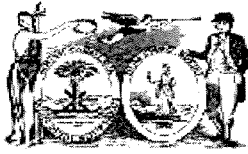


STATE OF SOUTH CAROLINA  
*State Budget and Control Board*  
PROCUREMENT SERVICES DIVISION

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MATERIALS MANAGEMENT OFFICE  
1201 MAIN STREET, SUITE 600  
COLUMBIA, SOUTH CAROLINA 29201  
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R. VOIGHT SHEALY  
MATERIALS MANAGEMENT OFFICER

September 13, 2004

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

Sincerely,

*R. Voight Shealy*  
R. Voight Shealy  
Materials Management Officer

/jl

**COLLEGE OF CHARLESTON**  
**PROCUREMENT AUDIT REPORT**  
**JULY 1, 2001 - JUNE 30, 2004**

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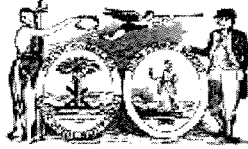
NOTE: The College’s responses to issues noted in this report have been inserted immediately following the items they refer to.

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R. VOIGHT SHEALY  
MATERIALS MANAGEMENT OFFICER

August 17, 2004

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, 2001 through June 30, 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 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, 2004 through July 28, 2004 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 November 12, 2003, 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
Consultant Services	\$ 200,000 per commitment
Information Technology	\$ 200,000 per commitment
Construction Contract Award	\$ 25,000 per commitment
Construction Contract Change Order	\$ 25,000 per change order
Architect/Engineer Contract Amendment	\$ 5,000 per amendment

Our audit was performed primarily to determine if recertification is warranted. No additional certification over the current limits was requested.

## 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, 2001 through June 30, 2004 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, 2001 through June 30, 2004
- (2) Procurement transactions for the audit period as follows:
  - a) Eighty-two payments each exceeding \$1,500
  - b) A numerical block sample of 300 hundred purchase orders
  - c) Procurement card transactions for the months of February and March of 2004
- (3) Five major construction contracts and five 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

### Procurements Without Competition

In February of 2002, the Materials Management Office awarded a multi-term contract in the amount of \$47,113 for the installation and maintenance of an electronic surveillance system for Craig Residence Hall. The multi-term provisions of the contract allowed the College to procure equipment and installation for up to four additional years for other College locations. Only the equipment listed in the original contract was authorized to be procured during the contract period. The College made the following procurements from the contract which included the items not included in the contract.

<u>PO</u>	<u>Date</u>	<u>Amount</u>	<u>Site Location</u>
P030789	8/29/02	\$ 32,685	New dorm and Kelly House
P032114	3/21/03	82,698	Parking garage and Public Safety Office
P040403	7/30/03	8,253	Berry Residence Hall
P040439	8/01/03	<u>28,680</u>	Avery Institute
		<u>\$152,316</u>	

Since the items were not included in the contract, the purchases were not made in compliance with the Code.

We recommend the College review its procedures to determine the weakness that resulted purchases of \$152,316 not being procured in compliance with the competitive requirements of the Code.

## COLLEGE RESPONSE

The College purchased electronic surveillance equipment outside the scope of the multi-term contract awarded by MMO in February 2002 in error. In the future, the College will require and will review all contracts prior to issuing additional purchase orders against them to ensure compliance with the Code and will obtain competition for all equipment not covered in the contract.

### Sole Source Reporting Errors

The following exempt items were unnecessarily reported as sole source procurements.

<u>PO</u>	<u>Date</u>	<u>Amount</u>	<u>Description</u>
102720	7/01/01	\$2,075	Software maintenance
102577	7/01/01	4,118	Software maintenance
200320	7/17/01	7,371	Software license renewal
200340	7/18/01	5,000	Software license renewal
202675	6/04/02	5,021	Educational CD ROM and kits



<u>PO</u>	<u>Date</u>	<u>Amount</u>	<u>Description</u>
202816	6/17/02	6,683	Educational CD ROM and kits
40288	7/21/03	7,371	Software license renewal
40409	8/01/03	2,975	Software license renewal
42414	5/03/04	7,371	Software license renewal

We recommend the College file amended reports for these transactions.

**COLLEGE RESPONSE**

The College reported several exempt items as sole source procurements unnecessarily. The items were reported in error due to some confusion regarding exemptions allowed for software maintenance and license renewals for software that had originally been competed and educational CD roms and kits. We will amend our annual sole source reports to correct the errors as recommended.

**Statement of Award Not Prepared**

The statement of award was not prepared on IFB-MRO.03.23 for visual presenters. The award was made on May 1, 2003 for \$30,700. Section of 11-35-1520 (10) of the Code requires the preparation and posted of a statement of award to include the a statement on a bidder's right to protest.

We recommend the College prepare the statement of award for each applicable contract.

**COLLEGE RESPONSE**

This was an oversight and in the future the Statement of Award will be prepared in accordance with the Code.

**Multi-Term Determination Not Prepared**

The College did not prepare a written multi-term determination for solicitation number IFB-MRO.02.24 for a term contract for HVAC piping and ducting services. The solicitation included an extension clause allowing for an option to renew for up to four additional years. Section 11-35-2030 of the Code requires that prior to the utilization of a multi-term contract, a written determination must be prepared to support the advantages of a multi-term contract.

We recommend the College prepare the written determination for each multi-term contract.

**COLLEGE RESPONSE**

This solicitation included an extension clause allowing for an option to renew and it was an oversight that the multi-term determination was not prepared. In the future, the required determination will be prepared in accordance with the Code.

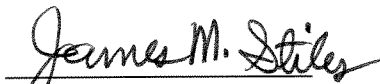
**CERTIFICATION RECOMMENDATIONS**


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 AREA</u>	<u>RECOMMENDED CERTIFICATION LIMITS</u>
Goods and Services	*\$ 200,000 per commitment
Consultant Services	*\$ 200,000 per commitment
Information Technology	*\$ 200,000 per commitment
Construction Contract Award	\$ 25,000 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.

  
James M. Stiles, CPPB  
Audit Manager

  
Larry G. Sorrell, Manager  
Audit and Certification

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R. VOIGHT SHEALY  
MATERIALS MANAGEMENT OFFICER

September 13, 2004

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 College of Charleston to our audit report for the period of July 01, 2001 – June 30, 2004. Also we have followed the College's corrective action during and subsequent to our fieldwork. We are satisfied that 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 College of Charleston 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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