



State of South Carolina

Office of the Governor

MARK SANFORD
GOVERNOR

OFFICE OF EXECUTIVE
POLICY AND PROGRAMS

FISCAL/TECHNICAL ASSISTANCE MEMORANDUM F02 – 01- REVISED

TO: See Distribution

From: Arlene Williams, Manager of Fiscal Services

SUBJECT: Procurement Procedures

DATE: June 20, 2008

This memorandum supercedes OEO's Technical Assistance Memorandums regarding this subject. It is the intent of this office to maximize program efficiency, ensure the application of appropriate procedures, and maintain the integrity of grant funds. These guidelines will assist Executive Directors and Boards of Directors in conducting procurement transactions in a timelier manner and in maximizing each agency's purchasing effectiveness.

Procurement Procedures

1. Procurement documentation of equipment, supplies, and services shall be based upon clear and accurate written descriptions, including any applicable technical specifications.
2. All consultant services in excess of **\$600** must receive prior OEO approval.
3. All procurement expenditures must be adequately documented with a voucher/check, invoice, endorsed delivery receipt, requisition/purchase order for each transaction and applicable approval as may be required within the subgrantee's procedures.
4. The subgrantee must incorporate these guidelines into its respective procurement procedures as part of the Financial Policies and Procedures Manual.
5. The OEO Audit Division will review the subgrantee's procurement procedures and purchases during the Field Audit. Inconsistencies and non-compliance issues will be noted for corrective action.
6. OEO may request justification and documentation supporting how any purchase is a direct cost and related to OEO funded programs.

7. Agencies must practice sound accounting principles when establishing accruals at the end of each program year. The expenditure that is being accrued such as salaries, professional services, supplies, utilities and travel must have been: a transaction within the program year, based on clear and justifiable documentation and payments must be made to vendors when “normally due” which should be within 30 days of the close of the grant.
8. All items budgeted and processed as an obligation/encumbrance against program funds must be received, earned and/or completed by the end of the program period.

The following state Procurement Code section 11-35-1550 shall be utilized in conducting procurements unless the proposed purchase is from a vendor who is selected from the current State Procurement Contract, which must be verified through the State’s Materials Management Office (MMO). The OEO reserves the right to question any procurement found during a monitoring or audit visit that it considers to be unreasonable. The OEO staff may approve the purchase or may request additional information to assist with clarifying the justification of the purchase as it relates to program need.

- A. Small Purchases less than \$5,000** may be accomplished without securing competitive quotes if the prices are considered to be reasonable. Such purchases shall be distributed equitably among qualified vendors. When practical, a quote is to be solicited from another vendor prior to placing a repeat order. This will assist in verifying the reasonableness of the price and detecting instances of overpricing. Larger purchases of like goods or services may not be subdivided in order to circumvent the procurement requirements.
- B. Purchases greater than the cumulative of \$5,000 to \$10,000** will require solicitations of verbal or written quotes from a minimum of three (3) qualified sources of supply and documentation of the quotes will be attached to the purchase requisition. If the lowest bid is not accepted, the procurement must follow the Sole Source procedures in item D. The subgrantee’s Executive Director can execute the proposed purchase in accordance with the requirements contained in this memorandum and in the program grant agreement.
- C. Purchases greater than \$10,000 require** solicitation of written quotes from a minimum of three (3) qualified sources of supply and documentation of the quotes will be attached to the purchase requisition. Any purchase greater than \$10,000 must be advertised in a major metropolitan newspaper for three (3) consecutive days to obtain competitive quotes for the purchase. The subgrantee’s Board of Directors must approve the purchase to be documented in the minutes. Documentation of Board approval along with the three (3) competitive bids detailing the proposed purchase must be forwarded to the OEO office for review and approval.

- D. Sole Source** procurement is determined when the decision is made to restrict procurement to one potential vendor. In cases of reasonable doubt, competition may be solicited to support the Sole Source decision. A written explanation as to why no other vendor will be suitable or acceptable to meet the need will be forward to OEO for review and approval prior to the transaction.
- E. Emergency Procurements** may be made when there is an immediate threat to public health, welfare, critical economy or efficiency, or safety, and provided that such emergency procurements are made with as much competition as is practical under the circumstances, with a follow-up written report from the Executive Director on the basis of the emergency and the selection of the vendor.

Annual Equipment Budget Requirements

Allowable “equipment” is tangible non-expendable personal property charged directly to the award. Equipment should be documented as either capitalized or non-capitalized. Assets with a useful life of greater than one year with a cost of greater than the lesser of \$1,500 or the capitalization threshold of the Agency should be reported as capitalized assets on the budgets as well as the reimbursement requests with all other assets having a cost of less than the lesser of \$1,500 or the capitalization threshold of the Agency being reported as non-capitalized. Proper inventory records of both non-capitalized and capitalized assets purchased with ESG funds will be reviewed during the OEO Audit Division’s field visits to ensure proper monitoring and capitalization of ESG asset as required per OEO Fiscal/Technical Assistance Memorandum F09-01. When submitting a Program Application or Amendment Budget, all anticipated equipment purchases for the program year will be provided on the Budget Narrative form (if required for the amendments). When OEO approves a subgrantee's budget, the identified equipment will be reviewed and approved for the program year. Proposed equipment purchases under \$10,000 will require the procurement documentation and justification upon receipt of the reimbursement request. Prior to the purchase of equipment with a cost greater than \$10,000, prior approval of the Board as well as procurement documentation and justification of the purchase must be provided to OEO for approval. If additional equipment is needed after the budget is approved, a revised Budget Narrative form must be submitted with the revised budget for OEO approval.

DISTRIBUTION:

ESG Recipients

OEO Director, Program, Fiscal and Audit Staff