



GREENVILLE TECHNICAL COLLEGE (GTC)
INDEPENDENT PROCUREMENT AUDIT REPORT
JULY 1, 2015 – MARCH 31, 2018

Office of Audit & Certification
Division of Procurement Services
October 8, 2019

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INTRODUCTION

We conducted an audit of GTC's internal procurement operating policies and procedures, as outlined in their Internal Procurement Operating Procedures Manual, under §11-35-1230(1) of the South Carolina Consolidated Procurement Code (Code) and Reg. 19-445.2020 of the accompanying regulations.

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

The management of GTC is responsible for the college's compliance with the South Carolina Consolidated Procurement Code. Those responsibilities include the following:

- Identifying the college's procurement activities and understanding and complying with the Code
- Establishing and maintaining effective controls over procurement activities that provide reasonable assurance that the college administers its procurement programs in compliance with the Code
- Evaluating and monitoring the college's compliance with the SC Consolidated Procurement Code
- Taking corrective action when instances of noncompliance are identified, including corrective action on audit findings of this audit.

We conducted our review and evaluation of the system of internal control over procurement transactions, as well as our overall examination 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.

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

INTRODUCTION

On August 25, 2015, the State Fiscal Accountability Authority granted GTC the following procurement certifications:

| <u>PROCUREMENT AREAS</u> | <u>CERTIFICATION LIMITS</u> |
|---------------------------------------|-----------------------------|
| Supplies and Services | *\$ 250,000 per commitment |
| Consultant Services | *\$ 250,000 per commitment |
| Information Technology | *\$ 150,000 per commitment |
| Construction Contract Award | \$ 100,000 per commitment |
| Construction Contract Change Order | \$ 50,000 per change order |
| Architect/Engineer Contract Amendment | \$ 25,000 per amendment |

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

GTC did not request any increases to its current certification levels during the audit.

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 GTC's compliance with the South Carolina Consolidated Procurement Code, for the period July 1, 2015 through March 31, 2018, 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) Internal procurement and purchasing card (P-Card) procedure manuals
- (2) All sole source, emergency, and trade-in sale procurements for the examination period
- (3) Procurement transactions for the audit period as follows:
 - a) Sixty-nine payments, each exceeding \$2,500
 - b) Three hundred and ten sequentially filed purchase orders reviewed for the use of splitting orders or favoring vendors
 - c) Fifty-four P-Card purchases were reviewed during the audit period
 - d) Current revenue generating contracts
- (4) Minority Business Enterprise plans and reports The following activity was reported to the Division of Small and Minority Business Contracting and Certification:

| <u>Fiscal Year</u> | <u>\$ Goal</u> | <u>\$ Actual</u> |
|--------------------|----------------|------------------|
| 2016 | 80,106 | 212,468 |
| 2017 | 840,312 | 89,372 |
| 2018 | 687,187 | 98,643* |

* Actual amount represents 1st, 2nd, and 3rd quarters only.

- (5) Five Construction contracts and five Architect/Engineer and Related Professional Service contracts with two being indefinite delivery contracts were reviewed for compliance with the Manual for Planning and Execution of State Permanent Improvements, Part II
- (6) Information technology acquisitions under IT Plans
- (7) Surplus property dispositions, and approval of trade-ins in excess of \$5,000
- (8) Disposition of Unauthorized Procurements. The following unauthorized procurement activity was reported to the Division of Procurement Services:

| <u>Fiscal Year</u> | <u>Count</u> | <u>\$ Amount</u> |
|--------------------|--------------|------------------|
| 2016 | - | -0- |
| 2017 | - | -0- |
| Q1-3 2018 | 1 | 1,614 |

SUMMARY OF FINDINGS

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I. **Supplies and Services**

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| One procurement was not supported by evidence of competition. | |

Note: GTC's responses to the recommendations made in this report are attached after the report.

RESULTS OF EXAMINATION

I. Supplies and Services

We tested procurements of supplies and services, information technology, and consultant services and identified the following exceptions:

A. Multiple infractions for one unauthorized procurement

1. Contracts executed by unauthorized employee

GTC's welding shop switched from cylinder rental to having the vendor install micro bulk¹ tanks for three different gases (argon, carbon dioxide, and oxygen), and refill them on-site as needed. Three separate contracts with the same vendor for the equipment and gases were signed by an unauthorized GTC employee. Although the vendor was on state contract at the time, these particular gases were not covered under the existing contract.

SC Code Ann. §11-35-310(25) states, "Procurement officer means any person duly authorized by the governmental body, in accordance with procedures prescribed by regulation, to enter into and administer contracts and make written determinations and findings with respect thereto."

2. Contracts exceeded five-year multi-term contract limit without proper approval

Each contract had an initial five-year term with automatic one-year renewals unless the vendor was notified of termination twelve months in advance. The contracts extended into the sixth year as termination notice had not been provided.

SC Code Ann. §11-35-2030 (1) states, "Unless otherwise provided by law, a contract for supplies, series, or information technology must not be entered into for any period of more than one year unless approved in a manner prescribed by regulation of the board." Subsection (4) states, "The maximum time for a multi-term contract is five years. Contract terms of up to seven years may be approved by the designated board officer. Contracts exceeding seven years must be approved by the board."

3. Contract exceeded college's certification limit

The micro bulk gas contracts were signed on November 30, 2010. The initial five-year contract term for argon gas totaled approximately \$278,530, well in excess of GTC's certification of \$100,000 granted by the Board on December 15, 2009.

¹ Micro bulk is a concept where gas is supplied by filling on-site versus the traditional method for smaller volume usage where gas is supplied by swapping full for empty cylinders and dewars. Dewar - a cryogenic storage dewar (named after James Dewar) is a specialized type of vacuum flask used for storing cryogenics (such as liquid nitrogen or liquid helium) whose boiling points are much lower than room temperature.

RESULTS OF EXAMINATION

GTC did not report the procurement as unauthorized. Because these contracts were executed by an unauthorized individual, did not obtain the required multi-term contract approvals, and exceeded the college's procurement certification, they were void at their inception. Four months before the five-year contract expired, GTC unsuccessfully attempted to have the vendor remove the micro bulk equipment from its campus, however, termination was complicated by GTC's regular payments for nearly five years. Continued payments should have been contingent upon disposition of the contract in accordance with Reg. 19-445.2015.

4. Direct payment method facilitated unauthorized contracts' continued use without detection

The direct payment method allows for qualified procurements to be made without a purchase order. Direct payments were processed for micro bulk gas contracts for nearly five years without detection that they were being made through an unauthorized contract.

Per §11-35-1520(1), "Contracts greater than fifty thousand dollars must be awarded by competitive sealed bidding except as otherwise provided in Section 11-35-1510."

Recommendation: We recommend GTC develop and implement policies and procedures to:

- Prevent procurements in excess of the college's certification limits;
- Clearly communicate, to all employees, via policy and training, when a PO is required, and ensure that all such purchases are routed through the procurement department;
- Prevent unauthorized employees from entering into contracts;
- Identify and report unauthorized procurements quarterly; and
- Ensure disposition of unauthorized contracts in accordance with Regulation 19-445.2015.

B. Evidence of Competition Not Provided

A payment of \$12,213 for annual GPS service for agency vehicles was made with no evidence of competition.

The GPS service was expected to cost less than \$10,000 so no competition was required. But as the number of covered vehicles increased, the cost exceeded the \$10,000 competition threshold. Now that the service cost exceeds the competition threshold, competition should be solicited.

Per SC Code Ann. §11-35-1550(c), "Written solicitation of written quotes, bids, or proposals must be made for a small purchase over ten thousand dollars but not in excess of fifty thousand dollars."

GTC management indicated that it was developing a monitoring process in accounts payable to identify repetitive purchases that approach the Code's competition thresholds.

RESULTS OF EXAMINATION

Recommendation: We commend GTC's efforts to enhance its procedures to identify opportunities to solicit competition for routinely purchased supplies and services and recommend the college explore P-Card reporting and analytical capabilities and consider procedures that may complement this effort.

CERTIFICATION RECOMMENDATION

We believe corrective action based on the recommendations made in this report will place Greenville Technical College in compliance in all material respects with the South Carolina Consolidated Procurement Code and ensuing regulations.

Under the authority granted in §11-35-1210 of the Procurement Code, subject to these corrective actions, we recommend Greenville Technical College be recertified to make direct agency procurements for three years up to the following limits.

| <u>PROCUREMENT AREAS</u> | <u>RECOMMENDED CERTIFICATION LIMITS</u> |
|---------------------------------------|---|
| Supplies and Services ¹ | *\$ 250,000 per commitment |
| Information Technology ² | \$ 150,000 per commitment |
| Construction Contract Award | \$ 100,000 per commitment |
| Construction Contract Change Order | \$ 50,000 per change order |
| Architect/Engineer Contract Amendment | \$ 25,000 per amendment |

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



Judith C. Nevergoll, CPA
Audit Manager



Crawford Milling, CPA, CGMA
Director of Audit & Certification

¹ Supplies and Services includes non-IT consulting services

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

Attachment



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Barton Campus • Benson Campus • Brashier Campus • Northwest Campus

November 7, 2019

Mr. D. Crawford Milling, CPA, CGMA
SC State Fiscal Accountability Authority
Division of Procurement Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Re: Greenville Technical College Procurement Audit

Mr. Milling,

Greenville Technical College is in receipt of our Draft Procurement Audit Report for the period of July 1, 2015 through March 31, 2018. Greenville Technical College acknowledges the findings noted in this report and has taken the appropriate measures to ensure all recommendations have been addressed as outlined in the attached Agency Response.

We would like to thank both you and Judith Nevergoll for your guidance and assistance through this process.

If you have any questions or need additional information, please feel free to contact me at 864-250-8417 or Kristal.doherty@gvltec.edu.


Kristal Doherty, CPPO
Procurement Manager


Jacqueline DiMaggio
Vice President for Finance

I. Supplies and Services

A. Multiple infractions for one unauthorized procurement

Agency Response

Greenville Technical College (GTC) acknowledges that the four (4) findings below were all the result of one procurement. The employee responsible for these actions has been counseled on the proper procurement procedures and has been appropriately disciplined.

1. Contracts Executed by Unauthorized Employee

GTC's welding shop switched from cylinder rental to having the vendor install micro bulk tanks for three different gases (argon, carbon dioxide, and oxygen), and refill them on-site as needed. Three separate contracts with the same vendor for the equipment and gases were signed by an unauthorized GTC employee. Although the vendor was on state contract at the time, these particular gases were not covered under the existing contract.

SC Code Ann. §11-35-310(25) states, "Procurement officer means any person duly authorized by the governmental body, in accordance with procedures prescribed by regulation, to enter into and administer contracts and make written determinations and findings with respect thereto."

Agency Response

GTC acknowledges that contracts with Airgas were signed by an unauthorized college employee. GTC Procurement staff has procurement training in place for existing GTC employees that outlines the procurement process, from basic SC Procurement Law to GTC's policies and procedures. We will update our training to specifically explain unauthorized procurements, who at the College is authorized to enter into contracts, and the need for end users to anticipate changing needs when estimating total cost of procurements. Procurement staff will work with HR and Professional development to determine if this training can be mandatory on our professional development online program and included in our orientation for new GTC employees. Procurement staff has already worked with our professional development group to provide refresher purchasing and PCard training to administrative coordinators and will look to expand on that program. We anticipate having this updated training program in place no later than February 1st, 2020.

2. Contracts Exceed Five Year Maximum Statutory Limit Without Approval

Each contract had an initial five-year term with automatic one-year renewals unless the vendor was notified of termination twelve months in advance. The contracts extended into the sixth year as termination notice had not been provided.

SC Code Ann. §11-35-2030 (1) states, "Unless otherwise provided by law, a contract for supplies, series, or information technology must not be entered into for any period of more

than one year unless approved in a manner prescribed by regulation of the board.” Subsection (4) states, “The maximum time for a multi-term contract is five years. Contract terms of up to seven years may be approved by the designated board officer. Contracts exceeding seven years must be approved by the board.”

Agency Response

GTC acknowledges that the contract period exceeded five years. Procurement staff will carefully review all agreements/contracts to ensure that automatic renewals are not included. GTC will adhere to SC Code 11-35-2030 (1) for contract periods of more than one year and will not enter into any contract exceeding a five-year term without proper approval.

3. Contract Exceeded College’s Certification Limit

The micro bulk gas contracts were signed on November 30, 2010. The initial five-year contract term for argon gas totaled approximately \$278,530, well in excess of GTC’s certification of \$100,000 granted by the Board on December 15, 2009.

GTC did not report the procurement as unauthorized. Because these contracts were executed by an unauthorized individual, did not obtain the required multi-term contract approvals, and exceeded the college’s procurement certification, they were void at their inception. Four months before the five-year contract expired, GTC unsuccessfully attempted to have the vendor remove the micro bulk equipment from its campus, however, termination was complicated by GTC’s regular payments for nearly five years. Continued payments should have been contingent upon disposition of the contract in accordance with Reg. 19-445.2015.

Agency Response

GTC acknowledges that the total cost of the contract exceeded GTC’s certification. Airgas, as a vendor on state contract, erroneously represented to GTC that argon gases and the micro bulk system were on State Contract. Due to this misrepresentation, GTC was not aware that this procurement was unauthorized nor that it would be over our certification limit since it was thought to be on State Contract. Going forward, GTC procurement staff will thoroughly review what is included on State Contracts and will confirm with Division of Procurement Services any items that need clarification. Micro bulk is now included on the State Contract so these purchases will not be an issue in the future. Procurement and accounts payable staff will routinely run vendor spend reports to monitor repetitive spending with vendors closely to ensure that amounts paid do not exceed the College’s certification level. Procurement staff will identify and report all unauthorized procurements quarterly.

4. Direct Payment Method Facilitated Unauthorized Contracts From Being Detected

The direct payment method allows for qualified procurements to be made without a purchase order. Direct payments were processed for micro bulk gas contracts for nearly five years without detection that they were being made through an unauthorized contract.

Per §11-35-1520(1), "Contracts greater than fifty thousand dollars must be awarded by competitive sealed bidding except as otherwise provided in Section 11-35-1510."

Agency Response

GTC acknowledges that payments were made through the direct payment method. The training program outlined in section #1 above will inform employees of their obligations regarding purchases and SC Procurement Law. Purchasing staff will communicate to College employees when a PO is required and what items are allowed to be paid through the direct payment method. In addition to the training, we will set up a procedure to identify repetitive P-Card purchases using reporting tools and analytics available through the Bank of America Works system. Purchasing will work with accounts payable to review direct payment requests to ensure that items requiring a PO are not paid through this method.

B. Evidence of Competition Not Provided

A payment of \$12,213 for annual GPS service for agency vehicles was made with no evidence of competition. The GPS service was expected to cost less than \$10,000 so no competition was required. But as the number of covered vehicles increased, the cost exceeded the \$10,000 competition threshold. Now that the service cost exceeds the competition threshold, competition should be solicited.

Per SC Code Ann. §11-35-1550(c), "Written solicitation of written quotes, bids, or proposals must be made for a small purchase over ten thousand dollars but not in excess of fifty thousand dollars."

GTC management indicated that it was developing a monitoring process in accounts payable to identify repetitive purchases that approach the Code's competition thresholds.

Agency Response

GTC acknowledges that the total cost of the GPS units exceeded \$10,000. The College's initial purchase of GPS services was below \$10,000 so no competition was required. As GPS units were added to other College Fleet and Campus Police vehicles, the total cost exceeded \$10,000. The College will solicit competition for GPS service in accordance with SC Code 11-35-1550(c). The College will also conduct thorough research to ensure that the College's changing needs are anticipated beyond the initial purchase for products and services and competition will be solicited in accordance with 11-35-1550(c) for any procurement with the potential to exceed \$10,000.

The College is also working with Bank of America to implement more functionality in the Works program to include expanded capabilities for PCard reporting and analysis so that repetitive purchases can be identified. GTC will also work to identify methods of monitoring repetitive spend through accounts payable and/or customized reporting.