PROCURMENT
AUDIT AND
CERTIFICATION

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THE CITADEL
AGENCY
JULY 1, 1993 - JUNE 30, 1996
DATE
Ms. Helen T. Zeigler, Director
Office of General Services
1201 Main Street, Suite 420
Columbia, South Carolina 29201

Dear Helen:

I have attached The Citadel’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 Citadel a three year certification as noted in the audit report.

Sincerely,

R. Voight Shealy
Interim Materials Management Officer
THE CITADEL
PROCUREMENT AUDIT REPORT

JULY 1, 1993 - JUNE 30, 1996
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NOTE: The Citadel’s response to issues noted in the report have been inserted immediately following the issues they refer to.
Mr. R. Voight Shealy
Interim Materials Management Officer
Office of General Services
1201 Main Street, Suite 600
Columbia, South Carolina  29201

Dear Voight:

We have examined the procurement policies and procedures of The Citadel for the period July 1, 1993 through June 30, 1996. 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 and College 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 The Citadel 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, assurances 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 that we believe need correction or improvement.

Corrective action based on the recommendations described in these findings will in all material respects place The Citadel in compliance with the South Carolina 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 Citadel. Our on-site review was conducted August 27 through September 19, 1996, 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 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 The Citadel in promoting the underlying purposes and policies of the Code as outlined in Section 11-35-20, which include:

(1) to ensure the fair and equitable treatment of all persons who deal with the procurement system of this State

(2) to provide increased economy in state procurement activities and to maximize to the fullest extent practicable the purchasing values of funds of the State

(3) 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
BACKGROUND

Section 11-35-1210 of the South Carolina Consolidated Procurement Code states:

The (Budget and Control) Board may assign differential dollar limits below which individual governmental bodies may make direct procurements not under term contracts. The Office of General Services shall review the respective governmental body's internal procurement operation, shall verify in writing that it is consistent with the provisions of this code and the ensuing regulations, and recommend to the Board those dollar limits for the respective governmental body's procurement not under term contract.

On January 18, 1994, the Budget and Control Board granted The Citadel the following procurement certifications:

<table>
<thead>
<tr>
<th>Category</th>
<th>Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods and Services</td>
<td>$ 50,000 per commitment</td>
</tr>
<tr>
<td>Consultants Services</td>
<td>$ 50,000 per commitment</td>
</tr>
<tr>
<td>Information Technology in accordance with the approved Information Technology Plan</td>
<td>$ 50,000 per commitment</td>
</tr>
<tr>
<td>Construction Services</td>
<td>$100,000 per commitment</td>
</tr>
</tbody>
</table>

Our audit was performed primarily to determine if recertification is warranted. Additionally, The Citadel requested the following increased certification limits.

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
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<td>$100,000 per commitment</td>
</tr>
<tr>
<td>Construction Services</td>
<td>$100,000 per commitment</td>
</tr>
</tbody>
</table>
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 The Citadel 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 a judgmental sample for the period July 1, 1993 through June 30, 1996 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 July 1, 1993 through June 30, 1996

2. Procurement transactions for the period July 1, 1993 through June 30, 1996 as follows:
   a) One hundred sixty-five judgmental selected procurement transactions
   b) An additional sample of seven quotes, eight sealed bids and four request for proposals
   c) A block sample of five hundred sixty-three purchase orders

3. Surplus property disposition procedures

4. Minority Business Enterprise plans and reports for the audit period

5. Information technology plan and approval for the period 7/1/95-6/30/98

6. Internal procurement procedures manual

7. Ten major construction contracts and thirteen related professional service selections were reviewed for compliance with the Manual for Planning and Execution of State Permanent Improvements

8. Physical Plant work order system

9. File documentation and evidence of competition
SUMMARY OF AUDIT FINDINGS

Our audit of the procurement system of The Citadel, hereinafter referred to as the College, produced findings and recommendations as follows:

I. Sole Source, Emergency and Trade-In Sale Procurements
   A. Inappropriate Sole Sources
      We noted seven sole sources that we believe were inappropriate.
   B. Delegation of Sole Source Authority
      During the Vice President for Business and Finance's absence, the Controller authorized sole source procurements without the requisite authority.
   C. Unauthorized Sole Source
      One sole source procurement was unauthorized because services were rendered before the contract was approved as a sole source.
   D. Reporting Errors
      We noted four transactions that were incorrectly reported on the College's quarterly reports to the Office of General Services.
   E. Trade-In Sales Not Approved
      Three trade-in sales were not approved by the Materials Management Office as required by Regulation 19-445.2150 (G).

II. General Procurement Activity
   A. Inadequate Solicitations of Competition
      Four procurements were not supported by proper solicitations of competition, sole source or emergency procurement determinations.
   B. Request for Proposal Procurement Methodology
      During our review of request for proposal (RFP) solicitations, we noted two problems. The College did not follow Code procedures on one award. The College does not prepare written determinations justifying the use of the RFP method over competitive sealed bids.
C. State Contract Not Utilized
The College did not buy a computer that was offered on a State term contract at a savings of $1,100 over what the College paid.
RESULTS OF EXAMINATION

I. Sole Source, Emergency and Trade-In Sale Procurements

We examined the quarterly reports of sole source, emergency and trade-in sale procurements for the period July 1, 1993 through June 30, 1996. This review was performed to determine the appropriateness of the procurement actions taken and the accuracy of the reports submitted to the Office of General Services, as required by Section 11-35-2440 of the South Carolina Consolidated Procurement Code. We found most of these transactions to be correct but did note the following exceptions.

A. Inappropriate Sole Sources

We noted seven sole sources that we believe were inappropriately made as such.

<table>
<thead>
<tr>
<th>ITEM</th>
<th>PO</th>
<th>DESCRIPTION</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>A401654</td>
<td>Award medals</td>
<td>$2,084</td>
</tr>
<tr>
<td>2.</td>
<td>A502318</td>
<td>Award badges</td>
<td>1,851</td>
</tr>
<tr>
<td>3.</td>
<td>A601381</td>
<td>Grant writing workshop</td>
<td>1,770</td>
</tr>
<tr>
<td>4.</td>
<td>A601618</td>
<td>Grant writing workshop</td>
<td>1,770</td>
</tr>
<tr>
<td>5.</td>
<td>C600469</td>
<td>Printing and binding of journal</td>
<td>6,579</td>
</tr>
<tr>
<td>6.</td>
<td>C500477</td>
<td>Printing and binding of journal</td>
<td>6,230</td>
</tr>
<tr>
<td>7.</td>
<td>C400455</td>
<td>Printing and binding of journal</td>
<td>5,788</td>
</tr>
</tbody>
</table>

On items one and two, the College justified the sole sources on the basis that the vendors have custom molds. The same molds have been used to maintain consistency in appearance from year to year. We believe the College should establish a multi-term contract for the award medals and badges through competitive bids where the College would retain ownership of the molds.

Items three and four for grant writing workshops were for services procured from the same individual. We recently conducted an audit of another institution where a different individual from the Charleston area was contracted for grant writing services. We believe competition is available to conduct a grant writing workshop. Finally, on the last three items for the printing and binding of a journal, we consulted with the State Printing Officer and he saw no reason why these services on this particular journal could not be competed. Section 11-35-1560 of the South Carolina Consolidated Procurement Code allows for sole source procurements where there is
only one source for a required item. Regulation 19-445.2105(B) notes that competition should be solicited in cases of reasonable doubt.

We recommend that these procurements be competitively bid in accordance with the procurement code in the future.

**Department Response**

Agree. Future procurements for the referenced items will be solicited in accordance with the procurement code.

**B. Delegation of Sole Source Authority**

During our testing of sole source transactions we saw where the Controller, in the absence of the Vice President for Finance and Business Affairs, authorized sole source procurements. We requested to see where the President of The Citadel delegated this authority to the Controller only to learn it had not been done.

Section 11-35-1560 of the Code states in part, "Any delegation of authority by either the chief procurement officer or the head of a governmental body with respect to sole source determinations must be submitted in writing to the materials management officer."

We recommend that any delegation of sole source authority at the College be made by the President. This delegation can not be made to a level equal to or below that of the Procurement Officer.

**Department Response**

The Controller and others who may be delegated to act for the Vice President for Finance and Business Affairs have been notified that the delegation does not include sole source and emergency procurement approval unless such delegation is specified by the President.

**C. Unauthorized Sole Source**

On purchase order C500211 in the amount of $22,000 for a consultant to develop an alternative educational program, the College authorized a sole source procurement based on recommendations from attorneys representing the College. The procurement was authorized in January 1995, but the services were actually rendered from July through December 1994, clearly prior to the sole source authorization.

Section 11-35-1560 of the Code states in part that a procurement without competition may be done if the head of a governmental body or a designee above the level of the procurement officer determines in writing that only one source exists for a needed supply or service. Since the Code
is so specific about sole source authority, determinations must be authorized prior to each commitment being made.

We recommend the College request ratification in accordance with Regulation 19-445.2015 for this transaction. Sole source contracts must be authorized in advance for each commitment.

**Department Response**
The subject unauthorized sole source has been ratified by the President.

D. Reporting Errors

We noted four transactions that were incorrectly reported on the College’s quarterly reports to the Office of General Services.

<table>
<thead>
<tr>
<th>Item</th>
<th>PO</th>
<th>DESCRIPTION</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>P600430</td>
<td>Security System</td>
<td>$10,724</td>
</tr>
<tr>
<td>2.</td>
<td>A600171</td>
<td>Performance</td>
<td>2,625</td>
</tr>
<tr>
<td>3.</td>
<td>C400441</td>
<td>Employee Honesty Bond</td>
<td>385</td>
</tr>
<tr>
<td>4.</td>
<td>A502129</td>
<td>Pistols</td>
<td>120</td>
</tr>
</tbody>
</table>

Item one was an emergency procurement which was incorrectly reported as a sole source. Item two only reported the balance due for a performance. The College failed to report the entire procurement amount of $3,500, of which $875 was paid as a deposit. Items three and four were both under reported. The total amount reported on item three should have been $1,523. The total reported for item four should have been $6,045. In both instances, the College reported net amounts due the vendors instead of the total consideration paid.

We recommend that the College file amended reports correcting these transactions on the quarterly reports. More care should be taken to ensure the total procurements are reported and not the partial amounts.

**Department Response**
Amended reports have been filed. More attention to detail will be taken in the future to ensure accurate reporting.

E. Trade-In Sales Not Approved

The following trade-in sales were not approved by the Materials Management Office as required by Regulation 19-445.2150 (G).
**PO** | **DESCRIPTION** | **ORIGINAL UNIT COST**  
--- | --- | ---  
P402470 | Dishwasher | $22,095  
P402380 | Laundry Equipment | 23,346  

Regulation 19-445.2150 (G) states in part, “When the original unit purchase price exceeds $5,000, the government body shall refer the matter to the Materials Management Officer, the Information Technology Management Officer, or the designee of either, for disposition.”

We recommend the College adhere to Regulation 19-445.2150 for trade-in sale procurements.

**Department Response**
Agree. The reference trade-in sales were an oversight of the part of the Director of Procurement. Subsequent trade-in sales have been accomplished per Regulation 19-445-2150 (G). Future trade-in sales will follow guidelines.

II. General Procurement Activity

We tested one hundred sixty-five randomly selected transactions as well as performed other tests to determine compliance with the South Carolina Procurement Code and College policies and procedures.

A. Inadequate Solicitations of Competition

Four procurements were not supported by proper solicitations of competition, sole source or emergency procurement determinations.

<table>
<thead>
<tr>
<th>Item</th>
<th>PO</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>A500438</td>
<td>Testing materials</td>
<td>$16,100</td>
</tr>
<tr>
<td>2.</td>
<td>A600420</td>
<td>Autocad Lab Pack</td>
<td>5,925</td>
</tr>
<tr>
<td>3.</td>
<td>P500407</td>
<td>Prepare &amp; paint three areas</td>
<td>3,260</td>
</tr>
<tr>
<td>4.</td>
<td>C600133</td>
<td>Repair chiller</td>
<td>2,604</td>
</tr>
</tbody>
</table>

The testing materials on item one were improperly considered exempt from the Procurement Code. The exemption the College was referring to applies to testing materials for State licensing examinations. Item two was supported by three verbal quotes. Section 11-35-1550 2.c. requires solicitation of written quotes for procurements from $5,001 to $10,000. Two solicitations of competition supported the procurement to prepare and paint three areas identified by item three. The College improperly used a solicitation from its own Physical Plant as a third quote. On item four for the chiller repairs, the College did not make any solicitations of competition. It appears...
that the intent was to proceed with an emergency procurement. However, the transaction was never authorized as such.

We recommend the College solicit the proper levels of competition or prepare sole source or emergency procurement determinations where appropriate.

**Department Response**

Agree. The procurement officers have been made aware of these purchases. The proper levels of competition will be solicited in the future or a sole source/emergency determination made. The emergency justification was accomplished on C600133 but not signed. It has been corrected.

**B. Request for Proposal Procurement Methodology**

During our review of request for proposal (RFP) solicitations issued and managed by the College, we noted two problems. On RFP R6058 to perform a telephone survey awarded in the amount of $15,000, the College did not follow procedures prescribed in the code in making the award. Initially, all responses to the solicitation were over the established $15,000 budget. In an effort to bring the survey within the budget, the College reduced the scope of services from a sample of 700 phone calls to 400 calls. However, because price was used as an initial evaluation factor, certain procedures were required to be followed in negotiating the contract. Specifically, Section 11-35-1530 (11) of the Code states in part where price is an initial evaluation factor, "If, after following the procedures set forth in Section 11-35-1530(9), a contract is not able to be negotiated, the scope of the request for proposals may be changed in an effort to reduce the cost of a fair and reasonable amount, and all responsive offerors must be allowed to submit their best and final offers." The College, after making a material change to the scope of the solicitation by reducing the sample size from 700 to 400, only allowed the top ranked firm to submit a best and final offer.

The second problem we noted applies to all RFP's issued by the College. The College has not been including a written determination stating why the request for proposal method of procurement is the most advantageous to the State over the sealed bid method as required by the Procurement Code. Section 11-35-1530 (1) of the Code states in part, "When the chief procurement officer, or the head of a purchasing agency, determines in writing that the use of competitive sealed bidding is either not practicable or not advantageous to the State, a contract may be entered into by competitive sealed proposals...."
We recommend the College adhere to Section 11-35-1530 of the Code.

**Department Response**
Section 11-35-1530 will be adhered to in the future. Written determinations will be included in the file.

C. **State Contract Not Utilized**

On purchase order P600962 the College procured as a sole source a computer with facility management software in the amount of $8,520. The purchase order was itemized to include $4,236 as the cost for the computer. The same computer was offered on a State term contract at a cost savings of $1,100 over what the College paid.

Since State term contracts are mandatory per the South Carolina Consolidated Procurement Code Section 11-35 710, we recommend the College adhere to this Section of the Code.

**Department Response**
Procurement originally questioned the purchase. The Director of Information Technology Services was consulted and it was considered more advantageous to purchase the computer from the contractor to reduce transportation delays and additional installation and set-up costs. This action was taken to reduce Energy Management System disruption and ensure compatibility to data control and storage.
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 places the Citadel 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 recertification for three years at the levels below.

<table>
<thead>
<tr>
<th>PROCUREMENT AREA</th>
<th>RECOMMENDED CERTIFICATION LEVELS</th>
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<tbody>
<tr>
<td>Goods and Services</td>
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<tr>
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<td>*$100,000 per commitment</td>
</tr>
</tbody>
</table>

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

Robert J Aycock, IV
Audit Manager

Larry G. Sorrell, Manager
Audit and Certification
November 25, 1996

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

Dear Voight:

We have reviewed the response from The Citadel to our audit report July 1, 1993 - June 30, 1996. Also we have followed The Citadel's correction action during and subsequent to our field work. We are satisfied that the Citadel has corrected the problem areas and the internal controls over the procurement system are adequate.

Therefore, we recommend the Budget and Control Board grant The Citadel the certification limits noted in our report for period of three years.

Sincerely,

Larry G. Sorrell, Manager
Audit and Certification

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