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**South Carolina  
Division of General Services**

# PROCUREMENT AUDIT AND CERTIFICATION

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MIDLANDS TECHNICAL COLLEGE

**AGENCY**

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APRIL 1, 1985 - MARCH 30, 1986

**DATE**

STATE OF SOUTH CAROLINA  
**BUDGET AND CONTROL BOARD**

DIVISION OF GENERAL SERVICES  
300 GERVAIS STREET  
COLUMBIA, SOUTH CAROLINA 29201  
(803) 737-2150

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WILLIAM J. CLEMENT  
ASSISTANT DIVISION DIRECTOR

March 2, 1987

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

Dear Rick:

Attached is the final Midlands Technical College audit report and recommendations made by the Office of Audit and Certification. I concur and recommend the Budget and Control Board grant the College two years certification as outlined in the audit report.

Sincerely,

William J. Clement, AIA  
Assistant Division Director

Attachment

TABLE OF CONTENTS

	<u>PAGE</u>
Transmittal Letter.....	1
Introduction.....	3
Background.....	4
Scope.....	5
Summary of Audit Findings.....	7
Results of Examination.....	8
Certification Recommendation.....	13

MIDLANDS TECHNICAL COLLEGE  
AUDIT REPORT

April 1, 1985 - March 31, 1986

STATE OF SOUTH CAROLINA  
**BUDGET AND CONTROL BOARD**  
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JESSE A. COLES, JR., Ph.D.  
EXECUTIVE DIRECTOR

WILLIAM J. CLEMENT  
ASSISTANT DIVISION DIRECTOR

April 1, 1986

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

We have examined the local fund procurement policies and procedures of Midlands Technical College for the period April 1, 1985 - March 31, 1986. As a part of our examination we made a study and evaluation of the system of internal control over local fund procurement transactions to the extent we considered necessary.

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

The administration of Midlands Technical College is responsible for establishing and maintaining a system of internal control over procurement transactions. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of

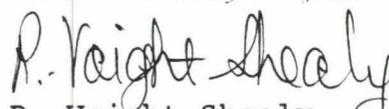
control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance of the integrity of the procurement process, that affected assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and are recorded properly.

Because of inherent limitations in any system of internal control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the system of internal control over procurement transactions as well as our overall examination of procurement policies and procedures were conducted with due professional care. They would not, however, because of the nature of audit testing, necessarily disclose all weaknesses in the system.

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

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



R. Voight Shealy  
Office of Audit and Certification

## INTRODUCTION

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

Our on-site review was conducted April 1, 1986 through April 18, 1986, and was made under the authority as described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Regulation 19-445.2020.

The examination was directed principally to determine whether, in all material respects, the procurement system's internal controls were adequate and the procurement procedures, as outlined in the Internal Procurement Operating Procedures Manual, were in compliance with the South Carolina Consolidated Procurement Code and its ensuing regulations.

BACKGROUND

Section 11-35-1210 of the South Carolina Consolidated Procurement Code states:

The (Budget and Control) Board may assign differential dollar limits below which individual governmental bodies may make direct procurements not under term contracts. The Division of General Services shall review the respective governmental body's internal procurement operation, shall certify in writing that it is consistent with the provision of this code and the ensuing regulations, and recommend to the board those dollar limits for the respective governmental body's procurement not under term contract.

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

<u>Area</u>	<u>Amount</u>
Goods and Services (local funds only)	\$10,000.00
Consultant Services	10,000.00
Information Technology	10,000.00
Construction	10,000.00

## SCOPE

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

The Office of Audit and Certification selected random samples for the period July 1, 1985 - March 31, 1986, of local fund procurement transactions for compliance testing and performed other auditing procedures that we considered necessary in the circumstances to formulate this opinion. As specified in the Consolidated Procurement Code and related regulations, our review of the system included, but was not limited to, the following areas:

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

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

SUMMARY OF AUDIT FINDINGS

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

	<u>PAGE</u>
I. <u>COMPLIANCE - PROCUREMENTS</u>	8
Three purchases were not made in accordance with the Procurement Code.	
II. <u>Sole Source and Emergency Procurements</u>	9
Seven procurements were handled improperly as sole sources. One emergency procurement resulted from poor planning.	
III. <u>Procurement Procedures Manual</u>	11
Our review of the current manual indicated several areas that need to be added, changed or expanded.	

RESULTS OF EXAMINATION

I. Compliance - Procurements

Our examination included a review of sixty transactions selected at random from the period of July 1, 1985 through March 31, 1986. The majority of these procurements were in compliance with the Code, however, we did encounter the following problems.

	<u>P.O. Number</u>	<u>P.O. Amount</u>	<u>Description</u>
1.	07970	\$1,722.75	Graphic tablet repair
2.	08202	\$1,814.40	Coil evaporators
3.	06739	\$ 950.00	Recover greenhouse

Item one was not supported by evidence of competition, and item two was improperly supported by two phone quotations, instead of written quotations as required by Section 19-445.2100 Subsection B - item 3 of the regulations. All future procurements greater than \$500.00 must be either competed or, if appropriate, justified as sole source or emergency procurements.

Payment for item three was \$1,144.00. The price increase was not approved by the Purchasing Department. In order to insure proper payment, Purchasing should review and approve or disapprove contract price changes.

AGENCY RESPONSE

We concur with the findings of the procurement auditor on item no. one. Three written quotations should have been solicited for the graphic tablet repair. In the future, we will endeavor to solicit the appropriate competition regardless of the circumstances.

We concur with the findings of the procurement auditor on item no. two. Three written quotations should have been

solicited for the coil evaporators rather than the two phone quotations. We have developed a standard request form to use when soliciting written quotations and will use this form when written quotations are required.

We concur with the findings of the procurement auditor on item no. three. Payment had not been properly approved by the Purchasing Department. In order to insure proper payment, Purchasing will review and approve or disapprove contract price changes. We have developed an amendment form to be issued when an approved change affects the total value of the order by 10% or \$100.00, whichever is lesser.

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II. Sole Source and Emergency Procurements

SOLE SOURCE

Our review of sole source and emergency procurements for the quarters April 1, 1985 through March 31, 1986 revealed the following exceptions that do not qualify as sole sources:

<u>P.O. #</u>	<u>Amount</u>	<u>Description/Justification</u>
004766	\$2,305.75	Label Affixer.... "one of two systems demonstrated...clearly superior in design." Preference for one piece of equipment does not constitute a sole source criteria. Competition should have been solicited.
005017	\$2,074.10	Display Booth. "Vendor is sole distributor for booth. Not available from anybody else according to vendor." Competition should have been solicited.
06190	\$1,681.50	Key cutter machine. "Duplicates keys....and has advanced features which makes it easier to use than other machines." Preferred design features do not meet sole source requirements.
05775	\$ 700.00	New door, frame and hardware. "Contractor already on jobsite to install wall and both needed to be done at the same time." Poor planning does not meet sole source requirements.

06318	\$ 567.00	Gas Detector...."used by S.C.E.&G. personnel and is recommended as the best." In our opinion, this is not a sole source. Solicitation of one additional phone quote could have eliminated the need for a sole source.
06168	\$ 551.54	Anatomical charts. In our opinion, this is not a sole source.
07837	\$ 570.54	Amplifying equipment. In our opinion this is not a sole source and should be competed.

Section 19-445.2105 indicates that a sole source procurement is not permissible unless there is only a single supplier. Further, it states that, "In cases of reasonable doubt, competition should be solicited." Sole source procurements must meet both criteria of being unique items or services and being available from only a single supplier.

All but one of these transactions could have been handled under the small purchase provisions of the regulations. As a general rule, sole source procurements should be avoided when these simplified procedures can be used.

EMERGENCY

The following emergency procurement did not meet the criteria of Regulation 19-445.2110 which states that situations exist which would seriously threaten the functioning of state government, preservation of property, or the health and safety of persons.

<u>P.O. #</u>	<u>Amount</u>	<u>Description/Justification</u>
05861	\$1,575.00	Furniture had to be upholstered and delivered back to Winnsboro by 08/09/85 due to startup of program and reception.

Poor planning resulting in an emergency situation does not meet the proper criteria for an emergency procurement. The college should make a better effort to eliminate these type of procurement resulting from poor planning.

#### AGENCY RESPONSE

We concur with the procurement auditor's report citing seven improper sole sources. We have redesigned the sole source form listing acceptable criteria for sole source determination. We have adopted a more restrictive attitude toward sole source procurements.

We concur with the procurement auditor's report citing one improper emergency procurement. We have redesigned the emergency procurement form listing acceptable criteria for emergency procurement determination. We have adopted a more restrictive attitude toward emergency procurements.

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### III. Procurement Procedures Manual

The following areas of the manual need to be added, changed or expanded:

1. Page 2: Insert general organizational chart covering procurement.
2. Section B, Item 1.A., Page 3: Clarify delegation of authority to request quotes (i.e., maintenance).
3. Section B, Item II, Page 4: Reference the Code and regulation requirements, responsibility for written determinations, ratification procedures and pecuniary liability.
4. Section B, Item IV, Page 4: Reference certification of college if applicable.
5. Include in Section B, a short statement addressing the following:
  - A) Retention of Records

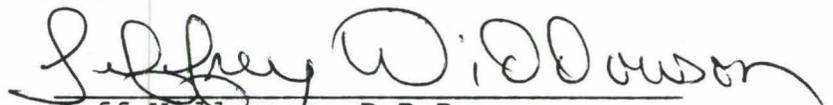
- B) Term Contract Usage (mandatory)
  - C) Approval Authority for Written Determinations
  - D) Sample Submission
6. Move all exhibits to an appendix section (i.e., copies of requisition, purchase order, quote, bid forms, etc.)
  7. Include in the manual or appendix a list of the latest exemptions approved by the Budget and Control Board.
  8. Section C, Item 1, Page 7: Delete the first paragraph at the top of the page which deals with compatibility as this is replaced by sole source procurements.
  9. Section C, Item VI, Page 8: Use this section to address emergency procurements rather than confirmation orders. Indicate criteria for an emergency, determination approvals, etc.
  10. Section C, Item XIX - Page 13: Clarify this statement as to whether this policy concerns blanket agreements or blanket orders. If it is an open order of expendable supplies, reference the necessary competitive requirements.
  11. Section C, Item XXI - Page 13: rewrite this procedure to indicate that consultant and professional services are subject to competitive procurement unless specifically exempted by the Budget and Control Board.

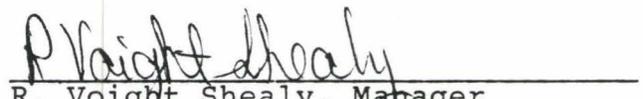
CERTIFICATION RECOMMENDATIONS

As enumerated in our transmittal letter, corrective action based on the recommendations described in the findings contained in the body of this report, we believe, will in all material respects place Midlands Technical College 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 recommend Midlands Technical College be certified to make direct agency procurements up to the limits as follows:

<u>PROCUREMENT AREAS</u>	<u>RECOMMENDED CERTIFICATION LIMITS</u>
Goods and Services	\$10,000 per purchase commitment
Information Technology in accordance with the approved Information Technology Plan (Local Funds Only)	\$10,000 per purchase commitment
Consultants (Local Funds Only)	\$10,000 per purchase
Construction (Not recommended at this time)	

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

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

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

March 2, 1987

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

Dear Bill:

We have returned to Midlands Technical College to determine the progress made toward implementing the recommendations in our audit report covering the period April 1, 1985 through March 31, 1986. During this visit, we followed up on each recommendation made in the audit report through inquiry, observation and limited testing.

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

We, therefore, recommend that the certification limits as outlined in the audit report, be granted for a period of two (2) years.

Sincerely,

A handwritten signature in cursive script that reads "R. Voight Shealy".

R. Voight Shealy, Manager  
Audit and Certification

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