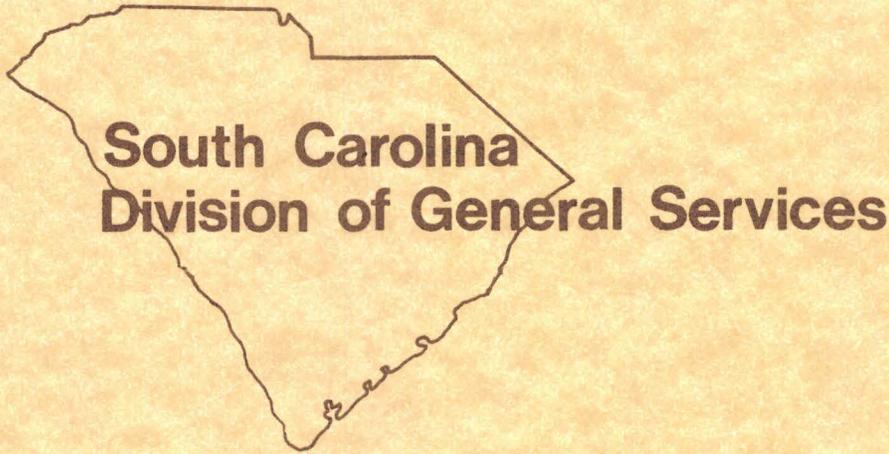


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PROCUREMENT AUDIT AND CERTIFICATION

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FLORENCE - DARLINGTON
TECHNICAL COLLEGE

AGENCY

MAY 20, 1986

DATE

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WILLIAM T. PUTMAN
EXECUTIVE DIRECTOR

May 20, 1986

Mr. Tony R. Ellis
Division Director
Division of General Services
300 Gervais Street
Columbia, South Carolina 29201

Dear Tony:

Attached is the final Florence-Darlington Technical College audit report and recommendations made by the Office of Audit and Certification. I concur and recommend the Budget and Control Board grant two (2) years certification as outlined in the audit report.

Sincerely,

A handwritten signature in cursive script that reads "Richard W. Kelly".

Richard W. Kelly
Assistant Division Director

kl

Attachment

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WILLIAM T. PUTMAN
EXECUTIVE DIRECTOR

March 10, 1986

Mr. Richard W. Kelly
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 the Florence-Darlington Technical College for the period April 1, 1985 - January 7, 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 department 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 Florence-Darlington Technical College is responsible for establishing and maintaining a system of internal control over local fund 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 local fund 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 the Florence-Darlington Technical College in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

R. Voight Shealy
R. Voight Shealy, Manager
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 the Florence-Darlington Technical College.

Our on-site review was conducted January 7, 1986, through January 16, 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 over local funds 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 materials management office 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 the Florence-Darlington Technical College for certification to make procurements in the following category and designated amount:

<u>Area</u>	<u>Amount</u>
Goods and Services (local funds only)	\$30,000.00

SCOPE

Our examination encompassed a detailed analysis of the internal procurement operating procedures of the Florence- Darlington 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 local fund procurement transactions.

The Audit and Certification team statistically selected random samples for the period July 1, 1985 - January 7, 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 the Florence-Darlington Technical College produced findings and recommendations in the following areas:

	<u>PAGE</u>
I. <u>COMPLIANCE - PROCUREMENTS</u>	
A. <u>Blanket Purchase Agreements</u>	8
Two blanket purchase agreements had releases above \$500.00 each which were not competed as required by the regulations.	
B. <u>Sole Source Determination Not Prepared</u>	9
One sole source determination was not prepared.	
II. <u>CHANGE ORDER POLICY</u>	9
The College does not have a written change order policy.	
III. <u>REVIEW OF THE PURCHASING PROCEDURES MANUAL</u>	10
The manual is inadequate for higher certification limits.	

RESULTS OF EXAMINATION

I. COMPLIANCE - PROCUREMENTS

Our examination of procurements consisted of a sample of sixty transactions from the period July 1, 1985 through January 7, 1986. We found the majority of these procurements to be properly handled, however, we did encounter the following violations.

A. Blanket Purchase Agreements

Two blanket purchase agreements were issued for a truck driving class. One was for the repair of the vehicles used by the students and the other for diesel fuel (RE: P.O. #3086 & 3088). Blanket purchase agreements are used for small procurements in which no competition has been solicited and releases are anticipated to be less than \$500.00 each.

Releases in excess of \$500.00 were made on both blanket purchase orders. Regulation 19-445.2100 requires that competition be obtained on all procurements which exceed \$500.00.

In the future, the College must either compete these services prior to agreements being establishing or seek competition for releases that exceed \$500.00. Additionally, the College President must ratify the procurements referenced above in accordance with Regulation 19-445.2015.

B. Sole Source Determination Not Prepared

The College had the manufacturer repair an automobile computer aligner and diagnostic computer on purchase order number 2602 in the amount of \$1,115.52. Purchasing failed to obtain quotes or prepare a sole source determination.

We agree that this procurement was probably a sole source but the required determination was not prepared.

We remind the College that all procurements in excess of \$500.00 must be competed or sole source/emergency determinations must be executed. The College President must ratify this procurement in accordance with Regulation 19-445.2015.

II. CHANGE ORDER POLICY

We found three payments which exceeded the amounts on the purchase orders.

<u>Purchase Order Number</u>	<u>Purchase Order Amount</u>	<u>Amount Paid</u>
3590	\$200.00	\$555.06
1776	\$8,684.00	\$11,856.00
2615	\$956.08	\$1,205.74

Payments were made only after verbal approvals were obtained from Purchasing, however, neither the invoices nor the purchase orders reflected these approvals.

Good internal control requires that all changes in price or quantity be well documented and approved by Purchasing, the authorized contracting agent.

We recommend a change order procedure be instituted and included in the Purchasing Procedures Manual.

One example of how this procedure could read is that all overages could be paid by Accounting, with the approval of Purchasing, to a maximum of ten percent (10%) of the purchase order not to exceed \$100.00. Any overage exceeding these guidelines would require a formal change order document issued by Purchasing.

III. REVIEW OF THE PURCHASING PROCEDURES MANUAL

We reviewed the Purchasing Procedures at Florence-Darlington Technical College and found them adequate for certification at the basic level. However, the manual must be expanded and additional policies and procedures incorporated if higher certification limits are to be granted to the College.

We have, by separate letter, provided the College with the increased requirements to be included in their manual.

We recommend that the College develop a comprehensive purchasing procedures manual.

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 Florence-Darlington 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 Florence-Darlington 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 exclusive of printing equipment which must be approved by the Division of Information Resources Management (local funds only)	\$10,000 per purchase commitment

MB Williams Jr.
Marshall B. Williams, Jr., Supervisor
Office of Audit and Certification

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



FLORENCE-DARLINGTON TECHNICAL COLLEGE

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President
FRED C. FORE

April 28, 1986

Mr. R. Voight Shealy, Manager
Office of Audit and Certification
Budget and Control Board
300 Gervais Street
Columbia, South Carolina 29201

Dear Mr. Shealy:

Thank you for the draft audit and certification report for Florence-Darlington Technical College prepared by the Audit and Certification Section pursuant to their on-site review. Likewise, we appreciate your most informative and courteous visit of April 25.

Upon reading the draft, the administration of the College is given even more assurance that we are in compliance with the South Carolina Procurement Code and ensuing regulations. While our attention is called to some areas of procurement, we assure you that action has been taken to prevent future errors.

All Blanket Purchase Agreements are now entered into after seeking competition. As we anticipate a truck driving course to start in the month of May, we have already received bids for these needs. Also sole source documents are given extreme care to insure compliance. A written Change Order Policy is now incorporated into a more comprehensive Purchasing Policies and Procedures Manual which is attached.

Our administration is very proud of the Purchasing track record of the College. Much care has been taken throughout the years to insure a competitive purchasing system even prior to the enactment of the Procurement Code in 1981. Compliance with the Code and ensuing regulations is not new to the College but has been an accepted practice for many years. In essence, our policy is to receive goods and services at the most economical price.

Mr. R. Voight Shealy, Manager
Office of Audit and Certification
Budget and Control Board
April 28, 1986
Page 2

We wish to thank Mr. Williams for his courteous and professional approach in the audit process. His efforts are to be commended for producing a most thorough and factual report.

Sincerely,

FLORENCE-DARLINGTON TECHNICAL COLLEGE



Efford H. Windham
Vice President
for Fiscal Affairs

EHW:lna

Attachment

cc: Mr. Fred C. Fore, President
Mr. John N. Blackmon, Procurement Officer

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EXECUTIVE DIRECTOR

RICHARD W. KELLY
ASSISTANT DIVISION DIRECTOR

May 19, 1986

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

Dear Rick:

We have returned to Florence-Darlington Technical College to determine the progress made toward implementing the recommendations in our audit report covering the period April 1, 1985 through January 7, 1986. During this visit, we followed up on each recommendation made in the audit report through inquiry, observation and limited testing.

The Audit and Certification Section observed that Florence-Darlington Technical College has made substantial progress toward correcting the problem areas found and improving the internal controls over the procurement system. We feel that, 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

/k1

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