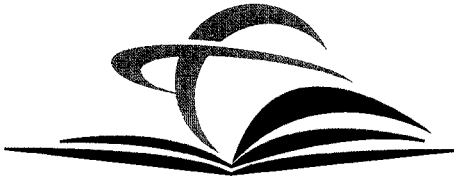


INTERNAL AUDIT REPORT

OPPORTUNITIES TO STREAMLINE PROCUREMENT PROCESSES

OCTOBER 2004

OFFICE OF MANAGEMENT AND COMPLIANCE AUDITS



Miami-Dade County Public Schools

giving our students the world

Superintendent of Schools
Rudolph F. Crew, Ed.D.

Chief Auditor
Allen M. Vann, CPA

Miami-Dade County School Board

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October 14, 2004

Members of The School Board of Miami-Dade County, Florida
Members of the School Board Audit Committee
Dr. Rudolph F. Crew, Superintendent of Schools

**Re: Internal Audit Report – Opportunities to Streamline
Procurement Processes**

Ladies and Gentlemen:

We are pleased to present the results of our review of the District's procurement practices. The purpose for our review was to determine the adequacy of the control environment for the procurement process and compare current practices to those of other selectively benchmarked public agencies. During the 2003-04 fiscal year, it was estimated that the Division of Procurement Management Services processed approximately \$600 million in purchases, excluding construction related purchases.

We concluded that the control environment for the procurement function is good; but opportunities exist to streamline the procurement system by reducing the number of transactions requiring attention and process them in a more efficient manner. This would allow the redirection of the workload to more meaningful procurement activities. Our findings and recommendations were shared with management. They provided their comments and written response, which are incorporated herein.

As always, we are ready to assist the administration in making the necessary changes to improve the procurement operation. We would like to thank management for the cooperation and courtesy extended to our staff during the review. This report will be presented to the Audit Committee at its October 26, 2004 meeting and to the School Board at its November 17, 2004 meeting. Please contact me at (305) 995-1436 should you have any questions or require further details regarding this report.

Sincerely,

Allen M. Vann, CPA
Chief Auditor
Office of Management and Compliance Audits

AMV:cpi

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EXECUTIVE SUMMARY

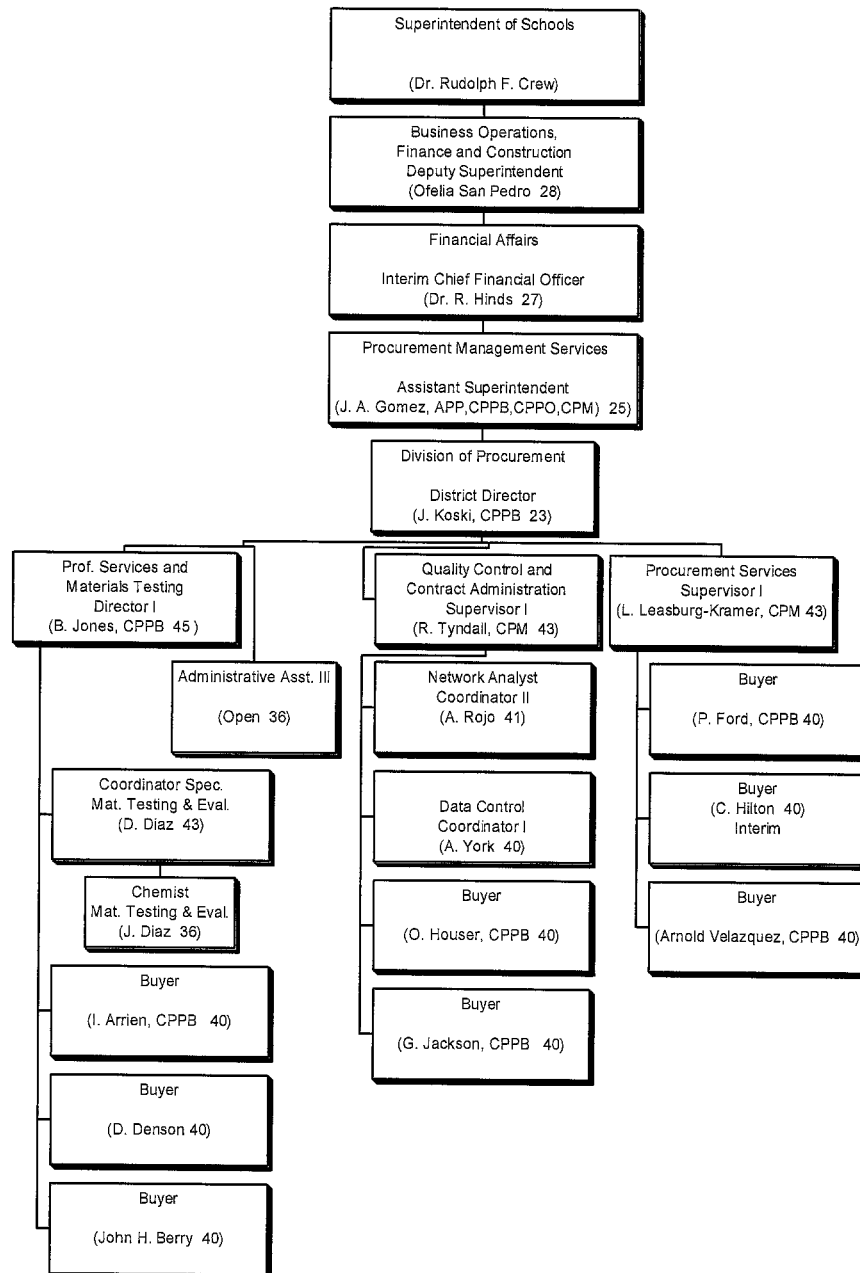
The Division of Procurement Management has an adequate control environment to provide reasonable assurances that purchases are made at competitive prices, following good business practices, and in compliance with the applicable laws, regulations and Board rules. Our review of the Procurement activities disclosed the following, which will need the administration's attention:

- **Expand Procurement Credit Card Program To Reduce Procurement Workload.** Although the use of credit cards has successfully reduced the number of small purchase orders (under \$750) processed by Procurement, small purchases still represent a significant portion of the workload. We noted that three buying areas process over half of these transactions and recommend that Procurement work with the Office of the Controller to identify opportunities to expand the use of the procurement credit card program for these buying areas. We also recommend that the Office of the Controller increase individual purchase limits from \$750 to \$1,500.
- **Streamline Purchase Order Processing.** Procurement processes higher valued purchase orders than Broward and Palm Beach County Public Schools, more lines per purchase order, and more purchase order lines per employee than Broward County Public Schools. Although Procurement's productivity is high, in terms of number of bids issued and renewed and volume of purchase order transactions processed, productivity could improve by identifying opportunities to streamline the manner in which requisitions are processed into purchase orders.
- **Document and Standardize Benchmarking Practices.** Although not required by the current procedures manual, we found that all the buying areas compare bid prices with other agencies before awarding new contracts; however, the practice varies by buying area. Although price comparisons are obtained before new bids are awarded, the same type of comparisons are not always obtained when bids are extended.

The management responses in the report were provided by Procurement and Materials Management Services, and the Office of the Controller through the Deputy Superintendent for Business, Finance and Construction. We made four recommendations that management agrees with and has addressed. Procurement has identified several areas where credit card use can be expanded. Procurement has also proposed several solutions to streamline the requisition/purchase order process and is working with Information Technology Services to implement the changes. Procurement and the Office of the Controller have agreed to increase limits and expand credit card usage and will be proposing School Board Rule changes shortly to implement the increases.

BACKGROUND

Procurement Management is a Division of Procurement Management Services. As of September 2004, Procurement had 46 authorized positions, consisting of 4 managers, 11 buyers, 24 buyers support specialists, 6 secretarial/clerical personnel, and 2 part-time (12-month) employees, as shown below:



Although the management of Procurement Management Services changed in 2003, Procurement's staff turnover has been low. Currently, eight of the eleven buyers possess procurement certifications in their fields. The level of professional credentials attained by Division staff is higher than elsewhere. Surveys by the National Institute of

Governmental Purchasing, Inc. (NIGP) indicate that from 3.65% to 23.36% of government buyers have certifications.

OBJECTIVES, SCOPE AND METHODOLOGY

In accordance with the 2003-04 fiscal year Audit Plan, we performed a review of centralized procurement activities. Our primary objectives were to determine whether:

- the internal control environment is adequate and procedures comport with applicable State laws, regulations and School Board rules; and
- contract practices are comparable to those of other neighboring school districts, municipalities and best practices recognized by professional procurement organizations.

We concentrated our testing on transactions made during the last quarter of the 2003-04 fiscal year. Our tests did not include purchases related to construction, School Internal Funds, inventory restock orders, maintenance purchases orders under \$300 and purchase orders generated to process credit card purchases.

In order to satisfy our objectives, we:

- reviewed and tested procurement practices and records of all “11 buying areas” within Procurement;
- performed a risk assessment of Procurement Management’s most important activities, such as bid preparation, request for proposals, procurement of goods or services, and contract administration;
- benchmarked operating practices and results with other government agencies;
- reviewed Procurement’s organizational structure, operating procedures; and
- performed other tests as deemed necessary.

Our review was conducted in accordance with generally accepted auditing standards contained in the Government Auditing Standards issued by the Comptroller General of the United States.

FINDINGS AND RECOMMENDATIONS

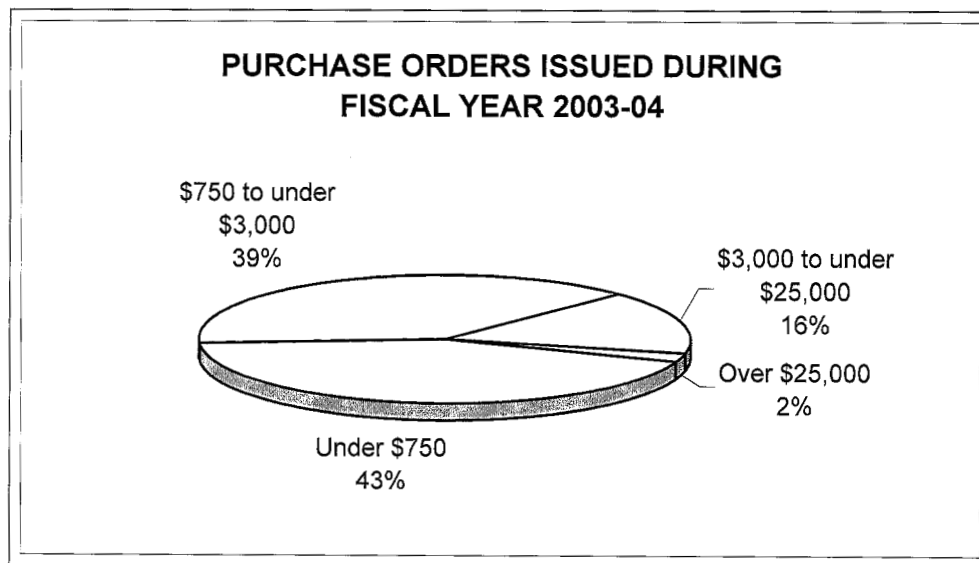
1. EXPAND PROCUREMENT CREDIT CARD PROGRAM TO REDUCE PROCUREMENT WORKLOAD

During the past two years, the use of procurement credit cards has eliminated the need to process thousands of purchase orders as shown below:

Credit Card Purchases	2002-03	2003-04
Number of Transactions	30,089	35,529
Amount Purchased	\$6,092,701	\$ 7,296,557

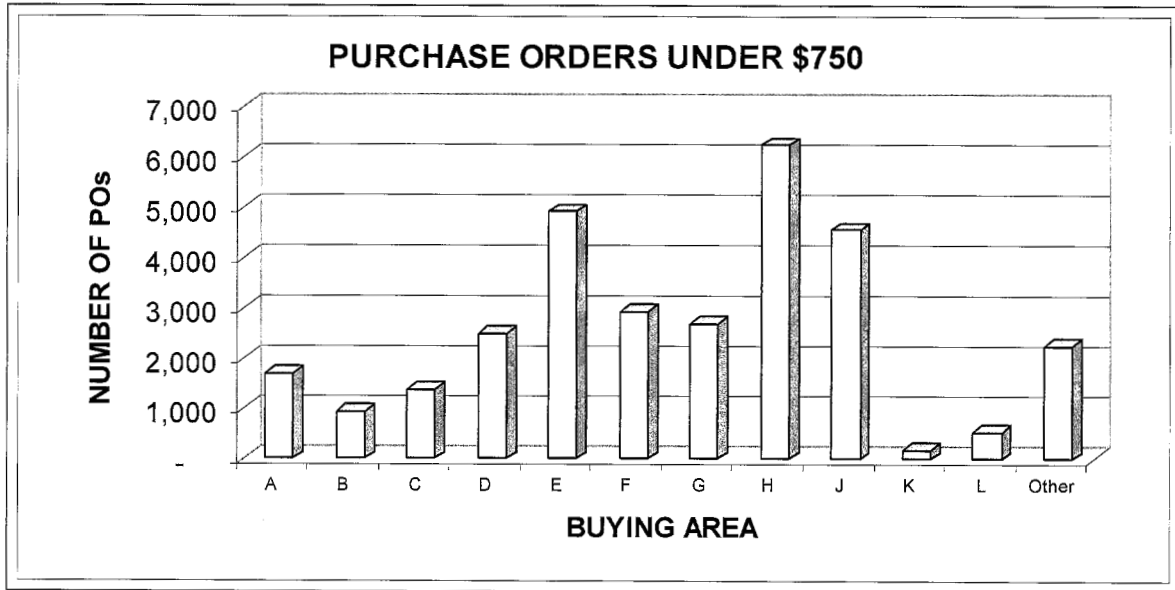
The Procurement Credit Card Program, administered by the Office of the Controller, eliminates the need to generate a purchase order for each small purchase and later process an invoice against those small purchase orders. While we did not attempt to estimate how much the procurement credit card has saved the District, this program has reduced Procurement's workload significantly. Additional savings have accrued from eliminating the need to process vendor invoices by Accounts Payable, and fewer vendor payments are processed by Treasury Management.

In the fiscal year of 2003-04, Procurement processed in excess of 71,500 purchase orders totaling approximately \$600 million. While the use of the procurement credit cards has drastically reduced the number of small purchase orders (under \$750), processed by Procurement, these transactions still represents 43% of the workload as shown below:



During fiscal year 2003-04, Procurement processed over 30,800 small purchases (under \$750) with approximately 125,600 lines for a total value of approximately \$9.8 million. However, this represents roughly only 2% of dollar volume of annual purchases. Many of the smaller purchase orders are generally used to pay for office and school

supplies, parts, minor repairs and maintenance, and other operating goods. We found that approximately 51% of the small purchase orders are concentrated in three buying areas as shown below:



Procurement, working with the Office of the Controller, Information Technology Services, and Maintenance and Materials Management, recently implemented the use of the procurement credit card to purchase inventory stock for maintenance parts and supplies. This should reduce the work load of buying area J.

We noted that approximately 44% of the small purchases processed by buying areas E and H were related to Federal Grants and that many of the remaining 56% (from these two buying areas) were purchases of parts and supplies funded by the General Fund. These transactions appear to be good candidates for credit card use. During the 2003-04 fiscal year, Procurement processed over 14,000 purchases between \$750 and \$1,500 for approximately \$15 million.

The 2000 survey by the National Institute of Governmental Purchasing, Inc. (NIGP) indicates that the average maximum dollar limit per procurement credit card transaction was \$1,795. The District has been, in our opinion overly restrictive in the use of credit cards. Use of the credit card is controlled by a spending limit of \$750 per transaction, as well as daily and monthly spending limits that vary by location. Spending limits and restrictions from purchasing certain commodities reduce the ability for the Schools and other users to easily obtain needed goods and services. The risks of expanding the procurement credit card program are minimal. The credit card program has a number of processes and reviews in place that provide detective controls. Ultimately, end users should be provided with greater flexibility in procuring needed goods and services without the need to incur additional time and administrative expense involved in using the centralized purchase ordering process.

RECOMMENDATION

1.1 Identify opportunities to expand the use of procurement credit cards with a view towards further eliminating the number of small purchases processed.

Responsible Department: Financial Operations (Procurement Management Services and Office of the Controller)

Management Response from:

Procurement Response

Procurement Management Services has continually supported the increased use of the credit card. The Department of Transportation began small credit purchases July 10, 2001. Procurement assisted the Office of Grants Administration in presenting the credit card option for small purchases in September 2003. Maintenance Materials Management implemented the use of the card in July 2004, to purchase inventory stock for maintenance parts and supplies. The use of the card will be expanded to include small purchases of non-stock items by Maintenance Operations, as well as inventory purchases for Stores and Mail Distribution (S&D).

Controller Response

To help increase the usage of the purchasing credit card, the Office of the Controller will meet with Grants Administration in order to expand the current grant purchases program, which allows credit-card purchases charged to selected grant-funded programs. The objective will be to open the program to all federal grants small-dollar purchases, which are currently processed by Procurement Management. The Office of the Controller will coordinate this effort with the Office of Grants Administration and Procurement to ensure that all necessary controls are in place to use the purchasing card for all grant-funded programs.

URGENCY OF CORRECTIVE ACTION

- Critical
- Important
- Desirable

IMPLEMENTATION SCHEDULE

- Immediately (Partially Completed)
- By June 30, 2005 (S&D)
- Contingent upon Funding

1.2 Increase individual purchase limits from \$750 to \$1,500, and commensurately adjust the daily and monthly spending limits.

Responsible Department: Financial Operations (Office of the Controller)

Management Response:

The Office of the Controller agrees with the recommendation provided by the Office of Management and Compliance Audits, in connection with the Centralized Procurement Practices internal audit, to increase the purchasing credit-card transaction limits to \$1,500. The Office of the Controller's goal has always been to increase the limits of the successful credit-card program, but has not been able to accomplish this due to constraints required to provide proper controls. Fortunately, one of the constraints requiring the capitalization of items costing more than \$750 has been lifted by Florida Statute, which as of July 2004, increased the capitalization threshold for tangible personal property to \$1,000. Therefore, the Office of the Controller, in coordination with Procurement Management, will increase the current transaction limit from \$750 to \$1,000 immediately. Please note that the individual card's daily and monthly dollar limits will be concurrently increased, in relation to the higher per transaction threshold, to support the additional purchase volume.

In order to avoid control issues with capitalization of items purchased with the credit-card in excess of \$1,000, the Office of the Controller is working on implementing a credit card reconciliation and tracking system that will allow the increase of the transaction limit to \$1,500 and beyond with the proper controls in place to handle the additional volume. This second phase of the planned transaction increase will take additional time due to required system installation, testing, and pilot program completion. The Office of the Controller established the purchasing credit-card program to provide the schools and departments with a cost-effective tool to expedite the purchase of materials and supplies with minimal delays, and is committed to working with Procurement Management in order to expand the program as needed.

URGENCY OF CORRECTIVE ACTION

- Critical
- Important
- Desirable

IMPLEMENTATION SCHEDULE

- Immediately
- By November 2004
- Contingent upon Funding

2. STREAMLINE PURCHASE ORDER PROCESSING

We compared Procurement's performance with information obtained from several Florida school districts. Procurement processes higher valued purchase orders than Broward and Palm Beach County Public Schools, more lines per purchase order, and more purchase order lines per employee than Broward County Public Schools. Although the Division's productivity, in terms of number of bids issued and renewed and volume of purchase order transactions processed is high, productivity could improve by identifying opportunities to streamline the manner in which requisitions are processed into purchase orders.

We observed the processing of requisitions into purchase orders by several buyer support specialist, and concluded that the process is tedious, and labor intensive. Purchase order data from fiscal year 2003-04 indicate that the average requisition has from four to five line items; however, in some buying areas several hundred purchase orders contained between 20 to 40 lines.

Requisitions are reviewed against the bids or quotes, when applicable, to verify that the transaction data (vendor, description, price, etc.) are correct. Requisitions are converted to purchase orders by transferring the data through several purchase order screens. Periodically, some of the requisition information may have to be re-entered on several purchase order screens from the requisition. Purchase orders are printed either in Procurement or at Information Technology Services, and mailed to the vendor. The current process is very labor intensive and subject to human error, especially for purchase orders with numerous lines. This task diverts the staff away from more cost beneficial activities, such as seeking quotes and comparing available prices and products.

The methods used to process these procurements may contribute to the length of time it takes to complete individual purchase orders. We sampled purchase orders and found that most requisitions are processed in less than one week. While we understand that some requisitions take longer because they contain items that are no longer available, have incomplete specifications, incorrect vendor information, and even because they represent unauthorized purchases (goods or services received before the purchase order is processed), we found that some purchase orders can take from several weeks to several months to process. Purchase requisitions and purchase orders have been processed using the same modules of the MSAF system since the late 1980s.

Procurement is working with Information Technology to pilot a system that will enable requestors to create requisitions by selecting items on bid from a web based "shopping cart". This process would shorten the processing time significantly.

RECOMMENDATION

2.1 Identify opportunities to streamline and reengineer purchase order processing.

Responsible Department: Financial Operations, Procurement Management Services

Management Response:

Several procurement-process methods established over the past several years, and the existing financial system, contribute to the length of time it takes to complete individual purchase orders.

MSAF is the financial system used by Procurement Management Services to purchase goods and services for the District. This system was implemented in 1988, and significantly limits the ability to process requisitions, inasmuch as the system is "line driven", meaning that each line of the requisition does not automatically carry forward when converting into a purchase order. The same holds true when deleting requisitions, canceling purchase orders or issuing Request For Quotations. Continued requests for modifications of the system have been processed by the Office of Information Technology. Notwithstanding these limitations, the Division closed the year with only 26 requisitions that were pending for more than 30 days. The levels of required approval of requisitions were streamlined in August 2003, to expedite the requisition process.

Some specific procedural process changes advocated by Procurement Management Services include:

Pre-authorization by the Board to issue any RFP exceeding \$50,000.

Board Rule 6Gx13- 3C- 1.10 stipulates that purchases in excess of \$25,000 shall be approved by the School Board, except for certain types of purchases as set forth by Board Rule, Department of Education Rule and Florida Statutes. Board Rule 6Gx13- 3C- 1.11 sets forth the formal bidding process for all bids and proposals. However, Board Rule 6Gx13- 3F- 1.021, stipulates that any Request For Proposals estimated to cost over \$50,000 requires that Board approval be obtained prior to the issuance of the Request For Proposals. This requirement delays the procurement process a minimum of an additional 30 days and is not a standard best practice with other government agencies. Staff will submit a recommendation to amend the existing Board Rule to eliminate this requirement.

Creation of a web-based "Shopping Cart".

In an attempt to further automate and streamline the system, a web-based "shopping cart" is currently being created. This pilot program establishes a "point-and-click" shopping cart for certain purchases. The web-based system will permit

permit users to browse pre-approved items and add them to a shopping cart, which will interface with the current MSAF system and automatically create a purchase order.

Information Technology Services is developing shopping cart and vendor website links for P Card purchases. The Procurement Management Services web-site will provide links for frequent, small-dollar purchases from awarded vendors.

URGENCY OF CORRECTIVE ACTION

- Critical
- Important
- Desirable

IMPLEMENTATION SCHEDULE

- Immediately (Partially Completed)
- By (Rule changes by 12/04)
- Contingent upon Funding

3. DOCUMENT AND STANDARDIZE BENCHMARKING PRACTICES

The current procedures manual does not require buyers to perform price benchmarking. Nevertheless, we found that all the buying areas compare bid prices received with prices paid by other agencies before awarding new bids. However, this practice varies among buyers.

Some buyers informed us that because certain contracts included services that were not comparable to the services obtained by other agencies, they do not try to benchmark those price quotes. Supporting documentation for the price comparisons also varied by buying area.

We compared the most recent bid costs for some of the most commonly purchased commodities to prices paid by other agencies and found that Procurement has been obtaining reasonably competitive prices. For example, the unit price paid by the District for a modestly equipped computer system was \$835. Broward County Public Schools reported paying \$999 and the State of Florida price was \$1,232. Although Palm Beach County Public Schools buys desktop computers for slightly less, the equipment is not as advanced as what is being purchased by the District and some other agencies. The District awarded a bid in February 2004, to buy copier paper for \$18.06 a case, while Palm Beach County Public School paid \$19.83. The State Contract awarded in April 2004, however, listed the price at \$17.70. For a half-pint carton of milk, the District paid .1645¢, while our neighboring school districts reportedly paid 0.1750¢ and 0.1785¢. We paid \$12.80 per case for lunch trays; they paid \$13.63 and \$16.25.

In August 2003, the Board authorized increasing the bid threshold from \$10,000 to \$25,000. During fiscal year 2003-04, Procurement issued a few less bids than during the previous fiscal year, and also renewed or extended fewer contracts as shown below:

AWARDS	FY 2002-03		FY 2003-04	
	NUMBER	AMOUNT	NUMBER	AMOUNT
Renewals	181	\$60 million	153	\$76 million
New Bids	123	\$183 million	121	\$124 million

School Board Rule 6Gx13- 3C-1.11 authorizes the Superintendent to exercise renewal options included in bids when terms and conditions are favorable to the School District. We noted, however, that the justification for renewing the contracts was based on citing Consumer Price Index increases, with only a few extensions also considering what other agencies are currently paying.

RECOMMENDATION

- 3.1 **Formalize price-benchmarking procedures and should consider performing price comparisons when contracts are renewed.**

Responsible Department: Financial Operations, Procurement Management Services

Management Response:

Procurement Management agrees with the recommendation, and has revised Procedure 7-12 to include benchmarking on extensions, where possible.

It should be noted here, however, that many of the bids initiated by Procurement Management Services are created in response to specific requirements by schools and departments, and do not lend themselves to benchmarking against other agencies' needs. For example, the District has bids for Printing of the Code of Student Conduct Books, School Bus Routes for Private Bus Companies, and Irrigation Systems Repair, which cannot be benchmarked against other agencies' bids for similar products or services.

URGENCY OF CORRECTIVE ACTION

- Critical
- Important
- Desirable

IMPLEMENTATION SCHEDULE

- Immediately/Completed
- By
- Contingent upon Funding

Contributors to this report:

Audit Performed by:

Mr. Ivo Gomez, CPA

Ms. Cristina Fortun-Tagle

Ms. Patricia Robinson

Audit Supervised by:

Mr. Julio Miranda, CPA, CFE

Audit Reviewed by:

Mr. Norberto Ferradaz, CPA

**SUMMARY OF PURCHASING ACTIVITY
FISCAL YEAR 2003-04**

BUYING AREA	DESCRIPTION	QTY	AMOUNT
A	Furniture, Partitions, Shelving, Voc Ed Equipment and Supplies, Industrial Arts, Displays, Temporary Personnel, Security Guards	4,708	\$15,256,124
B	Printing Equipment & Supplies, Custodial Equipment & Supplies, Uniforms and Wearing Apparel, Dry Cleaning, Diplomas, Police Uniforms, Equipment & Supplies	2,945	8,508,350
C	Food, Food Service Equipment and Supplies, Vending Machines, Storage and Delivery of Food, Armored Car Services, Trash Removal	2,384	85,376,757
D	Computers, Printers, Servers, Telecommunications, Data Processing Equipment and Supplies, Network Cabling, Airtime	10,427	70,352,149
E	Office and Classroom Supplies, Medical, Science, Safety, Speech, Hearing, Optical, and First Aid Equipment and Supplies, Paper	10,501	20,397,766
F	Air conditioning and Cooling equipment & Supplies, Windows, Glass, Mirrors, Blinds, Curtains, Doors, Paint, Lawn Equipment, Landscaping, Pest Control, Land clearing, Sod, Soil, Sprinklers	4,904	8,875,858
G	Transportation Support, Vehicles, Repairs, Tools, Power Tools, Fuel, Lubricants, Welding gases, Field trips	4,637	24,957,685
H	Art, Athletic, Music, Marine & Cosmetology Equipment and Supplies; Books, Textbooks, Toys and Games, Curriculum Materials, Playground Equipment	16,193	109,318,312
J	Carpet, Floor, Roof & Ceiling Materials and Supplies; Electrical, Plumbing & Septic Tanks, Flags, Adhesives, Abrasives, Door Hardware, Locks, Keys, Ladders, Shelf Hardware (nails, screws, hasps, fasteners, etc.) Signs, Metal bars, Rope, Bleachers	6,355	6,246,805
K	Contracted services; Travel, Fencing, Concrete and Paving, Relocatables, General Authorization orders, Car Rentals	767	90,529,912
L	Audio/Visual, Clocks, Televisions, Copiers, Photography, Stage Equipment and Supplies, Surveillance, ID, and Security Equipment and Supplies, Fire Protection Equipment Service and Supplies	1,747	5,200,204
R	General Authorization purchases per School Board Rule <u>3C-1.15</u>	5,956	154,248,977
	TOTALS	71,524	\$599,268,899

APPENDIX – MANAGEMENT RESPONSES

MEMORANDUM

October 5, 2004
JAG/M0032
JAG/995-2414

TO: Mr. Allen M. Vann, Chief Auditor
Management and Compliance Audits

FROM: Ofelia San Pedro, Deputy Superintendent
Business, Operations, Finance and Construction

VIA: Richard H. Hinds, Interim Chief Financial Officer
Financial Operations

BY: Joseph A. Gomez, Assistant Superintendent
Procurement Management Services

Connie Pou, Controller
Office of the Controller

SUBJECT: **JUNE 2004 DRAFT INTERNAL AUDIT REPORT - OPPORTUNITIES TO
STREAMLINE PROCUREMENT PROCESSES**

Auditor's Comments

RECOMMENDATION:

- 1.1 Identify opportunities to expand the use of procurement credit cards with a view towards further eliminating small purchases processed by Procurement.

Not Applicable

PROCUREMENT RESPONSE:

Procurement Management Services has continually supported the increased use of the credit card. The Department of Transportation began small credit purchases July 10, 2001. Procurement assisted the Office of Grants Administration in presenting the credit card option for small purchases in September 2003. Maintenance Materials Management implemented the use of the card in July 2004, to purchase inventory stock for maintenance parts and supplies. The use of the card will be expanded to include small purchases of non-stock items by Maintenance Operations, as well as inventory purchases for Stores and Mail Distribution.

CONTROLLER RESPONSE:

To help increase the usage of the purchasing credit card, the Office of the Controller will meet with Grants Administration in order to expand the current grant purchases program, which allows credit-card purchases charged to selected grant-funded

APPENDIX – MANAGEMENT RESPONSES

Auditor's Comments

programs. The objective will be to open the program to all federal grants small-dollar purchases, which are currently processed by Procurement Management. The Office of the Controller will coordinate this effort with the Offices of Grants Administration and Procurement to ensure that all necessary controls are in place to use the purchasing card for all grant-funded programs.

Not Applicable

RECOMMENDATION:

- 1.2 Office of the Controller should work with Procurement to increase limits from \$750 to \$1,500.

CONTROLLER RESPONSE:

The Office of the Controller agrees with the recommendation provided by the Office of Management and Compliance Audits, in connection with the Centralized Procurement Practices internal audit, to increase the purchasing credit-card transaction limits to \$1,500. The Office of the Controller's goal has always been to increase the limits of the successful credit-card program, but has not been able to accomplish this due to constraints required to provide proper controls. Fortunately, one of the constraints requiring the capitalization of items costing more than \$750 has been lifted by Florida Statute, which as of July 2004, increased the capitalization threshold for tangible personal property to \$1,000. Therefore, the Office of the Controller, in coordination with Procurement Management, will increase the current transaction limit from \$750 to \$1,000 immediately. Please note that the individual card's daily and monthly dollar limits will be concurrently increased, in relation to the higher per transaction threshold, to support the additional purchase volume.

In order to avoid internal control issues with capitalization of items purchased with the credit-card in excess of \$1,000, the Office of the Controller is working on implementing a credit card reconciliation and tracking system that will allow the increase of the transaction limit to \$1,500 and beyond with the proper controls in place to handle the additional volume. This second phase of the planned transaction increase will take additional time due to required system installation, testing, and pilot program completion. The Office of the Controller established the purchasing credit-card program to provide the schools and departments with a cost-effective tool to expedite the purchase of materials and supplies with minimal delays, and is committed to working with Procurement Management in order to expand the program as needed.

RECOMMENDATION:

- 2.1 Procurement should identify opportunities to streamline and reengineer purchase-order processing.

APPENDIX – MANAGEMENT RESPONSES

Auditor's Comments

MANAGEMENT RESPONSE:

Several procurement-process methods established over the past several years, and the existing financial system, contribute to the length of time it takes to complete individual purchase orders.

MSAF is the financial system used by Procurement Management Services to purchase goods and services for the District. This system was implemented in 1988, and significantly limits the ability to process requisitions, inasmuch as the system is "line driven", meaning that each line of the requisition does not automatically carry forward when converting into a purchase order. The same holds true when deleting requisitions, cancelling purchase orders or issuing Request For Quotations. Continued requests for modifications of the system have been processed by the Office of Information Technology. Notwithstanding these limitations, the Division closed the year with only 26 requisitions that were pending for more than 30 days. The levels of required approval of requisitions were streamlined in August 2003, to expedite the requisition process.

Some specific procedural process changes advocated by Procurement Management Services include:

◆ **Pre-authorization by the Board to issue any RFP exceeding \$50,000.**

Board Rule 6Gx13- 3C-1.10 stipulates that purchases in excess of \$25,000 shall be approved by the School Board, except for certain types of purchases as set forth by Board Rule, Department of Education Rule and Florida Statutes. Board Rule 6Gx13- 3C-1.11 sets forth the formal bidding process for all bids and proposals. However, Board Rule 6Gx13- 3F-1.021, stipulates that any Request For Proposals estimated to cost over \$50,000 requires that Board approval be obtained prior to the issuance of the Request For Proposals. This requirement delays the procurement process a minimum of an additional 30 days and is not a standard best practice with other government agencies. Staff will submit a recommendation to amend the existing Board Rule to eliminate this requirement.

◆ **Creation of a web-based "Shopping Cart".**

In an attempt to further automate and streamline the system, a web-based "shopping cart" is currently being created. This pilot program establishes a "point-and-click" shopping cart for certain purchases. The web-based system will permit users to browse preapproved items and add them to a shopping cart, which will interface with the current MSAF system and automatically create a purchase order.

◆ **Linking to vendors' websites for P-card purchases.**

The Procurement Management Services web-site will provide links for frequent, small-dollar purchases from awarded vendors.

Not Applicable

APPENDIX – MANAGEMENT RESPONSES

Auditor's Comments

RECOMMENDATION:

- 3.1 Procurement should formalize price-benchmarking procedures and should consider disclosing price comparisons when contracts are renewed.

Not Applicable

MANAGEMENT RESPONSE:

Procurement Management agrees with the recommendation, and has revised Procedure 7-12 to include benchmarking on extensions, where possible.

It should be noted here, however, that many of the bids initiated by Procurement Management Services are created in response to specific requirements by schools and departments, and do not lend themselves to benchmarking against other agencies' needs. For example, the District has bids for Printing of the Code of Student Conduct Books, School Bus Routes for Private Bus Companies, and Irrigation Systems Repair, which cannot be benchmarked against other agencies' bids for similar products or services.

RHH/JAG:d

cc: Mr. Leonardo Fernandez
Ms. Joanne Koski
Mr. Jose M. Martinez

The School Board of Miami-Dade County, Florida, adheres to a policy of nondiscrimination in employment and educational programs/activities and programs/activities receiving Federal financial assistance from the Department of Education, and strives affirmatively to provide equal opportunity for all as required by:

Title VI of the Civil Rights Act of 1964 - prohibits discrimination on the basis of race, color, religion, or national origin.

Title VII of the Civil Rights Act of 1964, as amended - prohibits discrimination in employment on the basis of race, color, religion, gender, or national origin.

Title IX of the Education Amendments of 1972 - prohibits discrimination on the basis of gender.

Age Discrimination in Employment Act of 1967 (ADEA), as amended - prohibits discrimination on the basis of age with respect to individuals who are at least 40.

The Equal Pay Act of 1963, as amended - prohibits sex discrimination in payment of wages to women and men performing substantially equal work in the same establishment.

Section 504 of the Rehabilitation Act of 1973 - prohibits discrimination against the disabled.

Americans with Disabilities Act of 1990 (ADA) - prohibits discrimination against individuals with disabilities in employment, public service, public accommodations and telecommunications.

The Family and Medical Leave Act of 1993 (FMLA) - requires covered employers to provide up to 12 weeks of unpaid, job-protected leave to "eligible" employees for certain family and medical reasons.

The Pregnancy Discrimination Act of 1978 - prohibits discrimination in employment on the basis of pregnancy, childbirth, or related medical conditions.

Florida Educational Equity Act (FEEA) - prohibits discrimination on the basis of race, gender, national origin, marital status, or handicap against a student or employee.

Florida Civil Rights Act of 1992 - secures for all individuals within the state freedom from discrimination because of race, color, religion, sex, national origin, age, handicap, or marital status.

School Board Rules 6Gx13- 4A-1.01, 6Gx13- 4A-1.32, and 6Gx13- 5D-1.10 - prohibit harassment and/or discrimination against a student or employee on the basis of gender, race, color, religion, ethnic or national origin, political beliefs, marital status, age, sexual orientation, social and family background, linguistic preference, pregnancy, or disability.

Veterans are provided re-employment rights in accordance with P.L. 93-508 (Federal Law) and Section 295.07 (Florida Statutes), which stipulate categorical preferences for employment.

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