



## Internal Audit Memorandum

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To: Ms. Janette Garza-Lindner, Houston Independent School District ("HISD") Audit Committee  
Chair

From: RSM Internal Audit

CC: Ms. Audrey Momanaee, Mr. Ric Campo, Ms. Angela Lemond Flowers, Ms. Cassandra Auzenne  
Bandy, Ms. Michelle Cruz Arnold, Mr. Rolando Martinez, Ms. Paula Mendoza, Mr. Adam  
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Subject: Internal Audit Review of Cooperative Purchasing Agreement Transactions

### Summary

Internal Audit reviewed cooperative projects included in the December 10, 2024, Board agenda packet, with aggregate purchases exceeding \$1 million that the Board had not approved. Internal Audit identified 10 cooperative projects and confirmed that all projects adhered to standard SAP approval processes, were charged to reasonable budget line items, and were accurately recorded. The projects are scheduled for ratification at the January 16, 2025, Board meeting.

### Background

The December 10, 2024, Board agenda included a consent agenda item titled: "Ratification of Cooperative Vendor Awards From August 10, 2023, to the Present." This item requested Board approval of all cooperative projects between August 10, 2023, and December 10, 2024, supported by an attached listing of the related cooperative projects.

On December 13, 2024, Internal Audit met with the Chair of the HISD Audit Committee, Ms. Garza-Lindner, to discuss cooperative projects with aggregate purchases exceeding \$1 million.

Internal Audit identified and reviewed 10 cooperative projects from a workbook the Deputy Chief Financial Officer provided. The workbook listed all projects utilizing cooperative agreements and their aggregate purchases from August 1, 2023, to November 30, 2024, also noting whether Board approval was received. The 10 cooperative projects reviewed were initiated after August 10, 2023. Internal Audit confirmed with the Chair of the Audit Committee that sample testing should focus on these 10 cooperative projects.

### Procedures Performed

Internal Audit met with the Deputy Chief of Finance and Operations and members of the Procurement team on December 19, 2024, to perform a targeted review of the cooperative projects in question. This meeting included walkthroughs and discussions to observe processes and validate SAP workflow approvals for the 10 sampled cooperative projects. Given the volume of purchase orders (POs) associated with each cooperative project, Internal Audit sampled the largest PO associated with each to conduct testing. A PO was sampled for all vendors with aggregate purchases over \$1 million.

The following procedures were conducted:

- Observed that SAP restricts cooperative purchases from being processed without adequate budget allocation.
- Inspected the SAP workflow approval process for the sampled POs to confirm that each:
  - Was approved by the fund approver.
  - Received approval from the technology team, where applicable.
  - Was reviewed and approved by the grant team or external funding team, if applicable.
  - Was approved by the purchasing team.
  - Was reviewed for alignment with the cooperative agreement by the fund approver.
- Verified that the purchases for the sampled POs were charged to reasonable budget line items and were within the approved budget.
- Validated that the accounting records for the sampled POs were accurately recorded in the appropriate accounts.

## **Results**

Based on the procedures performed, Internal Audit identified the following results:

- All 10 cooperative projects adhered to standard approval processes within SAP, including approvals by the fund approver, purchasing team, and other applicable stakeholders (e.g., technology team, grant team).
- Each cooperative project was charged to reasonable budget line items and was within the approved budget, as verified through SAP records and supporting documentation for the sampled POs.
- Purchases for the sampled POs were accurately recorded in the appropriate accounts.