



Forensic Audit Report

San Benito CISD

September 20, 2022

Scope of Work

- During Phase 1 of forensic audit, scope of work determined based on questionnaire responses submitted by Team of 8.
 - *Construction and Facilities Expenditures (2018 Bond Program)*
 - *Consulting and Professional Services Expenditures*
 - *Maintenance and Operations Expenditures*
 - *Federal Fund Expenditures*
 - *Purchasing Practices and Procedures*
 - *Credit Card Expenditures*
- Review period was FY2017 – FY2021 based on questionnaire responses.

Work Performed



- Conducted interviews with over 20 current and former District employees, Board members and third parties
- Reviewed information pertaining to Board and Committee meetings
- Analyzed approximately 200,000 email records for 19 custodians
- Selected a sample of transactions for further review for each scope of work:
 - *Obtained and reviewed supporting purchasing documents*
 - *Reviewed relevant email communications*
 - *Reviewed Board discussion and approvals*
 - *Performed research of vendor using LexisNexis Public Records database and publicly available information*
- Reviewed procurement practices, policies and procedures

Construction and Facilities (2018 Bond Program)

Construction and Facilities (2018 Bond Program)

Observation / Finding #1 – Formation of Bond Committee

- In May 2018, the District formed a Bond Committee comprised of 14 residents within the District, with each Board member nominating two (2) individuals to serve on the Bond Committee.
- The Bond Committee held three (3) meetings during the July 2018 – August 2018 time period, focusing on the prioritization of the District's facility needs to be included in a potential bond proposition based on a list of 16 projects presented to the Bond Committee.

Summary of Findings

Construction and Facilities (2018 Bond Program)

Observation / Finding #2 – Bond Election

In November 2018, District voters approved a \$40 million bond proposition for the construction of an Indoor Multipurpose Facility, Aquatic Center and Performing Arts Center. The estimated costs for the new facilities as shown in the bond proposition are summarized below.

Facility	Cost Estimate
Indoor Multipurpose Facility	\$3.5 - \$4.0 Million
Aquatic Center	\$5 - \$5.5 Million
Performing Arts Center	\$30 - \$31 Million
Total	\$40 Million

Construction and Facilities (2018 Bond Program)

Observation / Finding #3 – Cost Estimates (as of Bond Election)

- The cost estimates included in the bond proposition were based on costs for similar facilities at other school districts in the area.
- The District **did not hire outside consultants to assist in the preparation of the cost estimates** during the pre-bond planning process.
- As a result, the cost estimates included in the \$40 million bond proposition were **rough estimates** and did not account for site development costs, inflation or specific design plans that would be selected by the District.

Summary of Findings



Construction and Facilities (2018 Bond Program)

Observation / Finding #4 – Estimated Costs (as of 6/30/2022)

Based on actual costs incurred as of June 30, 2022, Weaver has estimated the total costs for completion of the 2018 Bond Program to be **in excess of \$44 million**, as summarized in the table below.

Bond Project	Estimated Costs (as of 6/30/2022)	Estimated Costs (Bond Proposition)
Indoor Multipurpose Facility (complete)	\$6.52 Million	\$3.5 - \$4.0 Million
Aquatic Center (in progress)	\$11.03 Million	\$5.0 - \$5.5 Million
Performing Arts Center (in progress)	\$24.74 Million	\$30.0 - \$31.0 Million
Project Management Services	\$1.72 Million	N/A
2018 Bond Program Total	\$44.02 Million	\$40 Million

Summary of Findings



Construction and Facilities (2018 Bond Program)

Observation / Finding #5 – Selection of Project Manager

- We observed a **lack of transparency** in the process that resulted in the Board's selection of Brighton Group as project manager for the 2018 Bond Program in December 2018.
- The District issued a Request for Qualifications (RFQ) and received proposals from four (4) firms to be evaluated by the Board. Each firm presented to the Board during the Building Committee meeting on December 11, 2018, however, **we were unable to identify any documentation in support of the Board's evaluation (e.g., score sheets, evaluation forms or ranking rubrics).**
- During the following Board meeting on December 18, 2018, the Board selected Brighton Group as project manager without any discussion or deliberation concerning how each Board member evaluated the proposals.

Construction and Facilities (2018 Bond Program)

Observation / Finding #6 - Liability Insurance for Project Manager

- The District's RFQ for Project Management Services included a requirement for the respondent to have appropriate liability insurance in accordance with Texas Government Code Section 2269.208.
- In their proposal submitted to the District on December 3, 2018, Brighton Group did not provide documentation of professional liability insurance coverage, but stated they were willing and able to obtain additional insurance policies required by the District.
- After the District's selection of Brighton Group on December 18, 2018, Brighton Group obtained professional liability insurance coverage for the 2018 Bond Program effective December 21, 2018.

Construction and Facilities (2018 Bond Program)

Observation / Finding #7 – Professional Registration for Project Manager

Brighton Group was not registered as a professional engineering firm with the Texas Board of Professional Engineers and Land Surveyors until February 2019, which was after they entered into a contract with the District in January 2019.

Construction and Facilities (2018 Bond Program)

Observation / Finding #8 – Brighton Group Contract

- As outlined in the District's January 2019 contract with Brighton Group for project management services, Brighton Group's fee is 4.5% of final construction costs.
- The contract outlined a payment schedule where Brighton Group was to receive \$1.25 million (based on estimated construction costs of \$30 million), including \$100,000 upon execution of the contract, followed by payments of \$50,000 per month.

Construction and Facilities (2018 Bond Program)

Observation / Finding #9 – Brighton Group Contract

- As of December 2020, Brighton Group had received \$1.25 million in project management fees for the 2018 Bond Program based on the payment schedule outlined in the contract.
- However, the 2018 Bond Program is not scheduled for completion until August 2023 (at the earliest), which is 32 months after the last payment received by Brighton Group.

Construction and Facilities (2018 Bond Program)

Observation / Finding #10 – Review of Other Project Manager Contracts

- Based upon our review of other project management contracts at other school districts, fees are generally paid based upon either project completion percentages each month, the completion of predetermined milestones (e.g., design phase), or based on hourly rates and time on the project.
- In our review, we did not identify any other project management contracts where fees were paid in advance of services provided.

Construction and Facilities (2018 Bond Program)

Observation / Finding #11 – Brighton Group Employee on Bond Committee

- We determined that a current Brighton Group employee served on the Bond Committee in 2018 during the bond-planning process.
- However, the individual was not employed by Brighton Group at the time they served on the Bond Committee.
- Individual was hired by Brighton Group in January 2020 (12 months after Brighton Group became Project Manager).

Construction and Facilities (2018 Bond Program)

Observation / Finding #12 – Selection of Construction Manager at Risk

- The District procured Construction Manager at Risk (“CMAR”) services for the 2018 Bond Program through the issuance of a RFQ, prepared jointly by Brighton Group and former Board attorney.
- Texas Government Code requires a two-step CMAR selection process if an entity elects to issue a RFQ instead of a RFP.
- It did not appear that the District completed the second step of the two-step CMAR selection process as described under Texas Government Code.

Construction and Facilities (2018 Bond Program)

Observation / Finding #13 – Selection of Construction Manager at Risk

- Texas Government Code requires the District to make public the ranking of submissions for CMAR services within seven (7) days of a contract being awarded.
- We were unable to identify any documentation in support of the Board's evaluation process (e.g., rankings or score sheets), much less any documentation that was made public, which appears to be in violation of Texas Government Code.

Construction and Facilities (2018 Bond Program)

Observation / Finding #14 – SPAC Donations for Bond Program

- In October 2018, members of the Bond Committee formed a Special Purpose Acquisition Company (SPAC) named *Investing in Our Children's Education* to raised funds for promotion of the Bond Program.
- The Treasurer of the SPAC was Gilbert Weaver, who served on the Bond Committee and was the spouse of a Board member.
- Hellas Construction donated \$1,000 to the SPAC in October 2018 and was later selected as CMAR for the construction of the Indoor Multipurpose Facility in May 2019.

Summary of Findings

Construction and Facilities (2018 Bond Program)

Observation / Finding #15 – Donation to Superintendent's Golf Tournament

During the Annual Superintendent's Golf Tournament hosted by the District in the spring of 2019, we identified donations from several firms recently hired by the District as part of the 2018 Bond Program.

Sponsor	Sponsorship Level	Donation
Brighton Group	Diamond	\$25,000
ROFA Architects	Gold	\$5,000
PBK Architects	Silver	\$1,500
Hellas Construction	Bronze	\$1,000
Raba Kistner	Bronze	\$1,000

Construction and Facilities (2018 Bond Program)

Observation / Finding #16 – Promotion of Bond Program

- On October 20, 2018, Board President Vargas shared a post on his Facebook page encouraging citizens to vote in favor of the \$40 million bond proposition in the upcoming bond election.
- We determined that the Facebook post was not a violation of Texas Election Code as it did not appear that District funds were used in the preparation and dissemination of the Facebook post.

Construction and Facilities (2018 Bond Program)

Observation / Finding #17 – Legal Counsel for Former Board President

- In 2019, Board President Vargas retained Jose Luis Caso as legal counsel to represent him in response to a petition filed with the District Court of Cameron County for his removal from the Board.
- Mr. Caso was a sub-consultant for Brighton Group and provided services to the District related to the 2018 Bond Program, including the review and preparation of RFQs, among other services.

Consultants and Professional Services Expenditures

Summary of Findings



Consultants and Professional Services

Observation / Finding #18 – Summary of Expenditures

We identified expenditures for consultants and professional services totaling approximately \$54 million during the period of our review, including payments to over 600 vendors and contractors.

Observation / Finding #19 – Health Insurance Expenditures

Approximately \$40 million of the \$54 million in expenditures for consultants and professional services (or 74%) related to payments to health insurers, including United Healthcare Insurance Company and Blue Cross & Blue Shield of Texas.

Summary of Findings

Summary of Payments to Consultants and Professional Services Firms						
Vendor / Contractor	FY2017	FY2018	FY2019	FY2020	FY2021	Total
United Healthcare Insurance Company	\$ -	\$ 6,596,815	\$ 10,082,657	\$ 7,342,313	\$ 3,901,101	\$ 27,922,887
Blue Cross & Blue Shield of Texas	4,662,134	936,220	24,530	-	6,608,940	12,231,825
Communities In Schools	237,465	241,965	241,965	241,965	250,965	1,214,325
MaxorPlus	962,862	149,764	-	-	-	1,112,626
Insight Public Sector Inc	-	691,540	281,757	1,650	8,753	983,700
Skyward Inc	-	458,919	244,311	69,820	108,404	881,453
BCS Insurance Co	650,740	56,882	-	-	-	707,622
KLC Video Security	-	-	-	188,506	514,234	702,740
American Express	-	-	86,909	283,407	296,267	666,583
Houghton Mifflin Harcourt	2,950	76,356	218,900	65,000	91,000	454,206
Frontline Education	-	-	113,675	141,062	126,263	381,000
Absolute Business Consulting Group, LLC	-	27,000	99,000	108,000	108,000	342,000
Miracle Medical Equipment and Suppl	89,727	65,343	58,436	50,492	53,028	317,025
Palmer Hamilton, LLC	-	-	298,497	2,284	-	300,781
Alan Yoder Enterprises Inc dba Superior Alarms	23,921	34,312	241,670	-	-	299,902
Abel Vasquez	8,775	88,014	97,214	22,041	41,641	257,685
The Flippen Group, LLC	-	-	-	32,180	158,000	190,180
Cameron County Juvenile Probation	35,000	33,333	40,000	40,000	40,000	188,333
RECORDS CONSULTANT, INC	115,345	15,086	14,970	11,700	12,375	169,476
Houston I.S.D.	48,666	37,811	34,643	30,360	2,198	153,678
Region One Education Service Center	30,475	40,500	24,900	23,600	8,300	127,775
Lead4ward LLC	-	-	39,600	58,204	21,700	119,504
Gem-Cap Inc dba Hayes Software Systems	-	43,706	33,526	20,003	18,436	115,671
ISCorp	-	-	38,314	38,314	38,314	114,942
DMR Educational Consulting, Inc	42,000	10,000	3,000	36,000	-	91,000
J Maya Designs & Graphics LLC	-	17,296	22,576	27,952	16,905	84,729
Blackboard Inc.	-	-	-	-	76,188	76,188
587 Other Combined Vendors (<\$75,000)*	740,665	765,122	796,961	867,024	599,059	3,768,832
Total	\$7,650,725	\$10,385,984	\$13,138,010	\$9,701,877	\$13,100,070	\$53,976,666

* Vendors paid less than \$75,000 are combined in this table for demonstrative purposes.

Summary of Findings

Consultants and Professional Services

Observation / Finding #21 – ABC Group (2018 Contract)

- In April 2018, the District entered into a consulting agreement with Absolute Business Consulting Group (“ABC Group”) to provide public relations consulting services to the District for a term of one year with a monthly fee of \$9,000 (\$108,000 in total).
- The monthly fee was effectively a retainer where ABC Group was paid even if no services were provided.

Summary of Findings

Consultants and Professional Services

Observation / Finding #22 – ABC Group (Services Provided)

- Based on interviews conducted and our review of email communications, the primary services provided by ABC Group pertained to the publication of the District's newsletter, The Observer.
- It is our understanding that staff from the Public Relations department prepared the content for the newsletter and ABC Group was responsible for preparing the print layout and publication.
- The Observer was issued quarterly during FY2019 and either monthly or bi-monthly during FY2020, before being suspended in October 2020 due to the COVID-19 pandemic.

Consultants and Professional Services

Observation / Finding #23 – ABC Group (2019 Contract)

- In April 2019, ABC Group's contract was presented to the Board for renewal for the 2019-2020 school year.
- However, the draft contract included in the Board packet that was ultimately **executed was for a term of two (2) years.**
- The April 2019 contract also included an **automatic renewal clause** if the District did not provide written notice not to extend the agreement within 90 days of the end of the contract term (i.e., on or before January 8, 2021).

Summary of Findings



Consultants and Professional Services

Observation / Finding #24 – ABC Group (2021 Contract)

- In November 2020, the District's Director of Public Relations emailed Dr. Carman in advance of the automatic renewal date included in ABC Group's contract to request that the District hire additional staff for the Public Relations department **in lieu of renewing the contract with ABC Group.**
- Dr. Carman did not respond to the email and the request was never presented to or discussed by the Board or a Board committee.

Summary of Findings

Consultants and Professional Services

Observation / Finding #25 – ABC Group (2021 Contract)

- In April 2021, the District's 2019 contract with ABC Group was **automatically extended for two (2) additional years.**
- We did not identify evidence of the Board discussing the renewal of the contract prior to the automatic extension provision being enforced.
- When ABC Group's current contract extension expires in April 2023, the District will have paid ABC Group \$540,000 for public relation services during the April 2018 – April 2023 time period.

Consultants and Professional Services

Observation / Finding #26 – ABC Group Affiliation with Former Board President

- We determined that ABC Group's owner was listed as a Governmental Relations Consultant for the Pharr Economic Development Corporation as of 2016.
- KM International (another entity owned by ABC Group's owner) contracted with the City of Pharr to provide public relations consulting services starting in March 2017.
- In or around January 2019, former Board President Vargas was hired by the Pharr Economic Development Corporation as their Public Affairs Liaison.

Consultants and Professional Services

Observation / Finding #27 – ABC Group Affiliation with Former Board President

- In November 2021, former Board President Vargas participated in a corporate spelling bee as part of ABC Group's three-member team (along with ABC Group's owner).
- We were unable to interview former Board President Vargas as part of this forensic audit.

Maintenance and Operations Expenditures

Summary of Findings



Maintenance and Operations Expenditures

Observation / Finding #28 – Summary of Expenditures

We identified maintenance and operations expenditures totaling approximately **\$42 million** during the period of our review, including payments to **over 380 vendors and contractors**.

Observation / Finding #29 – Transactions Selected for Further Review

We selected **56 maintenance and operations transactions for further review**, including a review of purchasing and procurement records (e.g., quotes, proposals, purchase orders, invoices, contracts, and check copies, among other items).

Summary of Findings

Summary of Payments to Vendors and Contractors - Maintenance and Operations (Function Code 51)						
Vendor / Contractor	FY2017	FY2018	FY2019	FY2020	FY2021	Total
Calpine Corporation	\$ 1,644,381	\$ 2,068,208	\$ 2,227,165	\$ 3,017,897	\$ 2,288,420	\$ 11,246,071
Parsons Commercial Roofing	-	439,860	1,892,565	894,124	74,116	3,300,664
City Of San Benito	562,887	452,579	582,977	645,558	560,337	2,804,338
E3 Entegral Solutions, Inc.	-	-	1,383,744	810,749	30,608	2,225,101
Magic Valley Electric Coop Inc	297,771	210,466	269,090	258,081	278,338	1,313,745
Direct Energy	1,313,146	-	-	-	-	1,313,146
Janitorial Inventory (Warehouse)	-	-	331,723	301,498	254,593	887,814
Republic Services Inc	96,630	69,024	167,957	184,169	180,374	698,154
Carlisle Insurance	256,487	-	179,594	-	231,002	667,083
Unifirst Holdings Inc	119,586	107,992	130,129	138,402	99,898	596,007
American Express	-	-	46,855	318,706	174,229	539,790
Arizpe Flooring	42,982	35,539	231,641	196,387	21,867	528,417
Perry Mechanical Systems	-	9,621	1,165	15,828	408,847	435,460
Eco Induction Systems LLC	-	217,240	209,056	-	-	426,296
Field Turf USA Inc	-	393,494	-	-	-	393,494
Ezerplay, Inc	23,249	181,991	122,577	53,292	-	381,109
R & R Paving, LLC	-	-	-	370,514	-	370,514
Noble Texas Builders LLC	-	18,879	213,319	134,534	-	366,732
Sherwin Williams Company	73,494	61,430	84,818	57,491	85,014	362,247
TEXAS GAS SERVICE	88,381	75,803	78,783	59,002	52,869	354,839
Alan Yoder Enterprises Inc dba Superior Alarms	79,390	8,416	92,057	99,134	56,247	335,243
Gulf Coast Paper	145,421	94,682	77,817	6,970	5,260	330,150
Electric Fixture Supply Inc	86,940	74,819	93,221	48,702	20,707	324,389
Smartcom Telephone LLC	41,435	48,772	78,445	86,254	66,838	321,745
Carrier Corporation	151,252	137,632	3,040	2,851	670	295,445
Carrier Enterprise, LLC -SC	55,972	96,273	55,171	43,179	33,969	284,564
Trumble Construction Inc	271,272	-	-	-	-	271,272
Dezvia LLC	-	-	91,985	135,554	27,989	255,527
357 Other Combined Vendors (<\$250,000)*	1,982,577	1,695,546	2,238,609	2,732,684	1,654,391	10,303,807
Total	\$ 7,333,253	\$ 6,498,264	\$ 10,883,502	\$ 10,611,559	\$ 6,606,582	\$ 41,933,161

* Vendors paid less than \$250,000 are combined in this table for demonstrative purposes.

Maintenance and Operations Expenditures

Observation / Finding #30 – Parsons Commercial Roofing

- In December 2018, the Board approved Parsons Commercial Roofing (“Parsons”) to complete various roofing projects across 12 campuses for a proposed fee of approximately \$2.1 million.
- Services were procured through a purchasing cooperative and it did not appear that other bids or quotes were obtained.
- In or around March 2019, Parsons donated \$12,500 to the District as a donation for the Annual Superintendent’s Golf Tournament.

Maintenance and Operations Expenditures

Observation / Finding #31 – LED Lighting Project

- Prior to the District ultimately awarding a contract to E3 Integral Solutions (“E3”) for the LED Lighting Project in January 2019, the Board rescinded their acceptance of a proposal from Enviro Group Solutions (“Enviro Group”) for the project.
- Dr. Carman recommended that the Board rescind their acceptance due to Enviro Group’s failure to secure a performance and payment bond.
- However, we also observed that Enviro Group previously presented documentation to Dr. Carman showing they were in the process of obtaining the bond.

Maintenance and Operations Expenditures

Observation / Finding #32 – LED Lighting Project

- We identified numerous meetings and email communications between Dr. Carman and E3's Business Development Manager prior to their being awarded a contract for the LED Lighting Project.
- We observed email communications where Dr. Carman shared pricing information with E3 from other firms that submitted pricing proposals.
- E3 also shared information with Dr. Carman about other firms that submitted proposals, and made recommendations prior to being selected about whether the District should replace light fixtures or perform a retrofitting of light fixtures.

Federal Fund Expenditures

Summary of Findings

Federal Fund Expenditures

Observation / Finding #33 – Summary of Expenditures

Summary of Federal Fund Expenditures by Fund / Program: FY2017 - FY2021							
Fund Code	Fund Description	FY2017	FY2018	FY2019	FY2020	FY2021	Total
211	ESEA Title I Part A	\$ 2,759,728	\$ 2,807,037	\$ 2,529,097	\$ 2,303,597	\$ 2,328,627	\$ 12,728,086
212	ESEA Title I Part C Migrant	1,009,938	196,962	291,009	416,360	40,713	1,954,983
255	Title II Part A TPTR	449,310	284,014	676,379	238,559	209,315	1,857,576
224	Idea B Formula	370,726	357,242	534,287	352,447	231,713	1,846,415
266	ESSER	-	-	-	-	1,242,037	1,242,037
289	Title IV Part A, Subpart I	-	28,113	145,145	331,890	181,634	686,782
263	Title III Part A ELA	202,078	27,832	229,428	92,762	99,439	651,538
244	Federal Vocational	168,734	125,822	3,864	18,381	-	316,801
265	Texas 21st Century Grant	124,245	112,929	41,895	-	-	279,069
282	ESSER III	-	-	-	-	222,099	222,099
274	Gear Up	6,696	335	64,754	58,890	15,189	145,864
276	Instructional Continuity Grant	-	-	-	-	35,000	35,000
287	Project Rise	-	-	-	-	21,179	21,179
225	Idea B Preschool	-	-	-	2,840	-	2,840
Total		\$ 5,091,454	\$ 3,940,285	\$ 4,515,858	\$ 3,815,726	\$ 4,626,944	\$ 21,990,267

Summary of Findings

Summary of Federal Fund Expenditures by Vendor / Merchant						
Vendor / Contractor	FY2017	FY2018	FY2019	FY2020	FY2021	Total
C D W - Government Inc	\$ 99,349	\$ 1,094,963	\$ 745,013	\$ 157,516	\$ 124,120	\$ 2,220,962
Dell Marketing L.P.	276,144	314,947	705,930	352,342	249,586	1,898,949
Apple Inc	863,367	615,672	67,366	94,982	178,251	1,819,637
American Express	6,851	-	243,769	519,116	509,641	1,279,378
Region One Education Service Center	331,015	125,272	189,454	165,158	163,110	974,009
Houghton Mifflin Harcourt	111,902	52,927	269,909	65,000	91,000	590,738
Istation	-	-	151,312	172,848	170,949	495,109
Imagine Learning Inc.	430,276	2,640	-	-	-	432,916
Region IV Education Service Center	1,443	845	-	-	429,000	431,288
School Specialty Inc	128,705	99,753	127,413	22,433	42,918	421,223
Forde-Ferrier, LLC	133,470	2,700	48,905	76,962	55,210	317,246
Brownsville Regional Day School	67,500	60,000	46,250	63,750	65,000	302,500
Lead4ward LLC	12,624	33,674	87,503	115,924	39,700	289,425
ECS Learning Systems Inc	61,871	19,979	71,432	46,717	63,991	263,990
Perry Mechanical Systems	-	-	-	-	252,483	252,483
Texas State Technical College	75,183	-	34,483	127,000	-	236,666
DreamBox Learning, Inc	-	-	-	127,792	101,792	229,584
Edgenuity Inc	3,440	6,400	77,585	70,485	69,485	227,395
Accelerate Learning Inc	67,423	-	54,573	51,672	51,672	225,340
American Reading Company Inc	131,160	14,700	73,900	-	-	219,760
Wal-Mart Community BRC	65,292	40,222	38,020	38,695	21,206	203,435
Cameron County Juvenile Probation	35,000	33,333	40,000	40,000	40,000	188,333
The Flippen Group, LLC	-	-	-	38,374	148,832	187,206
Edmentum Inc	18,794	39,201	42,343	83,639	-	183,977
Verizon Wireless Services LLC	452	114	1,328	5,235	173,631	180,760
A B C Therapy Inc	60,000	60,000	60,000	-	-	180,000
Mentoring Minds	109,662	9,063	25,998	18,771	7,234	170,729
Renaissance Learning	55,068	16,246	24,103	37,494	36,427	169,338
Indoff Incorporated	-	-	49,631	36,512	68,082	154,225
1,210 Other Combined Vendors (<\$150,000)*	1,945,462	1,297,633	1,239,638	1,287,309	1,473,624	7,243,667
Total	\$5,091,454	\$3,940,285	\$4,515,858	\$3,815,726	\$4,626,944	\$21,990,267

* Vendors paid less than \$150,000 are combined in this table for demonstrative purposes.

Summary of Findings



Federal Fund Expenditures

Observation / Finding #35 – Federal Fund Purchases with Credit Card

- We identified federal fund expenditures of approximately \$1.3 million paid with the District's American Express credit card during the period of our review.
- We determined that the District's Business Office Manual allows the expenditure of federal funds with a credit card if the purchase meets the requirements of the state or federal grant.

Summary of Findings



Federal Fund Expenditures

Observation / Finding #36 – Federal Funds Approval Process

- Purchases with federal funds are initiated at the campus or department level and have multiple layers of approval starting with approval from the campus principal or department director.
- The Federal Programs Director then reviews the purchase to ensure compliance with Education Department General Administrative Regulations (EDGAR).
- The purchase is then reviewed by the Finance and Operations department before being reviewed by the Purchasing department for final approval.

Summary of Findings



Federal Fund Expenditures

Observation / Finding #37 – Transactions Selected for Further Review

- We selected nine (9) purchases associated with five (5) vendors for further review to determine whether the purchases complied with District policy and federal regulations (i.e., EDGAR).
- Based on our review, we did not identify any issues or exceptions for the purchases reviewed.

Purchasing Practices and Procedures

Purchasing Practices and Procedures

Observation / Finding #38 – Decentralized Purchasing Function

- The District has a decentralized purchasing function where each campus or department has responsibility for managing purchasing activity and obtaining the required number of bids or quotes.
- The Purchasing department provides periodic training to administrators at the campus and department level, and serves as a final layer of approval in the purchasing process to ensure that goods and services are being purchased with proper authorization and through the appropriate procurement method.

Summary of Findings

Purchasing Practices and Procedures

Purchase Amount	Purchasing Requirement
<\$2,500 <i>(in the aggregate)</i>	• Obtain 1 price quote; <u>or</u> • Obtain 1 quote from an approved District Purchasing Cooperative (e.g., TIPS)
\$2,500 - \$49,999 <i>(in the aggregate)</i>	• Obtain 3 price quotes; <u>or</u> • Obtain 1 quote from an approved District Purchasing Cooperative (e.g., TIPS); • As of 11/5/2021, purchases over \$25,000 required Board approval prior to the transaction (CH Local)
>\$50,000 <i>(in the aggregate)</i>	• Request for Proposals / Competitive Sealed Proposal / Request for Qualifications; <u>or</u> • Obtain 1 quote from an approved District Purchasing Cooperative (e.g., TIPS); • Board approval prior to the transaction (CH Local)

Summary of Findings

Purchasing Practices and Procedures

Observation / Finding #40 – Review of Purchases Over \$50,000

We reviewed 20 purchases over \$50,000 during the period of our review to evaluate compliance with the District's Purchasing Manual.

Competitive Bidding Methodology	# of Purchases
Request for Proposals (RFP)	3
Competitive Sealed Proposals (CSP)	4
Request for Qualifications (RFQ)	7
Quotes Obtained Through Purchasing Cooperative (e.g., TIPS)	6
Total	20

Purchasing Practices and Procedures

Observation / Finding #42 – Purchases Reviewed Over \$50,000

- Of the six (6) purchases reviewed over \$50,000 where the District procured the good or service through a purchasing cooperative, two (2) of the purchases were over \$2 million.
- While this procurement method is allowable, the District may have been able to obtain better value for the services through a RFP procurement process.

Summary of Findings

Purchasing Practices and Procedures

Observation / Finding #43 – Review of Purchases Under \$50,000

We reviewed 25 purchases under \$50,000 during the period of our review to evaluate compliance with the District's Purchasing Manual.

Competitive Bidding Methodology	# of Purchases
3 or More Quotes Obtained by the District	7
Only 2 Quotes Obtained by the District	1
Additional Quotes Not Obtained / Documentation Not Available	8
Multiple Award Contracts - RFPs for General Merchandise and Services (GMS) or Maintenance Related Needs (MRN)	7
Approved by Dr. Carman	1
Micro Purchase	1
Total	25

Purchasing Practices and Procedures

Observation / Finding #46 – Purchases Under \$50,000 (Dezvia, LLC)

- Our review included purchases totaling approximately \$78,000 related to remodeling and renovation of the central office through the vendor Dezvia, LLC during the November 2018 – June 2019 time period.
- The project appeared to have been divided into multiple smaller projects (i.e., demolition, electrical, etc.) that were each under \$50,000 and were therefore not approved by the Board.
- It did not appear that other quotes were obtained by the District for the project.

Purchasing Practices and Procedures

Observation / Finding #47 – Purchases Under \$50,000 (Micro Purchase)

- The District utilized the Micro Purchase methodology for the procurement of engineering design services through Trinity MEP Engineering, LLC for \$20,000.
- However, it did not appear that the Micro Purchase methodology was appropriate as the purchase amount was over \$10,000 and was not part of a federal award.

Purchasing Practices and Procedures

Observation / Finding #48 – Insurance Agent of Record

- In August 2020, the Board appointed Jeff Everitt & Associates, Inc. as the District's insurance agent of record for employee health products.
- The insurance agent of record services were **not procured through a RFQ** process, which was inconsistent with the District's procurement for insurance agent of record services in prior and subsequent years (i.e., 2017 and 2021), and a possible violation of Texas Education Code Section 44.031.

Summary of Findings

Purchasing Practices and Procedures

Observation / Finding #49 – Circumvention of Purchasing Department

- Certain purchases approved by the Board **circumvented the District's standard approval process** performed by the Purchasing Department.
- Purchases related to the **2018 Bond Program**, including the selection of a Project Manager and CMAR's were not procured through the Purchasing Department.
- The Board's appointment of an **insurance agent of record** in August 2020 was not procured or approved by the Purchasing Department.

Credit Card Expenditures

Summary of Findings

Credit Card Expenditures

Observation / Finding #50 – Summary of Expenditures

- We identified approximately 3,700 transactions through the District's American Express and Visa credit card accounts totaling over \$6.8 million during the period of our review.

Credit Card Expenditures - Summary by Program and Year							
Credit Card Program	FY2017	FY2018	FY2019	FY2020	FY2021	Total	
American Express	\$ 59,916	\$ 20,450	\$ 680,005	\$ 3,317,693	\$ 2,334,267	\$ 6,412,331	
Visa	73,632	143,153	145,683	51,784	23,103	437,355	
Total	\$ 133,548	\$ 163,603	\$ 825,689	\$ 3,369,477	\$ 2,357,370	\$ 6,849,686	

Summary of Findings



Credit Card Expenditures

Observation / Finding #51 – District Use of Credit Cards

- We identified 27 cardholders associated with the District's American Express credit card account (22 assigned to campuses and 5 for executive leadership).
- American Express credit card primarily used for purchase of goods and supplies.
- We identified 34 cardholders associated with the District's Visa credit card account, including Board members and administrators.
- Visa credit card primarily used for travel expenditures.

Credit Card Expenditures

Observation / Finding #52 – **Implementation of RewardWorks Software**

- In April 2019, the District **implemented RewardWorks** software for purposes of using the American Express credit card account to pay certain vendors while earning additional rebates through American Express.
- Purchases through RewardWorks were procured through the District's standard procurement process.
- Vendors paid through RewardWorks included Houghton Mifflin Harcourt, School Specialty LLC, Gulf Coast Paper Company, Ricoh USA, Xerox, among others.

Summary of Findings

Credit Card Expenditures

Observation / Finding #53 – Transactions Selected for Further Review

- We utilized a risk-based methodology to select **70 credit card transactions** for further review **totaling approximately \$2 million** (29% of total credit card expenditures). A summary of our review is provided below:

Weaver Review Category	# of Transactions
Supporting Documentation Provided (i.e., purchase order, receipts, etc.)	57
Transactions without a Purchase Order	3
Supporting Documentation Unable to be Located	3
Supporting Documentation Destroyed Pursuant to Record Retention Policy	7
Total	70

Summary of Findings

Credit Card Expenditures

Observation / Finding #54 – American Express Rewards

- In FY2017 and FY2018, the District redeemed American Express rewards points through cash gift cards mailed to the District's Business Office.
- We determined that the District redeemed cash gift cards totaling \$9,325 during the July 2016 – May 2018 time period, which were used for purchases related to employee appreciation (e.g., Thanksgiving staff luncheon).

Summary of Findings

Credit Card Expenditures

Observation / Finding #55 – American Express Rewards

- Subsequent to the District's implementation of RewardWorks in April 2019, the District **received quarterly rebates** through their American Express rewards program, which were wired from American Express to the District's general operating bank account.
- Rebates received by the District from American Express totaled approximately \$150,000 since the implementation of RewardWorks in 2019.

Summary of Findings



Credit Card Expenditures

Observations / Findings #56 & #57 – **Marriott Points Earned by Dr. Carman**

- We identified **30 instances** where Dr. Carman was a guest at Marriott Hotels for District travel paid with a District credit card and Marriott rewards points were applied to Dr. Carman's personal Marriott rewards account.
- We also identified **16 instances** where either a Board member or District employee was a guest at Marriott Hotels for District travel paid with a District credit card and Marriott rewards points were applied to Dr. Carman's personal Marriott rewards account.

\$100 Cash Incentive Payments

Summary of Findings

\$100 Cash Incentive Payments

Observation / Finding #58 – Budget Item for Teacher Supply Allowance

- During a Board Workshop on May 8, 2018, Dr. Carman discussed with the Board a **proposed budget item of \$90,000 for a teacher supply allowance**, which was ultimately adopted in the annual budget for 2018-2019.
- Dr. Carman explained to the Board that the idea was used by several other school districts whereby teachers and teacher aides receive a \$100 bill at the beginning of the school year to offset the purchase of school supplies for the classroom.

Summary of Findings

\$100 Cash Incentive Payments

Observations / Findings #59 & #60 – Distribution of \$100 Bills in August 2018

- During the District's convocation on August 20, 2018, Dr. Carman announced the teacher supply incentive to the staff and presented a briefcase containing approximately \$90,000 in \$100 bills.
- The \$100 bills were distributed to campus principals to hand out to teachers and teacher aides after the convocation.
- Upon receipt, teachers **signed Supply Incentive Agreement** to acknowledge the \$100 bill as “other wages” to offset supply purchases.

Summary of Findings

\$100 Cash Incentive Payments

Observation / Finding #61 – Summary of Payments in 2018, 2019 and 2021

- The District distributed \$100 bills to teachers and teacher aides in three (3) of the last four (4) years for a total of \$259,300, which was paid from the District's general fund.

Date	Source of Funds	Object Code	# of Employees	Total Amount
August 20, 2018	199 – General Fund	6149 – Employee Benefits	919	\$91,900
August 5, 2019	199 – General Fund	6149 – Employee Benefits	891	\$89,100
August 4, 2021	199 – General Fund	6118 – Supplemental Pay	783	\$78,300
Total				\$259,300

Recommendations

Recommendations

- 1) Retain construction professionals in bond planning process
- 2) Procure services related to construction projects through RFP or CSP
- 3) Restrict payments in advance of services being performed
- 4) Board review of ABC Group contract prior to January 8, 2023
- 5) Review the multiple award contracting process
- 6) Review procurement training program
- 7) Remove dormant, duplicate or incomplete vendor accounts
- 8) Consider policy concerning rewards points earned by employees
- 9) Review the \$100 cash incentive program and associated fraud risk
- 10) Consider implementing anonymous reporting hotline



Questions?

