

# Corrective Action Plan Follow-up Review: Interlocal Cooperative Contract Purchases (Buckets) Audit

Audit Plan Code: 22.13.F1



Assurance | Insight | Objectivity

First Follow-up Report

June 29, 2023

Management has implemented six (6) of the eight (8) activities in the CAP. One (1) activity was not implemented because management and leadership determined it was addressed through another activity. One (1) activity is in-progress and has been past due since March 24, 2023.



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## Abbreviations

ARG	Administrative Reference Guide
BOT	Board of Trustees
CAP	Corrective Action Plan
EPISD	El Paso Independent School District
IIA	Institute of Internal Auditors
IT	Information Technology
PO	Purchase Order
P&SR	Procurement and School Resources Department



# CAP Follow-up Report

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## Background

The Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing, Performance Standard 2500 - Monitoring Progress, require we "...establish and maintain a system to monitor the disposition of results communicated to management." Internal Audit has established the Corrective Action Plan (CAP) process to meet this requirement. The process includes monitoring and reporting whether management has implemented corrective actions to address audit findings, observations, and recommendations.

Internal Audit issued the Interlocal Cooperative Contract Purchases (Buckets) Audit Report to District management and administration on June 2, 2022. The [original audit report](#) is posted on the EPISD's website. We performed the audit as part of the Board-approved 2021-2022 Internal Audit Plan. The objective of the original audit was to determine if:

1. District purchases comply with the following terms of the cooperative/interlocal agreement contract.
  - a. Purchases were made within the effective dates of the contract.
  - b. The goods/services purchased are listed in the contract.
  - c. Purchase amounts match the established contract pricing list (if applicable).
2. The Procurement Department is accurately tracking cooperative/interlocal agreement purchases approved by the Board of Trustees (BOT).

The scope included purchases (buckets) approved by the BOT from July 1, 2020, to September 30, 2021, to acquire goods/services through cooperative/interlocal agreements.

Our audit found procurement staff verify that (i) purchases are made within the effective dates of the cooperative/interlocal agreement contracts, and (ii) the goods/services purchased are listed in said contracts. However, we identified (i) instances of inaccurate tracking of bucket purchases, (ii) discounts offered through the contracts were not verified, and (iii) inconsistent supporting documentation maintained to justify buckets, which lessens accountability.

The original audit report included three (3) findings and six (6) recommendations. For reference, a summary of the original audit report findings is provided in **Exhibit A**. District management and administration agreed with our recommendations and developed a corrective action plan (CAP) with eight (8) activities. Note that the original CAP was developed prior to the arrival of the current Executive Director of Procurement and School Resources. As such, extensions and changes have been made since then as requested by the Executive Director (additional details provided under the summary of results on the activities referenced).

## Objective and Scope

The objective and scope of this follow-up review were to determine whether management implemented the eight (8) CAP activities or took other actions to address the three (3) findings and six (6) recommendations outlined in the Interlocal Cooperative Contract Purchases (Buckets) Audit Report.

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## Methodology

To achieve our follow-up review objective, we:

- Held meetings and communicated with persons responsible for carrying out the CAP activities.
- Reviewed supporting documentation maintained by management as evidence of completion of the CAP activities provided to Internal Audit.

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## Inherent Limitations

This was a limited scope follow-up review covering only the actions taken by administration to address the original audit findings and recommendations stated in the Objective and Scope section of this report. No representations of assurance are made to other areas or periods not covered by this follow-up review.

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## Summary of Results

CAP Activities	Implemented	Overall CAP Status
8	6	Open

Management has implemented six (6) of the eight (8) activities in the corrective action plan to address the three (3) findings and six (6) recommendations in the original audit report. One (1) activity was not implemented, and one (1) activity is "in progress; past due" since March 24, 2023.

Management and leadership have submitted two extensions for the CAP, including for the remaining activity. As part of the second extension, management submitted adjustments for activities three (3), five (5), six (6), and seven (7).

Management and Leadership determined one of the adjustments was to not implement activity five (5), as they considered it was being addressed through another activity. The decision was documented in an Extension Request Form signed by the process owner and approved by the respective Executive Cabinet member and the Superintendent. Signing the form includes accepting responsibility for direct and indirect costs that may be incurred due to potential incidents related to the identified risks.

The CAP will remain open until all activities have been implemented or deemed as no longer applicable/necessary. Internal Audit will continue to monitor the implementation of the CAP and report to the Board any corrective actions not effectively implemented or unduly delayed.

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## CAP Activities and Action Taken

Management and leadership agreed with all six (6) of the recommendations in the original audit report and incorporated them into eight (8) CAP activities. The details of the eight (8) CAP activities, the person(s) responsible, and the action taken are outlined in this section.



## Activity 1 Implemented

The Executive Director of Procurement & School Resources (P&SR) will consult with the Superintendent or designee to determine whether the District should continue with the bucket practice. If a decision is made to continue with this practice, Procurement management will develop and document criteria/procedures to track purchases associated with buckets. The criteria/procedures should include, but not be limited to which vendors, object codes, cooperative/interlocal agreement contract numbers, and/or Frontline categories should be allocated to each bucket.

**Person(s) Responsible:** Superintendent; Chief Financial Officer; Executive Director P&SR

**Action Taken:** The Superintendent approved a memo addressing the discontinuation of the “bucket” practice on December 12, 2022. The memo indicated the Procurement Department would “not take recommendations to the Board of Trustees for the approval of purchases in an estimated “not to exceed” amount using multiple vendors awarded on various purchasing cooperatives.”

## Activity 2 In-progress; Past Due

Collaborate with Information Technology (IT) and/or Analytics, Strategy, Assessment & PEIMS (ASAP) to explore ideas on how to automate the tracking of cooperative/interlocal agreement purchases by vendor to ensure compliance with Board Policy CH (Local).

**Person(s) Responsible:** Executive Director P&SR; Executive Director ASAP; Chief Technology Officer

**Action Taken:** P&SR has not finalized the evidence of completion for the activity. This activity has been past due since March 24, 2023. Two extensions have been submitted for this CAP activity.

## Activity 3 Implemented

**Original Activity:** P&SR will develop procedures on how the tracking/reports will be monitored for compliance with Board policy.

**Revised Activity:** The P&SR ARG will be updated to include clarification on the processes of reviewing co-op pricing as compared to pricing on issued purchase orders. These additions/modifications will be taken to the Department Strategic Planning group for approval at the April meeting and forwarded to the Superintendent for final approval.

**Person(s) Responsible:** Executive Director P&SR

**Action Taken:** The additions/modifications to the P&SR ARG were shared with Department Strategic Planning members via email on June 6, 2023. The following language was added to the Procurement Services Manual (P&SR ARG): “The P&SR will provide quarterly reports to the Board showing purchases by vendor that have exceeded \$100,000 in the aggregate. The report will include vendor purchases and amount of expenditures issued via purchase orders on a year to date basis for the current fiscal year.”

## Activity 4 Implemented

P&SR will follow up on the four (4) POs (identified in Finding 2 in the original audit report) to determine if a refund is due to the District.

**Person(s) Responsible:** Executive Director P&SR

**Action Taken:** P&SR followed up on the four (4) POs and determined:

- For one (1) PO, the vendor owed the District \$449.90. The vendor issued the credit on July 25, 2022.
- For two (2) PO's, the vendor stated "it would be impossible to go back to the January 2021 price list. Too much time had gone by, and it is not possible to reopen the PO or add the quotes."
- For one (1) PO, the vendor stated the BuyBoard price already included the 5% discount.

## Activity 5 Not Implemented

P&SR will provide two trainings a year (Fall and Spring). This training will be conducted through EPISD University to train campus/department requestors on the appropriate way to review for discounts when procuring goods/services through a cooperative/interlocal agreement contract. This includes providing the requestors the adequate resources to review for discounts (links, log-in credentials, etc.).

**Person(s) Responsible:** Executive Director P&SR

**Action Taken:** This activity was not implemented because management and leadership recommended the removal of the activity because it was being addressed through another CAP activity (activity six).

## Activity 6 Implemented

**Original Activity:** P&SR will produce an online video training that includes training to campus/department requestors on the appropriate way to review for discounts when procuring goods/services through a cooperative/interlocal agreement contract. This includes providing the requestors the adequate resources to review for discounts (links, log-in credentials, etc.). This online training will be posted on our intranet and will be on demand for all District employees.

**Revised Activity:** A training video will be developed by the P&SR team to allow end users (requisitioners) access to obtain refresher training on the processes to follow when 1) requesting quotes from vendors, and 2) entering requisitions into Frontline ERP. The video, once completed, will be posted on the department's intranet site for easy access as needed.

**Person(s) Responsible:** Executive Director P&SR

**Action Taken:** P&SR produced an online video named "Interlocal Cooperative Contracts" to assist end users identify entities with which the District has a cooperative agreement, identify vendors who are awarded by a cooperative entity, and to identify pricing discounts. Per the Leadership and Talent Development Systems Manager, the course will be available in the EPISD University on July 1, 2023. The course number is 205121.

Internal Audit has notified the Executive Director of P&SR that the course needs to be assigned to end users (requisitioners) via the EPISD university.

## Activity 7 Implemented

Define responsibilities for the P&SR staff and the campus/department requestors as it relates to reviewing for discounts when procuring goods/services through cooperative/interlocal agreements contracts. If it is determined that the review for

discounts will be the responsibility of the requestors, a method should be developed so that requestors document their review for discounts and Procurement staff can rely on this review. Procurement staff will clearly document the responsibilities in the Procurement Manual or their standard operating procedures.

**Person(s) Responsible:** Executive Director P&SR

**Action Taken:** The additions/modifications to the P&SR ARG were shared with Department Strategic Planning members via email on June 6, 2023. P&SR added language to their Procurement Services Manual requiring an Interlocal Agreement/Purchasing Cooperative Pricing Review as follows: On a monthly basis, using Smartsheet a sample of five percent (5%) of purchase orders created in the preceding month will be selected to spot check by each department staff (Buyers, Contract Specialists, Coordinators, etc.).

- The spot check will include reviewing the information provided by the vendor and what contract reference was provided by the requisitioner upon entering it into the system to verify the pricing is in line with the contract terms by the purchasing cooperative.
- Any discrepancies will be documented in the Smartsheet to allow department staff to get any inaccurate PO updated in a timely manner.
- The results of the review will be shared with the appropriate department staff, end users responsible for entering requisitions, and (if necessary) vendor representatives to ensure corrections are made and future requisitions reflect accurate pricing.

## Activity 8 Implemented

If the Superintendent determines the District should continue with the bucket practice, P&SR staff will develop policies and procedures. The policies and procedures will address the methodology and basis to justify buckets presented for BOT approval and include, but not be limited to:

- The reports/data that can be used to determine the bucket amounts (e.g., historical expenditures, budgeted amounts, future projections, inflation percentage).
- The retention requirements for the reports/data used for buckets.
- The supporting documents required when submitting a bucket for BOT approval.
- Responsibilities for P&SR staff and the bucket requestors.

**Person(s) Responsible:** Executive Director P&SR

**Action Taken:** The Superintendent approved a memo addressing the discontinuation of the “bucket” practice on December 12, 2022. The memo indicated the Procurement Department would “not take recommendations to the Board of Trustees for the approval of purchases in an estimated “not to exceed” amount using multiple vendors awarded on various purchasing cooperatives.”

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## Exhibit A: Summary of Original Audit Results

Finding	Summary Finding
1	The manual method used to track bucket purchases is not efficient or effective since errors/omissions were identified.
2	In four instances, the District did not receive a discount as indicated in the cooperative/ interlocal agreement contract.
3	The supporting documentation to justify four buckets for \$37M, submitted to the BOT for approval, was inconsistent, which lessens accountability.

The complete [original audit report](#) is available on the EPISD website.





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