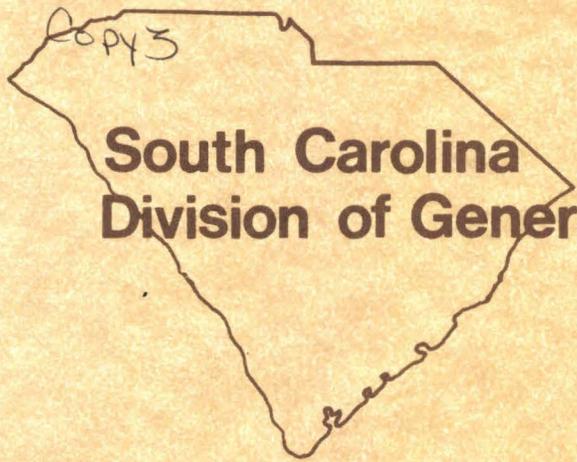


B85956
2.G63
1993

copy 3



**South Carolina
Division of General Services**

PROCUREMENT AUDIT AND CERTIFICATION

S. C. STATE LIBRARY
MAY 1 1993
STATE DOCUMENTS

GREENVILLE COUNTY SCHOOL DISTRICT

AGENCY

APRIL 1, 1990 - DECEMBER 31, 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

RICHARD W. KELLY
DIVISION DIRECTOR

JOHN DRUMMOND
CHAIRMAN, SENATE FINANCE COMMITTEE

WILLIAM D. BOAN
CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER F. CARTER
EXECUTIVE DIRECTOR

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

JAMES J. FORTH, JR.
ASSISTANT DIVISION DIRECTOR

January 27, 1993

Mr. Richard W. Kelly
Director
Division of General Services
1201 Main Street, Suite 420
Columbia, South Carolina 29201

Dear Rick:

I have attached the Greenville County School District 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

GREENVILLE COUNTY SCHOOL DISTRICT
PROCUREMENT AUDIT REPORT

APRIL 1, 1990 - JUNE 30, 1992

FOLLOW-UP REVIEW

JULY 1, 1992 - DECEMBER 31, 1992

TABLE OF CONTENTS

	<u>PAGE</u>
Transmittal Letter.....	1
Introduction.....	3
Scope.....	4
Summary of Audit Findings.....	6
Results of Examination.....	10
Conclusion.....	32
Follow-up Review.....	33

NOTE: The District's responses to issues noted in this report have been inserted immediately following the items 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

January 26, 1993

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 Greenville County School District for the period April 1, 1990 through December 31, 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 District 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.

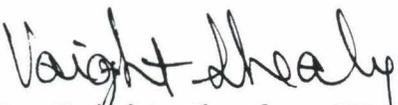
The administration of Greenville County School District is responsible for establishing and maintaining a system of internal control over procurement transactions. In fulfilling

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.


R. Voight Shealy, CFE, Manager
Audit and Certification

INTRODUCTION

We conducted an examination of the internal procurement operating procedures and policies of Greenville County School District. Our on-site review was conducted June 3 - July 31, 1992 and was made under authority described in Section 11-35-70 of the South Carolina Consolidated Procurement Code. 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 Greenville County School District Procurement Code, were in compliance with existing laws and regulations and with accepted public procurement standards.

As with audits of state agencies, our work was directed toward assisting the 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 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. It encompassed a detailed analysis of the internal procurement operating procedures of Greenville County School District 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 manage procurement transactions.

We statistically selected random samples of procurement transactions for the period July 1, 1990 - June 30, 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) Two hundred forty randomly selected procurement transactions
- (2) An additional review of twenty sealed bids which included seven food service contracts
- (3) Block sample of five hundred sequentially numbered purchase orders
- (4) The selection and approval of ten architect and engineering service contracts
- (5) Twenty-two permanent improvement projects for approvals and compliance with the South Carolina School Facilities Planning and Construction Guide
- (6) All sole source procurements for the period 7/1/90 - 6/30/92
- (7) All emergency procurements for the period 7/1/90 - 6/30/92

- (8) Minority Business Enterprise Plan and reports to the School Board of Trustees
- (9) Adequate audit trails
- (10) Evidence of competition and sealed bidding procedures and format
- (11) Warehousing, inventory and disposition of surplus property procedures
- (12) Property management accountability
- (13) Economy and efficiency of the procurement process

FOLLOW-UP REVIEW SCOPE

During a two day follow-up review that we performed January 21-22, 1993, we tested the following additional transactions and corrective actions taken:

- (1) All sole source and emergency procurements for the period 7/1/92 - 12/31/92
- (2) Twenty one sealed bids procured since our audit
- (3) A review of the corrective action taken by the District

Please see page 33 of this report for the follow-up results.

SUMMARY OF AUDIT FINDINGS

Our audit of the procurement system of Greenville County School District, hereinafter referred to as the District, produced findings and recommendations in the following areas:

	<u>PAGE</u>
I. <u>Compliance - General</u>	
A. <u>Procurements Made Without Evidence of Competition</u>	10
<p>Thirteen procurements were not supported by the required competition, sole source or emergency determinations.</p>	
B. <u>Insufficient Number of Bids Solicited</u>	12
<p>In six cases, the required number of bids were not solicited.</p>	
C. <u>Unauthorized Procurements</u>	13
<p>The District uses a direct expenditure process where procurements are made without approval from the Purchasing Department. However, since the District's Code does not provide for this procedure, nine procurements were unauthorized. Further, the competition requirements of the District's Code were not met on any of them.</p>	

D. Overpayment to Vendor 15

Payment was made to a vendor for \$381.55 more than the bid price.

E. No 16 Day Intent To Award Notice 15

We noted one bid award over \$50,000 where the 16 day intent to award notice was not prepared and mailed to the responding bidders.

F. State Contract Numbers Not Referenced 16

Some purchase orders failed to reference the applicable contract number.

II. Construction and Related Professional Services 17

The District could not provide complete documentation for two contracts. The required number of bids were not solicited on four procurements and requestor's bypassed the Purchasing Department altogether on three others.

Finally, District officials outside the Purchasing Department assigned two separate procurements to blanket purchase agreements even though the orders exceeded the scope of those agreements.

III. <u>Bid Award Problems</u>	23
<p>We noted four instances where there were problems with bids and/or awards.</p>	
IV. <u>Sole Source Procurements and Emergency Procurements</u>	
A. Four sole source procurements were inappropriate.	25
B. Nine sole source determinations were poorly justified.	26
C. Eleven sole sources were not approved by the appropriate authority.	27
V. <u>Exempted Purchases</u>	28
<p>The District's Board of Trustees needs to update its purchasing exemption list.</p>	
VI. <u>Minority Business Enterprise Reports</u>	29
<p>Required reports of minority business assistance have not been made to the Assistant Superintendent for Finance and Operations. Also, the annual report to the Board of Trustees has not been filed.</p>	

VII. Governor's School for the Arts

30

The District provides administrative support services for the South Carolina Governor's School for the Arts.

Because the Governor's School has its own Board of Director's, it is not completely a part of the District, but the District processes all of its expenditures. However, the District files did not provide documentation to indicate compliance with the State Code or the District Code for five expenditures.

RESULTS OF EXAMINATION

I. Compliance - General

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 two hundred forty procurement transactions and/or contracts from the audit period April 1, 1990 through June 30, 1992. As a result of this testing, we noted the following exceptions:

A. Procurements Without Evidence of Competition

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

<u>Item#</u>	<u>PO#/Voucher#(V)</u>	<u>Amount</u>	<u>Item/Service Description</u>
1.	72729	\$ 3,000.00	Servicing of sewing machines
2.	93575	940.00	Computer tables
3.	94351	669.91	Assorted note pads
4.	21357(V)	892.50	Pick up of used oil
5.	55501(V)	6,123.60	Books printed and assembled
6.	66780	7,862.87	Production of slide presentation
7.	58947	8,880.00	Computer maintenance
8.	59589	659.30	Electric ranges
9.	135(V)	931.70	Service contract for copier
10.	2934(V)	1,600.00	Service contract for copier
11.	2324(V)	3,682.80	Computer maintenance
12.	58373	1,000.00	Service contract for copier
13.	71340(V)	15,000.00	Drug Intervention Program

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.

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

DISTRICT RESPONSE

- Item 1: The District concurs with this finding. Proper bid procedures will be adhered to in the future.
- Item 2: The District concurs with this finding. An old bid was used and should have been considered a multi-term bid.
- Item 3: The District concurs with this finding.
- Item 4: Waste oil mixed with water was discovered in an oil separator tank at Golden Strip Career Center when an oily skin was found in a field near a ground water discharge point. The tank had to be pumped immediately to prevent environmental damage. An emergency procurement form should have been prepared and will be prepared in the future.
- Item 5: This was books distributed to the 1,800 Facilities Study participants. Because of schedule, an emergency procurement document should have been prepared.
- Item 6: This was for production of the slide presentation for the Facilities presentation. This represented a discount price, but some notation of such should have been made.
- Item 7: This was for a maintenance contract on the testing scanner. An assumption was made by the Purchasing Department that this was considered under the state exemptions, since it was service by original vendor.
- Item 8: The District concurs with this finding. This was an agreement between the School District and Duke Power to exchange appliances for home economics classes each year. This practice has been discontinued by Duke Power.
- Item 9: This was for a contract renewal for copier maintenance. If a vendor is changed there is generally a requirement that certain work must be done to enter into a new contract. Therefore, a renewal without bids was done. These will be bid in the future.
- Item 10: Same as Item 9.
- Item 11: This was not bid because it was a confirming requisition.
- Item 12: Same as Item 9.
- Item 13: This was for a grant from the state specifying the use of Greenville Drug and Alcohol Commission as

administering the program. There should have been a sole source procurement form completed since this was a legitimate transaction.

B. Insufficient Number of Quotations or Bids Solicited

The District failed to solicit the required competition on the following six procurements.

<u>PO#</u>	<u>Amount</u>	<u>Required Solicitations</u>	<u>Actual Solicitations</u>
1. 73537	\$ 1,625.96	3 written quotes	2 telephone quotes
2. 73558	1,806.10	3 written quotes	2 written quotes
3. 72136	10,865.48	10 sealed bids	7 sealed bids
4. 58528	12,535.00	10 sealed bids	3 sealed bids
5. 59203	14,888.35	10 sealed bids	5 sealed bids
6. Bid # 391-372-11-6	12,913.00	10 sealed bids	5 sealed bids

The District's Code and Regulations require the solicitation of the following competition:

- \$ 500.01 - \$1,499.99 - Solicitation of telephone quotations from a minimum of two qualified vendors.
- \$1,500.00 - \$2,499.99 - Solicitation of written quotations from a minimum of three qualified vendors.
- \$2,500.00 - \$4,999.99 - Solicitation of sealed bids from a minimum of three qualified vendors.
- \$5,000.00 - \$9,999.99 - Solicitation of sealed bids from a minimum of five qualified vendors.
- \$10,000.00 and above - Solicitation of sealed bids from a minimum of ten qualified vendors.

If the minimum number of qualified bidders required cannot be solicited, the purchasing agent shall certify in writing that all known sources were solicited.

The District should ensure that the minimum competition requirements of its Code are adhered to.

DISTRICT RESPONSE

- Item 1: The District concurs with this finding.
 - Item 2: The District concurs with this finding.
 - Item 3: The District concurs with this finding. However, the purchase by instructional services was not anticipated to be over \$10,000. From \$5,000 to \$10,000, five solicitations are required.
 - Item 4: Same as Item 3.
 - Item 5: Same as Item 3.
 - Item 6: Same as Item 3.
-

C. Unauthorized Procurements

We noted the following nine payments that were made without the prior written approval of the Purchasing Department. In each case, a requisition with attached invoice was sent to the Accounting Department without involvement or knowledge of Purchasing personnel.

	<u>Voucher#</u>	<u>Description</u>	<u>Amount</u>
1.	14858	Car rental	9,195.63
2.	7702	Catering service	650.00
3.	56269	Occupational therapy services	2,372.52
4.	55438	Occupational therapy services	1,674.72
5.	51312	Consultant fee	650.00
6.	2097	Printing of programs	615.00

7.	52303	Homebound instructions	1,668.00
8.	53616	Catering services	869.40
9.	73395	Psychological evaluations	750.00

The District has no written procedures for a direct expenditure system. Procurement authority is vested with the Purchasing Department. Since the procurements were made by persons without the requisite authority, they are unauthorized and must be ratified in accordance with the District's Code.

Additionally, required competition was not solicited for any of these procurements.

We recommend that the District align its practices with its procedures. If it intends to continue to make direct expenditures, procedures must be developed to control the process and ensure compliance with the District Code. Otherwise, the practice should be discontinued.

DISTRICT RESPONSE

- Item 1: This transaction was for obtaining cars for driver education. The Purchasing Department was involved in soliciting dealerships and car rental services. The vendor selected was the only rental services interested. This requisition should not have been sent to accounting without signatures from Purchasing, this practice will be discontinued in the future.
- Item 2: The District concurs with this finding.
- Item 3: The District concurs with this finding. Purchase Orders for these services should have been written.
- Item 4: Same as Item 3.
- Item 5: Same as Item 3.
- Item 6: Same as Item 3.
- Item 7: Same as Item 3.
- Item 8: Same as Item 3.
- Item 9: Same as Item 3.

D. Overpayment Made to Vendor

Voucher #6086 for \$3,060.91 was in payment for printing a newsletter. The successful bidder quoted \$2,496.00 for 8,000 copies. However, when the invoice was received, the charge was \$2,877.55 for 8000 copies, or an increase of \$381.55 over his quoted price in bid number 189-382-7-25. The Communication Department approved the payment.

The District's Code states in Section X.A.2 that "adjustments in price shall be documented with a written change order."

We recommend that all payment differences between the purchase orders and invoices, greater than an amount to be established by the District, be authorized by a written change order from the Purchasing Department.

DISTRICT RESPONSE

The change order procedure will be used in the future on such an increase. However, the Communications Department was aware of and approved the difference as a legitimate invoice.

E. No 16 Day Intent To Award Notice

We noted in the following bid package that the required 16 day intent to award notice was not prepared and mailed to all responding bidders as required for contracts in excess of \$50,000 by the District's Code (Section V.B.2.J.):

<u>Bid#</u>	<u>Service Description</u>	<u>Amount</u>
191-115-4-25	Garbage collection contract	\$145,805.00

Notice must be given to all responding bidders that a certain bidder is the lowest responsive and responsible bidder whose bid 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

The Purchasing Agent inadvertently failed to give the required notice. This procedure is part of the normal process of bids of this type. Final cost to the District was not affected and no protests were lodged.

F. State Contract Numbers Not Referenced

Some purchase orders resulting from state contracts, especially information technology maintenance contracts, failed to reference the applicable contract numbers. 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

This is not a code violation, but care will be given to recording these numbers on purchase orders in the future.

II. Construction and Related Professional Services

We tested sixty randomly selected transactions charged to construction or related services expenditure accounts, then traced twenty-two of the sixty to major construction contractor procurements and ten of the sixty to architect-engineer services procurements. For these tests, we reviewed documentation from the Facilities Planning Office as well as the Purchasing Office. We found the following exceptions:

A. Documentation Not Available

The identified documentation was not available for review as follows:

<u>Pay Date</u>	<u>PO#</u>	<u>Description</u>	<u>Amount</u>
1. 11/21/91 - signed contract	77090	Parker Middle School Design Lighting	\$ 3,600.00
2. 01/13/92 - intent to award	79517	Hillcrest-Stage equipment	\$159,000.00

Without the required documentation, we must consider these procurements exceptions. We recommend that the District take care to obtain all required documentation in the future.

DISTRICT RESPONSE

Item 1: The referenced P.O. #77090 was issued to an engineer for the design of a new stage lighting system for Parker Middle School. No signed contract could be located. However, the purchase order, which contractually binds both the District and vendor, is on file.

Item 2: Purchase Order #79517 - Hillcrest Stage Equipment, Intent to Award. No evidence exists that the Purchasing Department issued an intent to award; however, a comparison of contract and bid dates confirms that the mandatory sixteen-day waiting period was observed prior to entering the contract. Documents are attached which verify that period.

B. Required Number of Bids Not Solicited

The District's Code requires that bids be solicited from a minimum of ten qualified sources for procurements of \$10,000 or more. However, in the following cases, this was not done:

<u>Pay Date</u>	<u>PO#</u>	<u>Description</u>	<u>Amount</u>
1. 06/27/91 -Solicited from 6.	59549	Hughes-89 Fan Coil Units	\$155,301.00
2. 08/06/90 -Solicited from 6.	59716	Various schools-Inspect lighting	\$10,500.00
3. 10/10/90 -Solicited from 8.	60021	Greenville-Gym floor refinish	\$22,577.20
4. 02/08/91 -Solicited from 7.	65545	Riverside-renovation	\$25,373.00
		Total Awards	

We recommend that the District solicit bids for all procurements from the required number of qualified sources if available. If the required number are not available, a written determination should be prepared to attest to that fact.

DISTRICT RESPONSE

- Item 1: There were only six vendors available to bid.
 - Item 2: Same as Item 1.
 - Item 3: There were only eight vendors available to bid.
 - Item 4: There were only seven vendors available to bid.
-

C. No Evidence of Competition
No Purchasing Involvement/Unauthorized

As noted in I.C. above, the District makes certain direct expenditures even though that is not authorized by the District's Code. The following procurements were processed without approval by the Purchasing Department. Therefore, they were unauthorized.

	<u>Pay Date</u>	<u>Voucher#</u>	<u>Vendor</u>	<u>Amount</u>
1.	07/19/91	24737	Carpet	\$ 664.00
2.	04/01/92	925705	Insurance Consultant	\$4,700.00
3.	06/28/91	913346	Glass	\$1,353.00

We repeat our recommendation at I.C.

DISTRICT RESPONSE

Item 1: The District bids removal and installation of carpet on an annual basis. In this instance the successful bidder was used to remove and install carpet in the office areas of Monaview Elementary School after flooding had damaged the original carpet. Prices for all work performed were based on the amounts allowed in the bid. Since the work was performed based on a district bid, further competition was not considered. The requisition for payment should not have been sent directly to accounting without involving Purchasing and will not be handled that way in the future.

Item 2: The District concurs with this finding.

Item 3: The District concurs with this finding. A purchase order should have been issued for this project.

D. Purchasing Terminology

Similar to the State Consolidated Procurement Code, the District's Code defines acceptable solicitation methods and identifies the procedures to be followed for each method. By definition, bids are not proposals. The terms are not interchangeable with distinct procedural differences.

However, we noted the following instances where these terms were mixed:

<u>Pay Date</u>	<u>PO#</u>	<u>Amount</u>
1. 10/25/91	69752	\$560,000.00
-IFB# 391-48-3-21 intent to award states at the bottom that it was an RFP		
2. 06/27/91	59549	\$155,301.00
-IFB# 391-153-4-30 The standard bid form is entitled "Request for proposals heating and cooling air handling equipment."		

We recommend that the District be consistent with the use of the terminology of its Code. Failure to do so could invite protest.

DISTRICT RESPONSE

- Item 1: This is considered a very minor infraction. The transaction was handled properly in all respects like a bid.
- Item 2: Since this was an equipment only purchase, it is allowable to receive proposals as opposed to bids (as with construction). We choose to receive proposals on HVAC equipment because delivery, local service support, and energy efficiency are such important considerations. With proposals this criteria may be evaluated along with cost.

E. Other Exceptions

1. Blanket purchase order number 57283 was issued June 8, 1990 for vehicle repairs during fiscal year 1990/91. It states "NO ONE PURCHASE SHALL EXCEED \$500.00." However, the District paid the vendor \$5,801.11 on voucher 20519 to repair one vehicle.

The payment exceeded the authorized limit of the blanket purchase order meaning it was unauthorized and must be ratified. Also, there is no evidence that competition was solicited for this repair.

DISTRICT RESPONSE

This transaction was for repair of a wrecked district automobile. The Insurance Department used our purchase order number 057283 to pay the vendor for the repairs, but replaced this amount in a district account. This was an exception to normal procedures in that normally the insurance company would deal directly with the car repair vendor. If this procedure would have been followed, there would have been no exception.

2. On July 26, 1990, the Purchasing Department solicited bids for "replacing lamps and necessary poles at all high school fields during the school year 1990-91" (Ref. Bid # 390-317-8-3). The solicitation stated further "The School District of Greenville County reserves the option of renewing this contract every year for five (5) years if agreeable by both parties at the end of each year." Purchase order 59716 was prepared August 6, 1990 for \$10,500.00 and purchase order 72504 was prepared June 24, 1991 for \$15,000.00 to authorize years one and two of the agreement.

We take the following exceptions with this procurement:

- a) A multi-term determination, as required by Section VI.C. of the District's Code, was not prepared.
- b) Bids were only solicited from 6 vendors, instead of the required 10.

c) The invitation for bids was poorly worded making comparison of bids difficult. The two bids received were formatted differently indicating the vendors were not sure whether to bid on an hourly basis or on a lump sum basis.

d) The District paid the vendor \$3,250.00 on voucher number 20897 to:

i) Replace the main power lines that feeds a school, where fire had burned the lines

ii) Push a brick wall down with a crane

iii) Replace 3 175 watt fixtures that had been burned

The work seems to have exceeded the scope if this contract and should have been bid separately or, possibly, declared an emergency. Because this payment exceeded the scope of the purchase order, it was unauthorized and must be submitted for ratification.

We recommend that the District assign work to purchase orders only as authorized. Solicitations should be based on the estimated total potential of each contract. Multi-term determinations should be prepared where applicable.

DISTRICT RESPONSE

Item 2: a) The District concurs with this finding. We will prepare a multi-term determination in the future. .

b) There were only 6 vendors available for solicitation.

c) The District concurs with this finding. We will prepare a better format for bids in future solicitations.

- d) The contractor was working at Fork Shoals Elementary School when an arsonist set fire to the auditorium building at that school. The building was totally destroyed and electrical service to the adjacent building was also destroyed. A section of the auditorium wall was left standing and posed a safety hazard. The contractor used his bucket truck to push down the wall which was more cost effective than bringing in a contractor to do that work. He also strung new service lines to restore power to a classroom building so that it could be used to house students and staff and replaced light fixtures on the outside. An obvious emergency existed and time was of the essence in getting the school ready to reopen. Except for the work to remove the wall, the remainder of the work was the same as could be expected in repairs to school fields. An emergency procurement document should have been prepared.
-

III. Bid and Award Problems

We noted four instances where there were problems with awards on sealed bids.

First, in bid number 192-73-2-21, which was for hand held calculators totalling \$1,250.55, the purchase order was issued to the second low bidder in error. This vendor's name was on the original requisition as he had been the suggested vendor.

In the future, the Purchasing Department should double check the award statement prior to signing the purchase order.

Second, bid number 290-301-7-26 was for the delivery and installation of an electronic ceiling screen. Only one bidder responded for \$680.00 and his bid noted "without installation". Two more bidders responded with "no bid" both citing the installation requirement as the reason for their no bid. The award was made to the only bidder, who did not meet the original installation requirement. In our opinion, the other two bidders

should have been called and given a chance to quote the screen with a "delivered only" price.

Third, in bid number 392-95-3-5 for two notebook computers, the District's bid required delivery. When the bids were opened a local retail chain store was low with a price of \$2,999.98 but noted in their bid "we do not offer delivery". The award was made to this bidder, ignoring the delivery requirement in the bid. Also, this bid was not signed.

If the District was willing to pick up these items, then the other vendors should have also been able to have quoted a "pick up" price.

Again, the District must award based on the conditions and specific requirements in the bid package. The District must give all bidders the same opportunity for an award and not change award requirements after the bid has been opened.

Fourth, on June 21, 1990, the Purchasing Department was asked to seek quotes for the lease of ten portable classrooms for 24 months beginning in August 1990 with the option to renew the contract for one additional year.

Three vendors were faxed bid invitations on June 21 and required to return their bids by fax no later than 11:00 AM June 22, 1990. The resulting award to this request was \$130,869.50.

This was not in compliance with the Code and regulations regarding appropriate sealed bid procedures.

The District's Code requires a minimum time of seven days on invitations for bids greater than \$2,500.00.

Further, this is a multi-term contract but the required determination was not prepared (Ref.VI.B.2. of the District's Code).

DISTRICT RESPONSE

- Item 1: The District concurs with this finding.
- Item 2: This award was made as an alternate offer from the vendor. The vendor stated on the bid form they did not include installation. However, this vendor did make an alternate offer which was accepted.
- Item 3: Same as Item 2.
- Item 4: Mr. Stuart Clarkson, Director of School Planning and Building for the State Department of Education, was consulted concerning leasing of portable classrooms, and he furnished a list of the six approved manufacturers of classrooms. All six were called to determine their ability to respond quickly to a bid request.

The decision by the administration to lease the units was made as late as June because it had to be determined if the District would lease or buy units. Since units must be constructed, and a ten unit order is considered substantial, all possible means were used to furnish the classrooms for the increased enrollment predicted to arrive 7 weeks later. Emergency procurement procedures could have been used and possibly should have in this case.

In the future, multi-term determination will be prepared for multi-term contracts.

IV. Sole Source and Emergency Procurements

A. Inappropriate Sole Source Procurements

The following four sole source procurements were inappropriate:

	<u>PO#</u>	<u>PO Amount</u>	<u>Date</u>	<u>Description</u>
1.	053195	\$1,400.00	07/10/90	Wireless microphone system
2.	065392	1,200.00	01/14/91	Recognition pins

3. 074708	1,807.05	09/04/91	7.5 ton air conditioning unit
4. 094552	629.99	12/17/91	Software

Regulation 19 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 as outlined in its Code and regulations.

DISTRICT RESPONSE

Item 1: The District concurs with this finding.

Item 2: Same as Item 1.

Item 3: Many times mechanical units, water heaters, etc., are replaced with like units from one source because of the time and expense of rewiring or repiping. Also consistency among units is important from the repair standpoint. The vendor selected is the only licensed dealer for this area.

Item 4: Same as Item 1.

B. Inadequate Sole Source Justifications

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

<u>PO#</u>	<u>PO Amount</u>	<u>Date</u>	<u>Description</u>
1. 093520	\$4,403.00	05/28/91	Communication equipment
2. 091182	2,165.90	10/18/90	DUSO kits
3. 065077	786.45	12/28/90	Desktop transparency maker
4. 072045	918.75	06/11/91	Headphones
5. 095989	1,731.16	04/22/92	Audio equipment
6. 095627	1,820.00	03/26/92	Scan macaw
7. 095142	4,045.00	02/14/92	Audiovisual equipment
8. 085691	1,147.65	05/25/92	Dictaphone & headset
9. 096751	3,547.80	06/03/92	Accu-line 8½ x 11 surface

The justifications for these items were vague and did not fully explain the reasons for use of the sole source procurement method. Because of this, we must consider these sole sources inappropriate.

In each case noted above, the District should have provided more complete justifications and ensured compliance with the District's Regulation 19.

DISTRICT RESPONSE

- Item 1: We take exception. A letter from the manufacturer is attached.
 - Item 2: The District concurs with this finding.
 - Item 3: Same as Item 2.
 - Item 4: Same as Item 1.
 - Item 5: Same as Item 1.
 - Item 6: Same as Item 1.
 - Item 7: Same as Item 1.
 - Item 8: Same as Item 2.
 - Item 9: Same as Item 2.
-

C. Unauthorized Sole Source Procurements

The following eleven sole source procurements were not approved by an appropriate authority:

	<u>PO#/Req</u>	<u>PO Amount</u>	<u>Date</u>	<u>Description</u>
1.	091076	\$4,336.50	09/25/90	Red ribbons
2.	091075	604.55	09/25/90	Red ribbons & banners
3.	091020	815.40	09/12/90	Red ribbons, t-shirts, banners & spools
4.	091324	647.35	11/07/90	Drug education materials
5.	091323	1,091.24	11/07/90	Drug education materials
6.	059428	2,971.47	11/29/90	Computer accessories

7.	093962	2,278.65	10/02/91	Drug education materials
8.	093961	8,137.93	10/02/91	Drug education materials
9.	093963	1,502.90	10/02/91	Drug education materials
10.	017184(R)	4,030.68	10/04/90	Laser printing
11.	006443(R)	6,918.92	06/27/91	Laser printing

Regulation 19.b.(6) states "The determinations as to whether a procurement shall be made as a sole source shall be made by either the Assistant Superintendent for Finance and Operations or a designee above the level of the Purchasing Agent."

Since these sole source procurements were not approved by a District official with the requisite authority, they must be considered unauthorized. Ratification of these procurements must be requested from either the Superintendent or Assistant Superintendent for Finance and Operations in accordance with Regulation 3.a.

DISTRICT RESPONSE

Items 1 - 11: The District concurs with these findings.

V. Exempted Purchases

The School District's Board of Trustees has approved exemptions for specific supplies and services from its purchasing procedures. These are listed in the District's Code, Section IV.A.(4).

The State has approved new exemptions in recent years and the District might consider including these in their list of exemptions.

We remind the District that, according to its Code, all exemptions must be approved by its Board of Trustees. If the District plans to incorporate State exemptions, we recommend that they be submitted to the Board of Trustees for consideration.

DISTRICT RESPONSE

The Board of Trustees approved of the suggested exemption list as provided by the state auditors.

VI. Minority Business Enterprise Reports

Section XV.B. of the District's Code states, "The Board of Trustees of the School District of Greenville County intends to ensure that those businesses owned and operated by minorities are afforded the opportunity to fully participate in the overall procurement process of the District." In order to monitor progress in this area, Section 29.e(5) of the District's procurement regulations requires that progress reports be submitted quarterly to the Assistant Superintendent for Finance and Operations no later than fifteen days after the last day of each fiscal quarter and that annual reports be submitted to the Board of Trustees no later than fifteen days after the end of the fiscal year.

We found that the quarterly reports to the Associate Superintendent have not been made. Further, the annual reports have not been submitted to the Board of Trustees.

We recommend that the minority business enterprise assistance reports be made in a timely manner. We note that we addressed this in our previous audit.

Additionally, we recommend that it be the responsibility of the Purchasing Director to ensure these reports are filed in a timely manner rather than that of the Director of Operations and Maintenance.

DISTRICT RESPONSE

The District concurs with finding. Reports will be done and submitted as required.

VII. Governor's School for the Arts

The District provides all administrative support services for the South Carolina Governor's School for the Arts which is located in Greenville. The District provides the salary of the executive director and her secretary, plus all support functions. However, the Governor's School has its own Board of Directors and all other funding comes from the State and other sources. The funding is transferred to the District from the Governor's Office.

Although the Governor's School is not completely a part of the District, all Governor's School expenditures are reflected in the District's records. Because of this, the Governor's School vouchers were included in our procurement sample. The District could not provide documentation to indicate compliance with the State Code nor the District Code for the following five contracts:

	<u>Voucher Number</u>	<u>Description</u>	<u>Amount</u>
1.	70438	Professional services	\$8,200.00
2.	73406	Legal services	1,157.45
3.	55439	Honorarium	2,500.00
4.	73113	Auditing services	8,000.00
5.	53342	Lighting designer	1,500.00

We believe all of these transactions are subject to either the State Code or the District Code. Since the District's Code was developed under Section 11-35-70 of the State Code, and the Division of General Services accepted it as substantially similar to the State Code, we accept the Governor's School operating under it. However, compliance is required.

We recommend the Governor's School for the Arts make all procurements in accordance with either the District's Code or the State Code.

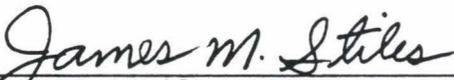
DISTRICT RESPONSE

Items 1-5: The District concurs with this finding and will see to it that the Governor's School staff understand that compliance to the procurement code is required.

CONCLUSION

As enumerated in our transmittal letter, corrective action based on the recommendations described in this report, we believe, will in all material respects place Greenville County School District in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

Subject to this corrective action, we recommend that Greenville County School District be allowed to continue procuring all goods and services, construction, information technology and consulting services as outlined in Section 11-35-70 of the South Carolina Consolidated Procurement Code.



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

January 26, 1993

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 Greenville County School District 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 7/1/92 - 12/31/92
- (2) Twenty-one sealed bids processed since our audit
- (3) 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.

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

Total Copies Printed - 31
Unit Cost - 1.15
Total Cost - 35.65

SOUTH CAROLINA STATE LIBRARY



0 01 01 0171394 8



