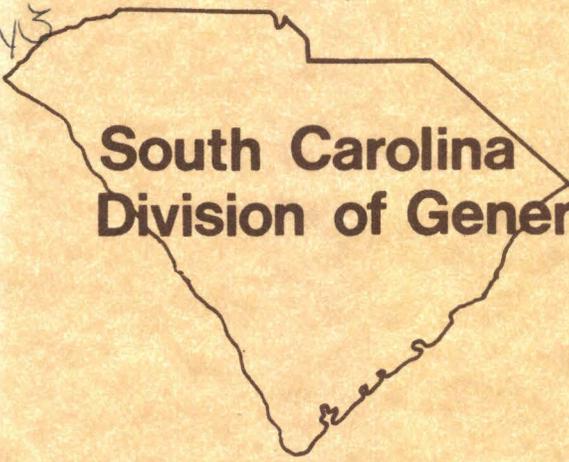


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**South Carolina  
Division of General Services**

# PROCUREMENT AUDIT AND CERTIFICATION

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CHARLESTON COUNTY SCHOOL DISTRICT

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**AGENCY**

JULY 1, 1987 - DECEMBER 31, 1990

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**DATE**

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



CARROLL A. CAMPBELL, JR., CHAIRMAN  
GOVERNOR

GRADY L. PATTERSON, JR.  
STATE TREASURER

EARLE E. MORRIS, JR.  
COMPTROLLER GENERAL

RICHARD W. KELLY  
DIVISION DIRECTOR

MATERIALS MANAGEMENT OFFICE  
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JAMES J. FORTH, JR.  
ASSISTANT DIVISION DIRECTOR

JAMES M. WADDELL, JR.  
CHAIRMAN, SENATE FINANCE COMMITTEE

WILLIAM D. BOAN  
CHAIRMAN, WAYS AND MEANS COMMITTEE

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

November 25, 1991

Mr. Richard W. Kelly  
Director  
Division of General Services  
1201 Main Street, Suite 420  
Columbia, South Carolina 29201

Dear Rick:

I have attached the final Charleston County School District procurement audit report and recommendations made by the Office of Audit and Certification. The audit was performed in accordance with Section 11-35-70 of the Consolidated Procurement Code. Since Budget and Control Board action is not required, I recommend the report be presented as information.

Sincerely,

A handwritten signature in cursive script, appearing to read "James J. Forth, Jr.", written in dark ink.

James J. Forth, Jr.  
Assistant Division Director

JJF/jjm

Attachment

CHARLESTON COUNTY SCHOOL DISTRICT

PROCUREMENT AUDIT REPORT

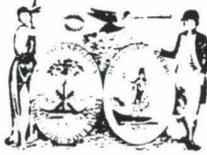
JULY 1, 1987 - DECEMBER 31, 1990

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NOTE: The District's responses to issues noted in this report have been inserted immediately following the issues they refer to.

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



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

November 22, 1991

Mr. James J. Forth, Jr.  
Assistant Division Director  
Division of General Services  
1201 Main Street, Suite 600  
Columbia, South Carolina 29201

Dear Jim:

We have examined the procurement policies and procedures of Charleston County School District for the period July 1, 1987 - December 31, 1990. 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 Section 11-35-70 of the South Carolina Consolidated Procurement Code and the District's procurement code and regulations. 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 Charleston County School District 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 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 need correction or improvement.

Corrective action based on the recommendations described in these findings will in all material respects place Charleston County School District in compliance with its procurement code and regulations.

  
R. Voight Shealy, CFE, Manager  
Audit and Certification

## INTRODUCTION

From February 26 - April 5, 1991, we conducted an examination of the internal procurement operating procedures and policies of Charleston County School District. We made the examination under authority described in Section 11-35-70 of the South Carolina Consolidated Procurement Code. The examination was directed principally to determine whether, in all material respects, that the procurement system's internal controls were adequate and the procurement procedures, as outlined in the Charleston County School District Procurement Code and regulations were in compliance with existing laws and regulations and with accepted public procurement standards.

As with our audits of state agencies, our work was directed also toward assisting the school district in promoting the underlying purposes of the Consolidated Procurement Code which we believe to be applicable to all governmental bodies and which are outlined in Code Section 11-35-20, to 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

## 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 Charleston County School District 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 statistically selected random samples for the period July 1, 1987 - December 31, 1990 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, review of the following:

- (1) One hundred eighty-four randomly selected procurement transactions
- (2) An additional review of thirty sealed bids
- (3) Thirty-five judgementally selected procurement transactions from Food Services. This review included seven sealed bids
- (4) The custodial service contract for fiscal year 1990/91
- (5) A block sample of three hundred forty-three sequentially numbered purchase orders
- (6) Approximately five hundred maintenance purchase orders
- (7) The selection and approval of one architect and engineering service contract
- (8) Nine permanent improvement projects for approvals and compliance with the South Carolina School Facilities Planning and Construction Guide

- (9) All sole source procurements for the period 7/1/87 - 12/31/90
- (10) All emergency procurements for the period 7/1/87 - 12/31/90
- (11) Minority Business quarterly reports to the School Board
- (12) Adherence to applicable procurement laws, regulations and internal policy
- (13) Procurement staff and training
- (14) Adequate audit trails
- (15) Evidence of competition and sealed bidding procedures
- (16) Warehousing, inventory and disposition of surplus property procedures
- (17) Property management accountability
- (18) Economy and efficiency of the procurement process

SUMMARY OF AUDIT FINDINGS

Our audit of the procurement system of Charleston County School District, hereinafter referred to as the District, produced findings and recommendations in the following areas:

	<u>PAGE</u>
I. <u>COMPLIANCE - GENERAL SAMPLE</u>	
During our review of the random sample we noted the following exceptions:	
A. <u>PROCUREMENTS WITHOUT EVIDENCE OF COMPETITION</u>	11
Seven procurements were not supported by the required competition, sole source or emergency determinations.	
B. <u>INCORRECT AWARD ON BID ITEM</u>	12
An incorrect award was made on a 2-cycle engine after the rejection of the low bid.	
C. <u>POOR LEAD TIME GIVEN ON DESK REQUEST</u>	12
Poor lead time from a user department to the purchasing office cost the District \$612.00.	
D. <u>STATE CONTRACT NUMBERS NOT REFERENCED</u>	13
State contract numbers were not referenced on purchase orders using state contract prices.	

E. EXEMPTED PURCHASES 14

The District's procurement exemption list has not been updated to include frequently cited state exemptions. The District's Board must approve all new exemptions.

II. COMPLIANCE - PURCHASING OFFICE SEALED BIDS 14

An additional review of sealed bids in the purchasing office revealed the following exceptions:

A. MINIMUM NUMBER OF BIDS NOT SOLICITED 15

In two cases, the required number of solicitations for purchases over \$10,000 were not made.

B. MULTI-TERM DETERMINATIONS NOT PREPARED 15

Multi-term determinations were not prepared on contracts that were to be extended for more than one year.

C. NO 16 DAY INTENT TO AWARD NOTICE 16

We noted one bid award over \$50,000 where the 16 day intent to award notice was not prepared and mailed to the responding bidders.

D. BID PACKAGES NEED IMPROVEMENT

17

The purchasing officers need to review their bid packages closer for clarity of bid specifications, conflicting bid conditions and use of better bidders lists.

III. COMPLIANCE - FOOD SERVICE OFFICE PROCUREMENTS

During our review of Food Service Office procurements, we noted the following exceptions:

A. PROCUREMENTS WITHOUT EVIDENCE OF COMPETITION

19

Eight procurements for maintenance related equipment or services were made without evidence of competition or a sole source or emergency determinations.

B. INVITATIONS FOR BIDS

20

We noted the following exceptions in our review of Food Service sealed bids.

1. The Food Service Office does not time or date stamp bids nor do they keep the stamped envelopes after bid openings.
2. In one bid we found no evidence of the required 5% bid bond.
3. The 16 day intent to award statements were not prepared for bids greater than \$50,000.

C. PROFESSIONAL DEVELOPMENT 21

The Food Service purchasing officer needs procurement training.

IV. SOLE SOURCE AND EMERGENCY PROCUREMENTS 22

We took exception to one sole source procurement for equipment for the visually impaired. Three more purchases were made prior to the approval of the Deputy Superintendent as a sole source. One emergency procurement for \$13,343.33 was caused by poor planning by the user department.

V. MINORITY BUSINESS ENTERPRISE UTILIZATION PLAN 24

The District has not adopted a comprehensive Minority Business Enterprise Utilization Plan as required by its Code.

VI. FIXED ASSET ACCOUNTABILITY 25

We were unable to trace twenty pieces of equipment, with a unit value in excess of \$500.00 each, to the property inventory records.

VII. ARCHITECT-ENGINEER AND CONSTRUCTION PROCUREMENT PROCEDURES NEED UPDATING 26

Architect-Engineer and construction procedures are not consistent with the South Carolina School Facilities Planning and Construction Guide and the State Procurement Code and need to be updated to be substantially similar to both.

VIII. MISSING DOCUMENTATION IN PERMANENT IMPROVEMENT  
FILES

30

Four required documents were missing from  
the construction files we reviewed.

RESULTS OF EXAMINATION

I. COMPLIANCE - GENERAL SAMPLE

To test for general compliance with the District's Procurement Code, hereinafter referred to as the District Code, we selected a random sample of one hundred eighty-four procurement transactions from the audit period July 1, 1987 through December 31, 1990. As a result of this testing we noted the following exceptions:

A. PROCUREMENTS WITHOUT EVIDENCE OF COMPETITION

Seven procurements were not supported by evidence of proper competition, sole source or emergency procurement determinations or have been approved by the School Board as exemptions. These were as follows:

<u>Item#</u>	<u>PO#/Check#</u>	<u>Amount</u>	<u>Item/Service Description</u>
1	M84075	\$1,857.86	Technical training
2	177465	2,500.00	Consultant dance director
3	176305	2,660.00	Speech therapy services
4	177918	945.00	Psychological services
5	180887	1,500.00	Gifted and talented teaching services
6	182698	2,625.00	Gifted and talented teaching services
7	180085	2,000.00	Co-director of youth company

The District's Code and regulations require that all procurements above \$500.00, which are not exempt, be competitively bid or that a sole source or emergency determination be prepared for each procurement if applicable.

We recommend that the District strictly adhere to its Code requirements regarding competition on all future procurements.

DISTRICT RESPONSE

We concur with comment. The seven procurements cited were for specialized services of either individuals or companies thought to be exempt under the Procurement Code. The auditors did not agree. We will update the exemptions in the Procurement Code and screen closer those specialized services that require sole source approval.

---

B. INCORRECT AWARD ON BID ITEM

The award of two, 3HP 2-cycle engines, on Bid #75(87-88) was made incorrectly. Purchasing rejected the low bid price of \$142.77 per unit on the grounds that the engines were not Briggs and Stratton. The rejected low bid was for a 3HP Tecumseh. However, the bid specifications allowed for the bidder to bid an "or equal". The award was then made to the second low bidder for \$154.39 per unit. However, this was also a Tecumseh engine.

We recommend that the buyers pay closer attention to the award criteria and award only according to the bid specifications and conditions.

DISTRICT RESPONSE

We concur that an error was made on the bid award and that closer attention is being made on bids. A series of checks is now in place to justify why an award is not made to a low bidder.

---

C. POOR LEAD TIME GIVEN ON DESK REQUEST

Purchase order 34921 for \$2,498.67 was for four desks for the Personnel Division. The low bid for the four desks was \$1,886.00, but had a three week delivery time. The second low

bidder, who was awarded the order, had a delivery time of five days. The low bid was rejected thus costing the District \$612.00.

We recommend that departments allow the Purchasing Office more lead time for procurements as this can save the District money, especially when one of the award criteria is delivery time.

DISTRICT RESPONSE

We concur that in order to allow for sufficient lead time requests need to be in the Purchasing Office with enough time to allow for adequate delivery schedules.

In this instance, new positions were created due to reorganization and the urgent need for desks did not allow for much lead time.

In the future, requesting departments will be advised on necessary lead times.

---

D. STATE CONTRACT NUMBERS NOT REFERENCED

Many purchase orders resulting from state contracts failed to reference the contract number. Every purchase made from an existing state contract must reference the contract number for compliance verification.

We recommend that the District reference state contract numbers when they are utilized.

DISTRICT RESPONSE

We concur that State Contract numbers were not placed on many orders. At the time of the audit, Purchasing was not aware that this was required. State Contract numbers are now being placed on purchase orders.

---

#### E. EXEMPTED PURCHASES

The School District's Board has approved exemptions for specific supplies and services from their purchasing procedures. These are listed in the District Code, Section IV.A.(4). However, the School District is using exemptions that are not listed nor have they been approved by the Board.

Most of these exemptions are ones that the State has approved in recent years as new exemptions to its procurement procedures. The School District must update their exemption list and seek Board approval if they are to use these State exemptions.

We remind the District that according to its code, all exemptions must be approved by the School Board. If the District plans to incorporate State exemptions, we recommend that they be submitted to the School Board for consideration.

#### DISTRICT RESPONSE

We concur that the exemption list needs to be updated. A current exemption list has been obtained from the State and will be presented to the Board of Trustees for approval.

---

#### II. COMPLIANCE - SEALED BIDS

We reviewed an additional sample of 30 sealed bids for testing for Code compliance. We noted the following exceptions:

A. MINIMUM NUMBER OF BIDDERS NOT SOLICITED

Two bid awards were made based upon formal invitations but bids were not solicited from the minimum number of vendors as required in Section 6.a(3) of the District's procurement regulations.

<u>Bid Number</u>	<u>Award Amount</u>	<u>Bids Solicited</u>	<u>Bids Required</u>
21 (89/90)	\$ 30,060.00	5	10
79 (89/90)	12,868.00	9	10

The District's regulations indicate that bids must be solicited from the minimum number of vendors. If the number required cannot be solicited, the purchasing agent or buyer must certify in writing that all known sources were solicited.

DISTRICT RESPONSE

We do not concur but will comply. Where we cannot identify ten or more bidders we are adding the statement "These are all of the known sources" on the bidders list.

---

B. MULTI-TERM DETERMINATIONS NOT PREPARED

The District has failed to prepare multi-term determinations on multi-term contracts. These are contracts which may be extended for more than the original one year period. The District's regulations, Section 25.(d), states in part ... "a multi-term contract may be used when it is determined in writing by the purchasing agent that:

1. a special production of definite quantities or the furnishing of long-term services are required to meet District's needs; or

2. a multi-term contract will serve the best interest of the District by encouraging effective competition...  
(Emphasis added)

The District should prepare these determinations on future multi-term contracts to insure compliance with its code.

DISTRICT RESPONSE

We concur that multi-term determinations should be prepared on multi-term contracts. No multi-term contracts have been entered into since the audit, but determinations will be implemented on the next multi-term bid.

---

C. NO 16 DAY INTENT TO AWARD NOTICE

We noted that on Bid Number 52 (89/90) for \$183,261.81 the required 16 day intent to award notice was not prepared nor mailed to the responding bidders as required for all contracts in excess of \$50,000 per the District's Code. Notice must be given to all responding bidders that a certain bidder is the lowest responsible and responsive bidder whose bid meets the requirements and criteria set forth in the invitation.

We recommend that notices of intent to award be issued for all procurements of \$50,000 or more.

DISTRICT RESPONSE

We concur that 16 day intent to award notices were not sent to responding bidders on this bid. Closer attention is being made to this requirement.

D. BID PACKAGES NEED IMPROVEMENT

Throughout our review of sealed bids, we noted several areas where the bid packages could be improved. These problems were in the clarity of bid specifications, conflicting bid conditions and poor use of bidder's lists. Some bid packages were not tailored to fit the particular bid requests. Examples of the problems are as follows:

1. Bid Number 51 (87/88) - Printing

Terminologies regarding bid packages should be consistent. In this sealed bid we saw references to (a) competitive price quotations, (b) bid request, (c) quotations and (d) proposals. Sealed bids, sealed proposals and informal quotations are all different source selection methods. If the package is a sealed bid, then all references should be as such.

Under "instruction to bidders", item 4 states "omit South Carolina tax." In the bid specification, page 2, it asks for total bid prices, including South Carolina sales tax. This confuses the bidders.

2. Bid Number 77 (90/91) - Video Camera

This bid was for a professional video camera and accessories. Due to a poor bidders list only one bidder responded with a bid of \$6,083. Five vendors were solicited but one was an office machine company, one was a service firm which does not sell cameras and one was a film service company. Also a bid was sent to the Charleston Minority Business Enterprise with no response.

This camera is an open line product that most qualified video sales companies can bid. We contacted a well known Charleston vendor who carries the same brand camera that was purchased and said he would have bid.

3. Bid Number 52 (89/90) Trucks and Vans

The total award to three different bidders was \$183,261.81. Only one bidder outside the Charleston/Summerville area was sent an invitation to bid. It is our opinion that a bid of this size, with the possibility of saving hundreds to thousands of dollars should have been sent to bidders statewide.

We recommend that the Purchasing Office review each bid package thoroughly to insure that the general conditions and instructions to bidders do not conflict with the bid specifications and special bid requirements submitted by the requesting user departments. Furthermore, we recommend that the District carefully consider its bidders list for each solicitation.

DISTRICT RESPONSE

We concur that the bid package should not contain conflicting conditions. We have changed the terminology in the bids to be consistent.

The purchase of computer hardware and software will allow us to maintain current specifications, instructions and bidders list.

III. COMPLIANCE - FOOD SERVICE OFFICE PROCUREMENTS

The District Food Service Office manages its own procurements. To test these, we reviewed thirty-five procurement transactions selected on a judgemental basis from their purchase order files. Of the thirty-five, seven were sealed bids from this area. We noted the following exceptions:

A. PROCUREMENTS WITHOUT EVIDENCE OF COMPETITION

We noted eight procurements without evidence of competition, sole source or emergency determinations or a contract reference number. All of these purchases were maintenance related. These exceptions were as follows:

<u>Item#</u>	<u>PO#</u>	<u>Amount</u>	<u>Item/Service Description</u>
1	37392	\$ 760.63	Compressor
2	37365	1,285.55	Booster heater
3	37356	1,126.74	Equipment repair
4	37347	1,730.00	Boiler shell
5	37240	822.59	Compressor
6	37233	569.55	Stools
7	37178	651.00	Compressor
8	37107	1,888.95	Water heater

Procurements made by the Food Service Office, including food service equipment and repairs, are to be procured under the District's procurement code and regulations.

DISTRICT RESPONSE

We concur with comment. Since all of the purchasing except one (stools) involved two departments (Maintenance and Food Service), the Sole Source or Emergency form was not included. A new procedure has been established to centralize the purchase orders for Food Service in the Food Service Office and they are responsible for providing the Sole Source or Emergency procurement form.

---

B. INVITATIONS FOR BIDS

We noted three problems with the seven invitations for bids that we reviewed.

1. The Food Service Office date stamps the envelopes as bids are received but then discards them after the bid openings. The actual bids are not time stamped or dated for supporting documentation.

We recommend that either the office keep the stamped envelopes or date stamp the bid forms of each responding vendor at the bid opening so that timely receipt of responses can be verified.

2. On Bid Number 14 (89/90) we found no evidence that the required 5% bid bond was obtained. This requirement may have been met but we were not given evidence to verify it.

We recommend that documentation to support receipt of such requirements be included in the bid files.

3. We noted three procurements over \$50,000 where the Food Service Office did not issue 16 day intent to award notices. This is in violation of the District Code Article V(B)2(j). When a contract has a total potential value in excess of \$50,000, notice must be given to all bidders responding to the solicitation.

We recommend that this be done for all future awards of \$50,000 or more.

### DISTRICT RESPONSE

- We concur.
1. Envelopes are now kept with bids.
  2. A practice of noting receipt of cashiers checks, making a photo copy of the check and utilizing a bid bond acknowledgement was in effect at the time of the audit. Caution is being taken to insure this procedure is being followed.
  3. "Notice of Intent to Award" is being monitored and caution is being taken to comply.
- 

### C. PROFESSIONAL DEVELOPMENT

Professional development of the purchasing officer in the Food Service Office has been overlooked as a goal by the District. It is obvious from our findings that procurement training is a critical need for the Food Service area.

Per Section I.A.(11) of the District Code, one of its primary purposes and policies is "to train procurement officials in the techniques and methods of public procurement." We recommend as a minimum, the buyer attend the General Public Purchasing (Basic) course given by the National Institute of Governmental Purchasing.

### SECTION III - RECOMMENDATION

We recommend that Food Services officials be trained on the District's Code and that they strictly adhere to it in the future.

### DISTRICT RESPONSE

We concur and Food Service personnel involved in purchasing are being trained in the National Institute of Governmental Purchasing Workshops for certification.

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IV. SOLE SOURCE AND EMERGENCY PROCUREMENTS

A. SOLE SOURCE PROCUREMENTS

We take exceptions to purchase order 072178 for equipment for the visually impaired for \$5,549.25 as a sole source procurement. The Commission for the Blind and the State Materials Management Office have successfully bid this type of equipment. The District should request a bidders list from the State Materials Management Officer for future procurements of this type equipment.

We noted the following three procurements that were made prior to their declaration as sole sources by the Deputy Superintendent. They were as follows:

<u>PO#</u>	<u>PO Date</u>	<u>Approval Date</u>	<u>Amount</u>
76780	04/21/88	05/18/88	\$ 2,407.50
H91088	01/16/89	03/13/89	4,000.00
M92793	04/06/89	04/13/89	1,047.22

Since the District's Code requires approval of sole source procurements by the requisite authority, this approval must be obtained prior to the issuance of purchase orders or contracts.

We recommend that all future sole source procurements be approved in advance.

DISTRICT RESPONSE

We concur with comment. No other source on PO 072178 (equipment for visually impaired) was known by Purchasing or the visually handicapped program at the time of the purchase. We have notified the Visually Handicapped Program to work with the Commission of the Blind on future purchases and include the "all known sources" statement on the bidders list.

On PO M92793 and 076780, confirmation orders from maintenance now include sole source approval with the order.

We still do not concur on PO H91088 to Trident Technical College. This was a training workshop put on by a State Agency and was therefore exempt from competitive bid and sole source approval.

All future sole source procurements will be approved in advance.

---

B. EMERGENCY PROCUREMENT

Purchase order 079568 for the printing of a language arts curriculum totaled \$13,343.33. Due to poor planning by the requesting department and it not submitting the request to the Purchasing Office with sufficient lead time, the District was forced to make this an emergency procurement based on only two informal quotes. Under the District Code, a sealed bid for this printing would have required ten solicitations. The prices received were 13,343.33 and 19,343.00. This is quite a large discrepancy in bid prices.

We cannot conclude this was a fair and reasonable price by the inconsistent quotes received.

We recommend that the District remind its departments of required lead times for procurements.

DISTRICT RESPONSE

We concur that purchasing was not given sufficient lead time. We are working closely with other departments to insure that ample time is allotted to follow the Procurement Code.

---

V. MINORITY BUSINESS ENTERPRISE UTILIZATION PLAN

As a result of our last audit of the District, we made the following comments concerning the District's minority business utilization program:

Act 493 of 1984, which brought Charleston County School District under the South Carolina Consolidated Procurement Code was effective July 1, 1984. Section 11-35-5240 of the State Procurement Code requires the preparation of a Minority Business Enterprise Utilization Plan to include but not be limited to:

- (1) A policy statement expressing commitment to use MBE's in all aspects of procurements;
- (2) The name of the coordinator responsible for monitoring the MBE Utilization Plan;
- (3) Goals that include a reasonable percentage of total procurements directed toward minority vendors;
- (4) Procedures to be used when it is necessary to divide total project requirements into smaller tasks which will permit increased MBE participation, and;
- (5) Procedures to be used when subcontracts are made with another governmental body.

In concert with this requirement of the State Procurement Code, Section XV.E, of the District's Procurement Code requires development of the same type plan. Further, Section XV.G. of the District's Code requires that annual reports of Minority participation be made to the Board.

As of the time this audit was performed, the District had not submitted reports of minority participation to the Board. Further, a Minority Business Enterprise Utilization Plan has not been approved by the Board of Trustees.

During this audit, we noted that the District has adopted a statement of intent to use minority businesses, has named a MBE coordinator and has made the required reports to the Board of Trustees. However, the District's plan does not cover items (3) - (5) listed above.

We recommend that the District adopt a comprehensive Minority Business Enterprise Utilization Plan as required by its Code.

DISTRICT RESPONSE

The Charleston County School District Board of Trustees adopted a policy of intent, but chose not to implement set-asides for minority vendors. The administration will explore this issue with the Board of Trustees.

---

VI. FIXED ASSET ACCOUNTABILITY

We reviewed fifteen procurements of fixed assets equipment, greater than \$500.00 per unit for accountability to the property records. Twenty fixed asset items could not be located on the District's property records. These items were as follows:

<u>PO#</u>	<u>PO Date</u>	<u>Item Description</u>	<u>Quantity</u>	<u>Unit Cost</u>
82041	11/01/88	Laser writer	1	\$4,619.00
		Computer	1	6,014.00
		Color monitor	1	6,930.00
		File server	1	527.30
		Fax modem	1	550.00
		Image writer	1	999.30
72504	11/16/88	Jet scanner	1	1,095.00
		Monitor	1	735.00
66130	03/22/89	Computer	1	3,474.83
		File server	1	551.03

77924	05/18/88	Computers	9	900.60
M01473	08/29/89	Lawn mower	1	1,969.00

As this small sample shows, there has been a failure to maintain adequate control over the property records and update them as required.

We recommend that the District take steps to insure that fixed asset records are maintained and updated accurately to insure property accountability.

DISTRICT RESPONSE

We concur. The items noted for the period 11/01/88 - 08/29/89 were reconciled in 1989 (prior to audit completion) and are listed on the master file. We continue to monitor and update fixed asset records as materials are received.

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VII. ARCHITECT-ENGINEER AND CONSTRUCTION PROCUREMENT PROCEDURES NEED UPDATING

Based on our review of the District Code and regulations, we noted the following differences with either the Consolidated Procurement Code or the South Carolina Department of Education's School Facilities Planning and Construction Guide which we do not consider to be substantially similar. All public school districts are required to follow the School Facilities Planning and Construction Guide.

A. BID SECURITY ON CONSTRUCTION PROCUREMENTS (REG.30C(4)(9))

The District requires a 5% bid security for construction bids which are estimated to exceed \$10,000.00.

The Consolidated Procurement Code and the School Facilities Planning and Construction Guide requires a 5% bid security for all competitive sealed bidding for construction, i.e. over \$2,499.99.

DISTRICT RESPONSE

We concur that a 5% bid security be required for sealed bids over \$2,499.99 instead of the current \$10,000 to agree with the School Facilities Planning and Construction Guide.

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B. CONTRACT PERFORMANCE AND PAYMENT BONDS (REG.30C(4)(9))

The District's regulations require contract performance and payment bonds with power of attorney on construction contracts if they exceed \$50,000.00. Furthermore, regulation 30c.(4)(6) allows the Director of Procurement to reduce the amount of the performance and payment bonds to fifty percent of the contract price for each bond.

The Consolidated Procurement Code and the School Facilities Planning and Construction Guide requires performance and payment bonds with power of attorney for one hundred percent of the construction contract for all contracts, i.e. over \$2,499.99. It has no allowance for the reduction of the bonding amounts.

DISTRICT RESPONSE

We concur that a 100% Performance and Payment Bond with Power of Attorney be required for all construction contracts over \$2,499.99 instead of the current \$50,000.00 to agree with the School Facilities Planning and Construction Guide.

Also, we will delete the wording that allows the Director of Procurement to reduce the bonding amount.

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### C. RETAINAGE POLICY

The District's procurement regulation on retainage states that:

In arranging progress payments, the Director of Buildings and Grounds or the School Facilities Planning Officer shall cause to be retained up to ten percent (10%) until the job is certified as fifty percent (50%) completed and then five percent (5%) of the estimated amount until final completion and acceptance of the contract work.

However, we found that the District has not followed its regulation. Instead, a flat 10% has been retained. We recommend that the District follow its regulation on retainage.

Since the School Facilities Planning and Construction Guide is silent on the matter of retainage, the Consolidated Procurement Code applies. Section 11-35-3030(4)(9) states in part, "...the retained amount of each progress payment or installment shall be no more than five percent."

### DISTRICT RESPONSE

The practice of the District has been to retain 10%, rather than reduce retainage to 5% after 50% of the job is complete. The District will follow its regulation.

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### D. RANKING OF ARCHITECTS/ENGINEERS (REG.30B.(1))

The District's regulations state in part, "The Superintendent shall recommend in order of preference three architects for the work to be performed."

Since the District must follow the Consolidated Procurement Code in the selection of Architects/Engineers and related professional services, they must rank at least five firms or the total number of respondents, whichever is less. This is required by Section 11-35-3220(5).

Section 11-35-70 of the Consolidated Procurement Code states in part, "...if a district has its own procurement code which is in the written opinion of the Division of General Services of the State Budget and Control Board substantially similar to the provisions of the South Carolina Consolidated Procurement Code, the District is exempt from the provisions of the South Carolina Consolidated Procurement Code..."

#### DISTRICT RESPONSE

We concur that the District follows the Consolidated Procurement Code in the selection of Architects/Engineers and related professional services and that we change our policy to rank at least five firms instead of three firms or the total number of respondents, whichever is less.

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#### E. PAYMENTS TO CONSTRUCTION CONTRACTORS

Since our last audit, the General Assembly passed Act 426 of 1990 which changed payment requirements to construction contractors. Specifically, this Act, codified as Chapter 6 of Title 29 of the Code of Laws of South Carolina, 1976, as amended, required that all construction contractors be paid by owners within 21 days of receipt by the owner of that pay request. This Act applies to all owners, public and private.

#### SECTION VI - RECOMMENDATION

We recommend that the District's procurement code and regulations be amended as indicated above so that they are substantially similar to the Consolidated Procurement Code.

DISTRICT RESPONSE

We concur that we must comply with Act 426 of 1990, Title 29, Chapter 6 of the Code of Laws of South Carolina of 1976 which states that all construction contractors be paid by the owner within 21 days of receipt of pay request.

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VIII. MISSING DOCUMENTATION IN PERMANENT IMPROVEMENT FILES

During our review of the permanent improvement files, the District was not able to provide the following documentation as listed by contracts.

<u>Contractor</u>	<u>Contract Description</u>	<u>Contract Amount</u>
1) Pellham Roofing	Pepperhill-Refoofing (3/14/89)	\$354,613.00
	Letter of intent to award sent to all respondents	
2) Hill Construction	Jennie Moore School Renovations and additions (12/07/88)	\$2,559,884.00
	Letter of intent to award sent to all respondents	
3) Ballard & Sons	McClellanville Middle School Asbestos removal (3/2/89)	\$84,371.00
	Letter of intent to award sent to all respondents	
4) Simpson Cabinet, Inc.	Interior signage-various schools (4/26/89)	\$13,587.56
	Performance and payment bonds with power of attorney	

Since we cannot verify compliance with these requirements of the District's Procurement Code, we must consider these exceptions.

We recommend that the District document compliance with its Code.

DISTRICT RESPONSE

We concur that the letters of Intent to Award on exceptions 1, 2, and 3 and the Performance and Payment Bond with Power of Attorney on exception 4 were not included with the bid documents. We are closely checking to insure that all required documentation be included in the bid file.

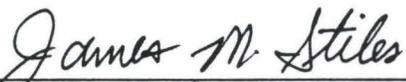
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CONCLUSION

As enumerated in our transmittal letter, corrective action based on the recommendations described in this report, we believe, will in all material respects place the Charleston County School District in compliance with Section 11-35-70 of the South Carolina Consolidated Procurement Code and its procurement code. We are concerned about the variety of exceptions and the extent of corrective action necessary.

Subject to this corrective action, we recommend that Charleston County School District be allowed to continue procuring all goods and services in accordance with Section 11-35-70 of the South Carolina Consolidated Procurement Code.

In order to verify corrective action, we will perform a follow-up review on or before August 31, 1991.

  
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James M. Stiles, PPB  
Audit Manager

  
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R. Voight Shealy, CFE, Manager  
Audit and Certification

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



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ASSISTANT DIVISION DIRECTOR

JAMES M. WADDELL, JR.  
CHAIRMAN, SENATE FINANCE COMMITTEE

WILLIAM D. BOAN  
CHAIRMAN, WAYS AND MEANS COMMITTEE

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

November 22, 1991

Mr. James J. Forth, Jr.  
Assistant Division Director  
Division of General Services  
1201 Main Street, Suite 600  
Columbia, South Carolina 29201

Dear Jim:

We have reviewed Charleston County School District's response to our audit report covering the period July 1, 1987 - December 31, 1990. Combined with our follow-up audit, subsequent discussions and correspondence with District officials, we are satisfied that the District has corrected the problem areas we found.

We, therefore, recommend that the District be allowed to continue operating under its own procurement code as authorized by Section 11-35-70 of the Consolidated Procurement Code.

Sincerely,

Handwritten signature of R. Vought Shealy in cursive.

R. Vought Shealy, Manager  
Audit and Certification

RVS/jjm



