



South Carolina

AGREED UPON PROCEDURES
School District Procurement System

Division of Procurement Services
Office of Audit & Certification
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AGREED UPON PROCEDURES
School Districts Procurement Systems

Contents

Introduction	1
Background	1
A. General Control Procedures.....	2
B. Code Compliance – General.....	2
C. Sole Source, Emergency, and Trade-In Procurements	5
D. Compliance – Supplies and Services, IT and Consultants.....	5
E. Surplus Property.....	6
F. Compliance – Construction, Architect-Engineer and other related Professional Services	6
EXHIBIT A - Attributes for Section D	7
EXHIBIT B - Construction Attributes for F. 2.a.	9
EXHIBIT C - Indefinite Quantity Contracts (IDQ) for Construction for F.3.	10
EXHIBIT D - A-E and Other Related Professional Services Attributes	11

AGREED UPON PROCEDURES
School District Procurement System

Introduction

To practitioners conducting Agreed Upon Procedures (AUPs) engagements of School Districts' (Districts) procurement systems covered by SC Code Ann. § 11-35-5340:

Practitioners are required to follow these procedures in conducting an AUP engagement of a District's procurement system. Because Districts may have different approved procurement codes, a thorough study of the District's approved procurement code, regulations, and internal procurement procedures manual must be made in order to adequately understand the District's compliance requirements related to procurement. These procedures address risk areas identified by the Office of Audit & Certification (OAC). For a District to continue to operate under an approved alternate procurement code (approved by the [OAC]) as allowed in § 11-35-5340, you must prepare a written report communicating:

- The procedures performed;
- Findings identified during the AUP engagement, and your recommendation(s) to bring the District's procurement system into compliance; and
- the District's response(s) to your recommendation(s) that describe the District's corrective action plan(s).

Notes to Auditors:

1. Audits conducted less than annually must cover the period since the end of the last audit period.
2. Obtain a copy of the letter from OAC approving your firm to perform the procurement AUPs for the District.
3. If the District has its own procurement code, it must have been approved in writing by the OAC.
4. Obtain a copy of the **District's procurement code and regulations** as **approved** by the OAC.

The District's approved procurement code may have lower competition thresholds than the State or other Districts.

Background

SC Code Ann. § 11-35-5340 - Irrespective of the source of funds, any school district whose budget of total expenditures, including debt service, exceeds seventy-five million dollars annually is subject to the provisions of Chapter 35, Title 11, and shall notify the Director of [Audit & Certification] of the Division of Procurement Services (DPS) of the State Fiscal Accountability Authority (SFAA) of its expenditures within ninety days after the close of its fiscal year. However, if a district has its own procurement code which is, in the written opinion of the [OAC], substantially similar to the provisions of the South Carolina Consolidated Procurement Code (Code), the district is exempt from the provisions of the Code except for a procurement audit which must be performed every three years by an audit firm approved by the [OAC]. Cost associated with the internal review and audits are the responsibility of the school district and will be paid to the entity performing the audit.

AGREED UPON PROCEDURES
School District Procurement System

Procedures
A. <u>General Control Procedures</u>
1. Obtain a listing of all District expenditures and debt service payments for the engagement period.
2. Inquire if there are any transactions between foundations or charitable organizations affiliated with the District. Inquire about gifts or donations received from these entities. Determine if expenditures of funds received are required to be made in compliance with the District's procurement code.
3. Establish that procurement authority and responsibility is vested in the procurement department, or, if not, that it is separated from operations.
4. Prepare a report describing the procedures performed, any findings noted during the AUP engagement, and recommendations for improvement in the District's procurement system.
5. Obtain the District's written response(s) to each recommendation, describing corrective action plan(s) and implementation timeline(s), on District letterhead, and include in the AUP Report . Include the OAC in the distribution of the report and the Districts response.
B. <u>Code Compliance – General</u>
1. Obtain a copy of the District's internal procurement procedures manual and review for consistency with the District's approved procurement code and regulations.
2. Determine that the District has established a clear means by which vendors can identify the District's procurement officers and the limits of their authority .
3. Minority Business Enterprise (MBE) Utilization a. Ensure annual plans were approved by the District and submitted timely. b. Determine that quarterly progress reports were filed less than 30 days after the end of the quarter.
4. Purchasing Card (P-Card) Usage a. Review the <u>District's P-Card Manual</u> to confirm the establishment of internal controls, including specific roles and responsibilities for cardholders, supervisor/approvers, liaisons, and the P-Card Administrator (PCA). Does the District's manual: i. Describe Cardholder qualifications and card issuance requirements ii. Describe types of purchases that are allowed and/or prohibited iii. Prohibit the splitting of transactions to get below the Single Transaction Limits (STL) iv. Block Merchant Category Codes (MCC) not suitable for District purchases
b. Determine if the District's Internal Audit Department, or some other independent audit group, is required to conduct compliance audits of P-Card usage. Determine when the last P-Card audit was conducted. Obtain a copy of the report and determine that corrective action plans have been implemented.

AGREED UPON PROCEDURES
School District Procurement System

Procedures
<p>c. Program Administration</p> <p>Obtain a listing of all <u>P-Cards that were active</u> during the engagement period showing the Cardholder, Reviewer/Approver, Liaison, Date of Issue, Single Transaction and Credit Limits, and date of last transaction.</p> <ol style="list-style-type: none"> i. Span of Control - Ensure that the number of cardholders per Liaison provides for adequate monthly review of transactions for compliance with the P-Card Policy for STL, allowable purchases, and blocked MCC codes. ii. Ensure that P-Cards are only issued to full or part-time permanent employees and that the District has a documented training program for new cardholders and liaisons, and that all cardholders received training prior to card issuance. iii. Determine that the District has no unassigned cards ,i.e., that all cards are issued in an employee's name. iv. Identify employees who have been issued more than one card. (<i>Per State P-Card Policy VI. A. - no more than one card should be issued to an individual.</i>) v. Confirm that no cards have been inactive for more than six months. vi. Sort the listing to verify that no single transaction limit (STL) is greater than the District procurement code's competition threshold. For cards with STL's greater than the competition threshold, obtain documentation of the District's approval.
<p>d. Judgmentally select at least two monthly billing statements within the engagement period for transaction testing.</p>
<p>e. Obtain a listing from the card issuer of all P-Card transactions containing the following information:</p> <ol style="list-style-type: none"> 1. Card Last 4 Digits 2. CH Full Name 3. Transaction Number 4. Vendor Name 5. Mgr. Signoff Date 6. Mgr. Signoff Full Name 7. Payment Amount 8. Purchase Date 9. Post Date 10. Item Description 11. Item GL Combination 12. MCC 13. MCC Description
<p>f. Obtain a listing of the District's blocked MCC codes.</p>
<p>g. For the two month <u>population of transactions</u> determine that purchases are not made from blocked MCCs by analyzing the population. For transactions using blocked MCC codes, obtain documentation of approval for MCC codes to be temporarily unblocked.</p>
<p>h. For the two month population of transactions determine that no transactions <u>exceed the cardholders' STL(s)</u> without written approval of a temporary increase in STL and subsequent reduction to the original level.</p>
<p>i. <u>Select a sample</u> of 25 transactions total, judgementally, to get a cross-section of all departments and liaisons, from the two selected billing statements and request copies of receipts for testing in accordance with the following P-Card Transaction attributes that purchases are being made in compliance with the State and District's P-Card Policies and Procedures.</p>

AGREED UPON PROCEDURES
School District Procurement System

Procedures

P-Card Transaction Attributes

- A. Appropriate documentation on file to support transaction: Sales slips, register receipts, P-Card slips, (*documentation to be maintained by Liaison*)
- B. District procurement code was followed
- C. Purchased from contract vendor (contract on file) when available
- D. Purchase meets criteria for “Allowable” in District policies and procedures:
 - Less than STL
 - Airline tickets
 - Advertising
 - Subscriptions
 - Registration for training and conferences
 - Books
 - Freight, express and delivery services
 - Office supplies
 - Utilities
 - Statewide contracts
 - Equipment costing less than \$2500
- E. Transaction not split to circumvent STL
- F. Purchase made by named cardholder
- G. Purchase not shipped to employee home address
- H. Transaction properly executed through Works and authorized by Works Approver
- I. Activity Reconciler reviewed all transactions and maintains evidence of reconciliation
 - Cardholder Activity Statement agrees to Receipts/Invoices
- J. Monthly Statement properly approved for payment

5. Obtain a listing of **blanket purchase agreements (BPAs)**.

Test five BPAs per the following:

Terms and Conditions under a **Blanket Agreement**, must provide:

- A description of the agreement
- A statement that the District is obligated only to the extent of authorized calls placed against the agreement
- Notice of individuals to the vendor authorized to make calls;
- a per call dollar limit for each individual,
- Delivery ticket shall accompany all shipments
- invoicing requirements to comply with 19-445.2100 (B – F),
- a review every six months to monitor volume and compliance with the terms of the agreement.

6. For the two months selected, sort the transactions by vendor and date to identify:

- a. splitting of orders
- b. favored vendors

7. Determine that procurements of **revenue generating contracts** such as vending/ concessions management, etc., were conducted as a competitive source selection.

8. Obtain a list of **unauthorized procurements** identified by the District during the engagement period.

Determine that dispositions of unauthorized procurements were properly documented in written determinations, and approved by an appropriate official in accordance with the District's regulation.

AGREED UPON PROCEDURES
School District Procurement System

Procedures
C. <u>Sole Source, Emergency, and Trade-In Procurements</u>
Obtain copies of all (100%) written sole source and emergency procurement written determinations for the engagement period.
1. Determine who is authorized to approve sole source and emergency procurements for the District by inquiry and observation in the District’s procurement manual.
2. Review all sole source and emergency written determinations . Determine that each procurement is: a. adequately explained and appropriate. b. properly approved <ul style="list-style-type: none"> - <u>Sole Source</u> (§ 1560) <ul style="list-style-type: none"> - Written determination prepared in advance and approved by authorized official - Single source was appropriate - Transaction reported (§ 2440) - Cost or pricing data obtained for sole sources greater than \$500,000. - <u>Emergency</u> (§ 1570) <ul style="list-style-type: none"> - Written determination prepared and approved by authorized official - Emergency was justified - Competition, as practicable was sought - Transaction reported (§ 2440) <p>The determination must contain sufficient factual grounds and reasoning to provide an informed, objective explanation for the decision</p>
3. Review a sample of five trade-in files for: Proper approvals (R. 19-445.2150 requires Surplus Property Office approval if the original cost is greater than \$5,000; determine the District’s requirements)
D. <u>Compliance – Supplies and Services, IT and Consultants</u>
1. From a population of expenditures obtained in step A. 1. , separate the population into transactions with POs, and those without.
2. Select a sample of expenditures conducted with a PO : <i>Exclude transactions less than the small purchase limit, and avoid selecting state-term contract purchases as the procurement would have been done by DPS</i> <ul style="list-style-type: none"> • All large dollar POs (POs greater than \$500,000), unless that’s more than 10. If that’s the case, select a representative sample, and • A representative sample of 45 of the remaining transactions
3. Test selected transactions for compliance using the attributes in (Exhibit A) After testing, evaluate selected procurement files to ensure that <u>the sample was representative of the population</u> . If any type(s) of procurement files (IFB, RFP, BVB, FPB), are not adequately represented in step 2, request additional procurement files, of the type(s) not represented, for testing.
4. From the direct pays, <u>Direct Expenditure Vouchers</u> (DEVs), population, Select a sample of 25, including the three to five largest dollar expenditures, to test for compliance with District direct pay policies on when a PO is or is not required.

AGREED UPON PROCEDURES
School District Procurement System

Procedures
E. <u>Surplus Property</u>
1. Request a list of asset disposals for the engagement period.
2. Select five disposal transactions and test to determine that the District has handled disposals of surplus property according to the District's Procurement Code and Regulations.
F. <u>Compliance – Construction, Architect-Engineer and other related Professional Services</u>
1. Request a listing of facilities related expenditures to test for compliance per the following:
2. Select samples for testing of contracts awarded under ARTICLE 9 of the District's code: a. Three construction procurements using the Construction attributes in (Exhibit B) b. Two Architect-Engineer and Related Professional Services using the A-E attributes in. (Exhibit D) <i>If projects began before the engagement period and the contract has been tested previously, test change orders that occurred during the engagement period.</i> If the District used any alternative construction delivery methods (other than design bid build), test project for applicable code section compliance. a. construction management at risk; b. operations and maintenance; c. design build; d. design build operate maintain; and e. design build finance operate maintain. In addition to those methods identified, the regulations may: a. approve as an alternate project delivery method any combination of design, construction, finance, and services for operations and maintenance of an infrastructure facility; and b. allow or require the District to follow any of the additional procedures established by § 11-35-3024.
3. Inquire if District uses <u>Indefinite Quantity Contracts</u> (IDQs). Select a sample of three and test for compliance. (Exhibit C)

AGREED UPON PROCEDURES
School District Procurement System

EXHIBIT A - Attributes for [Section D](#)

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- (A) The properly approved requisition agrees with the purchase order (PO) and the vendor invoice for items procured and amount. Invoice and PO amounts agree. The voucher is supported by the proper receiving reports which are signed and dated by receiving personnel. Dates of documents indicate that the procurement was properly authorized.
- (B) Discounts were taken and payment was made in a timely manner. Only S.C. sales taxes were paid.
- (C) All changes to the purchase order (i.e., price and quantity changes) were properly documented and approved and within the general scope of the original contract.
- (D) Optional state term contracts were utilized.
- (E) The procurement was made in accordance with the District's approved code and regulations and any internal procurement procedures.

(Practitioner must determine dollar thresholds based on code sections indicated. Not all Districts are the same. Board Approval contract values must also be established.)

- Competitive Sealed Bids § 1520 (required for \geq \$50,000.00)
 - Written invitation for bids documented
 - Written responses documented and tabulated
 - Award to lowest responsive & responsible bidder or written determination if not
 - Advertisement bid documented as required § 1520(3). In excess of \$50,000 must be advertised in SCBO.
 - Notice of award or intent to award documented, posted, & distributed to each respondent
- Competitive Fixed Price § 1525,
 - Same requirements as § 1520 except as allowed in applicable Code Section
 - Adequate Written Determinations prepared to authorize bidding method other than § 1520
- Competitive Best Value § 1528
 - Same requirements as § 1520 except as allowed in applicable Code Section
 - Evaluation factors in solicitation with cost must be at a minimum of 60% of the award decision
 - Adequate Written Determinations prepared to authorize bidding method other than § 1520
- Competitive On Line Bidding § 1529
 - Same requirements as § 1520 except as allowed in applicable Code Section
 - Adequate Written Determinations prepared to authorize bidding method other than § 1520
- Competitive Sealed Proposals (§ 1530)
 - Same requirements as § 1520 except as allowed in applicable Code Section and
 - Adequate Written Determinations prepared to authorize bidding method other than § 1520
 - Determinations to award RFP prepared
 - Evaluation factors in solicitation and applied to responses
 - Evaluation committee's score sheets, confidential statements
 - Award to highest ranked offeror
 - Cost or pricing data obtained for RFPs over \$500,000 if applicable.
- Small Purchases (Code Section § 1550) (< \$50,000 or amount as specified in District Code)
 - \leq \$2,500 or amount as specified in District Code - Small purchases not exceeding \$2,500 may be accomplished without securing competitive quotations if the prices are considered reasonable
 - >\$2,500 to \$10,000. Solicitation of written quotes from a minimum of three qualified sources of supply
 - >\$10,000 up to \$50,000. Written solicitation of written quotes, bids, or proposals must be made. The procurement shall be advertised at least once in South Carolina Business Opportunities (SCBO) or a newspaper of general circulation in the District.

AGREED UPON PROCEDURES
School District Procurement System

- Sole Source (§ 1560)
 - Written determination prepared in advance and approved by authorized official
 - Single source was appropriate
 - Transaction reported (§ 2440)
 - Cost or pricing data obtained for sole sources greater than \$500,000.
- Emergency (§ 1570)
 - Written determination prepared and approved by authorized official
 - Emergency was justified
 - Competition, as practicable was sought
 - Transaction reported (§ 2440)
- Participation in Auction or Bankruptcy Sale; (§ 1575)
 - Adequate documentation of compliance with the conditions required to participate in an Auction or Bankruptcy Sale

AGREED UPON PROCEDURES
School District Procurement System

EXHIBIT B - Construction Attributes for [F. 2.a.](#)

- A. SC Dept. of Education (SCDE) Office of School Facilities (OSF) approval of plans for new buildings and major renovations
See OSF manual for requirements on SCDE website.
- B. 1 Advertised in SCBO (All construction over \$100,000 must be advertised in SCBO)
2 Bid form of low bidder with listing of subcontractors
3 Bid security of low bidder with power of attorney (5% of bid)
4 Certified Bid Tabulation sent to all bidders within ten (10) days
5 Notice of Intent to Award sent to all bidders
6 Fully Executed Construction Contract
7 Performance Bond and Labor and Materials Payment Bond with Power of Attorney (100% of contract)
8 Contractor's Certificate of Insurance provided and insurance maintained throughout contract
9 Contractor Notice To Proceed issued after contract executed
10 District used proper contract forms as provided in Reg. 2145(E)
- C. Change Orders
1 All change orders to construction contract properly approved
2 Compare change order approval dates with applications for payment
3 Cost or pricing data obtained for change orders over \$500,000.
4. Change orders are within the general scope of the original contract.
- D. Payment of Contractor
1 Payment for construction contract made within 21 days (SC Code § 29-6-30 requires payment to a contractor of the undisputed amount of any pay request within 21 days of receipt of the pay request.
2 Retention not to exceed 3.5%
- E. Sole Source (§ 1560)
- Written determination prepared in advance and approved by authorized official
- Single source was appropriate
- Cost or pricing data obtained for sole sources greater than \$500,000.
- Labor and Material Payment Bonds received if over \$100,000
- Contractor's Certificate of Insurance provided, and insurance maintained throughout contract
- F. Emergency (§ 1570)
- Written determination prepared and approved by authorized official
- Emergency was justified
- Competition, as practicable was sought
- Labor and Material Payment Bonds received if over \$100,000
- Contractor's Certificate of Insurance provided, and insurance maintained throughout contract

AGREED UPON PROCEDURES
School District Procurement System

EXHIBIT C - Indefinite Quantity Contracts (IDQ) for Construction for [F.3.](#)

SC Code Ann. § 11-35-3310 - General Applicability. **IDQs** may be awarded on an as needed basis for construction services pursuant to the procedures in § 3015(2) (a) and for architectural engineering and land surveying services pursuant to § 3220.

(1) **IDQs**

(a) **Construction Services:**

- A task order contract may not exceed five years, including extensions, as provided in § 3320 (C) (2).
- Total expenditures pursuant to all task order contracts for construction resulting from a single solicitation may not exceed four million dollars as provided in § 3320 (C) (3).
- A Task Order for construction may not be less than ninety thousand dollars and may not exceed \$350,000 as provided in § 3320 (D) (4).

(b) **Architectural Engineering and Land Surveying Services.**

When architectural engineering and land surveying services contracts are awarded, each contract shall be limited to a total expenditure of \$300,000 for a two-year period with individual project expenditures not to exceed \$100,000 as provided in § 3310 (2).

(2) **Small IDQs.** Not to exceed \$50,000.

Small IDQs for architectural-engineering and land surveying services may be procured as provided in § 3230. A contract established under this section shall be subject to and included in the limitations for individual and total contract amounts provided in § 3230, and any regulations.

AGREED UPON PROCEDURES
School District Procurement System

EXHIBIT D - [A-E and Other Related Professional Services](#) Attributes

- A. Advertised with response date at least 15 days.
- B. Bidders must use proper form in response
A-E Service Questionnaires, Federal Standard Form SF330 or applicable forms as provided in District Regulation.
- C. Interviews
 - 1. Selection committee's determination must be in writing as to ranking.
 - 2. Written notification of the highest ranked person or firm must be sent immediately to all firms interviewed.
(§ 11-35-3220 (6))
- D. A-E Selection Approval Request
 - 1. Approval obtained as required.
 - 2. Copy of executed agreement for A-E services.
 - 3. District used proper contract forms as provided in Reg 2145(E)
- E. A-E Approval Request - Small Contracts
 - 1. Procurement must be under \$50,000 (Steps A-D do not apply).
 - 2. Copy of executed agreement for A-E services.
- F. Sole Source (§ 1560)
 - Written determination prepared in advance and approved by authorized official
 - Single source was appropriate
 - Transaction reported (§ 2440)
 - Cost or pricing data obtained for sole sources greater than \$500,000.
- G. Emergency (§ 1570)
 - Written determination prepared and approved by authorized official
 - Emergency was justified
 - Competition, as practicable was sought
 - Transaction reported (§ 2440)