



Tri-County Technical College

INDEPENDENT PROCUREMENT AUDIT REPORT

**For the Audit Period:
July,1 2019 to June 30, 2022**

**Office of Audit & Certification
Division of Procurement Services
March 13, 2023**

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ABBREVIATIONS

Code	– SC Consolidated Procurement Code and ensuing Regulations
COTS	– Commercially Available Off-the-Shelf
CPO	– Chief Procurement Officer
DPS	– Division of Procurement Services
ITMO	– Information Technology Management Office
PI Manual	– Manual for Planning and Execution of State Permanent Improvements
MBE	– Minority Business Enterprise
MMO	– Materials Management Office
OCG	– Office of the Comptroller General
OSE	– Office of State Engineer
PCA	– Purchasing Card Administrator
P-Card	– Purchasing Card
PO	– Purchase Order
SCEIS	– South Carolina Enterprise Information
SMBCC	– Small and Minority Business Contracting and Certification
SPO	– Surplus Property Office
State PO Policy	– State of South Carolina Statewide Purchase Order Policy
STL	– Single Transaction Limits

INTRODUCTION

On January 6, 2020, the Director of DPS certified Tri-County Technical College (the College) to make direct procurements of construction up to \$100,000 per his authority under S.C. Code Ann. § 11-35-1210(1)(b) and Reg. 19-445.2020(B)(1)(b), and upon recommendation of the State Engineer. On July 28, 2022, the College submitted a general request for certification in all areas. As a result of this request and per S.C. Code Ann. §11-35-1210(1)(a) and Reg. 19-445.2020, DPS audited the College's internal procurement operating policies and procedures, as outlined in their internal Procurement Operating Procedures Manual.

The primary objective of our audit was to determine whether, in all material respects, the internal controls of the College's procurement system were adequate to ensure compliance with the Code.

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

- Identifying the college's procurement activities and understanding and complying with the Code.
- Establishing and maintaining an effective organization structure and system of internal control over procurement activities that provide reasonable assurance that the college administers its procurement programs in compliance with the Code.
- Establishing clear lines of authority and responsibility for making and approving procurements.
- Documenting the college's system of internal control over its procurement activities in an internal procurement procedure manual.
- Taking corrective action when instances of noncompliance are identified, including corrective action for the 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.

INTRODUCTION

Our audit was also performed at the College's request to determine if certification under SC Code Ann. § 11-35-1210 is warranted.

On January 6, 2020, the Director of DPS granted the College the following procurement certification:

<u>PROCUREMENT AREAS</u>	<u>CURRENT CERTIFICATION \$ LIMITS</u>
Construction Contract Award	100,000 per commitment*

The College requests procurement certification at the following limits:

<u>PROCUREMENT AREAS</u>	<u>REQUESTED CERTIFICATION \$ LIMITS</u>
Supplies and Services	250,000 per commitment*
Information Technology	150,000 per commitment*
Construction Contract Award	150,000 per commitment*

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

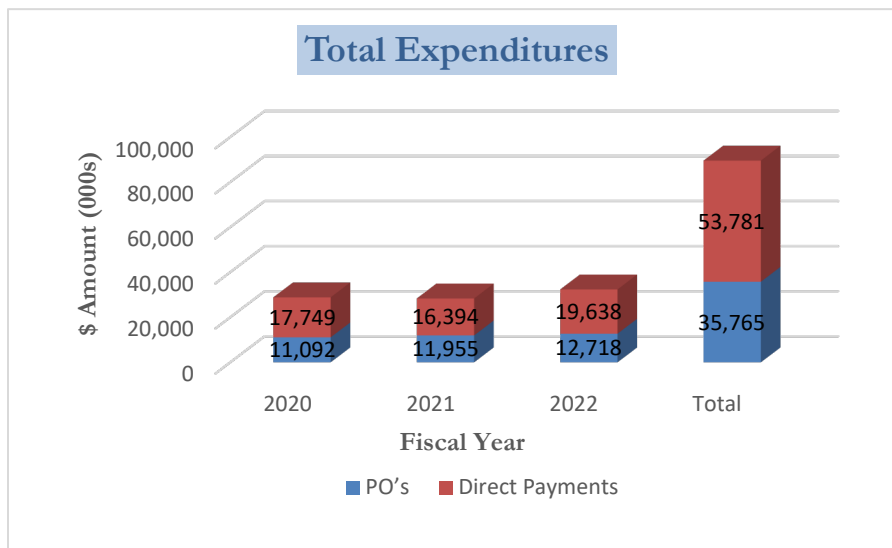
SCOPE

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 College’s compliance with the Code for the period July 1, 2019 through June 30, 2022, 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.

Total Expenditures

During the audit period, the college made expenditures as follows:

	\$ Amount (000s)			
	FY2020	FY2021	FY2022	Total
POs ¹	11,092	11,955	12,718	35,765
Direct Pay ²	17,749	16,394	19,638	53,781
Total Spend	28,841	28,349	32,356	89,546



¹ **POs** represents all expenditures made with a Purchase Order. These are required for most contract purchases by the terms of the contract and is the preferred procurement instrument when a government unit orders or procures supplies or services from a vendor.

² **Direct Pays** are made without purchase order based on the State Purchase Order Policy. These may occur with purchases of supplies or services that are exempt from the Code or for such things as payment for P-Card purchases or purchases less than \$2500.

SUMMARY OF RESULTS

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I. <u>Procurement Manual</u>	6
The College’s internal procurement procedure manual is inadequate to support the application of key provisions of the Code with increased certification.	
II. <u>Supplies & Services</u>	7
Our testing of supplies & services did not identify any compliance issues.	
III. <u>Sole Source Procurements</u>	7
Our testing of sole source procurements did not identify any compliance issues.	
IV. <u>Emergency Procurements</u>	7
Our testing of emergency procurements did not identify any compliance issues.	
V. <u>Construction</u>	7
Our testing of construction did not identify any compliance issues.	
VI. <u>P-Cards</u>	
<u>Program Administration</u>	
Without adequate management oversight, there is increased risk of P-Card misuse or abuse.	
A. <u>Independent Audits of P-Cards Not Performed</u>	8
The College had not performed Periodic independent audits of their P-Card program.	
B. <u>Increased STL’s not Approved</u>	8
The College did not document the required approvals for the authorization of STL’s greater than \$2,500.	
<u>Transaction Testing</u>	8
Our testing of P-Card transactions did not identify any compliance issues.	
VII. <u>Unauthorized or Illegal Procurements</u>	8
Our testing of unauthorized procurements did not identify any compliance issues.	
VIII. <u>Surplus Property</u>	9
Our testing of surplus property did not identify any compliance issues.	
IX. <u>Assistance to Minority Business Enterprises (MBE)</u>	9
The College did not submit three annual utilization plans in a timely manner.	

RESULTS OF AUDIT

I. Procurement Manual

Audit & Certification reviewed the college's internal procurement procedures manual to evaluate its effectiveness in documenting the college's system of internal controls over procurement. The College's procurement authority falls completely within the small purchase procedures of S.C. Code Ann. §11-35-1550 and the sole source and emergency procurement procedures of §§11-35-1560 and 1570. We did not identify any compliance issues in the College's procurements in these areas. However, the College's Procurement Procedures Manual required by SC Regulation 19-445.2005, dated February 2020, did not provide for key provisions of the Procurement Code, including:

- 1) Roles and responsibilities for performance, review, and approval of the various aspects of procurement by position for accountability.
- 2) A system for organizing and retaining procurement files.
- 3) Small purchase procedures including the purchase of COTS products per SC Regulations 19-445.2141.
- 4) Procedures for public notice of intent to award Sole Source and Emergency Procurements without competition greater than \$50,000 as required by SC Code Ann. §§ 11-35-1560 and 1570.
- 5) Procedures for the use of revenue generating contracts per SC Regulations 19-445.2000 E (3).

With increased certification, the College will be better served with an updated Procurement Procedures Manual.

Recommendation: We recommend the College revise its internal procurement procedures manual as required by SC Code Ann. § 11-35-540 (3) and Reg. 19-445.2005 to provide an adequate system of internal control over its procurement activities. Procurement Services' website has a procurement manual checklist that may serve as a guide in revising the college's' manual.

II. Supplies & Services

We audited expenditures exceeding \$10,000 made with POs, and expenditures made without a PO to determine compliance with the Code.

Our testing of supplies & services did not identify any compliance issues.

RESULTS OF AUDIT

III. Sole Source Procurements

Written determinations for all sole source procurements pursuant to SC Code Ann. § 11-35-1560, were evaluated to assess the appropriateness of the procurement actions and the accuracy of the quarterly reports required by § 11-35-2440.

During the audit period the College reported 55 sole source procurements totaling approximately \$2.2M to DPS.

Our testing of sole source procurements did not identify any compliance issues.

IV. Emergency Procurements

Written determinations for all emergency procurements made pursuant to SC Code Ann. § 11-35-1570 were evaluated to assess the appropriateness of the procurement actions and the accuracy of the quarterly reports required by § 11-35-2440.

The College conducted one emergency procurement totaling approximately \$12k during the audit period.

Our testing of emergency procurements did not identify any compliance issues.

V. Construction

We tested construction, and architectural/engineer and related professional service contracts for compliance with the Code and the Manual.

Our testing of construction procurements did not identify any compliance issues.

VI. P-Cards

The College had 256 P-Cards in use during the audit period and spent approximately \$6.4M in 22,185 transactions. Based on the volume of usage, there is increased risk that misuse, or abuse of P-Cards will not be prevented or detected without adequate management oversight.

Program Administration

A. Independent Audit of P-Cards Not Performed

Independent audits of P-Card activity had not been performed by the College as required. Section V (6) of the State P-Card Policy requires the college to create a “provision for an annual independent audit or review of the P-Card Program by the P-Card Administrator, Internal Audit unit, or other unit assigned audit responsibilities”. The

RESULTS OF AUDIT

College's internal P-Card Manual does not address an annual provision for the audit or independent review of the P-Card program.

Recommendation: We recommend that the College develop and implement procedures to require independent audits of the P-Card program are conducted, at least annually, including program administration and transaction testing. We further recommend that these audits be performed by individuals not associated with the P-Card program.

B. Increased STL's Not Approved

The College did not document the required approvals for authorization of P-Cards with an STL greater than \$2,500 as required by Section II (B) (2) of the State P-Card Policy. The College's internal P-Card Manual does not address the requirement that all cardholders that have an STL greater than \$2,500 have board or agency head approval. The College President delegated signing authority for all procurement related reports to the VP of Business Affairs.

Recommendation: We recommend the College develop and implement procedures to ensure compliance with the State P-Card Policy that require requests for governing board or agency head authorization of procurement cards with single transaction limits exceeding \$2,500.

P-Card Transaction Testing

We performed tests of P-Card transactions to ensure compliance with State and college P-Card policies and procedures. Our testing did not identify any compliance issues.

VII. Unauthorized or Illegal Procurements

We tested Unauthorized or Illegal Procurements to determine compliance with the Code and Regulations.

All reported unauthorized or illegal procurements were properly resolved.

VIII. Surplus Property

We tested asset disposals to determine compliance with the Code and State policies and procedures.

Our testing of surplus property did not identify any compliance issues.

RESULTS OF AUDIT

IX. Assistance to Minority Business Enterprises (MBE)

We requested copies of the college's Annual MBE utilization plans and quarterly progress reports to assess compliance with the Code.

Required MBE Reporting Not Submitted to SMBCC

The College did not submit three Annual MBE Utilization Plans in a timely manner as required by SC Code Ann. § 11-35-5240.

Recommendation: We recommend the College develop and implement procedures, including management review, for submitting Annual Utilization Plans to the SMBCC as required by SC Code Ann. § 11-35-5240.

CERTIFICATION RECOMMENDATION

We believe corrective action based on the recommendations in this report will make Tri-County Technical College's internal procurement operations consistent with the South Carolina Consolidated Procurement Code and ensuing regulations.

As provided in SC Code Ann. § 11-35-1210, we recommend that Tri-County Technical College procurement authority to make direct procurements be approved up to the following limits for three years:

<u>PROCUREMENT AREAS</u>	<u>RECOMMENDED CERTIFICATION \$ LIMITS</u>
Supplies and Services ³	250,000 per commitment*
Information Technology ⁴	150,000 per commitment*
Construction Contract Award	150,000 per commitment*

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

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³ Supplies and Services includes non-IT consulting services

⁴ Information Technology includes consulting services for any aspect of information technology, systems and networks