

Austin Independent School District Procurement Internal Audit

Near-Final Report Presentation
to Board Audit Committee

GIBSON

AN EDUCATION CONSULTING & RESEARCH GROUP

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Agenda

- Audit Objectives and Scope
- Organization and Management
- Competitive Procurement and Contracting
- Procurement and P-Card
- Other Recommendations
- Questions

Audit Objectives and Scope

Audit Objectives

- Evaluate the efficiency, effectiveness, and compliance of the AISD Procurement Department.
- Identify opportunities for improvement.

Audit Scope

- Organization and Management
 - Compliance with laws, policies and regulations
 - Assessment of internal controls, including segregation of duties
 - Customer satisfaction of the department
 - Performance measures used
 - Departmental training
- Competitive Procurement and Contracting
 - Compliance with laws, policies, and regulations
 - Efficiency of the competitive procurement and contracting process
 - Consistency across the department when procedures are performed

Audit Scope Continued

- Procurement and P-Card
 - Compliance with laws, policies, and regulations
 - Review of vendor creation and management process
 - Review of P-Card process
- Receiving
 - Review of receiving process
- The Austin ISD Contracts and Procurement Department does not procure goods and services for Nutrition and Food Services and Warehousing
- As Gibson is simultaneously conducting a Construction Department Audit, this audit report does cover Construction Procurement

Executive Summary

- A best practice was noted:
 - Effective use of information systems and technology to reduce paperwork in procurement processes
- Major areas of improvement include:
 - Lack of documented contract management procedures and related lack of clarity of contract management roles and responsibilities
 - Procurement procedures were not consistently followed by the departments and schools within AISD
 - Inefficient processes, including the processing of P-Cards
- 12 audit recommendations made

Audit Recommendations

No.	Priority	Recommendation
1	Medium	Establish more training opportunities that the District staff can attend.
2	Medium	Upgrade the minimum qualification requirement for Senior Procurement Specialists' job description and encourage and provide procurement-related certification opportunities.
3	Medium	Implement and use performance measures to enhance the effectiveness of procurement-related activities.
4	Low	Establish a monthly review of user positions and their security roles in the District's Enterprise Resource Planning system, <i>BOLT</i> .
5	High	Establish procedures for contract management activities.
6	Medium	Fully implement the District's E-Procurement system, <i>Bonfire</i> , contract management module.

Audit Recommendations

No.	Priority	Recommendation
7	High	Track the metrics necessary to hold departments and campuses accountable to District purchasing requirements.
8	High	Move vendor master file management from the Accounts Payable Department to the Contract and Procurement Services Department.
9	Medium	Reengineer the vendor creation process by automating data exchange between systems.
10	Medium	Conduct a spend analysis on a quarterly basis.
11	High	Reengineer the P-Card process by eliminating duplicative tasks and integrating information systems.
12	Medium	Replace H-E-B Card usage with existing P-Cards.

The background features abstract geometric shapes in teal and dark blue. A dark blue shape is at the top left, a teal shape is at the top right, a teal shape is at the bottom left, and a dark blue shape is at the bottom right. The central area is white.

Organization and Management

Security Role(s)

Finding: AISD employees outside the procurement function have access rights to procurement-related systems, which could result in unauthorized transactions.

- Five individuals have buyer security role(s) outside the procurement function including IT, Construction Management and Academics
- May cause unauthorized access

Security Role(s)

Recommendation: Establish a monthly review of user positions and their security roles in the District's ERP system, BOLT.

- Provide security role reports to the departments
- Periodic user access review to make sure positions and security roles are in sync

Management Response: Agree



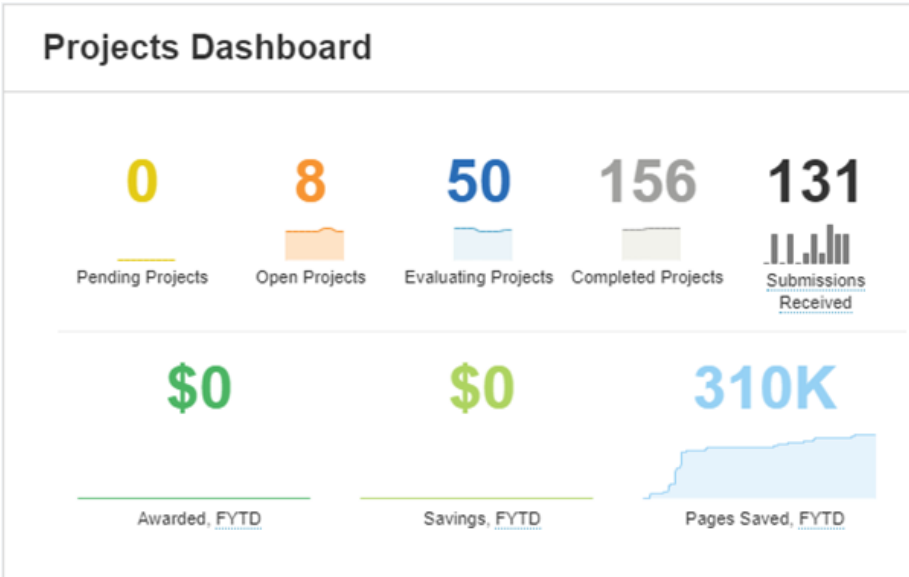
Competitive Procurement and Contracting

Commendation

The District uses an electronic system to manage bids and proposals

- Allows electronic submittal by vendors
- Provides a central dashboard to view procurement related information
- Track bids and proposal timelines and milestones

Commendation



Contract Management

Finding: There are procedural gaps in AISD's contract management function, creating compliance and performance risks.

- Contract management accountability is inappropriately distributed
- No documented contract management procedures, the positions may not fully understand their roles and responsibilities
- Inconsistencies and gaps in the performance of contract management activities across individuals/positions

Contract Management

- Compliance and other risks for the District, such as
 - Risks associated with a vendor performing services without a signed contract
 - Risk of a vendor going above the contract amount
 - Risk of a vendor delivering goods and services outside of the scope of the contract
 - Risk of a vendor performing a service that AISD has not agreed to

Contract Management

Recommendation: Establish procedures for contract management activities.

- Develop contract management procedures
- Assign contract management roles to staff
- Work with end users to monitor vendor compliance with the contract

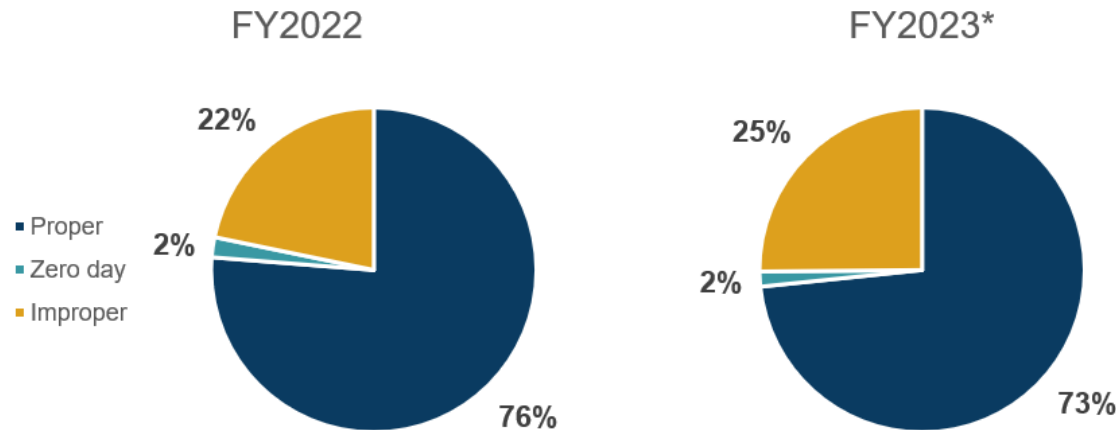
Management Response: Agree

Procurement and P-Card

Improper POs

Finding: The District does not consistently follow purchasing procedures and practices, which subjects the District to compliance and financial risks.

- Goods or services are acquired without a valid purchase order (PO)
- POs are issued after the fact



Note. FY2023 is from 7/1/2022 to 1/12/2023.

Source. Gibson analysis of Purchase Order and Disbursements Listings, FY2022 and FY2023

Improper POs

- Risks for the District.
 - May not have the funds to cover the goods or services
 - May not be appropriate to acquire goods and services due to the requirements of federal or grant funds
 - The vendor may not be paid in a timely manner

Improper POs

Recommendation: Track the metrics necessary to hold departments and campuses accountable to District purchasing requirements.

- Track the improper POs quarterly in order to have the ability to hold departments/campuses accountable
- Enforce purchasing procedures
- Work closely with the departments and campuses to reduce recurring issues

Management Response: Agree

Segregation of Duties

Finding: AISD does not have segregation of duties in vendor master file management which increases the risk of errors and/or fraudulent activities.

- The Accounts Payable Department manages the vendor master file, as well as disburses payments to vendors
 - AP Manager security role has the ability to both set up and maintain vendors and make payments to vendors
 - There are five staff members who have AP Manager security role
- Single departmental control over vendor management and vendor payment substantially increases the risk of AP setting up fictitious vendors

Segregation of Duties

Recommendation: Move vendor master file management from the Accounts Payable Department to the Contract and Procurement Services Department.

- Accounts Payable should have the ability to disburse funds with appropriate documentation

Management Response: Partially agree

Vendor Creation

Finding: The District's vendor creation process is highly manual, resulting in errors.

- AISD uses *Payment Works and BOLT* for vendor management
 - No integration between the two systems; the vendor information transfer is a manual and inefficient process that relies on Excel spreadsheets.
- Impact of the current approach
 - May cause vendor information sync issues between the two systems
 - Vendors appear in one system and this same information does not appear in the other system
 - The vendor creation process is time consuming

Vendor Creation

Recommendation: Reengineer the vendor creation process by automating data exchange between systems.

- Automate the data exchange between the new ERP system and Payment Works
- Eliminate the Excel-based vendor ID creation step

Management Response: Agree

P-Card Process

Finding: The District's P-Card process does not maximize efficiency.

- The P-Card process has duplicative controls and manual processes
 - Certain reviews are completed by both the P-Card holder's supervisor and the AP Department
- No integration between the three systems used in the P-Card process (*Laserfische, CAR, BOLT*), resulting in manual processes

P-Card Process

- The P-Card process currently has a four-month lag as a result:
 - The District stops the usage of P-Cards after a certain date
 - When problematic transactions are found, it is much more difficult to rectify a problem because a significant amount of time has passed since the transaction took place
 - District does not have an accurate balance of funds for common accounts used for P-Card transactions

P-Card Process

Recommendation: Reengineer the P-Card process by eliminating duplicative tasks and integrating information systems.

- Automate the data exchange between the new ERP system and CAR
- Eliminate the use of Laserfiche and upload the P-Card package directly to the new ERP system
- Eliminate duplicative supervisory checks at the transaction level
- Run P-Card transaction reports and Amazon Business Account reports periodically in order to analyze the data for anomalies

Management Response: Agree

H-E-B Card

Finding: AISD's use of H-E-B Cards is inefficient and contains control deficiencies.

- H-E-B Cards are assigned to a specific campus/department, not individuals
- If an unauthorized person obtains the card, they would be able to use it at an H-E-B grocery store
- H-E-B Cards do not have spending limits
- Everything that can be accomplished using an H-E-B card can be completed using a P-Card

H-E-B Card

Recommendation: Replace H-E-B Card usage with existing P-Cards.

- P-Cards allow schools and departments to make transactions at H-E-B stores
- P-Card program has controls in place that the H-E-B Card program does not

Management Response: Agree



Other Recommendations

Other Recommendations

- **Establish more training opportunities that the District staff can attend.**
 - *Management Response: Agree*
- **Upgrade the minimum qualification requirement for the Senior Procurement Specialist job description and encourage and provide procurement-related certification opportunities.**
 - *Management Response: Agree*
- **Implement and use performance measures to enhance the effectiveness of procurement-related activities.**
 - *Management Response: Agree*

Other Recommendations

- **Fully implement the District's E-Procurement system (Bonfire) contract management module.**
 - *Management Response: Agree*
- **Conduct a procurement spend analysis on a quarterly basis.**
 - *Management Response: Agree*



Questions?