Contracted Services Audit – Information Technology

ASSURANCE • INSIGHT • OBJECTIVITY

Final Report
Audit Plan Code: 21-05.01

We determined all four contracts in our sample were aligned to the high-level District goals. However, there is insufficient documentation to support that IT conducted strategic planning activities before they acquired three contracts totaling $126,386.

Contents

Executive Summary

Internal Audit Report

Abbreviations

ASAP	Analytics, Strategy, Assessment and PEIMS
BA	Business Analysis
BEFM	Budget and External Financial Management
CAF	Contract Approval Form
CAP	Corrective Action Plan
CIO	Chief Information Officer
DIR	Department of Information Resources
EPISD	El Paso Independent School District
FASRG	Financial Accountability System Resource Guide
FY	Fiscal Year
IT	Information Technology
PACE	Purchasing Association of Cooperative Entities
PEIMS	Public Education Information Management System
PMI	Project Management Institute
PSR	Procurement and School Resources
TEA	Texas Education Agency

We have completed the audit of Contracted Services – Information Technology (IT). The objective of the audit was to determine whether IT strategically acquired services by (i) identifying needs, (ii) justifying the decision to undertake the acquisition of services (aka business justification), (iii) aligning the contracted services to the District goals, and (iv) obtaining input from appropriate stakeholders.

According to Audit Standard 2110 – Governance, "The internal audit activity must assess and make appropriate recommendations to improve the organization's governance processes for making strategic and
 operational decisions." To that end, the Board of Trustees approved the Internal Audit Department to conduct an audit of contracted services as described on the 2020-2021 Audit Plan.

The scope included IT contracted services rendered during fiscal years 2019-2020 and 2020-2021 with a cost of $25,000 or more and recorded in IT's Miscellaneous Contracted Services object code 6299.

The Executive Summary provides, on a summarized basis, the findings discussed throughout the body of the detailed Internal Audit Report that follows. The Internal Audit Report includes background information and detailed findings, recommendations, and exhibits.

Summary of Results

We determined all four contracts in our sample were aligned to the high-level District goals (see **Figure 1**). However, there is insufficient documentation to support that IT conducted strategic planning activities related to (i) identification of the need (aka needs assessment), (ii) justification to undertake the acquisition of services (aka business justification), and (iii) obtaining key stakeholder's input for three (3) contracts totaling $*126,386 (italicized in Figure 1).* IT provided documentation that did not meet audit attributes to be considered reliable, relevant, or useful to support strategic planning before these contracted services were acquired.

Figure 1.
Summary of Results - Strategic Planning Activities per Contract Tested

Vendor	Contract Amount	PART OF A BUSINESS ANALYSIS (BA)			
		Needs Assessment	Business Justification	Alignment to Goals	Stakeholders' Input
iBoss	$129,500	●	●	●	●
Solid Border	*$53,220*	○	○	●	○
Microshare	*$42,777*	○	○	●	○
Aloe Software	*$30,389*	○	○	●	○
Total	$255,886	Documentation: ● Sufficient ○ Insufficient			

The Chief Information Officer (CIO) provided a response dated April 23, 2021 to our findings which in part reads: "*As highlighted during our preliminary meetings and communications, several activities performed as part of our day-to-day operations are critical and practical components in assessing and determining the*

district's needs. These include but are not limited to analysis of submitted support tickets, industry best practice, trends and analytics, changes in laws/policies, dialogue amongst peers (verbal and written form), meetings, and feedback/input from district staff. It is important to note that these activities aid the IT department in making decisions that we are confident serve our district and stakeholders needs."

The CIO also stated, "*I understand, acknowledge, and agree that developing a more formal, standardized, and documented process when conducting a business case analysis is necessary. Although challenging due to lack of time and resources and demands of currently established priorities Information Technology is committed to working toward this improvement.*"

Management's Corrective Action Plan

District management and leadership submitted a Corrective Action Plan (CAP) outlining the activities to be implemented. All the recommendations made by Internal Audit were incorporated into the CAP. The CAP appears to be sufficient to address the findings outlined in this report. Internal Audit will conduct follow-up reviews to validate CAP activities have been implemented.

Conclusion

IT does not have a consistent and formal process for conducting and documenting strategic planning activities before acquiring contracted services under account 6299. Coupled with the fact the District does not require departments to conduct and document a formal business analysis or other strategic planning activities (except for federally funded services), departments are left to determine (i) how to strategize their acquisitions, (ii) the degree of documentation to support their decisions, and (iii) how to maintain this documentation, so it's preserved for future reference and guidance.

Therefore, there is a risk these contracted services:
o did not address the underlying need/problem;
o did not solve the need/problem completely;
o were not needed;
o overlapped with an existing service;
o contained unnecessary features; and
o were not adequately scrutinized or vetted by key stakeholders.

Strategic planning is critical for acquiring the right contracted service and ensuring the right need or problem is being solved. A widely generally recognized best practice is to perform a business analysis (BA) as part of this strategic planning. A business analysis prompts the budget owner/initiating stakeholder to methodically document and strategically scrutinize proposed solutions before committing resources, time, and taxpayer monies. Plus, the business analysis helps organizations in:

• reducing the likelihood that an unfit solution will be chosen;
• providing sponsor stakeholders sufficient, reliable, and well-documented information before making a decision;
• increasing transparency and taxpayers' confidence that monies are being spent efficiently;
• showing clearly why the investment/solution was worth pursuing;

- obtaining a higher level of assurance that all the key stakeholders were consulted and their interests were considered early in the process; and
- obtaining and sustaining buy-in support throughout the life of the solution.

A business analysis will also help the District meet the challenges of oversight that come with purchasing in the public sector environment. According to the Texas Education Agency (TEA) Financial Accountability System Resource Guide, "School district purchasing is scrutinized by diverse groups including the public, the media, state and federal agencies, and auditors. Strict adherence to established guidelines and consistency in record keeping, documentation, and execution of procedures, assists the school district in withstanding this scrutiny. Transparency in all processes should be maintained."

We are providing 5 recommendations based on business analysis best practices and our understanding of District internal controls. If District management implements these recommendations and performs them effectively, consistently, and with sufficient quality and detail, they will assist IT in:

✓ improving their strategic planning when acquiring contracted services;
✓ preventing excessive or redundant services;
✓ selecting projects/solutions that provide even greater business value;
✓ gaining better collaboration and internal buy-in support;
✓ increasing accountability from internal stakeholders; and
✓ increasing transparency of IT's operations.

Background

According to Audit Standard 2110 – Governance, "The internal audit activity must assess and make appropriate recommendations to improve the organization's governance processes for making strategic and operational decisions." To that end, the Board of Trustees approved the Internal Audit Department to conduct an audit of contracted services budgeted under the Information Technology (IT) department as part of the 2020-2021 Internal Audit Plan.

As a Texas Certified District of Innovation, the reliance on technology to support District-wide operational needs is integral to the District's success and competitive edge. These needs range from integrating new technologies, delivering cost-effective solutions, or implementing new initiatives for students and staff. To meet these needs, a substantial amount of these solutions/services are acquired from contracted vendors. The District's Information Technology (IT) department has been entrusted with the planning, budgeting, acquiring, and overseeing of technology contracted services.

For fiscal year (FY) 2020, IT spent approximately $2.6 million acquiring Miscellaneous Contracted Services. As of March 31, 2021, IT has spent $3.44 million of the $4.8 million in the Miscellaneous Contracted Services budget.

In accordance with state and local budget guidelines, these expenditures are recorded in the District's Miscellaneous Contracted Services account under object code 6299. Every year, IT's Chief Information Officer (CIO) presents their estimated budget (including 6299) to the Budget department during the District's budget hearing process. IT's budget is officially adopted when the Board of Trustees approves the District's Annual Operating Budget.

The CIO is responsible for signing off on contracted services over $25,000 using a required contract approval form. In some cases, IT (aka sponsor stakeholder) also acts as a planning liaison for other departments because the District places the funds under IT's budget rather than with the specific department(s).

Depending on the amount of the contracted service, IT must use the appropriate procurement method to acquire these services. Often, contracted services are acquired using interlocal or cooperative agreements since they are considered a cost-effective procurement method. As stated in the District's Procurement Manual, these cooperatives/agreements can "save time and money." However, as good stewards of public funds, IT is responsible for strategically acquiring solutions and services which are reliable, secure, efficient, and cost-effective regardless of the procurement method used. As shown in IT's Department Manual, one of their responsibilities is to "…make Information Technology operational decisions that are conducted in a transparent, fair, ethical, and open manner and are in compliance with the District Policy Manual and any federal or state laws that apply".

Objective and Scope

The objective of the audit was to determine whether Information Technology (IT) strategically acquired services by (i) identifying needs (aka needs assessment), (ii) justifying the decision to undertake the acquisition of services (aka business justification), (iii) aligning the contracted services to the District goals, and (iv) obtaining input from appropriate stakeholders.

The scope included Information Technology (IT) contracted services rendered during fiscal years 2019-2020 and 2020-2021 with a cost of $25,000 or more and recorded in IT's Miscellaneous Contracted Services account (class object code 6299).

Methodology

To achieve our audit objective, we:

- Researched relevant state guidelines, Board policies, and department manual/guidelines.
- Researched business analysis practices and foundational standards from project management industry-leading experts.
- Used pre-audit surveys and internal control questionnaires collected from IT staff to understand the area under audit.
- Performed a risk assessment based on our understanding of the IT process to acquire Miscellaneous Contracted Services.
- Obtained and analyzed the population of IT's contracted services under Miscellaneous Contracted Services object code 6299 (20 contracts) and used the Internal Audit Sampling Guidance to determine the sample size.
- Selected a judgmental (risk-based) sample of four (4) out of 20 contracts based on the (i) financial impact to the District, (ii) criticality, (iii) length of relationship with the vendor, and (iv) complaints.
- Communicated with IT, Procurement, and Budget staff to understand related processes.
- Reviewed all documentation provided by IT to determine whether IT performed and documented, to a sufficient degree, the 12 strategic planning activities in **Figure 2** for each of the four (4) contracts tested. The documentation was verified against audit attributes of (i) sufficiency, (ii) usefulness, (iii) relevancy (iv), and reliability. The testing procedures did not include evaluating whether the contracted services were needed or not.

Inherent Limitations

Because of the inherent limitations in a system of internal controls, there is a risk that errors or irregularities occurred and were not detected. Due professional care requires the internal auditor to conduct examinations and verifications to a reasonable extent.

Accordingly, an auditor is able to obtain reasonable, but not absolute, assurance that procedures and internal controls are followed and adhered to in accordance with the federal, state, local policies and guidelines.

Acknowledgement

We would like to thank the IT Chief Information Officer and IT staff who participated in this audit for their time.

Results

We determined all four contracts in our sample were aligned to the high-level District goals. However, three (3) of four (4) contracts in our sample, totaling $126,386, were not strategically acquired. IT did not provide sufficient documentation to support the following strategic planning activities:
1. identification of the need,
2. justification of the decision to undertake the acquisition of services, and
3. appropriate stakeholder input, as shown in **Figure 1**.

Documentation was missing or did not have the audit attributes to be considered sufficient to support strategic planning activities.

Figure 1.
Summary of Results - Strategic Planning Activities per Contract Tested

Vendor	Contract Amount	Needs Assessment	Business Justification	Alignment to Goals	Stakeholders' Input
iBoss	$129,500	●	●	●	●
Solid Border	$53,220	○	○	●	○
Microshare	$42,777	○	○	●	○
Aloe Software	$30,389	○	○	●	○
Total	$255,886	**PART OF A BUSINESS ANALYSIS (BA)**			

Documentation: ● Sufficient   ○ Insufficient

IT does not have a consistent and formal process for conducting and documenting strategic planning activities before acquiring contracted services under account 6299. Coupled with the fact the District does not require departments to conduct and document a formal business analysis or other related strategic planning activities (except for federally funded services), departments are left to determine on their own (i) how to strategize their acquisition, (ii) the degree of documentation to support their decision, and (iii) how to maintain this documentation for future reference or guidance.

The Chief Information Officer provided a response dated April 23, 2021, to our findings which in part reads: "*As highlighted during our preliminary meetings and communications, several activities performed as part of our day-to-day operations are critical and practical components in assessing and determining the district's needs. These include but are not limited to analysis of submitted support tickets, industry best practice, trends and analytics, changes in laws/policies, dialogue amongst peers (verbal and written form), meetings, and feedback/input from district staff. It is important to note that these activities aid the IT department in making decisions that we are confident serve our district and stakeholders needs.*"

The CIO also stated, "*I understand, acknowledge, and agree that developing a more formal, standardized, and documented process when conducting a business case analysis is necessary. Although challenging due to lack of time and resources and demands of currently established priorities Information Technology is committed to working toward this improvement.*"

Why conduct a business analysis as a strategic planning activity?

According to the Project Management Institute (PMI), "…organizations that take a proactive approach to requirements activities will improve their competitive advantage by reducing waste and delivering projects that provide business value".

A widely accepted best practice is to conduct a business analysis since it helps organizations in their strategic decision-making process. It also helps to methodically document and scrutinize proposed solutions/initiatives before committing resources, time, and taxpayer monies.

A crucial element of a business analysis is to begin by identifying and understanding the need _before_ acquiring any one solution/initiative or contracted service. During the business analysis process, stakeholders should gather enough information to understand the situation by asking questions such as:

- *"What problem are we solving?"*
- *"What exactly are we trying to improve?"*
- *"What problems do our students/teachers/staff have that this service/opportunity/solution will address?"*
- *"What are my requirements to meet the objective?"*
- *"What do we expect from the solution/service?"*
- *"What and who is needed to facilitate the successful implementation of the proposed solution?"*
- *"What are the alternatives?"*
- *"What other alternatives have we tried in the past, and why didn't they work?"*

The initiating and responsible stakeholder can elicit answers to these questions by beginning with the business analysis's needs assessment section. This needs assessment and other related strategic planning activities associated with a business analysis are shown in **Figure 2**.

Figure 2.
Strategic Planning Activities

Business Analysis (BA) *	
Needs Assessment	Need prioritization
Identification of the problem/opportunity	Business Case (Go/No Go decision)
Root cause analysis	Business Analysis Plan
Research with factual data	Identification of requirements
Viable solution analysis/evaluation	Identification of deliverables
Stakeholder Analysis	Solution Documentation

Based on the six knowledge areas outlined in Exhibit B – Number 4.

The findings for the contracts tested follow.

| **Finding 1** | **There is insufficient documentation Information Technology conducted a needs assessment or related strategic planning activities for three (3) contracts totaling $126,386.** IT's documentation did not meet audit attributes to be considered reliable, relevant, or useful as it relates to identifying and understanding the need. (see 1.1 through 1.3 for further details). |

The Chief Information Officer (CIO) provided an explanation on how they determine need and priorities for each budget year as follows: "IT division leads are charged with providing budget requests to justify the need to include allocations in the upcoming fiscal year budget. This information is discussed by the IT leadership as a whole during scheduled budget planning meeting(s) at which time I will approve or deny the request relying on the information that is provided/presented". We requested said information and all other relevant documentation related to the need identification for each of the contracts tested.

1.1 *Solid Border* **– Email Security Services - ($53,220)** – According to contract (20-08-0005) and purchase order information, the District acquired these services through the Department of Information Resources (DIR) State Contract DIR-TSO-4095. This contract is for a 1-year subscription renewal for 6,000 licenses of Barracuda Email Security Essentials, a security service cloud solution provided by Barracuda Networks. This contracted service was acquired to "filter all incoming and outgoing email traffic directed to or created by District, student, staff and administrators." The primary documentation provided is highlighted below:

1.1.1 The contract approval form (CAF) signed by the CIO and the executed contract itself were provided. This document is not produced as part of a need identification planning activity but later in a procurement stage. As such, it was determined not relevant to support the identification of the need.

1.1.2 No additional documentation was provided.

1.2 *Microshare* **– Web Filtering Services - ($42,777)** – According to contract (20-08-0004) and purchase order information, the District acquired these services through the Coop Contract PACE P00165. This contract is to continue with a service called Content Keeper for an additional four (4) months (from July 1, 2020, through October 31, 2020). This contracted service is said to provide web filtering services covering up to 70,000 devices. This contracted service is said to offer an additional layer of protection to filter internet traffic and "… ensure District student safety both on and off campus with granular controls and accurate reporting of encrypted traffic across all devices and browsers without degrading network performance". The primary documentation provided is highlighted below:

1.2.1 An email dated January 27, 2020, was provided by the CIO, which evaluates this product for possible replacement during their "budget planning exercises." However, no additional data was provided to support why this particular service was needed for an additional four months.

1.2.2 A document dated March 5, 2020, titled "Initial Impact Analysis," created by the Technology Director, was provided. This document outlines IT's evaluation (test plan) for keeping Content Keeper.

Although it may be useful as a test plan, the document was not deemed reliable as it is labeled "Draft," and does not provide a reason to continue the service for an additional four months.

1.3 ***Aloe Software* – Software Annual Licensing fee - ($30,389)** – According to contract (20-05-0026) and purchase order information, the District acquired this service using the three (3) quote requirement procurement method. This contract is an annual licensing fee for a software product called OnDataSuite. The initiating stakeholder and user of this software is the Analytics, Strategy, Assessment, & PEIMS (ASAP) department, and IT served in a sponsor stakeholder capacity. This contracted service provides the software, which aids in statewide data submissions to the Texas Education Agency. The primary documentation provided is highlighted below:

1.3.1 Email communications starting April 2020 between the IT and ASAP department regarding the acquisition of the quotes and preparing the purchase order were provided. This documentation is not produced as part of a need identification planning activity but later in a procurement stage. As such, it was determined not relevant to support the identification of the need.

1.3.2 The Chief Information Officer (CIO) provided a response dated April 23, 2021, to this finding which reads: "*For renewals and contracts that involve a third party (other departments), IT handles only the procurement portion only. It does not have any bearing or input on the determination of the need.*"

The risks of not conducting a needs assessment or other strategic planning activities to identify the need before acquiring contracted services may include:
- Acquiring contracted services that were not needed or that contained unnecessary features;
- Not having a clear understanding of the need and how to fulfill it;
- Not solving the right problem or not solving it completely;
- Spending limited resources on services that overlap or that do not add value to what the District already has; and
- Not prioritizing needs appropriately.

The cause for this finding is that IT does not have a consistent and formal process for conducting and documenting strategic planning activities before acquiring contracted services under account 6299. Coupled with the fact the District does not require departments to conduct and document a formal business analysis or other related strategic planning activities (except for federally funded services), departments are left to determine on their own (i) how to strategize their acquisition (ii) the degree of documentation to support their decision and (iii) how to maintain this documentation, so it's preserved for future reference or guidance.

For additional criteria relevant to this finding, see Exhibit B (Criteria No.'s: 1-5).

Finding 2	**For the same three contracts in Finding 1, there is insufficient documentation IT conducted strategic planning activities related to a business justification or obtained key stakeholder's input before acquiring the contracted services.**

2.1 The CIO provided two primary documents as justification for acquiring services from Solid Border. A document dated August 20, 2018, titled "Impact Analysis" created by the Technology Director and an undated PowerPoint presentation labeled "IT Operations – Email Security Gateway." These documents contain some of the key elements listed in 2.2 below. However, the first document is dated almost two years back from the date of the contract. The second document is missing a date. As a result, it's unclear whether the impact and solutions listed were still valid and relevant for IT leadership to have made an adequate and up-to-date business justification.

2.2 The documentation to justify acquiring contracts with Microshare and Aloe Software (both for renewing contracted services) was considered not sufficient and useful. The documentation lacked or was missing the following:
- o Consideration of multiple alternatives to fulfill the need. At a minimum, this alternative evaluation should consider fulfilling the need with (i) in-house services/efforts, (ii) outsourcing the services/efforts, (iii) and the impact of doing nothing;
- o List of benefits and drawbacks of each alternative;
- o The estimated cost of different alternatives;
- o The impact to the District (financial, time/effort);
- o Stakeholders involved in developing the business justification;
- o Budget available;
- o Resources needed (human resources, equipment, additional services);
- o Identification of additional expenditures;
- o Constraint identification (resources, time, budget, etc.); and
- o A metric to measure success.

2.3 The documentation provided for Solid Border, Microshare, and Aloe Software was insufficient to determine if key stakeholder input was obtained. A memo from the CIO dated October 21, 2020, was provided explaining that "various members" of the IT department provided input for each of our sample contracts. However, the memo is insufficient as it did not include the following:

- o Names of the stakeholders involved;
- o Stakeholder roles and responsibilities;
- o Stakeholder concerns (if any);
- o Stakeholder interests/requirements were taken into account;
- o Activities performed individually or collectively from stakeholders involvement; and
- o Results the stakeholders reached.

The risks of not performing a business justification or conducting related justification strategic planning activities may include, but are not limited to:

- o Potential constraints are not identified early with subsequent reactive implementation problems
- o Not exploring multiple viable solutions
- o Cost overruns
- o Indirect costs
- o Rework or needing to buy additional services
- o Unclear scope/objectives

- o Delays
- o Numerous changes

Involving key stakeholders early in the process is essential to avoid missing major deliverables for the contracted services. The initiating stakeholder might not be aware of the needs, requirements, potential risks, or constraints that key stakeholders involved in the day-to-day operations know or need. Also, the risks of not including key stakeholder input may include, but are not limited to:

- o Loss of critical service/solution requirements;
- o Insufficient key stakeholder involvement;
- o Unbalanced stakeholder interests are represented; and
- o Not meeting stakeholders' needs and expectations.

The cause for this finding is the same as for Finding 1.

For additional criteria relevant to this finding, see Exhibit B (Criteria No.'s: 1, 2, 4, and 5).

Recommendations and Management's Corrective Action Plan

Strategic planning is critical for acquiring the right contracted service and ensuring the right need or problem is being solved. A widely accepted best practice is to perform a business analysis as part of strategic decision-making. A business analysis prompts the initiating stakeholder to methodically document and strategically scrutinize proposed solutions before committing resources, time, and taxpayer monies.

We are providing five (5) recommendations to improve the Information Technology (IT) Department's strategic decision-making process before acquiring contracted services. The recommendations are based on business analysis best practices and our understanding of District internal controls. If District management implements these recommendations and performs them effectively, consistently, and with sufficient quality and detail, they will assist each department involved in improving their strategic planning activities.

District management and leadership submitted a Corrective Action Plan (CAP) outlining the activities to be implemented. All the recommendations made by Internal Audit were incorporated into the CAP. The CAP appears to be sufficient to address the findings outlined in this report. Internal Audit will conduct follow-up reviews to validate CAP activities have been implemented

We recommend the Chief Information Officer (CIO) consult with IT division leads to develop and establish a centralized formal business analysis (BA) process for contracted services acquired under 6299. The BA process should be practical and flexible to accommodate from regular to expedited needs and emergencies. At a minimum, we recommend the BA:

1

1.1. Apply to contracts valued at $25K or more regardless of the procurement method used.
1.2. Begin soon after the need is identified.
1.3. Be documented to a sufficient degree to sustain reasonable scrutiny from interested internal and external stakeholders.
1.4. Be completed and submitted to the Budget department during the budget hearing process for budget justification purposes. Budget will benefit by having their business justification review of 6299 budgets include a completed and signed business analysis provided by the initiating stakeholder.
1.5. Be completed and submitted to the Procurement department when requested.

1.6. Incorporate best/strong practices and is kept current with business analysis practices to facilitate continuous process improvement.

1.7. Be updated throughout the life of the service. If an update involves proposing a new solution, not in the initial business analysis, the stakeholder(s) (up to the Superintendent) supporting the new solution will provide a business justification on the BA and document with a sign-off. The originating stakeholders will document their reason for agreeing/disagreeing with the new proposed solution and sign-off.

Management and Leadership Response: Agreed with the recommendation and incorporated it into the CAP as activity one (1).

Person(s) Responsible: Chief Information Officer, Information Technology; and Executive Director, Procurement and School Resources

Implementation Date: September 30, 2021

2

We recommend the CIO outline the developed formal business analysis process (recommended in one (1) above) in the IT Department's Manual. Training should be provided to all appropriate IT members on the related standard operating procedures as often as necessary.

Management and Leadership Response: Agreed with the recommendation and incorporated it into the CAP as activity two (2) and three (3).

Person(s) Responsible: Chief Information Officer, Information Technology

Implementation Dates: November 1, 2021, and October 15, 2021

3

We recommend the initiating stakeholders of the three (3) contracts mentioned in Finding 1 perform a business analysis (BA) if they plan to continue with said services in fiscal year 2022. Due to the proximity to the next fiscal year and since budget hearings have already taken place, we recommend an abbreviated BA be performed if a full BA is not feasible. An abbreviated BA is to ensure stakeholders adequately document the need and business justification for these contracts. Depending on the results of this abbreviated BA, the initiating stakeholder can take the necessary and appropriate actions before entering into a contract.

Management and Leadership Response: Agreed with the recommendation and incorporated it into the CAP as activity four (4).

Person(s) Responsible: Chief Information Officer, Information Technology; and Executive Director, Budget and External Funding

Implementation Date: January 31, 2022

4 We recommend the Executive Director of Procurement and School Resources (PSR) adds a requirement in the Procurement Manual for budget owners (sponsor stakeholders) to complete a BA for IT's Miscellaneous Contracted Services under object code 6299. PSR will benefit by having an opportunity to verify if the contracted service is in "…alignment with the District's vision, mission and strategic priorities…" as stated in the Procurement Manual. This requirement would apply to contracted services valued at $25K or more regardless of the procurement method used. This manual control intends to have PSR check for existence and stakeholder approvals in the BA as early in their procurement review process. PSR can determine how to document this manual control in a way to withstand scrutiny from interested groups. PSR can also specify when this new requirement will become effective to allow stakeholders to become familiar with and understand it. PSR should evaluate whether to gradually expand this requirement beyond IT to all campuses/departments for contracted services.

Management and Leadership Response: Agreed with the recommendation and incorporated it into the CAP as activity one (1).

Person(s) Responsible: Chief Information Officer, Information Technology; and Executive Director, Procurement and School Resources

Implementation Date: September 30, 2021

5 We recommend the Executive Director Budget and External Financial Management (BEFM), adds a requirement in the Budget Manual for IT to complete a business analysis (BA) as part of their budget justification hearing process. The Budget department's review of IT's BA should be proportionate to the proposed contracted service's value and/or impact. BEFM can determine how to document this review in a way to withstand scrutiny from interested groups. Until a District-wide requirement for a business analysis process is in place, we recommend this requirement begins with contracts recorded in IT's Miscellaneous Contracted Services object code (6299) valued at $25K or more regardless of procurement method used. The Budget department should evaluate whether to gradually expand this requirement beyond IT and take advantage of all the benefits a BA can bring to justifying contracted services and improving the budget hearing process.

Management and Leadership Response: Agreed with the recommendation and incorporated it into the CAP as activity four (4).

Person(s) Responsible: Chief Information Officer, Information Technology; and Executive Director, Budget and External Funding

Implementation Date: January 31, 2022

Exhibit A – Definitions

Term	Source	Definition
Business Analysis	Business Analysis For Practitioners – A Practice Guide. Project Management Institute (PMI) Global Standard	Business analysis is the application of knowledge, skills, tools, and techniques to identify business needs; recommend relevant solutions; and elicit, document, and manage requirements. The concepts and skills in the business analysis discipline are applicable to all programs and projects, whether they are focused on products or services or process improvements, and can be used to develop manual or automated solutions using any type of project life cycle. *The business analysis discipline can be applied to any industry and performed by any individual who is responsible for managing programs and projects.*
Business Analysis Plan	Business Analysis For Practitioners – A Practice Guide. Project Management Institute Global Standard	A subplan of the project management plan that defines the business analysis approach, including the tasks that will be performed, the deliverables that will be produced, the roles required to carry out the process, and process decisions regarding how requirement-related decisions will be made; how requirement priorities will be set; how changes to requirements will be proposed, approved, and managed; how requirements will be validated, verified, monitored, and traced; and how business analysis communication will be performed.
Business case (Business justification)	Business Analysis For Practitioners – A Practice Guide. Project Management Institute Global Standard	A documented economic feasibility study used to establish the validity of the benefits of a selected component lacking sufficient definition and used as a basis for the authorization of further project management activities.
Business Value	Business Analysis For Practitioners – A Practice Guide. Project Management Institute Global Standard	A concept that is unique to each organization and includes tangible and intangible elements. In business analysis, business value is considered the return, in the form of time, money, goods, or intangibles in return for something exchanged.
Key Stakeholder	Business Analysis For Practitioners – A Practice Guide. Project Management Institute Global Standard	A stakeholder who is identified as having a significant stake in the project or program and who holds key responsibilities such as approving requirements or approving changes to product scope.
Initiating Stakeholder	Based on information found in Business Analysis For Practitioners – A Practice Guide. Project Management Institute Global Standard	A stakeholder who is initiating and responsible for the project.
Needs Assessment	Business Analysis For Practitioners – A Practice Guide. Project	The domain of business analysis concerned with understanding business goals and objectives, issues, and opportunities, and recommending proposals to address them.

Term	Source	Definition
	Management Institute Global Standard The PMI Guide to Business Analysis	Needs Assessment includes the processes used to analyze a current business problem or opportunity, analyze current and future states to determine an optimal solution that will provide value and address the business need, and assemble the results of the analysis to provide decision-makers with relevant information for determining whether an investment in the proposed solution is viable.
Objective	The PMI Guide to Business Analysis	Something toward which work is to be directed, a strategic position to be attained, a purpose to be achieved, a result to be obtained, a product to be produced, or a service to be performed. In business analysis, objectives are quantifiable outcomes that are desired from a solution.
Project	A Guide to the Project Management Body of Knowledge PMBOK Guide (Sixth Edition)	A project is a temporary endeavor undertaken to create a unique product, service or result.
Solution	The PMI Guide to Business Analysis	Something that is produced to deliver measurable business value to meet the business need and expectations of stakeholders. It defines what a specific portfolio component, program, or project will deliver. A solution could be one or more new products, components of products, or enhancements or corrections to a product.
Sponsor Stakeholder	Business Analysis For Practitioners – A Practice Guide. Project Management Institute Global Standard	A person or group who provides resources and support for the project, program, or portfolio and is accountable for enabling success.
Stakeholder	Business Analysis For Practitioners – A Practice Guide. Project Management Institute Global Standard	An individual, group or organization who may affect, be affected by, or perceive itself to be affected by a decision, activity, or outcome of a project, program, or portfolio.
Stakeholder Analysis	Business Analysis For Practitioners – A Practice Guide. Project Management Institute Global Standard	A technique of systematically gathering and analyzing quantitative and qualitative information to determine whose interests should be taken into account throughout the project.

Exhibit B – Criteria

Criteria No.	Criteria
1	***EPISD Procurement Manual (August 2019):*** **8.1 – Site-Based Decision Making** "EPISD utilizes site-based decision making for campuses and departments. From a purchasing perspective this means that *schools and departments (the end-users) determine what is needed* and when it is needed and determine how to best meet the needs of our students. However, the final commitment of District funds is made by the Procurement Services Department." **8.3 – Definition of Bid Owner** "The 'Bid Owner' is the Department Head or Budget Owner…" **8.4 – Pre-Solicitation Phase** "District key stakeholders shall be involved to ensure the needs of the District are clearly recognized and identified." "The Bid Owner is the Department Head or Budget Owner… the person or department that will benefit from the products or services procured" and "should be a professional knowledgeable in the products or services being sought and shall participate during the needs assessment to ensure all related variables are considered and identify the need and needs for major initiatives." **(Step 1: Formal Needs Assessment)** "The best practice procurement process begins with the identification of a purchasing need. A Needs Assessment promotes transparency of the procurement process, which leads to improving public confidence that District personnel are good stewards of public funds. The purpose of the Formal Needs Assessment: ♦ Identifying the need for the purchase or establishment of a new contract. ♦ Identifying scope, stakeholders and critical business requirements. ♦ Conducting market analysis to identify available goods, services and suppliers. ♦ Estimating expected contract award value or purchases for the fiscal year. ♦ Addressing market and budget constraints. ♦ Evaluates and determines whether the proposed services/goods are aligned with the District's/Board's goals and fits a strategic plan (either financial, instructional, or other)."
2	***Texas Education Agency 2019 Financial Accountability System Resource Guide, Update 16 - Module 5: Purchasing*** "Purchasing in the public sector environment presents numerous challenges including the following: … The consistent oversight by interest groups. School district purchasing is scrutinized by diverse groups including the public, the media, state and federal agencies, and auditors. Strict adherence to established guidelines and consistency in record keeping, documentation, and execution of procedures, assists the school district in withstanding this scrutiny. Transparency in all processes should be maintained."

3	***EPISD Budget and External Financial Management Manual (BEFM) (June 2020):***
	1.4 – Compliance
	It is the policy of the District to conduct all BEFM activities in accordance with applicable Federal, State, and Local laws. Staff responsible for any aspects of BEFM activities shall comply with the rules described in the aforementioned laws and aspire to the highest ethical standards and business practices. BEFM staff is responsible for supporting campuses and departments and ensures that all services and goods procured are allowable, reasonable, and necessary.
4	***The PMI Guide to Business Analysis (2017):***
	Preface – page XLIV
	"The guide provides guidance on how to effectively apply business analysis processes and practices to drive better business outcomes regardless of industry, project size, or project type. It provides business analysis guidance for any delivery method including predictive (waterfall) and adaptive (agile). The PMI Guide to Business Analysis includes these six Knowledge Areas:
	♦ Needs Assessment ♦ Stakeholder Engagement ♦ Elicitation ♦ Analysis ♦ Traceability and Monitoring ♦ Solution Evaluation"
	This guide also "was developed by leading experts for practitioners in the field. As full consensus standards, the guide and standard were subjected to PMI's rigorous development process, including a subject matter expert review and a public exposure review, where practitioners commented and submitted changes for consideration by the core committee."
5	***The Texas Procurement and Contract Management Guide (December 2019):***
	♦ "Procurement "planning activities, at a minimum, include developing a needs assessment…" ♦ The needs assessment "must contain sufficient detail to identify the key business requirements." ♦ Entities "should use the business requirements identified in the needs assessment as the starting point for drafting the scope of work. The success or failure of a contract can usually be linked to the adequacy of the planning, analysis, and thoroughness of the scope of work. Time spent planning, analyzing, and drafting the scope of work will result in savings of time, resources and money, and will improve the quality of products and service provided." ♦ "The success of the procurement is often dependent upon how well the business requirements are documented during the Procurement Planning phase. The needs assessment, therefore, must contain sufficient detail to identify the key business requirements. As part of the needs assessment, the agency may conduct market research, study historical spend, use benchmarking, and issue a Request for Information (RFI) to the vendor community."

EL PASO INDEPENDENT SCHOOL DISTRICT

BOARD OF TRUSTEES

Internal Audit Department

1014 N. Stanton St. El Paso, TX 79902

Phone 915-230-2743   Email audit@episd.org

Fraud, Waste, and Abuse Hotline:

https://www.reportlineweb.com/EPISD or (800) 620-8591