



Collier County Public Schools: Contract Compliance Processes Review

July 19, 2021

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TRANSMITTAL LETTER

July 19, 2021

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Pursuant to our approved Statement of Work dated February 11, 2021, with the Collier County Public Schools (CCPS), we hereby present our internal audit report of the contract administration processes. Our report is organized by the following sections:

Executive Summary	This provides a high-level overview and summary of the observations noted in our internal audit of the contract administration processes within CCPS.
Background	This provides an overview of the contract administration function, as well as relevant background information.
Objectives and Approach	The internal audit objectives and focus are expanded upon in this section as well as a review of the various phases of our approach and the results of our audit procedures.
Observations Matrix	This section includes a description of the observations noted during our internal audit and recommended actions.

We would like to thank the staff and all those involved in assisting us with this internal audit.

Respectfully Submitted,

RSM US LLP

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EXECUTIVE SUMMARY

Background

Contract administration involves the activities performed by a contract owner to manage and monitor contractor performance. Performance is measured through the contractor's ability to meet the requirements of the contract and fulfill its obligations. Contract administration formally begins after the contract has been awarded, and continues throughout the life of a contract, or until final payment has been made. The responsibilities of contract administration are typically shared between a Purchasing Department and the individual departments of an organization. Although certain aspects of the purchasing function are centralized within Purchasing, individual departments maintain responsibility for daily contract administration and monitoring the contracts under their supervision.

The level of effort required to effectively administer and manage a contract is contingent on the nature of the goods and/or services being delivered, the type of contract, and the experience of the personnel involved. Contract administration duties can range from the minimum acceptance of a delivery and timely payment to the contractor, to the performance of extensive project management activities by District staff throughout the contract term. Contract administration starts with developing clear, performance-based contracts when applicable, and establishing expectations prior to the commencement of the contract. Specific knowledge of the contractor and the terms and conditions of their contracts are often required to effectively monitor vendor performance. Organizations should have a contract administration plan in place with the objective of maximizing vendor performance and minimizing overall risk.

Objectives and Scope

To assess whether the system of internal controls over contract administration was adequate and appropriate for promoting and encouraging the achievement of management's objectives for effective contract monitoring and administration.

Procedures included:

- Interviews and walkthroughs with process owners in an effort to obtain an understanding of CCPS's operating policies and procedures, vendor monitoring functions, and contractual arrangements.
- Development of a risk-based work plan for the evaluation of the design and operating effectiveness of processes and controls, based on the information obtained through our review, inquiry and walkthrough procedures.
- Evaluation and assessment of the design of the process(es) and testing operating effectiveness of key internal controls through sampling, review, and other auditing techniques.
- Assessment of the overall design of the contract compliance process(es) and controls, determining effectiveness, and providing recommendations for improvement, where applicable.

Our audit period was from July 1, 2019 through March 4, 2021.

Overall Summary / Highlights

Internal audits provide insight into an organization's culture, policies, and procedures, and aids Board and management oversight by verifying internal controls such as operating effectiveness, risk mitigation, and compliance with relevant laws/regulations/policies. Through our interviews and detailed testing, we noted that CCPS's current control environment relating to contract administration contains several opportunities for improvement and standardization. We noted observations relating to the adequacy of invoice documentation and review, centralization and integrity of vendor contract data, vendor insurance, and vendor performance monitoring and evaluation.

Fieldwork was performed March 2021 through June 2021.

Summary of Observations

Contract Administration Observations	4
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We would like to thank all CCPS team members who assisted us throughout our procedures.

EXECUTIVE SUMMARY (CONTINUED)

Observations Summary

Below is a summary listing of the observations that were identified during this internal audit. Detailed observations are included in the observations matrix section of the report. The definitions of risk ratings are included on page 9.

Observations

1. Invoice Review and Supporting Documentation

Through our detailed testing of vendor contracts and invoices, we noted several issues relating to invoice review.

2. Centralization of Contract Data

Through inquiry and review of contract samples, we noted that CCPS's contract data lacks a centralized repository, and robust contract data is not readily available.

3. Contract Data Consistency

Through our detailed testing, we noted ambiguity surrounding what was considered a contract document.

4. Vendor Performance Monitoring and Evaluation

Through discussions with CCPS personnel, we noted that a formal process for monitoring and evaluating vendors does not exist in CCP's current control environment.

BACKGROUND

Overview

Contract administration involves the activities performed by a contract owner to manage and monitor contractor performance. Performance is measured through the contractor's ability to meet the requirements of the contract and fulfill its obligations. Contract administration formally begins after the contract has been awarded, and continues throughout the life of a contract, or until final payment has been made. The responsibilities of contract administration are typically shared between a Purchasing Department and the individual departments of an organization. Although certain aspects of the purchasing function are centralized within Purchasing, individual departments maintain responsibility for daily contract administration and monitoring the contracts under their supervision.

The level of effort required to effectively administer and manage a contract is contingent on the nature of the goods and/or services being delivered, the type of contract, and the experience of the personnel involved. Contract administration duties can range from the minimum acceptance of a delivery and timely payment to the contractor, to the performance of extensive project management activities by Cooperative staff throughout the contract term. Contract administration starts with developing clear, performance-based contracts when applicable, and establishing expectations prior to the commencement of the contract. Specific knowledge of the contractor and the terms and conditions of their contracts are often required to effectively monitor vendor performance. Organizations should have a contract administration plan in place with the objective of maximizing vendor performance and minimizing overall risk.

When a contract is executed, contract performance must be monitored to confirm the goods or services received are in compliance with the contract terms and pricing schedules. This monitoring may include the following activities:

- Day-to-day coordination of delivery and receipt of goods and/or services;
- Inspection and any applicable testing of goods and/or services to confirm they meet contract terms and specifications;
- Verification of labor hours and classifications where applicable;
- Certification of receipt of goods and/or services;
- Certification of billing documents related to goods and/or services received;
- Prompt communication of contract performance discrepancies to the Purchasing Department and/or individual department management where applicable; and
- Monitoring overall contractor performance.

BACKGROUND (CONTINUED)

Collier County Public Schools Contract Administration

The District's contract administration process is decentralized to the individual departments after a contract has been issued. The user department is responsible for performing daily contract administration duties and working with the Purchasing Department to remediate issues regarding contractor performance, or if changes to the contract are required. The Purchasing Manual excludes principals, department heads, and all other district employees from entering into or signing contracts on behalf of the District without prior approval from the Superintendent and/or District General Counsel.

Roles and Responsibilities

The Purchasing Department is responsible for approving purchases, working with end user departments to create solicitation documents, selecting appropriate vendors, and managing vendor information. The user department is responsible managing contracts after they have been awarded. The following excerpt from the Purchasing Manual further defines these roles:

"It is necessary that contracts be administered to ensure that vendors are complying with the terms and conditions of the contract. The Purchasing Department will assist end users in the administration of contracts involving appropriated funds. End users shall ensure contractor/vendor compliance on quality, performance, and its ability to meet or exceed the requirements of the contract. The requesting/receiving department shall appoint a contract or project manager to ensure proper administration of the acquisition and compliance of the contract or agreement."

The Legal Department also plays a role in the contract administration process and is responsible for reviewing all contracts above \$50,000. The legal review is in place to confirm that the District is receiving satisfactory performance and value at a fair and reasonable price, in accordance with the provisions of the contracts and in compliance with all applicable District policies and procedures.

Contracts

Collier County Public Schools utilizes a variety of contracting methods and contract types to source goods and services, including CCPS-generated service agreements and vendor contracts, proposals, and quotations. The CCPS Purchasing Manual specifies four main contract types:

1. Annual Requirement contracts, which are established through a competitive bidding process for recurring demand products / services;
2. Percentage / Catalog Discount contracts, which require potential vendors to submit bids offering percentage discounts from catalog or MSRP pricing;
3. Time and Materials contracts, which are utilized when fixed price contracts cannot be solicited; and
4. Consultant Agreements, which are utilized when purchasing professional and/or technical services

Contract negotiations are typically handled between the user department and vendor. If the user department or vendor do not agree with specific contract terms, the user department contacts the Purchasing Department, and if necessary, the Legal Department for assistance.

BACKGROUND (CONTINUED)

Collier County Public Schools Contract Administration (continued)

Invoicing

A critical step in the contract administration process is the review of vendor invoices. Prior to payment, the user departments must validate the accuracy of vendor invoices and confirm compliance with the underlying agreement/contract. User departments are responsible for validating that invoices are properly approved, mathematically accurate, and supported by sufficient documentation. Departments must also verify that invoiced quantities have been received, invoiced rates / unit prices agree to the rates outlined in the contract and/or purchase order, goods and/or services satisfy contract specifications, and payment is made in accordance with the contract. Invoices are generally sent to the end user department first. Accordingly, if invoices are received by Finance or Accounts Payable (AP) first, they are rerouted to the responsible department.

After invoices are approved by the end user department, the Accounts Payable Department is responsible for processing vendor payments. Per the Purchasing Manual, this task is accomplished by either:

1. Matching purchase orders, vendor invoices, and signed receiving reports on normal purchase orders, or;
2. Matching a signed copy of an invoice from the end user department to the purchase order.

If any issues are identified in the above tasks, AP performs research and resolves prior to processing the payment.

Change Orders

Changes to the contract may be requested by either the user department or the vendor. Such modifications may include alterations to the scope of work, time to complete the work, cost of work, and contract terms. Depending on the nature of the changes requested, the user department should contact Purchasing and/or Legal to validate that sufficient funding exists for changes and that any language modifications are properly reviewed. Per the Purchasing Manual, any changes to a purchase order must be submitted in writing to the Purchasing Department, and should include reasoning and documentation of the changed requested.

Vendor Performance Monitoring

Vendor performance monitoring is an ongoing process that involves the continuous evaluation of vendors conducting business with the District. A successful vendor monitoring program should be designed to confirm that contractors are providing services that align with the District's values, standards, and terms of agreement. Monitoring procedures can include progress and performance reporting, the use of evaluation forms, formal and informal meetings with contractors, and site inspections. Currently, each department handles their vendor performance monitoring differently, which is further expanded upon in Observation 5 below.

BACKGROUND (CONTINUED)

Accounts Payable Summary

The following metrics were obtained from an Accounts Payable Listing* for the period of July 2019 through March 2020.

The table below lists the top 25 vendors by spend, excluding Charter Schools.*

Data Metrics



\$320,737,691 in total spend



37% of the total expenditures attributed to the top 10 vendors



78,710 total checks



1,376 unique vendors and persons



\$ 59,616,855 in invoices averaged monthly in 2020

**The information in this section is unaudited.*

Vendor Name	Amount (\$)	Number of Checks
Owen-Ames-Kimball Company	\$28,124,910	489
Florida Power and Light Company	\$11,532,646	57
Public Risk Insurance Agency	\$10,940,340	46
GCA Service Group	\$19,766,213	1,335
Communications International	\$9,522,216	30
United Data Technologies	\$9,278,413	190
Sysco West Coast Florida	\$9,109,333	12,302
Presidio Networked Solutions	\$8,751,576	73
I2Solutions, LLC	\$5,593,775	285
Halfacre Construction Company	\$5,490,756	128
Matthews Buses Florida	\$4,884,760	428
Zyscovich, Inc.	\$4,392,269	21
Naples Community Hospital	\$4,268,572	102
HCC Life Insurance Company	\$4,183,226	18
FL Transportation Systems	\$3,461,214	381
Collier County Board	\$3,268,241	57
Integrated Fire and Security Solutions	\$3,226,394	889
Lee County Electric Cooperative	\$3,150,502	20
CDW Government, Inc.	\$3,111,426	154
Gates Construction	\$3,049,343	67
Fastenal	\$2,939,419	4,323
Gilbane Building Company	\$2,737,598	42
Allegiance	\$2,461,091	39
EBL Partners, LLC	\$2,424,124	26
Gates Butz	\$2,423,206	27

OBJECTIVES AND APPROACH

Objectives

To assess whether the system of internal controls over contract administration was adequate and appropriate for promoting and encouraging the achievement of management's objectives for effective contract monitoring and administration. The scope of our work included the following:

- Contract execution
- Contract administration process analysis
- Vendor monitoring procedures
- Analysis of high risk areas for existing contracts; and
- Testing of compliance and internal controls

Approach

Our approach consisted of the following phases:

Understanding and Documentation of the Process

The first phase of this audit consisted primarily of inquiry and walkthroughs, in an effort to obtain an understanding of CCPS's operating policies and procedures, monitoring functions, and contractual arrangements as they relate to the processes within our scope. The following was performed as a part of this phase:

- Conducted interviews with the appropriate representatives to discuss the scope and objectives of this audit, obtained preliminary data, and established working arrangements;
- Conducted interviews with personnel from key departments (Purchasing, General Counsel, etc.) to obtain a detailed understanding of the in-scope process(es);
- Documented flowcharts of the process(es);
- Reviewed the applicable policies and procedures and agreements related to this project;
- Performed walkthroughs with user departments (Transportation, three divisions within Facilities, Exceptional Student Education, Safety and Security, Nutrition Services, Federal, State, and Competitive Grants, and Technology) to gain an understanding of the function and assess the design of the process; and
- Developed a risk-based work plan for the evaluation of the design and operating effectiveness of processes and controls, based on the information obtained through our review, inquiry and walkthrough procedures.

Evaluation of the Design and Assess Operating Effectiveness

The purpose of this phase was to evaluate and assess the design of the process(es) and to test operating effectiveness of key internal controls. Our fieldwork testing was conducted utilizing sampling and other auditing techniques to meet our audit objectives outlined above. Procedures included, but was not limited to the following:

- Through Accounts Payable records, conducted testing to assess the completeness and accuracy of the listing of contracts;
- Selected a sample of contracts and obtained background information relevant to each contract;
- Obtained applicable contract documents, Contract Administrator information, and detail of expenditures under each contract;
- Reviewed each contract to identify areas of heightened risk and developed testing procedures specific to each contract;
- Assessed CCPS's process and controls relevant to identifying unique risks in contracts and developed procedures to mitigate identified risks;
- Assessed adequacy and compliance with select terms of the contract such as, certificate of insurance, right to audit, etc.;
- Assess CCPS's process and controls relevant to vendor monitoring and performance assessments;

OBJECTIVES AND APPROACH (CONTINUED)

Evaluation of the Design and Assess Operating Effectiveness (continued)

- Tested a sample of invoices for each selected contract to determine:
 - Supporting documentation agreed to the payment amount and was mathematically accurate;
 - Payment was made in a timely manner and in accordance with the pricing terms of the contract;
 - Performance (goods/services received) under the contract was properly verified or monitored prior to payment of the invoice; and
 - The overall contract compliance design of process(es) process and controls, determined effectiveness and provided recommendations for improvement, where applicable.

Reporting

During the reporting phase, we summarized the results of this project and reviewed the results with applicable representatives. Observations, recommendations, and opportunities for improvement were developed based on the testing and analysis completed as part of our scope of work. We issued a report summarizing the observations and recommendations, which includes management's response to each reportable observation.

OBSERVATIONS MATRIX

Observation	1. Invoice Review and Supporting Documentation
<p>Description</p>	<p>Invoices are received by each department and reviewed by department management prior to approval for payment. When the invoice is related to goods, a designated member of the user department verifies that the correct quantity and specification of goods were actually received. If the invoice relates to a service provided, a member of the user department with specific knowledge of the service verifies that work was appropriately completed. If approved by the Department, the invoice is forwarded to Accounts Payable where a secondary review of appropriateness, and matching to the PO is performed prior to payment. We sampled thirty-one (31) invoices across nine (9) different user departments and teams for testing. Through our detailed testing we noted the following:</p> <p><u>A. Verification of Performance:</u></p> <p>Three (3) sampled invoices within one Department did not contain sufficient detail for the user department to verify work was completed. The department regularly receives monthly invoices for scheduled maintenance on District facilities, and may receive additional invoices for non-routine corrective services. Invoices contain monthly billings for services as outlined in the agreement; however, the vendor did not provide detailed information regarding work location, procedures performed, results summaries, or other supporting documentation as evidence that monthly contractual obligations were fulfilled. Department leadership may visit the site to inspect vendor progress, but such visits are not regularly scheduled or documented. The three (3) invoices tested totaled \$101,186, of the total \$600,000+ spent annually for these services.</p> <p><u>B. Verification / Recalculation of Invoiced Amounts:</u></p> <p>During our testing, we noted documentation was not available to support the mathematical accuracy of two (2) invoices, totaling \$50,950. For these samples, the District was invoiced a lump sum of materials needed to complete contracted work, and individual prices for each item were not listed on the invoice. In discussions with the user department, leadership noted they normally agree to a cost breakdown prior to work commencing, which lists unit prices of all materials to be purchased. However, these invoices were approved by an individual that is no longer with the department, and the relevant cost breakdown could not be provided.</p> <p><u>C. Miscellaneous Invoicing Issues:</u></p> <ul style="list-style-type: none"> i. Five (5) sampled invoices totaling \$2,179,218 were paid more than 30 days after the invoice's issuance. ii. Three (3) sampled invoices totaling \$55,620 were outside of the scope of work stipulated in the contract. Special work orders were used to procure the work, but the contract agreement did not contain allowances, rates, or other pricing for additional products / services. iii. One (1) sampled invoice totaling \$5,436 was associated with a piggyback contract that expired prior to the PO's and invoice's issuance. <p>All invoices received by the District, no matter their complexity or amount, should be reviewed to validate the vendor completed their contractual obligation and issued a mathematically accurate invoice. The end user department is responsible for validating that an invoiced amount agrees to the contract, is within the scope of the contract, contains appropriate supporting documentation, and is approved for payment in a timely manner. Further, the department must retain all contract documents so that changes in leadership do not affect the review of future invoices.</p>

OBSERVATIONS MATRIX (CONTINUED)

Observation	1. Invoice Review and Supporting Documentation (continued)
<p>Recommendation</p>	<p>We recommend the District develop a distinct standard operating procedure with specific guidance to assist departments in their invoice review. Chapter 7 of the Purchasing Manual currently discusses delivery and inspection of received goods, but omits other details relevant to a robust invoice review process. Based on our experience, best practice invoice review and approval policies typically address, at a minimum, the following processes and functions:</p> <ul style="list-style-type: none"> • Determining whether goods delivered and/or serviced performed met contract requirements • Determining whether invoiced costs are reasonable and allowable per the contract, and billed amounts are correct • Establishing minimum requirements for what should be included on an invoice (i.e. contract number, purchase order number, unit price for each line item, etc.) • Establishing supporting documentation requirements (i.e. itemized receipts, invoices, equipment logs, timesheets, etc.); • Internal controls over the invoice review and approval process (i.e. segregation of duties); • Common problems with third-party invoices (i.e. mathematical errors, unsupported labor hours, unsupported direct costs, duplicated invoices, etc.). <p>The District may also consider utilizing checklists to assist with the review of invoices. Checklists can provide an additional control to invoice review process, and encourage greater accountability for those personnel responsible for review.</p>
<p>Management's Action Plan</p>	<p>Response: CCPS is currently updating its Purchasing Manual to include a more robust detail for the procedure for reviewing and approving invoices based upon recommendations and best practice and will provide a checklist to assist with the process.</p> <p>Responsible Party: Purchasing Department</p> <p>Estimated Completion Date: Fiscal Year 2021 - 2022</p>

OBSERVATIONS MATRIX (CONTINUED)

Observation	2. Centralization of Contract Data
<p>Description</p>	<p>Through discussions with the Director of Purchasing, various department leaders, and through our testing, we noted that while the District has various processes for tracking purchase and contract information, the data is largely decentralized and executed contract agreements are not readily available.</p> <p>Each party involved in the contract administration process may keep their own version of contract documents and may have differing understandings of what constitutes the agreement. In our efforts to obtain sampled contract documents for testing, we noted that documents received from the Purchasing Department were often different from contract documents provided by the end user departments. Further, unsigned versions, informal word document versions, and agreements that were not successfully negotiated (thereby considered moot), were also included in the contract packages provided.</p> <p>The Purchasing Manual states that the Legal Department shall log all contracts that are approved by the School Board onto a Master Contract Monitoring List. Through discussions with Legal, we understand a listing is maintained that contains all contracts reviewed by the Department, not only those required to obtain Board approval. However, as end user departments are responsible for routing agreements to Legal, the listing may be incomplete. Further, key data points, such as vendor contact information, contract term, and PO numbers that are associated with the contract, are not included. We also noted that five (5) of the eleven (11) sampled contracts did not contain a signoff from Legal on the BoardDocs agenda item, and were not included in Legal's listing of reviewed contracts. In discussion, the District's General Counsel confirmed their review of three (3) of these contracts; however, no documentation was available to note the review occurred.</p> <p>We noted that various other departments maintain their own contract listings, but are handwritten, not formally managed, or do not include key information. The contract listing provided by the Purchasing Department, for example, does not include vendor names. We noted that the District does not currently have a software package to track bids or contract information. Instead, several excel spreadsheets are manually used by various Purchasing staff members to manage this data.</p> <p>In our review of contract listings provided by both Legal and Purchasing, we noted that the data retained and the nomenclature used differed, such that a one-to-one analysis cannot be performed. However, we identified:</p> <ul style="list-style-type: none"> • At least fourteen (14) different contracts, totaling \$4,633,679, were included on Purchasing's listing, but not Legal's. • At least two (2) different contracts, totaling \$213,799, were included on Legal's listing, but not Purchasing's. <p>With a centralized contract database, CCPS management may have better access to real-time vendor and contract data. If a contract-related issue were to arise, the District may not be able to respond with agility or with relevant data. Further, without a master contract listing, the District does not have holistic insight into all of the agreements to which it is obligated, or to all of the vendors receiving District dollars.</p>

OBSERVATIONS MATRIX (CONTINUED)

Observation	2. Centralization of Contract Data (continued)
<p>Recommendation</p>	<p>The Legal and Purchasing Departments already track valuable contract data. We recommend the District combine these listings along with the following additional data points:</p> <ul style="list-style-type: none"> • Contract name and type (i.e., RFP, ITN, purchase order); • Vendor name and contact information; • Contract / Purchase Order amount; • Insurance requirements; and • Documentation of the required approvals (i.e., Legal review, Purchasing review). <p>To facilitate the amalgamation of this data, the District may consider purchasing software to assist in the collection and management of key contract and vendor data. Ongoing maintenance of the master file should be assigned to an individual or Department to encourage accountability.</p>
<p>Management's Action Plan</p>	<p>Response: CCPS is updating its contract routing system and will be evaluating contract management software to ensure contracts are routed, executed, and stored in an easy to read and accessible electronic format.</p> <p>Responsible Party: Purchasing, Legal, Facilities, and District Operations</p> <p>Estimated Completion Date: It is estimated two years will be necessary to properly review, solicit and implement an electronic software program that will be suitable for CCPS needs.</p>

OBSERVATIONS MATRIX (CONTINUED)

Observation	3. Contract Data Consistency
<p>Description</p>	<p>During our review of the eleven (11) sampled agreements, we noted a wide variety of documentation constituted the final agreement. While some purchases are inherently lower risk than others, and may not require expansive contract documentation, without a formalized process to determine which type of contract document to use, the District may be vulnerable to additional contractual risk.</p> <ol style="list-style-type: none"> 1. <u>Use of Purchase Orders in Lieu of Formal Contracts:</u> Through conversations with the Legal Department and review of the Purchasing Manual, we noted that CCPS PO's may be used in lieu of a formal contract in order to expedite simple purchases where time is of the essence. The PO contains general terms and conditions, including an indemnification statement designed to protect the district from loss and risk. However, there is no documented guidance to determine when a PO may be used, what type of approval is necessary, and when a contract would be more appropriate. We noted that each department had a different understanding of when a PO may be issued in lieu of a contract; some department leaders stated that PO's can be utilized for all purchases under \$50,000, while others stated they may be utilized for all purchases of goods, not services. Further, we noted that Purchasing may not have visibility of contract documents outside of the PO. Of the eleven (11) sampled agreements, Purchasing considered three (3) to consist of just the PO. However, the end user department considered an additional document to comprise the agreement. 2. <u>Piggyback Agreements:</u> Piggybacking contracts from other entities is often an advantageous decision for many school districts. Of the eleven (11) samples tested, three (3) were piggybacked from other entities. However, documentation of an agreement between the vendor and CCPS was not available for any of these samples. Through conversations with the Purchasing Department, we noted that the District does not formally document agreements that are piggybacked between vendors and other entities. Instead, CCPS will issue a PO that references the original entity's solicitation number. The contract on file is between the vendor and the original entity, or, in one instance, was only the original entity's solicitation document without a vendor response. Further, one of the sampled invoices and its PO fell outside of the piggyback agreement's contract term. No documentation of an agreement between the vendor and CCPS, or the original entity could be provided for the relevant time period.

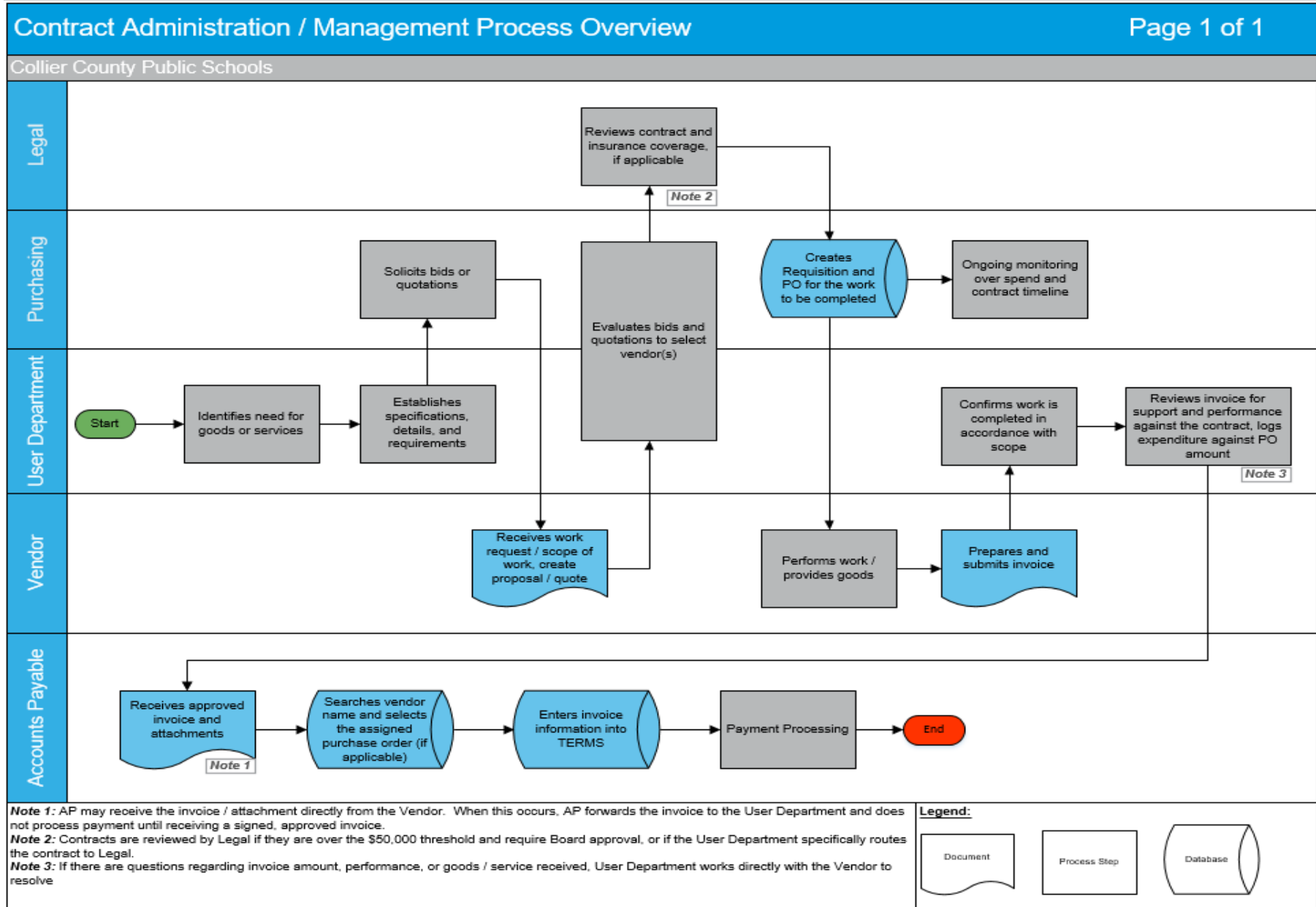
OBSERVATIONS MATRIX (CONTINUED)

Observation	3. Contract Data Consistency (continued)
	<p>Coupled with a lack of centralized contract data (see Observation 2), an inconsistent use of contract documentation creates confusion on what terms and conditions are considered contractual, and what documents must be reviewed as part of the contract administration process. This ambiguity may result in key contract terms withheld from the final agreement, and poor contract data integrity. We noted that of the eleven (11) contracts sampled, seven (7) did not contain key CCPS attachments addressing conflicts of interest, suspension and debarment, drug free workplace conditions, and the Jessica Lunsford Act. While not all purchases may require a formal, complex contract, we noted there is no procedure in place to discern what contract documents are appropriate for different types of purchases.</p> <p>The procurement process can be lengthy and complex. The District and its departments should be afforded a certain level of autonomy in determining which agreements may be expedited through use of vendor agreements, PO's, and piggyback agreements. However, without clear guidance as to how these agreements are initiated, what documents are required, and what approved is needed, the District is left with unnecessary contractual, operational, reputational, and financial risk.</p>
Recommendation	<p>We recommend the District enhance the current policies and procedures to clearly define the different avenues available for contract initiation and documentation. Specifically, the District should consider creating guidance to inform when a PO may be used in lieu of a contract, and what approvals are required.</p> <p>The District may also consider creating thresholds for requiring separate signed agreements with piggybacked vendors, depending on the complexity of the contract utilized. For example, simple contracts used to purchase commodities at fixed rates may utilize the original entities' agreement, but separate, signed acknowledgements should be used for complex service agreements.</p>
Management's Action Plan	<p>Response: CCPS is updating its Purchasing Manual and standard operating procedures to define when a contract is necessary and when a Purchase Order's terms and conditions are sufficient. The definition will include thresholds.</p> <p>Responsible Party: Purchasing and Legal Departments</p> <p>Estimated Completion Date: Fiscal Year 2021 – 2022</p>

OBSERVATIONS MATRIX (CONTINUED)

Observation	4. Vendor Performance Monitoring and Evaluation
<p>Description</p>	<p>Through discussions with various District departments, we noted that a formal District-wide process for monitoring and evaluating vendors does not exist. While the Purchasing and Legal Departments are generally consulted if issues escalate, the day-to-day management of performance is inconsistent across departments. Some departments address issues as they arise by conducting informal, non-documented discussions with the vendor, while one department issues monthly report cards grading vendors on a scale of A-F, with anything below a C resulting in a formal, documented discussion. While vendor evaluations are performed when a contract has expired and may be renewed, on-going and annual evaluations are not consistently executed.</p> <p>The effort necessary to evaluate vendors largely depends on the complexity of the goods purchased or the service performed. Invoices for a fixed amount of goods are inherently lower risk, and we did not note any instances where such invoices were paid without approval or receipt. Determining the adequacy of performance on service related contracts, however, may require a more structured evaluation. Proactive monitoring and periodic evaluations are essential components of contract administration that should be occurring for all agreements. Effective performance evaluation allows contract managers to identify potential issues, communicate expectations, and avoid future disputes. Additionally, a formal evaluation process that is consistently applied across departments would allow the District to document valuable vendor data. Coupled with strengthened contract data (see Observations 2 and 3), the District will be equipped with relevant, accurate, up-to-date data for future decision making.</p> <p>If prior experience and performance are not considered, a project may be assigned to a poor-performing vendor, or a vendor not suited to the specific scope of the project. This can lead to lower quality of work received by the District, and overall increased costs through the additional project management and oversight required by CCPS employees. Without a formal vendor monitoring procedure in place at each Department, the District may default to a reactive approach, leading to increased financial, compliance, reputational, and operational risk. Vendor performance monitoring increases the probability that goods and services are delivered on-time, within budget, and in a manner that best serves the District and its customers.</p>
<p>Recommendation</p>	<p>Considering the volume of contracts managed throughout the organization, the District may consider establishing a threshold for which vendors should be evaluated. For example, this may include a separate level of evaluation for contracts under and over \$100,000. We recommend the District establish a formal vendor performance monitoring program. Individual(s) assigned to particular contracts should have knowledge of the contract's terms and conditions, project milestones, expiration dates, and key deliverables in order to evaluate performance in relation to the requirements of the contract. Evaluations should occur on an annual basis, at minimum, and should contain scoring on communication, work quality, timeliness and schedule control, budget and cost control, safety, cooperation, and compliance. The Purchasing Manual states that a Vendor Performance Form created by Purchasing may be used to document instances of noncompliance. The District may consider building upon this form to create a tool for on-going monitoring, beyond noncompliance documentation.</p>
<p>Management's Action Plan</p>	<p>Response: CCPS is establishing a work review group to define a more thorough process for monitoring and evaluating contractors for contract performance and quality assurance.</p> <p>Responsible Party: Purchasing, Legal, District Operations</p> <p>Estimated Completion Date: Fiscal Year 2021-2022</p>

APPENDIX – PROCESS MAPS





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