

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

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R. VOIGHT SHEALY  
MATERIALS MANAGEMENT OFFICER

November 21, 2005

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 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 Midlands Technical 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

/jl

**MIDLANDS TECHNICAL COLLEGE  
PROCUREMENT AUDIT REPORT  
JANUARY 1, 2003 - JUNE 30, 2005**

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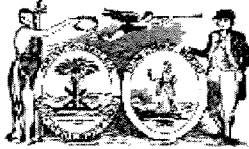
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R. VOIGHT SHEALY  
MATERIALS MANAGEMENT OFFICER

November 1, 2005

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 January 1, 2003 through June 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 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 conditions enumerated in this report which we believe needs correction or improvement.

Corrective action based on the recommendations 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 Midlands Technical College. Our on-site review was conducted August 26, 2005 through September 27, 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.

On March 15, 2004 the Budget and Control Board granted Midlands Technical College, hereinafter referred to as the College, the following procurement certifications.

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Goods and Services	\$50,000 per commitment
Consultant Services	\$50,000 per commitment
Information Technology	\$50,000 per commitment
Construction Contract Award	\$25,000 per commitment
Construction Contract Change Order	\$25,000 per change order
Architect/Engineering Contract Amendment	\$ 5,000 per amendment

Our audit was performed primarily to determine if re-certification is warranted. Additionally, the College requested the following increased certification limits.

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Goods and Services	\$150,000 per commitment
Consultant Services	\$150,000 per commitment
Information Technology	\$100,000 per commitment
Construction Contract Award	\$ 25,000 per commitment
Construction Contract Change Order	\$ 25,000 per change order
Architect/Engineering Contract Amendment	\$ 5,000 per amendment

## 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, 2003 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 January 1, 2003 through June 30, 2005
- (2) Procurement transactions for the period July 1, 2003 through June 30, 2005 as follows:
  - a) Eighty-three payments each exceeding \$1,500
  - b) Block sample of one hundred purchase orders reviewed for order splitting and favored vendors
  - c) Procurement card transactions for October, November and December of 2004
- (3) Six construction contracts and three professional service contracts for compliance with the Manual for Planning and Execution of State Permanent Improvements
- (4) Minority Business Enterprise Plans and reports
- (5) Approval of the most recent Information Technology Plan
- (6) Internal procurement procedures manual
- (7) File documentation and evidence of competition
- (8) Blanket purchase agreements
- (8) Surplus property disposal procedures

## RESULTS OF EXAMINATION

### Non-Compliance Procurements

Three procurements were not in compliance with the Code.

<u>PO</u>	<u>Date</u>	<u>Description and state contract reference</u>	<u>Amount</u>
P0013349	2/11/05	Cafeteria side chairs 03-S5383-A9138	\$29,613
P0013492	3/02/05	Office panel system & accessories 03-S5383-A9138	1,924
P0013597	3/10/05	Cafeteria bar stools 03-S5383-A9145	6,309

The College identified each of the procurements as being made from a state contract for new metal office furniture. The state contract for new metal office furniture did not include cafeteria side chairs, office panel systems, office panel accessories, or cafeteria bar stools.

We recommend that items not on state contracts be solicited in accordance with the competitive requirements of the Code.

### Interpreter Services

The College's contract for interpreter services for the deaf with the South Carolina School for Deaf and Blind was cancelled in July of 2002. Since July of 2002, the College obtained these services by issuing blanket purchase orders to different vendors without soliciting competition. The College purchased a total of \$137,296 of interpreter services for fiscal years ending June 30, 2004 and June 30, 2005 from blanket purchase agreements issued to four vendors as noted below.

	<u>Fiscal year 2004</u>	<u>Fiscal year 2005</u>	<u>Total</u>
Vendor A	\$ 480	\$ 0	\$ 480
Vendor B	331	0	331
Vendor C	11,520	10,574	22,094
Vendor D	<u>40,733</u>	<u>73,658</u>	<u>114,391</u>
	<u>\$ 53,064</u>	<u>\$ 84,232</u>	<u>\$137,296</u>

We recommend the Department solicit competition for these services. Competitive fixed price bidding, as defined in Section 11-35-1525, provides an ideal procurement method for this type of service.



### Incorrect Source Selection Methods

Two procurements were incorrectly processed as informal quotes rather than formal competitive sealed bids since the total potential value was greater than \$25,000 each. Purchase order P0012062 dated 7/8/04 was issued in the amount of \$39,480 to procure digital video recorders. The award resulted from informal quotation number MTC-19 dated 6/21/04. The procurement should have been solicited as a competitive sealed bid required by Section 11-35-1520 (1) of the Code since the value exceeded \$25,000.

The College issued request for quotation MTC-17 on 6/15/04 for a binding machine. The \$25,325 quotation included a trade-in allowance of \$3,900 resulting in a net value of \$21,425. In determining the procurement method, the total value of an acquisition is not influenced by a trade-in allowance. The procurement should have been solicited as a competitive sealed bid as required by Section 11-35-1520 (1) of the Code since the total value of the acquisition, not influenced by the trade-in allowance, exceeded \$25,000.

We recommend the College comply with the competitive requirements of the Code based on the total potential value of the award.

**CERTIFICATION RECOMMENDATIONS**

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

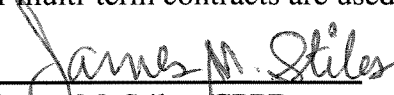
Under the authority described in Section 11-35-1210 of the Procurement Code, subject to this corrective action, we will recommend Midlands Technical College be re-certified to make direct agency procurements for three years up to the limits as follows:

**PROCUREMENT AREAS**

**RECOMMENDED CERTIFICATION LIMITS**

Goods and Services	*\$150,000 per commitment
Consultant Services	*\$150,000 per commitment
Information Technology	*\$100,000 per commitment
Construction Contract Award	\$ 25,000 per commitment
Construction Contract Change Order	\$ 25,000 per change order
Architect/Engineering Contract Amendment	\$ 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



November 14, 2005

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 November 7, 2005 for the audit period January 1, 2003 – June 30, 2005.

I am in concurrence with the audit findings. The College inadvertently procured three items as state contract items that should have been procured in accordance with the competitive requirements. I am also in concurrence that the College should have procured fixed price bidding services and used the formal competitive sealed bidding process.

I am in concurrence with the recommended certification limits of \$150,000 per commitment for Goods and Services and Consultant Services, \$100,000 per commitment for Information Technology, \$25,000 per commitment for Construction Contract Award and Construction Contract Change Order and \$5,000 per amendment for Architect/Engineer Contract Amendment.

The Midlands Technical College 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, flowing style.

Dr. Ronald L. Rhames  
Vice President for Business Affairs

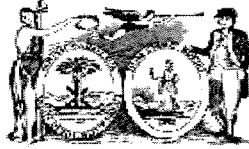
C: Dr. Barry Russell  
Marcia Medway  
Rochelle Daniels  
Jim Stiles  
Helen Koon

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MATERIALS MANAGEMENT OFFICER

November 21, 2005

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 January 1, 2003 – June 30, 2005. 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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