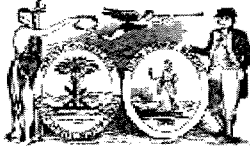


STATE OF SOUTH CAROLINA  
*State Budget and Control Board*  
PROCUREMENT SERVICES DIVISION

MARK SANFORD, CHAIRMAN  
GOVERNOR

GRADY L. PATTERSON, JR.  
STATE TREASURER

RICHARD ECKSTROM  
COMPTROLLER GENERAL



HUGH K. LEATHERMAN, SR.  
CHAIRMAN, SENATE FINANCE COMMITTEE

ROBERT W. HARRELL, JR.  
CHAIRMAN, WAYS AND MEANS COMMITTEE

FRANK W. FUSCO  
EXECUTIVE DIRECTOR

DELBERT H. SINGLETON, JR.  
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

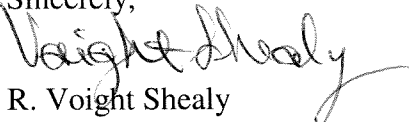
February 19, 2003

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

Dear Delbert:

I have attached the Florence-Darlington 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 Florence-Darlington Technical College a three-year certification as noted in the audit report.

Sincerely,

  
R. Voight Shealy  
Materials Management Officer

/jl

**FLORENCE – DARLINGTON  
TECHNICAL COLLEGE  
PROCUREMENT AUDIT REPORT  
OCTOBER 1, 1999 – SEPTEMBER 30, 2002**

TABLE OF CONTENTS

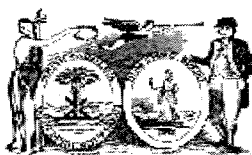
	<u>Page</u>
Transmittal Letter .....	1
Introduction .....	3
Scope .....	4
Results of Examination .....	5
Certification Recommendations .....	7
College Response .....	8
Follow-up Letter .....	9

STATE OF SOUTH CAROLINA  
*State Budget and Control Board*  
PROCUREMENT SERVICES DIVISION

MARK SANFORD, CHAIRMAN  
GOVERNOR

GRADY L. PATTERSON, JR.  
STATE TREASURER

RICHARD ECKSTROM  
COMPTROLLER GENERAL



HUGH K. LEATHERMAN, SR.  
CHAIRMAN, SENATE FINANCE COMMITTEE

ROBERT W. HARRELL, JR.  
CHAIRMAN, WAYS AND MEANS COMMITTEE

FRANK W. FUSCO  
EXECUTIVE DIRECTOR

DELBERT H. SINGLETON, JR.  
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

January 31, 2003

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

Dear Voight:

We have examined the procurement policies and procedures of Florence - Darlington Technical College for the period October 1, 1999 through September 30, 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 South Carolina Consolidated Procurement Code, State Regulations and the College's procurement policy. 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 Florence - Darlington 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 conditions enumerated in this report which we believe need correction or improvement.

Corrective action based on the recommendations described in these findings will in all material respects place Florence - Darlington 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 Florence - Darlington Technical College. Our on-site review was conducted December 2, 2002 – January 8, 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 April 11, 2000 the Budget and Control Board granted Florence - Darlington Technical College the following procurement certifications:

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Goods and Services (Local Funds Only)	\$ 25,000 per commitment
Information Technology (Local Funds Only)	\$ 25,000 per commitment

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

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Goods and Services (Local Funds Only)	\$ 50,000 per commitment
Information Technology (Local Funds Only)	\$ 50,000 per commitment
Consultants (Local Funds Only)	\$ 25,000 per commitment

## 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 Florence - Darlington Technical College, hereinafter referred to as the College, and its related policies and procedures manual to the extent we deemed necessary to formulate an opinion on the adequacy of the system to properly handle procurement transactions.

We selected judgmental samples for the period July 1, 2000 through September 30, 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 October 1, 1999 through September 30, 2002
- (2) Procurement transactions for July 1, 2000 through September 30, 2002 as follows:
  - a) Sixty-eight payments each exceeding \$1,500
  - b) Block sample of 819 sequential purchase orders reviewed for order splitting and favored vendors
  - c) Five blanket purchase order files
- (3) One construction contract 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
- (7) File documentation and evidence of competition
- (8) Surplus property disposal procedures

## RESULTS OF EXAMINATION

### Unauthorized Procurement

The College entered into an agreement in September of 2000 for lobbying and consulting services for \$40,000 on purchase order P0000588. Since the total value of the contract exceeded the College's certification limit of \$5,000 for consultant services, the procurement was unauthorized as defined in Regulation 19-445.2015.

We recommend the College request ratification of the unauthorized procurement from the Materials Management Officer in accordance with Regulation 19-445.2015. We also recommend procurements that exceed the College's certification be forwarded to the Materials Management Office or the Chief Information Office.

### Procurements Without Competition

Two procurements lacked evidence of competition, sole source or emergency determinations.

<u>PO</u>	<u>Amount</u>	<u>Description</u>
P0000588	\$40,000	Lobbying and consulting services
B0000045	13,028	Billboard advertisement

The Code requires that all procurements above \$1,500, which are not exempt, be competitively bid or justified as sole source or emergency procurements if applicable.

We recommend the College adhere to the Code requirements and seek the appropriate level of competition.

### Freight Payments

The College paid freight on checks 134984 and 140646 for purchase orders P0000069 and P0000609 even though freight was not authorized. Purchase order P0000069 stated "no shipping charges." The written quotation for purchase order P0000609 did not include freight. Freight charges of \$20 were paid on each check.

We recommend payments of freight be in compliance with the freight terms of the purchase orders and solicitations.



### Source Selection Method

The College issued purchase order P0002441 in the amount of \$4,786 on September 25, 2001 for labor and material to provide interior signage for a new classroom building. The total cost of the signage was \$19,834 with the Foundation funding the balance of \$15,048. The College solicited competition on \$4,786 rather than the total potential value of \$19,834. Section 11-35-40 of the Code defines the application of the Code to expenditure of funds irrespective of the source.

We recommend the College determine source selection methods based on the total potential value of the procurement regardless of funding sources when any part of the procurement includes funds subject to the Code.

## CERTIFICATION RECOMMENDATIONS

As enumerated in our transmittal letter, corrective action based on the recommendations described in this report, we believe, will in all material respects place Florence - Darlington Technical College in compliance with the Procurement Code.

Under the authority described in Section 11-35-1210 of the Procurement Code, subject to this corrective action, we will recommend Florence - Darlington Technical College be re-certified to make direct agency procurements for three years up to the following levels.

### PROCUREMENT AREAS

### CERTIFICATION LIMITS

Goods and Services (Local Funds Only)

\*\$ 50,000 per commitment

Information Technology (Local Funds Only)

\*\$ 50,000 per commitment


Consultants (Local Funds Only)

\* \$ 25,000 per commitment

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



Melissa Rae Thurstin  
Senior Auditor



Larry G. Sorrell, Manager  
Audit and Certification



February 18, 2003

Mr. Larry Sorrell, Manager  
Audit and Certification  
Materials Management Office  
1201 Main Street, Suite 600  
Columbia, SC 29201

Dear Mr. Sorrell:

Thank you for your recent letter of February 11, 2003, regarding our Procurement Audit for the period October 1, 1999 – September 30, 2002. The following is our response to your audit:

I. General Procurement Exceptions

A. Unauthorized Procurement

The College will follow your recommendations to request ratification of the procurement and to forward procurements that exceeds the College certification to the Materials Management Office or Chief Information Office.

B. Procurements Without Competition

The College will follow your recommendation to adhere to the Code requirements and seek the appropriate level of competition.

C. Freight Payments

Payments of freight will comply with the freight terms of the purchase orders and solicitations.

D. Source Selection Method

The College will determine source selection methods on the total value of the procurement regardless of funding sources when a part of the procurement is subject to the Code.

The College's Procurement Office is committed to maintaining professional standards and efficient procurement methods. We appreciate your encouraging comments and the professional manner of your staff person while conducting the audit. We look forward to your continuing support.

Sincerely,

A handwritten signature in cursive script that reads "Charles W. Gould".

Charles W. Gould  
President

Attachments

cc: Tim O'Dell  
Lorena McLeod



STATE OF SOUTH CAROLINA  
*State Budget and Control Board*  
PROCUREMENT SERVICES DIVISION

MARK SANFORD, CHAIRMAN  
GOVERNOR

GRADY L. PATTERSON, JR.  
STATE TREASURER

RICHARD ECKSTROM  
COMPTROLLER GENERAL



HUGH K. LEATHERMAN, SR.  
CHAIRMAN, SENATE FINANCE COMMITTEE

ROBERT W. HARRELL, JR.  
CHAIRMAN, WAYS AND MEANS COMMITTEE

FRANK W. FUSCO  
EXECUTIVE DIRECTOR

DELBERT H. SINGLETON, JR.  
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

February 19, 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 Florence-Darlington Technical College to our audit report for the period of October 1, 1999 – September 30, 2002. Also we have followed the College's corrective action during and subsequent to our fieldwork. We are satisfied that Florence-Darlington 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 Florence-Darlington 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

Total Copies Printed	14
Unit Cost	.20
Total Cost	\$2.80