



**Midlands Technical College
Enterprise Campus Authority**

INDEPENDENT PROCUREMENT AUDIT REPORT

**For the audit Period:
January 1, 2018 to December 31, 2020**

**Office of Audit & Certification
Division of Procurement Services
May 11, 2021**

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INTRODUCTION

The Division of Procurement Services (DPS) audited the Midlands Technical College Enterprise Campus Authority's (MTCECA) internal procurement operating policies and procedures to determine whether, in all material respects, the internal controls of the MTCECA's approved Procurement Policy were adequate to ensure compliance with its Procurement Policy.

The management of MTCECA is responsible for its compliance with its Procurement Policy. Those responsibilities include the following:

- Identifying the MTCECA's procurement activities and understanding and complying with the Procurement Policy
- Establishing and maintaining effective controls over procurement activities that provide reasonable assurance that the MTCECA administers its procurement programs in compliance with the Procurement Policy
- Evaluating and monitoring the MTCECA's compliance with the Procurement Policy
- 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, the MTCECA made expenditures as follows:

	<u>FY2018</u>	<u>FY2019</u>	<u>FY2020</u>	<u>FY2021</u>	<u>Total</u>
Small Purchase	2,575	31,118	42,119	34,083	109,896
PO's > \$10,000	-	56,540	29,205	43,045	128,790
Total Spend	<u>2,575</u>	<u>87,658</u>	<u>71,324</u>	<u>77,128</u>	<u>238,686</u>

BACKGROUND

The audit was conducted under the authority of Section 1230 of the MTCECA's approved Procurement Policy, which states in part, "The [Division of Procurement Services] in consultation with MTCECA, shall develop written plans for the auditing of procurements conducted pursuant to this Procurement Policy. Auditors from [DPS] shall review the adequacy of the MTCECA internal controls in order to ensure compliance with the requirements of this Procurement Policy."

The MTCECA Procurement Policy is authorized by SC Code Ann. § 59-53-1784(B) 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 § 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 Fiscal Accountability Authority for re-approval after five years. The MTCECA Procurement Policy expires at the end of the second quarter of the fifth calendar year following approval unless re-approved by the State Fiscal Accountability Authority.

On September 20, 2016, the State Fiscal Accountability Authority re-approved the MTCECA's Procurement Policy.

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 testing, on a sample basis, evidence about the MTCECA's compliance with its approved Procurement Policy for the period January 1, 2018 through December 31, 2021, the audit period, and 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) Approved Procurement Policy and purchasing card (P-Card) procedure manual
- (2) All sole source and emergency procurement justifications, of which none were reported to DPS
- (3) Procurement transactions for the audit period as follows:
 - a) All Eight purchase orders exceeding \$10,000
 - b) Direct expenditure voucher (DEV) payments, of which there were none
 - c) A block of sequential expenditures reviewed against the use of order splitting or favored vendors
 - d) Seven P-Card transactions. During the audit period, MTCECA made P-Card expenditures as follows:

	<u>FY2018</u>	<u>FY2019</u>	<u>FY2020</u>	<u>FY2021</u>	<u>Total</u>
P-Card Purchases	3,458	2,289	3,045	-	8,792

- (4) Small and Minority Business utilization plans and reports. The following activity was reported to the Division of Small and Minority Business Contracting and Certification (SMBCC):

<u>Fiscal Year</u>	<u>\$ Goal</u>	<u>\$ Actual</u>
Q 3&4; 2018	7,660	14,480
2019	11,998	1,422
2020	12,481	836
Q 1&2; 2021	-	1,732

- (5) Information Technology acquisitions under IT Plans, of which there were none
- (6) Reporting of surplus property dispositions, and approval of trade-ins in excess of \$5,000, of which there were none
- (7) Disposition of unauthorized procurements, of which there were none

RESULTS OF AUDIT

The MTCECA was found to be in compliance with its approved Procurement Policy during the audit period.

The following minor issue was identified during the audit:

Use of State-Term Contracts

Use of State-Term Contracts Excluded From Approved Procurement Policy

We found the Authority had procured supplies from non-contract vendors when such supplies were available under state term contracts.

SC Code Ann. § 11-35-310(37) defines term contracts as “contracts established by the chief procurement officer for specific supplies, services, or information technology for a specified time and for which it is mandatory that all governmental bodies procure their requirements during its term.”

Recommendation: We recommend requiring the use of state “Term Contracts” as defined in SC Code Ann. § 11-35-310(37) in the Authority’s Procurement Policy.

During the audit, the MTCECA made the recommended change to its Procurement Policy.

RECOMMENDATION

Section 1230 of the Midlands Technical College Enterprise Campus Authority's Procurement Policy requires the auditors from the [Division of Procurement Services] to review the adequacy of the Midlands Technical College Enterprise Campus Authority's internal controls to ensure compliance with its Procurement Policy. Any noncompliance discovered through audit must be transmitted in management letters to the Midlands Technical College Enterprise Campus Authority and the State Fiscal Accountability Authority. The auditors shall provide in writing proposed corrective action to the Authority. This report satisfies that requirement.

We found MTCECA's internal procurement operations to be consistent with its approved Procurement Policy.

As provided in Section 841 of the Midlands Technical College Enterprise Campus Authority's Procurement Policy, we recommend that the Midlands Technical College Enterprise Campus Authority's revised Procurement Policy be approved for a period of five years.

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