



AUDIT OF: Richmond Public Schools PURCHASING SERVICES

Report Issued: April 2014
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*Committed to increasing government efficiency, effectiveness
and accountability on behalf of the Citizens of Richmond.*

TABLE OF CONTENTS

Executive Summary	ii
Comprehensive List of Recommendations	v
Introduction.....	1
Methodology	1
Management Responsibility.....	2
Management Responses.....	Appendix A



Richmond City Council

The Voice of the People

Richmond, Virginia

Office of the City Auditor

Executive Summary

April 7, 2014

The Honorable Members of the Richmond Public School Board

Subject: Richmond Public Schools – Procurement Audit Report

The City Auditor's Office has completed an audit of the Richmond Public Schools (RPS) Division of Purchasing Services, which was responsible for overseeing approximately \$88 million of purchasing activity during the audit scope. The objectives of this audit were to:

- Evaluate the efficiency and effectiveness of operations
- Determine the existence and effectiveness of internal controls
- Verify compliance with laws, regulations, and policies

The auditors conducted this performance audit in accordance with generally accepted government auditing standards.

Salient Findings

Based on the audit procedures followed, the auditors concluded that:

- The controls over the purchasing function need improvement.
- Compliance with regulations and the effectiveness of the purchasing function cannot always be verified.
- Fraud, waste, and abuse, if occurring, cannot be easily detected due to the inadequacy of the available data.

Several factors contributed to the above conclusions, such as:

- Stability of leadership in the Department is not assured. An Interim Director has been in place since September 2010.

- End-users circumventing established purchasing procedures that prevents Purchasing Services from enforcing procurement policies.
- Invitation for Bids (IFBs) and Requests for Proposals (RFPs) did not always adequately define the scope of work or describe the products, which may have led to inefficient and ineffective procurements.
- Lack of adequate oversight over the Purchasing Officers to ensure quality control, compliance with policies and procedures, and that the most advantageous pricing is received.
- Oversight over the contract administration function, which is delegated to the user departments, is lacking.

Other Issues:

- Although, expenditures on book purchases have declined over years, RPS still spent approximately \$375,000 in excess of needs. These costs could have been avoided.
- Data collection and tracking need to be improved for meaningful use in managing this function.
- The overhead costs for maintaining the warehouse were 30% and 51% of the goods and material purchased in FY12 and FY13, respectively. In FY13, RPS spent approximately \$439,000 for operating the warehouse. There may be an opportunity to discontinue the Mini-Store operations to generate savings. A more efficient method may be to negotiate contracts with the vendors for direct delivery to schools and other departments. In accordance with the information obtained from one of the copier paper vendors, paper can be delivered to the schools and department locations without any additional cost to RPS.
- The method used by RPS to score minority participation could be interpreted as discriminatory for giving preference to a particular race. This is a complicated legal issue that may need further evaluation. There may be a legal liability exposure to RPS due to the current scoring process.

The City Auditor's Office appreciates the cooperation of the Richmond Public Schools' staff.
Please contact me for questions and comments on this report.

Sincerely,

Umesh Dalal

Umesh Dalal, CPA, CIA, CIG
City Auditor

c: Dr. Dana Bedden, Superintendent
The Richmond City Audit Committee

COMPREHENSIVE LIST OF RECOMMENDATIONS

#		PAGE
1	Request the School Board to restore the Purchasing Director's position (Recommendation made to Superintendent).	7
2	Recruit and fill the Director's position with a qualified individual using the GFOA recommendation as a guide (Recommendation made to Superintendent).	7
3	Require Purchasing Services to comply with its procedures. Retain documentation for non-compliance in accordance with RPS Purchasing policies.	15
4	Require the Superintendent to prescribe and enforce disciplinary action for employees not complying with the purchasing policies.	16
5	Conduct a feasibility study to either modify the existing financial system to include commodity codes or obtain an alternate system, including RAPIDS which is currently used by the City, capable of tracking commodity codes.	16
6	Until the system limitations are addressed, require Purchasing Services to periodically analyze the procurement data to detect and address bid splitting incidences, and identify potential opportunities to establish contracts for similar commodities to procure volume discounts.	16
7	School Board should revise policies to require Superintendent or COO to verify appropriateness of emergency purchases prior to approving them specifically by: a. Obtaining details of timeline for identifying an emergency and requesting procurement to address emergency, and any research conducted prior to recognizing the incident as an emergency. b. Holding end-users accountable for proper planning and timely requesting Purchasing Services' assistance with the procurement.	18
8	Require Purchasing Services to monitor compliance with the revised emergency purchases policy.	18
9	Require Purchasing Services to research all available sources of goods or services requested prior to approving a vendor as sole source.	20

COMPREHENSIVE LIST OF RECOMMENDATIONS

10	Require Purchasing Services to obtain a detailed justification from the end-user for selecting a particular brand if more than one brand/option is available.	20
11	Require Purchasing Services to ensure change orders are properly documented, supported and approved.	21
12	Require Purchasing Services to establish a process to ensure: <ul style="list-style-type: none">• Proper oversight and monitoring over the buyers' work to ensure compliance with policies and procedures• Obtaining the most advantageous pricing• Consistency and completeness of purchasing contract files	29
13	Require Purchasing Services to develop a mechanism for verifying adherence to the above process.	29
14	Require Purchasing Services to ensure that: <ul style="list-style-type: none">a. Scope of services is properly and clearly defined to enable potential bidders to submit bids that are comparable.b. Specifications are clearly stated to obtain meaningful information for cost comparison and bid evaluation.	30
15	Require Purchasing Services establish and implement procedures to monitor end-users' compliance with contract terms and conditions.	33
16	Require Purchasing Services to verify analysis done by Instruction Department on all textbook needs (both adopted and non-adopted) and conduct proper planning prior to purchasing textbooks to avoid excessive purchases.	36

COMPREHENSIVE LIST OF RECOMMENDATIONS

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|----|---|----|
| 17 | Require the Superintendent or designee to ensure Purchasing Services and schools are keeping proper records of the books inventory. | 37 |
| 18 | Based on a detailed analysis, require the Superintendent or designee to choose between maintaining the warehouse or using direct delivery to the schools and other departments. | 39 |
| 19 | The Superintendent needs to seek a second legal opinion on the legality of the current scoring process. | 41 |
| 20 | Make appropriate changes to the current scoring process based upon the legal advice received. | 41 |

Introduction, Objectives, and Methodology

Introduction

The City Auditor's Office has completed an audit of the Richmond Public Schools (RPS) Division of Purchasing Services. This audit covers the 18-month period that ended December 31, 2012. The objectives of this audit were to:

- Evaluate the efficiency and effectiveness of operations
- Determine the existence and effectiveness of internal controls
- Verify compliance with laws, regulations, and policies

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

Methodology

Auditors performed the following procedures to complete this audit:

- Interviewed management and staff
- Reviewed and evaluated relevant policies and procedures and tested for compliance
- Reviewed and analyzed procurement data
- Benchmarked other public schools and government organizations
- Performed other tests, as deemed necessary
- Conducted a walkthrough of the purchasing warehouse

***Management
Responsibility***

RPS management is responsible for ensuring resources are managed properly and used in compliance with laws and regulations; programs are achieving their objectives; and services are being provided efficiently, effectively, and economically.

Applicable Laws

Various federal, state, and local statutes emphasize adherence to rules and regulations designed to promote fair procurement practices. These statutes discourage favoritism, racism, corruption, and misuse of government resources. RPS follows the Virginia Public Procurement Act (VPPA) (Title 2.2, Chapter 43 of the Code of Virginia).

***Purchasing
Activity***

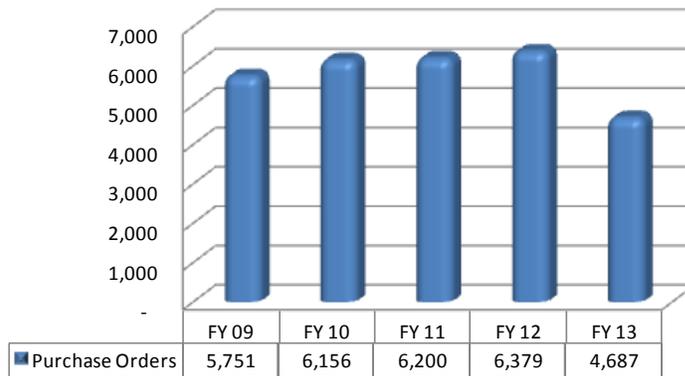
Besides payroll, the procurement of goods and services is the largest expenditure for RPS. The following Table depicts the procurement activities during the audit period:

Number of Purchase Orders	Dollar Threshold	PO Total
7,524	Less than \$5,000	\$ 12,000,000
704	\$5,000 - \$9,999	\$ 4,800,000
742	\$10,000 - \$49,999	\$ 15,500,000
300	\$50,000 or more	\$ 56,000,000
9,270		\$ 88,300,000

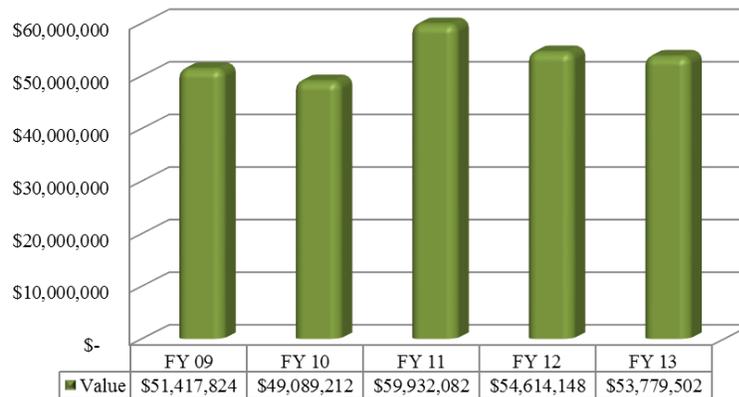
Note: The above excludes small purchases (not exceeding \$1,000), which are procured directly by the end-users. Small purchase orders totaled approximately \$2.3 million.

The volume and value of purchase orders processed during the last five years are depicted below:

Purchase Order Volume Trend



Purchase Order Value Trend



Source: RPS Information Communication and Technology Services (ICTS)

Purchasing workload has been consistent over last five years

Significant amount of purchases were processed through DIs and DPs

In addition, RPS uses Departmental Invoices (DIs) and Direct Payments (DPs) to purchase goods and services. The estimated annualized purchases made through DIs and DPs were about \$58 million for FY13. The purchasing activities using this method were not evaluated during this audit as Purchasing Services does not have the

responsibility to monitor these. The controls over these purchasing activities will be evaluated during the upcoming audit of the Accounts Payable function.

RPS has made some improvements since the previous audit

During the previous audit of Purchasing Services completed in 2008, the City Auditor's Office identified significant internal control weaknesses and gross non-compliance with regulations, policies, and procedures. The following improvements have been made since then:

- The Purchasing Officers are required to sign annual conflict of interest statements
- The Purchasing Officers have obtained professional purchasing certifications
- A right to audit clause is included in the contract language
- Purchasing policies and procedures have been updated and/or developed to address previous audit findings (e.g., emergency and sole source procurements and change orders)

RPS must have proper controls over Purchasing

Purchasing activities are considered to have vulnerabilities to the risk of fraud. In addition, since this activity processes significant resources, errors or non-compliance with the laws and regulations could result in financial losses.

Observations and Recommendations

Internal Controls

According to the Government Auditing Standards, internal control, in the broadest sense, encompasses the agency's plan, policies, procedures, methods, and processes adopted by management to meet its mission, goals, and objectives. Internal control includes the processes for planning, organizing, directing, and controlling program operations. It also includes systems for measuring, reporting, and monitoring program performance. An effective control structure is one that provides reasonable assurance regarding:

- Efficiency and effectiveness of operations
- Accurate financial reporting
- Compliance with laws and regulations

Internal controls over the purchasing function need improvement

The overall conclusion of internal control testing is:

Based on the audit procedures followed, the auditors concluded that:

- *The controls over the purchasing function need improvement*
 - *Compliance with regulations and the effectiveness of the purchasing function cannot always be verified*
 - *Fraud, waste, and abuse, if occurring, are not easily detected due to the inadequacy of the available data*
-

Several factors contributed to the above conclusions such as:

- Stability of leadership in the Department is not assured
- End-users circumventing established purchasing procedures that prevents Purchasing Services from enforcing procurement policies

- Invitation for Bids (IFBs) and Requests for Proposals (RFPs) did not always adequately define the scope of work or describe the products, which may have led to inefficient and ineffective procurements
- Lack of adequate oversight over the Purchasing Officers to ensure quality control, compliance with policies and procedures, and that the most advantageous pricing is received
- Oversight over the contract administration function, which is delegated to the user departments, is lacking
- Data collection and tracking need to be improved for meaningful use in managing this function

Leadership

Lack of stable leadership creates uncertainty in this function

Stability of leadership in Purchasing Services is not assured

Currently, the Finance Director has been serving as the Interim Purchasing Director since September 2010. Due to the complexity of the procurement requirements, persons engaged in procurement activities should be well qualified and trained. The Government Finance Officers Association (GFOA) cites that officials in charge of procurement operations should be trained, certified, professional purchasing managers. The Interim Purchasing Director does not have relevant certifications.

The auditors learned that the Purchasing Director's position was eliminated during the budget cuts. The long term plans for the Department is unknown. This situation creates uncertainty.

Recommendations:

The following recommendations are made to the Superintendent:

1. Request the School Board to restore the Purchasing Director’s position.
2. Recruit and fill the Director’s position with a qualified individual using the GFOA recommendation as a guide.

Purchasing Division’s Effectiveness

Adopting best practices could ensure compliance with purchasing policies

The Federal Transit Administration has published their Best Practices Procurement Manual. Adopting these practices can assist in ensuring that public funds are expended properly and protect the integrity of the procurement process. The Table below depicts some of the prudent procurement practices:

Purchasing needs to improve its operation by adopting known best practices

RPS Practice	Best Practice	Comparable to Best Practice?
End-users solicit offers and negotiate <i>directly</i> with vendors.	Soliciting is a procurement function (<i>customers may provide a listing of potential offerors</i>).	No
End-users have direct communications with the offerors.	Restrict communications with offeror to procurement personnel so that offeror does not receive or appear to receive an advantage over another.	No
End-users carry out purchasing functions, such as entering into agreements.	Employees <i>should not</i> be allowed to undertake any of the procurement functions without clear authority and guidelines.	No
Purchasing files were incomplete. In most cases, it could not be determined how the contract was initiated.	Maintain a well documented file that reflects purchasing history.	No
Standards of conduct for staff engaged in the procurement process are in place.	Written standards of conduct for employees involved in the selection, award and administration of contracts should be maintained and issued to staff. <i>The statement should be signed as a condition of employment and annually thereafter.</i>	Yes

Source: Best Practices cited in Federal Transit Administration’s Best Practices Procurement Manual

The auditors found that the above practices are generally not being followed by RPS, except for written standards of conduct for Purchasing Services' employees, which are in place. These observations are presented below:

End-users circumventing established purchasing procedures prevent Purchasing Services from enforcing procurement policies

End-users (schools/department staff) carried out Purchasing Officers' responsibilities. For instance:

- Procured goods and services *directly* from the vendors prior to Purchasing Services' review and approval
- Solicited quotes/bids from the vendors
- Selected and awarded contracts for goods and services
- Entered into contract negotiations with the vendor prior to submitting the purchase requisition to Purchasing Services
- Authorized contract rate increases without the approval of Purchasing Services

Circumventing purchasing procedures could violate Virginia procurement laws

In a few cases, it was noted that Purchasing Services only processed the paperwork associated with the purchase order and/or contract. It was not always evident whether prescribed bids were obtained as the required copies were not affixed to the requisitions.

Allowing end-users to carry out procurement activities without Purchasing Services' involvement could result in noncompliance with established policies and regulations. Also, this situation could result in the misuse of authority as users may be inclined to use vendors they are comfortable with, irrespective of the value received or unfavorable

pricing. In addition, there can be abuse of this situation for personal gain.

The following observations support the above conclusions:

- The end-user entered into service agreements for Supplemental Education Services (SES) with several State-approved vendors. The Service agreements were then rolled into a standard contract. Completed and signed agreements were not noted in the contract file for six out of the seven vendors. The auditor had to obtain copies of the service agreements from the end-user. Based upon review of the agreements, the auditor noted several calculation errors and altered original figures (e.g., total number of hours) provided to calculate the provider payment.

***Not involving
Purchasing could
result in RPS not
receiving best
pricing***

Also, there were no efforts made to negotiate contract prices. The Director of Federal Programs indicated that the State had negotiated rates with the vendors. However, upon follow up with the Virginia Department of Education (VDOE), it was noted that negotiations were left up to the school divisions.

- RPS regulations along with the provisions of the Virginia Public Procurement Act require obtaining quotes or bids depending upon the dollar value or procurement type. Specific criteria are prescribed to define formal bid activities, purchase order requirements, emergency, and sole source purchases. According to RPS purchasing procedures, the bidding requirements are as follows:

Bidding Requirements

Procurement Transactions	Quotes Requirement
Under \$5,000	Awarded to one firm directly
\$5,000 - \$9,999.99	Telephone quotes, faxed, or written bids/offers from three bidders or offerors
\$10,000 - \$49,999.99	Four unsealed written bids or proposals
\$50,000 – above	Mandatory formal bids

Source: RPS Purchasing Manual 2/13

The following types of purchases are exempt from competitive procurement, per purchasing policies and procedures:

- Purchases of goods and services less than \$5,000
- Purchases of professional services up to \$15,000 (not applicable to “goods”)
- Purchases of non-professional services up to \$20,000
- Purchases negotiated under a school district contract
- Purchases falling under the “Sole Source” procurement policy
- Purchases falling under the “Emergency” procurement policy
- Cooperative procurements
- Exempt purchases processed on Departmental Invoices (e.g., travel and tuition reimbursement, subscriptions, etc.)

19% of all purchase orders required competitive procurement

All purchase orders under \$5,000 are exempt by RPS policies from requiring more than one quote. These totaled 7,524, which constituted 81% of the total purchase orders. This means that 19% of the purchase orders required competitive procurement.

***Required quotes
were not obtained
for some of the
selected purchases***

The available records indicated that there were only 215 purchase orders where requirements for multiple quotes were applicable. In a judgmental sample of 31 purchase orders, the auditors noted the following:

- 12 purchase orders were exempt from competitive procurement. As such, items were removed from sample selection.
- 7 purchase orders required multiple quotes and were compliant
- 12 purchase orders required multiple quotes and were non-compliant

The following Table illustrates a breakdown of the non-compliant results:

Sample		Non Compliance		Non Compliance	
Count	Value	Count	Value	% Count	% Value
19	\$163,457	12	\$105,015	63%	64%

***Purchasing
should
consistently
enforce its policies***

Eight of the 12 non-compliant purchases were unauthorized purchases as the end-users procured goods and services directly from the vendors, which is inconsistent with procurement procedures.

- The RPS purchasing policies and procedures indicate that persons making unauthorized purchases could be held personally liable and may be subject to employment disciplinary actions. However, only in one case, the file documentation indicated that the end-user was notified of non-compliance.

- Although, the required numbers of quotes/bids were obtained for seven of the purchases, the end-users conducted the solicitation process for three of the purchases instead of Purchasing Services as described below:
 - First Case: The work had already been completed when the purchase order was submitted to Purchasing for processing and approval.
 - Second Case: The end-user had already secured the requested items from the vendor pending shipment when the purchase order was submitted to Purchasing. Upon receipt of the purchase order, the buyer informed the vendor that quotes had to be obtained and verified that the vendor had quoted the lowest price.
 - Third Case: The buyer re-solicited quotes upon receipt of the purchase order.

It appears that end-users disregard the compliance requirements as annual mandatory training on purchasing policies and procedures is provided to the departments/schools. Training sign-in sheets and rosters for September 2011 and September 2012 were provided to the auditor. Also, one-on-one training is provided as needed.

Oversight and monitoring of procurement activities needs to be significantly improved

The Purchasing Officers need to review and evaluate the end-users' requests for reasonableness, appropriateness, and compliance with policies and procedures. Non-compliance with policies and procedures needs to be consistently reported to the end-users. The Purchasing

Division’s personnel could benefit from additional training to ensure procurement functions are adequately carried out.

The auditors made several observations, where the effectiveness of the Purchasing Department needs to improve for more cost effective procurements. These observations are described as follows:

Awarding contracts to multiple vendors for similar work may not be economical

The auditors observed that RPS awarded multiple contracts for similar goods and services that could have been combined for better economy of scale and avoided additional work. The Table below depicts this situation:

RPS could take advantage of economy of scale by combining purchases

Split Transactions – Separate Bids for the Same Work

Date	Description	Number of Awards	Value
4/28/11	AC unit replacement ¹	2	\$ 516,264
5/3/12	AC unit ³ replacement	3	\$ 600,663
Subtotal:		5	\$ 1,116,927
3/7/12	Interior painting for several schools ^{2, 4}	5	\$ 235,600
3/7/12	Exterior painting for several schools ^{2, 5}	4	\$ 57,280
Subtotal:		9	\$ 292,880
Total:		14	\$ 1,409,807

Source: Contract listing provided by Purchasing Services

¹ Five IFB’s were issued; only two projects were awarded.

² Both interior and exterior painting was required at several schools.

³ Three IFB’s were issued.

⁴ Ten IFB’s were issued and five projects were canceled.

⁵ Seven IFB’s were issued and three projects were canceled.

The auditors also noted that bathroom renovations at the same school were bid out separately two months apart. A reasonable explanation could not be provided as to why the projects were bid out separately. In another instance, two IFB's were issued a few months apart for parking lot renovations. Based upon discussions with the Facility Services staff, it was noted that the project for one of the schools was an afterthought. The Table depicts detail expenditures for the above procurements:

Type of Service	Date	Expenditures
Bathroom renovation	06/09/11	\$ 38,373
Bathroom renovation	08/10/11	\$ 45,122
Parking lot repairs	07/07/11	\$108,527
Parking lot repairs	11/29/11	\$ 18,338

Limitation on available purchasing data prevents proper monitoring

To determine the magnitude and the total impact of these types of decisions, a school-wide detailed analysis of the School District's spending could not be performed due to:

- Commodity codes that describe the types of goods/services are not used. This observation was also noted during the 2008 RPS Purchasing Services audit. RPS is unable to implement commodity codes as the current financial management system cannot support them.
- Contract payments could not be readily identified from non-contract payments. There is no systematic (automated) way to associate purchases to contracts. The contract number is manually keyed in the purchase order reference field. The auditor noted that when the incorrect contract number is keyed

or the field is left blank, the accurate value of purchases for a specific contract cannot be captured.

The principal risks of this situation are:

1. The potential for savings by combining bids could not be identified
2. Circumvention of procurement policies by splitting purchases may not be detected

Due to the lack of information, testing for split purchases could not be conducted. According to the RPS staff, monitoring for split purchases is accomplished via review of the daily purchase order report for purchases and unauthorized purchase orders. However, it would be difficult to detect split purchases using this approach unless the purchase orders were generated on the same day and the numbers were in sequential order. Also, small purchases would not be monitored using this approach as Purchasing Services is not involved in small purchases at all nor receive a copy of the small purchase orders. The Purchasing Division has not performed a district-wide analysis to identify opportunities for bulk purchases for volume discounts.

The above observations indicate that potential cost saving opportunities could not be identified. This is a significant management deficiency that prevents proper monitoring, unless extensive manual efforts are invested.

Recommendations:

3. Require Purchasing Services to comply with its procedures. Retain documentation for non-compliance in accordance with RPS Purchasing policies.

4. Require the Superintendent to prescribe and enforce disciplinary action for employees not complying with the purchasing policies.
5. Conduct a feasibility study to either modify the existing financial system to include commodity codes or obtain an alternate system, including RAPIDS which is currently used by the City, capable of tracking commodity codes.
6. Until the system limitations are addressed, require Purchasing Services to periodically analyze the procurement data to detect and address bid splitting incidences, and identify potential opportunities to establish contracts for similar commodities to procure volume discounts.

Emergency Purchases

RPS was in compliance with policies related to emergency purchases

Pursuant to RPS' policies and procedures, an emergency is defined as an actual or potential disruption of an essential service and/or other circumstances where supplies and services are needed for immediate use. The two categories of emergencies are:

- Circumstance where there is a threat to life, health, and property
- Operational emergencies that affect services but do not threaten life, health, and property

VPPA allows emergency purchases without competitive procurements

VPPA permits emergency procurements without competitive sealed bidding or negotiation. RPS procurement policies require a written explanation of the nature of the emergency and the method for selecting the vendor in the contract file. Also, a written notice of the emergency award including the procured goods/services, vendor selection, and the date the contract was or will be awarded is required to be posted publicly.

RPS' bylaws require emergency contracts to be approved by the Superintendent. Also, the emergency justification document should be reviewed and approved by the COO. The School Board Chair and School Board must be immediately notified of an emergency purchase in as much detail as is practical and possible.

RPS spent approximately \$637,000 using nine emergency purchase orders during the audit period as follows:

RPS managed emergency purchases effectively; however, there is room for improvement

Commodity	Spending
HVAC equipment related expenditures	\$ 480,000
Relocation of the MLK Pre-School program	\$ 157,000

Based upon the nature and timing of information provided to Purchasing Services, the selected procurements were appropriately classified. However, at least two of the emergencies could have been prevented if the Facility Services Department had initiated the procurement process in a timely manner. Although, Facility Services identified a need for replacing the failing chiller at Ginter Park Elementary School in May 2011, the emergency procurement was not requested until August 2011. According to the Facility Services Director, RPS staff was unable to review the project drawings and specifications provided by the engineering firm in a timely manner due to inadequate resources. Based upon the engineering firm's proposed project schedule, timely approval by the department could have enabled them to finish the project by September 2011 prior to the start of the school year. RPS spent approximately \$84,000 on these procurements.

Recommendations:

7. School Board should revise policies to require Superintendent or COO to verify appropriateness of emergency purchases prior to approving them specifically by:
 - a. Obtaining details of timeline for identifying an emergency and requesting procurement to address emergency, and any research conducted prior to recognizing the incident as an emergency.
 - b. Holding end-users accountable for proper planning and timely requesting Purchasing Services' assistance with the procurement.
8. Require Purchasing Services to monitor compliance with the revised emergency purchases policy.

Sole Source

Some sole source procurements lacked justification

Sole source purchases are exempt from the competitive procurement process. RPS defines sole source as "a situation where a particular supplier or person is identified as the only qualified source available to the requisitioning authority." Pursuant to RPS' procedures, end-users are required to submit a sole source request form justifying the need to use a specific vendor and a letter from the vendor stating that firm is the sole provider of the good/services.

As of May 22, 2013, the date the purchase order data was extracted from the RPS system; approximately \$7.4 million had been processed against these sole source purchase orders. The majority of the purchases were for educational supplies, materials, software and subscriptions as demonstrated in the following Table:

	Paid to Date
Instructional materials	\$ 4,343,474
Software, licenses, system maintenance	\$ 2,341,527
Professional Development	\$ 368,663
Maintenance agreements	\$ 157,031
Misc.	\$ 139,341

***Sole source
procurement
process needs
improvement***

During the review of 96 out of 200 sole source purchase orders, the auditors found:

- Five purchase orders were inappropriately issued as sole source as the goods/services were available from multiple providers
- Auditors could not evaluate the appropriateness of six of the sole source purchase orders issued as educational supplies similar to the ones purchased were available from multiple vendors
- The remaining 85 purchase orders were appropriately procured as a sole source

In addition to the above observations, auditors found that:

- The majority of the files included evidence of buyer's research to validate if the vendor was the sole source for the particular goods and services procured. However, the process can be improved. For many of the procurements, the buyers declared vendors sole sources if they held copyrights for their products. However, it is conceivable that the product may also be available from multiple vendors.
- A detailed explanation for why the particular good/service was selected, if more than one brand/option was available, and completed evaluations/assessments need to be obtained from the end-user. If goods and services are available from multiple

vendors, sole source request should be denied and goods/services should be competitively procured.

Recommendations:

9. Require Purchasing Services to research all available sources of goods or services requested prior to approving a vendor as sole source.
10. Require Purchasing Services to obtain a detailed justification from the end-user for selecting a particular brand if more than one brand/option is available.

Change Orders

Approval and documentation supporting change orders need improvement

Typically, change orders can occur for the following reasons:

- Unknown or unforeseen conditions
- Changes in original scope of the project
- Errors and omissions in the original specifications

In absence of comprehensive bid, change orders could in result in additional costs

Generally, a change order is prepared to negotiate the cost of additional work. Change orders are legally binding contractual documents that must be negotiated and approved prior to beginning the additional work. Given that change orders provide a mechanism for avoiding disruptions, proper controls need to be in place to prevent unnecessary losses. If RPS staff is not diligent when preparing the bid request, a contractor anticipating additional work could submit a low bid for the contract with the hope of negotiating anticipated change orders to increase the contract value.

Pursuant to the RPS' Purchasing Manual, in order to initiate changes to purchase orders, the schools/departments are required to submit an authorized "Request for Change to Purchase Order Form." The form must be signed by an individual authorized to sign requisitions for the total amount of the purchase order. If budget changes are required, the form must be first sent to the Budget Division. These conditions must be met prior to any additional work being done or changes being made.

During various audit tests, the auditor found that 17 change orders totaling approximately \$82,000 were not approved by an authorized individual in accordance with purchasing policies and procedures. In addition, four change orders totaling approximately \$36,000 were not properly supported.

According to the Interim Purchasing Director, individuals authorized to sign purchase orders can also approve change orders. However, Purchasing Services did not have a copy of the authorized signature listing for change order or purchase order approval. Without proper documentation, it may not have been possible to verify if change orders or purchase orders were appropriately approved. Subsequent to fieldwork completion, Purchasing Services compiled an authorized signature listing for change orders.

Recommendation:

11. Require Purchasing Services to ensure change orders are properly documented, supported and approved.

Oversight and Monitoring

Contract Award

RPS needs to improve monitoring of the Purchasing Officers' work

Adequate oversight over the Purchasing Officers' work is not in place to ensure quality control, compliance with policies and procedures, and the most advantageous pricing is received. Based upon review of the contract files, the following observations were noted.

Sixteen contracts were awarded through the competitive negotiation process during the audit period. The auditor judgmentally selected and reviewed seven contracts. The majority of the contracts reviewed were competitively awarded in compliance with policies and procedures. However, several issues were noticed during the contract awards process as follows:

Proper oversight is needed for compliance and obtaining better pricing

- There was no evidence of negotiation for approximately 40% of the contracts reviewed. The proposal amounts were incorporated into the contract. One of the advantages of using competitive negotiation is the ability to negotiate prices to obtain the best value for RPS while meeting its needs.
- Significant changes were made to the scope of services prior to contract award for the following procurements. However, the procurements were not re-solicited. It is not clear if soliciting contracts with pertinent requirements would have resulted in additional proposals.
 - A RFP was issued for fuel services in December 2012. One of the requirements of the proposal was for the vendor to participate in the current O-Ring technology that was installed on the majority of RPS' fleet. This means that the

vendor should have fuel dispensing equipment that can read communications from the O-Ring installed on vehicles and buses. Only one proposal was received for this solicitation. Subsequently, RPS decided not to use the O-Ring technology and instead opted to use fuel cards. Upon inquiry, RPS Operations Assistant informed the auditor that RPS Fleet was experiencing failure of the O-Rings, which was too expensive to address. However, the City's Fleet Service staff indicated O-Rings to be very reliable and the O-Rings installed on City vehicles around the same time period as RPS vehicles, are operating adequately.

The contract was awarded to the sole respondent after completing negotiations. The removal of the O-Ring technology requirement appears to be a major change to the RFP requirements as it could have limited competition. RPS' Legal Counsel approved the contract. However, due to the potential of improving participation, it may have been prudent to reissue the RFP with revised requirements.

- An unsealed bid valued at approximately \$15,000 for GPS tracking equipment was issued. Three vendors responded to the request all indicating that the requested equipment had been discontinued. One of the vendors provided a quote for a different piece of equipment and won the bid. Additional bids may have been received if the procurement was re-solicited for equipment that was available.
- A contract for painting services totaling \$94,800 for three schools was awarded in 2012 to a vendor who did not have a lead abatement license from the Commonwealth of

Virginia. Lead abatement was a mandatory requirement for the Invitation for Bid (IFB) requirement. An award protest submitted by the second lowest bidder notified Purchasing Services that the winning vendor did not have the required State license. The applicable contract was cancelled the day after the protest due to budgetary restraints and summer school usage. In 2013, the same contract for painting services was awarded to the same vendor who still did not meet the IFB requirements. Based upon the auditor's research in September 2013, the vendor did not possess a lead abatement license from the State. Therefore, this vendor did not submit a responsive bid. RPS may have incurred legal liability for this action.

- VPPA and RPS purchasing policies require procurements using IFBs to be awarded to the lowest responsive and responsible bidder. During contract file review, it was noted that the contracts below were awarded to vendors other than the lowest bidders. However, explanations for not awarding contracts to the lowest bidder were not included in the contract files. RPS may have exposure to legal liabilities for non-compliance with VPPA.
 - An IFB was issued for asphalt and related repairs in 2012, which allowed for multiple contract awards. Three bids were received. Contracts were issued for two of the three bidders. However, the lowest bidder did not receive a contract. According to the RPS staff, the end-user indicated that the lowest bidder did not have the equipment to complete the job and was non-responsive for projects under a prior contract. However, according

to the vendor, he had previously worked for the City on similar projects and had the ability to rent the needed equipment.

- An IFB was issued for locker repairs and replacement twice before being awarded. The first solicitation was cancelled as the file notes indicated that no responses were received. However, the auditor noted that one bid was received by the due date. The reason for not awarding contract to this vendor is unknown.

Two bids were received for the second advertisement. The winning bidder's material costs were lower; however, labor cost was significantly higher than the second bidder's costs. Considering the total costs, the second bidder could have been a lower bidder.

- An IFB was issued for ground maintenance and supplies, which included 11 different commodities (e.g., mulch, soil, asphalt, tractor and lawn mower parts, etc.) and “tree work” (no description of the nature of the work was provided). This was a multiple award contract. Three bidders submitted bids for weed killer, grass seed, and fertilizer. Two of three bidders received contracts. However, the lowest bidder for the three commodities did not receive a contract. The reason the vendor did not receive a bid is unknown.

Also, RPS allowed one of the winning bidders to increase his bid amounts after the intent to award notice was posted.

- A solicitation for consulting services for the Virginia Pre-School Initiative (VPI) was advertised on three separate occasions before being awarded. It appears that the procurement process was initiated after services were already being provided. The contractors that submitted responses for the second and third solicitations were already being compensated prior to contract award. Payments were issued through departmental invoices, which are not routed through Purchasing Services.

Quality Control

Purchasing Officers' work quality needs improvement

- In one of the solicitations, the referenced attachment was not included in the bid package. The referenced attachment was not included for three of the four times when the project was out for bid.
- Inconsistencies in file documentation and steps that were carried out were noted. For example, reference checks were not noted in four out of seven RFP files reviewed.
- Project and cost estimates were not included in the contract files. Based upon discussion with the RPS staff, it was noted that this information is not provided to Purchasing Services. Without this information, it will be difficult for Purchasing Services to evaluate the reasonableness of the bids received as well as to determine what RPS policy requirements are applicable to the purchase.
- In some cases competitive bidding was determined not to be practical or fiscally advantageous. However, the files did not provide an explanation for why it was impractical or fiscally

disadvantageous to use competitive sealed bidding. There is a risk of non-compliance with the RPS purchasing policies.

- Missing information or details during prior solicitations were also missing during the subsequent solicitation of the same commodity. This situation resulted in numerous questions submitted by potential bidders that could have been avoided.
- One of the seven RFPs reviewed inappropriately included cost as an evaluation criterion for a professional services solicitation. However, this is not allowable pursuant to VPPA regulations. The request was solicited with this criterion and subsequently the criterion was removed after the VPPA requirements were pointed out by a potential offeror.
- For two of the contracts reviewed, the buyers instructed the potential offerors to contact the end-users with questions; however, this is not allowed pursuant to purchasing policies and procedures.

***Solicitation
Language***

The scope of work should outline the expectations of the project so that the bidder can appropriately bid on the project. It should include appropriate details to allow comparison of bids or proposals. However, based upon review of the contract files, it was noted that some of the solicitations language was vague and did not include enough details to adequately communicate RPS needs to potential bidders and offerors.

The following examples demonstrate this point:

- An IFB was issued for grounds maintenance and supplies. The IFB included 11 different commodities and 1 service. The bid specifications were vague as it did not provide pertinent information (e.g. estimated quantity, description, etc). For

***Some of the
solicitations
language was
vague and did not
include enough
details for
effective
procurements***

example, seven of the 12 line items identified estimated quantity as “various.” As a result, the bids submitted were not comparable. Only one bid was received for four of the seven line items.

- An IFB was issued for asphalt and related repairs. The scope of the work called for the contractor to furnish all labor, materials, equipment, tools, and supervision needed to perform asphalt and minor repairs on an as needed basis for the contract period. The bids were for hourly labor and equipment rates and asphalt costs. Use of an hourly rate basis for a project of this nature is not the best practice as this may encourage vendors to stretch out jobs. A more prudent approach may have been to have the vendors provide bids for the following items:
 - Estimated quantity of repairs (e.g., square yards) needed based upon historical data
 - A list of tasks to be performed for various repairs and estimated quantities for each

It was also noted that this was a multiple award contract. Vendors were selected based on the lowest bid for a hypothetical scenario. However, this exercise does not add value as RPS required these vendors to submit new quotes for each specific project. The job was assigned to a vendor with the lowest quote. In this process, the information obtained in the original bids were not used.

The scope of services are prepared by the end-users and submitted to Purchasing Services. However, it appears the Purchasing Officers are not reviewing and evaluating the

information received from the end-users for reasonableness, appropriateness, and completeness.

- Solicitation language for the Facility Management Building Automation Control System Upgrade indicated that only proposals from manufacturers' local branch offices will be acceptable. Language further indicated that proposals from wholesalers, independent contractors, or franchised dealers were not acceptable. The auditor followed up with Facility Services staff several times to determine the rationale for restriction and impact on competition. However, responses for questions were not provided to the auditor. It is not clear if this action complied with VPPA as it restricts the competition.

Well written specifications can:

- Minimize addendums to the solicitations
- Ensure comparable bids
- Increase competition
- Reduce delays and protests
- Simplify the contract drafting process as well as project management and evaluation processes

Recommendations:

12. Require Purchasing Services to establish a process to ensure:
 - Proper oversight and monitoring over the buyers' work to ensure compliance with policies and procedures
 - Obtaining the most advantageous pricing
 - Consistency and completeness of purchasing contract files
13. Require Purchasing Services to develop a mechanism for verifying adherence to the above process.

14. Require Purchasing Services to ensure that:
 - a. Scope of services is properly and clearly defined to enable potential bidders to submit bids that are comparable.
 - b. Specifications are clearly stated to obtain meaningful information for cost comparison and bid evaluation.

***Contract
Administration***

Oversight on contract administration needs improvement

Contract administration is the final stage of the procurement cycle and is initiated when a contract or purchase order is executed. The objective of contract administration is to ensure that the government and the vendor comply with contract terms and the government gets what it pays for. Similar to the City's practice, Purchasing Services has delegated contract administration to the end-users.

***Ensuring contract
compliance may
result in RPS
getting the most
advantageous
pricing***

Audit testing revealed that adequate oversight and monitoring is not in place to ensure compliance with contract terms and conditions. As a result, increased contract expenditures occurred and RPS may not have received the most advantageous pricing. Below is a summary of audit observations.

- The end-users inappropriately modified contract terms by approving contract rate increases and adding new billing line items for various education services without Purchasing Services' knowledge and approval. The contract modifications resulted in additional contract expenditures of at least \$400,000. The following contracts were multiple vendor awards and the auditor only reviewed the vendors that were included in the sample selection. Also, the following Table shows payment review was limited to the selected invoices and electronic purchase line data provided to audit.

Scope of Services	Contract Modifications	Increased Expenditures
Tutoring	Increased hourly rate from \$50 to \$55 Added additional bill line item for @ hourly rate of \$65	\$ 23,000
Tutoring	Increased hourly rate from \$32 to \$38	\$ 332,000
Behavioral Aides	Added additional bill item for absences	\$ 70,805

- The end-users inappropriately used contracts to procure items that were not a part of the scope of services. For example, temporary services contracts were used to procure equipment maintenance warranties and printing supplies which were not a part of the contract.
- The contract for mobile classroom rentals expired at the end of calendar year 2010. The contract was not renewed and the end-user continued to utilize the vendor. According to the Facility Services Director, the contract went on a month-to-month basis at the end of the 2010 lease as there was discussions about getting rid of the trailers. Therefore, the Department did not want to enter into a long term agreement especially any with penalties for early termination. The Facility Services Director further noted that the contract was not renewed as the issue for discussion was the negotiation of rates and what cost savings could be realized from a long term commitment. However, notice of this change was not provided to Purchasing Services until March 25, 2011. Based upon the information provided by

the Facility Services Director, it was noted that only 12 out of the 62 trailers were removed between 2011 and 2012.

Pursuant to RPS purchasing policies and procedures, a purchase requisition along with the contract/agreement should be submitted annually to Purchasing Services for approval. However, a copy of the above lease agreement was not in the contract file.

- Adequate budgetary controls are not in place to prevent allocated project funding from being exceeded. The majority of RPS' contracts are term contracts in which services/goods are established for a specific period of time at predetermined unit prices (e.g. education services at hourly rates). These contracts are open-ended for multiple users and do not have contract amounts or not to exceed amounts. There are no system controls in place to prevent payments from exceeding encumbered amounts. As long as funding is available in the utilized budget account, then payments can be continually processed. The system control is on the purchase order quantity not the dollar amount.

This observation was also noted during the 2008 RPS Purchasing Services audit. RPS has not implemented system controls to prevent expenditures from exceeding the encumbered amounts. As such, a separate recommendation will not be issued for this audit.

According to the RPS staff, oversight and monitoring of the contract administration process is not in place due to lack of resources (staffing and funding). Purchasing Services has implemented a new process whereby contract administrators are identified for each contract and are responsible for ensuring compliance with the contract terms and conditions. However, some degree or level of monitoring is still required to ensure that this process is operating as intended.

Recommendation:

15. Require Purchasing Services establish and implement procedures to monitor end-users' compliance with contract terms and conditions.

Efficiency and Effectiveness

Textbook Purchases

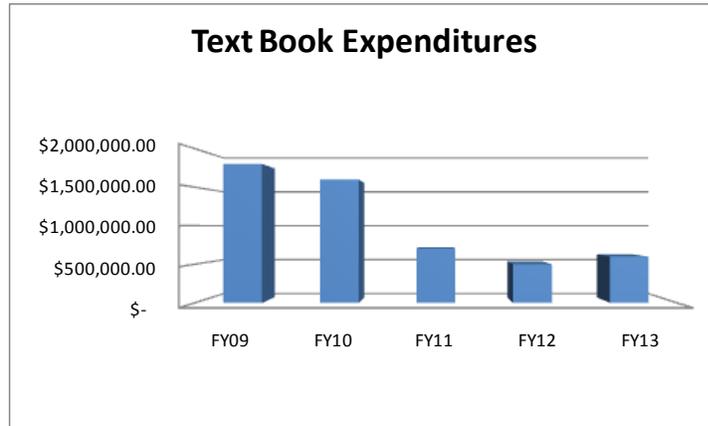
RPS purchases two types of textbooks:

- Adopted Textbooks – The State Department of Education (DOE) selects some textbooks that are required to be used by all Virginia School Divisions
- Non-adopted Textbooks – These textbooks are selected by RPS to include in their curriculum in addition to adopted textbooks

Each school is responsible for conducting annual inventories. However, during the 2012-2013 school year, only 19 of the total 50 schools submitted their annual textbook inventories. The auditor found that relevant staff for at least 21 schools did not report inventories despite their staff receiving stipends. Stipends ranging from \$200 to \$800 were issued for the 2012-2013 school year. The inventory sheets for 2011-2012 school year were not available. Without the inventory sheets, it is difficult for the Purchasing Officer to determine the books on hand. In these circumstances, the Purchasing Officer may not be in a position to determine the demand that can be met by the books on hand.

Textbook expenditures have declined

Textbook expenditures have steadily declined over the past five years as illustrated in the below chart. Available budget resources and instructional evaluation of textbook needs are the primary factors that influence the purchasing of textbooks.



FY13 includes unaudited expenditures and encumbrances

Available textbooks exceed student enrollment

The auditor observed RPS has made some improvements. However, while comparing the total textbooks (on hand and purchases) to the student enrollment data, the auditor noted purchases are still not in line with the student population as depicted in the following Table:

School Year	Excess Books	Amount spent on Excess Books
2011-2012	2,219	\$ 200,319
2012-2013	1,856	\$ 175,162
Total	4,075	\$ 375,481

Notes:

1. Student enrollment data and textbook ordering information were obtained from RPS-ICTS.
2. Textbooks with no associated cost and textbooks that did not correspond to a specific grade level were excluded from the analysis.
3. Ten books were allowed for overage to account for new students entering the school district based upon discussion with the textbook Purchasing Officer.

With proper controls over textbook purchases, RPS could have avoided about \$375,000 expenditures

The textbook Purchasing Officer uses the student enrollment information that is keyed by school personnel to determine if excessive books are being ordered. However, the student enrollment number is not computed consistently throughout RPS. This is one of the reasons for excessive books expenditures.

In addition to the findings noted above, the auditor also observed that the quantity of books purchased through instructional funds (non-adopted books) also exceeded student enrollment figures for a sample of purchases reviewed. The auditor observed in a limited sample extra expenditures of approximately \$16,000 in non-adopted books, which could have been avoided. It appears that RPS needs to quantify total expenditures on non-adopted books that can be avoided.

According to the Information Communication Technology Services (ICTS) staff, the School district implemented a textbook management system in August 2013. This system will be used to track all active textbooks within the School Division and serve as an electronic repository. The active textbooks are being bar-coded and scanned into the system. All of the textbooks are anticipated to be entered into the system and a complete inventory is expected to be established by June 2014.

However, the above system will not interface with the textbook ordering system or include student enrollment figures. As such, a manual analysis of the textbook orders will still need to be completed by the Purchasing Officer to determine the quantity of books to be ordered and/or filled in-house.

Recommendations:

16. Require Purchasing Services to verify analysis done by Instruction Department on all textbook needs (both adopted and non-adopted) and conduct proper planning prior to purchasing textbooks to avoid excessive purchases.

17. Require the Superintendent or designee to ensure Purchasing Services and schools are keeping proper records of the books inventory.

Warehouse

There may be an opportunity to discontinue Mini-Store operations to generate savings

The warehouse (Mini-Store) stocks art, classroom, and craft supplies; athletic supplies; janitorial supplies; computer and data processing supplies and materials; and office/stationary supplies which are provided to its customers at cost. The Mini-Store also serves as central receiving for non-stocked items (i.e., computers and electronic equipment). In addition, a portion of the warehouse is also used for storage by RPS Information Communications and Technology Services (ICTS) and surplus textbooks.

The items are purchased in bulk to achieve cost savings and sold to the end-users at cost. The customers can either pick up the requested items or have the items delivered. If needed items are not stocked or carried by the Mini-Store, the end-users can acquire the items from outside vendors.

Upon review of the warehouse data, the operating overhead rate was approximately 30% and 51% for FY12 and FY13, respectively as noted in the following Table:

Mini-store adds significant overhead on the cost of products

	FY12	FY13
Salary and benefits	\$ 362,309	\$ 433,466
Other operating cost	\$ 7,568	\$ 5,705
Total operating overhead	\$ 369,877	\$ 439,171
Inventory requisition	\$ 1,238,791	\$ 863,377
Operating overhead rate	30%	51%

The inventory consisted mostly of janitorial, office, and computer/data processing supplies. The auditors’ observations revealed that the warehouse had numerous empty racks and pallets. Copier paper was the most requisitioned stock item during FY12 and FY13.

The auditors inquired with one of RPS’ copier paper vendors and found that the vendor does not charge any additional costs for delivery to schools instead of the warehouse. In this particular case, incurring additional costs for storing and distributing copier paper appears to be an overhead that can be avoided. However, this should not be generalized. A comprehensive study of the cost of delivering goods directly to schools in comparison to the overhead currently incurred for storing and distributing these products should be conducted. If the cost of delivering goods directly to the schools is less than the overhead incurred, it makes more sense to eliminate the warehouse and generate some savings.

Also, it was noted that approximately 1,700 purchase orders and small purchase orders totaling approximately \$490,000 were issued to mini-store office supplies/paper contractors for delivery to the

schools/department locations during the audit scope. This is indicative that:

- The end-users are ordering goods that are available from the warehouse, directly from vendors and having items shipped to end-user location; or
- The end-users have a need for items that are not stocked in the mini-store (warehouse)

Based on the above information, the cost effectiveness of operating the warehouse is in doubt. A more efficient method may be to negotiate with vendors to ship necessary products directly to user departments and schools and eliminate the warehouse. This may generate savings.

Recommendation:

18. Based on a detailed analysis, require the Superintendent or designee to choose between maintaining the warehouse or using direct delivery to the schools and other departments.

Minority Business Enterprise (MBE)

Based upon review of the scoring sheets, the auditors noted that offerors who were African American firms or pledged MBE participation of an African American firm received 20 points. Other firms who were or pledged participation of other groups included in the federal definition of minority were awarded 15 points. Firms were awarded five points for submitting the Minority Business/ Participation Commitment Form (MBE form) even if they did not commit any MBE participation. Zero points were assigned for not providing the MBE form with proposal.

***RPS needs to
revisit its MBE
scoring process***

The scoring process has been reviewed and approved by RPS' Legal Counsel. According to the RPS Legal Counsel, minority participation is the City of Richmond's own disparity study as a result of the Supreme Court ruling in the City of Richmond vs. J. A. Croson, which provides the context for the designation of African Americans as the group which has been historically disadvantaged in the City's procurement processes. According to RPS Legal Counsel, in the early 1990s, a disparity study was conducted on behalf of the City of Richmond, RPS, and Richmond Redevelopment Housing Authority. Subsequent to issuing a draft of the audit report to RPS, a copy of the 1991 study was forwarded to the City Auditor's Office. However, the study does not appear to support the current scoring practice for minority business participation.

***Giving preference
to any race
without justifying
disparity could
expose RPS to
legal liabilities***

The method used by RPS to score minority participation could be interpreted as discriminatory for giving preference to a particular race. This is a complicated legal issue that may need further evaluation.

There may be a legal liability exposure to RPS due to the current scoring process.

Recommendations:

19. The Superintendent needs to seek a second legal opinion on the legality of the current scoring process.
20. Make appropriate changes to the current scoring process based upon the legal advice received.

MANAGEMENT RESPONSE FORM**RPS Procurement 2014-06**

#	RECOMMENDATION	CONCUR Y-N	ACTION STEPS
1	Request the School Board to restore the Purchasing Director's position.	Y	This position is in superintendent's reorganization plan for FY15.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Superintendent /School Board		July 1, 2014
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
#	RECOMMENDATION	CONCUR Y-N	ACTION STEPS
2	Recruit and fill the Director's position with a qualified individual using the GFOA recommendation as a guide.	Y	Depends on approval of #1.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Assistant Superintendent of Financial Services		September, 2014
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
#	RECOMMENDATION	CONCUR Y-N	ACTION STEPS
3	Require Purchasing Services to comply with its procedures. Retain documentation for non-compliance in accordance with RPS Purchasing policies.	Y	This is an existing practice, and checks will be implemented to ensure documentation is retained in Procurement Office. An electronic file has been set up to retain violation letters.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Director of Procurement & Control		Implemented March 2014
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
			See Action Step
#	RECOMMENDATION	CONCUR Y-N	ACTION STEPS
4	Require the Superintendent to prescribe and enforce disciplinary action for employees not complying with the purchasing policies.	Y	Memo will be issued by September and HR procedures will be updated.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Assistant Superintendent of Financial Services		July, 2014
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION

MANAGEMENT RESPONSE FORM

RPS Procurement 2014-06

#	RECOMMENDATION	CONCUR Y-N	ACTION STEPS
5	Conduct a feasibility study to either modify the existing financial system to include commodity codes or obtain an alternate system, including RAPIDS which is currently used by the City, capable of tracking commodity codes.	Y	We will request the ITCS department to conduct a feasibility study to either modify the existing financial system to include commodity codes or obtain an alternate system.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Director of ITCS		December 2014
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
#	RECOMMENDATION	CONCUR Y-N	ACTION STEPS
6	Until the system limitations are addressed, require Purchasing Services to periodically analyze the procurement data to detect and address bid splitting incidences, and identify potential opportunities to establish contracts for similar commodities to procure volume discounts.	Y	Limited staffing precludes ability to implement analyze data at 100%, however, we will conduct periodic random sample testing and document the testing. Adequate resources will be requested for FY16 budget cycle.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Director of Procurement & Control and Assistant		July 2014
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
#	RECOMMENDATION	CONCUR Y-N	IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
7	School Board should revise policies to require Superintendent or COO to verify appropriateness of emergency purchases prior to approving them specifically by: a.) Obtaining details of timeline for identifying an emergency and requesting procurement to address emergency, and any research conducted prior to recognizing the incident as an emergency. b.) Holding end-users accountable for proper planning and timely requesting Purchasing Services' assistance with the procurement.	Y	School Board has bylaw 3-3.4 which addresses emergency purchasing. The Emergency Procurement form (Exhibit IIIC-1.2) requires justification of Emergency Purchases. Form has been modified to include timeline.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Director of Procurement & Control		Implemented March 2014
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
			See Action Step

MANAGEMENT RESPONSE FORM**RPS Procurement 2014-06**

#	RECOMMENDATION	CONCUR Y-N	ACTION STEPS
8	Require Purchasing Services to monitor compliance with the revised emergency purchases policy.	Y	Purchasing Services does monitor compliance with the revised emergency purchases policy.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Director of Procurement & Control		Implemented March 2014
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
			See Action Step
#	RECOMMENDATION	CONCUR Y-N	ACTION STEPS
9	Require Purchasing Services to research all available sources of goods or services requested prior to approving a vendor as sole source.	Y	Existing practice, the justification form has been modified to include documentation of buyer's research.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Director of Procurement & Control		Implemented March 2014
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
			See Action Step
#	RECOMMENDATION	CONCUR Y-N	ACTION STEPS
10	Require Purchasing Services to obtain a detailed justification from the end-user for selecting a particular brand if more than one brand/option is available.	Y	Existing form has been modified to require justification statement.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Director of Procurement & Control		Implemented March 2014
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
			See Action Step
#	RECOMMENDATION	CONCUR Y-N	ACTION STEPS
11	Require Purchasing Services to ensure change orders are properly documented, supported and approved.	Y	Purchasing Service will ensure change orders are properly documented, supported and approved.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Director of Procurement & Control		Implemented March 2014
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
			See Action Step

MANAGEMENT RESPONSE FORM**RPS Procurement 2014-06**

#	RECOMMENDATION	CONCUR Y-N	ACTION STEPS
12	Require Purchasing Services to establish a process to ensure: <ul style="list-style-type: none"> • Proper oversight and monitoring over the buyers' work to ensure compliance with policies and procedures • Obtaining the most advantageous pricing • Consistency and completeness of purchasing contract files 	Y	Limited staffing precludes ability to implement. Adequate resources will be requested for FY16 budget cycle.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Assistant Superintendent of Financial Services		July, 2015
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
#	RECOMMENDATION	CONCUR Y-N	ACTION STEPS
13	Require Purchasing Services to develop a mechanism for verifying adherence to the above process.	Y	This will depend on action step # 11.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Director of Procurement & Control		August, 2015
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
#	RECOMMENDATION	CONCUR Y-N	ACTION STEPS
14	Require Purchasing Services to ensure that: <ol style="list-style-type: none"> a.) Scope of services is properly and clearly defined to enable potential bidders to submit bids that are comparable. b.) Specifications are clearly stated to obtain meaningful information for cost comparison and bid evaluation. 	Y	Reviews for detail scope of services, specifications and consistent units of measure has been implemented.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Director of Procurement & Control		Implemented March 2014
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
			See Action Step

MANAGEMENT RESPONSE FORM**RPS Procurement 2014-06**

#	RECOMMENDATION	CONCUR Y-N	ACTION STEPS
15	Require Purchasing Services establish and implement procedures to monitor end-users' compliance with contract terms and conditions.	Y	Procedure has been implemented requiring a contract administrator within the using agency.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Director of Procurement & Control		Implemented January 2013
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
			See Action Step
#	RECOMMENDATION	CONCUR Y-N	ACTION STEPS
16	Require Purchasing Services to verify analysis done by Instruction Department on all textbook needs (both adopted and non-adopted) and conduct proper planning prior to purchasing textbooks to avoid excessive purchases.	Y	Purchasing Services does verify analysis was done by Instruction Department on all textbook needs (both adopted and non-adopted) and conducts proper planning prior to purchasing textbooks to avoid excessive purchases.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Director of Procurement & Control		Implemented July 2013
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
			See Action Step
#	RECOMMENDATION	CONCUR Y-N	ACTION STEPS
17	Require the Superintendent or designee to ensure Purchasing Services and schools are keeping proper records of the books inventory.	Y	New software is being implemented for FY15. The new software will include automated inventories via bar-codes.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Director of ITCS		September 2015
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
#	RECOMMENDATION	CONCUR Y-N	ACTION STEPS
18	Based on a detailed analysis, require the Superintendent or designee to choose between maintaining the warehouse or using direct delivery to the schools and other departments.	Y	Based on a detailed analysis, the Superintendent or designee will choose between maintaining the warehouse or using direct delivery to the schools and other departments. This analysis will be done as part of the FY16 Budget process.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Assistant Superintendent of Financial Services		July 2015
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION

MANAGEMENT RESPONSE FORM

RPS Procurement 2014-06

#	RECOMMENDATION	CONCUR Y-N	ACTION STEPS
19	The Superintendent needs to seek a second legal opinion on the legality of the current scoring process.	Y	A legal opinion on current scoring process has been requested. The scoring criteria has been suspended until the legal opinion is given.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Director of Procurement & Control		July 2014
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
#	RECOMMENDATION	CONCUR Y-N	ACTION STEPS
20	Make appropriate changes to the current scoring process based upon the legal advice received.	Y	Depends on legal opinion in # 19.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Director of Procurement & Control		July 2015
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION