

TRIDENT TECHNICAL COLLEGE
PROCUREMENT AUDIT REPORT
JULY 1, 2005 – DECEMBER 31, 2008

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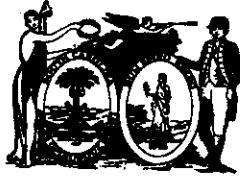
NOTE: The College’s responses to issues noted in the report have been inserted immediately following the items they refer to.

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State Budget and Control Board
PROCUREMENT SERVICES DIVISION

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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

March 31, 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 Trident Technical College for the period July 1, 2005 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 established a basis for reliance upon the system of internal control to assure adherence to the Consolidated Procurement Code, State regulations and the College's procurement policy. Additionally, the evaluation determined 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 Trident Technical College 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

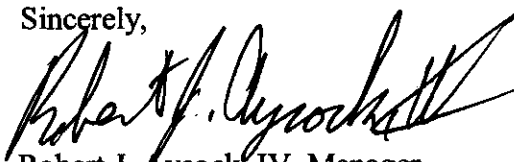
objectives of a system of internal controls are to provide management with reasonable, but not absolute, assurance of the integrity of the procurement process, that affected assets are safeguarded against loss from unauthorized use or disposition and those transactions are executed in accordance with management's authorization and are 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 Trident Technical College in compliance with the Consolidated Procurement Code and ensuing regulations.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert J. Aycock, IV". The signature is fluid and cursive, with a large initial "R" and "A".

Robert J. Aycock, IV, Manager
Audit and Certification

INTRODUCTION

We conducted an examination of the internal procurement operating policies and procedures of Trident Technical College. Our onsite review was conducted from January 6 through February 4, 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 procurement system's internal controls 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 its ensuing regulations.

On March 21, 2006 the State Budget and Control Board granted Trident Technical College the following procurement certifications:

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Goods and Services	\$ 200,000 per commitment
Consultant Services	\$ 200,000 per commitment
Information Technology	\$ 200,000 per commitment
Construction Contract Award	\$ 50,000 per commitment
Construction Contract Change Order	\$ 50,000 per change order
Architect/Engineer Contract Amendment	\$ 10,000 per amendment

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

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Supplies and Services	\$ 300,000 per commitment
Consultant Services	\$ 300,000 per commitment
Information Technology	\$ 200,000 per commitment
Construction Contract Change Order	\$ 50,000 per change order
Architect/Engineer Contract Amendment	\$ 10,000 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 Trident Technical 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 samples for the period July 1, 2005 through June 30, 2008 of procurement transactions 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) All sole source, emergency and trade-in sale procurements for the period July 1, 2005 through December 31, 2008 with no exceptions.
- (2) Procurement transactions for the period July 1, 2005 through June 30, 2008 as follows:
 - a) Ninety-eight payments each exceeding \$2,500 with one exception noted in Section III of the report
 - b) Three hundred and ninety-five sequentially filed purchase orders reviewed against the use of order splitting and favored vendors with no exceptions
 - c) Procurement card transactions for the months of February and March 2008 with one exception noted in Section I of the report
- (3) Two construction contracts, four construction Indefinite Delivery contracts and three professional service contracts for compliance with the Manual for Planning and Execution of State Permanent Improvements, 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 Trident Technical College show reported MBE expenditures for the College as follows:

<u>Fiscal Year</u>	<u>Actual</u>
2005-2006	\$174,790
2006-2007	\$ 75,144
2007-2008	\$ 96,187

- (5) Approval of the most recent Information Technology Plan with no exceptions
- (6) Internal procurement procedures manual with no exceptions
- (7) Surplus property disposition procedures with no exceptions
- (8) Ratification of Unauthorized Procurements with exceptions noted in Section II
- (9) File documentation and evidence of competition with one exception noted in Section III
- (10) Other tests performed as deemed necessary with no exceptions

RESULTS OF EXAMINATION

I. Unauthorized Procurement Card Transaction

The internal control spending limit established by the Trident Technical College Purchasing Card Program Cardholder Manual, and supplemental Cardholder's Single Transaction Limit set the maximum spending limit at \$1,500 per card transaction. The following procurement card transactions exceeded the \$1,500 limit.

<u>Date</u>	<u>Description</u>	<u>Amount</u>
02/12/08	Advertisement	\$ 419
02/12/08	Advertisement	<u>1,159</u>
	Total	<u>\$ 1,578</u>
02/21/08	Advertisement	\$ 875
02/21/08	Advertisement	<u>875</u>
	Total	<u>\$ 1,750</u>
03/11/08	Paint & Supplies	\$ 937
03/12/08	Paint & Supplies	945
03/12/08	Paint & Supplies	<u>189</u>
	Total	<u>\$ 2,071</u>

Since the procurement card transactions exceeded the single transaction limit of \$1,500, the procurements were unauthorized as defined in Regulation 19-445.2015.

We recommend Trident Technical College adhere to the internal control spending limit established by the Trident Technical College Purchasing Card Program Cardholder Manual and supplemental Cardholder's Single Transaction Limit. A ratification request must be submitted to the College President or designee for the unauthorized procurements in accordance with Regulation 19-445.2015.

COLLEGE RESPONSE

We have raised the procurement card transaction limits for the users involved in placing advertisements to \$2,500 per transaction. We will submit a request for ratification to the College President for the unauthorized procurements in accordance with Regulation 19-445.2015.

II. Ratifications Not Completed in Accordance With Regulation

We reviewed ratifications of unauthorized procurements to determine if the ratifications were properly executed in accordance with Regulation 19-445.2015. Our review indicated they did not always address the required elements of the Regulation.

<u>Purchase Order</u>	<u>Description</u>	<u>Amount</u>	<u>Ratification Date</u>
P8000068	Promotional Items	\$ 405.86	08/13/05
P8000194	Captioning Services for Con Ed Student	\$ 1,400.00	08/13/05
P8000302	Catering Services - Food	\$ 696.25	09/01/05
Not Available	Fresh Flowers for Chefs Council Luncheon	\$ 64.43	09/20/05
P8000368	Supplies for POS System Printer	\$ 244.32	09/30/05
P8000653	Horticulture Supplies - Flats of Flowers	\$ 3,008.43	12/13/05
P8000935	Fire Inspection Services, (expired contract)	\$ 6,372.69	02/24/06
Not Available	Speaker Fee	\$ 200.00	03/24/06
P8001087	Office Supplies	\$ 89.35	03/24/06
	2 Month Equipment Rental Respiratory		
P8001278	Therapy	\$ 3,706.20	05/10/06
B8600344	Maintenance Agreement -	\$ 433.46	06/16/06
B8600343	Maintenance Agreement - ID Camera	\$ 1,144.50	06/16/06
P9000490	Use of Facility, Personnel & Equipment	\$ 6,989.07	10/30/06
P9000482	Subscription	\$ 639.00	11/14/06
P9000563	Replace Door Glass Bldg 400	\$ 199.00	12/08/06
P9000947	Double Shipment - decided to keep	\$ 1,003.76	04/30/07
P9000905	Catering for a Resale Function	\$15,938.99	05/01/07
P9001080	Bus Transportation for Students	\$ 223.50	06/14/07
P1000529	Catering Services	\$ 2,196.57	01/08/08

Elements of a ratification that must be addressed in a written determination include 1) facts and circumstances surrounding the act, 2) corrective action to prevent recurrence and 3) action taken against the individual committing the act. None of the ratifications we listed addressed action taken against the individuals responsible for committing the acts. This action means personnel action and could be simply no action taken, oral counseling or reprimand, written reprimand or even termination. Discretion of appropriate action is left up to the person ratifying the procurement. But this action needs to be addressed in the written determination. Six of the ratifications failed to address the facts and circumstances surrounding the act. Two ratifications did not address corrective action to prevent recurrence and two did not address whether the prices paid were fair and reasonable, an internal requirement of the College.

We recommend the College adhere to ratification procedures outlined in Regulation 19-445.2015 by addressing the required elements of the Regulation in the written determinations.

COLLEGE RESPONSE

Our procurement staff has met, reviewed the request for ratification form and fully understands the need for it to be complete. We will adhere to ratification procedures outlined in Regulation 19-445.2015 by addressing the required elements of the Regulation in the written determinations.

III. No Competition

The following procurement was not supported by solicitations of competition, sole source or emergency determinations, contract references or by exemption.

<u>PO</u>	<u>Date</u>	<u>Description</u>	<u>Amount</u>
P1000195	01/14/08	Roll of Fabric	\$2,737

Section 11-35-1550 of the Code requires solicitation of written quotes from a minimum of three qualified sources of supply and documentation of the quotes attached to the requisition for purchases between \$2,500 and \$10,000.

We recommend the College comply with the competitive requirements of the Code.

COLLEGE RESPONSE

Our accounting department, in error, paid freight that allowed the payment to exceed the 10% overage parameter established in our joint Purchasing/Accounts Payable manual. We have met with our accounting staff and reviewed the issue. We will comply with the competitive requirements of the Code.

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 Trident Technical College in compliance with the Consolidated Procurement Code and ensuing regulations.

Under the authority described in Section 11-35-1210 of the South Carolina Consolidated Procurement Code, subject to this corrective action, we will recommend Trident Technical College be recertified to make direct agency procurements for three years up to the limits as follows:

PROCUREMENT AREAS

CERTIFICATION LIMITS

Supplies and Services	*\$ 300,000 per commitment
Consultant Services	*\$ 300,000 per commitment
Information Technology	*\$ 200,000 per commitment
Construction Contract Change Order	\$ 50,000 per change order
Architect/Engineer Contract Amendment	\$ 10,000 per amendment

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



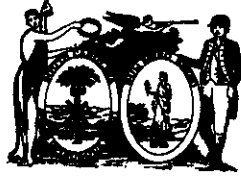
Allen R. Townsend, CBM
Senior Auditor



Robert J. Aycock, IV, Manager
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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

June 1, 2009

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

Dear Voight:

We have reviewed the response from Trident Technical College to our audit report for the period of July 1, 2005 to December 31, 2008. Also we have followed the College's corrective action during and subsequent to our fieldwork. We are satisfied that Trident 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 Trident Technical College the certification limits noted in our report for a period of three years.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert J. Aycock, IV". The signature is stylized and cursive.

Robert J. Aycock, IV, Manager
Audit and Certification

RJA/gs

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