



Office of Internal Auditing

Management Request

Vendor Agreement  
Between  
Lively Technical Center & App Innovators

December 13, 2018

## Background

On November 15, 2018, Dr. Alan Cox, Assistant Superintendent for School Management, requested that the Office of Internal Auditing (OIA) review the relationship and transactions between Lively Technical Center and a vendor, App Innovators. Dr. Cox stated that concerns regarding the appropriateness of transactions between the vendor and Lively Technical Center were expressed to Superintendent Rocky Hanna. In response to these concerns and in an effort to obtain a better understanding of the nature of the relationship and services rendered by App Innovators, Dr. Cox, on behalf of Superintendent Hanna, requested a review of transactions between the vendor and Lively Technical Center.

## Methodology

Based upon the limited information received from Dr. Cox, the OIA determined that the appropriate steps would be to review the agreement between App Innovators and Lively Technical Center to determine whether the agreement was processed in accordance with established District guidance. Further, OIA staff would review invoices and corresponding payments for services rendered by App Innovators to ensure that the District had received services for which payments were rendered.

## Conclusion

After a review of documentation provided by Lively Technical Center and App Innovators, the following findings and recommendations are provided.

<b>Finding 1:</b>	<b>For the 2017-2018 fiscal year, the executed contract between Lively Technical Center and App Innovators exceeded the contract signature authority threshold for signature by the school principal.</b>
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During the 2017-2018 fiscal year, App Innovators provided a written proposal to Lively Technical Center to provide the following services at a cost of \$3,000 per month:

- Website Development and Management
- Social Media Retargeting
- Online Reputation Management & SEO
- Social Media Management and Content Creation
- Video Services

The proposal was dated October 24, 2017. The electronic signature of the school principal, Shelly Bell, with a date of November 28, 2017 was on the proposal. This document was used as the contract between Lively Technical Center and App Innovators for the 2017-2018 fiscal year. The contract amount for the 6-month period was \$18,000.

Per District Policy 6320.01 - Contract approval authority related to purchasing, Principals and District level administrators are authorized to enter into contracts that obligate funds up to \$8,000. District contracts greater than \$8,000 and less than or equal to \$25,000 require the signature/approval of the superintendent, deputy superintendent, or assistant superintendent who oversees the organizational unit, or the Director of Purchasing.

This contract was only signed by the principal and did not include the signature of another district employee authorized to sign contracts at this threshold. Therefore, it did not meet the requirement as outlined in District policy 6320.01. Further, the executed proposal did not include the signature of an authorized company representative from App Innovators.

**Recommendation:**

All future contracts should be processed in accordance with established District guidance.

<b>Finding 2:</b>	<b>For the 2018-2019 fiscal year, an executed contract or District approved Professional Technical Service Agreement (PTSA) was not completed in accordance with established District guidance.</b>
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Based on conversations with Lively Technical Center staff during a meeting held on November 19, 2018, it was determined that a fully executed contract or PTSA was not prepared for the 2018-2019 fiscal year. The school principal stated that the services provided were identical to the services outlined in the 2017-2018 proposal. Lively Technical Center staff said that the contract or PTSA was not processed based on guidance provided by the LCS Purchasing Department. OIA staff contacted the LCS Purchasing Department during the meeting to request clarification. The Purchasing Director stated that this guidance was initially provided to Lively staff. However, the absence of an agreement for the 2018-2019 fiscal year, was in conflict with established guidance. Further, it also made it difficult to determine the exact deliverables or services that were to be expected.

The District utilizes the PTSA as a standard form of agreement for professional, technical or unique services performed by an independent contractor qualified by experience, education and/or specific ability to provide the services. The requirements for PTSA's are outlined in LCS Procedure 6320.01 – Professional/Technical Service Agreement. A standard PTSA template is used Districtwide. Services documented on the standard PTSA template that exceed \$50,000 require school board approval. It should be noted that any contractual services that are not documented using the standard PTSA template require board approval when in excess of \$25,000.

**Recommendation:**

All professional and/or technical services should be documented using the District approved PTSA template or another District approved fully executed contract document.

<b>Finding 3:</b>	<b>Invoices provided to support payments did not include sufficient detail to determine the receipt of deliverables or services.</b>
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For 2017-2018 fiscal year transactions, OIA staff attempted to compare invoices to the actual anticipated deliverables and services as outlined in the App Innovators proposal dated October 24, 2017. Based on the information provided, OIA staff was unable to match services rendered by App Innovators. In an additional effort to match payments with services received, OIA staff requested supporting

documentation from Lively Technical Center staff and Dustin Rivest, owner of App Innovators. None of the additional documents provided could be concretely tied to the individual monthly payments paid by Lively Technical Center to App Innovators. During the 2017-2018 fiscal year, it is evident that App Innovators provided some actual services to Lively Technical Center. However, due to the lack of detail on the invoices and the absence of additional supporting documentation it was not possible to determine services received on a monthly basis. Further, it was not possible to determine whether all of the actual services outlined in the 2017-2018 proposal were actually received.

<b>Finding 4:</b>	<b>Services provided by App Innovators and AI Media, companies with the same owner, were similar in nature and when combined exceeded the threshold for School Board approval of the contract.</b>
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In November 2017, Lively Technical Center, via proposal, entered into an agreement with App Innovators to provide multiple services including video development and production. Lively spent \$18,000 during the 2017-2018 fiscal year for services associated with this proposal. In May 2018, Lively Technical Center entered into a contract, via PTSA, with AI Media to provide videography services. Lively spent \$11,200 during the 2017-2018 fiscal year for services associated with this PTSA. App Innovators and AI Media are physically located in the same building, provide similar services and have the same owner.

When payments to these two vendors, which were actually received by the same individual, are combined (\$29,200); they exceed the threshold for requiring a contract that should be signed by the school board.

For the sake of transparency and given that Lively Technical Center was already involved in a contract, via proposal, with APP Innovators for the same type of services, it would have been appropriate to document these services in the same contract and obtain the necessary board approval. Documenting services that are essentially the exact same type of services with the same company ownership would eliminate the possibility of potential claims that services were split to avoid transparency or to circumvent purchasing requirements.

**Recommendation:**

Consider combining transactions of a similar nature with the same owner to promote greater transparency. If it is necessary to split transactions, provide detailed documentation noting shared ownership and the reasons for keeping the transaction separate.



Shelly Bell  
Director of Career, Technical and Adult Education

Randy Free  
Assistant Director

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December 17, 2018

Dear Office of Internal Auditing,

Below you will find Lively Technical Center's response to your Management Request Audit dated December 13, 2018:

**Finding 1: For the 2017-2018 fiscal year, the executed contract between Lively Technical Center and App Innovators exceeded the contract signature authority threshold for signature by the school principal.**

**Response:** I acknowledge that I did indeed sign the contract, but I also sent the contract to the purchasing department. Purchasing did not have any issue with my signature on the contract nor did they alert the school that it should have had superintendent or the designee's signature. Additionally, purchasing did not indicate that we also needed to complete a PTSA prior to starting any work with App Innovators.

**Corrective Actions:** A completed PTSA has been submitted to the district for approval.

**Finding 2: For the 2018-2019 fiscal year, an executed contract or District approved Professional Technical Service Agreement (PTSA) was not completed in accordance with established District guidance.**

**Response:** I specifically asked purchasing if we needed a PTSA for the 18-19 school year, but was told that as long as both parties were in agreement with the terms of the original contract, that no PTSA was needed and we could operate under a purchase order. It was only after meeting with Mrs. Paul and a subsequent phone call to purchasing that we were made aware that we needed a PTSA. We immediately submitted a PTSA for approval to Dr. Alan Cox.

**Corrective Actions:** A completed PTSA has been submitted to the district for approval.

**Finding 3: Invoices provided to support payments did not include sufficient detail to determine the receipt of deliverables or services.**

**Response:** It is our opinion that we did get everything, if not more, than was stated in the contract. Our website, [www.livelytech.com](http://www.livelytech.com), is proof of a deliverable as are the posts on our social media accounts, the video production tied to our social media accounts as well as the graphic design work. Deliverables for social media are available to see at



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<https://www.facebook.com/LivelyTech/> additionally, links to our videos can be found on our YouTube Channel at [https://www.youtube.com/channel/UCWWaltR5mVs0NBjOfsfnMnQ/videos?view\\_as=subscriber](https://www.youtube.com/channel/UCWWaltR5mVs0NBjOfsfnMnQ/videos?view_as=subscriber).

It should be noted that in the first few months after the contract, Lively staff met with App Innovators on a weekly basis to design the new website layout and provide written text to be included. The website involves over 85 individual pages as well as links to forms, outside websites, graphics, videos etc. The production of the site took about 4 months and dozens of meetings with App Innovators before we went live.

An Excel spreadsheet with some of the change requests we have made to our website was provide to the Office of Internal Auditing.

**Corrective Actions:** Lively has requested a more detail invoice each month as evidence of the services provided.

**Finding 4: Services provided by App Innovators and AI Media, companies with the same owner, were similar in nature and when combined exceeded the threshold for School Board approval of the contract.**

**Response:** The two companies do very different work. App Innovators is responsible for our website, social media to include video production, campaign management, graphic design and strategic consulting. AI Media is responsible for media purchasing on our behalf to include magazine, radio, television, digital ads and billboards.

**Corrective Actions:** For future transactions, Lively Technical Center will combine transactions and process according to established district guidance and when appropriate will document the reason for processing transactions separately.

Sincerely,

Shelly Bell  
Director Career, Technical and Adult Education