



Corrective Action Plan Follow-up Review: Procurement Process Audit

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Final Follow-up Report

Audit Plan Code: 19-17

Management implemented a corrective action plan (CAP) with 14 activities to address the findings and recommendations in the original audit report. As such, this report represents the close-out of the CAP.



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Abbreviations

CAP	Corrective Action Plan
IIA	Institute of Internal Auditors
TEAMS	Total Education Administrative Management Solution



Follow-up Review

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Background

As part of the reporting and audit process, 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 and recommendations.

Internal Audit issued the Procurement Process Audit Report to District management and administration on December 2, 2016. We performed the audit as part of the Board approved 2016-2017 Internal Audit Plan. The objective of the audit was to assess the design and operating effectiveness of the procurement process and related internal controls to provide reasonable assurance that procurement federal/state laws and regulations, Board policies, and the department manual/guidelines are followed by the District when purchasing goods and services. The scope included reviewing policies and procedures in place and evaluating controls around the bid and quote processes for the July 1, 2015 to March 31, 2016 period. We did not identify systematic issues with the procurement process. Rather, we found isolated instances of non-compliance driven by (i) Procurement's transitioning and maturing control environment, (ii) system limitations, (iii) deficiencies in review controls, and (iv) state and local guidance that were open to interpretation.

The original audit report included nine (9) findings, five (5) observations, and 19 recommendations. For reference, a summary of the original audit results is provided in **Exhibit A**. District management and administration agreed with our recommendations and developed a corrective action plan (CAP) to address the findings. Internal Audit issued a letter to management on November 29, 2016 to address the five (5) observations and corresponding six (6) recommendations in the original audit report.

Objective and Scope

The objective and scope of this follow-up review was to determine whether management and administration implemented the activities in the CAP or took other actions to address the nine (9) findings and 13 related recommendations outlined in the original Procurement Process Audit Report.

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.

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.

Summary of Results

Management implemented a corrective action plan with 14 activities to address the nine (9) findings and 13 recommendations in the original audit report.

CAP Activities	Implemented	Overall CAP Status
15	14*	Closed

*The initial CAP submitted by management had 14 activities. Due to a TEAMS system limitation, Procurement was not able to implement one CAP activity (activity 8) and agreed to implement an alternate activity (activity 8a) which adds a mitigating control.

This report represents the close-out of the CAP.

Original Recommendations and Status of CAP Activities

The original recommendations, the person(s) responsible, and the status of the CAP activities are outlined below:

1

Original Recommendation: It is recommended Procurement staff perform and document a final review of the evaluation scoring sheets in order to check for possible mathematical or formula errors and ensure ranking is proper.

Management and Leadership Response: Agreed with recommendation and incorporated into the CAP as activity two (2) as follows:

Activity 2: "Procedures will be developed that requires procurement staff to perform a final review of evaluation scoring sheets in order to check for possible mathematical or formula errors and ensure ranking is proper."

Person Responsible: Executive Director, Procurement Services

Status: Implemented

2

Original Recommendation: A formal memo should be used to document the rationale for those instances where a vendor, who does not have the highest ranking, is recommended for award to the Board. This memo should be signed by the bid panel and Procurement staff and should be included in the bid packet provided to the Board for approval.

Management and Leadership Response: Agreed with recommendation and incorporated into the CAP as activity three (3) as follows:

Activity 3: "Procedures will be developed that will require a formal memo be used to document the rationale for those instances where a vendor, who does not have the highest ranking, is recommended for award to the Board. The memo shall be signed by the bid panel and Procurement staff and shall be included in the bid packet provided to the Board for approval."

Person Responsible: Executive Director, Procurement Services

Status: Implemented

3

Original Recommendation: It is recommended for Procurement staff to implement a process (e.g. checklist) to ensure all pertinent documentation is maintained in each bid folder.

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

Activity 4: "The Procurement Services Department will implement a checklist process to ensure all pertinent documentation is maintained in each bid folder."

Person Responsible: Executive Director, Procurement Services

Status: Implemented

4

Original Recommendation: It is recommended for Procurement to provide instructions to vendors on how to complete conflict of interest forms so that forms will be filled out completely and appropriately and in a consistent manner.

Management and Leadership Response: Agreed with recommendation and incorporated into the CAP as activity five (5) as follows:

Activity 5: "The Procurement Services Department will develop and provide instructions to vendors on exactly how to complete conflict of interest forms so that forms will be filled out completely and appropriately and in a consistent manner."

Person Responsible: Executive Director, Procurement Services

Status: Implemented

5

Original Recommendation: Procurement should follow-up with vendors who submit conflict of interest forms that are not filled out completely and/or appropriately before recommending vendors for award.

Management and Leadership Response: Agreed with recommendation and incorporated into the CAP as activity six (6) as follows:

Activity 6: "The Procurement Services Department will develop procedures to ensure that vendors submit conflict of interest forms that are filled out completely and/or appropriately before recommending vendors for award."

Person Responsible: Executive Director, Procurement Services

Status: Implemented

6

Original Recommendation: It is recommended a Procurement staff member perform a final review to verify all bid response information is transcribed accurately before the bid panel begins their evaluation.

Management and Leadership Response: Agreed with recommendation and incorporated into the CAP as activity seven (7) as follows:

Activity 7: "Procurement Services Department staff members will work alongside the Facilities and Construction Department to perform a final review to verify all bid response information is transcribed accurately before the bid panel begins their evaluation."

Persons Responsible: Executive Director, Procurement Services and Executive Director, Planning and Innovative Schools

Status: Implemented

7

Original Recommendation: It is recommended for Procurement to work with Technology Services and Prologic to determine if the TEAMS procurement module can be updated to allow for automated tracking of purchase orders under a bid or a Co-Op.

Management and Leadership Response: Initially agreed with recommendation and incorporated into the CAP as activity eight (8). However, due to TEAMS system limitation, Procurement was not able to implement the original recommendation and agreed to implement an alternate activity (CAP activity 8a) which adds a mitigating control to the current manual tracking process to minimize the risk of the process being incomplete and inaccurate.

Activity 8: "The Procurement Services department will collaborate with Technology Services and Prologic to determine if the TEAMS procurement module can be updated to allow for automated tracking of purchase orders under a bid or a Co-Op."

Activity 8a: "The Procurement Services Department will add a layer of oversight (review) to the manual process performed to keep track of purchases orders (expenses) for awarded bids."

Persons Responsible: Executive Director, Procurement Services and TIS Analyst

Status: Activity 8 Not Implemented
Activity 8a Implemented

8

Original Recommendation: It is recommended a standard process be documented and implemented in the District's General Procurement Guidelines for sole source purchases consistent with the requirements in Board Policy CH (Local). Documentation should clearly delineate the reasons that qualify the purchase to be made on a sole source basis and be archived.

Management and Leadership Response: Agreed with recommendation and incorporated into the CAP as activity nine (9) as follows:

Activity 9: "The Procurement Services Department will collaborate with the District's Legal Department, to develop a standard process for documenting sole source purchases. EDGAR requirements will be reviewed to determine if sole-source purchase will be allowed. The process will be updated to clearly delineate the reasons that qualify the purchase to be made on a sole source basis or to align closer with CH (LEGAL). The revised process will then be added to the District's General Procurement Guidelines and or Purchasing Manual."

Persons Responsible: Executive Director, Procurement Services and General Counsel

Status: Implemented

9

Original Recommendation: It is recommended a determination be made by Procurement as to where the quote requirements control should reside (i.e. at Procurement - compensating control vs. budget authority - primary control).

Management and Leadership Response: Agreed with recommendation and incorporated into the CAP as activity 10 as follows:

Activity 10: "The Procurement Services Department will determine as to where the quote requirements control should reside (i.e. at Procurement - compensating control vs. budget authority - primary control)."

Person Responsible: Executive Director, Procurement Services

Status: Implemented

10

Original Recommendation: Procurement should determine if all quote requirements are still valid and necessary.

Management and Leadership Response: Agreed with recommendation and incorporated into the CAP as activity 11 as follows:

Activity 11: "The Procurement Services Department will review current quote requirements to determine if they are still valid. All quote requirements will be updated in the General Procurement Guidelines and or Purchasing Manual."

Person Responsible: Executive Director, Procurement Services

Status: Implemented

11

Original Recommendation: It is recommended Procurement consult with the District's General Counsel and make a determination as to what type of purchases should be supported by a contract/agreement and related authorizations. Board Policy CH (Local) should be updated to include this information.

Management and Leadership Response: Agreed with recommendation and incorporated into the CAP as activity 12 as follows:

Activity 12: "Procurement Services will consult with the District's General Counsel to make a determination as to what type of purchases should be supported by a contract/agreement and related authorizations. Any changes shall be updated under Board Policy CH(LOCAL) as necessary and will be updated in the General Procurement Guidelines and or Purchasing Manual."

Person Responsible: Executive Director, Procurement Services and General Counsel

Status: Implemented

12

Original Recommendation: Procurement staff obtain the necessary access to the system used for campus activity account funds in order to monitor purchases for compliance with procurement federal/state laws and regulations, Board policies, and the department manual/guidelines. Limitations currently in place should be considered if the AS400 system is replaced.

Management and Leadership Response: Agreed with recommendation and incorporated into the CAP as activity 13 as follows:

Activity 13: "The Procurement Services Department will obtain the necessary access to the system used for campus activity account funds in order to monitor purchases for compliance with procurement federal/state laws and regulations, Board policies, and the department manual/guidelines. Limitations currently in place will be considered if the AS400 system is replaced. Procurement Services will also review and work alongside the Finance Department to verify that the newly acquired campus accounting software will allow for monitoring of purchasing compliance."

Persons Responsible: Executive Director, Procurement Services and Executive Director, Financial Services

Status: Implemented

13

Original Recommendation: Procurement should work alongside Campus Accounting to develop a process that provides reasonable assurance purchases made using campus activity funds are included when determining purchasing compliance thresholds.

Management and Leadership Response: Agreed with recommendation and incorporated into the CAP as activity 14 as follows:

Activity 14: "The Procurement Services Department will collaborate with the Campus Accounting department, to develop a process that provides reasonable assurance purchases made using campus activity funds are included when determining purchasing compliance thresholds, to include revisions to the campus accounting manual."

Persons Responsible: Executive Director, Procurement Services and Executive Director, Financial Services

Status: Implemented

Exhibit A – Summary of Original Audit Results

Finding	Summary Finding
1	One (1) bid, that did not receive the highest overall average ranking by bid panel members, was recommended to the Board for award. This vendor (primary vendor) was awarded \$575,000 (or 85%) of the total award. The other 19 vendors (secondary vendors) were awarded a combined amount of \$100,000 (or 15%) of the total award. Evidence of documentation or a justification/explanation was not provided as to why the vendor that did not have the highest overall ranking was recommended as the primary vendor.
2	One (1) of the bids awarded was missing individual bid panel member evaluation score sheets for all three bid panel members. Thus, we could not validate the accuracy of the summarized evaluation scoring sheet used to determine the vendor with the highest average score.
3	Fifteen (15) of the bids awarded had at least one conflict of interest form missing or the form was inconsistently filled out among awarded vendors.
4	One (1) vendor's bid response packet, which was submitted by the bid deadline, was not evaluated by bid panel members from the District's Facilities and Construction (FC) Department. Based on the handwritten proposal tabulation form filled out at bid opening, the proposed price submitted by the vendor would have made it the eighth lowest bidder of 16 bidders.
5	The spreadsheet used by Procurement to manually keep track of purchase orders (expenses) for awarded bids is not complete and accurate. It is important to note that the current manual tracking process was implemented by Procurement as an alternative due to a TEAMS system limitation.
6	One (1) sole source purchase, recommended by Administration and approved by the Board on 6/23/15, appears to meet the sole source criteria from Texas Education Code (TEC) Subchapter B., Sec. 44.031, but not the more restrictive sole source criteria from Board Policy CH (Local).
7	Twelve (12) purchases were supported by a quote, but did not include at least one of the five quote requirements covered in the District's General Procurement Guidelines (i.e. freight costs, timeline for delivery, how long pricing will be in effect, full description of items, and all applicable costs including discount pricing).
8	Purchases of software solutions (over \$5,000) are not consistently supported by a contract/agreement. For example, the purchase of sports editing software was supported by a contract/agreement, but the purchase of campus improvement plan and PEIMS data analyzing software applications were not.
9	Purchases made using campus activity funds are not being monitored for compliance with procurement federal/state laws and regulations, Board policies, and the department manual/guidelines. As of the date of our audit procedures, there are limitations in place within the AS400 system restricting Procurement's oversight over campus activity purchases.

Observation	Summary Observation
1	Procurement currently tracks purchases of goods and services by vendor as opposed to categories/commodities for compliance with TEC Section 44.031. However, tracking of purchases of goods and services by categories/commodities appears to be the accepted practice, based on our research of TEC, TEA's FASRG, and inquiries through a TASBO forum, and with two sources with a background in school district procurement. During our research, one of the sources even took it a step further and noted purchases of goods and services should be tracked by both categories/commodities AND vendors. As of the end of the scope period, it appears the reason for not tracking by categories/commodities is due to a TEAMS limitation preventing Procurement from utilizing a defined listing of procurement categories/commodities.
2	Per review of contract/agreement templates available in the myEPISD's Procurement website, we noted they do not include a "right-to-audit" clause. Such a clause allows the buyer, in this case EPISD, to examine the records of the vendor to validate due care, compliance with terms of contract, policies and procedures, and/or proper oversight measures.
3	It appears Board approval requirements for purchases of goods and services are inconsistent dependent on whether the purchase went through EPISD's or another entity's procurement process. A higher threshold is used for purchases that went through another entity's procurement process.
4	According to Procurement, there are certain types of purchases exempt from the procurement process, including registration fees for conferences, and membership dues to professional organizations, etc. as the objectives/purposes of the services offered by these conferences/organizations are unique. Examples of these type of expenses are: registration fees for "National Title 1 Conference" and "National Center for Youth Issues", and TASBO and TASB membership dues.
5	Per review of a summarized member's evaluation scoring sheets from the vendor evaluation process and discussions with Procurement, we noted the process used to award points for the price criteria is not consistent.



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