

GREENVILLE TECHNICAL COLLEGE

PROCUREMENT AUDIT REPORT

JANUARY 1, 2009 – JUNE 30, 2013

TABLE OF CONTENTS

	<u>PAGE</u>
Transmittal Letter.....	1
Introduction.....	3
Scope.....	5
Summary of Audit Findings.....	7
Results of Examination.....	8
Certification Recommendations.....	12
Follow-up Letter	13

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

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May 11, 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 Greenville Technical College for the period January 1, 2009 through June 30, 2013. 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 College's procurement policies. 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 the 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. Aycok, IV", written in a cursive style.

Robert J. Aycok, 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 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.

On December 15, 2009 the State Budget and Control Board granted Greenville Technical College the following procurement certifications:

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Supplies and Services	\$ 100,000 per commitment
Information Technology	\$ 100,000 per commitment
Consultant Services	\$ 50,000 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

The South Carolina Higher Education Efficiency and Administrative Policies Act (HEEAPA) became law on August 1, 2011. One of the amendments by HEEAPA occurred in Section 11-35-1210 of the Procurement Code by adding:

(4) Subject to subsection (1), the State Board for Technical and Comprehensive Education, in coordination with the appropriate Chief Procurement Officer, may approve a cumulative total of up to fifty thousand dollars in additional procurement authority for technical colleges, provided that the designated board office makes no material audit findings concerning procurement. As provided by regulation, any authority granted pursuant to this paragraph is effective when certified in writing by the designated board office.

Additional authority through this statute was granted in three areas: supplies and services, information technology, and consultant services as follows:

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Supplies and Services	\$ 150,000 per commitment
Information Technology	\$ 150,000 per commitment
Consultant Services	\$ 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

Our audit was performed primarily to determine if recertification is warranted. Additionally, Greenville Technical College requested the following increased certifications.

<u>PROCUREMENT AREAS</u>	<u>REQUESTED CERTIFICATION LIMITS</u>
Supplies and Services	\$ 250,000 per commitment
Information Technology	\$ 250,000 per commitment
Consultant Services	\$ 250,000 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

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, 2010 through June 30, 2013 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, 2009 through June 30, 2013 with exceptions noted in Section I of the report
- (2) Procurement transactions for the period January 1, 2010 through June 30, 2013 as follows:
 - a) One hundred and thirteen payments each exceeding \$2,500 with exceptions noted in Sections II and III of the report
 - b) A block sample of three hundred and seventy sequential purchase orders from FY 2012 and FY2013 reviewed against the use of order splitting and favored vendors with no exceptions
 - c) Procurement card purchases for February, March, and April 2012 with no exceptions
- (3) Nine Construction Contracts with two being indefinite delivery contracts and seven Architect/Engineer and Related Professional Service Contracts with two being indefinite delivery contracts for compliance with the Manual for Planning and Execution of State Permanent Improvements, Part II with no exceptions
- (4) Minority Business Enterprise Plans and reports with the following activity reported to the Governor's Office of Small and Minority Business Assistance:

<u>Fiscal Year</u>	<u>Goal</u>	<u>Actual</u>
FY10-11	\$1,807,433	\$30,726
FY11-12	\$1,613,551	\$30,910
FY12-13	\$1,716,018	\$ 8,961

- (5) Approval of the most recent Information Technology Plan with no exceptions
- (6) Review of procurements of telecommunications equipment and services with no exceptions
- (7) Internal procurement procedures manual with no exceptions
- (8) Surplus property disposition procedures with no exceptions
- (9) Ratification of unauthorized procurements with no exceptions
- (10) File documentation and evidence of competition with no exceptions
- (11) Other tests performed as deemed necessary with no exceptions

¹ In past years the State Board for Technical and Comprehensive Education (SBTCE) served as the liaison to the Office of Small and Minority Business Assistance (OSMBA) in the Governor's Office for the entire technical college system. SBTCE prepared one annual utilization plan for assistance to minority business enterprises (MBE) for the entire technical college system each year. To increase accountability, the SBTCE concluded that the technical colleges should be responsible for filing their own annual utilization plans directly with OSMBA and reporting their own quarterly activity. The technical colleges began filing their own MBE plans with OSMBA in fiscal year 2010-2011. GTC submitted its first MBE plan for fiscal year 2011-2012.

SUMMARY OF AUDIT FINDINGS

	<u>PAGE</u>
I. <u>Sole Source Procurements</u>	
A. <u>Sole Source Determinations Not Dated</u>	8
<p> We could not determine that the sole source authorizations were granted prior to contract execution on sixty-one procurements with a total value of \$1,000,264. On another, the sole source authorization was approved subsequent to the issuance of the purchase order.</p>	
B. <u>Inappropriate Sole Source Procurements</u>	9
<p> Two procurements were identified as being inappropriately processed as sole sources.</p>	
II. <u>Vendor Preferences Improperly Reported</u>	9
<p> Vendor preferences reported quarterly to the Division of Procurement Services were over stated by \$165,266.</p>	
III. <u>No Proof of Competition</u>	10
<p> No proof of competition was provided for a procurement for promotional items.</p>	

RESULTS OF EXAMINATION

I. Sole Source Procurements

Section 11-35-1560 of the Procurement Code states “A contract may be awarded for a supply, service, information technology, or construction item without competition if [it is determined] in writing that there is only one source for the required supply, service, information technology, or construction item.” Additionally, Regulation 19-445.2105 states “Any request by a governmental body that a procurement be restricted to one potential contractor shall be accompanied by an explanation as to why no other will be suitable or acceptable to meet the need.” We noted the following exceptions.

A. Sole Source Determinations Not Dated

While sole source determinations for sixty-one procurements with a total value of \$1,000,264 contained authorized signatures, the signatures were not dated. As a result, we could not determine that the sole source authorizations were granted prior to contract execution.

Also, the sole source determination for PO 0023059 dated April 18, 2012 for \$28,000 for software maintenance was not authorized prior to the issuance of the purchase order. The determination authorizing this transaction was dated September 3, 2013, more than two weeks after the purchase order was issued. Regulation 19-445.2105(C) states in part, “the determination must be authorized prior to contract execution.”

We recommend the College comply with regulation 19-445.2105(C) by documenting determinations were authorized prior to contract execution.

COLLEGE RESPONSE

Greenville Technical College concurs with both findings. Due to the first finding, the college has instructed all college signatories to date their signatures on all procurement documents. PO 23059 dated April 18, 2012 for \$28,000 was not captured or reported as a sole source. When this omission was discovered, the required documentation was obtained and the sole source was approved by the college president, Dr. Keith Miller. The sole source was then reported as an amendment. As an improvement to our process, a report is run monthly to capture all purchase orders with a value of \$10,000 or greater. These purchase orders are reviewed for required documentation.

B. Inappropriate Sole Source Procurements

We noted the following procurements made as sole sources that were inappropriate.

<u>PO</u>	<u>Date</u>	<u>Description</u>	<u>Amount</u>
21196	02/03/11	HR Compliance and Management Software	\$ 3,590
22361	09/30/11	Clean Address Software Subscription	\$18,630

The College procured HR Compliance and Management Software as a sole source based on cost. Awarding contracts based on cost should be done through competitive solicitations, not sole source determinations. We recommend the College solicit competition for this software in the future.

The clean address software subscription was originally obtained as a sole source in October 2008 based on intellectual property rights and limited access to object and access codes of the software to perform maintenance and upgrades. Further research by the College prompted by our questions determined that there were other vendors that could provide this clean address service within the College's software system. We recommend the College solicit competition for this software in the future.

COLLEGE RESPONSE

Greenville Technical College concurs with the finding on the two purchases orders cited. PO 21196, HR Compliance and Management Software was a renewal. This renewal amount, \$3,590 now falls below the small purchase limit instituted with the passage of HEEAPA. PO 22361, Clean Address Software Subscription was a renewal. The college now requires documentation of market research for the validity of sole source renewals. The college follows the small purchase procedures noted in Regulation 11-35-1550 (5) under the approval granted by the State Board for Technical and Comprehensive Education. In addition, new sole source procurements are advertised in South Carolina Business Opportunities Newsletter as Intent to Sole Source for eight days. If we receive valid challenge(s), the procurement is solicited.

II. Vendor Preferences Improperly Reported

During our review of vendor preferences reported quarterly to the Division of Procurement Services, the College over stated awards made by preferences by \$165,266 on twelve procurements. Preferences were a determining factor in only one of these twelve awards. The other eleven awards

should not have been reported. Further, the award in which the preference was a determining factor was improperly reported. The College reported \$24,999 whereas \$1,750 should have been reported. Only those preferences that were a determining factor in the contract award and only the additional expense over the low bid should be reported.

Per Section 11-35-1220, “the Chief Procurement Officers are authorized to prepare statistical data concerning the procurement... All using agencies shall furnish these reports as the chief procurement officer may require ...”

We recommend the College report all contracts to the Division of Procurement Services in which the determining factor in making the award is based on vendor preferences. Additionally, the preference expense reported should be the difference between the awarded amount and the lowest responsive bid, i.e. the additional cost to the State for allowing the preferences.

COLLEGE RESPONSE

Greenville Technical College concurs with the finding; amendments were published as a correction to all errant reports. Greenville Technical College procurement specialists have reviewed Regulation 11-35-1524 and now have a complete understanding of all preference reporting requirements.

III. No Proof of Competition

No proof of competition was identified for purchase order 018754 dated October 30, 2009 for \$3,455 for promotional items. At the time, section 11-35-1550(b) of the Procurement Code required, “...solicitation of written quotes from a minimum of three qualified sources of supply must be made and documentation of the quotes attached to the purchase requisition for a small purchase over two thousand five hundred dollars but not in excess of ten thousand dollars.” As a result of HEEAPA which became effective August 1, 2011, the competition threshold for small purchase amounts at the College increased to purchases exceeding ten thousand dollars.

We recommend the College comply with small purchase procedures as required by section 11-35-1550 of the South Carolina Consolidated Procurement Code.

COLLEGE RESPONSE

Greenville Technical College concurs with the finding; the College will adhere to small purchase procedures outlined in Regulation 11-35-1550. As stated in the response to I-B, a monthly report is run to capture all purchase orders with a value of \$10,000 or greater as an improvement to our process. These purchase orders are reviewed for required documentation.

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 South Carolina Consolidated Procurement Code.

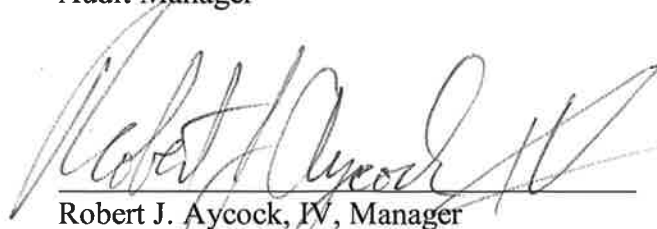
Under the authority described in Section 11-35-1210 of the Procurement Code, subject to this corrective action, we will recommend Greenville Technical College be certified to make direct agency procurements for three years up to the following limits.

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Supplies and Services	*\$ 250,000 per commitment
Information Technology	*\$ 150,000 per commitment
Consultant Services	*\$ 250,000 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

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July 27, 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 reviewed the response from Greenville Technical College to our audit report for the period of January 1, 2009 through June 30, 2013. In our opinion, Greenville Technical 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 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

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