TRIDENT TECHNICAL COLLEGE

PROCUREMENT AUDIT REPORT

JANUARY 1, 2009 – MARCH 31, 2013

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

THE DIVISION OF PROCUREMENT SERVICES
DELBERT H. SINGLETON, JR.
DIVISION DIRECTOR
(803) 734-2320

JOHN ST. C. WHITE
INTERIM MATERIALS MANAGEMENT OFFICER
(803) 737-0600
FAX (803) 737-0639

August 21, 2014

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

Dear John:

We have examined the procurement policies and procedures of Trident Technical College for the period January 1, 2009 through March 31, 2013. 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 established a basis for reliance upon the system of internal controls 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 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 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 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 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 needed 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,

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 on-site review was conducted from August 13 through September 18, 2013, 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 May 2, 2011 the State Budget and Control Board granted Trident Technical College the following procurement certifications:

PROCUREMENT AREAS	CERTIFICATION LIMITS
Goods 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

On August 1, 2011, the South Carolina Higher Education Efficiency and Administrative Policies Act became law. This law amended section 11-35-1210 of the South Carolina Consolidated Procurement Code to provide that 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. On March 5, 2012, this authority was exercised by granting Trident Technical College the following increases in its procurement authority.

PROCUREMENT AREAS	CERTIFICATION LIMITS	APPROVED
Goods and Services	$ 300,000	$350,000
Consultant Services	$ 300,000	$350,000
Information Technology	$ 200,000	$250,000
Construction Contract Change Order	$ 50,000	No change
Architect/Engineer Contract Amendment	$ 10,000	No change

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

PROCUREMENT AREAS	CERTIFICATION LIMITS
Supplies and Services	$ 500,000 per commitment
Consultant Services	$ 500,000 per commitment
Information Technology	$ 500,000 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, hereinafter referred to as TTC, 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 January 1, 2009 through March 31, 2013 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 January 1, 2009 through March 31, 2013 with no exceptions.

(2) Procurement transactions for the period January 1, 2009 through March 31, 2013 as follows:

   a) One hundred twenty three payments each exceeding $2,500 with no exceptions

   b) Four construction contracts, four construction Indefinite Delivery Contracts, two professional service contracts, and three professional service Indefinite Delivery Contracts for compliance with the Manual for Planning and Execution of State Permanent Improvements – Part II, with exceptions noted in Section I of the report

   c) Three hundred sequentially filed purchase orders reviewed against the use of order splitting and favored vendors with no exceptions

   d) Procurement card transactions for the months of January, February and March 2013 with one exception noted in Section II of the report

(3) Minority Business Enterprise Plans and reports with no exceptions and the following activity reported to The Governor's Office of Small and Minority Business Assistance:

Fiscal Year	Goal	Actual
2009-2010	N/A	$14,415
2010-2011	See footnote[1]	$ 8,637
2011-2012	$406,484	$62,249
2012-2013	See footnote	$31,882

(4) Approval of the most recent Information Technology Plan with no exceptions

(5) Internal procurement procedures manual with no exceptions

(6) Surplus property disposition procedures with no exceptions

(7) Ratification of Unauthorized Procurements with no exceptions

(8) File documentation and evidence of competition with no exceptions

(9) Other tests performed as deemed necessary with no exceptions

[1] In past years the State Board for Technical and Comprehensive Education (SBTCE) served as the liaison to the Office of Small and Minority Business Assistance (OSMBA) in the Governor's Office for the entire technical college system. SBTCE prepared one annual utilization plan for assistance to minority business enterprises (MBE) for the entire technical college system each year. To increase accountability, the SBTCE concluded the technical colleges should be responsible for filing their own annual utilization plans directly with OSMBA and reporting their own quarterly activity. The technical colleges began filing their own MBE plans with OSMBA in fiscal year 2010-2011. TTC submitted it first MBE plan for fiscal year 2011-2012. TCC did not submit a MBE plan for fiscal year 2012-2013. TTC did file a MBE plan for fiscal year 2013-2014. All quarterly reports were filed.

RESULTS OF EXAMINATION

I. Construction IDC Delivery Orders

We reviewed Indefinite Delivery Contracts (IDCs) for compliance with the Procurement Code and the Manual for Planning and Execution of State Permanent Improvements - Part II (the Manual) published by the Office of State Engineer (OSE). In doing so we learned that the College issued delivery orders against IDCs exceeding its $50,000 certification limit.

IDC	Project Date	Project Description	Project Amount
H59-D579-PG	10/12/11	Trolley Road Building Painting	$ 67,470
H59-D579-PG	06/06/11	Mt. Pleasant Site Flooring and Ceiling Installation	$ 76,487
H59-D579-PG	06/10/10	Building 630 Restrooms	$ 87,823
H59-D687-PG	06/08/12	Main Campus High Voltage Switches	$139,001

Section 13.1.2, Delegation of Construction Procurement Authority, of the OSE manual provides in part, "All Agencies have a basic level of certification of $50,000 permitting them to procure construction services valued at $50,000 or less under their own authority." It further provides, "OSE must monitor and approve construction procurements exceeding the Agency construction certification." Section 9.3.1 B, Building Code Compliance, states in part, "Unless OSE delegates its authority as the building official to the Agency, all work to be performed under a delivery order must be reviewed and approved by OSE for compliance with applicable building codes before the delivery order is issued." Also, section 7.8 B (2) of the OSE manual states in part, "If the change order causes the total construction contract amount to exceed the Agency's construction procurement certification limit, then OSE must approve the change order…." And section C. of that section states in part, "If the Change Order has any item or change in work exceeding the Agency's change order certification limit, then OSE must authorize the change order…."

TTC's construction certification is limited to $50,000 per contract. TTC also has $50,000 in construction contract change order authority. Given that these projects exceeded $50,000, the OSE should have approved them. The files contained no documentation to support that these projects had been reviewed and approved by OSE. As such, these procurements were unauthorized.

Additionally, TTC used the cost guide and multiplier method to compete its construction IDCs. When selecting this method, OSE Manual section 9.3.6 B (1) requires that at least 80% of the work performed must be priced using the cost guide schedule. The following projects did not meet the 80% requirement.

IDC	Project Date	Project Description	Project Amount	Cost Guide Percent
H59-D579-PG	10/12/11	Trolley Road Building Painting	$ 67,470	18.96%
H59-D687-PG	06/08/12	Main Campus High Voltage Switches	$139,001	13.83%

If 80% of the work performed cannot be priced using the cost guide, OSE Manual section 9.3.6 B (1) provides, "... the agency should determine whether the scope of work is within the scope of the solicitation for ID construction services. If not, the agency should not issue a delivery order for the work under that IDC. If the Agency determines that the proposed delivery order is within the scope of the solicitation for IDC construction services and decides to proceed using an ID contractor selected under the solicitation, the agency must solicit competitive quotes on the work from multiple ID contractors."

We recommend TTC obtain approval from OSE before executing delivery orders exceeding its certification as required by the OSE Manual sections 7.8 B; 9.3.1 B; and 13.1.2. We recommend TTC follow OSE Manual section 9.3.6 B when at least 80% of the work cannot be priced using the cost guide.

College Response

This was due to a misinterpretation of an answer to a question asked by our Facilities Management director to our OSE representative concerning delivery orders that do not initially exceed $50,000 but do subsequently exceed as a result of modifications. We now realize that we misunderstood. We met with our local OSE representative after this was pointed out to us during audit and are now obtaining approval from OSE before executing delivery orders exceeding our certification in accordance with OSE Manual sections 7.8B; 9.3.1B; and 13.1.2.

We are no longer using RS Means as the method of awarding IDC contracts. We will be bidding "seed" projects to make initial awards and will solicit quotes for subsequent delivery orders among the awarded contractors in accordance with OSE procedures.

II. Unallowable Credit Card Purchases

We reviewed credit card transactions for compliance with the South Carolina Consolidated Procurement Code and the South Carolina Purchasing Card Policy and Procedures Manual. We found 16 instances totaling $1,383 where a culinary arts card holder purchased alcohol for the culinary arts program using the procurement card. The South Carolina Purchasing Card Policy and Procedures Manual, section IV. D. Prohibited Purchases, specifically prohibits the purchase of alcoholic beverages.

We recommend TTC comply with the South Carolina Purchasing Card Policy and Procedures Manual, section IV. D.

College Response

We corrected this the same day that it was pointed out to us. We are now purchasing with a college issued check. We will continue to comply with the South Carolina Purchasing Card Policy and Procedures Manual, section IV.D.

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	*$ 500,000 per commitment
Consultant Services	*$ 500,000 per commitment
Information Technology	*$ 250,000 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.

Robin D. Jacobs, CPA, CGMA
Audit Manager

Robert J. Aycock, IV, Manager
Audit and Certification

State Fiscal Accountability Authority

THE DIVISION OF PROCUREMENT SERVICES
DELBERT H. SINGLETON, JR.
DIVISION DIRECTOR
(803) 734-8018

JOHN ST. C. WHITE
MATERIALS MANAGEMENT OFFICE
(803) 737-0600
FAX: (803) 737-0639

July 27, 2015

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

Dear John:

We have reviewed the response from Trident Technical College to our audit report for the period of January 1, 2009 through March 31, 2013. We have followed-up on Trident Technical College's corrective action during and subsequent to our fieldwork.

In our opinion, Trident Technical 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 Trident Technical 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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