

MIDLANDS TECHNICAL COLLEGE
ENTERPRISE CAMPUS AUTHORITY
PROCUREMENT AUDIT REPORT
JULY 1, 2008 – DECEMBER 31, 2012

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SC BUDGET AND CONTROL BOARD

**THE DIVISION OF PROCUREMENT SERVICES
DELBERT H. SINGLETON, JR.
DIVISION DIRECTOR
(803) 734-2320**

**R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER
(803) 737-0600
FAX (803) 737-0639**

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

**W. BRIAN WHITE
CHAIRMAN, HOUSE WAYS AND MEANS
COMMITTEE**

**MARCIA S. ADAMS
EXECUTIVE DIRECTOR**

June 17, 2013

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

Dear Voight:

We have examined the procurement policies and procedures of the Midlands Technical College Enterprise Campus Authority for the period July 1, 2008 through December 31, 2012. 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 Midlands Technical College Enterprise Campus Authority 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 the Midlands Technical College Enterprise Campus Authority is responsible for establishing and maintaining a system of internal control 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 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 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 a condition in this report which we believe needs correction or improvement.

Corrective action based on the recommendation described in this finding will in all material respects place Midlands Technical College Enterprise Campus Authority in compliance with its Procurement Policy.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert J. Aycock IV", 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 the Midlands Technical College Enterprise Campus Authority (MTCECA). Our on-site review was conducted February 14 through February 22, 2013, and was made under authority of Section 1230 of the MTCECA Procurement Policy. The policy states in part, "The Materials Management Office in consultation with MTCECA, shall develop written plans for the auditing of procurements conducted pursuant to this Procurement Policy. Auditors from the Materials Management Office shall review the adequacy of the MTCECA internal controls in order to ensure compliance with the requirement of this Procurement Policy."

The MTCECA Procurement Policy is authorized by Section 59-53-1784(B) of the South Carolina Code of Laws and applies to all procurements of supplies, services, or construction by MTCECA for matters associated with the Enterprise Campus as that term is defined in Section 59-53-1781.

The MTCECA Procurement Policy was originally approved by the State Budget and Control Board on January 25, 2005. Section 841 of the MTCECA Procurement Policy requires that the Policy shall be resubmitted to the State Budget and Control Board for re-approval during the first quarter of the fifth calendar year following initial approval. MTCECA showed compliance with this requirement and had its Procurement Policy re-approved in June 2010. The MTCECA Procurement Policy expires at the end of the second quarter of the fifth calendar year following initial approval unless re-approved by the State Budget and Control Board. This requires MTCECA to have its subsequent Procurement Policy approved no later than September 30, 2015.

Our audit was performed primarily to determine if re-approval of the MTCECA Procurement Policy 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 Midlands Technical College Enterprise Campus Authority, hereinafter referred to as MTCECA, and its Procurement Policy to the extent we deemed necessary to formulate an opinion on the adequacy of the system to properly handle procurement transactions.

We tested procurement transactions for the period July 1, 2008 through December 31, 2012 for compliance testing and performed other audit procedures that we considered necessary to formulate this opinion. Specifically, the scope of our audit included, but was not limited to a review of the following:

- (1) Sole source and emergency procurements for the period July 1, 2008 through December 31, 2012, for which there were none
- (2) We tested all payment vouchers that required competition (22) and their associated purchase orders for the period July 1, 2008 through December 31, 2012 with no exceptions
- (3) Minority Business Enterprise (MBE) annual plans and reports for July 1, 2008 through December 31, 2012 with no exception
- (4) The Procurement Card program including a review of two randomly selected monthly statements (June and July 2012) for compliance with the State procurement card policy and MTCECA internal procurement card policy, with one exception noted
- (5) Review of all A&E procurements with no exceptions
- (6) Review of all Blanket Purchase Orders with no exceptions
- (7) Review of a numerical block sample of Purchase Orders with no exceptions

RESULTS OF EXAMINATION

MTCECA failed to have procurement card purchases reviewed for approval by someone other than the procurement card holder. MTCECA uses the State procurement card. The State procurement card policy, Section V.A, requires that internal controls shall include: “(1) Appropriate separation of duties between making transactions (Cardholder), review and approval of transactions for payment (approving officials)” and “(4) No cardholder can provide approval for payment for his/her transactions....” Review of two Bank of America bank statements, June and July of 2012, show no approval provided other than the cardholder. According to management, this was the defined process for MTCECA because the cardholder was the sole signature authority for purchase orders up to \$30,000, and as such, was the sole signature authority for the small purchases valued at \$1,500 or less made with the procurement card. Because of this, MTCECA is not in compliance with the State procurement card policy.

To remedy the exception and remain in compliance with Section V.A. (1&4) of the State procurement card policy, we recommend MTCECA designate some employee in a higher position than the cardholder for review and approval of the employee’s procurement card activity. Review of all transactions by another official, another pair of eyes, is an essential separation of duties that should be exercised by all entities.

RECOMMENDATION


Section 1230 of the MTCECA Procurement Policy requires the auditors from the Materials Management Office to review the adequacy of the MTCECA internal controls to ensure compliance with the requirement of this Procurement Policy. Any noncompliance discovered through audit must be transmitted in management letters to the MTCECA and the State Budget and Control Board. The auditors shall provide in writing proposed corrective action to MTCECA. This report accomplishes that requirement.

As stated in our transmittal letter, corrective action based on the recommendation described in this report, we believe, will in all material respects place the Midlands Technical College Enterprise Campus Authority in compliance with the MTCECA Procurement Policy.

Under the authority described in Section 841 of the MTCECA Procurement Policy, we recommend the State Budget and Control Board reauthorize the Midlands Technical College Enterprise Campus Authority Procurement Policy for another period of up to five years.



Mac Stiles
Senior Auditor



Robert J. Aycock IV, Manager
Audit and Certification



July 10, 2013

Mr. Robert J. Aycock, IV
Manager, Audit and Certification
Materials Management Office
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Re: Midlands Technical College Enterprise Campus Authority

Dear Mr. Aycock:

I have reviewed the draft procurement audit report issued on June 17, 2013, for the audit period July 1, 2008 – December 31, 2012.

Scope (4) Procurement Card Policy: The Midlands Technical College Enterprise Campus Authority is in concurrence with the audit finding and will adhere to the recommendation by having already put in place a process to ensure all purchasing cards will have an approval of a higher level other than the cardholder making the transaction.

The MTCECA is committed to maintaining professional, efficient procurement systems and appreciates your positive comments. Let me thank you and your staff for the professional manner in which you conducted the audit and in the assistance you continually provide.

Sincerely,

A handwritten signature in blue ink, appearing to read "Dr. Marshall White", is written over the word "Sincerely,".

Dr. Marshall White
President

C: Dr. Ronald L. Rhames, Senior Vice President for Business Affairs
Tom Ledbetter, Executive Director of Enterprise Campus
Stanley Bolton, Director of Auxiliary and Support Services
Rochelle Daniels, CPPB, Procurement Manager
Mac Stiles, Senior Auditor

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MARCIA S. ADAMS
EXECUTIVE DIRECTOR

July 29, 2013

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

Dear Voight:

We have reviewed the response from Midlands Technical College Enterprise Campus Authority to our audit report for the period of July 1, 2008 through December 31, 2012. We are satisfied that Midlands Technical College Enterprise Campus Authority has corrected the problem area noted and the internal controls over the procurement system are adequate.

Therefore, we recommend the Budget and Control Board reauthorize Midlands Technical College Enterprise Campus Authority's procurement policy for up to five years.

Sincerely,

Robert J. Aycock, IV, Manager
Audit and Certification

Total Copies Printed	11
Unit Cost	\$.41
Total Cost	<u>\$4.51</u>