



MEMORANDUM

TO: Audit Committee of the School Board of the City of Virginia Beach

FROM: Karen W. Woodson, CIA, CFE ^{KW}
School Board Internal Auditor, Department of Internal Audit

SUBJECT: Procurement of Sole Source Contracts/Purchases Audit

DATE: November 20, 2025

BACKGROUND

As part of the 2025 Audit Work Plan, the Department of Internal Audit (IA) has performed a Procurement of Sole Source Contracts/Purchases Audit.

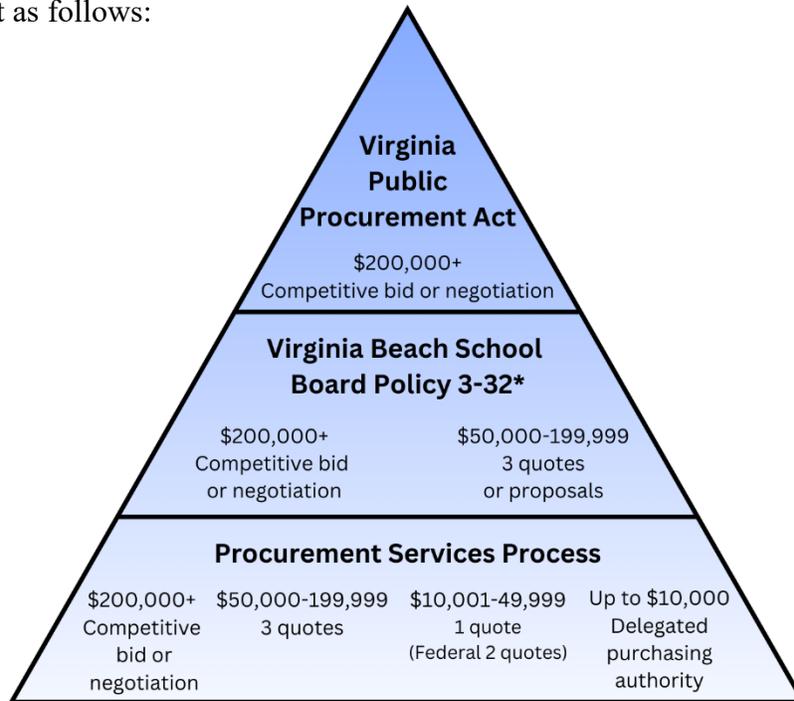
The Office of Procurement Services (Procurement) within the Department of Budget and Finance is responsible for managing the procurement of essential goods and services for Virginia Beach City Public Schools (VBCPS). Goods/services are traditionally procured on a competitive basis, where prices and/or proposals are solicited from multiple suppliers to get the best value.

The Code of Virginia § 2.2-4303 Virginia Public Procurement Act (VPPA) and School Board Policy 3-32 allow purchasing goods/services without competitive bidding when a commodity or service is only available from one source or when other methods of procurement are not feasible or advantageous. Public notice is required by VPPA for sole source procurements above \$200,000. School Board Policy requires public notice for sole source procurements of \$50,000 or more.

A Sole Source Memorandum including a quote or requisition is required to request sole source procurement. The Director of Procurement Services (Director) determines if the request is justified. An expansion of an existing program or components required for a propriety system are examples of types of sole source procurements.

BACKGROUND, CONTINUED

The chart below shows procurement requirements for VPPA, School Board Policy and Procurement as follows:



*School Board Policy 3-32 allows purchases for instructional materials and software, assessment and industry standards tests under \$200,000, and professional services under \$80,000 to be exempt from competition.

AUDIT OBJECTIVES, METHODOLOGY, RESULTS AND CONCLUSIONS

Inquiry and examination of documents and data were the methods of reviewing internal controls. The audit period was September 1, 2023, through April 30, 2025. No sampling methodology was used in this audit. IA conducted this audit to review purchases and contracts with an approved sole source. The audit objectives, methodology, results and conclusions are as follows:

1. Objective:

Determine if sole source procurements are processed in compliance with the VPPA and VBCPS requirements.

Methodology:

A) IA reviewed the sole source procurements in Laserfiche, VBCPS’s document repository, to determine if they included the following information:

- The item/service being procured;
- The contractor/vendor selected and justification for the request;
- Signature authority approval;
- Quote(s) or requisition;
- Identification of federal funds being used, as applicable; and
- Department of Technology (DOT) approval of software, as applicable.

AUDIT OBJECTIVES, METHODOLOGY, RESULTS AND CONCLUSIONS, CONTINUED

Results:

IA determined 28 of the 60 sole source procurements reviewed did not have a quote or requisition to support the purchase. All identified the good/service and vendor, included justification and were approved by the signature authority. In addition, all included identification of federal funds and approval from DOT, as required.

- B) IA reviewed sole source procurements of \$50,000 or more to determine if they were publicly posted.

Results:

IA determined four of the 41 sole source procurements \$50,000 or more were not publicly posted.

Conclusion:

All sole source procurements included the required information to support the need for a sole source; however, improvement is needed to ensure a quote or requisition is maintained to support the sole source and awards over \$50,000 are publicly posted.

2. Objective:

Determine if payments over \$10,000 made to vendors with sole source procurements were made after the sole source was approved.

Methodology:

- A) IA reviewed all payments over \$10,000 in Oracle Cloud (Oracle), VBCPS's procurement and payment processing system, to vendors with sole source procurements, to ensure payment occurred after the sole source was approved. In addition, IA evaluated the payments that were not related to a sole source to determine if another procurement method was followed.

Results:

IA identified 150 payments in Oracle. Ninety-three payments were made after the sole source was approved, fifty-four payments were made using another procurement method and three payments did not follow procurements requirements.

- B) IA reviewed rejected sole source requests to determine if any payments were made to the vendors for the same product/good during the audit period.

Results:

IA determined all payments made to a vendor after the sole source request was rejected met the procurement requirements.

Conclusion:

IA determined that substantially all payments were made after the sole sources were approved or division procurement requirements were met.

AUDITING STANDARDS

IA conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that IA plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. IA believes that the evidence obtained provides a reasonable basis for the findings, other items noted and conclusions based on the audit objectives.

AUDITING STANDARDS, CONTINUED

The results of the audit were discussed with management. IA would like to thank management and staff of Procurement and others that were contacted for their cooperation throughout the audit.

cc: Crystal M. Pate, Chief Financial Officer, Department of Budget and Finance
Alicia D. Smith, Director of Procurement Services

AUDIT RESULTS AND MANAGEMENT’S RESPONSES

Finding No. 1: Public Notice

Four of 41 sole source procurements for purchases/contracts over \$50,000 were not publicly posted. See details as follows:

Vendor	Item/Service Purchased	Amount
Jobs Connect USA	Int'l. Recruitment services	\$ 300,000.00
College Board	PSAT/NMSQT exams	200,198.02
Damuth Trane	Digital HVAC services	75,000.00
95 Percent Group	Phonics booster bundles (all levels)	65,065.00
Total		\$ 640,263.02

Procurement’s “Guidelines for Writing a Sole Source Request” (Guidelines) requires awards \$50,000 and above to be posted on the VBCPS website. The VPPA §2.2-4303 requires sole source awards above \$200,000 to be posted on the state’s website or another appropriate website. These sole source procurements for purchases/contracts were approved by the prior Director; therefore, IA was unable to determine why they were not posted. Posting sole source awards above \$50,000 ensures that VBCPS procurement is conducted transparently, and posting awards above \$200,000 ensures compliance with VPPA §2.2-4303.

Recommendations:

IA recommends that Procurement post the missing sole source procurements to the VBCPS website. In addition, Procurement should develop and implement a process to ensure that sole source awards are posted in compliance with VPPA §2.2-4303 and School Board Policy 3-32.

Management’s Response:

The Chief Financial Officer (CFO) concurs. Procurement will immediately post the missing source awards to the VBCPS website. Procurement will develop and implement a process to ensure that all awards are posted in compliance with VPPA §2.2-4303 and School Board Policy 3-32. This process will be developed and implemented by 12/31/25.

Finding No. 2: Procurement Requirements

Three payments above the delegated purchasing authority did not follow procurement requirements. The payments were processed using two different methods in Oracle: a direct payment (DP) made to the vendor or through a purchase order (PO). See details as follows:

Vendor	Item/Service Purchased & Payment Type	Funding Source	Amount	Missing Requirement
College Board	AP exams, DP	Federal, local	\$755,015.00	Competition
RM Associates	Soccer officials, PO	Local	58,029.00	2 quotes
Just Right Readers	Foreign language books, PO	Federal	18,532.74	1 quote
Total			\$831,576.74	

AUDIT RESULTS AND MANAGEMENT'S RESPONSES, CONTINUED

VPPA §2.2-4303 and School Board Policy 3-32 state that purchases over \$200,000 require competitive procurement, sole source or a cooperative contract. School Board Policy 3-32 states purchases between \$50,000-199,999 require three quotes or a sole source. Procurement's Guidelines state that purchases between \$10,000-49,999 made with federal funds require two quotes or a sole source. These exceptions occurred because Procurement was not on the approval path in Oracle for the direct payment or Procurement converted the requisition to a purchase order without the required number of quotes. Procurement review of purchases over \$10,000 ensures compliance with VPPA and VBCPS requirements.

Recommendations:

IA recommends that Procurement be added to the approval path in Oracle for invoices that are paid with a direct payment above the delegated \$10,000 purchasing limit. In addition, IA recommends that Procurement develop and implement a process to ensure all requisitions include the required number of quotes before converting them to a PO.

Management's Response:

The CFO concurs. Procurement will be added to the approval path for invoices that are paid with a direct payment above the delegated \$10,000 purchasing limit. OBS will request that this change be made permanently in Oracle by submitting the change to the implementation team and City of Virginia Beach by 1/31/26. In the interim, Procurement will run a weekly report of direct payments above \$10,000 to monitor procurement requirements. In addition, Procurement will develop and implement a process by 2/28/26 to ensure requisitions include the required number of quotes before converting them to a purchase order.

Finding No. 3: Missing Documentation

Sixty sole source procurements were reviewed. Twenty-eight sole source procurements approved by the previous Director did not include a quote or requisition. The *Purchasing Policy & Procedures Manual* states, "Sole source request memo...must include...a copy of the quote or requisition." Procurement stated the previous Director did not retain/store this supporting documentation. Supporting documentation ensures that the sole source is necessary and the approval is warranted.

Recommendations:

IA recommends that Procurement require and retain a quote or requisition to support each sole source purchase/contract.

Management's Response:

The CFO concurs. Procurement will modify guidance to clarify that the schools/departments are required to submit a quote or requisition when seeking approval for a sole source contract/purchase by 12/31/25. Procurement will retain a copy of the quote or requisition for each sole source contract/purchase.

AUDIT RESULTS AND MANAGEMENT'S RESPONSES, CONTINUED

Finding No. 4: Sole Source Guidance

During the review of guidance, IA noted Procurement's *Purchasing Policy & Procedures Manual*, Procurement's Guidelines and a posted PowerPoint of previous training did not include all items required to obtain a sole source. This occurred because the guidance has not been reviewed for consistency. It is best practice to provide clear processes so that staff know the steps to follow to request a sole source.

Recommendations:

IA recommends that Procurement review and revise procedures for sole source contracts/purchases to provide clear instructions to schools/departments that are consistent.

Management's Response:

The CFO concurs. Procurement will review and revise procedures for sole source contracts/purchases to provide clear instructions to schools/departments that are consistent by 12/31/25.

- *IA noted that, prior to the report date, Procurement updated the Policy & Procedures Manual and Sole Source Guidelines to align with other published materials.*

ITEMS NOTED AND MANAGEMENT'S RESPONSES

Items Noted No. 1: Unnecessary Sole Source

IA noted that four purchases in the audit period had an approved Sole Source Memorandum but did not require a sole source because they were exempt from competitive procurement and/or had an existing contract in place. School Board Policy 3-32 states that purchases of instructional materials and assessment tests under \$200,000 and professional services under \$80,000 shall be exempt from competition. See details as follows:

Vendor	Item/Service Purchased	Amount	Exemption
Scholastic Inc.	Summer library packs	\$ 366,577.36	TIPS contract
College Board	PSAT/NMSQT exam	162,539.86	Assessment
Laerdal Medical	Medical simulator	134,074.58	Instructional
Scholastic Inc.	Quarterly learning packs	88,540.65	TIPS contract
Total		\$ 751,732.45	

Unnecessary sole source procurements may occur when requesters do not understand the exemptions for these materials or when Procurement approves a sole source request that is not required. Unnecessary sole source requests can create excessive work for the requesting school/department and Procurement.

Recommendations:

IA recommends that Procurement provide training to schools/departments to explain the available methods of procurements and approve sole source requests only when necessary.

Management's Response:

The CFO concurs. Procurement will provide training to explain methods of procurement to schools/department by 6/30/26. The Director will emphasize to all Procurement staff by 12/31/25 that sole source requests should only be approved when necessary.

Items Noted No. 2: Sole Source Expiration

IA noted that sole source procurements for contracts do not have a clear expiration date. A sole source may be approved in conjunction with a contract, but guidance does not state whether the sole source is valid for the contract renewal period. School Board Policy 3-32 outlines acceptable reasons to support a sole source procurement, including research showing that only one supplier exists, no other alternative source exists or only one source meets business needs. A sole source expiration date ensures that VBCPS has the opportunity to reevaluate the available sources/business need prior to continuing a contract.

Recommendations:

IA recommends that Procurement includes an expiration date on each sole source procurement and inform requesting schools/departments of this requirement.

ITEMS NOTED AND MANAGEMENT'S RESPONSES, CONTINUED

Management's Response:

The CFO concurs. Procurement will begin immediately including an expiration date on each sole source procurement and will inform departments/schools of this requirement by 6/30/26.

Items Noted No. 3: Record Retention and Disposition

IA noted public postings for VBCPS sole source awards include the 2016-2017 school year to current. The Library of Virginia Records Retention and Disposition Schedule No. GS-02 requires that purchasing records be retained "5 years after end of fiscal year", and contract records must be retained "5 years after the expiration." Following record retention requirements ensures compliance with applicable state law and reduces obsolete information.

Recommendations:

IA recommends that Procurement reviews record retention requirements for posted sole source awards.

Management's Response:

The CFO concurs. Procurement will review record retention requirements for posted sole source awards by 12/31/25. Procurement will complete the required disposition by 6/30/26.