

COLLEGE OF CHARLESTON
PROCUREMENT AUDIT REPORT
JULY 1, 2004 – MARCH 31, 2007

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NOTE: The College's responses to issues noted in this report have been inserted immediately following the items they refer to.

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State Budget and Control Board
PROCUREMENT SERVICES DIVISION

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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

August 29, 2007

Mr. R. Voight Shealy
Materials Management Officer
Procurement Services Division
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Voight:

We have examined the procurement policies and procedures of the College of Charleston for the period July 1, 2004 through March 31, 2007. As part of our examination, we studied and evaluated the system of internal control over procurement transactions to the extent we considered necessary.

The evaluation was to establish a basis for reliance upon the system of internal control to assure adherence to the Consolidated Procurement Code, State regulations and the College's procurement policy. Additionally, the evaluation was used in determining the nature, timing and extent of other auditing procedures necessary for developing an opinion on the adequacy, efficiency and effectiveness of the procurement system.

The administration of the College of Charleston is responsible for establishing and maintaining a system of internal control over procurement transactions. In fulfilling this

responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance of the integrity of the procurement process, that affected assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and are recorded properly.

Because of inherent limitations in any system of internal control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the system of internal control over procurement transactions, as well as our overall examination of procurement policies and procedures, were conducted with professional care. However, because of the nature of audit testing, they would not necessarily disclose all weaknesses in the system.

The examination did, however, disclose conditions enumerated in this report which we believe need correction or improvement.

Corrective action based on the recommendations described in these findings will in all material respects place the College of Charleston in compliance with the Consolidated Procurement Code and ensuing regulations.

Sincerely,



Larry G. Sorrell, Manager
Audit and Certification

INTRODUCTION

We conducted an examination of the internal procurement operating policies and procedures of the College of Charleston. Our on-site review was conducted June 14, 2007 through July 12, 2007 and was made under Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Section 19-445.2020 of the accompanying regulations.

The examination was directed principally to determine whether, in all material respects, the procurement system's internal controls were adequate and the procurement procedures, as outlined in the Internal Procurement Operating Procedures Manual, were in compliance with the South Carolina Consolidated Procurement Code and its ensuing regulations.

On September 28, 2004, the Budget and Control Board granted the College of Charleston, hereinafter referred to as the College, the following procurement certifications.

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Goods and Services	\$ 200,000 per commitment
Consultants	\$ 200,000 per commitment
Information Technology	\$ 200,000 per commitment
Construction Contract Award	\$ 25,000 per commitment
Construction Contract Change Orders	\$ 25,000 per change order
Architect/Engineer Contract Amendment	\$ 5,000 per amendment

Our audit was performed primarily to determine if recertification is warranted. The College requested the following increased certifications. The changes to the Code in 2006 increased the base line certification for construction to \$50,000 per commitment.

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Goods and Services	\$ 300,000 per commitment
Consultant/Contractual Services	\$ 300,000 per commitment
Information Technology	\$ 200,000 per commitment
Construction Contract Change Order	\$ 25,000 per change order
Architect/Engineer Contract Amendment	\$ 5,000 per amendment

SCOPE

We conducted our examination in accordance with Generally Accepted Auditing Standards as they apply to compliance audits. Our examination encompassed a detailed analysis of the internal procurement operating procedures of the College and its related policies and procedures manual to the extent we deemed necessary to formulate an opinion on the adequacy of the system to properly handle procurement transactions.

We selected judgmental samples for the period July 1, 2004 through March 31, 2007 of procurement transactions for compliance testing and performed other audit procedures that we considered necessary to formulate this opinion. Specifically, the scope of our audit included, but was not limited to, a review of the following:

- (1) All sole source, emergency and trade-in sale procurements for the period July 1, 2004 through March 31, 2007
- (2) Procurement transactions for the audit period as follows:
 - a) One hundred one payments each exceeding \$1,500
 - b) A numerical block sample of three hundred purchase orders
 - c) Procurement card transactions for the months of August, September and October of 2006
- (3) Eight major construction and four professional services contracts for compliance with the Manual for Planning and Execution of State Permanent Improvements
- (4) Minority Business Enterprise Plans and reports
- (5) Information technology plans for the audit period
- (6) Internal procurement procedures manual
- (7) File documentation and evidence of competition
- (8) Surplus property disposal procedures

RESULTS OF EXAMINATION

Cost Proposals Not in Accordance With Rate Schedules

Three delivery orders for Architectural/Engineering (A/E) indefinite delivery contracts (IDCs) and one delivery order for a construction indefinite delivery contract (IDC) failed to include evidence that the delivery order fees or costs were negotiated in accordance with the approved applicable rate schedules, cost reimbursables, or multiplier.

<u>Item</u>	<u>IDC-H15</u>	<u>Description of Deliver Order</u>	<u>PO</u>	<u>Amount</u>
1	DO23-PG	Seal exterior windows science building	P051869	\$55,000
2	DO23-PG	Renovations for student health services	P052209	48,329
3	DO27-PG	Smalls building mold testing	P070573	3,195
4	D030-PG	Installation of cooling tower float		3,010

Items 1, 2 and 3 were A/E IDC contracts. Section E1-3 (D) of the Manual for Planning and Execution of State Permanent Improvements, states: “The fee for each Delivery Order shall be separately negotiated in accordance with the approved A/E's Hourly Rate and Reimbursable Schedule.” Section E1-6 (C) of the Manual states the following.

In response to the Agency's request, the A/E shall prepare a Cost and Technical Proposal to:

1. Describe the project to be completed
2. Define, in adequate detail, the services to be provided.
3. List the team to be utilized for completion of the work.
4. Describe the time frame for completion of the work.
5. Provide the fee structure for providing services using the approved hourly rate and reimbursable schedule. This may be either a “lump sum” contract or “not to exceed” with payment on an hourly basis. Provide an estimated labor/hour breakdown for anticipated services.
6. Provide the estimated cost limit for reimbursable expenses. These are not to be part of the professional fees.

The College issued a delivery order on IDC H15-D030-PG for installation of a new cooling tower float in the amount of \$3,010. The contractor's cost proposal did not show the cost guide and the multiplier were used in pricing the work. As a result, no competition was obtained. Section E2-5 (1) of the Manual requires agencies to use either a cost pricing guide or multiplier/unit price to set up bid documents for IDC contracts to determine the base bid for award purposes. If the pricing could not be obtained through the cost pricing guides, then the IDC contracts did not apply and a separate solicitation should have been done.

We recommend the College comply with the provisions defined in the Manual for Planning and Execution of State Permanent Improvements of IDCs.

COLLEGE RESPONSE

Physical Plant Project Managers have been counseled. The College will comply with the provisions defined in the Manual for Planning and Execution of State Permanent Improvements by negotiating fees or costs in accordance with the approved applicable rate schedules, cost reimbursables, or multipliers when using A/E indefinite delivery contracts as stated in Section E1-3 (D) of the Manual. The College will also obtain competition when using IDCs in accordance with Section E2-5 (1) of the Manual and will document the cost guide and multiplier used.

Quarterly Reports of IDC Activity not Submitted to the Office of the State Engineer

Of the two IDC delivery orders for construction and six A/E IDC delivery orders for A/E reviewed, none were reported to the Office of the State Engineer (OSE). Section E2-12 of the Manual states, "The Agency shall submit to the OSE quarterly reports on IDC contracts."

We recommend the College adhere to Section E2-12 regarding quarterly reporting requirements for IDC contracts.

COLLEGE RESPONSE

In the future, the College will comply with the IDC reporting requirements as outlined in Section E2-12 of the Manual.

Procurement Card Transactions

The following procurement card transactions were artificially divided to avoid the \$1,500 limit thus rendering the procurements unauthorized as defined in Regulation 19-445.2015.

<u>Date</u>	<u>Description</u>	<u>Amount</u>
09/05/06	Janitorial supplies	1,494
09/06/06	Janitorial supplies	<u>1,494</u>
	Total	<u>\$2,988</u>
07/14/06	Electrical items	\$1,384
07/14/06	Electrical items	<u>1,384</u>
	Total	<u>\$2,768</u>

We recommend the College comply with the approved policies and procedures for procurement card transactions. The College must submit a ratification request to the President or his designee for the unauthorized procurements in accordance with Regulation 19-445.2015.

COLLEGE RESPONSE

These purchases have been documented as unauthorized purchases and a ratification request will be submitted to the President. The cardholders have been counseled and disciplinary action will be taken in accordance with the approved Purchasing Card policies and procedures.

Inappropriate Sole Source Procurements

Four procurements were inappropriately declared sole source.

<u>Date</u>	<u>PO</u>	<u>Description</u>	<u>Amount</u>
10/27/05	A043064	Custom-made wooden tables and book trucks	\$ 12,585
04/21/06	P062908	Custom-made wooden wall	5,720
07/27/06	P070496	Teacher training and supervising services	50,000
08/16/06	P070790	Staff coordinator and program developer	72,000

Section 11-35-1560 of the Code states, in part, “ A contract may be awarded for a supply, service, or construction item without competition when, under regulations promulgated by the Board, the chief procurement, the head of a purchasing agency, or a designee of either officer, above the level of the procurement officer, determines in writing that there is only one source for the required supply, service or construction item.” The section further states, “In case of reasonable doubt, competition must be solicited.”

We recommend the College solicit competition in compliance with the Code on these types of items.

COLLEGE RESPONSE

The College maintains that these purchases were justifiable sole sources. The first two were sole sources to the original successful bidder for custom woodwork. The orders were for additional custom woodwork in the Addlestone Library that had to match, in color, grain, and style of the already existing furniture and paneling. The next two sole sources were for very specialized professional training and program development services that are part of the Accelerated Schools Program and they required unique educational experience with the national school reform model, gifted and talented students, and overage students. However, in the future, the College will follow the recommendations by soliciting competition.

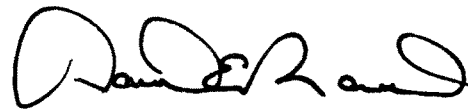
CERTIFICATION RECOMMENDATIONS

As enumerated in our transmittal letter, corrective action based on the recommendations described in this report, we believe, will in all material respects place the College of Charleston in compliance with the Consolidated Procurement Code.

Under the authority described in Section 11-35-1210 of the Procurement Code, subject to this corrective action, we will recommend the College of Charleston be re-certified to make direct agency procurements for three years up to the limits as follows:

<u>PROCUREMENT AREAS</u>	<u>RECOMMENDED CERTIFICATION LIMITS</u>
Goods and Services	*\$ 300,000 per commitment
Consultants	*\$ 300,000 per commitment
Information Technology	*\$ 200,000 per commitment
Construction Contract Change Order	\$ 25,000 per change order
Architect/Engineer Contract Amendment	\$ 5,000 per amendment

*The total potential purchase commitment whether single year or multi-term contract.



David E Rawl, CPPB
Audit Manager



Larry G. Sorrell, Manager
Audit and Certification

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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

September 10, 2007

Mr. R. Voight Shealy
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1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Voight:

We have reviewed the response from the College of Charleston to our audit report for the period of July 1, 2004 to March 31, 2007. Also we have followed the College's corrective action during and subsequent to our fieldwork. We are satisfied that the College of Charleston has corrected the problem areas and the internal controls over the procurement system are adequate.

Therefore, we recommend the Budget and Control Board grant the College of Charleston the certification limits noted in our report for a period of three years.

Sincerely,

A handwritten signature in black ink, appearing to read "Larry G. Sorrell".

Larry G. Sorrell, Manager
Audit and Certification

LGS/gs

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