

WINSTON-SALEM STATE UNIVERSITY

Compliance Review

August 2017



Prepared by:

DEPARTMENT OF ADMINISTRATION

DIVISION OF PURCHASE AND CONTRACT

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¹ Pages have been intentionally left blank to conform to double-sided print format.

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² A finding sheet for each individual finding or grouped similar findings was provided to the agency.

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OBJECTIVES, SCOPE AND METHODOLOGY

North Carolina Administrative Code, Title 1, Chapter 5, Section .1605, requires the Division of Purchase and Contract to conduct compliance reviews on purchasing practices at all agencies. The purpose of the compliance review is to determine if an agency is complying with North Carolina's purchasing laws and regulations and whether the agency should continue having the same delegation amount, have it reduced, or increased (See Appendix A for Administrative Code).

The compliance review objectives are to:

1. Determine that Winston Salem State University's purchasing staff understands and adheres to North Carolina General Statute Article 3 of Chapter 143 and Administrative Code Title 1, Chapter 5.
2. Determine that Winston Salem State University's internal policies, procedures, and processes accurately reflect the applicable requirements of North Carolina General Statutes and the Administrative Code.
3. Exchange ideas of how the State of North Carolina can become more efficient and cost effective.
4. Communicate and offer training opportunities via the Division of Purchase and Contract or in conjunction with professional organizations (i.e. CAGP, NIGP, etc.) to better educate and, in turn, increase productivity of purchasing personnel.
5. Develop a mutually beneficial working relationship between Winston Salem State University and the Division of Purchase and Contract.

The scope and methodology of this review included³:

- Review of the purchasing organization.
- Analysis of current policies, procedures, and processes.
- Interview, via questionnaire, of the Purchasing Officer.
- Examination of a sample of purchasing transactions.
- Review of direct payments.
- Review of procurement card transactions.

The review of purchasing transactions was for the period June 1, 2016 through July 31, 2017. A random sample⁴ of 119 purchase orders was selected from a population of 3,578 Procurement purchase orders. A random sample of 111 direct payments was selected from a population of 2,022 direct pay payment files. A random sample of 122 P-Card purchases was selected from a population of 9,489 P-card purchase files. The random sample is intended to provide a diverse selection of transactions for review including; contracts (term, agency specific, service), requisitions, approvals, purchase orders, file documentation, the receiving process, invoices, retention, etc.

³ **Disclaimer:** A Compliance Review is limited in scope and will not disclose all exposures in a purchasing practice.

⁴ Statistical sample was drawn from the E-Procurement order system and Works to test purchasing expenditures. The sample was drawn to achieve a 90% confidence level with a +/- 3% upper error limit with an expected error rate of 3%.

FINDINGS AND RECOMMENDATIONS SUMMARY

Finding 1: Not Purchasing from Statewide Term Contract

Of the 119 purchase orders reviewed, 7% (8) did not utilize available Statewide Term Contracts and did not show evidence that pricing received was less than offered by Statewide Term Contract vendors.

Of the 122 P-card transactions reviewed, 7% (8) did not utilize available Statewide Term Contracts and did not show evidence that pricing received was less than offered by Statewide Term Contract vendors.

The North Carolina Administrative Code, 01 NCAC 5B.1101(b), requires all State Agencies, Community Colleges and Universities to purchase from available Statewide Term Contracts. Community Colleges and Universities have been granted purchasing flexibility but must provide appropriate documentation when exercising the flexibility option.

Not utilizing Statewide Term Contracts impacts business decisions regarding term contract spend; as well as, strategic sourcing and leverage buying. In addition to not purchasing from Statewide Term Contract there was not sufficient documentation in the files reviewed onsite as to why the item on term contract did not meet the University's requirement as required by the North Carolina Administrative Code, 01 NCAC 05B.1105, nor was there documentation related to exercising purchasing flexibility as allowed by North Carolina General Statutes, § 116-13.(b). If purchasing flexibility is being utilized, the file must be documented showing that the cost was less and the items are the same or substantially similar in quality, service, and performance as items available under Statewide Term Contracts.

Recommendation: Winston Salem State University must comply with North Carolina General Statutes and the North Carolina Administrative Code by utilizing Statewide Term Contracts or, when authorized, adequately documenting the reason for deviating from this requirement in the respective file.

Finding 2: Not Seeking Competition for Purchases Over \$5,000

Of the 119 purchase orders reviewed, 3% (3) were purchased without required competition and lacked sufficient documentation to justify non-competition.

The North Carolina Administrative Code, 01 NCAC 5B.0301(2), requires competition to be sought for all purchases that exceed \$5,000, not covered by Statewide Term Contract. Per the North Carolina Administrative Code, 01 NCAC 5B.1401, when waiver of competition is deemed necessary, adequate documentation must be maintained in the purchase order file to support not obtaining competition. Also, the North Carolina Administrative Code, 01 NCAC 5B.1401, requires that any waiver of competition that exceeds the University's delegation be submitted to the State Purchasing Officer for prior review. Additionally, not obtaining quotes on the state's solicitation form for purchases over \$5,000 is a violation of the North Carolina Administrative Code, 01 NCAC 5B.1402.

FINDINGS AND RECOMMENDATIONS SUMMARY

Recommendation: Winston Salem State University must solicit competition for purchases involving an expenditure of public funds over \$5,000, or appropriately document justification for a waiver of competition.

Finding 3: Charge Card Other Than Term Contract 946A – Procurement Card

Review of the direct pay payment files revealed use of a charge card other than the card authorized by Statewide Term Contract 946A, Procurement Card.

In accordance with the North Carolina Administrative Code, 01 NCAC 05B.1523(h), the only procurement card authorized for use is the card issued in accordance with Statewide Term Contract 946A, and all other cards were required to be terminated by June 30, 2003. The Procurement Card Program is established pursuant to the North Carolina General Statutes, § 143-49.(8).

Recommendation: Winston Salem State University must cancel all unauthorized charge cards immediately.

ADMINISTRATIVE CODE

Chapter 5 – PURCHASE AND CONTRACT**.1605 COMPLIANCE REVIEWS**

- (a) The Division of Purchase and Contract shall conduct compliance reviews on purchasing practices at all agencies. The purpose of the compliance review shall be for determining if an agency is complying with North Carolina's purchasing statutes and rules adopted thereunder, and whether it should continue having the same level of delegation, have it reduced, or if it qualifies for an increase. A copy of the compliance report shall be provided to the agency's executive officer, the State Auditor, the State Budget Officer, the local school administrative unit's Board, any of which are applicable.
- (b) The Division's staff may enter the premises and obtain an agency's purchasing records for the purpose of the compliance review. The agency shall cooperate with the Division's staff, providing them with requested records, adequate office space for conducting the review, and agency purchasing staff for discussion of purchase transactions. The Division shall not unnecessarily require of the agency any more than is needed to complete the review.
- (c) The SPO may lower, or raise if requested, an agency's (excluding the universities) general delegation, if the results of a compliance review by the compliance staff of the Division merit such action as determined by the SPO. The SPO may lower the delegation to any level, including the complete removal of the delegation, depending on the nature of any violations found. The SPO shall report to the University's Board of Governors the results of any compliance review conducted at any of the universities, and shall provide to them the SPO's recommendation, based on those results, on what that university's benchmark should be.
- (d) The SPO shall provide to each agency, upon request, the Division's assistance in educational training for the agency's staff, to better acquaint them with the purchasing statutes and rules.

History Note: Authority G.S. §143-54;
Eff. April 1, 1999.

AGENCY RESPONSE



WINSTON-SALEM
STATE UNIVERSITY

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Tony Vinogradov
Compliance Officer
State of North Carolina
Purchase & Contract
1305 Mail Service Center
116 West Jones Street
Raleigh, NC 27699-1305

Dear Mr. Vinogradov:

Please see Winston Salem State University responses to the findings below.

Finding 1: Not Purchasing from Statewide Term Contract

Of the 119 purchase orders reviewed, 7% (8) did not utilize available Statewide Term Contracts and did not show evidence that pricing received was less than offered by Statewide Term Contract vendors.

Of the 122 P-card transactions reviewed, 7% (8) did not utilize available Statewide Term Contracts and did not show evidence that pricing received was less than offered by Statewide Term Contract vendors.

The North Carolina Administrative Code, 01 NCAC 5B.1101(b), requires all State Agencies, Community Colleges and Universities to purchase from available Statewide Term Contracts. Community Colleges and Universities have been granted purchasing flexibility but must provide appropriate documentation when exercising the flexibility option.

Not utilizing Statewide Term Contracts impacts business decisions regarding term contract spend; as well as, strategic sourcing and leverage buying. In addition to not purchasing from Statewide Term Contract there was not sufficient documentation in the files reviewed onsite as to why the item on term contract did not meet the University's requirement as required by the North Carolina Administrative Code, 01 NCAC 05B.1105, nor was there documentation related to exercising purchasing flexibility as allowed by North Carolina General Statutes, § 116-13.(b). If purchasing flexibility is being utilized, the file must be documented showing that the cost was less and the items are the same or substantially similar in quality, service, and performance as items available under Statewide Term Contracts.

AGENCY RESPONSE

Recommendation: Winston Salem State University must comply with North Carolina General Statutes and the North Carolina Administrative Code by utilizing Statewide Term Contracts or, when authorized, adequately documenting the reason for deviating from this requirement in the respective file.

WSSU Concurrs with Finding 1: Winston Salem State University will comply with North Carolina General Statutes and the North Carolina Administrative Code by utilizing Statewide Term Contracts and will adequately document the reason for deviating from the State Term Contract.

Finding 2: Not Seeking Competition for Purchases Over \$5,000

Of the 119 purchase orders reviewed, 3% (3) were purchased without required competition and lacked sufficient documentation to justify non-competition.

The North Carolina Administrative Code, 01 NCAC 5B.0301(2), requires competition to be sought for all purchases that exceed \$5,000, not covered by Statewide Term Contract. Per the North Carolina Administrative Code, 01 NCAC 5B.1401, when waiver of competition is deemed necessary, adequate documentation must be maintained in the purchase order file to support not obtaining competition. Also, the North Carolina Administrative Code, 01 NCAC 5B.1401, requires that any waiver of competition that exceeds the University's delegation be submitted to the State Purchasing Officer for prior review. Additionally, not obtaining quotes on the state's solicitation form for purchases over \$5,000 is a violation of the North Carolina Administrative Code, 01 NCAC 5B.1402.

Recommendation: Winston Salem State University must solicit competition for purchases involving an expenditure of public funds over \$5,000, or appropriately document justification for a waiver of competition.

WSSU Concurrs with Finding 2: Winston Salem State University will comply with soliciting competition by incorporating various trainings like SU Express(Sci-Quest), Purchase Card (P-Card), Finance and Administration Comprehensive Training (F.A.C.T) and Basic Purchasing 101.

Finding 3: Charge Card Other Than Term Contract 946A – Procurement Card

Review of the direct pay payment files revealed use of a charge card other than the card authorized by Statewide Term Contract 946A, Procurement Card.

In accordance with the North Carolina Administrative Code, 01 NCAC 05B.1523(h), the only procurement card authorized for use is the card issued in accordance with Statewide Term Contract 946A, and all other cards were required to be terminated by June 30, 2003. The Procurement Card Program is established pursuant to the North Carolina General Statutes, § 143-49.(8).

AGENCY RESPONSE

Recommendation: Winston Salem State University must cancel all unauthorized charge cards immediately.

WSSU Concurs with Finding 3: Winston Salem State University will comply by terminating unauthorized cards in accordance with North Carolina Administrative Code, 01 NCAC 05B.1523(h).

Sincerely,

Alan Ireland
Purchasing Director