

Date: November 9, 2017

For ACTION \_\_\_\_\_

For INFORMATION  X

Board Agenda: Yes  X

No \_\_\_\_\_

**FROM:** Michael Herbstman, Chief Financial Officer  
Sharon Lewis, Director of Procurement & General Services

**THROUGH:** Dr. Lois Berlin, Interim Superintendent of Schools

**TO:** The Honorable Ramee A. Gentry, Chair, and Members of the Alexandria City School Board

**TOPIC:** **Procurement Performance Audit Update on Recommendations**

**BACKGROUND:**

After an outside consultant completed a Risk Assessment of ACPS, the School Board approved funding in the FY 2016 Combined-Funds Budget for an internal audit program. In the spring of 2016, the School Board awarded a contract to Gibson Consulting Group to conduct audits in the following areas: Procurement, Facilities, and Payroll.

The Procurement audit began in August 2016 and was substantially complete in early 2017. The Final Audit Report, including management responses, was issued to the School Board on April 7, 2017. Significant progress was already made towards implementing audit recommendations at the time of the Auditors report, as outlined in this memo.

**SUMMARY:**

In the six months since the report was finalized, Procurement office staff and other division-wide employees have continued to make extensive progress towards the audit recommendations. This progress is detailed below for each finding:

**Recommendation 1: Supplement existing performance measures.**

Management Update: The Procurement Department has updated the performance measures to include:

- Average dollar value of purchase orders processed
- Number of days to evaluate and award vendors for competitive procurements
- Percentage of P-Card transactions to total purchase transactions
- Rejected requisitions by department or school
- Improper POs – requisitions after the purchase and delivery

**Recommendation 2: Conduct a spend analysis on a quarterly basis.**

Management Update: The Procurement Department has implemented the use of commodity codes when creating requisitions for all purchases. The use of commodity codes in MUNIS will allow the department to run reports using expenditure data, including spend by vendor, spend by commodity code, number of vendors by commodity code, and historical spending trends. The use of commodity codes was implemented and trained to everyone entering requisitions in August 2017. Staff will run the first reports in the November/December timeframe.

**Recommendation 3: Update Procurement Department job descriptions to accurately reflect the roles and responsibilities of the positions.**

Management Update: The Senior Buyer, Buyer, and Contract Specialist position descriptions have been updated. The Purchasing Manager job description is in process.

**Recommendation 4: Utilize a documentation management system to store procurement and contract files electronically.**

Management Update: The Procurement Department has implemented the MUNIS e-Procurement or Vendor Self Service. With this implementation vendors are able to upload responses to bids and proposals electronically right into the financial system, therefore the use of a document management system is not required. The department continues to use the MUNIS Contract module to store all active contracts electronically, and all users can search contracts by vendor name or description.

**Recommendation 5: Maximize the use of Division resources to electronically receive vendor responses to competitive solicitations.**

Management Update: The same update as Recommendation 4.

**Recommendation 6: Improve the proposal evaluation process. Train evaluation committee members, use numeric scoring methods instead of narratives or qualitative approach.**

Management Update: The Procurement Department conducts a Committee Kick-off Meeting that covers the details of the project, the process of evaluations, responsibilities of the members, including the ability to attend all the sessions to make an award, and sets the schedule for all the meetings.

The Procurement Department did not agree with the finding that the evaluation of the responses should be numeric. This is no longer the best practice across the profession. Vendors are interested in understanding how they were deficient in their response or interview that resulted in no contract. Numbers were not giving details and procurement staff was not able to tell vendors what they could do better. When committee members clearly state for the Vendor how their response does not meet the mission for ACPS, or what area of the response did not fully meet the needs, the vendors feel it is worth their time and cost to continue to pursue projects with ACPS. We have many comments of appreciation from the vendor community, when they come in for a debrief and we provide them with results and constructive information. A quality proposal from qualified Offerors is what ACPS is looking for in awarding our contracts. Numbers don't tell that story clearly to

the vendor community. We are trusted as an organization when we use the narrative approach.

**Recommendation 7: Retain the actual advertisement of solicitations in the procurement files.**

Management Update: The original ad comes back to ACPS with the billing from the newspaper. This information is kept by the Procurement Department, and was available at the time of the audit, we kept these ads in a binder. We are currently meeting this recommendation.

**Recommendation 8: Retain documentation in procurement files of the date and time vendor responses are received by the division.**

Management Update: This process was immediately implemented, but since this audit the receipt of Bids and Proposals are determined by date and time in the MUNIS Financial System, all responses are electronic. ACPS no longer accepts paper responses to solicitations, nor do we retain paper procurement files.

**Recommendation 9: The use of the checklist is insufficient.**

Management Update: The checklist was part of the file when the audit started. The audit team thought it was a good idea, and it showed up as an audit comment. As explained, this tool was created to ensure new staff understood the order of the process, it was not in all files as all staff were not new and being trained. We are using the checklist in excel, but it is not as effective since all records are electronic.

**Recommendation 10: Conduct Customer surveys upon completion of each competitive solicitation.**

Management Update: The item was on the checklist already started by Procurement as next steps. We were in the process of working with IT on the link to include in communications to end users and vendors. This is implemented and included as a link in the signature of all of the procurement staff communications.

**Recommendation 11: Document the evaluation of ITBs**

Management Update: The evaluations of ITBs are now being documented with more details. The file showed the most responsive and responsible bidder information since bids awarded only the low bidder, but we've now created a document that shows the department sign off on the award. In the event an award was made to a bidder other than the low cost that information was always documented to the file.

**Recommendation 12: Increase the use of state online system for obtaining quotes.**

Management Update: ACPS now has its own online bidding system, therefore we post on our system, and will continue to post on the state system for wider advertisement. The state system will be used for advertisement purposes, and will refer the vendor to the ACPS online bidding module to register and respond. The procurement manual states that one

written quote is required and the training materials have these details at every cost threshold.

**Recommendation 13: Enhance procedures for vendor creation and maintenance in the MUNIS system.**

Management Update: Vendor are registering using the Vendor Self Service module in which they complete the details of their vendor and it's processed using a workflow approval process for data verification. The workflow process is procurement and accounting, and then the vendors are activated for use.

Other maintenance for the vendor database does not fall under the authority of the Procurement Director.

**Recommendation 14: Implement the use of the MUNIS automatic email functionality to send POs to vendors.**

Management Update: This function was already in place, the vendors were not required to enter email addresses to become active in MUNIS. With Vendor Self Service emails are required and we are using this functionality. We will continue to update emails as vendors register.

**Recommendation 15: Perform analysis to better understand the root cause of improperly issued purchase orders and implement control procedures to eliminate them.**

Management Update: Procurement implemented an additional level of approval for payment of invoices requested after the goods were delivered or services were performed. The form requires an Executive Level signature before the check processing will be done. This has greatly reduced the number of occurrences of this issue. We continue to monitor and train on the need to have a valid PO before an order is placed.

**Recommendation 16: Implement control procedures to better monitor the use of blanket purchase orders.**

Management Update: With the implementation of contract links and commodity code numbers for every requisition, Procurement is able to track spending by commodity and by the contract used. We can now print reports from MUNIS to determine how much is being spent by blanket contract orders, and how much is purchased for non-contracted items. This helps procurement understand the need for soliciting contracts as well.

**Recommendation 17: Ensure that procurement file documentation validates policy compliance.**

Management Update: Staff will ensure that documents are retained in MUNIS for contracts and solicitation responses. All other materials will be kept electronically on the network by Bid or RFP number by FY.

**Recommendation 18: Increase controls over the maintenance of MUNIS User access levels.**

Management Update: This work does not fall under the authority of the Procurement Director.

**Recommendation 19: Implement departmental review procedures for the modification of MUNIS system workflow.**

Management Update: This work does not fall under the authority of the Procurement Director.

**Recommendation 20: Utilize electronic forms to increase efficiency and enhance approval and record keeping processes.**

Management Update: Staff is exploring how this can be implemented. The manual process of receiving and time stamping bids and RFPs have been resolved with Vendor Self Service. There are a few forms that are sent for signature manually. Staff continues to discuss solutions.

**Recommendation 21: Secure procurement files to ensure confidentiality and reduce the possibility of lost records.**

Management Update: The door to the file room is locked at all times. The door requires a digital code for access.

**RECOMMENDATION:** The Superintendent recommends that the School Board reviews the Procurement Audit Report and the progress made on the audit recommendations.

**CONTACT PERSON:** Michael Herbstman, Chief Financial Officer

**ATTACHMENTS:** Procurement Audit Report