



College of Charleston

INDEPENDENT PROCUREMENT AUDIT REPORT

**for the Audit Period:
April 1, 2020 to March 31, 2023**

**Office of Audit & Certification
Division of Procurement Services
May 13, 2024**

Table of Contents

| | <u>Page</u> |
|------------------------------------|-------------|
| Abbreviations | 1 |
| Introduction..... | 2 |
| Scope..... | 4 |
| Summary of Results..... | 5 |
| Results of Audit..... | 7 |
| Certification Recommendation | 16 |

Abbreviations

| | |
|---------------------|---|
| Cardholder | – Purchasing Card Holder |
| Code | – SC Consolidated Procurement Code and ensuing Regulations |
| COTS | – Commercially Available Off-the-Shelf |
| CPO | – Chief Procurement Officer |
| DPS | – Division of Procurement Services |
| PI Manual | – Manual for Planning and Execution of State Permanent Improvements |
| MCC | – Merchant Category Codes |
| MBE | – Minority Owned Business Enterprise |
| PCA | – Purchasing Card Administrator |
| P-Card | – Purchasing Card |
| PO | – Purchase Order |
| SFAA | – State Fiscal Accountability Authority |
| SMBAO | – Small and Minority Business Assistance Office |
| State P-Card Policy | – SC Purchasing Card Policy and Procedures |
| State PO Policy | – State of South Carolina Statewide Purchase Order Policy |
| STL | – Single Transaction Limit |

Introduction

DPS audited The College of Charleston's (the College) internal procurement operating policies and procedures, as outlined in their internal Procurement Operating Procedures Manual, under § 11-35-1230 of the Code and Reg. 19-445.2020.

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.

We conducted our review and evaluation of the system of internal control over procurement transactions, as well as our overall audit of procurement policies and procedures, with professional care. However, because of the nature of audit testing, they would not necessarily disclose all weaknesses in the system.

Introduction

We also performed our audit to determine if recertification under SC Code Ann. § 11-35-1210 is warranted.

On May 14, 2019, SFAA granted the College the following procurement certifications:

| <u>PROCUREMENT AREA</u> | <u>CURRENT CERTIFICATION \$ LIMITS</u> |
|--|--|
| Supplies and Services..... | 500,000 per commitment* |
| Information Technology..... | 200,000 per commitment* |
| Construction Contract Award..... | 100,000 per commitment* |
| Construction Contract Change Order | 100,000 per change order |
| Architect/Engineer Contract Amendment..... | 15,000 per amendment |

During the audit the College requested the following increases in its certification limits

| <u>PROCUREMENT AREA</u> | <u>REQUESTED CERTIFICATION \$ LIMITS</u> |
|--|--|
| Supplies and Services..... | 1,000,000 per commitment* |
| Information Technology..... | 1,000,000 per commitment* |
| Revenue Generating Contracts | 1,500,000 per commitment* |
| Construction Contract Award..... | 500,000 per commitment* |
| Construction Contract Change Order | 200,000 per change order |
| Architect/Engineer Contract Amendment..... | 75,000 per amendment |

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

Scope

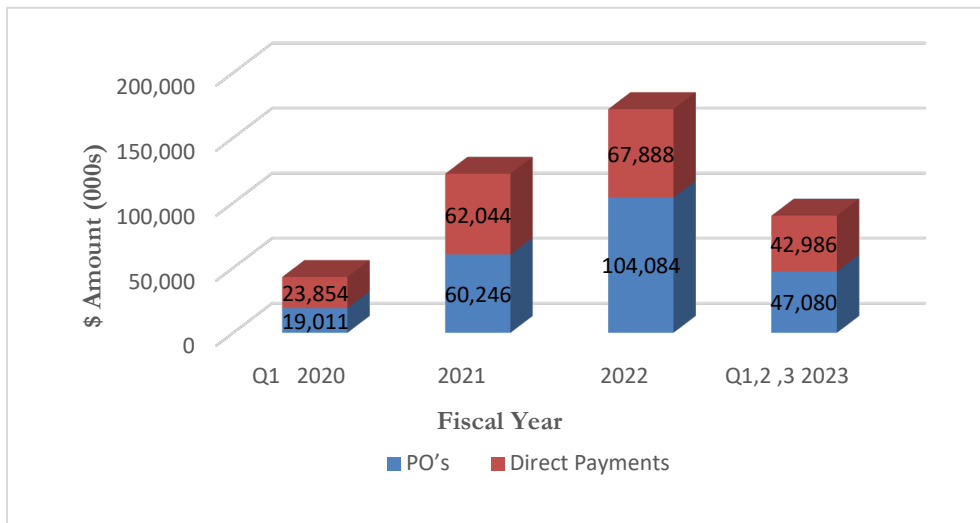
We conducted our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. Our audit included testing, on a sample basis, evidence about the College’s compliance with the Code for the period April 1, 2020, through March 31, 2023, 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.

We reviewed all sole source and emergency procurements for the audit period January 1, 2019, through March 31, 2023, as required by SC proviso 117.41.

Total Expenditures

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

| | \$ Amount (000s) | | | | Total |
|-------------------------|------------------|----------------|----------------|------------------|----------------|
| | Q4 FY2020 | FY2021 | FY2022 | Q1,2,3 FY2023 | |
| POs ¹ | 19,011 | 60,246 | 104,084 | 47,080 | 230,421 |
| Direct Pay ² | 23,854 | 62,044 | 67,888 | 42,986 | 196,772 |
| Total Spend | 42,865 | 122,290 | 171,972 | 99,066 | 427,193 |



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 PO 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 \$2,500.

Summary of Results

PAGE

I. Supplies, Services, and IT

Notice of Award Not Posted for COTS Procurements..... 7

The College did not communicate notice of award to all bidders for five COTS procurements greater than \$50k.

II. Sole Source Procurements

A. Inappropriate Sole Source Determinations 7

The College made two inappropriate sole source determinations.

B. Right to Protest Clause Not Included in Public Notice..... 8

The College did not include the right to protest clause in the public notice of intent to award for three sole source procurements.

C. Cost and Pricing Data Not Obtained 8

The College did not obtain the cost or pricing data for five sole source procurements greater than \$500k.

III. Emergency Procurements

Inadequate Emergency Determinations..... 9

The College made nine emergency determinations that did not adequately describe the basis for emergency.

IV. Construction

Payment And Performance Bonds Not Obtained..... 10

The College did not obtain the payment and performance bonds for one construction project.

V. P-Cards

Program Administration

A. Independent Audit of P-Cards Not Performed 10

The College did not perform required periodic independent audits of its P-Card program.

B. Cardholder Exceeded STL Without Required Approval..... 11

One cardholder exceeded his \$20,000 STL without CPO approval.

C. Insufficient P-Card Manual 11

The College's internal P-Card Manual is outdated and does not address key elements of the State P-Card Policy.

Transaction Testing

A. No Documented Liaison Reviews..... 12

The College did not perform required liaison reviews.

Summary of Results

PAGE

B. Bank Statements Lacked Supervisor and Cardholder Approval..... 13

The College’s cardholders and supervisor/approvers did not sign and date multiple monthly bank statements.

C. P-Cards Inadequately Secured..... 13

Twenty-two cardholders failed to adequately secure their P-Cards.

D. Split Purchases..... 11

Two cardholders split two transactions to avoid the STL.

VI. **Unauthorized or Illegal Procurements**..... 14

We tested unauthorized or illegal procurements to determine compliance with the Code and did not find any compliance issues.

VII. **Surplus Property**..... 14

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

VIII. Assistance to MBE

Required MBE Reports to SMBAO Submitted Late..... 14

The College submitted three annual MBE utilization plans and seven quarterly reports late.

Note: The College’s responses to issues raised in this report have been inserted immediately following the recommendations in the body of the report.

Results of Audit

I. Supplies, Services, and IT

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

Our review of procurements for the audit period identified the following issues:

Notice of Award Not Posted for COTS Procurement

The College did not communicate notice of award to all bidders for five COTS procurements totaling approximately \$364k as required by SC Regulation 19-445.2100 A (6). All five procurements exceeded \$50k, and the notice of award informs bidders of their right to protest.

Recommendation: We recommend the College develop and implement procedures to ensure communication of notice of award for all COTS procurements greater than \$50,000 to all bidders, as required.

College Response

Agree, accept recommendation.

Corrective Action: We added this step to the buyers' checklist May 2024 and set up a section on our public notice website in March 2024 to view COTS awards. A link to the buyers' checklist was provided to Audit & Certification.

II. 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 261 sole source procurements totaling approximately \$21M to DPS.

A. Inappropriate Sole Source Determinations

The College conducted two sole source procurements totaling approximately \$4.7M that were not appropriate per SC Reg 19-445.2105 (C)(2). These two acquisitions could have been competitively procured.

Recommendation: We recommend the College develop and implement procedures to ensure compliance with SC Code Ann. § 11-35-1560, and SC Reg 19-445.2105 (C)(2) regarding sole source determinations, and that competition be solicited whenever there is reasonable doubt.

Results of Audit

College Response

Agree, accept recommendation.

Corrective Action: College will perform and document market research and, if there is reasonable doubt regarding the appropriateness of a sole source, a solicitation will be issued. This requirement was added to the buyer checklist May 2024.

B. Right to Protest Clause Not Included in Public Notice

The College did not include the prospective bidders' right to protest clause in the public notice of intent to award for three sole source procurements totaling approximately \$260k.as required by SC Code Ann. § 11-35-1560 (A).

Recommendation: We recommend the College develop and implement procedures to ensure posting of public notice of intent to award without competition, as required by SC Code Ann. § 11-35-1560 (A).

College Response

Agree, accept recommendation.

Corrective Action: This requirement was added to the buyer checklist May 2024 and all award templates have been revised to include the appropriate language in March 2024.

C. Cost and Pricing Data Not Obtained

The College did not obtain cost or pricing data for five sole source procurements totaling approximately \$7.5M as required by SC Code Ann § 11-35-1830.

Recommendation: We recommend the College develop and implement procedures to ensure compliance with SC Code Ann § 11-35-1830 regarding cost or pricing data. DPS provides a template in Appendix U to the Compendium that may be useful in obtaining the required data.

College Response

Agree, accept recommendation.

Corrective Action: This requirement has been added to the buyer checklist May 2024 and a template for obtaining the data has been created. A copy of the template has been provided to Audit & Certification.

III. **Emergency Procurements**

We evaluated all written determinations for emergency procurements made pursuant to SC Code Ann. § 11-35-1570 to assess the appropriateness of the procurement actions and the accuracy of the

Results of Audit

quarterly reports required by § 11-35-2440. The College conducted 47 emergency procurements totaling approximately \$2.3M during the audit period.

Inadequate Emergency Determinations

The College declared nine emergencies totaling approximately \$411k due to the expiration of contracts and a lack of time to competitively procure new contracts.

Regulation 19-445.2110 (B) defines an emergency:

An emergency condition which creates a threat to public health, welfare, or safety such as may arise by reason of flood, epidemics, riots, equipment failures, fire loss, or such other reason as may be proclaimed by either the Chief Procurement Officer (CPO) or the head of a purchasing the College or a designee of either office. The existence of such conditions must create an immediate and serious need for supplies, services, information technology, or construction that cannot be met through normal procurement methods and the lack of which would seriously threaten:

- (1) The functioning of State government.
- (2) The preservation or protection of property; or
- (3) The health or safety of any person.

The SC Supreme Court, relying on the above Regulation and the common meaning of the term emergency, held that “[a]n emergency is, by its very nature, a sudden, unexpected onset of a serious condition.”¹

The expiration of a contract in accordance with its terms is not an event that is sudden and unexpected.

Recommendation: We recommend the College develop and implement procedures to ensure emergency procurements are limited to circumstances that meet the definition of an emergency under Reg. 19-445.2110. We also recommend all future instances where contracts are expiring and require extension to facilitate solicitation of competition, be reported to the CPO prior to contract extension by emergency declaration. We further recommend that the College develop procedures to ensure that procurements requiring longer lead times can be identified and accommodated, and that the procurement office develop procedures to track contract expiration dates.

College Response

Agree, accept recommendation.

Corrective Action: The College has a process and plan for tracking contract terms and providing adequate notice to department contract owners to review their requirements and develop specifications allowing for solicitations to be conducted in a timely manner prior to contract expiration

¹ The State of South Carolina, In the Supreme Court, Opinion No. 26534, Heard April 15, 2008 – Filed August 25, 2008.

Results of Audit

dates. If we should have this situation again, we will extend the current contract for the shortest time frame practical as a sole source or emergency to prevent lapses in service while the new contract is being solicited.

IV. Construction

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

Payment And Performance Bonds Not Obtained

The College did not obtain payment and performance bonds for one construction project as required by SC Code Ann. §§11-35-3030(2)(a) and 29-6-250.

Recommendation: We recommend the College develop and implement procedures to ensure payment and performance bonds are obtained for all construction projects greater than \$50k.

College Response

Agree, accept recommendation.

Corrective Action: Facilities Management will add the requirement to obtain payment and performance bonds for all construction projects greater than \$50K to a check list for project managers.

V. P-Cards

The College had 514 P-Cards in use during the audit period and spent \$12,834,545 in 47,923 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

We reviewed the College's P-Card Policy and Procedures for compliance with the State P-Card Policy and identified weaknesses in program oversight.

A. Independent Audit of P-Cards Not Performed

The College had not performed independent audits of P-Card activity 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". Additionally, the College's internal P-Card policies require its internal auditor to make regular periodic audits.

Recommendation: We recommend the College comply with the State and internal P-Card Policy regarding independent audits or reviews. Reviews should be performed at least annually and include program administration and transaction testing. To improve the effectiveness of these audits, we

Results of Audit

further recommend that these audits be performed by individuals not associated with the P-Card program. An audit program is available on DPS' website that may prove useful in conducting effective P-Card audits.

College Response

Agree, accept recommendation.

Corrective Action: The internal auditor position has been filled and they have been tasked with performing an annual, independent audit of the P-Card program administration and transactions.

B. Cardholder Exceeded STL Without Required Approval

One cardholder exceeded their \$20,000 STL without governing board and CPO approval required by State P-Card Policy II (D).

Recommendation: We recommend the College develop and implement procedures to ensure Cardholders know and comply with their STLs. We further recommend a documented liaison review that includes reviewing for purchases exceeding the STL.

College Response

Agree, accept recommendation.

Corrective Action: Cardholder's card has been suspended. An entry was added to the Liaison checklist May 2024 to check for purchases that may have exceeded a cardholder's STL and to report it to the Procurement Office. Cardholders are given a STL of \$2,500 unless there is a request and approval from the governing board to increase the limit. When a request comes for a limit above the no competition limit, a request is submitted to both the governing board and DPS for approval.

C. Insufficient P-Card Manual

We reviewed the College's internal P-Card Procedure Manual for compliance with State P-Card Policy and identified areas of non-compliance.

The following key areas were omitted from the College's manual:

- 1) No procedures for the monitoring of accounts for inactivity and promptly closing cards that are no longer needed.
- 2) No procedures for obtaining agency head or governing board approval for increasing STLs greater than \$2,500.
- 3) No procedures for obtaining CPO approval for purchases greater than the no competition limit.
- 4) No procedures for obtaining approval to use blocked MCCs.
- 5) No procedures requiring that both cardholders and supervisor/approvers sign the bank statements.
- 6) Procedures do not adequately define Liaison roles, nor establish objectives and require documentation for liaison reviews.

Results of Audit

Recommendation: We recommend the College revise its internal P-Card Manual to document internal control procedures to ensure compliance with key requirements in the State P-Card Policy. Procurement Services website has a P-Card Manual Checklist that may be of assistance in revising the manual.

College Response

Agree, accept recommendation.

Corrective Action: College of Charleston P-Card Manual was updated in December 2023, in April 2024, and again in May 2024 to include areas identified as missing. The College's updated P-Card Manual was provided to Audit & Certification on April, 25 2024.

P-Card Transaction Testing

We performed tests of P-Card transactions to ensure compliance with State and internal P-Card policies and procedures. Transaction testing identified one area of non-compliance, which was not identified by the PCAs or supervisor/approvers during the monthly review and reconciliation of cardholder statements.

A. No Documented Liaison Reviews

The College's P-Card Liaisons did not conduct documented reviews as required by Part III (C) of the State P-Card Policy. The College's internal policy includes a liaison role for reconciling the P-Card statements but does not require that the liaisons review for prohibited transactions and document their reviews.

Recommendation: We recommend the College update its internal P-Card Procedures to provide for documented monthly reviews by Liaisons. Documented monthly reviews ensure that reviews are effective in identifying unallowable purchases, split transactions, and the use of blocked MCCs. Accepted practice is for the Liaisons to use a checklist to document their reviews.

College Response

Agree, accept recommendation.

Our P-Card Policy required liaisons to review and reconcile P-Card statements but did not specifically state that the liaison document those reviews in writing and sign the statement.

Corrective Action: That requirement has been added to the P-Card Policy under Liaison responsibilities and we have developed and added a Liaison Checklist April 2024 and updated May 2024 for use in documenting their reviews.

Results of Audit

B. Bank Statements Lacked Supervisor and Cardholder Approval

Cardholders did not sign-off on 22 of the 25 bank statements tested. State P-Card Policy III (D) (4) requires the cardholders sign-off on the bank statements attesting to the accuracy and completeness of statements. The College's P-Card Policy does not require the cardholder to sign the bank statements.

The College's P-Card Supervisor/Approvers failed to sign bank statements in 24 of the 25 items tested. State P-Card Policy III (B) (8) states that “supervisor/approving officials must review all transactions and sign the monthly bank statements signifying review and approval for payment. This responsibility cannot be delegated to another person.” Further, the College's P-Card Policy does not require supervisors to sign the bank statements.

Recommendation: We recommend the College develop and implement procedures requiring timely approval and signing of monthly bank statements by both the cardholders and supervisor/approvers. We also recommend that the College provide refresher training for cardholders and supervisors who have oversight responsibility for P-Cards.

College Response

Agree, accept recommendation.

Corrective Action: Requirements for written or e-approvals have been added to the updated P-Card Policy and Procedure Manual in April 2024. The College is implementing the use of WORKS approval tools to streamline and gather online approvals. Cardholders will be required to upload their receipts and approve their monthly statement. Next, the liaison will approve the transactions in WORKS and the department head will be required to affix their signature to the hard copy statement. This will take several months to roll out to the whole campus, and we have a projected completion date of 10/31/2024. We require refresher training for all cardholders and liaisons every two years and within two months of any written violation.

C. P-Cards Inadequately Secured

Twenty-two Cardholders failed to adequately secure their P-Cards. Cardholders made 951 recurring purchases totaling approximately \$132k with P-Cards that were stored on external websites. Per State P-Card Policy III (D) (1) (c) cardholders should maintain security of the account number, expiration date, and security code at all times.

College Response

Agree, accept recommendation.

Some vendors require a credit card on file in order to do business.

Results of Audit

Corrective Action: Cardholders have been instructed to remove their P-Card information from the websites where they are stored. If a vendor requires this, for example, Google Ads, we will provide justification and request approval from the State Procurement Office to allow the exception.

D. Split Purchases

Two cardholders split two purchases totaling approximately \$85k to avoid their STL. State P-Card Policy Section IV (C) prohibits splitting transactions to avoid the STL and further provides that doing so may result in revocation of P-Card privileges.

Recommendation: We recommend the College re-train cardholders on State and internal P-Card policies. We further recommend the College implement the use of checklists in the monthly Liaison reviews to better identify purchases that violate State and internal P-Card policies.

The College should report the split purchases to DPS as unauthorized or illegal procurements in its Quarterly Reporting.

College Response

Agree, accept recommendation.

Corrective Action: Two cardholders that had split purchases have had their P-Cards suspended. One of the purchases exceeded the small purchase limit of \$10K and will be added to the Unauthorized Procurement report for the appropriate quarter. Reviewing for split purchases has been added to the Liaison checklist and the P-Card Administrator will review for split transactions on WORKS dashboard on a monthly basis.

VI. 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.

VII. Surplus Property

We tested asset disposals to determine compliance with the Procurement Code and State policies and procedures. Our testing of asset disposals did not identify any compliance issues.

VIII. Assistance to MBEs

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

Results of Audit

Required MBE Report to SMBAO Submitted Late

The College did not submit three annual MBE plans and seven quarterly reports 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 and Quarterly Progress Reports to the SMBAO in a timely manner as required by SC Code Ann. § 11-35-5240.

College Response

Agree, accept recommendation.

Corrective Action: Due dates for reports will be noted on staff calendars and management review will be required 5 days prior to due date, effective 4th quarter, 2024.

Certification Recommendation

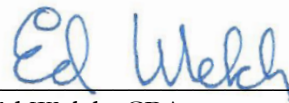
We recommend the college cancel twenty percent of its P-Cards within 30 days of receipt of this report for a period of one year and provide DPS with a list of the cancelled cards. We further recommend that the College revise its P-Card procedures to ensure effective management oversight and submit to DPS for approval.

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

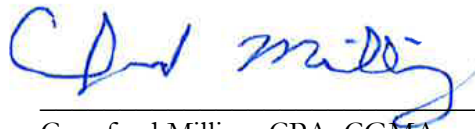
As provided in SC Code Ann. § 11-35-1210, we recommend that the College of Charleston's procurement authority to make direct procurements be increased up to the following limits for three years:

| <u>PROCUREMENT AREA</u> | <u>RECOMMENDED CERTIFICATION \$ LIMITS</u> |
|---|--|
| Supplies and Services ¹ | 1,000,000 per commitment* |
| Information Technology ² | 500,000 per commitment* |
| Construction Contract Award..... | 200,000 per commitment* |
| Construction Contract Change Order | 200,000 per change order |
| Architect/Engineer Contract Amendment | 75,000 per amendment |

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



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¹ Supplies and Services including non-IT consulting services

² Information Technology includes consulting services for any aspect of information technology, systems, and networks