

GREENVILLE TECHNICAL COLLEGE

PROCUREMENT AUDIT REPORT

JANUARY 1, 2007 – DECEMBER 31, 2008

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

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November 30, 2009

Mr. R. Voight Shealy
Materials Management Officer
Procurement Services Division
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Voight:

We have examined the procurement policies and procedures of Greenville Technical College for the period January 1, 2007 through December 31, 2008. As part of our examination, we studied and evaluated the system of internal control over procurement transactions to the extent we considered necessary.

The evaluation was used to establish a basis for reliance upon the system of internal controls to assure adherence to the South Carolina Consolidated Procurement Code, State regulations, and the Department's procurement policy. Additionally, the evaluation was used in determining 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 Greenville 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 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 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 with the procedures 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 Greenville Technical College in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert J. Aycock, IV". The signature is stylized and written over a horizontal line.

Robert J. Aycock, IV, Manager
Audit and Certification

INTRODUCTION

We conducted an examination of the internal procurement operating policies and procedures of Greenville Technical College. Our review was performed from April 1, 2009 through June 15, 2009 and was made under Section 11-35-1230(1) of the South Carolina 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 internal controls of the procurement system were adequate and the procurement procedures, as outlined in the Internal Procurement Operating Procedures Manual, were in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

Additionally, Greenville Technical College requested the following increased certifications over its basic \$50,000 limits.

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Supplies and Services	\$ 100,000 per commitment
Information Technology	\$ 100,000 per commitment
Construction Services	\$ 100,000 per commitment
Construction Contract Change Order	\$ 50,000 per change order
Architect/Engineer Contract Amendment	\$ 25,000 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 Greenville Technical College, hereinafter referred to as the 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 January 1, 2007 through December 31, 2008 of procurement transactions for compliance testing and performed other audit procedures that we considered necessary to formulate this opinion. 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 January 1, 2007 through December 31, 2008 with exceptions noted in Section I of the report
- (2) Procurement transactions for January 1, 2007 through December 31, 2008 as follows:
 - a) Ninety-five payments each exceeding \$2,500 with exceptions noted in Section II of the report
 - b) A block sample of five hundred sequential purchase orders from FY 2008 reviewed against the use of order splitting and favored vendors with no exceptions
 - c) Procurement card purchases for April, July and November 2007 with no exceptions
- (3) Six construction contracts and eight professional service contracts for compliance with the Manual for Planning and Execution of State Permanent Improvements, Part II with exceptions noted in Section III of the report.
- (4) Minority Business Enterprise (MBE) reports for the audit period. The annual MBE Plan and goals are prepared by the State Board for Technical and Comprehensive Education for the entire technical college system as one plan. Quarterly reports from Greenville Technical College show reported MBE expenditures for the College as follows:

<u>Fiscal Year Ending</u>	<u>Actual Utilization</u>
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2006	\$ 43,783
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2007	\$ 89,275
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2008	\$626,429
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(5) Approval of the most recent Information Technology Plan with no exceptions.

(6) Internal procurement procedures manual with no exceptions

(7) Surplus property disposal procedures with no exceptions

(8) File documentation and evidence of competition

SUMMARY OF AUDIT FINDINGS

I. Sole Source, Emergency and Trade-in Sale Procurements

A. Inappropriate Sole Source Procurements

Written determinations for four sole source procurement transactions failed to provide adequate information to support the procurements as sole sources.

B. Non-Compliance with Drug-Free Workplace Act

Eighteen (18) sole source contracts were entered into without having signed affidavits from the vendors stating that they will provide drug-free workplaces.

II. Supplies and Services Procurements

A. No Solicitations of Competition

Our audit identified two procurements not supported by competitive quotes.

B. Mandatory State Term Contract Not Used

The College procured chairs and tables from a vendor other than the state term contract holder in violation of the State Term Contract.

C. Internal Controls Circumvented on Blanket Purchase Agreements

Our audit identified four blanket purchase agreements (BPAs) where internal controls were circumvented by departments exceeding their authorized per call limits. One of those BPAs should have been competed.

III. Cost Guide Not Properly Applied to Delivery Orders

We identified two construction indefinite delivery contracts where the College failed to require its vendors to price work using their discount multipliers as required by the vendor contracts.

RESULTS OF EXAMINATION

I. Sole Source, Emergency and Trade-in Sale Procurements

We tested sole source and emergency procurements made pursuant to Sections 11-35-1560 (Sole Source Procurements) and 11-35-1570 (Emergency Procurements) and section 11-35-3830 (Trade-in Sale Procurements) to determine the appropriateness of the procurement actions and the accuracy of the quarterly reports submitted to the chief procurement officers required by Section 11-35-2440. We noted the following exceptions:

A. Inappropriate Sole Source Procurements

The following procurements made as sole sources were inadequately justified as such.

<u>PO</u>	<u>Date</u>	<u>Description</u>	<u>Amount</u>
P0014059	5/17/07	Project Management and Administrative Services Support	\$298,500
P0017234	12/16/08	External Evaluation of USDOE Title III Project	\$ 8,000
P0016561	8/14/07	Consulting Services-Federal Grant Development	\$ 27,000
P0016612	8/20/08	Mailing Address Software	\$ 10,350

Purchase order P0014059 in the amount of \$298,500 for project management and administrative services support was funded through a grant for the development of training for upstate industry maintenance through five (5) agencies (Greenville Technical College, Piedmont Technical College, Tri-County Technical College, Spartanburg Community College, and State Board for Technical Education). The procurement was processed as a sole source based on a “desire” that the service come from an organization representative of all parties identified in the grant and CATT (Center for Accelerated Technology Training).

Purchase order P0017234 in the amount of \$8,000 for the External Evaluation of US Department of Education Title III Project was inappropriately made as a sole source based on knowledge of the College's projects and involvement in Title III design and evaluation.

Purchase order P0016561 in the amount of \$27,000 for Consulting Services-Federal Grant Development was made as a sole source based on the consultant's knowledge, research and experience.

Purchase order P0016612 in the amount of \$10,350 for Mailing Address Software (correction/update) was inappropriately made as a sole source based on intellectual property rights and current operating systems. Contact with the Information Technology Management Office (ITMO) by the auditor confirmed that other software products are available that can perform this task that are compatible with the College's system.

Section 11-35-1560 of the South Carolina Procurement 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, above the level of the procurement officer, determines in writing that there is only one source for the required supply, service, or construction item. In cases of reasonable doubt, competition must be solicited."

Per Regulation 19-445.2105, a sole source procurement is not permissible unless it is a unique item with only one supplier. Circumstances that could necessitate sole source procurements include 1) where the compatibility of equipment, accessories, or replacement parts is the paramount consideration; 2) where a sole supplier's item is needed for trial use or testing and 3) where the item is one of a kind.

We recommend that competition be solicited in accordance with the Procurement Code in the future.

COLLEGE RESPONSE

PO 14059 – Upstate Alliance – the services under this purchase order have been completed. Future procurements of this nature will be competed in accordance with Section 11-35-1520 of the SC Procurement Code.

PO 17234 – External Evaluation of Title III grant – the services under this purchase order have been completed. Future services of this nature will be solicited through competition in accordance with Section 11-35-1550 of the SC Procurement Code.

PO 16561 – Consulting Services – Federal Grant Development – the purchase order for these services has been cancelled by the college president. Consulting services for grant development assistance in the future will be competed in accordance with Section 11-35-1550 of the SC Procurement Code.

PO 16612 – Mailing Address Software – future procurements of this nature will be solicited in accordance with Section 11-35-1550 of the SC Procurement Code.

B. Non-Compliance with Drug-Free Workplace Act

The College failed to obtain certifications from vendors stating they maintained a Drug Free Workplace prior to awarding eighteen (18) sole source procurements greater than \$50,000 each for the period reviewed.

Section 44-107-30 of the Drug-Free Workplace Act requires a written certification on any contract of \$50,000 or more stating that the vendor will provide a drug-free workplace. Sole source procurements are subject to this law.

We recommend that the College obtain signed drug-free workplace certifications from vendors on all future procurements of \$50,000 or more as required by the Act.

COLLEGE REPOSE

All sole source procurements that did not have written certifications have now been acquired from each vendor and provided to MMO Audit & Certification. Greenville Technical will ensure written certifications for the Drug Free Workplace Act will be obtained as required by Section 44-107-30 of the Drug-Free Workplace Act.

II. Supplies and Services Procurements

A. No Solicitations of Competition

We identified purchase order P0015305 dated December 19, 2007 in the amount of \$15,000 for WIC Messenger/Responder service and purchase order P0013500 dated 01/30/07 in the amount of \$4,090 for a compressor and hose assembly in which no competitive quotes were obtained.

Sections 11-35-1550(2)(b)&(c) of the Procurement Code require competitive solicitations of written quotes from a minimum of three qualified sources of supply for small purchases over \$2,500 up to \$10,000 and written solicitation of written quotes, bids or proposals and advertisement in the South Carolina Business Opportunities publication for procurements from \$10,000.01 to \$50,000 respectively.

We recommend that the College comply with the competitive requirements of the Procurement Code as required by the statute.

COLLEGE RESPONSE

PO 15305 – WIC Messenger service software
PO 13500 – Compressor hose assembly

Competition will be acquired for services and supplies as required by Section 11-35-1550 of the SC Procurement Code on future procurements.

B. Mandatory State Term Contract Not Used

Purchase order P013161 dated 10/19/06 in the amount of \$9,353 for chairs and folding tables were procured from a vendor other than the state term contract holder. At the time of this procurement, these chairs and tables were offered through a state term contract.

Section 11-35-310(35) of the SC Procurement Code states in part, ""Term contract" means contracts established by the chief procurement officer for specific supplies, services, or information technology for a specified time and for which it is mandatory that all governmental bodies procure their requirements during its term."

We recommend that the College procure all required supplies, services, and information technology through state term contracts whenever possible.

COLLEGE RESPONSE

Future procurements of furniture items will be procured from state contracts as appropriate in compliance with Section 11-35-310 of the SC Procurement Code.

C. Internal Controls Circumvented on Blanket Purchase Agreements

We identified four blanket purchase agreements (BPAs) where internal controls were circumvented by departments exceeding their authorized per call limits. One BPA should have been competed and did not include descriptions of the supplies and services being procured.

<u>PO</u>	<u>PO Date</u>	<u>Description</u>	<u>Blanket Amount</u>	<u>Per Call Limit</u>	<u>Invoice Amount</u>	<u>Other</u>
B0002643	07/01/08	Hauling Crusher-Run	\$10,000	\$2,500	\$3,686	No description on PO. Not competed.
B0002195	07/02/07	Custodial Supplies	\$ 5,000	\$2,500	\$4,216	State contract
B0002416	07/16/07	Diplomas and Awards	\$ 5,000	\$2,500	\$2,947	Agency contract
B0002722	07/01/08	Prof. Floor Cleaning Service	\$10,000	\$2,500	\$5,283	Competed

We noted through our review of invoices, that the per call dollar limitation (\$2,500) stated on each of the four blanket purchase agreements had been exceeded. Further, no description of what supplies and services were being procured was stated on blanket purchase agreement B002643. Additionally, this procurement was not competed. Regulation 19-445.2100 (B)(3)(c), states “that a list of names of individuals authorized to place calls under the agreement, identified by organizational component, and the dollar limitation per call for each individual shall be furnished to the supplier by the Procurement Officer.” Subsection (a) of this regulation requires: “A statement that the supplier shall furnish supplies, services, or information technology, described therein in general terms, if and when requested by the Procurement Officer, or his authorized representative, during a specified period and within a stipulated aggregate, if any.”

Per Regulation 19-445.2100 (B)(1), “A blanket purchase agreement is a simplified method of filling repetitive needs for small quantities of miscellaneous supplies, services, or information technology by establishing “charge accounts” with qualified sources of supply. Blanket purchase agreements are designed to reduce administrative cost in accomplishing small purchases by eliminating the need for issuing individual purchase documents.” Due to the nature of BPAs being used for small quantities of miscellaneous supplies or services, agencies usually do not compete these agreements. However, the Regulation requires concurrent agreements to be established with more than one supplier.

Based on the definition of a blanket purchase agreement, purchases in which supplies or services are predictable and quantifiable should not be established as non-competed blanket purchase agreements.

We recommend the College comply with Regulation 19-445.2100 by adhering to the internal controls established on its BPAs. Departments must not be allowed to exceed their authorized per call limits. BPAs must include descriptions of the supplies and services being procured. Procurements with predictable and quantifiable requirements must be competed.

COLLEGE RESPONSE

We recognize and agree to the infractions with blanket purchase order B2195, B2416, B2643, and B2722. A meeting with procurement personnel and accounts payable will be conducted to explain how to recognize infraction of the internal controls and identify what control measures need to be implemented to prevent reoccurrence of these infractions.

III. Cost Guide Not Properly Applied to Delivery Orders

We identified two construction Indefinite Delivery Contracts (IDCs) where the College failed to require its contractors to price work using the cost data guide discount multipliers as required by the contracts.

<u>Project</u>	<u>Invoice</u>	<u>Invoice Date</u>	<u>Invoice Amount</u>	<u>Description</u>	<u>Contract Not to Exceed</u>
H59-D435	NA	7/17/07	\$20,340	Paint Contract	\$750,000
H59-D386-GW	9564	9/12/07	\$57,450	Roofing Contract	\$750,000

Per Section 9.2.3(B) of the Manual for Planning and Execution of State Permanent Improvements, Part II, (Bid and Award of Construction IDC-Cost Guide and Multiplier), states, “under this method, the agency selects a published cost data guide similar to R.S. Means Cost Data Series as a basis for determining the price of delivery orders. Unless the IDC contractor proposes to provide work at a lower price, the agency must use the IDC contractor’s multiplier and cost data guide to price delivery orders assigned under their contract.”

We recommend that pricing for delivery orders where a discount multiplier has been established through a competitive bid, that this multiplier and cost guide be used in deriving the pricing.

COLLEGE RESPONSE

H59-D435 – contract has expired. Individual responsible for procurements under this project has terminated employment with the college.

H59-D386 – contract has expired. Individual responsible for procurements under this project has terminated employment with the college.

Work orders issued on future indefinite delivery contracts will be issued in accordance with contract terms and conditions and in accordance with the Office of State Engineer's Manual for Planning and Execution of State Permanent Improvements, Part II.

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 Greenville Technical College in compliance with the Consolidated Procurement Code.

Greenville Technical College has requested increased procurement certification above the basic limits of \$50,000 as allowed per Section 11-35-1550 (1) of the Code.

Under the authority described in Section 11-35-1210 of the Procurement Code, subject to this corrective action, we will recommend Greenville Technical College be certified to make direct agency procurements for three years up to the following limits.

PROCUREMENT AREAS

CERTIFICATION LIMITS

Supplies and Services

*\$ 100,000 per commitment

Information Technology

*\$ 100,000 per commitment

Construction Contract Award

\$ 100,000 per commitment

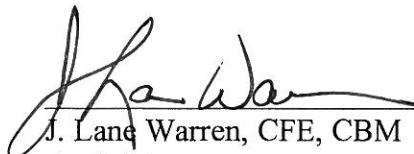
Construction Contract Change Order

\$ 50,000 per change order

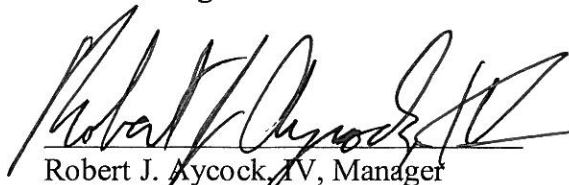
Architect/Engineer Contract Amendment

\$ 25,000 per amendment

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



J. Lane Warren, CFE, CBM
Audit Manager



Robert J. Aycock, IV, Manager
Audit and Certification

MARK SANFORD, CHAIRMAN
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EXECUTIVE DIRECTOR

November 30, 2009

Mr. R. Voight Shealy
Materials Management Officer
Materials Management Office
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Voight:

We have reviewed the response from Greenville Technical College to our audit report for the period of January 1, 2007 to December 31, 2008. Also we have followed the College's corrective action during and subsequent to our fieldwork. We are satisfied that Greenville Technical College has corrected the problem areas and the internal controls over the procurement system are adequate.

Therefore, we recommend the Budget and Control Board grant Greenville Technical College the certification limits noted in our report for a period of three years.

Sincerely,

Robert J. Aycock, IV, Manager
Audit and Certification

RJA/gs

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