

**FLORENCE-DARLINGTON**  
**TECHNICAL COLLEGE**  
**PROCUREMENT AUDIT REPORT**  
**OCTOBER 1, 2008 – JUNE 30, 2014**

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November 13, 2015

Mr. John St. C. White  
Interim Materials Management Officer  
Division of Procurement Services  
1201 Main Street, Suite 600  
Columbia, South Carolina 29201

Dear John:

We have examined the procurement policies and procedures of Florence-Darlington Technical College for the period October 1, 2008 through June 30, 2014. As part of our examination, we studied and evaluated the system of internal controls over procurement transactions to the extent we considered necessary.

The evaluation established a basis for reliance upon the system of internal controls to assure adherence to the Consolidated Procurement Code, State regulations and the procurement policies of Florence-Darlington Technical College. Additionally, the evaluation determined the nature, timing and extent of other auditing procedures necessary for developing an opinion on the adequacy, efficiency and effectiveness of the procurement system.

The administration of Florence-Darlington Technical College is responsible for establishing and maintaining a system of internal controls over procurement transactions. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system of internal controls are to provide management with reasonable, but not absolute, assurance of the integrity of the procurement process, that affected assets are

safeguarded against loss from unauthorized use or disposition and that those transactions are executed in accordance with management's authorization and recorded properly.

Because of inherent limitations in any system of internal controls, errors or irregularities may occur and not be detected. Also, 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 may deteriorate.

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

The examination did, however, disclose conditions enumerated in this report which we believe need correction or improvement. Corrective action based on the recommendations described in these findings will in all material respects place Florence-Darlington Technical College in compliance with the Consolidated Procurement Code and ensuing regulations.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert J. Aycock, IV", with a long horizontal flourish extending to the right.

Robert J. Aycock, IV, Manager  
Audit and Certification

## INTRODUCTION

We conducted an examination of the internal procurement operating policies and procedures of Florence-Darlington Technical College. Our review was made under Section 11-35-1230(1) of the Consolidated Procurement Code and Section 19-445.2020 of the accompanying regulations.

The examination was directed principally to determine whether, in all material respects, the procurement system's internal controls were adequate and the procurement procedures, as outlined in the Internal Procurement Operating Procedures Manual, were in compliance with the Consolidated Procurement Code and its ensuing regulations.

On June 29, 2009 the State Budget and Control Board granted Florence-Darlington Technical College the following procurement certifications.

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Supplies & Services	\$ 100,000 per commitment
Construction Contract Change Order	\$ 25,000 per change order
Architect/Engineer Contract Amendment	\$ 5,000 per amendment

Our audit was performed primarily to determine if recertification is warranted.

## SCOPE

We conducted our examination in accordance with Generally Accepted Auditing Standards as they apply to compliance audits. Our examination encompassed a detailed analysis of the internal procurement operating procedures of Florence-Darlington Technical College and its related policies and procedures manual to the extent we deemed necessary to formulate an opinion on the adequacy of the system to properly handle procurement transactions.

We selected judgmental samples for the period October 1, 2008 through June 30, 2014 of procurement transactions for compliance testing and performed other audit procedures that we considered necessary to formulate our opinion. Specifically, the scope of our audit included, but was not limited to, a review of the following:

- (1) All sole source, emergency and trade-in sale procurements for the period October 1, 2008 through June 30, 2014
- (2) Procurement transactions for the period October 1, 2008 through June 30, 2014 as follows:
  - a) One hundred-twenty payments each exceeding \$2,500
  - b) A review of all purchase orders issued from June 1, 2012 through August 30, 2012 to ensure against improper order splitting and improper use of favored vendors
  - c) Procurement card purchases for May – June, 2012
- (3) Minority Business Enterprise (MBE) annual plans and reports with the following activity reported to The Governor's Office Division of Small and Minority Business Contracting and Certification.

<u>Fiscal Year</u>	<u>Goal</u>	<u>Actual</u>
2010-2011	\$673,500	\$ 69,749
2011-2012	\$841,553	\$ 24,813
2012-2013	\$828,127	\$ 10,833
2013-2014	\$957,620	\$164,203

- (4) Information Technology Plans submitted during audit period
- (5) Internal procurement procedures manual
- (6) Surplus property disposition procedures
- (7) Ratification of unauthorized procurements
- (8) File documentation and evidence of competition
- (9) Other tests performed as deemed necessary

## SUMMARY OF RESULTS

### PAGE

I. Sole Source Procurements

A. Inappropriate Sole Source Procurements

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We noted 30 instances in which the College made purchases inappropriately as sole sources. The College also authorized improper sole source procurements to a non-profit organization whose President/CEO is also a College employee. We believe the award of these procurements violated the State Ethics Act. Therefore, we have referred this matter to the State Ethics Commission.

B. Inadequate Sole Source Determinations

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Written determinations authorizing 20 sole source transactions did not provide adequate information to support the procurements as sole sources.

II. Information Technology Plans Not Approved

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The College did not submit Information Technology Plans to the Division of Technology for the audit period.



## RESULTS OF EXAMINATION

### I. Sole Source Procurements

#### A. Inappropriate Sole Source Procurements

The following procurements did not meet the criteria of a sole source as defined in Section 11-35-1560 of the Code.

<u>Item</u>	<u>PO Number</u>	<u>Date</u>	<u>Description</u>	<u>Amount</u>
1	B0004234	10/02/09	Grant Evaluation	\$ 32,056
2	B0004238	10/07/09	Grant Evaluation	\$ 30,400
3	B0004751	09/18/10	Grant Evaluation	\$ 30,859
4	B0004793	11/03/10	Grant Evaluations	\$ 17,500
5	B0005275	07/19/11	Grant Evaluation	\$ 30,207
6	B0005452	12/14/11	Grant Evaluation	\$ 9,500
7	B0005465	01/13/12	Grant Evaluation	\$150,792
8	B0005472	01/23/12	Grant Evaluation	\$ 15,500
9	B0006047	10/18/12	Grant Evaluation	\$206,792
10	B0003843	05/29/09	IT Equipment	\$ 10,727
11	B0004015	07/07/09	IT Equipment	\$ 20,000
12	B0004559	07/08/10	IT Equipment	\$ 65,000
13	B0004769	10/04/10	IT Equipment	\$ 97,200
14	B0005635	07/03/12	It Equipment	\$ 25,000
15	P0014752	06/16/11	IT Equipment	\$ 23,904
16	B0005523	04/03/12	IT Equipment	\$146,000
17	P0012427	10/07/08	IT Equipment`	\$106,829
18	B0004924	05/25/11	3-D Projection system	\$ 22,026

<u>Item</u>	<u>PO Number</u>	<u>Date</u>	<u>Description</u>	<u>Amount</u>
19	B0004925	05/25/11	3-D Projection system	\$ 25,952
20	B0004233	10/02/09	Shop Equipment	\$ 9,643
21	P0012587	03/04/09	Shop Equipment	\$ 26,816
22	P0013001	09/25/09	Shop Equipment	\$ 8,422
23	P0013026	10/09/09	Shop Equipment	\$ 4,479
24	B0004939	06/06/11	Grant Evaluator	\$ 7,000
25	P0014124	08/11/10	Grant Evaluator	\$ 7,000
26	B0006043	10/18/12	Consultant	\$ 8,000
27	B0006044	10/18/12	Consultant	\$ 24,000
28	B0006045	10/18/12	Consultant	\$ 16,000
29	B0006046	10/18/12	Consultant	\$ 12,000
30	P0014031	04/18/11	Consultant	\$ 6,000

For items 1 through 9, the College authorized sole sourced procurements to a non-profit organization. The President/CEO of this organization is also a College employee and maintains an office on campus for her non-profit. This person, acting as a College employee, applied for grants from Federal agencies. Upon receiving the grants, this person approved requisitions directed to the non-profit organization. Until November 2013, the Vice President of Academic Affairs at the College was an officer and on the Board of Directors of the organization. He also approved requisitions directed to the organization. Further, the College President, who has since retired, also served on the non-profit's Board. He authorized sole source procurements to this organization.

Section 8-13-775 of the Ethics, Governmental Accountability, and Campaign Reform act states a public official, public member or public employee may not have an economic interest in a contract with the State or its political subdivisions if the public official, public member or public employee is authorized to perform an official function relating to the contract. We referred this matter to the State Ethics Commission for investigation.

None of the sole source determinations to the non-profit were proper. The College based the determinations used to authorize the sole sources on the non-profit being stipulated in the grant, a stipulation put in the grant application by the College in the first place. Further, under the grant the non-profit was paid to develop training materials that were to be dispersed to colleges. That was done. However, the non-profit also retained those materials paid for by the grant and marketed those materials as its own. The materials and any funds derived from the sales of those materials belong to the College and must be remitted to the College.

Items 10 through 23, the College based its sole source determinations on the vendor agreeing to “discounted pricing” and to provide training on the equipment purchased. This type of arrangement should be determined through competition with the best source selected. Items 24 and 25, the College sole sourced an evaluator to develop the Pipe Fitting program. The vendor selected may be well qualified and suitable for the College but was not the only source available. Items 26 through 30, the College sole sourced team members for consulting services for the Mentor-Connect Project: A Leadership Development and Out Reach Initiative, using the same sole source determination to support all of the purchases. The determination states the team members were selected based on recommendations from National Science Foundation Program Officers. We believe these types of consulting services should have been competed.

Section 11-35-1560 of the Code states, in part, “A contract may be awarded for a supply, service, or construction item without competition when, under regulations promulgated by the board, the chief procurement officer, the head of a purchasing agency, or a designee of either officer, about the level of the procurement officer, determines in writing that there is only one source of required supply, service, or construction item.” This section further states, “In cases of reasonable doubt, competition must be solicited.”

**B. Inadequate Sole Source Determinations**

The following procurements did not have sufficient information on the written determinations supporting the transactions as sole source procurements.

<u>PO Number</u>	<u>Date</u>	<u>Description</u>	<u>Amount</u>
B0003768	12/09/08	Grant Partner	\$ 5,000
B0003777	12/18/08	Evaluation Services	\$30,000
B0003829	05/14/09	Data Collection	\$ 3,576
B0003835	05/26/09	Grant Partner	\$ 9,449
B0003890	07/02/09	Grant Partner	\$40,985
B0003892	07/02/09	Grant Partner	\$77,115
B0003893	07/02/09	Grant Partner	\$ 4,215
B0003894	07/02/09	Grant Partner	\$ 3,123
B0004129	07/15/09	Dining Services	\$ 4,341
B0004130	07/15/09	Lodging	\$ 4,960
B0004250	10/27/09	Mentoring	\$ 9,125
B0004251	10/27/09	Mentoring	\$ 8,600
B0004663	07/16/10	Lodging	\$ 3,740
B0004673	07/29/10	Mentoring	\$ 2,875

<u>PO Number</u>	<u>Date</u>	<u>Description</u>	<u>Amount</u>
B0004674	07/29/10	Mentoring	\$ 8,600
B0004753	09/16/10	Evaluation Services	\$18,000
B0005264	07/15/11	Lodging	\$ 4,445
P0012636	04/06/09	Grant Partner	\$15,114
P0012781	06/17/09	Grant Partner	\$15,174
P0012782	06/25/09	Grant Partner	\$20,352

All of the determinations concentrated on the vendors being specified as part of a grant. Many determinations simply provided no more justification than “grant specified” as the sole basis for sole source procurements. As we explained earlier, the College stipulated the vendors in the grant applications it prepared, not the grant approver. Using these vendors was not a condition of receiving the grants. Vendors must be justified as sole sources on their own merits. The fact that the College received a grant has no bearing on that determination. We believe all of these transactions should have been competed.

Regulation 19-445.2105(C) for sole source procurements requires written determinations to contain sufficient factual grounds and reasoning to provide an informed, objective explanation for the decision.

We recommend the College prepare its written determinations as required by the regulation by providing sufficient factual details and reasoning to provide an informed, objective explanation for each decision.

Section 11-35-1560 authorizes the use of sole source procurements when the agency head, chief procurement officer, or a designee of either officer above the level of the procurement officer, determines in writing for the proposed sole source that there is only one source for the required supply, service, information technology, or construction item, and no other will be suitable or acceptable to meet the need. Paragraph (C) of this statute states, “A violation of these regulations by a purchasing agency, upon recommendation of the designated board office with approval of the majority of the Budget and Control Board (now the State Fiscal Accountability Authority<sup>1</sup>), must result in the temporary suspension, not to exceed one year, of the violating governmental body's ability to procure supplies, services, information technology, or construction items pursuant to this section.”

Given the seriousness of the sole source issues, we recommend the State Fiscal Accountability Authority suspend sole source authority for one year, the maximum time allowed by statute.

## II. Information Technology Plans Not Approved

The College could not provide evidence of submitting Information Technology Plans (IT Plan) for approval during our audit period. Regulation 19-445-2115(B) requires every governmental body to develop a master plan for Information Technology procurements. Those plans must be submitted to the Division of Technology within the Department of Administration.

We recommend the College develop and submit IT Plans to the Division of Technology as required.

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<sup>1</sup> The restructuring act of 2013 abolished the Budget and Control Board and created the State Fiscal Accountability Authority (SFAA) effective July 1, 2015.

## CONCLUSION

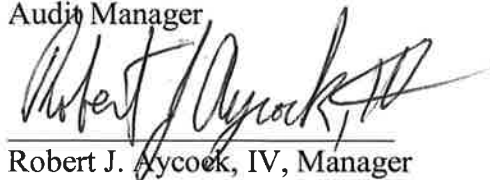
We must state our concern over the findings in this audit report regarding inappropriate sole source procurements. Section 11-35-1560 (C) provides, "A violation of these regulations by a purchasing agency, upon recommendation of the designated board office with approval of the majority of the Budget and Control Board (now the State Fiscal Accountability Authority<sup>2</sup>), must result in the temporary suspension, not to exceed one year, of the violating governmental body's ability to procure supplies, services, information technology, or construction items pursuant to this section." The exceptions in this particular area are so severe, we recommend the State Fiscal Accountability Authority suspend sole source authority for one year, the maximum time period allowed by statute.

Regarding its competitive procurement actions, corrective action based on the recommendations described in this report, we believe, will in all material respects place Florence-Darlington Technical College in compliance with the South Carolina Consolidated Procurement Code.

Provided the College completes the corrective action identified herein, with the exception of sole source procurements, we recommend the College be allowed to continue to procure all supplies and services, construction, information technology, and consultant services up to the basic level of \$50,000 as outlined in the South Carolina Consolidated Procurement Code. We are not recommending higher procurement certification as the College requested. Our office will perform a follow-up examination reporting back to the State Fiscal Accountability Authority in one year to determine if re-certification is warranted at that time.



David E Rawl, CPPB  
Audit Manager



Robert J. Aycock, IV, Manager  
Audit and Certification

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<sup>2</sup> The restructuring act of 2013 abolished the Budget and Control Board and created the State Fiscal Accountability Authority (SFAA) effective July 1, 2015. The Division of Procurement Services became part of the SFAA and reports through its Executive Director to the five members of the Authority.



*Growing the economy . . . one graduate at a time.*

March 14, 2016

Mr. Jimmy Aycock, Manager  
Audit and Certification  
Materials Management Office  
1201 Main Street, Suite 600  
Columbia, SC 20201

Dear Jimmy,

Thank you for your letter dated November 13, 2015, regarding our Procurement audit for the period October 1, 2008 – June 30, 2014. We appreciate the opportunity provided to meet with you and your team to discuss and resolve your findings. The audit process and findings has enabled us to examine and improve our internal processes/controls and eliminate such future findings. We look forward to a favorable response and the ability to maintain our current purchasing levels.

Please review the following responses to the audit findings and let us know of any questions or anything we may have missed.

**I. Sole Source and Emergency Procurements**

**A. Inappropriate Sole Source Procurements**

The College will follow the South Carolina Procurement Code on procurements relating to SCATE by seeking competition for services or by grant specified exemption that the College applied for and received on January 31, 2013 for purchases of particular brand, vendor, institutions or individuals that are essential and critical to the successful completion of externally funded grants. This exemption should resolve these items. College personnel serving on the board of SCATE will not have approval authority on any requisition, sole source, or contract that relates to SCATE.

**B. Inadequate Sole Source Determinations**

As of 2012, the College has provided adequate information to support the sole source documents and will continue to follow the South Carolina Procurement Code on purchases such as these.



**II. Information Technology Plans Not Approved**

The College will develop and submit IT Plans to the Division of Technology as required by the South Carolina Procurement Code.

Sincerely,

A handwritten signature in black ink, appearing to read "Ben", written in a cursive style.

**Ben Dillard  
President**

NIKKI R. HALEY, CHAIR  
GOVERNOR

CURTIS M. LOFTIS, JR.  
STATE TREASURER

RICHARD ECKSTROM, CPA  
COMPTROLLER GENERAL



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July 26, 2016

HUGH K. LEATHERMAN, SR.  
CHAIRMAN, SENATE FINANCE COMMITTEE

W. BRIAN WHITE  
CHAIRMAN, HOUSE WAYS AND MEANS

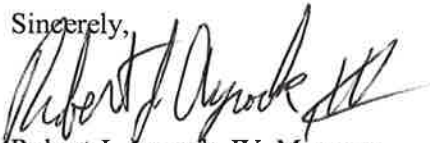
GRANT GILLESPIE  
EXECUTIVE DIRECTOR

Mr. John St. C. White  
Materials Management Officer  
Division of Procurement Services  
1201 Main Street, Suite 600  
Columbia, South Carolina 29201

Dear John:

We have reviewed the response from Florence-Darlington Technical College to our audit report for the period of October 1, 2008 – June 30, 2014. The audit report findings are troubling. However, we are satisfied that the College has taken corrective action and put procedures in place that will eliminate the types of exceptions noted. Further, the College is under a new administration to include a new President, Vice President over Business and Finance and Procurement Officer. The key people responsible for the findings are no longer employed by the College. The current President, Dr. Ben Dillard, is committed to improving the College's internal processes and controls and indeed has done so.

We performed an extensive follow-up review spending more than a week on site at the College focusing on new procurements made in the primary areas of our findings. We did not detect any non-compliance to the Procurement Code. We also provided training to the staff. We also instituted, with the College's concurrence, a new procedure that allows the Division of Procurement Services to review and provide final authorization for grant specified procurements to be exempted from the Procurement Code. Dr. Dillard requested that we not recommend reducing the College's procurement authority to the State Fiscal Accountability Authority. While we empathize with his request, we have professional responsibilities to consider when making recommendations for higher procurement certifications. Among those responsibilities is to assure agency compliance with the Procurement Code to the State Fiscal Accountability Authority. The follow-up work we performed indicates that the College is on the right track. However, before we recommend higher certification limits, we will need to see continued positive results from a full procurement audit. We will commit to performing this work and reporting the results to the State Fiscal Accountability Authority by this time next year. With positive results from a full procurement audit, we will consider a request for higher procurement authority and make those recommendations to the State Fiscal Accountability Authority. We remain committed to assisting Dr. Dillard and his staff at Florence-Darlington Technical College.

Sincerely,  
  
Robert J. Aycock, IV, Manager  
Audit and Certification

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