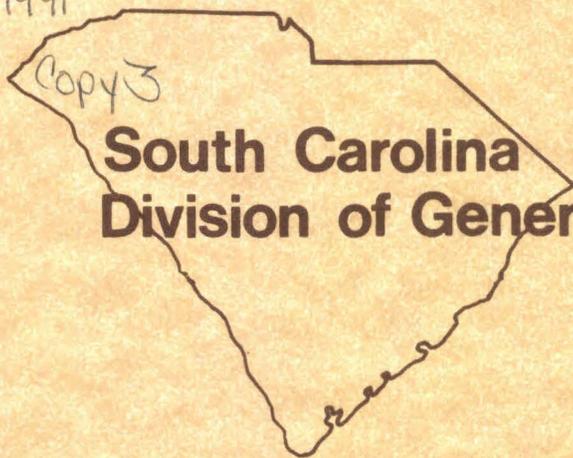


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**South Carolina
Division of General Services**

PROCUREMENT AUDIT AND CERTIFICATION

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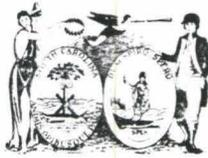
TRIDENT TECHNICAL COLLEGE

AGENCY

JUNE 1, 1988 - MARCH 31, 1991

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

MATERIALS MANAGEMENT OFFICE
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JAMES J. FORTH, JR.
ASSISTANT DIVISION DIRECTOR

JAMES M. WADDELL, JR.
CHAIRMAN, SENATE FINANCE COMMITTEE

WILLIAM D. BOAN
CHAIRMAN, WAYS AND MEANS COMMITTEE

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

October 7, 1991

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

Dear Rick:

I have attached Trident Technical College's procurement 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 noted in the audit report.

Sincerely,

A handwritten signature in cursive script, appearing to read 'James J. Forth, Jr.', written in dark ink.

James J. Forth, Jr.
Assistant Division Director

JJF/jjm

Attachment

TRIDENT TECHNICAL COLLEGE
PROCUREMENT AUDIT REPORT

JUNE 1, 1988 - MARCH 31, 1991

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

October 4, 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 Trident Technical College for the period June 1, 1988 - March 31, 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 Trident Technical College is responsible for establishing and maintaining a system of internal control over procurement transactions. In fulfilling

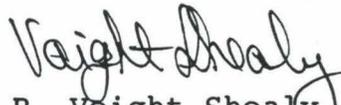
this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance of the integrity of the procurement process, that affected 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 Trident Technical College in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.


R. Voight Shealy, CFE, Manager
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 Trident Technical College.

Our on-site review was conducted May 1, 1991 through June 19, 1991, 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 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 9, 1989, the Budget and Control Board granted Trident Technical College the following certification (local funds only):

<u>Category</u>	<u>Limit</u>
1. Goods and Services	\$30,000 per commitment
2. Consultant Services	\$30,000 per commitment
3. Information Technology in accordance with the approved Information Technology Plan	\$30,000 per commitment
4. Construction	\$25,000 per commitment

Our audit was performed primarily to determine if recertification for expenditures of local funds is warranted. Additionally, during the audit, the College requested that its certification be raised as follows (local funds only):

<u>Category</u>	<u>Requested Limit</u>
1. Goods and Services	\$50,000 per commitment
2. Consultant Services	\$50,000 per commitment
3. Information Technology in accordance with the approved Information Technology Plan	\$50,000 per commitment
4. Construction	\$25,000 per commitment

SCOPE

Our examination was performed 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 Trident 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.

Specifically, the examination included, but was not limited to the following areas:

- (1) All sole source and emergency procurements (7/1/88-3/31/91)
- (2) Purchase orders for fiscal years 1989/90 and part of fiscal year 1990/91 as follows:
 - a) one hundred twenty-four randomly selected procurement transactions, each exceeding \$500.00
 - b) block sample of five hundred sequentially numbered purchase orders
- (3) Permanent improvement projects for compliance with the Manual for Planning and Execution of State Permanent Improvements
- (4) Real property leases
- (5) Property management procedures

- (6) Procurement staff and training
- (7) Information Technology Plans
- (8) Procurement Procedures Manual
- (9) Blanket Purchase Agreements

SUMMARY OF AUDIT FINDINGS

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

	<u>PAGE</u>
I. <u>Sole Source and Emergency Procurements</u>	
A. <u>Procurements Not Adequately Justified as Sole Sources</u>	9
We noted two procurements which we do not believe qualify as sole sources.	
B. <u>Procurements Not Adequately Justified as Emergencies</u>	10
Two procurements did not meet the criteria of an emergency.	
II. <u>Automated Receiving System</u>	11
A procedural weakness was noted in the automated receiving system where labor related contracts are not entered as received.	
III. <u>Architect/Engineer Selection Procedures</u>	11
Ranking reports were not being sent to all responding firms, but only to the firms who were ranked.	
IV. <u>Missing Construction Documents</u>	12
Two required documents could not be located by the College.	

RESULTS OF EXAMINATION

The Office of Audit and Certification performed an examination of the internal procurement operating procedures and policies and related areas of Trident Technical College for the period June 1, 1988 through March 31, 1991. Over the audit period the College has maintained what we consider to be a professional procurement operating system.

We noted no exceptions on the sealed bidding process. On other areas we did note the following exceptions.

I. Sole Source and Emergency Procurements

We examined the quarterly reports of sole source and emergency procurements for the period July 1, 1988 through March 31, 1991. This review was performed to determine the appropriateness of the procurement actions taken and the accuracy of the reports submitted to the Division of General Services as required by Section 11-35-2440 of the Consolidated Procurement Code. The following problems were noted.

A. Procurements Not Adequately Justified as Sole Sources

We noted two procurements which we believe were not adequately justified as sole sources. They were as follows:

<u>PO#</u>	<u>Description</u>	<u>Amount</u>
PO95512	Custom designed costumes	\$ 3,239.98
PO12406	Database of minority owned businesses	2,500.00

Section 11-35-1560 of the Code limits sole source procurements to unique items available from a single vendor. We believe competition was available on these transactions.

We recommend that future procurements of these types be competitively bid.

COLLEGE RESPONSE

We concur and will assure that procurements for which competition is available are competed in accordance with the SC Procurement Code. All future sole source procurements will be thoroughly documented and justified.

B. Procurements Not Adequately Justified As Emergencies

We believe two procurements did not meet the criteria of emergency procurements. They were as follows:

<u>PO#</u>	<u>Description</u>	<u>Amount</u>
PO95577	Tools	\$ 2,424.43
PO10896	Reprint of catalogs	11,995.00

For the tools, the Procurement Office received the requisition well in advance. However, due to a short staff and some other unforeseen circumstances, this procurement was not made in a timely manner and resulted in an emergency procurement.

The reprint of the catalogs was due to an underestimate of the College's needs.

We recommend that if the Procurement Office is overwhelmed in the future, they contact the Materials Management Office for assistance. Also, printing solicitations should be made with an allowance for reprints if needed. Otherwise, reprints must be competed in accordance to the Code.

COLLEGE RESPONSE

Since the last catalog procurement, we have included in the bid specifications for printing of catalogs and other publications and allowance for reprints. If the Purchasing Department needs assistance in the future, we will contact the Materials Management Office.

II. Automated Receiving System

We noted a procedural problem with the automated receiving system where payments on labor related contracts are not supported by receiving reports or approvals to pay the invoices. When these invoices are presented to accounts payable, they are paid without any evidence that the jobs have been completed to the College's satisfaction.

We recommend that when a job is completed either this information be entered onto the system as received, or the responsible official approve the invoice for payment.

COLLEGE RESPONSE

We concur with this recommendation for approval of labor related contracts. The purchasing department has revised their procedures for purchase order types used for services. We are using a "Regular Order" or "Quote Order" purchase order type for services which require that receiving information be posted into the system prior to payment of invoice.

III. Architect/Engineer Selection Procedures

One procedural problem was noted in the architect/engineer (A/E) selection process. Section 11-35-3220(6) requires that the

written ranking report of A/E firms be sent to all responding firms. The College has been sending the ranking report only to those firms who were ranked.

We recommend that the ranking report be sent to all responding firms.

COLLEGE RESPONSE

We concur and on future projects will send a ranking report to all firms responding to the invitation for services.

IV. Missing Construction Documents

The College could not provide us the following required construction documents.

<u>Project Name</u>	<u>Document</u>	<u>Contract Amount</u>
Temporary parking	Certificate of insurance	5,650.00
Install catch basin	Certificate of insurance	4,900.00

The certificate of insurance is required by Section 2.8 of the Manual for Planning and Execution of State Permanent Improvements.

We recommend these forms be obtained on all such contracts.

COLLEGE RESPONSE

We concur and have developed a checklist for minor construction procurements to assure that all documents are in place prior to signing the contracts.

CERTIFICATION RECOMMENDATION

As we noted in our transmittal letter, corrective action based on the recommendations described in this report, we believe, will in all material respects place Trident Technical College in compliance with the South Carolina Consolidated Procurement Code.

Subject to this corrective action, under the authority described in Section 11-35-1210 of the Procurement Code, we recommend that the Budget and Control Board recertify the College to make direct procurements for three (3) years up to the limits as follows:

<u>Procurement Areas</u>	<u>Recommended Certification Limits</u>
Goods and Services	*\$50,000 per purchase commitment
Consultants	*\$50,000 per purchase commitment
Information Technology in accordance with the approved Information Technology Plan	*\$50,000 per purchase commitment
Construction	*\$25,000 per purchase commitment

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

Robert J. Aycock, IV
Robert J. Aycock, IV
Audit Supervisor

Robert Shealy
R. Voight Shealy, CFE, Manager
Audit and Certification

