



Report of Investigation #2

Payments to Vendors & Contractors

Prepared for:

Weslaco ISD Board of Trustees

September 10, 2021

WARNING: This Report (including Exhibits and Appendices) contains personal identifying information of multiple individuals.

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Introduction and Scope of Work

I. Introduction

Weaver and Tidwell, L.L.P. (“Weaver”) submits this Second Report of Investigation (“Report”) to the Board of Trustees (the “Board”) for Weslaco Independent School District (“WISD” or the “District”). This Report presents the work performed in connection with the investigation of the District’s expenditures for fiscal years beginning September 1, 2014 through August 31, 2020 (“FY2015 – FY2020”), including payments to vendors, contractors and other third parties, as well as practices and procedures concerning purchasing and procurement, including our observations, findings and recommendations.¹ Weaver has made its best effort, given the available time and resources, to conduct an impartial, independent and extensive investigation. We did not conduct an exhaustive investigation into all aspects of the District’s finances and expenditures as such an investigation would require time and resources beyond those reasonably required to address the issues identified by WISD and by Weaver through the course of our investigation. Certain limitations on the information available to Weaver resulted in constraints on our investigation. We had no power to compel third parties to submit to interviews, produce documents, or otherwise provide information.

II. Scope of Work

On January 6, 2021, Weaver submitted its Forensic Investigation Qualifications (“Statement of Qualifications”) in response to the District’s Request for Qualifications for Forensic Audit Services of the District’s Finances and Operations (RFQ #21-02-20). On February 10, 2021, Weaver was retained by the Board to provide forensic services in connection with RFQ #21-02-20. As authorized by the Board, Weaver conducted a broad investigation into concerns and issues raised by current Board members related to expenditures and payments to vendors and contractors including awards and incentives, construction, repair and maintenance, as well as vendors potentially affiliated with District personnel or the Board. During the course of the investigation, Weaver performed the following work steps in reaching the observations, findings and recommendations outlined in this Report:

- Conducted witness interviews with over 30 current and former District employees, Board members and third parties (including multiple discussions with many of the witnesses);²

¹ At the request of the Board, Weaver prepared two (2) separate reports of investigation for WISD. Report of Investigation #1 is focused on the scopes of work related to Human Resources. Report of Investigation #2 is focused on the scopes of work related to payments to vendors and contractors.

² We conducted interviews with current employees across various departments within the District including Finance, Payroll, Purchasing, Accounts Payable, Energy Management, Human Resources, Maintenance, Risk Management, Technology, Transportation and Warehouse. We also conducted interviews with Principals from multiple campuses.

- Reviewed information pertaining to meetings of the Board during fiscal years 2015 – 2020 including meeting minutes, agendas, agenda packets and recorded videos (as available);
- Analyzed over 2.3 million email records for 27 current and former District employees;³
- Analyzed expenditures from the District’s PEIMS Data for FY2015 – FY2019 totaling approximately \$974 million, including a benchmarking analysis of the District’s expenditures compared to 112 other Texas school districts with enrollment over 10,000 students;⁴ **(see Appendix 1)**
- Analyzed expenditures from the District’s check register for FY2015 – FY2020 totaling over \$260 million in payments to over 5,700 vendors, contractors and third parties (i.e., non-payroll expenditures); **(see Appendix 2)**
- Conducted further investigation and review of payments to vendors, contractors and third parties for certain cost categories including construction, awards and incentives, repair and maintenance, and professional services, among other cost categories;
- Performed additional review and investigation of certain vendors identified for further review, including a review of purchasing records available on the District’s Alio Scan database (e.g., invoices, purchase orders, requisition documents, vendor records, etc.);⁵
- Compared the District’s vendor master file to the employee roster to identify vendors potentially affiliated with employees based on matching address and / or phone number information;
- Compared the District’s vendor master file to information for the District’s current and former Board members (e.g., name, address, phone number) and their immediate relatives to identify vendors potentially affiliated with Board members;
- Reviewed the District’s procurement practices for vendors and contractors, including the solicitation and evaluation of proposals for competitive sealed bid contracts and multiple award contracts;
- Reviewed the District’s policies and procedures including policies on the District’s website, as well as the Employee Handbook and Purchasing Policy & Procedures Manual

While Weaver performed additional work steps not included above, the above listed work steps reflect the actions performed by Weaver that formed the basis for our observations, findings and recommendations discussed throughout the remainder of this Report.

³ Weaver also conducted various keyword searches for email data across the entire population of email data for all email accounts through remote access granted to the District’s Google Archive system.

⁴ PEIMS Data for Texas school districts for FY2020 was not yet available on the Texas Education Agency’s website at the time we conducted our benchmarking review.

⁵ We were provided remote access to the District’s Alio Scan database, which contains scanned copies of vendor records.

Executive Summary

I. Overview

The Executive Summary provides an overview of the observations, findings and recommendations from Weaver’s investigation of the District’s expenditures for FY2015 – FY2020, including payments to vendors, contractors and other third parties, as well as practices and procedures concerning purchasing and procurement. The Executive Summary is based on the set of facts and findings described in the Report, and should be read with the Report itself including the associated exhibits and appendices. Standing alone, it does not, and cannot, provide a full understanding of the facts and analysis underlying our observations and findings. In addition, while the Report itself is intended to provide the relevant basis for our observations, findings and recommendations, it does not exhaustively detail all efforts undertaken by Weaver.

II. Summary of Findings

a. Financial Benchmarking

We performed an analysis of Public Education Information Management Systems data (“PEIMS Data”) submitted to the Texas Education Agency (“TEA”), including a comparison of the District’s expenditures for FY2015 – FY2019 to 112 other school districts with enrollment over 10,000 students (“Peer Group”).⁶ Our objective was to identify cost categories that were higher risks for potential fraud, waste and abuse through the identification of cost categories where the District’s expenditures ranked in the highest 10% compared to similar school districts on a normalized basis (i.e., cost per student). The findings of our benchmarking analysis of the District’s PEIMS Data are outlined below and detailed in **Appendix 1**.

1. In our review of cost categories by Object code, we identified seven (7) Object codes where the District ranked in the highest 10% compared to the Peer Group, as shown below.

Analysis of PEIMS Data: Summary of Expenditures by Object Code (Highest 10%)									
Code	Object Name	Expenditures by Object Code by Fiscal Year						Peer Group Rank	
		FY2015	FY2016	FY2017	FY2018	FY2019	Object Total	Rank	Out Of*
6129	Wages for Support Personnel	\$ 26,993,164	\$ 27,515,269	\$ 28,569,008	\$ 29,187,463	\$ 29,002,988	\$ 141,267,892	9	113
6221	Staff Tuition and Related Fees	147,790	191,347	167,802	34,677	2,974	544,590	5	68
6222	Student Tuition - Public Schools	133,333	135,184	385,287	339,492	219,340	1,212,636	4	43
6341	Food	5,078,449	6,088,285	5,594,879	5,253,546	5,541,613	27,556,772	9	106
6412	Travel & Substinence - Students	1,178,188	1,205,398	1,474,472	1,403,307	1,211,209	6,472,574	4	113
6413	Stipends - Non Employees	148,682	160,438	170,745	181,481	148,590	809,936	1	36
6631	Vehicles over \$5,000/unit	1,660,502	1,244,811	1,480,233	6,680,412	811,146	11,877,104	5	113

* Certain Object codes were not utilized by other school districts in the Peer Group.

⁶ PEIMS Data for Texas school districts for FY2020 was not yet available on the Texas Education Agency’s website at the time we conducted our benchmarking review.

- In our analysis of PEIMS Data for FY2015 – FY2019 based on more granular cost categories defined by Object code and Function code, we identified certain vendor-related cost categories where the District ranked in the highest 10% relative to their Peer Group, as provided below.

Object	Function	Expenditures	Rank	Out of
6219 – Professional Services	13 – Curriculum and Staff Devel.	\$682,498	8	81
6219 – Professional Services	41 – General Administration	\$1,032,903	4	105
6249 – Contracted Maintenance & Repair	34 – Student Transportation	\$1,198,451	5	107
6249 – Contracted Maintenance & Repair	36 – Extracurricular Activities	\$517,949	11	111
6299 – Miscellaneous Contract Service	61 – Community Services	\$1,236,247	8	105
6499 – Miscellaneous Operating Costs	11 – Instruction	\$3,271,502	9	113
6499 – Miscellaneous Operating Costs	41 – General Administration	\$2,025,897	4	113
6631 – Vehicles (Per Unit over \$5,000)	34 – Student Transportation	\$10,561,408	3	102

b. Awards and Incentives

We examined the District’s expenditures related to awards and incentives (Object code 6497), which totaled approximately \$4.9 million for FY2015 – FY2020. Our observations and findings from our review are outlined below:

- The District’s annual budget for awards and incentives during FY2015 – FY2020 ranged from approximately \$505,000 - \$581,000, and totaled \$3.3 million for the period. However, the District’s actual expenditures for awards and incentives were typically 40% - 60% higher than the annual budgeted amounts.

Summary of Awards and Incentives (Object Code 6497) - Budgeted v. Actual Amounts							
	2014-2015	2015-2016*	2016-2017	2017-2018	2018-2019	2019-2020	Total
Budgeted Amount	\$ 566,118	\$ 566,118	\$ 580,934	\$ 564,767	\$ 523,765	\$ 505,462	\$ 3,307,164
Actual Amount	906,731	828,627	891,868	852,006	831,916	584,756	4,895,903
Difference	\$ (340,613)	\$ (262,509)	\$ (310,934)	\$ (287,239)	\$ (308,151)	\$ (79,294)	\$ (1,588,739)

* The District did not prepare an awards and incentives budget for FY2016. For purposes of this analysis, we assumed the budget for FY2016 to be the same as FY2015.

- Based on our review of the District’s check register, we identified payments to 272 vendors for awards and incentives purchases totaling \$4.9 million for FY2015 – FY2020. The vendor Embroidery Express was paid over \$2.2 million for awards and incentives purchases, almost 46% of total awards and incentives purchases for the period (see Appendix 3).
- The District awarded several multiple award contracts during the period of our review for purchases of awards and incentives including (1) Awards, Trophies and Personal Recognition Products; (2) Embroidered Items and (3) Screen Printed T-Shirts. Under these contracts, multiple vendors were approved as primary vendors based on the evaluation of proposals by campus Principals and members of the Purchasing Department.
- Beginning in May 2017, the Board required quotes to be obtained from multiple vendors for purchase amounts over \$3,000.

5. We reviewed the purchasing documents for the four (4) highest paid vendors under the multiple award contracts to determine if multiple quotes were obtained as required. The vendors reviewed included (1) Embroidery Express; (2) Valley Trophies; (3) Proforma RGV; and (4) HDL Enterprises.
6. In our review of purchasing records for the four (4) highest paid vendors, we identified purchases for awards and incentives totaling \$627,629 where the purchase amount was above \$3,000 but multiple quotes were not obtained.
7. We also identified documentation and email communications reflecting that the Business Office authorized campuses to purchase awards and incentives with holiday incentive funds without having to obtain multiple quotes, even if the amount was above \$3,000. Based on our review, the holiday incentive funds were typically allocated to the campus budgets in November and there was insufficient time for the campuses to obtain multiple quotes before the holidays.
8. We determined that of the \$627,629 in awards and incentives purchases in which multiple quotes were not obtained, over \$300,000 related to holiday incentive funds and did not require multiple quotes to be obtained as a result of authorizations from the Business Office.

c. Construction Expenditures

We examined the District’s expenditures related to construction (Object codes 6619 – Land Purchase and Improvement and 6629 – Building Purchase or Improvement), which combined represented the District’s largest cost category outside of payroll-related expenditures. Our observations and findings from our review are outlined below:

1. The District’s total construction expenditures totaled approximately \$33.5 million during FY2015 – FY2019, the majority of which was paid from the District’s Construction Fund.

Construction Expenditures by Source of Funds						
	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	Total
Construction Fund (610)	\$ 1,843,073	\$ 1,142,030	\$ 485,656	\$ 5,397,047	\$ 8,189,701	\$ 17,057,507
2014 Energy Conservation Fund (614)	7,088,742	13,946	-	-	-	7,102,688
2017 Tax Notes Fund (617)	-	-	-	3,805,811	5,523,523	9,329,334
Total	\$ 8,931,815	\$ 1,155,976	\$ 485,656	\$ 9,202,858	\$ 13,713,224	\$ 33,489,529

2. We conducted a review of 18 construction projects during the period, which were awarded to 12 contractors.
3. We determined that the competitive sealed proposals procurement method was utilized by the District for all 18 construction projects reviewed.
4. The District received an average of five (5) proposals for each of the 18 RFPs. For one (1) RFP, only one (1) proposal was received.
5. For 17 of 18 construction projects reviewed, the Board delegated authority to District administrative personnel to evaluate and rank the proposals. For these 17 projects, a committee was formed comprised of five (5) to seven (7) members including cabinet members, department heads, and in some cases a representative from the architectural or engineering firm hired for the project.

6. For 11 of 17 projects reviewed, the lowest cost bidder was recommended by the committee to the Board. For the six (6) projects where the lowest cost bidder was not recommended by the committee, the second lowest cost bidder was recommended instead because the lowest cost bidder did not meet the requirements stated in the RFP, or had less experience.
7. For 12 of 18 construction projects reviewed, the final amount paid to the contractor was less than the budgeted amount approved by the Board. For the six (6) projects that exceeded the budgeted amount, we identified change orders approved by the Board that accounted for the overages.

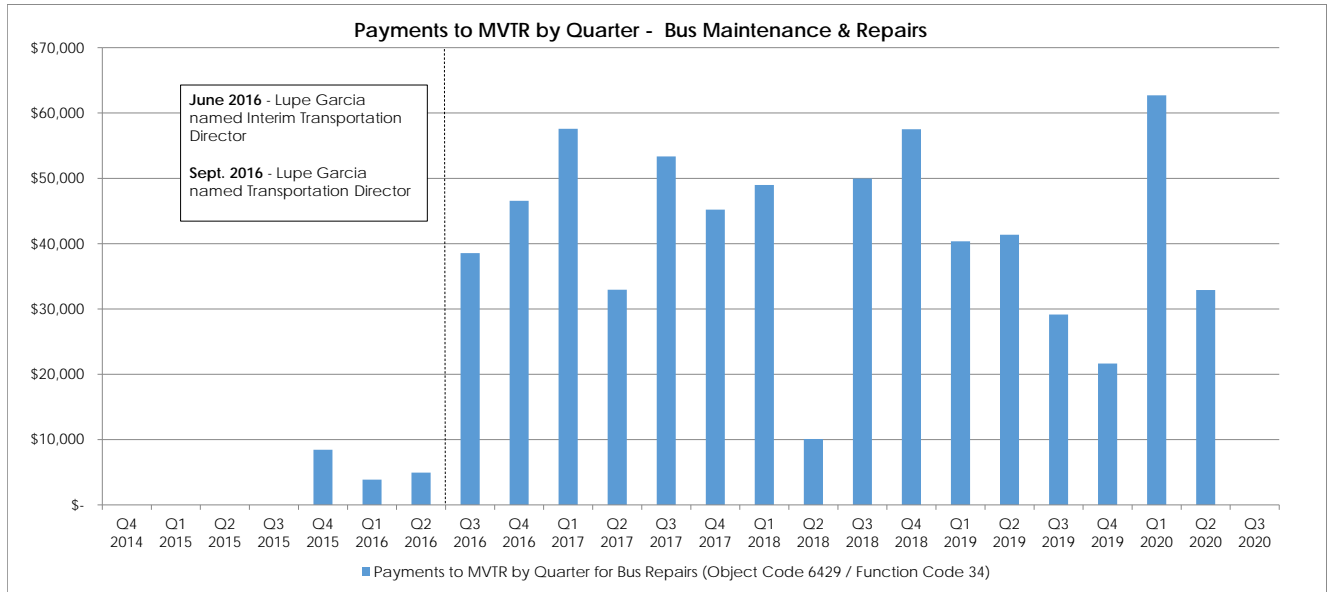
d. Maintenance & Repair Expenditures for Student Transportation

We examined the District's expenditures related to contracted maintenance and repair services (Object code 6249) related to student transportation (Function code 34). Our observations and findings from our review are outlined below:

1. We identified payments to 61 vendors totaling approximately \$1.3 million for FY2015 – FY2020.
2. The highest paid vendor was Mid Valley Trailer Repair, Inc. ("MVTR"). MVTR was paid \$686,123 for maintenance and repair services for buses during FY2015 – FY2020, which was more than 50% of the total vendor payments for the cost category during the period.⁷
3. The District did not have a formal competitive procurement process in place for maintenance and repair expenditures for buses during the FY2015 – FY2017 time period.
4. In May 2018, the District issued an RFP for automotive and bus repair services which was emailed to 17 vendors. The District received proposals from five (5) vendors and awarded contracts to four (4) vendors, including (1) MVTR; (2) Andy's Auto & Bus Air; (3) Holt Texas; and (4) Escobar Auto Electric. The term of the contract was one (1) year with an option for the District to extend the contract for an additional year.
5. Under the multiple award contract approved by the Board in May 2018, quotes were to be obtained by at least three (3) vendors if the repair costs were estimated to exceed \$3,000.
6. We reviewed 22 MVTR purchase orders issued after May 2018 that were over \$3,000. Based upon our review of purchasing documents, we determined that quotes from multiple vendors under the multiple award contract were only obtained for two (2) purchase orders.
7. Based on discussions with personnel from the Transportation Department, the explanation for not obtaining multiple quotes was that it was not practical to obtain quotes for bus repairs from multiple vendors due to time constraints associated with disassembly of the engine and diagnostics required to prepare a quote.
8. Due to the volume of purchases from MVTR for maintenance and repair services relative to other approved vendors, we conducted additional review of the business dealings between the Transportation Department and MVTR.

⁷ MVTR was paid \$883,511 by the District across all cost categories during FY2015 – FY2020. The payments referenced in this Report of \$686,123 only include amounts related to contracted maintenance and repair (Object code 6249) for student transportation (Function code 34).

9. Payments to MVTR for bus repairs and maintenance increased after Lupe Garcia (“Mr. Garcia”) became Interim Transportation Director in June 2016 and ultimately the permanent Transportation Director in September 2016.



10. Mr. Garcia was questioned about the increase in work performed by MVTR for repair services on several occasions by his supervisor, Michael De La Rosa (“Mr. De La Rosa”), as well as the Purchasing Director, Baldemar Garcia, and Assistant Superintendent of Business and Finance, Andres Sanchez (“Mr. Sanchez”).
11. Mr. Garcia’s justification for using MVTR for the majority of the District’s bus repair services was due to the fact that MVTR was located across the street from the Transportation Department and bus depot, and could offer faster turnaround times to complete repairs. Mr. Garcia also noted that MVTR’s hourly rate was below that of the other approved vendors.
12. We noted that Mr. Garcia’s nephew married the niece of MVTR’s owner, Richard Estevanes (“Mr. Estevanes”) in November 2015.
13. We were also informed that it was common for Mr. Estevanes to make visits to the Transportation Department, as well as go to lunch with Mr. Garcia.
14. An employee that we interviewed informed us that they were offered Dallas Cowboys tickets by Mr. Estevanes with the understanding that the tickets were offered in exchange for giving future business to MVTR for repair services.⁸
15. The required Form 1295 submitted by MVTR to the District and filed with the Texas Ethics Commission appears to be incorrect and / or incomplete as the form does not list the names of interested parties.⁹

⁸ The employee we spoke with did not accept any football tickets or other gifts from MVTR.

⁹ According to the Texas Ethics Commission instructions, individuals with more than 10% ownership interest in a business should be listed under Section 4 of the Form 1295 related to Interested Parties.

16. Mr. Garcia advocated for MVTR to be awarded a vendor contract for automotive and bus parts and supplies, even though the District had not purchased parts or supplies from MVTR in the past and MVTR was unable to offer discounts on parts. When questioned about the recommendation for MVTR by the Purchasing Director, it was documented that Mr. Garcia was defensive and combative and responded “well why not them.”
17. The bulk of the bus maintenance and repair services performed by MVTR related to the District’s older bus fleet, including 2002 – 2006 model buses. Following the June 2018 flood, the older buses were utilized as spare buses as the District purchased 63 new buses to serve as the main fleet.
18. We identified payments to MVTR for repair and maintenance on the 21 spare buses after June 2018 totaling over \$179,000.
19. We compared the mileage of the 21 spare buses as of May 2021 to the recorded mileage readings as of September 2018. We determined that while some of the spare buses were being utilized, others had less than 100 miles of usage since September 2018, with repairs performed by MVTR in excess of \$10,000 per bus.

e. Professional Services

We examined the District’s expenditures related to professional services (Object code 6219) related to payments for vendors and consultants. Our observations and findings from our review are outlined below:

1. We identified payments to 311 professional services vendors totaling approximately \$19.7 million for FY2015 – FY2020.
2. We reviewed the District’s payments to special education consulting vendors of over \$1.4 million and determined that 29% of payments did not include a purchase order, as shown below.

Vendor	Vendor Owner	Services Provided	Procurement Method	Payments (FY15 – FY20)	Payments (w/out PO)
RGV A+ Therapy, LLC	Elsa Saenz	Physical / Occupational Therapy	RFP #15-06-48	\$654,625	\$129,022
Believe-N-Care Rehab Services, LP	Ileana Rivera	Physical / Occupational Therapy	RFP #13-06-45 RFP #19-06-35	\$326,380	\$82,520
P & G School Therapy Services, LLC	Belinda Perez Derly Guerrero	Occupational Therapy	RFP #17-06-44 RFP #19-06-35	\$216,357	\$79,029
Kid-Care Therapies	Sheila Trevino	Physical / Occupational Therapy	RFP #18-07-42 RFP #19-06-35	\$144,438	\$55,555
Ruby Coronado	Ruby Coronado	Orientation & Mobility Specialist	RFP #16-08-51 RFP #18-06-36	\$104,263	\$70,455
Total				\$1,446,063	\$416,581

3. We reviewed payments to South Point EMS totaling \$191,825 during FY2015 – FY2020. We determined that the District utilized Guardian EMS for ambulance services for athletic events until September 2016 when Guardian EMS was bought out and their contract with the District was assigned to South Point EMS. In 2015, a former Board member indicated that they had previously worked for Guardian EMS and another Board member was recused from discussion and voting on the contract award to Guardian EMS due to relationships with the vendor.
4. We identified a campaign contribution of \$300 in October 2016 from the owner of South Point EMS to the District’s Athletic Director, Oscar Riojas (“Mr. Riojas”), who was running for a Board

position at Mercedes ISD. In his role as Athletic Director, Mr. Riojas was involved in purchases and contract awards for ambulance services for athletic events.

5. Approximately 90% of the District's payments to South Point EMS did not have a purchase order.
6. We reviewed the District's payments to Valley Risk Consulting for employee benefit consulting services totaling approximately \$195,000 during FY2015 – FY2020. The District has received services from Valley Risk Consulting since June 2009.
7. The District's Executive Director of Employee Benefits / Risk Management, Mr. De La Rosa, was previously employed by Valley Risk Consulting during the 2008 – 2010 time period prior to his tenure with the District. However, the District's relationship with Valley Risk Consulting predates Mr. De La Rosa's tenure with the District.

f. Affiliated Vendors

We conducted a review to identify any vendors either directly or indirectly affiliated with current or former Board members, as well as District employees, including affiliations with close family members (referred to in this Report as "Affiliated Vendors"). Our review included a comparison of vendor information from the vendor master file (e.g., vendor contact, address, phone number) with employee information from the employee roster, as well as with information for Board members and their immediate family members. Our observations and findings from our review are outlined below:

1. We identified 29 potentially Affiliated Vendors from the vendor master file in which the vendor address or phone number matched to a District employee. However, only three (3) of the potentially Affiliated Vendors were paid by the District during the period of our review.
2. We identified eight (8) potentially Affiliated Vendors from the District's vendor master file in which the vendor contact name or address matched a current or former Board member or their close family member. However, only three (3) of the potentially Affiliated Vendors were paid by the District during the period of our review.
3. We conducted further review of the six (6) potentially Affiliated Vendors that were paid by the District during FY2015 – FY2020, including a review of supporting invoices, purchase orders, and Board authorizations contained in the Board meeting minutes.
4. We did not identify any evidence of improper payments based upon our review of the six (6) potentially Affiliated Vendors identified for further review.

g. Review of Purchase Orders

We conducted a review of payments to approximately 5,700 vendors totaling over \$260 million for FY2015 – FY2020 to determine whether the District prepared purchase orders for payments to vendors. Our observations and findings from our review are outlined below:

1. Based upon our review of the District's check register, we identified \$58.4 million of \$260.5 million in payments to vendors without a purchase order for FY2015 – FY2020, equal to 22.4% of payments reviewed (**see Appendix 18**).

2. We determined that most of the \$58.4 million in payments without a purchase order related to large payments for employee benefits, insurance, utilities, and legal services, among others. The vendors in these categories were approved by the Board and it does not appear that the District's purchasing process was circumvented by not assigning a purchase order.
3. We also identified instances in which the Board authorized "Emergency Purchases" allowing for purchases to be completed without a purchase order, primarily after the June 2018 flood.
4. However, it was unclear why payments to certain vendors did not have purchase orders including South Point EMS and special education consulting vendors described previously in this Report.

III. Recommendations

Based on the observations and findings of our review and investigation of the District's payments to vendors, contractors and other third parties, as well as practices and procedures concerning purchasing and procurement, we have provided the following recommendations for consideration:

1. District expenditures for awards and incentives during FY2015 – FY2020 were approximately \$4.9 million, the majority of which was spent on t-shirts and apparel for students and staff. **We recommend that the District review the budget for awards and incentives to ensure the use of funds is aligned with the District's goals and objectives.**
2. While the Board implemented controls for awards and incentives purchases in 2017 to require quotes from multiple vendors for purchases over \$3,000, in recent years the Business Office has provided authorization to the campuses to purchase holiday incentives without obtaining multiple quotes due to the short time window from the time funds are added to the campus budgets. **We recommend that the District plan ahead for budgeting of holiday incentive funds to ensure that campuses are able to obtain competitive quotes from multiple vendors.**
3. We determined that the District has a fleet of 87 school buses, including 21 spare buses (24% of total fleet). While the main fleet of buses were all purchased in the last three (3) years following the June 2018 flood, the District's 21 spare buses all range from 15 – 19 years of service, with 14 of 21 spare buses over 200,000 miles. **We recommend that the Board consider implementing a Board policy for student bus fleet management with a framework for bus replacement, as well as a target ratio for spare buses compared to the overall fleet.**
4. We recommend that the District review and potentially modify (if necessary) the procurement process for bus repair and maintenance expenditures to ensure that the process meets the District's guidelines for obtaining multiple quotes and is also aligned with the Transportation Department's goals for timeliness of repairs and maintenance. Currently the Transportation Department does not obtain multiple quotes due to the delay and difficulty in obtaining quotes from multiple vendors for repairs (i.e., towing, disassembly and diagnostics).
5. We recommend that the Procurement Department update the vendor monitoring process to include procedures that identify vendors with the same address as a District employee or Board member. Following identification, the vendors should be communicated with to determine the issue and removed if determined to be inappropriate.
6. In addition, Procurement should also coordinate with Information Technology to determine what systematic processes exist to assist in identifying dormant, duplicate, or incomplete vendors by flagging those vendors for further review during the annual evaluation.

Additionally, Procurement should explore system capabilities that would flag vendors in which their addresses match an employee address so they can be evaluated further.

7. We recommend that the Procurement Department develop a formal process to ensure consistent notification of solicitations to approved vendors. Procurement personnel should be trained on the process to ensure the appropriate vendors are notified, which can include those vendors with the same category code, vendors previously utilized, and/or recommended by the end user.
8. We recommend that the Procurement Department identify all the areas in which end user training should be provided by considering those areas in which frequent questions or informal training is required to ensure procurement processes are followed. From the identification of training areas, Procurement should design and implement a Procurement training program for end users that covers those activities that are most common. The training program should consider on-demand training, in-person training, or webinars. Specific training programs to consider include instructional procedures for budget availability, submitting requisitions, requisition approvals and purchase orders, evaluating bids as part of an evaluation committee, and a session that focuses on procurement ethics, responsibilities, and expectations for department purchases. Also, the training program should be mandatory for those that routinely process purchase requisitions as part of their normal duties and completed at least annually.
9. We recommend the District consider implementing an anonymous reporting hotline to assist the District with the identification of improper activity, including fraud, waste and abuse.¹⁰

¹⁰ In the 2020 Report to the Nations on Occupational Fraud and Abuse, the Association for Certified Fraud Examiners (“ACFE”) reported that a hotline to receive anonymous tips was the most common tool for detecting fraud, responsible for detecting 43% of reported fraud cases.

A. Financial Benchmarking

I. Analysis of PEIMS Data by Object Code

a. Methodology

We performed data analytics of the District’s expenditures for FY2015 – FY2019, including a benchmarking analysis of Public Education Information Management Systems data (“PEIMS Data”) submitted to the Texas Education Agency (“TEA”).¹¹ Our objective was to identify specific cost categories where the District’s spending outpaced other comparable school districts on a normalized basis, including anomalies and areas of potential fraud, waste and abuse that required further review.

We compared the District’s actual financial data for FY2015 – FY2019 to other Texas school districts with student enrollment over 10,000 students, representing the 113 largest school districts in Texas (referred to as the “Peer Group”). Next we performed an analysis of the District’s PEIMS Data for each Object code to identify year-over-year trends and anomalies, as well as to compare the District’s spending to their Peer Group for each Object code.¹² Below are the results of our analysis of the District’s expenditures by Object code for FY2015 – FY2019.

b. Payroll Costs (Object Code 6100’s)

Provided below is a summary of the District’s PEIMS Data for FY2015 – FY2019 related to Payroll Costs (i.e., Object codes 6101 – 6199), including a comparison to the Peer Group.

Analysis of PEIMS Data by Object Code: Payroll Costs (6100’s)									
Object	Object Name	Expenditures by Object Code by Fiscal Year						Peer Group Rank	
		FY2015	FY2016	FY2017	FY2018	FY2019	Object Total	Rank	Out Of
6112	WAGES FOR SUB TEACHERS /OTHERS	\$ 1,674,194	\$ 1,875,218	\$ 1,922,984	\$ 1,754,288	\$ 2,045,269	\$ 9,271,953	26	112
6119	WAGES TEACHERS & PROFESSIONALS	82,902,079	85,402,881	85,517,690	87,926,469	89,200,047	430,949,166	51	113
6121	OVERTIME PAY SUPPORT PERSONNEL	869,834	1,463,538	1,462,399	1,466,808	1,380,923	6,643,502	25	111
6129	WAGES FOR SUPPORT PERSONNEL	26,993,164	27,515,269	28,569,008	29,187,463	29,002,988	141,267,892	9	113
6139	EMPLOYEE ALLOWANCES	105,957	182,688	173,541	203,688	159,644	825,518	41	105
6141	SOCIAL SECURITY/MEDICARE	1,478,576	1,538,144	1,570,223	1,611,263	1,622,619	7,820,825	41	113
6142	GROUP HEALTH & LIFE INSURANCE	10,696,926	10,803,634	12,378,553	13,432,487	13,824,880	61,136,480	16	113
6143	WORKERS' COMPENSATION	235,443	332,736	369,455	371,313	396,112	1,705,059	98	113
6144	TRS ON BEHALF PAYMENTS	6,552,109	5,854,861	4,813,485	7,519,866	7,306,861	32,047,182	64	113
6145	UNEMPLOYMENT COMPENSATION	104,385	99,822	110,789	108,465	109,570	533,031	20	109
6146	TEACHER RETIREMENT/TRS CARE	4,289,649	4,454,426	4,425,834	4,714,108	4,842,995	22,727,012	14	113
6149	EMPLOYEE BENEFITS	58,763	30,756	64,512	48,190	47,173	249,394	78	99
Total		\$ 135,961,079	\$ 139,553,973	\$ 141,378,473	\$ 148,344,408	\$ 149,939,081	\$ 715,177,014		

¹¹ PEIMS Data for WISD and other school districts was obtained from the TEA’s website (<https://tea.texas.gov/finance-and-grants/state-funding/state-funding-reports-and-data/peims-financial-data-downloads>).

¹² An Object code is a required four-digit code that identifies the purpose of a transaction.



Below is a summary of our observations based on our review and analysis of the District's PEIMS Data related to Payroll Costs.

Object Code	Object Description	Observations
6119	Wages for Teachers & Professionals	<ul style="list-style-type: none"> Wages for Teachers & Professionals was the District's largest cost category equal to 44% of total expenditures during the period. Ranked 51 out of 113 compared to Peer Group.
6121	Overtime Pay for Support Personnel	<ul style="list-style-type: none"> Increased 68% in FY2016 from \$0.9 million in FY2015 to \$1.5 million in FY2016. Ranked 25 out of 111 compared to Peer Group.
6129	Wages for Support Personnel	<ul style="list-style-type: none"> Wages for Support Personnel ranked 9 out of 113 compared to Peer Group (i.e., highest 10%).
6139	Employee Allowances ¹³	<ul style="list-style-type: none"> Increased 72% in FY 2016 from approximately \$106,000 to \$183,000. Ranked 41 out of 105 compared to Peer Group.

c. Professional and Contract Services (Object Code 6200's)

Provided below is a summary of the District's PEIMS Data for FY2015 – FY2019 related to Professional and Contract Services (i.e., Object codes 6201 – 6299), including a comparison to the Peer Group.

Analysis of PEIMS Data by Object Code: Professional and Contract Services (6200's)									
Object	Object Name	Expenditures by Object Code by Fiscal Year						Peer Group Rank	
		FY2015	FY2016	FY2017	FY2018	FY2019	Object Total	Rank	Out Of
6211	LEGAL SERVICES	\$ 373,306	\$ 378,343	\$ 310,635	\$ 234,621	\$ 219,290	\$ 1,516,195	21	113
6212	AUDIT SERVICES	29,500	29,500	28,500	28,500	28,500	144,500	102	113
6213	TAX APPRAISAL AND COLLECTION	230,394	245,133	161,539	279,379	246,175	1,162,620	110	113
6219	PROFESSIONAL SERVICES	1,877,524	2,905,538	536,627	603,611	831,778	6,755,078	29	113
6221	STAFF TUITION AND RELATED FEES	147,790	191,347	167,802	34,677	2,974	544,590	5	68
6222	STUDENT TUITION-PUBLIC SCHOOLS	133,333	135,184	385,287	339,492	219,340	1,212,636	4	43
6223	STUDENT TUITION-NONPUBLIC SCHL	269,960	312,148	364,162	594,205	798,957	2,339,432	12	101
6239	EDUCATION SERVICE CENTER SRVC	14,506	13,163	100,054	69,327	61,182	258,232	90	111
6249	CONTRACTD MAINTENANCE & REPAIR	1,561,630	1,672,656	2,075,983	3,280,608	1,716,237	10,307,114	55	113
6259	UTILITIES	4,161,592	3,950,647	4,005,110	4,063,983	3,655,217	19,836,549	63	113
6269	RENTALS - OPERATING LEASES	555,780	506,890	542,096	571,632	796,165	2,972,563	46	113
6291	CONSULTING SERVICES	2,000	-	-	-	-	2,000	84	85
6299	MISCELLANEOUS CONTRACT SERVICE	1,400,809	1,200,812	3,244,620	3,260,628	3,800,160	12,907,029	71	113
Total		\$ 10,758,124	\$ 11,541,361	\$ 11,922,415	\$ 13,360,663	\$ 12,375,975	\$ 59,958,538		

¹³ Employee Allowances include travel allowances for key personnel. In September 2015, the Board approved an increase in the monthly travel allowance from \$200 to \$500.



Below is a summary of our observations based on our review and analysis of the District’s PEIMS Data related to Professional and Contract Services.

Object Code	Object Description	Observations
6211	Legal Services	<ul style="list-style-type: none"> Decreased by 41% from FY2015 to FY2019. Ranked 21 out of 113 compared to Peer Group.
6219	Professional Services	<ul style="list-style-type: none"> Increased by 55% in FY2016 and decreased by 82% in FY2017. Ranked 29 out of 113 compared to Peer Group.
6221	Staff Tuition and Related Fees	<ul style="list-style-type: none"> Decreased by 79% in FY2018 and 91% in FY2019. Ranked 5 out of 68 compared to Peer Group (i.e., highest 10%).
6222	Student Tuition – Public Schools	<ul style="list-style-type: none"> Increased 185% in FY 2017 from approximately \$135,000 to \$385,000. Ranked 4 out of 43 compared to Peer Group (i.e., highest 10%).
6223	Student Tuition – Non Public Schools	<ul style="list-style-type: none"> Increased 63% in FY2018 and 35% in FY 2019. Ranked 12 out of 101 compared to Peer Group.
6249	Contracted Maintenance & Repair	<ul style="list-style-type: none"> Increased 24% in FY2017 and 58% in FY2018. Ranked 55 out of 113 compared to Peer Group.
6269	Rentals – Operating Leases	<ul style="list-style-type: none"> Increased 39% in FY2019 from approximately \$572,000 to \$796,000. Ranked 63 out of 113 compared to Peer Group.
6299	Miscellaneous Contract Service	<ul style="list-style-type: none"> Increased 170% in FY2017 from \$1.2 million to \$3.2 million. Ranked 71 out of 113 compared to Peer Group.

d. Supplies and Materials (Object Code 6300's)

Provided below is a summary of the District’s PEIMS Data for FY2015 – FY2019 related to Supplies and Materials (i.e., Object codes 6301 – 6399), including a comparison to the Peer Group.

Analysis of PEIMS Data by Object Code: Supplies and Materials (6300's)									
Object	Object Name	Expenditures by Object Code by Fiscal Year						Peer Group Rank	
		FY2015	FY2016	FY2017	FY2018	FY2019	Object Total	Rank	Out Of
6311	GAS & OTHER FUELS FOR VEHICLES	\$ 552,132	\$ 428,626	\$ 490,309	\$ 547,707	\$ 546,336	\$ 2,565,110	42	113
6319	SUPPLIES FOR MAINTENTANCE/OPER	1,462,127	1,607,534	1,630,061	1,503,949	1,318,907	7,522,578	31	113
6321	INSTRUCTIONAL MATERIALS	1,616,525	607,350	482,022	1,190,874	269,208	4,165,979	83	112
6329	READING MATERIALS	826,202	646,207	448,439	644,119	291,225	2,856,192	44	112
6339	TESTING MATERIALS	77,518	80,377	226,847	75,467	128,704	588,913	93	113
6341	FOOD	5,078,449	6,088,285	5,594,879	5,253,546	5,541,613	27,556,772	9	106
6342	NON-FOOD	390,910	404,307	369,203	438,539	422,020	2,024,979	27	100
6343	ITEMS FOR SALE	266,530	229,708	234,272	221,389	184,475	1,136,374	12	46
6344	USDA DONATED COMMODITIES	521,571	464,395	539,562	297,592	184,560	2,007,680	79	106
6399	GENERAL SUPPLIES	6,004,255	6,957,212	8,044,378	6,789,210	6,018,436	33,813,491	78	113
Total		\$ 16,796,219	\$ 17,514,001	\$ 18,059,972	\$ 16,962,392	\$ 14,905,484	\$ 84,238,068		



Below is a summary of our observations based on our review and analysis of the District's PEIMS Data related to Supplies and Materials.

Object Code	Object Description	Observations
6321	Instructional Materials	<ul style="list-style-type: none"> Decreased 62% in FY2016 and 77% in FY2019. Ranked 83 out of 112 compared to Peer Group.
6341	Food	<ul style="list-style-type: none"> Ranked 9 out of 106 compared to Peer Group (i.e., highest 10%).
6343	Items For Sale	<ul style="list-style-type: none"> Ranked 12 out of 46 compared to Peer Group. Most school districts in Peer Group did not have expenditures for this Object code.

e. Other Operating Expenses (Object Code 6400's)

Provided below is a summary of the District's PEIMS Data for FY2015 – FY2019 related to Other Operating Expenses (i.e., Object codes 6401 – 6499), including a comparison to the Peer Group.

Analysis of PEIMS Data by Object Code: Other Operating Expenses (6400's)									
Object	Object Name	Expenditures by Object Code by Fiscal Year						Peer Group Rank	
		FY2015	FY2016	FY2017	FY2018	FY2019	Object Total	Rank	Out Of
6411	TRAVEL & SUBSISTENCE EMP ONLY	\$ 586,617	\$ 582,344	\$ 650,977	\$ 510,642	\$ 510,078	\$ 2,840,658	65	113
6412	TRAVEL & SUBSISTENCE STUD ONLY	1,178,188	1,205,398	1,474,472	1,403,307	1,211,209	6,472,574	4	113
6413	STIPENDS - NON-EMPLOYEES	148,682	160,438	170,745	181,481	148,590	809,936	1	36
6419	TRAVEL & SUBSISTENCE NON-EMPLY	36,789	33,660	28,619	39,192	16,006	154,266	32	113
6429	INSURANCE AND BONDING COSTS	1,824,107	1,589,431	1,640,288	1,455,289	1,321,851	7,830,966	13	113
6439	ELECTION COSTS	23,778	15,772	25,724	-	27,839	93,113	71	112
6491	STATUTORILY REQU PUBLIC NOTICES	-	-	-	-	21,671	21,671	10	95
6494	RECLASSIFIED TRANSPOR EXPENSES	(67,794)	(59,361)	(156,888)	(65,557)	(94,173)	(443,773)	95	105
6499	MISCELLANEOUS OPERATING COSTS	1,545,717	1,528,675	1,714,278	1,802,787	1,670,970	8,262,427	22	113
Total		\$5,276,084	\$5,056,357	\$5,548,215	\$5,327,141	\$4,834,041	\$26,041,838		

Below is a summary of our observations based on our review and analysis of the District's PEIMS Data related to Other Operating Expenses.

Object Code	Object Description	Observations
6412	Travel & Subsistence – Students Only	<ul style="list-style-type: none"> Ranked 4 out of 113 compared to Peer Group (highest 10%).
6413	Stipends – Non Employees	<ul style="list-style-type: none"> Ranked 1 out of 36 compared to Peer Group. Most school districts in Peer Group did not have expenditures for this Object code.
6429	Insurance and Bonding Costs	<ul style="list-style-type: none"> Decreased each year during FY2015 – FY2019. Ranked 13 out of 113 compared to Peer Group (highest quartile).
6499	Miscellaneous Operating Costs	<ul style="list-style-type: none"> Ranked 22 out of 113 compared to Peer Group (highest quartile).

f. Debt Services and Capital Outlay (Object Code 6500's and 6600's)

Provided below is a summary of the District's PEIMS Data for FY2015 – FY2019 related to Debt Services and Capital Outlay (i.e., Object codes 6501 – 6699), including a comparison to the Peer Group.

Analysis of PEIMS Data by Object Code: Debt Services (6500's) and Capital Outlay (6600's)									
Object	Object Name	Expenditures by Object Code by Fiscal Year					Object Total	Peer Group Rank	
		FY2015	FY2016	FY2017	FY2018	FY2019		Rank	Out Of
6511	BOND PRINCIPAL	\$ 5,595,000	\$ 4,947,000	\$ 4,654,000	\$ 4,381,000	\$ 3,412,000	\$ 22,989,000	104	111
6512	CAPITAL LEASE PRINCIPAL	-	-	-	62,492	224,567	287,059	38	42
6521	INTEREST ON BONDS	2,835,622	2,668,956	2,191,565	3,009,612	2,874,652	13,580,407	104	109
6522	CAPITAL LEASE INTEREST	-	-	-	-	57,617	57,617	21	38
6599	OTHER DEBT SERVICE FEES	398,972	3,455	491,419	2,825	113,969	1,010,640	97	113
6619	LAND PURCHASE AND IMPROVEMENT	1,431,036	1,035,389	1,155,254	3,136,489	1,379,226	8,137,394	28	103
6629	BUILDING PURCHASE OR IMPROVE	7,500,785	120,589	7,500	6,066,368	12,117,891	25,813,133	99	113
6631	VEHICLES PER UNIT => \$5,000	1,660,502	1,244,811	1,480,233	6,680,412	811,146	11,877,104	5	113
6639	FURNITURE EQUIPMENT & SOFTWARE	545,921	454,077	1,649,737	604,838	1,398,769	4,653,342	86	112
Total		\$ 19,967,838	\$ 10,474,277	\$ 11,629,708	\$ 23,944,036	\$ 22,389,837	\$ 88,405,696		

Below is a summary of our observations based on our review and analysis of the District's PEIMS Data related to Debt Services and Capital Outlay.

Object Code	Object Description	Observations
6619	Land Purchase and Improvement	<ul style="list-style-type: none"> Increased by 172% in FY2018 from \$1.2 million to \$3.1 million. Ranked 28 out of 103 compared to Peer Group.
6629	Building Purchase or Improvement	<ul style="list-style-type: none"> Increased by 100% in FY2019 from \$6.1 million to \$12.1 million. Ranked 99 out of 113 compared to Peer Group.
6631	Vehicles (Per Unit => \$5,000)	<ul style="list-style-type: none"> Increased by 351% in FY2018 from \$1.5 million to \$6.7 million. Ranked 5 out of 113 compared to Peer Group (highest 10%).
6639	Furniture Equipment & Software	<ul style="list-style-type: none"> Increased by 263% in FY2017 and 131% in FY2020. Ranked 86 out of 112 compared to Peer Group.

II. Analysis of PEIMS Data by Object & Function Code

For purposes of identifying potential fraud, waste and abuse for a school district the size of Weslaco ISD, it is often useful to analyze financial data in narrowly defined cost categories due to the magnitude of a school district's overall expenditures, even when broken down by Object code. Potential fraud, waste and abuse can be difficult to identify within cost categories totaling tens of millions of dollars, whereas anomalies in the data are more easily identified when analyzed on a more granular level. In order to analyze the District's expenditures for FY2015 – FY2019 on a more granular level, we divided each Object code into sub-categories based on the corresponding Function code and compared the District's expenditures to their Peer Group.¹⁴

Utilizing the District's PEIMS Data for FY2015 – FY2019 described in the previous section of this Report, we created a grid / matrix aggregating the District's expenditures for each Function code on the horizontal axis (i.e., columns), with aggregated expenditures for each Object code on the vertical axis (i.e., rows). For each cost category (i.e., grid cell), we compared the District's spending on a per student basis to their Peer Group, and highlighted the cost categories where the District ranked in the top 10%, as illustrated below.^{15,16} The entire matrix containing the District's PEIMS Data by Object and Function code, including the District's rankings relative to their Peer Group, is provided as an attachment to this Report (See Appendix 1).

Object N	Object Name	FUNCTION																		
		11	12	13	21	23	31	32	33	34	35	36	41	51	52	53	61			
6112	WAGES FOR SUB TEACHERS / OTHERS	19 (112)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
6119	WAGES TEACHERS & PROFESSIONALS	9,271,953	45 (113)	7 (113)	85 (113)	113 (113)	51 (113)	11 (102)	85 (113)	95 (104)	46 (101)	8 (113)	71 (113)	107 (113)	N/A	80 (111)	2 (107)			
6121	OVERTIME PAY SUPPORT PERSONNEL	323,270,270	6,194,177	21,595,112	5,300,372	10,528,973	22,907,941	4,018,579	4,575,800	196,900	1,159,287	14,507,491	7,221,388	827,980		2,744,923	5,899,973			
6122	WAGES FOR SUPPORT PERSONNEL	34 (107)	12 (83)	4 (88)	21 (99)	31 (101)	42 (87)	24 (55)	10 (85)	23 (97)	75 (105)	19 (104)	6 (104)	71 (109)	31 (98)	50 (95)	3 (94)			
6129	WAGES FOR SUPPORT PERSONNEL	477,412	32,695	116,885	45,866	187,839	9,591	3,600	39,282	2,872,385	132,517	419,823	253,197	823,472	468,219	22,327	737,692			
6139	EMPLOYEE ALLOWANCES	20,524,807	6,168,168	1,195,079	2,940,136	11,472,295	3,371,496	2,082,182	3,568,127	12,164,553	17,589,781	1,028,877	7,199,910	35,830,220	8,424,295	4,032,392	3,675,574			
6141	SOCIAL SECURITY/MEDICARE	156,600	272	35,478	157,881	59,566	30,990	5,435	6,749	1,770	41,760	82,977	168,820	18,390	25,010	29,500	4,320			
6142	GROUP HEALTH & LIFE INSURANCE	4,721,584	146,197	312,264	95,654	266,938	354,349	75,558	108,757	210,710	259,029	215,869	172,936	525,280	118,281	95,352	142,067			
6143	WORKERS' COMPENSATION	81 (111)	38 (108)	26 (107)	70 (109)	97 (108)	65 (107)	14 (95)	61 (107)	85 (105)	91 (107)	40 (108)	61 (109)	95 (110)	59 (102)	72 (105)	15 (101)			
6144	TRS ON BEHALF PAYMENTS	1,000,902	34,809	64,609	23,733	73,922	17,058	23,218	51,835	62,827	44,861	41,657	124,015	30,399	19,165	29,418				
6145	UNEMPLOYMENT COMPENSATION	90 (113)	9 (113)	4 (112)	65 (113)	110 (113)	31 (113)	4 (101)	31 (113)	63 (105)	52 (73)	9 (113)	50 (113)	40 (113)	22 (109)	71 (112)	7 (104)			
6146	TEACHER RETIREMENT/TRS CARE	19,597,053	710,445	1,299,767	478,271	1,277,297	1,505,337	349,534	465,970	897,665	61,843	906,391	841,415	2,162,694	514,807	389,396	589,297			
6149	EMPLOYEE BENEFITS	20 (100)	10 (67)	7 (68)	29 (72)	29 (85)	18 (76)	6 (57)	18 (69)	28 (80)	25 (87)	9 (66)	23 (93)	19 (89)	15 (75)	14 (71)	6 (71)			
		44 (113)	11,149	20,660	7,580	20,047	23,676	5,475	7,416	13,709	17,018	14,451	13,359	33,752	8,028	6,146	9,312			
		12,907,564	572,846	1,273,181	385,038	660,840	1,146,555	292,821	432,084	412,759	1,872,961	571,981	308,989	847,249	200,993	156,066	685,085			
		74 (88)	57 (77)	67 (74)	77 (83)	77 (82)	35 (78)	56 (61)	69 (73)	58 (78)	71 (80)	64 (72)	91 (97)	78 (85)	61 (71)	59 (70)	40 (59)			
		136,739	8,087	1,340	1,386	2,897	68,593	397	849	9,195	2,596	701	5,906	4,499	1,104	1,376	3,729			

¹⁴ A Function code represents a general operational area in a school district and includes a group of related activities.
¹⁵ For each cost category (i.e., grid cell), the top set of numbers represents the District's rank on a per student basis compared to their Peer Group, with the number in parenthesis to the right representing the number of school districts in the Peer Group reporting expenditures for the cost category. The bottom number represents the District's total expenditures for the cost category for FY2015 – FY2019.
¹⁶ For each cost category, we calculated the cost per student based on total expenditures for FY2015 – FY2019, divided by the student enrollment for each school district over the same period (based on Average Daily Attendance data).

B. Awards and Incentives

I. Background

We examined the District's expenditures related to awards and incentives (Object code 6497), which was a cost category where the District's expenditures exceeded more than 90% of comparable school districts, as well as a cost category requested by the Board for further review.

a. PEIMS Data – Miscellaneous Operating Costs

The District assigned Object code 6497 for expenditures related to awards and incentives, which is a locally defined Object code.¹⁷ For reporting of PEIMS Data, the District's expenditures for Object code 6497 are converted to Object code 6499, defined by the TEA as Miscellaneous Operating Costs. The table below summarizes the District's expenditures for Miscellaneous Operating Costs for FY2015 – FY2019 by Function code, including the District's rank compared to their Peer Group.

Summary of PEIMS Data: Object Code 6499 - Miscellaneous Operating Costs									
Function	Function Description	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	Total	Rank	Out of
11	INSTRUCTION	\$ 655,821	\$ 664,699	\$ 690,004	\$ 648,537	\$ 612,441	\$ 3,271,502	9	113
12	INSTRUC RESOURCES & MEDIA SERV	15,139	16,888	15,518	24,096	19,288	90,929	18	106
13	CURRICULUM AND STAFF DEVELPMNT	68,297	65,110	80,342	63,222	73,582	350,553	19	113
21	INSTRUCTIONAL LEADERSHIP	10,144	12,628	31,396	11,756	19,710	85,634	51	113
23	SCHOOL LEADERSHIP	248,666	199,087	234,030	232,094	236,514	1,150,391	12	112
31	GUIDANCE, COUNSELING, EVAL SVC	26,179	24,408	31,790	29,749	28,909	141,035	17	112
32	SOCIAL WORK SERVICES	9,515	10,353	8,202	5,070	2,761	35,901	10	71
33	HEALTH SERVICES	69	33	38	1,312	1,934	3,386	62	106
34	STUDENT (PUPIL) TRANSPORTATION	18,153	25,330	30,488	27,649	28,832	130,452	14	104
35	FOOD SERVICES	12,201	10,145	8,818	8,626	11,136	50,926	67	112
36	EXTRACURRICULAR ACTIVITIES	115,713	114,809	85,722	112,255	114,308	542,807	81	113
41	GENERAL ADMINISTRATION	318,841	338,848	446,022	464,198	457,988	2,025,897	4	113
51	FACILITY MAINT./OPERATIONS	15,088	11,621	19,092	143,868	34,202	223,871	21	112
52	SECURITY AND MONITORING SVSCS	2,716	4,957	3,552	4,767	2,722	18,714	41	102
53	DATA PROCESSING SERVICES	5,404	1,997	1,850	3,413	2,212	14,876	58	108
61	COMMUNITY SERVICES	23,771	27,762	27,414	22,175	24,431	125,553	42	111
Total		\$1,545,717	\$1,528,675	\$1,714,278	\$1,802,787	\$1,670,970	\$8,262,427		

As illustrated above, we observed certain cost categories under Miscellaneous Operating Costs where the District's spending during FY2015 – FY2019 exceeded more than 90% of their Peer Group, including Function 11 (Instruction) and Function 41 (General Administration). We also determined that the majority of the District's expenditures assigned to Miscellaneous Operating Costs related to awards and incentives, which is discussed in more detail throughout the remainder of this section of the Report.

¹⁷ A locally defined Object code refers to an Object code that the TEA allows to be defined by each school district. As a result, we are unable to directly compare Object code 6497 for Weslaco ISD to other school districts.

b. Budgeted and Actual Costs – Awards and Incentives

We reviewed the annual budgets for awards and incentives prepared by the District each year, which detailed the budget items for each campus and department.^{18,19} Budgeted items included awards and incentives for students, teachers and staff such as t-shirts, trophies, plaques, letterman jackets, gift certificates and catered luncheons, among other items. Below is a list of some of the descriptions included in the budgets as the basis for awards and incentives:

Awards & Incentives – Students	Awards & Incentives - Employees
<ul style="list-style-type: none"> • Six Weeks Awards • End of Year Awards • STAAR Testing • Science Fair Winners • Perfect Attendance • Honor Roll • Christmas Gifts • Uniforms / Backpacks for Students in Need • Student of the Month • Red Ribbon Week / Drug Free Week 	<ul style="list-style-type: none"> • Teacher Attendances • EOC Scores • Teacher Appreciation Week • Counselor Appreciation Week • Nurse Appreciation Week • Social Worker’s Appreciation Week • School Shirts for All Staff Members to Promote Spirit • Staff Lunches During STAAR Testing • Teacher / Employee of the Year / Month • Thanksgiving Luncheons

The District’s annual budget for awards and incentives during FY2015 – FY2020 ranged from approximately \$505,000 - \$581,000, totaling \$3.3 million for the period. However, the District’s actual expenditures for awards and incentives were typically 40% - 60% higher than the budgeted amounts each year, totaling approximately \$4.9 million for the period.²⁰

Summary of Awards and Incentives (Object Code 6497) - Budgeted v. Actual Amounts							
	2014-2015	2015-2016*	2016-2017	2017-2018	2018-2019	2019-2020	Total
Budgeted Amount	\$ 566,118	\$ 566,118	\$ 580,934	\$ 564,767	\$ 523,765	\$ 505,462	\$ 3,307,164
Actual Amount	906,731	828,627	891,868	852,006	831,916	584,756	4,895,903
Difference	\$ (340,613)	\$ (262,509)	\$ (310,934)	\$ (287,239)	\$ (308,151)	\$ (79,294)	\$ (1,588,739)
<p><i>* The District did not prepare an awards and incentives budget for FY2016. For purposes of this analysis, we assumed the budget for FY2016 to be the same as FY2015.</i></p>							

¹⁸ See Exhibit B.1

¹⁹ An awards and incentives budget was not prepared by the District for FY2016 due to time constraints. See Exhibit B.2

²⁰ We quantified actual awards and incentives expenditures based on payments from the District’s check register assigned to Object code 6497.

II. Vendor Payments

a. Analysis of Check Register

We analyzed the District's check register to identify vendor payments related to awards and incentives expenditures totaling \$4.9 million during FY2015 – FY2020. We identified payments to 272 vendors during the period, with average payments per vendor totaling approximately \$5,000 over the period. We noted that the highest paid vendor, Embroidery Express, was paid over \$2.2 million for awards and incentives, equal to almost 46% of the District's total awards and incentives expenditures during the period. A summary of awards and incentives expenditures by vendor is provided below and a complete list of awards and incentives expenditures by vendor is attached to this Report (**See Appendix 3**).

Summary of Vendor Payments for Awards and Incentives (Object Code 6497)							
Vendor	Payments by Vendor by Year (Source - Check Register)						Total
	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	
EMBROIDERY EXPRESS	\$ 390,251	\$ 384,854	\$ 385,850	\$ 396,314	\$ 404,169	\$ 270,767	\$ 2,232,205
VALLEY TROPHIES	116,984	100,691	109,872	84,926	76,404	65,504	554,380
WAL MART COMMUNITY, INC BRC 01-1041	53,068	72,046	60,746	62,473	52,370	28,110	328,812
PROFORMA RGV	23,251	25,848	51,161	28,138	19,663	14,404	162,465
HDL ENTERPRISES	249	6,487	25,418	14,189	4,862	44,123	95,328
H.E.B. FOOD STORE ACC#10052141	21,623	10,111	17,282	20,606	10,208	13,407	93,237
SAMS WHOLESALE CLUB, INC	16,338	12,747	22,198	14,905	18,434	8,040	92,662
TEXAS CHENILLE EMBROIDERY	20,469	16,379	16,334	14,489	16,254	4,846	88,771
DURATEX APPAREL, INC	9,429	15,331	14,977	17,600	13,887	-	71,224
HIGH END ADVERTISING	-	-	-	-	51,715	11,510	63,225
GATEWAY PRINTING AND OFFICE SUPPLY, INC	3,579	7,171	5,863	11,535	10,227	4,383	42,758
PETER PIPER PIZZA	7,958	8,841	3,783	5,571	8,357	4,058	38,568
LITTLE CAESARS, LLC	7,380	5,664	7,735	8,410	6,780	2,195	38,165
POSITIVE PROMOTIONS, INC	7,183	7,942	6,564	7,800	3,365	4,798	37,652
FUNDRAISERS FOR KIDS	3,350	4,665	5,613	4,750	7,200	600	26,178
SCHOLASTIC BOOK FAIRS, INC.	6,840	6,501	7,416	2,027	-	-	22,783
SCHOLASTIC BOOK FAIRS WAREHOUSE, INC	4,206	2,413	4,748	9,715	1,230	-	22,312
CANTU'S SPECIAL EVENTS, LLC	4,189	3,346	4,298	4,798	4,298	-	20,929
CARMEN'S CATERING	3,570	-	3,000	3,150	6,840	3,930	20,490
4 IMPRINT, INC	4,965	-	11,017	-	486	4,014	20,482
WATER COLOR PRINTING	12,287	-	696	7,419	-	-	20,402
Other Vendors (251 Vendors)*	189,562	137,592	127,298	133,192	115,167	100,066	802,877
Total	\$ 906,731	\$ 828,627	\$ 891,868	\$ 852,006	\$ 831,916	\$ 584,756	\$ 4,895,903

**For purposes of this Report, we have combined the 251 vendors with payments less than \$20,000.*

In addition to analyzing awards and incentives expenditures by vendor, we also analyzed expenditures by Fund code, to identify the source of funds used for purchases, as well as by Organization code, to identify purchases by campus or department. The table below summarizes awards and incentives purchases for FY2015 – FY2020 by fund. A summary of awards and incentives purchases by campus / department is attached to this Report (**see Appendix 4**).

Summary of Awards and Incentives Expenditures by Fund Source (Object Code 6497)							
Fund	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	Total
199 LOCAL MAINTENANCE	\$ 768,700	\$ 668,823	\$ 730,931	\$ 721,246	\$ 707,640	\$ 510,823	\$ 4,108,163
461 GENERAL ACTIVITY FUND	53,385	79,535	59,532	54,665	54,827	40,341	342,284
191 CO-CURRICULAR FUND	30,545	22,318	21,757	24,730	19,951	13,911	133,211
162 STATE VOCATIONAL	18,101	16,934	26,799	7,685	19,574	5,624	94,716
211 TITLE I REGULAR	2,897	20,028	19,023	17,374	4,727	5,832	69,883
101 FOOD SERVICE	10,858	8,265	7,937	7,839	5,462	3,713	44,074
164 STATE COMP. ED. FUND	4,398	4,149	10,395	5,820	8,300	-	33,062
163 STATE SPECIAL EDUCATION	8,190	2,470	4,914	6,996	1,593	553	24,716
161 STATE GIFTED & TALENTED	3,792	4,423	3,336	363	3,138	3,137	18,190
165 STATE BILINGUAL	4,057	636	1,021	2,908	3,134	-	11,756
265 21ST CENTURY COMMUNITY LEARNING CENTERS	-	-	4,826	655	384	-	5,866
488 UNITED WAY MENTORING AND LEADERSHIP	-	-	-	1,237	2,535	821	4,593
166 HIGH SCHOOL ALLOTMENT	844	945	1,274	488	-	-	3,550
212 TITLE I MIGRANT	657	-	-	-	-	-	657
490 CHILDREN'S DEFENSE FUND	-	-	-	-	652	-	652
193 TECHNOLOGY SPECIAL FUND	188	101	123	-	-	-	412
168 DYSLEXIA FUND	120	-	-	-	-	-	120
Total	\$ 906,731	\$ 828,627	\$ 891,868	\$ 852,006	\$ 831,916	\$ 584,756	\$ 4,895,903

b. District’s Procurement Process for Awards and Incentives

We reviewed the District’s procurement process for awards and incentives to determine if the procurement process was consistent with TEA guidelines. Based upon our review, we determined that the majority of the District’s expenditures for awards and incentives related to the District’s multiple award contract for Awards, Trophies and Personal Recognition Products. Under this contract, the District has historically gone out for bid every two (2) years to solicit proposals through an RFP. The District awarded contracts to multiple vendors based on the ranking and evaluation of bids by a committee comprised of members of the Purchasing Department and Campus Principals, as the majority of purchases of awards and incentives are driven by the campuses. The committee ranked the proposals based on the percentage discount offered by the vendor, the quality of product (samples are requested as part of the RFP), the vendor’s reputation and past history working with the District (if applicable).

During the May 2013 – May 2017 time period, the District awarded contracts to six (6) primary vendors for Awards, Trophies and Personal Recognition Products, and required at least one (1) quote from any of the six (6) primary vendors. Beginning in May 2017, the District only awarded contracts to four (4) primary vendors and added the requirement for quotes to be obtained from all four (4) primary vendors for purchases over \$3,000. Provided below is a summary of the contracts awarded by the District for Awards, Trophies and Personal Recognition Products, including the approved primary vendors and the requirements to obtain quotes for purchases.²¹

²¹ See Exhibit B.3

Multiple Award Contracts for Awards, Trophies & Personal Recognition Products			
Proposal No.	Contract Period	Requirement for Quotes	Primary Vendors
13-03-31	5/14/2013 to 5/12/2015	At least one (1) quote from any of the six (6) primary vendors.	Embroidery Express (Weslaco, TX); Valley Trophies (Weslaco, TX); Amazing Awards (Houston, TX); McAllen Sports (McAllen, TX); MCM Sporting (Mission, TX); Proforma (San Benito, TX)
15-05-51	5/12/2015 to 5/9/2017	At least one (1) quote from any of the six (6) primary vendors.	Embroidery Express (Weslaco, TX); Proforma (RGV) (San Benito, TX); A&L Athletics (McAllen, TX); Valley Trophies (Weslaco, TX); HDL Enterprises (Weslaco, TX); Neff Motivation (Greenville, Ohio)
17-05-40	5/9/2017 to 5/8/2018	If purchase amount is: <ul style="list-style-type: none"> • Less than \$3,000: At least one (1) quote from any of the four (4) primary vendors. • Over \$3,000: Four (4) quotes from all four (4) primary vendors 	Embroidery Express (Weslaco, TX); Valley Trophies (Weslaco, TX); Proforma RGV (San Benito, TX); HDL (Weslaco, TX)
17-05-40 (Extension)	5/15/2018 to 5/31/2019	If purchase amount is: <ul style="list-style-type: none"> • Less than \$5,000: At least one (1) quote from any of the four (4) primary vendors. • Over \$5,000: Four quotes (4) from all four (4) primary vendors 	Embroidery Express (Weslaco, TX); Valley Trophies (Weslaco, TX); Proforma RGV (San Benito, TX); HDL (Weslaco, TX)
19-05-31	5/14/2019 to 5/11/2021	If purchase amount is: <ul style="list-style-type: none"> • Less than \$3,000: At least one (1) quote from any of the six (6) primary vendors. • Over \$3,000: Three (3) quotes from any three (3) primary vendors 	Embroidery Express (Weslaco, TX); ABC Customs (McAllen, TX); HDL (Weslaco, TX); Valley Trophies (Weslaco, TX); Proforma RGV (San Benito, TX); Champion Awards (Weslaco, TX)

In addition to awards and incentives purchased through the Awards, Trophies and Personal Recognition Products contracts, awards and incentives were also purchased through the District’s Embroidered Items contracts. Similar to the Awards, Trophies and Personal Recognition contract, the District solicited proposals for the Embroidered Items multiple award contract through a RFP every two (2) years, selecting several vendors based on rankings by a committee comprised of Campus Principals and members of the Purchasing Department. During the August 2016 – August 2018 time period, the District required quotes to be obtained from all approved primary vendors, regardless of price. Starting in August 2018, the District revised this requirement and only required quotes from all primary vendors if the purchase was over \$3,000. Provided below is a summary of the contracts awarded by the District for Embroidered Items, including the approved primary vendors and the requirements to obtain quotes for purchases.²²

²² See Exhibit B.4

Multiple Award Contracts for Embroidered Items			
Proposal No.	Contract Period	Bid Criteria	Primary Vendors
14-08-37	8/12/2014 to 8/10/2016	Specifications sent to primary vendors. If neither primary vendors could not provide the work, a quote is obtained from a secondary vendor in rank order.	<u>Primary Vendors:</u> Embroidery Express (Weslaco, TX); Print Specialty/Entire Image (Taylor, SC); <u>Secondary Vendors:</u> 1st: Team Express (San Antonio, TX); 2nd: Marketing Concepts (McAllen, TX); 3rd: Duratex (McAllen, TX); 4th: Water Color Printing (Weslaco, TX)
16-08-48	8/9/2016 to 8/8/2017	Four (4) quotes from all four (4) primary vendors	Embroidery Express (Weslaco, TX); Duratex (McAllen, TX); Spot Light Sports (Weslaco, TX); Water Coloring Printing (Weslaco, TX)
16-08-48 (Extension)	8/22/2017 to 8/21/2018	Three (3) quotes from all three (3) primary vendors	Embroidery Express (Weslaco, TX); Duratex (McAllen, TX); Water Coloring Printing (Weslaco, TX)
18-08-38	8/14/2018 to 8/12/2020	If purchase amount is: • Less than \$3,000: One (1) quote from any of the four (4) primary vendors. • Over \$3,000: Four (4) quotes from all four (4) primary vendors	Embroidery Express (Weslaco, TX); HDL Enterprises (Weslaco, TX); Good Time Screen Printing (Alamo, TX); High End Advertising (Mission, TX)

Prior to May 2016, the District also purchased awards and incentives through its Screen Printed T-Shirts contract, which was eventually combined with the Awards, Trophies and Personal Recognition Products contract. Under the Screen Printed T-Shirts contract, each vendor submitted a catalogue of pricing that was used to identify the lowest cost vendor based on the type of t-shirt being purchased.

c. Purchases Related to Multiple Awards Contracts

The majority of the District’s \$4.9 million in purchases for awards and incentives during the FY2015 – FY2020 time period related to purchases under the three (3) multiple award contracts described previously in this Report (i.e., Awards, Trophies and Personal Recognition Products; Embroidered Items; and Screen Printed T-Shirts).²³ We identified 29 approved vendors during FY2015 – FY2020 between the three (3) multiple award contracts, although the District only purchased awards and incentives from 13 of the approved vendors, for a total of \$3.3 million. As summarized in the table below, the vendor Embroidery Express accounted for almost 70% of awards and incentives purchases amongst the approved vendors, with payments from the District in excess of \$2.2 million during FY2015 – FY2020.

²³ Other awards and incentives purchased during FY2015 – FY2020 not related to the multiple award contracts totaled approximately \$1.6 million, and included purchases for food, snacks, catering and events.

Vendor Payments for Awards & Incentives - Approved Vendors for Multiple Award Contracts								
Vendor	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	Total	%
EMBROIDERY EXPRESS	\$ 390,251	\$ 384,854	\$ 385,850	\$ 396,314	\$ 404,169	\$ 270,767	\$ 2,232,205	68.7%
VALLEY TROPHIES	116,984	100,691	109,872	84,926	76,404	65,504	554,380	17.1%
PROFORMA RGV	23,251	25,848	51,161	28,138	19,663	14,404	162,465	5.0%
HDL ENTERPRISES	249	6,487	25,418	14,189	4,862	44,123	95,328	2.9%
DURATEX APPAREL, INC	9,429	15,331	14,977	17,600	13,887	-	71,224	2.2%
HIGH END ADVERTISING	-	-	-	-	51,715	11,510	63,225	1.9%
WATER COLOR PRINTING	12,287	-	696	7,419	-	-	20,402	0.6%
CHAMPION AWARDS	-	-	-	-	1,240	16,571	17,811	0.5%
A & L ATHLETICS	9,253	8,365	-	-	-	-	17,618	0.5%
MCALLEN SPORTS, INC	1,481	-	-	6,090	-	-	7,571	0.2%
1, 2, 3 SCREEN PRINTING, LLC	1,365	1,377	4,209	-	-	-	6,951	0.2%
GOODTIMES SCREEN PRINTING, LLC	-	-	-	-	1,200	-	1,200	0.0%
ABC CUSTOM ADVERTISING	-	-	-	-	-	779	779	0.0%
Total	\$ 564,551	\$ 542,951	\$ 592,182	\$ 554,676	\$ 573,140	\$ 423,658	\$ 3,251,158	

d. Purchase Testing

We conducted purchase testing of the four (4) highest paid vendors for awards and incentives under the multiple awards contracts for (1) Awards, Trophies and Personal Recognition Products; (2) Embroidered Items and (3) Screen Printed T-Shirts. The vendors tested included (1) Embroidery Express; (2) Valley Trophies; (3) Proforma RGV; and (4) HDL Enterprises. The four (4) vendors combined represented over \$3 million of the total awards and incentives purchases under the multiple award contracts, equal to almost 94%. The objective of our testing was to determine if the District obtained quotes from multiple vendors as outlined by the Board during the FY2015 – FY2020 time period. The table below summarizes the results of our purchase testing procedures. Additional financial analysis conducted for the four (4) largest vendors for awards and incentives is attached to this Report (see Appendix 5).

Awards and Incentives - Purchase Testing of Largest Vendors for Multiple Award Contracts					
	Embroidery Express	Valley Trophies	Proforma RGV	HDL Enterprises	Total
Purchases Over Threshold for Multiple Quotes					
Required # of Quotes Obtained	\$ 954,175	\$ 85,493	\$ 54,047	\$ 51,823	\$ 1,145,538
Required # of Quotes Not Obtained	479,952	108,789	15,600	23,288	627,629
Unable to Test - Documentation Not Available	35,107	18,355	-	459	53,921
Purchase Not Part of Multiple Award Contract	12,026	8,684	6,001	251	26,961
Subtotal	\$ 1,481,259	\$ 221,321	\$ 75,648	\$ 75,821	\$ 1,854,049
Purchases Below Threshold for Multiple Quotes	\$ 750,946	\$ 333,058	\$ 86,817	\$ 19,508	\$ 1,190,328
Other Nine (9) Vendors Not Tested					206,780
Total Purchases for Awards and Incentives	\$ 2,232,205	\$ 554,380	\$ 162,465	\$ 95,328	\$ 3,251,158

As illustrated above, we determined that approximately \$1.2 million of awards and incentives purchases for the four (4) vendors tested did not require quotes to be obtained from multiple vendors as the purchase amount was below the threshold required by the Board (typically \$3,000), or the purchase was prior to the period that thresholds were implemented. For the purchases above the threshold amount where multiple quotes were required (totaled over \$1.8 million), we identified documentation indicating the required number of quotes were obtained for over \$1.1 million in purchases, equal to 62%. By contrast, we did not identify documentation for required quotes for \$627,629 in purchases tested, equal to 34%.

However, we identified documentation in the purchasing records, as well as in our review of email communications, where the Business Office stipulated that the purchasing campus or department was not required to obtain multiple quotes as outlined by the Board under certain circumstances. One example related to awards and incentives purchases with holiday incentive funds, typically allocated across the various campuses each year by the Superintendent in November. Below is an email in November 2017 from the Purchasing Director to all Campus Principals approving the modified purchasing procedures for holiday incentive funds.²⁴

To All Principals,

As per Mr. Andres Sanchez, Assistant Superintendent of Business & Finance, you **will not** be required to get three quotes for student incentives being purchased with the "Holiday Incentive Money". This exemption applies only to purchases with these funds; all other purchases must follow the Purchasing rules as they stand. Thank you.

--
Baldemar Garcia
Director of Purchasing

Based on discussions with the District's Purchasing Director, by November when the holiday incentive funds were typically allocated to the campus budgets, there was insufficient time for each campus to obtain multiple quotes from vendors and have the orders in before the holidays. Below is another email from the Purchasing Director to a Campus Secretary in November 2018 regarding the number of quotes needed for holiday incentive purchases.²⁵

Due to the short window to order Holiday Incentives for our students. **Go ahead and get one (1) quote only from the list of awarded vendors and proceed. We will not require 3 quotes for this purchase even if the amount exceeds \$5,000.**

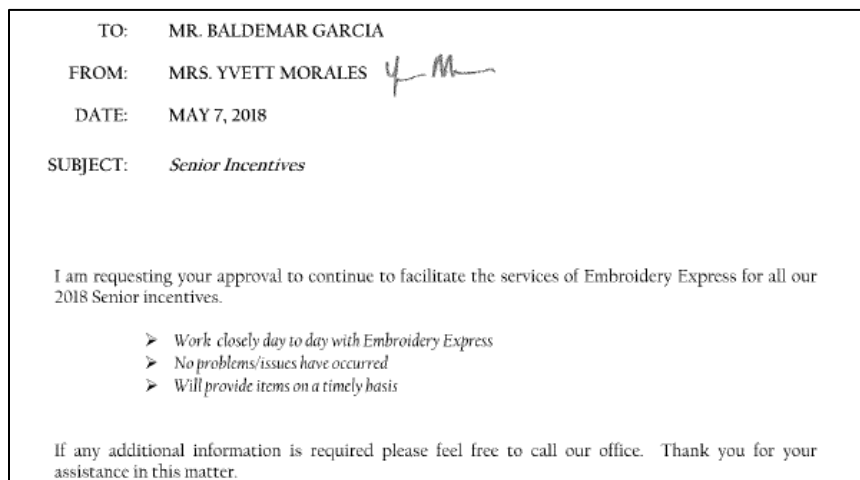
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Baldemar Garcia
Director of Purchasing

²⁴ See Exhibit B.5

²⁵ See Exhibit B.6

Based on our review of financial information, as well as through discussions with personnel from the Purchasing Department and Campus Principals, the campuses preferred to purchase from Embroidery Express for shirts and apparel due to their timeliness, consistency, and quality of products. We also determined that the campuses all ranked Embroidery Express as the highest ranked vendor during the proposal evaluation process, with many campuses giving Embroidery Express a score of 100.²⁶ As a result, the majority of holiday incentive purchases by the campuses were through Embroidery Express.

In addition to holiday incentives, the campuses also typically purchased awards and incentives at the end of the school year, including incentives for graduating seniors. It is our understanding that Embroidery Express was also the preferred vendor amongst the campuses for purchases related to end-of-year and senior incentives, as shown below.²⁷



As described previously in this Report, we identified awards and incentives purchases totaling \$627,629 in which the number of required quotes was not obtained based upon our review of the supporting documentation maintained in Alio Scan. However, we also determined that of this amount, \$302,830 was purchased in December and related to holiday incentive funds. As a result, the campuses would not have been required to obtain multiple quotes from vendors as authorized by the Business Office. In addition, we identified purchases totaling \$196,510 of \$627,629 that occurred in May and appear to be related to end-of-year or senior incentives.

²⁶ See Exhibit B.7

²⁷ See Exhibit B.8

C. Construction Expenditures

I. Background

We examined the District’s expenditures related to construction (Object codes 6619 – Land Purchase and Improvement and 6629 – Building Purchase or Improvement), which combined; represented the District’s largest cost category outside of payroll-related expenditures with a total spend of approximately \$34 million. In addition, construction was a cost category requested by the Board for further review.

a. PEIMS Data – Construction Related Expenditures

We analyzed the District’s construction-related expenditures for FY2015 – FY2019 to identify trends related to year-over-year spending, as well as the District’s construction related expenditures compared to similar school districts. The table below summarizes the District’s construction related expenditures for Object codes 6619 and 6629 for FY2015 – FY2019, including the District’s rank compared to their Peer Group.²⁸

Summary of PEIMS Data: Construction Related Expenditures (Object Codes 6619 and 6629)							
Object Code	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	Total	Rank Out of
6619 - Land Purchase and Improvement	\$ 1,431,036	\$ 1,035,389	\$ 1,155,254	\$ 3,136,489	\$ 1,379,226	\$ 8,137,394	28 101
6629 - Building Purchase and Improvement	7,500,785	120,589	7,500	6,066,368	12,117,891	25,813,133	99 113
Total	\$ 8,931,821	\$ 1,155,978	\$ 1,162,754	\$ 9,202,857	\$ 13,497,117	\$ 33,950,527	

b. Source of Funds

The District maintains a Capital Projects Fund, which includes the District’s Construction Fund (Fund 610) and is funded through local funds from the General Fund. The Construction Fund is used to account for construction projects not paid for by bond issues or tax notes. In addition to the Construction Fund, the Capital Projects Fund includes the 2014 Energy Conservation Fund (Fund 614) and the 2017 Tax Notes Fund (Fund 617).^{29,30} The table below summarizes the District’s construction expenditures for FY2015 – FY2019 by the source of funds.³¹

²⁸ All District expenditures for Object codes 6619 and 6629 were assigned to Function 81, Facility Acquisition & Construction.

²⁹ The 2014 Energy Conservation Fund was funded through the Qualified Zone Academy Bond (“QZAB”) program, which is a program to help public schools raise funds to rehabilitate and repair facilities, purchase equipment, among other items. In June 2014, the District received \$12,712,000 in QZAB funds intended to be used for the District’s Energy Conservation Improvement Projects.

³⁰ The 2017 Tax Notes Fund includes funds from the District’s Series 2017 bond issuance in May 2017 where the District raised \$17 million to be used for the purchase of school buses, other District vehicles and certain renovation projects.

³¹ The information in the table “Construction Expenditures by Source of Funds” is based on information from the District’s audited financial statements, which reflected total construction expenditures of \$33,489,529. The PEIMS Data presented previously reflected construction expenditures of \$33,950,527, a difference of \$460,998. We have not reconciled the difference of the amounts as that is outside the scope of this Report.

Construction Expenditures by Source of Funds						
	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	Total
Construction Fund (610)	\$ 1,843,073	\$ 1,142,030	\$ 485,656	\$ 5,397,047	\$ 8,189,701	\$ 17,057,507
2014 Energy Conservation Fund (614)	7,088,742	13,946	-	-	-	7,102,688
2017 Tax Notes Fund (617)	-	-	-	3,805,811	5,523,523	9,329,334
Total	\$ 8,931,815	\$ 1,155,976	\$ 485,656	\$ 9,202,858	\$ 13,713,224	\$ 33,489,529

II. Review of Vendors / Contractors

This section discusses our review and investigation of the District’s construction expenditures during FY2015 – FY2019, including our review of vendors and contractors, as well as the procurement process and cost overruns.

a. Work Performed

We analyzed the District’s expenditures from the check register to identify payments to vendors and contractors for construction projects. Below are the work steps we performed:

- Summarized expenditures for Object codes 6619 and 6629 by contractor by year for FY2015 – FY2019;
- Performed a review of each vendor / contractor to identify any affiliations with District leaders or personnel;³²
- Reviewed the procurement process for construction projects, including a review of the procurement method approved by the Board, the number of bids received, as well as the evaluations and recommendations of the ranking committee provided to the Board;³³
- Reviewed payment applications and change orders to compare actual project costs to the original contract amount.³⁴

b. Payments to Vendors / Contractors

We analyzed the District’s payments to vendors and contractors for construction related expenditures for FY2015 – FY2019, as summarized in the table below.³⁵

³² We utilized the LexisNexis SmartLinx Comprehensive Business Report database to identify ownership interests for each vendor / contractor (including family members of owners) and cross-referenced to the District’s employee list and Board members.

³³ We reviewed bid tabulations for competitive sealed bid projects as presented to the Board, as well as discussion by the Board related to the evaluation and recommendations by the ranking committee.

³⁴ We reviewed available payment applications, invoices and change orders from Alio Scan, as well as conducted a search on Google Archive for relevant documentation.

³⁵ The District’s expenditures for Object codes 6619 and 6629 during FY2015 – FY2019 totaled \$32.2 million per the check register, compared to \$34.0 million per the PEIMS Data, a difference of approximately \$1.8 million. It is our understanding that certain expenditures are reclassified to other Object codes for purposes of reporting PEIMS Data.



Summary of Payments to Vendors / Contractors for Construction Related Expenditures (Object Codes 6619 and 6629)

Contractor	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	Total
NM CONTRACTING, LLC	\$ -	\$ -	\$ -	\$ 1,834,090	\$ 5,536,202	\$ 7,370,292
ENTEGRAL SOLUTIONS	6,948,870	4,300	-	-	-	6,953,170
RIGNEY CONSTRUCTION, LLC	-	-	-	507,316	5,038,189	5,545,505
AIRCOOL TECH - ACT, CORP.	-	-	-	1,363,474	289,492	1,652,966
AMERICAN CONTRACTING USA, INC	-	-	-	1,429,088	68,812	1,497,900
PARK PLACE RECREATION DES, INC	1,297,582	-	-	-	-	1,297,582
FOUR SEASONS DEVELOPMENT CO. INC.	-	-	461,876	392,117	-	853,992
ZITRO ELECTRIC, LLC	-	337,850	-	498,300	(10,000)	826,150
FIELDTURF USA, INC	-	-	561,382	238,878	-	800,260
3SIXTY INTEGRATED	-	-	-	-	524,870	524,870
SUPERIOR ALARMS, INC.	-	-	-	63,000	407,820	470,820
ERO ARCHITECTS	-	-	-	405,163	45,578	450,741
TRI-GEN CONSTRUCTION, LLC	117,951	304,243	-	-	-	422,194
ARGIO ROOFING & CONSTRUCTION, LLC	-	-	-	353,302	35,913	389,215
KEY ENTERPRISES, LLC	271,368	100,000	-	-	-	371,368
PBK ARCHITECTURE, INC	15,208	-	4,428	209,040	100,113	328,788
WENGER CORPORATION	-	-	-	-	275,902	275,902
RDH SITE AND CONCRETE, LLC	-	223,915	-	-	-	223,915
MATA G CONSTRUCTION	-	-	-	75,013	129,577	204,590
CITY OF WESLACO	-	-	-	421	197,209	197,630
GOMEZ MENDEZ SAENZ INC.	-	-	-	160,702	22,833	183,535
JONES, GALLIGAN, KEY & LOZANO, LLP	-	158,085	-	-	-	158,085
RO ENGINEERING, PLLC	139,872	9,646	-	-	-	149,518
TRINITY MEP ENGINEERING, LLC	-	9,500	7,500	107,753	17,159	141,912
GOLDEN RULE SIGNS, LLC	-	-	115,716	-	-	115,716
JCON CONSTRUCTION, LLC	94,500	-	-	-	-	94,500
ROBERTSON INDUSTRIES	-	-	-	90,234	-	90,234
ALVARADO ARCHITECTS AND ASSOCIATES, INC	-	-	-	66,102	10,800	76,902
M GARCIA ENGINEERING, LLC	-	-	18,375	12,600	37,039	68,014
EARTHCO, LLC	4,550	4,480	-	16,650	35,928	61,608
RIKE-OGDEN-FIGUEROA ARCHITECTS INC.	-	-	-	41,423	8,893	50,317
TEXAS FIREGUARD, LLC	-	-	-	46,895	-	46,895
RABA KISTNER INC	-	-	-	-	35,720	35,720
GUZMAN & MUNOZ ENGINEERING AND SURVEYING	24,330	10,800	-	-	-	35,130
E-CON GROUP, LLC	27,114	6,641	-	-	-	33,755
REFCO, INC. R. E. FRIEDRICHS COMPANY	-	-	-	-	26,500	26,500
RUBBER FLOORING SYSTEM, INC	-	-	-	-	23,410	23,410
CHANIN ENGINEERING, LLC	-	-	-	-	22,553	22,553
PHI SERVICE AGENCY, INC.	-	-	-	-	17,385	17,385
MAGIC VALLEY ELECTRIC COOP, INC	-	-	-	16,699	-	16,699
CLEA VER-BROOKS SALES AND SERVICE, INC.	-	-	-	-	15,862	15,862
ABSOLUTE SERVICES	-	-	-	-	15,387	15,387
RGV WELDING SUPPLY, LLC	-	-	-	-	10,500	10,500
HIDALGO COUNTY	-	6,421	-	-	-	6,421
ParkUSA	-	-	-	-	3,895	3,895
RABA KISTNER CONSULTANTS, INC	-	-	-	3,250	-	3,250
MORRISON SUPPLY CO., INC	-	-	-	-	3,175	3,175
SOUTH TEXAS PRO PAINTING	-	-	-	-	1,800	1,800
VALLEY LAND TITLE COMPANY	-	-	-	-	650	650
RGV REPROGRAPHICS, INC.	-	-	-	-	625	625
CENTRAL PLUMBING & ELECTRIC SUPPLY CO.IN	-	-	-	218	-	218
Total	\$8,941,345	\$ 1,175,881	\$ 1,169,276	\$ 7,931,728	\$ 12,949,792	\$ 32,168,023

c. Review of Procurement Practices

We selected 18 construction projects awarded to 12 contractors during FY2015 – FY2019 to review the District’s procurement practices, including procurement method, solicitation of bids, as well as the evaluation and selection process. A detailed analysis of each of the 12 contractors is attached to this Report (See Appendix 6). A summary of the 18 projects included in our review is provided below.

Board Approval	Contractor	Project	Location	Contract Amount
6/2014	Jcon Construction	Construction for Metal Storage Building for Athletics (CSP #14-06-28)	WEHS	\$94,500
7/2015	RDH Site and Concrete, LLC	Roosevelt Elementary School Parking Lot Improvements Project (CSP #15-06-60)	Roosevelt Elem.	\$177,225
5/2016	Jones Construction	Installation of Vinyl Tile at Various Campuses (CSP #16-05-35)	Airport Elem. Cleckler-Heald Elem. North Bridge Elem. Rico Elem. Roosevelt Elem.	\$681,156
6/2015	Zitro Electric, LLC	Light Pole Replacement Project at Weslaco High School Baseball Field (CSP #15-06-59)	WHS	\$329,500
6/2016	Four Seasons Development	Fencing Project (CSP #16-06-37)	WEHS South Palm Gardens Cuellar MS Central MS Airport Elem. Sam Houston Elem. Memorial Elem.	\$396,997
7/2017	Zitro Electric, LLC	Electrical Upgrades Project (CSP #17-07-62)	Margo Elem.	\$452,900
9/2017	Four Seasons Development	Fencing Project (CSP #17-06-50)	Silva Elem. Gonzalez Elem. Margo Elem. North Bridge Elem. CATE Complex Aquatic Center CTE Early College HS	\$463,251
2/2018	NM Contracting	Construction of the New Athletic Field House (CSP #18-02-14)	WHS	\$3,004,000
2/2018	Zitro Electric, LLC	Tennis Court Lighting Project (CSP #18-02-16)	WHS, WEHS	\$498,300
2/2018	Superior Alarms	Installation of Fire and Security Alarm (CSP #18-02-23)	WHS Admin Building	\$568,333
2/2018	American Contracting USA, Inc.	Roofing Improvements Project (CSP #18-02-23)	Garza MS Airport Elem.	\$1,628,000
2/2018	Argio Roofing & Construction	Roofing Improvements Project (CSP #18-02-23)	Cuellar MS WHS	\$443,600
2/2018	Mata Construction	Installation of Canopies at Four Campuses (CSP #18-02-28)	Roosevelt Elem. Ybarra Elem. South Palm Gardens WEHS	\$77,118

3/2018	Rigney Construction	Construction of Pavillions (CSP #18-03-19)	Mary Hoge MS Cuellar MS Central MS	\$1,130,000
4/2018	Aircool Teck-ACE	HVAC Upgrades (CSP #18-04-26)	Silva Elem. Gonzalez Elem. CATE Complex	\$1,644,725
4/2018	Mata Construction	Construction of the Chemical Storage Building for the Aquatic Center (CSP #18-04-20)	Aquatic Center	\$175,046
5/2018	Rigney Construction	Renovation Project for Athletic Facilities (CSP #18-05-21)	WHS, WEHS	\$5,276,000
6/2018	NM Contracting	Construction of the Band Hall Addition (CSP #18-06-22)	WEHS	\$3,946,000

For all 18 projects reviewed, the District utilized the competitive sealed proposals procurement method as approved by the Board. Under this method, the District solicited proposals by advertising a Request for Proposals (“RFP”) with bids opened and read in a public setting. We determined that on average the District received five (5) proposals for each RFP, in several instances receiving as many as nine (9) proposals. In one instance, only a single proposal was received. Detail of our review of the number of proposals received for each project is attached to this Report (**See Appendix 7**).

For 17 of 18 construction projects reviewed, the Board delegated authority to District administrative personnel to evaluate and rank the proposals based upon pre-approved criteria for awarding points.³⁶ For each of the 17 projects, a committee was formed to rank and evaluate the proposals, which typically comprised five (5) to seven (7) members including cabinet members, department heads, and in some instances representatives from the architectural or engineering firm hired for the project. For 11 of 17 projects, the contractor recommended by the committee to the Board was the lowest cost bidder, as well as the highest ranked contractor based on awarded points. In the instances where the lowest cost bidder was not selected, the committee recommended the second lowest cost bidder because the lowest cost bidder did not meet the requirements stated in the RFP, or had less experience.³⁷

d. Review of Construction Costs

For six (6) of 18 construction projects reviewed, the final amount paid was higher than the original contract amount as a result of change orders, which were approved by the Board. Across all 18 projects, we determined that actual construction costs were less than budgeted costs by approximately \$1.4 million (**See Appendix 7**).

³⁶ For the selection of a contractor for the Construction of Metal Storage Building for Athletics (CSP #14-06-28), the Board retained the authority to rank the proposals. The Board selected Jcon Construction who was also the lowest cost bidder.

³⁷ For the Roofing Improvements Project (CSP #18-02-23) awarded in February 2018, the first and second lowest bidders were both awarded contracts as the project was divided between the campuses in order to meet the target completion date.

D. Maintenance & Repair – Transportation

I. Background

We examined the District’s expenditures related to contracted maintenance and repair (Object code 6249) related to student transportation (Function code 34) during FY2015 – FY2020 as this was a cost category where the District’s expenditures ranked fifth (5th) highest on a per student basis compared to the 112 other school districts in their Peer Group (See Appendix 1).

This cost category primarily included payments to external vendors for maintenance and repair services for the District’s fleet of buses used for student transportation, including around 75 regular buses and 15 special needs buses.³⁸ Maintenance for the District’s buses is the responsibility of the Transportation Department, which has several mechanics on staff. It is our understanding that even with mechanics on staff, the Transportation Department outsourced maintenance and repair work due to time constraints and / or the complexity of the work. It is also our understanding that the main types of services outsourced by the District included maintenance and repairs related to the buses’ engine, air conditioning or transmission.

II. Review of Vendor Payments

This section discusses our review and investigation of the District’s expenditures for contracted maintenance and repair related to student transportation during FY2015 – FY2020, including our review of vendor payments and the procurement process.³⁹

a. Work Performed

We analyzed the District’s expenditures from the check register to identify payments to vendors for contracted maintenance and repair for student transportation. Below are the work steps performed:

- Summarized expenditures for Object code 6249 and Function code 34 by contractor by year for FY2015 – FY2020;
- Performed a review of each vendor to identify any affiliations with District leaders or personnel;⁴⁰
- Reviewed the procurement process for the selection of vendors, including Board meeting minutes and agenda items, email communications, and bid documents;
- Conducted an onsite inventory of the District’s buses maintained at the Transportation

³⁸ The number of buses maintained by the District varied by a few buses each year.

³⁹ We analyzed the District’s check register for FY2015 – FY2020 due to the information being readily available for our review. However, our review of the District’s PEIMS Data described previously in this Report was limited to FY2015 – FY2019 as the data for FY2020 did not become available on the TEA’s website until later.

⁴⁰ We utilized the LexisNexis SmartLinx Comprehensive Business Report database to identify ownership interests for each vendor (including family members of owners) and cross-referenced to the District’s employee list and Board members.

Department facilities;

- Conducted interviews with personnel from the Transportation Department.

b. Analysis of Check Register

As part of our review, we analyzed the District’s check register to identify vendor payments related to contracted maintenance and repair expenditures for student transportation. We identified payments to 61 vendors during the period totaling approximately \$1.3 million, with average payments per vendor totaling approximately \$22,000 over the period. We noted that the highest paid vendor, Mid Valley Trailer Repair, Inc. (“MVTR”), received over 50% of the District’s total vendor payments for this cost category during the period.⁴¹ A summary of contracted maintenance and repair expenditures for student transportation by vendor is provided below and a complete list of expenditures by vendor is attached to this Report (See Appendix 8).

Summary of Vendor Payments for Object Code 6249 and Function Code 34							
Vendor	Payments by Vendor by Year (Source - Check Register)						Total
	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	
MID VALLEY TRAILER REPAIR, INC	\$ -	\$ 54,077	\$ 173,173	\$ 173,229	\$ 168,381	\$ 117,262	\$ 686,123
LONGHORN BUS SALES, LTD	95,717	12,711	14,332	481	-	90	123,331
HOLT RENTAL SERVICES, INC	28,509	7,871	690	22,380	8,749	17,156	85,356
ANDY'S AUTO & BUS AIR, INC.	15,987	12,031	4,170	6,356	3,628	8,276	50,448
KARIOS MACHINE SHOP, INC	17,270	17,400	12,185	-	-	-	46,855
DOGGETT FREIGHTLINER OF SOUTH TEXAS, LLC	11,384	26,048	5,497	-	1,886	1,779	46,594
GCR TRUCK TIRE CENTERS, INC.	6,029	4,441	6,903	13,726	685	-	31,783
GOLD STAR PETROLEUM, INC.	-	-	-	31,729	-	-	31,729
STEWART & STEVENSON SERVICES, INC	7,500	4,183	1,524	8,432	1,401	-	23,040
CORONADO WRECKING SERVICE, INC	11,885	3,660	4,795	805	-	185	21,330
LUIS MUFFLER & REPAIR SHOP	10,070	4,195	3,449	800	2,754	-	21,268
D & R GLASS ETC. INC.	2,579	2,694	5,799	4,755	2,442	870	19,138
ADAPTIVE DRIVING ACCESS	3,227	1,748	3,496	2,531	2,203	1,755	14,959
MID VALLEY TRANSMISSION	11,108	-	-	-	-	-	11,108
ESCOBAR AUTO ELECTRIC, INC	4,467	2,885	1,732	1,234	93	240	10,651
Other Vendors (46 Vendors)*	29,101	22,214	21,088	23,179	15,529	11,476	122,586
Total	\$ 254,833	\$ 176,158	\$ 258,831	\$ 289,637	\$ 207,752	\$ 159,089	\$ 1,346,299

*For purposes of this Report, we have combined the 46 vendors with payments less than \$10,000.

c. Procurement Process for FY2018 and FY2019 (Bus Repair Services)

During FY2015 – FY2017, the District did not have a formal competitive procurement process in place for maintenance and repair expenditures related to District vehicles, including the bus fleet. Based on discussions with the District’s Purchasing Director, the District decided to implement a competitive bidding process in FY2018 as a result of increased maintenance and repair costs for District vehicles and buses in

⁴¹ Per the District’s check register, the District paid MVTR \$686,123 for amounts coded to Object code 6249 and Function code 34 during FY2015 – FY2020.

recent years. The procurement method selected by the District in 2018 was to procure multiple award contracts where multiple vendors were approved by the Board to provide repair services to the District, with quotes to be solicited from contracted vendors for repairs over a certain dollar threshold.⁴²

In May 2018, the District issued an RFP for automotive and bus repair services (Proposal #18-05-31), which was advertised in the local newspaper and emailed to 17 vendors, of which five (5) vendors submitted proposals to the District.^{43,44} The District awarded contracts to four (4) vendors recommended by the ranking committee, comprised of individuals from the Transportation Department, Purchasing Department, Risk Management Department, as well as the Finance Department.^{45,46} The multiple award contract approved by the Board on May 14, 2018 was divided into categories based upon the type of engine (i.e., gasoline engine or diesel engine) and the type of repair (e.g., engine, transmission, etc.), with the rate for each vendor per category, as shown below.

Automobile Service & Repair – Gasoline Engine						
Recommended Vendors	Location	Category	Engine Repair Rate	Air Condition Repair Rate	Transmission Repair Rate	Electrical Repair
Andy’s Auto & Bus Air	Laredo, Texas	Automotive	n/a	75.00	n/a	n/a
Escobar Auto Electric	Weslaco, Texas	Automotive	n/a	n/a	n/a	45.00
Holt Texas	Edinburg, Texas	Automotive	132.00	132.00	132.00	132.00
Mid-Valley Trailer Repair	Weslaco, Texas	Automotive	75.00	75.00	75.00	75.00
Bus Service & Repair – Diesel Engine						
Recommended Vendors	Location	Category	Engine Repair Rate	Air Condition Repair Rate	Transmission Repair Rate	Electrical Repair
Andy’s Auto & Bus Air	Houston, Texas	Bus	n/a	75.00	n/a	n/a
Holt Texas	Edinburg, Texas	Bus	132.00	132.00	132.00	n/a
Mid-Valley Trailer Repair	Weslaco, Texas	Bus	95.00	95.00	95.00	n/a

Under the multiple award contract approved by the Board, repair services were to be purchased as needed and a quote obtained from an approved vendor, unless the repair work was estimated to exceed \$3,000, which required quotes to be obtained from at least three (3) of the vendors listed for the category of

⁴² The TEA’s Purchasing Resource Guide states that approving multiple vendors and establishing a dollar threshold for securing quotes helps to ensure a more competitive process and allows the District to garner additional savings.

⁴³ See Exhibit D.1

⁴⁴ It is our understanding that the District typically emails potential bidders copies of the RFP package as a courtesy, though this is not a requirement.

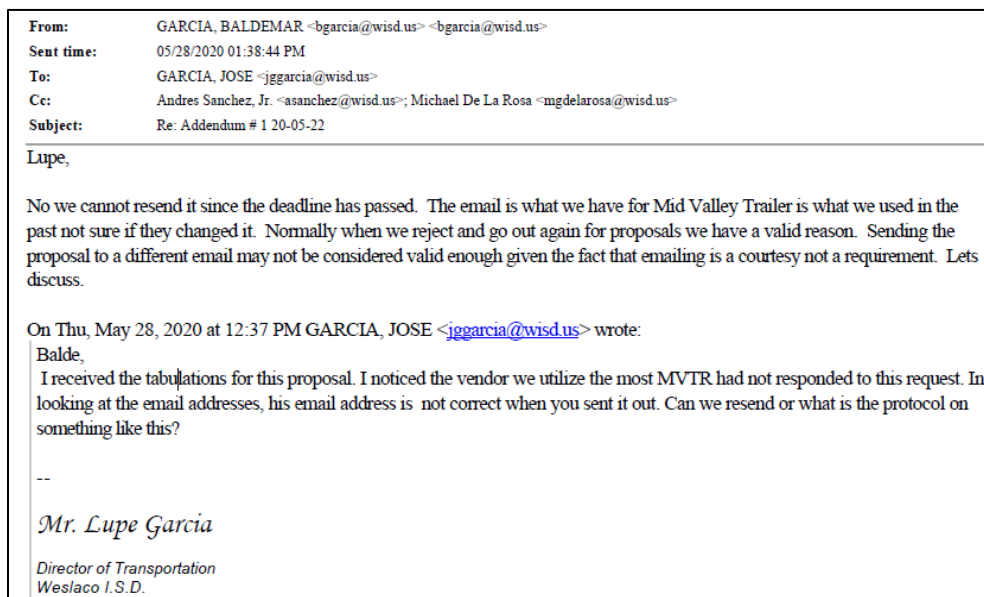
⁴⁵ The ranking committee included Andres Sanchez Jr. (Chief Financial Officer), Baldemar Garcia (Purchasing Director), Michael de la Rosa (Risk Manager), Robert Rodriguez (Purchasing Specialist) and Lupe Garcia (Transportation Director).

⁴⁶ The District did not recommend one (1) of the five (5) vendors that submitted proposals due to the vendor only having one year of experience.

services. The criteria for selecting a vendor was the “vendor that offers the lowest total cost, has done good work and can repair the auto or bus on a timely basis.” The term of the contract was one (1) year with an option for the District to extend the contract for an additional year. On May 13, 2019, the Board approved the extension of the multiple award contract for automotive and bus repair services for the additional year, under the same terms as the first year.⁴⁷

d. Procurement Process for FY2020 (Bus Repair Services)

The District went out for bid again in 2020 for automotive and bus repair services with the completion of the prior multiple award contract expiring in May 2020. On May 3, 2020, the District posted an ad in the local newspaper to solicit proposals for RFP #20-05-22 for automotive and bus repair services, with proposals accepted through May 19, 2020.⁴⁸ On May 5, 2020, the District’s Purchasing Director also emailed a copy of the RFP to 17 vendors, consistent with the RFP in 2018.⁴⁹ Following the deadline for proposals to be submitted, the Purchasing Department provided a tabulation of the seven (7) bids received to the Transportation Director and other administrators for review on May 28, 2018.⁵⁰ Upon reviewing the bid tabulation, the Transportation Director emailed the Purchasing Director to inform him that MVTR had not responded to the RFP and indicated that the RFP was sent to an incorrect email address.⁵¹ The Transportation Director requested for the RFP to be resent to MVTR, which the Purchasing Director objected to, as shown below.



⁴⁷ See Exhibit D.2

⁴⁸ See Exhibit D.3

⁴⁹ See Exhibit D.4

⁵⁰ See Exhibit D.5

⁵¹ See Exhibit D.6

On June 3, 2020, the Transportation Director submitted a memorandum to the Purchasing Director to reject the seven (7) bids received and rebid the proposal due to some vendors who were unable to receive the RFP package due to remote working conditions caused by the COVID-19 pandemic.⁵² At the Board meeting on June 8, 2020, the Superintendent also recommended that the Board reject the seven (7) proposals received and to rebid, with the rationale being that several of the vendor email addresses were outdated and incorrect causing several vendors not to receive the RFP package.⁵³ The Board agenda item included other reasons for the Board to reject the proposals, as outlined by the Transportation Director:⁵⁴

*“The Transportation Director, Lupe Garcia, is recommending that we reject all of the seven proposals received **and rebid this item in an effort to possibly receive a greater number of vendors.** None of the received proposals were in the near proximity of our Transportation Facility. With a large bus fleet like ours **we need vendors closer to our bus depot** with would help the repair turn-around time and keep our buses on the road.” **[emphasis added]***

Following the Board’s approval of the recommendation to rebid, the Purchasing Department advertised the rebid RFP in the local newspaper on June 14, 2020 and June 21, 2020, with proposals to be submitted by July 7, 2020.^{55,56} The District received eight (8) proposals during the rebid process, which were tabulated by the Purchasing Department and circulated to the Transportation Director, Purchasing Director and Executive Director of Risk Management for review on August 5, 2020.⁵⁷ The proposals submitted during the rebid included five (5) of the same vendors that submitted proposals in May 2020, along with three (3) additional vendors who did not submit proposals in May 2020, including MVTR.⁵⁸

At the Board meeting on August 10, 2020, the Superintendent recommended approval for five (5) of the eight (8) vendors that submitted proposals during the rebid, including three (3) vendors approved for automobile (i.e., gasoline engine) service and repair and four (4) vendors approved for bus (i.e., diesel engine) service and repair.⁵⁹ The Superintendent’s recommendation was based on the recommendation of the Transportation Director and other staff members from the Transportation Department and Purchasing Department, as well as “cost, history, and experience working with the listed vendors.” Similar to the 2018 multiple award contract, the contract approved by the Board in 2020 included a term of one (1) year

⁵² See Exhibit D.7

⁵³ See Exhibit D.8

⁵⁴ See Exhibit D.8

⁵⁵ See Exhibit D.9

⁵⁶ See Exhibit D.10

⁵⁷ See Exhibit D.11

⁵⁸ The vendors that previously submitted proposals in May 2020 but not during the rebid RFP were Escobar Auto Electric, Inc. and Rush Truck Centers of Texas.

⁵⁹ See Exhibit D.12

effective August 11, 2020, with an option to extend the contract for an additional year, as well as a requirement to obtain quotes from at least three (3) vendors if the repair work is estimated to exceed \$3,000. A summary of the approved vendors for automotive and bus repair services in August 2020 following the rebid is provided below.

Automobile Service & Repair – Gasoline Engine						
Recommended Vendors	Location	Category	Engine Repair Rate	Air Condition Repair Rate	Transmission Repair Rate	Electrical Repair
Andy’s Auto & Bus Air, Inc.	Pharr, Texas	Automotive	n/a	75.00	n/a	n/a
Holt Texas, LTD	Edinburg, Texas	Automotive	135.00	135.00	135.00	135.00
Mid-Valley Trailer Repair	Weslaco, Texas	Automotive	75.00	75.00	75.00	75.00
Bus Service & Repair – Diesel Engine						
Recommended Vendors	Location	Category	Engine Repair Rate	Air Condition Repair Rate	Transmission Repair Rate	Electrical Repair
Andy’s Auto & Bus Air, Inc.	Pharr, Texas	Bus	n/a	75.00	n/a	n/a
Mid-Valley Trailer Repair	Weslaco, Texas	Bus	95.00	95.00	95.00	95.00
Longhorn Bus Sales, LLC	La Feria, Texas	Bus	145.00	145.00	145.00	145.00
Fuel Injection Service	Pharr, Texas	Bus	85.00	n/a	n/a	n/a
<i>The repair rates listed in the above table is only labor rates and do not include the diagnosis cost.</i>						

III. Investigation of Payments to MVTR

Based upon our review of vendor payments for bus repair services during FY2015 – FY2020, the majority of which was paid to MVTR, we conducted further review and investigation of MVTR to assess the validity and appropriateness of the payments for bus maintenance and repairs. A detailed financial summary of the District’s payments to MVTR is attached to this Report (see Appendix 9).⁶⁰

a. Vendor Background

MVTR was formed in December 2011 and its Certificate of Formation filed with the Texas Secretary of State listed Richard Estevanes (“Mr. Estevanes”) and Francisco Martinez (“Mr. Martinez”) as the Directors.⁶¹ However, a Restated Certificate of Formation filed in January 2012 only included Mr. Martinez as a Director.⁶²

⁶⁰ Appendix 9 summarizes all District payments to MVTR during FY2015 – FY2020 totaling \$883,511. Our review of payments discussed in this section of the Report is focused on payments for maintenance and repair services for buses (i.e., Object code 6249, Function code 34), which totaled \$686,123.

⁶¹ See Exhibit D.13

⁶² See Exhibit D.14

MVTR is located at 2429 Vo Tech Drive in Weslaco, Texas, which is across the street from the District's Transportation Department and bus depot where the buses for student transportation are located. According to their website, MVTR provides repair services for large scale engines such as buses and RVs, including paint and body repair, engine overhauls, transmission maintenance, as well as alignments, tire balancing, oil changes and other services. MVTR was set up as a vendor in the District's purchasing system in or around June 2015 and received their first purchase order from the District in October 2015.^{63,64} MVTR also contracted with La Joya ISD for bus repair services, located approximately 35 miles from Weslaco ISD.⁶⁵

b. Relationship Between MVTR Owner and Transportation Director

Through research of publicly available records and discussions with Mr. Garcia, we determined that the niece of Mr. Estevanes married the nephew of Mr. Garcia in November 2015, which happened to be around the same time that MVTR began working with the District, although Mr. Garcia was not working in the Transportation Department at that time.^{66,67} We also received information through an interview with a District employee suggesting that Mr. Garcia and Mr. Estevanes would routinely go to lunch together and Mr. Garcia would occasionally bring Mr. Estevanes with him to District meetings. An employee we interviewed also informed us that Mr. Estevanes would on occasion show up at the bus depot and inquire about whether any buses were in need of repair. Most notably, we were informed by an employee that they were offered Dallas Cowboys football tickets by Mr. Estevanes in exchange for sending repair work across the street to MVTR, though this employee did not accept the offer.

c. MVTR Interested Parties

We reviewed the Form 1295 on file with the District submitted by MVTR in April 2018 and determined that MVTR did not list the names of interested parties on the form. According to Texas Ethics Commission guidelines related to filing the Form 1295, the business should include the names of individuals with an ownership or participating interest of 10% or more of the business.⁶⁸ On April 27, 2018, a District employee from the Purchasing Department contacted Mr. Estevanes and informed him that the Form 1295 submitted on behalf

⁶³ See Exhibits D.15 and D.16

⁶⁴ In October 2015, the Transportation Director was Buckley Sanchez, who was replaced by Lupe Garcia as Interim Transportation Director in June 2016, who was subsequently named Transportation Director in September 2016.

⁶⁵ According to the Texas Ethics Commission website, MVTR contracted with La Joya ISD in April 2017 for "automobile-bus repair services" and again in January 2021 for "automotive/bus specialized repair services."

⁶⁶ See Exhibit D.17

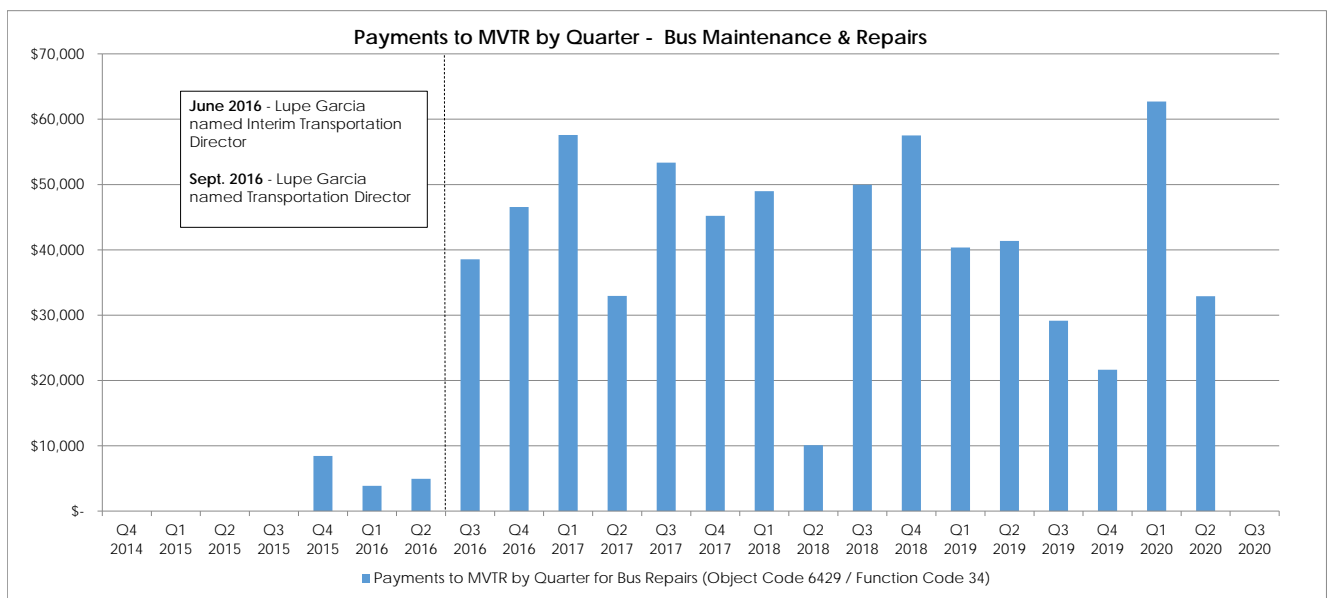
⁶⁷ Mr. Garcia worked in the District's Safety and Security Department in 2015 and transferred into the role of Interim Transportation Director in June 2016.

⁶⁸ https://www.ethics.state.tx.us/resources/FAQs/FAQ_Form1295.php#Q2

of MVTR was incomplete and requested for a completed version to be submitted.⁶⁹ Mr. Estevanes resubmitted the Form 1295 to the District, however, the list of names of interested parties was still not provided.

d. Payments to MVTR for Bus Repair Services

In our review of the District’s payments to MVTR for bus maintenance and repairs over time, we determined that the MVTR began providing maintenance and repair services for the District in late 2015, approximately seven (7) months prior to Mr. Garcia taking over as the Interim Transportation Director. However, we observed a substantial increase in payments to MVTR for bus maintenance and repairs once Mr. Garcia became Interim Transportation Director and eventually Transportation Director, with average payments of almost \$42,000 per quarter, compared to less than \$6,000 per quarter prior to July 2016, as illustrated below.⁷⁰



In September 2017, Mr. Garcia’s supervisor, Mr. De La Rosa, as well as other District administrators, had discussions with Mr. Garcia about the District’s payments to MVTR for bus repairs, which more than tripled from approximately \$54,000 in FY2016 to over \$173,000 in FY2017. In an email to the District’s Assistant Superintendent of Business and Finance in September 2017, Mr. Garcia explained that the Transportation Department utilizes MVTR for the majority of the repairs for the buses because their shop is located across the street from the Transportation Department where the bus depot is located, making it convenient to transport

⁶⁹ See Exhibit D.18

⁷⁰ Our analysis of the District’s payments to MVTR per quarter is based on payments coded in the check register to Function code 34 (student transportation) and Object code 6249 (contracted maintenance and repairs), which totaled \$686,123 during FY2015 – FY2020.

the buses to be repaired.⁷¹ Mr. Garcia also explained that MVTR's hourly rate of \$95/hour is less than their competitors rates ranging from \$120 - \$125/hour, and that MVTR will either pick up the buses from the District's bus depot or have them hauled to their shop at no charge to the District. Mr. Garcia also claimed that the turnaround time for bus repairs was faster than the other repair shops. MVTR has also lent programming and specialty tools to the District at no charge to assist the District in bus repairs, according to Mr. Garcia.

As part of these discussions regarding bus repair expenditures in September 2017, Mr. De La Rosa implemented new procedures regarding outsourced repair work as outlined below:⁷²

- A memorandum from the shop foreman must be submitted to the Director of Transportation for approval. The memo must outline the reasons why the work cannot be done in-house. The line mechanic must also sign off on the request.
- The memorandum, approved by the Director of Transportation, must be included in the back up when a requisition is created.
- A purchase order must be generated before any work is authorized.

Mr. De La Rosa also asked the Transportation Director to "take into account cost, necessity, and potential return on investment (ROI) when procuring goods and services, especially paint or body work on vehicles."⁷³

e. Mr. Garcia Advocated for MVTR to be a Preferred Vendor for Parts and Supplies

In September 2018, several months after the District issued the multiple award contract to MVTR and three (3) other vendors for maintenance and repair services, the Transportation Department issued an RFP to solicit proposals for a multiple award contract for automotive and bus parts and supplies (Proposal #18-08-39).⁷⁴ The Transportation Director submitted a recommendation to the Purchasing Director on September 5, 2018, recommending six (6) vendors for bus parts and supplies, which included MVTR. In our review of the bids received, we noted that the other vendors recommended listed "off shelf" discounts ranging from 15% - 50%, whereas MVTR did not include a discount in their proposal.⁷⁵ Additionally, the Purchasing Director had concerns related to the Transportation Director's recommendation of MVTR as he did not recall the District ever purchasing parts or supplies from MVTR in the past.⁷⁶ In fact, Mr. De La Rosa prepared a memorandum for the Superintendent on September 7, 2018 regarding a meeting in which the Purchasing Director and Assistant Superintendent for Business and Finance questioned the Transportation Director about his

⁷¹ See Exhibit D.19

⁷² See Exhibit D.20

⁷³ See Exhibit D.20

⁷⁴ See Exhibit D.21

⁷⁵ See Exhibit D.21

⁷⁶ See Exhibit D.22

recommendation of MVTR.⁷⁷ According to the memorandum, the Transportation Director became defensive and combative during the meeting and responded to the questions regarding his recommendation of MVTR saying “well why not them.”⁷⁸ **[emphasis added]**

f. MVTR Payments Assigned to a 3rd Party Accounts Receivable Service in 2019

In June 2019, the District was made aware that MVTR had partnered with an accounts receivable services firm, Pro Billing & Funding Service (“Pro Billing & Funding”), based in Decatur, Alabama.⁷⁹ Pro Billing & Funding contacted the District’s Business Office to inform them that MVTR had a contractual obligation for future payments with the District to be remitted to Pro Billing & Funding.⁸⁰ Several months later in October 2019, MVTR notified the District that they had partnered with another accounts receivable services firm, QuickPay Funding, LLC (“QuickPay Funding”), based in San Diego, California.⁸¹ MVTR indicated that payment for MVTR invoices dated from August 1, 2019 – August 31, 2020 were to be remitted to QuickPay Funding.

g. Quotes from Other Vendors for Repair Services Not Typically Obtained

We performed a review of the District’s purchasing records for payments to MVTR maintained in their Alio Scan database to determine if the procurement guidelines approved by the Board were adhered to. As discussed previously in this Report, the multiple award contract for bus maintenance and repairs approved by the Board in May 2018 required quotes to be obtained from at least three (3) vendors if the repairs were estimated to exceed \$3,000.⁸² We identified 22 purchase orders after May 2018 for bus repair services performed by MVTR where the purchase order amount was greater than \$3,000. Based on our review of supporting purchasing documents on file, we only identified 2 purchase orders where quotes were obtained from vendors other than MVTR.⁸³

In discussions with personnel from the Transportation Department, we were told that due to time constraints it was not practical to obtain multiple quotes in most instances as each vendor would need to disassemble the engine and perform diagnostics in order to provide a quote. We were also told that due to the close proximity of MVTR’s location relative to the bus depot, it made sense to take buses in need of repair to MVTR to obtain a quote.

⁷⁷ See Exhibit D.22

⁷⁸ See Exhibit D.22

⁷⁹ See Exhibit D.23

⁸⁰ See Exhibit D.23

⁸¹ See Exhibit D.24

⁸² See Exhibit D.1

⁸³ The total expenditures for the 22 purchase orders over \$3,000 totaled \$170,258, and the total for the two (2) purchase orders where we identified multiple quotes was \$26,905.

We also identified instances in which maintenance services were performed across the entire fleet of buses, however, individual purchase orders were assigned to each bus rather than a single purchase order for the entire fleet. For example, in May 2019 the entire fleet of buses were taken to MVTR to perform maintenance services related to axle alignment, tire balancing and to re-torque the U-bolts on the suspension, at a cost of \$454.50 per bus. Rather than issuing a single purchase order for all buses being serviced, a separate purchase order was requisitioned by the Transportation Department, which resulted in smaller purchase orders below the \$3,000 threshold that would have required quotes from other vendors.

IV. Investigation of Maintenance and Repair Expenditures for Spare Buses

a. Flood Damage to Bus Fleet in June 2018

In April 2021, we visited the District's Transportation Department to conduct interviews with personnel, as well as perform a physical inspection and inventory of the District's bus fleet. As of the date of our inventory, we identified 87 buses, including 66 active buses parked on the bus lot (i.e., main fleet) and 21 spare buses parked up a hill to the side of the bus lot (i.e., spare fleet). In our review of the main fleet, we noted that 65 of 66 buses had less than three (3) years of service, including 63 buses purchased during the July 2018 – August 2018 time period in the aftermath of the flood that impacted Weslaco on June 20, 2018.^{84,85} Following the flood, Mr. Garcia informed the Board that all of the District's buses at that time were damaged in the flood and considered to be a loss, of which 64 buses had less than ten (10) years in service and were therefore still covered under the District's liability insurance policy with Travelers Public Entity Group ("Travelers"). The District transferred the titles for the 64 buses under coverage to Travelers and received approximately \$2.9 million under the policy. The remaining 29 buses, all of which had more than ten (10) years in service and no longer covered, were sustained by the District to be serviced and put back into operation. However, the majority of the buses sustained by the District were utilized as spare buses once the new buses were purchased, and five (5) were sold at auction in January 2020.

b. Maintenance & Repair Expenditures for Spare Buses

As described previously in this Report, the District kept 29 buses after the June 2018 flood and purchased 63 new buses to replace the buses damaged in the flood. There were 21 buses of the 29 buses sustained that were utilized as spare buses after June 2018, all of which had been in service for over 12 years at the time of the flood. We analyzed the District's maintenance and repairs performed on the 21 spare buses by MVTR, including a review of the supporting documentation (e.g., invoices, purchase orders, etc.) during FY2015 – FY2020. We identified total payments to MVTR of \$435,109 for maintenance and repairs on the 21 spare buses

⁸⁴ The only active bus in the main fleet in service prior to 2018 was Bus 49, which had been in service since 2005.

⁸⁵ Two (2) buses in the main fleet were purchased new by the District in February 2020 (Bus 14 and Bus 27).

during FY 2015 – FY2020, as summarized in the table below. Detail of the District’s payments to MVTR for maintenance and repairs on all buses during FY2015 – FY2020 is attached to this Report (see Appendix 10).

Payments to MVTR for Maintenance & Repair of Spare Buses - FY2016 - FY2020							
Bus Number	Make / Model	Payments to MVTR for Maintenance & Repair					Total
		FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	
Bus 85 (Formerly Bus 74)	2005 International Sp. Ed. Bus	\$ 14,481	\$ 32,257	\$ 6,106	\$ 11,474	\$ 420	\$ 64,738
Bus 66 (Formerly Bus 26)	2005 International 77 Passenger Bus	-	31,434	21,926	-	1,449	54,809
Bus 84 (Formerly Bus 73)	2005 International Sp. Ed. Bus	250	-	18,199	18,125	420	36,995
Bus 22 (Formerly Bus 20)	2005 International 77 Passenger Bus	-	1,785	18,588	6,340	840	27,554
Bus 19 (Formerly Bus 6)	2005 Thomas 77 Passenger Bus	2,870	7,371	-	-	15,859	26,099
Bus 90 (Previously Bus 42)	2002 Freightliner 71 Passenger Bus	-	-	11,087	-	13,751	24,838
Bus 23 (Formerly Bus 14)	2005 Thomas 77 Passenger Bus	2,291	20,556	-	-	840	23,687
Bus 69 (Formerly Bus 54)	2006 Thomas 72 Passenger Bus	-	2,500	11,842	5,211	420	19,973
Bus 60 (Formerly Bus 7)	2004 International 71 Passenger Bus	-	-	-	16,916	-	16,916
Bus 61 (Formerly Bus 13)	2005 International 77 Passenger Bus	-	-	3,381	12,742	-	16,123
Bus 68 (Formerly Bus 51)	2006 Thomas 72 Passenger Bus	-	-	15,266	-	-	15,266
Bus 64 (Formerly Bus 52)	2005 Thomas 77 Passenger Bus	-	-	-	-	15,159	15,159
Bus 92 (Formerly Bus 27)	2002 Freightliner 71 Passenger Bus	-	-	-	-	15,019	15,019
Bus 62 (Formerly Bus 15)	2005 International 71 Passenger Bus	-	-	4,438	9,558	420	14,417
Bus 86 (Formerly Bus 78)	2002 Freightliner 71 Passenger Bus	-	11,710	1,981	-	-	13,692
Bus 65 (Formerly Bus 22)	2006 Thomas 72 Passenger Bus	-	-	1,981	11,068	420	13,470
Bus 63 (Formerly Bus 43)	2005 International 71 Passenger Bus	-	-	1,981	8,138	420	10,539
Bus 83 (Formerly Bus 72)	2005 International Sp. Ed. Bus	-	-	-	10,109	420	10,529
Bus 54 (Formerly Bus 31)	2005 Thomas 77 Passenger Bus	1,330	-	5,617	-	840	7,787
Bus 11 (Formerly Bus 64 & 44)	2005 International 77 Passenger Bus	-	2,569	1,981	1,690	840	7,080
Bus 91 (Formerly Bus 46)	2005 Thomas 77 Passenger Bus	-	-	-	-	420	420
Total		\$21,222	\$110,181	\$124,376	\$111,372	\$67,958	\$435,109

We conducted further analysis of the mileage and usage of the 21 spare buses since the June 2018 flood, including a review of the cost of maintenance and repairs performed by MVTR relative to the usage of the bus. The table below summarizes the calculated mileage for each of the spare buses based on the mileage reading as of our site visit in May 2021 compared to the mileage reading documented by the District as of September 2018, including a comparison to maintenance and repair costs for each bus over the same time period. A detailed analysis of each of the 21 spare buses is attached to this Report (see Appendix 11).

Repair Costs for Spare Buses Relative to Mileage (9/2018 - 5/2021)				
Bus Number	Make / Model	Mileage (9/18 - 5/21)	Repair Costs (MVTR)	Repair Costs Per Mile
Bus 60 (Formerly Bus 7)	2004 International 71 Passenger Bus	72	\$ 16,916.29	236.26
Bus 61 (Formerly Bus 13)	2005 International 77 Passenger Bus	57	12,741.60	225.52
Bus 84 (Formerly Bus 73)	2005 International Sp. Ed. Bus	105	18,545.43	176.12
Bus 85 (Formerly Bus 74)	2005 International Sp. Ed. Bus	129	11,893.74	92.56
Bus 83 (Formerly Bus 72)	2005 International Sp. Ed. Bus	256	10,529.40	41.19
Bus 65 (Formerly Bus 22)	2006 Thomas 72 Passenger Bus	1,026	11,488.24	11.19
Bus 22 (Formerly Bus 20)	2005 International 77 Passenger Bus	1,950	7,180.00	3.68
Bus 62 (Formerly Bus 15)	2005 International 71 Passenger Bus	3,748	9,978.38	2.66
Bus 63 (Formerly Bus 43)	2005 International 71 Passenger Bus	3,455	8,557.97	2.48
Bus 19 (Formerly Bus 6)	2005 Thomas 77 Passenger Bus	6,500	15,858.97	2.44
Bus 90 (Previously Bus 42)	2002 Freightliner 71 Passenger Bus	7,237	13,751.09	1.90
Bus 92 (Formerly Bus 27)	2002 Freightliner 71 Passenger Bus	8,652	15,018.97	1.74
Bus 69 (Formerly Bus 54)	2006 Thomas 72 Passenger Bus	4,049	5,631.42	1.39
Bus 64 (Formerly Bus 52)	2005 Thomas 77 Passenger Bus	11,101	15,159.31	1.37
Bus 66 (Formerly Bus 26)	2005 International 77 Passenger Bus	1,483	1,449.28	0.98
Bus 11 (Formerly Bus 64 & 44)	2005 International 77 Passenger Bus	4,062	2,529.50	0.62
Bus 54 (Formerly Bus 31)	2005 Thomas 77 Passenger Bus	14,724	840.00	0.06
Bus 23 (Formerly Bus 14)	2005 Thomas 77 Passenger Bus	21,217	840.00	0.04
Bus 91 (Formerly Bus 46)	2005 Thomas 77 Passenger Bus	13,212	420.00	0.03
Bus 68 (Formerly Bus 51)	2006 Thomas 72 Passenger Bus	1,945	-	-
Bus 86 (Formerly Bus 78)	2002 Freightliner 71 Passenger Bus	33	-	-
Total		105,010	\$ 179,329.59	

E. Professional Services / Other

I. Background

a. Scope of Work

We examined the District’s expenditures related to professional services (Object code 6219), including certain cost categories within professional services expenditures where the District ranked higher than most other school districts in Texas.

b. PEIMS Data – Professional Services

The table below summarizes the District’s expenditures for professional services for FY2015 – FY2019 by Function code, including the District’s rank compared to their Peer Group.

Summary of PEIMS Data: Object Code 6219 - Professional Services									
Function	Function Description	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	Total	Rank	Out of
11	INSTRUCTION	\$ 617,090	\$ 745,109	\$ 419,857	\$ 271,981	\$ 286,860	\$ 2,340,897	16	106
12	INSTRUC RESOURCES & MEDIA SERV	29,387	20,737	-	-	-	50,124	5	28
13	CURRICULUM AND STAFF DEVELPMNT	321,683	357,609	-	1,200	2,006	682,498	8	81
21	INSTRUCTIONAL LEADERSHIP	-	19,961	-	-	-	19,961	40	70
23	SCHOOL LEADERSHIP	350	-	-	1,496	-	1,846	22	46
31	GUIDANCE, COUNSELING, EVAL SVC	3,165	424	-	-	-	3,589	81	94
32	SOCIAL WORK SERVICES	63,000	176,491	-	24,600	1,000	265,091	8	26
33	HEALTH SERVICES	6,187	3,132	3,609	3,798	1,582	18,308	54	85
34	STUDENT (PUPIL) TRANSPORTATION	21,667	15,791	12,255	11,975	16,285	77,973	26	78
35	FOOD SERVICES	11,023	2,388	-	-	-	13,411	35	54
36	EXTRACURRICULAR ACTIVITIES	74,121	107,284	76,618	35,983	42,510	336,516	28	90
41	GENERAL ADMINISTRATION	376,339	341,850	5,665	209,205	99,844	1,032,903	4	105
51	FACILITY MAINT./OPERATIONS	78,757	787,355	16,423	41,110	179,253	1,102,898	15	106
52	SECURITY AND MONITORING SVSCS	6,300	-	2,200	1,313	165,466	175,279	17	71
53	DATA PROCESSING SERVICES	141,930	201,782	-	450	-	344,162	12	50
61	COMMUNITY SERVICES	126,525	125,625	-	500	31,472	284,122	6	50
81	FACILITY ACQUIS. & CONSTRUCTION	-	-	-	-	5,500	5,500	60	71
Total		\$ 1,877,524	\$ 2,905,538	\$ 536,627	\$ 603,611	\$ 831,778	\$ 6,755,078		

As illustrated above, the largest cost category for professional services expenditures related to Function code 11 (Instruction), which ranked 16th of 106 comparable school districts that reported expenditures for this cost category. We conducted a review of certain vendors within this category, as discussed throughout the remainder of this section of the Report. We also noted a decrease in professional services expenditures beginning in FY2017, which decreased from over \$2.9 million in FY2016 to \$0.5 million in FY2017.

II. Vendor Payments

a. Analysis of Check Register

We analyzed the District’s check register to identify vendor payments related to professional services expenditures totaling \$19.7 million during FY2015 – FY2020. We also noted a variance between professional



services expenditures in the PEIMS Data compared to the check register, which appears to be related to a reclassification of certain vendor expenditures for purposes of reporting PEIMS Data.⁸⁶

Based on our review of the District’s check register for FY2015 – FY2020, we identified payments to 311 professional services vendors during the period of our review totaling \$19.7 million. The highest paid vendors were Frates Benefit Administrators, Inc. and SA Benefit Services, LLC, who received \$8.1 million and \$1.7 million, respectively. A summary of professional services expenditures by vendor is provided below and a complete list of professional services expenditures by vendor is attached to this Report (**See Appendix 12**).

Summary of Vendor Payments for Professional Services (Object Code 6219)							
Vendor	Payments by Vendor by Year (Source - Check Register)						Total
	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	
FRATES BENEFIT ADMINISTRATORS, INC.	\$ 2,531,457	\$ 2,747,344	\$ 2,587,006	\$ 252,168	\$ -	\$ -	\$ 8,117,976
SA BENEFIT SERVICES, LLC	-	-	-	1,725,486	-	-	1,725,486
JONES CONSTRUCTION, LLC	-	678,792	53,520	-	-	-	732,312
RGV A+ THERAPY, LLC	-	338,730	315,895	-	-	-	654,625
CITY OF WESLACO	-	-	45	-	181,243	385,000	566,288
THE BOYS & GIRLS CLUB OF WESLACO, INC.	125,000	125,000	135,000	-	-	-	385,000
WEIDENHAMMER SYSTEMS, INC	82,050	89,435	92,237	3,000	103,447	-	370,169
A SIGN LANGUAGE COMPANY, LLC	44,256	81,581	88,100	76,143	74,572	-	364,653
BELIEVE-N-CARE REHAB SERVICES, LP	292,965	-	-	-	-	33,415	326,380
SUNGARD K-12 EDUCATION, INC	82,838	85,879	88,717	-	-	-	257,434
SOUTH TEXAS COLLEGE	55,218	162,173	5,803	-	-	-	223,194
P & G SCHOOL THERAPY SERVICES, LLC	-	-	-	97,104	87,010	32,243	216,357
VALLEY RISK CONSULTING, INC	48,000	37,250	32,750	-	35,639	41,250	194,889
COMPREHENSIVE TRAINING CENTER, INC.	-	26,085	165,345	-	-	-	191,430
ERO ARCHITECTS	-	-	-	-	70,801	107,622	178,423
REYBOTICS	-	80,500	94,800	-	-	-	175,300
EDUCATIONAL ACHIEVEMENT SERVICES, INC	60,000	60,000	54,800	-	-	-	174,800
WELLWORKS SCREENINGS, LLC	158,250	-	-	-	-	-	158,250
TRISTAR RISK MANAGEMENT, INC	45,750	61,000	39,375	-	-	-	146,125
MID VALLEY PEDIATRICS	29,940	27,630	27,150	28,880	30,825	1,435	145,860
PERDUE, BRANDON, FIELDER, COLLINS & MOTT, L	-	-	-	90,896	54,810	-	145,706
KID-CARE THERAPIES	-	-	-	-	63,158	81,280	144,438
TEXAS STATE TECHNICAL COLLEGE	-	45,000	45,000	45,000	-	-	135,000
REGION I EDUCATION SERVICE CENTER	30,616	10,625	89,078	1,800	900	600	133,619
SCHOOL IMPROVEMENT NETWORK, LLC	124,470	-	-	-	-	-	124,470
SOUTHPOINT EMS	32,800	32,000	39,375	4,400	5,845	6,055	120,475
FRANKLIN COVEY CO, INC	5,158	100,083	12,249	-	-	-	117,489
SOFTWARE HOUSE INTER., INC	35,358	39,078	41,511	-	-	-	115,946
CHEMICAL RESPONSE & REMEDIATION CONTRACT	-	38,422	13,760	24,255	11,793	22,600	110,830
CORONADO, RUBY L	-	720	14,966	22,700	25,410	40,468	104,263
Other Vendors (281 Vendors)*	765,226	820,921	912,315	279,182	200,324	164,636	3,142,605
Total	\$4,549,352	\$5,688,247	\$4,948,797	\$2,651,015	\$ 945,776	\$ 916,603	\$19,699,791

*For purposes of this Report, we have combined 281 vendors with payments less than \$100,000.

⁸⁶ The District’s check register classified payments to certain vendors under Object code 6219 related to benefits administration, which do not appear to be classified under Object code 6219 in the PEIMS Data (e.g., Frates Benefit Administrators, Inc. and SA Benefit Services, LLC).

b. Special Education Consultants

We conducted further review of professional services expenditures related to consulting services for special education programs, including payments to RGV A+ Therapy, LLC; Believe-N-Care Rehab Services, LP; P & G School Therapy Services, LLC; Kid-Care Therapies and Ruby Coronado. A summary of payments by vendor for special education consultants is provided in the table below, with additional detail for each vendor attached to this Report (See Appendix 13).

Vendor	Vendor Owner	Services Provided	Procurement Method	Payments (FY15 – FY20)	Payments (w/out PO)
RGV A+ Therapy, LLC	Elsa Saenz	Physical / Occupational Therapy	RFP #15-06-48	\$654,625	\$129,022
Believe-N-Care Rehab Services, LP	Ileana Rivera	Physical / Occupational Therapy	RFP #13-06-45 RFP #19-06-35	\$326,380	\$82,520
P & G School Therapy Services, LLC	Belinda Perez Derly Guerrero	Occupational Therapy	RFP #17-06-44 RFP #19-06-35	\$216,357	\$79,029
Kid-Care Therapies	Sheila Trevino	Physical / Occupational Therapy	RFP #18-07-42 RFP #19-06-35	\$144,438	\$55,555
Ruby Coronado	Ruby Coronado	Orientation & Mobility Specialist	RFP #16-08-51 RFP #18-06-36	\$104,263	\$70,455
Total				\$1,446,063	\$416,581

Based on our review of Board meeting minutes, we determined that the special education consulting services were competitively bid by the District, with proposals solicited every two (2) years for special education consulting services related to physical and occupational therapy, as well as orientation and mobility services. We also identified signed contracts in Alio Scan for each of the five (5) vendors, which were signed on an annual basis.⁸⁷ Based on our review of the check register, we determined that \$416,581 of \$1,446,063 in payments to special education consultants did not have a purchase order, equal to 29% of the total payments.

c. Ambulance Services - South Point EMS

The District has historically solicited quotes and awarded contracts for ambulance services for the District’s athletic events. In September 2015, the District awarded a contract to Guardian Emergency Medical Services (“Guardian EMS”) for ambulance services, a company from Elsa, Texas owned by Jorge Pena, Jr.⁸⁸ During the meeting, Board member Adrian Gonzalez indicated that he had previously worked for Guardian EMS and was in favor of the District continuing to work with Guardian EMS “because they have done a good job in providing services to the District.” The Board President at the time, David Fuentes, also informed the Board during the meeting that he would abstain from the discussion and voting on this matter due to relationships he has with the vendor. The following year in September 2016, the Board was informed

⁸⁷ The purchasing records in Alio Scan for the vendor Kid-Care Therapies were saved under the name of the owner for the vendor, Sheila Trevino.

⁸⁸ See Exhibit E.1

that Guardian EMS had been bought out and approved the assignment of ambulance services from Guardian EMS to South Point Emergency Medical Services (“South Point EMS”), owned by Jason Pena.^{89,90} We also determined that in October 2016, Jason Pena made a campaign contribution of \$300 to the Athletic Director, Oscar Riojas, who was running for a position on the school board at Mercedes ISD.⁹¹

In August 2019, the Board agreed to award contracts to two (2) vendors for ambulance services, including South Point EMS and First Care EMS, which were the only two vendors that submitted quotes to the District. Based on our review of the District’s vendor master file and check register, it appeared that the vendor Guardian EMS was converted to South Point EMS following the buyout. The chart below summarizes the District’s payments to South Point EMS for ambulance services during the period of our review.

Payments to South Point EMS for Ambulance Services - FY2015 to FY2020							
Object Code	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	Total
6219 - Professional Services	\$ 32,800	\$ 32,000	\$ 39,375	\$ 4,400	\$ 5,845	\$ 6,055	\$ 120,475
6299 - Misc. Contracted Services	-	-	800	29,400	20,775	20,375	71,350
Total	\$ 32,800	\$ 32,000	\$ 40,175	\$ 33,800	\$ 26,620	\$ 26,430	\$ 191,825

The typical invoice amount submitted by South Point EMS was \$400, which was the fee paid for each football game. Based on our review of the check register, 409 invoices were submitted by South Point EMS during FY2015 – FY2020, however, the majority of payments by the District were not assigned a purchase order. Detail of our review of South Point EMS is attached to this Report (See Appendix 14).

d. Valley Risk Consulting

Valley Risk Consulting is a firm based in McAllen, Texas that has provided employee benefit consulting services to the District since July 2009, based on a flat rate each month totaling approximately \$195,000 during the FY2015 – FY2020 time period.⁹² The services provided by Valley Risk Consulting included the review, evaluation and analysis of proposals from underwriters or providers of group benefit products, as well as working with administrators and committees to determine the types of group benefits products that best serve employee needs. In addition, Valley Risk Consulting conducted educational meetings with District employees to answer questions and present information regarding the group benefit products. The District’s Executive Director of Employee Benefits / Risk Management, Michael De La Rosa (“Mr. De La Rosa”), was previously employed by Valley Risk Consulting during the 2008 – 2010 time period. While employed by Valley

⁸⁹ See Exhibit E.2

⁹⁰ It is our understanding that Jorge Pena, Jr. and Jason Pena are related.

⁹¹ See Exhibit E.3

⁹² See Exhibit E.4



Risk Consulting, Mr. De La Rosa worked on a benefits evaluation for the District and ultimately left Valley Risk Consulting to work for the District.⁹³

The District solicited proposals through an RFP in 2016 for employee benefit consulting services, and received proposals from two (2) vendors, Valley Risk Consulting and Crystal & Company.⁹⁴ The Board approved the selection of Valley Risk Consulting in April 2016. In other years, the District did not solicit proposals from other vendors as it was determined that the proposed cost of consulting services would not exceed \$49,500 for the year. During the period of our review, total payments per fiscal year to Valley Risk Consulting ranged from \$32,000 - \$48,000. Detail of our review of Valley Risk Consulting is attached to this Report (**See Appendix 15**).

⁹³ Based on discussions with Mr. De La Rosa.

⁹⁴ See Exhibit E.5

F. Affiliated Vendors

I. Background

a. Scope of Work

As part of our investigation, we conducted a review to identify any vendors either directly or indirectly affiliated with current or former Board members, as well as District employees, including affiliations through close family members (referred to in this Report as “Affiliated Vendors”). We conducted further review of identified Affiliated Vendors to identify any potential conflicts of interest, misuse of funds, or potentially fraudulent payments.

b. Work Performed

We analyzed the District’s check register, vendor master file and employee rosters to identify potential Affiliated Vendors. Below are the work steps we performed:

- Compared vendor information from the vendor master file (e.g., name of vendor contact, address, phone number) to employee information in the employee rosters;
- Compared vendor information from the vendor master file (e.g., name of vendor contact, address, phone number) to information for current and former Board members, as well as immediate family members;
- Reviewed the check register to identify any payments to Affiliated Vendors during the period of our review.

II. Identification of Affiliated Vendors

a. Affiliated Vendors – District Employees

We identified 29 potentially Affiliated Vendors from the District’s vendor master file where the vendor address or phone number matched with the address or phone number for a District employee, based on the information listed in the District’s employee rosters for FY2015 – FY2020. However, 26 of 29 Affiliated Vendors did not receive any payment from the District during FY2015 – FY2020.^{95,96} We conducted further review of the three (3) potentially Affiliated Vendors that were paid by the District during the period of our review. A summary of the 29 potentially Affiliated Vendors identified based on our review of the District’s vendor master file and employee rosters is provided below, and the detail of our review is attached to this Report (**see Appendix 16**).

⁹⁵ We reviewed the District’s check register to identify any payments to the 29 potentially Affiliated Vendors for FY2015 – FY2020.

⁹⁶ It is our understanding that the 26 potentially Affiliated Vendors that did not receive payment from the District during FY2015 – FY2020 likely provided services to the District prior to the period of our review.

Vendor	Potentially Affiliated Employee	Employee Position	Match Type	Payments (FY15 – FY20)
HDL Enterprises	Heriberto Lopez	Substitute	Phone Number	\$112,445
Busy Bristle Art Studio	Cynthia Duran	Teacher Elementary	Address	\$36,965
Border BBQ	Leticia Castillo	Licensed Vocational Nurse	Phone Number	\$9,935
P A M Computers	Romeo Salinas	Teacher Secondary	Address	\$0
All Valley Sports Screen Printing and Embroidery	Eloy De Leon	Office Clerk	Address	\$0
	Christian De Leon	Teacher Secondary		
C & M Upholstery	Bethavez Garza	Instructional Aide	Address	\$0
	Steffanee Garza	Instructional Aide		
Linda's Nursery	Hermelinda Valdez	Custodian	Address	\$0
Home Computer Repair	Ninfa Hill	Substitute	Address	\$0
Specialty Sports	Nabila Rana	Substitute	Address	\$0
Valley Allstars	Tatiana Juarez	Substitute	Address	\$0
	David Juarez	Teacher Secondary		
Business Professionals of America	Enrique Gonzalez	Teacher Secondary	Address / Vendor Contact	\$0
Munoz Foundation Drilling, Inc.	Amanda Munoz	Teacher Home Bound	Address	\$0
Progressive Groves, Inc.	Marla Morales	Instructional Aide	Address	\$0
Mid Valley Copier Service	Kathy Tijerina	Secretary – Asst. Supt. Of Business and Finance	Address	\$0
DJ TJ The Ultimate Club Experience	Esmeralda Tijerina	Teacher Elementary	Address	\$0
Texas Network of Youth Services	Rosie Hernandez	Teacher Elementary	Address	\$0
T-Shirt Plus	Pedro Garcia	Sub Custodian	Address	\$0
JC3 Lawn & Landscape	Sara Cavazos	Teacher Elementary	Address	\$0
Bounce and Fun!	Nicholas Martinez	Substitute	Address	\$0
Dice Productions	Guillermina Garcia	Secretary – KWES	Address	\$0
Rhino Services	Lilliana Salazar	Hourly Biweekly	Address	\$0
	Jon Salazar	Hourly Biweekly		
Cavazos Doors	Fernando Dominguez	Sub Custodian	Address	\$0
Puente Structural Concrete, LLC	Andrea Serrano	Hourly Biweekly	Address	\$0
International Day Care Center	Esmeralda Pena	Substitute	Address	\$0
Premier Filtration Service	Gerardo Garza	Instructional Assistant	Phone Number	\$0
Godel Printing	Beatriz Garza	Counselor Aide	Phone Number	\$0
All Star Embroidery	Olga Garza	Counselor	Phone Number	\$0
Wes Wood Crafts	Ernesto Gonzales	Data Entry Clerk	Phone Number	\$0

b. Affiliated Vendors – Current and Former Board Members

We identified eight (8) potentially Affiliated Vendors from the District’s vendor master file where the vendor contact name or address matched a current or former Board member or their close family member.⁹⁷ We determined that three (3) of the eight (8) potentially Affiliated Vendors received payments from the District during FY2015 – FY2020 and required further review. A summary of the eight (8) potentially Affiliated Vendors for current and former Board members is provided below.

Vendor	Vendor Owner	Potentially Affiliated Board Member	Affiliation	Payments (FY15 – FY20)
Tierra Santa Golf Course	Ezequiel Reyna	Andrew Gonzalez	Nephew of Owner	\$158,965
Reyna’s Texas Style Bar-B-Q	Ezequiel Reyna	Andrew Gonzalez	Nephew of Owner	\$86,783
Dr. ET and Company, LLC	Edith Trevino	Jesse Trevino	Spouse of Owner	\$10,800
Munoz Foundation Drilling	Amanda Munoz Humberto Munoz	Jaclyn Sustaita	Chief Financial Officer	\$0
L & G Engineering Laboratory, LLC	Erasmio Lopez	Erasmio Lopez	Owner	\$0
L & G Concrete Construction, Inc.	Erasmio Lopez	Erasmio Lopez	Owner	\$0
L & G Concrete Equip. Div., Inc.	Erasmio Lopez	Erasmio Lopez	Owner	\$0
L & G Transport Services, LLC	Erasmio Lopez	Erasmio Lopez	Owner	\$0

III. Affiliated Vendors Identified for Further Review

a. Work Performed

We identified six (6) Affiliated Vendors that received payments from the District during FY2015 – FY2020 and required further review as a result of the vendor being affiliated with a District employee, Board member or close family member of a Board member. For each of the six (6) Affiliated Vendors identified for further review, we analyzed the District’s payments to the vendor during FY2015 – FY2020, including a review of the supporting invoices and purchase orders in Alio Scan. It is important to note that payments by the District to an Affiliated Vendor are not necessarily improper, but may require additional disclosure and further scrutiny to determine if a conflict of interest exists or there is fraudulent activity.

⁹⁷ We identified the names and addresses for family members of current and former Board members through a search of the LexisNexis SmartLinx Comprehensive Person Report database.

b. Analysis of Affiliated Vendors for Further Review

We did not identify any evidence of improper payments in our review of the six (6) Affiliated Vendors identified for further review. Detail of our analysis of each of the six (6) Affiliated Vendors is attached to this Report (see **Appendix 17**). A summary of our review is provided in the table below.

Vendor	Payments (FY15 – FY20)	Summary of Findings
HDL Enterprises	\$112,445	HDL Enterprises is owned by Heriberto Lopez, who is also a substitute teacher for the District. The District’s purchases from HDL Enterprises were competitively bid through the submission of an RFQ, and a multiple award contract was authorized by the Board for custom shirts and embroidered items. Mr. Lopez would not qualify as a Local Government Officer in his role as a substitute teacher for the District.
Busy Bristle Art Studio	\$36,965	Busy Bristle Art Studio is owned by Cynthia Duran and her spouse. Ms. Duran is an art teacher for the District and her involvement with Busy Bristle Art Studio is during summer break or after school activities. The District’s purchases related to the 21 st Century ACE Program for after school activities. Ms. Duran would not qualify as a Local Government Officer in her role as an art teacher for the District.
Border BBQ	\$9,935	The phone number listed for Border BBQ in the vendor master file matched the phone number for Leticia Castillo, a Licensed Vocational Nurse for the District. However, we did not identify a connection between Ms. Castillo and Border BBQ and it appears that the phone number for Border BBQ was Ms. Castillo’s prior phone number.
Tierra Santa Golf Course	\$158,965	Board member Andrew Gonzalez’s uncle has a financial interest in Tierra Santa Golf Course, though Mr. Gonzalez does not. The District has a long history of paying Tierra Santa Golf Course for use of its facilities for the golf team, which predates Mr. Gonzalez’s tenure on the Board.
Reyna’s Texas Style Bar-B-Q	\$86,783	Board member Andrew Gonzalez’s uncle has a financial interest in Reyna’s Texas Style Bar-B-Q, though Mr. Gonzalez does not. The District purchased catered meals from the vendor, primarily for athletic events and student travel. Purchases have not exceeded \$50,000 in a fiscal year.
Dr. ET and Company, LLC	\$10,800	Dr. ET and Company, LLC is owned by the spouse of Board member Jesse Trevino. The District paid the vendor in July 2020 – August 2020 for motivational speaking services, which was prior to Mr. Trevino’s tenure on the Board, which began in November 2020.

G. Review of Purchase Orders

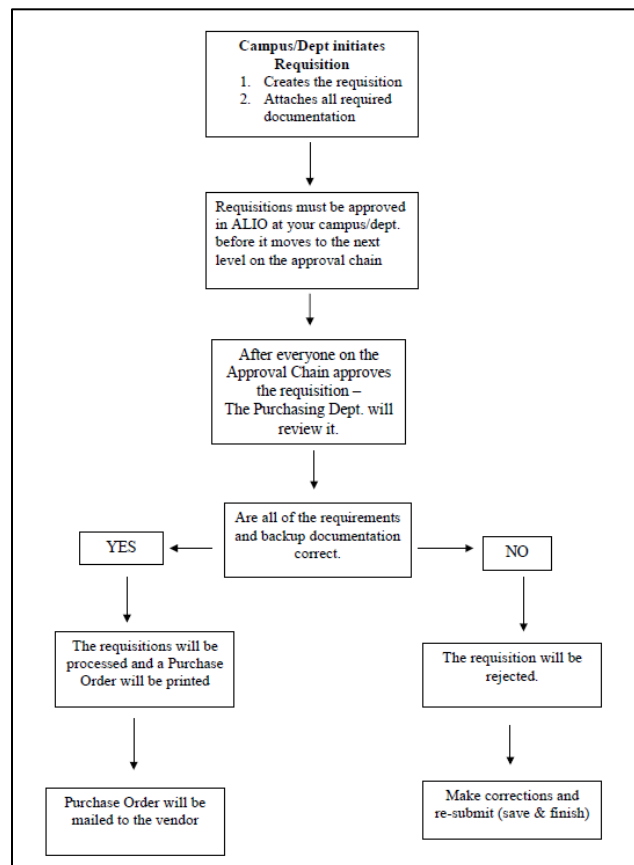
I. Background

a. Scope of Work

We conducted a review of the District’s check register for FY2015 – FY2020, including a review of payments to approximately 5,700 vendors totaling over \$260 million. As part of our review, we analyzed the check register data to determine the extent to which the District issued purchase orders for vendor payments.

b. Purchasing Process

The District’s Purchasing Department Policy & Procedures Manual (“Purchasing Manual”) requires an approved purchase order to be requisitioned prior to all purchases, and states that purchases completed without an approved purchase order are considered to be “purchasing violations.”⁹⁸ Below is a flow chart of the District’s purchasing process for approving purchase orders from the Purchasing Manual.



⁹⁸ See Exhibit G.1

II. Analysis of Purchase Orders for Vendor Payments

Based on our review of the District’s check register for FY2015 – FY2020, we determined that approximately \$58.4 million of \$260.5 million, or 22.4%, of purchases did not have an assigned purchase order. We also determined that the majority of the purchases without a purchase order related to a small number of vendors. A summary of payments to vendors without assigned purchase orders is provided in the table below, and a complete list of vendor payments is attached to this Report (see Appendix 18).

Review of Vendor Payments - Largest Vendors without Purchase Orders										
Vendor Name	Summary of Payments by Vendor (Source: Check Register)						Purchase Order Amounts			
	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	Total	PO Issued	No PO Issued	
FRATES BENEFIT ADMINISTRATORS, INC.	\$ 2,531,457	\$ 2,747,344	\$ 2,811,190	\$ 252,168	\$ -	\$ -	\$ 8,342,160	\$ -	\$ 8,342,160	
MP2 ENERGY TEXAS, LLC	-	503,922	2,118,486	1,920,206	1,852,322	7,061	6,401,997	-	6,401,997	
MAGIC VALLEY ELECTRIC COOP, INC	938,516	726,925	880,109	870,463	822,541	776,536	5,015,089	1,410	5,013,679	
DIRECT ENERGY BUSINESS, LLC	2,441,150	2,063,870	-	-	8,565	12,664	4,526,248	-	4,526,248	
WESLACO WATER DEPARTMENT	714,527	756,771	762,986	737,225	634,970	676,510	4,282,989	-	4,282,989	
MONTALVO INSURANCE AGENCY, INC	749,092	765,600	24,716	573,376	689,510	516,369	3,318,663	-	3,318,663	
THE BROKERAGE STORE, INC.	581,290	581,290	581,290	-	431,848	-	2,175,718	-	2,175,718	
MIDAMERICAN ENERGY SERVICES, LLC	-	-	-	-	-	2,127,507	2,127,507	-	2,127,507	
SA BENEFIT SERVICES, LLC	-	-	-	1,879,999	-	-	1,879,999	-	1,879,999	
SHEPARD WALTON KING INSURANCE, INC.	359,758	339,560	339,364	320,495	342,550	63,428	1,765,155	32	1,765,122	
PERDUE, BRANDON, FIELDER, COLLINS & MOTT, L	130,968	327,032	304,198	410,079	334,380	169,587	1,676,244	-	1,676,244	
JONES, GALLIGAN, KEY & LOZANO, LLP	234,444	412,102	266,393	186,412	199,793	310,418	1,609,563	211,583	1,397,980	
GERLOFF COMPANY, INC	-	124,800	-	1,088,744	177,526	-	1,391,069	-	1,391,069	
SOUTH TEXAS COLLEGE	80,702	173,223	323,167	592,013	686,658	422,569	2,278,332	1,201,023	1,077,309	
FRANKLIN COVEY CO, INC:	19,418	450,292	109,463	165,061	131,488	259,720	1,135,441	388,829	746,612	
FRONTIER COMMUNICATIONS OF TEXAS, INC.	-	63,373	116,469	159,396	155,450	136,026	630,713	-	630,713	
CITY OF WESLACO	754	2,183	1,548	9,629	379,246	387,842	781,202	160,337	620,864	
McGriff, Seibels, & Williams Inc.	-	-	578,066	-	-	-	578,066	-	578,066	
STUDENT INSURANCE PLANS, LLC	-	-	-	501,930	-	-	501,930	-	501,930	
MID VALLEY TRAILER REPAIR, INC	-	54,077	209,661	268,907	175,970	174,896	883,511	596,653	286,858	
LINEBARGER, GOGGAN, BLAIR, & SAMPSON, LL	168,346	-	-	46,919	-	-	262,184	-	262,184	
WISD TRANSPORTATION FUND FIELD TRIPS	282,345	401,467	483,979	399,968	367,721	286,222	2,221,701	1,982,292	239,409	
TEXAS VALLEY COMMUNITIES FOUNDATION	155,660	193,203	161,783	22,477	14,980	9,486	557,589	332,603	224,986	
VERIZON SOUTHWEST, INC. - GTE SOUTHWEST IN	142,819	77,584	-	-	-	-	220,403	-	220,403	
VERIZON WIRELESS, LLC	-	-	27,152	58,388	59,593	63,078	208,211	-	208,211	
TRISTAR RISK MANAGEMENT, INC	61,000	61,000	52,500	53,800	55,158	50,000	333,458	130,875	202,583	
SOUTH TEXAS COMMUNITY COLLEGE	18,884	58,447	38,273	19,393	23,703	90,007	248,706	46,719	201,987	
NORTH ALAMO WATER, INC	29,404	47,327	39,409	29,670	29,948	21,286	197,043	-	197,043	
TEXAS GAS SERVICE, INC DIVISION OF ONE	34,333	27,301	32,542	37,934	27,317	34,989	194,416	-	194,416	
WALSH GALLEGOS TREVINO RUSSO & KYLE P.C.	28,253	59,009	37,731	33,454	17,741	16,887	193,075	800	192,275	
WEIDENHAMMER SYSTEMS, INC	86,025	94,205	93,835	99,236	103,447	106,551	583,298	404,646	178,652	
TEXAS NATIONAL BANK	-	-	-	-	3,263	169,276	172,539	-	172,539	
SOUTHPOINT EMS	32,800	32,000	40,175	33,800	26,620	26,430	191,825	19,600	172,225	
TEJAS BUILDING & DEVELOPMENT CO., INC	42,000	28,000	45,500	38,500	7,000	-	161,000	-	161,000	
TEXAS STATE TECHNICAL COLLEGE	690	51,340	50,900	50,948	48,485	48,379	250,742	104,313	146,429	
MID VALLEY PEDIATRICS	29,940	27,630	27,150	28,880	30,825	1,435	145,860	2,845	143,015	
A SIGN LANGUAGE COMPANY, LLC	44,494	81,343	88,100	76,143	74,572	-	364,653	228,399	136,254	
RGV A+ THERAPY, LLC	-	338,730	315,895	-	-	-	654,625	525,604	129,022	
MID VALLEY TOWN CRIER	57,812	64,475	60,782	63,787	49,511	7,420	303,788	183,996	119,792	
OTHER 5,719 VENDORS*	35,257,222	29,504,367	32,251,143	39,114,375	39,760,582	25,820,698	201,708,386	195,539,867	6,168,518	
TOTAL	\$ 45,254,105	\$ 41,239,791	\$ 43,273,952	\$ 50,143,773	\$ 47,770,199	\$ 32,793,275	\$ 260,475,095	\$ 202,062,427	\$ 58,412,668	

* For purposes of presentation in this Report, we have combined the other 5,719 vendors. A complete list of vendors is attached to this Report.

We conducted a review of vendors where purchase orders were not assigned and held discussions with the Purchasing Director and Assistant Superintendent of Business & Finance to determine why purchase orders were not requisitioned for certain vendors. Based on our review, we determined that a number of the vendor payments without purchase orders related to benefits, insurance, utilities, and legal services, among others. We also determined from our review of the Board minutes that the services were competitively bid with clear authorization from the Board. Through discussions with District personnel, we also determined that these purchases still went through the purchasing approval process even though a formal purchase order was not assigned. In certain instances, such as the flood in 2018, the Board authorized “Emergency Purchases” as



permitted in the District's Purchasing Manual in order for purchases to be completed without a purchase order for purposes of expediency.⁹⁹

While we did not conduct a review of every vendor payment without a purchase order as this would be beyond the scope of what we were asked to do, we were able to determine that the majority of vendor payments without a purchase order did not circumvent the purchasing guidelines and therefore would not be considered purchasing violations. Certain vendor payments without purchase orders, including payments to South Point EMS and RGV A+ Therapy are discussed in more detail in a previous section of this Report.

⁹⁹ As an example, the District paid MVTR for repair services for student buses in the aftermath of the 2018 flood in order to get the buses up and running as quickly as possible.

Exhibits and Appendices
