



**Northeastern Technical College**

**INDEPENDENT PROCUREMENT AUDIT REPORT**

**For the Audit Period:**  
**October 1, 2017 to September 30, 2020**

**Office of Audit & Certification**  
**Division of Procurement Services**  
**August 31, 2021**

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## INTRODUCTION

Per § 11-35-1230 of the South Carolina Consolidated Procurement Code and Reg. 19-445.2020<sup>i</sup>, the Division of Procurement Services (DPS) audited Northeastern Technical College's (NETC) internal procurement operating policies and procedures. The primary objective of the audit was to determine whether, in all material respects, the internal controls of NETC's procurement system were adequate to ensure compliance with the Code and ensuing regulations.

The management of NETC is responsible for the agency's compliance with the Code. Those responsibilities include the following:

- Identifying the agency's procurement activities and understanding and complying with the Code.
- Establishing and maintaining effective controls over procurement activities that provide reasonable assurance that the agency administers its procurement programs in compliance with the Code.
- Evaluating and monitoring the agency's compliance with the Code.
- Taking corrective action when instances of noncompliance are identified, including corrective action on audit findings of this audit.

Because of inherent limitations in any system of internal controls, errors or irregularities may occur and not be detected. 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 review and evaluation of the system of internal control over procurement transactions, as well as our overall audit of procurement policies and procedures, was conducted with professional care. However, because of the nature of audit testing, they would not necessarily disclose all weaknesses in the system.

### Total Expenditures

During the audit period, NETC made expenditures as follows:

	<b>\$ Amount (000s)</b>				
	<b>Q2,3,4</b>			<b>Q1</b>	
	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>	<b>Total</b>
Total Spend	<u>4,408</u>	<u>5,732</u>	<u>5,217</u>	<u>1,353</u>	<u>16,710</u>

## SCOPE

We conducted our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. Our audit included 1) testing, on a sample basis, evidence of NETC’s compliance with the Code for the period October 1, 2017 through September 30, 2020, the audit period, and 2) performing other procedures that we considered necessary in the circumstances. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The scope of our audit included, but was not limited to, a review of the following:

- (1) Internal procurement and purchasing card (P-Card) procedure manuals.
- (2) All written determinations for sole source and emergency procurement during the audit period. NETC reported the following sole source and emergency procurement activity to DPS during the audit period:

<u>Fiscal Year</u>	<u>Sole Source</u>		<u>Emergency</u>	
	<u>Count</u>	<u>\$ Amount</u>	<u>Count</u>	<u>\$ Amount</u>
Q2,3,4 2018	3	247,689	-	-0-
2019	5	320,114	-	-0-
2020	-	-0-	2	60,763
Q1 2021	2	35,745	-	-0-

- (3) Procurement transactions for the audit period as follows:
  - a) Twenty-five expenditures each exceeding \$10k totaling \$1.7 M.
  - b) Direct Expenditure Vouchers (DEVs) of which there were none.
  - c) A block of sequential expenditures over a two-month period reviewed for order splitting or the use of favored vendors.
  - d) Twenty-five P-Card transactions for two judgmentally selected months. There were 31 cardholders with a total spend of approximately \$340k during the audit period.

<u>Fiscal Year</u>	<u>Transactions</u>	<u>\$ Amount</u>
Q2,3,4 2018	787	89,729
2019	1,096	118,472
2020	988	97,265
Q1 2021	147	34,505

- (4) Thirteen construction, Architect/Engineer and Related Professional Service Contracts for compliance with the Manual for Planning and Execution of State Permanent Improvements.
- (5) Disposition of unauthorized procurements. The following unauthorized procurement activity was reported to DPS during the audit period:

<u>Fiscal Year</u>	<u>Count</u>	<u>\$ Amount</u>
Q1,2,3 2018	-	-0-
2019	-	-0-
2020	4	133,228
Q4 2021	-	-0-

## **SCOPE**

- (6) Reporting of surplus property dispositions, and approval of trade-ins in excess of \$5k.
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We experienced delays in response to requests for documentation or explanation during the audit.

**Note:** The agency’s responses to issues raised in this report have been inserted immediately following the recommendations in the body of the report.

## RESULTS OF AUDIT

### **I. Accounting System Limitations Resulted in Unreliable Expenditure Listing**

At the beginning of the audit, NETC was unable to provide an accurate expenditure listing that included PO numbers. The expenditure listing NETC did provide totaled approximately \$16.7M. After we completed field work, NETC provided a second expenditure listing with PO numbers. However, this listing only totaled approximately \$9.4M. The inability to provide a reliable listing of expenditures with PO numbers is a material control weakness. System or procedural issues cannot be identified and remedied without reliable, accurate, and complete reports.

**Recommendation:** We recommend NETC evaluate its ERP system's reporting capabilities and its workflow procedures to ensure key information such as PO numbers are captured and reportable. Relevant reports should be designed and periodically reviewed to identify variances from policy and procedure. For example, expenditures made without POs should be investigated to determine if they are appropriate or if there are system or procedural issues that need to be addressed.

#### **Agency Response**

Concur. The cause was a lack of training and knowledge of the ERP to extract the report with purchase order numbers. The difference between the two reports provided was the initial report was all expenditures and the second report was only expenditures with purchase order numbers. NETC has implemented a yearlong training of the staff with the vendor on all aspects of the system and implementing improvements to the system.

### **II. Illegal or Unauthorized Construction**

NETC provided a list of ten construction projects. The list had no project dollar amounts or dates; however, it indicated that nine of the projects were within NETC's \$50k authority. The Office of State Engineer is providing oversight on the remaining project. NETC was unable to provide requested documentation for any of the listed projects within its authority.

Regulation 19-445.2005 requires the Agency to "maintain procurement files sufficient to satisfy the requirements of external audit." Without adequate documentation, we are unable to determine whether NETC complied with the Code in the acquisition of construction for the nine projects within its authority and must assume that NETC failed to comply with the Code. The result is that any procurements associated with these nine projects must be treated as illegal or unauthorized.

Regulation 19-445.2015 (A) (1) requires that, "Upon discovering after award either (a) that a person lacking authority has made an unauthorized award or modification of a contract or (b) that a contract award or modification is otherwise in violation of the Consolidated Procurement Code



## RESULTS OF AUDIT

or these regulations, the appropriate official,” as defined in 19-445.2015 (G), “must decide to either ratify the contract in accordance with this regulation or acknowledge and declare the contract null and void. If ratified, the contract may be continued or terminated. The contract may be ratified only if the ratification is in the best interest of the state.”

**Recommendation:** We recommend NETC develop and implement procedures for maintaining construction “procurement files sufficient to satisfy the requirements of external audit.” We further recommend that NETC report any procurements associated with these nine projects as illegal or unauthorized per Regulation 19-445.2015.

### Agency Response

Concur. NETC has begun to implement an electronic filing system for all procurements to easily retrieve the documentation. NETC is in the process of developing a Master List of Projects to include the recommended elements from the audit.

### III. Supplies & Services

We tested 25 procurements over \$10k that totaled approximately \$1.7M, out of a population of approximately \$7.2M for compliance with the Code. NETC is not certified and most of their purchasing is from state-term contracts, interagency agreements, or for exempt educational materials. However, the following findings are indicative of a material risk that NETC’s procurement procedures are being bypassed or not enforced.

#### A. Procurements Without Documentation

NETC did not provide documentation for three procurements greater than \$10k totaling approximately \$79k. Without adequate documentation, we were unable to determine whether NETC complied with the Code in the acquisition of supplies and services for these three procurements and must assume that NETC failed to comply with the Code. The result is that these three procurements must be treated as illegal or unauthorized.

See Regulations 19-445.2005 and 19-445.2015 in Section II.

**Recommendation:** We recommend that NETC develop and implement procedures that establish a consistent methodology for organization and location of required documentation of procurement activity as required by the Code and regulations. We further recommend that NETC report these three procurements as illegal or unauthorized per Regulation 19-445.2015.

### Agency Response

Concur. NETC has begun to implement an electronic filing system for all procurements to easily retrieve the documentation.

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### B. Procurements Without Evidence of Competition

NETC did not provide the required evidence of competition for nine procurements greater than \$10k and less than \$50k totaling approximately \$173k. Without adequate documentation, we were unable to determine whether NETC complied with the Code in the acquisition of supplies and services for these nine procurements and must assume that NETC failed to comply with the Code. The result is that these nine procurements must be treated as illegal or unauthorized.

SC Code Ann § 11-35-1550 (2) (b) states: "Written request for written quotes from a minimum of three qualified sources of supply may be made and, unless adequate public notice is provided in the South Carolina Business Opportunities, documentation of at least three bona fide, responsive, and responsible quotes must be attached to the purchase requisition for a small purchase not in excess of twenty-five thousand dollars, or for a small purchase of commercially available off-the-shelf products not in excess of one hundred thousand dollars, or for a small purchase of construction not in excess of one hundred thousand dollars. The award must be made to the lowest responsive and responsible sources. The request for quotes must include a purchase description. Requests must be distributed equitably among qualified suppliers unless advertised as provided above."

**Recommendation:** We recommend NETC develop and implement procedures to ensure that procurements of supplies and services, information technology, and construction less than \$100k follow SC Code Ann. § 11-35-1550 (2) Small Purchase Procedures. . We further recommend that NETC report these nine procurements as illegal or unauthorized per Regulation 19-445.2015.

### **Agency Response**

Concur. Training has been developed and implemented for all staff that would be involved to understand the code requirements for the different levels of small purchase procedures. The Director of Finance has sent several emails to all staff to be aware of the various dollar thresholds and requirements for small purchases.

### C. Purchases Initiated Without Requisition

NETC did not provide purchase requisitions for 12 procurements totaling approximately \$1.2M.

NETC's Internal Procurement Manual, Section 5 A. Requisitioning requires:

"The requisition is the most important communication between the requesting party and the Business Office. This document notifies the Business Office that a department desires a specific item or service. It should be forwarded to the Business Office as soon as possible in advance of actual commodity need. Usually, it is the only document submitted; therefore, it must present specific and complete details on the commodity or service desired. It must be correct as to the quantity, item(s), specifications and delivery."

## RESULTS OF AUDIT

We agree that NETC's policy that all procurements should be initiated by operations and properly documented is an important control to prevent unnecessary or unauthorized procurements. The absence of requisitions for these 12 procurements is a material control weakness.

**Recommendation:** We recommend NETC comply with its Internal Procurement Manual and treat any procurement that does not comply as an unauthorized procurement per Regulation 19-445.2015. We also recommend NETC provide clear guidance to personnel throughout the college regarding the requirement to issue a requisition before any procurement and that documentation of the requisition be maintained.

### Agency Response

Concur. The Director of Finance has sent out a communication to all staff to explain the process and provided training to staff responsible for purchasing for various departments to ensure proper paperwork. The Business Office staff has been trained to ensure all proper documentation has been submitted before processing the purchase requisition including proper authorized signatures.

#### D. Inadequate Internal Controls over the Procurement Process

NETC's internal controls over the procurement process are inadequate or are being bypassed. We identified five POs totaling approximately \$32k that were dated after the invoice date.

Creating POs after a purchase has been made is not an effective way to ensure that supplies or services are ordered with management approval, adequate funding, and in compliance with the Code.

NETC's Internal Procurement Manual section 5 B. Requisitioning, states:

The following steps are taken in the generation of [POs]:

1. Requisition is delivered to the Business Office (filled out properly with all pertinent information and bearing all required signatures).
2. After requisition is received, priority is established. The "FIFO" (first in, first out) method will be used except in case of extenuating circumstances.
3. Review requisition and assign proper account code.
4. Perform required purchasing steps (bids, source of supply, delivery by vendor or pick-up, etc.).
5. If Materials Management Office approval is required, the requisition is transposed onto a state requisition and forwarded to the Materials Management Office. Otherwise, requisition data is keyed into the finance system and a PO is created. Each [PO] will be distributed as follows:
  - i. Vendors copy to vendor unless confirmation order.
  - ii. Copy to Accounts Payable.
  - iii. Copy to Receiving Department.
6. All [PO's] must be signed by the Procurement Officer.

## RESULTS OF AUDIT

**Recommendation:** We recommend NETC comply with its internal Procurement Manual and treat any procurement that does not comply as an unauthorized procurement per Regulation 19-445.2015. We also recommend NETC provide clear guidance to personnel throughout the college regarding the appropriate requisitioning process and use of POs.

### Agency Response

Concur. The Director of Finance provided training to staff on the proper process of procurement between purchase requisition, direct pay, and procurement card as soon as it was identified between July and August of 2020. The Business Office staff was trained to identify and address the situations to ensure compliance with the regulations. The divisional staff was trained on the requirements that are responsible for purchasing.

#### IV. Sole Source Procurements

We assessed the written determinations for all ten Sole Source Procurements for compliance with the Code.

##### A. Sole Source Determinations Not Provided

NETC did not provide written determinations for three sole source procurements totaling approximately \$248k. Without written determinations, we were unable to determine the justification for making these procurements without competition.

SC Code Ann. § 11-35-1560 (A) provides that: “A contract may be awarded for a supply, service, information technology, or construction item without competition if, ... the CPO, 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 ...item.”

The result is that these three procurements are illegal or unauthorized.

Regulation 19-445.2015 address the disposition of unauthorized procurements. Section (H) (2) states: “The written determination must include the facts and circumstances surrounding the improper act, what corrective action is being taken to prevent recurrence, and the action taken against the individual committing the act.”

**Recommendation:** We recommend NETC develop and implement procedures to ensure that written determinations are prepared for all sole source procurements and properly authorized by the appropriate level of management as required by the Code. NETC’s procurement procedures manual should designate who is authorized to approve sole source procurements.

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Additionally, we recommend NETC draft the written determinations required by R 19-445.2015 (H) (2) for these three procurements and report them as illegal or unauthorized as required by R 19-445.2015 (I).

### Agency Response

Concur. NETC was without a Procurement Manager and had several turnovers of the Director of Finance role during the time period. The Director of Finance has provided training to the staff on the Sole Source requirements purchase for the departments.

#### B. Sole Source Procurements Omitted from Reporting

NETC omitted two sole source procurements totaling approximately \$58k from its statutorily required quarterly reports.

SC Code Ann. § 11-35-2440 requires that governmental bodies submit quarterly, a record listing of all contracts made pursuant to § 11-35-1560 – Sole Source Procurements, to the Chief Procurement Officers.

**Recommendation:** We recommend that NETC report these two procurements as required, and develop and implement written procedures, to include management review and approval, to ensure that an accurate and complete list of all sole source procurements is reported quarterly in a timely manner.

### Agency Response

Concur. NETC was without a Procurement Manager for an extended period and the staff was not aware of the Sole Source requirements. The Director of Finance has trained all staff that does purchase for divisions of the requirements. This will be added to the policy and procedure manual when revised.

#### V. Emergency Procurements

NETC made two emergency procurements totaling approximately \$61k during the audit period and did not provide the required written determinations for either. Without written determinations, we were unable to determine the justification for making these procurements without competition.

SC Code Ann. § 11-35-1570 (A) states: Notwithstanding any other provisions of the code, the chief procurement officer, the head of a purchasing agency, or a designee of either officer may award or authorize others to award emergency contracts only when there exists an immediate threat to public health, welfare, critical economy and efficiency, or safety under emergency conditions as defined in regulations promulgated by the board: and provided, that such emergency procurements shall be made with as much competition as is practical under the circumstances. A written determination of the basis for the emergency and for the selection of the contractor shall be included in the contract file.

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**Recommendation:** We recommend NETC develop and implement procedures to ensure that written determinations are prepared and properly authorized for all emergency procurements as required by the Code. We further recommend the procedures provide for sufficient review and approval of emergency expenditures by the appropriate level of management to ensure they are within the scope of the declared emergency.

### Agency Response

Concur. NETC was without a Procurement Manager for an extended period and the interim Director of Finance wasn't aware of the emergency requirements. The current Director of Finance has provided training to all staff that does purchases for the college departments.

## VI. Unauthorized Procurements

We reviewed unauthorized procurements to determine if they were properly ratified or terminated in accordance with Reg. 19-445.2015. We identified two instances totaling approximately \$24k, out of the four reported, where NETC properly reported unauthorized procurements, but did not provide the required written determination.

Regulation 19-445-2015(A)(1) states: Upon discovering after award either (a) that a person lacking actual authority has made an unauthorized award or modification of a contract or (b) that a contract award or modification is otherwise in violation of the Consolidated Procurement Code or these regulations, the appropriate official, as defined in G below, must decide to either ratify the contract in accordance with this regulation or acknowledge and declare the contract null and void. If ratified, the contract may be continued or terminated. The contract may be ratified only if ratification is in the interest of the State.

Regulation 19-445-2015(H)(1) states: "All decisions authorized by sections A, B and E above shall be supported by a written determination of appropriateness conforming to the requirements of Section 11-35-210."

**Recommendation:** We recommend that the appropriate official either ratify the contracts or acknowledge and declare the contracts null and void and prepare the appropriate written determinations as required by Regulation 19-445.2015 (A)(1) and (H)(1) and report the unauthorized procurements to DPS.

### Agency Response

Concur. NETC was without a Procurement Manager for an extended period and the staff thought Billboards were exempt under the advertising exemption. The Director of Finance that was hired on July 20, 2020, detected the issues, and ratified the contract with the assistance of the SC Technical College System Office. The staff was trained on the small purchase thresholds and communicated the only exemptions in detail what is specifically exempted.

## RESULTS OF AUDIT

### VII. Internal Procurement Procedures Manual Lacked Key Provisions

NETC's internal Procurement Procedures Manual is dated July 2002. The manual is based on the July 1, 1993 South Carolina Procurement Code and has not been approved by the Chief Procurement Officer. The General Assembly has materially amended the Code four times since 1993. Due to its age, the manual does not provide procedures for key provisions of the Code as required by Code and Regulation 19-445.2005. Provisions not addressed include, but are not limited to, assignment of roles and responsibilities, procedures for commonly used source selection methods, including the new small purchase procedures, as well as a filing system that provides for consistent organization, and retention of procurement files.

**Recommendation:** We recommend NETC revise its internal procurement manual to provide procedures for procurement personnel conducting commonly used source selection methods including the new small purchase procedures, the assignment of roles and responsibilities, and a consistent filing system. Procurement Services provides a Procurement Manual checklist on its website that may assist in revising the manual. Once the manual has been revised, we recommend NETC submit the manual to Audit and Certification for approval as required by SC Code Ann. § 11-35-540 and Reg. 19-445.2005. Upon approval, we recommend retraining staff on the revised procedures.

#### Agency Response

Concur. NETC is working on revising all policies and procedures to bring them into compliance with current procurement policies and procedures.

### VIII. P-Card Administration

NETC had 31 cardholders who spent approximately \$340k during the audit period. We reviewed NETC's P-Card policies and procedures and tested 25 P-Card transactions for compliance with the South Carolina Purchasing Card Policy and Procedures (State P-Card Policy) and identified the following areas of non-compliance:

#### A. Internal P-Card Manual Inadequate

NETC's most recent P-Card manual was last updated in May of 2007 and did not address key elements of the State P-Card Policy, as revised March 6, 2020<sup>1</sup>:

- Clear assignment of roles and responsibilities
- Required documentation of manager/supervisor approval
- Clear description of prohibited transactions
- Prohibition against order splitting

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<sup>1</sup> The State P-Card Policy has since been updated on September 9, 2021.

## RESULTS OF AUDIT

- A prohibition against the use of blocked MCC Codes
- Procedures for the use of BOA Works
- Requirement for a documented Level I and Level II training program

**Recommendation:** We recommend that NETC revise its P-Card procedure manual to include the key requirements of the State P-Card Policy as well as the assignment of roles and responsibilities. Procurement Services provides a P-Card manual checklist on its website that may be helpful in revising NETC's manual.

### Agency Response

Concur. NETC trained staff based on the current South Carolina Purchasing Card Policy and Procedure, January 1, 2020, while NETC is developing a NETC Procurement Card Policy and Procedure Manual for the Area Commission and SFAA to approve. The Director of Finance arrived on July 20, 2020 and began training staff in September 2020 to begin to comply with the regulations. NETC is providing annual refresher training on the P-Card requirements.

### B. Bank Statements Lacked Management & Cardholder Approval

In ten incidences, management failed to sign bank statements. In six incidences, cardholder's failed to sign bank statements. The lack of sufficient management oversight over the P-Card program increases the risk of misuse and abuse.

Per State P-Card Policy, Section III(B)(8), Supervisor/Approvers, "Sign the cardholder monthly bank statements signifying review and approval for payment. This responsibility cannot be delegated to another person." State P-Card Policy III(D)(4) states, cardholders "sign the cardholder monthly bank statements attesting to the accuracy and completeness of the statement. All signatures must be original. Signatures made with rubber stamps are prohibited."

**Recommendation:** We recommend that NETC's P-Card Manual require both management and the cardholder to sign the activity statements as required by the State P-Card Policy.

### Agency Response

Concur. As of July 2020, the Director of Finance detected the lack of signatures by the cardholders and supervisor, which implemented training to ensure all bank statements were reviewed and signed by the appropriate staff. The Director of Finance assumed the role of P-Card Liaison and Administrator. The Certification Document was created and implemented for all cardholders to sign and attach the monthly bank statement in addition to signing the bank card statement.

### C. Required Liaison Reviews Not Performed

There is no documentation of liaison review of any of the transactions tested. During the audit the P-Card Administrator implemented new procedures that require him to perform a documented



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review of all the bank statements and all the transactions. We commend NETC for implementing these new policies; however, we believe that these new policies may not be effective due the number of cards being reviewed by one individual (span of control).

State P-Card Policy III (C) Liaison Responsibilities states: "The liaison reviews the transactions for all cardholders assigned to him/her to determine that the cardholder and supervisor/approver are complying with this State P-Card Policy, i.e., no prohibited transactions, no split transactions, purchases are made from contract vendors when available, no deliveries to other than the business address(s), no blocked MCC codes, etc."

**Recommendation:** We recommend that NETC document procedures that were put into place during the audit and assign responsibility for this review to departmental liaisons to reduce the span of control to an effective level.

### Agency Response

Concur. The number of Procurement Card has been reduced and have implemented a review process to ensure compliance with the regulations. There is enough oversight with the employee, trained supervisors, and the Director of Finance to review and sign off each statement. NETC is a small college and with the turnover rate, the annual total might have been 31 for a given year but typically have less than 20 active cards at any given time.

## IX. Surplus Property

NETC did not identify and report surplus items to the Surplus Property Management Office. No documentation for Surplus Property disposal was provided.

SC Regulation 19-445-2150 (B) (1) Surplus Property Management states: "Reporting: Within one hundred eighty days from the date property becomes surplus, it must be reported to the SPMO on a turn-in-document (TID) designed by SPMO. The description, model or serial number, acquisition cost, date of purchase and agency ID number shall be listed for each item."

**Recommendation:** We recommend NETC develop and implement procedures for the disposal of Surplus Property, including the assignment of roles and responsibilities, as required by SC Code Ann. § 11-35-3820.

### Agency Response

Concur. NETC has implemented an electronic file system to track all Turn-In Documents. All documents sent to and received from State Surplus are filed by month and year. NETC tried to verify with State Surplus if they had any records during the audit period but was unsuccessful in making the determination based on how State Surplus files the documents.

## RESULTS OF AUDIT

### **X. MBE Utilization Plans and Progress Reports Not Filed**

NETC had not submitted any Annual MBE Utilization Plans or Quarterly Progress Reports.

**Recommendation:** We recommend NETC develop and implement procedures, including management review and approval, to require annual MBE utilization plans and quarterly progress reports be submitted to the Office of Small and Minority Business Assistance in a timely manner as required by SC Code Ann. § 11-35-5240 (2).

#### **Agency Response**

Concur. NETC has flagged all certified MBE vendors in the accounting system to be able to run the reports to submit online. The Director of Finance has referred vendors to get certified by the Governor's Office. It is part of the procurement card training to actively look for MBE vendors whenever possible. Purchase Cardholders are to notify the Business Office for tracking if any MBE vendors are used by the purchase card.

### **XI. Delays in Access to Procurement Records**

We experienced delays in response to requests for documentation or explanation during the audit. Required procurement records did not appear to be organized in a consistent manner or location for access by current procurement personnel. NETC had experienced significant turnover in key procurement staff in recent years. The current Director of Finance assumed that position in July of 2020. The Director of Finance position had been vacant for 18 months and there was no procurement staff in place during this period. By July 2021 a new procurement staff had been established.

During the audit, management stated that NETC implemented an electronic system for filing all procurement documentation in a dedicated and clearly marked location including procedures requiring all staff to review and scan documents related to procurement. NETC is cross training staff on where records are located to ensure that records will be accessible. The State Board for Technical and Comprehensive Education provided training for the staff in August of 2021.

Regulation 19-445.2005 (B) Procurement Records, requires "Each governmental body must maintain procurement files sufficient to satisfy the requirements of external audit." SC Code Ann. § 11-35-2430 states, "All procurement records of governmental bodies shall be retained and disposed of in accordance with records retention guidelines and schedules approved by the Department of Archives and History after consultation with the Attorney General."

## **RESULTS OF AUDIT**

**Recommendation:** We commend NETC for implementing new procedures that establish a consistent methodology for organizing and locating required documentation of procurement activity as required by the Code and regulations. We recommend that NETC include in these procedures' requirements for the maintenance of documentation sufficient to demonstrate compliance with the Code and regulations and to satisfy the requirements of an external audit. NETC should also include procedures for management review and oversight.

### **Agency Response**

Concur. NETC has implemented an electronic filing system on the server to easily retrieve procurement documents with a naming convention.

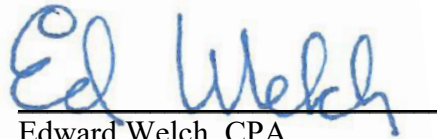
## CONCLUSION AND RECOMMENDATIONS

Based on the results of our audit, it appears that NETC staff were bypassing NETC's procurement procedures. We recommend NETC submit a corrective action plan regarding organization and filing of procurement workpaper files by November 1, 2022 to the Division of Procurement Services for submittal to the five member Authority.

We recommend twenty percent of NETC's P-Cards be suspended immediately and remain suspended until August 31, 2023.

We believe corrective action based on the recommendations described in this report will bring NETC into compliance with the South Carolina Consolidated Procurement Code.

NETC has not requested procurement certification above the statutory limit of \$50,000. Subject to the corrective actions listed in this report, we recommend NETC be allowed to continue procuring supplies and services, information technology, and construction up to \$50,000 as provided by the Code.



Edward Welch, CPA  
Audit Manager  
Audit & Certification



Crawford Milling, CPA, CGMA  
Director, Audit & Certification

## End Notes

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<sup>i</sup> Regulation 19-445.2020 Certification

- (A) Review Procedures.
- (2) The Materials Management Officer shall review and report on the particular government body's entire internal procurement operation to include, but not be limited to the following:
  - (a) Adherence to provisions of the Code and these Regulations.
  - (b) Procurement staff and training.
  - (c) Adequate audit trails and purchase order register.
  - (d) Evidence of competition.
  - (e) Small purchase provisions and purchase order confirmation.
  - (f) Emergency and sole source procurements.
  - (g) Source selection.
  - (h) File documentation of procurements.
  - (i) Decisions and determinations made pursuant to section 2015.
  - (j) Adherence to any mandatory policies, procedures, or guidelines established by the appropriate chief procurement officers.
  - (k) Adequacy of written determinations required by the Code and these Regulations.
  - (l) Contract administrations.
  - (m) Adequacy of the governmental body's system of internal controls to ensure compliance with applicable requirements.
- (3) The report required by item A(2) shall be submitted to the board.

**SECTION 11-35-1210. Certification.**

(1) Authority. In an amount up to fifty thousand dollars in actual or potential value, individual governmental bodies may make direct procurements not under term contracts. Subject to the following and subject to any ensuing regulations:

(a) the board may assign differential dollar limits below which individual governmental bodies may make direct procurements not under term contracts. The Division of Procurement Services shall review the respective governmental body's internal procurement operation, shall certify in writing that it is consistent with the provisions of this code and the ensuing regulations, and recommend to the board those dollar limits for the respective governmental body's procurement not under term contract; and

(b) the Director of the Division of Procurement Services may authorize an individual governmental body to make direct procurements not under term contracts in an amount up to one hundred fifty thousand dollars. All authority granted pursuant to this item must be in writing, and the director shall advise the board in writing of all such authorizations.

(2) Policy. Authorizations granted by the board or the Director of the Division of Procurement Services to a governmental body are subject to the following:

(a) adherence to the provisions of this code and the ensuing regulations, particularly concerning competitive procurement methods;

(b) responsiveness to user needs;

(c) obtaining the best prices for value received.

(3) Adherence to Provisions of the Code. All procurements shall be subject to all the appropriate provisions of this code, especially regarding competitive procurement methods and nonrestrictive specifications.

(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 Division of Procurement Services 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 Division of Procurement Services.