

THE CITADEL

PROCUREMENT AUDIT REPORT

JANUARY 1, 2011 – JUNE 30, 2015

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

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February 15, 2017

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

Dear John:

We have examined the procurement policies and procedures of The Citadel for the period January 1, 2011 through June 30, 2015. As part of our examination, we studied and evaluated the system of internal controls over procurement transactions to the extent we considered necessary.

The evaluation established a basis for reliance upon the system of internal controls to assure adherence to the Consolidated Procurement Code, State regulations and the procurement policy of The Citadel. Additionally, the evaluation determined 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 at The Citadel 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 of internal controls 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 those 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 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 Citadel in compliance with the Consolidated Procurement Code and ensuing regulations.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert J. Aycock, IV". The signature is fluid and cursive, with a large initial "R" and "A".

Robert J. Aycock, IV, Manager
Audit and Certification

INTRODUCTION

We conducted an examination of the internal procurement operating policies and procedures of The Citadel, hereinafter referred to as the College. We conducted our examination under authority granted in 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 May 9, 2012 the State Budget and Control Board granted the College the following procurement certifications:

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Supplies and Services	*\$500,000 per commitment
Consultant Services	*\$500,000 per commitment
Information Technology	*\$100,000 per commitment
Construction Contract Award	\$250,000 per commitment
Construction Contract Change Order	\$100,000 per change order
Architect/Engineer Contract Amendment	\$ 15,000 per amendment

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

Our audit was performed primarily to determine if recertification is warranted. Additionally, the College requested the following increased certification levels.

PROCUREMENT AREAS

CERTIFICATION LIMITS

Supplies and Services

*\$500,000 per commitment

Consultant Services

*\$500,000 per commitment

Information Technology

*\$500,000 per commitment

Construction Contract Award

\$500,000 per commitment

Construction Contract Change Order

\$150,000 per change order

Architect/Engineer Contract Amendment

\$ 25,000 per amendment

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

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 samples for the period January 1, 2011 through June 30, 2015 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) Procurement transactions for the period January 1, 2011 through June 30, 2015 as follows:
 - a) One hundred five payments each exceeding \$2,500 with exceptions noted in Sections II, III, and IV
 - b) A purchase order block sample review for the period September 30, through October 27, 2014 to check against the use of order splitting and favored vendors with no exceptions
 - c) Procurement card transactions for December, January, and February 2014 with no exceptions
- (2) All sole source, emergency, and trade-in sale procurements for the period January 1, 2011 through June 30, 2015 with exceptions noted in Section I
- (3) Thirteen construction contracts with five being indefinite delivery contracts (IDC) and three Architect/Engineer and Related Professional Services Contracts with one being an IDC for compliance with the Manual for Planning and Execution of State Permanent Improvements, Part II with no exceptions

- (4) Minority Business Enterprise Plans and reports with the following activity reported to the Governor's Office Division of Small and Minority Business Contracting and Certification

<u>Fiscal Year</u>	<u>Goal</u>	<u>Actual</u>
FY12-13	\$323,240	\$168,204
FY13-14	\$335,075	\$147,248
FY14-15	\$355,257	\$329,557*

(*Represents total through 3quarters)

- (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 RESULTS

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RESULTS OF EXAMINATION

I. Sole Source Procurements

Our review of sole source procurements identified the following procurements inappropriately made as sole sources.

<u>Item</u>	<u>PO</u>	<u>Description</u>	<u>Date</u>	<u>Amount</u>
1	P0006579	Paint	04/08/11	\$11,926
2	P0014523	Software	07/15/13	\$34,240
3	P0018924	Software	01/16/15	\$13,500
4	P0007277	Software	06/16/11	\$15,750
5	P0007517	Software	07/14/11	\$78,750
6	P0014265	Software	06/04/13	\$10,710
7	P0014370	Software	07/02/13	\$33,000
8	P0011681	Software	08/13/12	\$21,000
9	P0007880	Software	08/16/11	\$17,500
10	P0015043	Software	09/17/13	\$21,000
11	P0017695	Software	07/31/14	\$21,000
12	P0017248	Software	05/27/14	\$76,125
13	P0020341	Software	06/22/15	\$66,135

The College purchased item one from a local paint distributor as a sole source based on cost, time and the product being in the best interest of the College. Awarding contracts of these types of products should be done through competitive solicitations

For item two, the supporting sole source determination described the software and features to be supplied by the vendor. It did not make the case that the software was unique and only available from a single source. The Code requires in cases of reasonable doubt, competition must be solicited. Item three was for identity management software, the determination indicated the availability of other products.

Items four through thirteen were procurements made as sole sources for the same software product to the same vendor. The supporting sole source determination lacks sufficient information for us to conclude this item to be properly classified as a sole source. Regulation 19-445.2105(C) states in part, “The determination must contain sufficient factual grounds and reasoning to provide an informed, objective explanation for the decision.” Further, this software was cited in our previous audit as an inappropriate sole source.

We recommend the College solicit competition for these types of items in the future.

The Citadel’s Response

In the case of item #1 and items #4-13, the single purchase of paint and this software were selected prior to a change in management. The software is an ongoing database that needs to be renewed on an annual basis. The Citadel will advertise the software Sole Source renewals to seek competition. The Citadel concurs with these findings and will ensure that the Sole Source determinations are made in accordance with the South Carolina Consolidated Procurement Code.

II. Solicitations and Awards

A. Award Posting Date Missed

The College did not post the award notices on the date listed in the following solicitations.

<u>Solicitation</u>	<u>Description</u>	<u>Listed Posting Date</u>	<u>Actual Posting Date</u>
R1034-JW-3/14/2011	Marketing	03/30/11	05/06/11
T2020-JW-10/3/2011	Clean A/C units	10/05/11	10/14/11
T2077-JR-3-18-2013	Mini Blinds	03/18/13	03/20/13
BID3006-JD-3-26-2014	Lockers	03/28/14	04/01/14
RFP3002-JD-1-30-2014	Scoreboard	02/24/14	03/12/14

The cover page of the solicitations issued by the College states the awards will be posted “on or about” a given date. The statute requires that a specific posting date be given. The importance of specifying a posting date informs any offeror who is aggrieved in connection with the award a time frame in which to file a protest of the award. Section 11-35-4210(b) states any actual bidder or offeror, contactor, or subcontractor who is aggrieved in connection with the intended award shall protest to the chief procurement officer within ten days of the posting of award. Regulation 19-445.2090 states the procurement officer shall issue the notice of intent to award or award on the date specified in the solicitation unless the procurement officer gives notice that a longer review time is necessary. Notice shall be given of a time extension at the location identified in the solicitation. We did not see evidence that notice of any award extensions were given.

We recommend awards be posted on the date given in the solicitation. If an extension is necessary, notice must be given at the posting location identified in the solicitation on the date given in the solicitation.

The Citadel’s Response

The Citadel Concurrs with this finding and has implemented the change to the cover page of its solicitations to comply with Regulation 19-445.2090.

B. Preferences

The College failed to provide an opportunity for vendors to claim the end product preferences on the following solicitations.

<u>Date</u>	<u>Solicitation Number</u>	<u>Description</u>
02/24/14	BID3006-JD-3/26/2014	Lockers
02/01/13	BID2066-JR-3/1/2013	Drawer Chest
03/02/15	T3040-JD-3/27/2015	Pest Control
01/19/15	BID3035-KP-2/9/2015	Engineering Equipment

Section 11-35-1524 (E)(4) requires that solicitations provide potential bidders an opportunity to request the preferences that apply to a procurement. This was not done by the College on these sampled solicitations.

We recommend the College comply with the statute by providing in the solicitations the appropriate preferences that apply to a procurement.

The Citadel's Response

The Citadel concurs with this finding and has implemented changes within its solicitations to accommodate the preferences as required by Section 11-35-1524 (E)(4).

C. Bidders Right to Protest

The Statement of Award for solicitation BID2050-JD-6/5/2012 for a wind tunnel Instrument in the amount of \$58,310 and solicitation T2077-JR-3/18/2013 for mini blinds in the amount of \$57,595 did not contain the bidder's right to protest statement. Section 11-35-1520(10) of the Code requires the notice of award or notice of intent to award contain a statement of a bidder's right to protest on awards made in excess of \$50,000.

We recommend the College ensure the bidder's right to protest statement is included on all statements of awards in excess of \$50,000.

The Citadel's Response

The Citadel concurs with this finding and has implemented the change to its notice of award and notice of intent to award statements to include the right to protest statement on all awards in excess of \$50,000.

III. Overcharge

The College issued solicitation T2077-JR-3/18/13 awarding a five-year contract for mini blinds in the amount of \$14.45 each in March of 2013. Purchase order P00159355 dated January 14, 2014 referencing the contract was issued for 804 mini blinds in the amount of \$18.01 each. The College was invoiced and paid the higher price. Since the mini blind cost had been established by the contract, the College overpaid \$2,862 on the mini blinds.

We recommend the College verify prices of items under contract when preparing purchase orders and request a refund for the overcharge from the vendor.

The Citadel's Response

The PO was **originally sent** with the pricing of \$18.01 per window instead of the contracted price. The error was not found at the time the order was placed and eventually was paid. Since this event occurred, the staff has become aware of the correct process to follow whereby the contract is referred to and pricing is confirmed by Procurement Services before any attempt to obtain a price is made. The Citadel concurs with this finding and requested that a credit be given for orders placed against this contract. However The Citadel has not been able to recover the overpaid funds.

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 in compliance with the Consolidated Procurement Code and ensuing regulations.

Under the authority described in Section 11-35-1210 of the South Carolina Consolidated Procurement Code, subject to this corrective action, we recommend the College be recertified to make direct agency procurements for three years up to the following levels:

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Supplies and Services	*\$500,000 per commitment
Consultant Services	*\$500,000 per commitment
Information Technology	*\$500,000 per commitment
Construction Contract Award	\$500,000 per commitment
Construction Contract Change Order	\$150,000 per change order
Architect/Engineer Contract Amendment	\$ 25,000 per amendment

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



David Rawl, CPPB
Senior Auditor



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April 4, 2017

Mr. John St. C. White
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1201 Main Street, Suite 600
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Dear John:

We have reviewed the response from the Citadel to our audit report for the period of January 1, 2011 through June 30, 2015. In our opinion, The Citadel 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 Citadel the certification limits noted in our report for a period of three years.

Sincerely,

Robert J. Aycock, IV, Manager
Audit and Certification

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