

2017

# Performance Audit of the Procurement Department *for Alexandria City Public Schools*

PREPARED AND SUBMITTED BY:

**GIBSON**

AN EDUCATION CONSULTING & RESEARCH GROUP



## Contents

|   |    |
|---|----|
| Executive Summary.....                                    | 2  |
| Background .....  | 7  |
| Testing Methodology .....                                 | 9  |
| Section 1 – Management and Organization .....             | 10 |
| Section 2 – Competitive Procurement and Contracting ..... | 16 |
| Section 3 –Purchase Order Issuances .....                 | 27 |
| Section 4 – Other .....                                   | 36 |
| Appendix A – Interview Roster .....                       | 39 |
| Appendix B – Testing Results .....                        | 40 |
| Appendix C – Analytics Results .....                      | 42 |
| Appendix D – Sample Evaluation Matrix.....                | 43 |



# Executive Summary

---

In 2016, Gibson Consulting Group, Inc. (Gibson) was engaged by Alexandria City Public Schools (Alexandria CPS) to commence an internal audit program. The first audit selected was a performance audit of the procurement function. Other audits are tentatively planned for fiscal year (FY) 2017 and FY 2018, including facilities management, payroll, and human resources.

This report represents the results of the procurement audit. Gibson analyzed all procurement functions when conducting this audit. These functions include those within the Procurement Department, and also extended to departments and schools that play a role in procurement processes. Several recommendations in this report relate to the procurement function but fall outside the scope of responsibility of the Procurement Department.

The audit objectives of the procurement audit were to:

- Determine whether the Division is in compliance with the Virginia Public Procurement Act (VPPA).
- Determine whether policies and procedures have been established for the procurement function and whether those policies and procedures are being followed.
- Determine whether procurement transactions are recorded accurately and whether adequate support is maintained for those transactions.
- Determine whether effective internal controls have been established.
- Determine whether the organizational structure of the Procurement Department is appropriate, including the alignment of functions, the reporting structure, the staffing levels, and supervision of staff.
- Determine whether procurement processes are efficient and maximize the use of technology.

This report presents commendations as well as recommendations to improve processes, controls, and management practices in the Procurement Department.

The audit involved the collection and analysis of data as well as interviews with all members of the Procurement Department and administrators and staff that interact with the Division's Procurement operations and functions. Appendix A contains a complete interview roster. The audit team also performed data analytics and testing of transactions to ensure compliance with the VPPA, board policies, administrative regulations, and Division operating procedures. The audit took place from August 2016 to December 2016.

The summary below includes a list of commendations and recommendations identified during the audit.

## Commendations

- 1) **The Alexandria CPS Procurement Department won the Achievement of Excellence in Procurement (AEP) award from the National Procurement Institute, Inc. (NPI) in 2016.** The AEP is a national program designed to benchmark organizational excellence in procurement. All applicants are scored on criteria established to measure innovation, professionalism, productivity, e-procurement, and leadership attributes of the procurement organization. Points must be earned in many categories, including:
  - Procurements ethics
  - Electronic procurement manual
  - Professional development (also see separate commendation below)
  - Continuous improvement
  - Centralized procurement authority
  - Procurement organizational structure
  - Utilization of electronic commerce
  - Use of blanket orders
  - Professional certification (see related commendation below)
  - Education
  - Leadership in professional procurement association
  - Conference presentation or article publishing
  
- 2) **Professional development is a high priority in the Procurement Department.** The Director of Procurement and the Procurement Manager are both certified Virginia Contracting Officers (VCO), and the Sr. Buyer and Buyer are working towards obtaining this certification. The VCO program covers the intent of procurement law (VPPA) and the application of policies and procedures pertaining to competitive solicitations. In addition, the Director of Procurement monitors the training and professional development of all procurement personnel and incorporates related goals into annual evaluations.
  
- 3) **The Procurement Department is making strides towards becoming more efficient through the automation of several key processes.** In FY 2016, the Procurement Department implemented the Munis Contract Management module to more effectively manage contracts. For example, the software will generate reminders for contracts coming to an end and allow users to easily extract information on demand regarding any contract entered into the system. In FY 2017 the Procurement Department will be implementing the Munis eProcurement Vendor Self-Service and Procurement Card programs. The vendor self-service program will allow vendors to register online through a Munis web-based interface, and receive notifications of posted solicitations based on selected commodity codes. The Procurement Card program will help streamline the procurement process by reducing the time to process requisitions and purchase orders, reducing vendor collection costs, eliminating the submission of invoices to schools and departments, and reducing

the time to pay vendors. Through the use of procurement cards end users will be able to purchase goods, maintenance, repair, and operating supplies and services up to \$2,500.

- 4) **The Procurement Department has invested in the training of end users involved in the procurement process.** The Procurement Department has implemented a detailed manual and annual procurement training for those that create and approve requisitions. This training covers the entire procurement process and includes labs for entering requisitions, change orders, receiving reports, as well as for the approval of requisitions. In addition to the annual training, the Director of Procurement and other procurement personnel visit schools and departments every year, and as new employees are hired, work one-on-one with support staff regarding the procurement process and the use of the Munis system.

Other procurement initiatives are planned for FY 2017. The Procurement Department Goals are presented as part of the goals for Financial Services and include the following:

- Develop standard operating procedures, update the Procurement Manual, and coordinate training.
- Establish and coordinate training for the Procurement Card (P-Card) initiative, and train end users and procurement staff.
- Implement centralized contracting database for use by procurement staff and schools/departments.

These achievements and initiatives reflect significant progress of the Procurement function in recent years.

## Recommendations

While major improvements and achievements have been accomplished, several improvement opportunities were identified. One of the more significant findings related to this audit was the lack of complete procurement file documentation. This limited the ability of the audit team to verify compliance through audit transaction testing. Relatively minor compliance violations were noted during the audit, but better file documentation would help Alexandria CPS prove compliance with all applicable procurement laws and regulations.

While much progress has been made with respect to efficiency in recent years, and more is planned this year (e.g., P-Card implementation), additional efficiencies were identified to maximize the use of current technologies. Internal controls can also be improved in the areas of vendor creation and maintenance, blanket purchase orders, and information system access.

Table 1 provides a listing of 21 audit recommendations in the order they appear in the report, along with a priority assignment recommended by the audit team. These recommendations pertain to all elements of the procurement function, some of which relate to departments outside of procurement (e.g.

increasing the controls over the maintenance of Munis user access levels requires Technology Services to be implemented).

**Table 1. Summary of Recommendations**

| Priority | No. | Recommendation  |
|----------|-----|---|
| High     | 1   | Supplement existing performance measures.   |
| Medium   | 2   | Conduct a spend analysis on a quarterly basis.  |
| Low      | 3   | Update Procurement Department job descriptions to accurately reflect the roles and responsibilities of the positions.                         |
| High     | 4   | Scan and maintain all procurement and contract files electronically.  |
| High     | 5   | Maximize the use of Division resources to electronically receive vendor responses to competitive solicitations.                               |
| Medium   | 6   | Improve the proposal evaluation process.  |
| Low      | 7   | Retain the actual advertisements of solicitations in the procurement files.   |
| Medium   | 8   | Retain documentation in procurement files of the date and time vendor responses are received by the Division.                                 |
| Medium   | 9   | Digitize the ITB/RFP checklists and enforce their use.  |
| Medium   | 10  | Conduct customer surveys upon completion of each competitive solicitation.  |
| High     | 11  | Document the evaluations of ITBs.   |
| High     | 12  | Increase use of state online system for obtaining quotes.   |
| Medium   | 13  | Enhance procedures for vendor creation and maintenance in the Munis system.   |
| Medium   | 14  | Implement the use of the Munis automatic email functionality to send POs to vendors.  |
| Medium   | 15  | Perform analysis to better understand the root cause of improperly issued purchase orders and implement control procedures to eliminate them. |
| Medium   | 16  | Implement control procedures to better monitor the use of blanket purchase orders.  |
| High     | 17  | Ensure that procurement file documentation validates policy compliance.   |
| Medium   | 18  | Increase controls over the maintenance of Munis user access levels.   |
| Low      | 19  | Implement departmental review procedures for the modification of Munis system workflow.   |
| High     | 20  | Utilize electronic forms to increase efficiency and enhance approval and record keeping processes.  |
| High     | 21  | Secure procurement files to ensure confidentiality and reduce the possibility of lost records.  |

The remainder of this report presents detailed findings and supporting information related to each recommendation. It is organized into the following sections:

Background

Testing Methodology

Section 1 – Management and Organization

Section 2 – Competitive Procurement and Contracting

Section 3 – Purchase Order Issuances

Section 4 – Other





# Background

## Financial Overview of Alexandria CPS

Alexandria CPS serves almost 15,000 students under an annual operating budget of \$233 million. The Division has seen overall expenditure increases from FY 2012 to FY 2016, but because of enrollment growth (19 percent over five years), expenditures per student have actually declined. Table 2 outlines operating expenditures and student enrollment for the Division over the past 5 years.

**Table 2. Operating Expenditures and Student Enrollment, FY 2012 – FY 2016<sup>1</sup>**

| Expenditure                        | FY 2012              | FY 2013              | FY 2014              | FY 2015              | FY 2016              |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Salaries                           | \$132,703,464        | \$138,857,082        | \$142,806,798        | \$145,193,704        | \$152,919,211        |
| Employee Benefits                  | \$43,841,560         | \$47,639,880         | \$49,626,807         | \$53,900,044         | \$52,827,003         |
| Purchased Services                 | \$11,478,775         | \$10,948,053         | \$10,783,815         | \$11,068,248         | \$11,433,941         |
| Internal Services                  | \$12,373             | (\$777)              | \$6,443              | \$3,499              | \$1,008              |
| Other Charges                      | \$7,043,433          | \$8,250,961          | \$7,571,459          | \$9,839,065          | \$8,883,938          |
| Materials and Supplies             | \$7,652,760          | \$7,307,760          | \$8,422,465          | \$7,234,805          | \$6,824,352          |
| <b>Total</b>                       | <b>\$202,732,365</b> | <b>\$213,002,959</b> | <b>\$219,217,787</b> | <b>\$227,239,365</b> | <b>\$232,889,453</b> |
| Student Enrollment                 | 12,396               | 13,105               | 13,622               | 14,216               | 14,729               |
| Operating Expenditures per Student | \$16,355             | \$16,254             | \$16,093             | \$15,985             | \$15,812             |
| Purchased Services per Student     | \$926                | \$835                | \$792                | \$779                | \$776                |

Source: Alexandria CPS Five Year Spending History by Object

Salaries and benefits have historically comprised 87 percent to 88 percent of total operating expenditures. Growth in salaries (15 percent over five years) has actually been lower than enrollment growth, indicating more efficient staffing relative to the student population. Employee Benefits have historically comprised 33 percent to 34 percent of salaries. In 2013, Retirement/Group Life Insurance totals increased by 19 percent due to the Virginia Retirement System's increase in rates for Group Health and Group Life Insurance. During 2014, the Division experienced higher expenditures for workers compensation claims and in 2016, there was a discontinuation of long-term sick leave, which decreased Employee Benefit expenditures.

Purchased Services have historically comprised 5 percent to 6 percent of total operating expenditures, and have remained fairly constant during this time period. However, on a per student basis, the amount dropped from \$926 in FY 2012 to \$776 in FY 2016, a decline of 16 percent.

<sup>1</sup> Operating expenditures does not include capital outlay or other financing.

The Alexandria CPS Procurement Department processed more than 7,500 purchase orders representing \$43 million of purchases in FY 2016. Purchasing is largely centralized, although certain types of purchases (low dollar items, student activity fund purchases) can occur at the department and school level.

## Governing Framework

Chapter 43 of the Code of Virginia is the Virginia Public Procurement Act that establishes public policies that must be followed by public bodies in the Commonwealth of Virginia as it pertains to the procurement of goods and services. This Act outlines methods of procurement, competitive bidding requirements, contractual requirements, and certain state preferences for procurement (e.g., preference for recycled paper).

In addition to the VPPA, there are several Alexandria CPS board policies that govern the procurement process. Below is an overview of the key policies.

Policy DJ outlines the quote requirements for small purchases (i.e., purchases under \$100k over a twelve month period).

Policy DJA outlines purchasing authority limits, requirements for emergency purchases, and requirements for sole source purchases.

Policy DJA – R is the Alexandria CPS procurement manual that outlines the policies and procedures to be followed by the Division in fulfilling procurement and related responsibilities within delegated limits.

Policy DJF outlines contractor requirements including certification regarding felonies and sex offense convictions, compliance with the immigration reform and control act, and prohibited contractor discrimination.

Policy DJFA outlines purchasing procedures pertaining to construction services.

Policy DJFB outlines procedures for the review, approval, and execution of contracts.

Policy DJG outlines the policies pertaining to vendor relations including disclosure of subsequent employment with a vendor, as well as the limitation on submitting a bid or proposal for employees that participated in the preparation of the solicitation.

# Testing Methodology

Gibson’s testing strategy contained two main elements: (1) data analytics and (2) sample testing of individual transactions and process controls. Data analytics encompasses a review of an entire population of transactional data to detect any anomalies that would indicate non-compliance with policies and procedures, lack of controls, and inefficiencies in processes.

Sample testing of transactions focuses on a subset of the transactional data population. During testing, Gibson corroborates each aspect of the transaction selected through the review of all documentation retained for the transaction. The selection of samples for testing is based on experienced auditor judgment and is driven by information gained during interviews and data analytics.

Based on the timing of this audit, the transactions analyzed occurred between July 1, 2014 to June 30, 2015 (FY 2015) and July 1, 2015 to June 30, 2016 (FY 2016); referred to as the “audit period” for purposes of this report.

Appendix B details the transaction testing and analytical procedures, as well as summarizes the results from those. Sections 1 through 4 of this report outline the audit findings and recommendations for each major area of the procurement process. The findings outlined in each section do not always result in a recommendation; however, they are outlined as findings to highlight their importance. Table 4 provides a high level summary of the audit procedures that were executed.

**Table 4. Transaction Testing and Data Analytics Summary**

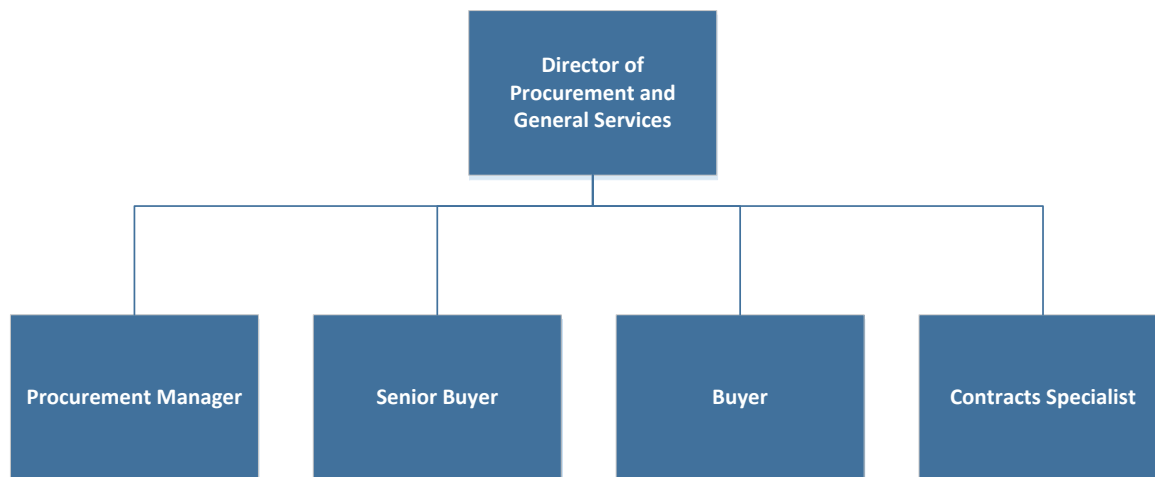
| Procedure  | Procedure Name            | Sample Size | Procedure Overview   |
|------------|---------------------------|-------------|--|
| Test 1     | Competitive Procurements  | 10          | Audit of the competitive procurement process from drafting ITBs/RFPs through vendor selection and execution of contract.   |
| Test 2     | PO Transactions           | 30          | Audit of transactions using a Purchase Order. Each transaction is reviewed from requisition to receipt of goods/services.  |
| Analytic 1 | Unusual PO Dates          | Population  | Examination of all PO dates to identify and assess POs issued on unexpected dates (e.g., holidays or weekends).            |
| Analytic 2 | Unusual Object Codes: POs | Population  | Examination of all PO object codes to identify any improper coding (e.g., POs coded to revenue or other unexpected codes). |
| Analytic 3 | Electronic POs            | Population  | Examination of all POs to identify the percentage sent electronically  |
| Analytic 4 | Improperly issued POs     | Population  | Examination of all issued and paid POs to identify any improperly issued POs (e.g., PO date after invoice).                |
| Analytic 5 | Duplicate Vendor Records  | Population  | Examination of all vendor records to identify vendors with the same name or address.                                       |
| Analytic 6 | Requisition Cycle Times   | Population  | Examination of all requisition entry dates and PO creation dates to determine the time to approve requisitions.            |

# Section 1 – Management and Organization

## Procurement Department

Figure 1 depicts the current organizational structure of the Procurement Department. Currently the Director of Procurement and General Services oversees all employees within the Department, including the Procurement Manager, Senior Buyer, Buyer, and Contract Specialist.

**Figure 1. Procurement Department Organizational Chart**



*Source: Alexandria CPS Procurement Department*

The Division's Procurement Department includes five positions. Everyone within the Department is new within the past two to three years, with the exception of the Buyer who has been in this position for over seven years. Gibson interviewed all members of the Procurement Department as well as members of other departments, such as Accounting Services and Financial Systems and Reporting. Refer to Appendix A for a complete interview roster.

The Procurement Director oversees all aspects of the procurement process and ensures compliance with federal and state procurement regulations and Board policies. The Procurement Director is also heavily involved in the preparation and administration of complex, high dollar value solicitations. The Procurement Manager assists the Director to ensure the Division is compliant and processes complex competitive solicitations. Both of these positions also play a significant role in the approval of requisitions, including all purchases equal to or greater than \$30,000. The Senior Buyer and Buyer prepare and administer less complex solicitations and approve requisitions below \$30,000. The Contracts Specialist manages contracts to ensure they are properly renewed or closed out. Both the Buyer and the Contracts Specialist manage vendors in the Munis system.

The Procurement Department also oversees three contractors that perform mail, print and courier services. These individuals are not ACPS employees; however they are included in the Procurement Department budget.

Table 3 outlines the Procurement Department expenditures for the past five years. These expenditures have historically accounted for 0.1% to 0.3% of total Division operating expenditures. Procurement staffing levels have increased over the past five years, from two in FY 2012 to five in FY 2016. This caused salaries and benefits to increase, and purchased services, specifically temporary help services, to decrease.

**Table 3. Procurement Department Expenditures, FY 2012 – FY 2016**

| Expenditure            | FY 2012          | FY 2013          | FY 2014          | FY 2015          | FY 2016          |
|------------------------|------------------|------------------|------------------|------------------|------------------|
| Salaries               | \$117,553        | \$112,315        | \$207,780        | \$347,731        | \$418,258        |
| Employee Benefits      | \$25,554         | \$33,335         | \$61,610         | \$116,083        | \$138,120        |
| Purchased Services     | \$58,508         | \$215,457        | \$93,822         | \$37,228         | \$35,502         |
| Internal Services      | \$274            | \$0              | \$0              | \$606            | \$36             |
| Other Charges          | \$6,396          | \$2,114          | \$4,784          | \$7,629          | \$12,953         |
| Materials and Supplies | \$2,699          | \$1,934          | \$116            | \$13,747         | \$11,927         |
| <b>Total</b>           | <b>\$210,984</b> | <b>\$365,154</b> | <b>\$368,112</b> | <b>\$523,023</b> | <b>\$616,796</b> |

Source: Alexandria CPS Procurement Department Five Year Spending History by Object

Each year the Council of Great City Schools (COGCS) publishes *Managing for Results*, a report that provides benchmark comparisons of the country's major urban schools systems. Performance measures are collected from school systems across the U.S. in all operational areas, including Procurement. While Alexandria CPS is not affiliated with the COGCS, the data provide a viable benchmark comparison. It is important to note that since most of the school districts reporting are much larger than Alexandria CPS, they are more likely to benefit from economies of scale. The fall 2016 report contains benchmark data for FY 2015.

Alexandria CPS' procurement cost per purchase order in FY 2015 was \$73, above the median COGCS measure reported (\$52) but below the upper quartile (\$97).<sup>2</sup> Procurement Department costs per \$100,000 of revenue for the school Division in FY 2015 was \$108, also above the median (\$83) but less than the upper quartile (\$120).<sup>3</sup> Recent staff additions to the Procurement Department moved both of these measures from significantly below the median to above the median, but these changes appear to have been necessary to implement recent improvements. Some of the recommendations to further improve efficiency made in this report may help the Division achieve better efficiency measures in the future.

## Systems Overview

The Division utilizes Tyler Technologies Munis (Munis) software as their integrated enterprise resource planning (ERP) system designed for public sector clients. The Division exclusively uses the system for all Finance, Accounting, Payroll, Procurement, Budgeting, and Human Resource functions. Within the

<sup>2</sup> Managing for Results, 2016, Council of Great City Schools.

<sup>3</sup> Ibid.

Procurement Department, Munis is utilized in various ways such as requisition and purchase order creation, purchase order change processing, purchase order receiving, contract management, and vendor management.

The Division also uses Virginia's online electronic procurement system, eVA, to publicly post competitive solicitations and notify registered vendors of postings that pertain to the services and commodities they provide. eVA has additional functionalities including the electronic receipt of bids, quotes and proposals, and the electronic execution of contracts; however, these features are not currently being utilized by the Division.

### ***Findings and Recommendations***

**The Procurement Department would benefit from additional performance and efficiency measures.** Measurement is important in the establishment of accountability for performance. Departments should have goals that are aligned with the school system's mission, and supporting those goals should be measureable performance targets.

The Procurement Department has two stated goals. These are presented annually in the Alexandria CPS budget. The FY 2017 budget includes the following goals for the Procurement Department, as part of the Financial Services goals.

1. Improve best practices and benchmark the Procurement Office efficiencies by those agencies who have reached a new level of excellence.
2. School leaders will have greater knowledge of fiscal procedures and oversight responsibilities.

Goal 1 drives the application process for the AEP award described above. This goal also has as an implementation strategy – the implementation of a centralized contracting database for use by procurement staff and schools/departments. One of the implementation strategies under Goal 2 is to develop standard operating procedures for school leaders and business support staff, and provide training.

Additional performance measures tracked by the Department are listed below.

- Rejected requisitions by department
- Requisition cycle times (i.e., time to approve requisitions)
- Invoices with after the fact POs (i.e., improper POs)
- Special checks (i.e., checks written to pay improper POs)

The above measures speak to the effectiveness of the Procurement Department, but not to its efficiency. Additional measures could help management measure and analyze departmental efficiency.

***Recommendation 1: Supplement existing performance measures.***

For all performance measures, targets should be established for measuring against actual performance. This will help hold the Procurement Department accountable for effectiveness and efficiency. The recommended performance/efficiency measures should include:

- Procurement Department cost per \$100k spend
- Procurement Department Cost per purchase order
- Percentage of P-Card purchases to total purchase transactions (once the P-Card program has been implemented)
- Number of purchase order processed per Procurement FTE
- Average dollar value of purchase orders processed
- Number of purchase orders processed electronically vs. the CIP purchase orders processed manually
- Number of days to evaluate and award vendors for competitive procurement

Other procurement performance measures from the COGCS Benchmark Report should be reviewed by Alexandria CPS to determine if any other measures should be tracked. The departmental goals, objectives, and performance indicators should also be communicated to Procurement Department employees during their annual evaluations.

***Management's Response:*** *Management agrees with the recommendation. The Procurement Department will develop additional performance measures with measurable target to help analyze departmental efficiency. As we bring new systems online, performance measures will be developed for those systems to show proper/accurate measurements against actual performance. The department goals, objectives, and performance indicators will be communicated to all Procurement Department employees.*

***Target Completion Date:*** *December 2017*

**The Procurement Department does not perform spend analyses.** A spend analysis is the process of collecting, cleaning, classifying, and analyzing expenditure data to identify ways to improve efficiency, decrease costs, and monitor compliance. The only spend analysis performed within the Procurement Department is the occasional review of spend by vendor. These periodic reports are primarily developed to identify non-competitive purchases made to a particular vendor that are approaching or exceeding a given threshold.

***Recommendation 2: Conduct a spend analysis on a quarterly basis.***

A spend analysis is a powerful method for developing and achieving goals in the Procurement Department. There are many spend analyses that can be performed using Division expenditure data, including spend by vendor, spend by commodity code, number of vendors by commodity code, and historical spending trends. The Procurement Department should perform these spend analyses on a quarterly basis by performing the following:

- **Identify and collect data:** The first step is to identify and understand which sources contain the required data (e.g., Munis). Expenditure data should be extracted from these sources and reviewed for completeness and accuracy.
- **Clean and categorize data:** The collected data should be cleaned to remove any duplicates or errors, and to group and categorize commodities. This will ensure there is an accurate correlation of spend data and enable targeted analyses.
  - Categorization and grouping of commodities: the National Institute of Governmental Purchases (NIGP) has developed standardized commodity codes (used on the Virginia Online Procurement Portal, eVA). These NIGP codes, or similar Division developed codes, should be assigned to all goods and services purchased by the Division.
- **Create repeatable processes:** Reports created using the Munis system can be saved so that they can be available on demand.
- **Analyze data:** Frequent analysis of spend data is vital to ensure compliance with the VPPA and Division procurement policies, inform management decisions, and oversee vendor relationships. These spend reports should be made available to all members of the Procurement Department, and should be reviewed on a frequent basis by management.

A few examples of the benefits that can be achieved through the implementation of a well-designed spend analysis are listed below.

- Improve processes
- Manage risks
- Reduce duplicate suppliers and duplicate purchases of similar commodities
- Achieve standardization of purchases
- Improve compliance with the VPPA and Division procurement policies
- Increase part reuse
- Identify savings opportunities
- Obtain information necessary to perform benchmarking with similar size districts
- Track progress towards KPIs
- Improve communication and transparency within the Procurement Department

For example, by analyzing the number of vendors used to purchase the same type of commodity, based on the assigned commodity codes, the Division can identify opportunities to standardize purchases. Utilizing only one vendor for a particular commodity can enable the Division to receive high volume discounts, which would in turn save the Division money.

**Management's Response:** *Management agrees with the recommendation. The Procurement Department team will work with Financial Systems staff to develop the standard reports that can be created in MUNIS and then run on a quarterly basis. The data from the reports will be analyzed and shared with department management as necessary. Commodity codes are available for use in MUNIS. The Financial Services Department is working with end users to consistently and correctly use commodity codes. With the*



*consistent and correct use of commodity codes for purchases along with the expenditure data, the Procurement Department will be able to establish procedures for analyzing the data on a quarterly basis.*

**Target Completion Date:** December 2017

**Some of the Procurement Department job descriptions do not accurately reflect the roles and responsibilities of the positions.** Through the review of the Procurement Department job descriptions, the audit team identified several instances where the roles and responsibilities listed do not accurately reflect the actual work performed by the individuals in these positions. A few examples are listed below:

- The Procurement Manager's job description states that the position is responsible for assisting in the timely and prompt payments of vendors through effective collaboration with the budget, accounts payable office, and Alexandria CPS schools and departmental staff. In addition, it states that this position communicates and advises on potential risks to reduce exposure to potential abuse or fraud. Neither of these duties are currently performed by this position.
- The Senior Buyer's job description states that the position maintains approved supplier/vendor database, monitors supplier/vendor performance through the administration of supplier/vendor measurement programs, and makes recommendations for additions to and deletions from the supplier/vendor database. None of these duties are currently performed by this position.
- The Buyer's job description states that the position maintains files and documentation of all bids, proposals and contracts both physically and electronically for the purpose of accurate record keeping. This is not currently performed by this position.

Gibson also noted that two of the job descriptions, Senior Buyer and Buyer, had not been updated in 3 and 7 years, respectively.

***Recommendation 3: Update Procurement Department job descriptions to accurately reflect the roles and responsibilities of the positions.***

All Procurement Department job descriptions should be reviewed and modified to reflect the actual responsibilities and duties of each position. If the job descriptions are reflective of the work that should be performed by the positions then management should work with employees to ensure that all required work is being performed.

***Management's Response:*** Management agrees with the recommendation. The Procurement Department has two new systems and processes coming online in the next couple of months that will require different staff responsibilities. Once they are in place the job descriptions in the department will be reviewed and updated to reflect all responsibilities of each position.

**Target Completion Date:** December 2017

## Section 2 – Competitive Procurement and Contracting

---

### Competitive Procurement

Chapter 43 of the Code of Virginia, the Virginia Public Procurement Act, outlines the public policies pertaining to procurement. The VPPA serves as the basis for the Board Policy DJ, and the Procurement Manual, which state that formal competitive sealed bids or formal competitive negotiation is required for single or term contracts for goods and services, other than professional services, if the aggregate for each 12-month period is \$100,000 or more. The purchase of single or term contracts for professional services if the aggregate is \$60,000 or more must be competitively procured as well.

The Alexandria CPS Procurement Department oversees the competitive procurement process. The Division uses competitive sealed bidding and competitive negotiation by issuing Invitations to Bid (ITBs) and Requests for Proposals (RFPs). In general, this process is used to identify all vendors with whom the Division conducts business, with the following exceptions:

- Purchases pursuant to a small purchase procedure. Currently, Alexandria CPS is authorized to establish such procedures for single or term procurements not expected to exceed \$100,000 or in the case of professional services not expected to exceed \$60,000;
- Sole source procurements;
- Emergency procurements;
- Virginia Department of Education (VDOE);
- School Board purchases for textbooks and online learning providers; and
- Certain other miscellaneous exceptions.

It is the policy of Alexandria CPS to encourage full and open competition when practicable among potential contractors and suppliers through competitive bidding. In cases of emergency, where the public's health, safety and welfare is affected, the Superintendent may authorize purchase orders without bidding. If it is determined that there is only one source practicably available for procurement, contracts and purchase orders may be negotiated and awarded without bidding. Alexandria CPS will then issue a written notice stating that a sole source contract has been awarded, which identifies what is being procured, the selected contractor, and the date on which the contract was awarded.

### *Competitive Sealed Bidding*

The purpose of competitive sealed bidding is to stimulate competition and obtain the lowest practical price for the work, service, and/or items needed. Competitive sealed bidding is initiated through an ITB. Procurement personnel work with the applicable department to build the specifications or scope of work for the ITB, and establish a budget and timeline. A bid template is customized with these specifications, as well as the terms and conditions of the bid. The terms and conditions must include how the Division will publicly post the notice of award or announce the awarded vendor. Upon finalization, the ITB must

be published in a newspaper of general circulation for at least ten (10) days prior to the date set for receipt of bids. It is also posted on the Virginia's online electronic procurement system, eVA, and the Alexandria CPS website.

Vendors can utilize any of these three sources, or beginning later in FY 2017, vendors can register through the Tyler Munis eProcurement system to find Alexandria CPS bids. The Munis vendor self-service program allows vendors to create a profile, search for bids or set up email notifications of posted bids based on selected commodity codes.

Sealed bids are received in hard copy via mail up until the date and time specified in the ITB. Bids are publicly opened and read aloud. Late bids, or those sent via fax or email are not acceptable.

According to the VPPA, the bid must be awarded to the lowest responsive and responsible bidder. To be a responsive bidder the bid must conform, in all material respects, to the ITB, and to be a responsible bidder the vendor must have the capability to perform the contract requirements and the moral, integrity and reliability to assure good faith performance. If the solicitation provides for multiple awards then awards may be made to the lowest responsive and responsible bidders.

If the bid amount of the lowest responsive and responsible bidder exceeds available funds, the Procurement Department may negotiate with the lowest bidder to obtain a price within available funds, as long as the ITB contains the following language:

*"Alexandria CPS reserves the right to negotiate with the apparent lowest responsive and responsible bidder pursuant to § 2.2-4318 of the Code of Virginia, to obtain a contract price within the funds available if such low bid exceeds the available funds."*

Once the lowest responsive and responsible bidder is selected, Procurement personnel issue a notice of award.

### **Competitive Negotiation**

Competitive negotiation is used as the method of procurement for all professional services and may be used for procuring goods and nonprofessional services when it is determined to not be practicable or fiscally advantageous to the public to use competitive sealed bidding. Competitive negotiation is initiated through a RFP. The requesting department should communicate with Procurement personnel and provide a scope of work, along with technical specifications to be submitted by the vendor, if applicable. In addition, the timeline, location, background information, budget, and any special qualifications that may be required should also be provided. The RFP must also contain the factors that will be used in evaluating the proposal, indication of whether a numerical scoring system will be used in the evaluation, the contractual terms and conditions, and it must state the manner in which public notice of the award shall be given. When needed, Procurement personnel help to build the RFP and if desired, the requesting department can hold a pre-proposal meeting with Procurement to discuss the solicitation.

Upon finalization, the RFP must be published in the Alexandria Times, posted on eVA and the Alexandria CPS website, and may also be posted in the Washington Post. These advertisements must run for twenty-one (21) to thirty (30) days prior to the receipt of proposals. Beginning later in FY 2017, RFPs are also posted on the Munis eProcurement system, which can be viewed by registered vendors.

Sealed proposals are received in hard copy via mail up until the closing date and time specified in the RFP. Late proposals, or those sent via fax or email are not acceptable. Proposals are publicly opened unless otherwise approved by the Procurement Manager. The names of the individuals or firms that submitted proposals is the only information that is read aloud and made available to the public, unless stated otherwise in the RFP.

All timely submitted proposals are evaluated by an evaluation panel. The requesting department head, or designee should recommend a panel of no less than three (3) individuals knowledgeable in the service area, one of whom must be familiar with the VPPA. An employee in Procurement must chair the procurement process, but is not considered a voting member of the panel. Proposals are evaluated based on the details of the RFP. Each member of the evaluation panel completes an evaluation matrix by scoring criteria specific to that RFP. Below is a list of several criteria that are commonly evaluated.

- Background, education, and experience in providing similar services to school systems
- Responsiveness and compliance with RFP requirements and submittal
- Ability, capacity, and skills to perform the services. Properly documents projects completed on time/within budget.
- Quality of proposal response, requirements/adequacy of the information provided
- Project approach
- Conflict of interest or exceptions to the contract terms and conditions
- Committee Member recommends an oral presentation (YES/NO)

With the exception of the oral presentation recommendation, all criteria are scored according to a non-numeric key. Scoring options include excellent, good, satisfactory, marginal, and unsatisfactory. An evaluation key is provided to members of the panel that explains how to select from these options. In addition to completing the evaluation spreadsheet, all members must submit to the Director of Procurement a supporting narrative of their scoring for each respondent. The evaluators also indicate which respondents they recommend for oral presentations. Based on this, a short list of recommended presentations is created and respondents are contacted to schedule the presentations. The evaluators will prepare a list of interview questions for each respondent to be discussed during the presentations.

Once these evaluations and presentations have been performed, the Division may negotiate with the vendors that are determined to be fully qualified and best suited. One or more vendors may be selected for negotiations; however, if there is one vendor that is determined to be more qualified than all the others, documentation supporting this decision must be prepared and retained in the contract file. Negotiations are then conducted to allow for changes to the proposal, including price. After all negotiations have been conducted, the evaluators will rank the vendors and the vendor with the highest ranking is selected. When provided for in the terms and conditions, awards may be made to more than

one vendor. The Director of Procurement, or a designee, makes the award at which time a contract is prepared containing the requirements, and terms and conditions of the contract. Procurement personnel then issue a notice of award, at which time no additional negotiations may be conducted.

### **Contract Execution**

Capital Improvement Program contracts in excess of \$500,000 or greater are subject to final approval by the School Board. The Procurement Director creates a Board memo and contacts the Superintendent and Board Secretary to add the item to the Board agenda. Once approved the contract is signed and executed.

All contracts must be signed and executed according to the approval levels summarized in Table 5 below.

**Table 5. Contract Approval Levels**

| Approval                                    | Contract Value |
|---|----------------|
| Authorized Agent of the Awarded Vendor      | > \$0          |
| Principals/Department Heads                 | > \$0          |
| Director of Procurement/Purchasing Agent(s) | > \$0          |
| Director of Budget                          | > \$100,000    |
| Superintendent                              | > \$500,000    |

*Source: Board Policy DJFB*

The Division's legal counsel is also required to review the following contracts:

- Any capital program contract involving the expenditure of funds in excess of \$500,000
- Any contract for the lease or purchase of buildings or land.
- Any contract that the Superintendent has been specifically directed and/or authorized by the School Board to execute on behalf of the School Board.
- Any other contract that the Superintendent, Chief Financial Officer, or the Director of Procurement specifically requests to be reviewed and approved by legal counsel.

After the contract has been signed by all parties, the Contracts Specialist scans the contract into the Munis system and places it in the solicitation file. In order to link the contract to the corresponding vendor in the system, the vendor profile must be set up in Munis. In order to do so the vendor must first complete an electronic application, located on the Division's website. At this time, Procurement personnel receive an email notification stating that an application was submitted. The application, and the corresponding attachments are reviewed for completeness and the application is forwarded to the Principal or department head to approve. Upon approval, Procurement creates the vendor record in the system. The Senior Buyer, Buyer, and Contracts Specialist have access to create these vendor profiles in Munis.

### **Informal Competitive Solicitation**

Although competitive procurement is only required for purchases of goods and nonprofessional services of \$100,000 or more, and professional services of \$60,000 or more, departments often submit informal RFPs or ITBs for purchases below these thresholds. Through interviews conducted with Division personnel, the audit team discovered that up until approximately two years ago, departments rarely obtained quotes

for purchases under the given thresholds, or used competitive procurement for those over the thresholds. Instead, departments sole sourced most purchases and used the same vendors that had previously conducted business with the Division. Once the current Director of Procurement and Procurement Manager started at the Division, departments were informed of the requirements set forth in the VPPA. Since the majority of purchases made by the Division, and the related vendors, did not qualify to be sole sourced, departments had to learn how to obtain quotes and competitively procure goods and services. Due to the lack of experience, departments were not aware of the current vendors that provide the desired goods and services and were therefore unaware of which vendors to request quotes from, for purchases below the required thresholds. As a result, departments often request informal RFPs or ITBs to identify the eligible vendors.

As opposed to formal solicitations, informal ITBs and RFPs are not required to be advertised in newspapers of general circulation; however, advertisements should be placed on the Alexandria CPS website. In addition, informal bids and proposals can be submitted via email or fax and the responses can be viewed in an unsealed manner, allowing review upon receipt. While this is permissible, it is the practice of the Division to wait until the established due date to open all responses.

### *Testing*

To test the competitive procurement and contracting processes, Gibson obtained a list of all ITBs/RFPs awarded during the audit period (FY 2015 through FY 2016). From this list, Gibson made selections to execute Test 1. Refer to the Appendix B for further details of testing and results. In addition to the results from testing procedures, Appendix B also includes general observations about the transactions. The general observations are meant to highlight further areas of improvement.

### *Findings and Recommendations*

**Procurement and contract files are not maintained electronically.** The Procurement Department maintains hard copy files for every competitive solicitation that include the ITB or RFP, all vendor responses, evaluation documents, emails, and other procurement documents. Separate hard copy files are maintained for all contracts that include the executed contract, amendments, renewals, contractor performance reports, and other contract documents. Only the signed contract is scanned and maintained electronically in the Munis system. Maintaining hard copy files increases the risk that documents will be misplaced or lost, and requires additional security measures to ensure access to files is properly restricted. In addition, maintaining procurement and contract files separately can cause inefficiencies as two files have to be located and reviewed in order to get an entire picture of the applicable procurement.

#### ***Recommendation 4: Utilize a documentation management system to store procurement and contract files electronically.***

The Division should scan and maintain procurement and contract files in an electronic format. According to the Library of Virginia (LVA) retention schedules, and the Board policy DJFB, copies of all contracts executed shall be maintained for a period of five (5) years following the date of contract execution. As

such, all procurements and contracts executed within the past five years should be scanned and stored electronically. The Division should consider utilizing a documentation management system to store, index and protect all procurement and contract files, such as Tyler Content Manger. An outsourced company can scan existing files into the system, which can be integrated with the Division's current business application. Each procurement record in Munis can be linked to the corresponding vendor file in the documentation management system for automated retrieval. These systems can also streamline and automate the document retention and destruction process based on customizable business rules. Furthermore, access levels can be set up for authorized Division personnel, as well as outside vendors, for secure access from any device. If there is limited vendor access to a device, the files relevant to that vendor can be printed for review and subsequently shredded. This will eliminate the need to physically store and secure all procurement and contract files. Going forward, once all files have been digitized, procurement personnel should scan all documents as they are created and received.

A documentation management system can also work with Student Information Systems and Human Resources Information Systems to electronically store documents throughout the Division. This type of electronic document solution can significantly increase the efficiency and productivity of Division processes and protect and secure sensitive vendor, personnel, and student records. However, there are various other means to digitize and store procurement and contract files that the Division may want to look in to, such as scanning files into the Munis system or storing them in SharePoint or Dropbox.

**Management's Response:** *Management agrees with the recommendation. Per School Board policy DJFB, all contracts are maintained electronically for a period of five (5) years following the date of contract execution. The Procurement Department has recently implemented the request to all bidders and offerors to submit original proposals electronically on a USB. Documentation received with the proposals related to an executed contract will be maintained in the electronic contract file. All other proposals will be maintained in a separate file. Additionally, as the Department implements the Vendor Self Service Bids Module in MUNIS, we will review what information related to an executed contract can be maintained electronically. The department will explore the feasibility of utilizing a document management system including costs, overall benefit and staff resources.*

**Target Completion Date:** *December 2017*

**Vendor responses to competitive solicitations are not received electronically.** Currently vendors must print and mail hard copy bids and proposals to the Division (with the exception of informal competitive solicitations, i.e., those that are under the thresholds established by the VPPA, that can be received via email). This can cause delays in the contract process, and requires vendors to prepare and send responses several days prior to the deadline, in order to ensure it arrives on time. If there is inclement weather or courier delays a vendor's response may not be delivered in time, and as a result the vendor will not be considered for the contract. In addition, there is an inherent risk with hard copy files of misplacing or losing the documents.

***Recommendation 5: Maximize the use of Division resources to electronically receive vendor responses to competitive solicitations.***

The Division should research ways to electronically receive all vendor responses, starting with the current Munis and eVA systems. Both of these systems have functionalities that would facilitate the electronic receipt of bids and proposals. Electronic submissions will not only reduce the time to receive vendor responses, but will also help ensure that all documentation is received securely. In addition, this will eliminate the need to scan bid and proposals documents when creating electronic contract files, as they will already be in an electronic format.

***Management Response:*** Management agrees with the recommendation. The Procurement Department has secured the MUNIS Bid Module that will enable us to electronically receive all vendor responses to competitive solicitations through that module. We will evaluate the capabilities of the eVA system to determine if it is necessary to use both systems once we have the MUNIS module in place.

***Target Completion Date:*** December 2017

**Proposal evaluation scoring may vary widely across evaluators.** Members of evaluation committees complete an evaluation matrix for all proposals received by qualitatively scoring pre-established criteria as either excellent, good, satisfactory, marginal, or unsatisfactory. The Procurement Department has created a key that explains how to select amongst these options to be used as a guideline, and requires that evaluators submit a short narrative for each proposal to explain how the scores were selected. While conducting the testing over competitive solicitations however, the audit team discovered that the way these qualitative scores are assigned significantly varies between evaluators. For example, one evaluator may assign excellent or good scores for all criteria for a given proposal, while another evaluator may assign the exact same proposal all marginal or unsatisfactory scores.

In addition to the scoring of evaluation criteria, evaluators are instructed by Procurement to write narratives to explain the rationale behind the scores assigned to each respondent. Through conducting Test 1 – Competitive Procurement, the audit team noted that the procurement files for all three RFPs were missing written narratives by some or all evaluation committee members. Regardless of whether a qualitative or quantitative scoring method is used, these narratives are a best practice and should be enforced.

**The size of evaluation committees is not consistently an odd number, resulting in the possibility of a tie.** Evaluation committees should consist of at least three members and the total number should be odd in order to eliminate possible tie votes. Through conducting Test 1 – Competitive Procurement, the audit team noted that two of the three RFPs tested had an even number of evaluation committee members.

***Recommendation 6: Improve the proposal evaluation process.***

There are several implementation strategies to improve the proposal evaluation process. Members of evaluation committees should receive training on how to apply the evaluation criteria in scoring. Wide variances in scoring should be investigated by the Director of Procurement and General Services to ensure that the scoring does not reflect unjustified favoritism of one vendor over another. Proposals received



from vendors should also be evaluated using a numeric scoring method instead of the current qualitative approach. Each criteria should be weighted by assigning a point value out of 100 depending on the relative importance of the criterion. These assigned values should be included in the RFP or the advertisement of the RFP. A formula should be assigned to each criteria to provide structured guidance for the scoring. After the sum of all scores is calculated, the vendors with the highest scores should be selected for presentations. Refer to Appendix D for an example of an evaluation matrix using a numeric scoring method.

Training should include the development of narratives to explain the rater's evaluation. The Procurement Department should document and implement a procedure requiring the completion of narratives by all evaluators. These narratives will provide additional context, improve inter-rater reliability, and help the Division withstand external scrutiny in the case an award is challenged.

A third way to improve the proposal evaluation process is to require an odd number of evaluators on the committee. In the event the evaluation scoring results in a tie, a decision can be made by vote.

***Management's Response:*** *Management disagrees with the recommendation. The process at ACPS is to have an odd number of evaluators. There may be a time when a committee member, at the last minute, has an event or emergency that does not allow them to complete the evaluation process to the voting stage. After the evaluation process has progressed to a certain point we complete the process with the existing team rather than starting over or adding a new member to the team.*

*ACPS will continue to use the current qualitative approach to scoring which we believe provides the most advantageous proposal or the best value to ACPS. We find that the narratives provide invaluable information to our vendors when debriefing proposals. Staff will ensure that all paperwork is submitted from each committee member.*

**Target Completion Date:** N/A

**The documentation of advertisements in contract files is insufficient.** Through performing Test 1 – Competitive Procurements, the audit team noted that the only evidence in contract files of the advertisements of ITBs and RFPs in newspapers or the Alexandria CPS website were emails requesting or confirming that the ads were posted. For the posting on the eVA portal, most contract files contained an email from eVA listing all of the vendors that were notified of the solicitation, based on their commodity codes, and/or a screenshot of the confirmation page with the details of the posting. These documents are obtained directly from the eVA, confirm that the solicitation was posted, and include the details of the solicitation, thereby proving that it was properly posted on the portal. The emails regarding postings in newspapers and the Alexandria CPS website do not contain this level of detail and do not serve as adequate evidence that the solicitation was properly advertised.

***Recommendation 7: Retain the actual advertisements of solicitations in the procurement files.***

For advertisements in newspapers of general circulation, such as The Alexandria Times and The Washington Post, the Procurement Department should retain the actual newspaper advertisement. This

should be cut out of the hard copy newspaper or a screenshot should be taken of the online newspaper ad. For postings on the Alexandria CPS website, the Procurement Department should take a screenshot of the actual post on the website to include in the procurement file. Retaining the actual advertisements from these two sources will provide indisputable evidence that the solicitations were properly advertised as required by the VPPA.

**Management's Response:** *Management agrees with the recommendation. After reviewing this finding and recommendation with staff, it came to our attention that the actual copies of the ads are attached to the invoices and maintained in one file in Procurement and not in each contract file. Staff will scan the advertisements when received and ensure they are placed in each contract file.*

**Target Completion Date:** *Implemented*

**There is no evidence within the procurement files of the date vendor responses are received.** The audit team obtained the procurement files for a sample of ten ITBs and RFPs to conduct Test 1 – Competitive Procurements. None of these 10 files contained documented evidence of the date the vendor responses were received. Through interviews conducted with Division personnel, the audit team was told that when bids and proposals are received in the Division they are stamped with the date and time of receipt; however, according to the testing performed this documentation is not retained within procurement files.

**Recommendation 8: Retain documentation in procurement files of the date and time vendor responses are received by the Division.**

According to the VPPA, a date should be set for the receipt of bids and proposals. As these vendor responses must be submitted by the date set, it is critical that the Procurement Department documents and retains the evidence of the date and time they are received. If the award is challenged, this will serve as one of the pieces of evidence to prove that the awarded vendor's response was valid.

**Management's Response:** *Management agrees with the recommendation and has implemented this practice in the past couple of months. All proposals have a valid stamp on the outside of the package and the department has put in place the retention of the paper stub that is taped to the box to meet this recommendation.*

**Target Completion Date:** *Implemented*

**The use of ITB/RFP checklists is insufficient.** The Procurement Department has created a checklist for ITBs and RFPs to track the dates of each step in the solicitation process. This checklist was developed as a training tool for end users that are new to the solicitation process and is not required for every solicitation. As a result, this checklist is not consistently used for all solicitations. Based on the results of Test 1 – Competitive Procurement, only four out of the ten (40%) procurement files selected for testing contained a checklist. One of these four was not filled out, and another was completed using checkmarks instead of dates. In addition, as this information is captured on hard copy forms, there is no way to aggregate and analyze the data to identify delays in the solicitation process.

***Recommendation 9: Digitize the ITB/RFP checklists and enforce their use.***

The use of checklists to capture the key dates in the solicitation process is a best practice. While these checklists are not required, the Procurement Department should enforce their use in order to verify that all solicitation files are complete. In addition, the department should utilize electronic means to capture the dates in the solicitation process for all ITBs and RFPs. The Division should explore the functionalities of the Munis system that would allow the creation and completion of an electronic checklist within the system. In an ideal scenario, there would be an electronic checklist in the system for each solicitation, and each step would be assigned to the appropriate individual. After completion of each step, the assigned personnel would digitally check the item off and an electronic time stamp would be recorded. At that time, the personnel assigned to the next task would be notified via email as a reminder that once they have completed their step the task should be electronically checked off. Due to the fluid nature of the solicitation process, assignment of tasks to specific individuals may not be practical. If this is the case, these electronic checklists can be created in Munis or SharePoint so that at any time personnel that complete each task can electronically check them off. As the solicitation process progresses, there will be a historical record of all of the dates of critical events. Using Munis or SharePoint, the Division can run reports to aggregate and analyze the data. This will enable the Department to continually improve the solicitation process.

***Management's Response:*** *Management agrees with the recommendation with modification. The Procurement Department recently created an electronic checklist in response to this finding and has found it to be challenging. We will review our processes and continue this for a period of time to see how efficient it is to maintain this type of list and evaluate the effectiveness of the process.*

***Target Completion Date:*** *Implemented on a trial basis. Will evaluate at the end of April 2017.*

**The Procurement Department is not conducting customer surveys for the competitive solicitation process.** The last step listed on the ITB/RFP checklist is to send a survey to the “customer” (i.e., the end user); however, the Procurement Department has not conducted any customer surveys.

***Recommendation 10: Conduct customer surveys upon completion of each competitive solicitation.***

The Procurement Department should send out customer surveys as the final step in the competitive solicitation process. As mentioned above, until the Procurement Director and Procurement Manager started working at the Division, end users were not competitively procuring goods and services as required by the VPPA. Due to this, the competitive solicitation process was completely new to them. Over the past few years the Procurement Department has worked to implement a sound process through training end users regarding what is required of them. Engaging these end users in the process from beginning to end, including obtaining their feedback, is critical to this growth and development and to the continued improvement of the competitive solicitation process.

***Management Response:*** *Management agrees with the recommendation and has implemented this practice in the last couple of months. The checklist for each solicitation includes “Send Customer Service Survey” at the bottom of the checklist to remind staff to ask their customers to complete the survey, which is now available on the ACPS website.*

**Target Completion Date:** *Implemented*

**Documentation of the evaluation of ITBs is inadequate.** At the time bids are received, a member from the Procurement Department opens all responses and completes a bid tabulation. This tabulation lists the names of each vendor that responded and their total bid amount. If there are multiple items within the ITB, any calculations performed by procurement to arrive at the total bid amounts are not documented and retained within the procurement file. This tabulation is simply a summary of the total bid amounts per respondent, and does not serve as the evaluation of the ITB. The evaluation is performed by the assigned procurement personnel and consists of the review of this tabulation, and all responses to identify the lowest responsive and responsible bidder, as defined by the VPPA. Unless a deficiency is identified, there is no documentation created and retained within the procurement file of this evaluation.

Through conducting Test 1 – Competitive Procurement, the audit team identified an ITB that was originally awarded to an unresponsive bidder. This bidder completed the pricing tables attached to the ITB; however, they listed one of the prices incorrectly. The bidder wrote in a price for a different product number than the one listed in the ITB and the pricing table. The other documentation submitted by the bidder, including the detailed specs, listed this different product number. During the evaluation this was not identified, and since Procurement thought this was the lowest responsive and responsible bidder, they were awarded. It was not until the product was getting ready for shipment that the bidder realized it was a different product than the one listed in the ITB. The bidder notified the Division and decided to withdraw, at which time the next lowest bidder was awarded.

**Recommendation 11: Document the evaluations of ITBs.**

The evaluations of ITBs performed by assigned procurement personnel should be documented and retained within procurement files. This documentation should include the date of the evaluation, the name and title of the evaluator, the details of the evaluation, and the evaluator's signature. The evaluation details should include the lowest bidder, based on the bid tabulation, and the determination of all bidders' responsiveness and responsibility. If no deficiencies are identified, this should be noted. Formally documenting the evaluation performed will help prove the ITB was properly awarded if it were to be challenged.

**Management's Response:** *Management agrees with the recommendation and has implemented this process in the past couple of months. The process includes retaining the specific documentation noted in the recommendation.*

**Target Completion Date:** *Implemented*

## Section 3 –Purchase Order Issuances

Alexandria CPS currently utilizes purchase orders (POs) as its predominant way to purchase goods. During the audit period (FY 2015 and FY 2016), the Division processed over 14,000 POs with an associated value of over \$82 million. The majority of these issued POs have an associated value of \$1 to \$1,000. Tables 6 and 7 display the POs stratified by individual PO value for FY 2015 and 2016.

**Table 6. FY 2015 PO Volume by Dollar Category**

| PO Value            | No. of POs   | Percent     | Value of POs      |
|---------------------|--------------|-------------|-------------------|
| \$1 - \$1,000       | 4,831        | 67%         | 1,571,240         |
| \$1,001 - \$5,000   | 1,669        | 23%         | 3,870,684         |
| \$5,001 - \$10,000  | 262          | 4%          | 1,850,603         |
| \$10,001 - \$20,000 | 182          | 3%          | 2,550,769         |
| \$20,001 - \$50,000 | 121          | 2%          | 3,844,825         |
| >\$50,000           | 106          | 1%          | 25,370,642        |
| <b>Total</b>        | <b>7,171</b> | <b>100%</b> | <b>39,058,763</b> |

Source: Purchase Order Listing, FY 2015

**Table 7. FY 2016 PO Volume by Dollar Category**

| PO Value            | No. of POs   | Percent     | Value of POs      |
|---------------------|--------------|-------------|-------------------|
| \$1 - \$1,000       | 5,139        | 68%         | 1,616,572         |
| \$1,001 - \$5,000   | 1,782        | 24%         | 4,250,540         |
| \$5,001 - \$10,000  | 233          | 3%          | 1,670,995         |
| \$10,001 - \$20,000 | 183          | 2%          | 2,597,373         |
| \$20,001 - \$50,000 | 126          | 2%          | 4,070,009         |
| >\$50,000           | 108          | 1%          | 29,211,954        |
| <b>Total</b>        | <b>7,571</b> | <b>100%</b> | <b>43,417,443</b> |

Source: Purchase Order Listing, FY 2016

The purchase order process begins when a Division staff member, typically Treasurers or department support staff, submits a requisition in the Munis system. At that time, the requester enters the associated budget code for the requisition. Once the requisition is entered, Munis automatically checks for availability of funds at the specific budget code level. The requisition cannot proceed if sufficient funds are not available. If funds are not available, the requester can submit a budget transfer request through the Munis system, which is then routed for approval at the department and budget levels. However, if there are adequate funds, the requester can submit the requisition. Depending on the dollar amount of the requisition, the requester may also be required to attach written vendor quotes, as prescribed in Board policy DJ. A written quote package must be prepared, including a cover sheet and a form in which to list unit prices and extended pricing, and sent via mail, fax, or email to the solicited vendors. The number

of quotes solicited depends on the budget estimate for the purchase. These requirements are summarized in Table 8.

**Table 8. Written Quote Requirements**

| PO Value             | No. of Quotes |
|----------------------|---------------|
| < \$5,000            | 1             |
| \$5,000 - \$29,999   | 3             |
| \$30,000 - \$100,000 | 4             |

Source: Board policy DJ

There are three situations by which quotes would not be required. First, if the purchase is for professional services, as defined by the VPPA. Second, if the purchase of goods/non-professional services is above \$100,000. Lastly, if the goods or services were less than \$100,000 but were solicited through competitive bidding or negotiation. Through interviews conducted with Division personnel, Gibson discovered that it is common for end users to request the issuance of an ITB or an RFP, even if the desired goods or services are below the \$100,000 threshold. These solicitations may or may not result in an executed contract, as purchase orders commonly serve as the contract for purchases of goods. If a contract is executed, then the requester must link the contract prior to submitting a requisition. If there is no contract, then the body of the requisition lists the ITB or RFP number as evidence that the goods were competitively procured.

Sometimes these established procedures are not followed by requestors. Through interviews conducted with Division personnel, it was noted that it is common for an order to be placed directly with a vendor and the goods or services to be received prior to a treasurer or department support staff creating the requisition. This is called an improper purchase order. When this occurs the requester has to complete a hard copy special check request form that must be signed by the principal or department head, scanned, and electronically attached to the requisition in the system.

Once all information has been entered into the Munis requisition screen and all quotes or contracts have been attached, the system's workflow functionality then routes the requisition for approval based on the purchasing authority levels outlined in Table 9.

**Table 9. Purchasing Authority**

| Approval                                    | PO Value    |
|---|-------------|
| Principals/Department Heads                 | > \$0       |
| Executive Directors/Chief Officers          | > \$10,000  |
| Sr. Buyer or Buyer                          | < \$30,000  |
| Procurement Director or Procurement Manager | > \$30,000  |
| Chief Financial Officer                     | > \$100,000 |

Source: Alexandria CPS Approval Levels

All purchase orders pertaining to travel have to be approved by Executive Directors/Chief Officers and Accounting. During the approval process, the approver reviews all details of the requisition.

The procurement personnel approving the requisition specifically ensures the following during their review:

- The vendor and shipping address are correct
- The budget code is correct given the description of the purchase
- The proper number of quotes are attached, if applicable
- The requisition is linked to the proper contract, if applicable

Once all approvals have been submitted, the funds are encumbered in the Munis system and the requisition is automatically converted into a purchase order and posted. The system assigns sequential numbering to all purchase orders. At that time the PO is printed and mailed to the vendor or electronically delivered via email, based on the vendor preferences and the vendor profile set up in the system. Department support staff are responsible for sending their purchase orders to the vendors. They receive a notification from the system that their PO has been created, at which time they email, or print and mail, the PO to the vendor. Procurement personnel send all campuses purchase orders to the applicable vendors. Munis has the ability to automatically email the POs once approved, assuming that the vendor profile include an email address; however, the Division is not currently utilizing this system functionality. The majority of purchase orders are mailed to vendors.

Requesters can also request Blanket Purchase Orders (BPOs). BPOs are approvals of a set amount to be spent with a particular vendor. Most BPOs do not indicate the specific items being purchased. BPOs can be beneficial when a campus/department will have repetitive services or items from the same vendor over the fiscal year or instances where the campus/department will have numerous small dollar materials or supplies purchases. BPOs can be very useful in instances where multiple recurring payments need to be made. These types of purchases have historically been very prevalent in the Division due to the lack of a P-Card Program. In addition, BPOs are commonly used with contracts that have a set dollar amount that is not to be exceeded. A P-Card program is planned for implementation during FY 2017.

Once a requisition has been submitted, approved, and converted into a purchase order, the only way to change the details of the order (e.g., price, quantity, etc.) is to submit a purchase order change request in the Munis system. To do this, the requester enters the PO number, the change that is being requested, and the reason for the change. The only part of a purchase order that cannot be changed is the vendor address. Once submitted, the request is routed to the Buyer to approve and post. If the request is to increase the price of the purchase order by an amount that would require additional quotes, the request is rejected and the requester must create a new requisition with the proper quotes attached. Once the change has been approved and posted, the Buyer emails or prints and mails the PO to the vendor.

All goods purchased by the Division are received at the corresponding campus or the Division main office. Treasurers and department support staff are charged with logging into Munis to fill out the receiving report. When part of the order is received the Treasurers are instructed to log the partial receipt into the system.

## *Testing and Data Analytics*

To test purchase order processing, Gibson obtained a listing of all POs processed during the audit period (14,742). From this list, the audit team made selections to execute Test 2. Refer to Appendix B for further details of testing and results. In addition to the results from testing procedures, Appendix B also includes general observations about the transactions. The general observations are meant to highlight further areas of improvement. The audit team also analyzed the listing of POs to identify anomalies in the data. Refer to Appendix C for further details of the analytics performed (Analytics 1-6).

## *Findings and Recommendations*

**The Virginia online quote system is underutilized.** It is common for competitive solicitations to be issued as opposed to soliciting quotes, for purchases of goods under the \$100,000 threshold, and services under the \$60,000 threshold. This is because end users do not have access to the state online quote system, and may not be aware of multiple vendors that offer the goods or services that are being procured, and therefore do not know what vendors to solicit quotes from. As a result, it is easier for the end users to request an ITB or RFP from the Procurement Department in order to identify eligible vendors. This is a very time consuming process for all those involved, but particularly for the Procurement Department. Soliciting quotes, on the other hand, is much more efficient and can significantly reduce the time to procure goods and services.

**Quotes are not consistently documented for purchases under \$5,000.** According to Board policy DJ, purchases for goods and services other than professional services up to \$4,999 can be solicited to one vendor with the receipt of one written quote. The Procurement Manual, however, states the following:

*Departments/Schools are authorized to procure goods without competitive quotes, though it is recommended to email at least one other vendor to make sure you are getting a good price. It's important not to always contact the same vendor when buying goods and services, even at this dollar threshold. Your request must be sent in writing, and the response received in writing.*

This language in the procurement manual does not clearly state whether or not a written quote is required for purchases up to \$5,000. It appears as though the manual recommends that requesters send an email to a second vendor to get a competitive price; however, it does not explain what the requirements are for obtaining a quote from the first vendor. Through conducting Test 2 – PO Transactions, the audit team identified two purchase orders under \$5,000 that did not have any written quotes attached in the Munis system, and were not competitively procured through other means such as an ITB. Per discussion with the Procurement Department, this was because purchases of this amount do not require quotes. However, as stated above, according to Board policy one written quote is required in such cases.

### ***Recommendation 12: Increase use of state online system for obtaining quotes.***

While competitively procuring goods and services under the \$100,000 threshold through an ITB or RFP is permitted, it is not required. In order to increase the efficiency of the procurement process, the Division should solicit quotes for all purchases less than \$100,000, based on the requirements in Board policy DJ,



including purchases under \$5,000. Instead of mailing, faxing, or emailing specific vendors to solicit these quotes, the Division should increase its use of the Quick Quotes feature of the Virginia online procurement system, eVA, and provide system access to end users. This is a tool that can be used by the Division to obtain quotes for small dollar purchases. Each quick quote request can be posted on the eVA public website and vendors whose registration matches the commodity codes will be automatically notified via email or fax. Once the vendors submit their quotes through the system the Division would be notified so that quotes can be reviewed and a vendor can be selected. By using this tool, end users will not need to know of specific vendors to solicit quotes from, and the Division will most likely obtain more quotes than required which will ensure the most competitive price is reached.

In addition, the procurement manual should be updated to reflect the requirements of Board policy DJ. All purchases for goods and non-professional services should be made through the solicitation of at least one written quote.

**Management's Response:** *Management agrees with the recommendation with some modifications. The Procurement Department is implementing its own Bid module that has the capability to solicit quick quotes. The Procurement staff will utilize the eVA system to solicit quick quotes more effectively, especially until we are able to build up the vendors in our own bid module. Procurement staff believes it is more efficient to do this work on behalf of the end users rather than having the end users utilize the systems to obtain quick quotes. Procurement staff will make sure the procurement manual is updated to reflect the Board policy.*

**Target Completion Date:** *September 2017*

**Vendor creation and maintenance within the Munis system is not well controlled, resulting in duplicate vendor records.** In order to create a vendor profile in the Munis system, the vendor must first submit an application from the Alexandria CPS website. Once received, the application is reviewed by the end user and then the vendor record is created by procurement personnel. Through interviews conducted with Division staff, the audit team discovered that most end users approve the vendor application without performing an actual review. In addition, prior to creating the vendor profile, procurement personnel only check the application for completeness, and ensure that the vendor does not already exist in the system. There is no review of other vendors to identify whether or not the Division has contracted or worked with another vendor that offers the same goods or services. Due to this, the Division may be missing out on large volume discounts that would otherwise be obtained had a single vendor been used for the same purchases. It is also beneficial to use one vendor in these instances in order to standardize purchases throughout the Division. This will help ensure that all campuses and departments obtain goods and services of the same level of quality.

Throughout conducting the audit, Gibson also discovered that the vendor file in the Munis system has not been reviewed or cleaned. During the implementation of the Munis system several years ago, all vendor records were transferred over without any review. As a result, there are several duplicate vendors within the system. Through performing Analytic 5 – Vendor Records, the audit team identified 12 instances where 2 or more vendors had the same name. Eight of the 12 had different addresses, 2 had identical

addresses, and 2 had the same address with different spelling. In addition, 17 instances were identified where 2 vendors had the same address. The audit team analyzed these 17 instances to determine what caused the duplication. The vendors with the same addresses all had different vendor numbers and slightly different vendor names. The names differed in some of the following ways:

- Different versions of the same company name
- Spelling differences
- The use of a middle initial
- Use of Inc. or Co.
- The use of the vendor name vs. the name of the vendor's representative

As a result it is evident that there are several duplicate vendor records within the Munis system.

***Recommendation 13: Enhance procedures for vendor creation and maintenance in the Munis system.***

All applications submitted by vendors should be actively reviewed by end users in the Division. These end users should validate that all vendor information is correct (e.g., vendor name, address, employer identification number). Once the applications get back to procurement, the vendor file in Munis should be reviewed to ensure that this new vendor does not already exist in the system, and that there is no other vendor that provides the same goods or services. If there is such a pre-existing vendor then procurement personnel should inquire with the end user as to why the current vendor was not selected.

Through interviews conducted with procurement personnel, the audit team discovered that the Division will be implementing Munis eProcurement Vendor Self-Service in FY 2017. This will allow vendors to register online and enter all necessary information into a Munis web-based interface. During the implementation the Division should set up a workflow so that new vendor records, as well as changes to existing vendor records, are routed to the end user and procurement for approval prior to creating and updating the profile in the system. The Division should ensure that all users are properly trained regarding the use of this application, as well as what to look for when performing their approvals.

In addition, the Procurement Department should review all existing vendor records, update vendor name and address information when applicable, deactivate old vendors, and remove all duplicate vendors.

***Management's Response:*** *Management agrees with the recommendation. We are registering vendors as new and using a workflow to manage information between procurement and accounting for accuracy. The Financial Services Department is implementing a plan to clean up the vendor files, so there is consistency across all areas.*

***Target Completion Date:*** *December 2017*

**The Munis automatic email functionality to send POs is not being used.** Munis offers the ability to automatically email POs to vendors. The vendor profile would be set up to include an email address for orders. This functionality is not being used. The Division does, however, send some POs electronically through email outside of the Munis system. Through performing Analytic 3, the audit team discovered

that these account for a small portion of the POs sent each year. Approximately 20 percent of POs in FY 2015, and 22 percent of the POs in FY 2016, were sent electronically.

**Recommendation 14: Implement the use of the Munis automatic email functionality to send POs to vendors.**

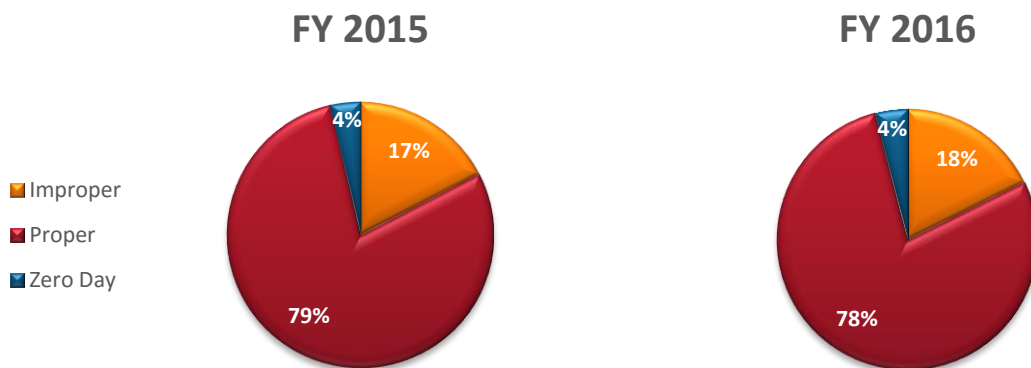
The Procurement Department should set up email addresses for all vendors in the system and implement this automatic email functionality. This would increase the efficiency of the Department by reducing the time spent printing and mailing purchase orders.

**Management's Response:** *Management agrees with the recommendation. Originally vendor emails were not set up in MUNIS. We are currently working on getting them into the system so that the email functionality to send POs can be used. Implementing eProcurement Vendor Self Service will help with the efforts to ensure all correct vendor information is in MUNIS.*

**Target Completion Date:** December 2017

**Improperly issued POs exist.** The Procurement Department tracks a performance measure on improper POs. An improper PO refers to a placed order where the goods and/or services have been supplied by the vendor before the PO has been officially issued by the Division. These are typically considered impermissible as they do not follow the established procedures. To identify the prevalence and magnitude of improper POs, the audit team performed a detailed analysis on the entire PO database<sup>4</sup>. For each PO in the PO database, the audit team compared the invoice date to the PO date. The logic being that if the vendor invoice date is prior to the PO date, the PO would be an improperly issued PO. Figure 2 displays the percentages for FY 2015 and FY 2016. There was a total of 17 percent (1,189) that may represent improperly issued POs in FY 2015 and 18 percent (1,242) in FY 2016.

**Figure 2. Percentage Distribution of Total PO Count by Type, FY 2015 and FY 2016**



Source: Gibson analysis of Purchase Order and Disbursements Listings, FY 2015 and 2016

<sup>4</sup> The PO database is used to describe the entirety of POs processed and paid during the audit period (e.g., 14,742).

In the analysis, Gibson also identified several POs where the PO date matched the invoice date (labeled “Zero Day” POs in figure). While the Zero Day POs are not being categorized as improperly issued POs for purpose of this assessment, it is important to note that there is a likelihood that some of those could also be improper POs, in that the receipt of the invoice triggered the PO and the PO was expedited within Munis on the same day. While this may not be the case for all of the Zero Day POs, it is important to consider the volume of those instances when fully evaluating the total possible magnitude of improper POs.

Improper POs are usually not the fault of a Procurement Department but of the schools or departments. Often because of inadequate planning, end users purchase items without going through the requisition process. This causes invoices to be sent to the Division before the Procurement Department is aware of the purchase. As a result, a PO is generated after that fact and at that point becomes an improper PO.

***Recommendation 15: Perform analysis to better understand the root cause of improperly issued purchase orders and implement control procedures to eliminate them.***

The Division should analyze historical purchasing data to determine trends in improperly issued POs and identify root causes for the prevalence of these items. Identifying root causes will help develop controls to better enforce and monitor the issuance of proper POs. The historical purchasing information can be analyzed in a number of ways. For instance the Procurement Department can analyze the number and percentage of improper POs by school or department code, object code, program code, and function code. This type of analysis can be used by management to better understand the needs of departments and determine root causes for improper POs.

***Management’s Response:*** *Management agrees with the recommendation. The Procurement Department does not become aware of the problem until it is time to pay the vendor. Procurement has created a justification memo that requires Director and Executive level approval when an improperly issued PO is discovered and the amount of after the fact purchase orders has reduced since the justification memo process was put in place. However, the Procurement Department will analyze those that continue to be processed to determine how these can be eliminated.*

***Target Completion Date:*** *December 2017*

**Blanket Purchase Orders are not tracked or monitored by the Procurement Office.** Currently BPOs are not being monitored within the Munis system by Procurement personnel. When entering a requisition into the system there is a BPO field that can be checked if the request is for a blanket purchase order; however, this field is not consistently checked by end users. Due to this inconsistency, if the BPO usage were to be tracked, the results would be unreliable.

***Recommendation 16: Implement control procedures to better monitor the use of blanket purchase orders.***

Campus secretaries and department support staff should be trained on the use of the BPO check box in the requisition entry screen in Munis and all BPOs should be properly classified as such within the system. Once reliable data have been captured, the Procurement Department should analyze historical purchasing

data to ensure proper BPO usage. BPOs should be used when multiple recurring payments need to be made, or when a contract is issued for a set amount that is not to be exceeded. Small dollar purchases for materials or supplies do not need to be procured through BPOs. It would be more efficient and effective to procure these goods with a Procurement Card, once the Division completes the implementation of the P-Card program.

**Management's Response:** *Management agrees with the recommendation. The Procurement Department will emphasize the use of BPOs in the Procurement training to ensure they are being used properly. Additionally, the Procurement Department will set up a process to analyze how BPOs are being used.*

**Target Completion Date:** *March 2018*

**Procurement file documentation does not consistently support compliance with purchasing policy.**

There are two methods to competitively procure goods and services (that do not pertain to one of the exceptions listed in the VPPA, e.g., sole source or emergencies), either through the use of quotes or competitive solicitations (ITBs and RFPs). Purchases under the thresholds established in Board policy DJ can be made through either method, and purchases above these thresholds must be competitively solicited through an ITB or RFP. The objective of one of the parts of Test 2 – PO Transactions was to validate that the purchase orders selected were properly competitively procured according to these requirements. For each selected PO, the audit team reviewed all documentation retained within the Munis system to identify quotes and contracts attached to the requisition or documented notes stating the ITB or RFP number. Out of the 30 POs selected, 4 (13%) did not contain evidence within the Munis system to prove that they were competitively procured.

**Recommendation 17: Ensure that procurement file documentation validates policy compliance.**

It is important that all goods and services are competitively procured, and that the procurement files demonstrate that the purchasing policies are met. This needs to be done not only to comply with the VPPA and Board policies, but to ensure that the Division is receiving the best value. All documentation of these procurements (e.g., quotes, contracts, ITBs, RFPs, etc.) should be properly retained electronically through a documentation management system or an alternative system, per recommendation 4, to serve as evidence of compliance. Further, once a file is completed, it should be reviewed and signed by a supervisor to ensure that compliance requirements have been met.

**Management's Response:** *Management agrees with the recommendation. Staff will ensure that the appropriate documentation to support compliance with the purchasing policy is retained within the MUNIS system for each PO. Additional documentation to support the procurement is currently maintained in separate files. The department will explore the feasibility of utilizing a document management system including costs, overall benefit and staff resources.*

**Target Completion Date:** *December 2017*

## Section 4 – Other

---

This report section covers the findings and recommendations for the different aspects of technology as it pertains to the Procurement Department, including user access to the Munis system and the use of electronic vs. hard copy forms and documents. In addition, this section addresses the security and accessibility of procurement files.

### *Findings and Recommendations*

**Munis user access controls are inadequate.** There are two aspects of maintaining proper system user access levels. These include the modification of access levels at the time of a change in employee status (i.e., when an employee is hired, changes positions, goes out on leave, or is terminated), and the periodic review of access levels for appropriateness.

Currently when an employee is hired, a Munis Access Request Form is completed and signed by the Principal/Department Head and a representative of the Financial Services Department. Once approved, the Business Systems Analyst sets up the employees account and access levels in the system. When an employee changes roles or positions that requires a change in access levels an email is sent from the Principal/Department Head to the Business Systems Analyst to approve the access changes, at which time the Business Systems Analyst updates the system. The access levels for employees that go out on leave or are terminated are not updated in a timely manner. A review is performed by the Business Systems Analyst on a monthly basis for all of these employees, and only at this time the accounts are locked, passwords are reset, or accounts are inactivated. In addition, this monthly review does not include changes to access levels for new employees or those that have changed positions. It is important that all changes to access levels are reviewed on a periodic basis to ensure that all required changes were made and that they were appropriate.

### ***Recommendation 18: Increase controls over the maintenance of Munis user access levels.***

When there is an approved change in existing employee status, the corresponding changes in user access levels should be formally requested, approved, and implemented immediately. As stated in the findings above, this formal process is currently in place for newly hired employees. The Division should implement a procedure for formally processing changes to user access levels for position changes, leave, and terminations. This would include completing a user request form, routing it for approval by the appropriate individuals, and updating the system accordingly.

In addition, the monthly review that is performed should include all changes to user access levels, not just those pertaining to employees terminated or on leave. It is important that these access levels are regularly reviewed for appropriateness to ensure that employees only have access to the areas of the system that are needed to perform their job.

***Management's Response:*** Management agrees with the recommendation. A formal process will be established to ensure changes are made in a timely manner in the MUNIS system when an employee is

*hired, for position changes, long-term leave and terminations. This process will include how all changes are reviewed on a monthly basis.*

**Target Completion Date:** September 2017

**Munis workflows relating to procurement can be changed without Procurement Department's knowledge or review.** Workflow is the sequence of processes through which a transaction passes from initiation to completion. Most information systems, including Munis, have workflow capabilities that support the configuration of automated processes, such as online approvals, to increase efficiency. Currently, the process for modifying Munis workflows related to procurement do not pass through the Procurement Department for review.

**Recommendation 19: Implement departmental review procedures for the modification of Munis system workflow.** When the need to modify the current system workflow is identified, a formal request should be developed and routed to the departments affected by the change in workflow. If the change is a result of a policy change, then the policy should be referenced in the request documentation. Once the change has been reviewed and approved the change can be made in the Munis system. This will ensure that there is a proper audit trail of all changes to system workflows.

**Management's Response:** Management agrees with the recommendation. A formal process will be established that ensures the impacted departments are notified whenever a workflow for an employee is changed in MUNIS.

**Target Completion Date:** September 2017

**There are several manual processes within the Procurement Department.** There are several hard copy forms and documents utilized in the Procurement Department that are completed manually and then physically routed, or scanned and emailed to the appropriate parties for approval. These include Munis Access Request Forms, Special Check Request Forms, and numerous solicitation documents. The processing of these hard copy documents is time consuming and increases the risks that information will be lost or misplaced.

**Recommendation 20: Utilize electronic forms to increase efficiency and enhance approval and record keeping processes.**

The use of hard copy forms and manual processes is inefficient in many ways. The ideal way to digitize and automate the processing of these forms is through the use of a system workflow. The Division should explore the Munis system workflow functionalities that would allow end users to submit request forms (Munis Access Requests, Special Check Requests, and workflow change requests as recommended above) to be routed for approval through the system. If the system does not have this capability then the Division should consider using google docs or a secure shared drive to digitize and share documents. One of these latter two methods should also be used to electronically create and track solicitation documents. This will facilitate the tracking of all communications in the competitive solicitation process, such as the drafting of scopes of work, and will reduce the time to create and execute solicitations.

Automating these current manual processes will increase efficiency, create an easily traceable audit trail, reduce approval times, and prevent the loss or misplacement of information.

**Management's Response:** *Management agrees with the recommendation. Staff will explore the capabilities of the MUNIS system and any other options to increase efficiency.*

**Target Completion Date:** *December 2017*

**Procurement files are not securely stored.** The Procurement Office at Alexandria CPS currently stores paper files in a filing room. This room is left unlocked during the day, and the locking mechanisms on the filing cabinets are not utilized.

**Recommendation 21: Secure procurement files to ensure confidentiality and reduce the possibility of lost records.**

Many procurement files contain sensitive and confidential financial information about the Division's vendors. Access to these records must be controlled. Security measures are needed to protect the records against loss, unauthorized access or alteration while in storage and during their active use in the office. All file cabinets containing procurement files should be locked, preferably at all times, and the file room should be locked when not in use by authorized persons. In addition, employees should be careful not to leave files unsecured. For example, a file should be locked inside a desk or cabinet, rather than left on the desk, whenever the employee goes to lunch.

**Management's Response:** *Management agrees with the recommendation and this has recently been implemented. The door to the file room is now keyed with an electronic code lock system for security.*

**Target Completion Date:** *Implemented*



## Appendix A – Interview Roster

| Interviewee            | Title  | Date      |
|------------------------|--|-----------|
| Sharon Lewis           | Director, Procurement  | 8/8/2016  |
| Connie Snyder-Felix    | Finance Technician   | 8/8/2016  |
| Christopher Guy        | Purchasing Manager   | 8/8/2016  |
| Gerald "Jerry" Amacker | Sr. Buyer  | 8/8/2016  |
| Mekdes Amedi           | Business Support and Administrative Specialist               | 8/8/2016  |
| Melanie Johnson        | Contract Specialist  | 8/9/2016  |
| Salome Nnanga          | Site Manager of Print Shop and Mailroom                      | 8/9/2016  |
| Michael Covington      | Director, Accounting   | 8/9/2016  |
| Shakeema Carroll       | Accounts Payable/Receivable Technician                       | 8/9/2016  |
| Olimpia Garay          | Accounts Payable/Receivable Technician                       | 8/9/2016  |
| Cathy Hoilman          | Administrative Specialist, Information Technology Specialist | 8/9/2016  |
| Stacy B. Johnson       | Chief Financial Officer                                      | 8/9/2016  |
| Shelly Sikhammountry   | Budget Analyst II  | 8/10/2016 |
| Sarah Rhodes           | Assistant Director, Financial Systems & Reporting            | 8/10/2016 |
| Daniel Fugar           | Business Systems Analyst                                     | 8/10/2016 |
| Dr. Alvin Crawley      | Superintendent   | 8/10/2016 |
| Meloni Hurley          | Business Support Specialist, Instructional Specialist        | 8/10/2016 |
| Tracey Armah           | Financial Analyst  | 8/10/2016 |
| Dr. Elizabeth Hoover   | Chief Technology Officer                                     | 9/19/2016 |
| Francine Morris        | Buyer  | 9/21/2016 |

## Appendix B – Testing Results

| Test   | Test Procedures  | Results  | General Observations  |
|--|--|--|---|
| <p><b>Test 1 –<br/>Competitive<br/>Procurement</b></p> | <p>From the listing of all ITB/RFPs awarded during the audit period, select individual ITBs/RFPs to test. For each selection, validate the following:</p> <ul style="list-style-type: none"> <li>a) The ITB/RFP was properly advertised as required by the VPPA.</li> <li>b) The evaluations were conducted in accordance with stipulated criteria (i.e. bid tabulations, evaluation matrices, etc. were properly completed and retained).</li> <li>c) Evaluators were appropriate, given the nature of the solicitation, and the requirements set forth in the VPPA.</li> <li>d) Vendor responses support the scoring and selection of the awarded vendor(s).</li> <li>e) Vendor responses of the awarded vendor(s) were received prior to the deadline.</li> <li>f) Vendor responses for the awarded vendor(s) was complete.</li> <li>g) The award and contract were properly approved.</li> </ul> | <p>Of the 10 ITBs/RFPs selected for testing, Gibson identified the following:</p> <ul style="list-style-type: none"> <li>- 2 were not properly advertised.</li> <li>- The audit team could not determine if 1 was properly advertised based on the documentation within the file.</li> <li>- Narratives were not completed by evaluators to explain their scoring of respondents for 3 of the solicitations</li> <li>- 2 procurement files were missing some of the evaluation documents, including presentation and interview notes, and evaluation matrices.</li> <li>- 2 of the RFPs had evaluation committees consisting of an even number of evaluators.</li> </ul> | <p>Based on the testing performed the audit team observed the following:</p> <ul style="list-style-type: none"> <li>- Copies of the actual advertisements are not retained. Procurement files only include emails sent regarding the posting of solicitations.</li> <li>- Documentation of the time stamp indicating when proposals/bids are received is not retained within procurement files. Due to this the audit team was not able to confirm that responses were received prior to the deadlines.</li> <li>- One of the prices listed by the respondent in a bid was for a different product number. The pricing table listed the correct product number; however, the other documentation submitted by the bidder listed the incorrect product number. This was not identified by Procurement. The bidder discovered the error prior to shipment at which time they withdrew their bid.</li> </ul> |

| Test                            | Test Procedures  | Results  | General Observations   |
|---------------------------------|--|--|--|
| <b>Test 2 – PO Transactions</b> | <p>From the listing of all POs issued during the audit period, select individual POs to test. For each PO, validate the following:</p> <ul style="list-style-type: none"> <li>a) Proper approval for the purchase, as stipulated in the purchasing procedures.</li> <li>b) There is proper documentation of the receipt of goods and services.</li> <li>c) Invoice amount agreed to the PO</li> <li>d) PO was issued prior to the invoice date.</li> <li>e) Proper budget code was used.</li> <li>f) Purchase was properly procured through sole source, soliciting</li> </ul> | <p>Of the 30 POs selected for testing, Gibson identified the following:</p> <ul style="list-style-type: none"> <li>- 3 Selections did not have corresponding receiving information.</li> <li>- 3 selections had invoices with amounts greater than the Purchase Order without additional approvals</li> <li>- 4 selections did not have proper documentation to validate if the purchase was properly procured.</li> </ul> | <p>Based on the testing performed the audit team observed the following:</p> <ul style="list-style-type: none"> <li>- An inconsistent knowledge of when quotes can be obtained for purchases.</li> <li>- No uniform policy on documentation of sole source explanation. This information was located in various parts of MUNIS.</li> </ul> |

## Appendix C – Analytics Results

| Analytic                                      | Analytical Procedure   | Results  |
|---|--|--|
| <b>Analytic 1 – Unusual PO Dates</b>          | Identify all POs approved on holidays or weekends during the audit period.   | Gibson did not identify any POs dated on holidays or weekends during the audit period.   |
| <b>Analytic 4 – Unusual Object Codes: POs</b> | Identify any inappropriate budget coding (in terms of object codes) for all POs issued during the audit period. Inappropriate coding could be indicative of a control gap related to budget coding.                            | Gibson did not identify any inappropriate object coding.   |
| <b>Analytic 3 – Electronic POs</b>            | Identify the number and percentage of POs sent electronically to vendors.  | Gibson identified 1,458 (20%) POs that were sent electronically in FY 2015, and 1,700 (22%) in FY 2016. Refer to the Findings and Recommendations in Section 3 of this report for further discussion related to these results.   |
| <b>Analytic 4 – Improperly Issued POs</b>     | Identify magnitude of possible improperly issued POs. For all POs processed and paid during the audit period, compare the invoice date to the PO date. Quantify number of POs with dates after the corresponding invoice date. | Gibson identified 1,189 (17%) of processed and paid POs dated after the corresponding invoice in FY 2015 and 1,242 (18%) in FY 2016. Refer to the Findings and Recommendations in Section 3 of this report for further discussion related to these results.  |
| <b>Analytic 5 – Duplicate Vendor Records</b>  | Identify all vendor records with the same name or address. Those identified could indicate that there are duplicate vendor records within the Munis system.  | Gibson identified 17 instances where 2 vendor records contained the same address. These were all duplicate records, as the vendor names were slightly different but pertained to the same vendors. Gibson also identified 12 instances where 2 or more vendor records contained the same name. All but 4 of these instances contained different addresses. This is a possible indication that when a vendor's address changed a new records was created as opposed to updating the existing record. Refer to the Findings and Recommendations in Section 3 of this report for further discussion related to these results. |

## Appendix D – Sample Evaluation Matrix

| Criteria  | Points | Scoring   | Vendor 1 | Vendor 2 | Vendor 3 |
|---|--------|---|----------|----------|----------|
| Background, Education & Experience in providing similar services to School systems or recreation districts.     | 20     | <p>20 = Extensive background, education &amp; experience in providing similar services to school systems or recreation districts</p> <p>15 = Significant background, education &amp; experience in providing similar services to school systems or recreation districts</p> <p>10 = Moderate background, education &amp; experience in providing similar services to non-school systems/recreations districts</p> <p>5 = Limited background, education &amp; experience in providing similar services</p> <p>0 = No background, education or experience in providing similar services</p> | 15       | 20       | 15       |
| Responsiveness and Compliance with RFP Requirements and submittal.  | 15     | <p>15 = Response was complete and complied with all RFP requirements</p> <p>10 = Response was complete and complied with most RFP requirements</p> <p>5 = Response was complete and complied with a few RFP requirements</p> <p>0 = Response was incomplete and did not comply with RFP requirements</p>  | 15       | 15       | 10       |
| Ability, Capacity, skills to perform the services. Properly documents projects completed on time/within budget. | 25     | <p>16-25 = Strong ability, capacity, and skills to perform the services, with multiple documented projects completed on time/within budget</p> <p>6-15 = Notable ability, capacity, and skills to perform the services, with few documented projects completed on time/within budget</p>  | 18       | 25       | 15       |

|  |            |   |           |           |           |
|--|------------|---|-----------|-----------|-----------|
|  |            | 0-5 = Weak ability, capacity, and skills to perform the services, with no documented projects completed on time/within budget   |           |           |           |
| Quality of proposal response, requirements/adequacy of the information provided. | 15         | 15 = Excellent quality of proposal response, requirements/adequacy of the information provided<br>10 = Good quality of proposal response, requirements/adequacy of the information provided<br>5 = Satisfactory quality of proposal response, requirements/adequacy of the information provided<br>0 = Unsatisfactory quality of proposal response, requirements/adequacy of the information provided | 10        | 15        | 10        |
| Project approach.  | 15         | 15 = Excellent project approach<br>10 = Good project approach<br>5 = Satisfactory project approach<br>0 = Unsatisfactory project approach   | 10        | 10        | 5         |
| Conflict of Interest or exceptions to the contract terms and conditions.         | 10         | 10 = No conflict of interest or exceptions to the contract terms and conditions<br>5 = No conflict of interest and minor exceptions to the contract terms and conditions<br>0 = Conflict of interest and/or significant exceptions to the contract terms and conditions   | 5         | 10        | 5         |
| <b>TOTAL</b>   | <b>100</b> |   | <b>73</b> | <b>95</b> | <b>60</b> |

***Important notes regarding evaluation matrix:***

*Vendors are rated on how well they meet each factor. Point values for all factors are totaled for each vendor.*

*In the sample above, Vendor 2, with a total of **95** points, is the winning bid because that vendor has the highest total points.*