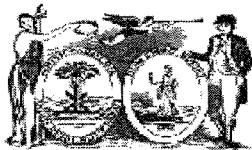


STATE OF SOUTH CAROLINA  
*State Budget and Control Board*  
PROCUREMENT SERVICES DIVISION

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MATERIALS MANAGEMENT OFFICE  
1201 MAIN STREET, SUITE 600  
COLUMBIA, SOUTH CAROLINA 29201  
(803) 737-0600  
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R. VOIGHT SHEALY  
MATERIALS MANAGEMENT OFFICER

May 14, 2002

Mr. Delbert H. Singleton Jr.  
Director  
Procurement Services Division  
6<sup>th</sup> Floor-Wade Hampton Building  
Columbia, South Carolina 29201

Dear Delbert:

I have attached The Citadel's procurement audit report and recommendations made by the Office of Audit and Certification. I concur and recommend the Budget and Control Board grant The Citadel a three-year certification as noted in the audit report.

Sincerely,

A handwritten signature in cursive script that reads "Voight Shealy".

R. Voight Shealy  
Materials Management Officer

/jl



**THE CITADEL**  
**PROCUREMENT AUDIT REPORT**  
**APRIL 1, 1999 - DECEMBER 31, 2001**



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

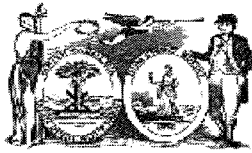


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R. VOIGHT SHEALY  
MATERIALS MANAGEMENT OFFICER

April 11, 2002

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 Citadel for the period April 1, 1999 through December 31, 2001. 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 South Carolina 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 Citadel 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 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 Citadel in compliance with the South Carolina 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 Citadel. Our review was conducted February 11, 2002 through March 14, 2002 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.

Section 11-35-1210 of the South Carolina Consolidated Procurement Code states:

The (Budget and Control) Board may assign differential dollar limits below which individual governmental bodies may make direct procurements not under term contracts. The Office of General Services shall review the respective governmental body's internal procurement operation, shall verify in writing that it is consistent with the provisions of this code and the ensuing regulations, and recommend to the Board those dollar limits for the respective governmental body's procurement not under term contract.

On September 14, 1999, the Budget and Control Board granted The Citadel the following procurement certifications.

<u>PROCUREMENT AREAS</u>	<u>RECOMMENDED CERTIFICATION LIMITS</u>
Goods and Services	\$ 100,000 per commitment
Information Technology	\$ 100,000 per commitment
Consultant Services	\$ 100,000 per commitment
Construction Contract Award	\$ 100,000 per commitment
Construction Contract Change Order	\$ 25,000 per change order
Architect/Engineer Contract Amendment	\$ 15,000 per amendment

Our audit was performed primarily to determine if re-certification is warranted. The Citadel requested to remain at its current limits with the exception of increasing construction contract change orders to the new level of \$100,000 as allowed by the Manual for Planning and Execution of State Permanent Improvements for a level III construction certification.

## 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 The Citadel 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, 1999 through December 31, 2001 of procurement transactions for compliance testing and performed other audit procedures that we considered necessary to formulate this opinion. 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 April 1, 1999 through December 31, 2001
- (2) Procurement transactions for the period July 1, 1999 through December 31, 2001 as follows:
  - a) One hundred-two payments each exceeding \$1,500
  - b) A block sample of two hundred ninety-nine purchase orders reviewed for order splitting and use of favored vendors
  - c) Additional sample of six solicitations greater than \$10,000
  - d) All procurement card transactions for the June and July of 2001
- (3) Procurements of four construction contracts, three goods and services procurements related to construction and ten professional service 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
- (6) Internal procurement procedures manual
- (7) Surplus property procedures
- (8) Blanket purchase agreements
- (9) File documentation and evidence of competition

## SUMMARY OF AUDIT FINDINGS

### I. Purchasing Card Violations

#### A. Purchasing Card Transactions Artificially Divided

Transactions were artificially divided to circumvent the \$1,500 per purchase limit of the purchasing card.

#### B. Inappropriate Purchasing Card Transaction

One department made a number of small, repetitive purchases totaling \$2,426 over about a month but paid all the invoices on the same day by using the purchasing cards from two people.

#### C. Charge Exceeded Authorized Limit

One procurement was made for \$1,718 by utilizing two separate charges of \$1,478 and \$240.

#### D. Procurements Should Have Been Combined

Three separate charges were made for one item used in different locations on campus.

### II. Procurement Code Violations

#### A. Procurements Without Competition

Three procurements were not supported by solicitations of competition.

#### B. Resident Vendor Preference Not Applied

A vendor requested the resident vendor preference but the preference was not applied resulting in an incorrect award.

#### C. Award Statement Errors

The award statements for three solicitations were not done in accordance with the Code.

#### D. Purchase Orders Not Reconcilable to Bidding Schedule

Three purchase orders could not be reconciled with the bidding schedules.

#### E. Rebate Offer

The Citadel paid a retailer \$200 more per item thus receiving a net savings of \$200 after the rebate instead of taking advantage of the full \$400 rebate.

### III. Sole Source Procurements

#### A. Inappropriate Sole Source Procurements

Eight sole source procurements were inappropriate.

#### B. Sole Source Authorizations

Three sole source authorizations were not dated and one authorization was not signed.

## RESULTS OF EXAMINATION

### I. Purchasing Card Violations

#### A. Purchasing Card Transactions Artificially Divided

The following transactions were artificially divided to circumvent the \$1,500 per purchase limit on the purchasing card.

<u>Invoice Number</u>	<u>Description</u>	<u>Date</u>	<u>Amount</u>
0178	Shorts (navy)	5/11/01	\$1,433
0179	Shorts (navy), T's (gray)	5/11/01	1,323
0180	T's (white)	5/11/01	708
0181	Canteens, portfolios, lanyards	5/11/01	<u>1,265</u>
		Total	<u>\$4,729</u>
T560215	6000 Finc Van Opq CV Vel 23X35 201M	4/20/01	\$1,407
T560216	10800 Finc Van Opq Vel 23X35 119M	4/20/01	1,480
N233897	6000 Finc Van Opq Vel 23X35 119M		
	3600 Finc Van Opq Vel 23X35 119M	4/18/01	1,315
T560132	2000 Classic Crest CV 23X35 248M	4/19/01	1,164
T560167	2000 Classic Crest CV 23X35 248M	4/19/01	<u>1,164</u>
		Total	<u>\$6,530</u>
22-53325-11	1000 26X40 260M 65# Felwv CV Wht 7500 Signet 9.5-24 WW Bklt Env Bulk 9X12		
	10,000 Signet 6.75-24 WW Reg 3-5/8X6.5	5/31/01	\$1,207
22-53825-21	1000 26X40 260M 65# Felwv CV Wht	5/31/01	508
22-53826-11	6000 8.5X11 19.54M 67# Colorsrc Vel Bris Cv Blu		
	4000 8.5X11 19.54M 67# Colorsrc Vel Bris Cv Ivy		
	15,000 17.5X22.5 58M 70# Spectrum		
	25,000 Signet 10-24 WW Reg 4-1/8X9.5	5/31/01	<u>1,447</u>
		Total	<u>\$3,162</u>
22-51064-11	5000 25X36 292M 80# SAPP Porcelain	5/7/01	\$1,399
22-51060-11	5000 25X36 292M 80# SAPP Porcelain	5/7/01	<u>1,473</u>
		Total	<u>\$2,872</u>
22-54760-11	1000 Signet 10.5-24 Wht Bulk Cat 9X12		
	20,000 8.5X11 10M 3pt Precol Supr		
	5000 17.5X22.5 58M 70# Spectrum	6/7/01	\$1,123

<u>Invoice Number</u>	<u>Description</u>	<u>Date</u>	<u>Amount</u>
22-54761-11	2000 25X38 140M 70# Spectrum 30,000 8.5X11 10M 3pt Precol Supr	6/7/01	<u>1,429</u>
		Total	<u>\$2,552</u>
22-53389-11	3750 23X35 119M 70# NEK LIN TX Ash 1500 Signet 13.5-24 WW Bulk Cat 10X13	5/25/01	\$1,015
22-53391-11	20,000 19X25 80M 80# SAPP Porcelain	5/25/01	<u>1,442</u>
		Total	<u>\$2,457</u>
7324724001	5 ea ½ SARCO TD-42L Trap Thd W/ Blowdown		
	1 ea 1 SARCO BPT-30-YHC Thermostatic Tra Thd W/ Intergral Strainer	6/12/01	\$1,291
7545726001	5 ea ½ SARCO TD-42L Trap Thd W/ Blowdown		
	1 ea 1 SARCO BPT-30-YHC Thermostatic Tra Thd W/ Intergral Strainer	6/15/01	<u>1,291</u>
		Total	<u>\$2,582</u>

Since the total procurements exceeded the purchase limit of \$1,500 established for the card, each procurement was unauthorized as defined in Regulation 19-445.2015. Some of the artificially divided purchases were made by using up to three different cards in the same department. None of the purchases were supported by competition. Competed term contracts should be established for high use items.

We recommend the departments comply with the approved policies and guidelines of the purchasing card program. We also recommend more oversight be placed on purchasing card transactions. Ratification for the unauthorized procurements must be requested per Regulation 19-445.2015 from President of The Citadel or his designee.

#### **COLLEGE RESPONSE**

A revised auditing plan for purchasing card transactions is currently underway. The Procurement Director will review all purchasing card transactions once a month to assure compliance with the policies and procedures established regarding split and multiple purchases from the same vendor. Also, a revised training schedule and training material are being developed. The ratifications for these unauthorized procurements are underway.

**B. Inappropriate Purchasing Card Transaction**

One department made a number of small, repetitive purchases totaling \$2,426 throughout the months of March and April of 2001, but the invoices were all paid on the same day by using the purchasing cards from two different people. The Citadel has a procurement procedure in place through blanket purchase agreements to accommodate this type of purchasing.

We recommend the department either adhere to the policies and guidelines of the purchasing card program or use a blanket purchase agreement.

**COLLEGE RESPONSE**

Blanket purchase order agreements are currently in place to handle all such purchases. The department has been instructed to utilize these blanket purchase agreements versus the departmental purchasing card. All departments will be directed to utilize the blanket purchase order agreements for repetitive small purchases.

**C. Charge Exceeded Authorized Limit**

A procurement was made in the amount of \$1,718 for instructional DVDs by utilizing two separate charges, one at \$1,478 and the second at \$240 to circumvent the purchasing card \$1,500 limitation. The two charges were supported by one invoice in the amount of \$1,718. Since the procurement exceeded the purchase limit of \$1,500 established for the card, the procurement was unauthorized as defined in Regulation 19-445.2015.

We recommend charges not be artificially divided. Ratification for the unauthorized procurement must be requested per Regulation 19-445.2015 from the President of The Citadel or his designee.

**COLLEGE RESPONSE**

The ratification for this unauthorized purchase is currently underway. The department has been reminded and instructed as to the proper policy and procedures concerning purchasing card usage.

**D. Procurement Should Have Been Combined**

Three separate procurements were made for one item used in different locations on campus.

<u>Date</u>	<u>Work Order</u>	<u>Description</u>	<u>Amount</u>
8/30/99	2001542	6 each Flushometer	\$1,194
9/07/99	2001545	6 each Flushometer	1,194
9/20/99	2001543	6 each Flushometer	<u>1,194</u>
		Total	<u>\$3,582</u>

Because the work order numbers are virtually sequential, the procurement requirements were known and should have been combined and competition solicited.

We recommend like items be combined and appropriate levels of competition solicited.

### **COLLEGE RESPONSE**

The Procurement Department is seeking input from all departmental users to better determine items for which a multi-year term contract can be established. Items such as described within this section are examples of such needs. The Procurement Department will aggressively seek to find those items to which we can take advantage of combining purchases to obtain an economic to scale price break.

## **II. Procurement Code Violations**

### **A. Procurements Without Competition**

Three procurements were not supported by competition.

<u>PO</u>	<u>Description</u>	<u>Amount</u>
A001168	Conduct psychological evaluations	\$10,000
A102583	Camp medical insurance	10,500
P002789	Towel bars and medicine cabinets	5,213

The Code requires that all procurements above \$1,500 be competitively bid unless exempt or justified as sole source or emergency procurements.

We recommend the College adhere to the Code requirements and seek the appropriate level of competition on all future procurements.

### **COLLEGE RESPONSE**

Purchase order A001168 was processed as a blanket purchase. No additional sources were asked to provide these services. Competition should have been obtained or additional vendors selected to provide these services. The Procurement Officer involved was instructed to obtain other sources for these services.

Purchase order A102583 was processed as an exempt purchase due to the fact the participants paid for this coverage directly. The Citadel does require all participants of the summer camp program to have insurance and thus should have established a term contract to provide this service. The Procurement Department is seeking input from the summer camp Director to better determine exactly what coverage is needed to establish the contract.

Purchase order P002789 was summer supply items to be utilized by the Physical Plant. These two items had been placed on the large summer supply solicitation previously solicited. However, with no one providing pricing on these items and the timely need for these items, it was determined to utilize the previously solicited vendors as "NO Bid" vendors and process the



purchase order. The Procurement Department has been instructed to seek additional sources for these items and provide as competition as required by the Code.

**B. Resident Vendor Not Applied**

On solicitation M2010, the resident vendor preference allowed in Section 11-35-1524 was claimed by the second low bidder but was denied because The Citadel failed to include the preference in the solicitation. Since the vendor requested the preference and was entitled to receive it, the preference should have been allowed. The application of the preference would have resulted in the vendor who claimed it to receive the award over a non-resident vendor.

We recommend The Citadel properly apply the resident vendor preference.

**COLLEGE RESPONSE**

This was clearly an error in the evaluation process of those vendors requesting the vendor preference. The Procurement Department has implemented several changes as to the evaluation of those vendors requesting this preference.

**C. Award Statement Errors**

The award statements for three solicitations were not done in accordance with the Code.

<u>Solicitation</u>	<u>Description</u>	<u>Amount</u>
T0081	Printing services	\$53,031
9073	Refinish wood floors	74,498
M1020	Install air handlers	29,947

The Citadel did not issue a notice of intent to award on solicitation T0081, failed to wait sixteen days before making the award final on solicitation 9073, and did not prepare a statement of award on solicitation M1020.

We recommend The Citadel comply with award statement requirements of the Code.

**COLLEGE RESPONSE**

The three award statements sited in this section did not comply with the requirements of the Code. These items were clerical and administrative errors. Procedures are currently under evaluation to effectively deter these types of errors.

**D. Purchase Orders Not Reconcilable to Bidding Schedules**

Three purchase orders could not be reconciled with the applicable bidding schedules.

<u>PO</u>	<u>Description</u>	<u>Amount</u>
A001462	Bulk mailing service	\$7,263
P102484	Suspended ceiling contract	3,629
P200098	Printing parking decals	3,804

The bidding schedule on A001462 was based on a mailing price per 1,000 and the purchase order was issued as the price for the job. Additionally, the invoice included a \$1,399 remail fee that was not included in the contract nor was a change order issued authorizing payment.

The bidding schedule on P102484 was based on a price per installed square foot whereas the

**COLLEGE RESPONSE**

The authorization was given to adjust the cost to \$1,845 because we were told we would not receive the lower cost of \$1,445 if we did not. Also, it was never stated originally that this was a manufacturer's rebate. However, even with this information in hand, the Procurement Director should have investigated this matter much closer and not allow this to occur. A complete review of all purchases under this contract is currently under way to better determine exactly the loss to The Citadel. Should it be determined, The Citadel may seek restitution from the manufacturer for the additional dollars not originally rebated.

III. Sole Source Procurements

A. Inappropriate Sole Source Procurements

Eight procurements made as sole sources were inappropriate.

<u>PO</u>	<u>Description</u>	<u>Amount</u>
A200991	Police Corps Director	\$84,244
A101113	Police Corps Director	82,557
A002362	Police Corps Director	39,264
100614	Conduct background checks	6,000
101364	Conduct background checks	6,000
101796	Conduct background checks	5,700
201218	Conduct background checks	3,750
100274	Compensation and benefits package design	4,500

The Police Corps Director should be classified as an employee and not as a consultant. The four procurements to conduct background checks were made from two different individuals. Law enforcement agencies also do back ground checks. The development of a compensation and benefits package should have been competed.

We recommend employees be properly classified. We also recommend that procurements that do not meet the criteria for a sole source be competed in accordance with the Code.

**COLLEGE RESPONSE**

The first three deal with the employment of the Director for the South Carolina Police Corp. The Citadel is currently seeking advice from The Citadel's Human Resources Department. The next four deal with background checks for candidates to the South Carolina Police Corp. We will be seeking competition on these purchases effective immediately. The last item deals with an executive compensation packaged offered to several Vice President level positions. Should the need for such services arrive in the future, we will solicit competition for these services.

B. Sole Source Authorizations

Three sole source authorizations were not dated and a one was not signed.

<u>PO</u>	<u>Description</u>	<u>Amount</u>
002142	Energy management	\$61,224
001472	Computer services	10,950
000193	Energy management	2,160
000560	Honorarium	4,646

Since the first three sole source procurements listed did not have the authorization dates, we can not determine if they were approved in a timely manner. The honorarium did not have an authorized signature thus resulting in the procurement being unauthorized as defined in Regulation 19-445.2015.

We recommend sole source authorization dates be recorded and properly authorized. Ratification of the unauthorized procurement must be requested per Regulation 19-445.2015 from the President of The Citadel or his designee.

#### **COLLEGE RESPONSE**

The items sited in this section were clerical errors and have been corrected. The Procurement Department has implemented several new procedures to minimize opportunities for reoccurrence of such errors. The ratification request has been submitted to the President.

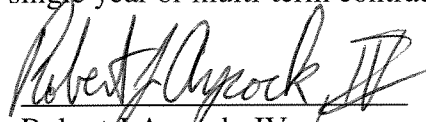
**CERTIFICATION RECOMMENDATIONS**


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 Citadel 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 Citadel be re-certified to make direct agency procurements for three years up to the limits as follows:

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Goods and Services	\$ *100,000 per commitment
Information Technology	\$ *100,000 per commitment
Consultant Services	\$ *100,000 per commitment
Construction Contract Award	\$ 100,000 per commitment
Construction Contract Change Order	\$ 100,000 per change order
Architect/Engineer Contract Amendment	\$ 15,000 per amendment

\*The total potential purchase commitment whether single year or multi-term contracts are used.

  
Robert J. Aycock, IV  
Audit Manager

  
Larry G. Sorrell, Manager  
Audit and Certification

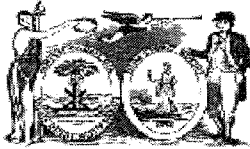


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R. VOIGHT SHEALY  
MATERIALS MANAGEMENT OFFICER

May 14, 2002

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 The Citadel to our audit report for the period of April 1, 1999 – December 31, 2001. Also we have followed The Citadel's corrective action during and subsequent to our fieldwork. We are satisfied that The Citadel 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 Citadel the certification limits noted in our report for a period of three years.

Sincerely,

A handwritten signature in cursive script, appearing to read "Larry G. Sorrell".

Larry G. Sorrell, Manager  
Audit and Certification

LGS/jl

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