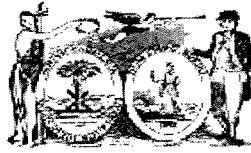


STATE OF SOUTH CAROLINA  
*State Budget and Control Board*  
PROCUREMENT SERVICES DIVISION

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MATERIALS MANAGEMENT OFFICE  
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R. VOIGHT SHEALY  
MATERIALS MANAGEMENT OFFICER

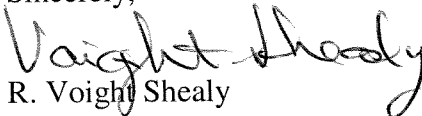
May 26, 2005

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,

  
R. Voight Shealy  
Materials Management Officer

/jl

**THE CITADEL**  
**PROCUREMENT AUDIT REPORT**  
**JANUARY 1, 2002 - DECEMBER 31, 2004**

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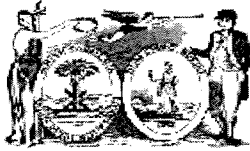
NOTE: The College's responses to issues noted in this report have been  
Inserted immediately following the items they refer to.

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R. VOIGHT SHEALY  
MATERIALS MANAGEMENT OFFICER

May 6, 2005

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 January 1, 2002 through December 31, 2004. 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 Citadel'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 March 7, 2005 through April 13, 2005 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 internal controls of the procurement system 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 ensuing regulations.

On June 18, 2002, 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	\$ 100,000 per change order
Architect/Engineer Contract Amendment	\$ 15,000 per amendment

Our audit was performed primarily to determine if re-certification is warranted. Additionally, The Citadel requested the following certification increases.

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Goods and Services	\$250,000 per commitment
Information Technology	\$100,000 per commitment
Consultant Services	\$250,000 per commitment

PROCUREMENT AREAS

Construction Contract Award

Construction Change Order

Architect/Engineer Contract Amendment

CERTIFICATION LIMITS

\$100,000 per commitment

\$100,000 per change order

\$ 15,000 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 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, 2002 through December 31, 2004 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 January 1, 2002 through December 31, 2004
- (2) Procurement transactions for the period July 1, 2002 through December 31, 2004 as follows:
  - a) Ninety three payments each exceeding \$1,500
  - b) A block sample of three hundred six purchase orders reviewed for order splitting and use of favored vendors
  - c) Additional sample of five solicitations greater than \$10,000
  - d) Procurement card transactions for the months September of 2004 through November of 2004
- (3) Procurements of six construction contracts and four 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



## RESULTS OF EXAMINATION

### Inappropriate Sole Source Procurements

Four procurements processed as sole sources did not have adequate justification.

<u>PO</u>	<u>Description</u>	<u>Amount</u>
A302010	Conduct background checks	\$ 3,000
A303032	Emergency training	4,375
A402951	Emergency training	6,375
C400301	Consulting services	40,420

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 officer, the head of a purchasing agency, or a designee of either officer, above the level of the procurement officer, determines in writing there is only one source for the required supply, service, or construction item. In cases of reasonable doubt, competition must be solicited." Additionally, in the prior audit for the period April 1, 1999 to June 30, 2001, we addressed two inappropriate sole source procurements for the vendor and service on purchase order A302010. The Citadel's response to the prior audit exception stated, in part, "We will be seeking competition on these procurement immediately." Rather than soliciting competition for conducting background checks, The Citadel continued to procure as sole source from the vendor.

We recommend competition be solicited for these types of services.

### COLLEGE RESPONSE

A302010: The vendor has direct access to the National Criminal Information System due to her current employment status for the Charleston County Sheriff's Office. The information obtained via this system is far more in-dept than would be available from conventional background services. This data is vital in the selection process of potential candidates for this highly competitive program. The Citadel has not found anyone else who can provide the services given such a short lead time.

A303032 and A402951: The vendor has provided in-depth instruction, qualified instructors, and developed the curriculum for this vital aspect of Police Corps candidates training. Due to the complexities and intensity of this program, consistence in material and presentation makes the vendor the sole provider of this instruction. The Citadel has not found anyone else who can provide the services given such a short lead time.

C400301: The Citadel did attempt to seek competition for the training services provided by the vendor, but due to budget cuts and the demanding time requirement, The Citadel was unable to award a contract. The vendor was the only company that had utilized and developed most of the

the curriculum, provided all the previous instructors, and could meet the deadlines required for the FY 04 training period. Thus the vendor was selected as the sole source for these services.

Purchase Orders Not Reconcilable to Invoices

Four purchase orders could not be reconciled to the paid invoices.

<u>PO</u>	<u>Description</u>	<u>Amount</u>
A300694	Recruiting search	\$20,000
A500397	Video equipment	16,654
P400579	Door closures	18,750
P500584	Security alarm equipment	5,671

The purchase orders did not have sufficient detail to allow for reconciliation with the invoices. Without such information, The Citadel is at a higher risk of paying incorrect amounts which occurred on two of the items cited. Freight was overpaid on purchase order A500397. Purchase order P500584 did not separate equipment and labor cost resulting in the over paying of sales tax on labor.

We recommend purchase orders include sufficient information from the bidding schedules to allow for reconciliation with invoices. Any discrepancies should be reconciled and adequately documented prior to payment

COLLEGE RESPONSE

The Procurement Staff and Accounts Payable Staff have reviewed and concur the finding of this audit and will be implementing several new procedures to assist in minimizing these occurrences in the future. Also, the Procurement Staff will be closely monitoring the input coming from the departments to assure accuracy and compliance with the bidding schedule.

Procurement Without Competition

Purchase order C500004 totaling \$5,400, to replace a three ton heat pump unit, lacked evidence of competition. The purchase order referenced a contract number that covered HVAC service and maintenance only. Since the contract did not cover equipment, solicitation of written quotes from a minimum of three qualified sources should have been made as required by Section 11-35-1550(2) (c) of the Code.

We recommend competition be solicited in accordance with the Code for items that are not part of contracts.

### COLLEGE RESPONSE

The Procurement Staff will be closely monitoring this and all such contracts to assure compliance with the intent of the contract and prevent similar occurrences in the future.

#### Incorrect Award

On solicitation 4075 to build a custom lectern, the resident vendor preference allowed in Section 11-35-1524 of the Code was claimed by a bidder but was not applied in the evaluation of the responses to determine the lowest responsible and responsive bidder. If the preference had been applied to this vendor, the adjusted amount would have made the vendor low. The result was an incorrect award. Since the vendor requested the preference and was entitled to receive it, the preference should have been allowed.

We recommend The Citadel properly apply the resident vendor preference.

### COLLEGE RESPONSE

The Procurement Staff will apply the resident vendor preference consistently to all bids and will document receipt of all amendments.

#### Intent to Award

The Citadel issued solicitation 5001-JW-7-27-04 as a multi-term contract for printing. The contract value for each year was \$19,785 for a maximum period of 3 years for a potential value of \$59,355. A statement of award instead of the required intent to award was prepared and posted. Section 11-35-1520(10) of the Code requires an intent to award be prepared for any contract with a potential value greater than \$50,000.

We recommend intent to award statements be prepared on all contracts having a total or potential value in excess of \$50,000.

### COLLEGE RESPONSE

The Procurement Staff will closely monitor the intent to award statement and assure that the appropriate waiting period is complied with and well documented.

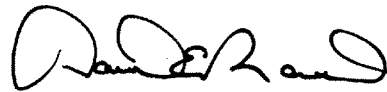
**CERTIFICATION RECOMMENDATIONS**

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	\$ *250,000 per commitment
Information Technology	\$ *100,000 per commitment
Consultant Services	\$ *250,000 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.



\_\_\_\_\_  
David E Rawl, CPPB  
Senior Auditor



\_\_\_\_\_  
Larry G. Sorrell, Manager  
Audit and Certification

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R. VOIGHT SHEALY  
MATERIALS MANAGEMENT OFFICER

May 26, 2005

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 January 1, 2002 – December 31, 2004. 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 that reads "Larry G. Sorrell".

Larry G. Sorrell, Manager  
Audit and Certification

LGS/jl

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