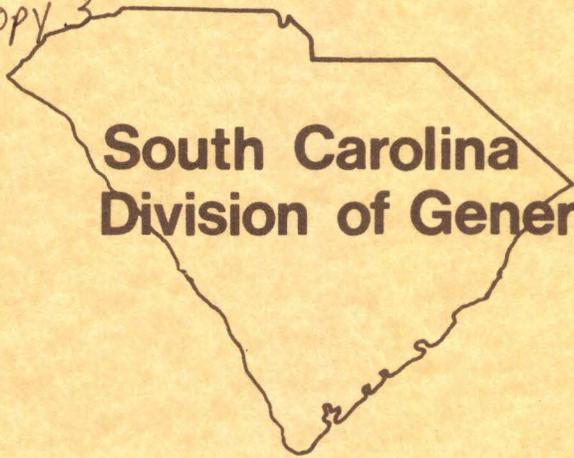


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**South Carolina  
Division of General Services**

# PROCUREMENT AUDIT AND CERTIFICATION

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COLLEGE OF CHARELESTON

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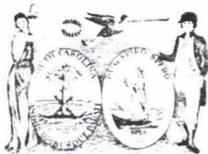
**AGENCY**

JULY 1, 1992 - JUNE 30 ,1995

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**DATE**

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



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MATERIALS MANAGEMENT OFFICE  
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COLUMBIA, SOUTH CAROLINA 29201  
(803) 737-0600  
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RAYMOND L. GRANT  
ASSISTANT DIRECTOR

January 3, 1996

Ms. Helen T. Zeigler, Director  
Office of General Services  
1201 Main Street, Suite 420  
Columbia, South Carolina 29201

Dear Helen:

I have attached the College of Charleston's procurement audit report and recommendations made by the Office of Audit and Certification. I concur and recommend the Budget and Control Board grant the College a three year certification as noted in the audit report.

Sincerely,

A handwritten signature in cursive script that reads "Raymond L. Grant".

Raymond L. Grant  
Materials Management Officer

RLG/tl

**COLLEGE OF CHARLESTON  
PROCUREMENT AUDIT REPORT**

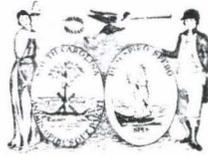
**JULY 1, 1992 - JUNE 30, 1995**

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NOTE: The College's response to issues noted in the report have been inserted immediately following the issues they refer to.

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



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RAYMOND L. GRANT  
ASSISTANT DIRECTOR

November 28, 1995

Mr. Raymond L. Grant  
Materials Management Officer  
Office of General Services  
1201 Main Street, Suite 600  
Columbia, South Carolina 29201

Dear Ray:

We have examined the procurement policies and procedures of the College of Charleston for the period July 1, 1992 through June 30, 1995. 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 and College 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 the 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

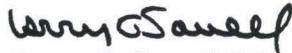
safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and are recorded properly.

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.

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

  
Larry G. Sorrell, Manager  
Audit and Certification

## 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 the College of Charleston 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, 1992 through June 30, 1995 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 sales procurements for the period July 1, 1992 through June 30, 1995
- (2) Procurement transactions for the period July 1, 1992 through June 30, 1995 as follows:
  - a) One hundred and eighty judgmental selected procurement transactions
  - b) An additional block sample of twelve RFB/RFQ's
  - c) A block sample of three hundred purchase orders from the audit period reviewed for order splitting and favored vendors
- (3) Surplus property disposition procedures
- (4) Minority Business Enterprise Plan and reports for the audit period
- (5) Information Technology Plans and approvals for fiscal years 93/94 and 94/95
- (6) Internal procurement procedures manual review
- (7) Real Property Management Office approvals of leases
- (8) Blanket purchase order files, blanket purchase agreements and physical plant work orders
- (9) Eight permanent improvement projects and nine A&E selections were reviewed for compliance with the Manual for Planning and Execution of State Permanent Improvements
- (10) File documentation and evidence of competition

## RESULTS OF EXAMINATION

The Office of Audit and Certification performed an examination of the internal procurement operating policies and procedures and related manual of College of Charleston for the period July 1, 1992 through June 30, 1995.

Our on-site reviewed was conducted July 18 through August 10, 1995 and was made under the authority as described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code. The audit was performed primarily because the three year certification granted the College by the Budget and Control Board is to expire February 25, 1996. Additionally, the College requested increased certification limits as follows:

Goods and Services	\$100,000
Consultants Services	\$100,000
Information Technology	\$100,000
Construction Services	\$ 25,000

Since our previous audit in 1992, the College of Charleston has maintained what we consider to a professional, efficient procurement system. We did note, however, the following points that should be addressed by management.

### Sealed Bid Review

We noted concerns in the following three sealed bid files and/or their resulting contract payments.

- A. IFB-GH 92 was for chiller preventive maintenance and was awarded on an hourly labor rate plus parts cost from the master cost sheet of the manufacturer. Voucher number 20304 dated 4/29/93 was a \$11,741.05 payment against this contract. Of this total, \$11,334.57 was for parts used during a chiller overhaul. The physical plant approved the invoice for payment without verifying the parts cost against the manufacturer's master cost sheet. Since the parts cost was part of the original award, all costs should have been verified against the hourly labor rate bid and the manufacturer's cost sheet.

We recommend all future invoices for labor and parts cost for maintenance contracts be verified against the original bid award.

- B. IFB-GH 93 was for welding and metal fabrication services. The contract was awarded on an hourly rate and materials at a cost plus 15% basis. One condition of the bid stated "Invoices must be submitted separating labor and materials charges". Voucher number

361 dated 7/22/93 was a \$12,500 payment against this contract. The invoice was for labor and materials to fabricate and install iron guardrails at the College.

The invoice did not break out the hourly rates or the materials cost as required by the bid, however, the invoice was approved for payment. Again, we recommend invoices not be approved for payment unless the hourly rate and materials cost have been verified against the original bid award.

**College Response to A & B**

At the time of issuance customer departments will be briefed by our procurement staff on the proper procedures for certifying invoices for specific types of contracts. Accounts Payable will be encouraged to return improperly submitted invoices to the vendor for correction.

C. IFB-LEA1 93 resulted in a blanket purchase order for mattresses, box springs and bed frames. The bid was awarded based on single unit costs for six difference items totaling \$205.26. Blanket purchase order 300562 was issued against this award for total potential purchases up to \$25,000. Different items bid are not bought at the same frequency rate. For example, mattresses usually are replaced more often than bed frames. Therefore, estimated quantities of items to be purchased should be factored in the bidding schedule to discourage vendors from "buying in" on item less frequently purchased and charging more for higher usage items.

We recommend estimated quantities be used in the bidding schedule when a contract is to be awarded based on an aggregate dollar amount.

**College Response**

It is our normal practice to factor in estimated quantities in the bid schedule for awards to be made based on an aggregate total. This method was inadvertently not used for IFB-LEA1.93.

**Freight Overpayment**

We noted unauthorized freight charges were paid on the following transactions.

<u>PO #</u>	<u>Date</u>	<u>Bid/Quotation Number</u>	<u>Excess Freight Paid</u>
304357	05/25/93	RFQ-RMB 49.93	\$16.97
400482	07/28/93	IFB-RMB 42.92	73.00
404554	04/18/94	RFQ-RMB 16.94	116.00
405424	06/06/94	RFQ-RMB 21.94	55.25
501197	08-05-94	RFQ-RMB 95.03	60.00

<u>PO Number</u>	<u>Date</u>	<u>Bid/Quotation Number</u>	<u>Excess Freight Paid</u>
502140	09-26-94	RFQ-RMB 95.09	16.91

The following statement was included in each solicitation, "Be sure shipping, FOB destination, is included in your unit price."

We recommend Accounts Payable not pay additional freight charges unless it is authorized on the purchase orders. Any discrepancies of freight charges should be verified with the procurement department for resolution before payment.

**College Response**

Accounts Payable has been given a list of which freight codes allow the payment of additional shipping charges and which do not. They are to verify any discrepancies of freight charges with the procurement officer for resolution before payment.

**Preferences Misapplied**

When preferences apply, the College has been subtracting the percentage of the preference from the requesting vendor's price for evaluation purposes. The preference should always be added to the vendors not claiming the preference. This procedure was outlined in a memo from the Material Management Officer dated August 17, 1981.

Our sample did not show any errors in awarding of bids based on incorrectly applied preferences. However, the potential for an incorrect award exists. We recommend the College exercise more care when applying bidding preferences.

**College Response**

The College was not aware of a memo from Materials Management Officer dated August 17, 1981 and had been deducting from the vendor claiming the preference as opposed to adding to the vendors not claiming a particular preference. We have changed our internal procedures per your recommendation.

**Unauthorized A&E Contracts**

Our review of construction related contracts revealed two instances where architectural and engineering services were rendered before the contract was approved by the State Engineer. On project H-9537-BW, to design the dormitory/ cafeteria facility, the SE-230 was approved by the State Engineer on September 12, 1992 for an amount not to exceed \$12,000. The invoice was dated January 29, 1992, seven months prior to the approval by the State Engineer. Because these services were performed before the contract was approved, this service contract was unauthorized.

Project H15-9549 BW for the center for entrepreneurship, the SE-230 was approved by the State Engineer on March 6, 1995 in an amount not to exceed \$4,290. The College was invoiced January 11, 1995 for work completed in November 1994 and January 1995. The services were completed before the A&E contract was submitted to the State Engineer for approval. The College recognized this was unauthorized and submitted the transaction to the College President for ratification. However, since the College had no procurement authority for A&E services, the A&E contracts should have been submitted to the Office of General Services for ratification rather than the College President.

We recommend the above contracts be submitted to the Materials Management Officer at the Office of General Services for ratification. Furthermore, we recommend the College submit all small A&E contract documents to the State Engineer for approval prior to the beginning of the required services.

#### **College Response**

The two A & E contracts cited as unauthorized have been submitted to the Materials Management Officer for ratification, per your recommendation.

#### **Missing Forms**

The College could not provide any evidence on the following architectural/engineering contract that the required federal forms 254 and 255 were obtained.

<u>Project #</u>	<u>Description</u>	<u>Contract Amount</u>
H15-9544	Old Gym Renovation	\$191,163

These forms are required by section 11-35-1220 of the Procurement Code and are used in evaluating the qualifications of firms for projects.

We recommend the College retain these forms on file for each A&E contracts.

#### **College Response**

We accept your recommendation and the Director of Facilities Planning will keep all required federal forms with the A & E contracts.

#### **Sole Source and Emergency Reporting Errors**

The College over reported a sole procurement by \$57,964.44 on a quarterly sole source report. Purchase order 400119, dated September 1, 1994 for computer equipment, contained state contract items that should not have been reported. Also, purchase order 304328 dated

March 31, 1993 for \$2,790 was reported twice, once in the 3rd quarter and once in 4th quarter of fiscal year 93/94. These respective quarterly reports should be amended accordingly.

Purchase order 403258 was an emergency purchase to inspect and repair boiler tubes. The purchase order was issued and reported at \$4,505. At the completion of the job, an additional \$14,850 worth of materials and labor were billed against this order. The additional amount of the emergency was never reported. Adequate internal procedures were lacking to ensure that additional costs incurred on emergency procurements are captured for reporting paper purpose.

We recommend the purchasing office develop an internal procedure to ensure that additional emergency expenditures are captured after the initial purchase order is issued.

#### **College Response**

Both sole source reporting discrepancies were the result of clerical error. The emergency purchase reporting error resulted from a lengthy time lapse between issuance and close out of a contract. We are developing internal procedures that include more attention to detail in the reporting of these exception contracts by the individual procurement officer as well as the administrative staff.

#### **Time and Date Stamping of Quotations**

When the purchasing office receives informal written quotations, the envelopes are time and date stamped and placed in a locked file until the time and date of the quote opening. After the opening, sometimes the envelopes are discarded leaving the official file without any evidence that the quotes were received timely.

We recommend the purchasing office continue to time and date stamped all quotation envelopes when received. The office should either file the stamped envelopes or time and date stamp the quotes at the time of opening to ensure timely receipt of responses can be verified by external audit.

#### **College Response**

The College has been handling quotations, both telephone and written, in accordance with small purchase procedures. This is an effort to not make procedures more process oriented than results oriented. We accept your recommendation to file envelopes and date stamp quotes and will explore ways to do this without making the process more cumbersome and complicated than we believe the reform act intended.

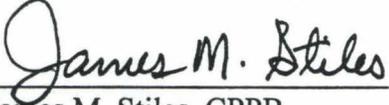
CERTIFICATION RECOMMENDATIONS

As enumerated in our transmittal letter, corrective action based on the recommendations described in this report, we believe, will in all material respects places the College of Charleston 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 recertification for three years at the levels below.

<u>PROCUREMENT AREA</u>	<u>RECOMMENDED CERTIFICATION LEVELS</u>
Goods and Services	*\$100,000
Consultants Services	*\$100,000
Information Technology	*\$100,000
Construction Services	*\$ 25,000

\* 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

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



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RAYMOND L. GRANT  
ASSISTANT DIRECTOR

January 2, 1996

Mr. Raymond L. Grant  
Materials Management Officer  
1201 Main Street, Suite 600  
Columbia, South Carolina 29201

Dear Ray:

We have reviewed the response from the College of Charleston to our audit report July 1, 1992 - June 30, 1995. Also, we have followed the College's correction action during and subsequent to our field work. We are satisfied that the 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 the College of Charleston 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

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