

FLORENCE-DARLINGTON
TECHNICAL COLLEGE
PROCUREMENT AUDIT REPORT
JULY 1, 2014 – DECEMBER 31, 2016

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NOTE: College's responses to issues noted in this report have been inserted immediately following the items they refer to.

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March 23, 2017

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 examined the procurement policies and procedures of Florence-Darlington Technical College for the period July 1, 2014 through December 31, 2016. 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

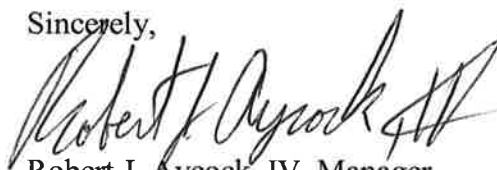
reasonable, but not absolute, assurance of the integrity of the procurement process, that affected assets are safeguarded against loss from unauthorized use or disposition and that those transactions are executed in accordance with management's authorization and recorded properly.

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". The signature is written in a cursive, flowing style with a prominent initial "R".

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 August 23, 2016, the State Fiscal Accountability Authority suspended the College's sole source authority for one year and did not authorize procurement certifications above the basic \$50,000 limit allowed by law. At that time the College's procurement certification was as follows:

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Supplies & Services	\$ 150,000 per commitment
Consultant Services	\$ 100,000 per commitment
Information Technology	\$ 100,000 per commitment
Construction Contract Change Order	\$ 25,000 per change order
Architect/Engineer Contract Amendment	\$ 5,000 per amendment

In accordance with our follow-up letter in the last procurement audit report, we have performed another procurement audit to see if the College has continued its positive results in its procurement activity. We are reporting those results to the State Fiscal Accountability Authority. Additionally, the College has requested the following increased procurement certifications.

<u>PROCUREMENT AREAS</u>	<u>REQUESTED CERTIFICATION LIMITS</u>
Supplies and Services	\$ 200,000 per commitment
Consultant Services	\$ 100,000 per commitment
Information Technology	\$ 150,000 per commitment
Construction Contract Change Order	\$ 25,000 per change order
Architect/Engineer Contract Amendment	\$ 5,000 per amendment

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 July 1, 2014 through December 31, 2016 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 July 1, 2014 through December 31, 2016 with no exceptions
- (2) Procurement transactions for the period July 1, 2014 through December 31, 2016 as follows:
 - a) Eighty-six payments each exceeding \$10,000 with exceptions
 - b) A review of all purchase orders issued for May and June, 2015 to ensure against improper order splitting and improper use of favored vendors with no exceptions
 - c) Procurement card transactions for the months of July, 2015 and January, 2016 with no exceptions
- (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 with no exceptions.

<u>Fiscal Year</u>	<u>Goal</u>	<u>Actual</u>
2014-2015	\$ 398,922	\$227,598
2015-2016	\$ 966,354	\$ 38,339
2016-2017	\$1,033,002	\$253,833*

*represents the amount reported for the first two quarters of the fiscal year

- (4) Information Technology Plans submitted during the audit period with no exceptions
- (5) Internal procurement procedures manual with no exceptions
- (6) Surplus property disposition procedures with no exceptions
- (7) Ratification of unauthorized procurements with no exceptions
- (8) File documentation and evidence of competition with no exceptions
- (9) Other tests performed as deemed necessary with no exceptions

SUMMARY OF RESULTS

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I. <u>Procurements not Competed</u>	
Four procurements were made without competition.	7
II. <u>Preferences not Provided on Bidding Schedules</u>	
The College failed to provide an opportunity for vendors to claim preferences on two solicitations.	8

RESULTS OF EXAMINATION

I. Procurements not Competed

The following procurements were not supported by solicitations of competition.

<u>Purchase order</u>	<u>Date</u>	<u>Description</u>	<u>Amount</u>
P0018018	06/05/15	Milling Machine	\$25,050
P0018019	06/08/15	3D Printers	\$72,009
P0018313	11/18/15	Training equipment	\$28,620
P0018353	12/07/16	Software license	\$20,499

For the first three items, the College referenced a Procurement Code exemption for “The procurement of copyrighted educational films, filmstrips, slides and transparencies, CD ROM documents, data bases, computer assisted instructional materials, interactive video programs and other related materials made available by information technology that can only be obtained from the company providing the information or service.” These three procurements were for equipment used in teaching and education. They do not fall under this exemption and should have been competed. For item four, the total value of the purchase was \$9999.99 for year one and \$10,500 for the second year totaling \$20,499.99. The College did not consider the total potential value of \$20,499.99 in determining the competition requirements.

We recommend the College comply with the competition requirements of the Procurement Code.

College’s Response

We will analyze each procurement on an individual basis to determine the best procurement method to be utilized. The College will follow the South Carolina Procurement Code on procurements by seeking competition for all services and supplies as related to the College’s certification levels.

II. Preferences not Provided on Bidding Schedules

The bidding schedules in the following solicitations did not provide a place for bidders to claim preferences as instructed on the second page of the solicitations.

<u>Solicitation</u>	<u>Date</u>	<u>Description</u>	<u>Amount</u>
14097	06/05/15	Move equipment	\$29,557
14096	05/28/15	Trailer	\$12,500

Section 11-35-1524 (E)(4) requires that solicitations provide potential bidders an opportunity to request the preferences that apply to a procurement.

We recommend the College comply with the statute by providing in the bidding schedules a place for bidders to claim preferences that apply to a procurement.

College's Response

Procurement staff will apply the South Carolina Procurement Code guidelines to all solicitations and will continue to take classes towards certification.

CERTIFICATION RECOMMENDATIONS

As enumerated in our transmittal letter, corrective action based on the recommendations described in this report, we believe, will in all material respects place the College in compliance with the Consolidated Procurement Code and ensuing regulations. We continue to see positive results at Florence-Darlington Technical College. With the positive results from the audit, we are prepared to recommend to the State Fiscal Accountability Authority higher procurement authority.

The College's suspension of sole source authority will automatically lapse on August 23, 2017. We ask that the Authority lift this suspension. Also, under the authority described in Section 11-35-1210 of the Procurement Code, we recommend the State Fiscal Accountability Authority recertify Florence-Darlington Technical College to make direct agency procurements for three years up to the following levels:

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Supplies & Services	*\$ 150,000 per commitment
Consultant Services	*\$ 100,000 per commitment
Information Technology	*\$ 100,000 per commitment
Construction Contract Change Order	\$ 25,000 per change order
Architect/Engineer Contract Amendment	\$ 5,000 per amendment

*Total potential purchase commitment whether single year or multi-term contracts are used.



David Rawl, CPPB
Senior Auditor



Robert J. Aycock, IV, Manager
Audit and Certification

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April 4, 2017

Mr. John St. C. White
Materials Management Officer
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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 July 1, 2014 through December 31, 2016. In our opinion, the College complies with the South Carolina Consolidated Procurement Code, State regulations, and the College's procurement policies and procedures in all material respects and the internal procurement operating procedures are adequate to properly handle procurement transactions. Therefore, we recommend the State Fiscal Accountability Authority grant Florence-Darlington Technical College the certification limits noted in our report for a period of three years.

Sincerely,

Robert J. Aycock, IV, Manager
Audit and Certification

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