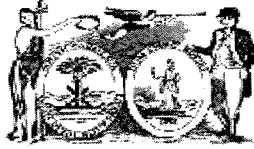


STATE OF SOUTH CAROLINA  
*State Budget and Control Board*  
PROCUREMENT SERVICES DIVISION

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R. VOIGHT SHEALY  
MATERIALS MANAGEMENT OFFICER

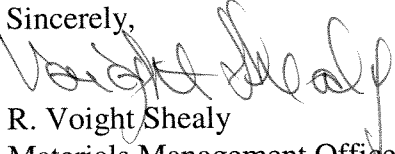
February 15, 2005

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 Horry-Georgetown 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 Horry-Georgetown a three-year certification as noted in the audit report.

Sincerely,

  
R. Voight Shealy  
Materials Management Officer

/jl

**HORRY-GEORGETOWN TECHNICAL COLLEGE**

**PROCUREMENT AUDIT REPORT**

**OCTOBER 1, 2001 – DECEMBER 31, 2004**

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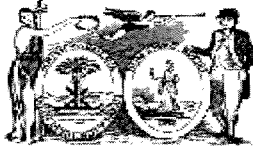
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R. VOIGHT SHEALY  
MATERIALS MANAGEMENT OFFICER

February 10, 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 Horry-Georgetown Technical College for the period October 1, 2001 through December 31, 2004. 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 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 Horry-Georgetown 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, 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 by Horry-Georgetown Technical College. Corrective action based on the recommendations described in these findings will in all material respects place Horry-Georgetown 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 Horry-Georgetown Technical College. Our on-site review was conducted December 6, 2004 through January 14, 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 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.

On March 26, 2002, the Budget and Control Board granted Horry-Georgetown Technical College, hereinafter referred to as the College, the following procurement certifications.

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Goods and Services	\$ 30,000 per commitment
Consultant Services	\$ 30,000 per commitment
Information Technology	\$ 30,000 per commitment

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

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Goods and Services	\$ 75,000 per commitment
Consultant Services	\$ 75,000 per commitment
Information Technology	\$ 30,000 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 Horry-Georgetown 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 a judgmental sample for the period July 1, 2002 through November 23, 2004 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, 2001 through December 31, 2004
- (2) Procurement transactions for the period July 1, 2002 through November 23, 2004 as follows:
  - a) One hundred and four payments each exceeding \$1,500
  - b) A block sample of five hundred numerical payment vouchers
  - c) Procurement card transactions for the months of May/June of 2004 and September/October of 2004
- (4) Four construction contracts and three professional services contracts for compliance with the Manual for Planning and Execution of State Permanent Improvements
- (5) Minority Business Enterprise Plans and reports
- (6) Approval of most recent Information Technology Plan
- (7) Internal procurement procedures manual
- (8) Surplus property disposition procedures
- (8) File documentation and evidence of competition

## RESULTS OF EXAMINATION

### Unauthorized Procurements

Eight procurements were made by persons who did not have procurement authority causing each to be unauthorized.

<u>Document</u>	<u>Description</u>	<u>Amount</u>	<u>Dates of Service</u>	<u>Authorized</u>
Check 121034	Landscaping services	\$ 2,040	8/12/02	9/04/02
PO 59898	Forestry recruitment services	6,132	03/02 to 04/02	5/07/02
PO 60813	Forestry recruitment services	3,076	05/02	5/07/02
PO 61718	Forestry recruitment services	3,000	05/02	7/23/02
PO 62172	Bus service for students	2,975	Summer 2002	9/23/02
PO 62264	Rack space for class schedule	2,676	08/02 – 7/03	9/10/02
PO 65744	Radiation Badges	3,855	6/10/03	6/24/03
PO 70324	Printing of magazine	17,396	7/15/04	7/21/04

Regulation 19-445.2015 defines an unauthorized procurement as an act obligating the State in a contract by any person without the requisite authority to do so by an appointment or delegation. Since the person obligating the funds did not have the authority to do so, the procurements were unauthorized.

We recommend the College implement adequate internal controls to eliminate unauthorized procurements. The College must request ratification for each unauthorized procurement from the President or his designee in accordance with Regulation 19-445.2015.

### Misapplied Exemptions

The College misapplied the exemptions to the Code on six procurements.

<u>Check</u>	<u>Description</u>	<u>Amount</u>	<u>Exemption applied</u>
120456	Video production services	\$ 1,839	Advertising time
123336	Additional software licenses	3,443	Other related materials made available by information technology
127788	Hardware maintenance	3,840	Software license renewals
129469	New software	2,295	Software license renewals
132215	On-line study service	9,688	Database subscriptions
135978	New software	4,866	Software license renewals



We recommend the College review the applications of exemptions.

Inappropriate Sole Sources

The following sole source procurements did not meet the criteria of a sole source as defined in Section 11-35-1560 of the Code and Regulation 19-445.2105.

<u>PO</u>	<u>Description</u>	<u>Amount</u>
64624	Security systems for two bookstores	\$22,772
65538	Printing class schedules	5,513

We recommend the College solicit competition for these types of items.

Procurements Without Competition

Two procurements were not supported by evidence of competition, sole source or emergency determinations, or exempt.

<u>PO</u>	<u>Description</u>	<u>Amount</u>
61051	Lawn equipment accessory	\$3,056
62183	School supplies	4,413

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

We recommend the College comply with the competitive requirements of the Code for these types of items.

Lack of Supporting Information

The following items did not have enough information in the file to determine compliance with the Code.

<u>PO</u>	<u>Description</u>	<u>Amount</u>	<u>Comments</u>
60770	Acrylic range finders	\$ 4,807	Sole source determination did not address what made the item unique
61577	X-ray training models	8,010	Sole source determination did not address what made the item unique
63193	Library Shelving	30,484	Sole source determination did not address what made the item unique
64103	Answer sheet processing	2,247	Sole source determination stated see attached but nothing was attached
67129	Printing of catalog	13,100	No change order for quantity difference
67725	Used golf cart	3,350	Response from third vendor not in file

<u>PO</u>	<u>Description</u>	<u>Amount</u>	<u>Comments</u>
69119	Sound/presentation system	19,774	Written justification for competitive sealed proposal not in file

We recommend the College's files contain the basis of each award or related procurement determination and be sufficient to satisfy external audit.


**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 Horry-Georgetown Technical College in compliance with the 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 Horry-Georgetown Technical College be recertified to make direct agency procurements for three years up to the limits as follows:

<u>PROCUREMENT AREAS</u>	<u>RECOMMENDED CERTIFICATION LIMITS</u>
Goods and Services	*\$ 75,000 per commitment
Consultant Services	*\$ 75,000 per commitment
Information Technology	*\$ 30,000 per commitment

\* 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

**HG**  
**HORRY-GEORGETOWN TECHNICAL COLLEGE**  
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743 Hemlock Street  
Myrtle Beach, SC  
29577-5044  
843-477-0808  
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February 15, 2005

Melissa Thurstin  
Materials Management Office  
1201 Main Street, Suite 600  
Columbia, SC 29202

Melissa:

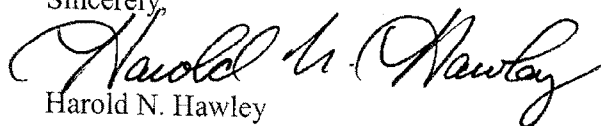
I want to thank you for completing the audit in such a professional and expeditious manner.

We have reviewed your report and concur with your findings and recommendations.

Please note that due to organizational changes throughout the year, our compliance may have not always been at desirable levels. However, appropriate internal controls are being implemented to rectify all aforementioned areas of non-compliance and better ensure that compliance remains at an acceptable level. The implementation, effectiveness and sustainability of these control measures are a top priority and performance objective for our Procurement staff during the next year. After many years experience as an auditor, I will assure you that appropriate controls will be in place to fully correct the areas noted in your review.

I also want to thank you for recommending the changes to our procurement limits, as we feel those will greatly improve our efficiency and effectiveness. Again, thanks for your hard work and the thoroughness of your review.

Sincerely,



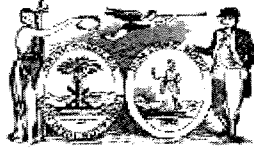
Harold N. Hawley  
VP – Finance and Business Affairs

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R. VOIGHT SHEALY  
MATERIALS MANAGEMENT OFFICER

February 15, 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 Horry-Georgetown Technical College to our audit report for the period of October 1, 2001 – December 31, 2004. Also we have followed the College's corrective action during and subsequent to our fieldwork. We are satisfied that Horry-Georgetown 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 Horry-Georgetown 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/jl

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