

COLLEGE OF CHARLESTON
PROCUREMENT AUDIT REPORT
OCTOBER 1, 2010 – JUNE 30, 2015

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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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GOVERNOR

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STATE TREASURER

RICHARD ECKSTROM, CPA
COMPTROLLER GENERAL



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

W. BRIAN WHITE
CHAIRMAN, HOUSE WAYS AND MEANS COMMITTEE

GRANT GILLESPIE
EXECUTIVE DIRECTOR

THE DIVISION OF PROCUREMENT SERVICES

DELBERT H. SINGLETON, JR.
DIVISION DIRECTOR

(803) 734-8018

JOHN ST. C. WHITE
MATERIALS MANAGEMENT OFFICE

(803) 737-0600

FAX: (803) 737-0639

August 18, 2017

Mr. John St. C. White
Materials Management Officer
Procurement Services Division
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear John:

We have examined the procurement policies and procedures of the College of Charleston for the period October 1, 2010 through June 30, 2015. 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 South Carolina Consolidated Procurement Code, State regulations, and the College's procurement policies. 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 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

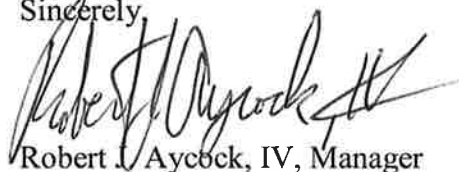
management with reasonable, but not absolute, assurance of the integrity of the procurement process, that affected assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly.

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 the College of Charleston in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert J. Aycock, IV", written over the word "Sincerely,".

Robert J. Aycock, IV, Manager
Audit and Certification

INTRODUCTION

We conducted an examination of the internal procurement operating policies and procedures of the College of Charleston. Our review was performed 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 August 9, 2011 the State Budget and Control Board granted the College of Charleston the following procurement certifications:

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Supplies and Services	\$ 500,000 per commitment
Information Technology	\$ 200,000 per commitment
Printing Services	\$ 500,000 per commitment
Consultant Services	\$ 500,000 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 recertification is warranted.

Additionally, the College of Charleston requested the following certifications.

<u>PROCUREMENT AREAS</u>	<u>REQUESTED CERTIFICATION LIMITS</u>
Supplies and Services	\$ 1,000,000 per commitment
Information Technology	\$ 500,000 per commitment
Printing Services	\$ 500,000 per commitment
Consultant Services	\$ 1,000,000 per commitment
Construction Contract Award	\$ 250,000 per commitment
Construction Contract Change Order	\$ 150,000 per change order
Architect/Engineer Contract Amendment	\$ 25,000 per amendment
Revenue Generating Management	\$ 7,000,000 per commitment

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 of Charleston, hereinafter referred to as 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 October 1, 2010 through June 30, 2015 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 October 1, 2010 through June 30, 2015 with no exceptions
- (2) Procurement transactions for the period July 1, 2012 through June 30, 2015 as follows:
 - a) One hundred and fourteen payments each exceeding \$2,500 with exceptions noted in Section I and Section II of the report
 - b) A block sample of three hundred and nine sequential purchase orders from FY 2015 reviewed against the use of order splitting and favored vendors with no exceptions
 - c) Procurement card purchases for March, April and May 2015 with exceptions noted in Section IV of the report
- (3) Six Construction Contracts with three being indefinite delivery contracts and Six Architect/Engineer and Related Professional Service Contracts with three being indefinite delivery contracts for compliance with the Manual for Planning and Execution of State Permanent Improvements, Part II with exceptions noted in Section III of the report
- (4) Minority Business Enterprise Plans and reports with no exceptions. The following activity was reported to the Governor's Office of Small and Minority Business Assistance:

<u>Fiscal Year</u>	<u>Goal</u>	<u>Actual</u>
FY12-13	\$153,067	\$19,191
FY13-14	\$153,067	\$30,840
FY14-15	\$165,436	\$93,122

- (5) Approval of the most recent Information Technology Plan with no exceptions
- (6) Internal procurement procedures manual with no exceptions
- (7) Surplus property disposition procedures with no exceptions
- (8) Ratification of unauthorized procurements with no exceptions
- (9) File documentation and evidence of competition with no exceptions
- (10) Other tests performed as deemed necessary with no exceptions

SUMMARY OF AUDIT FINDINGS

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C. Multiple Cards Inappropriately Issued to Cardholders

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Four procurement card holders were assigned multiple cards in violation of State policy.

V. Blanket Purchase Agreements

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Blanket purchase agreements did not reflect all the necessary terms and conditions required for such agreements.

RESULTS OF EXAMINATION

I. Unauthorized Procurements

A. Illegal Office Supply Agreement

The Chief Procurement Officer with the Division of Procurement Services awarded two mandatory State term contracts for office supply purchases in excess of \$250.00 for all State agencies. The College entered into a Memorandum of Understanding for office supplies with a different vendor. Not only did this agreement violate the mandatory State term contract, it did not comply with any of the provisions of the Procurement Code including competition requirements. Further, agency procurement authority does not extend to items under State term contracts (11-35-1210). To date, the College says it has spent approximately \$356,000 under the Memorandum of Understanding.

Since the contract was not entered in accordance to the Procurement Code, we recommend it be terminated.

Further, the agreement provides for a 5 year fixed term. The Procurement Code limits contracts to one year unless an agency can show in a written determination that a contract in excess of one year is in the best interest of the State. Section 11-35-2030 states in part, “(1) Specified Period. Unless otherwise provided by law, a contract for supplies, services, or information technology must not be entered into for any a period of more than one year unless approved in a manner prescribed by regulation of the board. Also, the written determination to exceed one year must be authorized before the utilization of a multi-term contract. In doing so the agency must find that (a) estimated requirements cover the period of the contract and are reasonably firm and continuing; and (b) such a contract serves the best interests of the State by encouraging effective competition or otherwise promoting economies in state procurement.”

Since a written determination authorizing the use of contract in excess of one year was not prepared, the College has no authority to exceed a one year period on this contract. We recommend the contract be terminated.

The agreement also provides the College a rebate of 5% based on the College's contract spend. Under the agreement, the College pays the vendor and then receives 5% of those funds back. The College said it deposits these funds into its General fund. This arrangement makes no sense. Without the rebate, the vendor could simply lower its prices by 5%. Some State agencies do have revenue sharing contracts with vendors for services such as canteen, bookstore and food service operations. These contracts differ in that all revenue is generated and a portion of the revenue is shared as payment from the vendor for its contractual license to make money off the agency. The State Inspector General (SIG) said in a report titled Review of Suspicious Indicators at South Carolina State University Foundations¹ the following in his Executive Summary regarding rebates.

The SIG also questioned SCSU vendor contracts with rebates going directly back to SCSU. Monetary rebates are reasonable if directly connected to a profit sharing revenue stream or commissions to incentivize vendors' productivity. Additionally, capital improvement rebates with a sufficient nexus to services provided, such as refurbishing a dining hall in a food service contract, may facilitate passing costs onto students as an appropriate user type fee. However, many rebates are not much more than creative financing to create funds for special projects, many having a "nice to have" quality or create an opportunity for parochial projects. These types of rebates undermine transparency, accountability, and managing contract performance in the following areas:

- Creates potential conflicts of interests undermining rigorous contract monitoring by a state agency. As one experienced Board member commented on these rebate contract requirements, 'why would I be forceful with a vendor if I'm getting something on the backend? I am going to do a whole lot of tolerating.'....

We recommend the College stop the practice of putting rebates in its contracts if the rebates are not directly connected to a profit sharing revenue stream or commissions to incentivize vendors' productivity.

¹ http://oig.sc.gov/Documents/Review_of_Suspicious_Indicators_at_South_Carolina_State_University_Foundations.pdf

College Response

Disagree, accept recommendation. Our rationale for purchasing office supplies from OfficeMax after a new contract was awarded to Staples and FSI was based on multiple factors.

1. Prior to the new contract award, we had meetings with CHEPA where we discussed aggregating our office supply spend to achieve greater savings. We met with OfficeMax, Staples, and FSI collectively. Pricing offered by Staples was higher than the pricing offered by OfficeMax. However, other CHEPA members had been using Staples as their preferred vendor and did not want to switch.
2. When a new contract was awarded we learned that OfficeMax was no longer a contract holder. Based on our previous analysis and considering the market basket of items used in the solicitation do not always match up with what we actually purchase, we took steps to, again, get pricing on the actual items we historically purchased from both Staples and OfficeMax. It was apparent those items were going to cost more than what we had been paying. We compared pricing on all the items we purchased in the preceding year from OfficeMax to the same items, or equivalents provided by Staples, and found some items to be lower and some to be higher. But, based on our typical quantities, pricing from OfficeMax was more advantageous to the College. We approached Staples and asked if they could do better on the items we purchased or at least match the lower prices and they could not. We spent hours over a period of months discussing products, alternate products, generic products, etc. but Staples prices continued to be higher.
3. As we discussed pricing both vendors offered a rebate and the rebate offer from OfficeMax was greater than the rebate from Staples. This rebate was offered to all institutions of higher education who participated in a preferred vendor scenario and didn't appear to be outside accepted terms of doing business as the state solicitation allowed for rebate offers.
4. Operating under the assumption that we should do what was most advantageous to the College and to the state ultimately, we determined that the bulk of our orders were under the \$250 threshold and therefore, were not subject to the mandatory use of the state contract although we did have some orders that exceeded that threshold and we accept that those were non-compliant. We instituted a workflow step that would allow us to review orders for office supplies and verify that the items under contract did not exceed the \$250 spend. If they did, those orders were passed on to Staples.

5. We signed a MOU so OfficeMax could get the authorization for the 5% rebate but maintain that this was not a contract in strict terms because there was no commitment to purchase nor was there an obligation to be bound by a fixed term and there was specific language to that effect. Yes, it was our intention to continue using OfficeMax as a preferred vendor as long as lower pricing was offered but it is our understanding that a MOU is a non-binding statement of intention and would not present any legally binding commitments.
6. The value of our MOU from date of award of current state contract is approximately \$356,219 and spend has declined each year so we do not believe the total value would exceed our certification. We accept and agree we did not seek formal competition but used the state contract as the basis for comparing pricing with the knowledge that all the individual purchases were under the small purchase limit.
7. We will terminate our agreement with OfficeMax as instructed.

B. No Written Determinations for Ratification of Unauthorized Procurements

No written determinations for the ratification for PO 0009386 dated May 8, 2012 for \$234,584 or for PO 0016236 dated August 27, 2013 for \$50,000 were provided. Both procurements were for media consultant services. Per Regulation 19-445.2015(B) of the South Carolina Consolidated Procurement Code, “all decisions to ratify or terminate a contract shall be supported by a written determination of appropriateness.”

We recommend the College comply with the regulation regarding ratifications by ensuring all unauthorized procurements are supported by written determinations approved by an appropriate official.

College Response

Agree and accept. Peppercom: Received an emergency request to issue a purchase order to Peppercom for \$10,000 to provide media consulting regarding a grave public relations concern requiring immediate attention. Due to the fact that the order was under \$10,000 there was no need to complete an Emergency Procurement Request. Months went by and unbeknownst to Procurement, services continued to be provided on the same matter that drove the cost above the original \$10,000. Several months later, it became apparent that an Emergency Procurement Request had to be completed to account for additional charges. This has now been documented and is attached. Because the Emergency Request was not completed in a timely matter we will submit a Request for Ratification for an unauthorized purchase order.

II. No Proof of Competition

No proof of competition was provided for PO 0016853 dated January 3, 2014 for \$48,355 for spam detection. Per Section 11-35-1550(c), ‘Written solicitation of written quotes, bids, or proposals must be made for a small purchase over ten thousand dollars but not in excess of fifty thousand dollars. The procurement must be advertised at least once in the South Carolina Business Opportunities publication or through a means of central electronic advertising as approved by the designated board office. A copy of the written solicitation and quotes must be attached to the purchase requisition...’ Per Section 11-35-1520(1), ‘Contracts greater than fifty thousand dollars must be awarded by competitive sealed bidding’

We recommend that the College comply with the competitive requirements of the Procurement Code.

College Response

No proof of competition: Agree and accept. Procurement Officer performed a search on the SCEIS website and found a contract that was solicited by MMO for HHS and thought he was able to piggyback on that contract. Procurement Officer was counseled. We have attached an Unauthorized Ratification form.

III. Indefinite Delivery Contract Audit Exceptions

The following audit exceptions relate to construction service Indefinite Delivery Contracts (IDC).

A. IDC and Delivery Order Expenditure Limits Exceeded

The total amount expended on IDC H15-DO83-PG (General Construction) for all projects under one vendor totaled \$1,034,768.76 as of December 5, 2014 exceeding the limit established by statute for this type of contract. Another vendor under the same project number received delivery orders totaling

\$1,009,678.08 as of February 19, 2015. Section 11-35-3310(1)(a) limits total expenditures on Construction IDCs to \$1,000,000 over a two year period for public institutions of higher learning.

We recommend the College comply with the South Carolina Consolidated Procurement Code regarding IDC total expenditure limitations.

B. Delivery Orders Exceeded Certification Limit

The following delivery orders exceeded the College’s certification limit of \$100,000 for Construction services. Section 9.3.1(B) of the Office of State Engineer’s Manual states “Unless OSE delegates its authority as the building official to the Agency or the work is within the Agency’s construction procurement certification, all work to be performed under a delivery order must be reviewed and approved by OSE for compliance with applicable building codes before the delivery order is issued”. Also, section 7.8 B (2) of the OSE manual states in part, “If the change order causes the total construction contract amount to exceed the Agency’s construction procurement certification limit, then OSE must approve the change order....”

<u>State Project Number</u>	<u>Agency IDC Number</u>	<u>Delivery Order</u>	<u>Project Description</u>	<u>Amount</u>
H15-N207-PG	H15-DO83-PG	DO 7	Project Ed Ctr Suites 206-208 Renovation	\$249,519
H15-9444-PG	H15-DO83-PG	DO 20	School of Math and Science Bldg Swing Space up-fit	\$127,710
H15-9444-PG	H15-DO83-PG	DO 21	Cabinet Relocation to Harbor Walk Bldg	\$142,910
	H15-DO83-PG	DO 25	Rita Hollings Science Center Demo	\$167,339
H15-N218-PG	H15-DO83-PG	DO 2	Robert Scott Small Bldg Basement Classroom Renovations 101, 103 &105	\$154,883
	H15-DO83-PG	DO 4	Classroom Refresh – RAND 301A&B, BCTR320, CAAN106&108, ECTR 108&113	\$111,232

<u>State Project Number</u>	<u>Agency IDC Number</u>	<u>Delivery Order</u>	<u>Project Description</u>	<u>Amount</u>
H15-N235-PG	H15-DO83-PG	DO 14	Lightsey Basement Renovations for ROAR program	\$221,024
	H15-DO83-PG	DO 19	Classroom Refresh – ECTR 101,103, 111, 114, 115, 212, 213, 215, 216, 217, 218	\$162,909
H15-N203-PG	H15-DO83-PG	DO 4	Dixie Plantation Maintenance Shed	\$100,750

We recommend the College comply with its certification limit of \$100,000 regarding IDC delivery orders.

C. Suspiciously Low Bids of Cost Index Multipliers

The College used a cost guide and vendor multiplier to determine awards of IDCs. Under this method, the College selected a published or specially prepared cost data guide, in this case the RS Means Cost Guide, as a basis for determining the price of work (delivery) orders. The College solicited a multiplier from bidders that the bidder would apply to the cost published in the cost guide for determining the cost of its work. The typical base bid would be a decimal number. For instance, a multiplier of 1.00 will reflect the same unit price as shown in the cost guide. A multiplier of 0.75 will reflect a price 25% lower than the unit prices listed in the cost guide. The College awarded IDCs to the bidder (bidders) with the lowest multiplier(s). When pricing work, unless the IDC contractor proposed to provide work at a lower price, the vendor must use its multiplier and the cost guide to price delivery orders assigned under its contract. The contractor may not add any additional mark-up to its price.

The multipliers bid by vendors in our sample were suspiciously low. Please refer to Attachment A to see the actual multipliers. The reader will note in the attachment that multipliers ranged from .15 to .23. To explain the significance of this, the RS Means Cost Guide contained the average construction cost for cities across the United States. The guide also provided individual city indexes of over 750 cities in the US. The city index provided a percentage ratio of a specific city's cost to the average construction cost for the United States published in the guide. This index is used to help estimate the

fair market price of work in a particular city. To give an example, the indexes for certain cities in South Carolina in the 2016 RS Means Cost Guide were as follows:

<u>City</u>	<u>Average Cost Index</u>
Columbia	.85
Florence	.847
Greenville	.839
Rock Hill	.797
Spartanburg	.846
Aiken	.847
Beaufort	.788
Charleston	.849

So for the City of Charleston, the average fair market price of construction work using RS Means Cost Guide (guide) would be .849 multiplied times the amount published in the guide. The vendors in our sample bid from .15 to .23 of the amount published in the guide. To illustrate the point, take a \$100,000 project priced out of the guide which represented the average construction cost for cities across the United States. Multiply the \$100,000 by the city index for Charleston and the cost estimate would be \$84,900 ($\$100,000 \times .849$). The College's IDC vendors we tested bid as low as .15 or \$15,000 ($\$100,000 \times .15$) or at the most, .23 or \$23,000 for that same job. While that would be advantageous to the State if the work was done at those amounts, our audit revealed that was not necessarily the case.

Today, the State Engineer's Office (OSE) no longer approves requests to use multipliers for IDC contracting. The Manual for Planning and Execution of State Permanent Improvements, Part II (OSE Manual) provides other ways of awarding these contracts that also provides a competitive means of awarding individual delivery orders. Section 9.3.2 of the OSE Manual, Bid and Award of Construction IDC, provides the Low Bid of a Representative Project method. Under this method, the Agency uses an actual project (representative project) to solicit bids. The Agency awards an IDC to the lowest

responsive and responsible bidder and may also award an IDC to other bidder's starting with the second low bidder, then the third low bidder and so forth. The Agency must contract with a minimum of three contractors for each category of work (general construction, mechanical, etc.) for which it intends to issue delivery orders. When the Agency wants to issue a delivery order, it must seek quotes from all IDC contractors awarded a contract and award the delivery order to the contractor submitting the lowest quote.

D. Multipliers Not Used to Price Work

Attachment A showed that \$1,854,453 in delivery orders we sampled did not properly use the guide and the vendor multipliers to price work. We believe this is one reason why the vendor multipliers were suspiciously low. The College did not always hold its vendors to their low multipliers as required by their contracts.

Section 9.3.3(A)(5) of the Manual for Planning and Execution of State Permanent Improvements, Part II (OSE Manual) states:

Before an agency issues a delivery order where more than 20% of the work is not covered by unit prices in the Data Guide ..., the agency should determine whether the scope of work is within the scope of the solicitation for IDC construction services. If not, the agency should not issue a delivery order for the work under that IDC. If the Agency determines that the proposed delivery order is within the scope of the solicitation for IDC construction services and decides to proceed using an IDC contractor selected under the solicitation, the agency must solicit competitive quotes on the work from multiple IDC contractors. The quote provided by each IDC contractor should be divided to separate work covered by the Cost Guide ... and work not covered. The covered work should be priced at or below the value derived by applying the contractor's multiplier to the Cost Guide price ... for the covered work.

The delivery orders issued in Attachment A did not comply with the 20% rule in the State Engineer's Manual. Any of the delivery orders where more than 20% was priced out of the guide should not have been awarded through the guide and vendor multipliers. Competition should have been solicited instead.

We recommend the College comply with the State Engineers Manual in the award of delivery orders.

College Response

See Attachment B.

IV. Procurement Card Exceptions

A. Procurement Cards Lacking MMO Approval

There were two procurement cards with single transaction limits over \$10,000 which were not approved by the MMO. The South Carolina Purchasing Card Policy and Procedures manual Section II (D) states "...To raise the Single Card Transaction Limit above the "no compete" Purchase Limit, the P-Card Administrator must submit the requested change in writing (Email or memo) to the MMO Chief Procurement Officer (CPO)". See specific card holder information below.

Card Last Used	Card Profile Name	Card Last 4 Digits	Card Profile Single Txn Limit	Card Credit Limit	Card Create Date
6/13/2015	STUDTRAV	5959	\$20,000.00	\$75,000.00	9/20/2013
2/27/2015	PROCURE: STL:\$50000	5366	\$50,000.00	\$50,000.00	3/20/2014

We recommend the College follow the South Carolina Procurement Card Policy and Procedures Manual regarding single transaction limit authorizations. We also recommend the College obtain approval from the MMO for any single transaction limits over \$10,000.

College Response

Agree and accept recommendation. One of the two cards cited was for one of our buyers, Niall Cahill, and the \$50,000 limit was assigned to his profile erroneously. His limit was meant to be set at \$5000 which was the limit assigned to all buyers with approval from Voight Shealy. His limit has been corrected to the \$5000 per transaction level. For the record, he never made any purchases that exceeded \$2500.

The second card was a ghost account for Gabriella Peschieri in our Center for International Education and did not have direct approval. We erroneously thought the approvals would extend to the position and her predecessor had a ghost account with a \$20,000 limit. The College did not realize each individual required separate approvals. We subsequently received approval from Voight Shealy after obtaining approval from our Board of Trustees.

B. Procurement Cards Lacking College Board Approval

Four procurement cards with single transaction limits over \$10,000 were not approved by the College’s governing board. Section 11-35-1550 (2)(d) states “For public institutions of higher learning in this State excluding technical colleges, small purchase amounts to which the provisions of item (a) apply are those purchases not exceeding ten thousand dollars, In addition, purchasing cards of the institution for these purchases also may be used by officials or employees of the institution as the governing board approves.” See specific card holder information below.

Card Last Used	Card Profile Name	Card Last 4 Digits	Card Profile Single Txn Limit	Card Credit Limit	Card Create Date
6/10/2015	STUDTRAV - \$125K	3182	\$20,000.00	\$125,000.00	5/9/2015
6/4/2015	STUDTRAV - \$125K	6868	\$20,000.00	\$125,000.00	1/6/2014
6/13/2015	STUDTRAV	5959	\$20,000.00	\$75,000.00	9/20/2013
2/27/2015	PROCURE: STL:\$50000	5366	\$50,000.00	\$50,000.00	3/20/2014

We recommend the College follow the South Carolina Procurement Card Policy and Procedures Manual regarding single transaction limits by obtaining approval from the College’s governing board for single transaction limits over \$2,500.

College Response

Agree and accept. Prior to this audit we had always requested approval from MMO to raise STL or for Ghost Card accounts. We overlooked the new requirement in the HEEAPA changes that required Board approval. We subsequently requested that approval and a resolution was passed granting that approval.

C. Multiple Cards Inappropriately Issued to Cardholders

Four employees were assigned multiple procurement cards in violation of State policy. Each cardholder possessed a student travel card and a card to purchase other needed items. Section V (C)(1) of the South Carolina Purchasing Card Policy and Procedures Manual states “Issuance is limited to one P-Card per Cardholder”. See specific card holder information below.

Card Last Used	Card Profile Name	Card Last 4 Digits	Card Profile Single Txn Limit	Card Credit Limit	Card Create Date
8/8/2014	Base 1	1294	\$1,500.00	\$5,000.00	6/13/2007
6/10/2015	STUDTRAV - \$125K	3182	\$20,000.00	\$125,000.00	5/9/2015
6/4/2015	STUDTRAV - \$125K	6868	\$20,000.00	\$125,000.00	1/6/2014
5/28/2015	Activathle	1845	\$2,500.00	\$10,000.00	3/24/2015
4/17/2015	Base 2-10	8774	\$2,500.00	\$10,000.00	8/29/2013
6/13/2015	STUDTRAV	5959	\$20,000.00	\$75,000.00	9/20/2013
6/15/2015	STUDTRAV	8813	\$20,000.00	\$75,000.00	4/13/2010
6/17/2015	Activathle	0077	\$2,500.00	\$10,000.00	10/8/2011

We recommend the College follow the South Carolina Purchasing Card Policy and Procedures Manual by not issuing multiple cards to users.

College Response

Agree and accept. College did not realize that ghost accounts (no card issued and restricted to travel codes only) would be considered individual accounts that would count as a cardholder having two accounts. Will terminate either ghost account or personal card.

V. Blanket Purchase Agreements

Four blanket purchase agreements (BPA) did not include all the necessary terms and conditions required for such agreements.

<u>Effective Dates</u>	<u>PO</u>	<u>Description</u>	<u>Amount</u>
07/01/13 to 06/30/14	P0015346	Plumbing supplies	\$16,350
07/01/13 to 06/30/14	P0015376	Electrical supplies	\$78,200
07/01/13 to 06/30/14	P0015152	Paint supplies	\$56,000
07/01/13 to 06/30/14	P0018834	Electrical supplies	\$16,000

Regulation 19-445.2100(3) contains certain terms and conditions that must be included with any BPA an agency enters into with a vendor. These include a description of the agreement, period of time the agreement applies, general description of the items to be procured, the extent of the State's obligation, notice of individuals authorized to place calls and dollar limitations of those calls. The College only included the individuals authorized to place calls on these BPAs. Given the dollar amounts

of these purchase orders and there is no limit per call, competition should have been solicited on each of these.

We recommend the College comply with the Regulation for BPAs by including all terms and conditions.

College Response

Agree and accept. We immediately took measures to ensure that all information required by Reg. 19-445-2100(3) was included on BPAs going forward. The using department did keep a record of call numbers with date and invoice number but the required information was not on the purchase orders. We took this opportunity to analyze the spend and have taken measures to go out to bid for some of the items being purchased on BPAs.

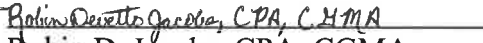
CERTIFICATION RECOMMENDATIONS

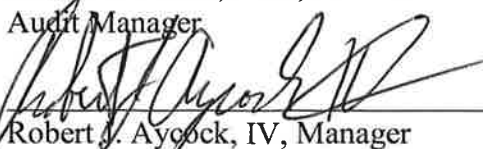
We must state our concern over the significance of the exceptions noted in this report as it relates in particular to the College of Charleston’s procurement practices of office supplies and indefinite delivery contracts. Because of the significance of the findings, we are recommending a reduction in procurement certification.

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 recommend the College of Charleston certification to make direct agency procurements be reduced up to the following limits for three years.

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Supplies and Services	*\$ 250,000 per commitment
Information Technology	*\$ 100,000 per commitment
Printing Services	*\$ 250,000 per commitment
Consultant Services	*\$ 250,000 per commitment
Construction Contract Award	\$ 50,000 per commitment
Construction Contract Change Order	\$ 50,000 per change order
Architect/Engineer Contract Amendment	\$ 15,000 per amendment

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


Robin D. Jacobs, CPA, CGMA
Audit Manager


Robert J. Aycock, IV, Manager
Audit and Certification

Attachment AConstruction Vendor 1
IDC Multiplier .15

<u>Delivery Order</u>	<u>Project Description</u>	<u>Non-RS Means Amount</u>	<u>Delivery Order Total</u>	<u>Percent Non-RS Means to Total</u>
GEC-13-NBM-02	Robert Scott Small Bldg Classroom Renovations - 101, 13 & 105	\$ 109,259.00	\$ 154,883.00	70.54%
GEC-13-NBM-03	Tennis Center Paver Installation	\$ 22,700.00	\$ 31,424.00	72.24%
GEC-13-NBM-04	Classroom Refresh-Rand 301A&B, BCTR320, CAAN106&108, ECTR108&113	\$ 70,210.00	\$ 111,232.88	63.12%
GEC-13-NBM-04	Bell Building Office Renovations-Rooms 416 & 512	\$ 42,553.00	\$ 71,797.00	59.27%
GEC-13-NBM-07	HML Cabinet and Floor repairs	\$ 16,327.00	\$ 23,883.00	68.36%
GEC-13-NBM-09	Calhoun Exterior-Limited Exterior Repairs at North Masonry Wall	\$ 7,736.00	\$ 12,004.60	64.44%
GEC-13-NBM-10	69 Coming Street-Floor Repairs and Sealing of Brick Wall	\$ 20,837.58	\$ 37,807.17	55.12%
GEC-13-NBM-11	Lightsey Basement - Controller's Office Renovations	\$ 21,546.00	\$ 44,852.00	48.04%
GEC-13-NBM-12	Repair Replace Hardwood Floors 2nd & 3rd Floor Randolph Hall	\$ 9,238.00	\$ 16,429.00	56.23%
GEC-13-NBM-13	RSS HVAC Repairs in rooms 102, 104 & 106	\$ 16,518.00	\$ 19,893.00	83.03%
GEC-13-NBM-14*	Lightsey Basement Renovations for ROAR program	\$ 174,171.23	\$ 219,709.00	79.27%
GEC-14-NBM-18	31 Coming Bath Renovation	\$ 10,438.00	\$ 14,617.00	71.41%
GEC-14-NBM-19	Classroom Refresh - ECTR101, 103, 111, 114, 115, 212, 213, 215, 216, 217, 218	\$ 103,076.00	\$ 162,908.95	63.27%

Construction IDC Vendor 2
IDC Multiplier .17

<u>Delivery Order</u>	<u>Project Description</u>	<u>Non-RS Means Amount</u>	<u>Delivery Order Total</u>	<u>Percent Non-RS Means to Total</u>
GEC-13-CCC-02	Classroom Refresh-Bell, Maybank, and Silcox rooms	\$ 29,925.00	\$ 47,198.27	63.40%
GEC-13-CCC-02	327 King Street Remove Wood Material Interior Walls	\$ 3,326.00	\$ 4,495.23	73.99%
GEC-13-CCC-04	Dixie Plantation Maintenance Shed	\$ 80,289.00	\$ 100,750.57	79.69%

Construction IDC Vendor 3
IDC Multiplier .23

<u>Delivery Order</u>	<u>Project Description</u>	<u>Non-RS Means Amount</u>	<u>Delivery Order Total</u>	<u>Percent Non-RS Means to Total</u>
GEC-13-CCI-07	Education Center Renovation Rooms 206-208	\$ 125,854.00	\$ 249,519.47	50.44%
GEC-12-CCI-08	Stern Center Food Court Flooring Resurfacing	\$ 22,600.00	\$ 33,659.64	67.14%
GEC-13-CCI-09	B Lot Gate Island Construction	\$ 3,690.00	\$ 11,980.01	30.80%
GEC-13-CCI-11	Liberty Diner Fresh Foods Waste Collector Renovations	\$ 12,407.91	\$ 17,908.03	69.29%
GEC-14-CCI-18	Classroom Refresh Maybank Hall Room 100	\$ 8,828.32	\$ 29,542.20	29.88%
GEC-12-CCI-20	School of Math and Science Swing Space Upfit	\$ 64,467.29	\$ 127,710.47	50.48%
GEC-14-CCI-21	Cabinets Relocation at RHSC Bldg to Harbor Walk Bldg	\$ 81,470.00	\$ 142,909.97	57.01%
GEC-14-CCI-25	Rita Hollings Science Center Demo	\$ 91,679.92	\$ 167,338.99	54.79%
Totals:		\$ 1,149,147.25	\$ 1,854,453.45	61.97%

*GEC-13-NBM-14 Lightsey Basement Renovations for ROAR program - The ending contract amount of change order 1 is \$206,671.00 and the beginning contract amount of change order 2 is \$207,986.00, a difference of \$1,315.00. The amounts are supposed to be the same. We do not have an explanation for the difference.

Attachment B

From: [Burbage, Brenda G](#)
To: [Williams, Wendy E](#)
Cc: [Washington, Cynthia Maria](#); [Schultz, Cristi](#); [Craft, Roland R](#)
Subject: RE: Draft Audit Report 2011-2015
Date: Friday, November 03, 2017 8:37:40 AM
Attachments: [Audit Draft Report 10-18-17 \(002\) Redacted.pdf](#)
Importance: High

Wendy, I was able to sit down with Roland and Cristi to review these items and here are our quick responses:

Exceeding limitations are due to unforeseen conditions on an active project which took it over the maximum. The College corresponded verbally with our OSE representative to make him aware but have no written documentation of his authorization. The project was under construction and we had to go over to finish the project. We recognize the importance of written approval and certification from OSE.

The certification level for construction IDC was \$250K, not \$100K, at the time of IDC issuance for higher education institutions.

Even though the averages are noted, we questioned the low multipliers ourselves but we worked with the numbers given to us by contractors who said they could do the work for those multiplier amounts. We do not use multipliers anymore.

Otherwise, we recognize our errors and are working with new management in the area of Physical Plant's project management team to improve our internal business processes.

I would like to say that every SE form is sent to OSE and every quarter we send a spreadsheet with all our DO's on it to them as well so, even though I have no proof of sorts, I assume they were aware of what we were doing and took no exception.

We will abide by whatever recommendations are passed down.

Brenda G. Burbage '11

College of Charleston
Physical Plant
Finance Manager & Contract Administrator
p. 843.953.1980 f. 843.953.5884
burbageb@cofc.edu

<http://physicalplant.cofc.edu>

From: Williams, Wendy E
Sent: Wednesday, November 01, 2017 10:39 AM
To: Burbage, Brenda G <burbageb@cofc.edu>
Cc: Washington, Cynthia Maria <WashingtonC@cofc.edu>
Subject: Draft Audit Report 2011-2015

Brenda:

I wanted to share portions of the draft audit report we have recently received from SFAA for the

past audit covering transactions for fiscal years 2011-2015. You are able to see all exceptions related to Physical Plant. None of them should be a surprise as we and the auditor discussed when she was here. However, this is our first opportunity to formally respond to their draft report. If you wish to respond to any of these, please prepare a memo that addresses them that we can include in our overall response.

Thanks,

Wendy

Wendy E. Williams, CPPD, C.P.M., CPCM

Director of Procurement & Supply

College of Charleston

66 George Street

Charleston, SC 29424

843-953-5506 (V)

843-953-5444 (F)

williams@cofc.edu

HENRY MCMASTER, CHAIR
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CURTIS M. LOFTIS, JR.
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CHAIRMAN, HOUSE WAYS AND MEANS COMMITTEE

GRANT GILLESPIE
EXECUTIVE DIRECTOR

THE DIVISION OF PROCUREMENT SERVICES

DELBERT H. SINGLETON, JR.
DIVISION DIRECTOR
(803) 734-8018

JOHN ST. C. WHITE
MATERIALS MANAGEMENT OFFICE
(803) 737-0600
FAX: (803) 737-0639


November 13, 2017

Mr. John St. C. White
Materials Management Officer
Division of Procurement Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear John:

We have reviewed the response from the College of Charleston to our audit report for the period of October 1, 2010 through June 30, 2015. We are satisfied with the response for the most part. The Facilities Office even after the audit as noted in its response still believed its construction certification limit was \$250,000 for construction contracts. It is \$100,000. While the College disagrees with our assessment of its office supply procurements, it has agreed to accept our recommendation. The majority of the College's office supplies are coming from a vendor that does not have the State term contract.

The College is implementing our recommendations and in doing so, we believe the College complies with the South Carolina Consolidated Procurement Code, State regulations, and the College's procurement policies and procedures in all material respects and the internal procurement operating procedures are adequate to properly handle procurement transactions. Therefore, we recommend the State Fiscal Accountability Authority grant the College of Charleston the certification limits noted in our report for a period of three years. The College has requested and we have agreed to perform another audit in 2018.

Sincerely,

Robert J. Aycock, IV, Manager
Audit and Certification

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