



School District of
OSCEOLA COUNTY
FLORIDA

School District of Osceola County Internal Audit of Purchasing – Competitive Solicitations

July 21, 2022

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TRANSMITTAL LETTER

July 21, 2022

Audit Advisory Committee
School District of Osceola County, FL
817 Bill Beck Blvd.
Kissimmee, FL 34744

Pursuant to our executed Internal Audit Services agreement dated February 15, 2022, and as approved by the Audit Advisory Committee in the fiscal year (“FY”) 2021-22 internal audit plan, we hereby present our Internal Audit of Purchasing - Competitive Solicitations report. This report will be presented at the next regularly scheduled Audit Advisory Committee meeting on August 1, 2022. Our report is organized in the following sections:

Executive Summary	This provides a high-level overview and summary of the observations noted in our internal audit over the competitive solicitation processes.
Background	This provides an overview of the Purchasing Department, as well as relevant background information.
Objectives and Approach	The internal audit objectives are expanded upon in this section, as well as a review of the various phases of our approach.
Observations Matrix	This section includes a description of the observations noted during our internal audit and recommended actions, as well as management’s response including responsible party, and estimated completion date.
Additional Consideration	This section includes a description of the items noted during our internal audit that are for consideration purposes only, and do not require management’s response.
Appendix	This section provides additional supporting documentation relevant to the internal audit.

We would like to thank the staff and all those involved in assisting our firm with this internal audit.

Respectfully Submitted,

RSM US LLP

EXECUTIVE SUMMARY

Background

The Purchasing, Property Records, and Warehouse (“Purchasing”) Department manages the competitive solicitation process for the School District of Osceola County (“District”). The department mission statement is “To provide for the fair and equitable treatment of all persons involved in public purchasing by the District, to maximize the purchasing value of public funds, and to provide safeguards for maintaining a procurement system of quality and integrity.”

Purchasing consists of one (1) Department Director, one (1) Purchasing Supervisor, one (1) Secretary, one (1) Contracts Services Secretary, one (1) Bookkeeper, six (6) Senior Buyers, and one (1) Buyer.

Purchasing performs the centralized purchasing function for all of the District’s departments and schools under the authority of the School Board. Purchasing utilizes a number of different tools to aid the schools and the departments in their procurement of goods and services. All purchases exceeding \$50,000 in cost are subject to a formal, competitive solicitation process. Purchases in the category which do not exceed \$50,000 but are more than \$3,000 shall obtain three written vendor quotes.

Purchasing is responsible for adhering to the Purchasing rules, regulations, and statutes established by the School Board, the Department of Education and the State of Florida. Policies and procedures governing the District’s purchasing program are designed with the goal of providing the highest quality goods and services, at the best value, while protecting the integrity of District funds.

Overall Summary / Highlights

For each observation, we discuss the relevant risks, which may include financial, operational, and / or compliance, as well as public perception or ‘brand’ risks. We further provide recommendations and best-practice guidance for the School District of Osceola County.

Fieldwork was performed March 2022 through May 2022.

Objectives and Scope

The primary objective of our internal audit was to assess the adequacy of internal controls surrounding competitive solicitation processes.

The first phase consisted primarily of inquiry to obtain an understanding of the key personnel, risks, processes, and controls relevant to the objective outlined above. We conducted interviews and walkthroughs with key personnel to obtain a detailed understanding of the District’s operating policies and procedures, and roles/responsibilities as they relate to competitive solicitation.

The second phase assessed the design and control structure of the competitive solicitation process, and we performed testing of source documents to validate compliance with established policies, procedures, and other regulations.

Our procedures addressed the following:

- Evaluated if there are adequate controls to identify and monitor related party transactions in the competitive solicitation process;
- Evaluated system user access controls and segregation of duties within the competitive solicitation process;
- Evaluated whether there are adequate records and documentation for competitive solicitations to establish an audit trail and verify that policies and procedures are appropriately followed; and
- Performed data analytics around the District vendor pool based on data type and availability.

Our audit period was July 1, 2020, through January 31, 2022. We performed detailed testing of awarded solicitations within this audit period.

At the conclusion of our audit, we summarized our findings into this written report and conducted exit conferences with Purchasing management, the Chief Financial Officer, General Counsel, and the Superintendent.

Summary of Observation Ratings

(See page 11 for risk rating definitions)

	High	Moderate	Low
Purchasing Internal Audit	1	3	-

We would like to thank all School District of Osceola County team members who assisted us throughout this internal audit.

EXECUTIVE SUMMARY (CONTINUED)

Observations Summary

There were five (5) observations identified during this internal audit of competitive solicitations. Below is a listing of the observations that were identified. Detailed observations are included in the Observations Matrix section of the report.

Summary of Observations	
Observations	Rating
1. User Access Controls	High
2. Competitive Solicitation Documentation	Moderate
3. Manual Competitive Solicitation Monitoring	Moderate
4. Purchasing Procedures Manual	Moderate

Additional Considerations

There was one (1) additional consideration identified during this internal audit.

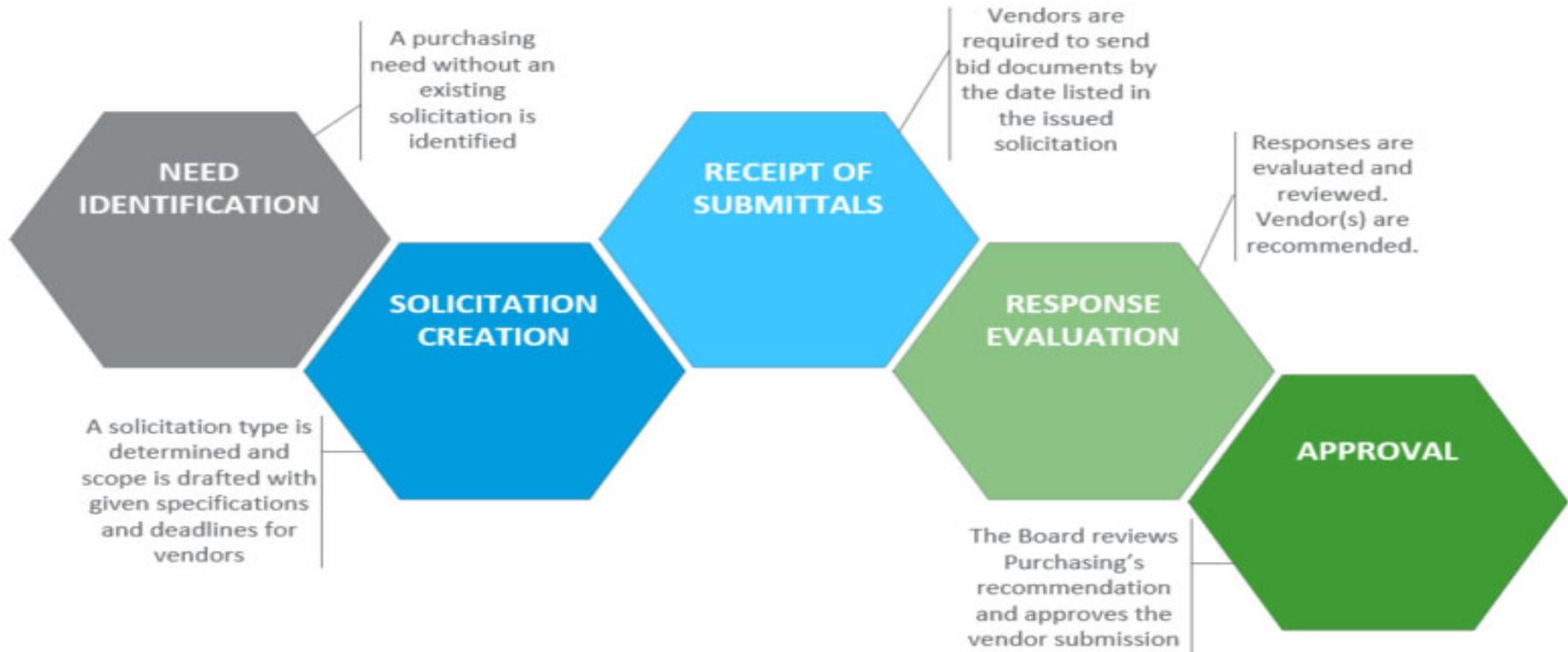
Summary of Additional Considerations	
Observations	
Written Quote Thresholds	

BACKGROUND

Overview

The Purchasing Department is organized into three branches: Purchasing, Contract Services, and Warehouse. All District purchase requests made with budgeted funds are submitted through Purchasing. The purchase of goods or services is categorized as either “Competitive” or “Non-Competitive” dependent on the gross sum of the purchase. For all purchases in excess of \$50,000, competitive solicitations are to be used except for the purchase of items where the competitive solicitation process may be waived as outlined by Florida Statute. For all purchases in excess of \$50,000, Board approval shall be required before a purchase order can be issued. Purchasing 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.

Purchasing organizes the procurement of goods by commodity category, with each Buyer assigned specific categories to manage. Buyers do not rotate categories. When a need is identified by a District end-user, the corresponding Buyer determines whether the need is covered through an existing vendor agreement and/or whether modifications to an existing agreement could address the need. If no awarded bid or contract exists for the commodity needed, the solicitation process is initiated. The end-user communicates the specific need and coordinates with Purchasing to develop the solicitation scope. Once the scope of the solicitation has been developed, it is confirmed by the end-user, and reviewed by the Purchasing Manager. Florida Statute requires that any competitive solicitation be made available simultaneously to all vendors and must include the time and date for the receipt of bids, proposals, or replies. Currently, the District uses VendorLink, an internet portal where businesses can register to receive email notification of upcoming solicitations as they become available.



BACKGROUND (CONTINUED)

Overview (Continued)

The District uses competitive solicitation types outlined by Florida Statute and described below. The solicitation type is determined by the scope of the goods or services being solicited, and is determined in coordination between the Buyer, end-user, and Purchasing Manager. Over our audit period, we identified 129 total competitive solicitations issued by the District. The chart to the right illustrates the distribution of competitive solicitations awarded by solicitation type.

❖ Invitation to Bid (“ITB”)

An assigned Buyer will utilize an ITB for the purchase of commodities and/or services when the scope of work for which a contractual service is required is capable of establishing precise specifications defining the actual commodity or group of commodities required. Cost should be the sole determining factor in awarding the ITB to a responsive, qualified vendor(s).

❖ Request for Proposal (“RFP”)

An assigned Buyer will utilize a Request for Proposal for commodities and/or services that cannot be fully defined, or the District is requesting that a responsible vendor propose a commodity or contractual service to meet the specifications of the solicitation document. Each RFP should evaluate multiple criteria from responsive, qualified vendors prior to award. The District utilizes a selection committee to evaluate vendor proposals.

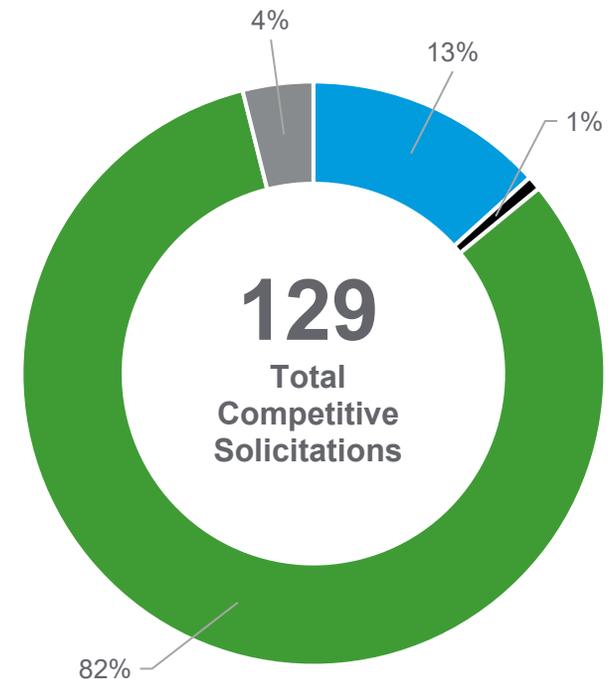
❖ Invitation to Negotiate (“ITN”)

An assigned Buyer will utilize an Invitation to Negotiate where an ITB or an RFP are not practicable and will not result in the best value to the District. Responsive vendors are evaluated against all evaluation criteria set forth in the ITN to establish a competitive range of replies reasonably susceptible of award. The District utilizes a selection committee to evaluate vendor proposals. The agency may select one or more vendors within the competitive range with which to commence negotiations.

❖ Request for Qualification (“RFQ”)

An assigned Buyers will utilize a RFQ for commodities and / or services for which price is not a determining factor. An RFQ is chosen when definite specifications cannot be written or there may be unknown areas where additional competition from qualified firms are required. The District utilizes a selection committee to evaluate vendor proposals.

TOTAL DISTRICT COMPETITIVE SOLICITATIONS



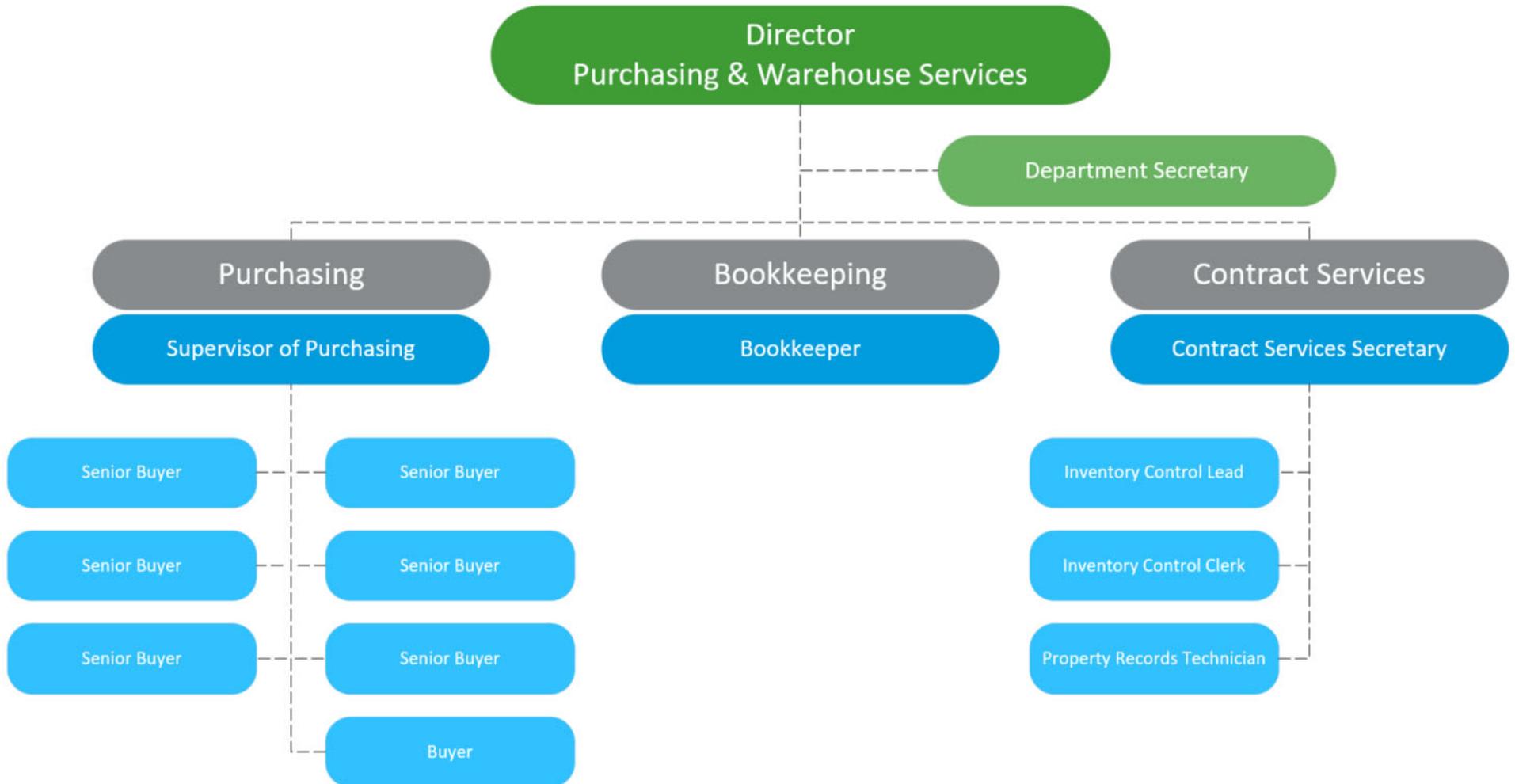
■ RFQ ■ ITN ■ ITB ■ RFP

Audit period: July 1, 2020 – January 31, 2022

BACKGROUND (CONTINUED)

Organizational Structure

The Purchasing branch's organizational structure is illustrated below:



BACKGROUND (CONTINUED)

Competition Requirements & Thresholds

Specific requirements exist based on the nature of the procurement, which includes the value of the commodities/services requested, the subsequent procurement type, competition requirements, and approval requirements. The illustration to the right outlines some of the differences in competition and approval requirements based on the value of the commodities/services procured.

Selection Committee

RFPs utilize a selection committee to evaluate bid responses. After the solicitation responses are received, Purchasing reviews the RFP responses for compliance. The responses are then distributed to the selection committee members for independent evaluations. Each selection committee is comprised of a cross-functional team of District employees that are appointed by the Purchasing Director. In some cases, when community input is needed, non-District employees are appointed to a selection committee. The Purchasing Department staff facilitates the selection committee meetings, trains new members on their responsibilities, and ensures that the evaluation process is conducted in a fair and equitable manner. All selection committee meetings are considered to be public meetings and are posted to the Purchasing website.

As required by Florida Statute 287.017, selection committee members attest in writing that they are independent of, and have no conflict of interest in, the entities evaluated and selected.

Document Retention

Currently, Purchasing is in the process of implementing an electronic filing system for all solicitation documentation to facilitate a migration from physical paper folders to virtual documentation. This process will serve to improve centralization of solicitation documents and streamline documentation. Currently, the district utilizes secure, locked filing cabinets to protect applicable sensitive information included in its solicitation documents per vender request. Access to these documents is restricted by lock and key, which is controlled by the Purchasing Manager.



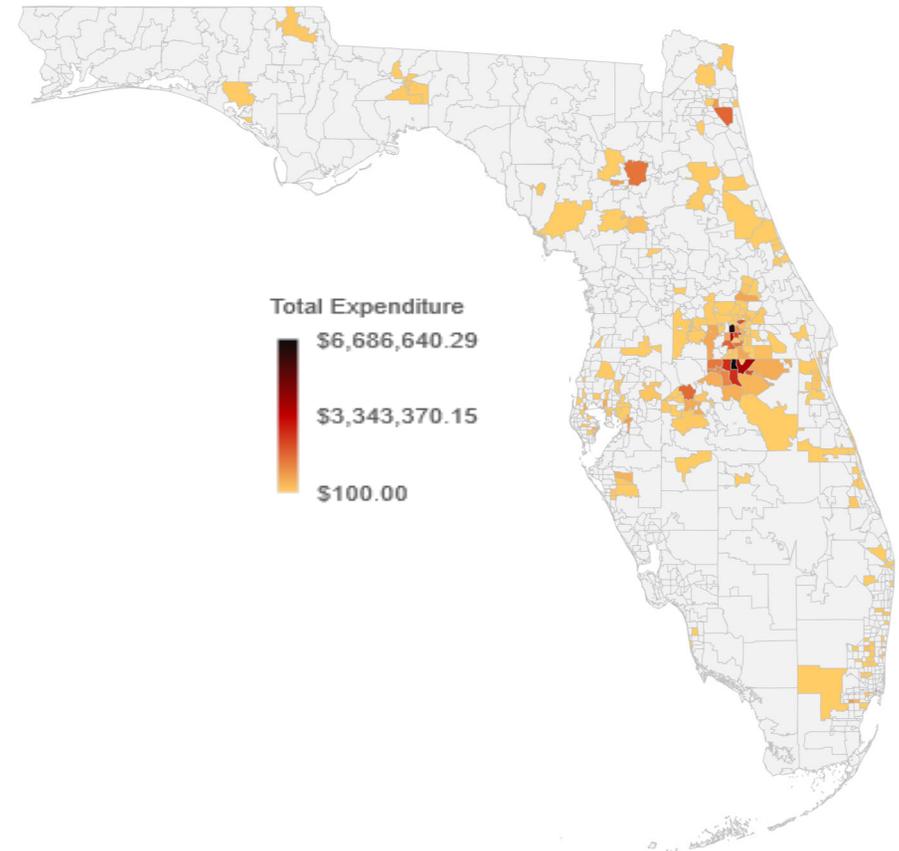
BACKGROUND (CONTINUED)

Overview (Continued)

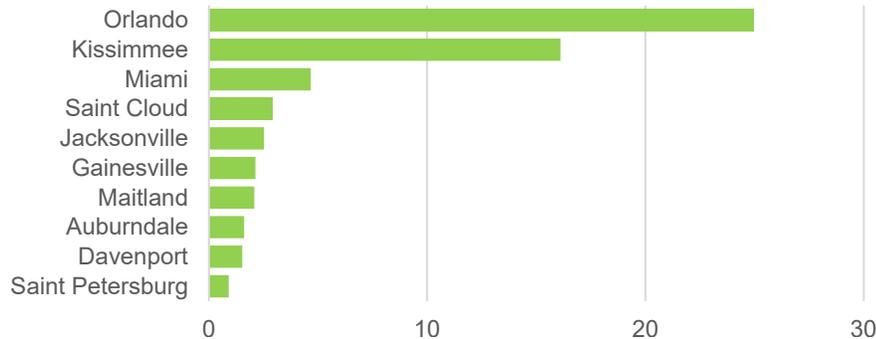
From July 1, 2021, through January 31, 2022, the District had total expenditures of \$110,197,742 across 5,068 purchase orders, representing an average purchase order dollar amount of \$21,743. These expenditures include both competitive and non-competitive purchases. Within the United States, the District has procured goods and/or services from vendors in 43 states. In total, purchases were made from 877 distinct vendors.

The chart below represents a relative heat map of District expenditures within Florida. Higher concentration of expenditures exist in proximity to the District, with sporadic expenditure primarily expressed in major metropolitan areas around the state.

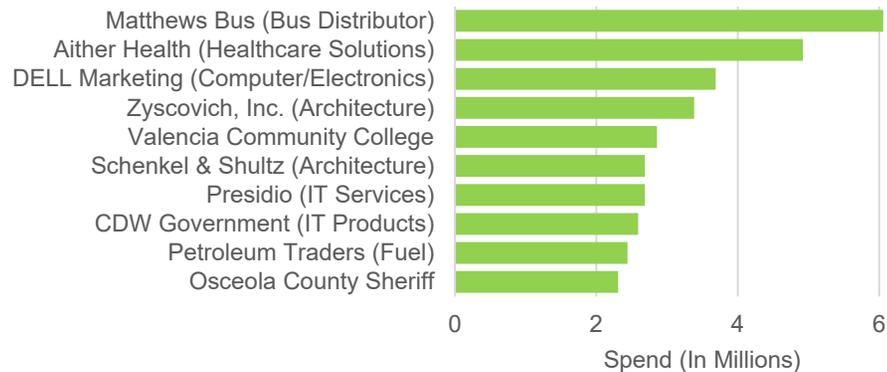
TOTAL VENDOR SPEND BY ZIP CODE



TOP 10 VENDOR SPEND - BY CITY



TOP 10 VENDOR SPEND



BACKGROUND (CONTINUED)

Laws and Guidelines

Purchasing is subject to State of Florida laws and regulations, as well as internal policies. These guidelines include, but are not limited to, the following:

Florida Statutes

- F.S. 112.313 – Standards of conduct for public officers, employees of agencies, and local government attorneys
- F.S. 112.3148 – Reporting and prohibited receipt of gifts by individuals filing full or limited public disclosure of financial interests and by procurement employees
- F.S. 119.0701 – Contracts; public records; request for contractor records; civil action
- F.S. 119.071 – General exemptions from inspection or copying of public records
- F.S. 120.57(3) – Additional Procedures Applicable to Protests to Contract Solicitation or Award
- F.S. 218 – Local Government Prompt Payment Act
- F.S. 255.0516 – Bid protests by educational boards
- F.S. 274 – Tangible Personal Property Owned by Local Governments
- F.S. 286.011 – Public meetings and records; public inspection; criminal and civil penalties
- F.S. 287.055 – Acquisition of professional architectural, engineering, landscape architectural, or surveying and mapping services; definitions; procedures; contingent fees prohibited; penalties
- F.S. 287.056 – Purchases from purchasing agreements and state term contracts
- F.S. 287.057 – Procurement of commodities or contractual services
- F.S. 287.084 – Preference to Florida Businesses
- F.S. 287.087 – Preference to businesses with Drug-Free Workplace programs
- F.S. 287.133 – Public entity crime; denial or revocation of the right to transact business with public entities
- F.S. 1010.04 – Purchasing

State Board of Education Rules

- State Board of Education Rule 6A-1.012 – Purchasing Policies
- State Board of Education Rule 6A-1.013 – Pool Purchases
- State Board of Education Rule 6A-1.091 – Purchases for Internal Funds

School Board Policies

- School Board Policy 6.301 – Conflict of Interest in Purchasing
- School Board Policy 6.27 – Professional Ethics
- School Board Policy 7.32 – Internal Funds
- School Board Policy 7.70 – Purchasing and Competitive Solicitations
- School Board Policy 7.74 – Lease and Lease-purchase of Land, Facilities and Equipment
- School Board Policy 7.71 – Selecting Professional Services
- School Board Policy 7.78 – Gifts

OBJECTIVES AND APPROACH

Objectives

The primary objective of our internal audit was to assess the adequacy of internal controls surrounding the competitive solicitation process, including adherence to policies, procedures, state laws and regulations.

Approach

Our approach consisted of the following phases:

Understanding and Documentation of the Process

The first phase consisted of inquiry and review of policies, procedures and Florida Statute, in an effort to obtain an understanding of the key personnel, risks, processes, and controls relevant to the objective outlined above. The following procedures were conducted as part of this phase:

- Conducted interviews and walkthroughs with key personnel to obtain a detailed understanding of the District's operating policies and procedures, and roles/responsibilities as they relate to the competitive solicitation processes within our scope;
- Performed data analytics around the District vendor pool based on data type and availability;
- Developed a work plan for the evaluation of the operating effectiveness of processes and controls, based on the information obtained through our review, inquiry, and walkthrough procedures.

Evaluation of the Design and Effectiveness of Process and Controls

The purpose of this phase is to test compliance and internal controls. Our fieldwork testing was conducted utilizing sampling and other auditing techniques to meet our audit objectives outlined above. Procedures included, but the following:

- Evaluated the design of the key processes and controls identified in the previous phase through industry benchmarking, best practices and comparable client experience;
- Evaluated the design and control structure including adherence to competitive solicitation policies and procedures and Florida Statute;
- Evaluated if there are adequate controls to identify and monitor related party transactions in the competitive solicitation process;
- Evaluated access controls and segregation of duties within the competitive solicitation process;
- Evaluated whether there are adequate records and documentation for competitive solicitations to establish an audit trail and verify that policies and procedures are appropriately followed;
- Judgmentally selected a sample of ten (10) ITBs from a population of 77, a sample of two (2) RFPs from a population of two (2), and a sample of three (3) RFQs from a population of nine (9) based on commodity type, department, and Buyer;
- Performed review and testing of the solicitation scope and solicitation type selected for a sample of competitively procured goods/services for compliance with applicable District policies and Florida Statute, including documentation of solicitation approval, public advertisement, and timeliness of issuance and receipt;
- Performed review and testing for completeness of solicitation documentation of a sample of competitively procured goods/services for completeness with documentation requirements as described by the advertised solicitation, including conflict of interest, bid documentation, and addenda;

OBJECTIVES AND APPROACH (CONTINUED)

Evaluation of the Design and Effectiveness of Process and Controls - continued

- Performed review and testing of a sample competitively procured goods/services for compliance with vendor evaluation, scoring, and selection requirements; and
- Reviewed a sample competitively procured goods/services to verify that any deviations from standard contract templates were reviewed and approved by the General Counsel.

Reporting

Based on the results of our analysis and testing, we developed recommendations for process and control modification / addition / deletion for any design gaps or non-compliance issues identified. We summarized our findings into this written report and conducted exit conferences with Management. We have incorporated Management's response into this report. Provided below are the observation risk rating definitions for the detailed observations starting on the following page.

Observation Risk Rating Definitions	
Rating	Definition
Low	Observation presents a low risk (i.e., impact on financial statements, internal control environment, brand, or business operations) to the organization for the topic reviewed and/or is of low importance to business success/achievement of goals.
Moderate	Observation presents a moderate risk (i.e., impact on financial statements, internal control environment, brand, or business operations) to the organization for the topic reviewed and/or is of moderate importance to business success/achievement of goals. Action should be in the near term.
High	Observation presents a high risk (i.e., impact on financial statements, internal control environment, brand, or business operations) to the organization for the topic reviewed and/or is of high importance to business success/achievement of goals. Action should be taken immediately.

OBSERVATIONS MATRIX

Observation	1. User Access Controls
<p style="text-align: center;">High</p>	<p>Key duties such as the creation of vendors, initiation of purchase requisitions, and approval of purchase requisitions should be properly segregated to prevent a single user from having the ability to perform all of these process steps within the purchasing system. Currently, the District uses Total Enrollment and Resource Management System (TERMS) to manage its vendor and purchase requisition functions. Within TERMS, users of the system are granted access to either create and edit requisition entries or view only entries. Users with view only privileges cannot create or edit requisitions.</p> <p>We obtained a listing of TERMS users and reviewed the associated system privileges related to creating and approving vendors and requisitions. Of the users with access to TERMS, we identified four (4) users with the ability to create, edit, and approve a single requisition without a secondary approval. This was communicated to Management upon discovery and Management immediately remediated the access issues for these individuals. We performed audit procedures and confirmed that the inappropriate access for the four (4) identified users was remediated. Furthermore, we reviewed requisitions in TERMS associated with these four (4) users during the audit period and noted that none of them had created and approved the same requisition(s).</p> <p>Segregation of duties is a key internal control intended to minimize the occurrence of errors or fraud. Without appropriate user access controls, segregation of duties controls are weakened, increasing the risk of fraudulent or inappropriate activity.</p>
<p>Recommendation</p>	<p>We recommend the District analyze its current process of annual TERMS user access review to look for opportunities to strengthen its monitoring procedures to identify and remove any inappropriate roles. The current annual TERMS user access review is the catch-all for any errors or required changes in the access privileges. This review should be designed to identify varying user access concerns including; if terminated users weren't removed, whether incorrect privileges were assigned, or identify role changes where access to key functions is no longer required.</p>
<p>Management's Action Plan</p>	<p>Response: The district performs an annual review process where each administrator reviews a list of TERMS users within their facility. If no changes are necessary, a response is provided to the Information Services Department documenting that the annual review process has been completed. If necessary changes are identified, the administrator submits the changes at that time.</p> <p>The individuals identified as having the ability to create, edit, and approve a single requisition without a secondary approval was a result of cloning the TERMS requisition process to create the Budget Amendment for Position (BAP) process. The select administrators in the Humans Resources and Budget & Finance Departments use the BAP process for automation of the district's position control system. The access for these employees was only established for this legitimate purpose and not intended to allow for the ability to create, edit, and approve a single requisition. As stated in the auditor's observation, there is no evidence that any employee has created and approved the same requisition.</p> <p>Information Services staff will research options to remove this access from the requisition process while maintaining the employees' ability to perform their necessary functions as related to the Budget Amendment for Position process.</p> <p>Responsible Party: Chief Information and Technology Officer</p> <p>Estimated Completion Date: December 31, 2022</p>

OBSERVATIONS MATRIX (CONTINUED)

Observation	2. Competitive Solicitation Documentation
<p>Moderate</p>	<p>To evaluate the completeness of District solicitation packages, we selected a judgmental sample of 15 competitive solicitations; including; ten (10) District ITB solicitations, two (2) RFP solicitations, and three (3) RFQ solicitations. We obtained all required supporting documentation for each solicitation sampled. Through our testing, we noted the following:</p> <p><u>Invitation to Bid (“ITB”):</u></p> <p>Of the 10 sampled ITBs, RSM noted the following:</p> <ul style="list-style-type: none"> • We identified two (2) instances where awarded vendors did not provide evidence of the specific insurance coverages required by the solicitation terms and conditions. We noted that insurance information had been provided that did not conform to the requirements set forth in the ITB. Purchasing noted that in these situations they will confer with the Risk Management department to decide whether to accept such insurance support or not. Purchasing states that is what occurred in these two (2) ITBs however no documentation was available for us to review that this process occurred. According to the solicitation package, to be considered an eligible responsive bidder, all terms and conditions set forth by the solicitation package must be adhered to, including the provision requiring vendors to provide certificate of insurance or proof of insurability in the coverage types and amounts indicated by the ITB. • We identified one (1) instance where awarded vendors did not sign and return addenda to the solicitation package. Through discussions with management, we noted that Purchasing operates with discretion when determining whether the absences of any addenda constitutes a material change to the bid, requiring signature and return by bidders to be considered “responsive”. No evidence was provided to demonstrate that the lack of addenda was identified and considered in determining whether the specific vendor would be considered responsive. • We identified one (1) instance where purchasing did not maintain evidence of the time receipt, such as a time stamp, for an awarded vendor’s bid package. Without evidence of the time the bid was received, we are unable to verify that submission was timely to be considered a qualifying bid. <p>Non-compliance with the terms and conditions of the bid solicitation may result in selection of unqualified or underinsured vendors, leading to risk to the District as vendor protest of award and financial risk.</p> <p><u>Request for Proposal (“RFP”):</u></p> <p>Of the two (2) RFPs executed during our audit period, we noted the following:</p> <ul style="list-style-type: none"> • Per FS 287.057 (1)(b)(1), “<i>Before issuing a Request for Proposal, the agency must determine and specify in writing the reasons that procurement by invitation to bid is not practicable.</i>” During our detailed testing, we noted that no written justification was included in the solicitation package for either RFP package tested. The District RFP solicitation template does not provide in writing the justification for why an ITB was not practicable. As a result, we could not identify written justification for the RFP solicitation type selection, as required by Florida Statute.

OBSERVATIONS MATRIX (CONTINUED)

Observation	2. Competitive Solicitation Documentation (Continued)
<p>Recommendation</p>	<p><u>Risk Management</u>: We recommend that Purchasing continue to consult with Risk Management on contractual matters subjective in nature and formally document the results of those discussions. We also recommend that Purchasing review the language on insurance requirements in their ITB template to ensure that it reflects the intent of the process and allows the District to use discernment when appropriate.</p> <p><u>Addenda</u>: We recommend Purchasing require all responsive bidders to sign and return all addenda. Any deviations should be documented, properly approved, and retained as part of the solicitation documentation.</p> <p><u>Time Stamp</u>: We recommend all time stamps be included on the response and retained as part of the solicitation documentation.</p> <p><u>Checklists</u>: Purchasing currently utilizes a checklist to assist Buyers in consistency and completeness in performing all required steps of competitive solicitation. We recommend Purchasing enhance their current Buyer checklist to include additional steps such as the justification of RFP vs. ITB, commodity codes, etc. Purchasing could also implement a 'peer review' process where Buyers review each other's solicitation checklists for completeness on a defined, periodic basis.</p> <p>These procedures should be formally documented in the Purchasing Procedures Manual (see Observation #4).</p>
<p>Management's Action Plan</p>	<p>Response:</p> <ul style="list-style-type: none"> • Staff will revise the language on insurance requirements in the solicitation documents to reflect the intent of the process and allow for discernment when appropriate. In addition, Purchasing will continue to consult with Risk Management on contractual matters subjective in nature and formally document the results of those discussions. • Procedures will be implemented to ensure all addenda are required to be signed and returned on each solicitation. In the instance identified through this audit, it was a time extension addendum that was issued after the respondent had submitted their response. Purchasing used discretion in determining that the vendor did not need to submit the additional addendum subsequent to their submittal, however, we will clarify district procedures to require all addenda and not allow for staff discretion. • Staff will be reminded of the requirement to always retain a documented time stamp on bid packages. For the instance identified through this audit, it is believed that the exterior envelope was time stamped and then not retained as it needed to be. • Procedures will be implemented to ensure compliance with F.S. 287.057 (1)(b)(1), "Before issuing a Request for Proposal, the agency must determine and specify in writing the reasons that procurement by invitation to bid is not practicable." <p>Responsible Party: Director of Purchasing, Property Records, and Warehouse</p> <p>Estimated Completion Date: September 30, 2022</p>

OBSERVATIONS MATRIX (CONTINUED)

Observation	3. Manual Competitive Solicitation Monitoring
<p>Moderate</p>	<p>Through discussions with Management, we noted that informal procedures exist requiring Buyers to manually monitor their respective commodities; independently tracking all awarded solicitations, and monitoring the aggregate spend for each awarded solicitation against approved amounts. Prior to approving a purchase order, Buyers are expected to manually perform many key controls, including the following:</p> <ol style="list-style-type: none"> 1. Evaluate total vendor spend to determine whether spend is in excess of the competitive solicitation threshold of \$50,000. If so, a competitive solicitation process is initiated, as required by Florida Statute 287.057. 2. If the purchase requisition is associated with an awarded solicitation with a defined contract amount, the Buyer will evaluate total spend incurred to verify that vendor spend remains in line with predetermined contract amounts. <p>Through testing, no issues were identified related to the existence of a competitive solicitation when required by Florida Statute 287.057. Further, no issues were identified regarding vendor spend compliance with approved contracted amounts. However, while manual preventative controls are in place, the performance of these controls are not documented. Additionally, we were unable to confirm the existence of detective controls designed to provide ongoing oversight of these two controls.</p> <p>Currently, the AS400 system does not capture the awarded solicitation number, if applicable, associated with each purchase order. As a result, no centralized system is in place that integrates vendor payments, purchase orders, and awarded solicitations. This system limitation prevents Management from efficiently monitoring the effectiveness of the controls in place to evaluate contract overspending or identify vendors with spend in excess of \$50,000, without an awarded competitive solicitation.</p> <p>Due to the manual nature of the procedures performed, there is an inherent risk of human error, which may result in inaccurate issuance of competitive solicitations. Without detective controls in place to enhance oversight, Purchasing management may not be able to efficiently determine the ongoing effectiveness of the manual procedures performed by Buyers.</p>
<p>Recommendation</p>	<p>We recommend the District assess system capabilities for capturing and linking awarded solicitation numbers with associated purchase orders in AS400. If system limitations prevent the tracking of these data points, we recommend the Purchasing Department implement formal procedures to manually track vendor spend, identifying those exceeding 50k in spend and the associated awarded solicitations. Formal monitoring procedures should be performed on a periodic basis by reviewing vendor spend in excess of \$50,000 to confirm compliance with competitive solicitation requirements and approved contract amounts. These procedures should be formally documented in the Purchasing Procedures Manual to promote consistency in oversight across all Buyers.</p>
<p>Management's Action Plan</p>	<p>Response: While the Purchasing Department does monitor vendor spend to ensure compliance with statutory thresholds and no instances of non-compliance were identified, we acknowledge that our monitoring process is not documented and is an area of opportunity for enhanced procedures and controls. Staff will evaluate the need to implement procedures to formally document the tracking of vendor spend exceeding \$50,000 and associated awarded solicitations, to include oversight and secondary approval.</p> <p>Responsible Party: Director of Purchasing, Property Records, and Warehouse</p> <p>Estimated Completion Date: September 30, 2022</p>

OBSERVATIONS MATRIX (CONTINUED)

Observation	4. Purchasing Procedures Manual
<p>Moderate</p>	<p>Through discussions with management, we noted that updates to the Purchasing Procedures Manual are proposed and made on an as needed basis. The District's Purchasing Procedures Manual was most recently revised on April 26, 2017. Upon review of the approved manual, we identified that some current, key Purchasing procedures were not included as part of the updated manual. Formalized guidance should include, but is not limited to, the following processes and procedures in addition to the existing processes and procedures currently outlined:</p> <p><u>Vendor Management</u></p> <p>Written procedures do not document vendor management procedures, including specification of authorized vendor representative guidance, active and inactive vendor management procedures, vendor application processes, vendor updates, and ongoing monitoring of current vendors.</p> <p><u>Contract Administration</u></p> <p>Contract administration involves those activities that begin after the award of the contract. Its purpose is to verify that the contractor's and agency's performance is in accordance with the terms and conditions of the contract.</p> <p><u>Addenda Procedures</u></p> <p>The addenda provide clarification to any changes in scope/specifications. Procedures should define the process and timeline for issuing addenda's ahead of a posted solicitation due date. Additionally, written procedures should describe requirements for approving all proposed addendums and timely communicating to prospective vendors.</p> <p><u>Purchasing Procedures Manual Review</u></p> <p>Currently, the Purchasing Procedures Manual is reviewed and approved on an annual basis per standard District operating procedures. However, this review is not documented at a department level. Review, subsequent modification, and approval of the standard operating procedures should be documented and updated.</p> <p><u>Competitive Solicitation Checklist</u></p> <p>The District currently uses a Buyer checklist which could be enhanced to capture additional steps such as justification of RFP vs. ITB, and selection of commodity codes. Procedures should be documented to formalize the required use and retention of the checklist with the solicitation package.</p>

OBSERVATIONS MATRIX (CONTINUED)

Observation	4. Purchasing Procedures Manual – continued
<p>Recommendation</p>	<p>We recommend the Purchasing Department document their review and revisions to the Purchasing Procedures Manual on an as-needed basis. The Purchasing Procedures Manual should be reviewed to provide updated and accurate guidance that fully communicates the expectations and requirements of Purchasing. Any revisions deemed necessary should be formally documented and approved and communicated to the appropriate personnel through training. The review date and reviewer, along with any revisions, should be evidenced within the document in a revision page.</p> <p>We recommend Purchasing include language in the manual to encompass the areas noted above: Vendor Management, Contract Administration, Addenda Procedures, Procedures Manual Review, and Competitive Solicitation Checklist.</p>
<p>Management's Action Plan</p>	<p>Response: Annual review of the Purchasing Procedures Manual will be documented regardless of whether or not any revisions are made to the document. Staff will review the areas identified in this observation for consideration as additions to our documented procedures.</p> <p>Responsible Party: Director of Purchasing, Property Records, and Warehouse</p> <p>Estimated Completion Date: September 30, 2022</p>

ADDITIONAL CONSIDERATION

1. Written Quote Thresholds

Florida State Statute 287.057 requires that “if the purchase price of commodities or contractual services exceeds \$35,000, purchase of commodities or contractual services may not be made without receiving competitive sealed bids, competitive sealed proposals, or competitive sealed replies.” Through our review, in addition to the competitive solicitation requirements of Statute we noted that the District Purchasing Manual requires any purchase in excess of \$3,000 to obtain three (3) written vendor quotes. This is good practice to ensure that the District is procuring goods and services at fair prices. However, it can be time consuming to solicit vendors, manage vendor quotations, and perform any additional follow up that may be required, to obtain useful price quotes.

We have noted various practices among other Florida school districts for balancing available resources to obtain quotes and mitigate risk. The District could consider adjusting its current quotation practices to increase purchasing operational efficiencies if desired.

The illustration below provides a comparison to similar Florida school districts regarding thresholds and requirements for requiring written vendor quotes.

School District of Osceola County	Brevard Public Schools	School District of Lee County	Seminole County School District
COMMODITIES/ SERVICES PURCHASE THRESHOLD	COMMODITIES/ SERVICES PURCHASE THRESHOLD	COMMODITIES/ SERVICES PURCHASE THRESHOLD	COMMODITIES/ SERVICES PURCHASE THRESHOLD
COMPETITION REQUIREMENTS	COMPETITION REQUIREMENTS	COMPETITION REQUIREMENTS	COMPETITION REQUIREMENTS
< \$1,000	< \$5,000	< \$10,000	< \$10,000
No Competition Requirement	No Competition Requirement	No Competition Requirement	No Competition Requirement
\$1,001 - \$3,000	\$5,001 - \$15,000	\$10,001 - \$35,000	\$10,001 - \$25,000
1 Written Quote	2 Written Quotes	3 Written or Verbal Quotes	3 Written Quotes Recommended
\$3,001 - \$50,000	\$15,001 - \$50,000	\$35,001 - \$50,000	\$25,001 - \$50,000
3 Written Quotes	3 Written Quotes	3 Written Quotes	3 Written Quotes Required



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