

FLORENCE-DARLINGTON TECHNICAL COLLEGE

PROCUREMENT AUDIT REPORT

OCTOBER 1, 2005 – SEPTEMBER 30, 2008

TABLE OF CONTENTS

	<u>PAGE</u>
Transmittal Letter	1
Introduction.....	3
Scope	4
Summary of Audit Findings.....	6
Result of Examination	7
Certification Recommendations.....	11
Follow-up Letter.....	12

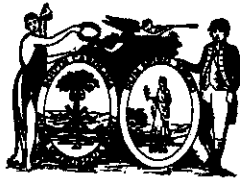
NOTE: The College's responses to issues noted in this report have been inserted immediately following the items they refer to.

STATE OF SOUTH CAROLINA
State Budget and Control Board
PROCUREMENT SERVICES DIVISION

MARK SANFORD, CHAIRMAN
GOVERNOR

CONVERSE A. CHELLIS III, CPA
STATE TREASURER

RICHARD ECKSTROM, CPA
COMPTROLLER GENERAL



HUGH K. LEATHERMAN, SR.
CHAIRMAN, SENATE FINANCE COMMITTEE

DANIEL T. COOPER
CHAIRMAN, WAYS AND MEANS COMMITTEE

FRANK W. FUSCO
EXECUTIVE DIRECTOR

DELBERT H. SINGLETON, JR.
DIVISION DIRECTOR
(803) 734-2320

MATERIALS MANAGEMENT OFFICE
1201 MAIN STREET, SUITE 600
COLUMBIA, SOUTH CAROLINA 29201
(803) 737-0600
Fax (803) 737-0639

R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

May 22, 2009

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

Dear Voight:

We have examined the procurement policies and procedures of Florence-Darlington Technical College for the period October 1, 2005 through September 30, 2008. 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 used to establish a basis for reliance upon the system of internal controls to assure adherence to the Consolidated Procurement Code, State regulations, and the internal procurement policy of the College. 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 Florence-Darlington Technical College is responsible for establishing and maintaining a system of internal controls 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 recorded properly.

Because of inherent limitations in any system of internal controls, 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 controls 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 Florence-Darlington Technical College in compliance with the Consolidated Procurement Code and ensuing regulations.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert J. Aycock, IV". The signature is stylized and cursive.

Robert J. Aycock, IV, Manager
Audit and Certification

INTRODUCTION

We conducted an examination of the internal procurement operating policies and procedures of Florence-Darlington Technical College. Our on-site review was conducted January 14, 2009 through March 20, 2009, 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.

On December 13, 2005 the State Budget and Control Board granted Florence-Darlington Technical College, hereinafter referred to as the College, the following procurement certifications:

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Goods and Services	\$100,000 per commitment
Consultant Services	\$ 50,000 per commitment
Information Technology	\$ 50,000 per commitment
Construction Contract Change Order	\$ 25,000 per change order
Architect/Engineering Contract Amendment	\$ 5,000 per amendment

On June 13, 2006, the Governor signed into law S.572 which amended the Consolidated Procurement Code. Among the amendments, basic procurement authority was increased from \$25,000 to \$50,000. Our audit was performed primarily to determine if re-certification is warranted. The College requested to remain at its current certification levels. With the enactment of S.572, the College has basic procurement authority of \$50,000 for Consultant Services and Information Technology. Therefore, a recommendation for certification in these two categories is unnecessary.

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 Florence-Darlington Technical 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 October 1, 2005 through September 30, 2008 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 October 1, 2005 through September 30, 2008 with two exceptions
- (2) Procurement transactions for the period January 1, 2006 through September 30, 2008 as follows:
 - a) Seventy-eight payments each exceeding \$2,500 with no exceptions
 - b) Block sample of 385 purchase orders reviewed for order splitting and favored vendors with one exception
 - c) Procurement card transactions for the months July-September 2008 with no exceptions
- (3) Construction contracts for compliance with the Manual for Planning and Execution of State Permanent Improvements, Part II as follows:
 - a) One major construction contract with no exceptions
 - b) Three indefinite delivery orders issued from three indefinite delivery construction contracts with no exceptions
 - c) Two indefinite delivery orders issued from two indefinite delivery Architect/Engineering contracts with no exceptions
- (4) Minority Business Enterprise (MBE) reports for the audit period. The annual MBE Plan and goals are prepared by the State Board for Technical and Comprehensive Education for the entire technical college system as one plan. Quarterly reports from Florence-Darlington Technical College show reported MBE expenditures for the College as follows:

<u>Fiscal Year</u>	<u>Actual</u>
2005-2006	\$ 19,872
2006-2007	\$ 165,884
2007-2008	\$ 182,710

- (5) Information technology plans for the audit period with no exceptions
- (6) Internal procurement procedures manual review with no exceptions
- (7) File documentation and evidence of competition with two exceptions
- (8) Surplus property disposal procedures with no exceptions
- (9) Blanket purchase agreements with no exceptions

SUMMARY OF AUDIT FINDINGS

I. No Competition

A procurement for student training services was not supported by solicitations of competition.

II. Artificially Divided Procurement

A procurement for a sign and lettering were not combined on a single purchase order, and competition was not obtained for the procurement.

III. Inadequate Documentation

The College used third party funds to purchase tools for students, but there was no documentation of the source of funds or the reimbursement requests issued by the College to the third party.

IV. Emergency Procurement Improperly Justified

A single emergency determination was issued for two separate emergency contracts. Since each emergency situation was isolated, a determination is required for each contract.

V. Non-Compliance with Drug-Free Workplace Act

Three sole source contracts and one emergency contract exceeding \$50,000 each were not supported with affidavits from the contractors certifying compliance with the Drug-Free Workplace Act.

RESULTS OF EXAMINATION

I. No Competition

Check #233522 in the amount of \$7,600 was issued on June 12, 2007 to cover reimbursement for quarterly expenses associated with a contract for student training services. There was no purchase order or requisition issued to initiate the contract, and the procurement was not routed through the purchasing department, as required by the College's internal procedures, making this an illegal transaction. Further, the College provided no evidence of solicitations of competition.

Section 11-35-1550 of the Procurement Code requires solicitation of competition for procurements greater than \$2,500.

We recommend the College follow internal procedures for all contracts and obtain competition for services where the Code applies.

COLLEGE RESPONSE

Exceptions have been noted and corrections to the process made. In the future competition for service procurements will be solicited.

II. Artificially Divided Procurement

Purchase orders 11320 and 11321 were issued to the same vendor on November 8, 2007. The first PO was for a sign in the amount of \$2,496. The second PO was for lettering for the sign in the amount of \$254. The total commitment to the vendor for the sign and lettering was \$2,750, which exceeds the Code's \$2,500 threshold for requiring solicitations of competitive quotations. There were no solicitations of competition for this artificially divided procurement making this an illegal transaction.

Section 11-35-1550(1) of the Procurement Code states in part, "Procurement requirements must not be artificially divided by governmental bodies so as to constitute a small purchase pursuant to this section." Additionally, section 11-35-1550(2)(b) of the Procurement Code states in part, "Solicitation of written quotes from a minimum of three qualified sources of supply must be made and documentation of the quotes attached to the purchase requisition for a small purchase over two thousand five hundred dollars but not in excess of ten thousand dollars."

We recommend the College not artificially divide procurement requirements and solicit competition in accordance with the Procurement Code.

COLLEGE RESPONSE

Exception has been noted and correction made to assure procurements are not artificially divided and to obtain competition.

III. Inadequate Documentation

Purchase orders #10974 and #10975, each in the amount of \$1,370, were issued for identical lists of tools to the same vendor on August 23, 2007. The tools were purchased for two students to use in a class that required the specific tools. While we understand an outside party paid for the tools, the procurement was routed through the College's purchasing department. A voucher was sent to the College and then a reimbursement request was sent to the third party. The college did not consider this transaction subject to the Procurement Code.

Section 11-35-40 (2) states in part, "This code applies to every procurement or expenditure of funds by this State under contract acting through a governmental body as herein defined irrespective of the source of the funds...." Since the Procurement Code applied and the transaction exceeded \$2,500, competition should have been solicited in accordance with 11-35-1550 (2)(b)

Any procurement processed by the College is subject to the Procurement Code regardless of the eventual source of funding. We recommend the College comply with the Procurement Code.

COLLEGE RESPONSE

Exception noted and will comply with the Procurement Code.

IV. Emergency Procurement Improperly Justified

An emergency determination dated December 4, 2007 combined two separate emergency situations that occurred on December 4, 2007 and February 14, 2008. There was no separate emergency determination issued on or beyond the date of the emergency contract for February 14, 2008. Section 11-35-1570 of the Procurement Code requires a written determination to be included in each contract file.

We recommend the College prepare a determination for each emergency procurement separately and have it authorized by the chief procurement officer, the president, or a designee of either officer.

COLLEGE RESPONSE

The College will prepare determinations for all emergency procurements separately and obtain proper signatures.

V. Non-Compliance with Drug-Free Workplace Act

The College failed to obtain the drug-free workplace certification on four procurements for sole sources and emergencies greater than \$50,000.

<u>Type</u>	<u>PO</u>	<u>Date</u>	<u>Amount</u>
Sole Source	#2910	06/19/07	\$ 1,601,003
Emergency	#2899	07/12/07	\$ 89,739
Sole Source	#3551	07/02/08	\$ 114,445
Sole Source	#12159	08/13/08	\$ 338,040

Section 44-107-30 of the Drug-Free Workplace Act requires a written certification on any contract of \$50,000 or more stating that the vendor will provide a drug-free workplace. Sole source and emergency procurements are subject to this law.

We recommend that the College obtain signed drug-free workplace certifications from vendors on all future procurements of \$50,000 or more.

COLLEGE RESPONSE

We will obtain drug-free certifications for all contracts over \$50,000 in the future.

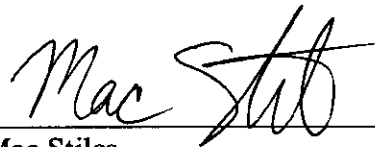
CERTIFICATION RECOMMENDATIONS

As enumerated in our transmittal letter, corrective action based on the recommendation described in this report, will in all material respects place the Florence-Darlington Technical College in compliance with the South Carolina Consolidated Procurement Code and ensuing Regulations.

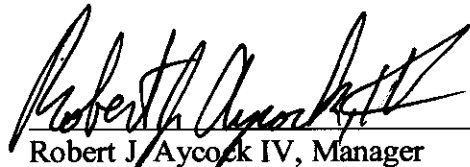
Under the authority described in Section 11-35-1210 of the Procurement Code, subject to this corrective action, we will recommend the Florence-Darlington Technical College be re-certified to make direct agency procurements for three years up to its current limits as follows:

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Supplies and Services	\$ 100,000 per commitment*
Construction Contract Change Order	\$ 25,000 per change order
Architect/Engineering Contract Amendment	\$ 5,000 per amendment

*Total potential purchase commitment whether single year or multi-term contracts are used.



Mac Stiles
Senior Auditor



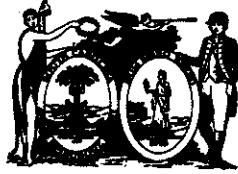
Robert J. Aycock IV, Manager
Audit and Certification

STATE OF SOUTH CAROLINA
State Budget and Control Board
PROCUREMENT SERVICES DIVISION

MARK SANFORD, CHAIRMAN
GOVERNOR

CONVERSE A. CHELLIS III, CPA
STATE TREASURER

RICHARD ECKSTROM, CPA
COMPTROLLER GENERAL



HUGH K. LEATHERMAN, SR.
CHAIRMAN, SENATE FINANCE COMMITTEE

DANIEL T. COOPER
CHAIRMAN, WAYS AND MEANS COMMITTEE

FRANK W. FUSCO
EXECUTIVE DIRECTOR

DELBERT H. SINGLETON, JR.
DIVISION DIRECTOR
(803) 734-2320

MATERIALS MANAGEMENT OFFICE
1201 MAIN STREET, SUITE 600
COLUMBIA, SOUTH CAROLINA 29201
(803) 737-0600
Fax (803) 737-0639

R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

June 1, 2009


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

Dear Voight:

We have reviewed the response from Florence-Darlington Technical College to our audit report for the period of October 1, 2005 to September 30, 2008. Also we have followed the College's corrective action during and subsequent to our fieldwork. We are satisfied that Florence-Darlington Technical College has corrected the problem areas and the internal controls over the procurement system are adequate.

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

Sincerely,


Robert J. Aycock, IV, Manager
Audit and Certification

RJA/gs

Total Copies Printed	11
Unit Cost	<u>\$.52</u>
Total Cost	<u>\$5.72</u>