

OFFICE OF THE ADJUTANT GENERAL

PROCUREMENT AUDIT REPORT

JULY 1, 2012 – MARCH 31, 2016

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

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June 21, 2017

Mr. John St. C. White
Materials Management Officer
Procurement Services Division
1201 Main Street, Suite 600
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Dear John:

We have examined the procurement policies and procedures of the Office of the Adjutant General for the period July 1, 2012 through March 31, 2016. 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 established a basis for reliance upon the system of internal control to assure adherence to the Consolidated Procurement Code, State regulations and the procurement policy of the Office of the Adjutant General. 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 Office of the Adjutant General 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 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 are 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.

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 Office of the Adjutant General, hereinafter referred to as TAG. We conducted our on-site review from May 15, 2016 through August 31, 2016 covering the audit period July 1, 2012 through March 31, 2016. We conducted our audit 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.

Additionally our work was directed toward assisting TAG in promoting the underlying purposes and policies of the Code as outlined in Section 11-35-20, which include in part:

- (1) to provide increased economy in state procurement activities and to maximize to the fullest extent practicable the purchasing values of funds while ensuring that procurements are the most advantageous to the State and in compliance with the provisions of the Ethics Government Accountability and Campaign Reform Act;
- (2) to foster effective broad-based competition for public procurement within the free enterprise system;
- (3) to ensure the fair and equitable treatment of all persons who deal with the procurement system which will promote increased public confidence in the procedures followed in public procurement;
- (4) to provide safeguards for the maintenance of a procurement system of quality and integrity with clearly defined rules for ethical behavior on the part of all persons engaged in the public procurement process.

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 TAG 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 July 1, 2012 through March 31, 2016 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 July 1, 2012 through March 31, 2016 as follows:
 - a) One hundred forty-nine payments each exceeding \$2,500, with no exceptions
 - b) A purchase order block sample review for the period July 27, 2014 through March 14, 2016 to check against the use of order splitting and favored vendors, with no exceptions
 - c) Procurement card transactions for December 2015, January, and February 2016, with no exceptions
- (2) All sole source, emergency, and trade-in sale procurements for the period July 1, 2012 through March 31, 2016, with no exceptions
- (3) Indefinite delivery contracts for compliance with the Manual for Planning and Execution of State Permanent Improvements, Part II with exceptions in Section I of the report

- (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>Annual Goal</u>	<u>Actual</u>
2012-2013	\$ 100,000	\$ 380,505
2013-2014	\$1,100,000	\$ 278,043
2014-2015	\$5,515,647	\$1,340,600
2015-2016	\$2,838,539	*\$ 398,959

*FY 2015-2016 only captures information for the first three quarters.

- (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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	Vendors did not always use the guide and the vendor multipliers to price work at TAG even though the contracts required that work be priced that way.	
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	Most delivery orders in Appendix A did contain a RS Means (guide) IDC cost sheet with vendor multipliers applied. It is our opinion that much of these documents were created to give the appearance that pricing was derived from the guide and vendor multipliers. Even those jobs that we did attribute some pricing from the guide and the IDC vendor multiplier, we placed no confidence in the documents.	
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	Forty-three delivery order transactions totaling \$4,467,795 exceeded TAG's procurement certification limit of \$50,000 for construction services.	
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	To the General Assembly, consider repealing Section 11-35-3310 of the Consolidated Procurement Code, the section that authorizes Indefinite Delivery Contracts.	

RESULTS OF EXAMINATION

I. Indefinite Delivery Contract Audit Exceptions

First and foremost, we must acknowledge that management at The Adjutant General's Office (TAG) requested this audit. Management saw irregularities that caused concern. Therefore, we were requested to come in and take a look at the procurement system of TAG. Furthermore, the persons directly responsible for the findings in this report are no longer employed at TAG.

The term "Indefinite Delivery Contract" (IDC) means a contract that does not procure or specify a defined quantity of services and that provides for the issuance of delivery orders for the performance of tasks during the period of the contract. It is an on-call construction contract that is limited to projects of \$150,000 or less with total projects not to exceed \$750,000 over a 2 year period.

We have history with TAG's abuse of IDCs. The last audit¹ we performed was so critical of the mismanagement of these types of contracts that statewide policies were changed to tighten controls. During the last audit, we met with key officials at TAG who managed IDCs to explain our findings. Since that time, the State Engineer's Office met with the same key officials to explain the proper use of IDCs. These key officials were the same persons responsible for the findings in this report and are now no longer employed by TAG. We believe these persons understood the rules but chose to ignore them creating an environment of illegal contracting and collusive behaviors with vendors while spending millions of dollars of taxpayer funds with essentially no competition. Non-compliance with State Laws, Regulations and the State Engineer's Manual were present in almost every IDC transaction we reviewed.

We found no evidence of fraud or other criminal activity. However, the high degree of non-compliance and collusive behaviors were so prevalent, that the risk of fraud or other criminal activity would be considered greatly increased. We place no confidence in the procurement system at TAG over

¹ The last procurement audit report covered the period July 1, 2005 – December 31, 2006 and can be found here: <https://procurement.sc.gov/files/TAG06.pdf>.

IDC use, the procurement files used to support IDC transactions or the persons who were directly involved with managing this aspect of procurement.

A. Suspiciously Low Bids of Cost Index Multipliers

TAG used a cost guide and vendor multiplier to determine awards of IDCs. Under this method, the agency 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 agency 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. TAG 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 TAG vendors in our sample were suspiciously low. Please refer to Appendix B, column 2 titled IDC Multiplier to see the actual multipliers. The reader will note in the appendix that multipliers ranged from .12 to .44. 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 Columbia, the average fair market price of construction work using RS Means Cost Guide (guide) would be .85 multiplied times the amount published in the guide. The TAG IDC vendors, however, bid from .12 to .44 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 Columbia and the cost estimate would be \$85,000 ($\$100,000 \times .85$). TAG IDC vendors bid as low as .12 or \$12,000 ($\$100,000 \times .12$) or at the most, .44 or \$44,000 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, TAG no longer uses multipliers and 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.

TAG's Response

Finding "A" (Suspiciously Low Bids of Cost Index Multipliers), the finding is no longer an issue as the agency has changed its procedures on how we award Indefinite Delivery Contracts. As recommended, we now solely rely on a representative project, or "seed project", as our selection method. Indefinite Delivery Contracts are awarded to the lowest bidders. Furthermore, the Agency requires a minimum of three of the Indefinite Delivery Contract contractors to bid on all projects, with the lowest bidder receiving the award for that specific project.

B. Multipliers Not Used to Price Work

Appendix A showed that vendors did not always use the guide and the vendor multipliers to price work at TAG even though the contracts required that work be priced that way. We believe this is one reason why the vendor multipliers were suspiciously low. The practice at TAG did not always hold vendors to the low multipliers. But bidding low multipliers ensured vendors received contracts. Most of the jobs we tested in Appendix A had 0% of the pricing derived from the guide multiplied times the vendor multipliers. Even those jobs that we did attribute some pricing from the guide and the vendor multiplier, we placed no confidence in the validity of the documents. Our testing revealed an overall pattern unique to TAG of how vendors priced jobs among the different IDC vendors. Vendors priced the work the same unique way which is why we believe collusive behavior existed between certain TAG employees and the IDC vendors. For most of the transactions we tested in Appendix A, the IDC vendors used subcontractors to perform the work with the IDC vendors self-performing none or very little of it. TAG allowed the IDC vendors to obtain a quote (1 quote) from subcontractors for the jobs up to \$150,000 in cost, the delivery order limit of IDC contracts. The IDC vendors would typically mark-up the subcontractors' pricing by 13% and add for cost of bonds if they were provided for the job.

Under this scheme, there was no incentive for IDC vendors to obtain the lowest pricing from subcontractors.

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.

Section 9.3.2 Bid and Award of Construction IDC, section 2.e. further states,

If the contractor chooses to subcontract some or all of the work, the contractor must still use its multiplier with the cost data guide for pricing the subcontracted work. However, if the subcontracted work is outside the contractor's license, the contractor may include a markup of 13% on the price of the subcontracted work.

None of the delivery orders issued in Appendix A complied with the State Engineer's Manual. Any of the delivery orders where less than 80% was priced out of the guide should not have been awarded through the guide and vendor multipliers. Competition should have been solicited.

TAG's Response

Finding "B" (Multipliers Not Used to Price Work) is not an issue as the Agency no longer uses the multipliers. As recommended, we now solely rely on a representative project as our selection method. Indefinite Delivery Contracts are awarded to the lowest bidders. Furthermore, the Agency requires a minimum of three of the Indefinite Delivery Contract contractors to bid on all projects, with the lowest bidder receiving the award for that specific project.

C. IDC Cost Sheets

In the previous section, we said most of the jobs we tested in Appendix A had 0% of the pricing derived from the guide. Even those jobs that we did attribute some pricing from the guide and the IDC

vendor multiplier, we placed no confidence in the documents. Most delivery orders in Appendix A did contain a RS Means IDC cost sheet with vendor multipliers applied. It is our opinion that much of these documents were created to give the appearance that pricing was derived from the guide and vendor multipliers. Some of the line items on these cost sheets were obviously made up such as cost to rent a generator followed by cost to operate the generator for painting inside a hanger that had electrical service. We saw the same thing for cost to rent a pressure washer and another line item for cost to operate the pressure washer. This was done for other equipment too. Some of the files revealed that IDC vendors obtained subcontractor quotes and then the very next day, prepared an IDC cost sheet allegedly based on the guide and the vendors' multipliers that would just so happen to be in the same amount as the subcontractors' quotes plus a 13% mark-up. The IDC cost sheets gave the false appearance that pricing was derived through the guide and vendors' multipliers in accordance with the contracts.

IDC delivery orders must be issued in accordance to the terms of the contracts. Any delivery orders where less than 80% was priced out of the guide should not be awarded using the multiplier. Instead, competition should be solicited.

TAG's Response

Finding "C" (IDC Cost Sheets) is also no longer an issue as the Agency no longer uses the multipliers or RS Means to determine the cost of a project. As recommended, we now solely rely on a representative project as our selection method. Indefinite Delivery Contracts are awarded to the lowest bidders. Furthermore, the Agency requires a minimum of three of the Indefinite Delivery Contract contractors to bid on all projects, with the lowest bidder receiving the award for that specific project.

D. Delivery Orders Exceeded Agency Procurement Certification Limit

Forty-three delivery order transactions totaling \$4,467,795 exceeded TAG's procurement certification limit of \$50,000 for construction services, the basic limit allowed in section 11-35-1550 of the Procurement Code. Section 9.3.1(C) 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 7.8.2(A)(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....” And section 7.8.3(A)(1) states in part, “If the Change Order has any item or change in work exceeding the Agency’s change order certification limit, then OSE must authorize the change order....”. See Appendix B for delivery order detail.

We recommend TAG comply with its IDC delivery order certification limit of \$50,000 for construction services as established by section 11-35-1550 of the Procurement Code. Delivery orders over \$50,000 must be authorized by the State Engineer.

TAG’s Response

Finding “D” (Delivery Orders Exceeded Agency Procurement Certification Limit), in addition to the removal of the personnel responsible for the findings, the Agency has initiated oversight in every branch of the Construction and Facilities Management Office. Upon notification of the requirements for approval of delivery orders exceeding the Agency’s certification limit of \$50,000, all such delivery orders are authorized by the State Engineer’s Office. Documentation of Office of the State Engineer approval is attached to all purchase orders prior to the purchase order being issued for all projects exceeding \$50,000.

II. General Recommendation

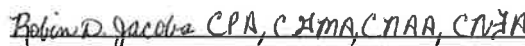
To the General Assembly, consider repealing Section 11-35-3310 of the Consolidated Procurement Code, the section that authorizes Indefinite Delivery Contracts. We continue to find abuses over the use of these contracts. See Attachment C for a listing of the findings. A more simplified approach could be used similar to that found in 11-35-1550(2)(b) that ensures fair and open competition for minor construction projects up to \$100,000. Instead of IDCs, authorize a task-order contracting process. Under this process, task-order contractors would be selected on the basis of qualifications. Work would be awarded to these contractors in the form of task-orders. Task-orders would be awarded to task-order contractors solely on the basis of price competition. Task-order contracting would apply only for task orders valued between \$80,000 and \$350,000. Contracts above that amount would be conducted using existing procedures.

CONCLUSION

We must state our concern over the management of Indefinite Delivery Contracts at TAG. While we found no evidence of fraud or other criminal activity, the high degree of non-compliance raises the risk of fraud or other criminal activity. We place no confidence in the procurement system at TAG over IDC use, the procurement files used to support IDC transactions or the persons who were directly involved with managing this aspect of procurement.

However, management at TAG requested us to come in and audit the procurement system due to irregularities in the Facilities area. The persons directly responsible for the findings in this report no longer work for TAG. Further corrective action already taken by TAG includes no longer using the multiplier for its IDCs. The State Fiscal Accountability Authority Division of Procurement Services will continue to provide support through a follow-up review.

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 Adjutant General's Office in compliance with the Consolidated Procurement Code.



Robin D. Jacobs, CPA, CGMA, CMAA, CNFA
Audit Manager



Robert J. Aycock, IV, Manager
Audit and Certification

Appendix A

	Contract	Delivery Order	Date	Purchase Order	Delivery Order Amount	Percent Work RS Means	Project	Subcontracted (Yes/No)
1	E24-D070-NA	FCC-003	05/20/13	4500035066	\$144,577.82	0%	MTC Argentan - Stormwater Construction	Yes
2	E24-D070-NA	FCC-005	05/28/13	4500035207	\$78,139.41	0%	MTC Golden Lion Asphalt Overlay	Yes
3	E24-D070-NA	BC-001	05/23/13	4500035132	\$149,953.00	0%	Columbia Armory Roof replacement	Yes
4	E24-D070-NA	BC-004	05/23/13	4500035131	\$147,525.00	38%	Columbia Armory Renovate Men's Restroom	Yes
5	E24-D070-NA	BC-005	06/02/13	4600251375	\$32,253.00	0%	Military Museum-Replace Overhead Doors	Yes
6	E24-D070-NA	BC-006	06/02/13	4600257956	\$42,144.00	36%	Military Museum-Install Sheetrock	Yes
7	E24-D071-SG	BC-001	07/23/13	4600270491	\$99,317.00	9%	AASF - Construct Non-Rated Crew Trainer Pad	Yes
8	E24-D071-SG	BC-003	09/23/13	4600290982	\$12,757.00	26%	Columbia Armory - Replace Electrical Panels	Yes
9	E24-D071-SG	BC-006	05/13/14	4600336779	\$23,827.00	18%	AASF Donaldson - Install Electrical Feed, Radio Room	Yes
10	E24-D071-SG	BC-008	07/16/14	4600351319	\$28,930.00	61%	Columbia Armory - Install Data & Electrical	Yes

	Contract	Delivery Order	Date	Purchase Order	Delivery Order Amount	Percent Work RS Means	Project	Subcontracted (Yes/No)
11	E24-D076-CA	FC-004	01/23/14	4600313417	\$41,435.90	50%	AASF Paint Shop Floors	Yes
12	E24-D076-CA	FC-006	01/07/14	4600316036	\$10,441.20	0%	Mt Pleasant Armory Replace Storefront,	Yes
13	E24-D076-CA	FC-007	06/02/14	4600315999	\$7,780.05	0%	USPFO Warehouse Repair/Replace Fence	Yes
14	E24-D076-CA	FC-009	04/24/14	4600332705	\$26,283.00	17%	Military Museum Paint Floor	Yes
15	E24-D076-CA	FC-011	03/07/14	4600321526	\$20,306.10	26%	Paint HAZMAT Buildings, FMS 11 Hartsville & FMS 14 Varnville	Yes
16	E24-D076-CA	FC-012	03/07/14	4600321527	\$9,655.85	34%	USPFO Warehouse Paint Old Boiler Room	Yes
17	E24-D076-CA	FC-015	04/22/14	4600331974	\$7,429.75	0%	Military Museum Replace Roof Curbs for HVAC	Yes
18	E24-D076-CA	FC-016	03/20/14	4600324568	\$49,162.91	0%	Replace Door Hardware, 43rd CST	Yes
19	E24-D076-CA	FC-019	05/08/14	4600335973	\$4,401.35	0%	USPFO Warehouse Repair Floor, install & Replace Door	Yes
20	E24-D076-CA	FC-020	05/13/14	4600336778	\$19,150.45	0%	AASF Replace Ceramic Tile in restrooms	Yes

	Contract	Delivery Order	Date	Purchase Order	Delivery Order Amount	Percent Work RS Means	Project	Subcontracted (Yes/No)
21	E24-D076-CA	FC-021	05/19/14	4600338261	\$17,921.80	0%	McCrary RTC Replace Chapel Roof	Yes
22	E24-D076-CA	FC-022	07/28/14	4600355913	\$149,953.00	0%	Dillon Armory Replace Lower Roof	Yes
23	E24-D076-CA	FC-024	07/21/14	4600352757	\$15,838.08	0%	Charleston Maintenance Facility Repair Iron Entrance Gates	Yes
24	E24-D076-CA	FC-025	07/21/14	4600352728	\$4,237.50	76%	Greenville Armory Install Two Interior Walls & Metal Entrance Door	Yes
25	E24-D076-CA	FC-026	08/19/14	4600363359	\$88,511.73	0%	AASF Repair Storm/Ramp Drainage	Yes
26	E24-D076-CA	FCC-016	08/07/14	4600360078	\$25,730.10	0%	Batesburg/Edgefield Armory - Remove Asbestos Tile	Yes
27	E24-D076-CA	FCC-017	08/25/14	4600365277	\$99,123.60	0%	Lancaster Armory Replace Roof, Section 1	Yes
28	E24-D076-CA	FCC-018	08/25/14	4600365177	\$99,123.60	0%	Columbia Armory Replace Roof, Section 3	Yes
29	E24-D076-CA	MSI-015	08/21/14	4600364762	\$99,123.60	0%	Camden Armory Replace Existing Roof	Yes

	Contract	Delivery Order	Date	Purchase Order	Delivery Order Amount	Percent Work RS Means	Project	Subcontracted (Yes/No)
30	E24-D076-CA	SA-003	04/22/14	4600331959	\$149,974.03	0%	Columbia Armory Replace Section II Roof	Yes
31	E24-D078-FW-E	BE-006	05/05/15	4600413848/ 425110	\$7,880.00	50%	Charleston RC: Install Data/Electrical Outlets in TOC	Yes
32	E24-D081-CA-A	SA-001	09/23/14	4600371499	\$99,123.60	0%	Wellford Armory Roof Replacement Section 1	Yes
33	E24-D081-CA-A	SA-004	09/29/14	4600373518	\$86,345.84	36%	AASF, McEntire, Restripe Airfield, Ramp & Taxiway	Yes
34	E24-D081-CA-A	SA-006	10/22/14	4600378752	\$98,360.58	0%	TAG Complex, State Warehouse: Renovate Recruiting Area	Yes
35	E24-D081-CA-A	SA-011	11/12/14	4600383146	\$9,040.00	0%	Edgefield Armory: Asbestos Abatement from Boiler & Piping	Yes
36	E24-D081-CA-E	FC-001	09/24/14	4600372602	\$102,563.60	0%	Ft. Mill Armory Replace Existing Roof, Section 1	Yes
37	E24-D081-CA-E	FC-003	09/24/14	4600372088	\$17,402.00	0%	AASF 1: Install Fence & Double Gate	Yes
38	E24-D081-CA-E	FC-004	09/24/14	4600372489	\$92,208.00	0%	AASF, Blackhawk Hanger Paint Ceiling & Walls	Yes

	Contract	Delivery Order	Date	Purchase Order	Delivery Order Amount	Percent Work RS Means	Project	Subcontracted (Yes/No)
39	E24-D081-CA-E	FC-005	09/25/14	4600373843	\$97,971.00	0%	AASF, Apache Hanger Paint Ceiling & Walls	Yes
40	E24-D081-CA-E	FC-007	09/29/14	4600373520	\$88,134.71	0%	AASF, Utility Hanger Paint Ceilings, Walls and Door Frames	Yes
41	E24-D081-CA-E	FC-009	11/24/14	4600385435	\$10,727.09	0%	AASF: Remove/Replace Ceiling Grid and Tiles	Yes
42	E24-D081-CA-E	FC-010	03/13/15	4600403674	\$15,375.91	0%	Batesburg Armory: Renovate Office Area	Yes
43	E24-D081-CA-E	FC-011	05/28/15	4600417859	\$18,094.00	0%	43rd CST: Install Electronic Access System	Yes
44	E24-D081-CA-E	FC-012	05/21/15	4600416785	\$4,181.00	0%	Clemson Armory: Asbestos Abatement	Yes
45	E24-D081-CA-E	FC-013	05/14/15	4600415527	\$14,725.03	0%	Bennettsville Armory: Asbestos Abatement	Yes
46	E24-D081-CA-E	FC-014	06/11/15	4600204264	\$31,399.31	0%	Bennettsville Armory: Replace Ceiling	Yes
47	E24-D081-CA-E	FC-015	08/24/15	4600441100	\$21,048.30	0%	Greenville Armory: Repair Roof	Yes
48	E24-D081-CA-E	FC-016	09/23/15	4600447986	\$8,950.02	35%	Bennettsville RC: Replace Fence	Yes

	Contract	Delivery Order	Date	Purchase Order	Delivery Order Amount	Percent Work RS Means	Project	Subcontracted (Yes/No)
49	E24-D081-CA-D	MB-005	03/13/15	4600403672	\$33,428.00	0%	Union Armory: Replace Carpet	Yes
50	E24-D081-CA-D	MB-006	12/03/14	4600386712	\$30,526.78	0%	Edgefield Armory: Replace Carpet & Tile	Yes
51	E24-D081-CA-D	MB-007	05/19/15	4600416254	\$19,613.00	0%	Bennettsville Armory: Replace Carpet & Tile	Yes
52	E24-D081-CA-D	MB-011	08/24/15	4600441094	\$6,435.00	0%	Columbia Armory: Replace Carpet & Tile	Yes
53	E24-D081-CA-D	MB-012	09/10/15	4600445363	\$6,271.00	0%	Columbia Armory: Remove Asbestos Tile & Cement	Yes
54	E24-D081-CA-D	MB-013	09/10/15	4600445367	\$7,203.00	0%	Florence Armory: Replace Carpet	Yes
55	E24-D081-CA-D	MB-014	09/25/15	4600448619	\$44,050.00	0%	Band Room: Install Storm Drainage System	Yes
56	E24-D081-CA-D	MB-015	09/23/15	4600447985	\$7,006.00	0%	Clemson Armory: Install carpet, Distance Learning Lab	Yes
57	E24-D081-CA-D	MB-016	11/25/15	4600460523	\$28,155.00	0%	Pine Ridge Armory: Install card Access/Repair locks	Yes
58	E24-D081-CA-D	MB-018	02/18/16	4600474209	\$22,944.00	0%	TAG Facility: Replace Two Exterior Doors & Hardware	Yes

	Contract	Delivery Order	Date	Purchase Order	Delivery Order Amount	Percent Work RS Means	Project	Subcontracted (Yes/No)
59	E24-D081-CA-J	MAR-001	09/24/14	4600372606	\$99,124.00	2%	AASF, Blackhawk Hanger: Roof Replacement, Sections 1-9	Yes
60	E24-D081-CA-J	MAR-002	09/24/15	4600372609	\$99,124.00	0%	AASF, Apache Hanger: Roof Replacement, Sections 1-3	Yes
61	E24-D081-CA-J	MAR-005	05/21/15	4600416782	\$9,542.00	0%	Bennettville Armory, Rifle Range: Paint Ceiling and Walls	Yes
62	E24-D081-CA-J	MAR-006	07/10/15	4600425276	\$29,805.00	0%	AASF: Paint Hanger Doors	Yes
63	E24-D081-CA-J	MAR-010	09/02/15	4600443555	\$6,131.00	0%	AASF #1: Paint Breezeway & Clean Brick	Yes
64	E24-D081-CA-J	MAR-013	09/15/15	4600446048	\$49,947.00	0%	Bennettville Armory, Replace Lower Windows	Yes
65	E24-D081-CA-J	MAR-014	09/18/15	4600446969	\$32,155.00	0%	AASF #1: Replace Wall Panels, Storm Damage	Yes
66	E24-D081-CA-J	MAR-016	03/14/16	4600478996	\$13,278.33	0%	USPFO : Replace Trailer Roof	Yes
67	E24-D081-CA-F	S&A-001	03/11/15	4600403267	\$18,598.00	0%	USPFO: Repair/Replace Doors	Yes

	Contract	Delivery Order	Date	Purchase Order	Delivery Order Amount	Percent Work RS Means	Project	Subcontracted (Yes/No)
68	E24-D081-CA-F	S&A-002	01/14/15	4600392866	\$36,059.02	0%	AASF, Donaldson: Install Sliding Gate/Access Controls	Yes
69	E24-D081-CA-F	S&A-003	08/12/15	4600358016	\$96,431.93	0%	AASF, McEntire: Repair Sliding Gates & Access Controls	Yes
70	E24-D081-CA-F	S&A-005	09/22/15	4600447815	\$21,502.56	0%	Graniteville Armory: Replace Overhead Door, Drill Hall	Yes
71	E24-D081-CA-F	S&A-008	09/29/15	4600449139	\$92,340.00	0%	Bennettsville Armory: Replace Final Lower Roof Section	Yes
72	E24-D081-CA-F	S&A-009	02/24/16	4600475481	\$37,762.24	0%	Eastover Armory: Replace Main Storefront Entrance	Yes
	Total				\$3,375,968.68			

Appendix B

	Contract	IDC Multiplier	Delivery Order	Date	Purchase Order	Delivery Order Amount	Percent Work RS Means	Procurement Type	Project	Subcontracted (Yes/No)
1	E24-D066-CA	0.2775	CC-002	05/24/12	4600200508	\$149,160.00	100%	Maintenance	Columbia Armory- Replace Windows, Drill Hall	No
2	E24-D066-CA	0.2775	CC-003	05/24/12	4600200540	\$149,968.00	0%	Construction	Military Museum- Renovate Museum, Phase 1	No
3	E24-D070-NA	0.275	FCC-003	05/20/13	4500035066	\$144,577.82	0%	Construction	MTC Argentan - Stormwater Construction	Yes
4	E24-D070-NA	0.275	FCC-005	05/28/13	4500035207	\$78,139.41	0%	Maintenance	MTC Golden Lion Asphalt Overlay	Yes
5	E24-D070-NA	0.18	MSI-003	09/14/12	4600202315	\$99,949.00	52%	Construction	MTC Construct Vehicle Storage Shed	No
6	E24-D070-NA	0.25	BC-001	05/23/13	4500035132	\$149,953.00	0%	Maintenance	Columbia Armory Roof replacement	Yes
7	E24-D070-NA	0.25	BC-002	05/23/13	4500035135	\$109,873.00	100%	Maintenance	Batesburg Armory Replace Lower Windows	No
8	E24-D070-NA	0.25	BC-003	02/23/13	4500035138	\$98,519.00	100%	Maintenance	Dillon Armory replace windows	No
9	E24-D070-NA	0.25	BC-004	05/23/13	4500035131	\$147,525.00	36%	Construction	Columbia Armory Renovate Men's Restroom	Yes
10	E24-D071-SG	0.33	BC-001	07/23/13	4600270491	\$99,317.00	9%	Construction	AASF - Construct Non-Rated Crew Trainer Pad	Yes
11	E24-D071-SG	0.33	BC-004	09/23/13	4600209451	\$96,806.00	37%	Construction	AASF Remove Existing Lighting & XFR	No
12	E24-D071-SG	0.33	BC-005	09/30/13	4600292119	\$74,764.00	22%	Maintenance	AASF Replace Signs & Windsock	No

	Contract	IDC Multiplier	Delivery Order	Date	Purchase Order	Delivery Order Amount	Percent Work RS Means	Procurement Type	Project	Subcontracted (Yes/No)
13	E24-D073-SG	0.41	RS-012	09/12/13	4600301058	\$98,802.57	100%	Construction	Georgetown Armory Replace HVAC	No
14	E24-D073-SG	0.41	RS-014	10/30/13	4600300311	\$78,514.24	0%	Operation	State Wide Preventive Maint HVAC	No
15	E24-D076-CA	0.15	FC-022	07/28/14	4600355913	\$149,953.00	0%	Maintenance	Dillon Armory Replace Lower Roof	No
16	E24-D076-CA	0.15	FC-026	08/19/14	4600363359	\$88,511.73	0%	Construction	AASF Repair Storm/Ramp Drainage	Yes
17	E24-D076-CA	0.15	FCC-017	08/25/14	4600365277	\$99,123.60	0%	Maintenance	Lancaster Armory Replace Roof, Section 1	Yes
18	E24-D076-CA	0.15	FCC-018	08/25/14	4600365177	\$99,123.60	0%	Maintenance	Columbia Armory Replace Roof, Section 3	Yes
19	E24-D076-CA	0.16	MSI-015	08/21/14	4600364762	\$99,123.60	0%	Maintenance	Camden Armory Replace Existing Roof	Yes
20	E24-D076-CA	0.165	SS-017	08/27/14	4600365923	\$99,123.60	0%	Maintenance	Bennettsville Armory Replace Existing Roof	Yes
21	E24-D076-CA	0.15	SA-003	04/22/14	4600331959	\$149,974.03	0%	Maintenance	Columbia Armory Replace Section II Roof	Yes
22	E24-D076-CA	0.15	SA-004	04/24/14	4600332638	\$149,480.00	100%	Maintenance	Greenville Armory Replace Roof High Section	No
23	E24-D076-CA	0.15	SA-005	04/24/14	4600332640	\$149,480.00	0%	Maintenance	Greenwood Armory Replace Roof Low Section	Yes
24	E24-D078-FW-E	0.40	BE-003	10/24/14	4600379563	\$76,111.61	84%	Construction	TAG Band Room Install Electrical & Data	No
25	E24-D078-FW-C	0.37	CC-003	09/29/14	4600373522	\$67,883.04	100%	Construction	Batesburg Armory Upgrade Electrical	No

	Contract	IDC Multiplier	Delivery Order	Date	Purchase Order	Delivery Order Amount	Percent Work RS Means	Procurement Type	Project	Subcontracted (Yes/No)
26	E24-D078-FW-C	0.37	CC-007	08/15/15	4600446034	\$59,502.53	100%	Construction	Greenwood Armory Replace Electrical Panels	No
27	E24-D079-FW-A	0.37	CC-001	09/30/14	4600373786	\$80,614.24	0%	Operation	Statewide Preventive Maint HVAC	No
28	E24-D079-FW-A	0.37	CC-004	09/25/14	4600373083	\$98,405.59	100%	Construction	Batesburg Armory Upgrade HVAC	No
29	E24-D079-FW-A	0.37	CC-019	09/15/15	4600446035	\$99,571.50	100%	Construction	Greenwood Armory Upgrade HVAC	No
30	E24-D080-FW-B	0.44	CC-002	08/20/15	4600440501	\$98,512.39	100%	Construction	Batesburg Armory Upgrade Plumbing	No
31	E24-D080-FW-B	0.44	DP-001	03/11/15	4600403270	\$76,582.52	100%	Construction	Bennettsville Armory: Renovate Men's Restroom	No
32	E24-D081-CA-A	0.12	SA-001	09/23/14	4600371499	\$99,123.60	0%	Maintenance	Wellford Armory Roof Replacement Section 1	Yes
33	E24-D081-CA-A	0.12	SA-004	09/29/14	4600373518	\$86,345.84	36%	Maintenance	AASF, McEntire, Restripe Airfield, Ramp & Taxiway	Yes
34	E24-D081-CA-A	0.12	SA-006	10/22/14	4600378752	\$98,360.58	0%	Construction	TAG Complex, State Warehouse: Renovate Recruiting Area	Yes
35	E24-D081-CA-E	0.14	FC-001	09/24/14	4600372602	\$102,563.60	0%	Maintenance	Ft. Mill Armory Replace Existing Roof, Section 1	Yes
36	E24-D081-CA-E	0.14	FC-002	09/25/14	4600372756	\$99,123.60	89%	Maintenance	Conway Armory Replace Existing Roof, Section 1	Yes
37	E24-D081-CA-E	0.14	FC-004	09/24/14	4600372489	\$92,208.00	0%	Maintenance	AASF, Blackhawk Hanger Paint Ceiling & Walls	Yes
38	E24-D081-CA-E	0.14	FC-005	09/25/14	4600373843	\$97,971.00	0%	Maintenance	AASF, Apache Hanger Paint Ceiling & Walls	Yes

	Contract	IDC Multiplier	Delivery Order	Date	Purchase Order	Delivery Order Amount	Percent Work RS Means	Procurement Type	Project	Subcontracted (Yes/No)
39	E24-D081-CA-E	0.14	FC-007	09/29/14	4600373520	\$88,134.71	0%	Maintenance	AASF, Utility Hanger Paint Ceilings, Walls and Door Frames	Yes
40	E24-D081-CA-J	0.179	MAR-001	09/24/14	4600372606	\$99,124.00	2%	Maintenance	AASF, Blackhawk Hanger: Roof Replacement, Sections 1-9	Yes
41	E24-D081-CA-J	0.179	MAR-002	09/24/15	4600372609	\$99,124.00	0%	Maintenance	AASF, Apache Hanger: Roof Replacement, Sections 1-3	Yes
42	E24-D081-CA-F	0.145	S&A-003	08/12/15	4600358016	\$96,431.93	0%	Construction	AASF, McEntire: Repair Sliding Gates & Access Controls	Yes
43	E24-D081-CA-F	0.145	S&A-008	09/29/15	4600449139	\$92,340.00	0%	Maintenance	Bennettsville Armory: Replace Final Lower Roof Section	Yes
	Total					\$4,467,795.48				

<p>Office of the Adjutant General FY07 Audit Period: 7/1/05-12/31/06</p>		
<p>Delivery orders subcontracted without competition</p>	<p>OSE Manual Section E2-11</p>	<p>If a sub-contractor or a sub-subcontractor (someone performing work on site and acting on behalf of a contractor) is contracted to do work for a period assigned a delivery order, the contractor shall include or cause to be included in the agreement with that entity all provisions contained in the contract document.</p>
<p>Contractors cost proposals not prepared in accordance with contracts</p>	<p>OSE Manual Section E2-5(1)</p>	<p>Manual requires agencies to use one of two methods, cost pricing guide and multiplier or unit pricing, to set up bid documents for IDC contracts to determine base bid for award purposes.</p>
<p>Contractor's licensing law violated</p>	<p>40-11-340 and 40-11-410</p>	<p>Qualification for acting as sole prime contractor. An entity licensed under the classifications or sub classifications in Section 40-11-410(1), (2), or (3) may act as a sole prime contractor for a project if forty percent or more of the work as measured by the total cost of construction falls under one or more of the licensee's license classifications or sub classifications.</p>
<p>Cost proposals do not agree to rate schedules</p>	<p>OSE Manual Section E1-3(D) and E1-6(C)</p>	<p>The fee for each DO shall be separately negotiated in accordance with the approved A&E hourly rate and reimbursable schedule.</p>
<p>Major construction projects done through IDCs violating IDC limits</p>	<p>11-35-3310(1)(a)</p>	<p>When major services contracts are awarded, each contract shall be limited to a total of seven hundred fifty thousand dollars for a 2 year period with individual project expenditures not to exceed one hundred fifty thousand dollars.</p>
<p>Required certificates of insurance and bonding not obtained</p>	<p>OSE Manual Section E2-9</p>	<p>Performance bonds and labor and materials payment bonds shall be required for a DO exceeding \$50,000 (or less if required by the agency) Bonds shall be in the amount of 100% of the amount of the DO.</p>
<p>Building plans and specifications not submitted to OSE</p>	<p>OSE Manual Section E2-10</p>	<p>Plans and specifications of DOs exceeding the agency's construction procurement certification shall be submitted to the OSE for code compliance review.</p>
<p>Quarterly reports of IDC activity not submitted to OSE</p>	<p>OSE Manual Section E2-12</p>	<p>The Agency shall submit to the OSE quarterly reports on IDC contracts.</p>

<p>College of Charleston FY07 Audit Period: 7/1/04-3/31/07</p> <p>Cost Proposals do not agree with rate schedules</p> <p>Contractor's cost proposal not prepared in accordance with contract.</p>	<p>OSE Manual Section E1-3 General (D)</p> <p>OSE Manual Section E2-5(1)</p>	<p>The fee for each DO shall be separately negotiated in accordance with the approved A&E's hourly rate and reimbursable schedule.</p> <p>Requires agencies to use one of two methods, cost pricing guide and multiplier or unit pricing, to set up bid documents for IDC contracts to determine base bid for award purposes.</p>
<p>Citadel FY08 Audit Period: 1/1/05-12/31/07</p> <p>Delivery orders not priced in accordance with vendor multipliers</p> <p>Performance Bond and Labor and Material Payment Bond not obtained.</p> <p>Quarterly reports of IDC activity not submitted to OSE.</p>	<p>OSE Manual Chapter 6 Appendix E and OSE Manual Section 9.2.3(B)</p> <p>11-35-3030(2)(a) and OSE Manual Section 9.2.7.</p> <p>OSE Manual Section E2-12</p>	<p>Unless the IDC contractor proposes to provide work at a lower price, the Agency must use the IDC contractor's multiplier and the cost data guide to price delivery orders assigned under their contract.</p> <p>Performance bonds and labor and materials payment bonds shall be required for a DO exceeding \$50,000 (or less if required by the agency). Bonds shall be in the amount of 100% of the amount of the DO.</p> <p>The Agency shall submit to the OSE quarterly reports on IDC contracts.</p>
<p>Clemson FY08 Audit Period: 1/1/05-12/31/07</p> <p>Agency failed to require vendors to provide pricing on delivery contracts in accordance with the indefinite delivery contracts for construction services</p>	<p>OSE Manual Section 9.2.3(B)</p>	<p>Unless the IDC contractor proposes to provide work at a lower price, the Agency must use the IDC contractor's multiplier and the cost data guide to price delivery orders assigned under their contract.</p>

<p>Coastal Carolina FY08 Audit Period: 7/1/04-6/30/07</p>	<p>Delivery orders not priced in accordance with vendor multipliers</p>	<p>OSE Manual Chapter 6 Appendix E and OSE Manual Section 9.2.3 (B)</p>	<p>Unless the IDC contractor proposes to provide work at a lower price, the Agency must use the IDC contractor's multiplier and the cost data guide to price delivery orders assigned under their contract.</p>
<p>Performance bonds and labor and material payment bonds not obtained on delivery orders greater than \$50,000.</p>	<p>11-35-3030(2)(a) and OSE Manual Section 9.2.7.</p>	<p>Performance bonds and labor and materials payment bonds shall be required for a DO exceeding \$50,000 (or less if required by the agency). Bonds shall be in the amount of 100% of the amount of the DO...</p>	
<p>Quarterly Reports of IDC activity not submitted to OSE</p>	<p>OSE Manual Section 9.2.8</p>	<p>The Agency shall submit to the OSE quarterly reports on IDC contracts</p>	
<p>Contractors certificates of insurance not in files</p>	<p>OSE Manual Chapter 6 Appendix E</p>		
<p>Bid security not obtained during the bidding process</p>	<p>OSE Manual Chapter 6 Appendix E</p>	<p>... Each bid in excess of \$50,000 must include in the bid envelope either a certified cashier's check or a bid bond in an amount of five percent of the base bid or greater.</p>	
<p>Vendors cost proposals and invoices not based on agreed upon hourly rate schedule</p>	<p>OSE Manual Chapter 6 Appendix E</p>		
<p>DOT FY08 Audit Period: 7/1/04-6/30/07</p>			
<p>Unit price list was not comprehensive. 7 of 8 delivery orders derived no pricing from the unit price lists. One had half of its pricing derived from a price list.</p>	<p>OSE Manual Section E2-5 A.2</p>	<p>"The Agency may elect to use a comprehensive list of unit prices in the bidding documents. The bid form shall list estimated quantities to be purchased and a description of the work to be priced. The bidders must supply the unit price and multiply it times the number of units listed to arrive at an extended price... The Agency must provide appropriate quantities that will reflect the estimated amount of work to be done under a typical work order..."</p>	
<p>Cost proposals do not agree to rate schedules</p>	<p>OSE Manual Section E1-3(D)</p>	<p>"The fee for each delivery order shall be separately negotiated in accordance with the approved A&E's hourly rate and reimbursable schedule".</p>	

<p>HGTC FY08 Audit Period: 1/1/05-12/31/07</p>	<p>Overpayment on IDC Contract</p>	<p>OSE Manual Section E2.8(F)</p>	<p>Allows for mark up of 17%for contractor labor and a markup of 13% for subcontracted labor.</p>
<p>Quarterly reports of IDC activity not submitted to OSE</p>	<p>OSE Manual Section E2-12</p>	<p>The Agency shall submit to the OSE quarterly reports on IDC contracts.</p>	
<p>DPS FY09 Audit Period: 7/1/05-6/30/08</p>	<p>11-35-3030(2)(a) and OSE Manual Section 9.2.7.</p>	<p>Performance bonds and labor and materials payment bonds shall be required for a delivery order exceeding \$50,000 (or less if required by the agency). Bonds shall be in the amount of 100% of the amount of the DO...</p>	
<p>USC FY09 Audit Period: 1/1/05-3/31/08</p>	<p>OSE Manual Section 9.2.8</p>	<p>The Agency must submit to the OSE quarterly reports on IDC contracts. (Required information to be submitted is listed in this section of the OSE Manual).</p>	
<p>No performance and Payment Bonds obtained for 4 contracts</p>	<p>11-35-3030(2)(a) and OSE Manual Section 9.2.7</p>	<p>Performance bonds and labor and materials payment bonds shall be required for a DO exceeding \$50,000 (or less if required by the agency). Bonds shall be in the amount of 100% of the amount of the DO...</p>	
<p>RS Means multiplier not applied to delivery orders.</p>	<p>OSE Manual Section 9.2.3(B)</p>	<p>Under this method, the Agency selects a published cost data guide similar to R.S. Means Cost Data series as a basis for determining the price of delivery orders. Unless the IDC contractor proposes to provide work at a lower price, the Agency must use the IDC contractor's multiplier and cost data guide to price delivery orders assigned under this contract.</p>	

<p>RS Means multiplier greater than agreed upon multiplier applied.</p>	<p>OSE Manual Section 9.2.3.(B)</p>	<p>Under this method, the Agency selects a published cost data guide similar to R.S. Means Cost Data series as a basis for determining the price of delivery orders. Unless the IDC contractor proposes to provide work at a lower price, the Agency must use the IDC contractor's multiplier and cost data guide to price delivery orders assigned under this contact.</p>
<p>Agreed upon hourly rate schedule not reflected on invoice (total amount only)</p>	<p>OSE Manual Section 9.1.2(A)(3)</p>	<p>In the delivery order, the Agency must provide a fee schedule for services the professional will provide.</p>
<p>Agreed upon hourly fee schedule did not agree with hourly fee charged on invoice (different rate charged)</p>	<p>OSE Manual Section 9.1.2(A)(3)</p>	<p>In the delivery order, the Agency must provide a fee schedule for services the professional will provide.</p>
<p>Midlands Technical College FY09 Audit Period: 7/1/05-6/30/08</p>		
<p>Incomplete quarterly reports submitted to the Office of the State Engineer.</p>	<p>OSE Manual Section 9.1.1(D) and Section 9.2.8</p>	<p>The Agency must submit to the OSE quarterly reports on IDC contracts. (Required information to be submitted is listed in this section of the OSE Manual).</p>
<p>Department of Corrections FY09 Audit Period: 4/1/05-6/30/08</p>		
<p>Quarterly reports of IDC activity not submitted to OSE.</p>	<p>OSE Manual Section 9.1.1(D)</p>	<p>The Agency must submit to the OSE quarterly reports on IDC contracts. (Required information to be submitted is listed in this section of the OSE Manual).</p>
<p>Horry County School District FY10 Audit Period: 7/1/03-6/30/06</p>		
<p>Three IDC construction contract solicitations exceeded the number of extensions allowed for an IDC. A five year contract would not be allowed.</p>	<p>District Code: Article X, Section J</p>	<p>When construction services contracts are awarded, each contract shall be limited to a total expenditure of \$750,000 for a two year period with individual project expenditures not to exceed \$150,000.</p>

District failed to issue a Notice of Intent to Award on three IDCs.	District Code: Article IV, Section A.2.p	When a contract has a total or potential value in excess of fifty thousand dollars (\$50,000), sixteen (16) days after notice is given the Bidder may enter a contract with the Bidder named in the notice in accordance with the provisions of this code and of the bid solicited.
Improperly accepted two bids after the established deadline date and time.	District Code: Article IV, Section A.2.1(viii)	Any bid, proposal, response to invitation, or qualification statement received after the Procurement Director or designee has declared that the time set for bid opening has arrived, shall be rejected unless a bid, proposal, response to invitation, or qualification statement was in the possession of the purchasing office and has been misplaced by district employees in that office.
Vendor bid schedule not available. Unable to verify that the District was invoiced at the agreed upon pricing.		Recommended that the bid schedule be kept part of the bid files. All payments should be reconciled to the bid schedules before payments are authorized.
Greenville Technical College FY10 Audit Period: 1/1/07-12/31/08		
Cost Guide not properly applied to delivery orders.	OSE Manual Section 9.2.3(B)	Under this method, the Agency selects a published cost data guide similar to R.S. Means Cost Data series as a basis for determining the price of delivery orders. Unless the IDC contractor proposes to provide work at a lower price, the Agency must use the IDC contractor's multiplier and cost data guide to price delivery orders assigned under this contact.
DMV FY10 Audit Period: 1/1/06-3/31/10		
Quarterly reports of IDC activity not submitted to OSE.	OSE Manual Section 9.1.1(D)	The Agency must submit to the OSE quarterly reports on IDC contracts. (Required information to be submitted is listed in this section of the OSE Manual).
Small A/E contracts not reported to OSE.	Section 11-35-3230(3)	Copies of contracts, including the negotiated scope of services and fees, awarded pursuant to this section must be submitted to the OSE for information.
Misappropriation of Funds		Misappropriation of funds through the establishment of a fictitious vendor and then authorizing procurements and payments to the same fictitious vendor.

<p>Greenville Technical College FY10 Audit Period: 1/1/07-12/31/08</p>	<p>On two construction IDC's the college failed to require its contractors to price work using the cost data guide discount multipliers as required by the contracts</p>	<p>OSE Manual Section 9.2.3(B)</p>	<p>Unless the IDC contractor proposes to provide work at a lower price, the Agency must use the IDC contractor's multiplier and the cost data guide to price delivery orders assigned under their contract.</p>
<p>MUSC FY10 Audit Period: 7/1/06-6/30/09</p>	<p>Competitive quotes were not obtained for one IDC in which more than 20% of the work was not covered by the cost guide unit pricing.</p>	<p>OSE Manual Section 9.2.3(B)</p>	<p>If the Agency proposed to issue a delivery order when more than 20% of the work is not covered by the cost data guide, the agency must solicit competitive quotes on the work from multiple IDC contractors.</p>
<p>For an IDC for architectural/engineering services, invoices were not itemized for services performed as required by the contract. Invoices reflected a lump sum amount.</p>	<p>Per IDC Contract</p>	<p>The section of IDC contract titled 'Procurements Relating to Professional Services/Payments' states in part, 'Dates, hours, type of work, hourly rate, and specific location of work shall be itemized on all invoices.'</p>	
<p>Citadel FY11 Audit Period: 1/1/08-12/31/10</p>	<p>IDC and delivery order expenditure limits exceeded.</p>	<p>Section 11-35-3310(1)(a) and OSE Manual Section 9.2.2</p>	<p>Limits total expenditures on IDCs to \$750,000 over a 2 year period and \$150,000 per project.</p>

<p>IDC used for a major construction project.</p>	<p>Section 11-35-3310(1) and OSE Manual Section 9.1.2(3)</p>	<p>“Indefinite delivery contracts may be awarded on an as-needed basis for construction services pursuant to the procedures in Section 11-35-3015(2)(b) and for architectural-engineering and land surveying services pursuant to Section 11-35-3220”.</p> <p>“A construction IDC is a contract whereby the contractor agrees to provide the Agency construction services on an “as needed” basis during the term of the contract...”</p>
<p>All IDC delivery orders were awarded to one vendor.</p>	<p>OSE Manual Section 9.2.6(B)(2)</p>	<p>If the agency has awarded multiple contracts, it shall use a method of providing each contractor a fair opportunity to be considered for being awarded work under the IDC.</p>
<p>Quarterly reports of IDC activity not submitted to OSE.</p>	<p>OSE Manual Section 9.1.1(D)</p>	<p>The Agency must submit to the OSE quarterly reports on IDC contracts. (Required information to be submitted is listed in this section of the OSE Manual).</p>
<p>DNR FY11 Audit Period: 7/1/06-9/30/10</p>		
<p>Quarterly reports of IDC activity not submitted to OSE.</p>	<p>OSE Manual Section 9.1.1(D)</p>	<p>The Agency must submit to the OSE quarterly reports on IDC contracts. (Required information to be submitted is listed in this section of the OSE Manual).</p>
<p>SC State FY13 Audit Period: 1/1/10 – 6/30/14</p>		
<p>Quarterly reports of IDC activity not submitted to OSE.</p>	<p>OSE Manual Section 9.3.8</p>	<p>The Agency must submit to the OSE quarterly reports on IDC contracts.</p>
<p>Trident Technical College FY13 Audit Period: 1/1/09 – 3/31/13</p>		
<p>College issued delivery orders against IDCs exceeding its \$50,000 certification limit.</p>	<p>OSE Manual Section 13.1.2 and Section 9.3.1(B)</p>	<p>Delegation of Construction Procurement Authority, of the OSE Manual provides in part, “All Agencies have a basic level of certification of \$50,000 permitting them to procure construction services valued at \$50,000 or less under their own authority.” It further provides, “OSE must monitor and approve construction procurements exceeding the Agency construction certification.”</p>

<p>USC FY13 Audit Period: 4/1/08 – 9/30/12</p> <p>Scope of Work exceeded for a construction IDC</p>	<p>Procurement Code Regulation 19-445.2065 states in part, “</p>	<p>“Every effort should be made to anticipate changes in a requirement prior to the date of opening and to notify all prospective bidders of any resulting modifications or cancellation thereby permitting bidders to change their bids and preventing the unnecessary exposure of bid prices. As a general rule after opening, an invitation for bids should not be cancelled and re-advertised due solely to increased quantities of the items being procured; award should be made on the initial invitation for bids and the additional quantity required should be treated as a new procurement.”</p> <p>All IDC activity must be reported to the OSE on a quarterly basis.</p>
<p>Quarterly reports of IDC activity not submitted to OSE.</p>	<p>OSE Manual Section 9.3.8</p>	
<p>FMU FY15 Audit Period: 1/1/11 – 6/30/15</p> <p>Quarterly reports of IDC activity not submitted to OSE.</p>	<p>OSE Manual Section 9.3.8</p>	<p>All IDC activity must be reported to the OSE on a quarterly basis.</p>

HENRY MCMASTER, CHAIR
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July 25, 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 Office of the Adjutant General to our audit report for the period of July 1, 2012 through March 31, 2016. We are satisfied with the response. At our exit conference the Office of the Adjutant General requested we do a follow-up review of its new procedures. The State Fiscal Accountability Authority Division of Procurement Services remains committed to providing support. We will begin this review in December, 2017 and will report back to the Authority by the end of June, 2018.

Sincerely,

Robert J. Aycock, IV, Manager
Audit and Certification

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