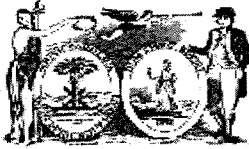


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PROCUREMENT SERVICES DIVISION

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DIVISION DIRECTOR
(803) 734-2320

MATERIALS MANAGEMENT OFFICE
1201 MAIN STREET, SUITE 600
COLUMBIA, SOUTH CAROLINA 29201
(803) 737-0600
Fax (803) 737-0639

R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

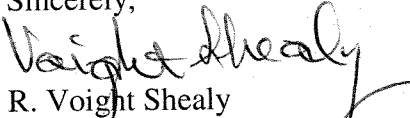
April 28, 2003

Mr. Delbert H. Singleton Jr.
Director
Procurement Services Division
6th Floor-Wade Hampton Building
Columbia, South Carolina 29201

Dear Delbert:

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

Sincerely,


R. Voight Shealy
Materials Management Officer

/jl

**MIDLANDS TECHNICAL COLLEGE
PROCUREMENT AUDIT REPORT
APRIL 1, 2000 - DECEMBER 31, 2002**

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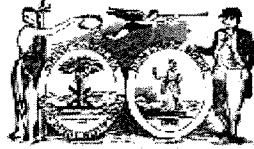
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Fax (803) 737-0639

R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

March 27, 2003

Mr. R. Voight Shealy
Materials Management Officer
Office of Procurement Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Voight:

We have examined the procurement policies and procedures of Midlands Technical College for the period April 1, 2000 through December 31, 2002. As part of our examination, we studied and evaluated the system of internal control over procurement transactions to the extent we considered necessary.

The evaluation was to establish a basis for reliance upon the system of internal control to assure adherence to the Consolidated Procurement Code, State regulations and the internal procurement policy of the College. 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 Midlands Technical College is responsible for establishing and maintaining a system of internal control over procurement transactions. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance of the integrity of the procurement

process, that affected assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and are recorded properly.

Because of inherent limitations in any system of internal control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the system of internal control over procurement transactions, as well as our overall examination of procurement policies and procedures, were conducted with professional care. However, because of the nature of audit testing, they would not necessarily disclose all weaknesses in the system.

The examination did, however, disclose a condition enumerated in this report which we believe needs correction or improvement.

Corrective action based on the recommendation described in these findings will in all material respects place Midlands Technical College in compliance with the Consolidated Procurement Code and ensuing regulations.

Sincerely,



Larry G. Sorrell, Manager
Audit and Certification

INTRODUCTION

We conducted an examination of the internal procurement operating policies and procedures of the Midlands Technical College. Our on-site review was conducted February 24, 2003 through March 11, 2003 and was made under Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Section 19-445.2020 of the accompanying regulations.

On August 10, 2000, the State Budget and Control Board granted Midlands Technical College, hereinafter referred to as the College, the following procurement certifications. The College wants to continue these current levels of certification.

PROCUREMENT AREAS

CERTIFICATION LIMITS

Goods and Services (Local Funds Only)	\$25,000 per commitment
Consultant Services (Local Funds Only)	\$25,000 per commitment
Information Technology (Local Funds Only)	\$25,000 per commitment
Construction Contract Award (Local Funds Only)	\$25,000 per commitment
Construction Contract Change Order (Local Funds Only)	\$25,000 per change order
Architect/Engineering Contract Amendment (Local Funds Only)	\$ 5,000 per amendment

Our audit was performed primarily to determine if re-certification is warranted. The College requested to be re-certified at the current above limits.

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 Midlands Technical College and its related policies and procedures manual to the extent we deemed necessary to formulate an opinion on the adequacy of the system to properly handle procurement transactions.

We selected judgmental samples for the period July 1, 2000 through December 31, 2002 of procurement transactions for compliance testing and performed other audit procedures that we considered necessary to formulate this opinion. Specifically, the scope of our audit included, but was not limited to, a review of the following:

- (1) All sole source, emergency and trade-in sale procurements for the period April 1, 2000 through December 31, 2002
- (2) Procurement transactions for the period July 1, 2000 through December 31, 2002 as follows:
 - a) Seventy-four payments each exceeding \$1,500
 - b) Block sample of 240 sequential purchase orders reviewed for order splitting and favored vendors
- (3) Seven construction contracts and five professional service contracts for compliance with the Manual for Planning and Execution of State Permanent Improvements
- (4) Minority Business Enterprise Plans and reports for the audit period
- (5) Information technology plans for the audit period
- (6) Internal procurement procedures manual review
- (7) File documentation and evidence of competition
- (8) Surplus property disposal procedures

RESULT OF EXAMINATION

Drug Free Workplace Certification Not Obtained

The College did not obtain the drug free workplace certification for three sole source procurements that exceeded \$50,000.

<u>PO</u>	<u>Date</u>	<u>Description</u>	<u>Amount</u>
B00042	07/24/00	Copier lease	\$79,705
P02764	04/30/01	Computer equipment	65,632
P02949	07/01/01	Copier lease	93,744

Section 44-107-30 of the South Carolina Code of Laws requires a written certification on any contract of \$50,000 or more stating that the vendor provides a drug-free workplace. Sole source procurements are subject to this law.

We recommend the College obtain the drug-free workplace certification on all sole source procurements greater than \$50,000.

CERTIFICATION RECOMMENDATIONS

As enumerated in our transmittal letter, corrective action based on the recommendation described in this report, will in all material respects place the Midlands Technical College in compliance with the South Carolina Consolidated Procurement Code and ensuing Regulations.

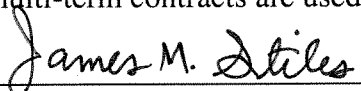
Under the authority described in Section 11-35-1210 of the Procurement Code, subject to this corrective action, we will recommend the Midlands Technical College be re-certified to make direct agency procurements for three years up to the limits as follows:

PROCUREMENT AREAS


CERTIFICATION LIMITS

Goods and Services (Local Funds Only)	*\$25,000 per commitment
Consultant Services (Local Funds Only)	*\$25,000 per commitment
Information Technology (Local Funds Only)	*\$25,000 per commitment
Construction Contract Award (Local Funds Only)	\$25,000 per commitment
Construction Contract Change Order (Local Funds Only)	\$25,000 per change order
Architect/Engineering Contract Amendment (Local Funds Only)	\$ 5,000 per amendment

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



James M. Stiles, CPPB
Audit Manager



Larry G. Sorrell, Manager
Audit and Certification



April 25, 2003

Mr. Larry G. Sorrell, Manager
Audit and Certification
South Carolina Budget & Control Board
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Mr. Sorrell:

I have reviewed the draft procurement audit report issued on April 8, 2003 for the audit period April 1, 2000 – December 31, 2002.

I am in concurrence with the audit findings. I am also in concurrence with recommended certification limits of \$25,000 per commitment for Goods and Services, Consultant Services, Information Technology, Construction Services (Local Funds Only), Construction Contract Change Order (Local Funds Only) and \$5,000 Architect/Engineer Contract Amendment.

The Procurement Office is committed to maintaining professional, efficient procurement systems and appreciates your positive comments. Let me thank you and your staff for the professional manner in which you conducted the audit and in the assistance you continually provide.

Sincerely,

A handwritten signature in black ink that reads "Ronald L. Rhames". The signature is written in a cursive style with a long, sweeping underline.

Ronald L. Rhames, D.B.A.
Vice President for Business Affairs

RLR/rd

C: Dr. Barry Russell
Marcia Medway
Rochelle Daniels
Jim Stiles
David Rawl
Helen Koon

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Fax (803) 737-0639

R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

April 28, 2003

Mr. R. Voight Shealy
Materials Management Officer
Materials Management Office
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Voight:

We have reviewed the response from Midlands Technical College to our audit report for the period of April 1, 2000 – December 31, 2002. Also we have followed the College's corrective action during and subsequent to our fieldwork. We are satisfied that Midlands Technical College has corrected the problem areas and the internal controls over the procurement system are adequate.

Therefore, we recommend the Budget and Control Board grant Midlands Technical College the certification limits noted in our report for a period of three years.

Sincerely,

Handwritten signature of Larry G. Sorrell in cursive.

Larry G. Sorrell, Manager
Audit and Certification

LGS/jl

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