



Dallas Independent School District

Executive Summary of the Procurement and
Information Technology Department
Operational Reviews



Presented to the Audit Committee
on November 8, 2017

Introductions

Department Operational Reviews: Project Teams

Overall Project Oversight and Leadership:

- Alyssa Martin, Partner-in-Charge
- Adam Jones, Senior Consultant

Procurement:

- Brandon Tanous, Senior Manager
- Melissa Ewing, Senior Associate III

Information Technology:

- Neha Patel, Partner
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Minority/Women Owned Business Partner:

- Safal Partners
 - Mukta Pandit, Partner

Agenda



- **Scope and Focus**
- **Critical Issues Identified**
- **General Observations**
- **Procurement**
 - Procurement vs Purchasing
 - Critical Observations
 - Recommendations
- **Information Technology**
 - IT Criteria
 - Critical Observations
 - Recommendations

Scope and Focus



Upon the request of the Superintendent and Chief Internal Auditor, Weaver conducted operational reviews of two DISD Departments:

- Procurement
- Information Technology

Concerns regarding the organization, functions, and decisions of the Procurement and Information Technology Departments led to this request.

- The Procurement and Information Technology Department Operational Reviews began in July 2017 and our procedures were completed by October 6, 2017.
- The engagements focused on the District-wide procurement and information technology processes to provide management with input on the overall effectiveness of the departments.
- The respective scopes covered the procurement cycle and the IT governance and operating cycle and evaluated the “as-is” processes and procedures currently performed across the departments.

Critical Issues Identified

Procurement

- Dallas ISD has a purchasing function that falls short of being a “**strategic procurement**” function.
- There is a lack of structure, experience, and knowledge to ensure that best value is received through competitive and non-competitive purchases and a lack of resources dedicated to contract management.
- The current state of Procurement includes the processing of requests and reliance on the End User to guide the procurement process, including determining the method by which goods and services are procured. This should be a determination made by the Procurement Department.

Critical Issues Identified

Information Technology

- Dallas ISD does not have a long range technology planning function, which results in the Information Technology Department not being viewed as a strategic collaborative partner in meeting the needs of the District's end users, including administration, faculty, and students.
- The Department lacks consistent leadership, having started the last three school years with three different Chief Technology Officers. There is a lack of IT governance and consistent processes across IT functions and those functions tend to operate in "silos,".
- The District does not have an Information Security Officer or dedicated security staff.
- The IT Department should establish a project management group to ensure successful initiation, implementation and coordination of projects with end users.
- The *functional intersection* of procurement and IT has poorly defined roles and responsibilities. There exists a lack of technology expertise within the Procurement Department and a lack of procurement expertise within the IT Department.

General Observations

- The Procurement and IT Departments of Dallas ISD are both organizations in transition.
- Both departments are under new leadership and both have numerous vacancies in key leadership positions. The environment presents challenges in executing on their current responsibilities, but both departments are doing a competent job of maintaining mission-critical district functions.
- The procurement function is governed by adequate policies and defined processes and procedures. However, these policies and procedures are not consistently or effectively implemented in some cases and open to multiple interpretations by procurement, IT and others.
- The IT function has adequate processes in place, but there are existing gaps of coverage in documented policies and procedures and a general lack of project management.

Procurement

Procurement vs Purchasing

Procurement

The organizations strategic and vital function for appropriate custody and care of public fund obligations, sourcing products or services needed to fulfill obligations, negotiating contracts, and selecting vendors for the goods and services that provide the best value to the organization and monitoring vendor performance.

Procurement

- Purchase Requests
- Purchase Method Determination
- Bidding
- Interlocal Cooperative Agreement
- Vendor Selection and Award
- Vendor Acceptance and Setup
- Purchase Orders
- Vendor Monitoring
- Vendor Performance Reporting
- Close-out

Contract Management

- Compliance monitoring
- Performance Tracking and Reporting
- Contract Close-out

Purchasing

The activity within the procurement function for acquiring goods or services that meets the end users budget threshold and overall needs for their operations.

Critical Observations

- The Procurement Department staff has adequate knowledge and skills in purchasing and requisition, but lacks expertise in professional procurement functions such as competitive bidding and contract development and management.
- The Procurement Department is not organized by function, but by topic area, leading to gaps in functional skills and management.
- Procurement processes are not always performed consistently or adequately documented.
- The Procurement Department does not consistently exercise control over the procurement process, often relying on guidance and direction from the end user department.
- The Procurement Department needs to improve transparency and communications with end users, District Management and the Board of Trustees.

Recommendations

- Recommendations for enhancements to improve consistency, efficiency and effectiveness of processes should be implemented within:
 - Procurement Administration
 - Internal Controls
 - Policies, Procedures and processes
 - Training
 - IT Functionality
- Purchase Method Determination should be removed from the end user and performed by the Procurement Department.
- General competencies should be expanded through training to move towards strategic professional procurement.
- Organizational structure should be transitioned from topical silos into functions.
- Key Performance Indicators should be established and required data elements collected to effectively measure and manage performance.

Information Technology

IT Criteria

The consultative procedures evaluated the IT Department operations against the **COBIT 5 Framework** along with best practices within school districts and other public sector organizations.

COBIT 5 Reference	Process Purpose
EDM01 Ensure governance framework setting and maintenance	Provide a consistent approach integrated and aligned with the enterprise governance approach. Ensure IT-related decisions are made in line with the enterprise's strategies and objectives, ensure IT-related processes are overseen effectively and transparently, compliance with legal and regulatory requirements is confirmed, and the governance requirements for board members are met.
EDM02 Ensure benefits delivery	Secure optimal value from IT- enabled initiatives, services, assets, cost-efficient delivery of solutions and services; and a reliable and accurate picture of costs and likely benefits so that business needs are supported effectively and efficiently.
EDM03 Ensure risk optimization	Ensure IT-related enterprise risk does not exceed risk appetite and risk tolerance, the impact of IT risk to enterprise value is identified and managed, and the potential for compliance failure is minimized.
EDM04 Ensure resource optimization	Ensure that the resource needs of the enterprise are met in the optimal manner, IT costs are optimized, and there is an increased likelihood of benefit realization and readiness for future change.
EDM05 Ensure governance framework setting and maintenance	Make sure that the communication to stakeholders is effective and timely and the basis for reporting is established to increase performance, identify areas for improvement, and confirm that IT-related objectives and strategies are in line with the enterprise's strategy.

Critical Observations

- The IT Department is staffed with competent professional employees, but with little depth in certain functions. A number of executive leadership vacancies leave certain technical competencies unfilled.
- The IT Department does not have a comprehensive and consistent project management function, which leads to poor governance of IT projects and inadequate monitoring of costs, timelines and functionality.
- The IT Department is “siloesd” across functional groups, leading to disparate processes across the Department and a lack of consistent training on and enforcement of procedures.
- The IT Department lacks key documented policies and procedures that would be expected of an IT organization of similar size and scope.
- The IT Department does not employ an Information Security Officer and there are multiple control gaps within IT security, including access management, segregation of duties, data encryption and back-up processes.

Recommendations

- Create a consistent long-term strategy and direction through consistent leadership
- The District and IT Department should have documented, standardized, and comprehensive policies and procedures in place.
- Policies should be updated to account for changes in technology and the IT environment.
- Processes should be standardized to ensure consistency of operations through collaboration across functional groups.
- Enhance depth of knowledge, skills, and abilities within executive leadership, project management, procurement, It security, campus support, and system administration.
- Create a Information Security Officer position to manage District IT Security operations.
- Key Performance Indicators should be established and required data elements collected to effectively measure and manage performance.

Conclusion

- Enhancements to departmental leadership, organizational structure, internal controls and training, will help to mitigate undue risks to the District.
- Implementing key recommendations will help prevent bypassing of established controls, enforce policy and head off potential reputational risks.
- The lack of action and executive leadership support to address the critical issues identified can result in continued failures of internal controls and non-compliance with district, local, state or federal requirements.
- Management action plans to address the critical issues should be evaluated and approved by executive management and monitored by the Office of Internal Audit to ensure continued and timely progress of enhancements to internal controls, processes, and procedures.

Contact Information

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