



Beth A. Wood, CPA
State Auditor

STATE OF NORTH CAROLINA
Office of the State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699
Telephone: (919) 807-7500
Fax: (919) 807-7647
www.auditor.nc.gov

August 26, 2022

North Carolina Agricultural and Technical State University Board of Trustees
Harold Martin, Chancellor
North Carolina Agricultural and Technical State University

Ladies and Gentlemen:

The North Carolina Office of the State Auditor received four allegations through its Hotline concerning North Carolina Agricultural and Technical State University (University) and the purchasing of services without contracts in violation of University policy.

Pursuant to North Carolina General Statutes § 147-64.6(c)(16) and § 147-64.6B, we have completed an investigation of the allegations. This letter provides the results of our investigation, along with recommendations for corrective action. We appreciate the cooperation received from the management and employees of the University during our investigation.

Finding

From July 2019 through June 2021, the University purchased painting services totaling \$100,210 from G.S. Painting and Home Improvement without seeking competition. It appears that the purchases may have been split to avoid the threshold for requesting quotes or formal bids.

The University's *Purchasing Procedures Policy* (Policy) states that purchases over \$5,000 but below \$25,000 require a written request for quotes. In addition, the Policy states that purchases over \$25,000 but below \$100,000 require formal bids.

Further, the University's *Purchasing Procedures Policy* prohibits departments from splitting purchases into smaller purchase orders to avoid seeking competition.

No Written Requests for Quotes

The Office of Facilities (Facilities) and Campus Enterprises requested 15 purchase orders totaling \$64,035 for G.S. Painting and Home Improvement for what appears to be six painting jobs.

Several of these purchases, when analyzed together, had similar job descriptions and were within a short period of time from one another (see Table 1 below). Each purchase order, except one, was under the \$5,000 threshold requiring a written request for quotes. Each group

of purchases with similar job descriptions, when added together, exceeded the \$5,000 threshold for requiring a written request for quotes. No written requests for quotes were made.

As shown in Table 1 below, the purchases that had similar job descriptions were made within 7 - 42 days of one another. Additionally, eight of the purchases were within \$500 of the \$5,000 threshold that requires a written request for quotes. Had these purchases been combined for the same painting job, as it appears they should have been, the amount for each would have exceeded \$5,000. Therefore, Facilities and Campus Enterprises would have been required by policy to issue written requests for quotes for these painting jobs.

The following 15 purchases were made and have been grouped by the similar job descriptions:

Table 1

Purchase Order Number	Purchase Order Date	Amount	Job Description
P0099748 P0099979	11/15/2019 11/25/2019	\$ 4,975 <u>4,875</u> \$ 9,850	Painting and installation of vinyl lettering for signage and gates.
P0104697 P0105002	7/16/2020 8/3/2020	\$ 3,950 <u>4,350</u> \$ 8,300	Painting of switch stations on campus.
P0107980 P0108592 P0109307	1/14/2021 2/12/2021 3/16/2021	\$ 4,750 4,500 <u>4,560</u> \$ 13,810	Painting and installation of vinyl lettering for signage.
P0109333 P0109568 P0109703	3/17/2021 3/25/2021 3/31/2021	\$ 4,975 900 <u>7,575</u> \$ 13,450	Painting of Lab 207 in the Fort IRC Building.
P0110630 P0111304	5/3/2021 5/20/2021	\$ 4,900 <u>4,900</u> \$ 9,800	Painting of stairwells in Gibbs Hall.
P0110675 P0111696 P0111956	5/4/2021 6/9/2021 6/18/2021	\$ 2,275 3,250 <u>3,300</u> \$ 8,825	Painting of various areas in Williams Dining Hall.
Total Purchase Orders		<u>\$ 64,035</u>	

These purchases had similar job descriptions and were within a short timeframe.

No Bid Process

Procurement Services processed four purchase orders totaling \$36,175 for G.S. Painting and Home Improvement to paint the dining hall in 2020. One of the purchases for painting the dining hall exceeded the \$25,000 threshold for requiring formal bids.

Three of the four purchases were below the threshold to require the University to seek competition.

No bids were obtained for any of the purchases or the entire amount combined.

As shown in Table 2 below, the purchases for painting the dining hall were made within 25 business days of the first purchase. At a minimum, the purchase order dated June 15, 2020 (P0104134) exceeded the threshold to require formal bids.

Table 2

<u>Purchase Order Number</u>	<u>Purchase Order Date</u>	<u>Amount</u>
P0103754	5/11/2020	\$ 1,600
P0103882	5/21/2020	2,650
P0104077	6/11/2020	2,300
P0104134	6/15/2020	<u>29,625</u>
	Total	<u>\$ 36,175</u>

In addition to one of the purchases exceeding the threshold to require formal bids, had these purchases been combined for painting the dining hall, as it appears they should have been, the total amount would have exceeded \$25,000 and would have required formal bids.

Based on the information reviewed during the investigation (the job descriptions, amounts, and dates of purchases), it appears that splitting of purchases to avoid competition may have occurred.

Seeking competition in government purchasing is important to maintain the integrity of the purchasing process. Per the North Carolina Supreme Court, the purpose of competition in government purchasing is:

To prevent favoritism, corruption, fraud, and imposition in the awarding of public contracts by giving notice to prospective bidders and thus assuring competition, which in turn guarantees fair play and reasonable prices in contracts involving the expenditure of a substantial amount of public money.¹

¹ Mullen v. Town of Louisburg, 225 N.C. 53, 58-59, 33 S.E.2d 484, 487 (1941)

Further, consistent violations of University policies may send a message to the employees that this behavior is acceptable. As a result, the University could subject itself to a higher fraud risk as employees may believe it is acceptable to break or bend the rules.

Although the University's *Purchasing Procedures Policy* prohibits departments from splitting purchase requests into smaller orders to avoid seeking competition, the Director of Procurement Services admitted to investigators that there are **no procedures in place** to detect or prevent departments from splitting purchases to avoid seeking competition.

RECOMMENDATIONS

The University should determine if the jobs were split to intentionally avoid seeking competition. If so, the University should consider disciplinary action against the employees that split the jobs to avoid seeking competition.


The University's Chancellor should ensure that the Director of Procurement Services has procedures in place to detect or prevent departments from violating the Policy.

The University's Chancellor should determine if the University has an unethical relationship with G.S. Painting and Home Improvement.

The Director of Procurement Services should ensure competitive prices are obtained for all purchases by:

- Implementing procedures to detect departments attempting to circumvent the Policy.
- Enforcing the existing Policy by requiring a written request for quotes be issued for purchases that exceed \$5,000 but are less than \$25,000.
- Enforcing the existing Policy by conducting the formal bid process for purchases between \$25,000 and \$100,000.

Respectfully submitted,



Beth A. Wood, CPA
State Auditor



NORTH CAROLINA
AGRICULTURAL AND TECHNICAL
STATE UNIVERSITY

www.ncat.edu

A LAND-GRANT UNIVERSITY and A CONSTITUENT INSTITUTION of THE UNIVERSITY of NORTH CAROLINA

September 14, 2022

Ms. Beth A. Wood
State Auditor
2 S Salisbury Street #201
Raleigh, NC 27601

Dear Ms. Wood:

We acknowledge receipt of your management letter dated August 26, 2022 related to our procurement practices with one of our painting suppliers. North Carolina A&T State University is committed to conducting our business practices in an ethical manner and maintaining the confidence of the tax payers of the State of North Carolina.

We agree with the recommendations as proposed in the management letter and are committed to complying with federal, state, and university regulations. The following actions will be implemented to promote consistency, operational effectiveness and to avoid any suspicions and equally important, perceptions of noncompliance:

- The Division of Business and Finance will conduct an additional review of the transactions and the supplier relationship to ascertain if there were irregularities in our procurement practices.
Implementation Date: October 31, 2022
- The following procedures will be implemented to better equip the Procurement Services Department to detect any irregularities:
 - There will be one individual in the Procurement Services Department assigned to manage all Facility related procurement requisitions. This promotes consistency, compliance and expertise in this area. This will also enhance the Procurement Services Department's ability to detect any irregularities.
Implementation Date: October 1, 2022
 - On a weekly basis, the Facilities Team conducts meetings to discuss all outstanding projects. Members of the Procurement Services team will be invited to these weekly meetings.
Implementation Date: September 1, 2022
 - The Procurement Services team will perform quarterly reviews of vendors to identify any trends related to certain vendors and services. The Procurement Services, Facilities, and Campus Enterprises Teams will meet to discuss the report and resolve any issues. The Vice Chancellor for Business and Finance will receive an update on the results of these meetings on a quarterly basis.
Implementation Date: November 1, 2022
- The Division of Business and Finance will conduct an additional review of the vendor relationship to ascertain if there were irregularities in our business dealings with the supplier.
Implementation Date: October 31, 2022

- Finally, the following procedures will be implemented to ensure competitive prices are obtained for purchases:
 - All staff responsible for procuring services on the Facilities and Campus Enterprises teams will receive refresher training on the procurement processes.
Implementation Date: October 31, 2022
 - There will be a standardized procurement form that will be designed, disseminated and implemented by the Procurement Services team to promote consistency, compliance, and completeness.
Implementation Date: October 1, 2022
 - The Procurement Services team will conduct RFP's to develop a preferred vendor list that will be updated by facility related discipline. The number of preferred vendors may vary based on volume. This list will also include HUB Vendors.
Implementation Date: November 30, 2022
 - In 2022, the State of North Carolina increased procurement thresholds. As it relates to these new thresholds, the Facilities team will implement the following departmental requirements:
 - Requisitions up to \$10,000 will require 1 quote
 - Requisitions from \$10,001 to \$25,000 will require 2 quotes
 - Requisitions above \$25k will go through the procurement bid/quote process**Implementation Date: September 1, 2022**

We thank the State Auditors for their due diligence and partnership. Should you have further questions, please feel free to contact our Vice Chancellor for Business and Finance, Robert Pompey, via phone (336-334-7587) or email (rpompey@ncat.edu).

Sincerely,



Harold L. Martin, Sr.
Chancellor