

STATE BOARD OF COMMUNITY COLLEGES
Decrease Purchasing Delegation Request – Johnston Community College

Request: The State Board is requested to accept Johnston Community College’s request to self-impose a decrease in its purchasing delegation to \$10,000 (see Attachment 4A). Johnston Community College may request another compliance review from the Division of Purchasing and Contract one year after implementation of the lower delegation and upon completion of this compliance review, may submit a request to the State Board to increase its purchasing delegation as outlined in State Board policy.

Background: G.S. 115D-58.14, as amended by S.L. 2009-132, authorizes the State Board of Community Colleges, in consultation with the Department of Administration, to increase or decrease the purchasing/delegation benchmark for each community college based on the college's overall capabilities, including staff resources, purchasing compliance reviews, and audit reports. The State Board may, in its discretion, reduce a community college's purchasing/delegation benchmark at anytime. 1H SBCCC 500.2 sets out the State Board’s special purchasing delegation policy, including the application and evaluation processes. This policy provides for four tiers of purchasing delegation authority: (1) \$10,000, (2) \$25,000, (3) \$50,000, and (4) \$100,000.

When an increase in purchasing delegation/benchmark is approved by the State Board, a college assumes the responsibilities of the increase in delegation and continues to be subject to all statutes and rules governing community college purchasing. A college that is granted an increase in purchasing delegation authority must agree to maintain a level of staffing, legal representation, and professional expertise that is consistent with what was represented on its increase in purchasing delegation application. If for any reason the college cannot maintain such a level, the college must notify the Administrative and Facility Services Section of the System Office.

If a college receives compliance findings on a compliance review from the Department of Administration, Division of Purchase and Contract or received audit findings related to purchasing on its most recent financial statement audit, the State Board at its discretion based upon the type of findings and the college’s official response, may decrease the delegation amount.

The State Board approved an increase of Johnston Community College’s purchasing delegation/benchmark to \$25,000 (Tier 2) at its April 20, 2012 meeting. The Division of Purchase and Contract conducted a compliance review in late 2016. The compliance review report was issued January 24, 2017 with fifteen findings (see Attachment 4B). On January 31, 2017, the Interim State Purchasing Officer, Angie Dunaway, sent a memo recommending that the State Board take action to decrease the purchasing delegation at Johnston Community College (see Attachment 4C).

Effective Date: Upon approval of the State Board of Community Colleges.

Contact:

Elizabeth P. Grovenstein
Vice President and Chief Financial Officer

February 9th, 2017

TO: Jennifer Haygood, Executive Vice President
North Carolina Community College System

FROM: David Johnson, President
Johnston Community College

SUBJECT: Purchasing Compliance Review

On November 9th, 2016, JCC received the results of a *Purchasing Compliance Review* via an exit conference with Ms. Tammie Kuhn, Compliance Officer, Department of Purchasing and Contract. I was extremely disappointed in that review. JCC took immediate action to rectify the concerns. Ms. Kuhn was kind enough to send commendation on prompt actions taken.

To show further commitment to improvement, I would like to propose an additional response to the exit and official compliance reports. Effective immediately, we propose to self-impose a reduction in our State delegation of \$25,000 down to \$10,000 to accompany the plan of corrective action submitted on January 18, 2017. After one year of improvement actions, we will invite the Department of Administration to return and process a follow-up compliance review.

By way of information, the following has already taken place at JCC in response to the exit and official reports. Through retirement, resignation, and termination, three of the four members of the purchasing department present throughout the audited period are no longer with the College. Although I am very disappointed in the performance of the college during the audited period, I am heartened by the positive attitude and capabilities of our new staff.

In addition to rebuilding our Purchasing Department, we re-worked all purchasing processes and procedures to ensure they comply with State, NCCCS, and College rules. This reset included multiple rounds of employee training (which are ongoing) in all aspects of purchasing, including the use of procurement cards. As well as rebuilding the purchasing department, we have taken the following steps:

1. *New Purchasing Processes:* Effective 11/09/2016, purchasing card users are required to obtain written permission for non-emergency purchasing card purchases via the *Direct Pay Form*. This requirement is included in our training sessions.
2. *Internal Audit:* The JCC Controller facilitates a 10% audit of e-pro, p-card, and direct pay purchases on a monthly basis. The first internal audit for the month of January 2017 is currently underway.

3. *Appropriate Organization:* The Purchasing Director and Human Resources Director reviewed job descriptions of each of the four positions within the Purchasing and Receiving Department to ensure appropriate job descriptions, internal controls, and duties are in place. Several changes to job descriptions were made.
4. *New Purchasing Manual:* A new purchasing manual was written to more clearly define our delegations, processes, and procedures and, ensure Johnston Community College is compliant with State regulations.
5. A new P-Card Manual was written that more clearly defines the need for prior approval of p-card purchases. Procedures are included in training sessions presented to campus employees.
6. *Training Plan:* Three training classes were developed:
 - a. "Purchasing 101" that gives an overall view of procurement activities;
 - b. "Using the e-Procurement System", detailing how to use the system with new requirements;
 - c. "Using the Purchasing Card", reinforcing p-card requirements.Three rounds of training have been conducted so far. A fourth round of training begins February 9, 2017.
7. *Purchasing Card Review:* On November 9, P-card use was temporarily frozen until a review of purchasing cards was completed on 11/14/16. Two cards were revoked. Remaining cards were re-enabled as users underwent training.
8. *E-Pro User Review:* A list of e-Pro users was reviewed in early December to ensure everyone with an account went to training.
9. *Communication Plan:* In order to communicate changes in purchasing to the campus community, we took the following actions:
 - a. Re-vamped the existing JCC purchasing website to include links to the new manuals and forms.
 - b. Added links to the State Purchasing Manual and the JCC Purchasing Manual to the JCC Purchasing website.
 - c. Added a calendar of purchasing training events to new website.
 - d. Made many announcements regarding purchasing to specific groups on campus.
 - e. Created links to online training for general purchasing, term contracts, and purchasing card usage.
 - f. Established metrics regarding JCC Purchasing Performance (# direct payments, # p-card payments, # amount spent, # bids completed, etc.).
10. *Comprehensive Equipment Audit:* JCC currently does not have scanner capability within our equipment module in Colleague. We are currently working with our IT department to create that capability and will increase the frequency of equipment audits.

By this document, previous conversations, and evidence of corrective action, I hope you see we are very serious about improving the state of purchasing at Johnston Community College. In fact, we are well on our way to having a clean compliance audit report at its next occurrence.

I look forward to further discussions about this matter, especially as those conversations relate to suggestions for additional improvement actions.

JOHNSTON COMMUNITY COLLEGE

Compliance Review

January 2017



Purchase & Contract
ADMINISTRATION

Prepared by:

DEPARTMENT OF ADMINISTRATION

DIVISION OF PURCHASE AND CONTRACT

THIS PAGE IS INTENTIONALLY LEFT BLANK¹

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

TABLE OF CONTENTS

	<u>Page</u>
Objectives, Scope and Methodology	1
Findings and Recommendations Summary ²	2
Appendices:	
Appendix A: Administrative Code	A-1
Appendix B: Agency Response	B-1

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

THIS PAGE IS INTENTIONALLY LEFT BLANK

OBJECTIVE, 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 Johnston Community College'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 Johnston Community College'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 Johnston Community College 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 August 1, 2015 through July 31, 2016. A random sample⁴ of 119 purchase orders was selected from a population of 3,749 E-Procurement purchase orders. A random sample of 21 direct payments was selected from a population of 89 direct pay payment files. A random sample of 121 P-Card purchases was selected from a population of 7,380 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 RECOMMENDATION SUMMARY

Finding 1: Incorrect Commodity Codes

Of the 119 purchase orders reviewed, 7% (8) contained incorrect commodity codes.

The North Carolina Procurement Manual, Section 2.3, requires the use of appropriate commodity codes. Utilizing the correct commodity code enables the Division of Purchase and Contract; as well as, the College, to analyze spend data to determine what goods and/or services should be considered for Statewide Term Contract or Agency Specific Contract. This data is used for leverage buying and strategic sourcing to help save money for the College and the State of North Carolina.

Recommendation: Johnston Community College must input correct commodity codes into the E-Procurement System.

Finding 2: Not Purchasing from Statewide Term Contract

Of the 119 purchase orders reviewed, 8% (10) 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 21 direct pay files reviewed, 10% (2) 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 121 P-card transactions reviewed, 3% (4) 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 College'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, § 115D-58.14. 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: Johnston Community College 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.

FINDINGS AND RECOMMENDATION SUMMARY

Finding 3: Not Seeking Competition for Purchases Over \$5,000

Of the 119 purchase orders reviewed, 6% (7) were purchased without required competition and lacked sufficient documentation to justify non-competition.

Of the 21 direct pay files reviewed, 10% (2) 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 College's delegation be submitted to the State Purchasing Officer for prior review. North Carolina General Statutes, § 143-53(a)(5), requires prior review by the State Purchasing Officer of any waiver of competition if the expenditure exceeds \$10,000 regardless of the College's delegation amount. 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: Johnston Community College must solicit competition for purchases involving an expenditure of public funds over \$5,000, or appropriately document justification for a waiver of competition.

Finding 4: Splitting Requirements to Avoid Transaction Limits

Of the 21 direct pay files reviewed, 10% (2) appear to be transactions that were split to avoid procurement rules.

Of the 121 P-card transactions reviewed, 2% (2) appear to be transactions that were split to avoid procurement rules.

In accordance with the North Carolina Administrative Code, 01 NCAC 5B.0315, an agency shall not divide requirements in order to keep the expenditure under its benchmark or delegation and thereby avoid following the appropriate contracting requirement. In the case of similar and related items and groups of items, the dollar limits apply to the total cost of the requirement rather than the cost of any single item.

Recommendation: Johnston Community College must consider complete requirements and not divide transactions to keep expenditures under its delegation.

FINDINGS AND RECOMMENDATION SUMMARY

Finding 5: Not Utilizing P&C QA Inspectors When Required

Of the 119 purchase orders reviewed, 4% (5) required a QA Inspection that was not obtained.

The North Carolina Administrative Code, 01 NCAC 5B.901, requires that all goods deliveries be inspected. Generally, it is the responsibility of the receiving agency to inspect all materials, supplies, and equipment upon delivery to ensure compliance with the contract requirements and specifications. For certain items, however, the contract must require an inspection by the Division of Purchase and Contract, and a representative from the Division must provide that inspection. This representative is one of P&C's Quality Acceptance Inspectors.

When the inspection is required to be conducted by P&C, notice of the mandatory inspection, as well as contact information for the QA Inspectors, must be included in the bid. Template language suitable to do this is included on the [P&C web site](#). Resource materials available on the [P&C web site](#) provide guidance and instructions about integrating the inspections process in various phases of the solicitation, as needed.

Recommendation: Johnston Community College must coordinate with a P&C QA Inspector for required inspections.

Finding 6: Not Utilizing P&C Approved Solicitation Templates

Of the 119 purchase orders reviewed, 3% (3) were solicitations that did not use the appropriate solicitation template published by the Division of Purchase and Contract.

In accordance with the North Carolina Administrative Code, 01 NCAC 5B.0301(2)(a)(iii), solicitation documents shall include standard language, including terms and conditions as published by the Division of Purchase and Contract on its [home web page](#), unless prior written approval is obtained from the Division for unusual requirements.

Recommendation: Johnston Community College must use P&C's solicitation templates when required.

Finding 7: Using State Purchase Card for Unofficial Purchases

Of the 121 P-card purchases reviewed, 7% (9) did not appear to be for "Official Use"

The North Carolina Administrative Code, 01 NCAC 5B.1523(a), states that procurement cards (organizational charge cards) are for official use only. P-cards may only be used in accordance with the administrative code and the Statewide Term Contract established and maintained by the Division of Purchase and Contract.

Recommendation: Johnston Community College must ensure that P-card purchases are for an "official" purpose.

FINDINGS AND RECOMMENDATION SUMMARY

Finding 8: Insufficient Documentation to Support SPO Approval of an Emergency Purchase

Of the 119 purchase orders reviewed, 4% (5) were a pressing need or emergency purchase and were not properly documented and submitted to the Division of Purchase and Contract as required.

In accordance with North Carolina General Statutes, § 143-57, and the North Carolina Administrative Code, 01 NCAC 5B.1602, in case of any emergency or pressing need arising from unforeseen causes including but not limited to delay by contractors, delay in transportation, breakdown in machinery, or unanticipated volume of work, the Secretary of Administration shall have power to obtain or authorize obtaining in the open market any necessary supplies, materials, equipment, printing or services for immediate delivery to any department, institution or agency of the State government. A report on the circumstances of such emergency or need and the transactions thereunder shall be made a matter of record promptly, thereafter. If the expenditure exceeds \$10,000, the report shall also be made promptly thereafter to the Division of Purchase and Contract.

Recommendation: Johnston Community College should solicit competition whenever possible. If competition is not solicited, the reason(s) for the waiver of competition shall be made part of the procurement file. The College is required to submit documentation to the Division of Purchase and Contract for prior approval of an emergency purchase exceeding \$10,000 and must report an emergency or pressing need purchase that exceeds \$10,000 when prior approval is not obtained. Additionally, the College must also obtain prior approval for P-card transaction limit increases which may be required for an emergency or pressing need purchase.

Finding 9: Accepting A Vendor's Terms and Conditions

Of the 119 purchase orders reviewed, 3% (3) were contractual agreements with Venders using the Vendor's terms and conditions.

Of the 21 direct pay files reviewed, 10% (2) were contractual agreements with Vendors using the Vendors terms and conditions.

Of the 121 P-card transactions reviewed, 1% (1) was a contractual agreement with the Vendor using the Vendors terms and condition.

The North Carolina Administrative Code, 01 NCAC 5B.0301(2)(a)(iii), requires use of contract language and terms and conditions published by the Division of Purchase and Contract for all contracts unless prior approval is obtained for unusual requirements. The State's terms and conditions are designed to protect the State's interests. The Vendor's terms and conditions protect the interests of the Vendor. It is in the best interest of the College to not enter in to contractual agreements with Vendors using their contract documents.

Recommendation: Johnston Community College should not sign contracts with Vendors using the Vendor's contract forms.

FINDINGS AND RECOMMENDATION SUMMARY

Finding 10: Internal Purchasing Policy Not Followed

Of the 119 purchase orders reviewed, 2% (2) were not processed in accordance with the Johnston Community College internal purchasing procedures and did not contain the proper documentation.

Of the 121 P-card transactions reviewed, 6% (7) were not processed in accordance with the Johnston Community College internal purchasing procedures and did not contain the proper documentation.

In accordance with the Johnston Community College internal purchasing procedures all purchases less than \$2,500 require a verbal quote in writing. Purchases \$2,500 to \$5,000, not covered by a state term contract, will not be processed without a written quote. If a waiver of competition is applicable, in accordance with the North Carolina Administrative Code, 01 NCAC 05.1400, adequate documentation must be maintained in the purchase order file to support not obtaining competition. Also, North Carolina General Statutes, § 143-57, requires that any waiver of competition that exceeds \$10,000 must be submitted to the State Purchasing Officer for prior review.

The purpose of this internal policy is to ensure College funds are being spent prudently. Without obtaining quotes, the College is not assured it is paying the lowest possible cost. In addition, procurement files that do not contain proper accurate and complete data may be questioned as to their legitimacy. Complete data provides a clear audit trail of the reason and intent of the purchase.

Recommendation: Johnston Community College must comply with their internal purchasing procedures by seeking and documenting the verbal quotes for all non-state term contract purchases less than \$2,500 and \$2,500 to \$5,000 per Johnston Community College internal Purchasing Policy. Furthermore, if a waiver of competition is warranted, the file must contain adequate documentation justifying the reason for deviating from the competition requirement.

FINDINGS AND RECOMMENDATION SUMMARY

Finding 11: Direct Payments Are Being Utilized Instead of Issuing Purchase Orders Through the North Carolina E-Procurement System—Repeat Finding

Of the 21 direct pay files reviewed, 48% (10) should have been processed using the NC E-Procurement System.

North Carolina General Statutes, § 143-48.3, directs the Division of Purchase and Contract to develop and maintain the NC E-Procurement System and authorizes the Division to establish rules governing its use. The North Carolina Procurement Manual, Section 3.4.1(7), establishes the NC E-Procurement System as the methodology to issue purchase orders to properly document purchases; as required by the North Carolina Administrative Code, 01 NCAC 05B.1903.

The use of direct payments for purchases covered by the North Carolina General Statutes, Chapter 143, Article 3, lacks the necessary transparency required in public procurement. Properly documented and maintained purchase files are an essential tool in maintaining the trust of the State's taxpayers. All purchases, without regard to value, must be properly documented to ensure that the government's activities are transparent and above reproach. Additionally, using the NC E-Procurement System allows the Division of Purchase and Contract to gather accurate spend data, enabling the Division to establish the most effective and efficient Statewide Term Contracts. This finding was also documented during Johnston Community College's previous compliance review; December, 2010.

Recommendation: Johnston Community College must minimize the use of direct payments and maximize, to the fullest extent possible, the use of the NC E-Procurement System.

Finding 12: Awarding Contracts Over Approved Delegation Limit Without SPO Approval

Of the 119 purchase orders reviewed, 3% (4) were over the College's delegation level and awarded without prior approval of the SPO.

In accordance with the North Carolina General Statutes, § 143-52.1(a): when the dollar value of a contract to be awarded under Article 3 of Chapter 143 of the General Statutes exceeds the delegation established pursuant to G.S. § 143-53.1, an award recommendation shall be submitted to the State Purchasing Officer for approval.

Recommendation: Johnston Community College must submit contracts valued over their delegation level of \$25,000 to the Division of Purchase and Contract for review and approval by the State Purchasing Officer.

FINDINGS AND RECOMMENDATION SUMMARY

Finding 13: P-Card Transaction Limits above \$2,500 Without Prior Approval

Of the 121 P-card transactions reviewed, 2% (2) were over the \$2,500 per-transaction limit without prior approval of the SPO.

The North Carolina Administrative Code, 01 NCAC 5B.1523(c), sets the per-transaction limit for P-cards at \$2,500. The per-transaction limit can be raised but only with prior approval of the SPO. In an emergency situation, as defined by the North Carolina Administrative Code, 01 NCAC 5B.1602, or Governor's declaration, the P-Card transaction limit may be raised by the agency card administrator if approval from the SPO cannot be received in a timely manner but the transactions must still be reported to the SPO. The transaction file contained no evidence of SPO approval nor emergency approval of the raised transaction limits.

Recommendation: Johnston Community College must return all P-card per-transaction limits to no more than \$2,500. The College must submit requests for higher limits to the Division of Purchase and Contract and maintain documentation of SPO approval of higher limits in the appropriate files.

Finding 14: No Vendor Certification as Required by the Iran Divestment Act of 2015

Of the 119 purchase orders reviewed, 5% (6) did not have certification from the vendor as required by the Iran Divestment Act.

Of the 21 direct pay files reviewed, 14% (3) did not have certification from the vendor as required by the Iran Divestment Act.

Of the 121 P-card transactions reviewed, 1% (1) did not have certification from the vendor as required by the Iran Divestment Act.

North Carolina General Statutes, § 143C-6A-5(a), dictates that a State Agency shall require a person that attempts to contract with the State or political subdivision of the State, including a contract renewal or assumption, to certify, at the time the bid is submitted or the contract is entered into, renewed, or assigned, that the person or the assignee is not identified on a list created by the State Treasurer pursuant to G.S. § 143C-6A-4. A State agency shall include certification information in the procurement record. Any purchase greater than \$1,000, without regard to method of payment, is, in essence, a contract and is, therefore subject to this requirement. The Division of Purchase and Contract required vendors awarded Statewide Term Contracts to fulfill the certification requirement at the time the contract was awarded, as a result it is not necessary to obtain certification when purchasing from Statewide Term Contracts. All other purchases greater than \$1,000 made by the College require the certification be obtained and maintained in the procurement file.

Recommendation: Johnston Community College must comply with the requirement of North Carolina General Statutes, § 143C-6A-5(a), and obtain vendor certification when making any purchase or awarding any contract greater than \$1,000.

FINDINGS AND RECOMMENDATION SUMMARY

Finding 15: Issuing Purchase Orders After the Fact: Confirming Orders

Of the 119 purchase orders reviewed, 5% (5) were issued at the conclusion of the transaction to facilitate payment to the vendor; commonly referred to as “confirming orders”.

The North Carolina Administrative Code, 01 NCAC 05B.0102, requires requisitions to be in electronic or written form. North Carolina General Statutes, § 143-48.3, directs the Division of Purchase and Contract to develop and maintain the NC E-Procurement System and authorizes the Division to establish rules governing its use. The North Carolina Procurement Manual, Section 3.4.1(7), establishes the NC E-Procurement System as the methodology to issue purchase orders to facilitate approvals, the encumbrance of funds and to properly document purchases; as required by the North Carolina Administrative Code, 01 NCAC 05B.1903.

A confirming order is a purchase order that is entered in to the NC E-Procurement System at the conclusion of a purchase; generally, to facilitate payment to the vendor. This violates the proper use of the NC E-Procurement System. This circumvents the requirement to ensure the availability of funds prior to committing the State to a financial obligation, as called for in the Office of State Budget and Management, Budget Manual, Section 3.0, Paragraphs 3.5.3 and 3.7.1. Approval processes and the proper encumbrance of funds are dependent on purchasers following the proper procedures when placing orders; using the NC E-Procurement System automates the process and ensures proper authority to make purchases.

Recommendation: Johnson Community College must cease the practice of confirming orders and follow proper NC E-Procurement procedures for each purchase.

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



245 College Road • PO Box 2350 • Smithfield, North Carolina 27577 • (919) 934-3051 www.johnstoncc.edu

January 18, 2017

Tammie Kuhn
Compliance Officer
Division of Purchase and Contract
116 West Jones Street
Raleigh, NC 27603-8002

Dear Ms. Kuhn:

This letter is in response to the Compliance Review and Exit Conference regarding Johnston Community College's purchasing practices. Based on the purchasing compliance review, we took immediate action that included:

- Re-writing our purchasing manual
- Re-writing our p-card manual
- Establishing a comprehensive and on-going training plan and requiring all e-procurement users and approvers to receive training on the new processes and procedures
- Including a separate training session for purchasing cards. We disabled all cards, and required p-card users to attend training before the cards were re-enabled. The penalty for any infraction of the p-card rules includes immediately disabling the offending user's p-card.
- Presenting new processes and procedures to all administrators in the College.
- Creating a schedule for internal audit of our p-card processes.
- Linking e-procurement users' correct use of the purchasing process to their annual performance reviews.
- Instituting penalties for misuse of the p-card or not following the new purchasing manual.

I have reviewed the report and offer the following comments specific to each of the concerns:

Finding 1: Incorrect Commodity Codes

Recommendation: Johnston Community College must input correct commodity codes into the E-Procurement System.

Agency Response: End-users have been trained where to locate the proper commodity codes on the NC Procurement website and to use the correct commodity codes for the items they are procuring. We implemented the changes effective 11/9/2016, and included this in our comprehensive training program.

Finding 2: Not Purchasing from Statewide Term Contract

Of the 119 purchase orders reviewed, 8% (10) 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 21 direct pay files reviewed, 10% (2) did not utilize available Statewide Term Contracts and did not show evidence that pricing received was less than offered by Statewide Term Contract vendors.

AGENCY RESPONSE

Of the 121 P-card transactions reviewed, 3% (4) 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 College'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, § 115D-58.14. 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: Johnston Community College 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.

Agency Response: Our current Purchasing manual was updated in November of 2016, and we started a comprehensive training program. The need to comply with State general statutes regarding the use of term contracts was communicated to all of our end users, in writing via email and in person during the training sessions.

Finding 3: Not Seeking Competition for Purchases Over \$5,000

Of the 119 purchase orders reviewed, 6% (7) were purchased without required competition and lacked sufficient documentation to justify non-competition.

Of the 21 direct pay files reviewed, 10% (2) 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 College's delegation be submitted to the State Purchasing Officer for prior review. North Carolina General Statutes, § 143-53(a) (5), requires prior review by the State Purchasing Officer of any waiver of competition if the expenditure exceeds \$10,000 regardless of the College's delegation amount. 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: Johnston Community College must solicit competition for purchases involving an expenditure of public funds over \$5,000, or appropriately document justification for a waiver of competition.

Agency Response: Our new purchasing manual was updated with new detailed processes and procedures to ensure that Johnson Community College is compliant with the North Carolina Administrative Code

AGENCY RESPONSE

purchasing delegations. The previous manual was somewhat vague, so it was clarified in the manual and in our training plan. Our instructions to our e-procurement users are as follows:

\$0 to \$2,499: no quotes are required. However, you should document your pricing and quotes and strive to seek the lowest cost to the JCC.

\$2,500 to \$4,999: Purchases require documented solicitation of competition. These quotes are generated by the purchaser, and can be quoted prices obtained by phone or by web.

To document these prices, you would fill out the JCC Purchasing Request Form and submit the form along with your e-Pro order or Direct Pay request.

\$5,000 to \$24,999: Purchases require written solicitation of competition. These written solicitations, or Invitation for Bids (IFB) must be generated by the JCC Purchasing Department and posted on IPS for solicitations. Fill out the JCC Purchasing Request Form and send to the Purchasing Office for processing.

\$25,000 and greater (IT products and services): these purchases must be referred to the Statewide IT Procurement Office for an Invitation for Bid. Fill out the JCC Purchasing Request Form and send to the Purchasing Office, and the Purchasing Director will request a formal bid on your behalf. In addition, requests for a waiver of competition must be approved by Statewide IT Procurement.

\$25,000 and greater (non IT, Non State Contract Items): These purchases must be referred to the Division of Purchase and Contract for an invitation for Bid. Fill out the JCC Purchasing Request Form and send to the Purchasing Office, and the Purchasing Director will request a formal bid on your behalf. In addition, requests for a Waiver of Competition must be approved by P&C.

Finding 4: Splitting Requirements to Avoid Transaction Limits

Of the 21 direct pay files reviewed, 10% (2) appear to be transactions that were split to avoid procurement rules.

Of the 121 P-card transactions reviewed, 2% (2) appear to be transactions that were split to avoid procurement rules.

In accordance with the North Carolina Administrative Code, 01 NCAC 5B.0315, an agency shall not divide requirements in order to keep the expenditure under its benchmark or delegation and thereby avoid following the appropriate contracting requirement. In the case of similar and related items and groups of items, the dollar limits apply to the total cost of the requirement rather than the cost of any single item.

Recommendation: Johnston Community College must consider complete requirements and not divide transactions to keep expenditures under its delegation.

Agency Response: Our new Purchasing Procedures Manual is updated with the new requirements stating that purchase orders may not be split to avoid the competitive bid process for orders exceeding our delegation. This information was also communicated extensively during our training sessions.

Finding 5: Not Utilizing P & C QA Inspectors When Required

Of the 119 purchase orders reviewed, 4% (5) required a QA Inspection that was not obtained.

The North Carolina Administrative Code, 01 NCAC 5B.901, requires that all goods deliveries be inspected. Generally, it is the responsibility of the receiving agency to inspect all materials, supplies, and equipment

AGENCY RESPONSE

upon delivery to ensure compliance with the contract requirements and specifications. For certain items, however, the contract must require an inspection by the Division of Purchase and Contract, and a representative from the Division must provide that inspection. This representative is one of P&C's Quality Acceptance Inspectors.

When the inspection is required to be conducted by P&C, notice of the mandatory inspection, as well as contact information for the QA Inspectors, must be included in the bid. Template language suitable to do this is included on the [P&C web site](#). Resource materials available on the [P&C web site](#) provide guidance and instructions about integrating the inspections process in various phases of the solicitation, as needed.

Recommendation: Johnston Community College must coordinate with a P&C QA Inspector for required inspections.

Agency Response: This finding has been corrected for the 5 purchase orders in question that were not inspected. We invited the P&C QA inspector to campus, who inspected and signed off on these purchases. Our purchasers have been informed verbally during training and in writing in the new purchasing manual that there are purchases that require inspection. Our Purchasing Department staff were informed of the need to follow-up with inspectors in the cases that require it during a team meeting in early December of 2016.

Finding 6: Not Utilizing P&C Approved Solicitation Templates

Of the 119 purchase orders reviewed, 3% (3) were solicitations that did not use the appropriate solicitation template published by the Division of Purchase and Contract.

In accordance with the North Carolina Administrative Code, 01 NCAC 5B.0301(2)(a)(iii), solicitation documents shall include standard language, including terms and conditions as published by the Division of Purchase and Contract on its [home web page](#), unless prior written approval is obtained from the Division for unusual requirements.

Recommendation: Johnston Community College must use P&C's solicitation templates when required.

Agency Response: The Purchasing Department is utilizing the Division of Purchase and Contract updated solicitation templates when needed.

Finding 7: Using State Purchase Card for Unofficial Purchases

Of the 121 P-card purchases reviewed, 7% (9) did not appear to be for "Official Use"

The North Carolina Administrative Code, 01 NCAC 5B.1523 (a), states that procurement cards (organizational charge cards) are for official use only. P-cards may only be used in accordance with the administrative code and the Statewide Term Contract established and maintained by the Division of Purchase and Contract.

Recommendation: Johnston Community College must ensure that P-card purchases are for an "official" purpose.

Agency Response: The JCC Purchasing Procedures Manual is updated and details that all p-card purchases must follow the purchasing process, and purchasing delegation limits that are in effect.

The cardholder will comply with all purchasing regulations with the JCC Purchasing Procedures Manual and the NCCCS Purchasing and Equipment Procedures Manual, and all rules and regulations put forth by

AGENCY RESPONSE

the State's Department of Purchasing P-Card Manual. A separate training session regarding p-cards was included in our comprehensive training program, and all p-card users were required to attend before their cards were re-enabled.

Finding 8: Insufficient Documentation to Support SPO Approval of an Emergency Purchase

Of the 119 purchase orders reviewed, 4% (5) were a pressing need or emergency purchase and were not properly documented and submitted to the Division of Purchase and Contract as required.

In accordance with North Carolina General Statutes, § 143-57, and the North Carolina Administrative Code, 01 NCAC 5B.1602, in case of any emergency or pressing need arising from unforeseen causes including but not limited to delay by contractors, delay in transportation, breakdown in machinery, or unanticipated volume of work, the Secretary of Administration shall have power to obtain or authorize obtaining in the open market any necessary supplies, materials, equipment, printing or services for immediate delivery to any department, institution or agency of the State government. A report on the circumstances of such emergency or need and the transactions thereunder shall be made a matter of record promptly, thereafter. If the expenditure exceeds \$10,000, the report shall also be made promptly thereafter to the Division of Purchase and Contract.

Recommendation: Johnston Community College should solicit competition whenever possible. If competition is not solicited, the reason(s) for the waiver of competition shall be made part of the procurement file. The College is required to submit documentation to the Division of Purchase and Contract for prior approval of an emergency purchase exceeding \$10,000 and must report an emergency or pressing need purchase that exceeds \$10,000 when prior approval is not obtained. Additionally, the College must also obtain prior approval for P-card transaction limit increases which may be required for an emergency or pressing need purchase.

Agency Response:

We have a new process for documenting a request for a waiver of competition, which includes emergency purchases. Our Purchasing Department Staff is committed to following the new process, which includes reporting required emergency purchases within 2 business days of making the purchase. These requirements were explained in writing our purchasing manual, and explained verbally during the "Purchasing Overview" session of our comprehensive training program.

Finding 9: Accepting A Vendor's Terms and Conditions

Of the 119 purchase orders reviewed, 3% (3) were contractual agreements with Vendors using the Vendor's terms and conditions.

Of the 21 direct pay files reviewed, 10% (2) were contractual agreements with Vendors using the Vendors terms and conditions.

Of the 121 P-card transactions reviewed, 1% (1) was a contractual agreement with the Vendor using the Vendors terms and condition.

The North Carolina Administrative Code, 01 NCAC 5B.0301 (2) (a) (iii), requires use of contract language and terms and conditions published by the Division of Purchase and Contract for all contracts unless prior approval is obtained for unusual requirements. The State's terms and conditions are designed to protect the State's interests. The Vendor's terms and conditions protect the interests of the Vendor. It is in the best interest of the College to not enter in to contractual agreements with Vendors using their contract documents.

AGENCY RESPONSE

Recommendation: Johnston Community College should not sign contracts with Vendors using the Vendor's contract forms.

Agency Response: The JCC Purchasing Department and the JCC Business Office has adapted to the requirements of the NC Administrative Code, 01 NCAC 5B.0301 (2) (a) (iii). All vendor contracts are required to be reviewed, signed and accompanied with the Division of Purchase and Contract Terms and Conditions.

Finding 10: Internal Purchasing Policy Not Followed

Of the 119 purchase orders reviewed, 2% (2) were not processed in accordance with the Johnston Community College internal purchasing procedures and did not contain the proper documentation.

Of the 121 P-card transactions reviewed, 6% (7) were not processed in accordance with the Johnston Community College internal purchasing procedures and did not contain the proper documentation.

In accordance with the Johnston Community College internal purchasing procedures all purchases less than \$2,500 require a verbal quote in writing. Purchases \$2,500 to \$5,000, not covered by a state term contract, will not be processed without a written quote. If a waiver of competition is applicable, in accordance with the North Carolina Administrative Code, 01 NCAC 05.1400, adequate documentation must be maintained in the purchase order file to support not obtaining competition. Also, North Carolina General Statutes, § 143-57, requires that any waiver of competition that exceeds \$10,000 must be submitted to the State Purchasing Officer for prior review.

The purpose of this internal policy is to ensure College funds are being spent prudently. Without obtaining quotes, the College is not assured it is paying the lowest possible cost. In addition, procurement files that do not contain proper accurate and complete data may be questioned as to their legitimacy. Complete data provides a clear audit trail of the reason and intent of the purchase.

Recommendation: Johnston Community College must comply with their internal purchasing procedures by seeking and documenting the verbal quotes for all non-state term contract purchases less than \$2,500 and \$2,500 to \$5,000 per Johnston Community College internal Purchasing Policy. Furthermore, if a waiver of competition is warranted, the file must contain adequate documentation justifying the reason for deviating from the competition requirement.

Agency Response: The College has implemented a multi-part review of purchases that includes a review of 1) Sufficient budget, 2) Appropriate budget source, and 3) Compliance with the new purchasing manual. The Purchasing Department staff is committed to upholding the rules of the new purchasing manual and p-card manual.

Finding 11: Direct Payments Are Being Utilized Instead of Issuing Purchase Orders Through the North Carolina E-Procurement System—Repeat Finding

Of the 21 direct pay files reviewed, 48% (10) should have been processed using the NC E-Procurement System.

North Carolina General Statutes, § 143-48.3, directs the Division of Purchase and Contract to develop and maintain the NC E-Procurement System and authorizes the Division to establish rules governing its use. The North Carolina Procurement Manual, Section 3.4.1(7), establishes the NC E-Procurement System as the methodology to issue purchase orders to properly document purchases; as required by the North Carolina Administrative Code, 01 NCAC 05B.1903.

AGENCY RESPONSE

The use of direct payments for purchases covered by the North Carolina General Statutes, Chapter 143, Article 3, lacks the necessary transparency required in public procurement. Properly documented and maintained purchase files are an essential tool in maintaining the trust of the State's taxpayers. All purchases, without regard to value, must be properly documented to ensure that the government's activities are transparent and above reproach. Additionally, using the NC E-Procurement System allows the Division of Purchase and Contract to gather accurate spend data, enabling the Division to establish the most effective and efficient Statewide Term Contracts. This finding was also documented during Johnston Community College's previous compliance review; December, 2010.

Recommendation: Johnston Community College must minimize the use of direct payments and maximize, to the fullest extent possible, the use of the NC E-Procurement System.

Agency Response: The requirement to use e-procurement has been written into the new purchasing manual, and has been verbally communicated during our comprehensive training program. In addition, we have instituted a review of the Direct Pay forms as part of the payment process in order to ensure that the payee is not registered with e-procurement. We have also settled upon a standard that individuals doing consulting or professional services must register with e-procurement in order to be paid.

Finding 12: Awarding Contracts Over Approved Delegation Limit Without SPO Approval

Of the 119 purchase orders reviewed, 3% (4) were over the College's delegation level and awarded without prior approval of the SPO.

In accordance with the North Carolina General Statutes, § 143-52.1(a): when the dollar value of a contract to be awarded under Article 3 of Chapter 143 of the General Statutes exceeds the delegation established pursuant to G.S. § 143-53.1, an award recommendation shall be submitted to the State Purchasing Officer for approval.

Recommendation: Johnston Community College must submit contracts valued over their delegation level of \$25,000 to the Division of Purchase and Contract for review and approval by the State Purchasing Officer.

Agency Response: The JCC Purchasing Procedures Manual has been updated the purchasing thresholds explaining in detail that any delegation level over \$25,000 must be submitted to the JCC Purchasing Department via JCC Purchasing Request Form. The JCC Purchasing Department will send the bid information to P&C for goods. The Purchasing Department staff is committed to ensuring that no awards over our delegation will be made with the appropriate involvement of the State Purchasing Office.

Finding 13: P-Card Transaction Limits above \$2,500 Without Prior Approval

Of the 121 P-card transactions reviewed, 2% (2) were over the \$2,500 per-transaction limit without prior approval of the SPO.

The North Carolina Administrative Code, 01 NCAC 5B.1523(c), sets the per-transaction limit for P-cards at \$2,500. The per-transaction limit can be raised but only with prior approval of the SPO. In an emergency situation, as defined by the North Carolina Administrative Code, 01 NCAC 5B.1602, or Governor's declaration, the P-Card transaction limit may be raised by the agency card administrator if approval from the SPO cannot be received in a timely manner but the transactions must still be reported to the SPO. The transaction file contained no evidence of SPO approval nor emergency approval of the raised transaction limits.

AGENCY RESPONSE

Recommendation: Johnston Community College must return all P-card per-transaction limits to no more than \$2,500. The College must submit requests for higher limits to the Division of Purchase and Contract and maintain documentation of SPO approval of higher limits in the appropriate files.

Agency Response: As part of the new procedure for the use of p-cards, no purchases over \$2,500 will be made with a p-card. This requirement was written into the new purchasing manual, and communicated verbally during the p-card training sessions. All p-card users were required to attend this training, and a multi-part screen process was established such that approvers in the Bank of America system are instructed to reject purchases over this threshold.

Finding 14: No Vendor Certification as Required by the Iran Divestment Act of 2015

Of the 119 purchase orders reviewed, 5% (6) did not have certification from the vendor as required by the Iran Divestment Act.

Of the 21 direct pay files reviewed, 14% (3) did not have certification from the vendor as required by the Iran Divestment Act.

Of the 121 P-card transactions reviewed, 1% (1) did not have certification from the vendor as required by the Iran Divestment Act.

North Carolina General Statutes, § 143C-6A-5(a), dictates that a State Agency shall require a person that attempts to contract with the State or political subdivision of the State, including a contract renewal or assumption, to certify, at the time the bid is submitted or the contract is entered into, renewed, or assigned, that the person or the assignee is not identified on a list created by the State Treasurer pursuant to G.S. § 143C-6A-4. A State agency shall include certification information in the procurement record. Any purchase greater than \$1,000, without regard to method of payment, is, in essence, a contract and is, therefore subject to this requirement. The Division of Purchase and Contract required vendors awarded Statewide Term Contracts to fulfill the certification requirement at the time the contract was awarded, as a result it is not necessary to obtain certification when purchasing from Statewide Term Contracts. All other purchases greater than \$1,000 made by the College require the certification be obtained and maintained in the procurement file.

Recommendation: Johnston Community College must comply with the requirement of North Carolina General Statutes, § 143C-6A-5(a), and obtain vendor certification when making any purchase or awarding any contract greater than \$1,000.

Agency Response: JCC's Purchasing Department is committed to ensuring that this certification information is included in the appropriate places in compliance NCGS § 143C-6A-5(a). This information is now being placed in both the e-procurement system and the direct pay forms where appropriate. The need to do this has been written into the purchasing manual and communicated during the training sessions.

Finding 15: Issuing Purchase Orders After the Fact: Confirming Orders

Of the 119 purchase orders reviewed, 5% (5) were issued at the conclusion of the transaction to facilitate payment to the vendor; commonly referred to as "confirming orders".

The North Carolina Administrative Code, 01 NCAC 05B.0102, requires requisitions to be in electronic or written form. North Carolina General Statutes, § 143-48.3, directs the Division of Purchase and Contract to develop and maintain the NC E-Procurement System and authorizes the Division to establish rules governing its use. The North Carolina Procurement Manual, Section 3.4.1(7), establishes the NC E-Procurement

AGENCY RESPONSE

System as the methodology to issue purchase orders to facilitate approvals, the encumbrance of funds and to properly document purchases; as required by the North Carolina Administrative Code, 01 NCAC 05B.1903.

A confirming order is a purchase order that is entered in to the NC E-Procurement System at the conclusion of a purchase; generally, to facilitate payment to the vendor. This violates the proper use of the NC E-Procurement System. This circumvents the requirement to ensure the availability of funds prior to committing the State to a financial obligation, as called for in the Office of State Budget and Management, Budget Manual, Section 3.0, Paragraphs 3.5.3 and 3.7.1. Approval processes and the proper encumbrance of funds are dependent on purchasers following the proper procedures when placing orders; using the NC E-Procurement System automates the process and ensures proper authority to make purchases.

Recommendation: Johnson Community College must cease the practice of confirming orders and follow proper NC E-Procurement procedures for each purchase.

Agency Response: After some initial false starts, the college has ceased the practice of confirming orders, and is committed to proper use of the e-procurement process. Because of the false starts, end users have been discouraged from using the words "confirming order" because of confusion about the process. At this point, all e-pro users are adhering to the process and not simply using the NC E-Procurement System at the conclusion of a purchase. The JCC Purchasing Department is vigilant about identifying this misuse of the E-Pro system, and will take appropriate action if necessary to ensure that it no longer occurs.

Thank you for the opportunity to respond to the recommendations in the report. We appreciate the work of the Division of Purchase and Contract to help the College achieve our goals and become aware of additional opportunities for improvements and savings. It has been a pleasure to work with P&C for providing the assistance that is needed with improving our purchasing practices. Thank you.

Sincerely,



Cassandra W. Haire, Purchasing and Equipment Manager
Johnston Community College

cc: Dr. David Johnson, President
Dr. Darryl McGraw, Vice President of Administrative, Financial, and Information Technology Services



Machelle Sanders
Secretary

Angie Dunaway
Interim State Purchasing Officer

MEMORANDUM

TO: North Carolina State Board of Community Colleges
FROM: Angie Dunaway, Interim State Purchasing Officer
DATE: January 31, 2017
SUBJECT: Change of Purchasing Delegation for Johnston Community College

Pursuant to the consultative responsibilities set forth in North Carolina General Statute § 115D-58.14(c), the Division of Purchase and Contract recommends that the purchasing delegation/benchmark for Johnston Community College be decreased from \$25,000 to \$10,000 by the State Board at its earliest convenience. This request is based on the results of a compliance review of the college's purchasing activity conducted by the Division of Purchase and Contract in accordance with North Carolina Administrative Code, Title 1, Chapter 5, Section .1605. A report of the results of this compliance review, dated January 24, 2017, is attached for the Board's reference.

It is further recommended that the decrease be effective immediately upon approval by the State Board, in light of the substantial deficiencies documented in the report, and that any subsequent request for restoration or other increased delegation be contingent on the results of an additional compliance review to be conducted no sooner than one (1) year after implementation of the lower delegation value. This will allow an opportunity for sufficient documentation of improvements by the college over time after implementation of corrective actions.