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PROCUREMENT SERVICES DIVISION

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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

February 23, 2006

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

Dear Delbert:

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

Sincerely,

A handwritten signature in cursive script that reads 'R. Voight Shealy'.

R. Voight Shealy
Materials Management Officer

/gs

**FLORENCE-DARLINGTON
TECHNICAL COLLEGE
PROCUREMENT AUDIT REPORT
OCTOBER 1, 2002 – SEPTEMBER 30, 2005**

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

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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

December 20, 2005

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, 2002 through September 30, 2005. 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 internal 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 those 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 review was conducted September 6, 2005 through October 7, 2005 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.

The examination was directed principally to determine whether, in all material respects, the internal controls of the procurement system 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 ensuing regulations.

On April 8, 2003 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	\$ 50,000 per commitment
Information Technology	\$ 50,000 per commitment
Consultants	\$ 25,000 per commitment

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

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Goods and Services	\$ 100,000 per commitment
Information Technology	\$ 50,000 per commitment
Consultants	\$ 50,000 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 October 1, 2002 through June 30, 2005 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, 2002 through June 30, 2005
- (2) Procurement transactions for October 1, 2002 through June 30, 2005 as follows:
 - a) Ninety-four payments each exceeding \$1,500
 - b) Block sample of five hundred thirty sequential purchase orders reviewed against the use of order splitting and favored vendors
 - c) Five blanket purchase order files
- (3) Two professional service selection contracts related to construction 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) Approval of the most recent Information Technology Plan
- (6) Internal procurement procedures manual
- (7) File documentation and evidence of competition
- (8) Surplus property disposal procedures
- (9) Blanket purchase agreements

RESULTS OF EXAMINATION

Inappropriate Emergencies

Two emergency procurements did not have sufficient information to support the use of the emergency procurement method.

<u>PO</u>	<u>Description</u>	<u>Amount</u>
P0004870	Resurface parking lot	\$72,916
P0005418	Kitchen equipment	28,546

The written emergency justification dated April 4, 2003 to resurface the parking lot noted that the College received funding from the county with a stipulation that the funds be spent by June 30, 2003 and the only time available to accomplish resurfacing was during spring break while students were off campus. We could not determine nor could the College provide information as to when the funding from the county was available. We did note that the College advertised the solicitation in the South Carolina Business Opportunities on 3/20/03 and received three responses to the solicitation on 4/4/03.

The written emergency justification dated 8/18/03 did not to address the event or events that resulted in an emergency procurement of the kitchen equipment. The file contained no evidence that competition was solicited.

We recommend the College compete these types of procurements in accordance with the Code. We also recommend the written emergency justifications, per Section 11-35-1570 and Regulation 19-445.2110, provide sufficient information for the use of the emergency procurement method.

Unauthorized Blanket Purchase Agreement Payments

The internal control limits established by the College for blanket purchase agreement on purchase order B001365 included a maximum limit of \$1,500 per transaction. We noted the following two transactions that exceeded the \$1,500 limit.

<u>PO</u>	<u>Check</u>	<u>Amount</u>
B001365	192553	\$ 3,655
B001365	193519	2,790

Competition was not solicited for these procurements. Since each transaction exceeded the \$1,500 amount, the transactions were unauthorized as defined in Regulation 19-445.2015.

We recommend the College comply with its policy for blanket purchase agreements. A ratification request for each unauthorized procurement must be submitted to the President or his designee in accordance with Regulation 19-445.2015.

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

RECOMMENDED CERTIFICATION LIMITS

Goods and Services	*\$ 100,000 per commitment
Information Technology	*\$ 50,000 per commitment
Consultants	*\$ 50,000 per commitment

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



Robert J. Aycock, IV
Audits Manager



Larry G. Sorrell, Manager
Audit and Certification



January 27, 2006

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 January 03, 2006, regarding our Procurement Audit for the period October 1, 2002 – September 30, 2005. The following is our response to your audit:

I. General Procurement Exceptions

A. Inappropriate Procurement

The College will follow your recommendations to compete these types of procurements in accordance with the code and to provide sufficient information when using the emergency procurement method.

B. Unauthorized Blanket Purchase Agreement Payments

The College will comply with your recommendation to comply with the college's policy for blanket purchase agreements. Attached is an approved ratification request.

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,

Charles W. Gould
President

Attachments

cc: Tim O'Dell
Lorena McLeod

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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

February 23, 2006

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 October 1, 2002 to September 30, 2005. 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 grant Florence-Darlington Technical College the certification limits noted in our report for a period of three years.

Sincerely,

A handwritten signature in cursive script, appearing to read "Larry G. Sorrell".

Larry G. Sorrell, Manager
Audit and Certification

LGS/gs

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