

B8595G

2.A44

cop. 3



South Carolina  
Division of General Services

# PROCUREMENT AUDIT AND CERTIFICATION

S. C. STATE LIBRARY

JUL 3 1 1987

STATE DOCUMENTS

AIKEN TECHNICAL COLLEGE

AGENCY

APRIL 1, 1985 - MAY 30, 1986

DATE

STATE OF SOUTH CAROLINA  
BUDGET AND CONTROL BOARD  
DIVISION OF GENERAL SERVICES  
300 GERVAIS STREET  
COLUMBIA, SOUTH CAROLINA 29201  
(803) 737-2150

CARROLL A. CAMPBELL, JR.  
GOVERNOR

GRADY L. PATTERSON, JR.  
STATE TREASURER

EARLE E. MORRIS, JR.  
COMPTROLLER GENERAL



REMBERT C. DENNIS  
CHAIRMAN,  
SENATE FINANCE COMMITTEE

ROBERT N. McLELLAN  
CHAIRMAN,  
HOUSE WAYS AND MEANS COMMITTEE

JESSE A. COLES, JR., Ph.D.  
EXECUTIVE DIRECTOR

WILLIAM J. CLEMENT, AIA  
ASSISTANT DIVISION DIRECTOR

May 27, 1987

Mr. Richard W. Kelly  
Division Director  
Division of General Services  
300 Gervais Street  
Columbia, South Carolina 29201

Dear Rick:

Attached is the final Aiken Technical College audit report and recommendations made by the Office of Audit and Certification. Since no certification request above the \$2,500 allowed by law remains to be considered by the Budget and Control Board, I recommend that this report be presented to Dr. Coles for his information.

Sincerely,

A handwritten signature in cursive script that reads "Bill".

William J. Clement, AIA  
Assistant Division Director

TABLE OF CONTENTS

|                                | <u>PAGE</u> |
|--------------------------------|-------------|
| Transmittal Letter.....        | 1           |
| Introduction.....              | 3           |
| Background.....                | 4           |
| Scope.....                     | 5           |
| Summary of Audit Findings..... | 7           |
| Results of Examination.....    | 9           |
| Conclusion.....                | 17          |

STATE OF SOUTH CAROLINA  
**BUDGET AND CONTROL BOARD**  
DIVISION OF GENERAL SERVICES  
300 GERVAIS STREET  
COLUMBIA, SOUTH CAROLINA 29201  
(803) 737-2150

RICHARD W. RILEY, CHAIRMAN  
GOVERNOR

GRADY L. PATTERSON, JR.  
STATE TREASURER

EARLE E. MORRIS, JR.  
COMPTROLLER GENERAL



WILLIAM J. CLEMENT  
ASSISTANT DIVISION DIRECTOR

REMBERT C. DENNIS  
CHAIRMAN,  
SENATE FINANCE COMMITTEE

TOM G. MANGUM  
CHAIRMAN,  
HOUSE WAYS AND MEANS COMMITTEE

JESSE A. COLES, JR., Ph.D.  
EXECUTIVE DIRECTOR

August 25, 1986

Mr. William J. Clement  
Assistant Division Director  
Division of General Services  
300 Gervais Street  
Columbia, South Carolina 29201

We have examined the local fund procurement policies and procedures of the Aiken Technical College for the period April 1, 1985 through May 30, 1986. As a part of our examination we made a study and evaluation of the system of internal control over procurement transactions to the extent we considered necessary.

The purpose of such evaluation was to establish a basis for reliance upon the system of internal control to assure adherence to the Consolidated Procurement Code and State and College procurement policy. Additionally, the evaluation was used in determining the nature, timing and extent of other auditing procedures that were necessary for developing an opinion on the adequacy, efficiency and effectiveness of the procurement system.

The administration of Aiken Technical College is responsible for establishing and maintaining a system of internal control over procurement transactions. In fulfilling this responsibility, estimates and judgements 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 due professional care. They would not, however, because of the nature of audit testing, necessarily disclose all weaknesses in the system.

The examination did disclose conditions enumerated in this report which we believe to be subject to correction or improvement.

Corrective action based on the recommendations described in these findings will in all material respects place Aiken Technical College in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.



R. Voight Shealy, Manager  
Office of Audit and Certification

## INTRODUCTION

The Office of Audit and Certification conducted an examination of the internal procurement operating procedures and policies and related manual of Aiken Technical College.

Our on-site review was conducted June 19, 1986, through July 3, 1986, and was made under the authority as described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Regulation 19-445.2020.

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.

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 Division of General Services shall review the respective governmental body's internal procurement operation, shall certify in writing that it is consistent with the provision 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.

While on site, we received a written request from Aiken Technical College for certification to make procurements in the following category and designated amount:

| <u>Area</u>                              | <u>Amount</u> |
|--|---------------|
| Goods and Services<br>(local funds only) | \$10,000.00   |

## SCOPE

Our examination encompassed a detailed analysis of the internal procurement operating procedures of Aiken Technical College and the related policies and procedures manual to the extent we deemed necessary to formulate an opinion on the adequacy of the system to properly handle local fund procurement transactions up to the requested certification limit. The examination was limited to procurements from local funds which include some federal funds, local contributions and student collections.

The Audit and Certification team statistically selected random samples for the period July 1, 1985 through May 30, 1986, of procurement transactions for compliance testing and performed other auditing procedures that we considered necessary in the circumstances to formulate this opinion. As specified in the Consolidated Procurement Code and related regulations, our review of the system included, but was not limited to, the following areas:

- (1) adherence to provisions of the South Carolina Consolidated Procurement Code and regulations;
- (2) procurement staff and training;
- (3) adequate audit trails and purchase order registers;
- (4) evidence of competition;
- (5) small purchase provisions and purchase order confirmations;

- (6) emergency and sole source procurements;
- (7) source selections;
- (8) file documentation of procurements;
- (9) disposition of surplus property;
- (10) economy and efficiency of the procurement process;  
and
- (11) approval of Minority Business Enterprise  
Utilization Plan.

SUMMARY OF AUDIT FINDINGS

Our audit of the procurement system at Aiken Technical College produced findings and recommendations in the following areas:

|   | <u>PAGE</u> |
|---|-------------|
| I. <u>Compliance - Procurements</u>   |             |
| A. <u>Procurements Made Without<br/>        Competition</u>   | 9           |
| Nine procurements were not made competitively in accordance with the Consolidated Procurement Code and its ensuing regulations. |             |
| B. <u>Use of State Term Contracts</u>   | 10          |
| Five procurements were made from local vendors when the items were available from State term contracts.                         |             |
| C. <u>Procurement Authority Exceeded</u>  | 11          |
| The college exceeded their procurement authority in two instances.  |             |
| D. <u>Contract Extended Improperly</u>  | 13          |
| A security service contract was extended improperly without competition.  |             |

II. Change Order Policy

14

Two invoices were paid without purchasing approval of increased prices.

III. Review of Purchasing Procedures Manual

15

The manual is inadequate for higher certification.

RESULTS OF EXAMINATION

I. Compliance - Procurements

A. Procurements Made Without Competition

The following procurements were not supported by evidence of competition in accordance with the Procurement Code and regulations.

|    | <u>P.O. Number</u> | <u>Amount</u> | <u>Description</u>        |
|----|--------------------|---------------|---------------------------|
| 1. | 15513              | \$ 751.96     | Light Fixture Repair      |
| 2. | 15552              | 741.00        | Typewriter Maintenance    |
| 3. | 16498              | 614.00        | Overhead Door Repair      |
| 4. | 16202              | 939.96        | Calibration Instrument    |
| 5. | 16120              | 511.80        | H.V.A.C. System Repair    |
| 6. | 17100              | 810.00        | Computer Equipment Repair |
| 7. | 16009              | 744.31        | Wheel Alignment Repair    |
| 8. | 17263              | 1,950.80      | Air Compressor            |

Section 19-445.2100, Subsection B, Item 2, of the regulations requires solicitation of verbal or written quotes from a minimum of two qualified sources of supply for procurements from \$500.01 to \$1,499.99. Item 3 of this same section requires solicitation of written quotations from three qualified sources of supply for procurements from \$1,500.00 to \$2,499.99.

Competitive procurement is the cornerstone of the Procurement Code. Procurements up to \$500.00 may be made without competition if the purchasing officer, with her knowledge of the market place, determines that the price offered by a vendor is fair and reasonable. All procurements in excess of \$500.00 must be made competitively unless they are made from State term contracts, are purchases of exempted items or are justifiable as sole sources or emergencies.

AGENCY RESPONSE

In this section, eight (8) repair procurements were made and they were a mixture of emergency and/or sole source procurements. We, as a college, failed to complete the necessary paperwork for sole source or emergency procurement and the procedure for doing so is in place.

---

B. Use of State Term Contracts

The College made the following procurements from local vendors when the items were available from State term contracts.

| <u>P.O. Number</u> | <u>Amount</u> | <u>Description</u>    |
|--------------------|---------------|-----------------------|
| 17357              | \$617.76      | R-11 freon            |
| 16376              | \$763.89      | Waste can liners      |
| 17205              | \$570.92      | Mop heads, can liners |
| 16681              | \$525.20      | Paper                 |

These purchases are in violation of Section 11-35-310(32) of the Procurement Code, which indicates that use of State term contracts is mandatory.

Additionally, the College procured open-plan panels (P.O. 15954 for \$2,696.64) from a State contract vendor who supplied office furniture. However, the term contract for furniture indicates that "open plan panels are not available from State contract and therefore must be purchased using another procurement method." We understand that the vendor indicated that open plan panels were included in the State term contract.

College personnel must be certain to check the term contract catalogues for items available therein. Their use is mandatory, as indicated above. Further, if an item is on contract it benefits the purchasing officer by reducing processing and

turnaround time for orders. Finally, the contract catalogue should be referenced to verify a vendor's statement that items are covered.

#### AGENCY RESPONSE

The College purchased R-11 freon as a result of an emergency even though it was on State Contract. A chiller, through malfunction, suddenly lost most of its freon, and we needed the product immediately.

The other three purchase orders, of which there were three in number, were bought as a result of a local bid as they fit our needs. However, we find that as a result of this current audit, we have bid these products incorrectly.

In another matter relating to State Term Contracts, Open-Plan panels in the amount of \$2,696.64 were procured from a local vendor who has the State contract for office furniture/equipment. The vendor indicated that open-plan panels were included in this State term contract when apparently they were not. The panels are, this year, part of that contract. We agree with the audit report that we must be more careful in checking the State term contracts, and not listen to a vendor no matter how reliable the vendors have been in the past.

---

#### C. Procurement Authority Exceeded

The College made awards in excess of \$2,500.00 for miscellaneous janitorial supplies based on a solicitation of written quotations. It was incorrectly assumed that the certification limit applied to each purchase order instead of the total award amount. In the future, all solicitations anticipated to result in awards exceeding the college's procurement certification limit should be forwarded to the Materials Management Office.

In another case, the College procured construction services totalling \$25,600.00 for a renovation project. An architectural firm was hired to procure the construction services and manage the project. The contract with the architectural firm was approved by the State Engineer. However, the contract with the construction firm was not approved.

Since the contract exceeded the College's authority, it is an unauthorized procurement. As such, it must be ratified by the Director of General Services in accordance with Section 19-445.2015 of the regulations.

#### AGENCY RESPONSE

We concur with the finding, and now are currently pursuing the suggested method.

The only problem we anticipate are those items that are peculiar to this college which would possibly make a bid restrictive.

In another case, the College procured construction services totalling \$25,600.00 for a renovation project. An architectural firm was approved by the State Engineer. However, the contract with the construction firm was not approved.

Since the contract exceeded the College's authority, it is an unauthorized procurement. As such, it must be ratified by the Director of General Services in accordance with Section 19-445.2015 of the regulations.

We have requested a ratification on the above from the Director of General Services concerning this matter. I have attached a copy of that letter plus a copy of a letter from the architectural firm. These letters are our response to the above finding.

D. Contract Extended Improperly

The College entered into a contract for security services on July 1, 1984 for a period of one year. At the end of the contract, due to a shortage of funds, the College elected to continue security services with the same firm temporarily on a month-to-month basis. Our review of sample transactions revealed a payment of \$1,023.00 for services rendered in July, 1985. According to the Purchasing Officer, the College has continued to procure these security services on a "month-to-month" basis since the contract expired in July, 1985. Assuming the monthly payments are equal, the total expenditure for security services for fiscal year 1985/86 are in excess of \$12,000.00. This is clearly a continuing agreement.

We noted the following problems with this procurement:

- (1) Competition was not obtained for these services. Section 19-445.2035 of the regulations requires solicitation of sealed bids from a minimum of ten qualified sources for contracts in excess of \$10,000.00.
- (2) The College has no written agreement with the vendor to outline the terms and conditions of the contractual relationship.
- (3) The College exceeded its procurement authority, thus this is an unauthorized procurement.

Immediate action should be taken to procure security services if they are still necessary. Toward this end, a requisition should be submitted to the Materials Management Office. Con-

tractual relationships that are determined to be continuous in nature must be considered single procurements. Long term contracts should be established based on competitive solicitations.

The College should request ratification of this procurement activity from the Materials Management Officer, in accordance with Section 19-445.2015 of the regulations.

AGENCY RESPONSE

The College, at the end of the contract, intended to employ security personnel as part of the College Staff.

After interviewing a number of interested people, it was determined that this method was not in the best interest of the College.

During this period of time, in order to continue the needed security, the firm already in place was continued.

The College, following the above, submitted a requisition to the Materials Management Office and a new firm is now under contract.

---

II. Change Order Policy

Two payments exceeded the purchase order amounts as follows:

| <u>P.O. Number</u> | <u>P.O. Amount</u> | <u>Invoice Amount</u> | <u>Difference</u> |
|--------------------|--------------------|-----------------------|-------------------|
| 16116              | \$2,540.00         | \$2,750.00            | \$210.00          |
| 17550              | \$2,779.00         | \$3,294.00            | \$515.00          |

The invoices were paid by Accounts Payable with no input from Purchasing.

Internal control requires that firm commitments be established with vendors and that resulting payment amounts be as

agreed. When an invoice is received for a greater amount, the purchasing officer who established the commitment with the vendor can best determine if the increase is warranted.

If the increase is not warranted, payment should be made for the purchase order amount and a debit memo should be issued for the difference. If the increase is warranted but the amount is small, the purchasing officer should approve the invoice for payment by her signature. If the increase is warranted and the amount is material, as the above differences are, a formal change order should be established supporting the increase. The College should establish a policy to address when a change order is required.

#### AGENCY RESPONSE

In concurrence with the finding by the auditors on the above subject, the College has instituted a change order policy and is using a specialized form signed by purchasing when the invoice amount exceeds the P.O. amount by 5% or more.

---

### III. Review of the Purchasing Procedures Manual

We reviewed the purchasing procedures at Aiken Technical College and found them adequate for certification at the basic level. However, the manual must be expanded and additional policies and procedures incorporated if higher certification limits are to be considered. We have provided the college with the necessary guidelines for developing a manual which is in process at this time. The expanded manual is a prerequisite for certification.

AGENCY RESPONSE

At the auditors suggestion, the Purchasing Procedures Manual has been expanded and improved upon after many hours of revision.

---

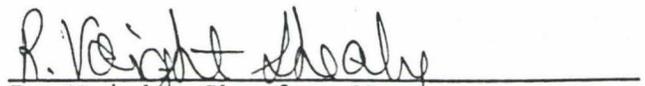
CONCLUSION

As enumerated in our transmittal letter, corrective action based on the recommendations described in the findings contained in the body of this report, we believe, will in all material respects place Aiken Technical College in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

Due to the variety of exceptions listed herein, this office is not prepared to recommend procurement certification at this time. Corrective action recommended in this report should be taken by the Commission. Once such corrective action has been taken and a sufficient amount of time has elapsed to document improvement in Procurement Code compliance we will reconsider a recommendation for certification.

Toward this end, prior to December 31, 1986, the Office of Audit and Certification will perform a follow-up review in accordance with Section 11-35-1230(1) of the Procurement Code to determine if the proposed corrective action has been taken by the College. Based on the follow-up review and subject to this corrective action, we will consider recommending the increased limits requested by the College.

  
\_\_\_\_\_  
Jeff Widdowson, P.P.B.  
Audit and Certification Analyst

  
\_\_\_\_\_  
R. Voight Shealy, Manager  
Office of Audit and Certification

STATE OF SOUTH CAROLINA  
**BUDGET AND CONTROL BOARD**  
DIVISION OF GENERAL SERVICES  
300 GERVAIS STREET  
COLUMBIA, SOUTH CAROLINA 29201  
(803) 737-2150

CARROLL A. CAMPBELL, JR.  
GOVERNOR

GRADY L. PATTERSON, JR.  
STATE TREASURER

EARLE E. MORRIS, JR.  
COMPTROLLER GENERAL



REMBERT C. DENNIS  
CHAIRMAN,  
SENATE FINANCE COMMITTEE

ROBERT N. McLELLAN  
CHAIRMAN,  
HOUSE WAYS AND MEANS COMMITTEE

JESSE A. COLES, JR., Ph.D.  
EXECUTIVE DIRECTOR

WILLIAM J. CLEMENT, AIA  
ASSISTANT DIVISION DIRECTOR

May 28, 1987

Mr. William J. Clement  
Assistant Division Director  
Division of General Services  
300 Gervais Street  
Columbia, South Carolina 29201

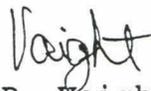
Dear Bill:

We have returned to Aiken Technical College, to determine the progress made toward implementing the recommendations in our audit report covering the period April 1, 1985 through May 30, 1986. During this visit, we followed up on each recommendation made in the audit report through inquiry, observation and limited testing.

We observed that the college has made substantial progress toward correcting the problem areas found and improving the internal controls over the procurement system. With the changes made, the system's internal controls should be adequate to ensure that procurements are handled in compliance with the Consolidated Procurement Code and ensuing regulations.

Because additional certification was not requested, we recommend the college, therefore, be allowed to continue procuring all goods and services, construction, information technology and consulting services up to the basic level as outlined in the Procurement Code.

Sincerely,



R. Voight Shealy, Manager  
Audit and Certification

STATE OF SOUTH CAROLINA  
**BUDGET AND CONTROL BOARD**  
DIVISION OF GENERAL SERVICES  
300 GERVAIS STREET  
COLUMBIA, SOUTH CAROLINA 29201  
(803) 737 2150

CARROLL A. CAMPBELL, JR.  
GOVERNOR

GRADY L. PATTERSON, JR.  
STATE TREASURER

EARLE E. MORRIS, JR.  
COMPTROLLER GENERAL



REMBERT C. DENNIS  
CHAIRMAN,  
SENATE FINANCE COMMITTEE

ROBERT N. McLELLAN  
CHAIRMAN,  
HOUSE WAYS AND MEANS COMMITTEE

JESSE A. COLES, JR., Ph.D.  
EXECUTIVE DIRECTOR

WILLIAM J. CLEMENT, AIA  
ASSISTANT DIVISION DIRECTOR

May 27, 1987

Mr. Richard W. Kelly  
Division Director  
Division of General Services  
300 Gervais Street  
Columbia, South Carolina 29201

Dear Rick:

Attached is the final Aiken Technical College audit report and recommendations made by the Office of Audit and Certification. Since no certification request above the \$2,500 allowed by law remains to be considered by the Budget and Control Board, I recommend that this report be presented to Dr. Coles for his information.

Sincerely,

A handwritten signature in cursive script that reads "Bill".

William J. Clement, AIA  
Assistant Division Director

