numbers within the District's inventory records. These items were included in the sample selection and subsequently discussed with District personnel. Through inquiry, District personnel indicated that the duplicate serial numbers were originally entered into the inventory system approximately four years prior and remained uncorrected until after CLA's review of the portable AC units.

District personnel further noted that the issue had been previously identified; however, attempts to investigate and resolve the discrepancies were not completed due to the decentralized distribution of the AC units across multiple school locations, which limited the District's ability to physically verify the assets. This provides evidence of non-compliance with the applicable code of federal regulation.

Observation #13 No inventory review procedures were performed for ESSER-funded portable air conditioning units.

The District purchased approximately 240 portable AC units with ESSER funds in 2022; however, no physical inventory review procedures were performed following acquisition until CLA's inquiry, a span of approximately four years. Additionally, the District's inventory system records did not include the school locations that housed the individual AC units. Consequently, the District could not initially demonstrate the existence, location, or proper safeguarding of these federally funded assets, increasing the risk of loss or misuse and limiting its ability to support compliance with federal property management requirements. While the individual units fall below the capitalization threshold, Uniform Guidance establishes that all federally funded property must be subject to effective control and accountability, particularly for high-risk items.

Observation #14 Twenty-four portable AC Units purchased at a value of $84,000.00 in total, could not be located.

CLA notes that upon inquiry by CLA, MSCS took prompt action to verify the existence of the units. Based on follow-up procedures, CLA was informed that the District was able to locate 216 of the 240 units (approximately 90%); however, 24 units remain unaccounted for as of the date of this report. Due to deficiencies in the District's inventory management practices, CLA is unable to determine the disposition of the missing units, including whether they were lost, misplaced, disposed of, or potentially subject to fraud, waste, or abuse. The absence of timely inventory procedures and reconciliation to asset records limits the District's ability to demonstrate accountability and proper safeguarding of federally funded

assets, thereby creating a condition of noncompliance with ESSER grant requirements.

Observation #15 There was insufficient justification to demonstrate grant compliance in Travel Justification Forms filed in APECS.

Justifications provided on the "Travel Justification Form for Employee" lacked sufficient detail to demonstrate how the travel was related to the ESSER grant. Specifically, the documentation often lacked a clear explanation of reasons for the employee's travel and how it was necessary for the grant purpose, or how the travel supported activities to prevent, prepare for, and respond to COVID-19. However, through additional inquiry, CLA was able to determine that these instances of travel were compliant with ESSER guidelines.

Observation #16 There was inconsistent use of the location code within the general ledger for ESSER expenditures.

iii. Federal and State Funding – Head Start

Observation #17 Head Start has strong, well-documented policies and procedures.

The District has developed comprehensive, well written policies and procedures specifically tailored to the Head Start program. The policies are reinforced with annual training presentations, to ensure all Head Start staff are knowledgeable of District requirements and federal compliance obligations. This demonstrates a strong commitment to consistent implementation and staff awareness as it relates to Head Start funding.

Observation #18 The Head Start program executive director was highly knowledgeable of program requirements.

The District's executive director of early childhood has nearly 30 years of experience with the District and has served in the executive director role for approximately six years. This long tenure facilitated effective and efficient communication during information requests, as the executive director demonstrated a strong understanding of both District policies and applicable federal guidelines, contributing positively to program oversight and compliance.

Observation #19 There was reliance on shared drive storage for supporting documentation rather than maintenance of these records within APECS.

CLA observed that certain underlying support could not be located within APECS and was instead maintained on a shared drive. In this instance, the practice did not result in compliance issues; however, it did cause delays in testing. These delays were mitigated by the long tenure and institutional knowledge of the executive director. Nevertheless, due to the potential

impact of staff turnover, maintaining documentation outside of APECS is not considered a best practice and may pose challenges to the existence of documentation, timely access, and continuity in the future.

Observation #20 There was inconsistent use of the location code within the general ledger.

Observation #21 CLA identified one instance in which a PAF was required but was not obtained.

Observation #22 CLA identified two instances in which the required minimum of three vendor quotes was not obtained in accordance with established procurement requirements.

iv. Charter Schools – Distribution of State, Local, and Federal Funding to Charter Schools

Observation #23 There was missing supporting documentation in violation of Board Policy 3012 – *Records Management* as well as the Statutory framework for District and School Audits in T.C.A. § 49-13-127.

CLA observed that two out of 21 charter school disbursements tested did not have supporting documentation attached beyond the reimbursement request submitted by the charter school. Both transactions related to the Safe Schools grant issued by the state of Tennessee. CLA submitted follow-up inquiries to both the chief of safety and security, who approved and signed the reimbursement requests, and to the assistant superintendent of operations; however, after several weeks, and over five inquires the supporting documentation could not be located. CLA was informed that the documentation may be contained within boxes of files in storage; however, the documents have not been located as of the date of this report. These conditions indicate the District's records were not consistently organized, retained, or readily retrievable in a manner that supports timely, efficient, and accurate access to information.

The two transactions without supporting documentation totaled $66,096.26 and were noted to be both for alarm monitor and security guard services; however, without invoices CLA cannot confirm that the transactions were in fact for these services. CLA notes there were no receipts, invoices, or contracts available or provided to CLA even after multiple requests. These results indicate that for approximately 10% of the sample tested, the District's records were not consistently organized, or readily retrievable in a manner that supports timely, efficient, and accurate access to information as required under Board Policy 3012 – *Records Management*. Consequently, the sample will require expansion.

Observation #24 There were missing supporting explanations or reconciliations.

CLA observed that, for three of the 21 charter school disbursements tested, the supporting invoices did not match the amounts reimbursed. In these

instances, the invoice totals exceeded the reimbursement amounts requested, which reduced the risk of over-reimbursement. However, upon inquiry, the variances could not be explained either by the chief of safety and security, who approved and signed the reimbursement requests, or the assistant superintendent of operations.

The two transactions for which no adequate explanation for the variance was provided totaled $31,374.50 and represent approximately 15% of the sample tested. It should be noted that both this observation and Observation #25 relate to reimbursements issued to charter schools that were processed outside of the charter office.

Observation #25 There was inconsistent use of the location code within the general ledger.

During the analysis of total distributions to charter schools, CLA identified limitations resulting from the inconsistent use of charter school location codes in the general ledger. According to discussions with the controller, departments have been instructed to use the specific school location code; however, CLA notes this guidance is not always consistently applied. Failure to enter the correct location increases the difficulty in determining which school location benefited from the expenditure.

Observation #26 CRATE system capabilities are being used to their full potential and are very well organized.

The CRATE system, implemented in Spring 2022, was observed by CLA to be a well-organized and effectively utilized tool within the charter school office. This web-based system functions efficiently throughout the entire process, from initial document upload through multiple levels of approval, document retention, and submission to the accounts payable department. While CLA recognizes that other departments have access to CRATE and may use it in varying capacities, the charter school office's consistent and comprehensive use demonstrates full utilization of the system's capabilities and is considered a departmental strength.

During sample testing, CLA observed that an incorrect account number on a reimbursement request was identified and corrected through the multi-level approval process. Although the error was not detected by the initial reviewer, it was identified by a subsequent reviewer prior to submission to accounts payable. CLA further noted that, upon inquiry, all supporting documentation related to this transaction was easily located due to the organized storage of records within the CRATE system.

Observation #27 There are inconsistencies regarding the allocation of grants to the appropriate funds.

The controller communicated there was a practice of assigning certain grants to Fund 01, General Fund, versus Fund 08, Discretionary Grants, or

Fund 12, Federal Grants and these would typically not be handled through the charter school office. As a general rule and as a best practice starting in fiscal year 2025, after all the existing grants performance periods under former leadership have ended, Fund 01 will not include grants or projects unless a match requirement exists.

Observation #28 Standard BEP and TISA allocations were accurate and consistent with State schedules.

Standard BEP and TISA allocation amounts for all samples tested agreed to State-provided schedules and were accurately recorded in the GL, with corresponding activity appropriately reconciled to the corresponding bank statements. No variances were identified.

B. Procurement and Contract Management

i. Contracts and Solicitations – Professional Services

Observation #29 The conflict-of-interest language required by Policy 4003 was not identified on any documentation.

Policy 4003: Conflict of Interest requires "All Shelby County Schools procurement documents shall contain a clause reserving the right of the school district to review vendor, supplier, or contractor records to determine whether a conflict of interest exists." CLA did not identify any documentation containing this clause. Although the standard contracts provided by the District typically contained a clause requiring vendors to retain records pertaining to the contract for three years, they did not include any provisions addressing the retention in relation to a determination of potential conflicts of interest. CLA consulted with General Counsel regarding the omission of this requirement; however, General Counsel was unable to offer an explanation.

Observation #30 CLA observed a lack of oversight of the consultants engaged as principal mentors, leading to instances where work was invoiced despite not being completed. CLA also identified a lack of review of the underlying support for the stated work performed.

Several contracts were identified in which former MSCS employees were contracted to provide mentorship to select MSCS principals.

Observation #31 CLA observed established policies and procedures were not adhered to when contracting a consultant, resulting in a vendor performing work outside of the official procurement framework and $198,000.00 being invoiced to the District without an allocated budget for these funds.

Observation #32 CLA observed that contract 2024-0436 contained conflicting terms and lacked oversight.

Observation #33 CLA observed that contract 2021-0990 was backdated approximately nine months, possibly due to a relationship with a board member.

Observation #34 CLA observed that contracts 2022-0639 and 2024-0435 contained conflicting terms and lacked oversight.

Observation #35 MSCS employees at a certain level are authorized to select vendors, execute contracts, and approve invoices, demonstrating insufficient internal controls.

Observation #36 CLA observed inadequate contracting and oversight that resulted in unsupported billing and the potential duplication of services already paid for.

Observation #37 CLA observed duplicative leadership support services occurring in the same time period for the same MSCS employee.

Observation #38 CLA observed two vendors with identical scopes of work contracted simultaneously.

Observation #39 CLA observed several contracts incorrectly classified as professional services in Contract Advantage.

As previously discussed in Observation #29, CLA was informed that the contract requestor is responsible for selecting the contract classification when submitting a request through Contract Request, and the contracts team is responsible for correcting the classification if necessary. CLA identified multiple contracts that are incorrectly classified in Contact Advantage as professional services. Examples include contracts 2024-0213 (software licenses), 2023-0471 (underground storage tank maintenance), 2021-0721 and 2021-0723 (indoor bleacher maintenance) and 2022-0036 (access to AP courses). Although CLA's preliminary review indicates that these contracts were likely administered and processed as non-professional services contracts, the inaccurate classification in Contract Advantage limits the District's ability to reliably report, monitor, and analyze contract activity by service type. This misclassification also reduces transparency, impairs management's ability to assess compliance with procurement requirements, and increases the risk that contracts subject to different approval thresholds, reporting requirements, or Board oversight may not be identified or reviewed appropriately. Over time, these data integrity issues weaken contract management controls and hinder effective oversight of District spending.

Observation #40 CLA observed 12 professional services contracts totaling $794,751.70 that were executed without appropriate signatory authority in accordance with District policy and formally delegated authority memoranda.

The underlying factors contributing to these instances of non-compliance, including the lack of centralized and clearly communicated signatory authority guidance, are discussed further in Observation #41 below.

Observation #41 CLA noted that the District's delegation of contract signatory authority was not maintained within a centralized, formally accessible policy framework. While Shelby County Board of Education Policy 2012 establishes that contracts must be executed by the Superintendent or an authorized designee, the detailed delegation of authority was communicated through separate memoranda that were not incorporated into the Procurement Services Manual or consistently maintained alongside other governing policies.

Specifically, the delegation memoranda outlining authorized signatories and corresponding dollar thresholds were not included in the Procurement Services Manual, nor were they located within a centralized policy repository accessible to personnel responsible for procurement, contracting, or approval processes. As a result, individuals were required to rely on standalone communications that were not systematically organized or readily retrievable.

Additionally, during interviews, District personnel were generally unable to identify where the delegation memoranda were located or clearly articulate which version of the signing authority guidance was in effect at the time contracts were executed. This lack of awareness indicates that the memoranda were not consistently distributed, maintained, or communicated as part of standard procurement or governance practices.

Observation #42 Based on procedures performed, CLA identified 16 professional services contracts totaling $991,418.75 in disbursements for which the required Procurement Advisory Form (PAF) could not be located in either Contract Advantage or APECS, the District's designated systems of record for procurement documentation.

Observation #43 CLA identified seven professional services contracts totaling $1,377,407.50 in disbursements for which evidence of required Board approval was not attached to the associated purchase orders. As a result, it was unclear what documentation was reviewed or relied upon at the time the POs were created and approved.

Observation #44 CLA observed identified one professional services contract totaling $75,000.00, which was paid in a single disbursement without evidence of an issued PO. As a result, the payment was processed without documentation demonstrating that the required procurement steps were completed prior to the authorization of services and disbursement of funds.

Observation #45 CLA identified one professional services contract totaling $3,500.00 in disbursements for which an incorrect invoice was maintained in APECS. The

invoice stored in the system was unrelated to the vendor associated with the contract and did not correspond to the goods or services procured. The Procurement Services Manual requires that accurate and complete documentation be maintained to support procurement transactions, including invoices that substantiate the validity of payments.

Observation #46 CLA observed four professional services contracts, in addition to others discussed elsewhere in this report, totaling $969,341.02 in disbursements for which invoices did not include the level of detail required by the underlying contractual agreements. Specifically, invoices frequently lacked key support such as detailed descriptions of tasks performed, time spent by task, and, where applicable, the names of personnel performing the work and dates services were rendered.

Observation #47 CLA noted several instances where one or more parties did not date contract signatures. While District policies and the Procurement Services Manual do not explicitly require signatures to be dated, the absence of signature dates limits the ability to clearly establish when agreements were formally executed.

Observation #48 Procurement Services Manual does not fully reflect electronic PO processes.

During the forensic audit process, CLA noted that portions of the Procurement Services Manual appear to reflect a paper-based purchasing environment and have not been fully updated to align with the District's current electronic system (APECS). While the manual establishes that purchase orders are required for purchases over $500.00 and serve as a legal document supporting procurement transactions, certain procedural language references physical documentation and manual processes rather than clearly addressing electronic workflows.

Observation #49 During the initial testing phase, observations were made as to the lack of oversight on contracts initiated and monitored by the chief of academics. Based on those procedures, CLA selected an additional testing population consisting of those contracts signed or monitored by the chief of academics that were not included in the original professional services testing population. CLA identified five additional contracts with disbursements consistent with the ACFE definition of waste totaling $82,623.84. Those five contracts are discussed in greater detail below.

ii. Contracts and Solicitations – Non-Professional Services

Observation #50 11 samples totaling $93,545.10 were within the dollar threshold requiring three quotes; however, the quotes could not be located in either Contract Advantage or APECS, the District's designated systems of record for procurement documentation.

Observation #51 Four samples totaling $319,391.17 were above the dollar threshold requiring competitive bidding; however, no evidence of competitive bidding could be located in either Contract Advantage or APECS, the District's designated systems of record for procurement documentation.

Observation #52 CLA observed evidence of vendors performing services prior to contract execution, as detailed below:

a) Contract 2022-0310 with Design 31, LLC included an invoice for $8,750.00 dated August 23, 2021 in the supporting documentation within APECS; however, the associated Procurement Advisory Form was not signed until September 29, 2021.

b) Contract 2022-0211 with Rhodes Lauck & Associates, Inc. included an invoice for $1,200.00 dated August 23, 2021 in the supporting documentation within APECS; however, the associated Procurement Advisory Form was not signed until August 24, 2021.

c) Contract 2022-0307 with Rhodes Lauck & Associates, Inc. included an invoice for $1,200.00 dated August 23, 2021 in the supporting documentation within APECS; however, the associated Procurement Advisory Form was not signed until September 18, 2021.

d) Contract 2022-0658 with Lamar Advertising of Memphis. included an invoice for $2,200.00 dated December 13, 2021 in the supporting documentation within APECS; however, the associated Procurement Advisory Form was not signed until February 25, 2022.

e) Contract 2023-0957 with Ed Murphey Classic included an invoice for $3,000.00 dated April 5, 2023 in the supporting documentation within APECS; however, the associated Procurement Advisory Form was not signed until April 26, 2023.

Observation #53 CLA observed evidence of contracts being awarded to the vendor who did not submit the lowest quote, as detailed below:

a) Contract 2022-0456 with LiveSchool, Inc. was awarded based on its quote of $3,950.00; however, a lower quote of $2,339.75 was submitted by KickBoard.

b) Contract 2022-0596 with Perpetual Motion LLC was awarded based on its quote of $9,950.00; however, a lower quote of $9,375.00 was submitted by Churchill.

Observation #54 CLA identified six non-professional services contracts totaling $12,738,808.80 in disbursements for which the required Procurement Advisory Form (PAF) could not be located in either Contract Advantage or

APECS, the District's designated systems of record for procurement documentation.

Observation #55 CLA identified one non-professional services contract totaling $47,955.88 in disbursements for which evidence of required Board approval was not attached to the associated purchase orders. As a result, it was unclear what documentation was reviewed or relied upon at the time the POs were created and approved.

Observation #56 CLA identified one non-professional services contract totaling $5,000.00 in disbursements for which for which the required Procurement Advisory Form (PAF) or evidence of three quotes could not be located in either Contract Advantage or APECS.

iii. Contracts and Solicitations – Low Dollar Contracts

Observation #57 CLA observed inconsistent use and documentation of the payment request forms

CLA identified that Payment Request Forms were not maintained for several samples where they would typically be expected based on the dollar threshold of the transaction However, in these instances, the District instead processed the transactions through the PO process.

Observation #58 CLA identified multiple instances where invoices did not contain evidence of formal approval, observing several invoices that lacked any approval signatures or other clear indication of review prior to payment.

Observation #59 CLA identified that nine invoices included budget codes, while the remaining invoices reviewed did not contain this information. The inconsistent inclusion of budget codes across invoices limits the ability to consistently trace expenditures to approved funding sources and budget allocations.

Observation #60 CLA identified several instances where purchases charged to Fund 12 (federal funds and grants) were processed using blanket POs, which are defined as POs established to facilitate repeated purchases from a single vendor over a defined period without specifying individual transactions in advance.

iv. Contracts and Solicitations – Special Procurement

Observation #61 The Contract Request submissions and Contract Advantage intake process has limitations, including inconsistent documentation of procurement methods.

Many Contract Advantage summaries and supporting documents do not indicate the procurement method, even when it is identified in Contract Request. Through inquiries, CLA noted that Contract Request and Contract

Advantage are different views of the same system and that the Contracts Team does not work within APECS. Instead, the team relies on the PAFs and other uploaded supporting documentation, making procurement method data dependent on the information entered by the requestor.

Observation #62 The Contracts Team does not independently validate or document procurement method determinations.

Additionally, when a PAF is not uploaded, the procurement method ultimately used becomes difficult to verify because APECS does not track that information.

CLA confirmed that the Contracts Team processes contracts as received and that Procurement separately manages the RFP process. As a result, procurement method determinations may not be consistently supported, documented, or traceable.

Observation #63 CLA confirmed that the Contracts Team has not received formal vendor-provided training on Contract Advantage and that staff originally trained on the system are no longer employed by the District. As a result, there is an increased risk of inconsistent system uses and processing practices.

Observation #64 There is a lack of system integration or reconciliation between Contract Advantage and APECS.

Contract Advantage, managed by Legal/Contracts, and APECS, managed by Procurement/Finance, operate independently and are not connected through an automated data feed or reconciliation process. Based on inquiry, CLA confirmed that the Contracts Team does not access APECS and instead relies on the documents provided. As a result, no one verifies whether the information in Contract Advantage matches APECS.

APECS does not record the procurement method used, such as sole source, single source, emergency, competitive bid, cooperative, or piggyback. Contract Advantage captures this information only when the requestor enters it in Contract Request, but the field is not required and is often left blank. As a result, if the PAF is not uploaded to Contract Advantage, the procurement method cannot be traced across District systems.

Observation #65 There is a lack of exception reporting or monitoring controls in Contract Advantage.

When asked whether exception reporting exists to identify inconsistent contracts, such as those with $0 amounts, missing required fields, or active status despite expiration, District personnel indicated they were unaware of any such reporting. It was also explained that the system can generate reports by contract type, but it does not automatically flag data anomalies or other red-flag conditions.

This gap is significant given the size of the population, 3,075 contracts, and the number of data quality issues identified. These included contracts entered as $0 and never updated, even when fully executed agreements were valued in the millions, such as a $25 million custodial contract recorded at $0.00 in Contract Advantage.

Observation #66 The conflict of interest process is not integrated with procurement decision-making.

Testing indicated that when the procurement method could not be determined, conflict of interest questions were largely unanswerable. Accordingly, CLA could not determine whether applicable conflict of interest safeguards had been applied.

Observation #67 CLA noticed a pattern of insufficient documentation, which prevented the determination of the proper procurement method.

For 21 contracts tested, CLA was unable to determine whether the contract represented a special procurement because supporting documentation was insufficient. Specifically, these contracts did not include a PAF in Contract Advantage, contained no information in the Requests field, and did not yield any documentation during email review identifying the procurement method.

Observation #68 Requisition numbers and purchase orders were frequently missing.

CLA identified 315 contracts with no purchase order number and 235 contracts with no requisition number. These omissions weaken the link between contracts recorded in Contract Advantage and the related budget approval and payment activity in APECS.

Observation #69 PAFs contained errors or were missing. These deficiencies impaired the ability to trace contracts between systems:

a) CLA noted 75 PAFs contained an incorrect requisition number;

b) PAFs were missing entirely in 67 instances; and

c) In 24 additional instances, PAFs did not include a requisition number and instead listed “N/A,” a budget document reference, or a purchase order number.

Observation #70 There were missing or unexecuted contracts in Contract Advantage.

CLA identified 18 contracts in Contract Advantage that did not include an executed agreement, and two contained no documentation at all. This included at least one contract for which CLA identified no executed agreement, no purchase order, and no related activity in APECS, despite the contract appearing in the system.

Observation #71 CLA identified contract amount mismatches between systems.

For 13 contracts, the requisition amount did not match the contract amount. In addition, APECS contained incorrect contract reference numbers for three contracts. CLA noted a large discrepancy of $1,781,944.00, suggesting a lack of reconciliation between Contract Advantage and APECS.

Observation #72 At least three direct payments, including amounts of $80,280.00 and $1,000,000.00, were made without a related requisition or PO in APECS. In addition, three other contracts had APECS reference numbers that did not match the contract numbers tested, further weakening the audit trail.

Observation #73 Single and sole source contracts were frequently misclassified and lacked required justification.

The Contracts Team classified 496 contracts in Contract Advantage as "Sole" and 18 contacts as "Single," even though these designations were not supported. In addition, required sole source or single source justification forms were not completed for these contracts, contrary to Policy 2006.III.D.

CLA also identified 23 contracts marked as "Sole" or "Single" in Contract Advantage that were procured through an RFP, RFQ, or competitive bid process which shows these contracts were incorrectly identified as sole or single source.

Observation #74 Required vendor support for sole source procurements was missing.

When a sole vendor was used, the District generally did not obtain vendor sole source letters or quotes, even though Policy 2006 requires both to show that the vendor was the only available source and that pricing was fair and reasonable. Of the contracts tested, only three instances included a vendor sole source letter.

Observation #75 At least two contracts were classified as "Sole" in Contract Advantage even though emails and descriptions indicated they were emergency procurements; however, no emergency purchase form was completed. CLA also identified vendors, including Raptor Technologies, KQ Communications, and Refined Practices, with similar contracts classified inconsistently across years without documented support for the differing treatment.

Observation #76 All three emergency contracts tested, totaling $464,389.00, lacked the required emergency purchase approval form. In some cases, the circumstances also did not appear to meet the Policy 2006.III.D requirement of an unforeseen danger to life, health, safety, or property.

Observation #77 Contract 2021-0708 was labeled in Contract Advantage as a sole source contract, but it appeared to have been an emergency procurement. A different vendor had already been awarded a multi-year contract for the same work. In addition, invoices were dated before the contract was executed, the PAF listed a different contract number, and the Board approved the "emergency" contract only after services had already been performed.

v. Subcontractors – Validity and Inclusion

Observation #78 CDA was not identified as a subcontractor in the original First Student bid submission or the executed contract.

Observation #79 The $34,779.92 payment referenced in CDA's complaint was a legitimate disbursement to First Student for approved subcontractor services in July 2023 and was not attributable to CDA.

vii. Custodial Contracts

Observation #80 ServiceMaster FM was awarded all four custodial zones in 2022, contrary to the evaluation committee's multi-vendor recommendation, and the circumstances reviewed indicate that District leadership influenced the final contract award outside the established procurement process, resulting in payments of $48,430,744.52.

viii. Public Relations Contracts

Observation #81 Based on the procedures performed, there is sufficient evidence to conclude that the payments totaling $27,708.94 related to contract 2023-0215 with KQ Communication constituted abuse. On November 21, 2022, the contract was amended to extend services through March 31, 2023, and to add $53,000.00, increasing the total contract value to $99,500.00; however, there is no evidence of Board approval after the contract exceeded the $75,000.00 threshold requiring such approval. Two purchase orders were issued under this contract, including the initial Purchase Order No. 2313794 for $46,500.00 and Purchase Order No. 2323503, which was subsequently increased to $96,208.94 to reflect additional scope related to "Increase payment for Superintendent Search." In total, payments under these two purchase orders amounted to $127,208.94, exceeding the amended contract value of $99,500.00 by $27,708.94, and no additional contract amendment was identified to authorize this increase.

Procurement controls require that expenditures remain within approved contract limits and that purchase orders reflect formally executed amendments. The District issued a purchase order of $96,208.94 that was not aligned with the $53,000.00 amendment, indicating inadequate contract monitoring and a breakdown in procurement controls. As a result, the District exceeded the authorized contract ceiling by $27,708.94,

representing an improper use of funds inconsistent with contract terms and constituting abuse, while also weakening financial oversight and increasing the risk of noncompliance with procurement policies.

x. Remote Learning Contracts

Observation #82 While the District has implemented a range of short-term staffing interventions and longer-term recruitment and retention strategies, there is no evidence of a formalized return on investment (ROI) analysis comparing these approaches. As noted, the District continues to rely on remote learning contracts, such as those provided by Proximity Learning, as a temporary solution to persistent vacancies, while also investing in broader pipeline development and retention initiatives. Evaluation results indicate that student outcomes associated with remote learning are generally weaker than those in traditional in-person settings, despite fulfilling operational needs for staffing continuity. However, the relative cost-effectiveness and long-term impact of continuing short-term solutions versus accelerating investment in sustainable recruitment strategies have not been formally assessed. Without this analysis, the District lacks a comprehensive framework to guide resource allocation decisions and ensure alignment between financial investments and student performance outcomes.

xi. Low Voltage Wiring Contracts

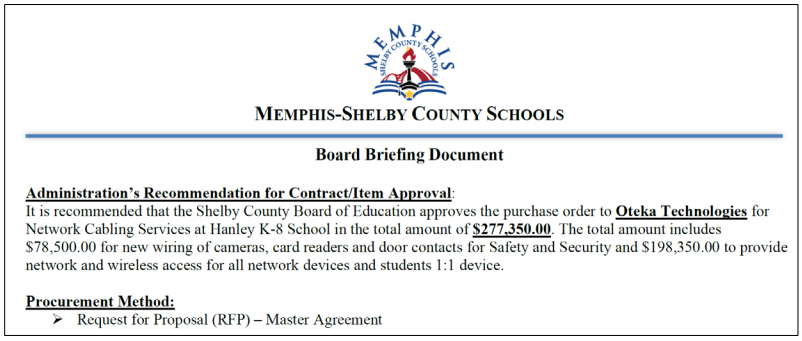
Observation #83 The MSA under contract 2021-1029 was effective for a one-year term beginning August 10, 2021, and ending August 9, 2022. However, eight payments, totaling $229,233.62, were made for invoices dated after August 9, 2022, in violation of policy. This indicates that purchase orders continued to be assigned and payments processed under the MSA after its expiration. Although the contract included options to renew for two additional one-year terms, it was not formally reinstated until December 9, 2022, at which time it was made retroactively effective from August 10, 2022. A new contract number (2023-0381) was assigned at that time. Notably, payments had already been made prior to execution of the reinstated contract. The Board subsequently approved the reinstated contract at its December 6, 2022, meeting; however, this approval occurred after the start of the renewal term and after related payments had been processed. Accordingly, while the contract was ultimately presented to and approved by the Board, the timing of the approval and continuation of payments prior to execution reflect a deviation from Board Policy 2006, which requires that contracts extending beyond one year, as well as non-professional service contracts exceeding $100,000.00, be approved by the Board.

Observation #84 In violation of policy, no vendor quote was located for purchase order 2325337, totaling $57,600.00, related to services for the Whitney ES Intrusion Upgrade Wiring project dated February 24, 2023, under MSA contract 2023-0381. However, an appropriate vendor invoice supporting

the amount paid was available. The absence of a quote is not in compliance with the MSA requirement that all work under this MSA is to be approved through the submission of a SOW that provides the details as to the work that will be performed.

Observation #85 Neither the SOWs nor the invoices submitted by the vendor indicated the contract number to which they related. This created challenges in determining the appropriate contract associated with each purchase order and corresponding invoice, particularly given the number of contracts active during the same time period. Additionally, there is no way for the Board to identify, based on the SOWs presented, to what contract the SOWs pertain as the MSA/Contract information was not consistently included in the Board Request or Board Briefing documents. For example, see Figure 1for a Board Briefing document that communicates a related MSA exists but does not list the related contract number for the MSA.

Figure 1: PO Referencing Incorrect Contract Number



MEMPHIS-SHELBY COUNTY SCHOOLS

Board Briefing Document

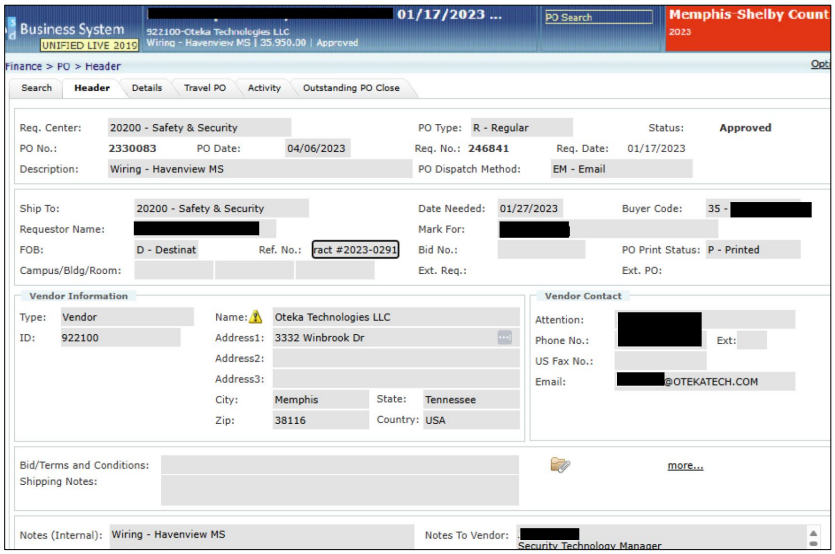
Administration's Recommendation for Contract/Item Approval:
It is recommended that the Shelby County Board of Education approves the purchase order to **Oteka Technologies** for Network Cabling Services at Hanley K-8 School in the total amount of **$277,350.00**. The total amount includes $78,500.00 for new wiring of cameras, card readers and door contacts for Safety and Security and $198,350.00 to provide network and wireless access for all network devices and students 1:1 device.

Procurement Method:
- Request for Proposal (RFP) – Master Agreement

This issue was further compounded by the ineffective use of APECS, where a field exists to assign a contract number to each purchase order; however, this field was not consistently completed or was entered incorrectly, as it relies on manual input. For example, a payment made on October 31, 2023, in the amount of $15,950.00 included contract number 2023-0291 in the purchase order reference field; however, that contract number pertained to a different vendor. CLA determined that the correct contract number should have been 2023-0381.

While this example illustrates the issue, multiple instances were identified in which the contract number field was either left blank or populated with an incorrect contract number, including cases where the contract number corresponded to the vendor but was not the applicable agreement. Figure 2**.** includes the purchase order details that incorrectly list a contract number for a different vendor.

Figure 2: PO Referencing Incorrect Contract Number



Observation #86 An internal control weakness was identified as it relates to the MSA process. As mentioned, it is not required under the current District process to have MSA reviewed and approved by the Board and only when an SOW equals or exceeds $100,000.00, is the SOW required to be submitted for Board review. This means that there could be a significant number of SOWs under an MSA for which the Board would have no visibility if none of the SOWs exceeded the $100,000.00 threshold but overall combined multiple SOWs may result hundreds of thousands dollars and potentially more if none of them meet the $100,000.00 individually An internal control weakness was identified related to the MSA approval process. As noted, under the current District process, MSAs are not required to be reviewed and approved by the Board; instead, only individual Statements of Work (SOWs) with values equal to or exceeding $100,000 are submitted for Board review. As a result, the Board may have limited visibility into the total level of activity under an MSA when multiple SOWs fall below the $100,000.00 threshold. While each individual SOW may not require Board approval, the aggregate value of multiple SOWs issued under a single MSA could result in significant expenditures, potentially totaling hundreds of thousands of dollars or more, without formal Board review. For example, contract 2021-1029 related to an MSA had a total of 27 payments totaling $391,867.04, none of which required board review.

Observation #87 Although the appropriate procurement process was used to procure the services from this vendor, Contract Advantage, incorrectly listed certain contracts with this vendor as professional services contracts or consulting contracts. Upon CLA's inquiry, the District representatives communicated that Contract Advantage information was updated to correctly reflect the contracts as non-professional services.

xii. Project Management Contracts

Observation #88 Services commenced before contract award ("after-the-fact" contracting).

The timeline reflects that Allworld began work on Contract 2021-0708 as early as January 2021, prior to Board approval and before a contract was awarded. This practice is inconsistent with MSCS procurement guidance requiring vendors to possess a valid contract or purchase order before providing goods/services and warning that invoices lacking a valid contract/PO should not be processed.

Observation #89 Procurement files and conflict of interest documentation lacked completeness.

The timeline indicates that, in February 2021, Allworld's CEO participated in an RFQ evaluation process (RFQ# 021121GJ) without evidence of a completed confidentiality/conflict of interest disclosure form. CLA was unable to locate such documentation in procurement files, the District was unable to produce the form upon request, and Allworld through their attorney declined the opportunity to clarify any missing documentation.

Observation #90 Emergency procurement lacked required justification.

In April 2021, the former chief of business operations requested approval to enter into an emergency contract with Allworld for project management services; however, the request did not disclose that Allworld had already been performing work since January 2021. This omission limited transparency regarding the sequence of events and impeded the ability to evaluate whether the circumstances met the criteria for an emergency procurement.

Observation #91 Award and allocation decisions not evidently based on established evaluation criteria.

In April 2022, procurement correspondence reflected that project management services for the four construction projects within RFP# 03232022MT were initially awarded to LaFleur Tillage based on best and final offers; however, a subsequent email indicated that one project, the Geeter K 8 addition, would be awarded to Allworld to "accommodate somewhat of an equal division of expense," despite Allworld's BAFO being 74% higher than LaFleur Tillage's BAFO.

Observation #92 Concerns were identified relating to contract term clarity and unauthorized changes to payment structure.

The review identified concerns regarding contract term clarity and the authorization of material changes to the payment structure under Contract 2022-0784 (Geeter K 8 Addition), which was funded, in whole or in part,

with ESSER funds. The contract was executed effective April 27, 2022 and initially did not contain a termination date; an amendment establishing a termination date of May 30, 2024 was not executed until March 2024.

Observation #93 Vendor role boundaries and representation as district team members were noted.

The review identified concerns regarding vendor role boundaries and representations made by Allworld personnel regarding their affiliation with the District. In January 2024, an associate project manager employed by Allworld represented themselves to a third-party vendor as being "part of the MSCS project management team" on a construction project for which Allworld did not have an executed contract. This representation occurred outside the scope of any documented contract authority or purchase order.

Observation #94 There was attempted expansion of scope and use of encumbered funds outside project purpose.

In August 2023, Allworld proposed managing an additional project (Frayser High School) under Contract 2023-0817 and using encumbered funds established for NERHS project; internal audit leadership advised that using those funds on anything other than NERHS would be misappropriation, and charges related to the Frayser High School project were later identified on invoices under the NERHS contract.

Observation #95 Gifts/gratuities and procurement ethics indicators existed.

The review identified procurement ethics concerns related to offers of gifts or entertainment by Allworld personnel. In October 2023, an associate project manager employed by Allworld offered Memphis Grizzlies tickets to the former chief of business operations. While the review did not identify evidence that the offer was accepted or declined, the offer itself constitutes a procurement ethics issue.

Observation #96 Procurement planning for ESSER-funded construction and RFP requirements involved AllWorld.

In January 2024, the superintendent sent Allworld a list of upcoming ESSER funded construction projects and requested Allworld's assistance, with a total fee estimate exceeding $1.2 million; procurement leadership advised the team that construction project management services require an RFP. The MSCS Procurement Manual requires planning, competitive processes based on thresholds, and adherence to federal procurement guidance, including Uniform Guidance procurement standards. T.C.A. §49-2-203(a)(3)(C) requires construction related services to be procured for each project through a written RFP process with advertisement and limiting an RFP to up to three sites if construction occurs at substantially the same time.

Observation #97 Vendor influence on future solicitation documents occurred.

The review identified concerns regarding vendor influence over future solicitation documents. In March 2024, an Allworld employee emailed members of the MSCS facilities team with suggested language and sample construction project management RFPs from other jurisdictions, including commentary stating, “We like several things about the language of this RFP,” and advocating for provisions that would allow the District to add additional projects or scope without returning through the RFP or contracting process.

Observation #98 Vendor participation in District employment interviews and procurement integrity occurred.

The review identified concerns related to Allworld’s attendance and participation in interviews for District employment positions whose responsibilities could directly influence procurement outcomes, contract administration, or project oversight associated with Allworld’s current or prospective work. Vendor involvement in District hiring processes, particularly for roles connected to facilities, construction management, procurement, finance, or executive decision making, raises significant procurement integrity and governance risks.

Observation #99 Invoice payment issues (closed PO, post-term charges, and disallowed costs) were identified.

The timeline reflects multiple payment concerns under the three Allworld contracts:

2021-0708:

CLA reviewed the invoices associated with contract 2021-0708 and made the following observations:

- The PO associated with the contract (PO #2122073) closed in December 2021, yet an invoice of $43,583.14 was paid in April 2022, despite the PO being closed.
- A further invoice of $892.35 was paid in June 2022, again despite the PO being closed.
- The contract term was June 2, 2021 through September 30, 2021, and the contract stated services should be completed no later than September 30, 2021.
- An invoice submitted included travel and reimbursable expenses despite contract language prohibiting reimbursement for those costs.

2022-0784:

The ACFE defines abuse as conduct that departs from expected standards of behavior, often involving the misuse of authority or discretion to obtain an unintended benefit, even where such conduct may not rise to the level of fraud. The circumstances surrounding contract 2022-0784 are consistent with this definition. Although the contract was awarded through a formal RFP process, the allocation of the Geeter K-8 project to Allworld occurred after pricing and evaluation outcomes indicated another vendor as the best-value awardee. The stated rationale of achieving an "equal division of expense," despite Allworld's significantly higher pricing, reflects an exercise of discretion inconsistent with the purpose and internal-control intent of competitive procurement. While not necessarily unlawful, this deviation from objective, criteria-based decision-making aligns with ACFE abuse indicators, whereby authority is used in a manner that circumvents the spirit of established controls.

2023-0817:

The review identified charges totaling $1,994.00 on invoices submitted under the Allworld contract that were attributable to activities associated with the Frayser High School project, notwithstanding that the contract funds were encumbered for the NERHS project. The timeline reflects that, in August 2023, when Allworld proposed managing the Frayser project using funds encumbered for the NERHS project, the former chief of internal audit explicitly advised the Allworld CEO that using those funds for any purpose other than the encumbered project would constitute misappropriation. Despite this warning, subsequent invoice review identified Frayser related transactions charged to the contract, indicating a failure to properly segregate costs and to adhere to stated funding restrictions.

In addition, the review noted that an Allworld employee charged seven hours totaling $910.00 to the same contract for attending the 2024 "Opportunity Is Our Business" conference, an event sponsored by Allworld through a financial contribution and at which Allworld also participated as a speaker. The conference was unrelated to the scope or objectives of the contracted project, and the time charged did not reflect work performed in furtherance of District deliverables. Taken together, the $2,904.00 in off scope and improperly allocated charges is consistent with the ACFE definition of abuse, as it reflects the misuse of authority and discretion to charge costs that were not aligned with the contract's authorized purpose, even absent evidence of fraudulent intent.

xiii. Architectural Design Firm Contracts

Observation #100 The District did not consistently prepare or retain required documentation supporting the procurement process for an architectural contract.

Contract 2023-0676, $158,578.23

Contract was procured as a proposal under the professional services classification, which is permissible for architectural contracts. The contract was for $226,250.00 and total payments during the forensic audit period totaled $158,578.23. The work included design services for the Westwood High School roof replacement. The contract was appropriately executed; however, there was no Procurement Advisory Form (PAF) and no procurement requisition was located for this contract. A PAF was located for a contract amendment taking place on September 6, 2023.

Observation #101 The District made payments for services performed after contract expiration due to a failure to execute timely amendments extending the contract terms.

Contract 2023-0766, $11,757.20

The contract was procured as a proposal for professional services related to the design of a roof replacement for Robert R. Church Elementary; no bid was required under the professional services designation. The contract had an effective period from April 10, 2023, through April 6, 2024; however, it was not executed by the District until June 8, 2023. Work did not commence until July 10, 2023, following execution of the agreement. Although the one-year effective period suggests that performance could reasonably extend over a full year, the delayed execution contributed to work continuing beyond the April 6, 2024, contract expiration date. As a result, two invoices totaling $11,757.20 were paid for services performed after the contract had expired. CLA did not identify evidence of willful disregard for established processes or intentional continuation beyond the contract term; rather, this appears to have resulted from weaknesses in contract monitoring, whereby the impending expiration date was not identified in advance or at the time the payments were processed.

Contract 2023-0254, $16,189.45

The contract was procured as a proposal for professional services related to the design of a roof replacement for Bolton High School; no bid was required under the professional services designation. The contract was executed by the District, with approval by the Chief Business Officer, which was permissible at the time. The contract had an effective period from October 4, 2022, through November 3, 2023, and was signed by the District representative on October 6, 2022.

Work under the contract continued through February 29, 2024, beyond the established contract expiration date. Although total payments did not exceed the contract amount, no amendment was executed to extend the contract term. As a result, two invoices totaling $16,189.45 were paid for work performed after the contract expiration date. CLA did not identify

evidence of willful disregard for established processes or intentional continuation beyond the contract term; rather, this appears to have resulted from weaknesses in contract monitoring, whereby the impending expiration date was not identified in advance or at the time the payments were processed.

xv. Nutrition Contracts

Observation #102 Documentation of Board notifications for commodity purchases was inadequate.

CLA identified instances where the Nutrition Services Quarterly Commodity Reports were not provided to the Board for review Specifically, of the 44 samples selected for detailed testing, 13 transactions met the threshold for Board notification based on established District practices; however, these were not included in the Nutrition Services Quarterly Report. The aggregate value of these transactions totaled $21,656,734.11.

Observation #103 MSCS did not maintain formal contract documentation and retained incomplete supporting documentation.

As part of detailed testing, CLA reviewed a total of 44 contract samples. Of these, nine samples did not have an Intent to Award letter retained, with an aggregate value of $19,359,230.32. However, in accordance with the 2024 Procurement Services Manual, a PO constitutes a legal document that obligates the District to remit payment to the vendor. Each of the nine samples was supported by a corresponding purchase order, indicating that a financial obligation was formally established despite the absence of an Intent to Award letter.

Additionally, CLA identified 7 samples that included traditional executed contracts; however, these purchases were not related to commodity procurements. Instead, they were for services such as cafeteria redesigns, grease removal, and walk-in freezer maintenance and installation. These were noted to be appropriately supported.

Observation #104 MSCS did not maintain documentation linking purchase orders (POs) to the corresponding Invitations for Bids (IFB).

While performing detailed testing of payments and supporting invoices, CLA relied on the description field within APECS to identify which payments corresponded to specific bids, as individual bids could span multiple purchase orders and fiscal years. However, the descriptions were not consistently recorded, limiting CLA's ability to clearly trace payments to the related bid awards.

Observation #105 Inconsistencies were identified between the wording included in MSCS's Intent to Award letters and the manner in which those terms are applied within Nutrition Department procurement practices.

CLA was informed that Board approval was not required for commodity purchases within the Nutrition Department. However, the Intent to Award Letter indicates that purchases exceeding $100,000.00 require prior Board approval, creating an inconsistency between stated practice and documented requirements.

Figure 3: Intent to Award Letter IFB06032024MES

If an agreement is required, the recommendation will be submitted to MSCS General Counsel Office for contract preparation. MSCS will move forward with the award upon approval, which may include full execution of a contract and approval of Shelby County Board Members at the next scheduled Board Meeting Session should the dollar amount total be $100,000.00 or more.

Observation #106 Conflicting language in the Intent to Award Letter creates inconsistencies in its application as a binding contract.

CLA was informed that the Intent to Award Letter can serve as the contract and establishes the contract start date. However, the language within the letter contradicts this understanding, as it explicitly states that vendors are not to commence services until a purchase order has been issued.

Figure 4: Portion of Intent to Award Letter IFB06032024MES

Please note that this notice of intent to award is not intended to create rights, interests, or claims of entitlement in any recipient of this notice. We appreciate your interest in doing business with Memphis-Shelby County Schools. Therefore, Vendors shall not provide any service or product to Memphis-Shelby County Schools (MSCS) until receipt of an official Purchase Order (P.O.).

Observation #107 MSCS did not maintain a Centralized Documentation Management System and demonstrated inconsistent record retention practices.

The Nutrition Department utilizes multiple systems for supporting document storage, including Contract Advantage, APECS, and the Procurement Drive. However, there is no centralized or standardized approach to document retention, this requires searching across multiple systems to locate supporting documentation. In most instances, at least two systems had to be reviewed to identify all relevant records for a single transaction. During testing, when CLA was initially unable to locate certain supporting documents, the District was often able to locate those documents in alternate locations. This indicates that documentation exists but is not consistently stored to ensure accessibility and completeness. As a result of these inconsistencies in system usage and document retention practices, CLA noted gaps in supporting documentation across the tested population. Specifically, 25 out of 44 sampled transactions were missing at least one required supporting document. These transactions represented a total value of $31,795,748.37. Overall, the lack of a centralized document management approach and consistent retention practices reduces

transparency, limits auditability, and increases the risk that required documentation may not be readily available when needed.

C. Financial Transactions and Controls

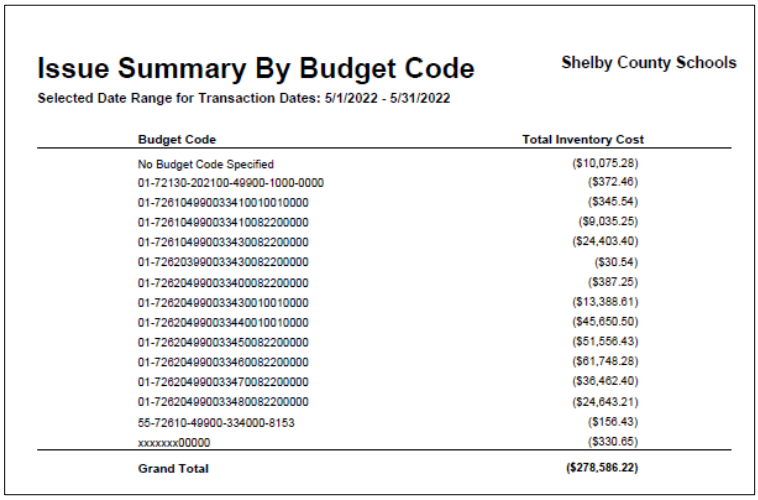
i. Journal Entries

Observation #108 Journal entry approvals occur, but independent verification is constrained by decentralized processes and system limitations.

CLA did not identify manual journal entries posted without approval, and no entries were entirely unsupported or left unanswered; approvals were visible in APECS, indicating certain front-end controls are functioning. However, finance often could not independently verify underlying support and business purpose for entries originating outside finance because attachments in APECS were frequently limited to summary spreadsheets or brief descriptions. Approximately, 109 of the entries selected for testing had either no or limited supporting documentation readily available for review in APECS, totaling $43,703,738,495.52. This amount does not represent evidence of waste, fraud, or abuse, but rather it reflects the total journal entry activity that could not be reconciled to attached supporting documentation.

For example, an inventory-related journal entry posted in fiscal year 2022 recorded $320,374.24 for the issuance of materials to fulfill maintenance tickets, which did not agree to the documentation attached in APECS which reflected a lower issuance of $278,586.22. The extent of the documentation attached in APECS is included in Figure 5. Finance explained that the data had been exported from an inventory management system (SchoolDude) that was no longer accessible. Although the journal entry included a detailed description, the documentation available in APECS did not substantiate the transaction-level details. As a result, finance relied on representations from the warehouse when approving the entry rather than having direct access to supporting records to verify the details.

Figure 5: Extent of Supporting Documentation Attached to Journal Entry



Issue Summary By Budget Code

Shelby County Schools

Selected Date Range for Transaction Dates: 5/1/2022 - 5/31/2022

Budget Code	Total Inventory Cost
No Budget Code Specified	($10,075.28)
01-72130-202100-49900-1000-0000	($372.46)
01-72610499003341001001 0000	($345.54)
01-72610499003341008220 0000	($9,035.25)
01-72610499003343008220 0000	($24,403.40)
01-72620399003343008220 0000	($30.54)
01-72620499003340008220 0000	($387.25)
01-72620499003343001001 0000	($13,388.61)
01-72620499003344001001 0000	($45,650.50)
01-72620499003345008220 0000	($51,556.43)
01-72620499003346008220 0000	($61,748.28)
01-72620499003347008220 0000	($36,462.40)
01-72620499003348008220 0000	($24,643.21)
55-72610-49900-334000-8153	($156.43)
xxxxxxx00000	($330.65)
Grand Total	**($278,586.22)**

Observation #109 Manual inventory processes in the nutrition services warehouses limit accuracy and real-time visibility.

Inventory processes rely on manual procedures (cycle counts, receiving, picking, returns, and location tracking) using a system external to APECS, requiring periodic journal entries to true-up inventory between systems. Support is scanned to nutrition services shared drives that finance cannot access. Seven of the entries selected for testing relied on this manual true-up process between the two systems, totaling $116,629.10 in inventory reconciliation entries. Manual processes increase exposure to count inaccuracies (time delays), limited location/expiration tracking (spoiled/misplaced inventory), and clerical errors. CLA also observed the warehouse system uses the same identifying invoice number for similar products from different vendors with different case sizes/costs, for example, 4 packages of 4 oz. at $20.00 versus 8 packages of 10 oz. at $120.00, creating risk of shipping/receiving mismatches and additional reconciliation. The lack of timely inventory data, automated scan-based systems, and unique identifiers limits real-time inventory accuracy and the ability to isolate deficiencies.

Observation #110 Warehouse and Fulfillment inventory controls rely heavily on manual processes and physical records.

The warehouse and fulfillment department similarly relies heavily on manual inventory processes. While some activity is tracked in APECS, underlying data still requires manual entry, and key source documents (e.g., bills of lading and order-fulfillment tracking/sign-offs) are often retained onsite as hard copies (filing cabinets/boxes) rather than digitized, increasing risk of loss/damage and requiring onsite review to follow the audit trail. These conditions increase exposure to inaccurate counts (time delays), limited location tracking (misplaced inventory), and clerical errors, and the absence of timely data/scan-based systems limits real-time

inventory accuracy. Approximately, 43 of the entries selected for testing were warehouse and fulfillment department entries that relied on this manual data entry process, totaling $43,627,421,096.18.

Observation #111 Inconsistent fueling training and the absence of standardized instructions increase the risk of erroneous fuel transactions.

CLA tested five journal entries totaling $1,972.80 related to the Fuel, System Interface. Based on discussions with District personnel, these entries are automatically generated by the fuel monitoring system, EJ Ward, and posted to the general ledger to record District vehicles refueling activity. CLA performed additional procedures to understand the nature of these entries and the processes supporting them.

CLA observed that District employees assigned fuel cards and vehicles are expected to refuel at District fueling locations; however, training on proper fueling procedures is inconsistent and refresher training is not regularly provided. In addition, written fueling instructions are generally not available at fueling sites. These conditions increase the risk of user error and improper fuel transactions. CLA identified instances in which fuel cards timed out due because the operator did not pump fuel soon after swiping the fuel card, after which employees continued swiping the card at other pumps, resulting in multiple zero-dollar transactions. While these zero-dollar transactions were not included in the entries that CLA selected for testing, 4,158 such entries were identified across the period under review. These transactions were recorded in EJ Ward and posted to APECS, unnecessarily cluttering transaction records and complicating review. Without recurring training and standardized instructions, the District remains exposed to avoidable errors and inefficiencies in fuel transactions.

Observation #112 Printing services pricing, as recorded in journal entries reflected in attached printing requisition documents, were not consistent with results of recalculations based on published pricing guides.

Six sampled journal entries, totaling $9,545.96, were printing services entries that were not fully supported by the attached printing requisition form when the services selected on the form were recalculated by CLA using the concurrent print services price list found in the District's warehouse and fulfillment services reference manual.

For example, a printing requisition form attached to a printing services-related journal entry posted in fiscal year 2023 detailed 300 color copies to be printed on 11 x 17-inch white, all-purpose paper, with each resulting copy laminated. The "For Office Use Only" calculation of the printing services pricing for the job described is shown in Figure 6.

Figure 6: "For Office Use Only" Internal Pricing Calculation for Printing Services Journal Entry

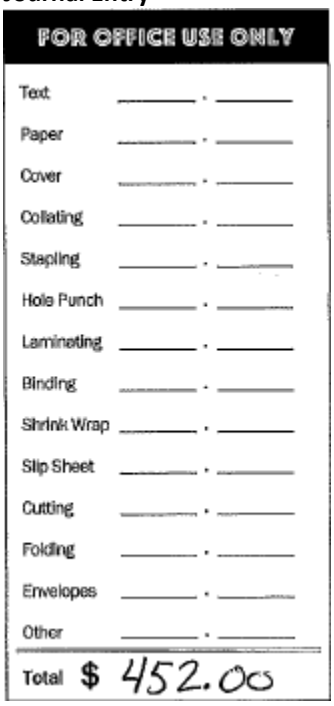


Table 1 shows CLA's recalculation of the printing described using the concurrent Print Services Price List.

Table 1: Recalculated Total for Printing Services Journal Entry

Service	Quantity	Price	Total Calculated
Color 11 x 17 (*1-2000*)	300	$ 0.52/sheet	$ 156.00
Lamination 11 x 17	300	1.50/sheet	450.00
Total			$ 606.00

The resulting $154.00 difference was not explained by any identified discounts, corrections, or subsequent revisions to the printing order, and the full price was not reflected in the selected journal entry.

Observation #113 Errors in entries were identified with no subsequent corrections.

CLA identified erroneous journal entries in five sampled journal entries, totaling $11,387.32, none of which were subsequently corrected. Four involved adjusting or reclassification entries recorded to incorrect accounts, and one involved an expenditure recorded to an account inconsistent with its description. These errors went undetected and uncorrected as a result of the conditions discussed in Observation #108, including the decentralized nature of the District's departments and finance's limited access to source documentation, which constrained its ability to provide independent oversight.

ii. ACH Transactions

Observation #114 The District did not consistently comply with policy requirements related to supporting documentation for ACH disbursements, as detailed below:

a) Ten samples totaling $15,999.18 were below the dollar threshold requiring an AP Payment Request Form; however, the required form could not be located.

i) Nine of these samples totaling $15,339.09 were processed using a PO, although a PO was not required for these transactions. The District controller indicated that use of a PO is considered an acceptable substitute for the payment request form. CLA notes that this practice is not consistent with the requirements outlined in District policy. CLA confirmed through interviews that the payment request form process is still in place and is the process that should be followed for low-dollar transactions.

ii) One sample totaling $660.09 consisted of two payments on a lease with Ricoh USA for equipment for John P Freeman Optional School and Oakshire Elementary School.

b) For fifteen samples totaling $164,745.86, the attached invoice did not have a signature; however, the transactions were approved within the APECS system. These instances do not indicate waste or abuse but reflect noncompliance with internal documentation requirements, representing an internal control failure. The District controller requires all invoices to be signed and dated to support internal control objectives and to document verification that goods or services were received or completed.

Observation #115 Two samples totaling $212,159.00 exceeded the dollar threshold requiring a PO or a contract; however, neither was obtained prior to the purchase. In both instances, an Out-of-Compliance letter was subsequently issued for violating Board Policy 2006-*Purchasing Authority*.

a) One payment of $101,871.82 was part of the Phase 7 billing (total billed was $147,935.00) for the 3030 Jackson Avenue (Bayer Building) project. The support obtained included an invoice and a payment request form signed in January 2023 by the chief of business operations, financial advisor, and senior accountant. The Out-of-Compliance letter was dated January 24, 2023. As a result, CLA gained comfort that the transactions represented legitimate District business; however, the transactions were not compliant with the District's internal policy requiring the use of a purchase order.

b) The other sample totaling $64,224.00 was for night guards for North East Preparatory School. The support obtained included invoices and two payment request forms signed in January 2024 by the chief of business operations. Two Out-of-Compliance letters were dated

January 23, 2024. As a result, CLA gained comfort that the transactions represented legitimate District business; however, the transactions were not compliant with the District's internal policy requiring the use of a purchase order.

Observation #116 The District did not consistently comply with policy requirements related to supporting documentation for manual warrant disbursements, as detailed below:

a) Three samples totaling $72,601.00 exceeded the dollar threshold requiring a PO; however, no POs were obtained for these transactions. All three transactions included an approved payment request form, a supporting invoice, and appropriate approvals within the APECS system. As a result, CLA gained comfort that the transactions represented legitimate District business; however, the transactions were not compliant with the District's internal policy requiring the use of a purchase order.

b) See Observation #58. For four samples totaling $106,853.00, the attached invoice did not have a signature; however, the transactions were approved within the APECS system. These instances do not indicate waste or abuse but reflect noncompliance with internal documentation requirements, representing an internal control failure. The District controller requires all invoices to be signed and dated to support internal control objectives and to document verification that goods or services were received or completed.

Observation #117 See Observation #44. The District did not consistently comply with policy requirements related to supporting documentation for vCard disbursements, as detailed below:

a) One sample totaling $3,422.30 exceeded the dollar threshold requiring a PO; however, no PO was obtained for this transaction. The support obtained included an approved payment request form, a supporting invoice, and appropriate approvals within the APECS system. As a result, CLA gained comfort that the transaction represented legitimate District business; however, the transaction was not compliant with the District's internal policy requiring the use of a purchase order.

Observation #118 Significant indicators of abuse were identified relating to disbursements issued to one vendor, Mid-South Renovations, totaling $3,070,735.01.

CLA's review identified evidence that a conflict of interest existed between vendor Mid-South Renovations and the Director of Facilities Maintenance at the time. The existence of this conflict of interest is inconsistent with District Conflict of Interest Policy 4003 and is based on the vendor's engagement of a company owned by the Director of Facilities to perform work, as well as the company owned by Director of Facilities receiving

approximately $68,000.00 to $78,000.00 in payments from the vendor, according to the results of an internal audit. The District terminated the relationship with the vendor on July 25, 2022.

The vendor received over $3 million in payments in fiscal year 2022 based on purchase orders issued to this vendor through several Master Facilities Service Agreements. Several observations relating to this vendor indicate preferential treatment stemming from the conflict of interest, as described in the subsections a) to f) below.

a) MSCS did not comply with District Policy 2012 requiring written contracts for certain services, including repair and maintenance activities.

   Several Master Facility Service Agreements were identified; however, not all purchase orders issued corresponded to an executed Master Facility Service Agreement. One instance was identified in which a painting project performed by Mid-South Renovations at a cost of $24,500.00 did not have a Master Facility Services Agreement (MFSA) in place. Discussions with the Contract Administrator within the Office of General Counsel indicated that these Master Facility Service Agreements are not processed through the Legal or Procurement departments and are instead maintained within the Facilities Department as they are supposed to be for amounts not exceeding $10,000.00 or $25,000.00, depending on the time period of effective policy. This limits oversight and transparency, creating conditions in which fraud, waste, and abuse can more easily occur.

b) Vendor selection was justified as being based on prior experience rather than cost consideration, despite significant price differences for the services.

   CLA noted that in one instance reviewed, three quotes were obtained; however, the highest-priced vendor, Mid-South Renovations, was selected based on the justification that the school had previously worked with the vendor. The selected quote exceeded the lowest-cost vendor's quote by $7,500.00.

c) Purchase Orders were issued at amounts just below the Board approval threshold, indicating potential circumvention of approval requirements.

   CLA notes that POs below the $100,000.00 threshold do not require Board approval; however, three POs during the scope period were processed at amounts just below this threshold, raising concerns that transactions may have been structured to circumvent the Board approval requirement. Email correspondence reviewed by CLA further indicated that the Director of Procurement had explicitly

communicated to the Director of Facilities that any procurement exceeding $100,000.00, including emergency purchases, must be submitted for Board approval.

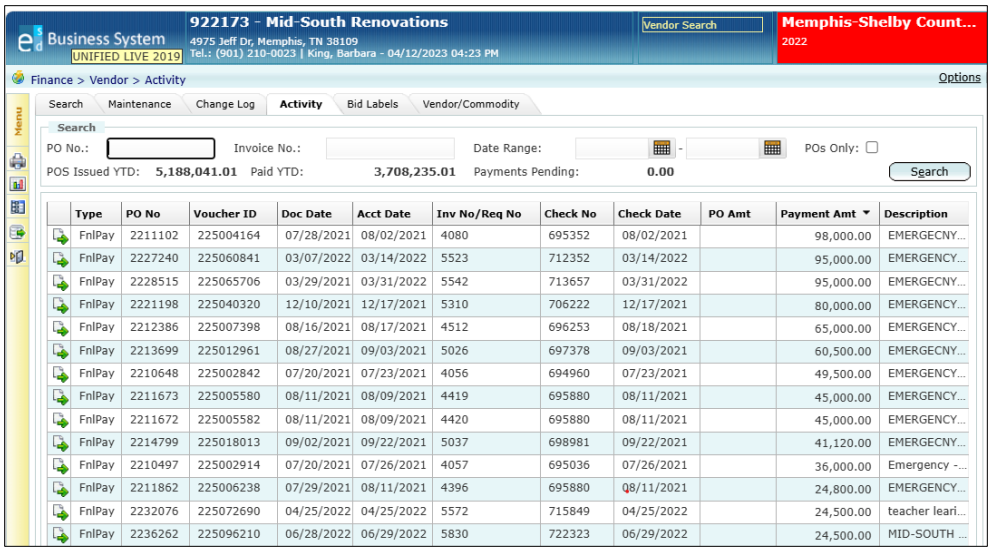
d) MSCS continued to engage the vendor through October 2022, despite the vendor's failure to complete required background screening procedures.

   Based on discussions with the Director of Safety and Security, vendors contracting with the District are required to register online to complete fingerprinting and background checks if they are expected to enter school grounds. However, upon inquiry regarding Mid-South Renovations, CLA was informed that the vendor only presented identification and completed a vendor notification form with the District and there is no evidence that the vendor underwent fingerprinting or a background check. Based on the types of services this vendor provides their work would require to enter school grounds and therefore this policy of a background check requirement applies to them.

e) Transactions were frequently classified as emergencies, raising concerns regarding the appropriateness of this designation and potential circumvention of procurement requirements.

   12 transactions totaling $734,920.00, each over $24,500.00, were categorized as emergencies. This pattern raised concerns regarding the appropriateness of the emergency designation. CLA inquired with current employees of the District who agreed some of these transactions were not consistent with the definition of an emergency. Furthermore, these transactions would have required a contract and no contract was in place, only a Purchase Order. This provides additional evidence of disregard for District policies. One example of this issue involved a $45,000.00 emergency repair project at Kirby Stadium. The emergency justification documented in the approval email stated that the stadium constituted a safety hazard; however, no supporting details or documentation were provided to substantiate the nature or severity of the hazard prior to approval. Further review of the related invoice indicated that the services performed included repairs to the concessions area, ticket booth, and media box, consisting of painting, roofing, and siding work. Based on the documentation reviewed, it was unclear how these repairs constituted an emergency condition requiring expedited procurement or approval. Figure 7**.** presents an APECS listing of emergency purchases, sorted in descending order by payment amount.

Figure 7: Listing of Emergency Payments to Mid-South Renovations in FY2022



Type	PO No	Voucher ID	Doc Date	Acct Date	Inv No/Req No	Check No	Check Date	PO Amt	Payment Amt	Description
FnlPay	2211102	225004164	07/28/2021	08/02/2021	4080	695352	08/02/2021		98,000.00	EMERGECNY...
FnlPay	2227240	225060841	03/07/2022	03/14/2022	5523	712352	03/14/2022		95,000.00	EMERGENCY...
FnlPay	2228515	225065706	03/29/2021	03/31/2022	5542	713657	03/31/2022		95,000.00	EMERGECNY...
FnlPay	2221198	225040320	12/10/2021	12/17/2021	5310	706222	12/17/2021		80,000.00	EMERGENCY...
FnlPay	2212386	225007398	08/16/2021	08/17/2021	4512	696253	08/18/2021		65,000.00	EMERGENCY...
FnlPay	2213699	225012961	08/27/2021	09/03/2021	5026	697378	09/03/2021		60,500.00	EMERGECNY...
FnlPay	2210648	225002842	07/20/2021	07/23/2021	4056	694960	07/23/2021		49,500.00	EMERGENCY...
FnlPay	2211673	225005580	08/11/2021	08/09/2021	4419	695880	08/11/2021		45,000.00	EMERGENCY...
FnlPay	2211672	225005582	08/11/2021	08/09/2021	4420	695880	08/11/2021		45,000.00	EMERGENCY...
FnlPay	2214799	225018013	09/02/2021	09/22/2021	5037	698981	09/22/2021		41,120.00	EMERGECNY...
FnlPay	2210497	225002914	07/20/2021	07/26/2021	4057	695036	07/26/2021		36,000.00	Emergency -...
FnlPay	2211862	225006238	07/29/2021	08/11/2021	4396	695880	08/11/2021		24,800.00	EMERGENCY...
FnlPay	2232076	225072690	04/25/2022	04/25/2022	5572	715849	04/25/2022		24,500.00	teacher leari...
FnlPay	2236262	225096210	06/28/2022	06/29/2022	5830	722323	06/29/2022		24,500.00	MID-SOUTH ...

f) The emergency procurement process was inconsistent with the timeline, bidding outcomes, and evidenced vendor conflict indicators.

CLA noted that one of the final projects assigned to this vendor, prior to the District discontinuing the relationship, involved an HVAC project at the Norris Road building with an approximate value of $1,133,940.00. This project was initiated as an emergency procurement in March 2022 by the Director of Facilities. The Director of Procurement instructed the Director of Facilities to proceed with obtaining three quotes, and an IFB was subsequently issued. A pre-bid meeting was held with six vendors in attendance, including Mid-South Renovations.

In May 2022, the Director of Facilities informed the Director of Procurement that no bids had been received and requested the issuance of an emergency purchase order to Mid-South Renovations to perform the work. CLA notes that Mid-South Renovations had attended the earlier pre-bid meeting. The vendor ultimately did not complete the project due to the issuance of a sanction letter by the District on July 5, 2022, and no payments were made for this work.

The project was subsequently re-bid twice and was not completed until after February 7, 2023, nearly one year after being designated as emergency procurement. This extended timeline does not align with the nature of an emergency procurement, which is typically intended to address immediate and urgent needs, and therefore provides additional evidence of this vendor being favored as a result of the relationship with the Director of Facilities, at the time.

Observation #119 CLA identified $400,000.00 in disbursements to Mid-South Renovations for which evidence of waste was identified.

This $400,000.00 relates to disbursements issued to Mid-South Renovations for work, that according to MSCS, was performed negligently by the vendor. MSCS is currently pursuing litigation to recover funds associated with the deficient work. These expenditures were funded with federal grant monies, raising potential compliance concerns.

Observation #120 CLA identified $250,000.00 in disbursements to Mid-South Renovations exhibiting indicators of potential fraud.

This $250,000.00 relates to payments issued for work that, according to MSCS, was not completed. CLA further notes that a portion of these expenditures was funded with federal grant monies, raising potential compliance concerns. MSCS is currently pursuing litigation to recover the associated funds.

Observation #121 The District lacks a formal and communicated vendor debarment process, resulting in inconsistent vendor risk awareness across departments.

CLA identified an internal email issued by the General Counsel's office to others in the same office that listed four vendors the District should avoid engaging due to, "nonperformance or negligent performance, and sometimes because of straight up fraudulent actions." Through discussions with General Counsel staff, CLA confirmed that this communication was distributed internally within the Legal department only and was not shared with other departments, including Procurement. Additionally, the District does not maintain a formal internal debarment or restricted vendor list.

iv. Payroll and Employee Compensation

Observation #122 Eighty-six out of 250 employees sampled failed the Forms I-9 retention and completeness USCIS requirements.

Of 126 active employees 36 of the active employee files failed the Forms I-9 retention and completeness required by USCIS requirements. Based on observations and photographs (see Figure 8) taken by CLA during the interim reporting period, the missing Forms I-9 appeared largely attributable to significant disorganization in file retention practices. At that time, the room used to store I-9 files lacked a door and was secured only by a curtain. Although the room was located within the HR office with access limited to HR personnel, this condition represented a critical deficiency in the District's safeguarding of employees' personally identifiable information.

Since issuance of the interim report, CLA confirmed that Forms I-9 are currently maintained in an office with a locking door. District personnel communicated that efforts are underway to organize the Forms I-9, and CLA verified that two staff members are currently assigned to review and organize the forms. While these corrective actions improve the physical

safeguarding and organization of the Forms I-9, the remaining unresolved deficiencies continue to indicate weaknesses in historical file retention, organization, and the District's ability to timely demonstrate compliance with USCIS retention and completeness requirements.

Figure 8: Prior Forms I-9 Storage at Central Office

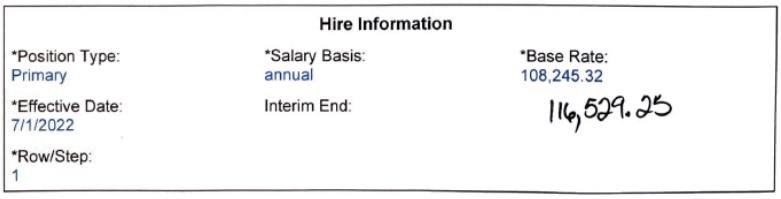
Observation #123 HR's inconsistent use of iCIMS for Form I-9 retention increases compliance risk.

CLA observed that while the District's applicant tracking system, iCIMS, includes functionality to centrally upload, retain, and manage Forms I-9, this capability has not been consistently utilized. Instead, Forms I-9 have historically been maintained across multiple physical locations and storage methods, resulting in decentralized recordkeeping and reduced visibility. The underutilization of iCIMS for centralized Form I-9 retention, combined with inconsistent retention practices, increases the risk that required documentation is unavailable, prematurely destroyed, or not readily accessible for inspection.

Observation #124 Hourly and contract pay rates are not consistently supported by documentation.

42 sampled employees, totaling $4,831,274.24, did not reconcile to support and some files had only contracts (no assignment sheet) where contract amounts did not agree to APECS. This amount does not represent wasteful costs; rather, it reflects the total compensation for employees whose documentation could not be fully reconciled to supporting records. Additionally, four employee assignment-sheet rates were increased without explanation. Figure 9**.** provides an example where the employee's base rate was $108,245.32 in iCIMS, while a handwritten amount of $116,529.25 was entered into APECS and became the employee's actual base salary without recording an explanation for the change.

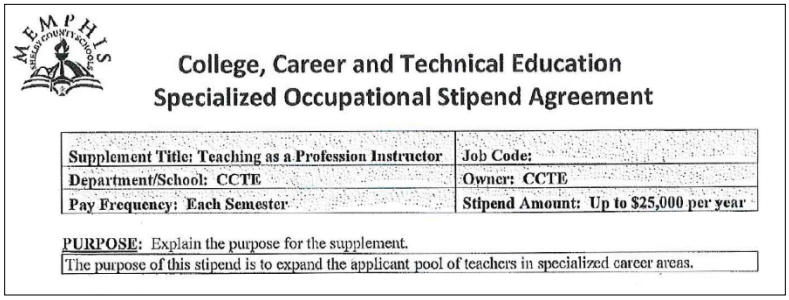
Figure 9: Handwritten Base Salary without Explanation



Observation #125 Stipend and bonus payments lack complete and consistent documentation.

Approximately, 94 of the stipend and bonuses tested, totaling $876,779.20, had discrepancies including missing detail/signatures/names, incorrect totals, partial support, and documentation that showed eligibility but not the stipend amount (or a different amount than paid). For example, CLA reviewed a College, Career and Technical Education (CCTE) Specialized Occupational Stipend Agreement for an employee that received $3,725.00 in fiscal year 2022. However, the agreement described the compensation as "Up to $25,000" and did not include a rubric or criteria explaining how the stipend amount was determined. Figure 10**.** illustrates the vague compensation language included in the agreement.

Figure 10: CCTE Stipend Agreement



Observation #126 Payroll step and row increases are programmed with limited independent review.

Step/row increases are largely programmed and uploaded into APECS by a small number of individuals using a custom SQL-based import utility (e.g., eligibility includes completing at least 50% of the prior fiscal year); payroll reviews output, and HR is not currently involved in review/approval/audit, with minimal independent secondary review. The interviews indicated the individuals involved in the SQL import utility have the ability to make compensation changes with little to no oversight.

Observation #127 CLA identified evidence indicating that three employees received post-termination payments totaling $65,193.64. These are consistent with the ACFE guidance describing waste due to a terminated employee's lack of notice to the District of overpayment and the District's lack of recovery of the overpayments.

Part of this observation includes two employees who continued to receive payments for their base salary after the employees separated from the District. It was communicated to CLA that this may happen when the different locations do not timely communicate to the central office. Payroll relies on HR termination data in APECS; if dates/comments are deleted/modified, payroll cannot make the stop-pay decision. CLA was informed that the District did not try to recover the overpayments.

For example, CLA identified an instance where an employee appeared to receive $21,343.36 in compensation during the four months following separation, based on dates reflected in APECS. Payroll indicated it was notified on December 15, 2021, by the school's financial secretary that the employee's last day worked had been August 23, 2021. HR separately indicated it was notified on December 14, 2021, that the employee had left in August, at which point the resignation was processed and backdated to July 25, 2021, the actual resignation date. HR further noted a discrepancy between the school's last reported workday for the employee and the resignation date recorded in the APECS. This sequence of events illustrates how differences in notification timing, reliance on system-recorded termination dates, and subsequent modification of termination information can result in payments continuing until central office records are updated, limiting payroll's ability to independently determine when pay should be stopped. There is no indication the District attempted to recover the overpayments or requested the former employee to return the overpayments. Figure 11 shows a summary of these payments.

Figure 11: Employee Received Payments After Termination Date

EMPLOYEEID	FIRST_NAME_LAST_NAME	CHECK_DATE	EMP_TERMINATION_DATE	JOB_TITLE	JOB_TITLE_DESCRIPTION	Sum of CURRENT_GROSS
[redacted]		8/6/2021	7/25/2021	10119	Classroom Teacher ESL	2,371.48
		8/20/2021	7/25/2021	10119	Classroom Teacher ESL	2,371.48
		9/3/2021	7/25/2021	10119	Classroom Teacher ESL	2,371.49
		9/17/2021	7/25/2021	10119	Classroom Teacher ESL	2,371.48
		10/1/2021	7/25/2021	10119	Classroom Teacher ESL	2,371.49
		10/15/2021	7/25/2021	10119	Classroom Teacher ESL	2,371.48
		10/29/2021	7/25/2021	10119	Classroom Teacher ESL	2,371.49
		11/12/2021	7/25/2021	10119	Classroom Teacher ESL	2,371.48
		11/26/2021	7/25/2021	10119	Classroom Teacher ESL	2,371.49
	Total					21,343.36

Observation #128 CLA determined that the vacation and final pay calculations were not fully supported or reconciled for five employees, totaling $88,045.71, and therefore classify these payments as waste.

Vacation/final pay support was inconsistent as APECS Job and Payment "Units/Paid" did not match attendance hours. For example, a duplicate vacation payout of $11,816.61 was identified for one employee for the same date. Figure 12 shows duplicate vacation payout of $11,816.61 recorded in APECS and confirmed by the District.

Figure 12: CCTE Stipend Agreement

	Job Title	Job Title	Position Type	Contract Amount	Payments	Rate	Position Len	Contract Start
	Job Class	Salary Schedule	Position No	Paid to Date	Factor	Units	Contract Len	Contract End
	Cost Center	Employee Category	Contribution Grp		Timesheet Hrs	Document #	J&P Id	End Reason
	Vacation Payout		Secondary	0.00		44.4100	0.00	06/28/2021
	59 - VACATION PAYOUT		29278	11,816.61	1.0000			06/30/2021
		Adjustment/Other					1148794	
		Account No and %:	01-73300-18900-302100-8163-0000				100.00	
	Vacation Payout		Secondary	0.00		44.4100	0.00	06/28/2021
	59 - VACATION PAYOUT		29278	11,816.61	1.0000		0.00	06/30/2021
		Adjustment/Other					1149815	
		Account No and %:	01-73300-18900-302100-8163-0000				100.00	

Observation #129 CLA determined that 26 manual payroll checks totaling $53,346.09 were issued without clear or documented justification. These payments do not raise to the level of waste or abuse, however, they were issued in violation of the District's policies and procedures.

APECS job and payment detail showed some checks as "Demand Check" (off-cycle) and others tied to regular cycles ("12MON – 12 Month," "10MON – 10 Month," "STPND – Stipend"), but no documentation substantiated why manual checks were used instead of direct deposit. Figure 13**Error! Reference source not found.** shows that the only indication in APECS that the disbursement was a manual payroll check is its classification as a "DCI2 - Demand Check" rather than part of the regular payroll cycle. Other than inquiry with payroll personnel, no documentation was available to explain why the manual check was issued.

Figure 13: Example of Demand Check in APECS

Payment Details

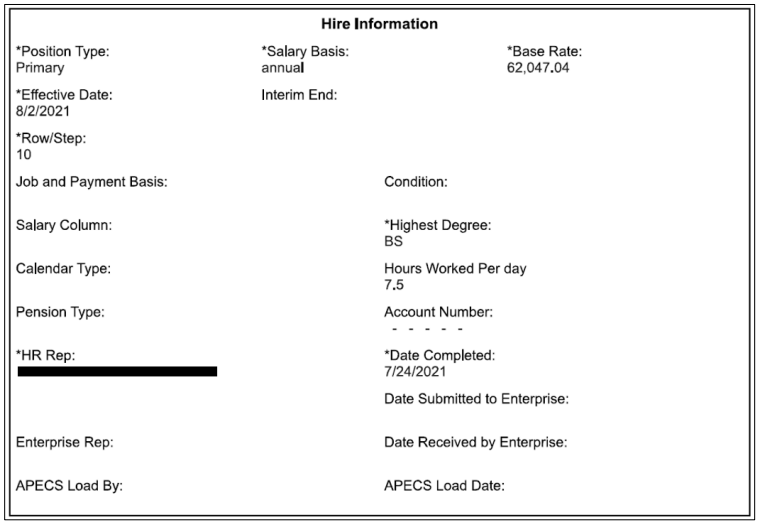
Contract Amount:	60,627.93	Paid-To-Date:	4,663.68
No. of Payments:	26	Payments Made:	2
Payment Start:		Payment End:	
Pay Cycle:	DCI2 - Demand Check	Override:	
Pension Type:	TNCR1 - TN Certified Retirement, OASDI, Medicare		
Timesheet:		Adjustment:	0.00

Observation #130 Salary payments are not consistently supported or aligned with authorized salary schedules.

For 21 salary roles, totaling $3,369,587.49, CLA could not locate an assignment sheet, contract, or other supporting documentation in iCIMS or the employee's HR file even though APECS reflected a salary schedule and

column for the position. This amount does not represent wasteful costs; rather, it reflects the total compensation for employees whose documentation could not be reconciled to complete records. Assignment sheets were not consistently stored in iCIMS, and key hire data was often incomplete (effective date, base rate, step/row, salary column, calendar type, highest degree, hours/day). Figure 14 shows an example of this. When assignment sheets are not in the employee file or iCIMS, this made it difficult for CLA to properly calculate the correct payrate for the employee.

Figure 14: Incomplete Assignment Sheet



Hire Information

*Position Type: Primary	*Salary Basis: annual	*Base Rate: 62,047.04
*Effective Date: 8/2/2021	Interim End:	
*Row/Step: 10		
Job and Payment Basis:	Condition:	
Salary Column:	*Highest Degree: BS	
Calendar Type:	Hours Worked Per day 7.5	
Pension Type:	Account Number: - - - - -	
*HR Rep: [redacted]	*Date Completed: 7/24/2021	
	Date Submitted to Enterprise:	
Enterprise Rep:	Date Received by Enterprise:	
APECS Load By:	APECS Load Date:	

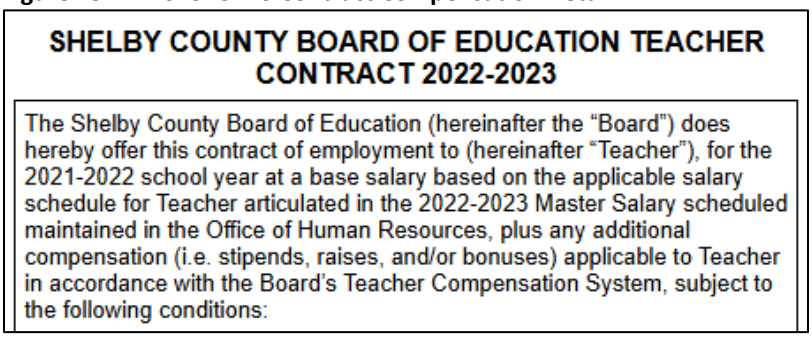
Observation #131 CLA made compensation determinations for 20 employees, totaling $2,161,224.71 based on inference rather than period-specific support.

When fiscal-year documentation for sampled employees was unavailable, CLA relied on the most recent assignment sheet or stipend-tracking record to assess the reasonableness of recorded compensation. Using that baseline, CLA projected forward by the number of elapsed fiscal years, applying standard step-progression and stipend-experience assumptions, to estimate the employee's expected salary placement in the year under review.

For example, one classroom teacher's most recent assignment sheet was dated October 2017 and reflected placement at Salary Row 2. In the absence of more current documentation, CLA added four fiscal years of step progression to infer that the employee's placement in fiscal year 2022 would be Salary Row 6. While this inference aligned with recorded compensation in some instances, discrepancies identified in other cases could not be resolved due to the lack of contemporaneous supporting documentation.

These limitations were compounded by gaps in the District's iCIMS system, which, for the employee referenced above, contained only a fiscal year 2023 contract. That contract included only vague compensation language and lacked the detail necessary to verify the employee's salary. Figure 15 shows the fiscal year 2023 contract and its limited compensation references.

Figure 15: FY 2023 iCIMS Contract Compensation Detail



SHELBY COUNTY BOARD OF EDUCATION TEACHER CONTRACT 2022-2023

The Shelby County Board of Education (hereinafter the "Board") does hereby offer this contract of employment to (hereinafter "Teacher"), for the 2021-2022 school year at a base salary based on the applicable salary schedule for Teacher articulated in the 2022-2023 Master Salary scheduled maintained in the Office of Human Resources, plus any additional compensation (i.e. stipends, raises, and/or bonuses) applicable to Teacher in accordance with the Board's Teacher Compensation System, subject to the following conditions:

Observation #132 Prior service and payment history for two rehired employees was not verifiable. These rehired employees received $97,789.29 in compensation between fiscal year 2022 and fiscal year 2024.

Although rehire files existed for these employees, the documentation did not include verifiable prior work experience or payment history, limiting CLA's ability to confirm the appropriateness of their compensation placement. For example, one employee was initially hired as a teacher under a contract spanning March 21, 2022, through June 2, 2022, and was subsequently rehired as a librarian on July 29, 2024, before being terminated on August 23, 2024. Despite the employee's prior service with the District, the only file provided covered the fiscal year 2025 period, leaving no documentation to support compensation placement during the earlier periods under review.

Observation #133 Manual check activity was missing the manual check log and supporting documentation. The 29 manual checks tested, totaling $621,049.63, were not supported by a manual check log.

The manual check log which is where employees receiving a manual check sign in acknowledgement of receipt was unavailable as it was reported missing and possibly discarded during front desk turnover. This left no centralized record of issuance/approval/justification that CLA could review. Additionally, documentation explaining why manual checks were issued instead of standard payroll was also not identified. Without the ability to view this log, CLA is not able to confirm the employees' attestation of receipt of manual check.

Observation #134 Non-routine termination payments lack centralized and complete documentation.

For example, the former Superintendent was severed on August 23, 2022, pursuant to a Board resolution and executed General Release, entitling the employee to 18 months of salary, payout of all accrued vacation and sick days, and 12 months of COBRA coverage, estimated at approximately $575,000.00. Neither the severance terms, the General Release, nor the authorizing Board resolution were reflected in APECS or iCIMS. To reconstruct and verify the payments, CLA had to obtain and cross-reference the original and amended employment contracts, a separately maintained base-salary memo, the Board resolution, the General Release, and inquire with District payroll staff.

This reconstruction revealed further complications. APECS reflected a total salary of $322,528.70 but contained no documentation explaining that a $12,404.95 secondary pay line representing a 4% tax-sheltered annuity contribution, a detail confirmed only through follow-up correspondence. Additionally, the fiscal year 2022 vacation payout of 360 hours ($55,608.41) exceeded the District's 280-hour policy maximum; the contractual basis for the higher cap (45 vacation days per the employment contract) could only be verified by reviewing the contract itself, not through any record in APECS or iCIMS.

Observation #135 Shared direct-deposit accounts were identified, but no clear indicators of fraud were found.

CLA analyzed direct-deposit information for 17,089 active employees as of February 11, 2026, as part of a routine payroll-integrity control to assess the risk of potential fraud, such as ghost employees, or improper payments through shared direct-deposit bank accounts. The analysis excluded terminated employees because banking data was not available in APECS. CLA identified 226 instances of identical bank routing and account numbers, most involving employees with the same or similar last names, suggesting legitimate shared accounts. For cases involving different last names, CLA reviewed available Form I-9 documentation; however, the information was often outdated or inconsistent with system records, therefore, results were inconclusive due to data limitations.

Observation #136 APECS lacks sufficient audit trails for payroll batch and import activity.

Payroll batch imports (stipends/bonuses/supplemental pay) can be uploaded to the backend of APECS via CSV by limited users, but APECS lacks sufficient backend audit trails (origin/preparation/review/authorization), with no systematic monitoring/logging and limited traceability after import, raising risk of unauthorized/inappropriate transactions.

Observation #137 APECS does not retain terminated-employee data needed for historical monitoring of duplicate direct-deposit bank accounts.

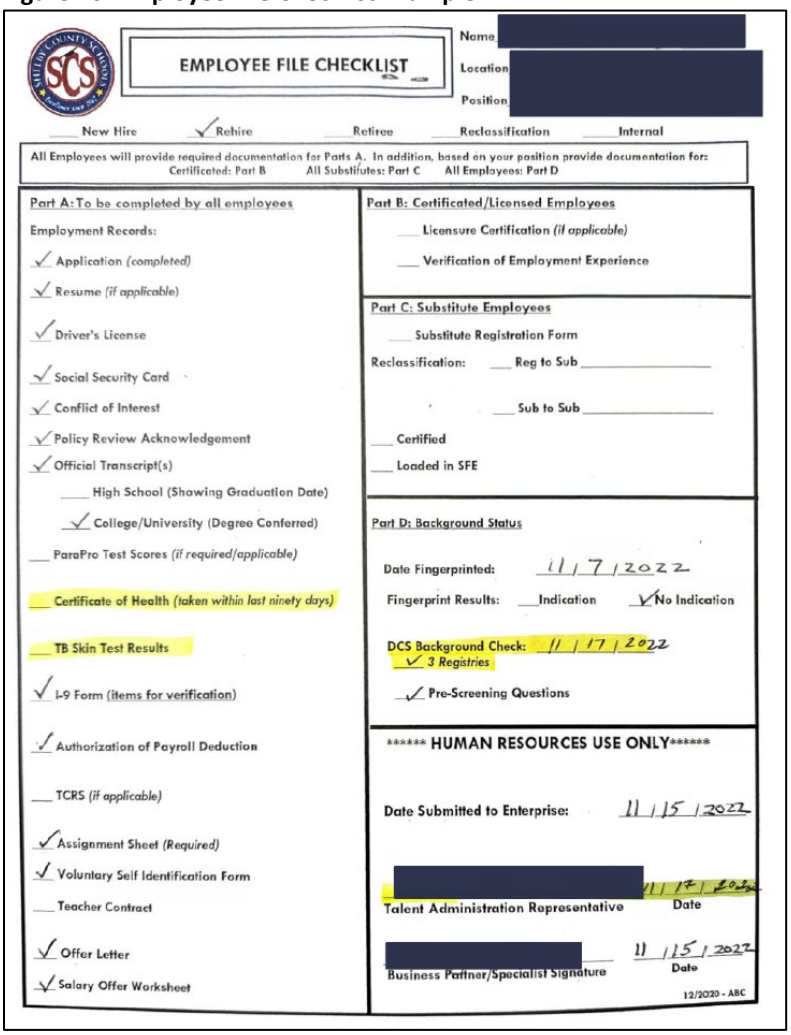
APECS direct-deposit reporting excludes terminated employees, preventing District-wide historical analysis of shared bank routing and account numbers, and lacks automated or systematic monitoring to identify duplicate direct-deposit bank accounts, creating opportunity for duplicate payments without timely detection.

Observation #138 Employee file checklist use and retention were inconsistent for 90 employees files tested.

Checklist versions changed without documented effective dates; fields were inconsistently completed; identity documents (driver's licenses/Social Security cards) were often not in files (may be with Forms I-9); and signature workflow (HR Advisors prepare; HR Specialists/Associates review) was inconsistently evidenced with missing/incomplete signatures. District management explained that the HR office has gone through several changes in the last few years and at one point approximately 50% of the staff was lost, during another period the District had a consulting firm provide outsources HR duties. The explanation provided accounts for the inconsistencies observed.

Figure 16 illustrates how some employee file checklists were completed with some fields highlighted and unchecked.

Figure 16: Employee File Checklist Example



EMPLOYEE FILE CHECKLIST

Name [redacted]
Location [redacted]
Position [redacted]

___ New Hire ✓ Rehire ___ Retiree ___ Reclassification ___ Internal

All Employees will provide required documentation for Parts A. In addition, based on your position provide documentation for: Certificated: Part B All Substitutes: Part C All Employees: Part D

Part A: To be completed by all employees

Employment Records:

- ✓ Application *(completed)*
- ✓ Resume *(if applicable)*
- ✓ Driver's License
- ✓ Social Security Card
- ✓ Conflict of Interest
- ✓ Policy Review Acknowledgement
- ✓ Official Transcript(s)
  - ___ High School (Showing Graduation Date)
  - ✓ College/University (Degree Conferred)
- ___ ParaPro Test Scores *(if required/applicable)*
- ___ Certificate of Health *(taken within last ninety days)*
- ___ TB Skin Test Results
- ✓ I-9 Form (items for verification)
- ✓ Authorization of Payroll Deduction
- ___ TCRS *(if applicable)*
- ✓ Assignment Sheet *(Required)*
- ✓ Voluntary Self Identification Form
- ___ Teacher Contract
- ✓ Offer Letter
- ✓ Salary Offer Worksheet

Part B: Certificated/Licensed Employees

- ___ Licensure Certification *(if applicable)*
- ___ Verification of Employment Experience

Part C: Substitute Employees

- ___ Substitute Registration Form

Reclassification: ___ Reg to Sub _____

___ Sub to Sub _____

- ___ Certified
- ___ Loaded in SFE

Part D: Background Status

Date Fingerprinted: 11/7/2022

Fingerprint Results: ___ Indication ✓ No Indication

DCS Background Check: 11/17/2022
✓ 3 Registries

✓ Pre-Screening Questions

****** HUMAN RESOURCES USE ONLY******

Date Submitted to Enterprise: 11/15/2022

[redacted] 11/17/2022
Talent Administration Representative Date

[redacted] 11/15/2022
Business Partner/Specialist Signature Date

12/2020 - ABC

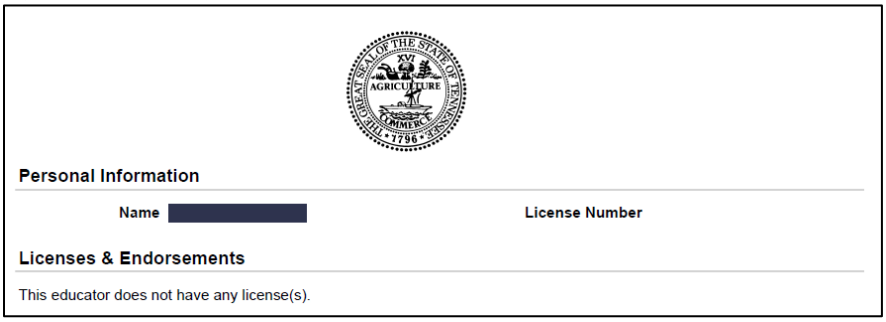
Observation #139 Documentation did not consistently demonstrate compliance with minimum job qualifications.

Based on personnel records, job descriptions, and iCIMS, five employees from the sample tested appeared not to meet minimum job qualifications, with missing support for education/experience/credentials, limiting ability to demonstrate compliance with hiring standards. For example, one employee hired as an instructional facilitator, a position that required a minimum of five years of teaching experience, appeared to not meet this requirement. The employee graduated from university in fiscal year 2019, was hired by the District in fiscal year 2020 as a teacher in training, and hired as an instructional facilitator in fiscal year 2023. This job history would indicate the employee only had approximately three years of teaching experience.

Observation #140 State licensure documentation was missing, expired, or incomplete for certain positions.

CLA identified five instances where required licensure evidence was missing/expired/incomplete or lacked required endorsements; or supporting documentation was not consistently maintained in personnel files or within iCIMS, limiting the ability to demonstrate compliance. For example, one employee was hired as a deputy superintendent, but neither the personnel file, iCIMS, nor Human Resources could provide documentation of the position's minimum qualifications. For testing purposes, CLA compared the role to comparable assistant superintendent positions, which required possession or eligibility for a Tennessee superintendent license; however, the employee did not appear to hold such a license. Additionally, the personnel file and TN Compass were missing evidence of an active superintendent license or documentation demonstrating eligibility to obtain such licensure. Further, there was no documentation in the personnel file that the employee had a Board-approved exception to the job qualifications. Figure 17 shows the TN Compass results for the employee and no active or inactive licenses.

Figure 17: TN Compass License Results



Observation #141 The Employee File contains information that a relative was involved in the hiring, onboarding, or compensation process(es) within HR.

CLA identified one instance where a relative of the employee appeared to be involved in the hiring, onboarding, or compensation process within HR, potentially limiting the independence of employment decisions. While the employee appeared to meet the minimum qualifications for the position of "ReSet Room Assistant," the Salary Worksheet was completed by an enrollment advisor, identified as a relative of the applicant, which appears to indicate that this relative was directly involved in determining the applicant's compensation. This may represent a violation of District Policy 4063 – Employment of Relatives (Nepotism), which governs conflicts of interest and nepotism in employment practices. Although the Assignment Sheet was separately completed by other HR staff, the involvement of a relative in the compensation process raises concerns regarding whether appropriate safeguards were in place to ensure the applicant's salary was established independently and in accordance with District policy.

Observation #142 The Employee File provided for review was either missing or a rehired employee file was provided but was out of scope and the original file was not present.

CLA identified two instances where HR either could not provide the sampled employee's personnel file or provided a rehire file that fell outside the scope of our testing period; the original file corresponding to the employee's initial hire was not presented, limiting our ability to reconcile compensation to supporting documentation. For example, one sampled employee's HR file reflected a rehire date outside the period under review, while the original file covering the applicable testing period was not produced. Without access to the original personnel file, key employment terms, including base salary rates, assignment sheets, and contract agreements, could not be verified against the amounts recorded in APECS. In other instances, HR was unable to locate or produce any personnel file for the sampled employee, leaving no documentation available to support the compensation paid during the period under review.

v. P-Cards and Checks Requests

Observation #143 The District did not consistently comply with policy requirements related to supporting documentation for check disbursements, as detailed below:

a) Six samples totaling $12,277.67 were below the dollar threshold requiring an AP Payment Request Form; however, the required form could not be located. Both of these samples were processed using a PO, although a PO was not required for the transaction. The District controller indicated that use of a PO is considered an acceptable substitute for the payment request form. CLA notes that this practice is not consistent with the requirements outlined in District policy. CLA confirmed through interviews that the Payment Request Form process is still in place and is the process that should be followed for low-dollar transactions.

b) For twenty samples totaling $1,076,727.11, the attached invoice did not have a signature; however, the transactions were approved within the APECS system. These instances do not indicate waste or abuse but reflect noncompliance with internal documentation requirements, representing an internal control failure. The District controller requires all invoices to be signed and dated to support internal control objectives and to document verification that goods or services were received or completed.

vi. Suspicious Accounts

Observation #144 The District lacks a formal policy governing the chart of accounts.

The District does not have a formal policy in its official policy manual that addresses the structure, maintenance, and oversight of the chart of accounts. While the Tennessee Internal School Uniform Accounting Policy Manual (Chart of Accounts – Section 9) permits districts discretion in account configuration provided titles and descriptions are applied consistently, the absence of a District-specific policy results in reliance on management practices rather than documented requirements. Through interviews, finance leadership described centralized oversight of account creation and maintenance, supported by manual controls such as ledger reviews, account freezes, and periodic review during month-end and year-end close. Although these practices provide some level of control, the lack of formally documented policies increases reliance on institutional knowledge and informal processes.

Observation #145 The continued availability of inactive location codes in APECS contributed to miscoding and required manual reclassification.

CLA identified transactions coded to inactive school locations requiring reclassification. These conditions did not indicate off-the-books activity but contributed to miscoding and manual corrections.

vii. Travel Reimbursements

Observation #146 CLA noted 26 reimbursements totaling $27,121.63 where employees did not submit the required travel pre-approval forms with sufficient advance notice prior to travel. Based on discussions with finance personnel, travel expenses will be paid as long as the travel is legitimate and approved at the departmental level, whether or not the pre-approval is submitted within the required timeframe. While this observation does not appear to be attributable to deficiencies in District controls or oversight, it increases administrative burden and may reduce the efficiency of the travel reimbursement process.

Observation #147 CLA noted 26 reimbursements totaling $31,525.52 where employees did not complete their expense report within five to seven days following the conclusion of travel. Based on discussions with finance personnel, travel expenses will be paid as long as the travel is legitimate and approved at the departmental level, whether or not the expenses are submitted within the required timeframe. While this observation does not appear to be attributable to deficiencies in District controls or oversight, it increases administrative burden and may reduce the efficiency of the travel reimbursement process.

Observation #148 The District did not consistently comply with policy requirements related to supporting documentation for travel reimbursements, as detailed below:

a) Seven federally funded samples totaling $9,440.81 did not have the required Travel Justification Form attached to the support in APECS.

b) For four federally funded samples totaling $5,541.80, the Travel Justification Form attached to the support in APECS was not approved.

c) For one sample totaling $2,131.05, the travel requisition was submitted after the date of travel.

d) For one sample totaling $1,190.76, the travel requisition was not submitted prior to travel.

Observation #149 CLA noted one reimbursement where valet parking amounting to $99.85 was incorrectly marked as tolls on the expense report.

Observation #150 CLA noted one reimbursement where no receipts were provided for taxi, luggage fees, and airport parking totaling $213.23.

Observation #151 CLA noted one reimbursement for purchase of a preferred seat for $20.16, violating the District travel policy.

viii. Budget Analysis

Observation #152 The District's budgeting process is decentralized across multiple systems and departments, with limited system-integrated controls, resulting in inefficiencies and reduced consistency, particularly during high-demand periods or staff turnover.

Interviews with budget, fiscal planning, and executive office personnel confirmed that the District uses different systems and groups to manage its budget. APECS is the main system for budgeting and accounting, and Allovue Allocate is used for school-level planning and monitoring. Central office departments do not enter budget requests directly into APECS. Instead, they submit requests on Excel templates, which are then combined, reviewed, and uploaded into APECS after the Board approves the budget. The District has a Budget Amendment Reconciliation Procedure that sets standard steps for processing amendments, including variance analysis, document retention, and separation of duties. However, budget-to-actual monitoring and forecasting are performed through manual management review rather than automated controls in APECS. This split structure creates inefficiencies, especially during the budget cycle and at year-end. It also increases reliance on individual departments, which can be less effective when staff turnover reduces institutional knowledge.

Observation #153 Budget revisions and transfers lack system-based traceability to supporting documentation and approvals.

CLA identified 34 budget revisions and 40 budget transfers that lacked visible support in APECS and relied on off-system documentation. The District does not attach supporting documentation within APECS; instead, traceability depends on matching APECS entries to Board documents,

SharePoint-stored mapping files, and off-system Excel workbooks. A revision or transfer only appears in Board-presented budget resolutions if it crossed functional categories, and even then, locating the specific entry within the budget amendment folders is not straightforward.

CLA reviewed the budget amendment folders for fiscal years 2022 to 2024 and tried to match sampled items to Board-approved documents. In fiscal year 2022, the folders were organized by month, making it easy to match each entry. Starting in fiscal year 2023, the District only presented amendments to the Board in five months a year, making it much harder to identify when each item was approved. Line items were also grouped together before Board presentation, so small changes appeared as large combined amounts in APECS. This made it nearly impossible to trace a single entry back to a specific Board-approved item without significant manual effort. The District's only additional support was a high-level list of expense functions, which did not allow transaction-level tracing. Figure 18 illustrates the mapping information provided.

Figure 18: Function Mapping Response

Expense Functions	High Level Function Name
71100	Instruction
71150	Instruction
71200	Instruction
71300	Instruction
71400	Instruction
72110	Student Support
72120	Student Support
72130	Student Support
72210	Instructional Support
72215	Instructional Support
72220	Instructional Support
72230	Instructional Support
72250	Instructional Support
72260	Instructional Support
72310	General administration
72320	General administration
72410	Office of principal
72510	Business Administration
72520	Business Administration
72610	Plant services
72620	Plant services
72710	Student transportation
72810	Other Support Services
73100	Food service
73300	Community service
73400	Community service
76100	Capital outlay
82130	Debt service
82230	Debt service
91300	Capital outlay
99100	Charter schools
01-99100-59000-325010-1000-0000	OPEB
01-72520-20600-325010-0154-0000	Retiree Benefits
01-72520-20700-325010-0154-0000	Retiree Benefits

Observation #154 Board approval requirements for budget changes are not readily evident within APECS.

APECS transaction data does not clearly indicate whether a budget revision or transfer required Board approval or whether such approval was obtained. System functionality allows certain users to process entries without additional system-level approval, and approval evidence supporting budget amendments is maintained outside of APECS. In addition, Board approvals are often granted at an aggregated functional level, which may encompass multiple underlying account-level changes that are not individually reflected within APECS.

As a result of these limitations, APECS does not maintain a complete or transparent approval history for budget transactions. Of the items sampled, CLA was unable to trace 16 budget revisions and 19 budget transfers to corresponding budget resolutions, preventing verification of Board approval within the system. This limitation does not indicate that approvals were not obtained; rather, the lack of system-based traceability constrained validation procedures.

Observation #155 Board member discretionary budgets are managed through informal processes and decentralized documentation.

All 103 Board member discretionary allocation transactions selected for testing were tracked using manual spreadsheets and emails to record requests, allocations, balances, and revisions. No formal reconciliation or review took place between the Board Office, Budgeting, and Finance to confirm accuracy or catch errors and overages.

The District also has no official policy governing Board member discretionary spending. This gap increases the risk of funds being spent on non-allowable items, expenditures exceeding approved budgets, inaccurate year-end rollovers, unauthorized transfers between Board members, and duplicate allocations. CLA also identified allocations totaling $128,070.58 that were missing at least one piece of supporting documentation. Because recordkeeping relied on shared email inboxes, individual Board Office files, and shared drives, CLA could not confirm whether the District followed its described historical processes.

Observation #156 Board allocation requests were not initiated by principals, approved by the appropriate Board member, or both, violating the described process.

CLA identified 28 Board allocation entries totaling $109,604.95 that were missing required authorization: 11 entries , totaling $45,250.00, lacked evidence of principal initiation, three entries, totaling $6,213.95, lacked Board member approval, and 14 entries, totaling $58,141.00, lacked both. In the 11 entries without principal initiation, either no documentation

existed or the documentation showed a different person had initiated the request.

Observation #157 Board allocation expenditures included capital, operational, employee appreciation, and supply costs that do not align with the allowable cost criteria directly benefiting students.

CLA identified 64 Board allocation entries totaling $426,793.21 that did not meet the allowable cost criteria for directly benefiting students. These included 33 entries totaling $364,763.97 for capital asset improvements or purchases that should have been funded through capital or maintenance budgets, and 31 entries totaling $62,029.24 for operational, program, or supply and equipment costs, including 22 employee appreciation entries totaling $33,694.86.

Observation #158 Timing differences and incorrect project code use created discrepancies in Board allocation tracking and recording.

CLA identified two Board allocation entries totaling $17,000.00 where approval and expenditure crossed fiscal years, causing negative budget transfers or discrepancies in later years. CLA also identified 15 entries totaling $126,514.10 recorded under prior-year project codes, indicating the operator either did not know the current year's code or did not understand how to roll forward Board allocations.

CLA's review of Board allocation project codes used between fiscal years 2022 and 2024 identified 13 unique codes that exceeded the $125,000 spending limit described by interviewees and reflected in the documentation reviewed, as shown in Table 2.

Table 2: Board Allocation Program Codes Exceeding $125,000

Program Code	Amount Exceeding $125,000
2201	$ 13,618.65
2202	11,515.85
2302	15,800.60
2303	35,120.78
2204	33,230.10
2105	7,039.83
2206	29,799.94
2306	18,514.84
2207	32,201.88
2208	24,196.94
2209	5,981.90
2309	2,223.01
2409	29,854.53
Total	$ 259,098.85

Observation #159 Board member discretionary budgets were allocated across districts or transferred between Board members without documented authorization.

CLA identified 10 Board allocation entries totaling $26,794.16 where the allocation either came from a Board member whose district did not include the requesting school or involved a direct or indirect transfer of funds to another Board member without documented approval from the Board members involved.

Observation #160 Unoccupied facility costs were of low dollar value, but approval documentation was inconsistent.

Costs were limited and generally reasonable, such as monthly utility payments for unoccupied facilities that averaged $2,423.85 for the sample CLA tested; however, approval documentation varied, particularly for ACH utility payments.

Observation #161 Miscoding of an expense to an inactive location code required manual reclassification.

CLA identified a $6,561.00 expense paid to Hotel & Restaurant Supply for a three-door reach-in freezer that was incorrectly coded to Manor Lake Elementary School, a wholly vacant facility as evidenced in the 2022 Underutilized and Vacant Facilities Report. However, the supporting documentation reviewed by CLA confirmed that the freezer was intended for Melrose High School (location code 2493) but was mistakenly charged to Manor Lake Elementary School (location code 2483) and later corrected through a reclassifying journal entry. While not indicative of fraud, waste, or abuse, this example illustrates how expenses can be miscoded to inactive locations due to the continued availability of legacy location codes, requiring manual correction to ensure accurate reporting.

D. Vendors and Conflicts of Interest

i. Vendor Listing and Conflict of Interest

Observation #162 The District master vendor listing included 2,584 vendor names with blank or incomplete addresses. Of the 2,584 vendors in the with blank or incomplete addresses, 311 were listed as active, which limits the District's ability to verify vendor legitimacy, issue accurate 1099s, and identify potential duplicate or fictitious vendors.

Observation #163 The District's master vendor listing included 104 vendor names containing "void" or "test" within the vendor name field, despite APECS providing designated status fields (e.g., inactive or frozen) to indicate vendor status. CLA confirmed that all identified vendors were appropriately classified as inactive or frozen within APECS, and a sample of 10 such vendors did not receive payments between fiscal year 2022 and fiscal year 2024.

While the use of "void" or "test" in vendor names does not appear to be a widespread practice and did not result in improper payments based on

testing performed, the presence of these naming conventions within the master vendor listing is not a best practice and may increase the risk of confusion, improper use, or reduced oversight, given that formal status indicators already exist within the system.

Observation #164 The District's master vendor listing contained 4,746 vendors that shared a similar name and address with at least one other vendor record. While the majority of these were a mix of active and inactive or frozen records, CLA identified 129 fully active vendor records with similar names and addresses. Further review confirmed that multiple active vendors sharing the same name and address received payments during the scope period, as illustrated in Figure 19. The existence of duplicate active vendor records increases the risk of duplicate payments, complicates vendor management and 1099 reporting, and weakens the District's ability to detect fictitious vendor schemes, particularly where duplicate records could be exploited to route payments without detection.

Figure 19: Multiple Vendors with Same Name and Address

ID	Name	Order/Remittance Address	Phone	Fax	Vendor Class	Status
400139	IDN - ACME Inc	4168 NEW GETWELL ROAD MEMPHIS, TN - ...	(901) 795-2250	(901) 795-2265		Active
107949	IDN-ACME Inc	4168 NEW GETWELL RD MEMPHIS, TN - 381...	(901) 795-2250	(901) 795-2265		Active
927539	IDN-ACME, INC	4168 NEW GETWELL RD Memphis, TN - 381...	(901) 795-2250	(901) 795-2265		Active

Observation #165 The District did not collect Conflict of Interest disclosure forms from key employees for fiscal year 2023 and 2024 as required by Policy 4003. The absence of these forms for two consecutive fiscal years impaired CLA's ability to evaluate whether key employees involved in the procurement process maintained undisclosed financial relationships with vendors or contractors doing business with the District. Without completed COI disclosures on file, the District is at risk that contracts could be influenced by undisclosed personal or financial interests without detection.

Observation #166 CLA cross-referenced the District's master vendor listing against the federal SAM.GOV exclusion database and identified one vendor, Overwatch Global Strategies, LLC, currently listed as ineligible. The vendor was created in APECS on November 17, 2020 and remains active in the District's system, although its federal debarment was effective January 22, 2025. CLA reviewed disbursement activity and found no record of payments to this vendor during the scope period. However, the vendor's continued active status in APECS presents a risk that the District could inadvertently award a contract or process a payment to a federally debarred entity.

Observation #167 After requesting pricing catalogs on April 9, 2026, the District did not produce the pricing catalogs in effect during the scope period until mid-June 2026, at which time CLA received an archive of 433 files with varying levels of identification and organization. The volume of files, combined with inconsistent naming conventions and limited organization,

did not allow CLA to reliably identify which pricing catalogs were in effect during fiscal years 2022 to 2024 within the time remaining before the report due date. As a result, CLA could not assess the District's compliance with its strategic sourcing requirements for fiscal years 2022 through 2024. CLA alternatively obtained the fiscal year 2026 pricing catalogs publicly available on the District's website and performed a comparative analysis of disbursements between strategic sourcing suppliers and their non-strategic sourcing counterparts. The analysis indicated the District utilized strategic sourcing suppliers more frequently; however, because the catalogs used postdate the scope period, CLA cannot definitively conclude whether the District complied with its strategic sourcing policy during the audit period.

Observation #168 Memphis is a small, tight-knit community where many individuals working within MSCS and the local vendor community are likely to know one another through prior employment, professional networks, civic involvement, or long-standing personal relationships.

MSCS conflict-of-interest policies focus on financial interests, decision-making authority, and the potential for improper influence, rather than on mere personal or professional acquaintance. As long as required disclosures are made and individuals with potential conflicts are appropriately recused from related decisions, pre-existing relationships alone are not prohibited. MSCS policies address this reality through controls such as conflict-of-interest certifications, cross-functional evaluation committees, and documented procurement processes, which are intended to distinguish acceptable professional familiarity from actual or perceived conflicts.

E. Governance and Compliance

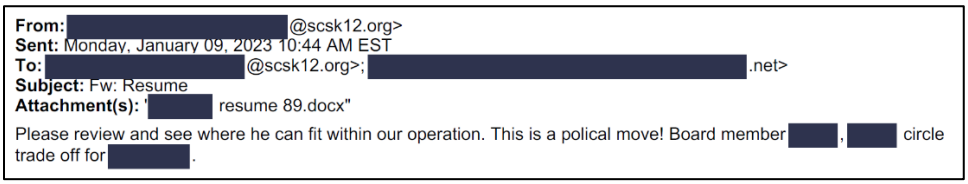
i. Compliance

Observation #169 All Board Members filed their Statements of Disclosure of Interests (SS-8005) for the years applicable to them, and these completed forms were publicly available with one exception. Based on their position, a Board Member was required to file Statements of Disclosure of Interests for all calendar years within the forensic audit period (2021, 2022, 2023, and 2024). However, Statements of Disclosure of Interests (SS-8005) for 2023 and 2024 were not located on the Tennessee Ethics Commission’s online portal. CLA inquired with the current Board Manager, who was able to locate the 2023 and 2024 forms, which had been completed on paper. Nonetheless, although these forms were completed, they were not publicly available on the Tennessee Ethics Commission’s online portal. The current Board Manager explained that the Board had a Senior Advisor during fiscal year 2024–25 who is no longer with the District as of September 2025. In responding to CLA’s request, the 2023, 2024, and 2025 forms were located

and submitted to the Tennessee Ethics Commission. These forms were uploaded on March 11, 2026, and April 6, 2026, and are currently visible in the Tennessee Ethics Commission website. This was a corrective action after discussion with CLA and after CLA had drafted the report.

Observation #170 A Board member appears to have exerted influence over the promotion of an employee, which appears inconsistent with Board Policy 0022, Board Members Code of Conduct. On January 9, 2023, an email from the Chief of Business Operations directed another employee to identify an available position for an existing staff member, stating: "Please review and see where he can fit within our operation. This is a political move! Board member ... circle trade off for ..." See Figure 20 for this email with redactions applied.

Figure 20: Email from January 9, 2023


From: [redacted]@scsk12.org>
Sent: Monday, January 09, 2023 10:44 AM EST
To: [redacted]@scsk12.org>; [redacted].net>
Subject: Fw: Resume
Attachment(s): "[redacted] resume 89.docx"
Please review and see where he can fit within our operation. This is a polical move! Board member [redacted], [redacted] circle trade off for [redacted].

Observation #171 At the time of this communication, the employee held the position of Community Schools Manager. Effective April 24, 2023, the employee title changed to Senior Manager - Board and Government Affairs. Subsequently, on April 16, 2024, the same Board member forwarded the employee's resume to a former Shelby County Schools Board member with the message: "Please follow up with me." These communications, when considered in conjunction with the subsequent change in title, raise concerns regarding potential Board member involvement in personnel decisions

Observation #172 Another Board Member engaged in conduct that constituted an alleged violation of District Policy 0022, Board Members Code of Conduct. Specifically, the Board Member appeared to attempt to exercise individual authority over the organization by attending a parent-teacher meeting and engaging in conduct that intimidated and harassed the assistant principal and principal of a school. This conduct further appears to have violated District Policy 0018, Board–Staff Communications. As a result of this conduct, the Board Member was formally reprimanded through an official letter issued on November 21, 2023.

ii. Procurement Correspondence

Observation #173 Email communications indicate that the Board Chair directly contacted a public relations vendor, Kingdon Quality (KQ) Communications. On July 7, 2022, the Board Chair forwarded an email to general counsel and a member of management that included a link to a proposal/contract, stating, "I need

to retain a PR firm and have reached out to KQ Communications. Please see attached contract." No responses to this email were identified; however, Professional Services Agreement No. 2023-0008 was executed the same day, July 7, 2022, by the Chief of Communications. The agreement provided for crisis communication support in the amount of $15,000.00. Evidence indicates the vendor performed services related to communications guidance concerning allegations of impropriety involving the Superintendent at the time. The engagement concluded on August 26, 2022, when the vendor communicated that, having managed the crisis media aspects of the investigation, the contract could be concluded and responsibility transitioned to the District's communications department. The Board Chair's direct involvement in initiating contact with the vendor presents concerns regarding influence over the procurement process outside established procedures.

Observation #174 Review of the vendor master file identified that vendor number 919786 was associated with three separate name variations: "KQ Communication," "KQ Communications," and "Kingdom Quality Communications." The use of inconsistent vendor naming conventions within the system creates a risk of duplicate or fragmented vendor records, which may impair accurate tracking, reporting, and aggregation of vendor activity. In addition, such inconsistencies may hinder effective monitoring of total payments, contract compliance, and procurement thresholds.

iii. Compliance letters

Observation #175 CLA identified a breakdown in the District's enforcement and documentation of disciplinary procedures related to non-compliance with Policy 2006. Although Out-of-Compliance letters were required to be placed in employee HR files and could result in disciplinary action, none of the 12 employee HR files tested for fiscal years 2022 and 2023 contained such letters, nor was there evidence that disciplinary action was initiated for failure or repeated failure to comply with procurement policies. Management was unable to explain why the required process was not followed, citing the departure of personnel previously responsible for administering the process and the absence of institutional knowledge to account for the lapse.

Observation #176 CLA identified only one instance of potential disciplinary action related to noncompliance with Policy 2006. This instance involved an Out-of-Compliance letter issued to two senior facilities employees in connection with a $528,765.00 transaction for which a purchase order was created (PO No. 2229094) but no executed contract was identified. Although the Out-of-Compliance letter was signed by the chief business officer, no evidence of follow-up disciplinary action was identified.

iv. Open Meetings

Observation #177 On May 18, 2023, a Board member emailed the full Board (a quorum) and shared perspectives and suggested next steps on multiple Board matters. The email addressed planning and scheduling of superintendent search meetings, expectations for agendas and pre-work, and consideration of related Board policies. It also raised questions regarding consultant engagements and associated costs (including KQ Communications and a facilitator), referenced prior payments and contract terms, and requested additional supporting documentation. Additionally, the email discussed timing and expectations for appointing a new Superintendent, outlined considerations for the Superintendent evaluation process (including concerns related to a consulting engagement), and encouraged detailed review of the proposed budget, including a recommendation to schedule a budget retreat. The communication also noted the need for further discussion of community-related matters in a future executive session. A separate Board member subsequently forwarded this email, along with attachments including a public relations contract (#2023-0008) and a document titled "New MSCS Superintendent Onboarding Draft" to a personal email address.

This communication, which was distributed to a quorum outside of a public meeting, included substantive discussion and suggested actions related to District business. Although no responses were observed, the nature of the communication may present considerations under the Tennessee Open Meetings Act, which discourages electronic exchanges among a quorum on public business outside a properly noticed meeting. The subsequent forwarding of the email to personal accounts further reflects handling of Board-related matters outside the formal meeting setting and may contribute to the appearance of deliberations occurring outside the public view.

Observation #178 On June 19, 2023, a Board member emailed the full Board (a quorum) requesting postponement of a special called meeting scheduled for June 20, 2023, to discuss the interim superintendent's contract, noting that he and three other members would be unavailable due to scheduled travel. The member emphasized the importance of full Board participation for transparency and accountability and requested suspension of the Board policy requiring five-day notice. Alternatively, the member requested permission to participate via video. Responses to the email acknowledged the five-day notice requirement and indicated that administrative staff would provide guidance, with a subsequent response expressing interest in that guidance. The meeting was later postponed to June 27, 2023.

While no direct evidence of deliberation was identified, the distribution of substantive Board-related communication to a quorum outside a public meeting, combined with the eventual postponement of the meeting, presents a condition that may be viewed as inconsistent with the intent of the Tennessee Open Meetings Act. This communication may also create the

appearance that Board business was advanced outside the public meeting process.

Observation #179 On March 6, 2024, legal counsel emailed three Board members advising that he would later that day send a communication to the full Board requesting each member's input on the starting compensation for the new superintendent. Subsequent communications to individual Board members indicated that the process would involve gathering input separately from each member and then reporting progress and areas of consensus collectively. Legal counsel further stated, "by doing it this way we should avoid any violations of the open meeting laws."

This communication presents a potential concern under the Tennessee Open Meetings Act. The proposed approach of soliciting individual Board members' input and developing a collective consensus outside a public meeting may be viewed as inconsistent with the Act's requirement that deliberations on public business occur openly. Although the initial communication was sent to fewer than a quorum, it outlines a process that could facilitate collective deliberation and decision-making outside a properly noticed public meeting.

Observation #180 On April 4, 2024, general counsel circulated an email concerning a consulting services contract drafted for the outgoing interim superintendent. From that date through April 16, 2024, several Board members continued the email exchange. The email chain reflects ongoing discussion among multiple Board members regarding revisions to a proposed professional services agreement for the outgoing interim superintendent. The communications include updates from counsel, expressions of Board members' positions on contractual obligations, compensation, and reporting structure, as well as concerns regarding adherence to existing agreements and Board processes. Several members expressed support for making payments and finalizing contract terms, while others questioned the need for a revised agreement and emphasized the importance of honoring prior commitments.

This email chain raises concerns under the Tennessee Open Meetings Act. The communication involves a quorum of Board members engaging in substantive, back-and-forth discussion regarding a professional services agreement, including contract terms, compensation, and related obligations. The exchange reflects deliberation on public business outside of a properly noticed public meeting and may not be consistent with the Act's requirement that such deliberations occur openly.

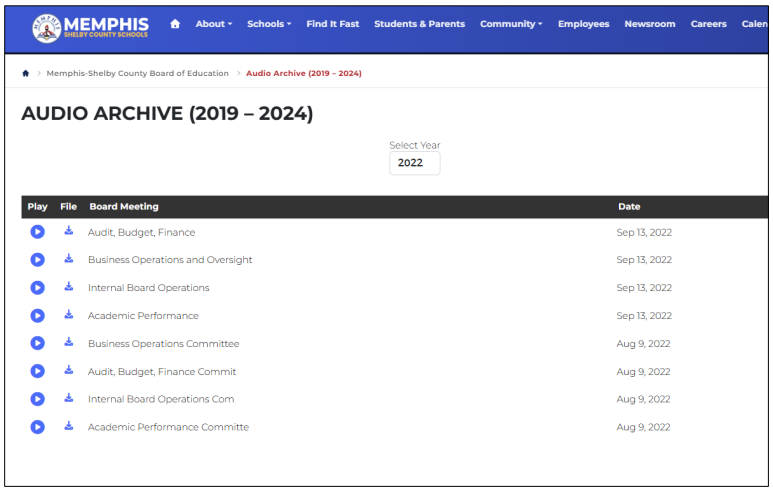
Observation #181 A calendar invitation sent to all Board members reflects a meeting scheduled for August 9, 2022, from 5:15 p.m. to 5:45 p.m., noted to occur immediately following a Special Called Executive Session. Neither the original calendar published for the week of August 8-12, nor the revised calendar published for the same week, listed the Board closed-session

meeting scheduled for 5:15 p.m. to 5:45 p.m.. Available Board minutes and publicly posted records did not identify documentation of a corresponding closed session on that date. Similarly, the official minutes posted on the District's website do not reference a closed session for that date. A contemporaneous news article published the night of August 9, 2022, mentions that the Board held a closed session meeting without public notice suggesting the closed-session meeting took place. The topic of the closed session meeting was not listed in the calendar invitation sent to the Board members.

Although a calendar invitation reflects that a closed-session Board meeting was scheduled for August 9, 2022, this meeting was not included in either the originally published or revised public calendars for that week. Furthermore, no corresponding documentation or reference to the meeting was identified in officially posted Board minutes or other public records. These circumstances indicate a violation of the Tennessee Open Meetings Act arising from a lack of required transparency and public notice.

Observation #182 The District's 2022 audio archives appear incomplete, as the archive includes entries for August 9, 2022, and September 13, 2022; however, the August 9, 2022, entry does not contain an audio recording. Because the archive is intended to capture formal Board meetings, the absence of recorded audio, together with the lack of corresponding documentation, indicates that the archival record of meetings may be incomplete. Figure 21 shows the listing of calendar year 2022 audio files.

Figure 21: Board Meeting Audio Archives for Calendar Year 2022



While the Tennessee Open Meetings Act requires maintenance and availability of meeting minutes, it does not require that audio recordings be created or retained; however, these inconsistencies reflect gaps in the information made available to the public.

F. Fiscal Agent Oversight

i. SchoolSeed Fund Usage

Observation #183 CLA's review identified significant governance, documentation, and oversight challenges related to SchoolSeed's role as a fiscal agent for MSCS-related activities. Although SchoolSeed asserted that it did not maintain contracts or agreements with MSCS during the period under review, MSCS records maintained in APECS reflect multiple executed contracts, memoranda of understanding, professional and non-professional services agreements, and fiscal agent arrangements involving SchoolSeed or SchoolSeed Foundation. This inconsistency between representations made during interviews and District system records limited transparency and complicated the assessment of roles, responsibilities, and accountability.

Observation #184 CLA's testing was constrained by SchoolSeed's limited production of financial records. SchoolSeed did not provide a complete general ledger, bank statements, or full QuickBooks records for the period under review and instead produced documentation limited to the 2023 and 2024 Leadership Symposiums, supplemented by a single transaction listing that did not represent a complete population of MSCS-related activity. As a result, CLA's analysis was restricted to those discrete projects and could not be extended to other MSCS-related contracts, payments, or donor-funded activities reflected in District records.

Observation #185 Within the Leadership Symposium projects reviewed, CLA identified weaknesses in documentation and financial recordkeeping, including unsupported or partially supported revenue and expense transactions, reliance on internally prepared spreadsheets in lieu of third-party evidence, inconsistencies between the general ledger and supporting documentation, and transactions appearing in supporting files but not recorded in the general ledger. CLA also noted inconsistent application and documentation of administrative fees assessed by SchoolSeed, increasing the risk that fees were not fully transparent or uniformly applied.

Attachment 3

List of Recommendations

To address the internal control deficiencies and issues identified through the performance of this forensic audit, this report provides 133 recommendations to be considered to strengthen MSCS internal control processes. The number of recommendations is lower than the number of observations, as recommendations were consolidated where multiple observations across different areas reflected common underlying themes and control weaknesses. The recommendations are presented in detail throughout the body of the report; for ease of reference, this attachment provides a listing of the recommendations.

A. Federal and State Funding Review

i. Federal and State Funding – Title I

Recommendation #1 CLA recommends that the District consistently apply the written justification requirements in its travel policy by requiring that each travel justification explicitly demonstrates the necessity of the travel and its direct relationship to the applicable Title I grant award.

Recommendation #2 Centralize journal entry processes across departments to improve consistency, transparency, and oversight.

The District should establish standardized requirements for preparation, review, and documentation of journal entries to improve consistency, transparency, and oversight. This should include requiring a clear written justification for each journal entry, captured within APECS or attached as supporting documentation, along with centralized access to all supporting records. Implementing these measures will strengthen finance's ability to independently validate entries at approval, reduce informal inquiries, enhance interdepartmental coordination, and support efficiency, accountability, and identification of recurring control weaknesses.

Recommendation #3 CLA recommends that the District develop a formal SOP to document the process for recurring journal entries. Documenting the process for recurring journal entries is important to promote consistency, accuracy, and transparency in financial reporting.

Recommendation #4 CLA recommends that the District develop a written standard operating procedure requiring the use of the specific school location code when expenditures are directly related to a particular school. Establishing this requirement would promote consistent accounting practices, improve the accuracy of financial reporting at the school level, and enhance transparency over how resources are allocated and spent.

ii. Federal and State Funding – ESSER

Recommendation #5 The District should consider updating its warehouse storage guidelines to ensure that supplies purchased with federal grant funds are clearly labeled and stored in locations that are easily identifiable by warehouse personnel. In addition, the District should consider revising the warehouse standard operating procedures to explicitly reference federal grants, such as ESSER and Title I, and outline expectations as a best practice for the handling, identification, and tracking of grant funded inventory.

The District should also consider providing training to warehouse staff on federal grant organization and the importance of grant compliance to promote consistency, accountability, and awareness across warehouse operations.

Recommendation #6 The District should strengthen asset identification controls by implementing standardized procedures for tagging federally-funded equipment. This should include assigning each asset a unique identifier, such as an asset tag or barcode, at the time of receipt and ensuring that tagging information is properly recorded in the inventory system. The District should also establish procedures to periodically verify the presence and condition of tags during physical inventory review processes and utilize durable, tamper-resistant methods to affix tags to reduce the risk of detachment or loss. Enhancing these controls will support consistent asset identification and improve the District's ability to track and safeguard federally funded property.

Recommendation #7 The District should implement formal and consistent inventory procedures for all federally-funded equipment to ensure compliance with federal requirements. This includes conducting physical inventory counts at least every two years, or more frequently, in accordance with District policy, and performing timely reconciliation of physical counts to inventory records. Any discrepancies identified during these procedures should be promptly investigated, resolved, and documented. Additionally, the District endeavors to locate the 24 portable AC units that are unaccounted for.

Recommendation #8 The District should enhance its inventory management system to ensure that all federally funded assets are assigned and maintained with accurate and up-to-date location information. This should include recording the specific school site, and where applicable, room-level detail for each asset, and updating this information whenever assets are transferred, relocated, or disposed of. Implementing controls to periodically verify location data as part of inventory procedures will improve traceability and support effective oversight of assets.

Recommendation #9 The District should enhance its overall internal control environment related to federally funded assets by developing and enforcing comprehensive written policies and procedures. These policies should address asset tagging, inventory frequency, reconciliation processes, asset transfers, and disposal procedures. Additionally, the District should assign clear roles and responsibilities for asset management at both the central office and school levels and provide training both to personnel involved in inventory and asset tracking processes as well as personnel in the facilities department at the District. Ongoing monitoring and management review of inventory practices should also be implemented to ensure compliance and identify areas for improvement.

Recommendation #10 The District should consider updating and consistently enforcing the policy concerning written justification statements within the Travel Expense Policy. This states that the written statement must justify that travel is necessary to the specific federal award. Although the ESSER grants have concluded, strengthening compliance with this requirement would help guarantee that all federal grants, including future temporary or emergency programs, are supported by documentation that clearly demonstrates compliance with applicable grant requirements when travel expenses are incurred.

iii. Federal and State Funding – Head Start

Recommendation #11 The District should establish and enforce a comprehensive document management and retention framework that requires all procurement and contract-related documentation to be centrally stored in a single, accessible repository (e.g., APECS, Contract Advantage, or another designated system). This repository should include, at a minimum, executed contracts and amendments, Board approvals, bids and quotes, bid evaluations, intent-to-award documentation, invoices and receipts, Payment Request Forms, business purpose justification, and evidence of approvals. The District should implement standardized documentation checklists, system controls, and clear policies outlining retention requirements, storage locations, and cross-referencing protocols where multiple systems are used. Additionally, management should establish expectations for timely responsiveness to audit requests, perform periodic monitoring to ensure documentation completeness and compliance, and provide training to staff to reinforce proper documentation and retention practices, thereby improving accessibility, transparency, and continuity despite personnel changes.

Recommendation #12 CLA recommends early childhood education staff more consistently utilize the general ledger location code when recording Head Start expenditures on the general ledger. A significant portion of Head Start expenses have been charged to location code 7211, early childhood

education, rather than to the specific school location where the costs were incurred. As the appropriate location codes are already established within the general ledger, charging expenses to the actual school location would enhance the District's ability to trace, analyze, and report expenditures by site. Improved use of location codes would provide clearer insight into which costs are attributable to each school.

iv. Charter Schools – Distribution of State, Local, and Federal Funding to Charter Schools

Recommendation #13 The District should consider requiring that all charter school distributions, including all state, local, and federal grant payments, with the exception of facilities and nutrition related disbursements, be processed through the charter school office. Centralizing all charter related disbursements within the charter school office would promote consistency in processing, improve oversight and accountability, strengthen compliance with applicable state and federal requirements, and enhance transparency over charter school funding. This approach would also reduce the risk of missing documentation and inconsistent treatment across departments and support more effective monitoring, reporting, and reconciliation of charter school distributions.

Recommendation #14 The District should consider establishing and enforcing a requirement that all charter school disbursements be charged to the applicable charter school location code. Any deviations from this requirement should be limited, formally approved, and clearly documented within APECS to guarantee consistency, auditability of charter school transactions, and facilitate a more efficient and effective way to analyze all charter school disbursements.

Recommendation #15 The District should consider establishing and formally documenting a policy, or matrix that clearly identifies (1) which grants are to be administered and disbursed through each District fund, and (2) the designated responsible department or party for each grant. This matrix should be communicated and made accessible to all relevant District employees and charter school staff. Implementing this practice would strengthen accountability, clarify roles and responsibilities, promote consistent processing of grant disbursements, and enhance compliance with applicable state and federal requirements.

v. Charter Schools – Investigate Any Ties Between Charter School Leadership and Current and Former MSCS Board Members/Administrators

Based on the workplan steps performed related to ties between charter school leadership and the District leadership, CLA has not identified any recommendations within this section.

B. Procurement and Contract Management

i. Contracts and Solicitations – Professional Services

CLA offers the following recommendations for consideration. In addition to the recommendations below, refer to Recommendation #11.

Recommendation #16 Improve coordination between Procurement and the Contracts team to support complete documentation of procurement decisions.

The District should formally document and disseminate roles and responsibilities for Procurement, Contracts/Legal, and Accounts Payable as they relate to procurement. This documentation should specify who is responsible, accountable, consulted, and informed at each stage of the process, including exceptions and escalation paths.

The lack of clarity observed during interviews and testing resulted in gaps where:

- Procurement assumed legal or accounts payable would validate compliance;
- Accounts payable relied on invoice signatures without verifying contractual alignment; and
- Contract advisors were not positioned to enforce compliance once contracts were executed.

A clearly documented responsibility matrix would reduce ambiguity, strengthen accountability, and support consistent application of controls across departments. The District should enhance coordination between Procurement and the Contracts team so that procurement decisions (e.g., RFP/RFQ processes) are formally communicated, documented, and retained within Contract Advantage to support a complete and consistent audit trail.

Recommendation #17 Implement mandatory cross-functional checkpoints.

The District should implement mandatory cross-functional checkpoints for professional services contracts, particularly prior to execution and prior to payment. These checkpoints should require confirmation that:

- Procurement requirements have been satisfied and budget has been verified;
- Contracts are executed and reflect approved terms;
- Vendors are properly registered and eligible for payment; and
- Invoices include sufficient detail and align with contractual deliverables.

Requiring affirmative confirmation at defined points would reduce reliance on informal practices and prevent transactions from progressing when required steps have not been completed.

Recommendation #18 Provide joint training and reinforce shared accountability.

The District should conduct joint training sessions for procurement, contracts/legal, and accounts payable staff focused on the end-to-end procurement process. Training should emphasize how each function's responsibilities intersect and how failures at any point can result in improper payments, compliance violations, or misuse of public resources.

Reinforcing shared accountability across functions would help shift the culture from task-based processing to collective stewardship of District funds.

Recommendation #19 Establish clear accountability for contract oversight after execution and strengthen invoice review and documentation requirements.

The District should establish a comprehensive contract monitoring and invoice review framework for contracts that clearly assigns accountability for oversight from contract execution through completion. This framework should require designation of a contract owner responsible for verifying service delivery, reviewing invoices for compliance with contract terms, and maintaining contemporaneous documentation of monitoring activities. Standardized procedures should be implemented, including required documentation of oversight activities in a centralized system, use of invoice review checklists aligned to contract provisions (e.g., dates of service, level of effort, deliverables, and budget coding), and evidence of review and approval prior to payment (e.g., signatures or system-based approvals in APECS). Additionally, the District should enforce consistent invoice content requirements and establish system-based controls or validation checks to ensure completeness, accuracy, and traceability of expenditures to approved funding sources before payment is processed.

Recommendation #20 Prohibit advance payment absent explicit authorization.

The District should reaffirm and enforce policies prohibiting payment for services prior to completion unless explicitly authorized by contract and supported by appropriate safeguards. Any exceptions should require documented justification and higher-level approval.

Recommendation #21 Improve segregation of duties.

The District should evaluate and redesign its internal controls to promote appropriate segregation of duties across vendor selection,

contract execution, invoice approval, and payment processing. No single individual should have authority over all phases of a professional services transaction.

Recommendation #22 Enforce procurement and vendor registration requirements.

The District should implement and enforce comprehensive controls to ensure that all vendors comply with required procurement, registration, and safety requirements prior to commencing work or accessing District facilities. This includes requiring vendors to complete registration, fingerprinting, and background checks, with clearance verified through a centralized system before approval. Additionally, the District should reinforce adherence to established procurement processes such as requisitions, budget verification, and purchase orders where applicable and prohibit vendors from beginning services until all requirements are fully completed and documented. Ongoing monitoring procedures should be established to ensure continued compliance, and any circumvention of procurement, registration, or safety controls should be addressed through corrective and disciplinary actions.

Recommendation #23 Enhance contract classification and system integrity.

The District should conduct a comprehensive review of professional services contract classifications within Contract Advantage and correct inaccuracies. Controls should be implemented to increase the likelihood that the contract type is reviewed and validated at intake, as misclassification undermines reporting, compliance monitoring, and Board oversight.

Recommendation #24 Consolidate and document the professional services contract lifecycle.

The District should develop a consolidated, end-to-end professional services contracting procedure that integrates procurement, legal, contract administration, and accounts payable requirements. A single, documented workflow would reduce reliance on informal practices and institutional knowledge and promote consistent compliance across departments.

Recommendation #25 Implement pre-execution controls within APECS and contract systems.

The District should configure system-based controls within APECS and Contract Advantage to prevent processing of contracts, invoices, or payments unless required prerequisites are completed (e.g., executed contract, vendor registration, approved requisition/PO where applicable). Hard-stop controls would reduce the ability to bypass procurement and contract approval requirements.

Recommendation #26 Require contract execution date validation controls.

The District should require verification that contracts are fully executed prior to the commencement of services. This may include system validation of execution dates and controls to prevent invoice processing for services performed prior to contract execution unless formally approved and documented as an exception.

Recommendation #27 Establish standardized invoice review checklists.

The District should implement a standardized invoice review checklist aligned with contract provisions, requiring verification of key elements such as dates of service, level of effort, deliverables, and alignment with contract terms. Completion of the checklist should be documented prior to payment approval.

Recommendation #28 Strengthen controls over contract amendments and scope changes.

The District should require that all contracts, renewals, extensions, and scope changes are formally procured, approved, and fully executed prior to the commencement or continuation of services and before any related payments are processed. The District should ensure renewal provisions are clearly incorporated into executed contracts; require verification of an active, appropriately approved contract and purchase order prior to processing transactions; and implement a formal contract tracking process with expiration monitoring to prevent lapses in authorization.

In accordance with Board Policy 2006, all contracts requiring Board approval should be presented and approved in advance of their effective dates. Additionally, contract terms including scope, pricing, start and end dates, and payment methodology, should be clearly defined at execution, and any modifications including changes to scope, deliverables, or pricing, should be formalized through written amendments approved by individuals with delegated authority and, where required, the Board. These actions will promote consistent compliance with procurement requirements, reduce reliance on informal practices, and ensure all contractual activities are properly authorized, documented, and monitored.

Recommendation #29 Formalize and strengthen exception and non-compliance review processes.

The District should formalize a comprehensive exception review process for transactions that do not comply with established procurement and contract management requirements (e.g., services performed prior to contract execution, unsupported or insufficiently detailed invoices, or payments processed outside standard controls). This process should require clear documentation of the circumstances, supervisory review, and appropriate approval prior to payment.

While the District has established an Out-of-Compliance letter process intended to address instances where purchases are made without an approved purchase order, this process is limited in scope and does not address the broader range of non-compliance identified during testing. Additionally, as noted elsewhere in this report, the Out-of-Compliance process was not consistently applied in practice.

Accordingly, the District should expand and standardize its non-compliance framework to capture all types of procurement and contracting exceptions. This should include centralized tracking of exceptions, documentation of root causes, and periodic monitoring to identify trends and implement corrective actions. Strengthening this process will improve accountability, reinforce adherence to policies, and reduce the likelihood of recurring control failures.

Recommendation #30 Require documented basis for professional services vendor selection.

Although competitive bidding is not required for professional services, the District should require documentation supporting the basis for vendor selection using datapoints such as qualifications, experience, reasonableness of pricing, to demonstrate that procurement decisions were made in the District's best interest.

ii. Contracts and Solicitations – Non-Professional Services

For recommendations relevant to this section, please refer to Recommendation #11 and Recommendation #61.

iii. Contracts and Solicitations – Low Dollar Contracts

CLA offers the following recommendations for consideration. In addition to the recommendations below, refer to Recommendation #11 and Recommendation #19.

Recommendation #31 Standardize invoice content and budget coding practices.

The District should require consistent inclusion of key information on invoices, including budget codes, to strengthen traceability between expenditures and approved funding sources. Consideration should be given to system-based controls or validation checks to prevent processing of invoices lacking required information.

Recommendation #32 Clarify and reinforce requirements for federal funded purchases (Fund 12).

The District should provide targeted guidance and training on procurement requirements specific to federal funding, including restrictions on the use of blanket purchase orders and the need for detailed, transaction-level documentation. Controls should be

implemented to prevent the use of blanket POs for Fund 12 transactions where not permitted.

Recommendation #33 Improve policy communication, implementation, and change management.

Given the inconsistencies identified, the District should enhance communication and implementation practices related to procurement policies and procedures. This should include not only periodic training for staff involved in procurement and accounts payable processes, but also formalized communication protocols when policies are introduced, revised, or clarified.

Specifically, updates to policies should be accompanied by clear, centralized communication that outlines the nature of the change, expectations for compliance, and the effective date of the revised policy. Documentation of policy changes should be readily accessible, and staff should be provided with sufficient guidance to ensure consistent application. Strengthening communication around policy updates will help reduce confusion, improve adherence, and support consistent execution of procurement and financial controls across the District.

iv. Contracts and Solicitations – Special Procurement

CLA offers the following recommendations for consideration. These recommendations may be refined or expanded upon completion of the remaining audit procedures. In addition to the recommendations below, refer to Recommendation #16 and Recommendation #18.

Recommendation #34 Require consistent identification of the procurement method across all contracts.

The District should require that the procurement method (e.g., competitive bid, sole source, single source, emergency, cooperative, piggyback) be captured as a mandatory field within Contract Advantage and consistently reflected across all contract records and supporting documentation. Controls should be implemented to prevent submission or approval of contract requests with missing procurement method information.

Recommendation #35 Standardize contract documentation requirements to support procurement classification and auditability.

The District should implement standardized documentation requirements for all contracts to maintain sufficient information is maintained to determine the procurement method. At a minimum, required documentation should include a completed PAF, procurement method designation, and supporting evidence of the procurement process.

Recommendation #36 Require justification documentation for noncompetitive procurements.

The District should enforce compliance with Policy 2006 by requiring the completion and retention of Single/Sole Source Justification Forms for all applicable procurements. System controls or workflow approvals should be implemented to prevent contract execution without the required justification documentation.

Recommendation #37 Obtain adequate vendor support for sole source procurements.

The District should require vendors to provide appropriate supporting documentation for sole source procurements, including vendor sole source letters and pricing support (e.g., quotes or cost analysis), to demonstrate that the vendor is the only available source and that pricing is fair and reasonable.

Recommendation #38 Strengthen system-level controls by reconciling Contract Advantage and APECS data.

This reconciliation will assist in identifying and resolving discrepancies in contract amounts, requisitions, and purchase orders. This process should include periodic review and documented resolution of differences.

The District should also evaluate opportunities to integrate Contract Advantage and APECS or implement automated data interfaces to ensure consistency of key contract data (e.g., procurement method, contract amount, requisition number, and PO). At a minimum, a formal reconciliation control should be implemented and documented.

Recommendation #39 Reinforce controls over disbursements by requiring complete procurement support for all payments.

The District should prohibit payments without an associated requisition and purchase order, except where explicitly allowed by policy and appropriately documented. Exceptions should be reviewed and approved, with supporting documentation retained.

v. Subcontractors – Validity and Inclusion

Recommendation #40 The District should implement periodic reconciliation procedures between the MSCS B2Gnow portal and the City of Memphis B2Gnow portal to ensure consistency of subcontractor data across platforms. The District should also establish a formal process for reviewing and resolving discrepancies in subcontractor listings identified by vendors or the public. Additionally, the District should update its SBE/MWBE Program Manual to reflect the procedural improvements

recommended by the 2024 Disparity Study conducted by Griffin & Strong, P.C., including enhanced post-award compliance monitoring, formalized subcontractor change procedures, and documented notification protocols to ensure that subcontractors are properly informed of their inclusion on District contracts.

vi. After School Care Contracts

CLA offers the following recommendations for consideration. In addition to the recommendations below, refer to Recommendation #28.

Recommendation #41 Require Procurement Services to actively participate in drafting RFP scopes, including validation of assumptions (e.g., attendance projections), to ensure realistic requirements and maximize competition.

Greater involvement from Procurement Services will help align solicitations with market conditions, improve the structure of evaluation criteria, and ensure that scopes are written in a manner that encourages broader vendor participation. This coordination will also reduce the risk of unintentionally limiting competition due to unrealistic capacity requirements and will support more transparent and defensible procurement outcome

Recommendation #42 Mandate that all program estimates included in solicitations be supported by historical data, trend analysis, or documented assumptions to improve accuracy and defensibility.

Requiring quantitative support for key assumptions will improve the reliability of procurement planning and reduce the likelihood of material variances between projected and actual program participation. This practice will also strengthen the District's ability to justify procurement decisions and demonstrate that contract scopes were developed based on reasonable and supportable inputs rather than subjective estimates.

Recommendation #43 When limited or single responses are received, require enhanced review, including price reasonableness analysis and consideration of re-solicitation where appropriate.

Limited competition introduces increased risk that pricing is not reflective of market conditions and may not represent best value to the District. Implementing additional review procedures in these circumstances will provide greater assurance that pricing is reasonable and terms are appropriate, while also reinforcing accountability in situations where competitive pressures are reduced.

Recommendation #44 Where applicable, require vendors to submit detailed supporting attendance records by site and date and require District personnel to review and retain such documentation prior to payment approval.

Formalizing invoice verification procedures will strengthen internal controls over disbursements and improve the District's ability to substantiate payments. Consistent documentation requirements will also enhance auditability and reduce reliance on vendor-provided summaries without independent support, thereby mitigating the risk of unsupported or inaccurate billing.

Recommendation #45 Develop procedures requiring independent validation or periodic audit of attendance data to support invoice accuracy and program reporting.

Independent verification of participation data will provide an additional control layer over a key billing driver and ensure that reported attendance aligns with actual program activity. This will increase confidence in payment accuracy, improve program oversight, and reduce the risk of errors or discrepancies going undetected over the course of the program.

Recommendation #46 Require contracts to clearly define total not-to-exceed amounts, billing structures, and documentation requirements to improve clarity and oversight.

Clearly defined contractual terms will reduce ambiguity in billing expectations and strengthen enforceability of contract provisions. Establishing explicit documentation standards within the contract itself will also support consistent administration and provide a basis for holding vendors accountable for detailed and transparent invoicing practices.

Recommendation #47 Reinforce requirements that purchase orders must be issued prior to the commencement of services, with no exceptions absent formally documented and approved exemptions.

Strict adherence to purchase order requirements is critical to maintaining proper budgetary control and ensuring that funds are appropriately encumbered prior to commitment. Reinforcing this control will reduce the risk of unauthorized expenditures, improve financial oversight, and ensure alignment with established procurement and accounts payable policies.

vii. Custodial Contracts

Recommendation #48 The District should require that evaluation committee recommendations for contracts exceeding $100,000.00 be documented in their original form and preserved in the procurement

file, including all individual scorecards, the composite recommendation, and any subsequent revisions. Any deviation between the committee's recommendation and the final recommendation presented to the Board must be documented in writing with justification for the change, approved by the Superintendent or designee, and retained in the procurement file.

Recommendation #49 The District should implement controls to ensure that Board presentation materials accurately reflect the evaluation committee's findings. Any modification to the committee's recommendation must be clearly identified in the Board materials, including the identity of the individual who authorized the modification and the basis for the change, to ensure full transparency in the Board's decision-making process.

viii. Lobbying Services Contracts

Based on the workplan steps performed related to lobbying, CLA has not identified any additional recommendations within this section as of the time of this report.

ix. Public Relations Contracts

Based on the workplan steps performed related to public relations, CLA has not identified any additional recommendations within this section as of the time of this report.

x. Remote Learning Contracts

Recommendation #50 The District should continue to build upon its existing recruitment initiatives, including hiring events, alternative certification pathways, and teacher residency programs, which are designed to expand the pipeline of qualified educators and reduce long-term reliance on temporary staffing solutions. Sustained focus on these strategies is critical to addressing the root causes of vacancies and improving long-term staffing stability.

xi. Low Voltage Wiring Contracts

CLA offers the following recommendations for consideration. In addition to the recommendations below, refer to Recommendation #11, Recommendation #28, and Recommendation #23.

Recommendation #51 Implement controls to ensure that contract numbers are consistently and accurately referenced across all procurement and payment documentation, including SOWs, invoices, purchase orders, and Board materials. This should include requiring vendors to include the applicable contract number on all submitted documentation, mandating completion and validation of the contract number field within APECS, and incorporating review procedures to verify accuracy prior to purchase order issuance and payment processing. APECS

should be utilized to its capacity to link purchase orders to their related contracts. Additionally, Board Request and Briefing documents should consistently reference the applicable contract or MSA to enhance transparency and traceability. These measures will improve contract-level tracking, support auditability, and strengthen overall contract management and oversight.

Recommendation #52 Enhance MSA oversight framework to improve Board visibility into cumulative expenditures. This could include establishing thresholds that require Board review not only at the individual SOW level but also when aggregate spending under an MSA exceeds a defined limit. Additionally, the District should implement monitoring procedures to track total expenditures by MSA and periodically report this information to the Board. Strengthening these controls would help ensure greater transparency, support informed governance decisions, and reduce the risk of significant cumulative spending occurring without appropriate Board awareness or oversight.

xii. Project Management Contracts

CLA offers the following recommendations for consideration. In addition to the recommendations below, refer to Recommendation #11, Recommendation #28, and Recommendation #23.

Recommendation #53 Clarify and enforce delegated authority.

MSCS should reaffirm and communicate delegated contracting and signatory authority thresholds to all operational departments. Acceptance of vendor proposals or changes by employees lacking authority should be expressly prohibited, and unauthorized commitments should be addressed through established corrective protocols.

Recommendation #54 Strengthen emergency procurement governance.

MSCS should require that emergency procurements be supported by contemporaneous documentation demonstrating the existence of an unforeseen exigency, the necessity for noncompetitive procurement, and clear limitations on scope and duration. Emergency procurement approvals should include explicit disclosures regarding any prior vendor involvement or work performed.

More on emergency procurement can be found in Section 5.B.iv *Contracts and Solicitations – Special Procurement*.

Recommendation #55 Establish firm vendor role boundaries.

MSCS should explicitly prohibit vendors from representing themselves as District personnel, participating in governance activities, attending

hiring interviews, or otherwise functioning as an extension of the District absent express contractual authorization. Vendor roles should be clearly defined, communicated, and monitored to preserve arm's length relationships.

Recommendation #56 Mitigate organizational conflict of interest risks.

MSCS should adopt or strengthen procedures to identify, document, and mitigate conflicts of interest, including prohibitions on:

- Vendor participation in drafting or influencing solicitations they may propose on,
- Vendor attendance or participation in interviews for District positions with procurement or oversight influence, and
- Vendor access to nonpublic information outside a competitive process.

Where vendor input is unavoidable for technical reasons, such input should be carefully structured, documented, and firewalled from competitive decision making.

Recommendation #57 Reaffirm gift and ethics expectations.

MSCS should reiterate to vendors and employees that offers of gifts, entertainment, or gratuities are prohibited, regardless of acceptance. Ethics expectations should be reinforced through training, contract language, and vendor communications, particularly for vendors with longstanding public sector relationships.

Recommendation #58 Vendor discipline for conflicts of interest and ethics violations.

MSCS should establish and consistently apply a graduated disciplinary framework for vendors engaged in conflicts of interest, conflict of interest conduct, or procurement ethics violations. The framework should require prompt documentation and review by both Procurement and Legal Services and provide proportionate corrective actions, including written warnings, mandatory corrective action plans, removal of vendor personnel from District activities, invoice holds, contract termination for cause, and, where warranted, temporary suspension or debarment from future contracting. Disciplinary escalation should be required where conflicts are repeated, unmanaged, or involve improper influence (e.g., vendor participation in hiring, shaping solicitations they may compete on, or offering prohibited gifts). This approach aligns with MSCS procurement and ethics policies and federal requirements to maintain arm's length vendor relationships and protect public and federal funds.

This framework should be implemented as a coordinated, cross-functional effort between Procurement and Legal Services, ensuring that disciplinary actions are both operationally consistent and legally sound. These functions should not operate in silos; rather, they should engage in regular communication, shared review processes, and joint decision-making to ensure that vendor issues are evaluated holistically from both a compliance and legal risk perspective. Establishing clear protocols for collaboration, including defined roles, escalation pathways, and documentation standards, will promote consistent application of disciplinary measures, reduce the risk of fragmented or inconsistent responses, and strengthen overall governance and accountability in vendor oversight.

xiii. Architectural Design Firm Contracts

For recommendations relevant to this section, please refer to Recommendation #11.

xiv. HVAC Vendor – Ewing Kessler

No recommendations are provided for this section, as CLA did not identify evidence of preferential treatment or non-compliance based on the procedures performed as it pertains to vendor Ewing Kessler.

xv. Nutrition Contracts

CLA offers the following recommendations for consideration. In addition to the recommendations below, refer to Recommendation #11.

Recommendation #59 The District should implement formal procedures to ensure that all required Quarterly Commodity Reports are consistently prepared, properly retained, and readily accessible.

Recommendation #60 The District should establish and document a formal policy outlining the required form of contract documentation for commodity purchases. This policy should clearly define the roles of the IFB, Intent to Award Letter, and purchase order, and specify documentation and retention requirements. CLA notes the document being distinguished as the “contract” should be a signed document so that it is executed and legally enforceable.

Recommendation #61 The District should standardize how bids are recorded within APECS, including requiring that all related payments be consistently linked to the appropriate bid number. Implementing system controls or procedural requirements to ensure accurate linkage will improve completeness, traceability, and visibility over all payments associated with each bid.

Recommendation #62 The District should review and revise the language within the Intent to Award Letter to ensure it aligns with actual procurement practices of the Nutrition Department and District policies.

Recommendation #63 Due to the limitations of Edison's warehouse system, specifically its inability to track the location and movement of inventory, and its lack of integration with APECS the District should consider upgrading its warehouse management software. This will make the inventory tracking process less manual, more efficient, transparent, and accurate.

C. Financial Transactions and Controls

i. Journal Entries

CLA recommends the following regarding improvements to journal entries, including those initiated or recorded by departments outside of the finance department. In addition to the recommendations below, refer to Recommendation #2.

Recommendation #64 Evaluate finance and enterprise resource planning solutions that more effectively integrate with systems used by other departments, including payroll and inventory.

Improved integration would allow operational and financial data to flow directly into the financial system, reducing reliance on manual uploads, summary-level documentation, and decentralized recordkeeping, while enhancing reporting capabilities, audit trail visibility, and finance's ability to trace journal entry origins and subsequent corrections.

Recommendation #65 Implement warehouse software solutions that integrate with its finance/ERP systems.

Integration would support automated inventory adjustments and real-time valuation and counts. Implementing scanners for receiving, picking, cycle counts, and location tracking would allow inventory data to be updated as activities occur and reduce reliance on manual processes.

Recommendation #66 Update and clearly post standardized operating instructions at all fuel pumps and terminals and provide hands-on training for employees who use the fuel system.

Employees should be required to follow documented procedures when issues arise, such as pump malfunctions or card deactivations, and the District should maintain training records to identify individuals or departments requiring additional support or refresher instruction.

Recommendation #67 Enhance documentation within the EJ Ward system, where feasible, to record key events such as pump issues and fuel card deactivations or reactivations.

The documentation enhancement should include relevant timestamps and points of contact. Improved documentation would strengthen transparency and auditability of fuel transactions. The District should evaluate opportunities for IT or operational personnel to perform limited reconciliations or exception reviews of daily fuel data files prior to import into APECS, particularly given the absence of pre-posting reconciliation controls.

Recommendation #68 Consider a transition from manual internal forms to standardized digital forms with embedded, automated calculation functionality.

Digital forms should incorporate applicable pricing schedules or rate structures, allow for structured selection and modification of relevant inputs or specifications, and automatically compute totals to reduce errors, omissions, and inconsistent application of established guidance.

ii. ACH Transactions

The following recommendations are suggested to improve controls and processes for District ACH practices. In addition to the recommendations below, refer to Recommendation #11, Recommendation #18, Recommendation #22, and Recommendation #54.

Recommendation #69 Consider whether certain disciplinary steps may be necessary for employees that continue to demonstrate non-compliance with procurement policies. Additional training and periodic communication with District employees regarding requirements, timelines, and expectations could improve compliance.

Recommendation #70 The District should clarify and update policy guidance to specify whether a physically signed invoice is required for disbursements or whether electronic receipt confirmation and approvals within the APECS system are sufficient to meet documentation and internal control requirements.

Recommendation #71 The District should enhance compliance with Conflict of Interest Policy 4003 by requiring annual disclosures, conducting periodic reviews of vendor relationships, and performing independent oversight of procurements involving key personnel. Identified conflicts should be formally documented and appropriately addressed.

Recommendation #72 The District should require that all applicable services, particularly construction, renovation, repair, and maintenance, are supported by formal, executed contracts that are reviewed by Legal and Procurement and are maintained in Contract Advantage or another

centralized repository. The use of agreements maintained outside standard procurement and legal processes, such as a Master Facilities Service Agreement should be discontinued or formally incorporated into established workflows to ensure appropriate oversight, review, and approval.

Recommendation #73 The District should establish and maintain a formal, centralized vendor debarment or restricted vendor list that clearly identifies vendors prohibited from doing business due to performance, compliance, or ethical concerns. The District should implement procedures to ensure that this list is regularly updated, formally approved, and distributed to all relevant departments, including Procurement, Facilities, and any personnel involved in vendor selection and contracting

iii. Bank Statements

No specific recommendations are given regarding the bank statements.

iv. Payroll and Employee Compensation

CLA recommends the following regarding Forms I-9:

Recommendation #74 Standardize procedures for calculating and applying Form I-9 retention requirements for inactive employees, including the "three years from hire or one year from termination, whichever is later" rule.

Recommendation #75 Strengthen review procedures to ensure Forms I-9 are complete and supported by required Section 2 documentation (List A or List B + List C).

Recommendation #76 Provide targeted training and written guidance on Form I-9 requirements, retention rules, and E-Verify processes, particularly given HR staffing turnover.

Recommendation #77 Where feasible, use existing systems to securely store digitized Forms I-9 while maintaining originals separately from personnel files and protecting them from unauthorized access.

CLA recommends the following regarding compensation:

Recommendation #78 Standardize and enforce a "complete compensation support package" for all pay-rate actions (new hire, change, stipend/bonus, step/grade movement), including a finalized assignment sheet or contract (as applicable), effective date, rate/amount, position identifier, and documented approvals with version control.

Recommendation #79 Implement exception reporting for hourly pay to flag when reported hours × authorized rate does not agree to gross pay or when gross pay reflects an unapproved rate, with documented resolution retained.

Recommendation #80 Strengthen stipend and bonus documentation by requiring a uniform detail schedule (employee name/ID, periods covered, approved amounts, footed totals, and authorization) retained centrally and linked to the APECS transaction.

Recommendation #81 Centralize retention and linkage of compensation documentation to APECS through a controlled repository or attachment standard to support year-specific auditability.

Recommendation #82 Perform periodic audits of APECS pay configuration (schedule/column/row, pay codes, maximums) and implement automated controls to flag rates exceeding authorized matrices.

Recommendation #83 Establish a rehire compensation validation checklist requiring documented verification of prior service/work history retained in the employee file.

Recommendation #84 Formalize review and approval of payroll step and row increases loaded into APECS, including documented secondary review by Human Resources or other independent personnel, with clearly defined roles to strengthen segregation of duties.

Recommendation #85 Enhance auditability of payroll batch uploads and backend imports in APECS by retaining audit trails for source, preparation, review, approval, and execution, and performing periodic monitoring to trace transactions to originating files.

Recommendation #86 Reestablish and maintain a centralized manual check log documenting payee, amount, pay period, payment type, reason, approval evidence, and processing date.

Recommendation #87 Require documented justification and approval for issuing manual checks, particularly for payments normally processed via direct deposit.

Recommendation #88 Strengthen controls over termination-related payouts by standardizing calculation support and reconciling APECS Job and Payment detail to Attendance (or other source-of-record) hours, with defined rounding conventions.

Recommendation #89 Implement automated pre-processing controls within APECS to detect and flag potential duplicate payments (including duplicate vacation payouts, final-pay disbursements, and same-period/same-amount transactions) prior to payroll finalization, with documented resolution required before release.

Recommendation #90 Formalize a stop-pay workflow assigning responsibility for timely termination entry in APECS, removal from pay-eligible status, and review of post-termination exceptions before payroll finalization.

Recommendation #91 Require complete approval packages for severance and other non-routine termination payments, including governing agreements, calculations, authorization, and linkage to APECS records. Require that any contractual exceptions to accrual caps be documented and linked to the authorizing agreement in APECS prior to processing

Recommendation #92 Implement a consistent separation-notification protocol requiring locations to notify HR promptly and HR to confirm termination entry in APECS, supplemented by periodic roster/budget reviews.

Recommendation #93 Establish a formal overpayment identification, notification, and recovery protocol requiring the District to document the overpayment amount and cause, issue timely written notification to the former employee, pursue recovery through available administrative or legal channels, and retain documentation of all recovery efforts and outcomes in APECS or the employee's personnel file.

Recommendation #94 Implement automated exception reporting to identify duplicate bank routing and account numbers in APECS, with periodic review and documented conclusions.

Recommendation #95 Establish documentation requirements to support shared direct deposit accounts (e.g., familial/domestic relationship), retained consistently in personnel files or iCIMS.

Recommendation #96 Evaluate options to retain and report historical direct deposit data, including terminated employees, to enhance detection of duplicate accounts and potential overpayments.

CLA recommends the following regarding employee qualifications:

Recommendation #97 Enhance verification and documentation of employee qualifications aligned to minimum job requirements, with consistent retention in personnel files and iCIMS and periodic reviews to remediate gaps.

Recommendation #98 Implement controls to ensure employees in licensed positions maintain active, appropriate licensure with required endorsements, including centralized tracking and consistent documentation retention.

Recommendation #99 Strengthen controls to identify and disclose familial or personal relationships between HR staff and applicants or employees, require documented recusal of the related party from hiring, onboarding, and compensation processes in accordance with District Policy 4063, and implement independent secondary review of all compensation-related documents to prevent unilateral pay determinations by individuals with potential conflicts of interest.

Recommendation #100 Establish file retention and retrieval procedures requiring HR to maintain and produce original personnel files corresponding to an employee's initial hire date, including base salary rates, assignment sheets, and contract agreements, regardless of subsequent rehire activity, supplemented by a centralized tracking mechanism and periodic audits to identify and remediate missing or incomplete files.

v. P-Cards and Checks Requests

The following recommendations are suggested to improve controls and processes. In addition to the recommendation below, refer to Recommendation #11, Recommendation #69.

Recommendation #101 The District should clarify and update policy guidance to specify whether a physically signed invoice is required for disbursements or whether electronic receipt confirmation and approvals within the APECS system are sufficient to meet documentation and internal control requirements.

vi. Suspicious Accounts

While no corrective actions specific to off-the-books accounts are recommended, CLA suggests the following to strengthen account-level controls:

Recommendation #102 Document formal policies for creation, modification, inactivation, and monitoring of Chart of Accounts elements.

Recommendation #103 Formalize periodic reviews to identify and inactivate unused location, project, and object codes.

Recommendation #104 Restrict use of inactive or legacy account codes in APECS, where feasible.

Recommendation #105 Periodically review placeholder and control accounts to confirm appropriate use.

Recommendation #106 Document existing oversight practices (ledger reviews, account freezes, account maintenance), including frequency and responsible parties.

vii. Travel Reimbursements

Recommendation #107 Ensure all appropriate approvals are obtained timely and documented prior to completing the procurement process. If approval was not obtained or travel occurred prior to approvals, document the reason. Consider whether certain disciplinary steps may be necessary for employees that continue to demonstrate non-compliance. Additional training and periodic communication to District employees regarding pre-approval requirements, timelines,

and expectations could improve compliance and help ensure that travel requests are reviewed and approved in a timely manner.

Recommendation #108 The District should consider increasing the number of staff authorized to review and approve travel reimbursements. At the time of testing, only one staff member is responsible for processing travel reimbursements for the entire District, including teachers, staff, administrators, management, and Board Members. While this observation does not indicate a control failure, delayed processing may increase administrative backlog. Consideration of additional staffing resources or process automation may help improve the timeliness of reimbursement processing and reduce delays during periods of high transaction volume.

Recommendation #109 The District should increase efforts to ensure all relevant support is maintained in APECS. The support should include the travel justification form, travel requisition, detailed invoice and receipts, description of the purpose of travel, and evidence of appropriate advance approvals.

Recommendation #110 Review and update the District's travel policies to formally reflect current practices, including the requirement that all travel be supported by an approved travel justification form and the documented exemption of Board Members from standard travel requirements.

viii. Budget Analysis

Budget Revisions & Transfers

Recommendation #111 The District should continue efforts to centralize budgeting and financial oversight functions to reduce reliance on decentralized, department-level processes that diminish during periods of staff turnover. Specifically, the District should formalize and standardize the budget development process across central office departments by transitioning from department-submitted Excel templates to a unified budget development workflow within APECS or Allovue Allocate. Budget-to-actual monitoring and monthly forecasting should be supported by systematic, recurring reporting generated from APECS rather than relying primarily on management review and departmental meetings. The District should document written procedures for each stage of the budget cycle: development, adoption, amendment, reconciliation, and year-end close. These procedures should be paired with role-specific desk guides that show staff how the work is actually performed. The guides should include system navigation steps, sample reports, reconciliation tie-outs, and worked examples of common reconciling items. Both should be reviewed and updated periodically to support new and promoted staff and preserve continuity through turnover.

Recommendation #112 The District should require that supporting documentation for all budget revisions and transfers, including budget amendment exhibits, Board resolution references, and reconciliation workpapers, be attached directly within APECS at the transaction level or linked through a standardized reference field that identifies the corresponding Board meeting date, resolution number, and amendment folder location. To improve traceability, the District should adopt a consistent filing structure for budget amendment folders across fiscal years, including monthly or period-specific subfolders that correspond to the months in which amendments are presented to the Board. Individual line items within a revision or transfer should be recorded and retained at a level of detail sufficient to trace each APECS entry to a discrete Board-approved line item without requiring manual aggregation or reliance on off-system source files. Where line items are rolled up into functional-level totals for Board presentation, the District should maintain and retain a detailed mapping schedule that identifies each underlying account-level change comprising the aggregated amount.

Recommendation #113 The District should configure APECS to clearly distinguish between budget changes that require Board approval and those that do not, based on the criteria established in Policy 2001; specifically, whether the change crosses functional categories, impacts salary and benefit accounts, or results in an increase or decrease to the adopted budget. Each budget revision and transfer entered into APECS should include a required field or notation indicating whether Board approval was required, the basis for that determination, and, if applicable, the corresponding Board resolution number and approval date. The District should also review and restrict superuser access within APECS to ensure that budget revisions requiring Board approval are not entered and self-approved without an independent system-level review or secondary approval step. Where Board-approved revisions encompass multiple underlying account-level changes, the approval record within APECS should reference the functional-level authorization and link to the detailed mapping schedule identifying each account-level component, as recommended in Recommendation #112.

Board Member Discretionary Budgets

Recommendation #114 Formalize Board Member discretionary budget policies, approval criteria, documentation, and centralized tracking.

Unoccupied Facilities Costs

Recommendation #115 Strengthen documentation standards for unoccupied facility expenditures, including consistent facility identification and centralized approval evidence.

Recommendation #116 Restrict use of inactive or legacy account codes in APECS, where feasible.

D. Vendors and Conflicts of Interest

i. Vendor Listing and Conflict of Interest

Recommendation #117 The District should perform a comprehensive review of its master vendor listing to identify and remediate all active vendor records with blank or incomplete addresses. Going forward, the District should implement system-level input controls in APECS that require complete address information before a vendor record can be activated or used for payment processing.

Recommendation #118 The District should discontinue the practice of embedding status indicators such as "void" or "test" within vendor name fields and instead rely exclusively on the designated status fields within APECS (e.g., inactive or frozen) to reflect vendor status. Existing vendor records containing these naming conventions should be reviewed and reclassified using the appropriate system status designations.

Recommendation #119 The District should perform a periodic review of its master vendor listing to identify and consolidate duplicate vendor records sharing similar names and addresses. Active duplicate records should be evaluated for consolidation, and the District should implement a vendor master data governance process, including duplicate detection controls at the point of vendor creation, to prevent the accumulation of duplicate records going forward.

Recommendation #120 The District should immediately resume the annual collection of Conflict of Interest disclosure forms from all key employees and senior management as required by Policy 4003. The District should also implement a tracking and monitoring mechanism to ensure timely completion and follow-up on non-submissions and should cross-reference disclosed interests against the master vendor listing on an annual basis to identify potential conflicts at the point of procurement.

Recommendation #121 The District should implement a periodic screening process to compare its active vendor population against the federal SAM.GOV exclusion database and the State of Tennessee debarred vendors list. Any vendors identified as debarred, suspended, or otherwise ineligible should be immediately deactivated in APECS and flagged to prevent future contract awards or payments. This screening should be performed no less than annually and at the point of new vendor creation.

Recommendation #122 The District should retain all strategic sourcing pricing catalogs and approved supplier listings for the duration of each contract period

and for a sufficient period thereafter to support audit and compliance review. Retained catalogs should be organized and clearly labeled by effective fiscal year and supplier category so that the applicable catalog for any given period can be readily identified. The District should also establish a process to periodically reconcile procurement activity against the approved supplier listings to verify that strategic sourcing suppliers are being utilized as required and that any procurements from non-listed vendors are supported by documented exceptions.

E. Governance and Compliance

i. Compliance

Recommendation #123 The Board should implement and enforce a formal process to ensure that all Statements of Disclosure of Interests (SS-8005) are timely filed, submitted, and publicly posted in accordance with Tennessee Ethics Commission requirements. This process should include documented responsibility, verification of public availability on the Ethics Commission's portal, and periodic compliance reviews. Additionally, Board members should receive annual reminders and written confirmation of filing requirements to prevent future compliance failures.

Recommendation #124 The District appropriately addressed a Board policy violation by issuing a formal reprimand to Board Member Keith Williams on November 21, 2023. To further mitigate the risk of recurrence, the Board should reinforce training and guidance regarding Board Member roles, authority limitations, and required communications protocols with District staff. The Board should also consider periodic refresher training on the Board Members Code of Conduct and Board–Staff Communications policies to ensure continued compliance and understanding.

Recommendation #125 Reinforce and formalize expectations regarding appropriate Board member conduct and interactions with District personnel to prevent potential undue influence in administrative and operational matters. This should include the implementation of mandatory, ongoing governance and ethics training for all Board members focused on appropriate roles and responsibilities, prohibitions on involvement in personnel decisions, compliance with District Policy 0018 governing Board–staff communications, and the identification and avoidance of conflicts of interest, including those involving family members. Additionally, the District should reiterate and enforce existing policies clarifying that personnel decisions and program administration are the responsibility of District management, and that Board members should not intervene in individual employment or application-related matters. The District should also establish clear protocols for handling

Board member inquiries by requiring that such requests be routed through appropriate administrative channels, documented as necessary, and supported by guidance for staff on responding to potentially inappropriate requests

ii. Procurement Correspondence

Based on the workplan steps performed, CLA has not identified any recommendations within this section as of the time of this report.

iii. Compliance letters

Recommendation #126 Formalize and document enforcement responsibilities for procurement non-compliance by clearly defining and documenting responsibility for issuing, tracking, and enforcing Out-of-Compliance letters, including ownership of follow-up actions, to ensure consistent application of Policy 2006 requirements regardless of personnel changes.

Recommendation #127 CLA recommends that the District establish a centralized repository for Out-of-Compliance letters and related documentation, including signed acknowledgments, to ensure records are retained, accessible, and auditable. This process should include documented standards for where and how compliance records are stored.

Recommendation #128 CLA recommends that the District implement periodic monitoring or supervisory review to confirm that Out-of-Compliance letters are issued, retained, and resolved in accordance with applicable policy, and that exceptions or repeat non-compliance are identified and addressed in a timely manner.

iv. Open Meetings

Recommendation #129 Strengthen governance practices to ensure compliance with the Tennessee Open Meetings Act and to and to reinforce the principle that deliberations on public business occur in an open and transparent manner. Specifically, the Board should conduct formal Open Meetings Act training for all Board members, legal counsel, and relevant administrative staff at least on an annual basis. The training should address what constitutes quorum deliberation, risks associated with on-going communications and consensus-building outside of public meetings.

Recommendation #130 Implement procedures to route substantive Board discussions through formal meeting structures that include work sessions, special-called meetings, or committee meetings, with proper notice and documentation.

Recommendation #131 CLA recommends that the District strengthen its governance and records management practices related to Board meetings by implementing procedures to ensure that all meetings, including closed or executive sessions, are properly noticed, documented, and retained in accordance with applicable law and District policy. This should include maintaining complete and consistent records of meeting notices, calendar invitations, agendas, minutes, and audio recordings; periodically reconciling publicly posted records to internal scheduling documentation; and assigning responsibility for verifying that all official Board records are complete and accurately reflect Board activity.

F. Fiscal Agent Oversight

i. SchoolSeed Fund Usage

Recommendation #132 SchoolSeed should formalize its relationships with Memphis-Shelby County Schools through clear, written agreements for any and all activity in which SchoolSeed acts as a fiscal agent, intermediary, or administrator of funds benefiting MSCS. Such agreements should clearly define the scope of services, roles and responsibilities, reporting requirements, fee structures, documentation standards, and audit or inspection rights to reduce ambiguity and enhance accountability for all parties.

Recommendation #133 SchoolSeed should continue to enhance its financial documentation framework by maintaining comprehensive, project-level and organization-wide accounting records supported by third-party documentation. Although CLA has not yet requested specific additional information and SchoolSeed indicated that all documentation for the Learning Symposiums was provided, subsequent information requests as the review progresses may provide an opportunity to locate documentation not previously provided. Maintaining readily available third-party support would further support transparency and auditability.

Memphis Shelby County Schools
Whitehaven High School Herbert STEM Center

State of Tennessee Comptroller of the Treasury
Investigative Report
VOLUME III

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CliftonLarsonAllen LLP
CLAconnect.com

June 30, 2026

Jason E. Mumpower
Tennessee Comptroller of the Treasury
425 Rep. John Lewis Way North
Nashville, TN 37243

RE: Memphis Shelby County Schools - Whitehaven STEM Center

Dear Mr. Mumpower:

CliftonLarsonAllen LLP (CLA) was retained on July 18, 2025, by the State of Tennessee, Comptroller of the Treasury (Comptroller), to perform an internal control assessment and provide forensic audit services related to Memphis-Shelby County Schools (MSCS or "the District"). On November 4, 2025, the scope of work was amended to include a separate investigative engagement concerning the circumstances surrounding the fundraising and construction of the MSCS Whitehaven High School STEM Center. The project was funded through a combination of public contributions and private donations, and questions arose regarding a lack of clarity concerning amounts collected and the amounts expended to complete the project.

The purpose of this report is to present the results of this investigation which identified **total funds collected of $9,936,666.75, total funds used of $9,056,495.38, and a resulting balance of $880,171.37 in unexpended funds.**

We performed our engagement in accordance with the Statement on Standards for Forensic Services No. 1 (SSFS No. 1) issued by the American Institute of Certified Public Accountants (AICPA) and the Code of Professional Standards of the Association of Certified Fraud Examiners (ACFE). This engagement did not constitute an audit, compilation, or review conducted in accordance with AICPA standards, the objective of which would be the expression of an opinion on specified elements, accounts, or items, and accordingly, CLA does not express such an opinion.

Professional standards promulgated by the AICPA prohibit CLA from expressing an opinion as to whether fraud or other criminal activity has occurred, and standards promulgated by the ACFE prohibit Certified Fraud Examiners (CFEs) from expressing opinions regarding the guilt or innocence of any person or party; therefore, CLA does not render such opinions. Because fraud and irregularities are often concealed, no absolute assurance can be provided that all such matters have been identified, and this engagement cannot be relied upon to disclose all irregularities or illegal acts, including fraud, that may exist; however, to the extent such matters came to our attention during the course of our work, they have been included in this report.

Respectfully submitted,

CliftonLarsonAllen LLP
Folashade Abiola-Banjac
Principal

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1. Executive Summary

Predication

CLA's work included an investigation into the fundraising and construction of the MSCS Whitehaven High School Herbert STEM Center, a project spanning June 2018 through its October 2025 ribbon-cutting ceremony, in response to concerns regarding its mixed public- and private-funding structure and potential discrepancies between funds raised and construction costs. The investigation was initiated following an October 2, 2025, request from the Whitehaven Empowerment Zone Leadership Council seeking a transparent accounting of project expenditures, explanations for scope changes, including a reduction from approximately 24,000 to 20,656 square feet, and disclosure of any related construction change orders.

Background on Individuals and Entities

The Herbert STEM Center project involved multiple individuals and nonprofit entities with distinct roles in fundraising, project management, and fiscal administration. Key participants included SchoolSeed as the fiscal agent; Richard J. Myers, who led fundraising and construction efforts and promoted a nonprofit-led school construction model; and Whitehaven STEM Building, Inc., a nonprofit entity formed to support that model. Together, these parties structured and administered the project while the District obtained ownership of the completed facility.

Investigative Procedures

The objective of this engagement is to assess whether funds raised for the Herbert STEM Center were appropriately applied to construction costs and whether any conflicts of interest existed related to fundraising or construction contracts. CLA's work focused on understanding the project's public-private structure, identifying key participants, and reviewing financial and documentary evidence supporting donations and expenditures. Although CLA requested bank statements for an account held by SchoolSeed on behalf of Whitehaven STEM Building, Inc., those statements were not provided. Subject to this limitation, CLA reviewed the general ledger and supporting documentation for substantially all recorded revenues and expenditures.

Results of Investigation

This report presents the results of CLA's investigation, as of the date of this report, including key observations related to project governance, financial administration, and stakeholder communication, as summarized below.

- **Lack of Formal Agreement:** No formal written agreement existed between the District and Whitehaven STEM Building, Inc. governing the project, resulting in undocumented District expectations related to project scope, roles, and responsibilities.

- **Reduction in Building Size and Communication Gaps:** The decision to reduce the size of the Herbert STEM Center occurred during the design phase, with the final construction contract reflecting a smaller facility than earlier design concepts. While no construction change orders were required, gaps were identified in stakeholder communication, including the absence of documented approval by the Whitehaven High School Principal for a smaller than originally designed building.
- **Funding Structure and Procurement:** The project was funded through approximately $9.9 million in combined public and private contributions, with public entities providing 58% of total funding and private donors contributing 42%. Despite the predominance of public funds, competitive procurement was not required because the contractor and architect were identified in advance and public funding approvals did not impose procurement requirements. Accordingly, no procurement-related conflict-of-interest evaluation was applicable.
- **Accounting Records and Corrections:** SchoolSeed's accounting records were largely consistent with Board briefings, public records, and donor recognition materials, with reasonable explanations for identified variances. Four general ledger errors resulting in a $45,590 understatement of donations were identified and corrected following CLA's inquiry.
- **Donor Recognition Practices:** Donor recognition plaques categorize contributors by monetary donation levels; however, certain listed names did not correspond to recorded cash donations. Although intended to recognize non-monetary contributions, this presentation creates a risk that donor information could be perceived as misleading regarding actual cash contributions.
- **Project Expenditures:** Total project expenditures totaled approximately $9.1 million, primarily paid to the construction contractor and architect, with smaller amounts paid to SchoolSeed and other vendors. Expenditures were adequately supported and determined to be appropriate and directly related to construction and related project activities.
- **Remaining Funds**: Approximately $880,000 remains in the Whitehaven STEM Building, Inc. account at SchoolSeed. Communication with the District regarding the intended use and access to these funds has been insufficient and appears to be contributing to diminished trust among Whitehaven STEM Building, Inc. and the Whitehaven community.
- **Future Maintenance and Equipment Funding:** The Case for Support identified privately controlled funds for future maintenance and equipment; however, the intended use and timing were not clearly communicated. MSCS communicated to CLA that on May 26, 2026, the Board approved the purchase of furniture with MSCS funds totaling $302,371.94, for continued efforts to ensure the building is fully operational by August 2026.
- **Operational Readiness of the Facility:** Although the Board accepted the donated facility and a certificate of occupancy has been in place since September 2025, the Herbert STEM Center is not yet operational for instructional use. Outstanding functionality issues remain, no definitive utilization timeline has been established, and classrooms are partially or fully unfurnished despite available funding. MSCS

communicated to CLA that on May 26, 2026, the Board approved the purchase of furniture with MSCS funds totaling $302,371.94, for continued efforts to ensure the building is fully operational by August 2026.

- **AP Teacher Initiative Concepts:** Mr. Myers described preliminary discussions with the University of Memphis and potential use of some of the remaining funds to support an Advance Placement (AP) teacher initiative. MSCS leadership communicated to CLA that an MOU governing the Whitehaven STEM building and the remaining funds held by Whitehaven STEM Inc. is currently being negotiated.

Conclusion

From a financial perspective, total funds raised **($9,936,666.75)** exceeded total expenditures **($9,056,495.38)**, and project costs were generally appropriate, supported, and directly related to the Herbert STEM Center. However, gaps in communication regarding the remaining balance **($880,171.37)**, future equipment and maintenance funding, and the timeline for instructional use, limited transparency and contributed to ongoing uncertainty.

Readers are encouraged to review the full report, which provides detailed findings and recommendations developed as a result of the investigation. The additional context and documentation are intended to support a comprehensive understanding of the matters summarized above and to inform consideration of potential next steps.

2. Predication

CLA's work included an investigation into the circumstances surrounding the fundraising and construction of the MSCS Whitehaven High School Herbert STEM Center (the "Herbert STEM Center"), a project that spanned more than seven years from initial concept in June 2018 through the ribbon-cutting ceremony in October 2025.[1]

The basis for this investigation arose from the project's funding structure, which included a combination of private donations and public contributions, as well as questions from the Whitehaven community regarding potential variances between the total funds raised and the amounts expended to complete the construction project.

Specifically, the Whitehaven Empowerment Zone Leadership Council issued a formal letter dated October 2, 2025, requesting a complete and transparent accounting of the Herbert STEM Center project, including justification for certain financial and structural changes. The letter raised concerns regarding the size of the building, which the Council understood would be approximately 24,000 square feet but was ultimately constructed at 20,656 square feet, and requested an explanation for any construction contract change orders that may have resulted in a reduction in building size. In addition, the Council requested that the chairpersons of relevant governmental entities and all foundations that provided funding for the project receive a comprehensive, inclusive, and transparent accounting of all project costs. CLA was engaged on November 4, 2025, to conduct this investigation.

[1] The active construction period was from the groundbreaking ceremony held on October 2, 2024, to the ribbon-cutting ceremony held on October 8, 2025.

3. Background on Individual and Entities

The development of the Whitehaven High School Herbert STEM Center involved multiple individuals and entities with distinct roles in fundraising, project oversight, and fiscal administration. Key participants included SchoolSeed, the nonprofit fiscal agent established to serve as the District's intermediary for private donations; Richard J. Myers, who led fundraising and construction efforts and advanced a nonprofit-led school construction model; and Whitehaven STEM Building, Inc., a nonprofit entity formed in connection with that model. The following sections provide background information on these individuals and organizations to establish context for their involvement in the Herbert STEM Center project.

- **SchoolSeed:** SchoolSeed is the fiscal agent for the project. The Memphis City Schools Board of Education Commission originally created SchoolSeed (initially known as the Memphis City Schools Foundation) by passing a resolution in February 2009. SchoolSeed's purpose was to establish an independent 501(c)(3) nonprofit organization to serve as the District's intermediary for private donations where the community could donate funding for the support of schools. On October 22, 2024, the District Board approved a resolution reaffirming commitment to the SchoolSeed Foundation. Vincent McCaskill was the inaugural Chief Executive Officer (CEO) selected by the Board due to his communications and development roles held at the District since 2003. Mr. McCaskill continues in the CEO role with SchoolSeed.
- **Richard Myers:** Richard J. Myers led the fundraising and construction effort associated with the Herbert STEM Center, following his prior involvement in a privately funded courtyard renovation project at White Station High School. On September 21, 2016, the District approved Mr. Myers, a parent and attorney, to begin fundraising for the White Station project.[2] The proposal was presented to the Board by Designshop, the project architect, and was approved by the Facilities Committee. According to a news article, Mr. Myers' goal was to create a template for the community to give money to specific building projects that would be managed privately. Once completed, the District would hold the deeds to the projects, but a nonprofit entity would be created to manage each project. Mr. Myers stated that the project was intended to serve as a model for privately managed, nonprofit-led school construction projects, under which the District would retain ownership of completed facilities and donors would be eligible for naming rights. This model was intended to be applied at both White Station High School and Whitehaven High School. In 2016, no specific mention was made about the project at Whitehaven High School, and this history is provided as context for the construction of the Herbert STEM Center.
- **Whitehaven STEM Building, Inc.:** At the completion of the prior project led by Mr. Myers, it was mentioned that the fundraising model would include the creation of a nonprofit corporation and CLA confirmed that on June 11, 2018, Mr. Myers submitted the initial filings to the State of Tennessee to form a nonprofit corporation.[3] The

[2] Mr. Myers is a member attorney with the law firm Glankler Brown, PLLC which is located in Memphis, Tennessee.

[3] Whitehaven STEM Building, Inc., unlike SchoolSeed, is not a 501(c)(3) nonprofit formally recognized by the United States Internal Revenue Services (IRS) and exempt from federal income tax enabling donors to claim

establishment of the Tennessee nonprofit corporation is consistent with the model mentioned in 2016. Figure 1 shows the filing details of Whitehaven STEM Building, Inc.

Figure 1: November 6, 2018, Whitehaven STEM Building Inc. Initial Filing with the State

WHITEHAVEN STEM BUILDING, INC.

Entity Type: Nonprofit Corporation
Formed in: TENNESSEE
Term of Duration: Perpetual
Additional Designation: School Organization - Exempt
Religious Type: Non-Religious
Benefit Type: Mutual Benefit Corporation

Status: Active
Control Number: 000968387
Initial Filing Date: 6/11/2018 5:12:12 PM
Fiscal Ending Month: December
AR Due Date: 04/01/2026

Registered Agent	Principal Office Address	Mailing Address
RICHARD JAMES MYERS 6000 POPLAR AVE FL 4 MEMPHIS, TN 38119	6000 POPLAR AVE FL 4 MEMPHIS, TN 38119-3981	6000 POPLAR AVE FL 4 MEMPHIS, TN 38119-3981

AR Standing: Good | RA Standing: Good | Other Standing: Good | Revenue Standing: N/A

History (8)

Type	Date	Tracking Number	Change History
2024 Annual Report for WHITEHAVEN STEM BUILDING, INC.	4/10/2025 1:08:25 PM	B2025218710	○ Annual Report Due Date changed from: 4/1/2025 to: 4/1/2026 ○ NAICS changed
2023 Annual Report for Whitehaven STEM Building, Inc.	4/1/2024 12:13:37 PM	B1541-6403	
2022 Annual Report for Whitehaven STEM Building, Inc.	4/3/2023 9:36:26 AM	B1373-0112	
2021 Annual Report for Whitehaven STEM Building, Inc.	3/31/2022 1:48:00 PM	B1192-3660	
2020 Annual Report for Whitehaven STEM Building, Inc.	3/27/2021 1:46:16 PM	B1007-4917	
2019 Annual Report for Whitehaven STEM Building, Inc.	3/26/2020 11:12:29 AM	B0845-8340	○ Registered Agent Physical Address 3 changed from: RICHARD J. MYERS to: GLANKLER BROWN
2018 Annual Report for Whitehaven STEM Building, Inc.	3/29/2019 4:02:17 PM	B0683-0689	

tax deductions for qualifying contributions. The Tennessee nonprofit status for Whitehaven STEM Building, Inc. established the legal structure and governance requirements but does not by itself confer federal tax-exempt status or allow donors to deduct contributions for federal tax purposes.

4. Investigative Procedures

The objective of this engagement is to determine whether funds raised were properly applied to the construction of the facility and to assess whether any conflicts of interest existed in connection with the fundraising activities and the administration of construction contracts. This section communicates the investigative procedures conducted by CLA.

CLA researched the history behind the public-private efforts to construct the Herbert STEM Center to gain an understanding of the different entities and individuals involved and whether any precedent existed for this type of effort. Additionally, CLA conducted comprehensive email review to establish a timeline of the events leading up to the fundraising efforts and commencement of the project as well as the completion of the project.

CLA interviewed individuals currently employed by the District such as the Superintendent of Operations, the Controller-Accounting & Reporting Department, the Facilities Officer, the Superintendent, the Executive Director of Internal Audit, the Officer of School Compliance, and the Principals at both Whitehaven High School and White Station High School. CLA also interviewed representatives of SchoolSeed and of Whitehaven STEM Building, Inc.

SchoolSeed indicated that it had established a bank account designated exclusively for the funds of Whitehaven STEM Building, Inc. CLA requested copies of the related bank statements; however, SchoolSeed stated that a decision had been made not to provide CLA with the bank statements. CLA did obtain and examine the general ledger maintained by SchoolSeed in its capacity as fiscal agent for Whitehaven STEM Building, Inc., along with supporting documentation for substantially all recorded expenditures, rather than on a sample basis.

CLA examined District Board, Memphis City Council, and Shelby County Board of Commissioners meeting agendas, supporting documents, and minutes to identify approved contributions related to the construction of the Herbert STEM Center, including documentation of accepted donations and approved naming rights. This review identified the project's larger contributions; however, additional investigative procedures were performed to identify donations of smaller dollar amounts. Specifically, CLA accessed the Internet Archive (Wayback Machine) to review donations displayed on the donor wall maintained by SchoolSeed and visited the Herbert STEM Center to photograph donor plaques displayed on site.[4] These procedures were performed to compare donations identified through research and investigative efforts with donations recorded in the general ledger maintained by SchoolSeed as fiscal agent for Whitehaven STEM Building, Inc. All identified donations were examined and compared to the general ledger in their entirety, rather than on a sample basis.

CLA conducted a comprehensive review of electronic communications, applying targeted keyword searches across the full population of emails obtained in connection with the internal control assessment and forensic audit within the original scope of engagement. The

[4] The Wayback Machine is a publicly accessible digital archive maintained by the nonprofit Internet Archive that preserves historical versions of public webpages; courts have recognized its use for retrieving prior web content but generally require authentication through testimony or affidavit.

review encompassed correspondence files for approximately 40 current and former District Board members and employees, as summarized in Table 1.

Table 1: Email Files Retrieved by CLA

Description	Quantification
Number of Custodians	47
Count of emails/attached documents	3,829,716
Number of pages	24,970,136
Size	2.52TB

Relevant email communications and electronic documents identified in connection with this investigation are summarized in this report.

5. Applicable Policies

The following policies are relevant to various aspects of this investigation and are referenced throughout this report to provide context for the procedures performed and observations noted.

- Board Policy 2019 Grants, Gifts, Donations, & Sponsorships: The purpose of this policy is to establish guidelines for the acceptance and administration of grants, gifts, donations, and/or sponsorships. The conditions of donations must be fully assessed and understood prior to acceptance/approval. The Board is responsible for approving items at or exceeding a $15,000.00 value. The Superintendent shall be required to provide notification of intended and actual use of the donations approved by the Board. A donor may be granted naming rights of District real estate in accordance with policy 1007 Naming District Real Estate.
- Board Policy 1007 Naming District Real Estate: District policy provides that naming rights for District real estate may be granted under limited circumstances, including recognition of outstanding contributions to the District. Naming in recognition is subject to Board approval and discretion and must align with the District's goals, mission, and vision. In considering naming an asset after an individual, the Board evaluates the individual's significance to students, employees, and the broader community.
- Board Policy 3013 Inventory Management: This policy establishes an effective and efficient District-wide management program for the recording of inventory, accounting, and disposal/disposition of personal property owned by the District. The District reserves the right to transfer equipment to other schools if the equipment is declared excess to school or departmental needs in accordance with District guidelines.

6. Results of Investigation

This section presents the results of the investigation, including an overview of contracts, the building size, revenues, expenditures, and the remaining fund balance. It also provides the current status of the building and outlines key considerations for the future.

A. Contracts

CLA conducted research, inquiries, and email reviews to determine whether formal written contracts existed among the primary entities involved in, or benefiting from, the construction project. CLA identified certain written contracts; however, no formal written contract with the District was identified. This section describes the absence of a formal written contract with the District and summarizes the other primary contracts that were identified.

District: The District representatives confirmed during interviews with CLA that a formal written contract for this project did not exist between Whitehaven STEM Building, Inc., SchoolSeed, and the District. Through the results of email review CLA further confirmed that a contract was never drafted or executed at any point. Below is a list of relevant communications regarding the contracts.

- CLA identified an email sent on May 1, 2024, from the District's Senior Manager, Accounting & Reporting asking the Assistant Superintendent of Operations whether a memorandum of understanding (MOU) existed for the Whitehaven project and if so to forward to her. The Assistant Superintendent of Operations responded that he would send. On May 7, 2024, the Senior Manager followed up to request the MOU. CLA did not identify the receipt of the MOU via email and inquired with the Superintendent of Operations during an interview whether an MOU existed or was drafted at any point. He stated that there was never an MOU in place but did not know the reasons why one did not exist. He explained that when he responded to the Senior Manager's inquiry, he was under the impression there had been an MOU.
- CLA identified an email sent on October 6, 2025, by the District Counsel, expressing that at a minimum an MOU should have been executed and mentioning concerns about possibly requesting a retroactive MOU.
- CLA identified that on the same day, October 6, 2025, the Superintendent, in a confidential briefing, provided information to the Board regarding the failure by the prior administration to formalize any agreement between SchoolSeed and the District, and Whitehaven STEM Building, Inc.

CLA inquired with Mr. Myers regarding a contract or MOU with the District and Mr. Myers responded that one was not needed and that the agreement had been an oral agreement discussed with the Superintendent and the Board chair in 2019. Furthermore, he stated although he doubts he would ever lead another similar

project for the benefit of the District, if the District were to require a contract, "…it would be real simple."[5]

Although a written contract with the District did not exist for this project, Whitehaven STEM Building, Inc., had formal written contracts for the following:

- **SchoolSeed:** Whitehaven STEM Building, Inc. contracted the services of SchoolSeed as the fiscal agent for the project responsible for receiving and administering all funds related to the project at a cost of 2% of all funds deposited into the Whitehaven STEM Building, Inc. account held with SchoolSeed. The contract was effective June 27, 2018.
- **Designshop:** Designshop was the architectural firm involved in the project. On June 22, 2018, Whitehaven STEM Building, Inc. entered into a contract with Architecture firm, Designshop for design services concerning the project. Two other contracts were executed subsequently on May 13, 2022 and on November 30, 2023.
- **Montgomery Martin:** Montgomery Martin was the construction company involved in the project. The contract between Whitehaven STEM Building, Inc., and Montgomery Martin was executed on August 19, 2024.

Observations

Observation #1 No written contract or memorandum of understanding for the project existed between the District and Whitehaven STEM Building, Inc. for the construction of the Whitehaven High School STEM Building. Therefore, memorialization of the expectations, building size, total funds required for the project, an understanding of how the funds were to be fundraised, collected, distributed, and accounted for were also unclear and undocumented.

Recommendations

Recommendation #1 For any future projects that the District may authorize through the use of a public-private partnership, it is recommended that a formal written agreement be established and approved by the Board. The terms of the agreement should clearly delineate the District's and the nonprofit's responsibilities.

B. Size of the Building

Through the research and email review conducted it was evident that the Whitehaven community expressed concerns relating to the size of the building which they believed

[5] This was communicated to CLA by Mr. Myers during a virtual interview CLA conducted with him on January 15, 2026. By "real simple" he meant a contract would be high-level and not detailed.

would be approximately 24,000 square feet but instead was built at 20,656 square feet. The bullets below describe details regarding some of these concerns.

- On October 2, 2025, the District received an inquiry from Fox 13 News stating that the community leaders, founders, and parents have raised questions about transparency, funding, and structural changes to the facility. Five specific questions were included relating to ownership and contracts, change orders, funding oversight, accountability, and the certificate of occupancy. CLA notes, the email concluded with the statement that "…this project represents a significant investment in the Whitehaven community, and there are concerns that promises made to families and students are not being fulfilled."
- CLA identified a letter dated on the same day, October 2, 2025, from the Whitehaven Empowerment Zone Leadership Council Chairman to the District requesting clear documentation and justification regarding financial as well as structural changes. Specifically, the letter requested a full accounting of the funds raised, distribution list of expenditures, and an explanation of change orders including a clear justification for the reduction of approximately 4,500 square feet in the planned facility. This reduction was revised on March 20, 2024, and thereafter, a request to chairpersons of government entities and foundations that provided funding for the project to receive comprehensive, inclusive, and transparent accounting of all proforma costs.[6] This letter was electronically signed by Eddie S. Jones, Jr. the Whitehaven Empowerment Zone Leadership Council Executive Board Chairman.

CLA prepared a timeline of events as it relates to the facts identified relating to the size of the Herbert STEM Center. As mentioned previously, the process from beginning to end was over seven years long and the listing below describes details specifically concerning the size of the building.

Originally Designed as a 24,562 Square Foot Building

- The initial Designshop drawings labeled 19015 and dated September 23, 2019, show on page 4 the total floor space of 24,652 square feet.
- However, on August 4, 2021, the Case for Support submitted to the Shelby County Board of Commissioners listed the building size to be approximately 24,000 square feet. Further, CLA notes, the Commissioners approved a $300,000.00 grant payable to SchoolSeed to "partially fund a STEM lab in the Whitehaven Community." Other exhibits presented along with the Case for Support included a letter from Mr. Myers to SchoolSeed with a budget from Montogomery Martin communicating estimated cost of the Whitehaven High School STEM building at $5,761,109.00 based on the 100% Design Development set of plans from Designshop dated September 23,

[6] The foundations providing funding for the project listed in this letter included the Herbert Family Foundation, Assisi Foundation, Tennessee Valley Authority, The Speer Charitable Trust, Canale Foundation, King Rogers, Pinnacle Financial Partners, Elvis Presley Enterprises, and Brown Baptist Church.

2019. This resolution was sponsored by Chairman Eddie S. Jones. Jr. Figure 2 includes the first page of the Case for Support document.

Figure 2: First Page of Case for Support Document

CASE FOR SUPPORT

We are a non-profit organization seeking to build a 24,000 square foot building at Whitehaven High School (Whitehaven) dedicated to course and lab work in the STEM (Science, Technology, Engineering and Math) subjects. Whitehaven is a college preparatory, optional school with approximately 1,700 students, and many of Shelby County Schools' best faculty and leadership. It is in one of Shelby County's strongest working/middle class neighborhoods. 80% of its students go to college or post-secondary training and those students earned $130,000,000.00 in scholarships last year.

Yet, the STEM infrastructure for Whitehaven's hard-working, college-bound students is arguably amongst the least-adequate of any area high school. University of Memphis science professors note while ours are smart and enthusiastic students, they start college, and particularly their science work, at a serious, relative disadvantage due, in great part, to their inadequate to non-existent high school lab facilities. One noted our science kids are "40 years behind" their peers in lab education. Another noted if one intends to be a college science student, then a physics background is crucial and 90% of our students lack that background; and, insufficient labs are a primary reason.

Memphis is America's poorest large city and we do not have the public funds needed to address this inadequacy. There are too many other competing needs with claims on our limited public resources. As a result, our truly college-bound students - - our future - - start behind their private and municipal school peers in the sciences.

This is an avoidable, completely unnecessary and self-inflicted wound on our community and our children's future.

We have privately funded the privately-designed plans for our Whitehaven STEM Building. Montgomery Martin is our enlisted contractor. DesignShop is our architect. Our friends at the University of Memphis consulted with us.

Our key partner is SchoolSeed Foundation. It is our independent §501(c)(3) and fiscal agent with which we have a tight contractual relationship. SchoolSeed has been the preferred "beneficiary" of all independent donations to SCS from Race to the Top to the Gates Foundation. The 2% of donated funds paid to SchoolSeed for fiscal control is our only administrative expense. Thus, 98% of donations go to this project.

- CLA identified the first Naming Rights agreement that was executed with effective date of May 1, 2023, with James Herbert and Judi Herbert for their initial donation

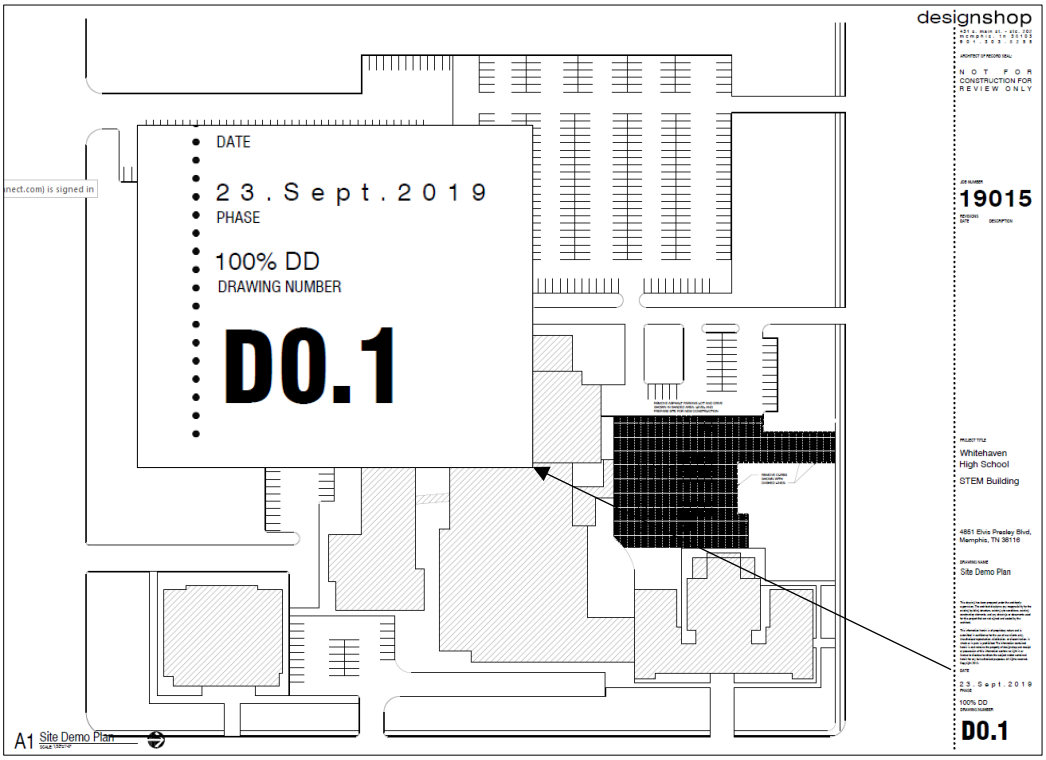
of $2,000,000.00. This agreement referred to the STEM Building as "originally designed to be 24,000 SF with nine labs."[7]

- CLA notes, the Naming Rights agreements approved by the Board during the July 29, 2025, meeting also had the same language regarding the STEM Building size, "originally designed to be 24,000 SF with nine labs."

Changes to the Square Footage of The Building

- As noted, the initial Designshop drawings labeled 19015 and dated September 23, 2019, indicate on page 4 a total floor area of 24,652 square feet. These drawings are identified as Design Development (DD) drawings, as indicated by the "DD" designation in the lower right corner of the cover page as shown in Figure 3. Design Development drawings are preliminary in nature and are typically not fully detailed and precede Construction Documents.

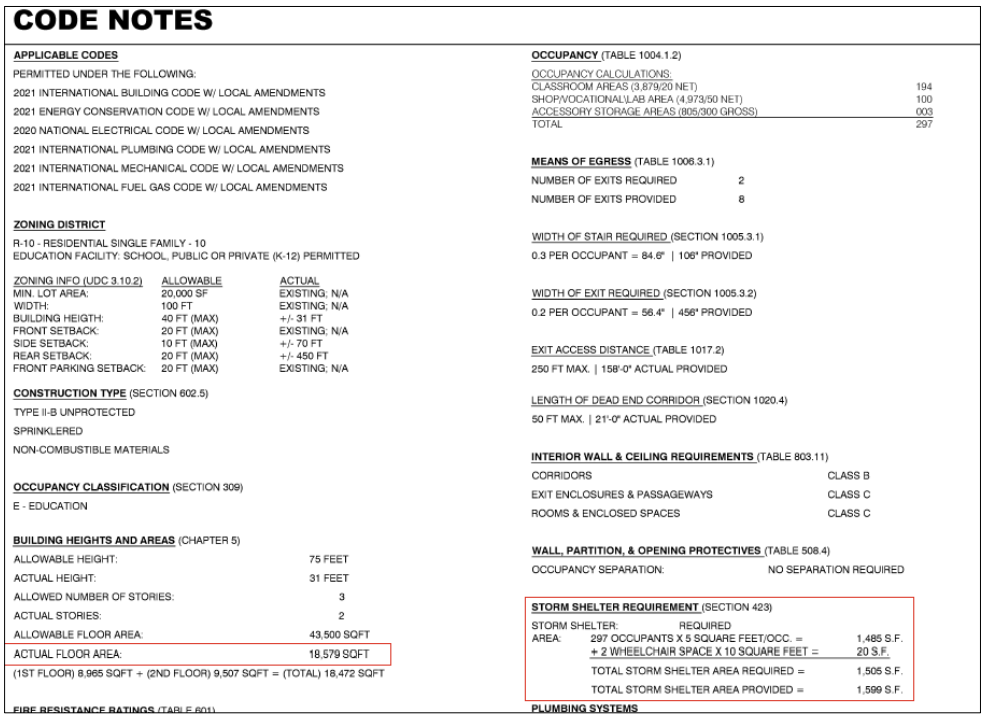
Figure 3: Design Development Drawings dated September 23, 2019



- CLA identified additional Design Development drawings were prepared by Designshop labeled Job Number 22017 and dated June 21, 2023. The total floor area for these drawings is 18,579 square feet and it includes a storm shelter as indicated in Figure 4.

[7] The Naming Rights agreement specified that the Whitehaven High School STEM building would be named the "Herbert STEM Center." Subsequent references in this report refer to this building as the Herbert STEM Center.

Figure 4: Design Development Drawings – Portion of Page 2



CODE NOTES

APPLICABLE CODES

PERMITTED UNDER THE FOLLOWING:

2021 INTERNATIONAL BUILDING CODE W/ LOCAL AMENDMENTS
2021 ENERGY CONSERVATION CODE W/ LOCAL AMENDMENTS
2020 NATIONAL ELECTRICAL CODE W/ LOCAL AMENDMENTS
2021 INTERNATIONAL PLUMBING CODE W/ LOCAL AMENDMENTS
2021 INTERNATIONAL MECHANICAL CODE W/ LOCAL AMENDMENTS
2021 INTERNATIONAL FUEL GAS CODE W/ LOCAL AMENDMENTS

ZONING DISTRICT

R-10 - RESIDENTIAL SINGLE FAMILY - 10
EDUCATION FACILITY: SCHOOL, PUBLIC OR PRIVATE (K-12) PERMITTED

ZONING INFO (UDC 3.10.2)	ALLOWABLE	ACTUAL
MIN. LOT AREA:	20,000 SF	EXISTING; N/A
WIDTH:	100 FT	EXISTING; N/A
BUILDING HEIGTH:	40 FT (MAX)	+/- 31 FT
FRONT SETBACK:	20 FT (MAX)	EXISTING; N/A
SIDE SETBACK:	10 FT (MAX)	+/- 70 FT
REAR SETBACK:	20 FT (MAX)	+/- 450 FT
FRONT PARKING SETBACK:	20 FT (MAX)	EXISTING; N/A

CONSTRUCTION TYPE (SECTION 602.5)

TYPE II-B UNPROTECTED
SPRINKLERED
NON-COMBUSTIBLE MATERIALS

OCCUPANCY CLASSIFICATION (SECTION 309)

E - EDUCATION

BUILDING HEIGHTS AND AREAS (CHAPTER 5)

ALLOWABLE HEIGHT:	75 FEET
ACTUAL HEIGHT:	31 FEET
ALLOWED NUMBER OF STORIES:	3
ACTUAL STORIES:	2
ALLOWABLE FLOOR AREA:	43,500 SQFT
ACTUAL FLOOR AREA:	18,579 SQFT

(1ST FLOOR) 8,965 SQFT + (2ND FLOOR) 9,507 SQFT = (TOTAL) 18,472 SQFT

FIRE RESISTANCE RATINGS (TABLE 601)

OCCUPANCY (TABLE 1004.1.2)

OCCUPANCY CALCULATIONS:

CLASSROOM AREAS (3,879/20 NET)	194
SHOP/VOCATIONAL\LAB AREA (4,973/50 NET)	100
ACCESSORY STORAGE AREAS (805/300 GROSS)	003
TOTAL	297

MEANS OF EGRESS (TABLE 1006.3.1)

NUMBER OF EXITS REQUIRED	2
NUMBER OF EXITS PROVIDED	8

WIDTH OF STAIR REQUIRED (SECTION 1005.3.1)

0.3 PER OCCUPANT = 84.6" | 106" PROVIDED

WIDTH OF EXIT REQUIRED (SECTION 1005.3.2)

0.2 PER OCCUPANT = 56.4" | 456" PROVIDED

EXIT ACCESS DISTANCE (TABLE 1017.2)

250 FT MAX. | 158'-0" ACTUAL PROVIDED

LENGTH OF DEAD END CORRIDOR (SECTION 1020.4)

50 FT MAX. | 21'-0" ACTUAL PROVIDED

INTERIOR WALL & CEILING REQUIREMENTS (TABLE 803.11)

CORRIDORS	CLASS B
EXIT ENCLOSURES & PASSAGEWAYS	CLASS C
ROOMS & ENCLOSED SPACES	CLASS C

WALL, PARTITION, & OPENING PROTECTIVES (TABLE 508.4)

OCCUPANCY SEPARATION: NO SEPARATION REQUIRED

STORM SHELTER REQUIREMENT (SECTION 423)

STORM SHELTER:	REQUIRED	
AREA:	297 OCCUPANTS X 5 SQUARE FEET/OCC. =	1,485 S.F.
	+ 2 WHEELCHAIR SPACE X 10 SQUARE FEET =	20 S.F.
	TOTAL STORM SHELTER AREA REQUIRED =	1,505 S.F.
	TOTAL STORM SHELTER AREA PROVIDED =	1,599 S.F.

PLUMBING SYSTEMS

- Additional Design Development drawings were prepared by Designshop labeled Job Number 22017 and dated October 20, 2023. The total floor area for these drawings was 18,579 square feet and included a storm shelter.
- CLA notes the final Construction Documents drawings prepared by Designshop and labeled Job Number 23035 were dated March 18, 2024. CLA visited the District Facilities Office and physically reviewed the voluminous construction documents noting that the total floor area for these drawings is 19,524 square feet and include a storm shelter. Final Construction Documents are identified with the "CD" designation on the cover page as shown in Figure 5. The Facilities Officer confirmed to CLA that these Construction Document drawings were used for the construction of the Herbert STEM Center and explained that these drawings are required prior to even breaking ground for the construction to commence.[8] The contract with the construction company, Montgomery Martin, was executed on August 19, 2024, for a sum of $8,041,616 based on the Construction Documents by Designshop dated March 18, 2024.[9]

[8] Two separate groundbreaking ceremonies took place. The first took place on April 4, 2024; however, due to funding uncertainties the construction work did not commence. A second groundbreaking ceremony took place on October 2, 2024.

[9] Exhibit B to Montgomery Martin's contract includes the list of Contract Documents that reference the Construction Documents with drawing date of March 18, 2024.

Figure 5: Construction Document Drawings Dated March 18, 2024

- CLA additionally accessed the publicly available Shelby County/City of Memphis Board of Adjustment (BOA) staff report and recommendation showing building size of 19,524 square feet as shown in Figure 6.[10]

Figure 6: Portion of Board of Adjustment Staff Report

dpd MEMPHIS AND SHELBY COUNTY **STAFF REPORT**

AGENDA ITEM:	11	**B.O.A. MEETING:** June 26, 2024
CASE NUMBER:	BOA 2024-0048 (City)	
LOCATION:	4855 Elvis Presley Boulevard	
OWNER/APPLICANT:	Memphis City Schools/ Roy Lamica	
REPRESENTATIVE:	Roy Lamica, EFI Global	
REQUEST:	Variance from Section 4.5.3 to allow a reduction in required parking minimums for Whitehaven High School	
EXISTING ZONING:	Residential-Single Family – 10 (R-10) and a portion of the site is within the Residential Corridor Overlay	

CONCLUSIONS

1. The Memphis Shelby County School District seeks to construct a STEM (Science, Technology, Engineering and Math) center at the Whitehaven High School campus.
2. The 19,524 square foot STEM facility is proposed to be built in an existing parking area accessible to faculty and staff.
3. While 58 parking spaces would be added for the new facility, 94 existing parking spaces would be eliminated leaving an overall parking deficit of 36 parking spaces at the school.
4. However, the applicant's representative and school administrators determined that an excess of 230 parking spaces go unused during regular school hours.
5. The granting of this variance will not cause substantial detriment to the public good, nor will it substantially impair the intent and purpose of an adopted plan or the Code, nor will it be injurious to the neighborhood or the general welfare, and it will be harmony with the purpose and intent of the development code.

[10] The Certificate of Occupancy is discussed subsequently in the *Current Status of Building* section and lists a building size of 20,656 square feet. Differences between square footage figures cited in the Board of Adjustment approvals and those listed on a Certificate of Occupancy are common. BOA approvals are based on planning-level information available at the time of zoning review, while Certificates of Occupancy reflect final as-built conditions and may include additional code-required or support spaces incorporated during construction.

Communications Regarding Changes to The Square Footage of The Building

Based on the review of emails and interviews conducted, it appears that there was a significant amount of communication regarding the changes to the square footage of the building as time progressed; however, there are also indications that at least the Principal of Whitehaven High School may not have received this communication directly before the construction commenced. The following list of relevant communications provides details as to communications regarding the changing square footage of the building.

- CLA identified a letter dated January 24, 2023, from Designshop to Whitehaven STEM Building, Inc. noting that there had been no changes from the dimensions of original schematic design package to the progress meeting on June 20, 2022. Designshop further stated that changes included in that letter occurred as a result of the June 20, 2022, meeting and were presented at the progress meeting on July 25, 2022.[11] The letter details several required and not required changes; however, there was no change in overall building footprint dimensions. Under required changes it listed the addition of the storm shelter which prior to January 2021, was not required by the local code office. This letter concludes with the note that since the building was originally estimated in 2019, the financial landscape of the building industry has seen generational shifts in costs and timelines. It further mentioned "a building that was $220/sq. ft. in 2019 is now roughly $400-$500/sq. ft."
- CLA notes on January 31, 2023, Montgomery Martin sent an email to Mr. Myers providing a budget revision for the building. The email mentioned that in the first section of the budget are the items from the Designshop list from 2019, and that in the second section there are additional items to reduce the budget further. The first section stated a Montgomery Martin construction budget of $11,371,517, and a second section provided a cost savings revised budget estimate of $9,287,517.
- CLA identified an email dated September 20, 2023, from Mr. Myers to the Interim Superintendent and the Chair of the Whitehaven Empowerment Zone Leadership Council Executive Board, along with other District employees and SchoolSeed. In this email, Mr. Myers communicated, gratitude to the District for additional funding and stated, "the archs [*sic*] will come up with a rough draft downsize proposal, the one I sent a few weeks ago, which is attached. that [*sic*] is how building would have generally looked downsized from 24K SF to 18.5K SF, assuming an estimated 8.5MM budget."
- CLA identified an email dated October 27, 2023, from Mr. Myers to multiple recipients, including the District Interim Superintendent, the Chief of Business Operations, the current Assistant Superintendent of Operations, other District employees, Mr. Herbert and other donors, SchoolSeed, and Eddie S. Jones at eddie.s.jones@shlbycountytn.gov who is the chairman of the Whitehaven

[11] These two meeting dates were also mentioned in an email from the Whitehaven High School Principal on June 12, 2025. The email from the principal is discussed in a subsequent subsection within this section.

Empowerment Zone Leadership Council.[12] CLA observed that the Whitehaven High School Principal was not included in this email communication. In this email, Mr. Myers communicated that attached were the initial renderings of the "18.5K SF stem building at Whitehaven high [*sic*]." He asked that the Chief of Business Operations review and approve, or state required revisions of the attached and particularly the rendering. The Design Development drawings attached to these emails were the drawings labeled Job Number 22017 and dated October 20, 2023, that were previously mentioned. The total floor area in these drawings was 18,579 square feet. Mr. Myers followed up on his request on November 6, 2023, this time only copying District employees and SchoolSeed. The Chief of Business Operations forwarded the request to two other employees, including the Chief of Building Operations, and asked for assistance responding to the email.

- On November 8, 2023, the Chief of Building Operations responded to Mr. Myers' email stating, "If school approves and agrees [*sic*] I also reviewed and approve the layout." Mr. Myers responded on the same date, "whs approved the stem building in 2019, based on preliminary plans for a 24K SF building. this is a modification thereof to fit our budget [*sic*]. We'll proceed." CLA notes that this email message from Mr. Myers appears to indicate that he does not plan to share the updated Design Development drawings showing total floor area of 18,579 square feet with the Whitehaven High School Principal.
- Further, CLA notes on June 12, 2025, the Whitehaven High School Principal emailed the Chair of the Whitehaven Empowerment Zone Leadership Council and others including the District Superintendent of Operations and the Facilities Officer. In this email he communicated concerns over differences in what he expected the size of the building to be and what was actually being constructed. He provided an overall conclusion that there was a reduction of approximately 4,358 square feet based on his calculations referencing the Design Development drawings labeled 19015 reviewed during a meeting held on June 22, 2022, and the Design Development drawings labeled 22017 from a July 25, 2022, meeting.[13] Based on the Design Development drawings the Principal referenced, it does not appear that he had access to the final Construction Documents drawing labeled Job Number 23035 dated March 18, 2024.
- Lastly, on June 12, 2025, the current Facility Officer emailed SchoolSeed with a copy to Mr. Myers asking for a list of donating parties and amounts so that she is prepared for any questions from the Board as she would be taking the Herbert STEM Center Naming Rights contracts to the Board for approval. She further communicated that the Whitehaven High School Principal is concerned that the building is different from what he thought and was concerned that donors were "not getting what they thought." SchoolSeed responded that as for the Principal's

[12] There are several other emails where Mr. Myers communicated with District representatives about decreasing the size of the building due to the increased costs. For brevity, only this email communicating the decrease in size is included in this report.

[13] These two meeting dates were also mentioned in the Designshop letter dated January 24, 2023, which indicated that there was no change in overall building footprint dimensions.

> remarks, "all donors were going to take their money back if the building didn't get built. The reality is the money that was raised would not have paid for all the extras. Inflation pushed the building to almost 12 million dollars. The storm shelter added did not help. It is my understanding that adjustments were made with the approval of the lead donor who gave $2.5 million to this. He was the one who was going to pull his money out."

CLA inquired of Mr. Myers whether he had communicated the change in the building's square footage to donors, the District, the Whitehaven Empowerment Zone Leadership Council, and the Whitehaven High School administration. Mr. Myers stated that he had kept stakeholders informed of the changes and that he believed his communications with the Chair of the Whitehaven Empowerment Zone Leadership Council satisfied his responsibility to inform the school and the broader community. He further stated that, due to significant increases in construction costs resulting from the COVID-19 pandemic, there was concern that donors, particularly the largest donor, Mr. Herbert, might request the return of their contributions if construction did not commence. Mr. Myers indicated that the revised design was pursued because the original design was estimated to cost more than $12,000,000.00, an amount which he stated could not be raised.

The Assistant Superintendent of Operations and the Facilities Officer confirmed to CLA that Mr. Myers had kept the District appraised of the need to reduce the size of the building. Based on their experience with other school construction projects and their observations of significant increases in construction costs following the COVID-19 pandemic, they concurred that a reduction in building size was necessary due to increased construction costs and the addition of a storm shelter requirement.

After the issuance of CLA's interim report, CLA conducted an interview with the Chairman of the Whitehaven Empowerment Zone Leadership Council. Mr. Jones communicated to CLA that he had been unaware of the existence of the Whitehaven STEM Building, Inc. entity until he received the documents from the City relating to the construction permit. Regarding the email communication from September and October 2023, where the size of the building was discussed, he stated that he read the emails and discussed with the interim superintendent at the time and had agreed to attempt to secure additional funding so the size of the building could remain as planned.[14] It is his perception that Mr. Myers moved forward with requesting the construction permit from the city in March 2024, reflecting the lower square footage, thus not providing sufficient time to raise the additional funding required to keep the original square footage. Mr. Jones explained that he and Mr. Myers did not discuss the additional funding efforts. Furthermore, Mr. Jones communicated that the information shared by Mr. Myers came to the Whitehaven Empowerment Zone, "very piece meal", and kept out of the details and conversations.

[14] For reference, the City of Memphis approved a contribution of $500,000.00 on December 26, 2023 and another $500,000.00 in June 2024. The County approved an additional contribution of $1,000,000.00 on December 4, 2023.

Observations

Observation #2 Email evidence indicates that Mr. Myers communicated with District representatives, donors (including Mr. Herbert), and the Chairman of the Whitehaven Empowerment Zone Leadership Council Executive Board regarding the need to reduce the size of the Herbert STEM Center. The 2019 Design Development drawings reflected a total floor area of 24,652 square feet; however, these drawings did not constitute the final Construction Documents. The final Construction Documents, dated March 18, 2024, reflected a reduced total floor area of 19,524 square feet and are the documents referenced in the construction contract with Montgomery Martin. No construction change orders were identified that reduced the building size from 24,652 square feet to 19,524 square feet as there was never a contract with Montgomery Martin for the construction of a 24,652 square feet building.[15]

However, based on email correspondence reviewed, particularly communications dated November 8, 2023, it appears that Mr. Myers did not provide the Whitehaven High School Principal with the opportunity to review and approve the updated Design Development drawings reflecting a reduction in total floor area to 18,579 square feet. The Chairman of the Whitehaven Empowerment Zone Leadership Council stated that he had read the emails communicating the lower square footage and believed he along with the Interim Superintendent at the time were making efforts to secure additional funding; however Mr. Myers moved forward with requesting the building permit from the City reflecting the lower square footage thus no allowing them time to secure the funding needed to keep the original square footage of the building.

Recommendations

Recommendation #2 To avoid similar concerns in future projects, the District should establish and enforce a formal stakeholder communication protocol for capital projects funded through a combination of public and private sources to improve transparency, ensure appropriate stakeholder involvement, and reduce the risk of misunderstandings regarding project scope and approvals.

C. Revenues

This section communicates the details of the fundraising efforts and the results of CLA's investigation into funds raised for the project and the sources. The Herbert STEM Center

[15] Additional details relating to the Montgomery Martin contract and change orders are discussed in the *Expenditures* section of this report.

was financed through a combination of private donations and public contributions. As per the agreement between Whitehaven STEM Building, Inc. and SchoolSeed, all funds were received by SchoolSeed to administer and account for. Based on the results of research and interviews conducted, it is clear that Mr. Myers was the primary fundraiser and was supported in these efforts by SchoolSeed's CEO.

Background on Fundraising efforts

Fundraising for the project commenced in 2019 and accelerated in 2020. Early contributions were relatively modest in amount; however, they indicate that active fundraising efforts had begun. Mr. Myers indicated that these early contributors were among the first donors and that their funds were used to support the purchase of the initial Designshop Design Development drawings.[16] Table 2 details the 2019 contributions received by SchoolSeed.

Table 2: Results of Initial Fundraising Efforts

Date	Transaction Type	Donor Name	Amount
04/18/2019	Deposit	Brandon Morrison	$ 10,000.00
04/18/2019	Deposit	Jim and Libby Witherington	1,000.00
05/29/2019	Deposit	Rogers Commercial Properties	2,500.00
05/29/2019	Deposit	George & Bena Cates	5,000.00
Total Raised in 2019			$ 18,500.00

Fundraising efforts in early 2020 were evident and started to result in larger contributions. The listing below indicates some of those early 2020 efforts.

- CLA notes that on February 6, 2020, SchoolSeed communicated with representatives of the Assisi Foundation regarding a grant request submitted by Mr. Myers for the construction of the Herbert STEM Center. In that communication, SchoolSeed indicated that a separate grant submission from the District, related to a project identified as a top priority by the superintendent at the time, should take precedence over the grant requested for the STEM building.
- CLA identified a detailed email dated February 12, 2020, from SchoolSeed soliciting donations through the SchoolSeed donor portal. The email stated, "Please consider financially supporting our children's future by completing the link below. Your donation will go directly to the construction and development of Whitehaven's new STEM building and will impact the education of generations to come.[17]
- Lastly, on February 11, 2020, Mr. Myers communicated with a representative of the Assisi Foundation to acknowledge the Foundation's selection of another MSCS grant. In that communication, he also reported that a $2,000,000.00 private gift had been secured the prior week during a visit to Whitehaven High School with a prospective donor, noting that the school's principal shared a yearbook

[16] As mentioned, the first Design Development drawings from Designshop were dated September 23, 2019.

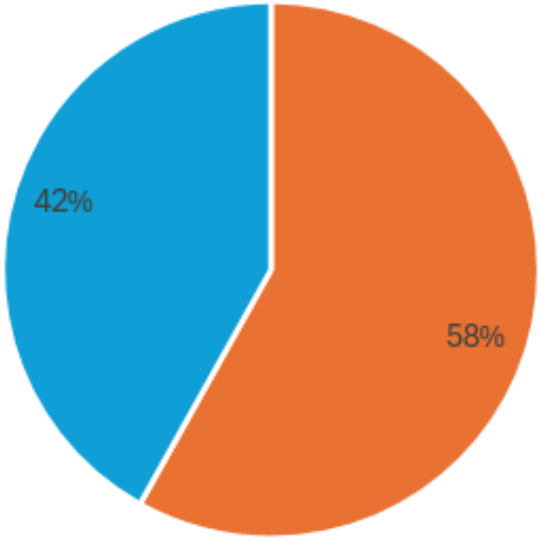
[17] The link included in this email is the link that CLA utilized to search the SchoolSeed donation wall through the internet archive mentioned previously.

from the prospective donor's graduation during the visit. Mr. Myers further indicated that a meeting with the Governor was scheduled and expressed hope for an additional award ranging from $500,000.00 to $1,000,000.00. Further communications within the same email chain reference a discussion with Nike as a potential donor.

Although the initial project completion date was by the 2021 academic year, fundraising activities were disrupted and did not proceed as planned due to the COVID-19 pandemic. Fundraising efforts resumed and gained momentum again beginning in 2021, resulting in funding commitments from public entities, including Shelby County, the City of Memphis, the District, and the Tennessee Valley Authority.

Private and Public Contributions

Contributions were received from both public and private sources, with public contributions accounting for 58% of the total and private donations comprising the remaining 42%, as illustrated in the chart to the right.



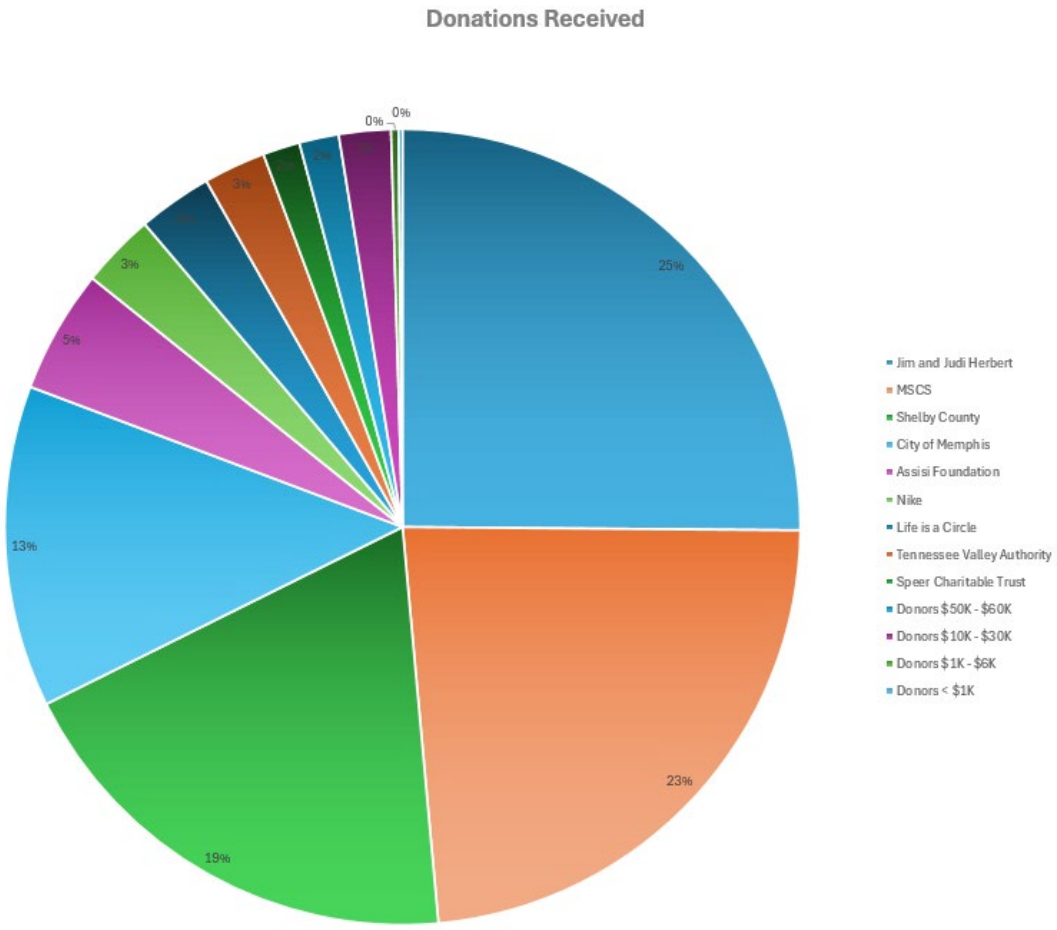
Public entity contributions totaled $5,781,090.00 and included: $2,330,090.00 from the District, $1,900,000.00 from Shelby County, $1,300,000.00 from the City of Memphis, and $251,000.00 from the Tennessee Valley Authority.

Although nearly two-thirds of the funds raised for the construction of the Herbert STEM Center were contributed by public entities, there was no expectation that a competitive procurement process would be undertaken, as the Case for Support document shared with donors, including public entities, identified Montgomery Martin as the contractor and Designshop as the architect. Furthermore, the resolutions of public entities approving the funding did not include a requirement for a competitive procurement process for vendor selection. While Tennessee law generally requires competitive procurement when public entities directly contract for construction or services (e.g., Tenn. Code Ann. §§ 12-3-1212, 5-14-108), those requirements were not imposed in this instance according to resolutions approving the funding.[18]

Six major private donors contributed gifts exceeding $100,000.00. The largest contribution was provided by Jim and Judi Herbert in the amount of $2,500,000.00, followed by the Assisi Foundation with a donation of $500,000.00. Nike and the Life Is A

[18] Resolutions approved by the District and the County are subsequently discussed in sections *MCSC Contributions Structure* and *Review of Payments by the City of Memphis and Shelby County,* respectively.

Circle Foundation each contributed $300,000.00, and the Speer Charitable Trust contributed $150,000.00. There were other private entities and individual donors who gave from $20.00 to $60,000.00. The chart below presents the largest public and private donors as a percentage of total contributions and groups donors contributing less than $60,000.00 into tiered categories for comparative analysis.



MCSC Contributions Structure

During the period from the initiation of fundraising efforts through project completion, the District experienced multiple changes in the superintendent role, which contributed to uncertainty regarding MSCS's commitment to the project. The superintendent in place when fundraising efforts began separated from the District before there was evidence of any formal commitment by MSCS to provide funding.

The interim superintendent who followed made commitments verbally and through text messages; however, no formal agreement or documentation was executed prior to the conclusion of her interim appointment, and a new superintendent was in place by March 2024. Although SchoolSeed recorded MSCS donation pledges in its accounting records,

no corresponding formalized commitment was approved by the Board and issued by the District until August 20, 2024.

An extensive volume of email correspondence documents delays by the District in providing funding. For purposes of brevity, this report presents only the most relevant communications and related Board actions surrounding the District's commitments to the Herbert STEM Center project.

- On December 1, 2022, the Manager, Accounting & Reporting communicated via email to SchoolSeed that the Interim Superintendent confirmed a $1.3 million budget allocation.
- On May 24, 2024, Mr. Myers emailed the District Board Chair a letter in an attempt to confirm an additional $1 million in funding he believed was committed to by the Prior Superintendent and the Assistant Superintendent of Operations.
- On June 26, 2024, SchoolSeed issued an invoice to the District requesting payment of $2.3 million. The District did not process payment for this invoice and the prior Superintendent responded that she did not see any Board approvals beyond the $1.3 million approved in fiscal year 2022. She additionally communicated that payments could be made only on a reimbursement basis.
- On August 14, 2024, the Board Chair emailed the Superintendent and a County representative, with a copy to other Board members and individuals. In this email she provided the results of the previous day's committee meeting. She summarized that the meeting provided an opportunity for the administration and Board to publicly express concerns, gather feedback, and clarify expectations to resolve prior uncertainty. Key discussion points included funding mechanics, with consensus reached to shift from an upfront payment to a reimbursement model. As a result, the resolution was revised to reflect reimbursable funding through submitted receipts, enabling the project to move forward pending Board approval at a tentatively scheduled Special Called Meeting. An attachment containing Montgomery Martin's storm shelter cost of $1,041,243.00 was included in the email.
- On August 20, 2024, a Special Call Meeting was held to approve the resolution amendment to fund the Herbert STEM Center. The resolution was approved indicating a commitment of $1,041,243.00 in addition to the $1,300,000.00 funded by the previous administration through County Capital Bonded Funds for a total commitment of $2,341,243.00. The approved resolution listed requirements for SchoolSeed to submit receipts, executed contracts, paid invoices, and payment disbursement confirmation.

Review of Contributions Made by the District

The District received the first invoice from SchoolSeed requesting reimbursement on September 6, 2024. In accordance with the approved Board resolution, the invoice submitted by SchoolSeed included vendor invoices paid by SchoolSeed and documentation confirming those payments. However, the supporting documentation did not include executed contracts for vendors where such contracts existed, and District

accounts payable personnel did not request the missing contracts.[19] CLA reviewed the remaining invoices submitted by SchoolSeed and confirmed that each included vendor invoices or payment applications and proof of payment. None of the submissions included executed contracts with Designshop or Montgomery Martin. In total, the District reimbursed SchoolSeed $2,330,090.00 as listed in Table 3, which is approximately $11,153.00 less than the approved budget.

Table 3: Payments by District to SchoolSeed for STEM Building Project Reimbursements[20]

Year	Acctg Date	Description	Amount	Funding Source	Fund	Project
FY 2025	9/13/2024	School Seed Foundation-WH HS Stem Bldg Addition	$ 9,490.73	Shelby County Government	07	C984
FY 2025	10/11/2024	School Seed Foundation-WH HS Stem Bldg Addition	2,773.48	Shelby County Government	07	C984
FY 2025	10/23/2024	School Seed Foundation-WH HS Stem Bldg Addition	168,189.47	Shelby County Government	07	C984
FY 2025	11/13/2024	School Seed Foundation-WH HS Stem Bldg Addition	19,312.34	Shelby County Government	07	C984
FY 2025	11/18/2024	School Seed Foundation-WH HS Stem Bldg Addition	308,657.42	Shelby County Government	07	C984
FY 2025	1/10/2025	School Seed Foundation-WH HS Stem Bldg Addition	45,946.48	Shelby County Government	07	C984
FY 2025	1/10/2025	School Seed Foundation-WH HS Stem Bldg Addition	670,187.70	Shelby County Government	07	C984
FY 2025	1/10/2025	School Seed Foundation-WH HS Stem Bldg Addition	37,691.27	Shelby County Government	07	C984
FY 2025	1/10/2025	School Seed Foundation-WH HS Stem Bldg Addition	5,505.06	Shelby County Government	07	C984
FY 2025	1/22/2025	School Seed Foundation-WH HS Stem Bldg Addition	4,603.21	Shelby County Government	07	C984
FY 2025	1/28/2025	School Seed Foundation-WH HS Stem Bldg Addition	27,642.84	Shelby County Government	07	C984
FY 2025	1/28/2025	School Seed Foundation-WH HS Stem Bldg Addition	633,659.03	Fund 1 Investment	01	IY25
FY 2025	2/13/2025	School Seed Foundation-WH HS Stem Bldg Addition	366,639.63	Fund 1 Investment	01	IY25
FY 2025	2/13/2025	School Seed Foundation-WH HS Stem Bldg Addition	29,791.34	Fund 1 Investment	01	IY25
Total			$ 2,330,090.00			

Review of Payments by the City of Memphis and Shelby County

The City of Memphis donated $1,300,000.00 and CLA identified that these contribution amounts were received. For example, the City Council approved a final contribution of $500,000.00 on September 26, 2023.

[19] The accounts payable representative appropriately requested that the Facilities Officer confirm the work had been performed prior to processing payment.

[20] The descriptions in this table were extracted from the District's general ledger and CLA did not modify the descriptions to include the correct spelling of the entity name, SchoolSeed.

Shelby County donated a total of $1,900,000.00, which CLA was able to confirm through a review of the Shelby County Board of Commissioners' meeting minutes and additional corroborating research. The County Commission clearly approved a $300,000.00 grant in August 2021 and a $600,000.00 grant in January 2022. However, ambiguity arose with respect to the grant approved on December 4, 2023, as the minutes approved appeared to indicate a contribution of $1,550,000.00 as shown in Figure 6.

Figure 7: Extraction of County Commission Minutes for December 4, 2023.

NOTE: CHAIRWOMAN CLAY BIBBS STATED THAT ITEM 33 WOULD BE TAKEN UP AT THIS TIME.

33.Resolution amending the Fiscal Year 2024 Operating Budget and allocating, appropriating, and expending $1,550,000.00 to Schoolseed for the Whitehaven High School Stem Center to support and enhance the tradition of academic excellence and expansion of various educational programs. This item requires the expenditure of General Funds in an amount not to exceed $1,550,000.00. Sponsored by Commissioner Dr. Edmund Ford, Jr, Commissioner Erika Sugarmon and Commissioner Britney Thornton.

SCHOOLSEED - WHITEHAVEN STEM.DOC

SCHOOLSEED - WHITEHAVEN STEM.DOC

Moved by Commissioner Sugarmon, seconded by Commissioner Ford
33. Resolution amending the Fiscal Year 2024 Operating Budget and allocating, appropriating, and expending $1,550,000.00 to Schoolseed for the Whitehaven High School Stem Center to support and enhance the tradition of academic excellence and expansion of various educational programs. This item requires the expenditure of General Funds in an amount not to exceed $1,550,000.00. Sponsored by Commissioner Dr. Edmund Ford, Jr, Commissioner Erika Sugarmon and Commissioner Britney Thornton.
PASSED : Motion carried 12-0

AYES:	Commissioner Whaley, Commissioner Wright, Commissioner Mills, Commissioner Lowery, Vice Chair Caswell, Commissioner Sugarmon, Commissioner Ford, Commissioner Bradford, Commissioner Thornton, Commissioner Avant, Commissioner Brooks, Chairwoman Clay Bibbs
NAYS:	None
ABSENT:	Commissioner Morrison
RECUSED:	None

The heading of the resolution attached to the minutes also communicated an appropriation of $1,550,000.00 to SchoolSeed for the Whitehaven High School STEM center. Notwithstanding the heading, the body of the resolution stated: "This encompasses contributions to the construction of the Whitehaven STEM building at Whitehaven High School, financial backing for the Whitehaven branch of the YMCA, and support for other entities, as determined by SchoolSeed, that unequivocally align with the mission of SchoolSeed."

Due to this ambiguity, and because only a $1,000,000.00 donation for this time period had been recorded by SchoolSeed in its general ledger, CLA requested that SchoolSeed provide copies of all executed contracts with both the City and the County. SchoolSeed advised that it did not have executed contracts, as the payments had been received based solely on publicly approved motions rather than formal agreements. SchoolSeed further acknowledged that it also found the wording of the December 4, 2023, resolution unclear and indicated that the language had caused confusion internally.

As a result of this uncertainty regarding the intent of the resolution, SchoolSeed contacted Shelby County and requested an amendment to clarify the specific amounts allocated to each initiative. SchoolSeed also indicated that it would obtain and provide the executed amendment to CLA once available.

SchoolSeed subsequently obtained the amendment and provided it to CLA. The amended document, signed by the County on April 5, 2024, described funding for a new facility to house the Whitehaven High School STEM Center and included an amended Exhibit A. That exhibit allocated $1,000,000.00 for HVAC, $400,000.00 for community education outreach and family empowerment support, and $150,000.00 for SchoolSeed Foundation operational support.

SchoolSeed further communicated to CLA that, even after the amendment was executed, it continued to perceive ambiguity in the County-related agreements. In May 2025, SchoolSeed emailed the County Commission Chair seeking additional clarification but did not receive a response. As a result, SchoolSeed informed CLA, "We are likely going to return the portion of the resources that were for 'other entities support' because the language is ambiguous." The email sent by SchoolSeed to the County Commission Chair on May 14, 2025, communicated the updated policy regarding support of County projects and specifically stated that all terms of any future engagement be clearly outlined in the County-issued contract.

Based on additional inquiry and review of the amended documentation, CLA obtained sufficient confirmation that the resolution approved by the County Commission on December 4, 2023, was intended to award $1,000,000.00 for the Whitehaven STEM Building. Accordingly, the total amount of $1,900,000.00 recorded in the general ledger as donations from Shelby County appears accurate.

Total Funds Raised

The general ledger provided by SchoolSeed was examined to verify that that the expected donations were recorded, based on the results of examination of the SchoolSeed's donor wall accessed through an internet archive, the briefings provided to the Board, the naming rights agreements, and the donor names listed on the plaques displayed in the STEM building. There were approximately four errors that were identified through this review and the SchoolSeed accounting department researched and confirmed to CLA that in fact those were errors and would be corrected. The table below shows the corrected listing of donations in summary by donor.[21] The notes column on the right contains a

[21] The four errors included the following: Pinnacle Bank contributed $50,000 according to Naming Rights agreement; however, the general ledger listed only $4,500.00, for a $45,500.00 understatement. Financial Federal and/or Kent Wunderlich contributed $30,000 according to Naming Rights agreement; while the general ledger listed only $20,000.00, for a $10,000.00 understatement. King Rogers listed $60,000.00 in the general ledger but the Naming Rights agreement and confirmation from Mr. Myers communicated that that the King Rogers contribution was $50,000.00, for a $10,000.00 overstatement. Lastly the District paid $2,330,090 according to payments confirmed by CLA, while the general ledger listed 2,330,000.00, an understatement of $90.00. The total net understatement was $45,590.00 ($45,500 + $10,000.00 - $10,000.00 + $90.00 = $45,590.00).

reference to additional explanations necessary due to the results of the analysis which did not require a correction. These explanations are provided immediately after the table.

Table 4: Summary of Donations Received by SchoolSeed for STEM Building Project

No.	Donor Name	Total	Notes
1	Jim and Judi Herbert[22]	$ 2,500,000.00	-
2	MSCS	2,330,090.00	-
3	Shelby County	1,900,000.00	-
4	City of Memphis	1,300,000.00	-
5	Assisi Foundation	500,000.00	-
6	Nike	300,000.00	-
7	Life Is A Circle Foundation	300,000.00	[1]
8	Tennessee Valley Authority	251,000.00	-
9	Speer Charitable Trust	150,000.00	-
10	King and Judy Rogers	50,000.00	-
11	Pinnacle Bank	50,000.00	-
12	Canale Foundation Inc.	50,000.00	-
13	Financial Federal Kent Wunderlich	30,000.00	-
14	Valero	27,000.00	-
15	Jim and Libby Witherington[23]	26,000.00	-
16	Christian Community Foundation of Memphis and Midsouth	25,000.00	-
17	Reaves Law Firm	21,250.00	[2]
18	Brown Missionary Baptist Church	20,000.00	-
19	Triumph Community Development Foundation	10,500.00	-
20	Robert Spence	10,000.00	-
21	Michael & Christina Scarbrough/Prospero Health	10,000.00	-
22	The Rouse Company Foundation	10,000.00	-
23	Brandon Morrison	10,000.00	[3]
24	Nancy Walker	10,000.00	-
25	Rotary Club Memphis East	6,000.00	-
26	George & Bena Cates	5,000.00	[4]
27	Hopson Dorsey	3,500.00	-
28	Rogers Commercial Properties	2,500.00	[5]
29	Real Life Ministries	2,000.00	-
30	Lisbeth C Breazeale	1,500.00	-
31	SI - Confirmed Anonymous	1,500.00	-

[22] Although the initial contribution by Jim and Judi Herbert was $2,000,000.00, CLA confirmed that an additional $500,000.00 was donated for a total donation of $2,500,000.00.

[23] Jim and Libby Witherington were included in the list of initial donors mentioned in Table 2 on page 21 with an initial donation of $1,000.00. Two additional donations of $12,500.00 each were recorded with dates of October 20, 2023, and November 4, 2024, respectively, for total donations of $26,000.00 as summarized in this table.

No.	Donor Name	Total	Notes
32	By God Inspired Ministries	1,250.00	[6]
33	Larry Maples	1,200.00	-
34	Dennis Dockery	1,000.00	-
35	New Hope Baptist Church	1,000.00	-
36	Jo Carroll Turville	1,000.00	-
37	John and Mary Martin	1,000.00	-
38	Breazeale James	1,000.00	-
39	Healing Center	1,000.00	[7]
40	Jenkins Earnestine	950.00	-
41	William Mattox	700.00	-
42	Valeria Edmonds	600.00	-
43	Alain Delon Williams	600.00	-
44	Ameriprise Financial	500.00	-
45	Tom and Pansy Tomilson	500.00	-
46	Wayne and Suzanne Williams	500.00	-
47	Clementhia Poole	500.00	-
48	Community Foundation of Greater Memphis	500.00	-
49	Barbara George Pollard	500.00	-
50	Jr. Ewing	500.00	-
51	Professional Advisory Services	500.00	-
52	Marsh Mickens	450.00	-
53	Angela Edwards	400.00	-
54	Jerome Perkins	300.00	-
55	Traci Townsel	300.00	-
56	Kedziora Martinrex	300.00	-
57	Robert Gatewood	300.00	-
58	Bonitta Saulsberry	300.00	-
59	Jennifer Whitehaven Stem Collins	300.00	-
60	Yvette Brooks	300.00	-
61	Memphis Edwards	300.00	-
62	Athena Granger Hearn	300.00	-
63	James Hentz	250.00	-
64	Gary R Dowdy	250.00	-
65	Willie Wilson	150.00	-
66	Danielle Albright	150.00	-
67	Angela Mathis	150.00	-
68	Derrick Mcintosh	150.00	-
69	Danielle Lee	150.00	-
70	Jackson Roosevelt	150.00	-
71	Kirby Bill	150.00	-
72	Cox Shelia	150.00	-

No.	Donor Name	Total	Notes
73	LaVerne Reed	150.00	-
74	Phillip Tate	150.00	-
75	Ralph Johnson	150.00	-
76	Lola Bolden	150.00	-
77	Joann Massey	150.00	-
78	Carrie Harris	150.00	-
79	Melissa Coleman	150.00	-
80	Suzanne Kelly	150.00	-
81	Rita Prior	150.00	-
82	Ted & Abbay Evannoff	150.00	-
83	Justin Jones	150.00	-
84	Ann McCormick	100.00	-
85	Carol Culbreath	100.00	-
86	TJ Walsh	100.00	-
87	Marsha Mickens	100.00	-
88	Aisha Dotson	100.00	-
89	Maurice Cash app Sargent	100.00	-
90	Thomas Yow	100.00	-
91	McGarry Presley	100.00	-
92	Alisa Wilson	100.00	-
93	John Stephen Draper	100.00	-
94	Cortney Richardson	100.00	-
95	Susan Neely-Barnes	100.00	-
96	Charles Fulton	100.00	-
97	Anonymous Cash app	91.75	-
98	Don Guttenplan	50.00	-
99	Deetra Tate	50.00	-
100	Stephen Morris	35.00	-
101	Jefferson Adrianne	30.00	-
102	Shannon Cotton	25.00	-
103	Mary Rose Reed	25.00	-
104	Johnathan Irby	20.00	-
105	Mt. Vernon	0.00	[8]
	Total Donations	$ 9,936,666.75	

There were some differences identified when comparing the results of research for some of the donors as indicated in the Notes column; however, no correction to the recorded donation amounts was deemed necessary. These differences are explained below.

[1] On March 26, 2024, a Board Briefing document referenced a $300,000.00 donation from Elvis Presley Enterprises. However, the SchoolSeed's general ledger did not reflect a donation from that entity, nor did the Naming Rights documents approved by the Board

on July 29, 2025, include Elvis Presley Enterprises. CLA inquired with Mr. Myers and SchoolSeed regarding the referenced donation and was informed that Joel Weinshanker made a $300,000.00 donation in honor of Life Is A Circle Foundation. Upon review of supporting documentation, CLA determined that $100,000.00 was received via wire transfer from Mr. Weinshanker and $200,000.00 was received via check from the Elvis Presley Charitable Foundation. According to research results, Mr. Weinshanker serves as the managing partner and majority owner of Elvis Presley Enterprises, the president and a Board member of the Elvis Presley Charitable Foundation, and the principal officer of Life Is A Circle Foundation; therefore, it appears reasonable that Mr. Myers honored the request to list Life Is A Circle Foundation as the donor.[24]

[2] On the same March 26, 2024, Board Briefing document, $150,000.00 was listed as a donation for Reaves Law Firm. Additionally, this pledge was reported by the Daily Memphian on May 29, 2022. However, the general ledger listed a donation of only $21,250.00. During the initial interview with Mr. Myers, he communicated to CLA that payment had been received for nearly all the larger pledges, with the exception of a local law firm. CLA asked that Mr. Myers confirm that Reaves Law Firm had not kept its donation commitment, and he confirmed that was the case. CLA contacted the Reaves Law Firm to confirm their donation amount on three separate instances; an initial message was left with an individual and two additional times leaving a voice mail. A Reaves Law Firm representative returned CLA's call and requested that CLA make the request for confirmation via email to the email provided. CLA sent an email on May 1, 2026, requesting confirmation of the amount donated and followed up on May 5, 2026. On May 6, 2026, CLA received an email response stating "I forwarded your request to the appropriate person and they will contact you if they wish to reply." CLA sent a follow up email on May 31, 2026, as no response had been received. No response was received with confirmation of the donation amount despite numerous requests made, therefore, the donation recorded by SchoolSeed of $21,250.00 is the donation attributed to the Reaves Law Firm despite a larger original commitment.

[3] The plaques displayed on the walls of the STEM building do not list a donation from Brandon Morrison, while the general ledger lists a $10,000.00 donation. Mr. Myers did not specifically address whether he had failed to list Mr. Morrison on the honor plaques. Refer to Table 2 which lists this donation as one of the first four donations received.

[4] The plaques displayed on the walls of the Herbert STEM Center do not list a donation from George and Bena Cates; however, the general ledger lists a $5,000.00 donation. Mr. Myers communicated to CLA that he had failed to include George and Bena Cates in the plaques. He confirmed the donation had been received and had in fact been one of the earlier donations. Refer to Table 2 which lists this donation as one of the first four donations received.

[24] CLA does not make a determination as to whether it is appropriate for the Elvis Presley Charitable Foundation to not be listed as an official donor based on the request of Mr. Weinshanker to honor Life Is A Circle with this donation.

[5] The plaques displayed on the walls of the Herbert STEM Center do not list a donation from Rogers Commercial property; however, the general ledger lists a $2,500.00 donation. Mr. Myers communicated to CLA that he had failed to include Rogers Commercial property on the plaques. He confirmed the donation had been received and had in fact been one of the earlier donations. Refer to Table 2 which lists this donation as one of the first four donations received.

[6] On the March 26, 2024, Board Briefing document previously mentioned, a donation of $10,000.00 was listed for By God Inspired. Additionally, a Naming Rights agreement was approved by the Board and executed for the same amount on July 29, 2025. However, the general ledger listed a donation of only $1,250.00. The CEO of SchoolSeed confirmed that he is affiliated with the By God Inspired church and confirmed that only the recorded donation of $1,250.00 had been made.

[7] On the same March 26, 2024, Board Briefing document, a donation of $2,000.00 was recorded for Real Life Ministries, while the general ledger recorded only $1,000.00. SchoolSeed confirmed to CLA that only $1,000.00 had been received. For all of these donations that were communicated during the March 26, 2024, briefing, it was explained to CLA that at that point they were relying on the pledges made not actually the amounts already received.

[8] On the same March 26, 2024, Board Briefing document, a donation of $1,500.00 was listed for Mt. Vernon. The general ledger listed Mt. Vernon with an adjustment to $0.00 with the note, "Mt. Vernon Baptist church Original Pledged. $1,500 but paid zero."

Matching Names Displayed on Plaques in STEM Building to the General Ledger

The review of the plaques identified two names listed under the $10,000.00 to $99,000.00 donation level: Oteka Technologies and “In Honor of Patrice Robinson.” SchoolSeed confirmed that no monetary donations were received from either party. Mr. Myers explained that Oteka Technologies was recognized because the company performed approximately $100,000.00 in work but charged only $37,400.00.[25] With respect to “In Honor of Patrice Robinson,” Mr. Myers stated that “a number of people helped get this done who didn’t give me money,” and that he included their names and images in the building as a way to express appreciation.

There were also three names listed on the plaques under the $1,000.00 to $9,999.00 donation level that could not be identified in the general ledger. Mr. Myers provided the same explanation, stating that these individuals were recognized for non-monetary contributions to the project.

[25] CLA reviewed the invoice from Oteka Technologies and confirmed it was for $37,400.00. However, there is no communication on the invoice that a discount had been provided on the work. The MSCS Director of Safety and Security Technology communicated to CLA that on his recent walk through of the STEM building he scrutinized the work performed by Oteka Technologies and believes that in his experience the work performed appears to be of a value he would expect to be in the $100,000.00 range rather than in the $37,000.00 range.

Lastly, while 43 names listed on the plaques under the less-than-$1,000.00 donation level were matched, 32 names could not be matched to specific contributors in the general ledger. Conversely, the general ledger reflected 22 contributors with donations ranging from $30.00 to $700.00 whose names did not appear on the plaques. The explanation provided for these discrepancies was that sometimes individuals donated but they wanted to honor someone else, so the names could not be matched. In total, there were ten more names displayed on the plaques at the under-$1,000.00 contribution level than unmatched contributors in the general ledger for donations under $1,000.00.

Observations

Observation #3 Total funds raised for the Herbert STEM Center project amounted to $9,936,666.75, of which $5,781,090.00 was contributed by public entities, including the District, Shelby County, the City of Memphis, and the Tennessee Valley Authority, and $4,155,576.75 was generated through private donations, representing approximately 58% and 42% of total funding, respectively. Although a majority of the funds raised for construction were contributed by public entities, a competitive procurement process was not expected, as the Case for Support identified Montgomery Martin as the contractor and Designshop as the architect, and the resolutions approving the public funding did not require competitive procurement. While Tennessee law generally requires competitive procurement when public entities directly contract for construction or services (e.g., Tenn. Code Ann. §§ 12-3-1212, 5-14-108), those requirements were not imposed through the funding resolutions. Accordingly, no separate evaluation related to potential conflicts of interest was identified as applicable to the fundraising activities and the administration of construction contracts.

Observation #4 Generally, the accounting records maintained by SchoolSeed were able to be reconciled to the information presented to the Board through Board Briefings, Naming Rights agreements, County and City minutes, the SchoolSeed electronic donor wall, and the donor recognition plaques displayed in the Herbert STEM Center, or a reasonable explanation was provided for any differences. Four errors were identified in the general ledger that resulted in a $45,590.00 understatement of donations received; However, SchoolSeed acknowledged the errors following CLA's inquiry, corrected the general ledger, and provided it to CLA on March 3, 2026.

Observation #5 Donor recognition plaques classify contributors by monetary donation ranges; however, certain names listed within these tiers do not correspond to a matching cash contribution recorded in the general ledger. Specifically, Oteka Technologies and "In Honor of Patrice Robinson" are listed under the $10,000.00 to $99,000.00 level despite confirmation that no monetary donations were received from either party, and similar variances were identified at lower

donation levels. Mr. Myers stated that these recognitions were intended to acknowledge non-monetary contributions. Nevertheless, including non-cash contributors within dollar-designated donation categories may reasonably lead readers to infer that monetary contributions were made at the stated levels, creating a risk that the donor information presented on these plaques could be viewed as misleading with respect to actual cash donations.

Observation #6 The District approved a resolution on August 20, 2024, committing $1,041,243.00 in additional funding, supplementing the $1,300,000.00 previously funded by the prior administration through County Capital Bonded Funds, for a total commitment of $2,341,243.00. The approved resolution required SchoolSeed to submit receipts, executed contracts, paid invoices, and payment disbursement documentation. SchoolSeed submitted all required documentation with the exception of executed contracts, and the District's accounts payable personnel did not request the contracts as required. This represents a failure to follow the requirements specified in the Board-approved resolution. Although CLA confirmed that valid contracts did exist, this matter is communicated as a procedural deficiency on the part of the District.

Recommendations

Recommendation #3 SchoolSeed should implement formal reconciliation and documentation procedures to ensure that all donation information presented to the Board, reflected in donor recognition materials, and recorded in the general ledger is complete, accurate, and consistently supported. This should include (1) timely reconciliation of the general ledger to Board communications and donor recognition records, (2) documented review and approval of adjustments to donation records, and (3) retention of supporting documentation for all recognized contributions, including explanations for non-monetary recognition.

Recommendation #4 In the event that a similar project is undertaken in the future, clear guidelines governing donor recognition practices to ensure alignment between recognition categories and the nature of contributions received should be in place. Specifically, donor recognition materials should clearly distinguish between monetary and non-monetary contributions, and non-cash contributors should not be presented within dollar-designated donation tiers unless the value represents a verifiable cash contribution recorded in the general ledger. Where recognition of non-monetary support is desired, alternative acknowledgment methods (e.g., a separate recognition category or descriptive notation) should be used to reduce the risk of misinterpretation. In addition, donor recognition

listings should be reviewed and reconciled to supporting records prior to publication or display to ensure accuracy and consistency.

Recommendation #5 The District should reinforce accounts payable procedures to ensure that personnel are knowledgeable of, and consistently comply with, all documentation requirements established by Board-approved resolutions prior to processing payments. Specifically, accounts payable staff should be required to verify the receipt and review of executed contracts, invoices, and other supporting documentation as a condition of payment authorization. In addition, the District should consider implementing standardized checklists, training, or supervisory review controls to confirm that payments are made only after all required documentation has been obtained and validated in accordance with governing resolutions and applicable policies.

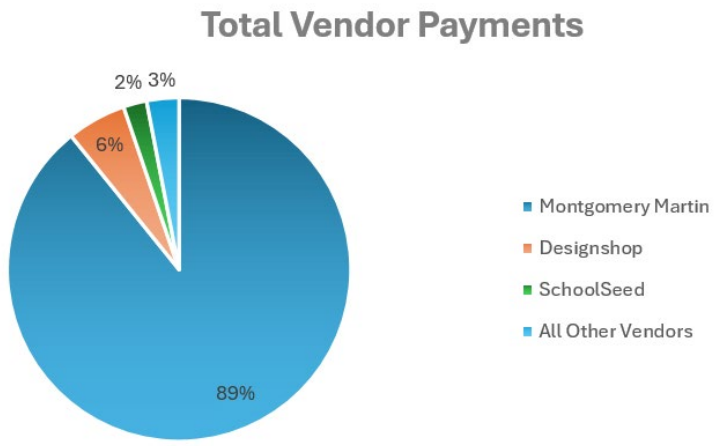
D. Expenditures

Expenditures related to the STEM building construction consisted primarily of payments to the two largest vendors, the architecture firm and the construction company, along with other project-related costs discussed in this section. As previously noted, CLA examined substantially all recorded expenditures and determined that they represented legitimate project expenses. In one instance, upon CLA's request for supporting documentation, SchoolSeed identified an expenditure that had been incorrectly recorded to the Whitehaven STEM Building, Inc. account. SchoolSeed subsequently communicated that the expenditure was removed from the account.[26, 27]

Total expenditures for the Herbert STEM Center project amounted to $9,056,495.38. Approximately 89% of the expenditures represented payments to Montgomery Martin, the construction contractor, 6% were payments to Designshop, the architectural firm, and 2% represented SchoolSeed's compensation for its services as fiscal agent. The remaining 3% consisted of payments to various vendors, including utilities such as MLGW and marketing firms such as Trust Marketing Communications.

[26] The expenditure recorded in error to the Whitehaven STEM Building, Inc. account was for $14,717.43 and had been recorded as a payment to Designshop on September 15, 2025.

[27] The original general ledger reflected total expenditures of $9,065,125.14. This amount included an erroneous entry of $14,717.43 and did not reflect administrative fees due to SchoolSeed arising from the recognition of additional revenues associated with the correction of the four revenue errors discussed in the prior section. Additional expenses totaling $4,575.47 were recorded in March 2026, for payments of invoices relating to the wall plaques that were significantly past due because of an oversight ($4,555.00), and a $20.47 reimbursement to Mr. Myers for the Whitehaven STEM Building, Inc corporation filing fees annual report for 2025.



Details of Expenditures

Table 5 below summarizes payments that CLA confirmed were legitimate project expenditures. The three largest vendors are discussed in detail immediately following the table. In addition, two other vendors are specifically discussed due to the specific nature of the transactions and their relevance to the District.

Table 5: Expenditures by Vendor for STEM Building Project

No.	Vendor Name	Grand Total	Notes
1	Montgomery Martin	$ 8,073,449.44	[1]
2	Designshop	505,330.39	[2]
3	SchoolSeed Admin Fees	198,733.34	[3]
4	MLGW	65,630.23	-
5	Trust Marketing Communications	44,000.00	-
6	Oteka Technologies	37,400.00	-
7	Devona Stimpson	24,520.00	-
8	Scully & Associates	15,000.00	-
9	Loss from Stock Sale	14,166.74	-
10	Alive Paint	13,000.00	-
11	Specialty Solutions	10,234.00	-
12	Geotechnology (Glassware Washers)	8,100.00	-
13	White Station High School AP Biology Account held at SchoolSeed for Dr. Chikezie O. Madu	8,079.00	[4]
14	Forever Ready Productions (Video Shoots)	6,120.00	-
15	Hicks Convention Services (Tents, tables, Chairs)	5,378.70	-
16	Signmatters	8,915.00	-
17	Lanier Land Surveying	4,000.00	-
18	Brick Markers	2,863.40	-
19	Melissa Coleman (shovels & ribbon)	2,125.60	-
20	It's Your Day!	2,000.00	-
21	Draper's Catering	1,973.00	-
22	Banks Finley White & Co	1,000.00	-
23	Tomeka Simone Dawson (Accountant)	1,000.00	-
24	White Station Courtyard Account Held with SchoolSeed	750.00	[5]
25	Wire Transfer Fee	646.00	-
26	Returned Check Fee	535.00	-
27	T and T Catering	500.00	-

No.	Vendor Name	Grand Total	Notes
28	Diligence Corporation	288.00	-
29	Teddy Bear Express	250.00	-
30	Shovels	189.07	-
31	Reimbursement with Report Filed with State	143.22	-
32	Ignite Website Graphic Design	100.00	-
33	FedEx	48.28	-
34	Richard Myers - Reimbursement	20.47	
35	Parking	6.50	-
	Total	$ 9,056,495.38	

[1] Montgomery Martin's contract was dated August 19, 2024, for a total amount of $8,041,616.00. Five separate change orders were issued, some reducing the amount and some increasing the total contract amount. The net amount of the change orders was $31,833.00 which resulted in a final contract amount of $8,073,449.00.[28] The total amount paid to this vendor properly reflected the final contract amount.[29] CLA examined the contract, the change orders, and all of the payment applications and confirmed that the payments made were appropriate for the project and did not exceed the final contract amount. Table 6 provides a summary of the five change orders and descriptions for them.

Table 6: Montgomery Martin Contract Change Orders for STEM Building Project

Change Order No.	Date	Amount	Description
1	10/4/2024	$ (49,005.00)	Surety bond credit for ($62,475) and ROW Permit for $13,470
2	10/28/2024	41,160.00	Demolition savings for ($5,234); EPDM Roof for $5,760; Site fire protection for ($7,624); Additional LV rough-in for $29,842; and Re-routed existing water line for $18,416
3	12/2/2024	10,985.00	Storm drain adjustments for $10,015 and drywall at second floor elevator for $970
4	7/22/2025	37,642.00	Added baffles (suspended acoustical panels) for $37,642
5	9/29/2025	(8,949.00)	Final credits to the contract for unspent allowances: unsuitable soils allowance for ($7,599), and test pits allowance of ($1,350)[30]
Total		$ 31,833.00	

[2] Designshop had three separate contracts (1) executed on June 22, 2018, for $23,000.00, (2) executed on June 13, 2022, for $85,670.00, and (3) executed on November 28, 2023, for $295,540. All the contracts contained language allowing for reimbursables. Payments were made to this vendor based on appropriate invoices totaling $499,770.09 for the three contracts. The general ledger reflected total payments to Designshop of $505,330.39, which exceeded the total invoiced amount by $5,560.30.

[28] Original contract amount plus net change orders equals total final contract amount ($8,041,616.00 + $31,833.00 = $8,073,449.00).

[29] The contract amount rounds to the nearest dollar, which is appropriate and results in total contract amount of $8,073,449.00 and actual payments of $8,073,449.49.

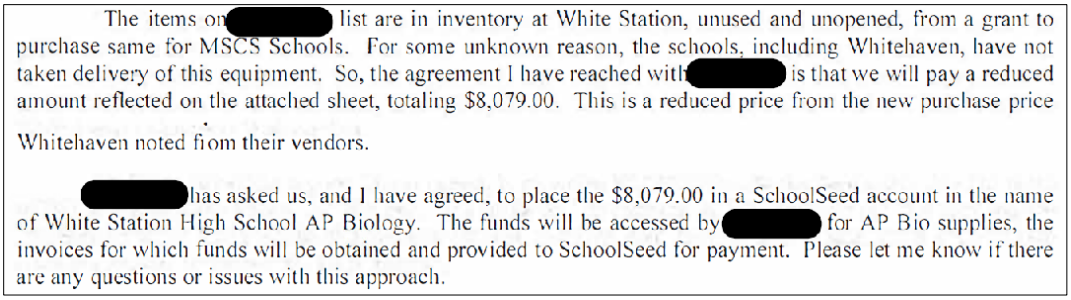
[30] Owner allowances are pre-set amounts included in a construction contract for items not yet fully defined or selected at the time of initial contract, such as finishes or equipment, allowing the project to proceed without delay. Any unused portion is refunded to the owner because allowances are placeholders for actual costs only.

The supporting documentation for the payment details shows that the variance was attributed to two invoices that included late fees of approximately $100 each, an $8.00 electronic payment fee, and primarily a 3% processing fee applied to certain invoices paid by SchoolSeed via credit card. CLA inquired whether the use of a credit card had been approved by Whitehaven STEM Building, Inc, and Mr. Myers confirmed that he had approved. Accordingly, the $5,560.30 excess recorded in the general ledger was appropriately supported as late fees and cost of processing payments.[31]

[3] The SchoolSeed contract with Whitehaven STEM Building, Inc. listed compensation for services provided at 2% of donations received. The review of the original general ledger provided by SchoolSeed showed that the 2% administrative fees recorded was $197,221.54 which was approximately $599.99 less than expected based on a recalculation CLA performed. CLA inquired with SchoolSeed regarding this difference. Additionally, due to the understatement of revenue amounting to $45,590.00 mentioned previously, there were two adjustments that SchoolSeed communicated it would record. The final amount of fees to SchoolSeed is $198,933.34 which is 2% of total revenue ($9,936,666.75 x 2% = $198,733.34).

[4] A payment of $8,079.00 was recorded in the general ledger on March 18, 2025, under journal entry number "03.18.25 WSStem," with a memo stating, "See attachment from Richard." The initial supporting documentation consisted of a PDF document listing science-related equipment, quantities, and prices totaling the payment amount; however, this documentation was insufficient for CLA to obtain a comprehensive understanding of the transaction. Upon further inquiry, CLA was provided the request for payment that included a letter from Mr. Myers dated March 14, 2025. This letter explained his consultation with a teacher at White Station High School, and an agreement whereby the teacher would provide at a discounted price unused, unopened science equipment originally purchased with grant funds. The letter further stated that the payment amount would be used to establish a White Station High School AP Biology account with SchoolSeed for the teacher to access in the future. Figure 8 includes a portion of this letter.[32]

Figure 8: Portion of Letter Requesting Payment for Equipment Purchase



The items on [redacted] list are in inventory at White Station, unused and unopened, from a grant to purchase same for MSCS Schools. For some unknown reason, the schools, including Whitehaven, have not taken delivery of this equipment. So, the agreement I have reached with [redacted] is that we will pay a reduced amount reflected on the attached sheet, totaling $8,079.00. This is a reduced price from the new purchase price Whitehaven noted from their vendors.

[redacted] has asked us, and I have agreed, to place the $8,079.00 in a SchoolSeed account in the name of White Station High School AP Biology. The funds will be accessed by [redacted] for AP Bio supplies, the invoices for which funds will be obtained and provided to SchoolSeed for payment. Please let me know if there are any questions or issues with this approach.

[31] CLA does not make a determination as to the appropriateness of using a credit card to pay vendor invoices while incurring a 3% fee, while payments processed by check incur zero additional cost.

[32] The letter also mentioned a separate $750.00 payment directly to the teacher for his services.

CLA inquired with the District regarding the grant that may have been used to purchase the items sold by the teacher to Whitehaven STEM Building, Inc. The principal at White Station High School communicated that she was unaware that this transaction had taken place and that any inventory under the care of the teacher would be from the TtGG (Teaching the Genome Generation) grant. This grant is a federal grant received through The Jackson Laboratory and accepted by the Board on June 20, 2023. Based on Board Policy 3013, the teacher did not have the authority to sell these items, or the authority place the funds outside of a District account. Further concerns exist as this is a federal grant and items purchased with federal grant funds must be tracked, inventoried, and used only for authorized grant purposes throughout the life of the award, in accordance with the Uniform Administrative Requirements at 2 CFR § 200.313. At the conclusion of the grant, any equipment or materials that are no longer needed must be formally reviewed for disposition, which may include continued use on other federally funded projects, transfer, return to the granting agency, or sale with reimbursement of the federal share. CLA interviewed the teacher, who indicated that although the grant was accepted by the Board, The Jackson Laboratory did not disburse funds directly to the District. Instead, The Jackson Laboratory purchased mobile lab kits and shipped them to White Station High School. Additionally, any stipends paid to the teacher or other participants were issued directly by The Jackson Laboratory.

CLA verified the existence of the mobile lab kits and confirmed that the items reportedly sold were not part of those kits. The teacher further stated that the items in question were accumulated over time, with some originating from a private grant. CLA confirmed with the District that no funds were received from The Jackson Laboratory, contrary to implications in the Board acceptance documentation. CLA also confirmed with The Jackson Laboratory that it directly procured the mobile lab equipment and issued stipends, rather than distributing grant funds to the District or to SchoolSeed.

Additionally, CLA interviewed the individual responsible for administering the private grant used to purchase some of the items. The administrator confirmed coordination with the teacher and indicated that certain excess items may have remained, with the teacher having some discretion regarding their use.

[5] A payment of $750.00 was made to the White Station Courtyard account held with SchoolSeed. Supporting documentation indicates that the payment represents the transfer of 500 uninscribed bricks, sold at $1.50 per brick, from leftover materials associated with the White Station High School Courtyard Project to Whitehaven STEM Building, Inc. As mentioned previously, the White Station High School Courtyard project was a privately funded project Mr. Myers led. This information is provided for context as there are no concerns identified by CLA relating to this transaction.

Observations

Observation #7 Total expenditures for the Herbert STEM Center project amounted to $9,056,495.38. Approximately 89% of the expenditures were payments to Montgomery Martin, the construction contractor, 6% were payments to Designshop, the architectural firm, and 2% represented SchoolSeed's compensation for its services as fiscal

agent. The remaining 3% consisted of payments to various vendors, including utilities such as MLGW and marketing firms such as Trust Marketing Communications. Based on a review of supporting documentation, the expenditures were determined to be appropriate and sufficiently supported, and were related to the construction, furnishing, and equipping of the STEM building, as well as marketing activities, groundbreaking events, and ribbon-cutting ceremonies.

Observation #8 Board acceptance of a $119,940.00 donation from The Jackson Laboratory, sourced from federal funds and associated with the Teaching the Genome Generation (TtGG) Grant, was documented in a manner that appears potentially misleading. Specifically, the Board documentation suggests that the funding would be received by MSCS, rather than accurately reflecting that The Jackson Laboratory would retain and administer the funds directly.

Recommendations

Recommendation #6 The District should establish and enforce formal procedures governing the handling, transfer, and disposition of equipment purchased with grant funds. These procedures require appropriate District review and approval prior to any sale or transfer of grant-funded items, ensure compliance with applicable federal grant requirements, and mandate clear communication with school leadership and the District regarding any related transactions.

Recommendation #7 The District should provide periodic training to teachers and other staff responsible for managing grant-funded laboratory or classroom equipment on grant compliance requirements, inventory tracking, disposition procedures, and required approvals. Such training should emphasize that grant-funded equipment remains subject to federal and District controls regardless of location or end use.

Recommendation #8 It is recommended that the Board strengthen its grant acceptance and documentation processes to ensure clarity, transparency, and compliance with applicable regulations. Specifically, Board materials should clearly distinguish between funds that are directly received and administered by the District and those that are retained and managed by third-party entities on the District's behalf.

E. Fund Balance

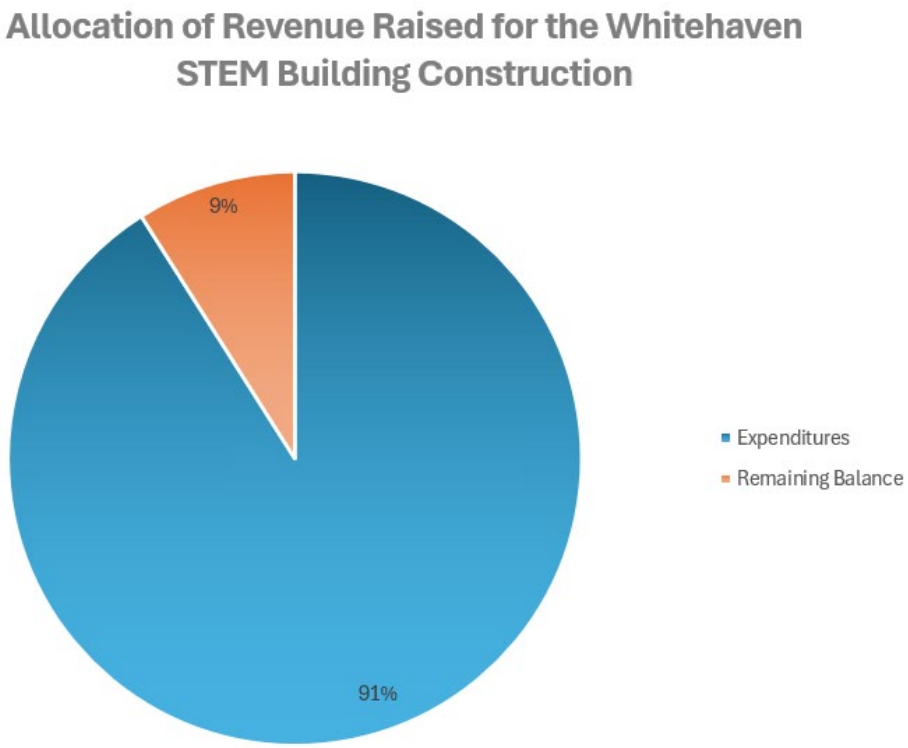
The amount raised for the construction of the Herbert STEM Center exceeded total expenditures, and a balance remains in the Whitehaven STEM Building, Inc. account held

with SchoolSeed. As noted previously, SchoolSeed informed CLA that it established a separate bank account used exclusively for Whitehaven STEM Building, Inc. funds. However, although CLA requested all bank statements, or at a minimum the most recent bank statement, to reconcile the account balance, SchoolSeed advised CLA that a decision was made not to provide the bank statements. Consequently, CLA presents the balance of the Whitehaven STEM Building, Inc. account based on an extensive examination of revenues and expenditures, but without review of a bank statement or bank reconciliation. Subject to this limitation, CLA concludes that the balance remaining in the Whitehaven STEM Building, Inc. account is $880,171.37, as reflected in Table 7.

Table 7: Remaining Balance on Whitehaven STEM Building, Inc. Account

Description	Amount
Revenues	$ 9,936,666.75
Expenditures	(9,056,495.38)
Remaining Balance	$ 880,171.37

Approximately 91% of all revenue raised ($9,936,666.75) was used for the construction of the Herbert STEM Center, while approximately 9% ($880,171.37) remains unused and is held in the Whitehaven STEM Building, Inc. account with SchoolSeed.



Planned use for Remaining Funds

CLA inquired with Mr. Myers what the planned use for the remaining balance on the account is. He stated the initial Case for Support document, which he shared with donors,

communicated the intention to keep a balance on the account for future support of the STEM building.

Although Mr. Myers provided this document, CLA independently searched District emails and Board minutes to corroborate that this document had been shared; however, CLA was unable to locate it. Mr. Myers communicated that this document was a constant feature in all his communications with the District about this effort but likely provided printed copies. Neither the Assistant Superintendent of Operations nor the Facilities Officer recall seeing or receiving this document.

CLA confirmed the Case for Support document had been shared, as it was included as an attachment to the Shelby County Board of Commissioners agenda for the August 4, 2021, meeting at which the initial $300,000.00 County grant was approved. The Case for Support mentioned the following:

- A $250,000.00 budget for lab furniture, fixtures, and equipment
- A $250,000.00 maintenance fund, "which we will privately control through SchoolSeed so that our involvement with this investment endures."

Mr. Myers provided CLA with an email communication from him to SchoolSeed on January 23, 2026, where Mr. Myers mentioned, "I assured our donors that we'd have a maintenance fund of 250K and an equipment fund of 250K … we spend [*sic*] around 20K for equipment so that fund should hold 230K … As you and I discussed, regarding equipment, I decided to wait for mscs to digest the building and its potential before buying any equipment … So what I want to do is hold that equipment fund until we receive detailed grant requests from MSCS … we don't want to buy stuff they can get otherwise."[33] Mr. Myers further confirmed to CLA that he expects the District to submit a formal proposal to request equipment only after other funding options are exhausted. He specifically mentioned, "it is good stewardship of that building to keep it [the maintenance fund] for when it is REALLY needed… they have to make a convincing case that they just can't afford to fix something."

Separately from these two $250,000.00 funds, Mr. Myers also mentioned the expectation that funding would be made available for an AP teacher through a program he was working on with the University of Memphis. For this, he sent an email he had with a donor (Life Is A Circle Foundation) where the possibility was discussed although no specific fund amount was mentioned. Mr. Myers stated that the last $200,000.00 received from Life Is A Circle was intended for this purpose.[34]

[33] For context, CLA first interviewed Mr. Myers on January 15, 2026.

[34] Refer to the *Expenditures* section beginning on page 35 where details relating to the Elvis Presley Charitable Foundation payment and the application of this payment to donor Life Is A Circle Foundation are explained.

Knowledge by the District of Available Funds for the STEM Building Project

CLA inquired with the Facilities Officer and the Assistant Superintendent of Operations whether they had knowledge of two funds set aside for maintenance and for furniture, fixtures, and equipment. Both indicated that these set-aside funds had not been communicated to them. CLA further inquired with Mr. Myers regarding his communications with the District about these set-aside funds and the expected process for submitting requests. Mr. Myers stated, "I have not been overly enthusiastic about communicating the ffe and ap lab funds with mscs [*sic*]." He further stated that any request for these funds would need to be made by the Superintendent or the Board Chair, and not by Whitehaven High School or the Whitehaven Empowerment Zone Leadership Council. Mr. Myers also informed CLA that Whitehaven High School staff had expressly stated that they did not desire any further involvement by Whitehaven STEM Building, Inc. with their school.

Observations

Observation #9 Although a balance of $880,171.37 remains in the Whitehaven STEM Building, Inc. account held by SchoolSeed, there is a deficiency in communication with the District regarding the remaining funds, the expected use of those funds, and the process by which the funds may be accessed. This lack of communication appears to be associated with an apparent loss of trust between the Whitehaven Empowerment Zone Leadership Council/Whitehaven High School community and Whitehaven STEM Building, Inc.

Observation #10 The Case for Support document identifies a $250,000.00 maintenance fund to be privately controlled through SchoolSeed for future use. The Case for Support also includes a $250,000.00 budget for laboratory furniture, fixtures, and equipment; however, it does not indicate that these funds are intended for future replacement of such items. It appears that Mr. Myers elected to delay the purchase of equipment to allow the District time to evaluate the building and its potential use. However, this decision was not accompanied by communication to the District regarding the expectation that the District would be required to submit detailed grant requests for equipment that the District is otherwise unable to purchase directly or obtain through public grant funding in order to furnish and equip the Herbert STEM Center.

Recommendations

Recommendation #9 The District should consider formalizing governance and communication protocols for externally held project funds by requiring a written memorandum of understanding (MOU) with SchoolSeed and Whitehaven STEM Building, Inc. that (1) identifies the current fund balance and authorized purpose(s), (2) establishes a documented request and disbursement process, and (3)

designates District points of contact for oversight and dispute escalation. These steps will improve transparency and reduce the risk of misunderstanding regarding the control and use of funds held for the benefit of the Herbert STEM Center and program.

MSCS communicated to CLA that an MOU between MSCS and Whitehaven STEM Building Inc. is currently being negotiated with Mr. Myers and that an MOU has been drafted between MSCS and SchoolSeed.

F. Current Status of Building

The Herbert STEM Center was completed, and the Certificate of Occupancy was issued by the Memphis and Shelby County Division of Planning and Development with a date of September 16, 2025, noting the street address as 1119 Whitehaven Lane and the square footage at 20,656.[35] Figure 9 shows the top portion of the certificate. The ribbon cutting ceremony took place on October 8, 2025, and the Board accepted the donation of the Herbert STEM Center during its October 28, 2025, business meeting.

Figure 9: Herbert STEM Center Certificate of Occupancy

MEMPHIS AND SHELBY COUNTY DIVISION OF PLANNING AND DEVELOPMENT

Certificate of Occupancy

Record Number COM-NEW-24-000042

BUSINESS NAME: *WHITEHAVEN HIGH SCHOOL STEM BUILDING*

BUSINESS OWNER: *Whitehaven High School STEM Building*

DESCRIPTION OF WORK PERMITTED: *New, stand-alone STEM Building on existing campus of Whitehaven High School.*

OCCUPANCY CLASSIFICATION: *E Educational (Schools, Child Care, etc.): 20656 Sq. Ft,*

OCCUPANT LOAD: *378* AUTOMATIC SPRINKLER: *Yes*

SPECIAL STIPULATIONS AND CONDITIONS

THIS CERTIFICATE SHALL BE POSTED IN A CONSPICIOUS LOCATION

RITA ANDERSON
BUILDING OFFICIAL OF OFFICE OF CONSTRUCTION CODE ENFORCEMENT
6465 MULLINS STATION ROAD MEMPHIS, TENNESSEE 38134

ISSUED BY Rita M Anderson On this date: 09/16/2025

[35] The Montgomery Martin construction documents, as well as the Shelby County/City of Memphis Board of Adjustment (BOA) Staff Report dated June 26, 2024, list the building size as 19,524 square feet. The fact that the Certificate of Occupancy reflects a building size of 20,656 square feet does not indicate a discrepancy. As previously explained, differences between square-footage figures cited in Board of Adjustment approvals and those listed on a Certificate of Occupancy are common, as BOA approvals are based on planning-level information available at the time of zoning review, while Certificates of Occupancy reflect final as-built conditions and may include additional code-required or support spaces incorporated during construction.

CLA visited the Designshop and Montgomery Martin websites to identify references to completed projects and specifically the Herbert STEM Center. The Designshop website contained more comprehensive details and images including both architectural renderings and photographs of the completed project.[36]

CLA visited Whitehaven High School in January 2026 and again in February 2026, and it was apparent that the Herbert STEM Center was not in use. Figure 10 and Figure 11 include photographs of a partially furnished classroom and an unfurnished classroom, respectively.

Figure 10: Photograph of Partially Furnished Classroom

[36] The Designshop website showcasing the completed project is found at the following: https://www.designshoparc.com/work/whitehaven-high-school-stem. Note that images depicting people within the spaces are likely renderings, as architectural renderings commonly include human figures to illustrate scale and anticipated use during the design phase. Photographs represent the constructed facility. CLA understands that the inclusion of both image types reflects standard architectural practice and was not intended to misrepresent the completed project.

Figure 11: Photograph of Unfurnished Classroom

CLA inquired with the District regarding the building's lack of occupancy and learned that there are remaining open items related to the building's functionality, as well as the above-mentioned unfurnished or partially furnished classrooms. This information is detailed in the subsections below.

- The Assistant Superintendent of Operations communicated to CLA that utilities and core systems are in place and operational and the Facilities Officer confirmed that the building and all built-in components, including electrical and HVAC systems, are complete and ready for occupancy. She stated that her team is overseeing a District-wide project to upgrade intercom systems from low-voltage to internet-based systems, and that the Whitehaven STEM Building will be included in a future phase of this initiative. However, the intercom upgrade was not included in the Fiscal Year 2026 plan, and quotes must be obtained and funding budgeted through an adjustment requiring Board approval. As a result, she was unable to provide CLA with a specific completion date, though she indicated the upgrade would occur in the near future. She further stated that the absence of an intercom system does not prevent occupancy of the building, as staff can communicate using walkie-talkies and/or phones.

- The Executive Director of IT Operations informed CLA that the building currently does not have internet or telephone service, as additional wiring must be installed before

those systems can be implemented.[37] He stated that he and the Security Officer met with the wiring vendor on Tuesday, February 24, 2026, to obtain an estimate. When asked whether a timeline could be provided for installation of internet and telephone services, he indicated that he was unable to provide an estimated completion date. He explained that he had been asked just that same week to begin gathering quotes and expressed uncertainty regarding the availability of funding and whether Board approval would be required once quotes were received from all departments.

- MSCS communicated to CLA that on May 26, 2026, the Board approved the purchase of furniture with MSCS funds totaling $302,371.94, for continued efforts to ensure the building is fully operational by August 2026.

Observations

Observation #11 Although the Board accepted the donation of the Whitehaven High School STEM building (Herbert STEM Center), and a certificate of occupancy was obtained since September 2025, remaining open items related to the building's functionality are in the process of being addressed. On May 26, 2026, the MSCS Board approved the purchase of furniture with MSCS funds to ensure that the Herbert STEM Center is fully operational by the beginning of the 2026-27 academic year.

Observation #12 As mentioned in the prior section of this report, a balance of $880,171.37 remains in the Whitehaven STEM Building, Inc. account that includes an approximate budget of $250,000.00 for furniture, fixtures and equipment mentioned in the Case for Support document shared with donors; nonetheless the classrooms in the building are currently either partially or completely unfurnished.

Recommendations

Recommendation #10 CLA recommends that the District, in coordination with Whitehaven High School administration, develop a formal plan to address remaining functional issues, including assigned responsibilities and target completion dates, and establish a timeline for when the Herbert STEM Center is expected to be placed into instructional use.

Recommendation #11 Building on Recommendation #8 and Recommendation #9, CLA recommends that the District, in coordination with Whitehaven High School administration, determine which furniture, fixtures,

[37] Oteka Technologies, the sixth vendor listed in Table 5, according to its invoice, provided services and products related to the installation of data cabling infrastructure. This work included data drops, wireless access point intercom and security systems, a fiber backbone from the main building to the STEM building, and the installation of data racks and cable routing equipment. However, the Executive Director of IT Operations informed CLA that the installed wiring is insufficient to support the installation of internet and telephone systems in the building.

and equipment the District is able to provide and which items must be provided by Whitehaven STEM Building, Inc. Instruction cannot reasonably commence in a partially or unfurnished and unequipped building, particularly given that approximately 9% of total funds raised ($880,171.37) remains unused, including $250,000 designated for this purpose in the Case for Support shared with donors. On May 26, 2026, the Board approved the purchase of furniture with MSCS funding to ensure the building is fully operational by the beginning of the 2026-27 academic year. An MOU is currently being negotiated with Mr. Myers (Whitehaven STEM Building Inc.), which will address the use of the remaining funds.

G. The Future

Saturday School Laboratory

Mr. Myers stated that he believes, at present, Whitehaven High School does not have a sufficient number of AP science students to justify offering AP coursework or hiring a dedicated AP teacher or laboratory (Lab) instructor. He indicated that, if a sufficient number of students were identified at Whitehaven High School and surrounding schools, arrangements could be pursued to support AP instruction, including coordination with the University of Memphis to provide qualified teachers and lab instructors. He further noted that preliminary discussions with the University of Memphis had already occurred. Additionally, he stated that if a Saturday lab program were implemented to allow students outside of Whitehaven High School to participate, transportation considerations would need to be addressed, and Whitehaven STEM Building, Inc. would assist with the necessary funding.

Mr. Myers communicated to CLA that there was an oral agreement with the District to offer Saturday lab sessions that would allow students outside of Whitehaven High School to access and benefit from the Herbert STEM Center. Mr. Myers stated that this agreement was not documented in writing but was discussed in 2022 with the Chief Academic Officer and the Deputy Superintendent of Strategic Operations, immediately prior to a presentation to one of the project's larger donors.

According to Mr. Myers, a local community church pastor expressed a desire for educational programming within the STEM building to be accessible to students throughout the greater Whitehaven area. Mr. Myers explained that the proposed Saturday lab sessions were viewed as the mechanism to provide this broader access. He further stated that the Chief Academic Officer and the Deputy Superintendent of Strategic Operations agreed to this arrangement despite opposition from the Whitehaven High School Principal. Mr. Myers noted that, although the principal disagreed, the arrangement proceeded based on the District's reporting structure. Mr. Myers also

indicated that he presented this component of the plan to the Assisi Foundation and believed that it contributed to the Foundation's decision to provide a donation.[38]

CLA inquired with the Chief Academic Officer as to whether she recalled this agreement or any discussion regarding a Saturday lab program that would allow students throughout the greater Whitehaven area access to the building. She informed CLA that she had no recollection of any discussion or oral agreement regarding a Saturday lab program that would allow non-Whitehaven High School students access to the building.

Advanced Placement Teacher Program

Mr. Myers communicated that he believes Whitehaven High School has a limited number of qualified AP science teachers. He stated that support from the University of Memphis would be necessary to address this concern. In 2022, he met with the University's Chancellor at the time, the Dean of the College of Arts and Sciences, and the Dean of the School of Education to discuss developing a plan to provide such support.

Furthermore, he stated that the Life Is A Circle Foundation representative agreed to make funding available for the AP teacher program with the University of Memphis at a cost of $5,000.00 to $7,000.00 per semester. Additionally, Life Is A Circle Foundation would create a program whereby an AP teacher who decides to reside in the Whitehaven area would receive a gift of 25% of the cost of a house, up to $50,000.00 on the condition that they reside in that house for no less than three years.[39] MSCS communicated to CLA that it is currently negotiating an MOU with Mr. Myers that will address the use of the remaining funds.

Observations

Observation #13 Information regarding the proposed Saturday School Laboratory and AP teacher program was primarily based on representations made by Mr. Myers and reflects preliminary discussions rather than formalized plans or agreements. CLA did not obtain corroboration from District leadership supporting the existence of a plan for an approved Saturday School Laboratory or a defined AP teacher initiative. As of the date of this report, these initiatives appear to remain conceptual in nature, with key elements, including authorization, documentation, funding commitments, and implementation responsibilities, not formally established or communicated to the District leadership.

[38] The Assisi Foundation's donation of $500,000.00 was recorded in the general ledger in December 2022.

[39] Refer to the Expenditures section beginning on page 35 where details relating to the Elvis Presley Charitable Foundation payment and the application of this payment to donor Life Is A Circle Foundation are explained.

Recommendations

Recommendation #12 Consistent with the governance and communication framework described in Recommendation #8, the District should consider documenting, at a high level, its understanding of any prospective or conceptual programmatic uses of the Herbert STEM Center that are presented by Whitehaven STEM Building, Inc. Such documentation could serve as a shared reference to align expectations among the District, SchoolSeed, Whitehaven STEM Building, Inc., and supporting organizations, and would help ensure that proposed initiatives are clearly distinguished from District-approved programs prior to implementation. These steps would support transparency and coordination while preserving flexibility for future collaboration. As mentioned, MSCS is currently negotiating an MOU with Mr. Myers that will address the use of the remaining funds and the possibility of a Saturday school.

7. Conclusion

The observations identified through this engagement highlight a series of governance, documentation, communication, and oversight issues associated with the fundraising, construction, and transition to operational use of the Whitehaven High School Herbert STEM Center. While the project was completed and no unsupported construction expenditures were identified, weaknesses in formal agreements, role clarity, and communication among stakeholders contributed to uncertainty and stakeholder concern.

At the outset, the absence of a written agreement between the District and Whitehaven STEM Building, Inc. resulted in unclear expectations regarding project scope, building size, fundraising structure, and financial accountability. As the project progressed, reductions in building size and design changes were communicated informally, and opportunities for review and approval by the Whitehaven High School Administration and the Whitehaven Empowerment Zone Leadership Council were unclear, contributing to confusion within the Whitehaven High School community.

From a financial perspective, total **funds raised ($9,936,666.75)** exceeded total **expenditures ($9,056,495.38)**, and the expenditures were appropriate, supported, and directly related to the project. Accounting records maintained by SchoolSeed were largely reconcilable to reported information, and identified errors were corrected following CLA's inquiry. However, donor recognition practices did not consistently distinguish between monetary and non-monetary contributions, creating a risk of misinterpretation.

The engagement also identified gaps in communication regarding **remaining funds ($880,171.37),** future equipment purchases, maintenance funding, and the anticipated instructional use of the facility. These issues appear to have contributed to diminished trust among project stakeholders and delayed the building's full operational use. Overall, the observations underscore the importance of formal documentation, transparent communication, and consistent adherence to Board-approved requirements when projects involve public funding, private donations, and nonprofit intermediaries. MSCS leadership communicated to CLA, after CLA's interim report was issued, that an MOU governing the Whitehaven STEM building and the remaining funds held by Whitehaven STEM Inc. is currently being negotiated.

MSCS leadership communicated that the Herbert STEM Center will be ready for instructional use at the beginning of the 2026–27 academic year. The Chief of Facilities is personally overseeing the installation of the intercom system and coordinating efforts with the IT, Security, and Facilities departments. Key priorities include the fire alarm system and technology procurement, including computers and Promethean boards. Security systems such as cameras, badge readers, and metal detectors will be installed in accordance with District standards to ensure the building is fully operational by the start of the 2026–27 academic year.

Additionally, on May 26, 2026, the Board approved the purchase of furniture as part of ongoing efforts to ensure the facility is fully operational for instructional use by the beginning of the 2026–27 academic year.

8. Professional Standards Followed by CliftonLarsonAllen LLP

The overall scope of work and approach was conducted utilizing standards in accordance with the Statement on Standards for Forensic Services No. 1 (SSFS No. 1) of the American Institute of Certified Public Accountants (AICPA) and the Code of Professional Standards of the Association of Certified Fraud Examiners (ACFE). This report does not constitute an audit, compilation, or review, in accordance with standards of the AICPA, the objective of which would be the expression of an opinion on any specified elements, accounts, or items. Accordingly, CLA does not express such an opinion.

Because of the unique nature of fraud, and because our engagement was limited to the matters described in the engagement letter, fraud and/or financial irregularities may exist within the organization that we may not have identified during the performance of our procedures. However, if during the performance of our services other matters had come to our attention suggesting possible financial improprieties and/or irregularities, we would have communicated such matters to the State.

The professional standards promulgated by the AICPA prohibit CLA from rendering an opinion as to whether there has been any fraud or other criminal activity by anyone associated with this engagement. Therefore, CLA does not render such opinions.

9. Information about CliftonLarsonAllen LLP

Established on January 2, 2012, CLA is well positioned with knowledge, insight, and industry-specific accounting, tax, and consulting services. CLA is the result of a union between Clifton Gunderson and LarsonAllen, both established more than 60 years ago. CLA has a national forensic and state and government practice.

CLA is one of the largest professional service and accounting firms in the country with a growing global network. With a nationwide team of experienced professionals, clients include law firms, school districts, CEOs, leaders in education, municipalities, governmental agencies, the law enforcement community, commercial businesses, and not-for-profit agencies. The CLA Forensic Services team is a highly respected and sought-out authority in fraud prevention, detection, and investigation. Our multi-disciplined team is comprised of Certified Public Accountants, Certified Fraud Examiners, professionals Certified in Financial Forensics, and attorneys who practice as forensic accountants.

Fola Abiola-Banjac, Esq. is an experienced licensed attorney practicing as a forensic accountant. Ms. Abiola-Banjac is accomplished and results-driven, offering extensive experience providing forensic, ethics, and regulatory compliance guidance to the leadership of public and private sector organizations, with extensive experience in forensic accounting investigations, document review, and the development of expert opinions. She has demonstrated a record of success investigating allegations of fraud, regulatory, and ethical requirements. She leads the forensic, litigation and investigations practice (Forensic Services) and offers a history of delivering solid results in a series of positions with CliftonLarsonAllen, Federal Energy Regulatory Commission, the Securities and Exchange Commission, and other corporations and agencies.

Ana Rodriguez, CPA, CFE, is a technical director in the Forensic Services practice of CLA and assisted Ms. Abiola-Banjac in this engagement. Her practice areas include accounting and auditing, fraud investigations and examinations, forensic accounting, internal control review and analysis, and litigation support. She brings over twelve years of experience in forensic accounting and fraud investigations, with a focus on educational institutions including school districts, colleges, and universities. As a forensic accountant and fraud examiner, Ms. Rodriguez has testified in administrative hearings and has served as an expert witness in criminal matters in the State of California.

Memphis Shelby County Schools Forensic Audit

State of Tennessee Comptroller of the Treasury
TennCare Evaluation Report

VOLUME IV

June 30, 2026

Prepared by:
Deborah Emerson

CliftonLarsonAllen LLP

CLAconnect.com

CPAS | CONSULTANTS | WEALTH ADVISORS

CLA (CliftonLarsonAllen LLP) is an independent network member of CLA Global. See CLAglobal.com/disclaimer.
Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor

CliftonLarsonAllen LLP
CLAconnect.com

June 30, 2026

Jason E. Mumpower
Tennessee Comptroller of the Treasury
425 Rep. John Lewis Way North
Nashville, TN 37243

RE: TennCare Services Evaluation

Dear Mr. Mumpower:

CliftonLarsonAllen LLP (CLA) was retained on July 18, 2025, by the State of Tennessee, Comptroller of the Treasury (Comptroller), to perform an internal control assessment and provide forensic audit services related to Memphis-Shelby County Schools (MSCS or "the District"). On November 4, 2025, the scope of work was amended to include a separate component that included an evaluation of TennCare services at MSCS. This report presents the results of our work, which identified a 45.6% exception rate indicating a notable level of non-compliance with TennCare billing and documentation requirements, with $3,073.95 paid on claims that failed evaluation within the sample tested.

We performed our engagement in accordance with the Statement on Standards for Forensic Services No. 1 (SSFS No. 1) issued by the American Institute of Certified Public Accountants (AICPA) and the Code of Professional Standards of the Association of Certified Fraud Examiners (ACFE). This engagement did not constitute an audit, compilation, or review conducted in accordance with AICPA standards, the objective of which would be the expression of an opinion on specified elements, accounts, or items, and accordingly, CLA does not express such an opinion.

Professional standards promulgated by the AICPA prohibit CLA from expressing an opinion as to whether fraud or other criminal activity has occurred, and standards promulgated by the ACFE prohibit Certified Fraud Examiners (CFEs) from expressing opinions regarding the guilt or innocence of any person or party; therefore, CLA does not render such opinions. Because fraud and irregularities are often concealed, no absolute assurance can be provided that all such matters have been identified, and this engagement cannot be relied upon to disclose all irregularities or illegal acts, including fraud, that may exist; however, to the extent such matters came to our attention during the course of our work, they have been included in this report.

Respectfully submitted, **CliftonLarsonAllen LLP**

Deborah Emerson

Deborah Emerson, CPA

Principal

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1. Executive Summary

This report summarizes the results of the TennCare school-based billing audit workbook, which included a sample of 248 claims. Of the claims evaluated, 135 passed and 113 failed, resulting in a 45.6% exception rate. Most failures were documentation-related, including missing total time for time-based CPT codes, incomplete Individualized Education Program/Individualized Health Plan (IEP/IHP) signatures, and incorrect units billed. Findings did not quantify potential overpayments; therefore, the extent of financial exposure could not be determined based on available data. However, $3,073.95 was paid on claims that failed the evaluation.

The observed 45.6% exception rate indicates a high level of non-compliance with TennCare billing and documentation requirements within the sampled population. Documentation-related deficiencies, particularly for time-based services, represent systemic control gaps that may result in repayment obligations, audit scrutiny, and increased regulatory risk if not remediated.

Table 1: Executive Summary Metrics

Metric	Description	Total
Claims Tested	Total claims reviewed in the workbook	248
Claims Passed	Claims marked Pass	135
Claims Failed	Claims marked Fail	113
Error Rate	Failed claims as a percent of total tested	45.6%
Amount Paid on Failed Claims	Paid amount associated with failed claims	$ 3,073.95

Key takeaways:

- Documentation errors accounted for 91 of 113 failed claims (80.5%).
- Missing total time spent on time-based Current Procedural Terminology (CPT) codes appeared in 61 failures.
- Individualized Education Program/Individualized Health Plan (IEP/IHP) missing signatures appeared in 31 failures.
- Incorrect number of units billed appeared in 23 failures.
- The highest fail rates occurred in occupational therapy (94.7%) and physical therapy (94.1%) claims.

2. Background

CLA's work was designed to support a TennCare school-based billing evaluation by combining a control checklist, claim-level testing log, coding requirements, remittance crosswalk, and a report template into a single tool.[1] Based on the work procedures applied by CLA, the intended workflow was to assess the design and operating effectiveness of key controls, assess a random and/or targeted sample of paid claims, and draft an executive summary report for reporting to the Tennessee Office of the Comptroller. This report focuses primarily on claim-level results and observed themes rather than a fully documented control-effectiveness opinion.

3. Scope of Work

The scope of this evaluation was limited to analysis of the user-provided patient documentation and included the following procedures:

- Evaluation of claim-level testing results, including pass/fail determinations based on payer guidelines;
- Evaluation of associated billing data, including CPT codes, units, billed amounts, and paid amounts;
- Analysis of documented exception categories and descriptions;
- Aggregation of exception trends by service line, provider type, and error category.

[1] TennCare is the state of Tennessee's Medicaid program. It provides healthcare to mostly low-income pregnant women, parents or caretakers of a minor child, children, and individuals who are elderly or have a disability.

4. Summary of Work Performed

The following procedures were performed as part of this evaluation, which focused on medical services delivered to the District's TennCare recipients and subsequently billed to TennCare, with the objective of identifying potential areas of risk, irregularity, or non-compliance with applicable laws, regulations, policies, and ethical standards. The evaluation also assessed the appropriateness, completeness, and compliance of claims submitted to TennCare.

- CLA extracted from the general ledger all payments relating to TennCare. This was a population totaling $1,504,528.15 composed of 95 separate payments.
- From the above population, CLA requested and obtained detailed remittance information from the District for fiscal years 2022 through 2024 to establish the individual claim population for the forensic audit.[2]
- From the above-mentioned population, CLA selected 248 claim samples, that included both paid and unpaid claims, were randomly selected from the remittance population to ensure traceability between paid claims and audit testing.
- Supporting documentation for each sampled claim was provided by the District and reviewed by CLA. Documentation reviewed included encounter visit documentation, IEP/IHP records, parental consent forms, CPT code(s), modifiers, time/units billed, patient Medicaid eligibility, and provider credentialing evidence, to support audit conclusions.
- Additional procedures included validation of:
    - Student eligibility
    - IEP alignment
    - Documentation completeness
    - Unit calculations for time-based codes
    - Aggregation of error trends and exception categories
    - Identification of high-risk service lines and providers
- Aggregated trends in exception categories and parsed multi-part error descriptions to identify the most frequent compliance gaps.
- Calculated fail rates by service line, service type, profession, reviewer, and modifier to identify where risk is concentrated.

[2] Individual payments to the District were composed of multiple individual claims.

5. Results of Work Performed

A. Claim-Level Compliance Results

Overall sample results

The claim sample contained 248 tested claims, of which 135 were marked Pass and 113 were marked Fail. The resulting error rate of 45.6% indicates elevated compliance risk within the sampled population.

Total billed charges in the sample were $10,996.04, and total amounts paid based on the submitted charges were $7,437.31 as summarized in Table 2 and Table 3.

Table 2: Results by Service – Failed Claims

Service	Claims	Failed	Fail Rate	Amount Paid
Occupational Therapy	57	54	94.7%	$ 1,784.93
Language Therapy	114	29	25.4%	664.34
Speech Therapy	37	12	32.4%	367.70
Physical Therapy	17	16	94.1%	256.98
Speech and Language Therapy	20	2	10.0%	0.00
Speech/Language	3	0	0.0%	0.00
Total		113		$ 3,073.95

Paid claims associated with failed results totaled $3,073.95, creating a meaningful inventory for focused re-review, refund analysis, and corrective-action follow-up.

Table 3: Results by Service – Passed Claims

Service	Number of Claims Paid	Amount Paid
Language Therapy	85	$ 2,626.71
Speech Therapy	25	904.30
Speech and Language Therapy	18	681.69
Occupational Therapy	3	78.54
Speech/Language	3	72.12
Physical Therapy	1	0.00
Total	248	$ 4,363.36

Visualization of exception concentration

Figure 1 highlights the most common failure themes among the 113 failed population and Figure 2 shows fail rates by service line. Both figures contain paid and denied claims.

Figure 1: Top Six Exception Themes among Failed Claims

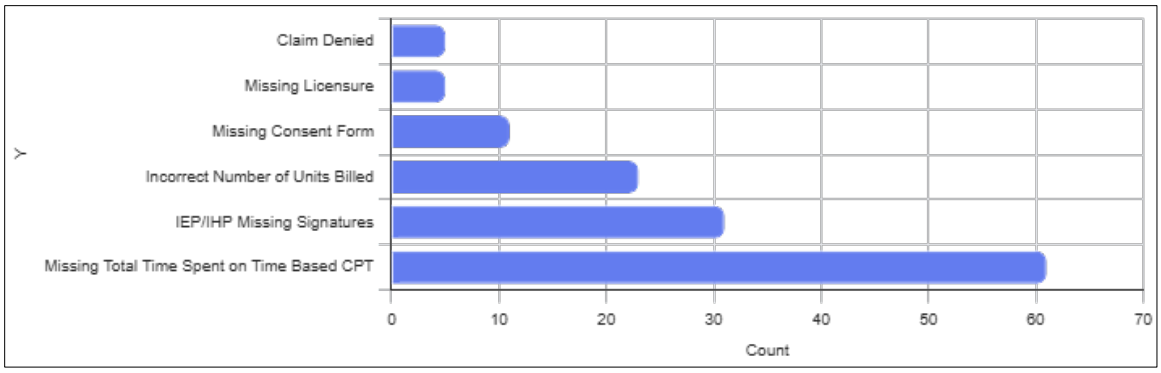
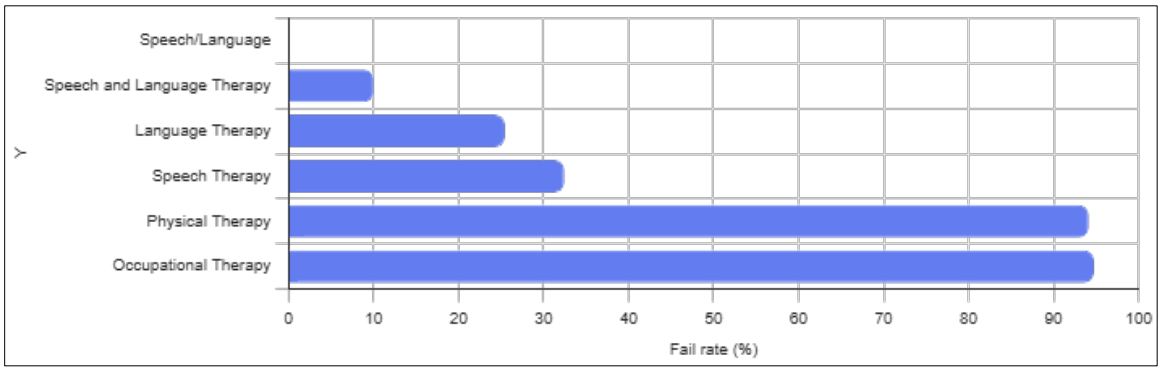


Figure 2: Claim Fail Rate by Service Line



B. Primary Exception Themes

Documentation Gaps Dominate the Failures

Documentation error was assigned to 91 failed claims, representing the dominant exception category.

The most frequent single issue was missing total time spent on time-based CPT, which appeared 61 times. This finding is heavily concentrated on time-based occupational therapy and physical therapy services.

IEP/IHP missing signatures appeared 31 times, while incorrect number of units billed appeared 23 times.

Missing Consent Form was cited 11 times, indicating a smaller but recurring consent-control issue.

Service-line concentration of failures

Exceptions were not evenly distributed across service categories. Occupational Therapy and Physical Therapy services demonstrated substantially higher failure rates compared to other service types.

- Occupational Therapy had 54 failures across 57 tested claims (94.7% fail rate).
- Physical Therapy had 16 failures across 17 tested claims (94.1% fail rate).

Other service categories reflected lower but still notable failure rates, including:

- Language Therapy and Speech Therapy with materially lower fail rates at 25.4% and 32.4%, respectively.

The concentration of exceptions in therapy services associated with time-based billing may suggest heightened risk associated with documentation and unit-calculation requirements for those services, as reflected within the sample reviewed.

6. Conclusion

Based on the sampled claims and the exceptions identified, the overall result indicates a moderate-to-high compliance risk profile, with an observed exception rate of 45.6%.

The principal drivers of risk are documentation deficiencies on time-based therapy codes, incomplete/unsigned IEP or IHP documentation, and unit-billing inconsistencies. These issues are more prevalent in Occupational Therapy and Physical Therapy than in speech-related claims within the sample.

Immediate attention should focus on validating paid failed claims, confirming whether refunds or adjustments are required and remediation of time-based documentation standards.

A. Recommended Immediate Actions

- Re-review every failed paid claim to determine whether repayment, void, or corrected claim activity is required.
- Implement a hard-stop or "QA check" for start/stop time or total-time documentation on time-based CPT codes before billing.
- Validate signatures and consent documentation before billing.
- Verify licensure/enrollment alignment for providers flagged with licensure concerns and resolve any roster or payer-linking gaps.

B. Recommended 30–60 Day Actions

- Perform focused retraining for OT/PT staff and billers on time-based CPT documentation and unit calculation.
- Build an exception dashboard to monitor missing time, missing signatures, consent gaps, and unit mismatches prospectively.
- Document management response, ownership, due dates, and validation testing for each corrective action.

7. Professional Standards Followed by CliftonLarsonAllen

The overall scope of work and approach was conducted utilizing standards in accordance with the Statement on Standards for Forensic Services No. 1 (SSFS No. 1) issued by the American Institute of Certified Public Accountants (AICPA) and the Code of Professional Standards of the Association of Certified Fraud Examiners (ACFE). In consulting engagements, the nature and scope of work is determined solely by the agreement between the practitioner (CLA) and the client (Tennessee Comptroller of the Treasury). This report does not constitute an audit, compilation, or review, in accordance with standards of the AICPA, the objective of which would be the expression of an opinion on any specified elements, accounts, or items. Accordingly, CLA does not express such an opinion.

Because of the unique nature of fraud, and because our engagement was limited to the matters described in the engagement letter, fraud and/or financial irregularities may exist within the organization that we may not have identified during the performance of our procedures. However, if during the performance of our services other matters had come to our attention suggesting possible financial improprieties and/or irregularities, we would have communicated such matters to the Tennessee Comptroller of the Treasury.

The professional standards promulgated by the AICPA prohibit CLA from rendering an opinion as to whether there has been any fraud or other criminal activity by anyone associated with this engagement. Therefore, CLA does not render such opinions.

8. Information about CliftonLarsonAllen LLP

Established on January 2, 2012, CLA is well positioned with knowledge, insight, and industry-specific accounting, tax, and consulting services. CLA is the result of a union between Clifton Gunderson and LarsonAllen, both established more than 60 years ago. CLA has both a national Forensic Services practice and a State and Local Government practice.

CLA is one of the largest professional service and accounting firms in the country with a growing global network. With a nationwide team of experienced professionals, clients include law firms, school districts, CEOs, leaders in education, municipalities, governmental agencies, the law enforcement community, commercial businesses, and not-for-profit agencies. The CLA Forensic Services team is a highly respected and sought-out authority in fraud prevention, detection, and investigation. Our multi-disciplined team is comprised of Certified Public Accountants, Certified Fraud Examiners, professionals Certified in Financial Forensics, and attorneys who practice as forensic accountants.

Deborah (Deb) is a Principal with CLA's healthcare and life sciences group, where she specializes in reimbursement and consulting services for senior living facilities, home health agencies, and hospice organizations. With more than 30 years of experience, she brings deep expertise in addressing the complex and evolving challenges facing healthcare organizations in today's environment. Her technical background includes Medicare and Medicaid reimbursement, including cost report preparation, as well as extensive experience working with for-profit, nonprofit, and governmental entities. Deb is also highly skilled in conducting internal control analyses and risk assessments and possesses extensive knowledge of the Patient-Driven Payment Model (PDPM), enabling her to provide strategic insight and practical solutions across a wide range of healthcare settings.

Jennifer Campbell is a Healthcare Consultant Manager within the Industry-Specific Consulting and Outsourcing practice at CliftonLarsonAllen LLP and she assisted Deb Emerson in this engagement. She brings extensive experience in healthcare revenue cycle operations and consulting, with more than 25 years of experience spanning both provider operations and advisory services. Her expertise includes leading complex revenue cycle assessments, forensic audits, and operational improvement initiatives, with a focus on identifying performance gaps, improving financial outcomes, and aligning processes with regulatory and industry standards. In her current role, she provides leadership over client engagements, directs analytical workstreams, and collaborates with executive stakeholders to deliver actionable insights across billing, coding, compliance, and financial performance.

9. List of Attachments

The workbook components and support schedules that were used in preparing this report are included as an attachment.

Table 3: List of Attachments

Attachment	Description
Attachment 1	Claim Testing (248 claims)

Attachment 01

Internal Claim ID	Service Type	Service	License Verified (Y/N/A)	Student Eligible (Y/N/A)	IEP/IFSP On File (Y/N/A)	IEP/IFSP Signed	Physician Order	Consent	Auth	Frequency/Duration Matches (Y/N/A)	Documentation Complete (Y/N/A)	Total Time Spent Present (Y/N/A)	Units Documented	Units Billed	Unit Variance	CPT/HCPCS	Modifier	Amount Billed	Amount Paid	Error/Denial Category	Error Description	Final Disposition	Review Date	Claim Result
1	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	No	N/A	No	N/A	1	1	0	92508	GN	$22.57	$22.57	Documentation Error	Missing Consent Form	Documentation Error	6/9/2026	Fail
2	Group Therapy	Speech and Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0	92508	GN	$22.57	$22.57			No Error	6/9/2026	Pass
3	Group Therapy	Speech Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	Yes	N/A	1	1	0	92508	GN	$16.59	$13.27			No Error	6/9/2026	Pass
4	Individual Therapy	Language Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	Yes	N/A	0	2	2	92507	GN	$92.94	$0.00	Not Medically Necessary	Incorrect Number of Units Billed	Coding Error	6/9/2026	Fail
5	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	Yes	N/A	0	2	2	92508	GN	$45.16	$0.00	Not Medically Necessary	Incorrect Number of Units Billed	Coding Error	6/9/2026	Fail
6	Individual Therapy	Speech Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	Yes	N/A	1	1	0	92507	GN	$46.47	$46.47			No Error	6/16/2026	Pass
7	Individual Therapy	Speech Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	Yes	N/A	1	1	0	92507	GN	$46.47	$46.47			No Error	6/16/2026	Pass
8	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0	92508	GN	$22.57	$13.27			No Error	6/16/2026	Pass
9	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0	92508	GN	$22.57	$13.27			No Error	6/16/2026	Pass
10	Therapeutic Activities	Occupational Therapy	Yes	Yes	Yes	No	SB503	Yes	N/A	No	No	1	1	0	97530	GO	$35.08	$23.16	Documentation Error	Missing Total Time Spent on Time Based CPT	Documentation Error	6/9/2026	Fail
11	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	Yes	N/A	1	1	0	92508	GN	$22.58	$0.00		Claim Denied	No Error	6/9/2026	Pass
12	Therapeutic Activities	Occupational Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	No	No	1	1	0	97530	GO	$28.95	$23.16	Documentation Error	Missing Total Time Spent on Time Based CPT	Documentation Error	6/9/2026	Fail
13	Individual Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0	92507	GN	$56.98	$45.58			No Error	6/9/2026	Pass
14	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	Yes	N/A	1	1	0	92508	GN	$40.00	$40.00			No Error	6/9/2026	Pass
15	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	Yes	N/A	1	1	0	92508	GN	$40.00	$40.00			No Error	6/9/2026	Pass
16	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	Yes	N/A	0	2	2	92508	GN	$45.16	$0.00			No Error	6/10/2026	Fail
17	OT Therapeutic Procedure Group	Occupational Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	No	N/A	0	2	2	97150	GO	$31.14	$0.00	Not Medically Necessary	Incorrect Number of Units Billed	Coding Error	6/10/2026	Fail
18	IEP office or other outpatient visit	Occupational Therapy	Yes	Yes	Yes	Yes	SB503	No	N/A	No	N/A	1	1	0	99211	SA	$20.39	$20.39	Documentation Error	Missing Consent Form	Documentation Error	6/10/2026	Fail
19	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0	92508	GN	$40.00	$40.00			No Error	6/10/2026	Pass

Internal Claim ID	Service Type	Service	License Verified (Y/N/A)	Student Eligible (Y/N/A)	IEP/IFSP On File (Y/N/A)	IEP/IFSP Signed	Physician Order	Consent	Auth	Frequency/Duration Matches (Y/N/A)	Documentation Complete (Y/N/A)	Total Time Spent Present (Y/N/A)	Units Documented	Units Billed	Unit Variance	CPT/HCPCS	Modifier	Amount Billed	Amount Paid	Error/Denial Category	Error Description	Final Disposition	Review Date	Claim Result
20	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$40.00	$40.00			No Error	6/10/2026	Pass
21	Therapeutic Activities	Occupational Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	No	No		3			97530	GO	$57.60	$57.60	Documentation Error	Missing Total Time Spent on Time Based CPT	Documentation Error	6/10/2026	Fail
22	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	Yes	N/A		2			92508	GN	$45.16	$0.00	Not Medically Necessary	Incorrect Number of Units Billed	Coding Error	6/10/2026	Fail
23	Therapeutic Activities	Physical Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	No	No		6			97530	GP	$240.00	$40.00	Documentation Error	Missing Total Time Spent on Time Based CPT	Documentation Error	6/10/2026	Fail
24	Therapeutic Activities	Physical Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	No	No		3			97530	GP	$120.00	$40.00	Documentation Error	Missing Total Time Spent on Time Based CPT	Documentation Error	6/10/2026	Fail
25	Individual Therapy	Language Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	Yes	N/A	1	1	0		92507	GN	$37.44	$37.44			No Error	6/10/2026	Pass
26	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN/95	$40.00	$40.00			No Error	6/10/2026	Pass
27	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN/95	$40.00	$40.00			No Error	6/10/2026	Pass
28	Individual Therapy	Speech Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92507	GN	$40.00	$40.00			No Error	6/10/2026	Pass
29	Individual Therapy	Speech Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92507	GN	$40.00	$40.00			No Error	6/10/2026	Pass
30	Individual Therapy	Speech and Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92507	GN	$40.00	$40.00			No Error	6/10/2026	Pass
31	Wheelchair Management	Physical Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	No	N/A		2			97542	GP	$48.38	$38.70	Documentation Error	Missing Total Time Spent on Time Based CPT	Documentation Error	6/10/2026	Fail
32	Wheelchair Management	Physical Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	No	N/A		1			97542	GP	$24.19	$0.00	Documentation Error	Missing Total Time Spent on Time Based CPT	Documentation Error	6/10/2026	Fail
33	Individual Therapy	Language Therapy	Yes	Yes	Yes	No	Yes	Yes	N/A	No	N/A	1	1	0		92507	GN	$56.98	$45.58	Documentation Error	IEP/IHP Missing Signatures	Documentation Error	6/10/2026	Fail
34	Individual Therapy	Language Therapy	Yes	Yes	Yes	No	Yes	Yes	N/A	No	N/A	1	1	0		92507	GN	$56.98	$45.58	Documentation Error	IEP/IHP Missing Signatures	Documentation Error	6/10/2026	Fail
35	Group Therapy	Speech and Language Therapy	Yes	Yes	Yes	No	SB503	Yes	N/A	No	N/A	1	1	0		92508	GN	$22.57	$0.00	Documentation Error	IEP/IHP Missing Signatures	Documentation Error	6/10/2026	Fail

Internal Claim ID	Service Type	Service	License Verified (Y/N/A)	Student Eligible (Y/N/A)	IEP/IFSP On File (Y/N/A)	IEP/IFSP Signed	Physician Order	Consent	Auth	Frequency/Duration Matches (Y/N/A)	Documentation Complete (Y/N/A)	Total Time Spent Present (Y/N/A)	Units Documented	Units Billed	Unit Variance	CPT/HCPCS	Modifier	Amount Billed	Amount Paid	Error/Denial Category	Error Description	Final Disposition	Review Date	Claim Result
36	Group Therapy	Speech and Language Therapy	Yes	Yes	Yes	No	SB503	Yes	N/A	No	N/A	1	1	0		92508	GN	$22.57	$0.00	Documentation Error	IEP/IHP Missing Signatures	Documentation Error	6/10/2026	Fail
37	Group Therapy	Speech and Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$40.00	$40.00			No Error	6/10/2026	Pass
38	Group Therapy	Speech and Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$40.00	$40.00			No Error	6/10/2026	Pass
39	Therapeutic Activities	Occupational Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	No	No	0	2	2		97530	GO	$38.40	$38.40	Documentation Error	Missing Total Time Spent on Time Based CPT	Documentation Error	6/10/2026	Fail
40	Therapeutic Activities	Occupational Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	No	No	0	2	2		97530	GO	$38.40	$38.40	Documentation Error	Missing Total Time Spent on Time Based CPT	Documentation Error	6/10/2026	Fail
41	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$22.58	$0.00		Claim Denied	No Error	6/10/2026	Pass
42	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$16.59	$13.27			No Error	6/10/2026	Pass
43	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$16.59	$13.27			No Error	6/10/2026	Pass
44	Individual Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92507	GN	$56.98	$45.58			No Error	6/10/2026	Pass
45	Individual Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92507	GN	$56.98	$45.58			No Error	6/10/2026	Pass
46	Group Therapy	Language Therapy	Yes	Yes	Yes	No	SB503	Yes	No	Yes	N/A	1	1	0		92508	GN	$16.59	$0.00	Documentation Error	Claim Denied, IEP/IHP Missing Signatures	Documentation Error	6/10/2026	Fail
47	Group Therapy	Language Therapy	Yes	Yes	Yes	No	SB503	Yes	No	Yes	N/A	1	1	0		92508	GN	$16.59	$0.00	Documentation Error	Claim Denied, IEP/IHP Missing Signatures	Documentation Error	6/10/2026	Fail
48	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$40.00	$40.00			No Error	6/10/2026	Pass
49	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$40.00	$40.00			No Error	6/10/2026	Pass
50	Group Therapy	Speech Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$16.59	$13.27			No Error	6/10/2026	Pass
51	Individual Therapy	Speech Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	Yes	N/A	1	1	0		92507	GN	$56.98	$45.58			No Error	6/10/2026	Pass
52	Individual Therapy	Speech Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	Yes	N/A	1	1	0		92507	GN	$56.98	$45.58			No Error	6/10/2026	Pass
53	Individual Therapy	Speech Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	Yes	N/A	1	1	0		92507	GN	$56.98	$45.58			No Error	6/10/2026	Pass
54	Individual Therapy	Speech Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	Yes	N/A	1	1	0		92507	GN	$56.98	$45.58			No Error	6/10/2026	Pass
55	Group Therapy	Speech Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$16.59	$13.27			No Error	6/10/2026	Pass

Internal Claim ID	Service Type	Service	License Verified (Y/N/A)	Student Eligible (Y/N/A)	IEP/IFSP On File (Y/N/A)	IEP/IFSP Signed	Physician Order	Consent	Auth	Frequency/Duration Matches (Y/N/A)	Documentation Complete (Y/N/A)	Total Time Spent Present (Y/N/A)	Units Documented	Units Billed	Unit Variance	CPT/HCPCS	Modifier	Amount Billed	Amount Paid	Error/Denial Category	Error Description	Final Disposition	Review Date	Claim Result
56	Therapeutic Activities	Occupational Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	No	No	0	3	3		97530	GO	$86.85	$69.48	Documentation Error	Missing Total Time Spent on Time Based CPT	Documentation Error	6/11/2026	Fail
57	Therapeutic Activities	Occupational Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	No	No	0	2	2		97530	GO	$57.90	$46.32	Documentation Error	Missing Total Time Spent on Time Based CPT	Documentation Error	6/11/2026	Fail
58	Group Therapy	Speech Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$40.00	$40.00			No Error	6/11/2026	Pass
59	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$22.58	$0.00			No Error	6/11/2026	Pass
60	Therapeutic Activities	Occupational Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	No	No	0	4	4		97530	GO	$115.80	$92.64	Documentation Error	Missing Total Time Spent on Time Based CPT	Documentation Error	6/11/2026	Fail
61	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$16.59	$13.27			No Error	6/11/2026	Pass
62	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$22.70	$22.70			No Error	6/11/2026	Pass
63	Group Therapy	Language Therapy	Yes	Yes	Yes	No	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$22.57	$22.57	Documentation Error	IEP/IHP Missing Signatures	Documentation Error	6/11/2026	Fail
64	Group Therapy	Speech and Language Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$40.00	$40.00			No Error	6/11/2026	Pass
65	Group Therapy	Speech and Language Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$40.00	$40.00			No Error	6/11/2026	Pass
66	Individual Therapy	Language Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	Yes	N/A	1	1	0		92507	GN	$56.98	$45.58			No Error	6/11/2026	Pass
67	Individual Therapy	Language Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	Yes	N/A	1	1	0		92507	GN	$56.98	$45.58			No Error	6/11/2026	Pass
68	Individual Therapy	Language Therapy	Yes	Yes	Yes	No	Yes	Yes	N/A	No	N/A	1	1	0		92507	GN	$56.98	$45.58	Documentation Error	IEP/IHP Missing Signatures	Documentation Error	6/11/2026	Fail
69	Individual Therapy	Language Therapy	Yes	Yes	Yes	No	Yes	Yes	N/A	No	N/A	1	1	0		92507	GN	$56.98	$45.58	Documentation Error	IEP/IHP Missing Signatures	Documentation Error	6/11/2026	Fail
70	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$40.00	$40.00			No Error	6/11/2026	Pass
71	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$40.00	$40.00			No Error	6/11/2026	Pass
72	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$40.00	$40.00			No Error	6/11/2026	Pass
73	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$40.00	$40.00			No Error	6/11/2026	Pass
74	Therapeutic Activities	Occupational Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	No	No	0	1	1		97530	GO	$40.00	$40.00	Documentation Error	Missing Total Time Spent on Time Based CPT	Documentation Error	6/11/2026	Fail

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75	Therapeutic Activities	Occupational Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	No	No	0	1	1	97530	GO	$40.00	$40.00	Documentation Error	Missing Total Time Spent on Time Based CPT	Documentation Error	6/11/2026	Fail
76	Evaluation of Language Comprehension and Expression (92523 mod 52)	Language Therapy	Yes	Yes	No	No	SB503	Yes	N/A	No	N/A	1	1	0	92523	GN	$155.13	$0.00	Documentation Error	Missing IEP/IHP Form, IEP/IHP Missing Signatures	Documentation Error	6/11/2026	Fail
77	Therapeutic Procedure	Occupational Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	No	0	1	1	97110	GO	$19.04	$19.04	Documentation Error	Missing Total Time Spent on Time Based CPT	Documentation Error	6/11/2026	Fail
78	OT Therapeutic Procedure Group	Occupational Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	0	2	2	97150	GO	$31.14	$0.00	Not Medically Necessary	Incorrect Number of Units Billed	Coding Error	6/11/2026	Fail
79	Individual Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0	92507	GN	$56.98	$45.58			No Error	6/11/2026	Pass
80	Individual Therapy	Language Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	Yes	N/A	1	1	0	92507	GN	$40.00	$40.00			No Error	6/11/2026	Pass
81	Group Therapy	Speech Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	Yes	N/A	1	1	0	92508	GN	$40.00	$40.00			No Error	6/11/2026	Pass
82	Therapeutic Procedure Group	Physical Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	No	N/A	0	6	6	97150	GP	$79.98	$0.00	Not Medically Necessary	Incorrect Number of Units Billed	Coding Error	6/11/2026	Fail
83	Individual Therapy	Language Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	No	N/A	0	2	2	92507	GN	$74.88	$0.00	Not Medically Necessary	Incorrect Number of Units Billed	Coding Error	6/11/2026	Fail
84	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	No	N/A	0	4	4	92508	GN	$90.32	$0.00	Not Medically Necessary	Incorrect Number of Units Billed	Coding Error	6/11/2026	Fail
85	Individual Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0	92507	GN	$46.47	$46.47			No Error	6/12/2026	Pass
86	Therapeutic Activities	Occupational Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	No	No	0	2	2	97530	GO	$38.40	$38.40	Documentation Error	Missing Total Time Spent on Time Based CPT	Documentation Error	6/12/2026	Fail
87	Therapeutic Activities	Occupational Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	No	No	0	1	1	97530	GO	$19.20	$19.20	Documentation Error	Missing Total Time Spent on Time Based CPT	Documentation Error	6/12/2026	Fail

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88	Therapeutic Activities	Occupational Therapy	Yes	Yes	Yes	No	SB503	Yes	N/A	No	No	0	4	4		97530	GO	$140.32	$92.64	Documentation Error	IEP/IHP Missing Signatures, Missing Total Time Spent on Time Based CPT	Documentation Error	6/12/2026	Fail
89	Therapeutic Activities	Occupational Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	No	No	0	2	2		97530	GO	$70.16	$46.32	Documentation Error	Missing Total Time Spent on Time Based CPT	Documentation Error	6/12/2026	Fail
90	Therapeutic Activities	Physical Therapy	Yes	Yes	Yes	No	Yes	Yes	N/A	No	No	0	1	1		97530	GP	$28.95	$23.16	Documentation Error	IEP/IHP Missing Signatures, Missing Total Time Spent on Time Based CPT	Documentation Error	6/12/2026	Fail
91	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$40.00	$40.00			No Error	6/12/2026	Pass
92	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$40.00	$40.00			No Error	6/12/2026	Pass
93	Individual Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92507	GN	$56.98	$0.00		Claim Denied	No Error	6/12/2026	Pass
94	Therapeutic Activities	Occupational Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	No	No	0	2	2		97530	GN	$70.16	$46.32	Documentation Error	Missing Total Time Spent on Time Based CPT	Documentation Error	6/12/2026	Fail
95	Therapeutic Activities	Occupational Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	No	No	0	1	1		97530	GO	$35.08	$23.16	Documentation Error	Missing Total Time Spent on Time Based CPT	Documentation Error	6/12/2026	Fail
96	Individual Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92507	GN	$73.23	$45.58			No Error	6/12/2026	Pass
97	Therapeutic Activities	Occupational Therapy	No	Yes	Yes	Yes	SB503	Yes	N/A	No	No	0	2	2		97530	GO	$70.16	$46.32	Documentation Error	Missing Licensure, Missing Total Time Spent on Time Based CPT	Other	6/12/2026	Fail
98	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$22.57	$13.27			No Error	6/12/2026	Pass
99	OT Therapeutic Procedure Group	Occupational Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		97150	GO	$15.67	$15.67			No Error	6/12/2026	Pass
100	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	Yes	N/A	1	2	1		92508	GN	$45.16	$0.00	Not Medically Necessary	Incorrect Number of Units Billed	Coding Error	6/12/2026	Fail

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101	Group Therapy	Language Therapy	No	Yes	Yes	No	Yes	Yes	N/A	No	N/A	1	1	0		92508	GN	$40.00	$40.00	Provider Enrollment Error	Missing Licensure, IEP/IHP Missing Signatures	Provider Enrollment Error	6/15/2026	Fail
102	Therapeutic Activities	Occupational Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	No	No	0	1	1		97530	GO	$18.56	$18.56	Documentation Error	Missing Total Time Spent on Time Based CPT	Documentation Error	6/15/2026	Fail
103	Group Therapy	Language Therapy	Yes	Yes	Yes	No	SB503	Yes	N/A	No	N/A	1	1	0		92508	GN	$16.59	$8.27	Documentation Error	IEP/IHP Missing Signatures	Documentation Error	6/15/2026	Fail
104	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$22.70	$22.70			No Error	6/15/2026	Pass
105	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	No	N/A	1	2	1		92508	GN	$45.16	$0.00	Not Medically Necessary	Incorrect Number of Units Billed	Coding Error	6/15/2026	Fail
106	Gait Training	Physical Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	No	No	0	1	1		97116	GP	$21.92	$17.54	Documentation Error	Missing Total Time Spent on Time Based CPT	Documentation Error	6/15/2026	Fail
107	Therapeutic Activities	Occupational Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	No	No	0	2	2		97530	GO	$38.40	$38.40	Documentation Error	Missing Total Time Spent on Time Based CPT	Documentation Error	6/15/2026	Fail
108	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$22.70	$22.70			No Error	6/15/2026	Pass
109	Therapeutic Activities	Occupational Therapy	Yes	Yes	Yes	No	SB503	Yes	N/A	No	No	0	1	1		97530	GO	$18.56	$18.56	Documentation Error	IEP/IHP Missing Signatures, Missing Total Time Spent on Time Based CPT	Documentation Error	6/15/2026	Fail
110	Individual Therapy	Language Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	Yes	N/A	1	1	0		92507	GN	$46.47	$0.00		Claim Denied	No Error	6/15/2026	Pass
111	Group Therapy	Speech and Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$40.00	$29.40		Claim Denied	No Error	6/15/2026	Pass
112	Therapeutic Procedure	Physical Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		97150	GP	$15.67	0		Claim Denied	No Error	6/11/2026	Pass
113	Individual Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92507	GN	$37.44	37.44			No Error	6/11/2026	Pass
114	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$22.70	0		Claim Denied	No Error	6/11/2026	Pass
115	Therapeutic Activities	Occupational Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	No	No	0	2	2		97530	GO	$70.16	-46.32	Documentation Error	Missing Total Time Spent on Time Based CPT	Documentation Error	6/11/2026	Fail

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116	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$22.57	22.57			No Error	6/11/2026	Pass
117	Therapeutic Procedure	Physical Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	No	0	2	2		97110	GP	$39.02	39.02	Documentation Error	Missing Total Time Spent on Time Based CPT	Documentation Error	6/11/2026	Fail
118	Therapeutic Activities	Occupational Therapy	Yes	Yes	Yes	No	SB503	Yes	N/A	No	No	0	2	2		97530	GO	$38.40	$38.40	Documentation Error	Missing Total Time Spent on Time Based CPT, IEP/IHP Missing Signatures	Documentation Error	6/15/2026	Fail
119	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$22.57	0			No Error	6/15/2026	Pass
120	Group Therapy	Language Therapy	Yes	Yes	Yes	No	Yes	Yes	N/A	No	No	0	2	2		97535	GO	$80.00	40	Documentation Error	IEP/IHP Missing Signatures, Missing Total Time Spent on Time Based CPT	Documentation Error	6/15/2026	Fail
121	Individual Therapy	Speech Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92507	GN	$46.47	$46.47			No Error	6/15/2026	Pass
122	Individual Therapy	Speech Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92507	GN	$40.00	$40.00			No Error	6/15/2026	Pass
123	Individual Therapy	Speech Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92507	GN	$40.00	$40.00			No Error	6/15/2026	Pass
124	Group Therapy	Speech Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$40.00	$40.00			No Error	6/15/2026	Pass
125	Group Therapy	Speech Therapy	Yes	Yes	Yes	No	SB503	Yes	N/A	No	N/A	1	1	0		92508	GN	$40.00	$40.00	Documentation Error	IEP/IHP Missing Signatures	Documentation Error	6/15/2026	Fail
126	Wheelchair Management	Occupational Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	No	No	0	1	1		97542	GP	$14.34	$14.34	Documentation Error	Missing Total Time Spent on Time Based CPT	Documentation Error	6/15/2026	Fail
127	Wheelchair Management	Occupational Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	No	No	0	1	1		97542	GO	$14.34	$14.34	Documentation Error	Missing Total Time Spent on Time Based CPT	Documentation Error	6/15/2026	Fail
128	Therapeutic Activities	Occupational Therapy	Yes	Yes	Yes	No	Yes	Yes	N/A	No	No	0	2	2		97530	GO	$37.12	$37.12	Documentation Error	IEP/IHP Missing Signatures, Missing Total Time Spent on Time Based CPT	Documentation Error	6/16/2026	Fail

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129	OT Therapeutic Procedure Group	Occupational Therapy	Yes	Yes	Yes	No	Yes	Yes	N/A	No	N/A	1	2	1		97150	GO	$31.34	$0.00	Documentation Error	IEP/IHP Missing Signatures, Incorrect Number of Units Billed	Documentation Error	6/16/2026	Fail
130	OT Therapeutic Procedure Group	Occupational Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	2	1		97150	GO	$31.14	$0.00		Claim Denied	No Error	6/16/2026	Pass
131	Group Therapy	Speech and Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN/95	$40.00	$0.00			No Error	6/16/2026	Pass
132	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	Yes	N/A	1	2	1		92508	GN	$80.00	$40.00	Not Medically Necessary	Incorrect Number of Units Billed	Coding Error	6/16/2026	Fail
133	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	Yes	N/A	1	2	1		92508	GN	$80.00	$40.00	Not Medically Necessary	Incorrect Number of Units Billed	Coding Error	6/16/2026	Fail
134	Therapeutic Activities	Occupational Therapy	Yes	Yes	Yes	No	Yes	Yes	N/A	No	No	0	2	2		97530	GN	$80.00	$40.00	Documentation Error	IEP/IHP Missing Signatures, Missing Total Time Spent on Time Based CPT	Documentation Error	6/16/2026	Fail
135	Orthotics/Prosthetics Management and/or Training	Occupational Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	No	No	0	1	1		97763	GO	$34.41	$27.53	Documentation Error	Missing Total Time Spent on Time Based CPT	Documentation Error	6/16/2026	Fail
136	Therapeutic Activities	Physical Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	No	No	0	1	1		97530	GP	$18.56	$0.00	Documentation Error	Missing Total Time Spent on Time Based CPT	Documentation Error	6/16/2026	Fail
137	Group Therapy	Speech and Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$40.00	$35.00			No Error	6/16/2026	Pass
138	Evaluation of Language Comprehension and Expression (92523 mod 52)	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92523	GN	$155.13	$155.13			No Error	6/16/2026	Pass
139	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$22.70	$22.57			No Error	6/16/2026	Pass

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140	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$40.00	$40.00			No Error	6/16/2026	Pass
141	Group Therapy	Speech Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$40.00	$40.00			No Error	6/16/2026	Pass
142	Therapeutic Activities	Physical Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	No	No	0	1	1		97530	GP	$18.56	$0.00	Documentation Error	Missing Total Time Spent on Time Based CPT	Documentation Error	6/16/2026	Fail
143	Therapeutic Activities	Occupational Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	No	No	0	1	1		97530	GO	$40.00	$40.00	Documentation Error	Missing Total Time Spent on Time Based CPT	Documentation Error	6/16/2026	Fail
144	OT Evaluation-Low Complexity (97165)	Occupational Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		97165	GO	$62.87	$62.87			No Error	6/16/2026	Pass
145	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$40.00	$40.00			No Error	6/16/2026	Pass
146	Therapeutic Activities	Physical Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	No	No	0	1	1		97530	GP	$18.56	$18.56	Documentation Error	Missing Total Time Spent on Time Based CPT	Documentation Error	6/16/2026	Fail
147	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$22.70	$22.70			No Error	6/16/2026	Pass
148	Individual Therapy	Language Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	Yes	N/A	1	1	0		92507	GN	$40.00	$40.00			No Error	6/16/2026	Pass
149	Individual Therapy	Language Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	Yes	N/A	1	1	0		92507	GN	$40.00	$40.00			No Error	6/16/2026	Pass
150	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$40.00	40			No Error	6/16/2026	Pass
151	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$40.00	40			No Error	6/16/2026	Pass
152	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$40.00	25			No Error	6/16/2026	Pass
153	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$40.00	40			No Error	6/16/2026	Pass
154	Therapeutic Activities	Physical Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	No	N/A	1	6	5		97150	GP	$79.98	0	Not Medically Necessary	Incorrect Number of Units Billed	Coding Error	6/16/2026	Fail
155	Therapeutic Activities	Physical Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	No	N/A	1	5	4		97150	GP	$66.65	0	Not Medically Necessary	Incorrect Number of Units Billed	Coding Error	6/16/2026	Fail
156	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$40.00	40			No Error	6/16/2026	Pass
157	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$40.00	40			No Error	6/16/2026	Pass
158	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$40.00	40			No Error	6/16/2026	Pass
159	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$40.00	40			No Error	6/16/2026	Pass

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160	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0	92508	GN	$40.00	40			No Error	6/16/2026	Pass
161	Group Therapy	Speech Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	Yes	N/A	1	1	0	92508	GN	$22.58	0		Claim Denied	No Error	6/16/2026	Pass
162	Individual Therapy	Speech Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	No	N/A	1	2	1	92507	GN	$40.00	40	Not Medically Necessary	Incorrect Number of Units Billed	Coding Error	6/16/2026	fail
163	Group Therapy	Language Therapy	Yes	Yes	Yes	No	SB503	Yes	N/A	No	N/A	1	1	0	92508	GN	$22.70	22.7	Documentation Error	IEP/IHP Missing Signatures	Documentation Error	6/16/2026	Fail
164	Individual Therapy	Speech Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0	92507	GN	$37.44	37.44			No Error	6/16/2026	Pass
165	OT Therapeutic Procedure Group	Occupational Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	No	N/A	1	2	1	97150	GN	$31.14	0	Not Medically Necessary	Incorrect Number of Units Billed	Coding Error	6/16/2026	Fail
166	Individual Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0	92507	N	$56.98	45.58			No Error	6/16/2026	Pass
167	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0	92508	GN	$16.59	13.27			No Error	6/16/2026	Pass
168	Group Therapy	Speech and Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0	92508	GN	$22.57	22.57			No Error	6/16/2026	Pass
169	Group Therapy	Speech and Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0	92508	GN	$22.57	22.57			No Error	6/16/2026	Pass
170	Therapeutic Activities	Occupational Therapy	No	Yes	Yes	Yes	Yes	Yes	N/A	No	No	0	3	3	97530	GN	$120.00	40	Provider Enrollment Error	Missing Licensure, Missing Total Time Spent on Time Based CPT	Documentation Error	6/16/2026	Fail
171	OT Therapeutic Procedure Group	Occupational Therapy	Yes	Yes	Yes	Yes	SB503	No	N/A	No	N/A	1	1	0	97150	GN	$40.00	40	Documentation Error	Missing Consent Form	Documentation Error	6/16/2026	Fail
172	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0	92508	GN	$40.00	40			No Error	6/16/2026	Pass
173	Group Therapy	Speech Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0	92508	GN	$40.00	40			No Error	6/16/2026	Pass
174	Individual Therapy	Speech Therapy	Yes	Yes	Yes	Yes	Yes	No	N/A	No	N/A	1	1	0	92507	GN	$56.98	45.58	Documentation Error	Missing Consent Form	Documentation Error	6/16/2026	Fail
175	Individual Therapy	Speech Therapy	Yes	Yes	Yes	Yes	Yes	No	N/A	No	N/A	1	1	0	92507	GN	$56.98	45.58	Documentation Error	Missing Consent Form	Documentation Error	6/16/2026	Fail
176	Group Therapy	Speech Therapy	Yes	Yes	Yes	Yes	Yes	No	N/A	No	N/A	1	1	0	92508	GN	$16.59	13.27	Documentation Error	Missing Consent Form	Documentation Error	6/16/2026	Fail

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177	Group Therapy	Speech Therapy	Yes	Yes	Yes	Yes	Yes	No	N/A	No	N/A	1	1	0		92508	GN	$16.59	13.27	Documentation Error	Missing Consent Form	Documentation Error	6/16/2026	Fail
178	Group Therapy	Speech and Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$40.00	40			No Error	6/16/2026	Pass
179	Group Therapy	Speech and Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$40.00	40			No Error	6/16/2026	Pass
180	Therapeutic Activities	Occupational Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	No	No	0	1	1		97530	GO	$40.00	40	Documentation Error	Missing Total Time Spent on Time Based CPT	Documentation Error	6/15/2026	Fail
181	Therapeutic Activities	Occupational Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	No	No	0	1	1		97530	GO	$40.00	40	Documentation Error	Missing Total Time Spent on Time Based CPT	Documentation Error	6/15/2026	Fail
182	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$22.57	22.57			No Error	6/15/2026	Pass
183	Therapeutic Activities	Physical Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	No	No	0	1	1		97530	GP	$40.00	40	Documentation Error	Missing Total Time Spent on Time Based CPT	Documentation Error	6/15/2026	Fail
184	Therapeutic Activities	Occupational Therapy	Yes	Yes	Yes	No	Yes	Yes	N/A	No	No	0	2	2		97530	GO	$57.90	46.32	Documentation Error	IEP/IHP Missing Signatures, Missing Total Time Spent on Time Based CPT	Documentation Error	6/15/2026	Fail
185	Sensory Integrated Activities /Techniques	Occupational Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	No	No	0	1	1		97533	GO	$24.68	19.74	Documentation Error	Missing Total Time Spent on Time Based CPT	Documentation Error	6/15/2026	Fail
186	Group Therapy	Language Therapy	No	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$40.00	40	Provider Enrollment Error	Missing Licensure	Provider Enrollment Error	6/15/2026	Fail
187	Therapeutic Activities	Occupational Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	No	No	0	1	1		97530	GO	$40.00	40	Documentation Error	Missing Total Time Spent on Time Based CPT	Documentation Error	6/15/2026	Fail
188	Therapeutic Activities	Occupational Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	No	No	1	1	0		97530	GO	$40.00	40	Documentation Error	Missing Total Time Spent on Time Based CPT	Documentation Error	6/15/2026	Fail
189	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$40.00	40			No Error	6/15/2026	Pass
190	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	No	N/A	1	2	1		92508	GN	$22.57	0	Provider Enrollment Error	Claim Denied	No Error	6/15/2026	Pass

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191	Individual Therapy	Language Therapy	Yes	Yes	Yes	No	SB503	Yes	N/A	No	N/A	1	1	0		92507	GN	$56.98	45.58	Documentation Error	IEP/IHP Missing Signatures	Documentation Error	6/15/2026	Fail
192	Individual Therapy	Language Therapy	Yes	Yes	Yes	No	SB503	Yes	N/A	No	N/A	1	1	0		92507	GN	$56.98	45.58	Documentation Error	IEP/IHP Missing Signatures	Documentation Error	6/15/2026	Fail
193	Individual Therapy	Language Therapy	Yes	Yes	Yes	No	SB503	Yes	N/A	No	N/A	1	1	0		92507	GN	$56.98	45.58	Documentation Error	IEP/IHP Missing Signatures	Documentation Error	6/15/2026	Fail
194	Individual Therapy	Speech Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92507	GN	$46.47	46.47			No Error	6/15/2026	Pass
195	Therapeutic Activities	Occupational Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	No	No	0	2	2		97530	GO	$80.00	40	Documentation Error	Missing Total Time Spent on Time Based CPT	Documentation Error	6/15/2026	Fail
196	Therapeutic Activities	Occupational Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	No	No	0	2	2		97530	GO	$80.00	40	Documentation Error	Missing Total Time Spent on Time Based CPT	Documentation Error	6/15/2026	Fail
197	Group Therapy	Speech Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$40.00	40			No Error	6/15/2026	Pass
198	Therapeutic Activities	Occupational Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	No	No	0	3	3		97530	GO	$105.24	69.48	Documentation Error	Missing Total Time Spent on Time Based CPT	Documentation Error	6/15/2026	Fail
199	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$22.57	13.27			No Error	6/15/2026	Pass
200	Group Therapy	Speech Therapy	Yes	Yes	Yes	Yes	Yes	No	N/A	No	N/A	1	2	1		92508	GN	$80.00	40	Documentation Error	Incorrect Number of Units Billed, Missing Consent Form	Coding Error	6/15/2026	Fail
201	Group Therapy	Speech and Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$40.00	40			No Error	6/15/2026	Pass
202	Group Therapy	Speech and Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$40.00	40			No Error	6/15/2026	Pass
203	Group Therapy	Speech Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	No	N/A	1	2	1		92508	GN	$80.00	40	Documentation Error	Incorrect Number of Units Billed, Claim Denied	Documentation Error	6/15/2026	Fail
204	Therapeutic Activities	Occupational Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	No	No	0	2	2		97530	GO	$80.00	40	Documentation Error	Missing Total Time Spent on Time Based CPT	Documentation Error	6/15/2026	Fail

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205	Therapeutic Activities	Occupational Therapy	Yes	Yes	Yes	No	SB503	Yes	N/A	No	No	0	1	1		97530		$18.56	18.56	Documentation Error	IEP/IHP Missing Signatures, Missing Total Time Spent on Time Based CPT	Documentation Error	6/15/2026	Fail
206	Group Therapy	Language Therapy	Yes	Yes	Yes	No	SB503	No	N/A	Yes	N/A	1	1	0		92508	GN	$22.70	22.7	Documentation Error	Missing Consent Form, IEP/IHP Missing Signatures	Documentation Error	6/15/2026	Fail
207	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508		$22.70	22.7			No Error	6/15/2026	Pass
208	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$40.00	40			No Error	6/12/2026	Pass
209	Individual Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92507	GN	$46.47	46.47			No Error	6/12/2026	Pass
210	Group Therapy	Speech and Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$22.57	13.27			No Error	6/11/2026	Pass
211	Group Therapy	Speech and Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$22.57	13.27			No Error	6/11/2026	Pass
212	Therapeutic Activities	Occupational Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	No	No	0	2	2		97530	GO	$70.16	46.32	Documentation Error	Missing Total Time Spent on Time Based CPT	Documentation Error	6/11/2026	Fail
213	Therapeutic Activities	Occupational Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	No	No	0	2	2		97530	GO	$70.16	46.32	Documentation Error	Missing Total Time Spent on Time Based CPT	Documentation Error	6/11/2026	Fail
214	Individual Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92507		$46.47	46.47			No Error	6/16/2026	Pass
215	Evaluation of Language Comprehension and Expression (92523 mod 52)	Speech and Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92523	GN	$163.04	163.04			No Error	6/11/2026	Pass
216	Group Therapy	Speech Therapy	Yes	Yes	Yes	Yes	SB503	No	N/A	No	N/A	1	1	0		92508	GN	$16.59	0	Documentation Error	Missing Consent Form	Documentation Error	6/11/2026	Fail
217	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$22.57	13.27			No Error	6/11/2026	Pass
218	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$22.57	13.27			No Error	6/11/2026	Pass
219	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$22.57	13.27			No Error	6/11/2026	Pass

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220	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0	92508	GN	$22.57	13.27			No Error	6/11/2026	Pass
221	Individual Therapy	Speech Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0	92507	GN	$73.23	45.58			No Error	6/11/2026	Pass
222	Individual Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0	92507	GN	$40.00	40			No Error	6/16/2026	Pass
223	Individual Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0	92507	GN	$56.98	45.58			No Error	6/11/2026	Pass
224	Individual Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0	92507	GN	$56.98	45.58			No Error	6/11/2026	Pass
225	Individual Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0	92507	GN	$56.98	45.58			No Error	6/11/2026	Pass
226	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0	92508	GN	$22.70	22.7			No Error	6/11/2026	Pass
227	Therapeutic Activities	Physical Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	No	No	0	1	1	97530	GP	$40.00	0	Documentation Error	Missing Total Time Spent on Time Based CPT	Documentation Error	6/11/2026	Fail
228	Therapeutic Activities	Physical Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	No	No	0	1	1	97530	GP	$40.00	0	Documentation Error	Missing Total Time Spent on Time Based CPT	Documentation Error	6/11/2026	Fail
229	Wheelchair Management	Occupational Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	No	No	0	1	1	97542	GO	$24.19	19.35	Documentation Error	Missing Total Time Spent on Time Based CPT	Documentation Error	6/11/2026	Fail
230	Individual Therapy	Speech Therapy	Yes	Yes	Yes	Yes	Yes	No	N/A	No	N/A	1	2	1	92507	GN	$80.00	40	Documentation Error	Missing Consent Form, Incorrect Number of Units Billed	Coding Error	6/11/2026	Fail
231	Group Therapy	Speech Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0	92508	GN	$16.59	13.27			No Error	6/11/2026	Pass
232	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	Yes	N/A	1	1	0	92508	GN	$22.58	22.58			No Error	6/11/2026	Pass
233	Individual Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0	92507	GN	$37.44	37.44			No Error	6/11/2026	Pass
234	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0	92508	95	$22.57	0		Claim Denied	No Error	6/11/2026	Pass
235	Group Therapy	Speech Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	Yes	N/A	1	2	1	92508	GN	$80.00	25	Not Medically Necessary	Incorrect Number of Units Billed	Coding Error	6/11/2026	Fail
236	Group Therapy	Speech Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	Yes	N/A	1	2	1	92508	GN	$80.00	25	Not Medically Necessary	Claim Denied, Incorrect Number of Units Billed	Coding Error	6/11/2026	Fail

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237	Therapeutic Activities	Occupational Therapy	Yes	Yes	Yes	No	Yes	Yes	N/A	No	No	0	2	2		97530	GO	$38.40	38.4	Documentation Error	Missing Total Time Spent on Time Based CPT, IEP/IHP Missing Signatures	Documentation Error	6/10/2026	Fail
238	Therapeutic Activities	Occupational Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	No	No	0	2	2		97530	GN	$80.00	40	Documentation Error	Missing Total Time Spent on Time Based CPT	Documentation Error	6/10/2026	Fail
239	OT Therapeutic Procedure Group	Occupational Therapy	Yes	Yes	Yes	No	Yes	Yes	N/A	Yes	N/A	1	2	1		97150	GO	$26.66	0	Documentation Error	Claim Denied, IEP/IHP Missing Signatures, Incorrect Number of Units Billed	Documentation Error	6/10/2026	Fail
240	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$22.58	22.58			No Error	6/10/2026	Pass
241	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$22.58	22.58			No Error	6/10/2026	Pass
242	Individual Therapy	Language Therapy	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92507		$46.47	0		Claim Denied	No Error	6/10/2026	Pass
243	Therapeutic Activities	Occupational Therapy	No	Yes	Yes	Yes	SB503	Yes	N/A	No	No	0	1	1		97530		$18.56	18.56	Documentation Error	Missing Total Time Spent on Time Based CPT, Missing Licensure	Documentation Error	6/10/2026	Fail
244	Individual Therapy	Speech/Language	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92507	GN	$73.23	45.58			No Error	6/10/2026	Pass
245	Group Therapy	Speech/Language	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$22.57	13.27			No Error	6/10/2026	Pass
246	Group Therapy	Speech/Language	Yes	Yes	Yes	Yes	SB503	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$22.57	13.27			No Error	6/10/2026	Pass
247	Individual Therapy	Language Therapy	Yes	Yes	Yes	No	SB503	Yes	N/A	Yes	N/A	1	1	0		92507	GN	$46.47	46.47	Documentation Error	IEP/IHP Missing Signatures	Documentation Error	6/10/2026	Fail
248	Group Therapy	Language Therapy	Yes	Yes	Yes	Yes	Yes	Yes	N/A	Yes	N/A	1	1	0		92508	GN	$22.58	22.58			No Error	6/10/2026	Pass