



**HORRY GEORGETOWN TECHNICAL COLLEGE**  
**LIMITED SCOPE PROCUREMENT AUDIT REPORT**  
**JUNE 1, 2019 to MAY 31, 2020**

**Office of Audit & Certification**  
**Division of Procurement Services**  
**June 3, 2020**

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**Horry Georgetown Technical College**  
**Limited Scope Audit: Sole Source Procurements**

**INTRODUCTION**

We conducted a limited scope audit of HGTC's internal procurement operating policies and procedures, as outlined in the College's Internal Procurement Operating Procedures Manual, under section 11-35-1230 (1) of the South Carolina Consolidated Procurement Code and Regulation 19-445.2020 of the ensuing regulations.

The primary objective of our audit was to determine whether the College's internal controls were adequate to ensure compliance with the Code and ensuing regulations pertaining to sole source procurements. Requirements for sole source procurements are provided at SC Code Ann. § 11-35-1560 and Regulation 19-445.2105.

The management of HGTC is responsible for the agency's compliance with the Code. Those responsibilities include the following:

- Identifying the agency's procurement activities and understanding and complying with the Code
- Establishing and maintaining effective controls over procurement activities that provide reasonable assurance that the agency administers its procurement programs in compliance with the Code
- Evaluating and monitoring the agency's compliance with the SC Consolidated Procurement Code
- Taking corrective action when instances of noncompliance are identified, including corrective action on audit findings of this audit

Because of inherent limitations in any system of internal controls, errors or irregularities may occur and not be detected. 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 review and evaluation of the system of internal control over procurement transactions, as well as our overall audit of procurement policies and procedures, was conducted with professional care. However, because of the nature of audit testing, they would not necessarily disclose all weaknesses in the system.

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Limited Scope Audit: Sole Source Procurements**

**BACKGROUND**

In 2018, we conducted a procurement examination for the period October 1, 2015 through March 31, 2018, and published our report, dated July 17, 2018, to the State Fiscal Accountability Authority on May 14, 2019. A significant finding in that report addressed HGTC's inadequate sole source determinations for several sole source procurements made pursuant to S.C. Code Ann. § 11-35-1560. We recommended that HGTC review and revise its procedures for justifying and conducting sole source procurements to ensure that such determinations are appropriately and adequately justified. In its response to the findings and recommendation, HGTC stated:

HGTC is intensifying its due diligence as it relates to requests for Sole Source status. Going forward, HGTC will no longer rely on the prior Sole Source status that may have been assigned to a particular vendor/transaction. Instead, HGTC will research the status of each Sole Source request and validate the propriety of the Sole Source status with other colleges and universities, state agencies, and the State Procurement office in advance. These measures will be in full force and effect by March 31, 2019.

**SCOPE**

We conducted this limited scope audit to obtain sufficient, appropriate evidence to provide a reasonable basis for determining whether HGTC had taken appropriate steps to remedy the issues we found with sole source procurements in our previous audit. Our audit included examining evidence about HGTC's compliance with the Code and ensuing regulations related to sole source procurements, for the period June 1, 2019 through May 31, 2020, and performing other procedures that we considered necessary in the circumstances. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The scope of our audit included an examination of the following:

(1) All sole source procurements reported to the quarterly report database and written determinations supporting the College's justification for each. The following sole source procurement activity was reported to DPS:

<u>Fiscal Year</u>	<u>Count</u>	<u>\$ Amount</u>
2019	22	793,252

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**RESULTS OF AUDIT**

**Sole Source Procurements**

Our examination of sole source procurements identified the following issues:

**A. Inadequate Sole Source Justification**

Written determinations providing justification for three sole source procurements inadequately documented the agency's need(s) and rationale as to why no other vendor or product would be suitable or acceptable to meet the agency's need. The three determinations all attached explanations from the vendor that they were the only vendor that sold the product, or that the vendor was better, but did not provide explanations of what the agency needed or why no other product would suffice. Explanations provided during the audit, better explained the reasoning behind procuring the goods without competition.

SC Code Ann. § 11-35-1560 (A) provides that “a contract may be awarded without competition if... the chief procurement officer, 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, information technology, or construction item.” Regulation 19-445-2015 (C) requires that “Any request by a governmental body that a procurement be restricted to one potential contractor shall be accompanied by an explanation as to why no other will be suitable or acceptable to meet the need. The determination must contain sufficient factual grounds and reasoning to provide an informed, objective explanation for the decisions.”

In practice sufficient factual grounds would include an explanation of the agency's need, followed by an explanation of why no other product or vendor will be suitable or acceptable to meet that need.

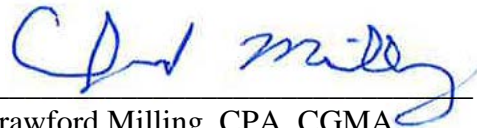
**Recommendation:** We recommend HGTC review and revise its procedures for sole source procurements to require that written determinations first document the College's need, then explain the basis for its determination that only one source was available or no other was suitable or acceptable to meet the need. Written determinations must contain sufficient factual grounds and reasoning to provide an informed, objective explanation for the decision, and to ensure that in cases of reasonable doubt, competition is obtained as required by SC Code Ann. § 11-35-1560 and Regulation 19-445.2015 (C).

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**B. Drug Free Workplace Certifications Not Obtained**

Our review of Sole Source procurements valued at \$50,000 or more identified three procurements for which the Drug-Free Workplace Act Certifications were not obtained.

**Recommendation:** We recommend that HGTC revise its procedures to ensure that solicitations greater than \$50,000 require contractors to certify that they will provide a drug-free workplace as required by the Drug-Free Workplace Act, and verify that such certifications are obtained prior to commencement of work under the contract.



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Crawford Milling, CPA, CGMA  
Director of Audit & Certification



Mr. Crawford Milling  
Director, Audit & Certification  
Division of Procurement Services | SC State Fiscal Accountability Authority  
1201 Main St., Suite 600  
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RE: Response to limited scope procurement audit of the Horry-Georgetown Technical College (HGTC) sole source procurements for the period June 1, 2019 through May 31, 2020

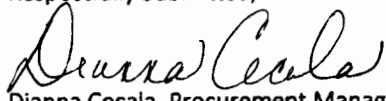
Dear Mr. Crawford:

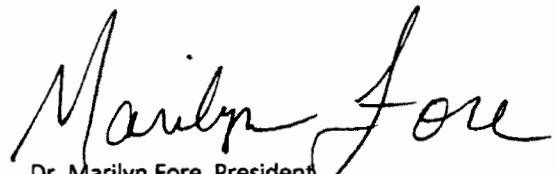
Horry-Georgetown Technical College respectfully submits its response to the Sole source audit conducted by Edward Welch, State Auditor. After reviewing the draft report, we agree that you are correct in that it appears there have been a few instances where our standard procedures and due diligence have not been followed. Let me assure you that we take this very seriously and will take the necessary steps to assure this will not happen in the future.

HGTC's Procurement Office prefers not to use the procurement method of Sole Sourcing as evidenced by the small number that are processed each year. However, when we do allow the Sole Source procedure to occur, we will begin to use the attached checklist. This checklist will be used for every Sole Source and filed in the Procurement Office. This checklist will ensure that all steps are followed and serve as a reminder that the documentation and vendor letters are written appropriately.

HGTC would like to thank Edward Welch, who was assigned to our College, with regards to his courtesy and professionalism exhibited during the audit.

Respectfully Submitted,

  
Dianna Cecala, Procurement Manager

  
Dr. Marilyn Fore, President

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