



**The South Carolina
Governor's School for Agriculture
at John de la Howe**

INDEPENDENT PROCUREMENT AUDIT REPORT

**for the Audit Period:
April 1, 2018 to March 31, 2021**

**Office of Audit & Certification
Division of Procurement Services
June 19, 2021**

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INTRODUCTION

The Division of Procurement Services (DPS) audited the SC Governor’s School for Agriculture at John de la Howe’s (JdlH) internal procurement operating policies and procedures, as outlined in their internal Procurement Operating Procedures Manual, under § 11-35-1230 of the South Carolina Consolidated Procurement Code (Code) and Reg. 19-445.2020¹. JdlH is a non-certified agency.

The primary objective of our audit was to determine whether, in all material respects, the internal controls of JdlH’s procurement system were adequate to ensure compliance with the Code and ensuing regulations.

The management of JdlH is responsible for the agency’s compliance with the Code. Those responsibilities include the following:

- Identifying the agency’s procurement activities and understanding and complying with the Code
- Establishing and maintaining effective controls over procurement activities that provide reasonable assurance that the agency administers its procurement programs in compliance with the Code
- Evaluating and monitoring the agency’s compliance with the Code, and
- Taking corrective action when instances of noncompliance are identified, including corrective action on the findings of this audit

Because of inherent limitations in any system of internal controls, errors or irregularities may occur and not be detected. Projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our review and evaluation of the system of internal control over procurement transactions, as well as our overall audit of procurement policies and procedures, was conducted with professional care. However, because of the nature of audit testing, they would not necessarily disclose all weaknesses in the system.

Total Expenditures

During the audit period, the agency made expenditures as follows:

	\$ Amount (000s)				
	Q4			Q1,2,3	
	FY2018	FY2019	FY2020	FY2021	Total
PO’s	134	652	2,312	2,997	6,095
DEV’s	142	608	650	514	1,914
Total Spend	276	1,260	2,962	3,511	8,009

SCOPE

We conducted our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. Our audit included testing, on a sample basis, evidence about JdlH’s compliance with the Code for the period April 1, 2018 through March 31, 2021, the audit period, and performing other procedures that we considered necessary in the circumstances. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The scope of our audit included, but was not limited to, a review of the following:

- (1) Internal procurement and purchasing card (P-Card) procedure manuals
- (2) Written determinations for all sole source and emergency procurements. The following sole source and emergency procurement activity was reported to DPS during the audit period:

<u>Fiscal Year</u>	<u>Sole Source</u>		<u>Emergency</u>	
	<u>Count</u>	<u>\$ Amount</u>	<u>Count</u>	<u>\$ Amount</u>
Q4; 2018	0	0	1	17,190
2019	0	0	1	3,318
2020	1	57,000	1	4,250
Q1,2,3; 2021	2	240,094	3	219,999

- (3) Procurement transactions for the audit period as follows:
 - a) Sixty-four payments, each exceeding \$10,000, for a total of \$1.9M
 - b) Twenty-seven direct payments totaling \$68K
 - c) Four hundred thirty-six purchase orders (PO) and one-thousand three hundred seventy direct payments reviewed for order splitting or the use of favored vendors
 - d) Twenty-five P-Card transactions for two judgmentally selected months for compliance with the South Carolina Purchasing Card Policy and Procedures (State P-Card Policy). During the audit period JdlH had two cardholders that made P-Card expenditures as follows:

<u>Fiscal Year</u>	<u>Transactions</u>	<u>\$ Amount</u>
Q4 2018	56	2,800
2019	124	16,322
2020	101	13,078
Q1,2,3 2021	406	59,525

- (4) Construction contracts and Architect/Engineer and Related Professional Service Contracts for compliance with the Manual for Planning and Execution of State Permanent Improvements
- (5) Small and Minority Business utilization plans and progress reports.
- (6) Reporting of surplus property dispositions, and approval of trade-ins in excess of \$5,000

SCOPE

- (7) Disposition of unauthorized procurements. The following unauthorized procurement activity was reported to DPS:

<u>Fiscal Year</u>	<u>Count</u>	<u>\$ Amount</u>
Q4; 2018	3	18,229
2019	3	111,772
2020	3	96,070
Q1,2,3; 2021	3	10,790

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Note: The agency's responses to issues raised in this report have been inserted immediately following the recommendations in the body of the report.

RESULTS OF AUDIT

I. Requested Documentation for Testing During Audit Period Not Provided

We experienced unusual delays in response to requests for documentation. JdlH did not provide the requested documentation pertaining to the following areas:

- List of Construction Projects
- List of any Revenue Generating Contracts
- Internal Control Questionnaire
- Small and Minority Business Enterprise Utilization and Quarterly Reports
- Gifts and Other Related Transactions Involving charitable organizations
- Blanket Purchase Agreements

Without the requested documentation, we were not able to determine the agency's compliance with the Code in these areas.

SC Code Ann. § 11-35-2430 - retention of procurement records, states, "All procurement records of governmental bodies shall be retained and disposed of in accordance with records retention guidelines and schedules approved by the Department of Archives and History after consultation with the Attorney General." Per Regulation 19-445.2005 (B) Procurement Records. "Each governmental body must maintain procurement files sufficient to satisfy the requirements of external audit."

Recommendation: We recommend that JdlH develop and implement procedures that establish a consistent methodology for organization and location of required documentation of procurement activity as required by the Code and Regulations.

Management's Response

Management agrees with finding of documentation pertaining to: 1) List of Construction Projects, 2) List of any Revenue Generating Contracts, 3) Internal Control Questionnaire, 4) Small and Minority Business Enterprise Utilization and Quarterly Reports, 5) Gifts and Other Related Transactions Involving charitable organizations and 6) Blanket Agreements. The agency was short-staffed in the Business Office and was also being audited by the State Auditor and had recently completed the audit visit from the Inspector General.

The missing reports will be furnished and going forward ensure that compliance to SC Code 11-35-2430 is adhered to by conducting quarterly internal audit reviews to ensure that records are being maintained properly to suffice external audits.

II. Divided Procurements

The Agency's practice is to request quotes from vendors and then develop project scopes that will be within its procurement authority. Construction projects totaling approximately \$564k were divided among 13 vendors circumventing the agency's \$50,000 procurement authority. For

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example, one construction project was divided into two projects bringing each below the \$50,000 threshold. Prior to requesting bids on the two construction projects, JdlH obtained quotes valuing the combined project at \$70,000.

In addition, we identified 173 procurements, totaling approximately \$990k, that were divided among 28 vendors circumventing the small purchase threshold of \$10,000, and in some cases, steer business to favored vendors.

SC Code Ann. § 11-35-1550(1) states, "...Procurement requirements must not be artificially divided by governmental bodies so as to constitute a small purchase pursuant to this section." Pertaining to small purchases not exceeding \$10,000, SC Code Ann. § 11-35-1550(2)(a) states, "...The purchases must be distributed equitably among qualified suppliers." Pertaining to purchases requiring three written quotes, SC Code Ann. § 11-35-1550(2)(b) states, "...Requests must be distributed equitably among qualified suppliers unless advertised..."

Recommendation: We recommend JdlH develop and implement procedures to establish project scope and specifications, including management review and approval, that ensure cost-effective procurement of the Agency's actual needs. Then we recommend procurement personnel be provided training pertaining to the Code and internal procedures. Agency procurement procedures should require that all projects that exceed the agency's procurement authority be approved or conducted by DPS or the Office of State Engineer.

Management's Response

The agency agrees that procurements to 13 vendors appeared to circumvent the agency's \$50,000 procurement authority and 28 vendors under the small purchase threshold of \$10,000. To better comply with SC Codes 11-35-1550(2), the agency will develop policies and procedures that will include established project scope and specifications that will be documented with management review and approval. This policy revision will require that all projects more than the agency's procurement authority will require approval of DPS and/or the Office of State Engineer. In addition, the agency will plan a vendor invitation day to attract and identify vendors in the areas where goods and services have been procured to increase the pool of available vendors and educate them on the various projects that the agency is planning goods and services in the coming fiscal year to better aid in getting better equity among the available qualified vendors.

III. Small Construction Projects

We tested 33 small construction projects less than \$50K.

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A. Missing Solicitation Documents (Bid Request)

JdlH did not provide copies of bid requests pertaining to 24 small construction projects less than \$50K, the Agency's certification level. Without these documents we were not able to determine the scope of work to which vendors were responding in their bids. In addition, the agency did not provide the required documentation for 32 small construction projects stating that the procurement is to the advantage of the State.

Per the Manual for Planning and Execution of State Permanent Improvements, section 8.3.3.B(4): "The Agency should make the purchase on a purchase requisition form with the following attached in the Agency file: (a) A copy of the written solicitation and written quotes; and (b) A statement documenting that the procurement is to the advantage of the State (price and other factors considered), including the administrative cost of the purchase."

Recommendation: We recommend that JdlH develop and implement procedures requiring construction personnel to follow the Code and regulations as outlined in the Manual for Planning and Execution of State Permanent Improvements.

Management's Response

Management agrees with finding of small construction projects missing solicitation documents. To correct this finding the agency has instituted a numbering requisition system to better track the support documentation and will ensure that Procurement staff has the checklist of required documents and initial documents and ensure that the statement to document that the procurement is to the advantage of the state inclusive of pricing and other related factors. Finally, the agency will develop procedures that require construction personnel to follow the Code [and] regulations contained within the Manual for Planning and Execution of State Permanent Improvements.

B. Safeguarding of Bids

We found instances where vendors' bid proposals were sent to facilities management personnel, in addition to or instead of, being sent to address established by JdlH for receipt of bids as required by JdlH's procurement procedures.

JdlH's Bid Request documents require that "All Completed Bid requests shall only be submitted to JDLH procurement 192 Getty Road; (procurement@delahowe.sc.gov)". Some vendor bid proposals were cc'd to Facilities Management personnel in addition to the procurement email address, some were sent to Facilities Management and then forwarded to procurement@delahowe.sc.gov, and some revised bids were copied to all bidders and facilities management personnel. This ongoing practice increases the risk of collusion and was evident during the course of this audit.

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SC Code Ann. § 11-35-20(2) states, “The underlying purposes and policies of this code are: (f) to ensure the fair and equitable treatment of all persons who deal with the procurement system which will promote increased public confidence in the procedures followed in public procurement”. § 11-35-30 states, “Every contract or duty within this code imposes an obligation of good faith in its negotiation, performance or enforcement. ‘Good faith’ means honesty in fact in the conduct or transaction concerned and the observance of reasonable commercial standards of fair dealing.” Reg. 19-445.2010(C) states; “Prior to the issuance of an award or notification of intent to award, whichever is earlier, state personnel involved in an acquisition shall not engage in conduct that knowingly furnishes source selection information to anyone other than the responsible procurement officer, unless otherwise authorized in writing by the responsible procurement officer...”

JdlH’s procurement policy states, “Verbal contact with vendors is not allowed after specifications/terms, etc. have been put out for bids. Any alterations must be in the form of a written amendment to all bidders...”

C. Solicitation for Bids Sent to Vendors Were Not Comparable

We saw evidence of construction bid requests being sent to separate vendors with different or no scopes of work for the same project. This occurred with multiple projects. This evidence showed the Agency would:

- review the bids on these differing scopes,
- select the preferred scope, and then
- instruct the other bidders to modify their description of work to be performed to match the preferred scope and re-submit bids.

JdlH’s Procurement Department deemed the solicitations to be inconsistent among the bidders. This ongoing practice increases the risk of collusion and was evident during the course of this audit.

Reg. 19-445.2010(C) states; “Prior to the issuance of an award or notification of intent to award, whichever is earlier, state personnel involved in an acquisition shall not engage in conduct that knowingly furnishes source selection information to anyone other than the responsible procurement officer, unless otherwise authorized in writing by the responsible procurement officer...”

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Recommendation: We recommend JdlH revise and clarify its solicitation procedures to ensure the integrity of the bid process. We then recommend documented refresher training be provided to all appropriate personnel pertaining to construction projects.

Management's Response

The agency agrees with findings and training of all staff will occur by August 11, 2021 to ensure that all bid documents submitted to 192 Gettys Road and on-line bids to (procurement@delahowe.sc.gov)

With the revision the solicitation procedures and development of project scope and detailed specifications, the agency will ensure that bids are sent to all interested vendors to ensure comparable bids are received and adherence to Reg. 19-445.2010(C) as well as ensure the integrity of the bid process. On-going training will be documented annually after the refresher training is conducted.

D. Unable to Determine if Contracts Were Properly Awarded

We were unable to determine if small construction projects had been properly awarded in three instances. We identified one instance where the awarded bid proposal was dated before the date of the bid request. We identified one instance where instruction to begin work on the project was sent to the awarded bidder before the date of the winning bid. These practices increase the likelihood that there were undocumented discussions with offerors.

Reg. 19-445.2010(C) states; "Prior to the issuance of an award or notification of intent to award, whichever is earlier, state personnel involved in an acquisition shall not engage in conduct that knowingly furnishes source selection information to anyone other than the responsible procurement officer, unless otherwise authorized in writing by the responsible procurement officer."

A third instance involved an award in the case of tied bids. Management stated there was no documentation in their files showing how the award was determined. A newspaper article dated before the audit stated that the award was based on date of bid receipt.

SC Code Ann. § 11-35-1520(9)(e) states, "In all other situations in which bids are tied, the award must be made to the tied bidder offering the quickest delivery time, or if the tied bidders have offered the same delivery time, the tie must be resolved by the flip of a coin witnessed by the procurement officer. All responding vendors must be invited to attend."

Recommendation: We recommend JdlH develop and implement procedures, including review by the procurement director or agency management, for awarding contracts in the event of tied bids that are consistent with the Code. We further recommend JdlH Facilities Management personnel be provided training pertaining to the revised procedures.

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Management's Response

The agency agrees with this finding and will develop and implement procedures to ensure that bids are awarded properly to adhere to Reg 19-445.2010(C) and SC Code 11-35-1520(9). The revised procedures will be developed by December 31, 2021 and submitted to DPS for review. The agency will recommend the training to its Facilities Management personnel and ensure that they have training and receive the developed procedures for tied bids and how bids are awarded.

IV. Retention Exceeded Amount Allowed by the Code

One construction project required retainage of 10%, which exceeds the 3.5% allowed by Code. SC Code Ann. § 11-35-3030(4)(a) states, ... "the retained amount of each progress payment or installment must be no more than three and one-half percent."

Recommendation: We recommend JdlH comply with the Code pertaining to retention in payments on construction projects.

Management's Response

The agency agrees with the finding of exceeding the allowed construction retainage of 3.5%. Through training, the agency will comply with SC Code pertaining to retention in payments on construction projects.

V. Insufficient Internal Procurement Procedures Manual

JdlH's internal procurement procedures manual did not provide procedures for application of key provisions of the Code as required by Code and Regulation 19-445.2005. Key Code provisions omitted by JdlH include procedures for the use of applicable source selection methods, and a filing system that provides for consistent organization and retention of procurement files, as well as the assignment of roles and responsibilities.

Additionally, the agency's manual does not have adequate guidance or procedures pertaining to competitive procurement or small purchases being routed through their procurement department for pre-approval. This has contributed to multiple unauthorized procurements, in which staff purchased goods and services prior to notifying the agency's procurement department.

SC Code Ann. § 11-35-540(3) states, "Governmental bodies shall develop internal operational procedures consistent with this code; except, that the operational procedures must be approved in writing by the appropriate chief procurement officer."

Recommendation: We recommend JdlH revise its internal procurement manual to provide roles and responsibilities by position, procedures for procurement personnel conducting source selection methods commonly used by the agency, and a consistent filing system. A Procurement Manual checklist is available on the Procurement Services website that may assist in revising the

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manual. Once the manual has been revised, we recommend JdlH submit the manual to Audit and Certification for approval as required by SC Code Ann. § 11-35-540 and Reg. 19-445.2005. Then, we recommend retraining staff on the revised procedures.

Management's Response

We agree with the auditors' finding and recommendation that our internal procurement manual was insufficient in the area as required by Code and Regulation 19-445.2005. The agency recently implemented a requisition numbering request to begin the procurement process to better capture the use of applicable source selection methods. To further better our procurement procedures, written operational procedures guidance will be provided to each department to ensure that the competitive small purchases are routed to procurement department for pre-approval. The final written updated Procurement Manual will be submitted to Audit and Certification for review and approval. After receiving approval, the agency will conduct a retraining session on the revised procedures with all staff.

VI. Direct Payments

We tested 25 direct payments for compliance with the Code and the Comptroller General's (CG) SC Statewide PO Policy.

A. Improper Use of Direct Payments

We identified one expenditure, for \$14,770, that did not meet the criteria established by the CG's PO Policy pertaining to Direct Payments and should have been purchased with a PO. In addition, this service should have been competitively procured. This resulted in an unauthorized procurement.

B. No Pre-Approval by Procurement

We identified five expenditures totaling \$2,525 that were not submitted to the procurement department for pre-approval. This resulted in five unauthorized procurements. In addition, no procedures were provided pertaining to the proper approval of Direct Pays as outlined by the CG's PO Policy.

Per the CG's PO Policy, ..." A Direct Pay is a payment method only. It does not establish compliance with the SC Consolidated Procurement Code & Regulations or other State regulations." In addition, the CG's PO Policy states, Direct Payments "should not be used as a matter of convenience as it leads to a reduction in controls and approvals."

Recommendation: We recommend these six unauthorized procurements be properly reported to DPS and include a written determination as to the facts and circumstances surrounding the act, what corrective action is being taken to prevent recurrence, and any individual disciplinary action

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as required by R 19-445.2015 (H)(2). In addition, we recommend JdlH follow the Code pertaining to required competition. We also recommend a provision be added to the agency's business operations manual that clearly defines when supplies and services, information technology, and construction requisitions be routed through the procurement department. This provision should comply with the CG's PO Policy regarding when the direct payment method may be used.

Management's Response

The agency agrees with the one improper direct pay of \$14,770 not meeting the criteria established by the Comptroller General's Office as well as five other that were not submitted for pre-approval. The identified procurements will be updated to reflect the unauthorized status and reported to DPS with the appropriate written determination as required by Reg 19-445-2015(H)(2). The agency's business operations manual will add the provision that defines when supplies and services, information technology and construction requisitions are to be routed through the procurement department. Only direct payments that meet the criteria as stated by the Comptroller General's guidelines will be processed as direct payments. This revision will be made accessible to all staff on the agency's shared drive.

VII. Sole Source and Emergency Procurements

Written determinations for all three sole source and six emergency procurements made pursuant to SC Code Ann. §§ 11-35-1560 and 1570, were evaluated to assess the appropriateness of the procurement actions and the accuracy of the quarterly reports submitted to the chief procurement officers as required by § 11-35-2440.

A. Required Written Determination Not Provided

One written determination for a sole source in the amount \$225,000 was not provided. Without a written determination, we were unable to determine the justification for making this procurement without competition. The result is this is an unauthorized procurement.

Regulation 19-445.2015 (A) requires that, "upon finding after award that a State employee has made an unauthorized award of a contract or that it is otherwise in violation of law, the appropriate official may ratify or affirm the contract or terminate it in accordance with this section.... If the value of the contract exceeds \$100,000, the CPO must concur in the written determination before any action is taken on the decision."

Recommendation: We recommend that this procurement be reported as unauthorized as required by regulation.

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Management's Response

The agency agrees with finding that written determination was not suffice on sole source for \$225,000. This sole source will be document with the proper written determination and forwarded to CPO for ratification decision and reported as unauthorized procurement by September 30, 2021.

B. Written Determinations for Emergency Procurements Were Inadequate

Required written determination for two emergency procurements did not adequately describe the justification for procurement without competition.

A written determination for one emergency procurement totaling \$17,190 was based on overdue inspections; however, documentation was submitted that stated there was no immediate danger. Another emergency determination totaling \$145,000 was for a food contract listed as an exempt commodity. Food is not an exempt commodity. The result is that these two emergency procurements were illegal. Additionally, the food contract exceeded JdlH's procurement authority and should have been sent to DPS for procurement.

Regulation 19-445.2110 (B) defines an emergency:

An emergency condition which creates a threat to public health, welfare, or safety such as may arise by reason of flood, epidemics, riots, equipment failures, fire loss, or such other reason as may be proclaimed by either the CPO or the head of a purchasing agency or a designee of either office. The existence of such conditions must create an immediate and serious need for supplies, services, information technology, or construction that cannot be met through normal procurement methods and the lack of which would seriously threaten:

- (1) The functioning of State government.
- (2) The preservation or protection of property; or
- (3) The health or safety of any person.

The SC Supreme Court, relying on the above Regulation and the common meaning of the term emergency, held that “[a]n emergency is, by its very nature, a sudden, unexpected onset of a serious condition.”¹

Recommendation: We recommend that both emergency procurements be reported as unauthorized as required by regulation 19-445.2015. We also recommend procedures be developed and implemented to ensure that emergency procurements are limited to circumstances that meet the definition of an emergency under Reg. 19-445.2110.² We further recommend JdlH Procurement submit the requisition to DPS when required supplies and services, information technology, or construction exceed the agency's procurement authority.

¹ The State of South Carolina, In the Supreme Court, Opinion No. 26534, Heard April 15, 2008 – Filed August 25, 2008.

² SC Code Ann. §§ 11-35-1560 and 1570 require adequate public notice for all sole source and emergency procurements greater than \$50,000, effective May 13, 2020.

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Management's Response

The agency will write determination for the emergency procurements of \$17,190 and \$145,000. With the opening of the school with students and no inspection on the dining areas due to COVID restrictions, this procurement will be corrected to reflect that they were unauthorized. The agency will facilitate its future solicitation of a food contract with DPS to ensure compliance. Going forward, the agency will also ensure that emergency procurements meet the conditions as outlined in Reg 19-445.2110 (B) and further develop procedures that limit the use of emergency procurement unless the procurement meets the above referenced regulation.

VIII. Unauthorized Procurements

We reviewed unauthorized procurements to determine if they were properly ratified or terminated in accordance with Reg. 19-445.2015.

A. Written Determination Were Inadequate

Six unauthorized procurements lacked adequate written determinations as to the facts and circumstances surrounding the improper act, the corrective action taken to prevent recurrence, and the action taken against the individual committing the act, as required by Reg. 19-445.2015 (H)(2).

Recommendation: We recommend procedures, forms, and instructions be developed and implemented, to ensure written determinations include all of the required elements as required by Regulation 19-445-2015 (H)(2).

Management's Response

The agency agrees and accepts the finding in unauthorized procurements for compliance with Reg. 19-445.2015.

To correct, the agency will update its policies, procedures, and forms to reflect the required elements of Reg. 19.445.2015 (H)(2) with explanations of unauthorized procurements to include facts, circumstances surrounding the act, and the corrective actions taken to prevent recurrence and what written action was taken against the individual(s) coming the act.

B. Non-Compliance with CPO Approved Corrective Action Plan (CAP)

During the tenure of Dr. Wall as interim agency head, JdlH entered into an agreement for consulting services totaling \$224,394 that was deemed to be an illegal procurement. As a result of the Request for CPO Concurrence, the CPO terminated the contract and agreed to a CAP. The terms of the CAP stated that JdlH would take advantage of the Department of Administration's (Admin) Shared Services platform. However, the agency never executed a shared services agreement. There was no Memorandum of Agreement between the agency and Admin for shared services until June 2021 and it was only valid for that month.

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Additionally, per the approved Request for CPO Concurrence, “The JDLHS Board and the Interim Agency Head for JDLHS, will, at a minimum, attend the Introduction to the South Carolina Procurement Code training class offered by SFAA as soon as possible. JDLHS will review the SFAA course listings regularly and will attend any courses which it believes would be beneficial for JDLHS’s staff to attend.” Dr. Wall did not attend any SFAA Procurement training before leaving in June 2020. It is unknown how many other staff should have been determined to participate in SFAA Procurement training. The Director of Finance did submit documentation of his attendance at several SFAA procurement training courses, and the Director of Facilities submitted documentation of his attendance at the “Introduction to the South Carolina Procurement Code.”

Recommendation: We recommend JdlH comply with the terms of the CAP and determine which staff would benefit from SFAA Procurement training and attend the courses as soon as possible.

Management’s Response

The agency agrees with this finding of non-compliance with CPO approved corrective action by entering to agreement for consulting services totaling \$224,394. Going forward, the agency will comply with all requested terms from CPO. In addition, the agency conducted a Procurement Training on August 10, 2021, from SFAA and will further ensure that appropriate staff attend future scheduled SFAA trainings.

IX. Purchasing Cards (P-Cards)

JdlH had two P-Cards in use during the audit period and spent approximately \$91k in 687 transactions.

1. Program Administration

We requested JdlH’s P-Card policies and procedures manual to be reviewed for compliance with the State P-Card Policy and identified areas of non-compliance.

A. No P-Card Manual

JdlH did not have an internal P-Card Manual as required.

Per State P-Card policy III.(A)1(a), “Develop the internal policy governing the use of the P-Card...” and V(A) states, “Each Agency’s internal P-Card policy must establish an internal control process and structure that ensures compliance with the Code and State P-Card Policy.”

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Recommendation: We recommend JdlH develop its internal P-Card Manual to ensure compliance with the Code and State P-Card Policy. The Procurement Services website has a P-Card Manual checklist which may be helpful.

B. Roles and Responsibilities

Roles and responsibilities for the P-Card program had not been established. Current practice is for the fiscal technician to perform the monthly statement reconciliations for the Director of Finance. There is no one with authority over the Director of Finance assigned the responsibility to approve his P-Card transactions. In addition, the Director of Finance is the Procurement Director, a cardholder, the Purchasing Card Administrator (PCA), and the approver of the monthly bank statements and P-Card Statement Certifications. The lack of separation of duties is a control weakness in the P-Card program.

The State P-Card Policy, section (V).(A) states, "...Internal controls should include: (1). Appropriate separation of duties between making transactions (Cardholders), review and approval of transactions for payment (approving officials), and payment of the cardholder monthly bank statements (Accounts Payable). (3). Appropriate hierarchical review and approval of purchases by someone with supervisory authority over the Cardholder and/or with the authority to question purchases if needed. (4). No Cardholder can provide approval for payment for his/her transactions or of the P-Card cardholder monthly bank statements. Review and approval responsibilities cannot be delegated to someone else..."

Recommendation: We recommend JdlH's internal P-Card policy manual include the assignment of roles and responsibilities to ensure the proper separation of duties and other internal controls as outlined in the State P-Card Policy.

C. P-Card Training Not Provided

JdlH does not have a documented Level I P-Card training program. In addition, no documentation was provided to verify that cardholders or supervisors/approvers were trained prior to issuance of the P-Card.

Per the State P-Card Policy III. (A) (4), "Develop a documented, Agency-specific training program that must be completed for all prospective Cardholders, Supervisors/approving officials, and Liaisons prior to issuance of the P-card. (a) Level I training is the initial training all prospective Cardholders must receive prior to issuance of a P-Card..."

Recommendation: We recommend JdlH develop a policy requiring that all P-Card holders, supervisor/approvers, and liaisons be trained prior to being issued a P-Card, and that the cardholder

RESULTS OF AUDIT

agreement include acknowledgement of that training. We further recommend that the training program be documented to ensure the adequacy of training and to provide a reference for all P-Card personnel.

2. Transaction Testing

We tested 25 P-Card transactions from two judgementally selected months for compliance with the State P-Card Policy.

Cardholder Approved their Own Purchases

We identified 12 purchases where the cardholder approved his/her own purchase. Per the State P-Card Policy, section V.(A) (4). “No Cardholder can provide approval for payment for his/her transactions or of the P-Card cardholder monthly bank statements. Review and approval responsibilities cannot be delegated to someone else.”

Recommendation: We recommend JdlH include in its internal P-Card policies a separation of duties that prevents a cardholder from approving his/her own purchases. Monthly P-Card reviews should include reviewing transactions for proper approval as required by the State P-Card Policy.

Management’s Response

The agency agrees with the Purchasing Cards (P-Cards) findings. To correct the agency will:

- a. Develop an agency P-Card policies and procedures manual by December 31, 2021, versus only referencing the Comptroller General's guidelines. This manual will govern use and ensure internal controls and compliance with the Code and State P-Card Policy.
- b. The agency will develop defined roles and responsibilities for the P-Card program and ensure that proper separation of duties and internal controls are outlined to comply with the State P-Card Policy.
- c. Develop a policy that will capture and document all new P-Card holders Level I training before issuance of P-Card to ensure the staffs acknowledgement of the training as well as documenting the training occurred.
- d. The agency will include in its internal P-Card policies separation of duties to ensure separation of duties that will prevent a cardholder from approving his/her own purchases to comply with proper approval requirements of the State P-Card Policy


CONCLUSION

We believe corrective action based on the recommendations described in this report will, in all material respects, place John de ls Howe in compliance with the South Carolina Consolidated Procurement Code.

Subject to the corrective action recommended in this report, we recommend the Agency be allowed to continue procuring supplies and services, information technology, and construction services up to \$50,000 as allowed by the South Carolina Consolidated Procurement Code.



Cherie Ergle, CRMA
Audit Manager,
Audit & Certification



Crawford Milling, CPA, CGMA
Director, Audit & Certification

End Notes

ⁱ Regulation 19-445.2020 Certification

(A) Review Procedures.

(2) The Materials Management Officer shall review and report on the particular government body's entire internal procurement operation to include, but not be limited to the following:

- (a) Adherence to provisions of the Code and these Regulations.
- (b) Procurement staff and training;
- (c) Adequate audit trails and purchase order register;
- (d) Evidence of competition;
- (e) Small purchase provisions and purchase order confirmation;
- (f) Emergency and sole source procurements;
- (g) Source selection;
- (h) File documentation of procurements;
- (i) Decisions and determinations made pursuant to section 2015;
- (j) Adherence to any mandatory policies, procedures, or guidelines established by the appropriate chief procurement officers;
- (k) Adequacy of written determinations required by the Code and these Regulations;
- (l) Contract administrations;
- (m) Adequacy of the governmental body's system of internal controls in order to ensure compliance with applicable requirements.

(3) The report required by item A(2) shall be submitted to the board.



**SC Governor's School
for Agriculture**
AT JOHN DE LA HOWE

August 10, 2021

Mr. D. Crawford Millina CPA, CGMA
Director of Procurement Services
SC State Fiscal Accountability Authority
Division of Procurement Services
1201 Main Street Suite 600
Columbia, SC 29201

RE: SC Governor's School for Agriculture at John De La Howe Independent Procurement Audit Report

Mr. Milling

The South Carolina Governor's School for Agriculture is in receipt of Independent Procurement Audit Report received via e-mail August 3, 2021, for the audit period of April 1, 2018 to March 31, 2021. The agency acknowledges the findings noted in this report and will take corrective measures to ensure all recommendations are addressed. Please see our agency management response in the subsequent pages.

In addition, the agency acknowledges the professionalism of the involved audit parties from SFA. Additionally, the agency will use the state-wide overview Procurement Training as a baseline to reinforce the importance of adhering to the South Carolina Consolidated Procurement Code and take advantage of any training that will ensure that the agency is compliant to all areas of the State Code.

If there are any questions or need for any additional information, please feel free to contact us.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Tim McGowan", written over a horizontal line.

Tim McGowan, President

A handwritten signature in blue ink, appearing to read "Sybil Esterleman", written over a horizontal line.

Sybil Esterleman, Director of Finance/Procurement