

SPARTANBURG COMMUNITY COLLEGE

PROCUREMENT AUDIT REPORT

JANUARY 1, 2012 – DECEMBER 31, 2014

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February 11, 2016

Mr. John St. C. White, P.E.
Interim Materials Management Officer
Procurement Services Division
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear John:

We have examined the procurement policies and procedures of Spartanburg Community College for the period January 1, 2012 through December 31, 2014. As part of our examination, we studied and evaluated the system of internal controls over procurement transactions to the extent we considered necessary.

The evaluation 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 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 Spartanburg Community 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 Spartanburg Community College in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

Sincerely,

A handwritten signature in black ink that reads "Robert J. Aycock, IV". The signature is written in a cursive style with a large, stylized initial "R".

Robert J. Aycock, IV, Manager
Audit and Certification

INTRODUCTION

We conducted an examination of the internal procurement operating policies and procedures of Spartanburg Community College. Our review 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.

Spartanburg Community College requested to remain at its current certification levels.

<u>PROCUREMENT AREA</u>	<u>CERTIFICATION LIMITS</u>
Supplies and Services	\$ 100,000 per commitment
Information Technology	\$ 100,000 per commitment
Consultant Services	\$ 100,000 per commitment
Construction Services	\$ 100,000 per commitment
Construction Contract Change Order	\$ 10,000 per change order
Architect/Engineer Contract Amendment	\$ 5,000 per amendment

SCOPE

We conducted our examination in accordance with Generally Accepted Auditing Standards as they apply to compliance audits. Our examination encompassed a detailed analysis of the internal procurement operating procedures of Spartanburg Community 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, 2012 through December 31, 2014 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 July 1, 2010 through December 31, 2014 with no exceptions
- (2) Procurement transactions for January 1, 2012 through December 31, 2014 as follows:
 - a) Ninety payments each exceeding \$2,500 with exceptions noted in Sections I and II of the report
 - b) A block sample of three hundred eighty sequential purchase orders from June, July and August 2014 were reviewed against the use of order splitting and favored vendors with no exceptions
 - c) Procurement card purchases for May and June 2014 with no exceptions
- (3) Seven construction contracts with seven being indefinite delivery contracts and seven Architect/Engineer and Related Professional Service Contracts with five 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 (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 Spartanburg Community College show reported MBE expenditures for the College as follows:

<u>Fiscal Year</u>	<u>Actual</u>	<u>Goal</u>
2013	\$ 22,566	\$ 669,259
2014	\$ 48,363	\$ 882,448
2015	\$ 20,175*	\$ 665,805

* Reported through December 2014

- (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) Ratification of unauthorized procurements with no exceptions
- (9) File documentation and evidence of competition with no exceptions
- (10) Other tests performed as deemed necessary with no exceptions

SUMMARY OF AUDIT FINDINGS

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The College did not obtain the required competition on two procurements.	
II. <u>Inappropriate Use of Exemption</u>	7
The College applied an exemption for software license renewals incorrectly on two procurements.	

RESULTS OF EXAMINATION

I. Procurements without Competition

The College did not comply with the Procurement Code for the following services.

<u>Requisition #</u>	<u>Date</u>	<u>Description</u>	<u>Amount</u>
67618	10/09/13	Consultant	\$ 40,000
67617	10/03/13	Consultant	\$ 40,000

These consultants were used to provide leadership and facilitate team meeting services for professional development workshops. The services were paid for through a grant. According to the College, the grant provided funding for a consortium of Colleges. The services we cited were not provided to Spartanburg Community College, but to another College. Spartanburg Community College, being the holder of the grant, paid the bill. However, Spartanburg Community College did execute agreements with the vendors. This fact alone triggers the application of the Procurement Code. Section 11-35-40 (2) states in part, "This code applies to every procurement or expenditure of funds by this State under contract acting through a governmental body as herein defined irrespective of the source of the funds,...." Since the College, a governmental body subject to the Procurement Code, executed the contracts, the Procurement Code applied and the source of funds did not matter.

We recommend the College comply with the Procurement Code in the future.

II. Inappropriate Use of Exemption

The following were incorrectly procured under an exemption for software license renewals.

<u>PO Number</u>	<u>Date</u>	<u>Description</u>	<u>Amount</u>
P0027601	11/20/12	Software support	\$ 25,025
P0030769	06/30/14	Software support and maintenance	\$ 15,096

These procurements did not meet the criteria established for the exemption since evidence could not be provided that the original software licenses had been competitively procured.

The Board exempted from the purchasing procedures of the Procurement Code license agreements for computer software after such software has been competitively bid as required by the Procurement Code. On April 22, 2008, the chief procurement officer (CPO) for information technology issued guidance¹ on this exemption. An excerpt from that document states, “If the software was procured through a competitive solicitation, then the renewal of that license is exempt.”

We recommend the College follow the CPO guidance in using this exemption.

¹ The full text of the CPO guidance is available on the web at:
http://www.mmo.sc.gov/MMO/webfiles/MMO_POL_GD/Exemption_78_Clarification.pdf

CERTIFICATION RECOMMENDATIONS

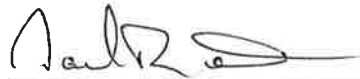
As enumerated in our transmittal letter, corrective action based on the recommendations described in this report, we believe, will in all material respects place Spartanburg Community College in compliance with the Consolidated Procurement Code.

Spartanburg Community College requested to remain at its current certification levels.

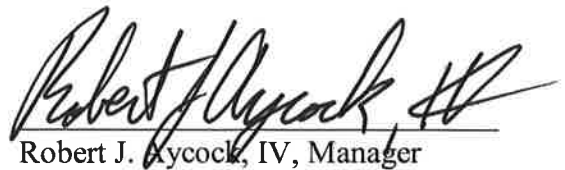
Under the authority described in Section 11-35-1210 of the Procurement Code, subject to this corrective action, we will recommend Spartanburg Community College be certified to make direct agency procurements for three years up to the following limits.

<u>PROCUREMENT AREA</u>	<u>CERTIFICATION LIMITS</u>
Supplies and Services	*\$ 100,000 per commitment
Information Technology	*\$ 100,000 per commitment
Consulting Services	*\$ 100,000 per commitment
Construction Services	\$ 100,000 per commitment
Construction Contract Change Order	\$ 10,000 per change order
Architect/Engineer Contract Amendment	\$ 5,000 per amendment

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



David Rawl, CPPB
Senior Auditor



Robert J. Wycock, IV, Manager
Audit and Certification



May 5, 2016

Mr. Jimmy Aycock
Manager, Audit and Certification
SC State Fiscal Accountability Authority
Division of Procurement Services
1201 Main Street, Suite 600
Columbia, SC 29201

Dear Mr. Aycock:

I have reviewed the draft procurement audit report for period January 1, 2012 – December 31, 2014 and I am in concurrence with the audit findings. Spartanburg Community College is constantly vigilant to assure all purchases are compliant with State Procurement Regulations. We have addressed each issue with the respective department managers and discussed future requirements in order to be in compliance. We concur with the recommendations and will insure they are observed.

I want to thank you and your staff for the professional manner in which the audit was conducted. SCC appreciates the advice given to ensure public resources are used efficiently and with the public interest.

Should you have any questions, please contact me by phone (864-592-4693) or e-mail (hutchersonc@scsc.edu).

Best Regards,

A handwritten signature in blue ink that reads 'Cecil Hutcherson'.

Cecil Hutcherson
Business Manager I Book Inn/Procurement

cc: L. Ray Switzer, Vice President for Business Affairs

NIKKI R. HALEY, CHAIR
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CHAIRMAN, HOUSE WAYS AND MEANS

May 11, 2016

Mr. John St. C. White
Materials Management Officer
Division of Procurement Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear John:

We have reviewed the response from Spartanburg Community College to our audit report for the period of January 1, 2012 through December 31, 2014. In our opinion, Spartanburg Community 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 Spartanburg Community 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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