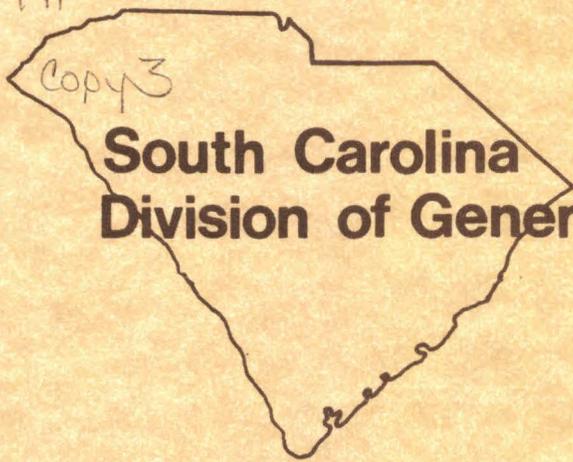


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**South Carolina  
Division of General Services**

# PROCUREMENT AUDIT AND CERTIFICATION

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**HORRY-GEORGETOWN TECHNICAL COLLEGE**

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**AGENCY**

**JANUARY 1, 1989 - SEPTEMBER 30, 1991**

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**DATE**

STATE OF SOUTH CAROLINA  
**State Budget and Control Board**  
DIVISION OF GENERAL SERVICES



CARROLL A. CAMPBELL, JR., CHAIRMAN  
GOVERNOR

GRADY L. PATTERSON, JR.  
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MATERIALS MANAGEMENT OFFICE  
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JAMES J. FORTH, JR.  
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CHAIRMAN, SENATE FINANCE COMMITTEE

WILLIAM D. BOAN  
CHAIRMAN, WAYS AND MEANS COMMITTEE

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

October 30, 1991

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

Dear Rick:

Attached is the final Horry-Georgetown 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 a three (3) year certification as outlined in the audit report.

Sincerely,

A handwritten signature in cursive script that reads 'James J. Forth, Jr.'.

James J. Forth, Jr.  
Assistant Division Director

JJF/jjm

Attachment

HORRY-GEORGETOWN TECHNICAL COLLEGE

PROCUREMENT AUDIT REPORT

JANUARY 1, 1989 - MARCH 31, 1991

FOLLOW-UP AUDIT

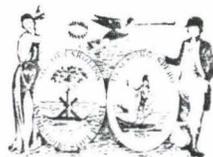
APRIL 1, 1991 - SEPTEMBER 30, 1991

TABLE OF CONTENTS

	<u>PAGE</u>
Transmittal Letter.....	1
Introduction.....	3
Background.....	4
Scope.....	6
Summary of Audit Findings.....	8
Results of Examination.....	10
Certification Recommendations.....	17
Follow-up Letter.....	18

NOTE: The College's responses to issues noted in this report have been inserted immediately following the issues they refer to.

STATE OF SOUTH CAROLINA  
*State Budget and Control Board*  
DIVISION OF GENERAL SERVICES



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CHAIRMAN, WAYS AND MEANS COMMITTEE

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

October 25, 1991

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 Horry-Georgetown Technical College for the period January 1, 1989 through September 30, 1991. 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 Horry-Georgetown 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 professional care. However, because of the nature of audit testing, they would not necessarily disclose all weaknesses in the system.

The examination did, however, disclose conditions enumerated in this report which we believe need correction or improvement.

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



R. Voight Shealy, CFE, Manager  
Audit and Certification

## INTRODUCTION

We conducted an examination of the internal procurement operating procedures and policies of Horry-Georgetown Technical College. Our on-site review was conducted May 28, 1991 through June 7, 1991 and was made under 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.

Additionally our work was directed toward assisting the College in promoting the underlying purposes and policies of the Code as outlined in Section 11-35-20, which 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

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 verify in writing that it is consistent with the provisions 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.

Most recently, on January 29, 1990, the Budget and Control Board granted Horry-Georgetown Technical College the following procurement certifications:

<u>Category</u>	<u>Limits</u>
1. Goods and Services (Local Funds Only)	\$15,000 per commitment
2. Consultant Services (Local Funds Only)	\$15,000 per commitment
3. Information Technology in accordance with the approved Information Technology Plan (Local Funds Only)	\$15,000 per commitment

Since that certification expires January 29, 1992, this audit was performed to determine if recertification is warranted. Also, the College requested an increase in certification as follows:

Category

Requested Limit

- |   |                         |
|---|-------------------------|
| 1. Goods and Services<br>(Local Funds Only)   | \$30,000 per commitment |
| 2. Consultant Services<br>(Local Funds Only)  | \$30,000 per commitment |
| 3. Information Technology in<br>accordance with the approved<br>Information Technology Plan<br>(Local Funds Only) | \$30,000 per commitment |

## SCOPE

We conducted our examination in accordance with Generally Accepted Auditing Standards as they apply to compliance audits. Our examination encompassed a detailed analysis of the internal procurement operating procedures of Horry-Georgetown 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. The 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.

We selected judgemental samples for the period January 1, 1989 through March 31, 1991, for compliance testing and performed other audit procedures that we considered necessary 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) All sole source and emergency procurements and trade-in sales for the period January 1, 1989 - March 31, 1991
- (2) Purchase transactions for the period January 1, 1989 - March 31, 1991, including
  - a) One hundred payments for College transactions, each exceeding \$500

- b) A block sample of six hundred sequential purchase orders
- (3) Property management and fixed asset procedures
- (4) All Permanent Improvement Projects for compliance with the Manual for Planning and Execution of State Permanent Improvements
- (5) Minority Business Enterprise Plan and reports
- (6) Procurement staff and training
- (7) Procurement policies and procedures
- (8) Information Technology Plan

FOLLOW-UP SCOPE

We performed a follow-up audit October 17, 1991, during which we verified Horry-Georgetown Technical College's corrective action for each recommendation that we made in this report. Also, we tested the following additional transactions for the period April 1 - September 30, 1991:

- (1) All sole source and emergency procurements and trade-in sales
- (2) The last one hundred checks issued by the College
- (3) A block sample of one hundred fifty purchase orders in numerical sequence

Please see page 18 of this report for the follow-up results.

## SUMMARY OF AUDIT FINDINGS

Our audit of the procurement system of Horry-Georgetown Technical College, hereinafter referred to as the College, produced findings and recommendations in the following areas:

	<u>PAGE</u>
I. <u>Compliance - Procurements</u>	
A. <u>Procurements Lacking Competition</u>	10
We noted five procurements made without competition, sole source or emergency determinations.	
B. <u>Unauthorized Procurements</u>	11
We noted four purchase orders which were unauthorized.	
C. <u>Split Orders</u>	12
We noted two instances of split orders.	
D. <u>Inadequate Solicitation for Competition</u>	13
We noted one instance of inadequate competition on a sealed bid.	
II. <u>Sole Source and Emergency Procurements and Trade-in Sales</u>	
A. <u>Consultant Services - Sole Sources</u>	14
We noted one instance of two vendors being sole sourced for the same services.	

B. Inappropriate Sole Sources

15

The College sole sourced a portable display unit.

III. Professional Development

16

The College has not promoted the professional development of the procurement officer.

RESULTS OF EXAMINATION

I. Compliance - Procurements

Our examination included a review of one hundred (100) transactions systematically selected from the College's check registers. The majority of these were in compliance with the Code. However, we did note the following exceptions:

A. Procurements Lacking Competition

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

	<u>PO Number</u>	<u>Check Number</u>	<u>Amount</u>	<u>Description</u>
1.	13866	14636	\$2,279.00	Measurement scoring
2.	16090	17825	1,151.85	Portable display unit accessories
3.	00851	18729	852.82	Automobile repairs
4.	-	20630	800.00	Commissioners dinner
5.	2553	21960	773.57	Supplies for the dining rooms

Item 1 was purchased as exempt from the Code. The College had applied the copyrighted materials exemption to this item. However, that exemption is specific as to the medium, i.e., films, filmstrips, slides and transparencies. Therefore, it does not apply in this case.

Item 2 was for accessories for a portable display unit which the College had previously procured. The requisition indicated that the procurement should be done as a sole source. However, purchasing neglected to prepare the determination.

Item 3 was for repair work being done on one of the College's vehicles. Originally the work was estimated to be \$200. After the engine had been taken apart, the mechanics realized more

work was involved. However, no effort was made to justify the additional expense.

Item 4 was for the area commissioner's annual dinner. The Commission chose the restaurant. The College neglected to follow through on the procurement to ensure compliance with the Code.

Item 5 was for supplies for the Culinary Arts dining room, i.e., table linen, towels, etc. The College assumed that instructional supplies were exempt. Also, according to College personnel this vendor is the only one who services the area.

All of these procurements could have been procured under either Section 11-35-1550 Small Purchases, Section 11-35-1560 Sole Source, or Section 11-35-1570 Emergency of the Code. Therefore, we recommend that the College procure these items in the future in accordance with the requirements of the Code.

#### COLLEGE RESPONSE

We concur with the auditor's findings and the procurement office will begin checking more closely for competition.

---

#### B. Unauthorized Procurements

The College procured services to run new gas lines and repair leaks in other lines on purchase orders 02082, 02081, 02080, and 02079 paid on check number 21111 total amount \$3,017.25. The invoices were all dated December 12, 1990, but the purchase order numbers were not issued until January 5, 1991.

Regulation 19-445.2015 refers to the delegation of authority. Since the maintenance department did not have the authority to make these purchases, they are unauthorized.

We recommend that the College request ratification from its president for these procurements and institute procedures to ensure that this does not occur in the future.

COLLEGE RESPONSE

The College has obtained ratification from the President. The Department Supervisor has been informed of the procurement policies and will adhere to them in the future.

---

C. Split Orders

The College split two orders to avoid the competition requirements of the Code.

1. <u>PO Date</u>	<u>PO Number</u>	<u>Check Number</u>	<u>Amount</u>	<u>Description</u>
06/05/90	16042	17244	\$1,471.74	Air conditioning unit #1 Grand Strand Campus
06/05/90	16043	17244	<u>1,471.74</u>	Air conditioning unit #2 Grand Strand Campus
			<u>\$2,943.48</u>	

The maintenance department bought the parts so that a training class could build and install the units. They obtained one written and one verbal quotation for both of these procurements, then processed them on separate requisitions to the same vendor.

Since the two procurements exceeded \$2,500, the College should have solicited three sealed bids.

2. <u>PO Date</u>	<u>PO Number</u>	<u>Check Number</u>	<u>Amount</u>	<u>Description</u>
01/02/89	13582	13645	\$ 420.00	Clean and degrease stove and oven
01/02/89	13583	13645	450.00	Clean and degrease hoods

01/02/89 13584 13645 450.00 Clean and degrease  
floors  
\$1,320.00

The College was closed for Christmas holidays when the maintenance department realized the kitchens needed to be cleaned. They processed three requisitions on the same date to the same vendor without seeking competition. Since the three procurements exceeded \$500, the College should have solicited two telephone quotes.

Section 11-35-1550 requires that purchases not be artificially divided to circumvent the Code. We recommend that the College comply with this requirement.

#### COLLEGE RESPONSE

The Department head has been counseled and advised that the amount of the purchase order determines the competition and not individual items, and will in the future adhere to the bidding process.

---

#### D. Inadequate Solicitation for Competition

The College bought microscopes through bid number HG0011 for \$10,331. Only six vendors were solicited. According to personnel, all known vendors were solicited.

Regulation 19-445.2035 requires that if the minimum number of bidders are not solicited, a certification must be added to the file stating that all known vendors have been solicited.

Accordingly, we recommend that the College prepare the required determination that all known vendors were solicited if the required number of bidders are not available.

## COLLEGE RESPONSE

The Procurement Officer will still continue to advertise in the South Carolina Business Opportunities and will begin to prepare the appropriate certification when the minimum number of vendors are not known.

---

### II. Sole Source and Emergency Procurements and Trade-in Sales

We reviewed all sole source and emergency procurements and trade-in sales with all available supporting documentation for the period January 1, 1989 through March 31, 1991. We found these procurements to be in compliance with the Code and regulations with the following exceptions.

#### A. Consultant Services - Inappropriate Sole Sources

The College sole sourced two different consultants for Title III services on purchase order 003061 dated March 14, 1991 for \$601.10 and on purchase order 14987 dated February 16, 1990 for \$750.00. The determinations were dated one year apart. Both determinations stated that the consultants were the only known vendor.

Section 11-35-1560 requires that only a single supplier can exist for a sole source determination to be used. Also, this section requires that when in doubt you must seek competition.

Since the College knew of two sources, competition was obviously available. Therefore, the College should not have sole sourced these consultants.

Additionally, the sole source determinations were signed after the services had been rendered so the procurements were

unauthorized. On purchase order 03061 the determination is dated March 14, 1991 and the services were rendered March 1, 1991. On purchase order 14987 the determination was signed on April 27, 1990 and the services were rendered on March 12, 1990.

We recommend that the College request ratification from its president in accordance with Regulation 19-445.2015 and review sole source requirements to ensure they are properly applied in the future.

#### COLLEGE RESPONSE

We concur with the auditor's finding. The College has requested ratification from the President. The appropriate Vice President has been informed of the procurement policies and will adhere to the Consolidated Procurement Code. The Procurement Officer will monitor more closely the sole source requirements.

---

#### B. Inappropriate Sole Source

The College prepared a sole source determination for a portable display booth bought on purchase order 13270 dated November 28, 1989 for \$3,669.00. However, in a letter accompanying the determination, College personnel stated that competing models had been considered and the item selected "...would best meet all of our needs."

Section 11-35-1560 of the Code indicates that a sole source is appropriate only when there is a single supplier. Further, it requires that when reasonable doubt exists, competition should be sought.

We recommend that in the future when competition is available, the College compete its procurements.

COLLEGE RESPONSE

We concur with the auditor's finding. The College will compete its procurements if reasonable doubt exists.

---

III. Professional Development

We noted that since our last audit two years ago, the procurement officer has attended one of the National Institute of Governmental Purchasing (NIGP), National Association of State Purchasing Officials (NASPO) courses. With the certification requested by the College, it is imperative that the College allocate funds and time for the officer to complete the courses.

Section 11-35-20(K) defines the purpose of the Code as training procurement officials in the techniques and methods of public procurements. Therefore, we recommend that the College continue to encourage and support the further training of the procurement officer.

COLLEGE RESPONSE

The Procurement Officer has enrolled in the upcoming Public Purchasing and Materials Management class. The College is very interested in upgrading and promoting the professionalism of our purchasing department to enhance the profession.

---

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 Horry-Georgetown 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 audit prior to September 31, 1991. If, at that time, we determine that corrective action has been taken we will recommend that the College be certified to make direct agency procurements for a period of three (3) years up to the following limits:

<u>Procurement Area</u>	<u>Recommended Certification Limits</u>
Goods and Services (Local Funds Only)	*\$30,000 per commitment
Consultant Services (Local Funds Only)	*\$30,000 per commitment
Information Technology in accordance with the approved Information Technology Plan (Local Funds Only)	*\$30,000 per commitment

\*The total potential commitment to the State whether single year or multi-term contracts are used.

  
\_\_\_\_\_  
Melissa Rae Thurstin  
Compliance Analyst

  
\_\_\_\_\_  
R. Voight Shealy, CFE, Manager  
Audit and Certification

STATE OF SOUTH CAROLINA  
**State Budget and Control Board**  
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JESSE A. COLES, JR., Ph.D.  
EXECUTIVE DIRECTOR

October 22, 1991

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

Dear Jim:

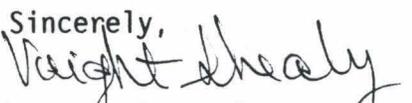
We have returned to Horry-Georgetown Technical College to perform a one day follow-up audit of its procurement activity since the end of our original audit period of January 1, 1989 through March 1, 1991. The follow-up was conducted October 17, 1991 and covered the period April 1, 1991 through September 30, 1991.

The scope of our review included, but was not limited to, the following areas:

- 1) All sole source and emergency procurements and trade-in sales for April 1, 1991 through September 30, 1991
- 2) The last one hundred checks issued by the College
- 3) A block sample of one hundred fifty purchase orders in numerical sequence

We found no exceptions in our follow-up audit. Therefore, the College has made substantial progress toward correcting the problem areas noted during the audit.

We recommend that the certification limits outlined in the audit report be granted for three (3) years.

Sincerely,  
  
R. Voight Shealy, Manager  
Audit and Certification

RVS/jjm

