

# Procurement Internal Audit Final Report

Prepared for:  
Austin Independent School District

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## Table of Contents

<b>Chapter 1: Introduction .....</b>	<b>1</b>
Executive Summary .....	1
Project Objectives and Scope .....	2
Interviews and Focus Groups .....	3
Testing Methodology .....	3
<b>Chapter 2: Organization and Management.....</b>	<b>5</b>
Departmental Overview .....	5
Expenditure and Staffing .....	7
Systems Overview .....	9
Training.....	9
Findings and Recommendations .....	10
<b>Chapter 3: Competitive Procurement and Contracting.....</b>	<b>18</b>
Regulatory Framework .....	18
Competitive Procurement and Contracting Overview .....	19
Testing and Analytics .....	24
Findings and Recommendations .....	28
<b>Chapter 4: Procurement and P-Card.....</b>	<b>34</b>
Procurement Overview .....	34
P-Card Overview .....	35
Testing and Data Analytics.....	37
Findings and Recommendations .....	46
<b>Chapter 5: Receiving .....</b>	<b>60</b>
Overview.....	60

Testing..... 61

Findings and Recommendations ..... 63

**Appendix A: Interviews and Focus Groups List..... A-1**

# Chapter 1: Introduction

This report presents the results of the Contract and Procurement Services Department Audit, as part of the Austin Independent School District's (Austin ISD's/AISD's/the District's) internal audit program to support continuous improvement. This audit began in December 2022 and was completed in June 2023. This introductory Chapter provides a summary of audit findings and recommendations, describes the audit scope and objectives, and presents a description of Gibson Consulting Group's (Gibson's) approach and methodology.

The audit team wishes to thank the AISD leadership and staff for their assistance in conducting this audit, and the Board Audit Committee for overseeing this important work.

## Executive Summary

AISD has a centralized procurement function, managed through the Contract and Procurement Services Department. Only two departments – Nutrition and Food Services and Warehousing – manage their own procurement and are accordingly excluded from the scope of this audit. Further, while the Contract and Procurement Services Department includes construction procurement, it is not covered in this audit. Gibson is currently conducting a Construction Management Audit for AISD, and construction procurement falls under the scope of that audit. This audit report focuses on goods and services procurement.

Overall, the Department effectively uses information systems and technology to reduce paperwork in procurement-related processes. The Department takes advantage of an online E-Procurement system to streamline and automate competitive bidding solicitation. They also use the District document management system and electronic document signing system to eliminate the use and storage of paper documents.

This audit identified several improvement opportunities. One of the more significant findings is the lack of documented contract management procedures and related lack of clarity of contract management roles and responsibilities. Another major finding is that AISD departments and schools (that originate procurement transactions) do not consistently follow purchasing procedures, particularly with respect to purchase orders. Purchase orders reflect a commitment to buy a good or service before they are received or invoiced and represent a basic control of an effective procurement function. Both of these findings increase the District's compliance and financial risks. Several procurement-related processes were also found to be inefficient, with the most important relating to Procurement Card (P-Card) transactions for high-volume, low dollar-value purchases.

This audit identified one commendation and 12 recommendations to improve the procurement function in Austin ISD. Table 1 lists all the recommendations along with the audit team's assessment of priority. Summary of Audit Recommendations

**Table 1.**

No.	Priority	Recommendation
1	Medium	Establish more training opportunities that the District staff can attend.

No.	Priority	Recommendation
2	Medium	Upgrade the minimum qualification requirement for Senior Procurement Specialists' job description and encourage and provide procurement-related certification opportunities.
3	Medium	Implement and use performance measures to enhance the effectiveness of procurement-related activities.
4	High	Establish a monthly review of user positions and their security roles in the District's Enterprise Resource Planning system, <i>BOLT</i> .
5	High	Establish procedures for contract management activities.
6	Medium	Fully implement the District's E-Procurement system, <i>Bonfire</i> , contract management module.
7	High	Track the metrics necessary to hold departments and campuses accountable to District purchasing requirements.
8	High	Move vendor master file management from the Accounts Payable Department to the Contract and Procurement Services Department.
9	Medium	Reengineer the vendor creation process by automating data exchange between systems.
10	Medium	Conduct a spend analysis on a quarterly basis.
11	High	Reengineer the P-Card process by eliminating duplicative tasks and integrating information systems.
12	Medium	Replace H-E-B Card usage with existing P-Cards.

## Project Objectives and Scope

At Austin ISD, the procurement functions fall under the responsibility of the Executive Director of the Contract and Procurement Services Department. Procurement encompasses the processes and procedures for acquiring all goods and services. Many of these purchases are authorized through purchase orders (POs), although districts can make some payments, such as utility costs, without POs. Typically, districts have a detailed purchasing manual outlining policies and procedures for acquiring goods and services. Some districts also implement Purchasing Card (P-Card) Programs to facilitate the purchasing of small-dollar, recurring goods and services. School district purchasing typically involves many school and departmental employees across the district. The high volume of purchases, the number of people involved, and the wide variety of goods and services demanded by district users may influence the efficiency, effectiveness, and propriety of the procurement processes. Additionally, a lack of sufficient purchasing oversight can increase the risk of misusing the district's funds.

The objectives of this audit are to evaluate the compliance, efficiency, and effectiveness of the Austin ISD Contract and Procurement Services Department, and to identify opportunities for improvement. Four major areas of procurement function were analyzed during this audit:

1. Organization and Management
2. Competitive Procurement and Contracting

3. Procurement and P-Cards
4. Receiving

The findings and recommendations included in this report were informed by the following data collection and analytical activities.

## Interviews and Focus Groups

In February of 2023, the Gibson audit team conducted 26 individual and group interviews, as well as 10 focus group sessions with the Superintendent, central office administrators and staff, Contract and Procurement Services Department staff, campus administrators, and campus bookkeepers. The objective of the interviews and focus group sessions was to gather information about AISD's procurement function and to assess stakeholder perceptions regarding areas of strength and opportunities for improvement.

A complete list of interviewees and focus groups can be found in Appendix A: Interview List.

## Testing Methodology

Gibson's testing methodology contained two main elements: data analytics, and 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.

Table 2 provides a summary of the audit procedures that were performed.

**Table 2. Transaction Testing and Data Analytics Summary**

Procedure	Procedure Name	Sample Size	Procedure Overview
Test 1	Requisition and PO Issuance	20	To validate that requisitions are submitted with the appropriate supporting documents, that requisitions are from an approved vendor, that POs are properly approved by the Purchasing Department, and that the proper budget code is used.
Test 2	Receiving	20	To validate that receipt of goods occurred after the issuance of the PO and that it was properly communicated to the Accounts Payable Department.
Test 3	Contracts	15	To validate that the contract received necessary levels of approval, that the purchased items were included in the scope of the contract and that the contract was executed before the PO was created.

Procedure	Procedure Name	Sample Size	Procedure Overview
Test 4	P-Card Issuance	10	To validate that the proper approval was obtained and that the P-Card agreement was signed before P-Card issuance.
Test 5	P-Card Transactions	20	To validate that the proper supporting evidence was submitted, appropriate approval was obtained, the proper budget code is used, and the transaction amount was below the approved P-Card limit.
Test 6	H-E-B Card Transactions	20	To validate that the proper supporting evidence was submitted, that appropriate approval was obtained and that the proper budget code was used.
Test 7	Competitive Procurement	20	To validate that District policies regarding competitive bidding were followed, that the proper evaluation criteria was used, that the appropriate evaluation committee was established, that vendor responses supported scoring and selection of awarded vendors, and that the competitive procurement was properly approved by the Board, if required.
Analytics 1	Texas Department of Information Resources (DIR) Contract Transactions	N/A	To validate contracts referenced by the POs.
Analytics 2	Unusual PO Numbers	N/A	To validate proper PO numbers are used.
Analytics 3	Unusual PO Dates	N/A	To validate POs are issued on proper dates.
Analytics 4	Zero Dollar POs	N/A	To validate unusual PO amounts.
Analytics 5	Long Standing Open POs	N/A	To validate the aging of open POs.
Analytics 6	Improperly issued POs	N/A	To validate POs are issued before the invoice date.
Analytics 7	Amazon Business Account Transactions	N/A	To validate commodities purchased using P-Cards are allowed based on the P-Card manual.

The remainder of this report is organized into the following chapters and appendices:

Chapter 2: Organization and Management

Chapter 3: Competitive Procurement and Contracting

Chapter 4: Procurement and P-Cards

Chapter 5: Receiving

## Chapter 2: Organization and Management

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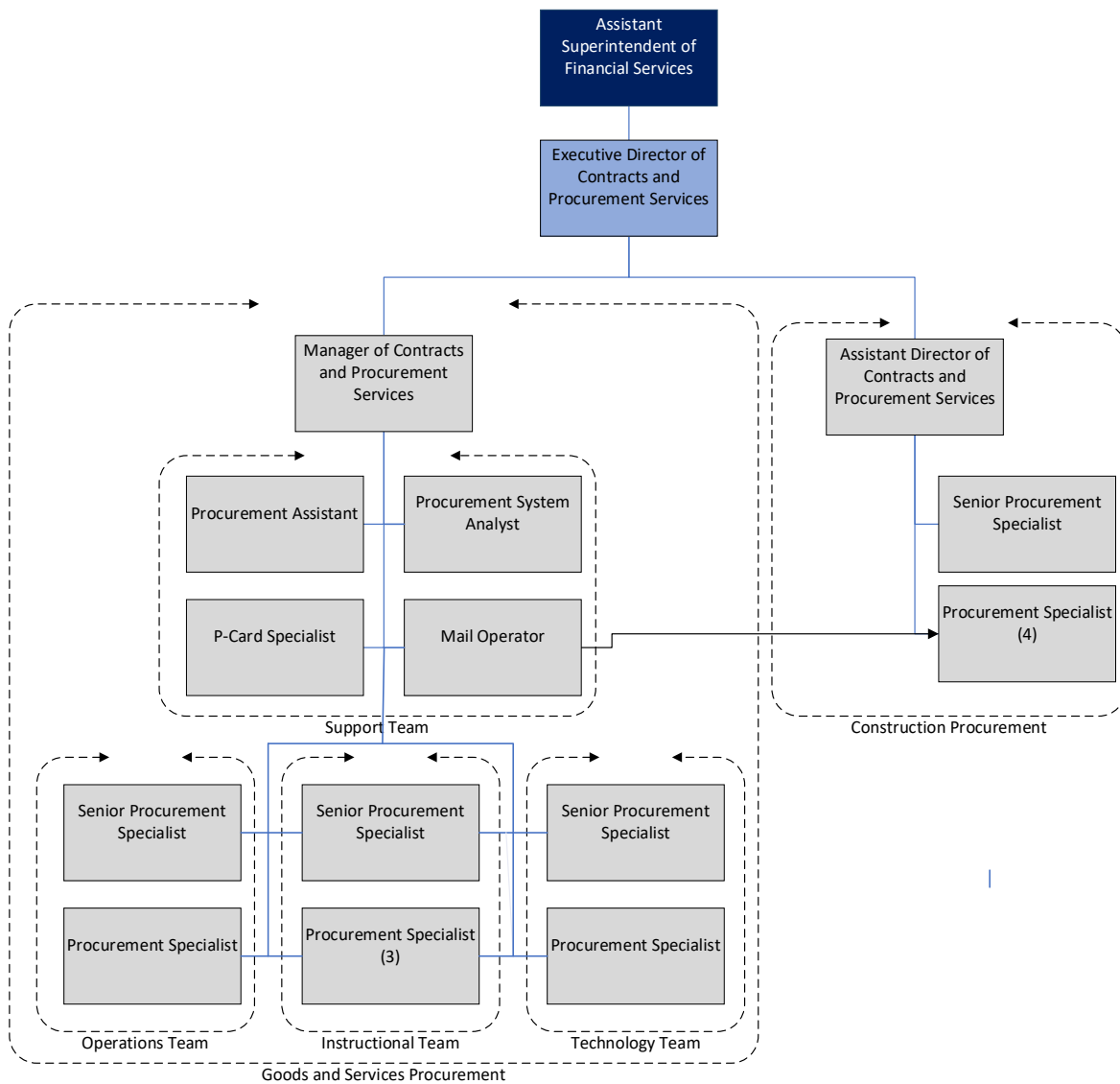
The Austin ISD procurement functions, with the exception of food service procurement, are managed centrally by the Contract and Procurement Services Department. The District has a central warehouse that is managed by Nutrition and Food Services Department, and Warehouse Operations departments where campuses and departments can order certain goods, including stock items such as paper products and limited custodial supplies. Warehouse operations are not within the scope of this audit. The District Accounts Payable (AP) Department works closely with the Contract and Procurement Services Department on the District P-Card program, management and payment of vendors, and training of District bookkeepers and accounting clerks.

### Departmental Overview

The District's Contract and Procurement Services Department has 18 positions which are split into two groups – construction procurement, and goods and services procurement. The Executive Director of Contract and Procurement Services oversees both procurement groups and the mailroom operation. The Executive Director of Contract and Procurement Services reports to the Assistant Superintendent of Financial Services. The mail room operation is not in this audit's scope, and construction procurement is covered in detail in the fiscal year (FY) 2023 Construction Management Audit. Figure 1 depicts the current organizational structure of the Contract and Procurement Services Department. At the time of the audit, the Department had two vacant positions – one in the construction procurement group and one in the goods and services group. While the Department organization chart is showing 18 positions, the 2022-23 staff chart in Figure 2 on page 8 shows 17 FTE because the construction procurement group added one Procurement Specialist position in November 2022, which was after the Public Education Information Management System (PEIMS) fall snapshot date (October 2022).



Figure 1. Contract and Procurement Services Department Organization Chart



Source. Austin ISD Contract and Procurement Services Department, February 2023

The Executive Director oversees all aspects of the procurement process and ensures compliance with federal and state procurement regulations and Board policies. The Executive Director is also involved in the preparation and administration of complex, high-dollar value solicitations.

The Contract and Procurement Services Department's construction procurement group consists of six positions, five funded by bond funds and one funded by the General Fund. This group works exclusively on construction and bond-related procurements, and is led by the Assistant Director of Contract and Procurement Services.

The goods and services procurement group consists of 11 positions. This group is led by the Manager of Contract and Procurement Services. The goods and services group has three purchasing teams which include instructional, operational, and technology. Each purchasing team consists of a Senior Procurement Specialist and at least one Procurement Specialist. These individuals are responsible for a series of vendors and commodities related to their team.

Senior Procurement Specialists and Purchasing Specialists are responsible for reviewing and approving all POs before sending them to vendors. They also facilitate the competitive procurement process and awarding of contracts. Although each team member is assigned certain commodities, services, and vendors related to their area, Senior Procurement Specialists manage more complex and high dollar value procurement transactions.

The goods and services group also has a support team that consists of a P-Card Specialist, a Procurement System Analyst, and a Procurement Assistant. The team also reports to the Manager of Contract and Procurement Services. The P-Card Specialist oversees the P-Card program, including issuance of P-Cards and training of P-Card users. The Accounts Payable Department is responsible for review of P-Card transactions, P-Card consolidation, and payment of P-Cards. The Procurement System Analyst supports the Department's systems, runs reports, and provides procurement training to District bookkeepers and accounting clerks. This position also serves as the liaison to the District Technology Department on all Contract and Procurement Services Department-related support issues. The Procurement Assistant supports and assists with several areas in the Department, including answering bookkeeper and accounting clerk questions, and assisting all three team's Procurement Specialists with competitive procurement and PO needs. The Accounts Payable Department is responsible for creating new vendors in the District accounting system and maintaining the District online vendor management system, *Payment Works*.

The Department has a standard operating procedures manual that is available to all District employees via the District's intranet.

## Expenditure and Staffing

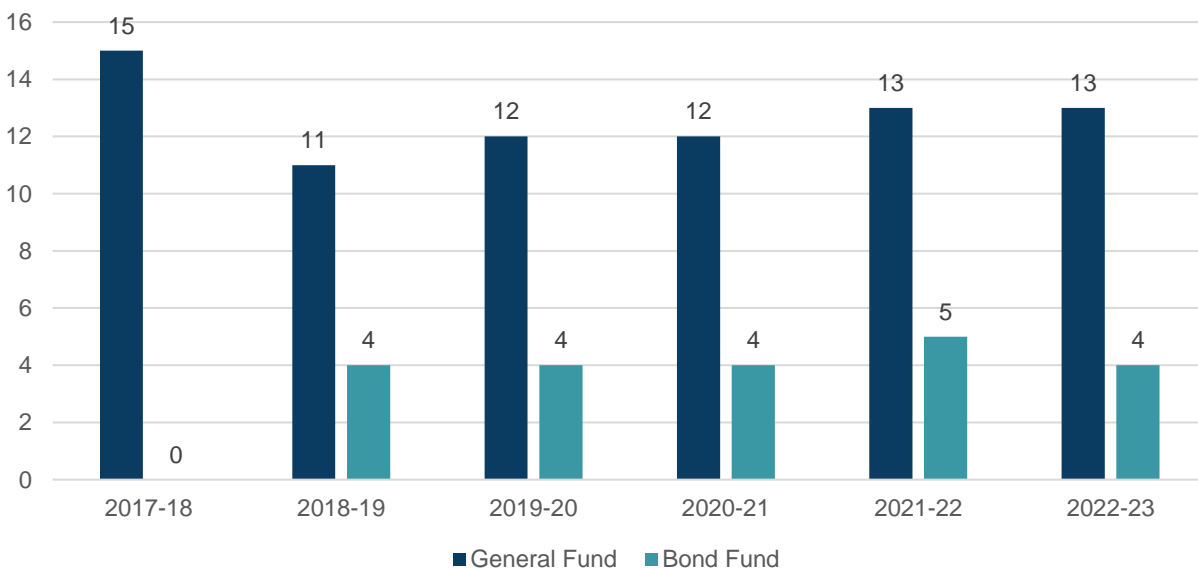
Table 3 presents the Contract and Procurement Services Department's general fund operating expenditures over the past five years. Total expenditures increased 21% from \$1,153,057 in 2017-18 to \$1,390,255 in 2021-22. The main causes for the increase are the reclassification of five of its staff from support to professional staff, the increase in rental copier contract expenditures, and the online bidding software that the Department has been using for the last three years.

**Table 3. Contract and Procurement Services Department General Fund Operating Expenditures, 2017-18 to 2021-22**

Expenditure	2017-18	2018-19	2019-20	2020-21	2021-22
6100 Payroll Cost	\$1,062,721	\$830,419	\$952,725	\$911,798	\$999,646
6200 Professional and Contracted Services	\$38,657	\$59,874	\$163,309	\$213,730	\$156,909
6300 Supplies and Materials	\$23,707	\$29,453	\$147,876	\$195,182	\$203,626
6400 Other Operating Costs	\$27,972	\$31,993	\$27,917	\$12,748	\$30,073
<b>Total</b>	<b>\$1,153,057</b>	<b>\$951,740</b>	<b>\$1,291,827</b>	<b>\$1,333,458</b>	<b>\$1,390,255</b>
Student Enrollment	81,346	79,787	80,718	74,725	71,883

Source. Texas Education Agency (TEA) PEIMS Financial Data

Figure 2 below illustrates the changes in staff Full-Time Equivalents (FTE) from 2017-18 to 2022-23 in the Contract and Procurement Services Department. The graph divides the positions within the Department between those which are funded by the General Fund and those which are bond-funded. After the approval of the 2017 bond, staff were allocated to construction procurement and funded by the bond funds starting in 2018-19. The Department added one FTE in 2019-20, and since then its General Fund staffing related to general procurement has remained at 12 FTE. Although general funded staff FTE numbers show an increase to 13 in 2021-22 and 2022-23, this is because there is one FTE position supported by the General Fund, but it is dedicated primarily to the construction procurement team.

**Figure 2. Contract and Procurement Services Department FTE, 2017-18 to 2022-23**

Source. AISD Staffing Data, 2017-18 to 2022-23

## Systems Overview

The District uses *BOLT* as its ERP system. *BOLT* is used to capture all purchasing transactions for the District and facilitates the process from requisition to payment. In 2022, the District purchased a new ERP system called *Frontline*. They are in the process of implementing this new system, which will replace *BOLT*. In addition to *BOLT*, the District uses a variety of systems to manage different aspects of the procurement and contracting functions, including the following:

- *Bonfire* is an E-Procurement system which manages the Request for Bids (RFB)/Request for Proposals (RFP) process. This software facilitates the solicitation process from beginning to end. *Bonfire* has a contract management module, but the Department has not completely implemented this module.
- *Payment Works* is an online vendor management system. This system allows vendors to self-maintain their information. Once the vendor makes any changes and additions to their information, the software presents the changes to the District staff for approval.
- *Laserfiche* is an electronic document management system. The Contract and Procurement Services Department uses *Laserfiche* to scan and store many things, such as procurement and contract-related documents, P-Card reconciliation receipts, and various reports.
- *Corporate Account Reconciliation (CAR)* is an American Express P-Card system for P-Card payments, reconciliations, and generating monthly statements.
- *DocuSign* is an electronic document signing software that can be used to collect signatures and approvals online. The Contract and Procurement Services Department uses *DocuSign* to get approvals and signatures for key documents like contracts, service agreements, and all online forms.

The Contract and Procurement Services Department also uses an intranet site called Strategic Supply Agreement (SSA). This site contains a list which provides detailed information to bookkeepers and accounting clerks regarding existing and approved contracts, vendors, and cooperatives that the District staff can use to purchase frequently bought goods and services. The site also hosts the Department's contact information and several published documents, including the Contract and Procurement Services Department standard operating procedures manual.

## Training

Bookkeepers and accounting clerks play key roles in the procurement process at AISD. These positions typically initiate the requisition to purchase goods and services for their campus or department. They monitor and assist in managing their campus or department expenditures and funding. They also keep and use District P-Cards for their campus or department, reconcile spending each month, and report amounts spent to District accounts payable.

Bookkeepers and accounting clerks must comply with state laws and District policies in the execution of procurement transactions. Other District procedures must be followed to ensure consistency across campuses and departments. In order to help ensure that compliance, effectiveness, and consistency

occurs, the Contract and Procurement Services Department provides the following training for the Bookkeepers and Accounting Clerks:

- A main training which occurs once at the beginning of each school year. This training event covers the following areas:
  - Information regarding the Department’s internal Strategic Supply Agreement (SSA) website
  - Purchasing thresholds
  - Purchasing ethics and policies
  - Service agreements
  - Usage of the software *DocuSign*
  - Information and usage of the District’s electronic record system, *Laserfiche*
  - The District ERP system’s (*BOLT*) requisition workflow and receiving workflow
- P-Card training to all P-Card holders. This training is provided before any individual is issued a P-Card.
- A refresher training if it is requested by bookkeepers and accounting clerks.
- If a new bookkeeper or accounting clerk joins the District after the beginning of the year training, the Human Resources Department notifies the Contract and Procurement Services Department and the Department provides procurement and P-Card training for the new bookkeepers or accounting clerks.
- “Bring Your Own Work” (BYOW) sessions in the central office for bookkeepers and accounting clerks occur three times a year. The goal of these sessions is to answer bookkeepers and accounting clerks’ questions and provide support while they do their daily work in the central office.

The Contract and Procurement Services Department uses online forms to record and track training registration and attendance for the beginning of the school year training and BYOW sessions.

Accounts Payable and Finance Department staff also attend these training events to provide training and support in the areas that they serve.

## Findings and Recommendations

### ***Finding 1: Procurement procedures are not consistently followed across AISD departments and campuses.***

Interviews and focus groups with bookkeepers and accounting clerks indicated that the requisition information collected from their campus or department varies greatly. Some campuses and departments ask staff to fill out a 3-ply paper form, while others request the information via email or create a custom online form to collect the requisition information. These inconsistencies can result in collecting incomplete or incorrect information and may negatively impact or delay the procurement activities for those departments or campuses.

There were multiple instances noted where bookkeepers had knowledge gaps in the procurement process. Some of the bookkeepers indicated that they do not know how to get the approval status information about their requisitions from the District's ERP system, *BOLT*. Others did not know there was a cut-off time for P-Card and federal funds spending before the end of the fiscal year. In addition, some new bookkeepers were not aware of how to check the remaining budget funds before purchasing goods and services.

Based on the analysis of AISD procurement training records, a lack of staff attendance at training sessions appears to be contributing to the issues described above.

In the 2022-23 school year, there were 253 Bookkeepers and Accounting Clerks in the District. Table 4 below shows the procurement training activities, their attendance numbers, and attendance ratios. The primary annual training in 2022-23 had 54% attendance, and none of the other trainings had more than 7% attendance.

**Table 4. 2022-23 School Year Training Activities and Attendance Numbers and Ratios**

Training Activity	Frequency	Time	Training Method	Training Material	Number of Attendees/ Total Population	Attendance %
Main Procurement Training	Once a year	Beginning of the school year	In person	<i>PowerPoint</i>	136 / 253	54%
Bring Your Own Work (BYOW)	Three times a year	Fall	In person	No material	18 / 253	7%
		Winter			11 / 253	4%
		Spring			0 / 253	0%
Refresher	As requested	Various	In person	<i>PowerPoint</i>	10 / 253	4%
One-on-One	As requested	Various	In person	No material	6 / 253	2%

Source. AISD Contract and Procurement Services Department training data

The District conducts one main procurement training event at the beginning of the school year. This appears to be insufficient for the elementary school bookkeepers since they do not complete procurement related activities as often as the bookkeepers at secondary schools. As a result, they often have a difficult time remembering the information they learned in training that occurred months earlier. The training event is not recorded, which means they cannot watch or listen to it afterwards. The only training material available as a refresher for bookkeepers and accounting clerks is a *Microsoft PowerPoint* presentation from the training.

The District also offers three BYOW sessions for Bookkeepers and Accounting Clerks throughout the school year. This is an event where Bookkeepers and Accounting Clerks can bring their work to the central office, complete it there, and ask questions to the procurement team. Based on the attendance ratios and interviews with the Bookkeepers and Accounting Clerks, this training activity is not useful due to the time it takes to travel to the central office.

Although the Contract and Procurement Services Department offers an ad-hoc refresher and one-on-one training, according to our interviews and the attendance ratios in Table 4, many Bookkeepers and Accounting Clerks were not aware of this offering or did not find it useful to attend.

Most principals rely on their Bookkeepers to perform critical procurement and contracting functions for their campus. If the Bookkeepers do not have complete knowledge of procurement procedures and do not have access to sufficient training to gain that knowledge, the campus may be at risk of non-compliance or not meeting procurement objectives for efficiency and effectiveness.

**Recommendation 1: Establish more training opportunities that the District staff can attend.**

The Contract and Procurement Services Department should develop quarterly procurement training that is recorded and made available via the SSA portal. The Department should publish these training event dates in advance so Bookkeepers and Accounting Clerks can manage their schedule accordingly. There should also be separate training courses for experienced Bookkeepers and new Bookkeepers. The Department should track the training attendance data to determine the Bookkeepers and the Accounting Clerks who did not attend these training courses.

*Management Response: Management agrees with this recommendation. Procurement leadership will continue to provide New Bookkeeper training sessions, Bring Your Own Work (BYOW) sessions for all Bookkeepers and Annual Procurement Training for all Bookkeepers. All trainings will be offered through the Center for Professional Learning. BYOW sessions held - 9/21/2022, 10/15/2022, 1/25/2023, 3/8/2023, 4/12/2023, and 5/10/2023. New Bookkeeper BOLT training was provided on 1/5/2022, 1/28/2022, 2/15/2022, and 8/3/2022. Annual Procurement Training was held – 08/02/2022. Implementation – October 2023.*

**Finding 2: The Senior Procurement Specialist job description minimum qualification requirements are not in line with the position's skill requirement and job responsibilities.**

The AISD Senior Procurement Specialists' job description's minimum qualifications do not require a bachelor's degree or any procurement certification. The job description only requires seven years of experience. Seven years of procurement experience at any level may not fully prepare an individual to the demand and needs of a Senior Procurement Specialist in Austin ISD, where high dollar value and high-risk procurement transactions occur all year long. Following a minimum qualification requirement, the Senior Procurement Specialists' job description lists skill requirements and job responsibilities for this position. The words "complex," "high risk," "best value," "lessen risk," "large dollar value," and "highly visible" are bolded and italicized to highlight the demands of this position.

The Senior Procurement Specialists' job description skill requirements and responsibilities are the following:

- This position requires knowledge of State and Austin ISD legal framework, local policy, and administrative regulation for procurement of goods and services.
- This position requires the ability to obtain the best value for the District by procurement methods including competitive bidding, competitive sealed proposals, requests for proposals for services, negotiation, and strategic sourcing.

- This position requires training in specification writing, bid document preparation, and proper procurement techniques.
- This position also requires a working knowledge of the goods and services to be purchased.
- This position requires project management skills to lead **complex, high risk**, multi-stakeholder procurement projects from conception to establishment.
- This position must be able to lead vendors, District administrators, and staff through the competitive solicitation and bid/proposal evaluation process to achieve **best value** results.
- This position acquires supplies, equipment, and services needed by the District using competitive procurement methods to satisfy requirements, limit or **lessen risk**, and obtain **best value**.
- Incumbent is responsible for establishment and management of strategic source agreements and POs for **large dollar value, high risk, highly visible** procurement projects and reviewing requests and specifications for supplies, equipment, and services to be acquired under those agreements.
- This position may contact requisitioners, suppliers, and other governmental agencies to resolve problems relating to product information.
- This position performs research and analysis of markets, trends, prices, costs, anticipation of demand through receipt and acceptance of the goods and services, and contracts to ensure compliance with established policies and procedures.

Table 5 below shows the total amount each Senior Procurement Specialist procured in the last three years. The procurement dollar amount does not include construction- and school nutrition-related procurement.

**Table 5. Senior Procurement Specialist Procurement Volume**

Buyers	FY2020	Percent of Total	FY2021	Percent of Total	FY2022	Percent of Total
Senior Procurement Specialist	\$62,411,093	77%	\$77,875,520	78%	\$91,953,750	75%
Others	\$18,758,262	23%	\$22,176,173	22%	\$31,158,249	25%
Total Procurement	\$81,169,355	100%	\$100,051,693	100%	\$123,111,999	100%

Source. AISD PO report for FY2020, FY2021, and FY2022

Senior Procurement Specialists are responsible for 75% to 78% of all goods and services procurement in AISD, but are only required to have seven years of any level procurement experience, while the P-Card and Textbook Specialist position has a minimum qualification of a bachelor's degree and one year of experience.

According to the Texas State comptroller's certification database, two Procurement Specialists from the Construction Procurement team and the Senior Procurement Specialist from the School Nutrition Department in Austin ISD have contract manager and contract developer certifications. The goods and services team's Senior Procurement Specialists do not have any procurement certifications.



The lack of certification requirements for the Senior Procurement Specialist position increases the risk that best practices in legal, administrative, and business areas of contracting and procurement functions will not be consistently applied.

According to the Texas Administrative Code, Title 34§20.133, state agency employees must complete the Basic Texas Purchaser Course to engage in purchasing functions on behalf of a state agency if that employee makes a purchase in excess of \$10,000. Also, a state agency purchaser must be certified as a Certified Texas Contract Developer to engage in contract development functions on behalf of a state agency if the employee develops, evaluates, negotiates, or awards a contract on behalf of a state agency. Even though school districts are not state agencies, many school district buyers obtain procurement-related certifications from the state or the Texas Association of School Business Officials (TASBO), which also provides procurement-related certifications.

**Recommendation 2: Upgrade the minimum qualification requirement for the Senior Procurement Specialist job description and encourage and provide procurement-related certification opportunities.**

The District should update the Senior Procurement Specialists' job description minimum qualifications to require a bachelor's degree in a related field or a procurement certification from a state or reputable agency. The Contract and Procurement Services Department should encourage all of its staff to obtain relevant procurement certification and training. Most procurement-related certification programs have a continuing education component which will allow the procurement staff to stay up-to-date on the changes in procurement laws, regulations, and policies. It will also help the employees within the Department learn best practices in the procurement and contracting functions. During the audit, the District was in the process of reviewing the job description in order to update the requirements for this position.

*Management Response: Management agrees with this recommendation. Procurement leadership will review & update the minimum qualifications in the job description for the Senior Procurement Specialist. The updates will include certification requirements. Implementation – January 2024.*

*Training options that lead to certifications and employee development: Michelle Morris, with the law firm of Rogers, Morris and Grover, LLP is Austin ISD's contracted attorney and will provide training regarding updated procurement processes including Legislative updates. The Procurement staff will continue attending the Texas Association of School Business Officials (TASBO) trainings/courses per the guidelines of the certification programs. The Procurement staff will attend training at the National Association of State Procurement Officials (NASPO). The Procurement staff will continue attending training at the National Institute of Governmental Purchasing (NIGP). The Procurement staff will attend training at the Texas Comptroller of Public Accounts (TCPA). Implementation - October 2023.*

**Finding 3: AISD is not tracking key performance measures or using them to manage the financial performance, cycle time, and quality of its procurement functions.**

Although the Contract and Procurement Services Department collects and sends procurement-related key performance measures data to the Council of Great City Schools (COGS) annually, interviews with the Department leadership and staff, as well as various financial and procurement-related reports, show that

AISD is not using these measures, or any other procurement-related key performance measures in their procurement and contracting activities.

According to the Contract and Procurement Services Department standard operating procedures manual, the departmental mission is to collaborate with schools, departments, vendors, and stakeholders to provide goods and services of the highest quality and best value for the District. Without implementing performance metrics with measurable performance targets, it is difficult for AISD to determine if the Department is achieving its mission.

The Audit team received a wide range of performance observations from the {Department and Campus} Bookkeepers and Accounting Clerks during interviews and focus groups. Some said the procurement process takes too long, while others found the procurement process timely. Since the Department does not have performance metrics around the timeliness of the procurement process by procurement area or procurement staff, the Department cannot determine the timeliness of the procurement process.

**Recommendation 3: Implement and use performance measures to enhance the effectiveness of procurement-related activities.**

Performance measurement can help improve the efficiency and effectiveness of District operations, including procurement operations. Performance measures related to procurement activities can provide District and department leadership more insight as to what is happening with those procurement activities. Performance measurement can also be used to hold departments accountable for results. The District should first identify performance measures to track in different areas of procurement operation, then they can establish performance targets that the department should try to achieve using these performance measures.

There are several performance metrics available regarding the procurement function. In addition to the COGS' performance metrics, the National Institute of Governmental Procurement (NIGP) has a series of procurement performance metrics that AISD can track and use.

Below is a suggested list of performance measures regarding procurement activities.

- Total purchases of services as a percent of the total budget;
- Volume of procurement spend through P-Cards;
- Average number of POs processed per purchasing employee;
- Total volume of purchases per purchasing employee;
- Number of active vendors per purchasing employee;
- Number of purchases per active supplier;
- Internal customer satisfaction with purchasing processes and service levels;
- Response time between requisition submission and PO placement;
- Procurement cycle time from the beginning of a sourcing process to the time that a contract is executed;

- Procurement operating costs as a percentage of managed spend;
- Procurement professional development and employee retention; and
- Number of full-time employees with a professional certification.

*Management Response: Management agrees with this recommendation. Procurement leadership will initiate the following performance measures per the reporting module within the new ERP system Frontline:*

- *Average number of POs processed per purchasing employee.*
- *Response time between requisition submission and PO approval.*
- *Total purchases of services as a percentage of the total budget.*
- *Volume of procurement spend through P-Cards.*

*Additional performance measures will include:*

- *Number of employees with a professional certification.*
- *Procurement professional development and employee retention.*
- *Customer satisfaction with purchasing processes and service levels.*

*Implementation – July 2023.*

***Finding 4: AISD employees outside the procurement function have access rights to procurement-related systems, which could result in unauthorized transactions.***

To assess the appropriateness of user access rights for key procurement processes, Gibson obtained two reports from the District's ERP system, *BOLT*. The first report lists various security roles within *BOLT*. The second report lists AISD staff with positions and security roles that they have within *BOLT*.

Based on the first report, rCPBuyer is the main security role for all procurement activities. The rCPBuyer security role will allow staff to perform the following activities in *BOLT*:

- PO Issue
- PO Approval
- PO Close
- PO Receiving

According to the second report, all of the Contract and Procurement Services Department staff and two Procurement Specialists who work for the Nutrition and Food Services Department have this security role. However, the second report listed five individuals who are outside of the Contract and Procurement Services and Nutrition and Food Service Departments who have the rCPBuyer security role. When an individual has a security role(s) outside of the ones that their position dictates, they may access information or perform transactions that they are not authorized or trained to do.

**Recommendation 4: Establish a monthly review of user positions and their security roles in the District's ERP system, BOLT.**

There should be a periodic user access review to make sure positions and security roles are in sync. The review should be performed by the Technology Department monthly. The Technology Department should also provide security role reports to the departments, so they know the list of positions and staff who have access to their department's information.

*Management Response: Management agrees with this recommendation. Since AISD will no longer utilize the financial system BOLT, the new ERP system, Frontline, will establish updated security roles to establish the workflows within the Frontline system. We would recommend that specific Procurement staff have the access to update and review the security roles with the same access as Technology staff. Implementation – September 2023.*

## Chapter 3: Competitive Procurement and Contracting

School districts in Texas are required to follow federal and state laws and procedures applicable to purchasing. The purpose of competitive bidding requirements found in the Texas Education Code (TEC), Section 44.031, is to stimulate competition, prevent favoritism, and secure the best goods and services needed for district operations at the lowest possible price. The Texas Education Agency (TEA) developed a comprehensive purchasing module in the Financial Accountability System Resource Guide (FASRG), which is available as a resource for district purchasing.

### Regulatory Framework

In addition to the Texas Education Code, Chapter 44 (TEC 44.031), several Board policies govern the procurement and contracting process in Austin ISD. Below is an overview of the key policies. Legal policies are those required by state law; local policies are additional policies not required by law but adopted by the Austin ISD Board of Trustees.

Policy CH (Legal) outlines the methods and requirements for competitive procurement, including contract award criteria. Texas Education Code, Chapter 44 (TEC 44.031), is the basis for this policy.

Policy CH (Local) outlines purchasing authority, purchasing methods, contract signatory authority and requires that the Board approve all purchases over \$100,000. The Chief Financial Officer (CFO) is responsible for reviewing this policy and procedures each year and making recommendations for any changes to the Superintendent and the Board.

Policy CH (Regulation) outlines that administrative procedures, such as all agreements, contracts, and change orders for purchase supplies, equipment, and services costing less than \$50,000 will be reviewed and approved by the Office of Legal Services before final signature, execution, regulations, and procedures.

Policy CH (Exhibit) contains two exhibits. Exhibit A lists positions that have authority to sign various types of contracts and contract execution authorization information. Exhibit B lists locally required certifications that should be included in all formal bid and proposal documents.

Policy CHE (Legal) outlines the requirement for vendors to communicate any conflicts of interest (via a conflict of interest questionnaire), if the vendor has a business relationship with the district and:

- a) Has an employment or other business relationship with an officer of the District, or a family member of the officer described by Local Government Code 176.003(a)(2)(A); or
- b) Has given an officer of the District, or a family member of the officer, one or more gifts with the aggregate value specified by Local Government Code 176.003(a)(2)(B), excluding any gift described by Local Government Code 176.003(a-1); or
- c) Has a family relationship with a local government officer of the district.

The policy indicates that the District should post the completed conflict of interest questionnaires on the District's website.

Additionally, the policy lists required contract boycott provisions:

- *Israel*: District may not enter into a contract with a company for goods and services unless the contract contains a written verification from the company that it does not boycott Israel and will not during the term of the contract.
- *Energy companies*: District may not enter into a contract with a company for goods or services unless the contract contains a written verification from the company that it does not boycott energy companies and will not boycott energy companies during the term of the contract.
- *No Discrimination Against Firearm and Ammunition Industries*: District may not enter into a contract with a company for the purchase of goods or services unless the contract contains a written verification from the company that it does not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association; and will not discriminate during the term of the contract against a firearm entity or firearm trade association.

## Competitive Procurement and Contracting Overview

The Texas Education Code, Chapter 44 (TEC 44.031), outlines the methods to be used by the District to procure goods and services. TEC 44.031 serves as the basis for the Board Policy CH (Legal), which states that all District contracts (with the exception of vehicle fuel and produce) of \$50,000 or more in the aggregate for each 12-month period should be made by the method that provides the best value for the District.

Table 6 below shows the competitive solicitation requirement, Board approval requirement and documentation requirement for various funding types and procurement amount thresholds in Austin ISD.

**Table 6. AISD Procurement Thresholds and Requirements**

Funding Type	Purchasing Amount	Documentation Required	Competitive Solicitation Required	Board Approval Required
Federal Funds	Purchases up to \$49,999	3 Quotes (Including the use of the P-Card/ Up to \$3,500)	Not Required	Not Required
Non-Federal Funds	Purchases up to \$10,000	1 Quote	Not Required	Not Required
Non-Federal Funds	Purchases of \$10,000 to \$49,999	3 Quotes	Not Required	Not Required
Federal and Non-Federal Funds	Purchases of \$50,000 and above	AISD issued Competitive Solicitation (ITB, RFP, RFQ)	Required	Above \$100,000

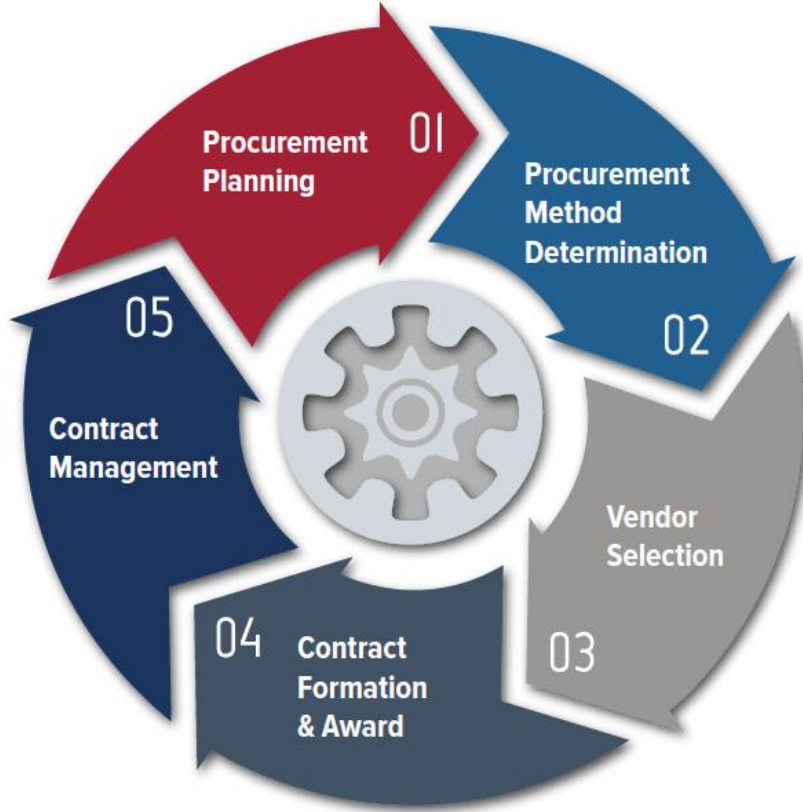
Funding Type	Purchasing Amount	Documentation Required	Competitive Solicitation Required	Board Approval Required
<b>Exceptions to General Purchasing Levels and Requirements</b>				
Federal and Non-Federal Funds	Vendors used through Purchasing Cooperatives up to \$100,000	1 Quote	Not Required	Not Required
Federal and Non-Federal Funds	Vendors used through Strategic Supply Agreement Portal	1 Quote	Not Required	Not Required
Federal and Non-Federal Funds	Contracts used through Purchasing Cooperatives via Job Order Contracting Program	1 Quote	Not Required	Above \$500,000

Source. The Contract and Procurement Services Department, 2023

The State of Texas Procurement and Contract Management Guide of the Texas Comptroller's Office describes the competitive procurement activities in the public procurement cycle in five steps.

- **Step 1 – Procurement Planning:** Define the business need and establish the procurement objectives;
- **Step 2 – Procurement Method Determination:** Identify the appropriate Procurement Method and, if applicable, issue a solicitation;
- **Step 3 – Vendor Selection:** Fairly and objectively select the vendor that provides the best value to the organization;
- **Step 4 – Contract Formation & Award:** Ensure that the awarded contract complies with applicable procurement law and contains provisions that achieve the procurement objectives; and
- **Step 5 – Contract Management:** Administer and enforce the terms of the contract.

Figure 3 illustrates the five steps of the procurement cycle.

**Figure 3. Public Procurement Cycle**

Source. State of Texas Procurement and Contract Management Guide Version 2.1, Texas Comptroller's Office, 2023

In Austin ISD, the Contract and Procurement Services Department, and more specifically the Procurement Specialists, perform these steps and oversee the competitive procurement process for their assigned commodities and vendors.

The Procurement Specialists work with the department or campus requiring the goods or services to build the specifications of the proposal/bid. The department or campus is responsible for the scope of work and specifications needed for the proposal/bid. Upon finalization of the proposal/bid, the requesting department or campus will approve and agree on the final proposal/bid package prior to advertising. In accordance with TEC 44.031, the District must advertise locally for two weeks. Once initiated, the proposal/bid is assigned a sequential number.

Below, Table 7 shows the most common competitive procurement methods used by Austin ISD.



**Table 7. Competitive Procurement Methods Used by Austin ISD**

Procurement Method	Most Common Usage
Invitation for Bid (IFB)	Price and whether the goods and services meet specifications are used to determine best value. Products and services are standardized or uniform.
Request for Proposal (RFP)	Allows for negotiations. Considerations in addition to price are used to determine best value.
Request for Qualification (RFQ)	Emphasizes the competency and experience of the vendors. Selection is made solely on the skills and qualifications of the vendor. Price is not a factor until after a vendor selected.

Source. State of Texas Procurement and Contract Management Guide Version 2.1, Texas Comptroller's Office, 2023

The District uses competitive procurement by issuing bids and proposals. In general, this process is used to identify all vendors with whom the District conducts business. Before engaging in a competitive bidding or a competitive proposal activity, the Procurement Specialists also check and review AISD Board approved purchasing cooperatives to determine if the goods and services are available with competitive prices in these cooperatives. The AISD Board approved purchasing cooperatives are listed below.

- Government Procurement Alliance (1GPA)
- Texas Association of School Boards (TASB), BuyBoard Purchasing Cooperative
- Central Texas Purchasing Alliance (CTPA)
- Choice Partners National Purchasing Cooperative, Harris County Department of Education
- Texas Department of Information Resources (DIR) Cooperative Contracts
- OMNIA Partners – formerly known as National Intergovernmental Purchasing Alliance (National IPA), The Cooperative Purchasing Network (TCPN), US Communities Purchasing Alliance
- Education Service Center, Region 4
- Education Service Center, Region 19
- Education Service Center, Region 19, Allied States Cooperative
- Education Service Center, Region 20, Purchasing Association of Cooperative Entities (PACE)
- Education Service Center, Region 20, TEXAS 20 Purchasing Cooperative
- Educational & Institutional Cooperative Services (E&I)
- Houston-Galveston Area Council (H-GAC) Purchasing Cooperative
- National Cooperative Purchasing Alliance (NCPA)
- National Institute of Governmental Purchasing (NIGP): The Institute for Public Procurement)
- Sourcewell, formerly known as National Joint Powers Alliance (NJPA)
- Texas Comptroller of Public Accounts, State Travel Management Program (STMP)
- Texas Comptroller of Public Accounts, State Cooperative Purchasing Program (CO OP)

The purpose of competitive bidding is to stimulate competition and obtain the lowest practical price for the work, service, and/or items needed. According to the FASRG, the competitive bidding process requires that bids be evaluated. It also requires that awards are made solely upon bid specifications, terms and conditions that are contained in the request for bid document, and that awards are made according to the bid prices offered by the vendors and according to other pertinent factors that may affect contract performance. Changes in the price of goods and services are not negotiable once the bid is opened. The terms and conditions of the competitive sealed proposal process are identical to those for competitive bidding, except for the finality of initial offers. Under competitive sealed proposals, changes in the nature of a proposal or in prices may be negotiated after the proposals are opened.

To facilitate the competitive procurement process, the District uses the E-procurement system called *Bonfire*. Using this software, interested vendors may register and access the details of the bids/proposals and respond electronically, with all necessary forms. A “bid solicitation” is created in *Bonfire* for all bids and proposals by the Procurement Specialists. At the creation of the bid solicitation, the Procurement Specialists designate a due date for vendors to submit their bid/proposal. *Bonfire* tracks all responses and makes them available to be viewed by the Procurement Specialists on the closing date. Hard copy responses are also accepted. However, the District encourages vendors to use *Bonfire*.

After the due date, an evaluation committee is designated by the requesting department or campus along with the Procurement Specialists to review submissions. Proposals are evaluated based on the scope of work set forth in the bid/proposal.

Contract awards are based on an evaluation of the potential vendor responses using all the criteria set forth in the bid solicitation. In their bid solicitations, the District further outlines how it is not within the District policy to award contracts on the sole basis of price. Evaluation of responses is handled by the Procurement Specialists and involves any related departments or campuses, as needed. Documentation of the evaluations typically includes price tabulations and copies of the responses from vendors. Depending on the bid/proposal, multiple vendors may be awarded.

Upon evaluation of all responses, a recommendation memo (including the expected term of the contract) is drafted by the Procurement Specialists and presented to the proper purchasing authority. According to CH (Local), the Board delegates to the Superintendent, the Chief Business Officer (CBO), and their designees the authority to make budgeted purchases for goods or services. The District policy CH (Local) and CH (Exhibit) indicate the following regarding the authority to sign contracts:

- Board Approval: Contracts and agreements for a term of one year or more or above \$100,000 annually;
- Superintendent or CBO approval: Contracts and agreements with an amount of \$100,000 or less; and
- Chief Officer, Associate Superintendent, Officer, Chief of Police, or Executive Director approval: Contracts and agreements in the amount of \$50,000 or less.

Upon approval, the Procurement Specialists update *Bonfire*, where the vendors can see the award information. If the vendor wants to make changes to the District’s contract terms or present their own

contract terms, the Procurement Specialists route the information to the Legal Department for finalization, approval, and signing of the contract.

After the contract is signed by all parties, the Procurement Specialists scan and load all related documents that resulted from the bid/proposal into the District document management system, *Laserfiche*, and the Department's shared drive.

The Procurement Specialist will also send a vendor creation request through *Payment Works*, the District's online vendor management system, to add the vendor to the approved vendor list. The Accounts Payable Specialists manage the vendor creation request in *Payment Works* and enter the vendor information into the District's ERP system, *BOLT*, so Pos can be delivered to that vendor and payments can be made.

## Testing and Analytics

Gibson conducted analysis to validate that the contracts used by the District are active contracts. Due to the number of purchase orders and the dollar value, the audit team analyzed the Texas Department of Information Resources (DIR) contracts.

### ***Analytics 1: Texas Department of Information Resources (DIR) Contract Transactions***

#### **Analytics Approach**

AISD makes a significant amount of technology-related purchases. The District often uses DIR contracts to competitively purchase technology goods and services. AISD spent around \$27 million in FY2021, \$13 million in FY2022, and \$17 million in FY2023 for technology purchases through DIR contracts.

The Audit team analyzed the PO transactions data belonging to any DIR contracts from *BOLT* to determine if AISD staff used valid non-expired DIR contract numbers in POs. Gibson performed the following procedures:

- Obtained PO data from *BOLT* with DIR contract number for FY2021, FY2022, and FY2023 up to 4/5/2023;
- Obtained DIR contract expiration dates for all DIR contracts in the first data set; and
- Analyzed the data to validate the DIR contract was active and the date of PO was valid.

#### **Analytics Results**

The Audit team identified 139 POs in FY2021, 65 POs in FY2022, and 118 POs in FY2023 with expired DIR contract information. Below, Table 8 shows the DIR contract number, the contract expiration date, and the number of POs that are dated after the contract expiration date.

**Table 8. Purchase Orders with Expired DIR Contract Information**

PO Field 5 (External Contract Number)	Contract Expiration Date	Number of Purchase Orders After the Contract Expiration Date		
		FY2021	FY2022	FY2023
DIR-TSO-3808	12/31/2021		44	115
DIR-TSO-3043	07/16/2019	137	2	
DIR-SDD-2068	05/08/2017	1		
DIR-TSO-3041	09/24/2019	1		
DIR-TSO-3416	03/09/2022			2
DIR-TSO-3768	03/21/2021			1
DIR-TSO-3769	04/19/2021		1	
DIR-TSO-3843	12/31/2021		1	
DIR-TSO-3925	06/30/2021		1	
<b>Total</b>		<b>139</b>	<b>65</b>	<b>118</b>

Source. AISD *BOLT* PO report 2023

### **Test 7: Competitive Procurement Testing**

The audit team designed a test to determine if appropriate procedures are conducted for competitive procurements.

#### **Test Approach**

- Obtained a record of all competitive procurements that occurred between July 2021 and January 2023;
- Judgmentally selected 20 samples for testing;
- Obtained access to *Bonfire*;
  - Ensured District policies regarding competitive bidding were followed (**Test 1**);
  - Determined if the listed evaluation criteria were appropriate (**Test 2**);
  - Ensured the evaluators were appropriate, given the nature of the request (**Test 3**);
  - Determined if vendor responses supported the scoring and selection of awarded vendors (**Test 4**); and
  - Ensured the response for the awarded vendor was complete (**Test 5**).
- Obtained the Board agenda containing the agenda item to vote on the competitive procurement; and
  - Determined if the competitive procurement was appropriately presented to the Board (**Test 6**).

## Test Results

- Please refer to Table 9 below. “P” indicates that the sample passed the test; “F” indicates that the sample failed the test; “N/A” indicates that the test was not applicable for the sample or could not be performed.

**Table 9. Competitive Procurement Testing Results**

Sample	Test 1	Test 2	Test 3	Test 4	Test 5	Test 6
1	P	P	P	P	P	N/A
2	P	P	P	P	P	P
3	P	P	P	P	P	P
4	P	P	P	P	P	P
5	P	P	P	P	P	P
6	P	P	P	P	P	P
7	P	P	P	P	P	P
8	P	P	P	P	P	P
9	P	P	P	P	P	P
10	P	P	P	P	P	P
11	P	P	P	P	P	P
12	P	P	P	P	P	P
13	P	P	P	P	P	P
14	P	P	P	P	P	P
15	P	P	P	P	P	P
16	P	P	P	P	P	P
17	P	P	P	P	P	P
18	P	P	P	P	P	P
19	P	P	P	P	P	P
20	P	P	P	P	P	P

- **Test 1 – Were District policies regarding competitive bidding followed?**
  - 20 out of 20 samples followed District policies regarding competitive bidding.
- **Test 2 – Was the evaluation criteria appropriate?**
  - 20 out of 20 samples had appropriate evaluation criteria.
- **Test 3 – Were the evaluators appropriate, given the nature of the request?**
  - 20 out of 20 samples included appropriate evaluators.

- **Test 4 – Did vendor responses support scoring and selection of awarded vendors?**
  - 20 out of 20 samples included vendor responses that supported the scoring and selection of awarded vendors.
- **Test 5 – Was the response for the awarded vendor complete?**
  - 20 out of 20 samples contained complete responses from the awarded vendors.
- **Test 6 – Was the competitive procurement appropriately presented to the Board?**
  - 19 out of 20 samples were appropriately presented to the Board.
  - 1 out of 20 samples was below the threshold for Board approval and was therefore not considered necessary.

### ***Test 3: Contract Testing***

The audit team designed a test to determine if current contracting practices are in accordance with Contract and Procurement Services procedures.

#### **Test Approach**

- Obtained a record of all contracts that were initiated between July 2021 and January 2023;
- Judgmentally selected 10 samples for testing; and
- Obtained contract documentation.
  - Ensured the contract obtained proper approvals (**Test 1**);
  - Ensured the purchased items were included in the scope of the contract (**Test 2**); and
  - Ensured the contract was executed before the PO was created (**Test 3**).

#### **Test Results**

- Please refer to Table 10 below. “P” indicates that the sample passed the test; “F” indicates that the sample failed the test; “N/A” indicates that the test was not applicable for the sample or could not be performed.

**Table 10. Contract Testing Results**

Sample	Test 1	Test 2	Test 3
1	P	P	F
2	P	P	F
3	P	P	F
4	P	P	F
5	P	P	P
6	P	P	F
7	P	P	P

Sample	Test 1	Test 2	Test 3
8	P	P	F
9	P	P	P
10	P	P	P

- **Test 1 – Were proper approvals obtained for the contract?**
  - 10 out of 10 samples contained proper contract approval.
- **Test 2 – Were the items purchased included in the scope of the associated contract?**
  - 10 out of 10 samples were items purchased that were included in the scope of the associated contract.
- **Test 3 – Was the contract date prior to the PO date?**
  - 4 out of 10 samples had a contract date prior to the PO date.
  - 6 out of 10 samples had a PO date prior to the contract date.

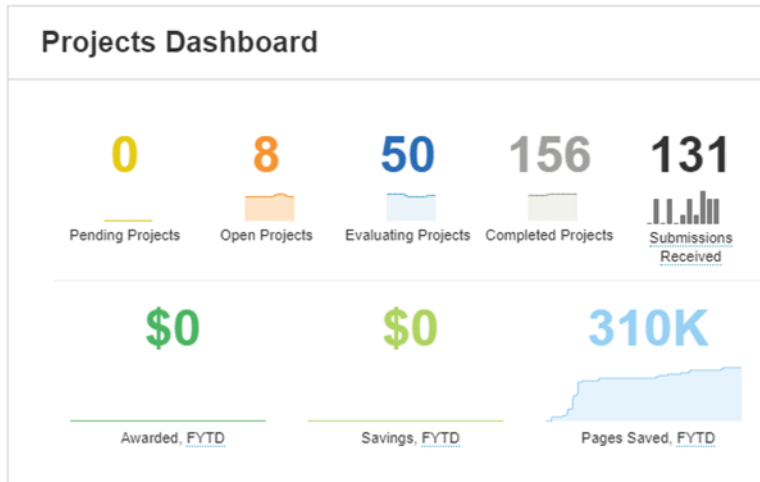
## Findings and Recommendations

### Commendation 1: The District uses an electronic system to manage bids and proposals

The Contract and Procurement Services Department uses an E-Procurement system to manage bids and proposals. The Department has streamlined aspects of the competitive procurement process by implementing software to manage competitive solicitations such as Requests for Proposals (RFPs). With this system, vendors can electronically submit responses, receive notifications of any changes to the request, and view a notification of awards. This also facilitates the work of the Procurement Specialist and reduces the need for hard-copy documents.

The system has a centralized dashboard where important information about competitive solicitations can be reviewed and tracked. Below, Figure 4 shows a screenshot of the systems dashboard.

Figure 4. E-Procurement System Dashboard



Source. AISD E-procurement System website, 2023

The software includes a timeline feature where the competitive solicitation milestones can be seen in a timeline visually. Figure 5 shows one of the AISD competitive solicitation timelines from the system website.

Figure 5. E-Procurement System Timeline View



Source. AISD E-Procurement System website, 2023

Below is the list of functionalities this E-Procurement system brought to the Contract and Procurement Services Department:

- A centralized dashboard where key information can be viewed;
- Competitive solicitation timelines and statuses are available in a user-friendly visualization;
- An electronic repository for vendors to upload documents and submissions;
- A central place where scoring information can be viewed, including:
  - Criteria for scoring;
  - The scores for each vendor;
  - The requested information from vendors; and
  - Who is reviewing the specific criteria.
- Detailed reporting which includes solicitation details, vendor discussions, internal department discussions, approvals, public notices, submissions, scoring criteria, scoring summary, submission scores, and submission score comments; and



- The ability to message between all involved in the solicitation.

Figure 6 shows a screenshot of solicitation scoring information for each vendor in one of AISD’s Request for Proposals.

**Figure 6. E-Procurement System Vendor Scoring View**

The screenshot displays a 'Scoring Summary' page with a table of 'Active Submissions'. The table includes columns for Supplier, Total score (out of 100), A - Responsiveness Check (out of 0), A-1 - Pass/Fail, B - Proposed Plan (out of 35), B-1 - Scope of Services (out of 15), B-2 - Best Practices (out of 15), and B-3 - Evaluation (out of 5). The data is as follows:

Supplier	Total / 100 pts	A - Responsiveness Check / 0 pts	A-1 - Pass/Fail	B - Proposed Plan / 35 pts	B-1 - Scope of Services: may include work experience or organization summary (15 pts.) / 15 pts	B-2 - Best Practices: may include knowledge of curriculum, lesson plans, TEKS, etc. / 15 pts	B-3 - Evaluation / 5 pts
Ai	99 pts	0 pts	PASS	34 pts	14.33 pts	14.67 pts	0 pts
B.	99 pts	0 pts	PASS	34 pts	15 pts	14.67 pts	4.33 pts
Ai	98.67 pts	0 pts	PASS	34 pts	14.67 pts	14.67 pts	4.67 pts
Ai	97.33 pts	0 pts	PASS	34 pts	14.67 pts	14.33 pts	0 pts
Ai	97.33 pts	0 pts	PASS	33.33 pts	14.33 pts	14 pts	0 pts
D.	97 pts	0 pts	PASS	33 pts	14.33 pts	14 pts	4.67 pts
Ai	96.67 pts	0 pts	PASS	33.33 pts	14.33 pts	14.33 pts	4.67 pts
Ci	96 pts	0 pts	PASS	32.33 pts	14 pts	13.33 pts	0 pts
Ti	93 pts	0 pts	PASS	30 pts	13.33 pts	12.67 pts	4 pts
Li	92.33 pts	0 pts	PASS	30.67 pts	14.33 pts	11.67 pts	4.67 pts

Source. AISD E-Procurement System website, 2023

**Finding 5: There are procedural gaps in AISD’s contract management function, creating compliance and performance risks.**

Due to a lack of contract management procedures and assigned roles, some contract management activities are not performed, while others are not performed consistently in AISD. Gaps and inconsistencies with the contract management activities put the District at risk of not receiving needed goods and services according to the contract terms and conditions and may cause legal, compliance, or financial issues with contracts.

The Senior Procurement Specialists’ job description mentions that the position “assists in the establishment and supervision of a contract administration system designed to ensure that contractors are performing in accordance with the terms and conditions of their contracts.” However, the District does not have a “contract administration system” or documented contract management procedures.

Although it is not documented, contract management activities are shared among the Procurement Specialists, the departmental staff that requested the contract, and the Accounts Payable Specialists. Because there are no documented contract management procedures, the parties involved in contract management activities may not fully understand their roles and responsibilities. This causes inconsistencies and gaps in contract management activities, which can lead to compliance and other risks for the District, including:

- Risks associated with a vendor performing services without a signed contract;
- Risk of a vendor going above the contract amount;
- Risk of a vendor delivering goods and services outside of the scope of the contract; and
- Risk of a vendor performing a service that AISD has not agreed to.

Below, the audit team summarized the contract management and related activities according to the Texas Comptroller of Public Accounts State of Texas Procurement and Contract Management Guide, as well as observations on AISD's current practices within each domain.

**Contract Transaction Monitoring:** This activity involves verifying that PO dates occur after contract signature date, that PO dates are in line with the associated contract's time frame, that there is an accurate contract number referenced in the POs, that the goods and services listed in the PO match the scope of the referenced contract in the PO, and that the price of the goods or services in the PO matches the contract pricing. Based on the above data analytics and testing, the audit team identified exceptions.

Analytics 1 (on page 23) identified Texas Department of Information Resources (DIR) Contract Transactions POs with expired DIR contract numbers. Test 3: Contract Testing also identified six contracts that have a PO before the contract date.

**Change Management Monitoring:** This activity ensures the amendments are in scope of the original contract, and the contract amount after the amendment does not exceed the parameters of the contract.

The District has an Amendment Request Form and captures contract amendment requests electronically, but the District staff does not track if these amendments are in the scope of the original contract, or if financial changes are in line with contract limits and pricing. The District does not have an automated tool to track and manage contract modifications and amendments.

**Invoice Review Before Payment:** The party who is responsible for this activity reviews invoices and works with the departments to make sure vendors successfully deliver goods and services according to the contract's terms, conditions, and contract performance metrics before the District pays the vendor's invoice.

This activity falls under the Accounts Payable Specialist position. The Accounts Payable Specialists rely on the receiving information in *BOLT* to confirm that the department or campus have received the goods that they have ordered under the contract before payments to the vendor are made. However, for software or service contracts, the Accounts Payable Specialists cannot rely on *BOLT* and may need detailed written information from the Department explaining who initiated the contract in order to confirm the services are being received according to the contract conditions, or for software contracts, that the vendor is on track to develop or deliver the software according to the contract. The District does not have a system or a form so that Accounts Payable can consistently verify that the services and software have been provided according to contract specifications.

**Expenditure Review:** The person responsible for contract management gathers and reviews expenditure data for contracts to identify any under-or over-spending trends that may cause compliance or funding issues. In addition to monitoring contractor compliance, the results of this review can be used in future funding allocations and procurement planning.

This contract management activity is currently performed when it is requested by a department or District leader from the Contract and Procurement Services Department. The District does not run contract spend reports periodically and analyze the results with the parties involved.

**Vendor Performance Review:** This activity involves measuring and documenting vendors' contract performance. The following are the main factors to consider vendor performance evaluation:

- Timeliness of deliveries;
- Service availability;
- Completeness and accuracy of order; and
- Quality of products or services received.

Documenting any problems with a vendor can be crucial in case of a legal dispute or conflict resolution regarding the contract.

There is currently not a method for obtaining, ranking, and scoring vendors for goods and services procurement.

**Contract Renewals:** If the contract has an option to extend or renew, the person responsible for contract management and this activity assesses whether the option will be exercised by the District prior to the expiration of the current contract term in consultation with the associated department or campus.

The Procurement Specialists are responsible for contract renewal monitoring, which involves tracking contract expiration dates so the competitive solicitations can be planned and performed before the current contract expires. They each have a separate *Microsoft Excel* file to track contract renewals for their vendors and commodities. These *Excel* files do not capture the same type of information. Since the contract renewal information is spread across multiple *Excel* files, there is not one master contract renewal file which can quickly and easily show the District's upcoming contract renewals.

The District online E-Procurement system, *Bonfire*, has a contract management module that can pull contract renewal information into a single location and can generate automated notifications for upcoming contract renewals. The Contract and Procurement Services Department has decided to implement *Bonfire's* contract management module, but it has not been implemented yet.

#### **Recommendation 5: Establish procedures for contract management activities.**

Austin ISD should develop contract management procedures covering all contract management activities, and assign contract management roles to staff. The District should establish change management procedures and develop a comprehensive database or tool in order to track and manage contract modifications and amendments so that change requests are within the scope and limit of the existing contracts. AISD departmental and campus staff should be required to provide formal vendor performance feedback as part of the contracting process. Staff who are responsible for contract management should work with end users to monitor vendor compliance with the contract. When a contract is eligible for renewal, contract management staff should perform and document an expenditure review and inform departments and campuses before contract renewal takes place. AISD should also create a tool to track vendor invoices

and ensure the contract deliverable and its conditions and requirements are satisfied before payment is approved for the vendor.

*Management Response: Management agrees with this recommendation. Procurement leadership will develop procedures for contract management activities and incorporate two new positions that execute the new activities including monitoring vendor compliance with contracts. Implementation - December 2023.*

**Recommendation 6: Fully implement the District's E-Procurement system, *Bonfire*, contract management module.**

The District should complete the implementation of the contract management module within *Bonfire*. This includes consolidating the contract renewal information from Procurement Specialists' *Excel* files and also completing the gaps of information in each file so that the consolidated contract renewal information is consistent. Once compiled, the information can be uploaded to the *Bonfire* contract management module. The module also needs to be configured in terms of timelines and notification preferences. Once implementation is completed, the Procurement System Analyst can train the Contract and Procurement Services Department staff on how to use the module.

*Management Response: Management agrees with this recommendation. Implementation of the contract management module is underway. Implementation June 30, 2024.*

## Chapter 4: Procurement and P-Card

This Chapter covers procurements that are under \$50,000 which do not require competitive procurement. For these smaller purchases, the District uses either POs or P-Cards to procure goods and services with approved vendors. As competitive procurement is not required for these purchases, the timeline to procure goods and services is shorter with POs and P-Cards.

### Procurement Overview

The District predominantly uses POs to procure goods and services. During the audit period, the District processed over 11,000 POs with an associated value of over \$598 million. Table 11 displays the POs stratified by individual PO value.

**Table 11. PO Volume by Dollar Category, FY2022 and FY2023 Year to Date (as of 1/12/2023)**

PO Value	No. of POs	Percent	Value of POs
\$0-\$1,000	3,291	30%	\$ 1,126,187
\$1,001-\$5,000	3,236	29%	\$ 8,191,694
\$5,001-\$10,000	1,384	13%	\$ 9,832,211
\$10,001-\$20,000	982	9%	\$ 13,711,466
\$20,000-\$50,000	965	9%	\$ 30,217,982
>\$50,000	1,155	10%	\$ 535,689,044
<b>Total</b>	<b>11,013</b>	<b>100%</b>	<b>\$ 598,768,583</b>

Source. Purchase Order Listing, FY2022-FY2023 Year to Date (as of 1/12/2023)

As shown in Table 11, the majority of issued POs have an associated value of \$1 to \$1,000 and \$1,001 to \$5,000. The process begins when a District staff member, typically a department or school Bookkeeper, submits a purchase requisition via *BOLT*. At that time, the requester enters the associated budget code for the requisition. The Bookkeeper also submits all backup to *Laserfiche*. *BOLT* “workflow” functionality then determines the chain of approval based on the location and budget code from where the requisition is being funded. The “workflow” is configured by the District based on which positions have the authority to approve the purchases.

It is the requester’s responsibility to ensure funds are in the budget code that the individual intends to use. If funds are not available, the requester must submit a budget transfer request via *BOLT*. The Budget office will approve the budget transfer request and move the funds within *BOLT*. All requisitions pass through the Budget office prior to being routed to the Purchasing Department. This ensures that all requisitions are coded to the correct budget code. Upon approval by the Budget office, the requisition becomes a PO and is routed to the Contract and Procurement Services Department for their approval. The system then assigns numbering to POs. Once received, the Buyer must review the PO to ensure that the appropriate vendor pricing is reflected for all items being ordered. When the specific items being purchased are outlined in the order, the resulting PO is a singular PO, which is different from a Blanket Purchase Order (BPO), discussed

later in this report. Once verified, the POs are submitted to the vendor based on the specification when the vendor profile was created. The process of issuing POs is predominately paperless.

Requesters can also request BPOs. Blanket Purchase Orders are approvals of a set amount to be spent with a particular vendor. The BPO does not typically 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 and small dollar materials or supplier purchases. BPOs can be very useful in instances where multiple recurring payments need to be made.

## P-Card Overview

### American Express Purchasing Cards

P-Cards can increase purchasing efficiency and security when used appropriately. The ability to purchase smaller value items without issuing a formal PO can save Districts countless hours and, therefore, money. However, P-Cards do increase risks for purchasing, as far more individuals have the ability to commit District funds through the use of the card.

Austin ISD has issued 389 cards (through American Express) to various employees throughout the District. The P-Card program is governed by the administrative procedures outlined in the Procurement Card Manual. As stated in the manual, “purchasing cards are issued to Austin ISD employees with the role and responsibility for acquisition of goods and services necessary for the effective and efficient operation of school, academic, and administrative departments.”

To obtain a P-Card, the employee must complete a P-Card training program and must sign an Austin ISD purchasing card agreement which ensures the potential cardholder understands their responsibility to use the card properly. The purchasing card agreement is approved by the school Principal or the department’s Executive Director.

Each P-Card is assigned a single transaction limit of \$3,500 and a monthly spending limit of \$30,000. The processing of P-Card payments involves three systems – American Express’ *Corporate Account Reconciliation (CAR)*, *BOLT*, and *Laserfiche*. *CAR* produces monthly transaction statements for the P-Card holders and is used for monthly reconciliations. *BOLT* is where the P-Card cycle is uploaded, charges are posted to the general ledger, and where the AP220 report is created. AP220 is the report which lists all of the P-Card transactions for the previous month that were uploaded from *CAR*. *Laserfiche* is used as an electronic filing system for signed monthly transaction statements and copies of receipts/invoices from P-Card transactions.

The manual prohibits certain goods or services from being purchased with a P-Card. The following purchases are expressly forbidden:

- Purchase of items for personal use;
- Furniture;
- Employee travel expenses;

- Contracted services;
- Gift card purchases;
- Technology;
- Fixed assets; and
- Celebratory items.

## H-E-B Courtesy Cards

H-E-B Courtesy Cards are cards that can be used at any H-E-B grocery store. The H-E-B Card program is governed by the administrative procedures outlined in the H-E-B Courtesy Card Policies and Procedures. The cards can only be used by AISD employees for purchasing food items and miscellaneous items related to business at AISD. The card cannot be used for any personal purchases. H-E-B Cards are issued in the school's/department's name and can be used by anyone that is an employee at the school/department listed on the card. There is no spending limit on H-E-B Cards.

The school/department that is issued an H-E-B Card must assign an individual to be the School/Department Card Coordinator (SCC). The SCC ensures that the guidelines in the H-E-B Courtesy Card Policies and Procedures are followed.

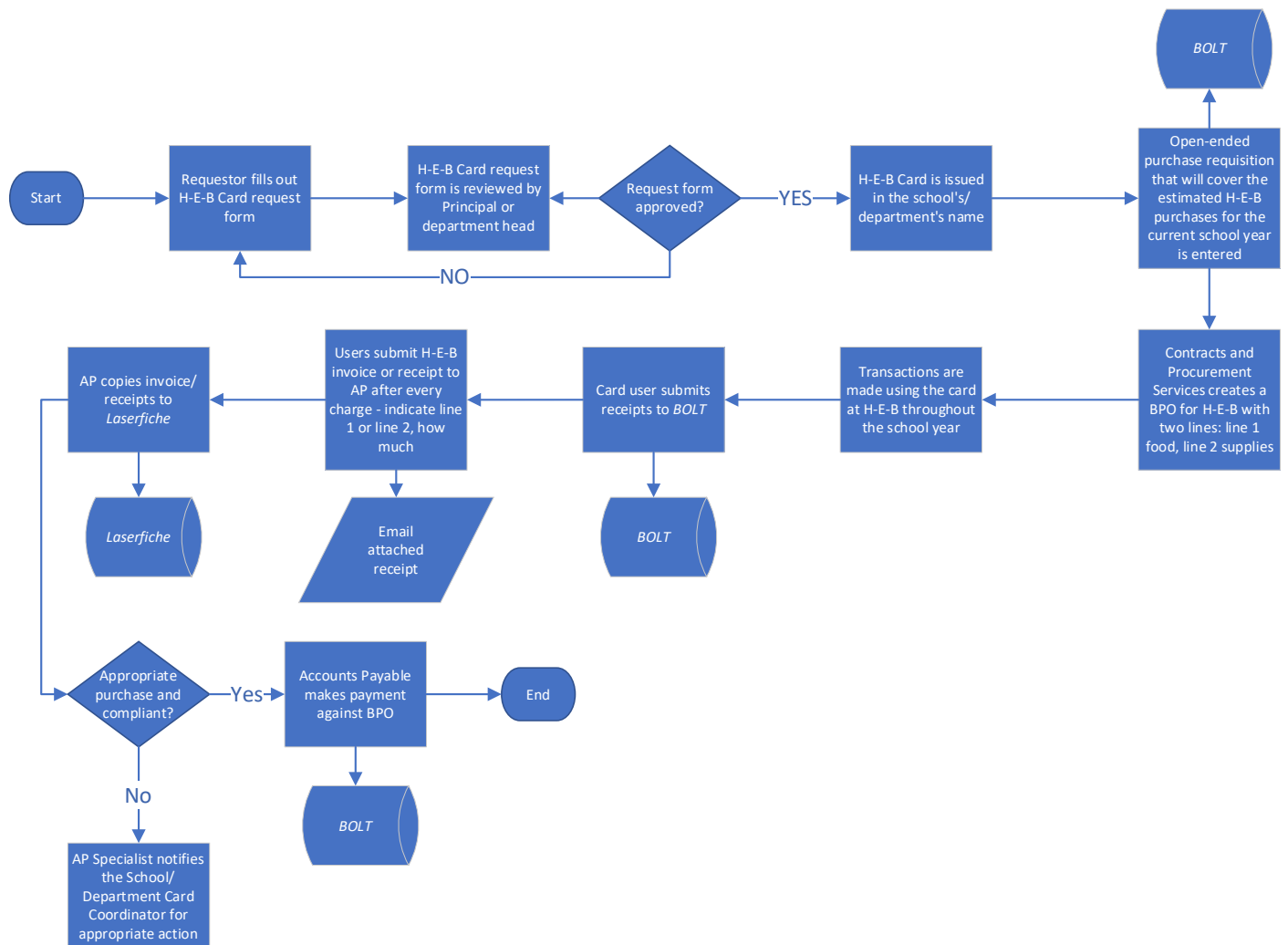
The SCC is responsible for:

- Giving general assistance to the individuals using the card;
- Maintaining records of all card receipts;
- Updating *BOLT* for all purchases as soon as receipts are turned in by the card users; and
- Forwarding receipts to AP.

In order for a department or campus to receive an H-E-B Card, an application must be filled out and signed by a Department Head. The H-E-B Card is then issued in the school's/department's name. The SCC is the person who is responsible for uploading H-E-B receipts into *BOLT* for payment.

Figure 7 presents a process map of the H-E-B process. Once the card has been received, a purchase requisition should be entered in *BOLT* for an open-ended order that will cover the estimated H-E-B purchases for the current school year. A new PO has to be created for each subsequent school year. The Contract and Procurement Services Office creates a BPO for H-E-B with two lines, one for food and one for supplies. Transactions are then made using the H-E-B Card. The receipts are uploaded to *BOLT* by the card user. The card user then emails the invoice/receipts to AP after every charge and indicates how much is associated with food and how much is associated with supplies. Once this information is received, AP copies the invoice/receipts to *Laserfiche* and determines if the transaction was appropriate or not. If the transaction is considered to be inappropriate, the AP Specialist notifies the SCC for appropriate action. If the transaction is deemed appropriate, AP makes a payment against the BPO in *BOLT*.

Figure 7. H-E-B Process Map



Source. Gibson Consulting Group, 2023

## Testing and Data Analytics

Gibson conducted analysis to validate the following:

- Contracts referenced by POs;
- Proper PO numbers are used;
- POs are issued on proper dates;
- Unusual PO amounts;
- POs are issued before the invoice date; and
- Commodities are purchased using P-Cards are allowed based on the P-Card manual.



## ***Analytics 2: Unusual PO Numbers***

### **Analytics Approach**

Gibson obtained a listing of all POs processed during the audit period (11,013). The listing was analyzed and stratified to identify anomalies in the data. The listing below is a summary of the data analytics results.

### **Analytics Results**

Gibson did not identify any PO numbers that did not follow the six- or seven-digit format as expected.

## ***Analytics 3: Unusual PO Dates***

### **Analytics Approach**

This analysis looked for PO dates that occurred on holidays or weekends.

### **Analytics Results**

Gibson identified 598 POs that were created on Saturdays or Sundays. Gibson reviewed the details of these POs within *BOLT* and did not note anything within those transactions that would indicate deviation from the procurement process. It is not unusual for Buyers to conduct work on weekends, as access to *BOLT* can be remote. Gibson also notes that there are instances where a requisition automatically becomes a PO, which can occur over the weekend.

## ***Analytics 4: Zero Dollar POs***

### **Analytics Approach**

This analysis looked for PO amounts that were valued at \$0.

### **Analytics Results**

Gibson identified 809 POs that were valued at \$0. Upon further inquiry, it was noted that when items are cancelled the PO value is brought down to zero.

## ***Analytics 5: Long Standing Open POs***

### **Analytics Approach**

This analysis looked at all outstanding open POs that were issued no less than one year ago.

### **Analytics Results**

Gibson did not identify any POs that have been outstanding for one year or more at the time of this audit.

## ***Analytics 6: Improperly Issued POs***

### **Analytics Approach**

Gibson obtained PO and accounts payable disbursement data sets for FY2022 and FY2023 (from 7/1/2022 to 1/12/2023) in order to identify the magnitude of potential improperly issued POs.

Gibson compared each PO purchase date to the associated invoice date. The logic behind this comparison is that if the vendor invoice date is prior to the PO date, it would indicate an improperly issued PO.

### **Analytics Results**

Gibson identified 1,167 (22%) of POs dated after the corresponding invoice in FY2022 and 809 (25%) in FY2023.

The details of this analysis are further discussed in the Procurement and P-Cards Findings & Recommendations section starting on page 45 of this report.

## ***Analytics 7: Amazon Business Account Transactions***

### **Analytics Approach**

Gibson obtained Amazon Business account transactions that the District staff made using P-Cards during FY2023 (7/1/2022 through 3/23/2023). The goal of this analysis was to verify that the commodities purchased using P-Cards are allowed based on the P-Card manual. Since the Accounts Payable Department has not yet reconciled P-Card transactions for the month of November 2022, Gibson only included the results from July to October in FY2023 in the analysis.

Below is a summary of the data analysis results.

### **Analytics Results**

Table 12 shows the top ten product categories procured using the Amazon Business account.

**Table 12. Amazon Business Account Analysis**

<b>Product Segment/Commodity Type</b>	<b>Total Amount Purchased</b>
Office Equipment, Accessories, Supplies	\$165,008.23
Musical Instruments, Games, Toys, Arts, Crafts, Educational Equipment, Materials, Accessories, Supplies	\$116,781.47
Domestic Appliances, Supplies, Consumer Electronic Products	\$84,337.32
Information Technology Broadcasting, Telecommunications	\$76,922.39
Published Products	\$76,083.41
Apparel, Luggage, Personal Care Products	\$66,064.85
Paper Materials, Products	\$56,427.05

Product Segment/Commodity Type	Total Amount Purchased
Furniture, Furnishings	\$34,319.70
Sports, Recreational Equipment, Supplies, Accessories	\$25,964.18
Manufacturing Components, Supplies	\$25,788.38

Source. AISD Amazon Business Account Transactions, July to October 2022

The District has procured \$34,319 worth of furniture and furnishings, which is not an allowable commodity to be purchased with P-Cards based on the P-Card manual.

The below table lists items that the District staff purchased with P-Cards that are above a \$500 purchase price. As a result, these items could be categorized as fixed assets. Fixed asset items are not allowed to be purchased with a P-Card.

**Table 13. P-Card Purchases Above \$500**

Product Segment/Commodity Type	Product Description	Purchase Price
Computer printers	HP Color Laserjet Pro Multifunction M479fdw Wireless Laser Printer (W1A80A) (Renewed)	\$868.99
Cameras	Panasonic Lumix DC-FZ80 Digital Camera (DC-FZ80K) - Bundle - with 64GB Memory Card	\$514.95
Audio and visual equipment	TCL 75" Class 4-Series 4K UHD HDR Smart Google TV - 75S446, 2022 Model	\$629.99
Personal communications device accessories or parts	12 Channel UHF Wireless Headset & Lapel Mic System with Mic-On-Chip Technology	\$871.20

Source. AISD P-Card Transaction Listing, July to October 2022

The analysis also identified several purchases that may warrant additional investigation because they are in product categories that are not allowable with P-Cards, such as balloons.

### ***Test 1: Requisition and Purchase Order Issuance Testing***

The audit team designed a test to determine if requisitions and POs are issued according to Contract and Procurement Services procedures.

#### **Test Approach**

- Obtained a record of all POs issued by the Contract and Procurement Services Department between July 2021 and January 2023;
- Judgmentally selected 20 samples for testing;
- Obtained approved vendor listing;

- Ensured the selected vendor was included on the approved vendor listing **(Test 1)**;
- Obtained evidence of requisition approval;
  - Determined if the requisition was submitted with the appropriate supporting documentation **(Test 2)**;
  - Determined if the requisition obtained the appropriate approvals **(Test 3)**;
- Obtained evidence of PO approval;
  - Determined if the PO obtained the appropriate approval **(Test 4)**;
- Obtained budget code used for the requisition and PO;
  - Reviewed the requisition, PO, and applied budget coding to determine if the correct codes were applied **(Test 5)**.

### Test Results

Please refer to Table 14 below. “P” indicates that the sample passed the test; “F” indicates that the sample failed the test; “N/A” indicates that the test was not applicable for the sample or could not be performed.

**Table 14. Requisition and Purchase Order Issuance Testing Results**

Sample	Test 1	Test 2	Test 3	Test 4	Test 5
1	P	P	N/A	P	P
2	P	P	N/A	P	P
3	P	P	N/A	P	P
4	P	P	N/A	P	P
5	P	P	N/A	P	P
6	P	P	N/A	P	P
7	P	P	N/A	P	P
8	P	P	N/A	P	P
9	P	P	P	P	P
10	P	P	P	P	P
11	P	P	N/A	P	P
12	P	P	P	P	P
13	P	P	P	P	P
14	P	P	P	P	P
15	P	P	P	P	P
16	P	P	P	P	P
17	P	P	P	P	P
18	P	P	P	P	P

Sample	Test 1	Test 2	Test 3	Test 4	Test 5
19	P	P	P	P	P
20	P	P	P	P	P

- **Test 1 – Does the requisition and PO indicate use of an approved vendor?**
  - 20 out of 20 samples contained approved vendors.
- **Test 2 – Was proper supporting documentation submitted with the requisition?**
  - 20 out of 20 samples contained appropriate supporting documentation.
- **Test 3 – Was the required approval obtained for the requisition?**
  - 11 out of 20 samples obtained required approval.
  - Gibson was unable to obtain the approval workflow for 9 out of 20 samples.
- **Test 4 – Was the required approval obtained for the PO?**
  - 20 out of 20 samples obtained the required approval.
- **Test 5 – Was the proper budget code used?**
  - 20 out of 20 samples used the proper budget code.

#### ***Test 4: P-Card Issuance Testing***

The audit team designed a test to determine if P-Cards are issued according to Contract and Procurement Services procedures.

#### **Test Approach**

- Obtained a record of all issued P-Cards as of December 2022;
- Judgmentally selected 10 samples for testing;
- Obtained evidence of approvals;
  - Ensured the required approvals were obtained (**Test 1**);
- Obtained P-Card agreement; and
  - Determined if the P-Card agreement was signed by the P-Card holder (**Test 2**).

#### **Test Results**

- Please refer to Table 15 below. “P” indicates that the sample passed the test; “F” indicates that the sample failed the test; “N/A” indicates that the test was not applicable for the sample or could not be performed.

**Table 15. P-Card Issuance Testing Results**

Sample	Test 1	Test 2
1	P	P
2	P	P
3	P	P
4	P	P
5	P	P
6	P	P
7	P	P
8	P	P
9	P	P
10	N/A	N/A

- **Test 1 – Was the required approval obtained?**
  - 9 out of 10 samples obtained the required approval.
  - 1 out of 10 samples did not have approval. However, the requirement was not set in place at the time the P-Card was issued.
- **Test 2 – Was the P-Card agreement signed by the P-Card holder?**
  - 9 out of 10 samples contained a signed P-Card agreement by the P-Card holder.
  - 1 out of 10 samples did not have a signed P-Card agreement. However, the requirement was not set in place at the time the P-Card was issued.

### ***Test 5: P-Card Transaction Testing***

The audit team designed a test to determine if proper procedures are followed in the District when P-Cards are used.

#### **Test Approach**

- Obtained a record of all P-Card transactions from July 2021 through January 2023;
- Judgmentally selected 20 samples for testing;
- Obtained supporting evidence;
  - Ensured supporting evidence was submitted for the transaction (**Test 1**);
- Obtained evidence of approvals;
  - Ensured proper approval on the monthly transaction statement was obtained (**Test 2**);
- Obtained access to *BOLT*;
  - Reviewed the applied budget coding to determine if the correct codes were applied (**Test 3**);

- Obtained P-Card limits for selections on transaction dates; and
  - Ensured transaction amount was below the approved P-Card limit (**Test 4**).

### Test Results

- Please refer to Table 16 below. “P” indicates that the sample passed the test; “F” indicates that the sample failed the test; “N/A” indicates that the test was not applicable for the sample or could not be performed.

**Table 16. P-Card Transaction Testing Results**

Sample	Test 1	Test 2	Test 3	Test 4
1	P	P	P	P
2	P	P	P	P
3	P	P	P	P
4	P	P	P	P
5	P	P	P	P
6	P	P	P	P
7	P	P	P	P
8	P	P	P	P
9	P	P	P	P
10	P	P	P	P
11	P	P	P	P
12	P	P	P	P
13	P	P	P	P
14	P	P	P	P
15	P	P	P	P
16	P	P	P	P
17	P	P	P	P
18	P	P	P	P
19	P	P	P	P
20	P	P	P	P

- **Test 1 – Was proper supporting evidence submitted by the cardholder?**
  - 20 out of 20 samples submitted supporting evidence.
- **Test 2 – Was required approval obtained on the monthly statement?**
  - 20 out of 20 samples obtained required approval on the monthly statements.

- **Test 3 – Was the proper budget code used?**
  - 20 out of 20 samples used the proper budget code.
- **Test 4 – Was the transaction amount under the approved limit?**
  - 20 out of 20 samples had a transaction amount under the approved limit.

### **Test 6: H-E-B Courtesy Card Transaction Testing**

The audit team designed a test to determine if proper procedures are followed in the District when H-E-B Courtesy Cards are used.

#### **Test Approach**

- Obtained a record of all H-E-B Courtesy Card transactions from July 2021 through January 2023;
- Judgmentally selected 20 samples for testing;
- Obtained supporting evidence;
  - Ensured supporting evidence was submitted for the transaction (**Test 1**);
- Obtained evidence of approvals;
  - Ensured proper evidence of approval for the transaction by Accounts Payable (**Test 2**);
- Obtained access to *BOLT*; and
  - Reviewed the applied budget coding to determine if the correct codes were applied (**Test 3**).

#### **Test Results**

- Please refer to Table 17 below. “P” indicates that the sample passed the test; “F” indicates that the sample failed the test; “N/A” indicates that the test was not applicable for the sample or could not be performed.

**Table 17. H-E-B Courtesy Card Transaction Testing Results**

Sample	Test 1	Test 2	Test 3
1	P	P	P
2	P	P	P
3	P	P	P
4	P	P	P
5	P	P	P
6	P	P	P
7	P	P	P
8	P	P	P
9	P	P	P



Sample	Test 1	Test 2	Test 3
10	P	P	P
11	P	P	P
12	P	P	P
13	P	P	P
14	P	P	P
15	P	P	P
16	P	P	P
17	P	P	P
18	P	P	P
19	P	P	P
20	P	P	P

- **Test 1 – Was proper supporting evidence submitted by the cardholder?**
  - 20 out of 20 samples submitted supporting evidence.
- **Test 2 – Was required approval obtained?**
  - 20 out of 20 samples obtained required approval.
- **Test 3 – Was the proper budget code used?**
  - 20 out of 20 samples used the proper budget code.

## Findings and Recommendations

***Finding 6: The District does not consistently follow purchasing procedures and practices, which subjects the District to compliance and financial risks.***

According to the AISD purchasing procedures outlined in the AISD standard operating procedures guide, the departments and campuses should create a requisition when they need to acquire goods and services. Once approved, the requisition becomes a PO so that vendors may deliver goods and services to AISD and obtain payment.

If a department or campus asks a vendor to deliver goods and services before a valid PO is created, several risks are created for the District. The department or campus may not have the funds to cover the goods or services or the funds they plan to use may not be appropriate for the type of goods and services acquired. Because of this, the vendor may not be paid in a timely manner because Accounts Payable will not pay invoices without a valid PO.

The AISD Contract and Procurement Services Department has a form called “Unauthorized Purchasing Ratification Request” (UPR). When a department or campus acquires goods or services without a valid PO, they need to fill out this form and explain why they did not issue a PO before acquiring the goods or services.

The UPR forms are signed by the department or campus lead, financial authority, and the Contract and Procurement Services Department. The forms are then scanned and saved to the District document management system, *Laserfiche*.

POs that are issued after goods or services are received from the vendor are considered to be “improper POs” in this report.

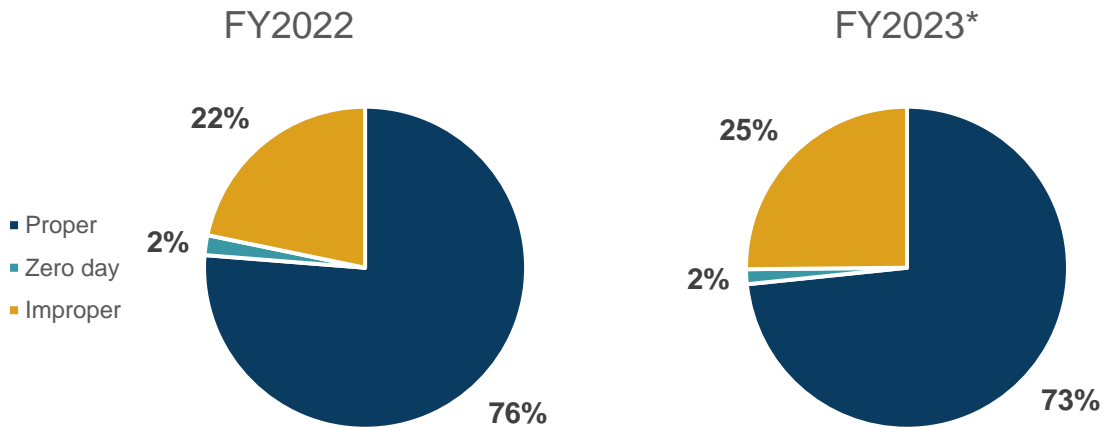
When a fiscal year ends, the Finance Department announces a cut-off time. All POs belonging to that fiscal year are closed on this date. The departments and campuses must issue a new PO in the first two weeks of the new fiscal year for the vendors that the District has an ongoing contract with and notify these vendors of the new POs. Otherwise, the vendor could use the old PO number or not include a PO number when they send their invoices, which would generate an improper PO.

To identify the prevalence and magnitude of improper POs, the audit team performed a detailed analysis on the FY2022 and FY2023 (from 7/1/2022 to 1/12/2023) PO and accounts payable disbursement data sets. For each PO, the audit team compared the invoice date to the PO date. The logic behind this analysis is that if the vendor invoice date is prior to the PO date, it would indicate that it is an improperly issued PO.

Due to the bond program, the Construction Management Department has over 500 POs that need to be renewed at the beginning of each fiscal year. Since issuing POs for the new fiscal year for over 500 POs may take more than a few weeks, the audit team excluded Construction Management Department POs from both data sets in the analysis so that the improper PO numbers would not be skewed.

Figure 8 displays the percentages of POs by audit assessment category (Proper, Zero Day, Improper) for FY2022 and FY2023. There was a total of 22 percent (1,167) that may represent improperly issued POs in FY2022 and 25 percent (809) in FY2023.

**Figure 8. Percentage Distribution of Total Purchase Order Count by Type, FY2022 and FY2023**



Note. FY2023 is from 7/1/2022 to 1/12/2023.

Source. Gibson analysis of Purchase Order and Disbursements Listings, FY2022 and FY2023

In the analysis, Gibson also identified several POs where the PO date matched the invoice date (labeled “Zero Day” POs in Figure 8). While the Zero Day POs are not being categorized as improperly issued POs for the purpose of this assessment, it is important to note that there is a likelihood that some of those could also be improper POs, since the receipt of the invoice may have triggered the PO and the PO was expedited within *BOLT* 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.

The Audit team analyzed the improper POs by department and noted that for both FY2022 and FY2023, over one-third of the confirming POs were generated from ten departments. Table 18 shows the number of improper POs by department for both fiscal years.

**Table 18. Improper Purchase Orders Among the Top 10 Departments**

Department/Campus	FY2022 Improper Purchase Orders	Department/Campus	FY2023 Improper Purchase Orders
Student Support Services	65 (6%)	Special Education	50 (6%)
Maintenance-Bldg & Grounds	51 (4%)	Information Systems	40 (5%)
Transportation	39 (3%)	Transportation	37 (5%)
Career and Technical Education	39 (3%)	Fine Arts-Performing Arts	30 (4%)
Austin High School	38 (3%)	Maintenance-Bldg & Grounds	30 (4%)
AISD Police	35 (3%)	Career and Technical Education	30 (4%)
Athletics-External	35 (3%)	AISD Police	23 (3%)
Special Education	33 (3%)	Nutrition and Food Service	20 (2%)
Communication-Community Engagement	28 (2%)	Communication-Community Engagement	19 (2%)
Nutrition and Food Service	24 (2%)	Student Support Services	18 (2%)

Source. Gibson analysis of Purchase Order and Disbursements Data Set, FY2022 and FY2023 (7/1/2022 to 1/12/2023)

Improper POs are usually not caused by the Contract and Procurement Services Department, but by the schools or departments acquiring the goods or services. This is often because of inadequate planning, which leads to end users purchasing items without going through the proper requisition process. This causes invoices to be sent to the District before the Contract and Procurement Services Department becomes aware of the purchase. As a result, a PO is generated after that fact and at that point becomes an improper PO.

**Recommendation 7: Track the metrics necessary to hold departments and campuses accountable to District purchasing requirements.**

The intent of the District's procurement procedures is to provide assurance that all departments and campuses follow the same guidelines to achieve the District's procurement objectives. The procedures serve as management tools to mitigate risk and ensure compliance with laws and regulations. Purchasing procedures are effective tools for promoting internal controls and training personnel on District and state procurement requirements, processes, and guidelines. However, procedures can only produce the desired

results if they are adhered to across the organization, and if they are consistently enforced by the process owners.

The District should track the improper POs quarterly, similarly to the Audit Team's analysis, and enforce purchasing procedures to ensure that all purchases are conducted in accordance with District purchasing requirements. The Contract and Procurement Services Department should work closely with the departments and campuses who do not follow the purchasing procedure and generate improper POs to reduce recurring issues.

*Management Response: Management agrees with this recommendation. Procurement leadership will generate develop metrics necessary to track compliance with district policy and state laws. Monthly reporting of noncompliance will be provided to departmental and campus leadership for accountability. Implementation – December 2023.*

***Finding 7: AISD does not have segregation of duties in vendor master file management which increases the risk of errors and/or fraudulent activities.***

The Accounts Payable Department uses an online system called *Payment Works* and the District's ERP system, *BOLT*, to manage the vendor master file, as well as disburse payments to vendors that are listed in the vendor master file. *Payment Works* allows vendors to update and maintain their information themselves while providing AISD tools to approve or decline these changes and updates. *BOLT* is the primary information system supporting financial management functions, including purchasing and accounts payable.

According to *BOLT* security access level reports, the "rAPManager" and "rCPVendorMaint" security roles have the ability to set up and maintain vendors in the vendor master file in *BOLT*. However, the security role "rAPManager" also has the ability to make payments to vendors. There are five staff members in Finance and Accounts Payable departments who have "rAPManager" security roles. As both vendor creation and vendor payment are completed by the same department, there is a lack of segregation of duties. The department who can create vendors should not also be responsible for payment to those vendors, even though there are different individuals who manage the vendor master file and pay vendors within the Accounts Payable Department. The staff who have access to and manage the vendor master file also have security access to pay vendors based on *BOLT* security access level reports, meaning they have the ability to add vendors and pay them. This poses a considerable control risk. The Accounts Payable Department is the only department which has access to this system.

**Recommendation 8: Move vendor master file management from the Accounts Payable Department to the Contract and Procurement Services Department.**

As indicated above, the Accounts Payable Department is in charge of vendor master file management, including adding and approving vendors to the master approved vendor list. To address this segregation of duties, the vendor master file management should be under the control of the Contract and Procurement Services Department, not the Accounts Payable Department. The Contract and Procurement Services Department should have authority to designate valid vendors for the District, but not control specific disbursements. Accounts Payable should have the ability to disburse funds with appropriate documentation, but only to those vendors authorized by the Contract and Procurement Services

Department. The segregation of duties regarding the vendor master file management should also include access to the *Payment Works* system.

*Management Response: Management partially agrees with this recommendation. The segregation of duties has been reviewed, discussed, and revised with Management Information Services (MIS). The district has limited exposure to fraud and/or theft by assigning two Finance employees to the vendor module and they do not have the capability/access of entering or posting invoices. Implementation – July 1, 2023.*

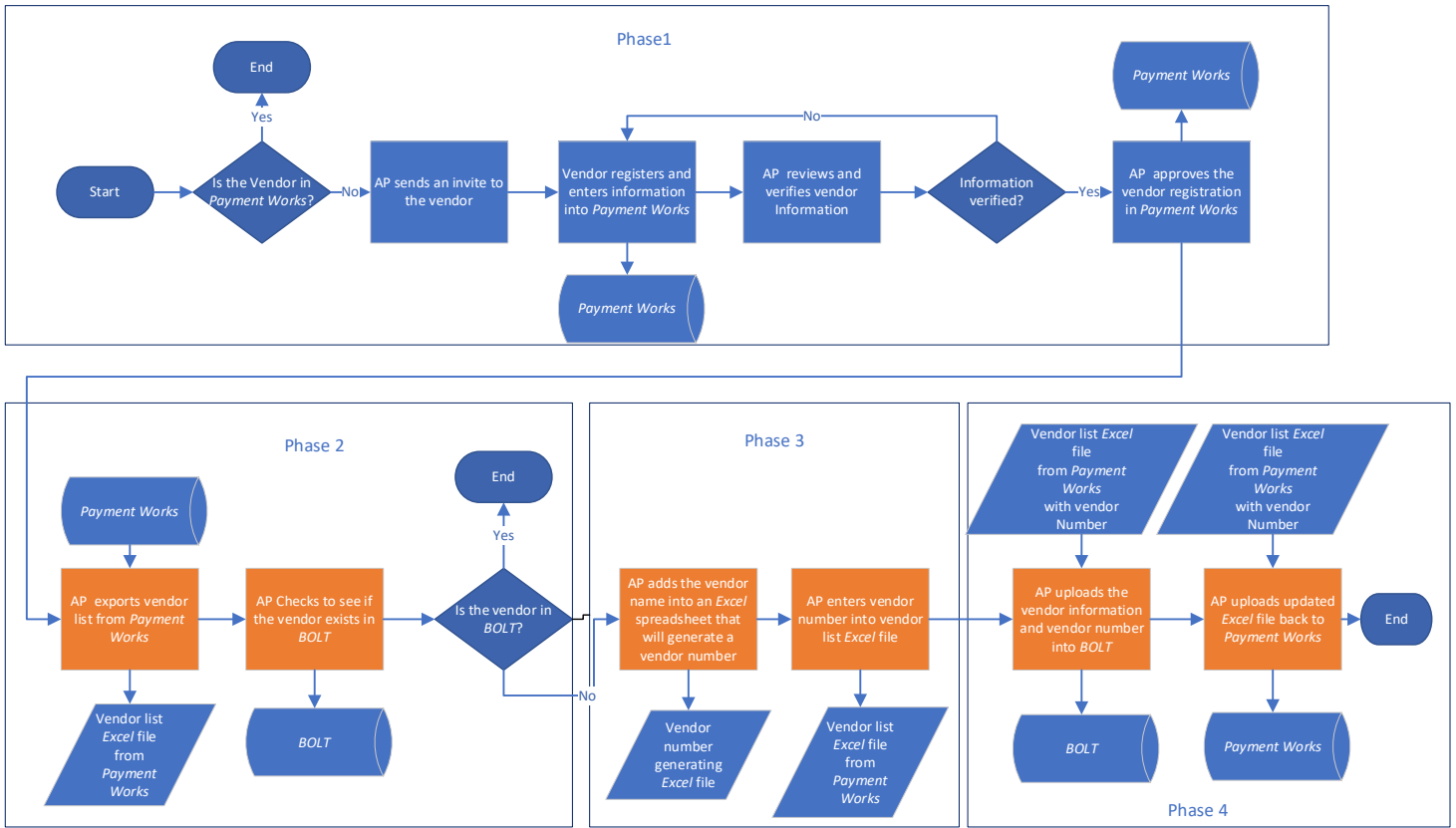
**Finding 8: The District's vendor creation process is highly manual, resulting in errors.**

As described in the systems section in Chapter 2, AISD uses *Payment Works* for vendor management. The information captured in *Payment Works* needs to be transferred to the District's ERP system, *BOLT*, in order for the District to pay vendors. Since vendors cannot access *BOLT* directly to enter their own information or update their information, the District staff previously entered and updated vendor information in *BOLT*. In order to eliminate the data entry tasks, the District acquired an online vendor management system called *Payment Works*. The vendors can create their own accounts, and add and update their information into *Payment Works* without relying on District staff. *Payment Works* also has a workflow capability where the information that is entered and updated by vendors can be reviewed and approved by the appropriate District staff.

Although *Payment Works* has streamlined and automated the capturing and updating of vendor information for AISD, vendor information still needs to be transferred to *BOLT* because the District generates POs and pays the vendors using *BOLT*. As there is no integration between the two systems, the information transfer is a manual and inefficient process.

Figure 9 provides a schematic overview of the current new vendor creation process within *Payment Works* and the transferring of information into *BOLT*. The process can be broken into four phases. Phase One is vendor creation, which is completed by the vendor, occurs solely in *Payment Works*, and is automated. Phase Two is the vendor verification phase, where AISD staff manually check to see if the new vendor already exists in *BOLT* or not. Phase Three is to generate a vendor ID for the new vendor. The District uses an *Excel* file to manually generate a vendor number. Since this vendor number is generated manually outside of both systems, Phase Four involves the District staff updating both *Payment Works* and *BOLT* with the new vendor number. All manual process steps are colored orange in the below Figure 9. Due to the manual steps in the process, the vendor creation process is time consuming and may cause vendor information sync issues between the two systems.

Figure 9. Vendor Creation Process Map (As-Is)



Source. Gibson Consulting Group, created from interviews with the Accounts Payable Department, 2023

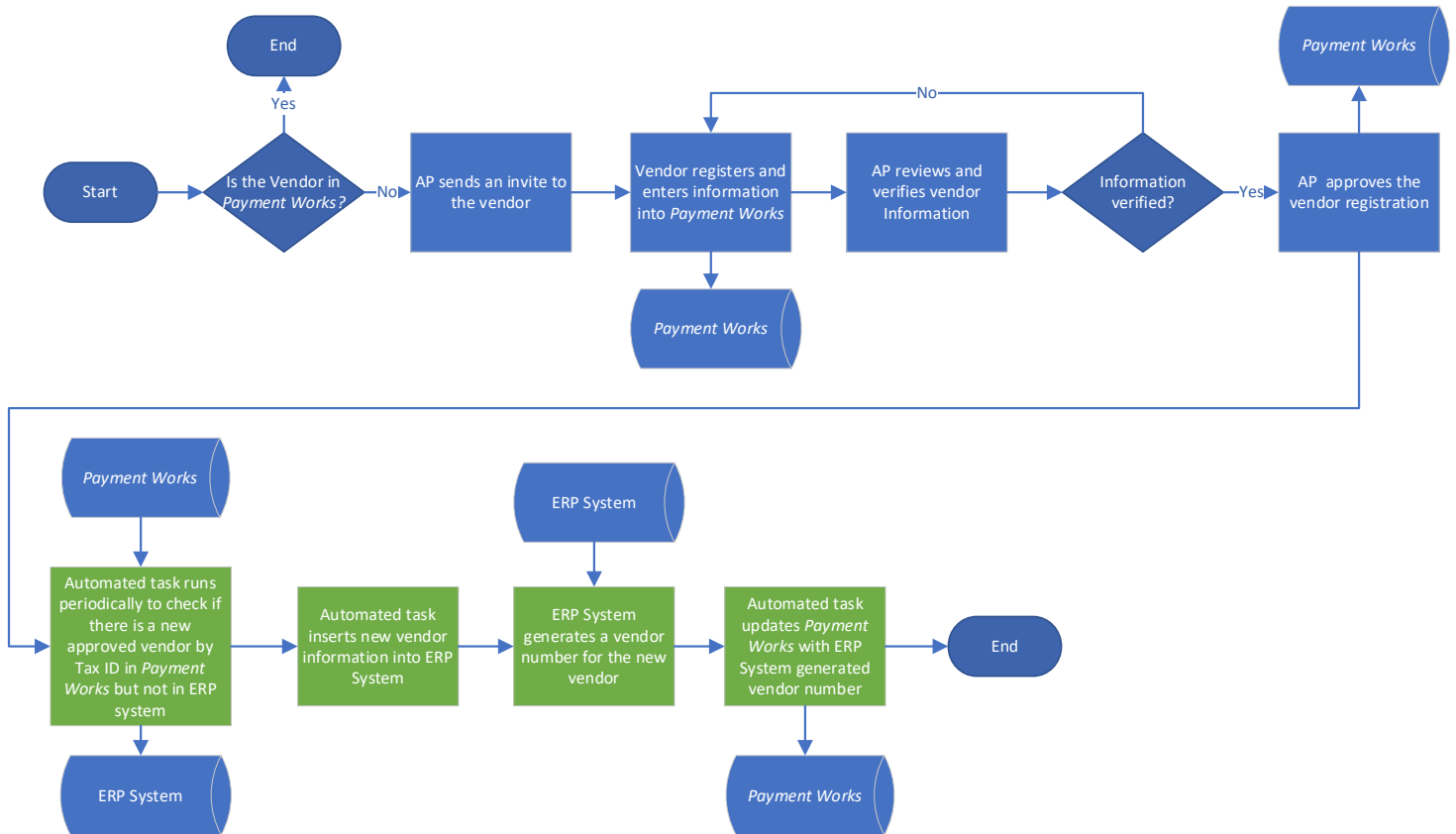
The Audit team reviewed the vendor information in *BOLT* and *Payment Works* systems and found that there are 37 vendors in *Payments Works* with Tax IDs, but those same vendors do not have Tax IDs in *BOLT*. Gibson also identified four vendors that are in *Payment Works* with vendor IDs, but these vendors do not appear in *BOLT*.

According to interviews with various District staff, the creation, integration, and the possibility of an automated data exchange between the two systems has not been discussed with the District Technology Department.

**Recommendation 9: Reengineer the vendor creation process by automating data exchange between systems.**

AIISD is in the process of implementing a new ERP system. The vendor creation process is a critical process. The District Contract and Procurement Services and Finance departments should work closely with the District Technology Department to automate the data exchange between the new ERP system and *Payment Works*. Figure 10 shows what an automated vendor creation process should look like. The automated process boxes are highlighted green. In addition to automating the data exchange between these two systems, the District should eliminate the *Excel*-based vendor ID creation step. The District should use either its ERP system or *Payment Works* for vendor number generation.

**Figure 10. Vendor Creation Process Map (Proposed)**



Source. Gibson Consulting Group, 2023

*Management Response: Management agrees with this recommendation. The District and Payment Works will continue to work together to integrate the vendor set up process. This will eliminate the excel spreadsheet that uploads templates to our current ERP system and eliminate the spreadsheet that is used to upload the new vendor numbers to Payment Works. The templates are currently used to feed the information from Payment Works to BOLT to either update a vendor or create a new vendor. Integration will certainly benefit this process. Implementation – October 2023.*

**Finding 9: AISD does not perform spend analysis using commodity codes to ensure compliance with procurement policy and laws.**

A spend analysis is the process of collecting, classifying, and analyzing expenditure data to identify ways to improve efficiency and monitor compliance. The process analyzes the current, past, and forecasted expenditures to allow visibility of data by supplier, commodity, or service, and by department within the organization. Spend analysis can be used to make future management decisions by providing answers to such questions as what was bought; when was it bought; where was it purchased; how many suppliers were used; and how much was spent.

The only spend analysis performed within the Contract and Procurement Services Department is the review of spend by vendor. The Procurement System Analyst runs vendor spend reports as requested by the Procurement Specialists. These reports are developed to identify non-competitive purchases made to a particular vendor that are approaching or exceeding a given threshold.

Similar to vendors, the same policies and laws apply in terms of purchasing thresholds to commodities. For example, commodities such as computers, chairs, pens, keyboards, etc. Standardized commodity codes were developed by the National Institute of Governmental Purchasing (NIGP) to standardize and track purchasing activities by commodities. However, according to the District, the strategic sourcing module, which would allow *BOLT* to track by commodity codes, was not implemented by AISD. As a result, there is no spend report available to identify any commodities that may be approaching the District's competitive procurement threshold.

However, the District campuses and departments use Amazon Business Services, which is an online platform where P-Cards can be used to make purchases on various goods. So far, the District has spent more than \$2 million in this platform in FY2023. The Amazon Business Services platform does provide the District spend analysis reports on commodities, product categories, and item types.

When a systematic and comprehensive spend analysis of purchases is not performed, the District runs the risk of violating competitive bidding rules for items valued at \$50,000 or more (or multiple like items/commodities with cumulative values of \$50,000 or more purchased within a 12-month period).

**Recommendation 10: Conduct a spend analysis on a quarterly basis.**

The Contract and Procurement Services Department should use a systematic and periodic spend analysis to achieve efficiency and monitor compliance. There are many spend analyses that can be performed using expenditure data, including spend by vendor, spend by commodity code, number of vendors by commodity code, and historical spending trends. The Contract and Procurement Services 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., Amazon Business Services, *BOLT*). 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. Since *BOLT* does not track commodities, PO line descriptions can be used in order to make informed decisions.
- **Create repeatable processes:** Reports created using the systems 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 District's procurement policies, inform management decisions, and oversee vendor relationships. These spend reports should be made available to all members of the 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 District procurement policies;
- Increase part reuse; and
- Identify savings opportunities.

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 Response: Management agrees with this recommendation. Based on the vendor commodity categories that will be established in the new ERP system, Frontline, Procurement staff will be able to generate reports to analyze vendor spends and determine when a formal solicitation is required. The BOLT system was unable to generate reports based on commodity categories. Implementation – September 2023.*

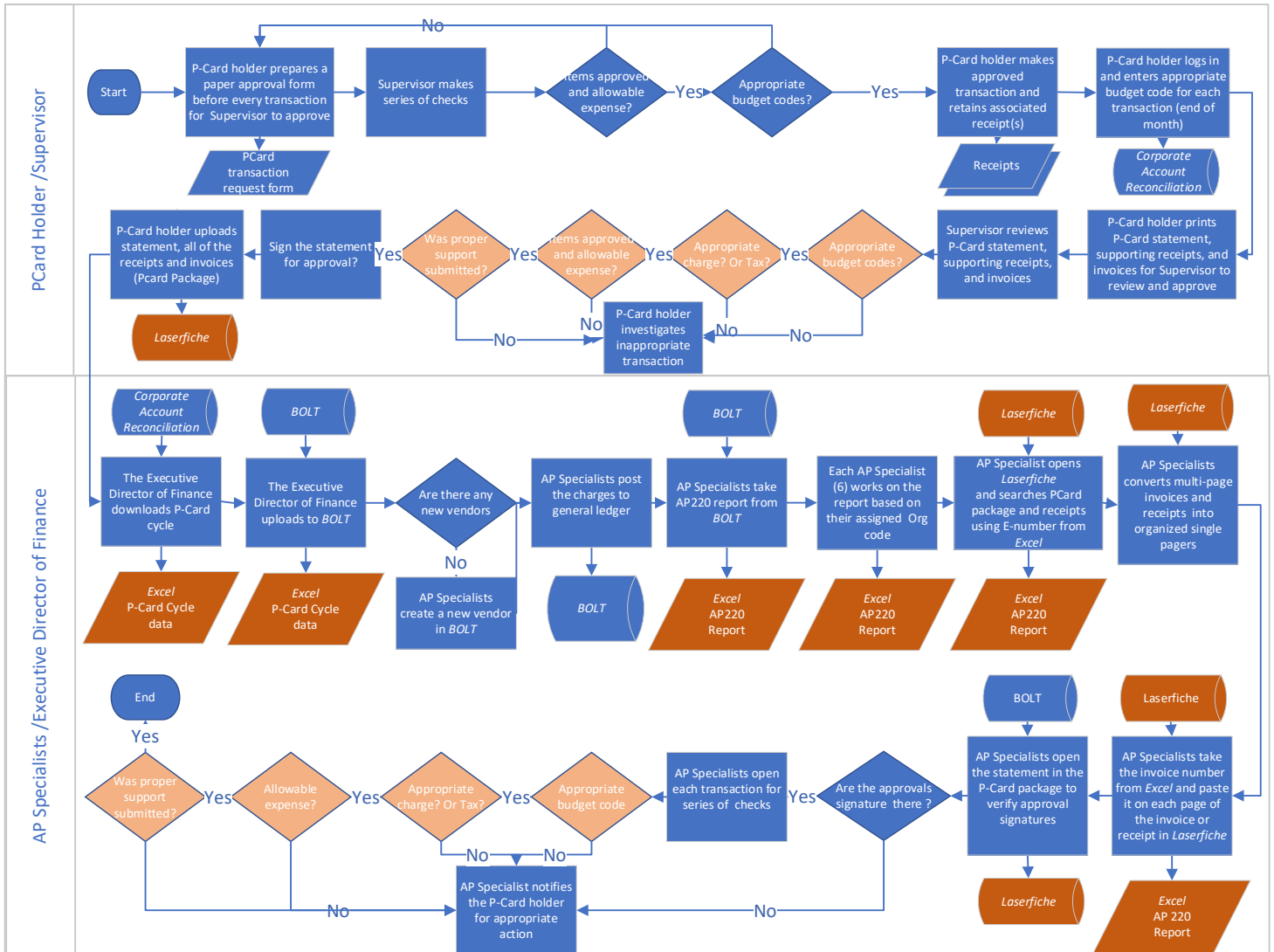
***Finding 10: The District's P-Card process does not maximize efficiency.***

As described above in the P-Card overview, P-Cards can increase purchasing efficiency and security when used appropriately. However, as there is unnecessary manual processing in the P-Card process, the District is not able to fully benefit from the P-Card program.

In order for a P-Card holder to use their card, the holder prepares a paper approval form for their supervisor to approve. The supervisor makes a variety of checks of the future transaction, including whether or not the items are approved, whether or not it is an allowable expense, and the planned budget code. Once the supervisor performs these checks and approves the transaction, the P-Card holder makes the transaction and retains the associated receipts. At the end of each month, the P-Card holder logs into American Express' *Corporate Account Reconciliation (CAR)* and completes a reconciliation by entering the appropriate budget code for each transaction. The P-Card holder prints out the monthly P-Card transaction statement from American Express with the supporting receipts and invoices for their supervisor to review and approve. The supervisor reviews the statement and checks the budget coding, ensures tax was not charged, confirms the transactions were appropriate, confirms the items were approved and were allowable expenses, and checks the attached supporting documents. Once this check is complete, the supervisor signs the statement to indicate it has been approved. The P-Card holder then uploads the P-Card package which includes the signed statement and all supporting documentation.

Once all P-Card holders have completed their monthly reconciliations in *CAR*, the Executive Director of Finance downloads the P-Card cycle into *Excel* and uploads it to *BOLT*. If it is a new vendor, an AP Specialist creates a new vendor in *BOLT*. The AP Specialist then posts the charges to the general ledger in *BOLT*. An AP Specialist takes the AP220 report from *BOLT* and divvies up the work between the six AP Specialists based on their assigned organization code. For each transaction that they are assigned, the AP Specialists open *Laserfiche* and search for the P-Card package using the E numbers from the AP220 *Excel* report. Once the package has been located in *Laserfiche*, the AP Specialists convert multi-page invoices and receipts into organized single pages. The AP Specialists then take the individual invoice numbers from the AP220 *Excel* report and paste the number into *Laserfiche* for each invoice so that it can be located in future audits. Next, the AP Specialists open the statements in the P-Card package in *Laserfiche* to verify approval signatures from the P-Card holders' supervisors. Finally, the AP Specialists open the support for each transaction to perform a series of checks, including ensuring the budget code is appropriate, whether or not it is an appropriate charge, ensuring tax was not charged to the card, seeing if it was an allowable expense, and ensuring proper support was submitted.

Figure 11. P-Card Process Map



Source. Gibson Consulting Group, 2023

The P-Card process outlined above in Figure 11 has duplicative controls and manual processes which defeat the purpose of using P-Cards to streamline purchasing. The checks to ensure that the transaction is for an allowable expense, the budget code is appropriate, and proper support has been submitted are all completed by both the P-Card holder's supervisor and the AP Department. These checks are time-consuming and do not need to be performed by both parties. The duplicative steps are highlighted in light orange in Figure 11 above. There is also currently no integration between the three systems used in the process – *CAR*, *BOLT*, and *Laserfiche*. This causes manual entry between the systems, which is also time-consuming for the AP Department. The first approval obtained from the P-Card holder's direct supervisor is completed on a paper form and is filed with the P-Card holder. The approval is not stored electronically and is not checked by anyone to ensure the approval was received before the transaction occurs. These manual processes are highlighted in dark orange in Figure 11 above.

These duplicative controls and manual processes create time delays. The P-Card process currently has a four-month lag. As a result, the District cuts off usage of P-Cards early in the school year so that a review over all transactions can take place before the end of the fiscal year. This delay also results in difficulties when problematic transactions are found in AP's review of the transactions. Since a significant amount of time has passed since the transaction took place, it is much more difficult to rectify a problem by performing actions such as returning the items purchased by the P-Card. There have also been instances of employees leaving before their transactions are approved. This results in the District eating the costs of an unallowed transaction. The third issue that arises from this delay is that the District does not have a true balance of funds for common accounts used for P-Card transactions. As the transactions do not post to *BOLT* until after approval, the bookkeepers have to keep their own *Excel* files to keep track of how much money they have spent from each account. The lack of reliable data and manual processing can lead to schools/ departments accidentally spending over the budgeted amount.

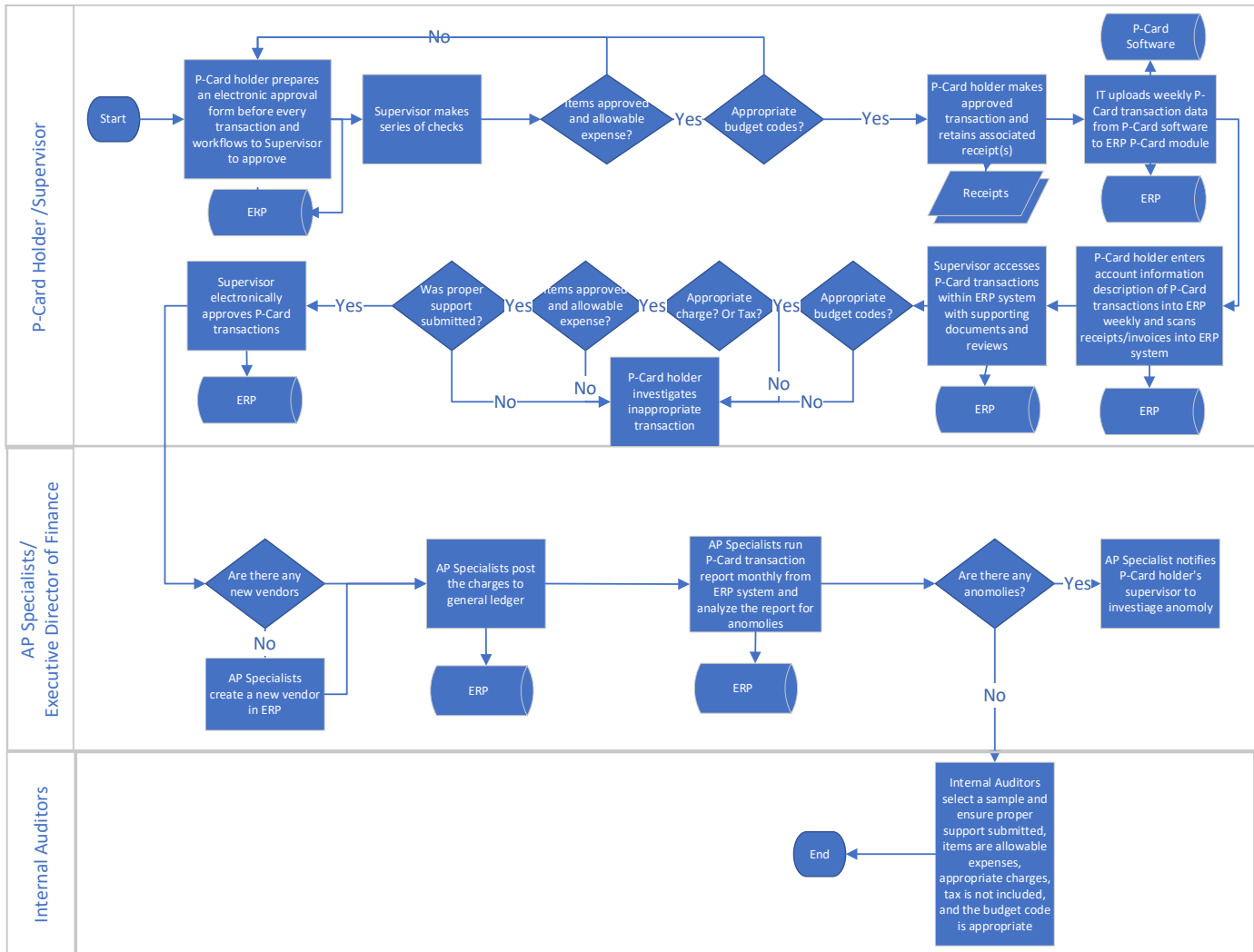
The AP review process is also currently inefficient as it does not include analysis of Amazon Business Account transaction reports. Gibson's review of this report indicated transactions that included commodities which should not be purchased using a P-Card based on the P-Card manual. As this was discovered in Gibson's analysis, it indicates that the checks being performed by the supervisors and AP are currently not adequate. When multiple people review the same documents without a documented checklist clearly articulating who needs to check what information, there is a potential risk that some checks are not performed as intended. The AP Department is currently checking hundreds of transactions each day, effectively sacrificing the time to focus on other important aspects of the transactions.

**Recommendation 11: Reengineer the P-Card process by eliminating duplicative tasks and integrating information systems.**

AISD is in the process of implementing a new ERP system – *Frontline*. The District Contract and Procurement Services and Finance Departments should work closely with the District Technology Department to automate the data exchange between the new ERP system and *CAR*. Figure 12 shows what an automated P-Card process should look like. In addition to automating the data exchange between these two systems, the District should eliminate the use of *Laserfiche* and should upload the P-Card package directly to the new ERP system. Lastly, the AP Specialists should no longer check to ensure that the proper support is submitted, that items are an allowable expense, that it was an appropriate charge, that tax was not charged, and that the appropriate budget code was used, as this check is already being completed by

the P-Card holder’s supervisor. While this appears to be reducing the controls around P-Card transactions, this will lead to more accountability on the supervisors checking the information and will create a better overall review if the supervisors have been properly communicated with about what needs to be thoroughly reviewed for each transaction. Instead, the AP Department should run P-Card transaction reports and Amazon Business Account reports in order to analyze the data for anomalies. As an added precaution, the District should require all P-Card users to annually sign the P-Card agreement to ensure all staff have been made aware of the most current P-Card rules and to ensure all staff who hold P-Cards have a signed agreement since some cards were issued before the signature requirement was in place. The combination of all of these changes will result in much faster processing of P-Card transactions.

Figure 12. P-Card Process Map (Proposed)



Source. Gibson Consulting Group, 2023

*Management Response: Management agrees with this recommendation. The District is currently exploring Frontline P-Card options. If Frontline has the capability to upload the invoice and reconcile what budget should be charged, then this should eliminate most of what Corporate Account Reconciliation (CAR) is used for. However, CAR does provide a reference number that is a valuable piece of information regarding it being a unique number for each charge, like an invoice number. This will allow searches and reporting to be accurate for each vendor. Implementation- January 2024.*

**Finding 11: AISD's use of H-E-B Cards is inefficient and contains control deficiencies.**

AISD uses an additional P-Card program through the use of H-E-B Courtesy Cards. The H-E-B Card program began before the P-Card program, but when the P-Card program was introduced, there were no changes made to the H-E-B Card program. Because of this, the H-E-B Card program is duplicative. It is inefficient to have two card programs. While the H-E-B program has the advantage of each card having the ability to be used by multiple individuals, it is inherently less controlled because of this attribute. Unlike P-Cards, H-E-B Cards are assigned to a specific campus/department and are not assigned to individuals. Because of this, if an unauthorized person obtained the card, they would be able to use it at an H-E-B grocery store. Also, H-E-B Cards do not have spending limits. This means that if an unauthorized person took the card to an H-E-B, they would have unlimited spending power and could easily abuse the card. While the SCC is responsible for all transactions that occur on the card, this individual would not catch unauthorized transactions until after the fact. The District would still be liable for these funds spent.

**Recommendation 12: Replace H-E-B Card usage with existing P-Cards.**

There is already a P-Card program in place which contains controls that the H-E-B Card program does not, such as having spending limits for each card and being assigned to individuals. P-Cards also allow schools and departments to make transactions at H-E-B stores. This makes the purpose for H-E-B Cards duplicative. Because of these factors, Gibson believes the H-E-B card program should be sunsetted, as the use of H-E-B Cards is unnecessary and the program contains control gaps.

*Management Response: Management agrees with this recommendation. Procurement leadership will develop a revised P-Card policy, transition plan, and timeframe to eliminate the HEB Card and replace it with a campus level P-Card for each campus. Implementation – January 2024 – June 2024.*

## Chapter 5: Receiving

### Overview

The Bookkeepers or the Accounting Clerks at the school/department are responsible for receiving deliveries. The District is using a direct delivery model, in which goods are delivered by the vendor to the final location instead of receiving all goods at the central warehouse.

The District has a central warehouse that houses about 100 stock items, mostly paper products, and limited custodial supplies. The School Nutrition Department also uses the warehouse to store perishable food.

Any items that are ordered from the District warehouse are delivered by the Warehouse staff to the campuses or departments.

The Bookkeepers or Accounting Clerks inspect the goods before they receive them in the District's ERP system *BOLT*. They compare the packing slip to the contents of the packages to ensure completeness. If there are problems with the delivered goods, like incorrect or damaged goods, the Bookkeepers or Accounting Clerks contact the vendor to resolve the issue.

If there are no problems with the goods or after delivery issues are resolved, the Bookkeepers or Accounting Clerks receive the goods in *BOLT* by using the PO number. They are able to pull up the PO within *BOLT* and enter the quantity of the items received. This receipt of goods is then visible to the Accounts Payable Department who executes payment upon receipt of the invoice from the vendor.

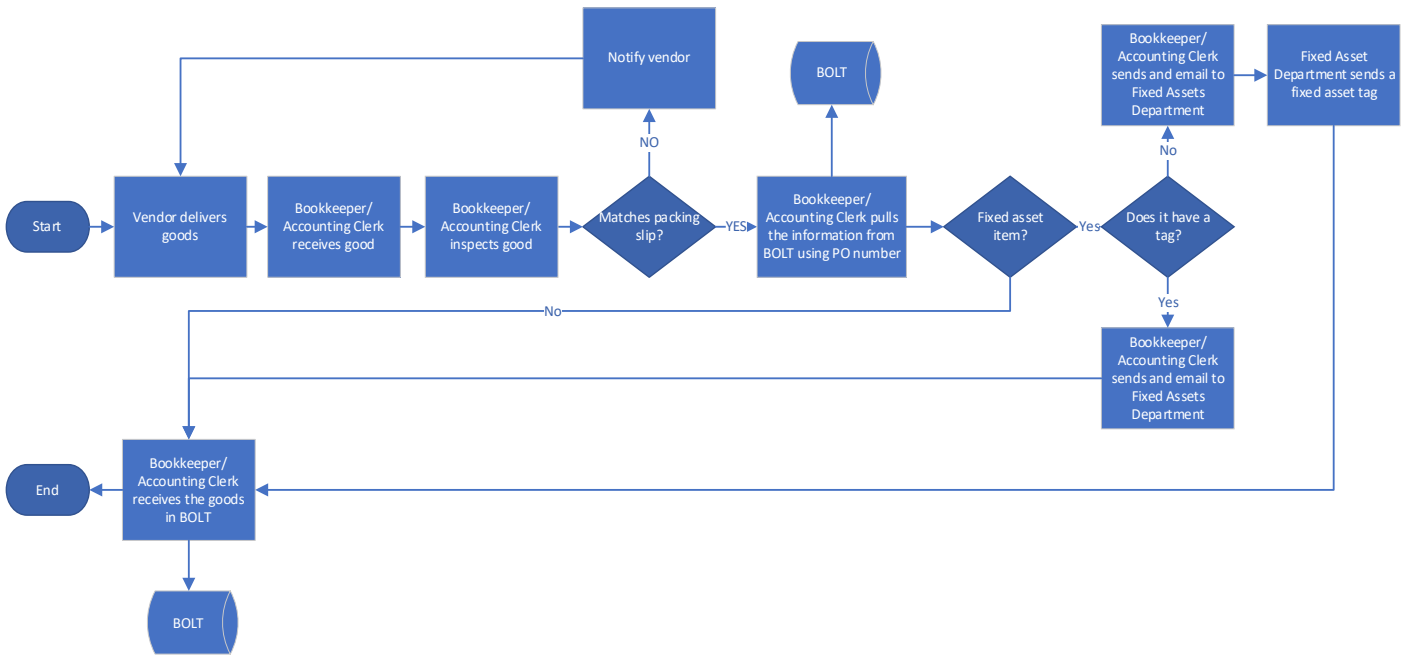
There is an additional step in the receiving process for fixed asset items. Certain items that are worth more than \$500 are considered fixed assets and need a fixed asset tag. The fixed asset qualified items can either come with a fixed asset tag or the Bookkeeper or the Accounting Clerk can request the tag from the Fixed Asset Department. In either case, the Bookkeeper or the Accounting Clerk needs to send an email to the Fixed Asset Department with the following information:

- PO Line;
- Quantity received;
- Make, model, and description;
- Serial number;
- Location for inventory (org code); and
- Tag number (if arrived with fixed asset tag).

Once the email is sent and the tag is attached to the item, the Bookkeeper or the Accounting Clerk can continue to receive the item in *BOLT*.

Figure 13 shows the receiving process in AISD.

Figure 13. AISD Receiving Process



Source. Gibson Consulting Group interviews and focus groups with AISD staff, 2023

The Audit team's interviews with the campus and department staff indicated no issues around timeliness and quality of goods received.

## Testing

Three-way matching is a process used in many organizations to prevent incorrect or fraudulent invoice payment. The three-way match process involves comparing the PO, invoice, and goods receipt to make sure they match, prior to approving the invoice. Receiving is the third and final step of the three-way matching process.

### Test 2: Receiving Testing

The audit team designed a test to determine if the receipt of goods occurred after the issuance of the PO and that the receipt was properly communicated to Accounts Payable.

#### Test Approach

- Obtained a record of all items received by the District between July 2021 and November 2022;
- Judgmentally selected 20 samples for testing;
- Obtained the PO for each sample;
  - Compared the date of the PO to the date the goods/services were received to ensure that the receipt of goods occurred after issuance of the PO (**Test 1**);
- Obtained evidence of communication to the Accounts Payable Department; and



- Ensured that the receipt of goods was properly communicated to the Accounts Payable Department (**Test 2**).

### Test Results

- Please refer to Table 19 below. “P” indicates that the sample passed the test; “F” indicates that the sample failed the test; “N/A” indicates that the test was not applicable for the sample or could not be performed.

**Table 19. Receiving Test Results**

Sample	Test 1	Test 2
1	P	P
2	P	P
3	P	P
4	P	P
5	P	P
6	P	P
7	P	P
8	P	P
9	P	P
10	P	P
11	P	P
12	P	P
13	P	P
14	P	P
15	P	P
16	P	P
17	P	P
18	P	P
19	P	P
20	P	P

- **Test 1 – Did the PO issuance date occur before the goods/services were received?**
  - All samples had a date of receipt that occurred after the PO issuance date.
- **Test 2 – Did the receiver communicate that the goods were received by the Accounts Payable Department?**
  - All samples had evidence of proper communication to the Accounts Payable Department.

## Findings and Recommendations

There are no findings and recommendations in this Chapter.

# Appendix A: Interviews and Focus Groups List

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## Interviews

- Anita Muscarella, Senior Procurement Specialist – Instructional Procurement Team
- Annie Collier, Executive Director of Contract and Procurement Services
- Brenda Dalton, Senior Procurement Specialist – Technology Procurement Team
- Brittany Rodriguez Villalobos, Senior Procurement Specialist – Construction Procurement Team
- Brittany Whitley, Procurement Specialist – Construction Procurement Team
- Cassandra Alvarez, Procurement Specialist – Construction Procurement Team
- Carla Scott, Accounts Payable Supervisor
- Christine Steenport, Operations Department Head
- Dinita Caldwell, Director of HUB Program
- Dr. Mary Thomas, Title 1 and Federal Programs Head
- Edna Butts, Legal Department
- Eduardo Ramos, CFO
- Irma Lira, Procurement Specialist – Construction Procurement Team
- Julie Bynum, Senior Procurement Specialist – Business and Operations Procurement Team
- Katrina Montgomery, Assistant Superintendent of Financial Services
- Laura Bradshaw, Procurement Specialist – Technology Procurement Team
- LaVonja Horne-Williams, Construction Contract and Procurement Services Manager
- Linda Nandin, Procurement Specialist – Construction Procurement Team
- Lorena McBee, Procurement System Analyst
- Mason Crenshaw, Assistant Director of Purchasing
- Matias Segura, Interim Superintendent
- Melissa Deutsch, Procurement Specialist – Business Operations Procurement Team
- Mitze Ruiz, P-Card Specialist
- Oscar Rodriguez, Chief Technology Officer
- Rodolfo Gonzalez, Procurement Assistant
- Veronica Salazar, Procurement Specialist – Instructional Procurement Team

## Focus Groups

- Department Leaders (1)
- Department Clerks (1)
- Elementary Clerks (2)
- Secondary Clerks (2)
- Elementary Principals (2)
- Secondary Principals (2)

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