



**HORRY GEORGETOWN TECHNICAL COLLEGE  
INDEPENDENT PROCUREMENT AUDIT REPORT  
OCTOBER 1, 2015 – MARCH 31, 2018**

**Office of Audit & Certification  
Division of Procurement Services  
July 17, 2018**

**TABLE OF CONTENTS**

	<u>PAGE</u>
Transmittal Letter.....	1
Introduction.....	2
Scope.....	4
Summary of Findings.....	5
Results of Audit .....	6
Certification Recommendation .....	9

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February 13, 2019

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1201 Main Street, Suite 600  
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Re: Horry Georgetown Technical College (HGTC)  
Procurement Examination Report  
Transmittal Letter

John:

We have examined the internal procurement policies and procedures of HGTC for the period October 1, 2015 through March 31, 2018 to determine whether, in all material respects, the internal controls of the College's procurement system were adequate to ensure compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

The examination disclosed conditions enumerated in the 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 in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

Sincerely,

D. Crawford Milling, CPA, CGMA  
Director of Audit & Certification

## INTRODUCTION

We conducted an examination of HGTC's internal procurement operating policies and procedures, as outlined in their internal Procurement Operating Procedures Manual, under §11-35-1230(1) of the Consolidated Procurement Code and Reg. 19-445.2020. Our on-site review was conducted from June 5 through July 9, 2018.

The primary objective of our examination was to determine whether, in all material respects, the internal controls of the College's procurement system were adequate to ensure compliance with the Consolidated Procurement Code and ensuing regulations.

The management of HGTC is responsible for the agency's compliance with the South Carolina Consolidated Procurement Code. Those responsibilities include the following:

- Identifying the agency's procurement activities and understanding and complying with the Code
- Establishing and maintaining effective controls over procurement activities that provide reasonable assurance that the agency administers its procurement programs in compliance with the Code
- Evaluating and monitoring the agency's compliance with the SC Consolidated Procurement Code
- Taking corrective action when instances of noncompliance are identified, including corrective action on audit findings of this audit.

Because of inherent limitations in any system of internal controls, errors or irregularities may occur and not be detected. 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 review 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.

## INTRODUCTION

Our examination was also performed to determine if recertification under Code §11-35-1210 is warranted.

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On May 9, 2012, the State Budget and Control Board granted HGTC the following procurement certifications:

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Supplies & Services	*\$ 150,000 per commitment
Information Technology	*\$ 100,000 per commitment
Consultant Services	*\$ 150,000 per commitment
Construction Services	\$ 100,000 per commitment
Construction Contract Change Order	\$ 5,000 per change order
Architect/Engineer Contract Amendment	\$ 10,000 per amendment

During the audit, HGTC requested the following increases in procurement certification:

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Supplies & Services	*\$ 250,000 per commitment
Information Technology	*\$ 150,000 per commitment
Consultant Services	*\$ 250,000 per commitment
Construction Services	\$ 150,000 per commitment
Construction Contract Change Order	\$ 25,000 per change order
Architect/Engineer Contract Amendment	\$ 10,000 per amendment

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

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**SCOPE**

We conducted our examination to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. Our examination included testing, on a sample basis, evidence about HGTC’s compliance with the South Carolina Consolidated Procurement Code, for the period October 1, 2015 through March 31, 2018, the audit period, and performing other procedures that we considered necessary in the circumstances. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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 audit period with exceptions noted in Section I
- (2) Procurement transactions for the period October 1, 2015 through March 31, 2018 as follows:
  - a) Forty seven payments each exceeding \$2,500 with no exceptions
  - b) Four hundred ninety-nine purchase orders reviewed against the use of order splitting and favored vendors with no exceptions
  - c) We sampled nineteen procurement card transactions for the period December 28, 2017 through March 27, 2018 with no exceptions noted
- (3) Two construction contracts and two A&E contracts 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 of Small and Minority Business Assistance:

<u>Fiscal Year</u>	<u>Goal</u>	<u>Actual</u>
2015-2016	\$ 1,014,792	\$ 690,631
2016-2017	102,072	53,148
2017-2018	29,400	45,009*

\* This amount represents three quarters.

- (5) The most recent Information Technology Plan with no exceptions
- (6) Internal procurement procedures manual with an exception noted
- (7) Surplus property disposition procedures with no exceptions
- (8) Ratification of Unauthorized Procurements with no exceptions
- (9) Other tests performed as deemed necessary with no exceptions

**SUMMARY OF FINDINGS**

	<u>PAGE</u>
<b>I. <u>Inappropriate Sole Source Procurements</u> .....</b>	<b>6</b>
Four procurements were inappropriately made as sole sources.	
<b>II. <u>No Procurement Card Manual</u> .....</b>	<b>7</b>
No internal Policies and Procedures Manual provided for Procurement Cards.	

**Note:** The College's responses to issues raised in this report have been inserted immediately following the recommendations in the body of the report.

## RESULTS OF AUDIT

### **I. Inappropriate Sole Source Procurements**

We tested sole source procurements made pursuant to §11-35-1560 of the Procurement Code to determine the appropriateness of the procurement actions and the accuracy of the quarterly reports submitted as required by SC Code Ann. §11-35-2440.

Purchase Orders P0025620, dated September 7, 2016, in the amount of \$23,100, and P0027890, dated September 25, 2017, in the amount of \$28,612, for an open source video platform was sole sourced on the basis of the product capabilities and recognition from other users of the vendor's product. The determination did not address the uniqueness of the open source video platform and did not justify the vendor being the only supplier as required by §11-35-1560 of the South Carolina Consolidated Procurement Code (Sole Source Procurements) and Regulation 19-445.2105 (Sole Source Procurements). Additionally, internet research indicated competition existed at the time. Without adequate justification, competition should have been solicited.

Purchase Order P0026275, dated January 24, 2017, in the amount of \$12,000, for public relation services for the Culinary Institute and Chefs was inappropriately procured without competition. The basis of the sole source was the vendor's experience handling public relations in the food and beverage industry and affiliations with other institutes of higher education. The written determination did not provide appropriate justification that the service provided was unique and available from a single supplier. Rather, it provides evidence that the sole source was based upon preferred qualifications, which does not constitute a sole source according to the South Carolina Consolidated Procurement Code. Without adequate justification, competition should have been solicited.

Purchase Order P0026946, dated May 5, 2017, in the amount of \$17,431, for web-based plagiarism software was procured without competition. The written sole source determination did not provide appropriate justification that the software was unique and available from a single supplier. Rather, it provided information about the qualifications of the vendor and the product.



## RESULTS OF AUDIT

Additionally, internet research indicated competition existed at the time of purchase. Without adequate justification, competition should have been solicited.

SC Code Ann. §11-35-1560 (B) states in part, "...Any decision by a governmental body that a procurement be restricted to one potential vendor must be accompanied by an explanation as to why no other will be suitable or acceptable to meet the need."

We recommend the College review and revise its procedures for justifying and conducting sole source procurements to ensure that such determinations are appropriately and adequately justified.

## AGENCY RESPONSE

The College is intensifying its due diligence as it relates to requests for Sole Source status. Going forward, the College will no longer rely on the prior Sole Source status that may have been assigned to a particular vendor/transaction. Instead, the College will research the status of each Sole Source request and validate the propriety of the Sole Source status with other colleges and universities, state agencies, and the State Procurement office in advance. These measures will be in full force and effect by March 31, 2019.

## **II. No Procurement Card Manual**

Our review of internal procurement card operations revealed that the College had not developed an internal Purchasing Card Program Manual documenting the College's policies and procedures relating to this program.

Per the South Carolina Purchasing Card Policy and Procedures Manual, III. A. 1. a) "Develop the internal policy governing the use of the P-Card, to include the following minimum requirements...". These written procedures will help ensure compliance with the South Carolina Consolidated Procurement Code, the South Carolina Purchasing Card Policy and Procedures

## **RESULTS OF AUDIT**

Manual, and with the agency's internal P-Card policies. This importance of developing this procedure manual was discussed in detail with the College.

Prior to the completion of fieldwork, we provided the College a sample Procurement Card procedure manual which it adopted.

## **AGENCY RESPONSE**

The College developed a robust Procurement Card Policy and Procedure Manual before the completion of audit fieldwork, and that manual was approved by the auditor-in-charge. The Policy and Procedure Manual is currently in full force and effect.

**CERTIFICATION RECOMMENDATION**

We believe corrective action to be taken based on the recommendations described in this report will, in all material respects, place the College in compliance with the South Carolina Consolidated Procurement Code.

Under the authority provided by SC Code Ann. §11-35-1210, we recommend that Horry Georgetown Technical College be recertified to make direct agency procurements for three years up to the following limits:

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Supplies & Services <sup>1</sup>	*\$ 250,000 per commitment
Information Technology <sup>2</sup>	*\$ 150,000 per commitment
Construction Services	\$ 150,000 per commitment
Construction Contract Change Order	\$ 25,000 per change order
Architect/Engineer Contract Amendment	\$ 10,000 per amendment

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

  
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D. Crawford Milling, CPA, CGMA  
Director of Audit & Certification

<sup>1</sup> Supplies and Services includes non-IT consulting services

<sup>2</sup> Information Technology includes consulting services for any aspect of information technology, systems and networks