DALLAS INDEPENDENT SCHOOL DISTRICT

Internal Audit

Procurement Audit

Procurement Audit

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Date: February 18, 2025

To: Board of Trustees
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From: Robert Rubel, MBA, CPA, CIA, CISA
Chief Internal Audit Officer

Subject: Procurement Audit

Executive Summary

The Dallas Independent School District (District) Office of Internal Audit (OIA) has completed the Procurement Audit.

The audit focused the District's procurement processes, controls, and strategies. Auditors reviewed procurement processes surrounding sourcing, purchasing, and vendor performance to determine if current strategies are effective in obtaining goods and services that meet the District's needs and provide the best value in an efficient manner.

Opportunities for improvement were identified in the following areas:

Observation	Priority	Recommendation
1	High	Implement an end-to-end electronic sourcing solution to facilitate a more automated process to scope, solicit, evaluate, and award vendors.
2	High	Further automate the purchasing process by integrating sourcing information into the RFQ/Contract and Purchasing Modules.
3	High	Develop standards and guidelines for awarding multiple vendors and enhance end user's ability to view vendor rank to foster best value decision-making.
4	High	Adopt a more strategic approach to procurement activities to facilitate best value purchasing while maintaining strong compliance guardrails.
5	Medium	Leverage the integrated procurement system to minimize circumvention of District policies.

Implementation of the recommendations in this report would assist the District in having more effective sourcing processes, efficient purchasing processes, and a unified procurement strategy to allow for goods and services to be obtained that meet the District's needs and provide the best value.

Background

The District's Procurement Services Department (Procurement) plays a crucial role in ensuring that resources are used efficiently and effectively to support educational goals. The department is responsible for acquiring goods and services necessary for all District operations.

The Procurement Department is currently made up of eight buyers, five senior buyers, three coordinators, and three directors, which manage the primary procurement functions. The department also consists of a vendor management team of five, which manages the vendor registration process and maintains the vendor file. The executive director of Procurement also oversees the Graphics Department.

The Procurement Department is structured to divide the workload of buyers and directors based on functional areas within the District such as General and Administrative, Technology, Maintenance/ Operations, Food and Child Nutrition, and Academic Services. This structure allows buyers to interact with different departments within their specialty and focus on soliciting contracts and approving purchase orders. Directors provide oversight and guidance to buyers throughout the sourcing lifecycle, review board documents for accuracy and completeness prior to board meetings and monitor the overall status of requisitions. Construction procurement was recently restructured to report to the chief construction officer and is excluded from this report as it is reviewed during the Continuous Bond Audits.

Procurement processes generally involve the following key steps:

1. *Needs Assessment*: Identifying the goods and services required by various departments within the District.
2. *Solicitation*: Issuing a formal request to invite potential suppliers to submit offers or bids for goods/services.
3. *Evaluation*: Reviewing and evaluating vendor proposals based on criteria such as cost, quality, and vendor qualifications.
4. *Awarding Contracts*: Selecting vendors and awarding contracts in accordance with established policies and procedures.
5. *Contract Management*: Monitoring purchases and contract performance to ensure compliance with terms and conditions.

The following background information summarizes the department's key processes and controls:

<u>Needs Assessment</u>
Campuses and administrative departments determine their needs and make budgeted purchases using various methods depending on the dollar value of the purchase. When the need is determined, the end user consults with Procurement to determine the best method to secure the goods/services. Purchases greater than $50,000 must be competitively procured using a formal solicitation method. If the need cannot be satisfied with an existing contract, a new solicitation must be conducted.

<u>Solicitation</u>
End users draft the initial scope of work based on the specifications required. Procurement will then decide which type of solicitation to execute based on the nature of the purchase, as follows:

- Request for Bid

- Request for Proposal
- Request for Qualifications
- Request for Offer

Solicitations are communicated to potential suppliers via various methods. To do business with the District or submit bids/proposals for solicitations, potential suppliers must be registered and active in Oracle iSupplier, the District's vendor management platform. During registration, vendors input the category codes that corelate to the types of goods/services they provide. Vendors are automatically notified when new solicitations are issued using their registered category codes. Additionally, solicitations are advertised in the Dallas Morning News and on the District's website.

Evaluation

After bids/proposals are submitted, they must be assessed by an evaluation committee made up of knowledgeable end users as well as a member from both Procurement and Minority and Women Business Enterprise (M/WBE) Department. Texas Education Code (TEC) §44.031(b) requires the following criteria to be considered when determining award of a competitively bid contract.

- Purchase price
- Reputation of the vendor and of the vendor's goods or services
- Quality of the vendor's goods or services
- Extent to which the goods or services meet the District's needs
- Vendor's past relationship with the District
- Impact on the ability of the District to comply with laws and rules relating to historically underutilized businesses
- Total long-term cost to the District to acquire the vendor's goods or services
- For a contract for goods and services, other than goods and services related to (i) telecommunications and information services, (ii) building construction and maintenance, or (iii) instructional materials, whether the vendor or the vendor's ultimate parent company or majority owner has its principal place of business in this state or employs at least 500 persons in this state.
- Any other relevant factors specifically listed in the request for bids or proposals.

A weighted system is used to allocate the respective value of the various criteria. The weights may differ by project; however, price will usually carry the largest allocation. Pricing is evaluated and scored by Procurement using a mathematical formula. Solicitations generally request line-item pricing for each deliverable. Solicitations with multiple deliverables will also request scenario pricing consisting of a combination of the most commonly used goods/services within the individual line items. Although scoring is based on the scenario pricing, the line-item pricing is used by Procurement to validate prices when end users submit purchase requisitions.

M/WBE status is evaluated separately by the M/WBE Department. The other members of the evaluation committee work independently to score the remaining criteria such as quality and extent to which the goods or services meet the District's needs.

Evaluation committee meetings are held to inform committee members of the processes and procedures regarding how to conduct the evaluations. Scoring is conducted manually via individual Excel spreadsheets and then combined into a final tabulation where vendors are then ranked from highest scoring to lowest scoring. Individual scoring done by each committee member is kept anonymous.

Award

End users determine the number of vendors to recommend for award. If the spending threshold for board approval is met, the recommended vendors are presented to the board for approval. It should be noted that although a vendor is awarded, a purchase is not guaranteed until a valid purchase order is issued. As of October 2024, the District had 1,663 district solicited and awarded vendors in Oracle.

Contract Management

Setting Up the Contract - Contracts, also referred to as RFQs, are activated and maintained in the RFQ module in Oracle. An individual RFQ is set up for each solicitation as well as other types of contracts such as cooperatives, sole source, and contracts, which aren't required to be competitively bid. The RFQ is how Procurement manages the effective dates, renewals, authorized and category spending, and awarded vendors. As of October 2024, the District had 521 active RFQs with approximately $4.7 billion managed spend.

Processing Purchase Orders - Once the contract is activated, end users are able to initiate purchasing requisitions for the goods or services from the awarded vendors. Purchases can be initiated in different ways depending on the good/service, but typically they are initiated through a purchasing requisition, which is processed by Procurement and converted into a purchase order (PO). To determine available commodities and vendors, purchasing categories and awarded vendors are maintained on the District's website. This information is fed from the RFQ module. End users search the website either by category (good/service) or by vendor when initiating a requisition. Requisitions go through several layers of review and approval (depending on dollar threshold) prior to routing to Procurement where they are processed and associated with the applicable contract. Procurement processed approximately 40,000 purchase requisitions in fiscal year (FY) 2024.

Tracking Expenditures - Procurement currently tracks spending via various reporting tools. A dashboard, which pulls information from the RFQ and Purchasing modules in Oracle, provides a daily snapshot of active contracts and their associated spending. Alerts and flags allow Procurement to further track contracts that may be expiring soon or are running out of available spending. Reports are also utilized to track spending by category and by vendor to monitor compliance with the dollar thresholds.

Vendor Performance – Vendor performance is currently managed by the end users. Vendor history with the District is considered during the evaluation process.

Scope

The audit focused on current operations and included activity from FY 2024-2025 and FY 2023-2024. Certain other matters, procedures, and transactions outside that period were reviewed to understand and verify information during the audit period.

Objective

The objective of the audit was to evaluate the effectiveness, efficiency, and compliance of the District's procurement processes and determine if procedures are in place to make responsible purchases that align with district goals, meet end user needs, and provide the best value for the funds utilized.

Methodology

Auditors interviewed key personnel, conducted walkthroughs, and reviewed supporting documents to understand Procurement's processes and controls. Detailed audit procedures are noted below:

1. Sourcing –To determine if the District has processes in place to effectively solicit, evaluate, and award qualified vendors, auditors obtained a list of active RFQs/contracts as of October 2024 from Oracle noting 521 active contracts. From the active RFQs, auditors filtered for contracts over the $50,000 threshold that were created during FY 2024 and made a sample selection of eight contracts and performed the following:

    a. Scope of Work - To determine if specifications are sufficiently drafted to solicit goods/services that will meet the District's needs, auditors reviewed the statement of work documents to verify the following, where applicable:

        - Objectives and deliverables were detailed and clear.
        - Technical requirements were detailed and measurable.
        - Pricing requirements were provided.

        See Recommendation 1 in this report.

    b. Solicitation - To determine if solicitations are conducted to effectively identify qualified vendors, ensure fair and transparent competition, evaluate offers, and select the vendor that can supply the best value, auditors reviewed the solicitation process and documents to verify the following:

        - Effective methods are in place to identify and attract qualified vendors and communicate active solicitations.
        - Solicitations address the evaluation criteria outlined in TEC 44.031 and provide a structured way to evaluate offers based on predefined criteria such as price, technical capability, and past performance.

        See Recommendation 1 in this report.

    c. Evaluation - To determine if evaluation processes and procedures are in place to identify vendor(s) that can provide the best value in the most cost-effective manner, auditors conducted the following:

        - Compared the vendor proposal submissions notated on the bid receipt log to evaluation scorecards to verify all qualifying proposals were evaluated or properly disqualified.
        - Reviewed evaluation committee documentation to verify evaluation committees were composed of at least five members and included the appropriate departments knowledgeable of the goods or services being evaluated.
        - Compared the individual evaluation scorecards to the declaration statements retained to verify all evaluation committee members had signed declaration statements.

- Reviewed the evaluation score sheets to verify evaluations contained applicable criteria as required by TEC 44.031 as well as criteria aligned to the scope of work and solicitation.
- Reviewed vendor proposals to verify all solicitation requirements were addressed in the responses and were properly assessed on the evaluation score sheet.
- Recalculated evaluation scoring on individual scoresheets and final tabulations to verify accuracy.

See Recommendation 1 in this report.

d. Award - To determine if vendors were properly recommended and selected for award, auditors conducted the following:

- Verified the recommended vendors listed on the board document were selected based on evaluation tabulation scores and ranking.
- Verified vendors awarded submitted responses to qualify them for award.
- Verified vendors recommended and selected for award had sufficient evaluation scores.

See Recommendation 1 in this report.

2. Vendor Obligations – To assess if purchasing contracts, agreements, and terms and conditions clearly define vendor obligations and if processes are in place to monitor performance, auditors reviewed contract details for the sample selection noted in procedure 1 above and conducted the following:

a. Reviewed service agreements and verified they clearly outline the scope of work, roles, responsibilities, and expectations of each party.

No observations were noted; however, results were communicated to management.

b. Reviewed the District's standard terms and conditions to verify they address pricing, delivery terms, payment terms, unauthorized purchases, insurance, indemnification, data ownership, sub-contracting, right to audit, data confidentiality and privacy, and ethics and conduct, where applicable.

No observations were noted.

c. Auditors reviewed processes in place to monitor, measure, and report vendor performance, including whether key performance indicators were used to measure vendor performance activities.

No observations were noted; however, results were communicated to management.

3. Contract Management – To determine if contracts are effectively managed to ensure purchases made are in accordance with the agreement, provide the best value, and comply with applicable laws and regulations, auditors conducted the following:

a. Obtained active RFQ data as of October 2024 and conducted the following:

- Reviewed information for completeness and accuracy.
- Analyzed category coding structure by reviewing active contract by category.
- Analyzed awarded vendors by contract.

See Recommendations 3 and 4 in this report.

b. Reviewed the Procurement Dashboard as of November 6, 2024, to identify any spending that exceeded the authorized amount.

No observations were noted.

c. For the sample selection of contracts used in procedure 1 above, auditors compared contract information in the RFQ Module in Oracle to the information presented on the Board Documents to ensure information was aligned.

See Recommendation 2 in this report.

d. Obtained data showing invoices paid in FY 2024 and compared the invoice date to the PO date to identify purchases made without prior approval.

See Recommendation 5 in this report.

e. Obtained the Purchasing Analysis by Board Document Report for the eight sampled contracts in Section 1 as of October 30, 2024, and made a sample selection of 25 purchase orders from a total of 241 purchase orders and verified the following:

- Purchases made were bid and priced on the vendor's proposal.
- Quotes were obtained, where applicable.
- Purchases were allowable under the contract.
- Purchases were made within the contract dates.
- Purchases were accurately coded.

See Recommendation 2 in this report.

Primary criteria used for this audit were:

1) The Texas Education Code (TEC) § 44.031 Purchasing Contract, September 2013.
2) Texas Government Code (TGC) § 2254.003 Selection of Provider; Fees, September 2007.
3) Dallas ISD Board Policy CH - Purchasing and Acquisition (Local Policy), March 2023.
4) The Financial Accountability System Resource Guide (FASRG), Update 19, Module 5: Purchasing Section, 2024.
5) Council of the Great City Schools Best Practices in Urban Public School Procurement: Guidelines, Standards, and Lessons, October 2018.
6) The District's Procurement Process Guide, September 2024.
7) The District's Standardized Solicitation Pricing Response Section, 2024.

Audit Observations and Recommendations

Observation 1 – Inconsistencies in sourcing approaches to solicit, evaluate, and qualify vendors for award.

Condition

Auditors reviewed sourcing documents including the statement of work specifications, solicitations, vendor proposals, and evaluation and award documents for a sample selection of purchasing contracts and noted the following issues:

1. Inadequate solicitation of vendor qualifications – Instances where solicitations did not include ways to properly verify vendor qualifications, experience, product quality, or competence; as such, evaluations did not consider if vendors could meet the District's needs.

2. Vendor proposals did not meet solicitation requirements – Auditors noted the following instances in which vendors did not submit the requirements for the proposal but were evaluated, ranked, and awarded:

    - Requested pricing was not provided.
    - Other requirements such as licenses, certifications, or proof of qualifications were not provided.
    - Service agreement letters were not signed.

3. Improper evaluation of pricing including the following:

    - Inconsistent methods for using line item pricing vs scenario pricing - Instances where some vendors were evaluated using the line item pricing submissions and others were scored on the scenario pricing submissions for the same solicitation. This included both instances where the vendor did and did not submit the applicable scenario pricing.
    - Instances where prices evaluated were not consistent with what was submitted in the proposal or any applicable addendums.
    - Total long-term cost was not always considered as a part of the solicitation or evaluation. Instances were noted in which solicitations and responses only requested the base unit price when other elements such as ongoing operational and maintenance expenses affecting total cost should have also been considered when scoping, soliciting, and scoring price.

4. Inability to determine how quality and other required criteria were considered in the evaluations – Auditors noted instances in which detailed specifications and requirements for deliverables were included in the solicitations and vendor responses but did not appear to be considered in the criteria on the evaluation scorecard. Additionally, auditors noted instances where the required criteria were listed and scored on the evaluator scorecards; however, it was unclear what evaluators were using as a basis to evaluate the more subjective criteria such as quality or meets District needs.

5. Improper evaluation of catalog discounts – Instances were noted where catalog discount was evaluated as its own category, rather than a sub criterion for price. For example, when

soliciting vendors for custodial supplies, equipment, and repairs, catalog discount was offered as its own line item and evaluated as a separate category, although the items in the catalog may have also aligned to the other items solicited. Additionally, auditors were unable to determine what items or pricing the catalogs provide and therefore unable to determine how pricing is verified at the time of purchase.

6. Inconsistencies in qualifying or disqualifying vendor proposals – As noted in #2 above, auditors identified instances where required pricing or qualifications were not submitted, but vendors were still evaluated, ranked, and awarded. Auditors also noted instances where all required information appeared to be submitted, but the vendor was not evaluated. No justification was documented to explain why the vendor was disqualified.

7. Insufficient documentation to determine proper composition of the evaluation committee:

    - Missing declaration statements or other supporting documentation to verify who served on the evaluation committee.
    - Declaration statements were not signed or dated to establish no conflicts of interest exist prior to the evaluation or Board Document finalization and award.
    - Evaluation committee members documented on the Board Documents did not agree to evaluation tabulations.

8. Data entry and calculation errors on the evaluation scoring tabulations including instances where ranking was and was not affected.

Cause

Manual and cumbersome sourcing processes have led to many of the issues noted above. While Oracle sourcing has been implemented, much of the process is still done outside of the system, and documentation is maintained in a combination of paper-based bid files, Oracle, and individual electronic file folders. Additionally, sourcing processes are inconsistent amongst buyers, and there does not appear to be effective or efficient monitoring in place to ensure solicitations are adequately scoped, evaluation criteria are properly determined, and scoring is accurate, reasonable, and consistent.

The vendor solicitation and bid response process, while available electronically, is often lengthy, redundant, confusing, and lacks clarity causing inaccurate and inconsistent information to be submitted. The District regularly uses line item pricing for solicitations, which often consists of an excessive number of lines for the vendor to complete and for the buyers to manually consolidate for the evaluation tabulations. It can be overwhelming for vendors to ensure all line items are complete as well as for buyers to ensure they are using the correct price for each item/scenario.

Additionally, solicitations for goods and services can vary significantly depending on the need. Extensive market research, an understanding of the subject matter, and a high level of critical thinking is often required to determine best ways to solicit and evaluate the more subjective criteria such as quality and ability to meet the District's needs. Lack of effective training for buyers along with high buyer turnover appear to be contributing to evaluation scoring not aligning to or considering the specifications detailed in the solicitation as well as evaluation criteria not truly representing areas such as quality and ability to meet the District's needs.

Effect

Insufficient documentation and scoring errors/inconsistencies can result in unfair awards increasing legal, compliance, and reputational risks for the District. Additionally, the lack of comprehensive specifications and solicitations, along with improper evaluation and awarding processes, may prevent the District from obtaining goods or services that meet its needs or provide the best value.

Recommendation 1

For a more effective and efficient sourcing process, Procurement Services should consider implementing an end-to-end electronic sourcing solution to facilitate a more automated method to scope, solicit, evaluate, and award vendors. Pursuant to the issues noted above, the following are specific areas to consider when implementing a system and automating the processes and controls:

Scope of Work and Solicitation Workflow

- Scopes of work and solicitations should be drafted in the sourcing system where workflows, reviews, and approvals can be efficiently conducted and documented.

Proposal Submissions

- All vendor proposals should be submitted and or maintained in the sourcing system/application of record. Automated controls should be implemented to ensure all proposals are accounted for through the sourcing process.

- The proposal submission process should be streamlined to be more user friendly for both the vendors and the buyers. Some examples include, but are not limited to:

    - Replace the detailed version of the District's standard terms and conditions from the proposal with a check box for the vendor to confirm they have read and agree to the standard terms and conditions listed on the District's website.
    - Minimize the number of fields to request only relevant information.
    - Develop solicitation questions to generate a simple yes/no response when possible.
    - Use dropdowns to obtain standardized information across all submissions.

- Automated controls should be implemented to ensure vendors submit required information. Examples include:

    - Requiring a value to be input in fields such as pricing scenarios.
    - Responses to questions that are needed to evaluate criteria such as "ability to meet the District's needs".
    - Attachment uploads for any required documents such as licenses, certificates, etc.

- After the submission process is streamlined and automated, reporting tools can be used to better review and manage vendor proposals.

Evaluation Criteria

- Solicitation questions should be crafted to enable evaluators to assess and rate how well a vendor can provide goods or services that meet the District's needs and offer the best value. As purchasing needs often vary, fully standardizing this process is challenging. Therefore, continuous buyer training should focus on developing proper solicitation questions and evaluation criteria.
- Solicitation questions and responses should be automatically incorporated into the evaluation where possible.
- Scorecards should clearly document details for how subjective criteria and sub-criteria are evaluated within the system. Consider adding an approval workflow for more senior staff to review as this is an area that is difficult to standardize.
- Automated controls should be implemented to ensure consistent methods are used to evaluate pricing.
- When applicable to the RFP, vendors offering a catalog discount should be given points as sub-criteria to price, rather than as a standalone category. System controls should also be implemented to ensure vendors submit the catalog and item pricing.
- Evaluation criteria should be reviewed and approved by the end user and Procurement Services prior to solicitation. Review and approval workflows should be conducted and documented within the system/application.

Scoring and Ranking

- All evaluation scoring should be conducted in the system, including pricing evaluations completed by the buyers (or potentially automated) and other criteria and sub criteria completed by the evaluation committee.
- Members of the evaluation committee should have individual logins, usernames, etc.
- Declaration Statements should be completed, tracked, and stored within the system. Automated controls could be implemented to ensure the evaluators sign the declaration statement prior to completing evaluation tabulations.
- Scores should be calculated by the system using applicable formulas to avoid manual user errors and omissions.
- Reports or alerts should be configured to identify any anomalies.
- Rank should be automatically generated by the system based on scores.
- System controls should be implemented to ensure scores cannot be manipulated.

Proposal Disqualification/Rejection

- To enhance consistency in bid proposal rejections, more specific criteria should be determined for what will qualify for rejection of a proposal. Both pricing and procedural requirements should be considered when defining the criteria; (For example, if the submission does not include line item pricing and/or scenario pricing for items required, the proposal will automatically be rejected. If licenses are a part of the solicitation requirements but are not submitted, the proposal should be rejected). Buyers should be trained on the criteria and the disqualification process to promote consistency.
- Criteria for disqualification should be documented and clearly communicated to vendors as a part of the solicitation process.

- To ensure disqualification of vendor proposals is appropriate and consistent, all rejections should take place in the system. When possible, system controls should be implemented to automatically reject proposals that do not meet the determined criteria.
- Where system controls cannot be utilized or applied, justifications for rejection should be documented, reviewed, and approved.

Risk Level for Observation 1: High[1]

Management Response

Acknowledgement of observation:

☒ Agree
☐ Disagree

Management Response: Procurement purchased a new electronic bidding software (Bonfire) that will automate the solicitation process. With the elimination of several manual and redundant processes, buyers can strategically source and provide guidance in the specification writing process.

Estimated Implementation Date: August 2025

Individuals responsible for implementation: Executive Director of Procurement

Observation 2 - Issues with purchasing and contract data reliability and inability to properly track spending.

Condition

During review of RFQ/contract and purchasing data, auditors noted the following issues:

RFQ/Contract Data

- Contract information in the Oracle RFQ module did not match information presented to the board or was missing critical information including awarded vendors and category codes
- RFQs with inactive supplier sites
- Inaccurate bid type
- RFQs closed prior to their term date; it was noted that some of these were closed temporarily and later reopened

Purchasing Data

- POs placed on the wrong RFQ/contract
- PO pricing could not be verified against the contract pricing
- POs placed on a contract outside the active contract dates
- POs placed on a contract with no remaining spending

[1] See Attachment 1 for Definition of Risk Level.

- POs using the incorrect category
- POs with the incorrect accounting code
- POs with inaccurate units and/or unit pricing

Cause

Manual processes, lack of automated controls, and a high volume of transactions have led to user errors or manipulation. Additionally, buyer turnover, lack of standard processes, and ineffective buyer onboarding and continuous training have contributed to these issues. Below are specific details of the current processes that have likely allowed for some of these issues to occur:

Contract Data

- Contract information is not integrated with sourcing information; as such, contract information such as awarded vendors and category codes must be manually added to the RFQ module in Oracle. When multiple vendors are awarded, it is easy to miss adding them to the RFQ/contract. Although review and approval processes are in place to ensure RFQ information is accurate, the data can be altered after the board approval date with no audit trail of what changes were made, who made them, or when.

Purchasing Data

- Purchases are not automatically tied to contracts; as such, POs and the associated spending is manually added to contracts by buyers. There are often multiple contracts under a single category code, and many of these contracts have the same vendors awarded, making it difficult for buyers to know which contract to associate the purchase (see Observations 3 and 4 for further details on this issue).
- Line items and pricing submitted on requisitions are manually verified against sourcing documents by buyers. Pricing schedules are not currently detailed in the system but rather in attachments, paper bid files, or on shared drives.
- Contract spending is monitored via reporting tools rather than automated controls allowing room for purchases to be placed on contracts with no remaining spending.
- Buyers must manually review requisitions for account codes, category codes, units, unit pricing, etc. Although automation has been implemented to address certain account coding concerns, there is still significant room for user error and circumvention.

Effect

The issues identified above can lead to numerous compliance risks related to procurement regulations, as well as accounting and financial reporting issues. However, the primary effect of these data integrity issues is the inability to properly track and assess spending. Lack of reliable contract information makes it difficult to properly manage terms, spending, authorizations, etc. Without accurate purchasing records, it is challenging to determine where funds are actually expended, identify historical trends, make accurate future forecasts, uncover cost-saving opportunities, and better align purchasing functions with the District's mission, goals, and strategies.

Recommendation 2

Procurement Services should review all active RFQs to ensure information is accurate. On a go forward basis, Procurement Services should simplify and further automate the purchasing

process by implementing more integrated purchasing solutions and automated application controls where viable. Below are some specific suggestions of application and other controls to be considered:

RFQ/Contract System Controls

- If an electronic sourcing solution is implemented, as recommended in Observation 1, applicable information from the sourcing documents should be integrated with the Oracle RFQ module including awarded vendors and rank, contract term dates, category codes, authorized spending, etc. If integration is not viable, system controls within the RFQ module should be implemented to require filling of fields such as vendor and category. An additional control would be to add a review and approval workflow within the system to ensure the information is correct prior to submission or finalization.
- Restrict the ability to make changes to information in the RFQ subsequent to board approval. Implement audit trails and monitor for changes to significant or high-risk fields.
- Create alerts for inactive supplier sites that are on active contracts.
- Restrict the ability to close RFQs prior to the end date.

Requisition/PO System Controls

- Consolidate the number of contracts with the same category code and vendor. Where viable, automate the process for linking purchases directly to the contract. If automation is not viable, other controls should be considered such as restricting the ability to place POs on an RFQ/contract where the category and vendor do not match.
- Restrict ability to place POs on contracts prior to the start date or on expired contracts or contracts with no funds remaining.
- Automate the validation of pricing by detailing items and pricing from sourcing in the purchasing system. Allow end users to view pricing information to facilitate best value selection. Requisitions should then be submitted in a format that allows the system to automatically verify pricing based one sourcing details.

Additionally, Procurement Services should take the following steps to improve processes and reduce errors:

- Develop a comprehensive onboarding program for new buyers to ensure they understand all procedures and expectations from the start.
- Create a robust monitoring system to identify common inaccuracies in procurement activities. Use this data to develop targeted training programs aimed at preventing these errors.
- Analyze the number of PO approvers and clearly define what information each approver should be reviewing.
- Create simplified checklists and cheat sheets to help buyers avoid common mistakes. Ensure these tools are clearly communicated and regularly updated based on feedback and observed errors.
- Provide ongoing training sessions to keep buyers updated on best practices and any changes in procedures. Focus on areas where errors are most frequent to continuously improve accuracy and efficiency.

Risk Level for Observation 2: High[2]

Management Response

Acknowledgement of observation:

☒ Agree
☐ Disagree

Management Response: Procurement is working with EdTech building a RFQ Apex that will remove manual processes and add additional controls such as approval workflows and audit trails. Additionally, the application will allow for RFQ data to be locked after finalization preventing any improper changes to critical information from occurring after Board approval. We are also initiating a process in Oracle to hard code pricing in the system and to eliminate the need for manual price verification after award. This enhancement will decrease redundant contracts and ensure purchase orders are placed on the correct contract.

Estimated Implementation Date: June 2026

Individuals responsible for implementation: Executive Director of Procurement

Observation 3 – Instances of awards and purchases that do not consider best value.

Condition

Auditors reviewed active RFQ data as of October 2024 noting 292 active contracts, which were competitively bid. Of the 291 contracts, 224 had more than one vendor awarded, including contracts where only one vendor would be needed to supply the goods or perform the services. Auditors attempted to analyze the allocation of spending on contracts with multiple awards to assess the need for several vendors. Auditors were unable to readily access this information as Procurement does not track spending in this manner.

Additionally, auditors noted instances where vendors were awarded although they had poor evaluation scores. For example, auditors reviewed an RFP where five vendors submitted proposals and were evaluated. Three of the vendors received average scores of less than 50 points and two of the vendors did not receive any points for price; however, all five vendors were awarded. Procurement provides an evaluation methodology to the evaluation committee pursuant to which vendors with less than 50 points are considered “unacceptable”.

It was also noted that purchases often do not consider rank when multiple vendors are awarded. In several of the RFPs reviewed, auditors noted that purchases were made from vendors that were not the top ranked vendor. For example, for an RFP involving custodial supplies, 100 cases of Maui Mist deodorizer were purchased for $7,400 from catalog vendor that did not bid on this item. However, the top ranked vendor that did bid on Maui Mist would have had a cost of $5,600 for the same order. On another RFP reviewed for lawn equipment, zero turn mowers were purchased from the fifth ranked vendor, but the first ranked vendor was over $4,000 cheaper per mower. Auditors attempted to analyze the purchases made by vendor rank for all active RFQs to

[2] See Attachment 1 for Definition of Risk Level.

determine if the top rank vendors were being utilized most of the time. Auditors were unable to easily access this information as vendor rank is not input into Oracle. To see vendor rank, the evaluation tabulation attachments for each RFQ must be manually accessed and reviewed.

Cause

There are currently no policies, processes, or procedures specifically for determining appropriateness of awarding multiple vendors. Although there are situations where multiple vendors would need to be awarded, Procurement allows the end users to select the number of vendors they would like to recommend for award without considering if multiple vendors are needed.

While evaluators are provided a rubric to translate numeric scores to a representation of quality (i.e., score 90-100 for Excellent responses and 0-59 for Unacceptable responses), there are currently no requirements, standards, or guidelines for awarding vendors that receive poor scores. After the evaluation, all scores from the evaluation committee are averaged and vendors are ranked from highest to lowest. The end user is then asked which vendors from the ranking they wish to award. Based on review of selected RFPs and discussions with Procurement, it is a common occurrence for all bidding vendors to be awarded regardless of the score and rank received.

Additionally, the ranking of awarded vendors is not easily accessible to end users when making purchases, which makes it difficult for them to identify and purchase from the top ranked vendor.

Effect

It is difficult to achieve best value when large pools of vendors are awarded. Awarding multiple vendors can often undermine the intent of the competitive bidding process, and awarding all vendors who submit proposals regardless of their ability to meet the District's needs or provide best value negates the purpose of the competitive bidding process altogether. As end users cannot see the ranking of vendors when making purchases, they may choose vendors that do not provide the best value.

Recommendation 3

To ensure purchases are competitive and provide the best value to the District, Procurement Services should consider the following:

- Limit vendor awards **-** Award contracts to a smaller, more manageable number of vendors who clearly meet the District's needs and provide the best value. Use historical purchasing information and best practices to develop standards or guidelines for when multiple vendors should be considered.
- Enhance vendor ranking visibility – Implement a system that allows end users to see vendor rankings based on their ability to meet the District's needs and provide value. This can guide users in making more informed purchasing decisions.
- Review purchases by vendor rank – Implement a process to periodically review purchases alongside the ranking of vendors to ensure the District is making purchases that provide the best value.
- Prevent low scoring vendors from being awarded – Develop guidelines for awarding vendors with poor evaluation scores. In the event poorly scored vendors are awarded,

justifications should be provided and presented to the board within the Board Documents.
- Regular review and adjustment – Continuously review and revise the vendor awarding process to ensure it aligns with the District's goals and provides the best value.

Risk Level for Observation 3: High[3]

Management Response

Acknowledgement of observation:

☒ Agree
☐ Disagree

Management Response: Multiple awards will require end user justification on the need that will have to align with vendor's ranking and scores. Vendors that receive a score less than 50 points should be deemed unacceptable and not awarded.

Estimated Implementation Date: June 2026

Individuals responsible for implementation: Executive Director of Procurement

Observation 4 - The District could benefit from more strategic management of the procurement function.

Condition

OIA reviewed the District's active RFQs as of October 2024 noting multiple contracts were in place for the same category, with both overlapping goods/services solicited and vendors awarded. Out of the 159 categories with active RFQs, 105 had more than one active contract. OIA drilled down into the contract details for selected categories and noted instances where multiple contracts were in place for the same goods/services. It was also noted that some of these contracts utilized the same vendors.

Additionally, auditors noted instances of RFQs solicited using the same category where the goods/services were substantially different from one another and would be better served by being separated into individual categories or subcategories.

Cause

The issues noted above can be attributed to the following:

Gaps in how spending is tracked/analyzed – Inefficiencies and gaps in how Procurement is currently tracking spending has led to redundant contracts. Multiple reports are utilized to monitor spending for compliance, but no analysis is performed to assess purchasing habits and trends for the District as a whole and identify opportunities for consolidation and savings. As an example, Procurement utilizes reports to monitor the use of non-awarded vendors and spending approval

[3] See Attachment 1 for Definition of Risk Level.

thresholds. However, there is currently no way to efficiently review historical spending by category by contract by vendor to facilitate more strategic sourcing.

Inadequate category code structure – While the District has implemented category codes as one mechanism to track expenditures, they are utilized primarily as a tool to monitor compliance and have not been configured to truly manage and assess overall spending in a meaningful way. Categories are broad and are not always fully indicative of what their associated contracts entail nor of what is being purchased. Currently, the District uses a 5-digit category code to group purchases at a high level. The goods/services being purchased may ultimately fall under the broad category but may be for substantially different types of items or services. Additionally, categories are often set up to track goods/services by department or use rather than by the commodity being purchased.

Absence of a strategic procurement function – Procurement activities are often conducted in a fragmented manner, with individual departments contacting Procurement to source similar goods and services. Procurement's current approach is to assist departments and campuses to legally make purchases based on their individual needs, rather than to strategically source purchases in a manner that consolidates sourcing, leverages bulk purchasing, robustly monitors vendor performance, and aligns with districtwide goals and objectives.

Effect

The presence of multiple contracts for the same category creates several issues such as increased administrative costs and inefficiencies due to management of multiple contracts. The existence of multiple contracts complicates contract management and oversight, making it difficult to ensure compliance and performance. It also allows for lack of consolidated purchasing power, which may result in higher costs, as the District cannot leverage bulk purchasing discounts.

Additionally, RFQs under the same category but providing substantially different goods/services can lead to confusion and misalignment with the District's needs, reducing the effectiveness of procurement efforts and ability to properly track spending.

Recommendation 4

- Procurement Services should analyze active contracts to determine areas where redundancy occurs and consider the possibility of consolidation. Procurement could then renegotiate prices with more significant vendors to potentially generate savings for the District. In the longer-term, Procurement should adopt a strategic sourcing strategy that optimizes total cost of ownership while ensuring the District has adequate access to critical goods and services.

- Procurement Services should consider expanding the category coding structure to reflect District spending more accurately. The coding structure could be formatted using sub-categories that consolidate into broader categories for reporting purposes. When restructuring the category codes, Procurement Services should collaborate with Accounting and Budget Services as well as any other affected departments to determine the best method. Procurement Services should consider utilizing a standard category structure to facilitate benchmarking across other districts.

- After the category code structure has been enhanced, reporting tools utilizing data-driven metrics should be developed to analyze spending and facilitate more strategic purchasing.

- Additionally, Procurement Services should reimagine their department and shift from operating solely as a compliance function to a more strategic focus on adding value to the District. Considerations for ways to achieve this include:

    - Reform the strategic procurement plan to align the department's goals, activities, and resources with the District. This strategy should guide all procurement activities and warrant a cohesive approach. Prior to developing the plan, conduct a SWOT analysis to identify current positives and negatives.
    - Identify best practices that make sense for adoption to enhance the District's cost management, supplier performance evaluation, and sourcing operations by benchmarking with other districts and networking with subject matter experts.
    - Implement strategic sourcing techniques focused on total cost of ownership across the District to maximize the value of dollars spent. This should incorporate data analytics to identify cost saving opportunities and make better informed decisions.
    - Implement supplier scorecards with input from internal customers to enhance the value contributed by vendors, detect performance deficiencies, and facilitate effective contract performance management.
    - Expand stakeholder involvement by incorporating cross-functional collaboration to improve productivity and efficiency and reduce the likelihood of redundant contracts.
    - Implement comprehensive training to equip procurement staff with the skills needed to execute the department's strategic vision. This training should include change management elements to facilitate the department's culture shift from being transaction based to focusing on outcomes. Training will likely be required in areas such as data analysis, strategic thinking, relationship management, and procurement best practices.
    - Measure and monitor progress by establishing KPIs to track the effectiveness of the department and make adjustments as needed. This should also include evaluating progress made in achieving the goals and objectives outlined in the strategic procurement plan.

Risk Level for Observation 4: High[4]

Management Response

Acknowledgement of observation:

☒ Agree
☐ Disagree

Management Response: Procurement is reviewing existing category codes to assess if expansion is needed. The current broad category codes do not allow buyers to adequately track spending and strategic source goods and services for the district. There will need to be a culture shift to allow Procurement to consolidate procurements rather than relying on end users to initiate/manage procurement. Procurement will provide trainings to district leadership on the procurement overview process and how leveraging district contracts will provide cost savings for the district. Historical spend analysis will show how much the district is currently spending by

[4] See Attachment 1 for Definition of Risk Level.

contract. This data will show the potential savings once designated contracts are consolidated. EdTech is working to enhance the procurement dashboard to better track spend by category code, vendor, and contract.

Estimated Implementation Date: June 2026

Individuals responsible for implementation: Executive Director of Procurement

Observation 5 - Instances of unauthorized purchases.

Condition

During review of purchasing data, auditors noted instances of purchases made without prior authorization in Oracle. Specifically, cases were identified where invoices were received for goods and services already obtained and then retroactively routed through the purchasing approval process in Oracle.

Additionally, auditors found instances where invoices were received for POs with no remaining funds. In these cases, new requisitions were subsequently routed through the purchasing process to pay the invoices.

Auditors attempted to verify how often purchases are made that do not have prior authorization in Oracle; however, were unable to obtain data as this information is manually tracked.

Although OIA noted instances in which pre-authorization was not documented in Oracle, the purchases associated with the exceptions identified appeared to be legitimate District spending.

Cause

Unauthorized purchases occurred due to a lack of understanding, adherence to, and enforcement of the procurement policy. The current policy does not allow requisitions to be approved after the purchase has taken place; however, this does not appear to be fully understood or consistently enforced.

The District has an integrated procurement system that links purchase orders, receiving documentation, invoices, and payments; however, the system is not always utilized as designed. Currently, vendors submit invoices in multiple ways, including directly to iSupplier, which is the preferred method because vendors are forced to associate invoices with purchase orders and receiving documentation. Unfortunately, most invoices are submitted to the Accounts Payable (AP) Department or end user via email or mail. When an invoice is submitted to AP or the end user, AP must manually associate the invoices to a PO and the receiver. If there is not an open PO, AP will send to Procurement to be subsequently routed through the purchasing approval process prior to payment. Procurement does require end users to fill out an unauthorized purchase form; however, this is a manual form making it difficult to conduct analysis on repeat offenders and hold them accountable to the procurement policies in place.

Effect

Unauthorized purchases or purchases that circumvent the preapproval process can lead to potential financial losses, increased risk of non-compliance with procurement regulations, and a lack of accountability and transparency in the procurement process.

Allowing invoices to be submitted in various manners has created unnecessary administrative burden on the AP Department, who often must do extensive research to determine what the expenditure is for. It has also led to late payments causing compliance issues with the Texas Prompt Pay Act. Furthermore, it allows for the system controls, such as three-way match, to be circumvented leading to an increased risk of unallowable expenditures.

Recommendation 5

- Procurement Services should determine how frequently goods/services are obtained without preauthorization to better understand reasoning and best determine any needed corrective actions.

- To minimize unauthorized purchases and provide for a more efficient payables process, Procurement Services should consider requiring all applicable vendors to submit invoices through iSupplier and place on active purchase orders. This would force the vendor to adhere to the policy as they must have a preauthorized and matching purchase order to attach an invoice to along with the receiving documentation.

- Procurement Services should clearly define and document exceptions for vendors that are not required to submit invoices through iSupplier. For instances where it is not viable to have vendors submit through iSupplier, Procurement Services should consider implementation of the following:

    - Reinforce the basic principles of the District's procurement policy with end users by focusing on the importance of obtaining prior approval for any expenditure to be made with District funds. Include specific steps outlining the process to submit a purchase requisition in Oracle prior to placing an order with a vendor and include the contact information for Procurement Services to direct questions.
    - Develop reporting or other monitoring tools to review when purchases are made without preauthorization. Identify repeat offenders and provide additional training on purchasing policies and procedures, including ramifications for both end users and the District.
    - Enhance the cadence of communicating the procurement policy for unauthorized purchases to vendors and end users. The policy is documented in the District's Standard General Terms and Conditions. Vendors must agree to the terms and conditions only at the time of bid or upon issuance of a PO. Notification of the policy for unauthorized purchases should be given at the time of registration as not all vendors paid submit bids. More frequent communication should be considered, including encouragement to utilize iSupplier for invoice submissions along with the message that invoices associated with unauthorized purchases might not be paid.
    - Enforce the policy of nonpayment to vendors who repeatedly do not adhere to the policy.

Risk Level for Observation 5: Medium[5]

Management Response

Acknowledgement of observation:

☒ Agree
☐ Disagree

Management Response: All unauthorized transactions are reported to the Chief Financial Officer. Anyone creating or authorizing such a commitment may be personally liable for payment of such agreement. Any disciplinary action is the responsibility of the supervisor. Procurement is working with EdTech on a report to assess how frequently end user departments are circumventing procurement processes. This report will also identify departments that repeatedly failed to follow procurement processes.

Estimated Implementation Date: December 2025

Individuals responsible for implementation: Executive Director of Procurement

[5] See Attachment 1 for Definition of Risk Level.

Conclusion

Implementation of the recommendations in this report could assist the District in having more effective sourcing processes, efficient purchasing processes, and a unified procurement strategy to allow for goods and services to be obtained that meet the District's needs and provide the best value.

We would like to thank Procurement Services for their cooperation and assistance with this audit.

The audit was conducted in accordance with the Institute of Internal Auditors' *Global Internal Audit Standards.* Those standards require OIA to plan and perform the audit to obtain sufficient, reliable, and relevant evidence to provide a reasonable basis for our observations and conclusions based on our audit objectives. OIA believes the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

Respectfully submitted,

Robert Rubel

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Karyn Pfeffer, CPA Internal Auditor II

Attachment 1

Definition of Risk Level

Risk Level	Definition
High	These risks could directly impact achievement of a strategic or important operational objective of the District. There is a high probability of occurrence that would significantly impact the District and/or have a significant financial, reputational, or compliance risk.
Medium	Risks are considered to be undesirable and pose a moderate level of risk exposure to District operations. Without appropriate controls, the risk will happen on a consistent basis.
Low	The risks are considered to be undesirable and could moderately expose the District. Without appropriate controls, the risk will occur some of the time.

Management Response

Observation 1 – Inconsistencies in sourcing approaches to solicit, evaluate, and qualify vendors for award.

Acknowledgement of observation:

☒ Agree
☐ Disagree

Management Response: Procurement purchased a new electronic bidding software (Bonfire) that will automate the solicitation process. With the elimination of several manual and redundant processes, buyers can strategically source and provide guidance in the specification writing process.

Estimated Implementation Date: August 2025

Individuals responsible for implementation: Executive Director of Procurement

Observation 2 – Issues with purchasing and contract data reliability and inability to properly track spending.

Acknowledgement of observation:

☒ Agree
☐ Disagree

Management Response: Procurement is working with EdTech building a RFQ Apex that will remove manual processes and add additional controls such as approval workflows and audit trails. Additionally, the application will allow for RFQ data to be locked after finalization preventing any improper changes to critical information from occurring after Board approval. We are also initiating a process in Oracle to hard code pricing in the system and to eliminate the need for manual price verification after award. This enhancement will decrease redundant contracts and ensure purchase orders are placed on the correct contract.

Estimated Implementation Date: June 2026

Individuals responsible for implementation: Executive Director of Procurement

Observation 3 – Instances of awards and purchases that do not consider best value.

Acknowledgement of observation:

☒ Agree
☐ Disagree

Management Response: Multiple awards will require end user justification on the need that will have to align with vendor's ranking and scores. Vendors that receive a score less than 50 points

should be deemed unacceptable and not awarded.

Estimated Implementation Date: June 2026

Individuals responsible for implementation: Executive Director of Procurement

Observation 4 – The District could benefit from more strategic management of the procurement function.

Acknowledgement of observation:

☒ Agree
☐ Disagree

Management Response: Procurement is reviewing existing category codes to assess if expansion is needed. The current broad category codes do not allow buyers to adequately track spending and strategic source goods and services for the district. There will need to be a culture shift to allow Procurement to consolidate procurements rather than relying on end users to initiate/manage procurement. Procurement will provide trainings to district leadership on the procurement overview process and how leveraging district contracts will provide cost savings for the district. Historical spend analysis will show how much the district is currently spending by contract. This data will show the potential savings once designated contracts are consolidated. EdTech is working to enhance the procurement dashboard to better track spend by category code, vendor, and contract.

Estimated Implementation Date: June 2026

Individuals responsible for implementation: Executive Director of Procurement

Observation 5 – Instances of unauthorized purchases.

Acknowledgement of observation:

☒ Agree
☐ Disagree

Management Response: All unauthorized transactions are reported to the Chief Financial Officer. Anyone creating or authorizing such a commitment may be personally liable for payment of such agreement. Any disciplinary action is the responsibility of the supervisor. Procurement is working with EdTech on a report to assess how frequently end user departments are circumventing procurement processes. This report will also identify departments that repeatedly failed to follow procurement processes.

Estimated Implementation Date: December 2025

Individuals responsible for implementation: Executive Director of Procurement

Attachment 3

Criteria by Observation

Observation 1 - Criteria

The Texas Education Code (TEC) § 44.031 Purchasing Contract, September 2013.

(b) Except as provided by this subchapter, in determining to whom to award a contract, the district shall consider:

1. the purchase price,
2. the reputation of the vendor and of the vendor's goods or services,
3. the quality of the vendor's goods or services,
4. the extent to which the goods or services meet the district's needs,
5. the vendor's past relationship with the district,
6. the impact on the ability of the district to comply with laws and rules relating to historically underutilized businesses,
7. the total long-term cost to the district to acquire the vendor's goods or services,
8. for a contract for goods and services, other than goods and services related to telecommunications and information services, building construction and maintenance, or instructional materials, whether the vendor or the vendor's ultimate parent company or majority owner:
    a. has its principal place of business in this state; or
    b. employs at least 500 persons in this state; and
9. any other relevant factor specifically listed in the request for bids or proposals.

The Financial Accountability System Resource Guide (FASRG), Update 19, Module 5: Purchasing Section, 2024:

- 5.12.1 The Definition of Best Value - Best value can be better defined as a means to make an award of a procurement other than solely based on price alone, though price may be considered a high-level concern. To determine which criteria should be considered the most important, weights or points can be assigned to each criterion based on how important it is. Each solicitation is unique so modifications will be made to the criteria used and the points assigned to each. The use of 100 points is a good standard to follow.
- 5.12.1.1 Weighted Pricing -The purchasing office should establish a formula to determine how price points will be assigned. The most objective way to do this is to make the points correlational by dividing the price bid by the lowest price of all responsive bids and multiplying the number by the points assigned.
- 5.14.2 Selection - The district should select the offeror that offers the best value for the district based on the published selection criteria and its ranking evaluation.
- 5.31.1 Request for Qualifications - The highest ranked firm is to be identified on a basis of demonstrated competence and qualifications.
- 5.49 Accurate recordkeeping and documentation should be a fundamental element of the procurement process. Precise and systematic recordkeeping and records management withstands the constant scrutiny of various interest groups including vendors, the public,

and outside agencies as well as internal groups that are the users or customers of the purchasing system.

Council of the Great City Schools October 2018 Best Practices in Urban Public-School Procurement: Guidelines, Standards, and Lessons, October 2018.

- In an RFQ, a questionnaire can be a useful way to organize your RFQ. Additionally, you can ask suppliers to upload documents or certificates to support their responses.
- In an RFP, the best practice is to provide guidelines to prospective proposers regarding the format, content and organization of information/ documents submitted as the proposal. Instruct proposers to sequentially address each element of the RFP specification, and likewise each element of the evaluation criteria.
- Offers are to be evaluated based solely on what's been submitted in response to the RFP requirements.
- When evaluating criteria other than price/cost, all proposals must have met the procedural requirements and formalities, as well as the mandatory substantive requirements. Once this has been verified, the evaluation team examines the submitted documentation according to the specific RFP evaluation criteria, using the relative scales and weightings defined in the RFP.
- Reasons for rejecting a proposal for noncompliance (non-responsiveness) must be clearly explained and documented in the evaluation report and communicated without delay to the affected proposer. Best practice is to have decisions to reject proposals ratified by your district's attorney.
- Shift the focus away from looking only at the purchase price and expand it to understand the total cost of owning, using, and disposing of a product or service. Total Cost of Ownership mentality involves the team's understanding that the true cost of any product or service consists of: acquisition cost + operating cost + maintenance cost + training cost + warehousing cost, less any salvageable value.
- Establish a contractual agreement (Service Level Agreement) that clearly defines the performance expectations; the consequences of under-performing or over-performing; the specific trigger points, conditions, and process for remediation; and ownership of the supplier performance within the district and the supplier.

The District's Standardized Solicitation Pricing Response Section, 2024.

- "No Bid" or $0.01 must be entered for each item not being bid. All pricing shall be firm at the time of a sale during the life of the contract and must conform and comply with the proposed pricing in response to this solicitation. The vendor cannot respond as a "No Bid" on all lines but provide a discount only, this will deem your response as zero (0) for points on the evaluation.
- If evaluation scenario is presented, the Vendor must complete, or this will deem your response as a zero (0) for points on the evaluation. If the specifications require "Line Item" or unit pricing, the Proposal must include a specific not-to-exceed price for the unit of measure specified for that item. Proposer is responsible for clearly noting any differences in proposed packaging and/or units of measure.

The District's Procurement Process Guide, September 2024 - Provides instructions to buyers.

- The evaluation committee should not be comprised only of the End-User's department. A minimum of 5 and maximum of 7 evaluators listed, with at least two alternative staff.

- The buyer submits a declaration statement to each evaluator including M/WBE. The buyer reviews the form to confirm completeness, that no conflict exists, and for a signature.

Observation 2 - Criteria

The Financial Accountability System Resource Guide (FASRG), Update 19, Module 5: Purchasing Section, 2024.

- 5.52.3 Flow of Requisitions - Each requisition should be reviewed for accuracy, availability of funds, adequate description, proper account coding, overall completeness, and proper signatures. The requisition is then assigned a purchase order number, vendor number (if applicable), and purchase order date. The district should ensure that the appropriate competitive purchasing method is determined and performed before the requisition is approved for processing. After approval by the designated authority, a purchase order is issued to the vendor.

The District's Procurement Process Guide, September 2024 - Provides instructions to buyers.

- After obtaining the required approvals, an award or a PO may be issued. Make RFQ active and verify all required documentation is complete and up to date.
- Determine if requisition should be assigned to another buyer based upon category code selected by the end-user - if so, delegate it to the correct buyer--do not approve it.
- Identify the correct RFQ/Board Doc number for the requisition.
- Read the requisition; identify the goods/services and validate to the RFQ scope and response pricing.
- Verify completed backup is attached to the requisition.
- Review the requisition for the following:
    - Proper dept./location code
    - Proper category code
    - Proper budget/account
    - Supplier name and address (should be from the district's awarded supplier list)
    - Ship to destination.
    - Name and phone number of the end-user on the reference line.
    - Required delivery date (if any)
    - Quantity needed.
    - Unit price per line item
    - Complete and accurate description per line item
    - The correct account code per line item
    - Discounts (if any)
    - Transportation costs (shipping/freight costs, if any)
    - Board Document number (if known) (i.e., board approved June 26, 2014)
    - Bid/proposal number (if known) (i.e., Bid/RFP KT999999)
    - Quote(s) and any other supporting documentation – make sure quotes are current and are not expired.
    - Service statement of work, if applicable
    - Any special instructions

Observation 3 - Criteria

The Financial Accountability System Resource Guide (FASRG), Update 19, Module 5: Purchasing Section, 2024:

- 5.1 Strategic link - The overall mission of purchasing is to use available fiscal resources to obtain the maximum product or service for the resources expended resulting in best value.
- 5.14.2 Selection - The district should select the offeror that offers the best value for the district based on the published selection criteria and its ranking evaluation.
- 5.16 Multiple Awards - The solicitation for the multiple award contract should advise the vendors multiple awards will be made. Districts are discouraged from making an award to every vendor submitting a response to the solicitation because this would not serve to promote competition.
- 5.16.3 Best Value Criteria for Multiple Award Contracts - As required by the TEC, §44.031(b), the district should consider the criteria found in statute. The district should select the offeror(s) that offer the best value for the district based on the published selection criteria and on its ranking evaluation.

The Council of the Great City Schools Best Practices in Urban Public School Procurement: Guidelines, Standards, and Lessons, October 2018:

- As opposed to an award by line item, a split award results in multiple contracts for the same items/services. This redundancy is normally for assuring available capacity or for maintaining multiple capable sources for mission critical items/services. If the intent is to split the award among multiple bidders, this must be stated as the intent or option of the district. The method for selecting the awardees and determining the split must be clearly defined and should provide a logical share split based on bid ranking (e.g., lowest bid gets lion's share, etc.).
- In the case where multiple awards are appropriate and desired, the number of awardees necessary/ desired should be determined by the team prior to RFP posting. To preserve the integrity of the RFP process, you must steadfastly disallow any request or suggestion, after final scoring has been completed, to expand the number of awardees (from one to multiple or from multiple-to-multiple plus x) presented solely for including a "favored supplier" in the list of awardees.

Observation 4 - Criteria

The Financial Accountability System Resource Guide (FASRG), Update 19, Module 5: Purchasing Section, 2024:

- 5.11.1.1 Categories and Commodity Codes - Categories or commodity codes can assist a district in reporting and understanding aggregated procurement expenditures. On the most basic level, commodity codes use a series of numbers or letters to depict or represent a type of general or unique good or service. The decision to use one or more codes is a district decision and will be based on the annual aggregation and the ability of the finance system. A school district may choose to create its own list or use other established, recognized commodity codes. The following are codes a school district should consider:
    - Commercial and Government Entity (CAGE)

- Federal Supply Class Codes (FSC)
- National Institute of Government Purchasing (NIGP)
- North American Industry Classification System (NAICS)
- Product Service Codes (PSC)
- Standard Industrial Classification (SIC)
- United Nations Standard Products and Services Code (UNSPSC)

Council of the Great City Schools Best Practices in Urban Public School Procurement: Guidelines, Standards, and Lessons, October 2018.

- Spend Analysis is the process of collecting, cleansing, classifying, and analyzing expenditure data from all sources within the organization to allow drill-down visibility (by supplier, by commodity or service, by department) within the district.

- Regular analysis of collected spend data is necessary to support management decisions for the organization and better oversight of supplier relationships. The analysis should assess whether the current procurement structure, processes, and roles are adequate to support a strategic approach to acquiring goods and services. With the implementation of regular spend analysis, the data should be used to do the following:

    - Understand and model the cost drivers of goods/services to form cost control/reduction strategies for individual commodities/items.
    - Reduce material and service costs through informed strategic sourcing strategies based on the data.
    - Eliminate duplicate/redundant suppliers.
    - Improve contract compliance.
    - Use contract pricing to create savings.
    - Meet regulatory reporting rules.
    - Improve inventory management and costs.
    - Reduce expediting costs.
    - Facilitate early supplier integration.
    - Reduce spend analysis project cycles.
    - Refocus procurement professionals on strategic tasks.

Observation 5 - Criteria

Dallas ISD Purchasing Manual August 16, 2023

- The following is a summary overview of the District's competitive purchasing process:

    a. All purchase commitments shall be made on a properly issued purchase order.
    b. All District purchases shall be made with a District-awarded vendor when possible.
    c. The District shall not be responsible for the payment of invoices that do not have a corresponding purchase order and/or that do not comply with the District's purchasing procedures.
    d. Employees who make purchases without a proper purchase order (or who make "unauthorized purchases," as discussed in Section 3, Purchasing Authority) may be personally responsible for the payment of the invoice(s).
    e. Invoices shall be submitted to Accounts Payable via one of the following methods:
        1) Vendor uploads the invoice through the Oracle Vendor Management module

preferred;
2) Email invoices;
3) Mail paper invoices

- Purchasing transactions may be categorized as “authorized” or “unauthorized”.

  1) A transaction is authorized only if one of the following conditions is met:
     - A valid purchase order is created in accordance with established administrative procedures
     - A valid check request is created in accordance with established administrative procedures
     - An electronic fund transfer is made in accordance with established administrative procedures

  2) A purchase of goods or services that is not authorized as described above will be considered an unauthorized transaction that is made without the consent of the board. The District will not honor unauthorized transactions and will not pay any obligation created thereunder.

  3) All unauthorized transactions shall be reported to the Chief Financial Officer. Anyone creating or authorizing such a commitment may be personally liable for payment of any obligation created by an unauthorized transaction. The board may, in its discretion, ratify an unauthorized transaction.

  4) All vendors and potential vendors, by participating in the District’s purchasing activities, agree to accept and abide by these requirements. Vendors and potential vendors delivering or attempting to deliver goods and/or services outside of an authorized transaction are in violation of District policy and acknowledge that the District does not recognize any obligation created in connection with an unauthorized transaction.

- End-User’s responsibilities

  a. Campuses and departments shall ensure that the requisition and purchase order process always precede the receipt of goods/services and the payment process.

- Procurement Services Department Responsibilities:

  d. Procurement Services shall not approve a requisition after the event has taken place.