

Procurement Services Invitation to Bid (ITB)

Internal Audit Report
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EXECUTIVE SUMMARY

Why We Did This Audit

Our objectives were to evaluate the effectiveness, efficiency, equity and internal controls of the ITB process.

This audit report has been discussed with management and they have prepared their response which follows.

This audit was included in the 2024-2025 Annual Audit Plan.

Observations and Conclusion

Audit Results at a Glance			
	Risk / Impact Rating		
Results and Observations	Significant	Moderate	Minor
<u>Source</u> IA - Internal Audit or M - Management	IA-1 M-0	IA-0 M-0	IA-0 M-0
<u>Observation</u> <u>Category</u> D - Deficiency or O - Opportunity	D-1 O-0	D-0 O-0	D-0 O-0

Our overall conclusion is the ITB process is generally functioning effectively, efficiently, equitably and with appropriate internal controls.

Results and Recommendations

The ITB buyer scorecard had 704-line items of reported savings totaling \$9,933,269. We recalculated the savings for 70 entries and noted 17 errors totaling \$40,201.72.

The department should implement a quality review step to verify reported savings totals.

DEFINITIONS:

Risk / Impact Ratings

Significant	High risk with a financial impact greater than five percent and/or a significant issue that occurs in multiple processes and/ or noncompliance with Florida Statutes or School Board Policies (high impact and high likelihood)
Moderate	Slight to moderate risk with a financial impact between one and five percent and/or a noticeable issue that may extend beyond local processes (low impact and high likelihood or high impact and low likelihood)
Minor	Low risk with a financial impact of less than one percent and/or an isolated occurrence limited to local processes (low impact and low likelihood)

We categorize risk/ impact as:

- *Significant*
- *Moderate*
- *Minor*

Observations Categories

Opportunity	A process that falls short of best practices or does not result in optimal productivity or efficient use of resources
Deficiency	A shortcoming in controls or processes that reduces the likelihood of achieving goals related to operations, reporting and compliance

We categorize our observations as opportunities or deficiencies.

Criteria for Observations Sourced to Management

- Internal audit was informed of the issue prior to starting detailed testing
- Management identified, evaluated, and communicated the issue to appropriate levels of the district
- Management has begun corrective action with clear, actionable plans and targeted completion dates

No recommendations in this audit were sourced to management.

BACKGROUND:

Procurement Services is dedicated to providing the highest quality goods and services at the best value through competitive pricing while protecting the integrity of district funds and adhering to policies and procedures. The department strives to maintain fair and equitable treatment of all vendors and to provide quality customer service while facilitating the district's goals of academic achievement, constant innovation, employee professionalism, and operational efficiency.

The department is accredited by the National Institute of Governmental Purchasing (NIGP) as a quality public procurement department.

The NIGP defines the Invitation for Bids (IFB) as a procurement method used to solicit competitive sealed bid responses, sometimes called a formal bid, when price is the basis for award.

The Procurement Services Procedures Manual states: The Invitation to Bid (ITB) shall be utilized for the purchase of commodities and/or services that can be fully defined and district staff is capable of specifically defining the scope of work for which a contractual service is required or when district staff is capable of establishing precise specifications defining the actual commodity or group of commodities required. Also referred to as a solicitation for competitive sealed bids.

The department uses a third-party, Vendor Link, LLC, to provide web-based access to vendor registration, solicitation, and contract management software.

OBJECTIVE, SCOPE AND METHODOLOGY:

Objectives

The objective of this audit was to evaluate the effectiveness, efficiency, equity and internal controls of the ITB processes.

Procurement Services is accredited by the National Institute of Governmental Purchasing as a quality public procurement department.

Invitation to Bid (ITB) is used to purchase commodities and/ or services that can be fully defined and precise specifications can be established.

The department uses Vendor Link for bid solicitations.

Scope

The scope of the audit included all ITB solicitations awarded during the period from July 1, 2023 through September 30, 2024. During this period the department processed 27 ITBs.

Methodology

We conducted this audit in accordance with *The Institute of Internal Auditors' Global Internal Audit Standards (Standards)* and performed procedures as deemed necessary to provide reasonable assurance regarding the audit objective. Internal Auditing is an independent, risk-based, and objective assurance and consulting activity designed to add value and improve an organization's operations. It strengthens an organization ability to create, protect, and sustain value by providing the board and management assurance, advice, insight, and foresight.

We are required to note any material deficiencies in accordance with Florida Statutes, School Board Policy and sound business practices. No material deficiencies were noted in this audit. We also offer suggestions to improve controls or operational efficiency and effectiveness.

Details of our audit methodology included interviewing management and reviewing, evaluating, and testing:

- Documentation on the department website;
- Department procedures manual to obtain an understanding of the ITB process;
- NIGP website for public procurement best practices;
- Documentation on the Vendor Link solicitation portal and the department network contract ITB folders;
- Active contracts list maintained on Smartsheet;
- Equal Level annual savings;
- ITB savings on Buyer's Scorecard.

RESULTS & RECOMMENDATIONS:

Overall Conclusion: Our overall conclusion is the ITB process is generally functioning effectively, efficiently, equitably and with appropriate internal controls. But, due to a high error rate, we found the department's scorecards unreliable and recommend improvements as noted below.

Our scope included all ITB solicitations awarded during the period from July 1, 2023 through September 30, 2024.

We conducted this audit in accordance with Global Internal Audit Standards.

No material deficiencies were noted in this audit.

The ITB process is functioning well, but the department's scorecards are unreliable due to the high error rate in the data reported in them.

1) ITB Savings Calculations Errors Significant (Risk or Impact) and Deficiency

Best Practice:

ITB savings totals for department scorecards and School Board updates should be accurate. The Department's savings worksheet should provide clear, detailed calculation instructions.

Audit Result:

The department tracks ITB savings on a Smartsheet application. The department reported total savings of \$9,933,269 from more than 700 bid transactions during the 2023/2024 fiscal period.

We selected a sample of 25 bids to verify reported savings amounts. To perform this verification, we recalculated actual savings by examining bid tabulations and requests for secondary quotes and noted nine errors totaling \$(113,565.84).

Due to the high error rate in our initial sample (9/25 or 36%), we tested 45 additional bids, noting eight more errors totaling \$153,767.55.

The errors resulted in both over and under statements of savings. The net total error disclosed by our testing was an understatement of savings in the amount of \$40,201.72. The combined error rate in the sample tested was 24% (17/70). This is too high an error rate for the information reported by the Procurement Department regarding bid savings to be considered reliable.

From our analysis and discussions with the Director of Procurement, we determined these errors were caused by simple math errors, staff misunderstanding the calculation methodology, and no review or verification of the calculations by a second person. See the table below for details of the calculation errors.

The department reported savings of \$9,933,269 from bids during the 2023/2024 fiscal period.

Twenty-eight percent of bid transactions tested reported an inaccurate savings amount.

ITB savings calculation errors netting to \$40,202 were noted.

The root cause of these errors were math errors, staff misunderstanding of calculation methodology, and no review of the calculations.

Reported ITB Savings Amount	Recalculated Savings Amount	(Over)/ Under Reported Savings	Description of Error
\$5,804	\$551.96	\$(5,252.04)	Typo error
\$513.42	\$513.42	\$0	Not related to ITB
\$4,775	\$4,175.00	\$(600.00)	Calculation error
\$210,316.21	\$157,737.16	\$(52,579.05)	Excel formula error
\$20,031	\$23,649.00	\$3,618.00	Calculation error
\$1,680.83	\$1,600.83	\$(80.00)	Calculation error
\$1,628.50	\$3,257.00	\$1,628.50	Used average of two bids
\$124,479.11	\$0	\$(124,479.11)	Duplicate entry
\$17,961.52	\$20,961.52	\$3,000.00	Calculation error
\$1,436.66	\$3,191.66	\$1,755.00	Calculation error
\$3,093.08	\$3,997.05	\$903.97	Calculation error
\$4,740	\$7,120.00	\$2,380.00	Calculation error
\$16,243.13	\$18,741.00	\$2,497.87	Recalculation error
\$4,213.25	\$8,426.49	\$4,213.24	Used average of two bids
\$60,848.50	\$121,697.00	\$60,848.50	Used average of two bids
\$43,596.70	\$87,193.40	\$43,596.70	Used average of two bids
\$19,995.46	\$118,745.60	\$98,750.14	Used average of two bids
Total/ Net Error Amount		\$40,201.72	
<i>Source: Smartsheet Buyer Scorecard</i>			

Errors resulted in both under and overstatements of bid savings.

Recommendation:

The Department should ensure staff are trained on the calculation methodology and implement a review process to verify reported savings.

We wish to thank the Procurement Services Department for their cooperation and assistance with this audit.