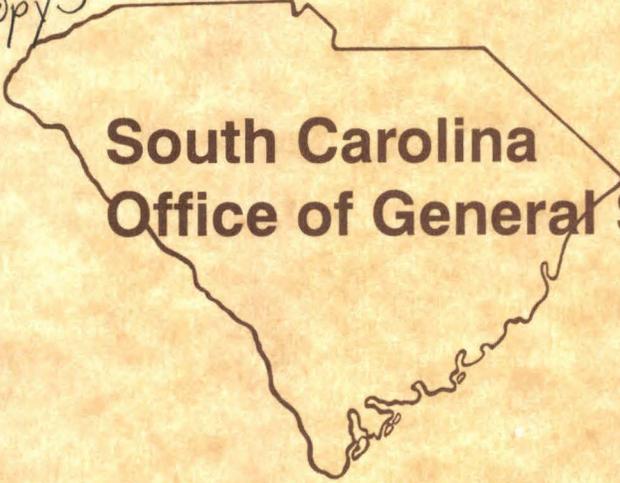


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**South Carolina
Office of General Services**

PROCUREMENT AUDIT AND CERTIFICATION

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STATE DOCUMENTS

TRI-COUNTY TECHNICAL COLLEGE

AGENCY

JULY 1, 1994 - DECEMBER 31, 1996

DATE

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State Budget and Control Board
OFFICE OF GENERAL SERVICES



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COLUMBIA, SOUTH CAROLINA 29201
(803) 737-0600
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VOIGHT SHEALY
ASSISTANT DIRECTOR

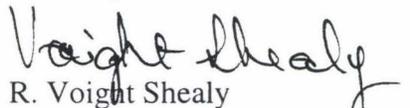
June 12, 1997

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

Dear Helen:

I have attached the audit report for Tri-County Technical College. Since we are not recommending any certification above the basic \$5,000 allowed by the Code, no action is required by the Budget and Control Board. Therefore, I recommend that the report be presented to the Budget and Control Board as information.

Sincerely,


R. Voight Shealy
Materials Management Officer

/tl

**TRI-COUNTY TECHNICAL COLLEGE
PROCUREMENT AUDIT REPORT**

JULY 1, 1994 - DECEMBER 31, 1996

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CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER F. CARTER
EXECUTIVE DIRECTOR

May 9, 1997

Mr. R. Voight Shealy
Materials Management Officer
Office of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Voight:

We have examined the procurement policies and procedures of Tri-County Technical College for the period July 1, 1994 through December 31, 1996. 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 State 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 Tri-County Technical 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, 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 that we believe need correction or improvement.

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

Sincerely,



Larry G Sorrell, Manager
Audit and Certification

SCOPE

We conducted our examination with Generally Accepted Auditing Standards as they apply to compliance audits. Our examination encompassed a detailed analysis of the internal procurement operating procedures' manual to the extent we deemed necessary to formulate an opinion on the adequacy of the system to properly handle procurement transactions. That examination was limited to procurements made with local funds, which include federal funds, local appropriations, contributions and student collections, which is the procurement activity managed by the College. As in all South Carolina technical colleges, state funded procurements are managed by the State Board of Technical and Comprehensive Education.

Specifically, the examination included, but was not limited to a review of the following:

- (1) All sole source and emergency procurements and trade-in sales for July 1, 1994 through December 31, 1996 .
- (2) Payment transactions for July 1, 1994 through December 31, 1996
 - a) Sixty payments each exceeding \$1,500
 - b) Block sample of approximately 450 numerically sequenced vouchers
- (3) Minority Business Enterprise Plan and quarterly reports for July 1, 1994 through December 31, 1996
- (4) Internal procurement procedures manual
- (5) Information technology plans and approvals
- (6) Surplus property disposal procedures
- (7) Blanket purchase agreement files

RESULTS OF EXAMINATION

The Office of Audit and Certification conducted an examination of the internal procurement operating policies and procedures and related manual of Tri-County Technical College, hereinafter referred to as the College. Our on-site review was conducted from January 20 through January 24, 1997 and was made under the authority as described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Regulations 19-445.2020. We found most transactions to be correct but did note the following items.

Unauthorized Procurements

We noted five procurements where services were rendered prior to approval by an authorized person.

<u>Item</u>	<u>Reference Number</u>	<u>Date of Service(s)</u>	<u>Date of Authorization</u>	<u>Amount</u>	<u>Description</u>
1	P530326	10/21/96- 11/26/96	11/26/96	\$2,557.10	Repairs to dump truck
2	P013862	02/08/95	02/24/95	2,643.12	Repairs to truck tractor
3	P520322	12/12/95- 12/20/95	01/12/96	2,136.32	Repairs to vehicles
4	Ck 006819	05/01/95	None	2,765.95	Welding supplies
5	Ck 018085	06/26/96	None	2,560.00	Upgrade to voice mail system

On items 1, 2, and 3, the maintenance department took the vehicles to the vendors prior to the procurement officer's knowledge and consent. The classroom supplies for item 4 were specifically requested by the company sponsoring the program. The instructor thought that since the company would be reimbursing the College the purchasing procedures did not apply. The upgrade for item 5 did not come through the procurement office.

On page 3 of the College's Purchasing Policies and Procedures Manual, the commitments section states, "The Procurement Department, along with the Vice President for Finance and

Administration and the Director of Personnel and Administration Services, have the sole authority to make commitments for supplies, equipment and services necessary for the operation of the College.” In all of these cases, authorization was not received prior to the commitment. Regulation 19-445.2015 of the Code defines an unauthorized procurement as an act obligating the State in a contract by any person without the requisite authority to do so by an appointment or delegation. Since the procurements were not approved, each is an unauthorized procurement. A ratification must be submitted to the College President for each unauthorized procurement.

We recommend the College identify unauthorized procurements and comply with Regulation 19-445.2015. The accounts payable department needs to monitor payment requests for procurement authorization.

No Competition

We noted five procurements that were not supported by competition, sole source or emergency determination.

<u>Item</u>	<u>Check</u>	<u>PO</u>	<u>Amount</u>	<u>Description</u>
1	008067	None	\$1,950	Catering service
2	007988	520039	3,715	Rental of billboards for advertising
3	001173	None	1,888	Maintenance agreements
4	008721	520101	2,739	Maintenance agreements
5	003106	510466	2,285	Repairs to van

The College was not aware that procurements for these type of items were subject to the Code. Section 11-35-40(2) of the Code states in part, “This Code shall apply to every expenditure of funds by this State acting through a governmental body as herein defined irrespective of the source of the funds.” Section 11-35-1510 of the Code lists methods of source selection.

We recommend the College review its interpretation of the exemptions from the Code and Regulations. Items subject to the Code and Regulations must be procured to comply with the Code and Regulations.

Unnecessary Sole Sources

A computer was bought for \$3,710 on purchase order 12328. The manufacturer offered the computer to the College at a savings of \$4,058 over the term contract. Section 11-35-310 (33) of the Code allows the College to procure items from a vendor other than the term contract vendor if a savings of at least ten percent is realized. The term contract vendor must, however, be given an opportunity to match the price given by another vendor. Since the term contract vendor would not meet the price of \$3,710, a sole source was not necessary.

A data link for the internet was procured for \$1,800 on purchase order 13229 from another technical college. The sole source justification was based on a cost reduction by using another college. An exemption to the Code was granted by the Budget and Control Board on March 22, 1994, for contracts between state agencies. The exemption states in part, "In accordance with Section 11-35-710... delegates the Office of General Services the authority to exempt contracts between state governmental agencies under Section 11-35-4830 and 11-35-4840 for supplies and services provided a cost justification is submitted to the Office in advance." The College should have procured the link using the exemption rather than a sole source.

Blanket Purchase Agreements

The College has purchase orders called "standing orders." The College's manual reads, "A standing order may be used to simplify the filling of anticipated repetitive needs for small quantities of supplies or services on a monthly basis by establishing a charge account with qualified supply sources." This definition matches Regulation 19-445.2100 (B) regarding blanket purchase agreements. However, the standing orders do not address the following items required by Regulation 19-445.2100 (B).

- Description of Agreement
- Extent of Obligation
- Notice of Individuals Authorized to Place Calls

- Delivery Tickets which must include:
 - name of supplier
 - blanket purchase agreement number
 - date of call
 - call number
 - itemized list of supplies of services furnished
 - quantity, unit price, and extension
 - date of delivery or shipment
- Invoicing method

We recommend the College include these items as part of the process for standing orders.

Delegation of Authority

We noted several instances of departments bypassing the Procurement Department. The College's procedure manual states, under Commitments, "The Procurement Department, along with the Vice President for Finance and Administration and the Director of Personnel and Administration Services, have the sole authority to make commitments for supplies, equipment and services necessary for the operation of the College." However, it appears that many purchases do not have these approvals prior to commitment. We recommend the College either comply with its manual concerning these approvals or change the manual to include delegation of small purchasing authority.

Incorrect Award

On purchase order P510498, the requester determined the low bidder based on unit price rather than the price extensions. The awarded vendor quoted a unit price of \$12.81 per thousand for one item and \$8.44 per thousand for the other item. Another vendor quoted on a unit price on a per carton basis with each carton containing 2,700 pieces. If the requester had extended the pricing, they would have found the awarded vendor's total price was \$1,839 while the actual low bid was \$1,410. Section 11-35-1550 (2) (b) requires that the award be made to the lowest responsive and responsible vendor.

We recommend the College review unit prices carefully prior to award to ensure that vendors are quoting in the same quantity.

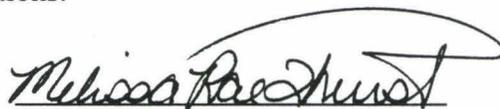
Receiving Report Does Not Support Amount Paid

The College was billed and paid \$5,360.09 on check 096009 that included \$234.44 for printing overages and \$134.40 for blue-line charges. The receiving information did not identify the actual amount received. The file did not contain any information on the blue-line charges. As a result, we could not reconcile the receiving information and file documents to the amount of the invoice. We recommend the receiving reports adequately reflect the amount received. Any changes to the order should be properly documented.

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 place Tri-County Technical College in compliance with the South Carolina Consolidated Procurement Code and ensuing Regulations.

In order to determine that corrective action has been taken, we will perform a follow-up review prior to June 30, 1997. Subject to this corrective action and since Tri-County Technical College has not requested additional procurement certification, we will recommend the College be allowed to continue procuring all goods and services, consultant services, construction services and information technology up to the basic level of \$5,000 as allowed by the Consolidated Procurement Code and accompanying regulations.



Melissa Rae Thurstin
Senior Auditor



Larry G Sorrell, Manager
Audit and Certification



June 7, 1997

Mr. Larry G. Sorrell
Audit & Certification
Materials Management Office
1201 Main St. Suite 600
Columbia, SC 29201

Dear Mr. Sorrell,

This letter is our response to the procurement audit of Tri-County Technical College for the period of July 1, 1994 - December 31, 1996.

We concur with all findings and recommendations as stated in your report to us on May 9, 1997.

You have received the letters of ratification signed by the College President. We have begun the implementation of all recommendations. This process will be completed during the 97/98 fiscal year.

All variances of the code have been discussed with the individuals concerned and have been assured of future compliance.

Sincerely,

A handwritten signature in dark ink, appearing to read "Thomas W. Lewis", is written over a light-colored background.

Thomas W. Lewis
Vice President of Finance/Administration

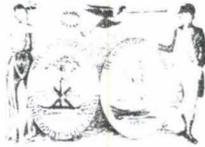
c: Melissa Thurstin, Senior Auditor
Wilma Johnston, Procurement Officer
Faye Allen, Director of Fiscal Affairs

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VOIGHT SHEALY
ASSISTANT DIRECTOR

June 11, 1997

JOHN DRUMMOND
CHAIRMAN, SENATE FINANCE COMMITTEE

HENRY E. BROWN, JR.
CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER F. CARTER
EXECUTIVE DIRECTOR

Mr. Voight Shealy
Materials Management Officer
Materials Management Office
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Voight:

We have reviewed Tri-County Technical College's response to our audit report for July 1, 1994 - December 31, 1996. Also, we have followed the College's corrective 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.

Additional certification was not requested. Therefore, we recommend the College be allowed to continue procuring all goods and services, construction, information technology and consulting services up to the basic level of outlined in the Code.

Sincerely,

A handwritten signature in cursive script that reads "Larry G. Sorrell".

Larry G. Sorrell, Manager
Audit and Certification

LGS/tl

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