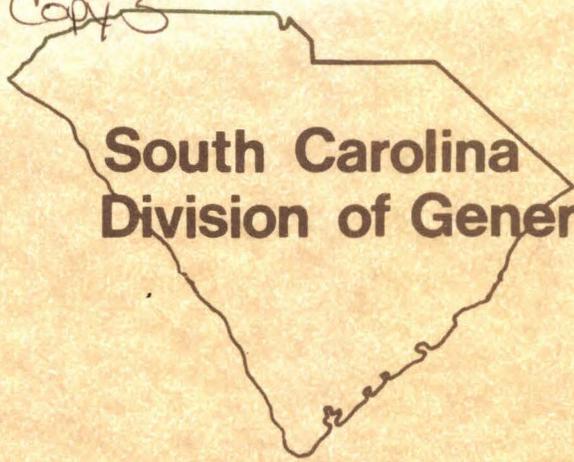


B85956
2.A44-2

Copy 3



**South Carolina
Division of General Services**

PROCUREMENT AUDIT AND CERTIFICATION

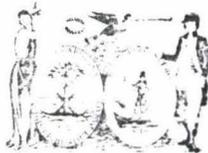
THE CONSOLIDATED SCHOOL
DISTRICT OF AIKEN COUNTY

AGENCY

JULY 1, 1990 - SEPTEMBER 30, 1992

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

JOHN DRUMMOND
CHAIRMAN, SENATE FINANCE COMMITTEE

WILLIAM D. BOAN
CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER F. CARTER
EXECUTIVE DIRECTOR

RICHARD W. KELLY
DIVISION DIRECTOR

MATERIALS MANAGEMENT OFFICE
1201 MAIN STREET, SUITE 600
COLUMBIA, SOUTH CAROLINA 29201
(803) 737-0600

JAMES J. FORTH, JR.
ASSISTANT DIVISION DIRECTOR

November 18, 1992

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 Consolidated School District of Aiken County 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.".

James J. Forth, Jr.
Assistant Division Director

JJF/jj

Attachment

THE CONSOLIDATED SCHOOL DISTRICT OF AIKEN COUNTY

PROCUREMENT AUDIT REPORT

JULY 1, 1990 - MARCH 31, 1992

FOLLOW-UP REVIEW

APRIL 1, 1992 - SEPTEMBER 30, 1992

TABLE OF CONTENTS

	<u>PAGE</u>
Transmittal Letter.....	1
Introduction.....	4
Scope.....	5
Summary of Audit Findings.....	7
Results of Examination.....	11
Conclusion.....	32
Follow-up Review.....	34

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



CARROLL A. CAMPBELL, JR., CHAIRMAN
GOVERNOR

GRADY L. PATTERSON, JR.
STATE TREASURER

EARLE E. MORRIS, JR.
COMPTROLLER GENERAL

JOHN DRUMMOND
CHAIRMAN, SENATE FINANCE COMMITTEE

WILLIAM D. BOAN
CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER F. CARTER
EXECUTIVE DIRECTOR

RICHARD W. KELLY
DIVISION DIRECTOR

MATERIALS MANAGEMENT OFFICE
1201 MAIN STREET, SUITE 600
COLUMBIA, SOUTH CAROLINA 29201
(803) 737-0600

JAMES J. FORTH, JR.
ASSISTANT DIVISION DIRECTOR

November 13, 1992

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 the Consolidated School District of Aiken County for the period July 1, 1990 - September 30, 1992. 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 the Consolidated School District of Aiken County is responsible for establishing and maintaining a

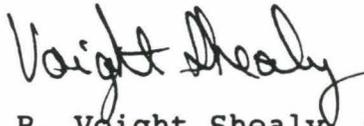
system of internal control over procurement transactions. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, 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 the Consolidated School District of Aiken County in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.



R. Voight Shealy, CFE, Manager
Audit and Certification

INTRODUCTION

On April 6 - May 21, 1992, we conducted an examination of the internal procurement operating procedures and policies of the Consolidated School District of Aiken County. We made the examination under authority described in Section 11-35-70 of the South Carolina Consolidated Procurement Code.

Our 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 Consolidated School District of Aiken County 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 appropriate for 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 the Consolidated School District of Aiken County 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 of procurement transactions for the period July 1, 1990 - March 31, 1992, 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, the following:

- (1) One hundred and five randomly selected procurement transactions which included maintenance contracts
- (2) An additional review of ten sealed bids which included seven supply warehouse term contracts
- (3) Fifteen judgementally selected procurement transactions from Food Services
- (4) Block sample of five hundred sequentially numbered purchase orders
- (5) The selection and approval of seven architect and engineering service contracts
- (6) Thirteen permanent improvement projects for approvals and compliance with the South Carolina School Facilities Planning and Construction Guide

- (7) All sole source procurements for the period
7/1/90 - 3/31/92
- (8) All emergency procurements for the period 7/1/90 - 03/31/92
- (9) Minority Business Plan and reports to the School Board
- (10) Adherence to applicable procurements laws, regulations and
internal policy
- (11) Procurement staff and training
- (12) Adequate audit trails
- (13) Evidence of competition and sealed bidding procedures
and format
- (14) Warehousing, inventory and disposition of surplus property
procedures
- (15) Property management accountability
- (16) Economy and efficiency of the procurement process

FOLLOW-UP REVIEW SCOPE

During a two day follow-up review that we performed October 21-22, 1992, we tested the following additional transactions:

- (1) All sole source and emergency procurements for the period
4/1/92 - 9/30/92
- (2) Five sealed bids processed since our audit
- (3) One hundred sequentially numbered purchase orders for the
period 9/15/92 - 9/18/92
- (4) Selection of one A&E contract
- (5) A review of the corrective action taken by the District

Please see page 34 of this report for the follow-up results.

SUMMARY OF AUDIT FINDINGS

Our audit of the procurement system of the Consolidated School District of Aiken County, 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 Made Without Evidence of Competition</u>	11
Five procurements were not supported by the required competition, sole source or emergency determinations.	
B. <u>Maintenance Contract Extended Without Competition</u>	12
One maintenance contract was extended without competition being solicited or a sole source determination being prepared.	
C. <u>Insufficient Number of Quotations or Bids Solicited</u>	13
On four procurements the District did not solicit the required number of bids or quotations.	
D. <u>State Contract Numbers Not Referenced</u>	13
State contract numbers were not referenced on purchase orders using state contract prices.	

E. <u>No Statements of Awards Prepared</u>	14
Two bid folders lacked statements of awards to the successful bidder.	
F. <u>No 16 Day Intent to Award Notice</u>	14
One proposal for a contract greater than \$50,000 lacked the required 16 day intent to award notice.	
G. <u>No Written Bid Tabulations Prepared</u>	15
Written bid tabulations were not prepared for a food service equipment bid and two sealed proposals.	
H. <u>Multi-Term Determinations Not Prepared</u>	16
The District failed to prepare multi-term determinations for two multiple year contracts.	
I. <u>Determinations for Requests for Proposals Not Prepared</u>	17
Determinations "to do" and "to award" proposals were not prepared in three instances.	
J. <u>Bidders List Not Available for Review</u>	17
The bidders list was not retained in one bid package for award greater than \$30,000.	

K. Sole Source and Emergency Determinations Not Approved 18

Two sole source and two emergency determinations were not approved by an authorized official.

L. Legal Services Contract Approval Not Documented 18

A contract for legal services was not supported by Board minutes.

M. Overpayment Made to Vendor 19

An overpayment of \$120.00 for freight was made to a vendor.

II. Sealed Bid Package Problems 20

The Purchasing Director needs to review the bid packages for clarity of bid opening time and dates, bid specifications, rejections of bids, statement of awards and signature of bidders.

III. Compliance - Food Service Contract 21

Food Service failed to seal bid smallware procurements which were greater than \$2,500.

IV. Compliance - Sole Source and Emergency Procurements 22

We noted the following types of exceptions in this area:

- a. Required reports not prepared
- b. Unnecessary sole sources
- c. Inappropriate sole source and emergency procurements
- d. Inadequate sole source justifications

V. General Review of Bid Package and Purchasing Procedures 26

We noted several areas where the bid packages and bidding procedures can be improved.

VI. Minority Business Enterprise Utilization Plan 28

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

VII. Missing Documentation in Permanent Improvement Files 29

Permanent improvement files documentation is incomplete and poorly organized for both A&E Services and major construction.

RESULTS OF EXAMINATION

I. Compliance - General Sample

To test for general compliance with the District's Procurement Code, hereinafter referred to as the District's Code, we selected a random sample of one hundred fifteen procurement transactions and/or contracts from the audit period July 1, 1990 through March 31, 1992. As a result of this testing, we noted the following exceptions:

A. Procurements Made Without Evidence of Competition

Five procurements were not supported by evidence of proper competition or sole source or emergency determinations. These were as follows:

<u>Item #</u>	<u>PO#/Check#</u>	<u>Amount</u>	<u>Item/Service Description</u>
1	93216	1,466.85	Trophies
2	87838	1,032.00	Forms detacher
3	90521	3,000.00	French drain
4	100315	3,600.00	Estimating services
5	95056	2,353.86	Electrical services

The District's Code and regulations require that all procurements above \$500.00, which are not exempt, be competitively bid or justified as sole source or emergency procurements.

Item (1) was a two year contract (approximately \$10,000 per year) for employee uniform rentals. This contract was handled by the Physical Plant instead of being submitted to the Purchasing Director. We recommend that the Purchasing Office solicit bids for a new contract at the end of this contract term.

Items (2) and (3) should have been supported by informal quotations obtained prior to purchase. Items (4) through (7) should have been bid by the Maintenance Department or the Physical Plant.

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

DISTRICT RESPONSE

The District will adhere to its codes requirements regarding competition and documentation of sole source/emergency determination on all future procurements.

B. Maintenance Contract Extended Without Competition

The District has extended the following contract year after year without seeking competition or preparing sole source determinations and multi-term determinations. This agreement was entered into prior to the District coming under the Code.

<u>DESCRIPTION</u>	<u>YEARLY AMOUNT</u>
Temperature control maintenance contract	\$20,964.84

The District must evaluate each continuing maintenance procurement and handle as appropriate: Either

- a) seek competition through sealed bid method.
- b) seek competition through request for proposal process.
- c) determine that the procurement is a sole source and prepare the sole source determination.

The District may make multi-year awards up to a maximum of five years if the services meet the criteria as stated in the regulations.

DISTRICT RESPONSE

The District will evaluate this continuing contract at the end of every five years. At the end of each five year contract period, the District will either:

- a) Seek competition through sealed bid method
 - b) Seek competition through request for proposal process
 - c) Determine that the procurement is a sole source and prepare the sole source determination.
-

C. Insufficient Number of Quotations or Bids Solicited

The District procured copiers and attachments from the United States General Services Administration (GSA) contract. Purchase order numbers 39124 for \$2,100 and 38152 for \$5,882.10 for these copiers were not supported by any additional competition. It is our opinion that these purchases should have been bid and the GSA price used as a responding competitive bid.

Also, purchase order 39923 for \$2,271.15 was for a stove and refrigerator. Only two written quotations were solicited. The District Code requires three written quotations.

Finally, purchase order 43174 for \$1,786.85 for electronic testing equipment was supported by four verbal quotes. However, the regulations require three written quotes.

DISTRICT RESPONSE

In the future, the District will solicit the required number of bids or quotations on all procurements.

D. State Contract Numbers Not Referenced

Many purchase orders resulting from state contracts failed to reference the applicable contract number. For compliance

verification, every purchase made from an existing state contract should reference the contract number.

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

DISTRICT RESPONSE

The District will begin referencing state contract numbers on purchase orders using state contract prices.

E. No Statements of Awards Prepared

The District could not document that a statement of award was prepared for the following awards:

<u>Bid#</u>	<u>Resulting PO#</u>	<u>PO Amount</u>	<u>Item Description</u>
B911218A	39881	\$ 3,137.40	Chalkboards
B911024	42120	30,485.02	Computer equipment

Section P.3. of the regulations states in part: "written notice of award shall be sent to the successful bidder in procurements over \$2,500.00."

A copy of the statement of award should be retained in all bid packages for compliance verification.

DISTRICT RESPONSE

In the future, a copy of the statement of award will be retained in all bid packages.

F. No 16 Day Intent To Award Notice

We noted that in the following proposal package, that the required 16 day intent to award notice was not prepared and mailed to the

responding bidders as required for all contracts in excess of \$50,000 per the District's Code (Section V.B.2.J).

<u>Proposal Number</u>	<u>Item/Description</u>	<u>Amount</u>
RFP 910809	Line of credit	\$ 200,000

Notice must be given to all responding bidders that a certain bidder is the lowest responsible and responsive bidder whose proposal meets the requirements and criteria set forth in the invitation.

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

DISTRICT RESPONSE

In the past, the District ran a general notice in the newspaper for notice of award over \$50,000 but no individual notices were sent. All future procurements over \$50,000 will be handled as recommended.

G. No Written Bid Tabulations Prepared

A bid tabulation was not prepared for bid package B921219 for food service equipment. Section V.B.2.f of the District's Code reads in part: "the amount of each bid..., together with the name of each bidder shall be tabulated. The tabulation shall be opened to public inspection at that time."

Furthermore, bid tabulation sheets were not prepared for the following requests for proposals:

<u>RPF#</u>	<u>Description</u>
910809	Line of credit
910619	Educational supplies

All tabulation sheets should be signed by the Purchasing Agent and witnessed by an assistant at the opening.

DISTRICT RESPONSE

A "tabulation sheet" form has been developed by Food Service on all bids and has been utilized since this was brought to the attention of the Supervisor of Purchasing and Director of Food Service. All tabulation sheets will be signed by the Purchasing Agent and witnessed by an assistant at the opening. All purchasing agents have been instructed as to the proper procedure to be used.

H. Multi-Term Determinations Not Prepared

The District failed to prepare multi-term determinations to support two multiple year contracts. These were for bids B921212 for educational supplies and B911024D for educational technology equipment. The District's regulations, Section Y.4, states in part... "a multi-term contract may be used when it is determined in writing (Emphasis Added) 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)

Since the required determinations were not prepared, extension options should not be exercised. The District should prepare these determinations to support future multi-term solicitations to ensure compliance with its Code.

DISTRICT RESPONSE

All future multi-term contract procurements will have multi-term determination prepared by the Supervisor of Purchasing. Notice will furnish all purchasing agents authorized to procure. Procurements cited will not be renewed after this contract expires.

I. Determinations for Requests for Proposals

We noted three instances where required written determinations to solicit proposals and award proposals were not prepared.

These exceptions were as follows:

<u>RPF#</u>	<u>Description</u>
910809	Line of credit
910619	Educational supplies
911212	Educational supplies

Section V.B.3 of the District's Code states in part: "the purchasing department will determine in writing that competitive sealed proposals will be used in the procurement of new technology or nonstandard items complex in nature." Further, this section reads "Award shall be made to the responsive offeror whose proposal is determined in writing to be the most advantageous to the District..."

(Emphasis Added)

We recommend the District adhere to these requirements on all requests for proposals in the future.

DISTRICT RESPONSE

Future procurements will have written determinations to solicit proposals and award proposals. All purchasing agents authorized to procure will receive notice of this requirement.

J. Bidders List Not Available for Review

Since a bidders list was not in the file, we were unable to document the number of bids solicited in bid package B911024D. Since the award was \$30,485.02, ten bids should have been solicited.

We recommend that a bidders list be documented in each sealed bid file.

DISTRICT RESPONSE

Bidders list will be documented in each sealed bid file.

K. Sole Source and Emergency Determinations Not Approved

The following sole source and emergency determinations were not approved by the appropriate authority.

<u>Item#</u>	<u>PO#/Check#</u>	<u>Amount</u>	<u>Item Description</u>
1	42393	\$ 1,367.28	Parts for custodial equipment
2	40208	1,117.20	Elementary school furniture
3	88687	1,621.77	Services to extract water from carpet
4	86780	12,696.28	Replacement of carpet

All four purchases made mention of a sole source or emergency situation, however; a written determination by the Comptroller was never approved as required by the District's Code.

The District must ensure that valid determinations are prepared and approved prior to using the sole source or emergency procurement methods.

DISTRICT RESPONSE

The District purchasing agents will ensure that valid determinations are prepared and approved prior to using the sole source or emergency procurement methods.

L. Legal Services Contract Approval Not Documented

The required approval by the Board of Trustees for professional services by a law firm was not available for review. Section IV.6.f of

the District's Code states: "No contract for the services of attorneys shall be awarded without the approval of the Board of Trustees or its designee."

We were unable to determine if this approval requirement was met for check number 100381 for \$2,451.60.

This approval should be made part of the voucher package.

DISTRICT RESPONSE

The District will require formal approval by the Board prior to contracting with attorneys.

M. Overpayment Made to Vendor

Purchase order 38683 for \$1,773.50 was for musical instruments. The successful vendor quoted free freight. However when the invoice came in, a \$120.00 freight charge had been added by the vendor making the payment due \$1,893.50. Accounting paid the invoice without discussing the difference with the Purchasing Director. The District's Code states in Section X.2 that "adjustments in price shall be documented with a written change order." If this procedure had been followed, the overcharge should have been caught and the overpayment not made.

We recommend that the District develop a comprehensive change order policy to address the type and amount of difference that Accounting may pay without Purchasing's approval, the type and amount of difference that Purchasing can merely approve and the type and amount of difference that requires a written change order. Generally, since Purchasing is most familiar with its agreements with vendors, we recommend their review of invoice differences.

DISTRICT RESPONSE

Overpayment was made and the District is recovering the money. All differences in invoices and purchase orders will be verified by the Purchasing Agent.

A comprehensive change order policy will be developed as recommended.

II. Sealed Bid Package Problems

We noted problems in the following sealed bid files:

A. In bid B911024 for a computer for \$4,592.82 we noted the following inconsistencies:

1. There were conflicting times listed for the bid opening
2. The letter of award was dated prior to the bid opening
3. The letter of award referenced the wrong bid number
4. The contract agreement title referenced "W-2" forms instead of "computers."

B. In Bid B900522B for wax/finishes, we noted that the documentation in the bid file did not clearly explain the rejection of some of the low bids.

C. In Bid 910619 for a piano for \$2,720, we noted the following problems:

1. The letter of award was dated prior to the bid opening date.
2. The low bid, by \$400.00, was rejected without any written justification even though the bid allowed for a "brand name or equal" product.

D. Bid 911016 for a car was to be opened 10/16/90. However, a purchase order was issued 10/09/90 for \$9,394.01 for the vehicle and justified as a sole source procurement because

the District needed immediate delivery. In response to the solicitation, two other bids were received but the purchase had already been made. The invitation for bids was never cancelled and should have been. In our opinion, this appears to have been more of an emergency than a sole source procurement.

E. In Bid B910326 for office furniture awarded for \$3,431.57, we noted the following problems:

1. The invitation showed conflicting opening dates which were a month apart. There was no evidence of an amendment or clarification in the file.
2. The bids of five vendors were not signed and should have been rejected as per condition 18 of the invitation for bids.

Bid awards must be made based on the requirements of each invitation for bids. If conditions or instructions are incorrect or change, all bidders must be notified by a written amendment prior to bid opening.

DISTRICT RESPONSE

Personnel will make every effort to correct mistakes and other typographical errors contained in bid packages.

Any low bids rejected will clearly explain why their bids were rejected. Purchasing personnel will ensure that all bids are signed as rejected.

III. Compliance - Food Services

In reference to purchase order numbers 45070 and 45073, the District received two informal quotations for food service smallwares. However, since the estimated quantities and prices on this invitation for quotations exceeded \$10,000, competitively sealed bids should have

been solicited from at least ten bidders, if available, according to the District's regulations.

In the future, the District must anticipate the total potential expenditure when determining the appropriate source selection method.

DISTRICT RESPONSE

In the future, the appropriate method of procurement will be used to purchase smallwares.

IV. Compliance - Sole Source and Emergency Procurements

A. Required Reports Not Prepared

Section VIII.D. of the District's Procurement Code requires the following records of procurement actions:

1. Contents of Record: The District shall submit semiannually a record listing all contracts made under sole source procurement or emergency procurements to the Comptroller (Emphasis Added). The record shall contain:
 - a. Each contractors name
 - b. The amount and type of each contract
 - c. A listing of the supplies, services, equipment, or construction procured under each contract.

The purchasing department shall maintain these records for 5 years.

2. Publication of Record: A copy of the record shall be submitted to the Board, through the Superintendent on an annual basis and shall be available for public inspection.

These reports have not been prepared, submitted to the Board or made available for public inspection.

We recommend that the District immediately implement these reporting requirements of its Code.

DISTRICT RESPONSE

This report was presented to the Aiken County Board of Education August 11, 1992. Reports have been prepared in the past but not sent to the Board. In the future, all requirements will be met.

B. Unnecessary Sole Sources

Because the following five procurements were exempt from the District's Code, they should not have been justified as sole sources:

	<u>PO#</u>	<u>PO Amount</u>	<u>Date</u>	<u>Description</u>
1.	46796	\$ 1,585.82	09/26/91	Copyrighted software/film-strips/guides
2.	41098	1,022.41	10/19/90	Copyrighted program materials
3.	40559	838.79	10/24/90	Related materials for books
4.	39846	1,465.40	09/09/90	Copyrighted program materials
5.	38754	2,406.00	07/31/90	Computer curriculum courseware

We recommend that the District not use the sole source procurement method for exempt items.

DISTRICT RESPONSE

In the future, all exempt procurements will be handled in the recommended manner.

C. Inappropriate Sole Source and Emergency Procurements

(1) We believe the following two sole sources were inappropriate:

	<u>PO#</u>	<u>PO Amount</u>	<u>Date</u>	<u>Description</u>
1.	42627	\$ 953.40	12/27/90	End tables
2.	40134	1,794.98	10/04/90	Electronic supplies

Regulation S.2. states that "sole source procurement is not permissible unless there is only a single supplier."

The District should ensure that competition is solicited for commercially available items and that sole source procurements are limited to the criteria outlined in its Code and regulations.

(2) We believe that one emergency totalling \$805.88 for styro trays was inappropriate (Ref. purchase order number 44890).

Section V.7 of the District's Code states that emergency procurements may be made when:

"...there exists an immediate threat to public health, welfare, critical economy and efficiency, or safety under emergency conditions as defined in regulation; and provided, that such emergency procurements shall be made with as much competition as is practicable under the circumstances...."

The justifications for these procurements did not fully explain the reasons for the emergencies. Further, competition was not solicited for either item. Since both of these procurements could have been made using small purchase procedures, the emergency procurement method was inappropriate.

We recommend that the District adhere to its guidelines for emergency procurements.

DISTRICT RESPONSE

In the future, every effort will be made to solicit competition for commercially available items. Sole source items will be documented as to amount of competition solicited. Emergency purchases will be fully explained by written justification.

The District will adhere to its guidelines for emergency purchases.

D. Inadequate Sole Source Justifications

The following four sole source determinations were either poorly justified or inappropriate:

<u>PO#</u>	<u>PO Amount</u>	<u>Date</u>	<u>Description</u>
1. 47205	\$ 648.00	10/21/91	Software for special education
2. 38861	601.94	08/14/90	Chemicals
3. 47906	1,431.35	11/25/91	Curriculum materials
4. 47558	552.50	11/08/91	Meeting room and meal

For items 1 and 2, the justifications were vague and did not fully explain the reason for use of the sole source method of purchase.

Item 3 was sole sourced for compatibility after competition (comparison of catalog prices) had been obtained. Because this item was available from other sources, it was inappropriate to use the sole source method of procurement.

Item 4 was also sole sourced for compatibility. The District sole sourced a meeting room and meals at a local restaurant.

In each case noted above, the District should have provided more complete justifications and ensured compliance with the District's Regulation, S.2. Also, the District should make sure that these justifications are consistent in terminology with the Code and regulations.

In most cases, sole source determinations merely repeat one of the allowed sole source conditions from the District's regulations rather than explaining how each procurement fits that condition. We recommend that each sole source determination be written in such a manner that it alone justifies the procurement as a sole source.

DISTRICT RESPONSE

Each sole source determination will be written to fully explain the justification of a sole source.

V. General Review of Bid Packages and Purchasing Procedures

A. Bid Packages and Bidding Procedures Need Improvement

Throughout our review of sealed bids and bid packages, we noted several areas where improvements need to be made.

1. Terminologies of sealed bid packages should be consistent. In the same invitation for bids we saw references to (1) quote prices, (2) bids and (3) quotations. These terms are not the same. If the package is an invitation for bids, then all references should be as such. The bid package should not be called a "memorandum."
2. Most invitations for bids do not state how the award will be made, such as by lots, individual items or in total. This award criteria should be included in all bids.
3. There is no place in the bid package for bidders to address delivery time or allowable discounts.
4. Bid tabulation sheets are seldom signed and never witnessed. These two procedures are not only required, they are necessary purchasing practices in case of protests.
5. Mailed and hand carried sealed bids or proposal envelopes are not time and date stamped when they are received, only if the bid is late. All bids should be time and date stamped to document timely receipt of all bids.
6. Invitations for bids should be proof read for clarity. We noted several instances of misspellings, conflicting bid opening times and dates, and conflicting bid titles versus what was actually being requested in the bid.

7. In the invitation for bids it states, "the right is reserved, in case of tie bids, to make awards considered to be most advantageous to the School District." However, this is not appropriate as the District's Code spells out in Section V.B.2(i) exactly how a tie will be handled.
8. When the Purchasing Office receives sealed bids prior to the opening date, they file them in the bid folder in a central file. However, the file is not kept locked per purchasing personnel. This file drawer has a lock on it and per the regulations must be kept locked.

B. Improvements to the Purchase Order

1. The purchase order does not include delivery dates or applicable discount terms. These items should be shown when available.
2. Some purchase orders only reference the word, "bid", "RFP" or "state contract" on the face of the purchase order. The bid, RFP or state contract number itself should be referenced on the purchase order to identify the solicitation or contract that supports the purchase.

DISTRICT RESPONSE

The Purchasing Department will develop and use consistent terminology in sealed bid packages. Award criteria will be included in all bids. Future bid packages will reserve a place for bidders to address delivery time or allowable discounts. Bid tabulation sheets will be signed and witnessed. In the future, all bids will be time and date stamped to document timely receipt of all bids. Invitation to bids state that ties will be resolved according to section V.B2(i) of the code. All sealed bids will be maintained in a locked file prior to opening date.

VI. Minority Business Enterprise Utilization Plan

Act 493 of 1984, which brought the Consolidated School District of Aiken County 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 procurement;
- (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, regulation CC.5(e) requires fiscal year (FY) reporting procedures as follows:

- (1) The MBE Utilization Plan shall be submitted to the Board not later than June 30, 1990, and annually thereafter.
- (2) Progress reports will be submitted quarterly to the Superintendent not later than thirty (30) days after the last day of each fiscal quarter.
- (3) Annual reports will be submitted to the Board not later than thirty days after the end of the fiscal year.

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 had not been approved by the Board of Trustees.

We recommend the MBE plan be presented to the Board for approval and the MBE reporting requirements be fulfilled.

DISTRICT RESPONSE

The MBE plan was presented to the Board in June 1992.

VII. Missing Documentation in Permanent Improvement Files

During our review of the permanent improvement files, we reviewed the selection process of seven architect/engineer service firms and thirteen major construction files for approvals and compliance with the South Carolina School Facilities Planning and Construction Guide.

As can be seen by the following noted exceptions, the documentation in project files is incomplete and in disarray.

A. Missing A/E File Documentation

The following is a list of required documentation missing from the A/E selection process.

<u>Project</u>	<u>Documentation Missing</u>
1 Voc Ed Renovations	1. Newspaper advertisement 2. A&E Form 254 3. Ranking of five A&E firms 4. No Board approval minutes
2 HVAC upgrade	1. Only interviewed four firms
N. Augusta High	2. No Board approval minutes

B. Missing Major Construction Documentation

The following is a list of required documentation missing from the construction files:

<u>Contract Description</u>	<u>Original Contract Amount</u>
1. Additions to E. Aiken Elementary School	\$645,394.00
(1) 16 Day Intent to Award Letter	
(2) Bid Form of Low Bidder	
(3) Bid Bond with Power of Attorney	
(4) List of Subcontractors	
2. Oakwood Windsor School	\$ 44,910.00
(1) Performance Bond	
(2) Labor and Materials Payment Bond	
3. Belvedere Elementary School	\$ 45,500.00
(1) Performance Bond	
(2) Labor and Materials Payment Bond	
(3) General Power of Attorney	
(4) Bid Bond with Power of Attorney	
(5) List of Subcontractors	
4. Renovations to Paul Knox Middle School	\$159,400.00
16 Day Intent to Award Notice	
5. Roof replacement E. Aiken Elementary School	\$ 33,541.00
(1) Newspaper Advertisement	
(2) Bid Tabulation Sheet	
(3) Performance Bond	
(4) Labor & Materials Payment Bond	
(5) General Power of Attorney	
(6) Bid form of Low Bidder	
(7) Bid Bond with Power of Attorney	
(8) List of Subcontractors	
6. Renovation to Schofield Middle School	\$627,019.00
16 Day Intent to Award Letter	
7. E. Aiken Elementary School	\$202,712.00
16 Day Intent to Award Letter	

Since the District has been unable to provide these required documents, we have been unable to verify compliance with its Code and regulations on these projects. Because of this, we must consider these exceptions.

We recommend that, in the future, the Physical Plant complete its project files with the required documentation. We also recommend that the project officer devise a check off list for these required documents to insure all files are complete and support the steps taken throughout the project.

DISTRICT RESPONSE

The contract specialist has devised and is using a list to check off documents required to insure all files are complete. The construction management firm employed by the District has been sent a copy of the procurement code. This firm will assist in meeting the required documentation.

CONCLUSION

We must express our concern over the variety and number of exceptions noted during this audit. However, we recognize that this is our first audit of the District since it enacted its Code and regulations.

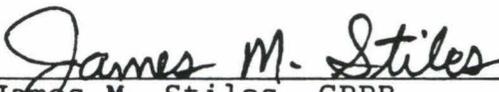
As enumerated in our transmittal letter, corrective action based on the recommendations described in this report, we believe, will in all material respects place the District in compliance with the South Carolina Consolidated Procurement Code. Subject to this corrective action, we recommend that the Consolidated School District of Aiken County be allowed to continue procuring all goods and services in accordance with Section 11-35-70 of the South Consolidated Procurement Code.

In order to verify corrective action, we will perform a follow-up review on or before October 31, 1992.

DISTRICT RESPONSE

The Aiken County School District Administration is of the opinion that some of the exceptions contained in the audit would not have occurred if the Purchasing Office was properly staffed. Many of the clerical errors and lack of documentation exists because of the volume and lack of personnel to properly adhere to the code.

Other exceptions have occurred due to the interpretations of the code. A review will be made of the District's Procurement Code to clarify ambiguities.


James M. Stiles, CPPB
Audit Manager


R. Voight Shealy, CFE, Manager
Audit and Certification

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

JOHN DRUMMOND
CHAIRMAN, SENATE FINANCE COMMITTEE

WILLIAM D. BOAN
CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER F. CARTER
EXECUTIVE DIRECTOR

RICHARD W. KELLY
DIVISION DIRECTOR

MATERIALS MANAGEMENT OFFICE
1201 MAIN STREET, SUITE 600
COLUMBIA, SOUTH CAROLINA 29201
(803) 737-0600

JAMES J. FORTH, JR.
ASSISTANT DIVISION DIRECTOR

November 18, 1992

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

Dear Jim:

To conclude our audit, we performed a two-day follow-up review at the Consolidated School District of Aiken County to determine if the District has taken the corrective actions as outlined in our audit report. The scope of our follow-up review included, but was not limited to, the following:

- (1) All sole source and emergency procurements for the period 4/1/92 - 9/30/92
- (2) Five sealed bids processed since our audit
- (3) One hundred sequentially numbered purchase orders for the period 9/15/92 - 9/18/92
- (4) Selection of one architect-engineer contract
- (5) A review of the corrective action taken by the District

This review produced several findings and recommendations that we have communicated to the District. Overall, we found that the District has made progress toward correcting the findings noted and implementing the recommendations made in our audit report.



James Forth
Page 2
November 18, 1992

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,

R. Voight Shealy
R. Voight Shealy, Manager
Audit and Certification

RVS/jj

