



### **Table of Contents**

| Transmittal Letter              |  |
|---------------------------------|--|
| Executive Summary               |  |
| Background                      |  |
| Objectives and Approach         |  |
| Observations Matrix             |  |
| Appendix – Management Responses |  |



**Carr, Riggs & Ingram, LLC** 1001 3rd Avenue West Suite 500 Bradenton, FL 34205

941.747.0500 941.746.0202 (fax) CRIcpa.com

November 9, 2023

#### Internal Audit of Procurement & Physical Plant Operations Contracting

Mr. Joris Jabouin, CPA Chief Auditor Broward County Public Schools 600 SE 3rd Avenue, 8th Floor Fort Lauderdale, Florida 33301

Dear Mr. Jabouin:

Pursuant to our engagement letter dated October 12, 2021, we hereby submit our internal audit of the procurement function.

Our report is organized in the following sections:

| Executive Summary       | Summary of the observations and testing results related to our internal audit.                          |  |
|-------------------------|---|--|
| Background              | General overview of the procurement function.   |  |
| Objectives and Approach | Internal audit objectives and approach are explained in this section.                                   |  |
| Observations Matrix     | Results of our internal audit procedures, including our recommended actions and management's responses. |  |
| Appendix                | Management responses.   |  |

We would like to thank all those involved in assisting us with the internal audit of the procurement function.

Respectfully Submitted,

Can, Rigge & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC

# **EXECUTIVE SUMMARY**

# **EXECUTIVE SUMMARY**

#### Overview

The procurement function involves the procurement of goods and services necessary for the operation of the School Board of Broward County (SBBC, District) including purchasing materials, supplies, equipment, and contracted services in conformance with established SBBC policies and PWS procedural guidance, at competitive prices.

#### Objective

The primary objective of this internal audit was to assess whether the system of internal controls is adequate and appropriate for promoting and encouraging the achievement of management's objectives in the categories of compliance with applicable laws, District procurement policies and administrative rules, and other guidelines for the procurement function.

#### Observations

The following is a summary of observations noted.

|    | Observation   | Responsible<br>Party | Estimated<br>Completion<br>Date |  |
|----|---|----------------------|---------------------------------|--|
|    | Overall   |                      |                                 |  |
| 1. | <b>Policies &amp; Procedures</b> – Procurement Warehouse Services (PWS) policies, procedures, and training documents for the purchase order creation and competitive solicitation processes were not consistent, organized, complete, current, or easy to use.  | PWS                  | June 2024                       |  |
|    | Competitive Solicitation Testing  |                      |                                 |  |
| 2. | <b>Competitive Solicitation Completeness &amp; Responsiveness</b> – For two<br>of the three Physical Plant Operations (PPO) vendor contracts tested<br>(Invitation to Bid (ITB) FY20-022 and ITB FY21-041), awards were<br>made to vendors whose bids were incomplete and/or did not conform<br>in all material respects to the solicitation. | PWS                  | August 2024                     |  |
| 3. | <b>Price Lists &amp; Catalog Discounts -</b> For ITB FY21-041, ITB terms were not sufficiently specific to ensure consistency among the vendors submitting bids.  | PWS                  | January<br>2024                 |  |
|    | Purchase Order Testing  |                      |                                 |  |
| 4. | <b>PPO Requisition Approval</b> - Purchase requisitions generated by PPO were imported to SAP directly from Maximo (the PPO materials and supplies system). Approval of the purchase requisition was not part of the SAP workflow nor consistently uploaded to SAP for review by the Purchasing Agents processing the purchase order.         | PWS & PPO            | June 2024                       |  |
| 5. | <b>Competitive Procurement</b> – For four purchase orders of the thirty tested, three competitive quotes were not obtained. None of these purchase orders were otherwise exempt from competitive procurement.   | PWS                  | June 2024                       |  |

# **EXECUTIVE SUMMARY - CONTINUED**

| 6. | Small, Minority, and Women-Owned Business Enterprise (S/M/WBE)<br>Vendor Quotes – None of the purchase orders tested had quotes<br>identified as S/M/WBE competitive quotes. The Economic and<br>Diversity Compliance Department (EDDC) was responsible for<br>identifying S/M/WBE vendors and notify schools and District location<br>staff who should be contacting these vendors when competitively<br>procuring goods and services. | PWS &<br>EDDC | June 2024 |
|----|---|---------------|-----------|
| 7. | <b>Emergency Procurement - Ex Post Facto Board Approval</b> – We noted<br>three emergency procurements that were not reported to the Board<br>for ex post facto approval as required by Board Policy 3320.  | PWS           | June 2024 |

# **EXECUTIVE SUMMARY – DETAIL TESTING RESULTS**

#### **Competitive Solicitation Testing**

In coordination with the Office of the Chief Auditor (OCA), we selected the following PPO competitive solicitations for evaluation:

- ITB FY 19-033R Rock, Fill, Sand and Clay for Grounds Maintenance
- ITB FY 20-022 Pest Control & Termite Extermination Services
- ITB FY 21-041 HVAC-R Equipment, Parts, and Supplies

We reviewed solicitations, awarded vendor bid submissions, and District staff analysis, evaluation, and correspondence for compliance with District and PWS policy. The results of our testing are summarized below. No exceptions were noted for ITB FY 19-033R - Rock, Fill, Sand and Clay for Grounds Maintenance. We identified exceptions related to two of the 12 competitive solicitation attributes tested for ITB FY 21-041 and ITB FY 20-022.

| Attribute  | Results       |  |
|--|---------------|--|
| Scope draft reviewed by Economic Development & Diversity Compliance for                | 1             |  |
| Small/Minority/Women Business Enterprises criteria.                                    | •             |  |
| Solicitation draft approved by the requesting District location prior to release.      | $\checkmark$  |  |
| Solicitation posted to Demandstar and the District website with preliminary agreement  |               |  |
| and corresponding attachments.   | •             |  |
| Solicitation addendums posted to Demandstar and the District website.                  | $\checkmark$  |  |
| Vendor bids were submitted timely per the terms of the solicitation.                   | $\checkmark$  |  |
|  | X             |  |
| Purchasing Agent determined that bid prices were fair and reasonable including         | observation 3 |  |
| consistency of catalog pricing details provided.                                       |               |  |
|  | ITB FY 21-041 |  |
|  | ×             |  |
| The bid was responsive and conformed in all material respects to the solicitation      | observation 2 |  |
| submittal requirements and bid sheet specifications.                                   |               |  |
| submittal requirements and bla sheet specifications.                                   | ITB FY 20-022 |  |
|  | ITB FY 21-041 |  |
| Details of costs included in the vendor bid complied with the unit of measure and      | <b>√</b>      |  |
| quantities specified in the solicitation.  | -             |  |
| Selection was made for the lowest responsive bidder, or justification was provided for | <b>√</b>      |  |
| another selection.   |               |  |
| Bidder was not on the Florida Suspended Bidder List or similar sanctions (Convicted    | $\checkmark$  |  |
| Vendor List, Prohibited Companies, etc.).  | •             |  |
| Letter of Award issued to selected bidders.  | $\checkmark$  |  |
| Award approved by the Superintendent designee or Board, as applicable.                 | $\checkmark$  |  |

See detailed results of exceptions noted in the Observations Matrix below.

Legend:

- Attribute met without error or exception
- X An error or exception was noted

# **EXECUTIVE SUMMARY – DETAIL TESTING RESULTS**

#### Purchase Order Testing

In coordination with the OCA, we selected a risk-based, judgmental sample of 30 purchase orders from locations across the District, initiated between July 1, 2021 and April 30, 2022, and between \$5,000 and \$49,999. We performed detail transactional testing for compliance with District policy, Florida Administrative Code, and Florida Statutes as well as adherence to procurement practices. The results of our testing are summarized below. We identified exceptions related to six of the 10 attributes tested as detailed below.

| Attribute   | Results                   |
|---|---------------------------|
| Purchase Order requisition approved.  | <b>X</b><br>observation 4 |
| Purchase Order is not covered by any bid or state contract.   | <b>X</b><br>observation 5 |
| Competitive procurement process performed or exemption documented, as applicable. <i>Policy 3320 II C, D, P</i>   | <b>X</b><br>observation 6 |
| At least two Small/Minority/Women-Owned vendors were contacted when available or superintendent waived requirement. <i>Policy 3320 II C</i>   | <b>X</b><br>observation 7 |
| Exempt purchases appropriately qualifies under exemption rules <i>Policy 3320 II F, G, H, I, K, L, M, N, O, P &amp; FAC 6A-1.012</i>  | $\checkmark$              |
| Exempt purchases approved by the Superintendent or School Board based on dollar threshold. <i>Policy 3320 II G, H, I, L, M, S, T</i>  | $\checkmark$              |
| Single source procurement documentation includes public posting, written determination that commodities or contractual services are available from a single source, and notice of intent to enter into single source transaction. <i>Policy 3320 II I</i> | <b>X</b><br>observation 6 |
| Intent to enter into sole source procurement reported to the School Board. <i>Policy</i><br>3320 II I   | $\checkmark$              |
| Emergency procurement determination by Superintendent documented. <i>Policy 3320</i><br><i>II P</i>   | $\checkmark$              |
| Exempt and Emergency purchases were reported to the Board. Policy 3320 II F, P, S, T  | <b>X</b><br>observation 8 |

See detailed results of exceptions noted in the Observations Matrix below.

Legend:



Attribute met without error or exception

X An error or exception was noted

# BACKGROUND

# BACKGROUND

PWS is the centralized procurement and warehousing service for the District. The PWS mission is "to provide the best value purchasing, excellent customer service, and a transparent and ethical process in accordance with State Statutes and School Board Policies." In Florida, specific laws have been established by the state legislature for public agencies. The Florida Department of Education sets rules and policies for education entities and each district school board enacts policies and procedures for the individual entity.

The primary laws, rules, and policies that govern the District's procurement function, within the scope of this audit, include Florida Statutes for Purchasing F.S. 1001.41 and 287.001 – 287.057, Florida Department of Education Purchasing Policy - Rule 6A-1.012, and SBBC Policy 3320.

#### **Competitive Procurement**

The PWS Standard Operating Procedure (SOP) notes that "fair and open competition is a basic tenet of public procurement. Such competition reduces the opportunity for favoritism and inspires public confidence that contracts are awarded equitably and economically." PWS has established purchasing limits based on Florida Statutes and District Policies.

| Purchase Amount       | Competitive Procurement Required                               | Purchase Approval  |
|-----------------------|--|--|
| Less than \$5,000     | No quotations or solicitations required                        | PWS Director –<br>Superintendent Designee  |
| \$5,000 to \$50,000   | A minimum of three written quotations                          | PWS Director – Superintendent<br>Designee  |
| Greater than \$50,000 | Competitive solicitations requested from three or more sources | PWS Director – Superintendent<br>Designee<br>Board for selected exempt<br>transactions and purchase<br>orders greater than \$500,000 |

SBBC policy 3320 and Florida Department of Education Purchasing Policy - Rule 6A-1.012 identifies the types of commodities or services exempt from competitive procurement, including:

- Items available under established District, State, or other governmental contracts
- Emergency procurement
- Instructional materials purchased from the state-authorized book depository
- Professional services
- Educational services
- Copyrighted materials, including educational tests, textbooks, printed instructional materials, computer software, films, digital recordings, or similar materials
- Utilities or government franchised services
- Commodities or contractual services available only from a single source
- Those procured with federal or state awards when the supplier is established during the award or appropriation process



### OUR REFERENCE PROTOCOL POLICY 3320

(FOR PURCHASES NOT ON BID OR CONTRACT)

| "60" #'s & Policy Sections       | Designated Protocol  |
|----------------------------------|--|
| 60-001 (Policy 3320 Part II B)   | <ul> <li>Purchases less than \$5,000</li> <li>Valid vendor Quote needed (must be attached to requisition)</li> </ul>   |
| 60-002 (Policy 3320 Part II C)   | <ul> <li>Purchases from \$5,000 to \$50,000</li> <li>Required written waiver from <u>Superintendent or Designee</u> to waive requirement for additional quotes</li> </ul>            |
| 60-003 (Policy 3320 Part II C)   | <ul> <li>Purchases from \$5,000 to \$50,000</li> <li>Requirement of a <u>minimum</u> of 3 written quotes</li> <li>Valid vendor quotations must be attached to requisition</li> </ul> |
| 60-004 (Policy 3320 Part II F)   | <ul> <li>Purchases from State authorized Book depository</li> <li>For instructional material for resale to students</li> </ul>   |
| 60-005 (Policy 3320 Part II G)   | Professional Services below \$50,000   |
| 60-006 (Policy 3320 Part II H)   | <ul> <li>Purchase of Educational Services</li> <li>Copyrighted materials below \$50,000</li> <li>(i.e. tests, textbooks, software DVD's/CD's, etc.)</li> </ul>                       |
| 60-007 (Policy 3320 Part II I)   | <ul> <li>Single source purchases after policy requirements are met</li> </ul>  |
| 60-008 (Policy 3320 Part II P)   | Declared Emergency where bidding is waived by the Superintendent   |
| 60-009 (Policy 3320 Part II N)   | Required by Grant, Federal Law or Agency   |
| 60-010 (Policy 3320 Part II O)   | Regulated Utilities or Government Franchised Services  |
| 60-011 (Policy 3320 Part II B&C) | <ul> <li>Exclusively to be used for the issuance of Confirming Orders</li> <li>Required approval from Superintendent if between \$5,000 - \$50,000</li> </ul>                        |
| 60-012 (Policy 3320 Part II P)   | <ul> <li>Superintendent is authorized to purchase commodities or contractual<br/>services where the total amount does not exceed \$500,000</li> </ul>                                |
| 60-013P (Policy 3320 Part IX)    | <ul> <li>Expenditures for field trips other than transportation</li> <li>Does not require bidding by the P&amp;WS Dept. or Board Approval</li> </ul>                                 |
| 60-014 (Policy 2314 Section 8)   | <ul> <li>Short Term Venue Contracts (3 days or less)</li> <li>Includes venue contracts, leases, and rentals of real property and facilities</li> </ul>                               |

Source: PWS Policy Document

#### **Economic Diversity**

The EDDC is charged with promoting diversity and inclusion at the District including in procurement. EDDC administers District policy 3330 – Supplier Diversity and Outreach Program to help S/M/WBE participate in the District's procurement and contracting.

SBBC policy 3320 specifies that for purchases between \$5,000 and \$50,000, at least two of the three competitive quotes must be obtained from identified S/M/WBE vendors, if available. The EDDC maintains a vendor directory accessible on the EDDC webpage. S/M/WBE vendor participation is also considered in the competitive solicitation process.

#### **Purchase Order Process**

SBBC location staff create requisitions in the District's SAP ERP system. Requisitions are approved in SAP by the Principals/location Directors. A PWS Purchasing Agent reviews the requisition documentation. During this process, the Purchasing Agent must return the requisition to the initiating location if there are not the required competitive quotes or the purchase is covered by an existing State or District contract. After approval, the Purchasing Agent creates a purchase order from the requisition. Competitive procurement documentation for purchases that require quotes, bids, and/or exceed thresholds requiring Board approval is gathered and retained by the originating location. Documentation should be uploaded to SAP to support the purchase requisition.

The above process is followed by all locations except PPO which creates purchase requisitions in Maximo (a commercial system for tracking materials and supplies). Approval of the purchase requisition is not part of the SAP workflow.

# **PR PO CONVERSION**

School/Department identifies a need for product/service

Requistioners obtain quotes per policy 3320 or identify SAP material number. Then enter PR in SAP. PR goes to the approver(s) Approver(s) approve PR in SAP PR arrives in designated PWS Purchasing group in SAP queue based on PR material group PO is created in SAP and sent

electronically to vendor.

Vendor receives PO and fulfill the order

If end user does not receive order within expected delivered time, they contact PWS Help Desk providing PO number and contact information for PO resolution

Source: PWS SOP (Draft, not finalized by PWS) - PO Creation

#### **Competitive Solicitation Process**

For purchases greater than \$50,000 that are not otherwise exempt, SBBC follows a formal competitive solicitation process, including establishing the purchase scope of work with the initiating location, receiving input from EDDC, publicly posting the solicitation, evaluating submitted bids for responsiveness and price, awarding selected vendor(s), and obtaining School Board approval of the award and/or related contract.

| Solicitation<br>Method                | Characteristics   | Suitable Commodities & Services  |
|---------------------------------------|---|--|
| Invitation to Bid<br>(ITB)            | <ul> <li>First choice</li> <li>Price driven</li> <li>Lowest responsive bidder(s) meeting all requirements and specifications is awarded</li> </ul>  | <ul> <li>Standard off-the-shelf products</li> <li>Standard services of a usual commercial type</li> <li>Wide competition is available</li> <li>Vendor's experience, education, and understanding don't greatly impact results</li> </ul>   |
| Request for<br>Proposal<br>(RFP)      | <ul> <li>Second choice of preference</li> <li>Price is not the only factor considered.</li> <li>Also consider         <ul> <li>Unique qualifications and capabilities</li> <li>Relevant experience and adequacy of personnel</li> <li>Project approach and methodology</li> <li>Ability to perform contract requirements</li> </ul> </li> </ul> | <ul> <li>Less defined scope of work allowing vendors to propose a solution</li> <li>Specifications not established</li> <li>Need for concurrent exchange of information</li> <li>Non-standard goods or services with some flexibility in what is ultimately purchased</li> <li>A balance of price and quality is sought</li> </ul> |
| Request for<br>Qualification<br>(RFQ) | A screening process used to establish a pool of vendors usually for the purchase of specialized technical, professional and construction services.  | SBBC typically uses this method for procurement of construction projects.  |

Source: Adapted from PWS SOP (Draft, not finalized by PWS)

# ITB MACRO PROCESS

### Discovery Phase

### Scope of Work

- User (School and Departments) initiate the procurement process by providing SOW to PWS

### <u>Draft</u> Solicitation ITB

Information provided by User
Request API from Economic Development & Diversity Compliance Department and validate application

### **Cone of Silence**

- Period of limitation made effective from the time of the release of a solicitation and remains in effect until the contract is awarded by the School Board.

### **Bid is Posted**

- Bid is posted to the public. Procurement & Warehousing Services utilizes DemandStar Onvia to post all current solicitation/bid opportunities and addendums for the District.

### <u>Responses to</u> Bid

- PA reviews responses check for Compliance with requirement, **lowest price** 

- Supplier is awarded a contract

### Item goes to the Board for approval

- PA and user collaborate to put together all the documents necessary to present the item to the Board Meeting for approval.

Source: PWS Policy Document (undated)

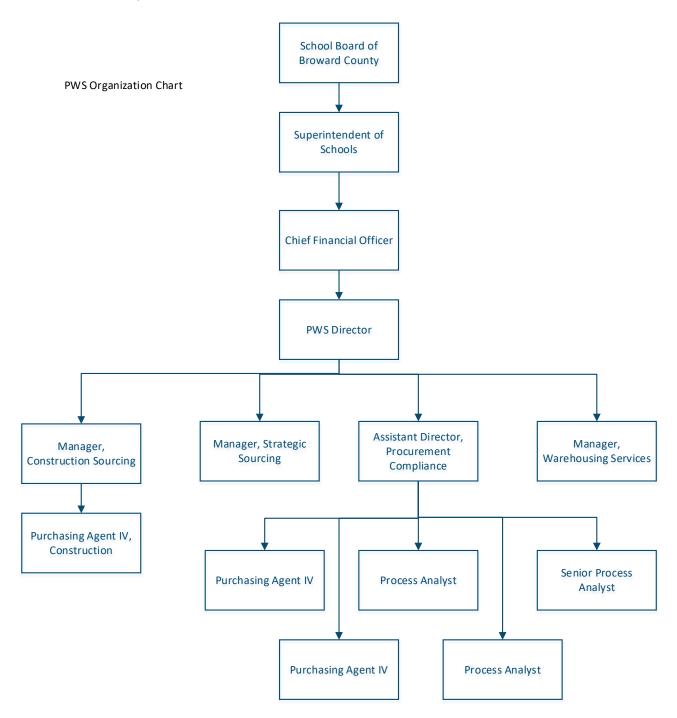
# RFP MACRO PROCESS



Source: PWS Policy Document (undated)

### **Organizational Chart**

The PWS Director reports to the Chief Financial Officer.

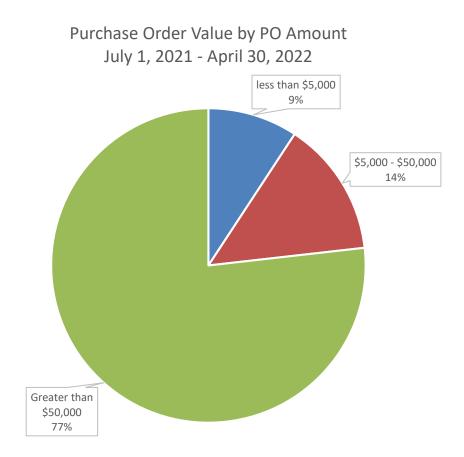


Note: This was the organization structure effective during the period under audit.

Between July 1, 2021 and April 30, 2022, PWS processed over 166,000 purchase orders totaling \$539 million.

| Purchase Order Value          | Number of<br>purchase orders<br>issued | Purchase Order<br>Amount |
|-------------------------------|--|--------------------------|
| Less than \$5,000             | 159,875                                | \$49,882,828             |
| \$5,000 to less than \$50,000 | 5,015                                  | \$75,235,304             |
| Greater than \$50,000         | 1,124                                  | \$414,108,598            |
| Total                         | 166,014                                | \$539,226,730            |

Purchase orders subject to competitive procurement requirements (greater than \$5,000) represented 91% of purchase order value during the period.



Based on SAP data extract provided by Office of the Chief Auditor. Not audited.

**OBJECTIVES AND APPROACH** 

### **OBJECTIVE AND APPROACH**

#### Objective

The primary objective of this internal audit is to assess whether the system of internal controls is adequate and appropriate for promoting and encouraging the achievement of management's objectives in compliance with applicable laws, SBBC procurement policies and administrative rules, and other guidelines. The focus was on the control structure surrounding the procurement process. The engagement objectives are to assist the District in assessing compliance and the related internal controls over the steps in the procurement process from purchase requisition to issuance of purchase order and/or contract as applicable.

#### Approach

Our internal audit approach consisted of three phases:

#### <u> Phase One – Planning</u>

During this Phase, we worked collaboratively with the Chief Auditor to create a preliminary, risk-based work plan - in achieving the above objectives for execution in Phases Two and Three.

#### Phase Two – Understanding and Documentation of the Process

During this phase, we held an entrance conference with key personnel involved with the procurement process to discuss the scope and objectives of the preliminary work plan developed in Phase One, obtained preliminary data, and established working arrangements. We reviewed the primary laws, rules, and policies that govern the District's procurement function within the scope of this internal audit, including: Florida Statutes for Purchasing, Florida Department of Education Purchasing Policy - Rule 6A-I.012, SBBC's Purchasing Ordinances and Policies and the Procurement Department's Policies and Procedures. We gained an understanding of and documented the procurement process and related sub processes. We conducted interviews with management and staff and documented their respective roles in the processes. We updated our understanding of the processes and relevant controls and the preliminary work plan created in Phase One.

#### Phase Three – Detailed Testing

The purpose of this Phase was the execution of the work plan from Phase One, based on our understanding of the procurement process obtained in Phase Two, to meet the objectives stated above. Our detailed procedures included inquiry, walkthrough, and testing of:

- PPO competitive solicitations for good and services
  - ITB FY 19-033R Rock, Fill, Sand and Clay for Grounds Maintenance
  - ITB FY 20-022 Pest Control & Termite Extermination Services
  - ITB FY 21-041 HVAC-R Equipment, Parts, and Supplies
- A sample of purchase orders for the period July 1, 2021 through April 30, 2022 from a variety of District locations

### **OBJECTIVE AND APPROACH - CONTINUED**

We assessed compliance and the related internal controls over the steps in the procurement process from purchase requisition issuance to purchase order and/or contract as applicable. We also obtained an understanding of the segregation of duties over competitive solicitations and purchase order issuance.

#### Phase Four - Reporting

The final report includes the results of the procedures performed in Phases Two and Three. We also communicated regularly with OCA and PWS staff throughout the engagement.

**OBSERVATIONS MATRIX** 

#### 1. Policies & Procedures - Overall

#### **Observation**

Procurement is a critical function with many compliance and operational requirements. Purchase orders often require competitive procurement or documentation of exemptions and other requirements. Competitive solicitations have especially complex documentation, analysis, and negotiation requirements. PWS provided policies, procedures, and training documents for the purchase order creation and competitive solicitation processes however these policies and procedures were not consistent, organized, complete, current, or easy to use.

PWS staff provided SOPs, diagrams, a purchasing manual draft undated, and process checklists which covered many key topics in the procurement function. PWS staff were unaware of whether some documents were in effect or still in draft status. We also noted differences in the SOP as compared with draft procedural checklists. Inconsistency, undated policies, and unclear document status increase the likelihood of confusion and errors. As noted in observations two and five through eight, we identified significant errors and exceptions in the processing of both competitive solicitations and purchase orders.

Documentation of competitive procurement (quotes, bid support, etc.) was not consistently retained or accessible to PWS staff after the purchase order issuance or competitive solicitation processes.

Comprehensive policies and procedures are essential for communicating expectations and requirements to staff, ensuring consistency throughout the department, supporting the functioning of the department, and easing the transition during staff turnover.

#### **Recommended Action**

PWS management should review and revise existing policies and procedures for the procurement function for consistency, organization, completeness, and ease of use. Topic to be addressed include but are not limited to the following:

- Purchase requisition & purchase order creation
  - Documentation of exemptions from competitive procurement.
  - S/M/WBE requirements and documentation of S/M/WBE quotes obtained or the lack of S/M/WBE vendors available.
  - Preference for use of negotiated District and State contracts and documenting consideration of these contracts.
  - Identification of the procedures to be performed by District location staff and documentation to be uploaded to SAP with the requisition.
  - Obtaining Board approval for emergency procurement.
  - Reporting procurements to the Board.

#### 1. Policies & Procedures – Overall - continued

#### **Recommended Action (continued)**

- Competitive Solicitations
  - Document required steps and develop checklists for each type of competitive solicitation ITB, RFP, RFQ, etc.
    - Development of scope of work with the originating location
    - Approval from Economic Development & Diversity Compliance
    - Posting Bids
    - Cone of Silence requirements
    - Formation of Evaluation Committees
    - Evaluation of bid responsiveness and completeness
    - Pricing analysis
    - Negotiation
    - Contract review and the use of contract templates
    - Bid disqualification/rejection
- Organization and retention of procurement documentation

#### Management Response

**Response:** We agree with the observation. Procurement Warehouse Services (PWS) is in the process of revising School Board Purchasing Policy 3320. The draft policy is tentatively scheduled for proposed Rule Making in January or February of 2024. In addition, PWS is developing a new purchasing manual that will be enacted shortly after the School Board policy is adopted to ensure that they are congruous. The purchasing manual will reference all stages and functions of the procurement process, including the functions referenced by the auditor, including but not limited to the purchase requisition and purchase order creation, competitive solicitations, and organization and retention of procurement documentation. PWS will develop a checklist for each type of solicitation that each Purchasing Agent will utilize to ensure continuity with all ITBs, RFPs, and RFQs. All documentation is kept electronically in accordance with the Florida Administrative Code General Records Schedule GS1-SL.

Responsible party: PWS

Estimated completion date: June 2024

### **Competitive Solicitation Testing**

#### 2. Competitive Solicitation Completeness & Responsiveness

#### **Observation**

Each competitive solicitation has individual submission and documentation requirements based on the commodities or services being procured. The required documentation can be quite complex if the scope of work is large or there are many vendors responding. In order to be considered for the award of a competitive solicitation, bids need to be responsive to the solicitation terms, specifications, and requirements. The PWS SOP states:

"Responsive" bid means a bid that conforms in all material respects to the solicitation. (Material means bid meets mandatories indicated by must, shall and will, allows for comparison with other offers, and does not include additional cost to the agency or deviations which confer a competitive advantage). Mandatory evaluation criteria reflect the factors and considerations that are essential to the requirement. Bidders must comply with these mandatory criteria. Words such as "must", "will", and "shall" are used to reflect the mandatory nature of each factor. Clauses containing mandatory language criteria must be clear and specific as to expectations of the bidder. It is the responsibility of the Purchasing Agent to ensure that the bidders can meet the conditions for compliance.

In coordination with the OCA, we selected a risk-based, judgmental sample of three PPO competitive solicitations for evaluation. We reviewed solicitations, awarded vendor bid submissions, and District staff analysis, evaluation, and correspondence for compliance with District and PWS policy. For two of the three vendor contracts tested, we noted awards were made to vendors whose bids were incomplete and/or did not conform in all material respects to the solicitation.

### **Competitive Solicitation Testing - continued**

2.a. ITB FY20-022 - Pest Control

#### **ITB** Terms

The ITB submittal requirements specified that bidders must provide both chemical labels and safety data sheets for pest control or termite treatment chemicals to be used.

Section 4, Special Conditions #8 -

Only bidders who can comply with the following qualification requirements should submit bids, as only such bidders will be considered qualified. NOTE: IN ORDER TO BE CONSIDERED, BIDDER(S) MUST SUBMIT DOCUMENTATION WITH THE BID SUBMITTAL. FAILURE TO PROVIDE THE DOCUMENTATION WILL RESULT IN DISQUALIFICATION OF BID.

Section 4, Special Condition #8 part D

A list of chemicals, which will be used as well as samples of chemical labels showing EPA registration numbers.

Special Condition #17

SAFETY DATA SHEETS (SDS): Bidder, offering any toxic substances as defined in Florida Statute 1013.49 or as amended, shall furnish to Procurement and Warehousing Services, a Safety Data Sheet (SDS) as detailed below with the bid. Failure of the Bidder to provide SDS, as requested, shall result in disqualification of Bidder for that bid item. SBBC reserves the right to reject the use of any product from this bid with due cause. All SDS submitted must be either an original, as received from the manufacturer, or a legible copy made from same. Awardee shall be responsible, during the term of the contract, to provide the SBBC Procurement and Warehousing Services or Risk Management Department with revised SDS on a timely basis, as appropriate. a. The SDS must include the following information in English:

*i. The chemical name and the common name of the toxic substance, where applicable.* 

*ii.* The hazards or other risks in the use of the toxic substance, including:

1. The potential for fire, explosion, corrosive interaction and reactivity;

2. The known acute and chronic health effects of risks from exposure, including the medical conditions which are generally recognized as being aggravated by exposure to the toxic substance; and

3. The primary routes of entry and symptoms of overexposure.

### **Competitive Solicitation Testing – continued**

2.a. ITB FY20-022 - Pest Control - continued

#### **Observation (continued)**

*iii. The proper precautions, handling practices, necessary personal protective equipment, and other safety precautions in the use of or exposure to the toxic substances including appropriate emergency treatment in case of overexposure.* 

iv. The emergency procedure for spills, fire, disposal and first aid.

v. A description, in lay terms, of the known specific potential health risks posed by the toxic substance intended to alert any person reading this information.

vi. The year and month, if available, that the information was compiled and the name, address and emergency telephone number of the manufacturer responsible for preparing the information.

Risk Management reserves the right to reject any SDS sheet regardless if the product offered is an approved product. A rejection of an SDS sheet shall result in disqualification of bid item.

#### **Testing Exception**

None of the awarded vendors provided safety data sheets and chemical labels for all pest control and termite prevention/treatment chemicals included in their bid submission. During our review of the ITB, we noted that although the terms of the ITB clearly require both safety data sheets and chemical labels, exhibits D and E only specifically reference the safety data sheets.

The Purchasing Agent did obtain bid approval from the originating location, but the vendor bids were incomplete and not materially responsive to the ITB terms.

### **Competitive Solicitation Testing – continued**

2.a. ITB FY20-022 – Pest Control - continued

**Observation (continued)** 

**ITB** Terms

The ITB submittal requirements specified the required equipment to be used in providing pest control services.

Section 4, Special Condition #8

Only bidders who can comply with the following qualification requirements should submit bids, as only such bidders will be considered qualified. NOTE: IN ORDER TO BE CONSIDERED, BIDDER(S) MUST SUBMIT DOCUMENTATION WITH THE BID SUBMITTAL. FAILURE TO PROVIDE THE DOCUMENTATION WILL RESULT IN DISQUALIFICATION OF BID.

Section 4, Special Condition #8 part E

An equipment list, indicating the equipment, which will be used in providing the pest control services. (See Exhibit C, attached). The following is a list of minimum requirements. Manufacturers' names have been used; however, another equivalent manufacturers' equipment may be used.

a. B & G Sprayer, 7-11SS with injection straw tip

b. B & G Duster, 1152A

c. Whitmire System III tri-gun, 14-080

d. Actisol or Microgen System

e. Spray Rig, 25-gallon minimum

#### **Testing Exception**

Three awarded vendors did not submit an equipment listing satisfying the ITB minimum requirements completely or in the same level of detail as provided in the ITB. The ITB does include a provision that equivalent equipment may be substituted, but equipment substitutions were not specified or documented in the vendor bids.

The Purchasing Agent did obtain bid approval from the originating location, but the vendor bids were incomplete and not materially responsive to the ITB terms.

# **Competitive Solicitation Testing – continued**

| 2.b. ITB FY21-041 - HVAC   |
|--|
| Observation  |
| ITB Terms  |
| The ITB submittal requirements specified a Certificate of Debarment.   |
| General Condition #45<br>CERTIFICATION<br>a) The prospective lower tier participant certifies, by submission of this bid, that neither it nor its principals is presently debarred,<br>suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction by any Federal<br>department or agency.<br>b) Where the prospective lower tier participant is unable to certify to any of the statements in this certification, such prospective   |
| participant shall attach an explanation to this bid.<br>Every time a Bid is submitted that includes a reference to this Form, a new Form is required. Any Bid that does not include this required<br>Form shall not be evaluated and shall not be considered for award. <b>A signature is required on BOTH the Debarment Form AND the</b><br><b>Invitation to Bid page.</b> A signature on one document cannot be substituted for the signature required on the other document. <b>Failure</b><br><b>to complete and sign both documents requiring signature shall result in rejection of bid submitted.</b> |
| Testing Exception  |
| One awarded vendor submitted a bid with an incomplete debarment form; the bid submission was incomplete and not responsive to the terms of the ITB.  |

### **Competitive Solicitation Testing – continued**

2.b. ITB FY21-041 - HVAC - continued

#### **Observation (continued)**

#### ITB Terms

The ITB submittal requirements specified that vendors submit a manufacturers' authorization for any equipment they propose to supply or service.

Special Condition #14

Bidder must have manufacturer certify that Bidder is an authorized dealer to sell, warranty and service that manufacturer's product. The manufacturer must execute the applicable part of the document and Bidder must also execute applicable part. The certification must be returned with the bid in time for bid opening or upon request. Failure to submit the completed certification shall result in disqualification of bid submitted. A separate document shall be completed by each manufacturer whose product is offered by the Bidder.

#### **Testing Exception**

Six awarded vendors did not provide documented manufacturer authorizations for all the manufacturer work they were awarded. These bid submissions were not responsive to the terms of the ITB.

The bid instructions specify Manufacturers Authorization were a submittal requirement. The language of *Special Condition #14* (above) states that certifications must be returned with the bid in time for the bid opening or upon request. These terms were not consistent and may have created confusion for vendors responding to the solicitation.

Awards to vendors with incomplete or materially unresponsive bids violate the terms of the ITB. Without complete documentation, the District cannot be sure that the vendor can satisfy the solicitation requirements or that bids were made for consistent commodities and services.

Per inquiry of PWS staff, there were no standard checklists used to track documentation being submitted.

### **Competitive Solicitation Testing – continued**

#### 2. Competitive Solicitation Completeness & Responsiveness - continued

#### **Recommended Action**

PWS management should perform the following:

- Develop checklist templates that can be customized for each solicitation and used to identify/track required submittals by each bidder.
- Review standard bid language for consistency and clarity.
- Periodically train staff on:
  - Determining if bids are responsive.
  - Working with vendors to obtain additional information for incomplete bid documentation.
  - Rejecting unresponsive or incomplete bids.

Refer to observation one.

#### Management Response

**Response:** We agree with this observation. During the audit, PWS revised a checklist template used by the Purchasing Agents to identify and track the required submittals from each bidder. In addition, PWS reviewed and will revise, in conjunction with General Counsel, the language of the standard templates used to create the solicitations, which have been modified to properly reflect the standards that are required and marked as not needed and the measures that are requested but not mandatory. Lastly, PWS will schedule training with the Purchasing Agents and staff assisting in reviewing the solicitation documents to align their practices with the soon-to-be revised purchasing manual.

Responsible party: PWS

Estimated completion date: August 2024

### **Competitive Solicitation Testing – continued**

#### 3. Price Lists & Catalog Discounts – ITB FY21-041

#### **Observation**

ITB Terms were not sufficiently specific to ensure consistency among the vendors submitting bids. ITB FY21-041 includes the following terms:

For Bid Item 24-118, Bid shall be awarded by ITEM to the Bidder(s) meeting all specifications, terms and conditions offering the GREATEST SINGLE-FIXED PERCENTAGE DISCOUNT from **manufacturer's suggested retail price list (MSRP)**. Offering a percentage mark-up instead of discount shall result in disqualification of bid item. Multiple discounts offered will result in disqualification of bid item. SBBC reserve the right to release new bids for any item(s) that are included in catalogs/prices lists submitted, is a package order, has special requirements or is in the best interest of SBBC.

Vendors did not provide catalogs or price lists for reference so it is unclear if percentage discounts offered by vendors are being applied across the same catalog or base price. Without a consistent basis for discounts, the lowest bidder may not be awarded and the award may not be the most cost-effective choice for the District.

#### **Recommended Action**

PWS management should provide more detail in ITB terms and request vendors to provide catalog or price list references to ensure consistency of base pricing.

#### Management Response

**Response:** We do not agree with this observation because Catalog Discount Bids are common practice in procurement nationally. However, PWS will work with the Office of General Counsel to revise the language of the standard solicitation templates. The catalog list or price lists will be requested from bidders to be provided with the bid submission. In addition, additional staff will be assigned to assist the Purchasing Agents in reviewing that each bid meets the minimum submittal requirements.

Responsible party: PWS

Estimated completion date: January 2024

### **Purchase Order Testing**

#### 4. Physical Plant Operations Purchase Requisition Approval

#### **Observation**

Purchase requisitions generated by PPO were imported to SAP directly from Maximo (the PPO materials and supplies system). Approval of the purchase requisition was not part of the SAP workflow. PPO approval documentation was not consistently uploaded to SAP for the review by the Purchasing Agents processing the purchase order. During purchase order testing, we noted documented requisition approvals were not uploaded to SAP for six of the seven PPO purchases sampled. PWS staff relied upon controls and procedures at PPO without direct knowledge of whether requisitions were approved at the District location level. Purchasing Agents may have inadvertently created a purchase order from an unauthorized requisition.

#### **Recommended Action**

PWS management should work with PPO to develop an understanding of the approval process and how that approval is documented. PPO and PWS should collaborate with IT to develop an understanding of the Maximo-SAP integration to support PWS review of purchase requisition approvals prior to creating purchase orders.

### **Purchase Order Testing**

#### 4. Physical Plant Operations Purchase Requisition Approval - continued

#### **Management Response**

**Response:** 

#### <u>PWS</u>

We agree with this observation. The release strategy for all Purchase Orders that originate from Maximo must be approved by the Director or Department Head to process future purchase requisitions to purchase orders. The implementation of a more robust Ariba system will allow for better integration.

#### <u>PPO</u>

In the short term, PPO staff will engage appropriate Procurement & Warehouse Services (PWS) staff to identify the existing process for requisition requests including documentation with physical signature approvals and how these approvals will be consistently uploaded to Maximo and integrated to SAP. To enhance this process PPO will work with PWS and Information Technology (IT) to create a fully electronic process which includes, at a minimum, approvals by PPO within Maximo which can be reviewed by PWS. In addition, as programmatically viable, this approval information will be transferred from Maximo to SAP.

**Responsible party:** PWS & PPO

Estimated completion date: June 2024

### **Purchase Order Testing – continued**

#### 5. Competitive Procurement

#### **Observation**

The District requires competitive procurement for purchases between \$5,000 and \$50,000 unless there is an established exemption. District Policy 3320 specifies:

**Purchases from \$5,000 to \$50,000 which require written solicitations** that are not available from a contract awarded or approved for use by The School Board **require a minimum of three written quotations**, unless an exemption to this requirement is established herein.

Commodities and services available from a single or sole-source are exempt from competitive procurement. The District has established policies to identify, publicly notice, inform the Board, and obtain Board approval for single source procurement. District Policy 3320 specifies:

**Commodities or contractual services available only from a single source are exempt from the competitive solicitation requirements**. When The School Board believes that commodities or contractual services are available only from a single source, unless an exemption is established herein, the Supply Management & Logistics Department shall electronically or otherwise publicly post a description of the commodities or contractual services sought for a period of at least 7 business days. The description must include a request that prospective vendors provide information regarding their ability to supply the commodities or contractual services described. If it is determined in writing by the district school board, after reviewing any information received from **prospective vendors, that the commodities or contractual services are available only from a single source, the district school board shall provide notice of its intended decision to enter a single source contract in the manner specified in Section 120.57(3), Florida Statutes, and may negotiate on the best terms and conditions with the single-source vendor. Purchases in excess of \$50,000 for commodities or services, which competitive solicitations have been waived, require School Board approval.** 

### Purchase Order Testing – continued

#### 5. Competitive Procurement- continued

#### **Observation (continued)**

During purchase order testing, we noted four purchase orders of the thirty tested for which three competitive quotes were not obtained. None of these purchase orders were otherwise exempt from competitive procurement.

- > Purchase Order 6522000539 One quote uploaded to SAP. No evidence of other quotes was provided.
- Purchase Order 4522000706 Purchase of membership in a local organization and available from only one source. Memberships were not an identified exempt procurement in Policy 3320. Per inquiry of PWS staff, this was considered a single source purchase but there was no documentation that single or sole-source procedures were followed by PWS.
- Purchase Order 4522011260 District location staff obtained two quotes for the item to be purchased and made an inquiry with a third vendor who indicated they did not provide these goods/services which does not meet the competitive procurement requirements of three quotes. One vendor included a statement that they are the only authorized dealer in Broward County. It may have been more appropriate to make this a sole-source transaction but sole-source procedures were not followed.
- Purchase Order 6522004414 This purchase was initially for less than \$5,000 and did not require competitive quotes. The purchase order was manually changed to increase material quantity, but no quotes were obtained.

We also noted one purchase order with a single or sole-source provider that did not fully comply with the District single or sole-source procurement process.

Purchase Order 7522004367 – PWS did not provide a written determination that commodities or contractual services were available from a single source or Board notice of intent to enter a single source contract as required by Policy 3320.

Competitive procurement provides more value to the District by identifying the lowest cost provider of quality commodities or services. Without competitive procurement, the District may overpay for purchases. It should also be noted that many state and federal award program require competitive procurement documentation for expenditure of award funds.

### Purchase Order Testing – continued

#### 5. Competitive Procurement – continued

#### **Recommended Action**

PWS management should perform the following:

- Consider establishing a policy exempting organizational memberships from competitive requirements.
- Periodically train PWS and District location staff on competitive procurement requirements and the need to upload all quotes to SAP to facilitate review by Purchasing Agents.
- Periodically train Purchasing Agents on identifying single or sole-source purchases and the required process of public posting, establishing intent, and obtaining superintendent or Board approval, as applicable.

#### Refer to observation one.

#### **Management Response**

**Response:** We are in agreement with this observation. The conversion of purchase requisitions to purchase orders is a manual process that requires specialized expertise in procurement rules on behalf of the purchasing specialist. As a result of the findings, additional regular training will be provided to purchasing specialists and Purchasing Agents on the various processes in procurement, such as the conversion of a purchase requisition to a purchase order and requirements for sole source purchasing. In addition, in the revised Purchasing Policy 3320, additional exemptions for purchases that would not usually be competitively solicited, such as memberships on behalf of the District, will be added. Lastly, the future purchasing manual will include additional controls and clarifications that will reduce the amount of purchase requisitions converted to purchase orders that are not compliant.

Responsible party: PWS

Estimated completion date: June 2024

### Purchase Order Testing – continued

#### 6. Small, Minority, and Women-Owned Business Enterprise Vendor Quotes

#### **Observation**

Supplier diversity and inclusion is an established District goal.

District Policy 3320 states:

It is the policy of the School Board to take all necessary, reasonable, and legal action to prevent discrimination and to ensure that all businesses, including S/M/WBEs, are afforded the maximum practicable opportunity to participate in the District's purchasing and contracting processes.

District Policy 3320 specifies:

At least two certified Minority/Women's Business Enterprise (M/WBE) vendors will be contacted where certified M/WBE vendors have been identified by The School Board as offering the product or service being purchased.

During purchase order testing, we noted none of the purchase orders had documented S/M/WBE competitive quotes. The EDDC is responsible to identify S/M/WBE vendors and notify schools and District location staff who should be contacting these vendors when competitively procuring goods and services. However, S/M/WBE quotes were not identified in purchase requisition documentation and the Purchasing Agents did not verify that S/M/WBE quotes were obtained as required.

The existing process did not document compliance with District supplier diversity policy nor did it promote the supplier diversity and inclusion goals of the District.

### Purchase Order Testing – continued

#### 6. Small, Minority, and Women-Owned Business Enterprise Vendor Quotes

#### **Recommended Action**

EDDC management should coordinate with PWS management to perform the following:

- Periodically notify District locations of the requirement to obtain S/M/WBE vendor quotes when available and how to research/identify relevant S/M/WBE vendors.
- Develop a process for District locations to attest that S/M/WBE vendor were considered and identify quotes obtained from S/M/WBE vendors.

PWS management should develop and document procedures for evaluation of S/M/WBE vendor quotes as part of the purchase order creation process.

Refer to observation one.

#### Management Response

**Response:** We are in agreement with this observation. EDDC, in conjunction with PWS, will develop the requirements and process in which S/M/WBE vendors will be considered and have increased utilization in District purchases. These requirements will be documented in the revised 3330 Supplier Diversity Outreach Program policy. Establishing a Goals Setting Committee in which staff from PWS, EDDC, and the user department meet to discuss the scope/goods being solicited will strengthen the communication process and inclusion on S/M/WBE vendors. Additionally, EDDC will publicize the link that all locations can utilize to find certified vendors to obtain quotes from.

**Responsible party:** PWS & EDDC

Estimated completion date: June 2024

### Purchase Order Testing – continued

#### 7. Emergency Procurement – Ex Post Facto Board Approval

#### **Observation**

Emergency procurement is required to be approved by the Board after the fact and reported to the Board, as well. District Policy 3320 specifies:

Purchases in excess of \$500,000 require prior School Board approval except in an emergency. **The Superintendent shall furnish The School Board a list monthly of all awards which do not require prior School Board approval.** (Part II - T)

The requirement for competitive solicitations for the emergency purchase of commodities or contractual services is waived when the Superintendent determines, in writing, that an immediate danger to the public health safety, or welfare or other substantial loss to the school district requires emergency action. After the Superintendent makes such a written determination, the school district may proceed with the procurement of commodities or contractual services necessitated by the immediate danger, without requesting competitive solicitations. However, such an emergency purchase shall be made by obtaining pricing information from at least two prospective vendors, which must be retained in the contract file, unless the Superintendent determines in writing that the time required to obtain pricing information will increase the immediate danger to the public health safety or welfare or other substantial loss to the school district. **Subsequent to the emergency circumstances, the purchase shall be submitted to The School Board for post approval.** (Part II - P)

PWS provided staff follow-up memos regarding emergency procurement to the Board. However, there was no evidence three of five emergency procurement purchase orders tested were approved by the Board as required by policy 3320.

Further, during the review of policy 3320, we noted that there were several sections specifying competitive exemptions required to be reported to the Board or requiring ex post facto approvals – part II – C, part II – F, part II – P, part II – T. The reporting requirements were spread throughout the policy and reporting is ad hoc. Given the varied reporting requirements, there is an increased risk that transactions will not be reported as required by policy.

### **Purchase Order Testing – continued**

#### 7. Emergency Procurement - Ex Post Facto Board Approval - continued

#### **Recommended Action**

PWS management should perform the following:

- Review Policy 3320, identify any duplicative or obsolete reporting, and provide a proposed policy revision to the Board, as needed.
- Develop a consolidated comprehensive procurement report for all reporting required by policy 3320 to be presented at least monthly to the Board.

#### Refer to observation one.

#### Management Response

**Response:** We are in agreement with this observation. A revised draft of School Board Purchasing Policy 3320 has been redacted to reflect the best practices and controls instituted at other school Districts and public agencies. The revised policy is scheduled to be presented in a January/February 2024 school board workshop where the Board will be able to provide input on the frequency that they would like to be reported on for Emergency Procurements, among other items. In addition, PWS will develop a comprehensive procurement report for all procurement items that need to be reported to the School Board per Policy 3320.

**Responsible party:** PWS

Estimated completion date: June 2024

**APPENDIX** 



### OFFICE OF FACILITIES DEBORAH CZUBKOWSKI, M.P.M., CGC CHIEF FACILITIES OFFICER PHONE: 754-321-2659

EMAIL: deborah.czubkowski@browardschools.com

November 7, 2023

- TO: Joris Jabouin, Chief Auditor Office Of The Chief Auditor
- FROM: Deborah Czubkowski, Chief Facilities Officer
- SUBJECT: PHYSICAL PLANT OPERATIONS PURCHASE REQUISITION APPROVAL RESPONSE

Please see the attached document in response to the audit finding.

DC/ADW:alj

Attachment

Educating Today's Students to Succeed in Tomorrow's World



### ALISON WITOSHYNSKY, TASK ASSIGNED EXECUTIVE DIRECTOR PHYSICAL PLANT OPERATIONS

PHONE: 754-321-4752 alison.witoshynsky@browardschools.com

FAX: 754-321-4765

November 7, 2023

TO: Deborah Czubkowski, Chief Facilities Officer

FROM: Alison Witoshynsky, Task Assigned Executive Director Abw Physical Plant Operations

### SUBJECT: PHYSICAL PLANT OPERATIONS PURCHASE REQUISITION APPROVAL RESPONSE

After review of Observation 4, the following represents the Physical Plant Operations (PPO) Departments' response to the below Auditor's Recommended Action.

PWS management should work with PPO to develop an understanding of the approval process and how that approval is documented. PPO and PWS should collaborate with IT to develop an understanding of the Maximo-SAP integration to support PWS review of purchase requisition approvals prior to creating purchase orders.

In the short term, PPO staff will engage appropriate Procurement & Warehouse Services (PWS) staff to identify the existing process for requisition requests including documentation with physical signature approvals and how these approvals will be consistently uploaded to Maximo and integrated to SAP.

To enhance these process PPO will work with PWS and Information Technology (IT) to create a fully electronic process which includes, at a minimum, approvals by PPO within Maximo which can be reviewed by PWS. In addition, as programmatically viable, this approval information will be transferred from Maximo to SAP.

Initial discussion will be coordinated before the end of calendar year 2023 and a goal for the electronic process to be in a testing phase by end of Fiscal Year 23-24.

ADW:alj