

NC COMMUNITY COLLEGES SYSTEM OFFICE

Compliance Review

JUNE 2020



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 Community College System Office 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 Community College System Office 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 Community College System Office 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. (If Applicable)

The review of purchasing transactions was for the period March 1, 2019 through February 29, 2020. A random sample⁴ of 104 purchase orders was selected from a population of 532 E-Procurement purchase orders. Random sample of 73 direct payments were selected from a population of 833 direct pay payment 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 95% 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 104 purchase orders reviewed, (8) did not utilize available Statewide Term Contracts.

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.

Not utilizing Statewide Term Contracts impacts business decisions regarding term contract spend; as well as, strategic sourcing and leverage buying.

Recommendation: Community College System Office must comply with North Carolina General Statutes and the North Carolina Administrative Code by utilizing Statewide Term Contracts.

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



NORTH CAROLINA COMMUNITY COLLEGE SYSTEM
Peter Hans, President

June 26, 2020

Ms. Darlene Lowe, Compliance Officer
N.C. Department of Administration
Division of Purchase & Contract
116 West Jones Street
Raleigh, NC 27603

Ms. Lowe,

The North Carolina Community College System (System Office) would like to express our appreciation for the opportunity to work with you and your agency to review our procurement activities and files for the period of March 1, 2019 through February 29, 2020 to determine our continued compliance with the North Carolina General Statutes, North Carolina Administrative Code and the procedures as set forth by the Division of Purchase & Contract to meet the procurement needs of our system.

The compliance review, as discussed and documented, resulted in one finding as addressed below:

Finding 1: Not Purchasing from Statewide Term Contract

Of the 104 purchase orders reviewed, 8 did not utilize available Statewide Term Contracts. 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. Not utilizing Statewide Term Contracts impacts business decisions regarding term contract spend; as well as, strategic sourcing and leverage buying.

Recommendation: Community College System Office must comply with North Carolina General Statutes and the North Carolina Administrative Code by utilizing Statewide Term Contracts.

Agency Response: Our agency agrees with this finding. This finding included the purchase of seven name badges from a source other than DPS, Correction Enterprise. All staff that create requisitions for these products have been sent a communication with instructions on the proper sourcing of these items and procurement specialist will ensure that all future name badges and certificate holders (plaques) are purchased from the State Term Contract vendors.

This was truly an oversight. Our agency had an exemption from Correction Enterprise because of the logo and color, however the documentation could not be located. The other purchase was for certificate holders (plaques) that should have been purchased from Forms and Supply.

Thank you for your kind words and acknowledgement regarding the completeness of our procurement files. We look forward to our continued relationship with the Division of Purchase & Contract as we all work for the good of the State of North Carolina and its citizens.

Sincerely,

Sharon Rosado,
North Carolina Community College System
Director, Procurement and Auxiliary Services

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