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**South Carolina
Division of General Services**

PROCUREMENT AUDIT AND CERTIFICATION

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LANDER COLLEGE

AGENCY

APRIL 1, 1986 - DECEMBER 31, 1988

DATE

STATE OF SOUTH CAROLINA
BUDGET AND CONTROL BOARD
DIVISION OF GENERAL SERVICES
1201 MAIN STREET, SUITE 600
COLUMBIA, SOUTH CAROLINA 29201
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JESSE A. COLES, JR., Ph.D.
EXECUTIVE DIRECTOR

JAMES J. FORTH, JR.
ASSISTANT DIVISION DIRECTOR

May 11, 1989

Mr. Richard W. Kelly
Division Director
Division of General Services
1201 Main Street, Suite 400
Columbia, South Carolina 29201

Dear Rick:

Attached is the final Lander 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, appearing to read "James J. Forth, Jr.".

James J. Forth, Jr.
Assistant Division Director

Attachment

MATERIALS MANAGEMENT OFFICE

State Supply & Surplus Property Management
Surplus Property
Boston Avenue
W. Columbia, S.C. 29169
739-5490

Supply, Warehousing & IMS
1942 Laurel Street
Columbia, S.C. 29201
734-7919

Training & Research
300 Gervais Street
Annex 3
Columbia, S.C. 29201
737-2060

State Procurements &
Information Technology Management Office
1201 Main Street
Suite 600
Columbia, S.C. 29201
737-0600

Office of Audit & Certification
1201 Main Street
Suite 600
Columbia, S.C. 29201
737-0600

Installation Purchase Program
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Suite 600
Columbia, S.C. 29201
737-0600

LANDER COLLEGE

AUDIT REPORT

APRIL 1, 1986 - DECEMBER 31, 1988

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

JAMES J. FORTH, JR.
ASSISTANT DIVISION DIRECTOR

March 9, 1989

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

We have examined the procurement policies and procedures of Lander College for the period April 1, 1986 through December 31, 1988. As a part of our examination, we made a study and evaluation of the system of internal control over procurement transactions to the extent we considered necessary.

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

The administration of Lander College is responsible for establishing and maintaining a system of internal control over procurement transactions. In fulfilling this responsibility,

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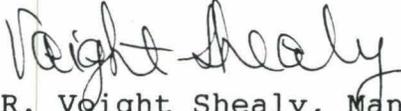
estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance of the integrity of the procurement process, that affected assets are safeguarded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

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

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

The examination did, however, 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 Lander College in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.


R. Voight Shealy, 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 Lander College. Our on-site review was conducted January 17, 1989 through January 26, 1989 and was made under authority as described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Section 19-445.2020 of the accompanying regulations.

The examination was directed principally to determine whether, in all material respects, that 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 person 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.

Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code states in part:

In procurement audits of governmental bodies thereafter, the auditors from the Division of General Services Office shall review the adequacy of the system's internal controls in order to ensure compliance with the requirements of this code and the ensuing regulations.

The current certification limits expire October 21, 1989. Our audit was performed primarily to determine if recertification is warranted. Additionally, Lander College requested the increased certification limits listed below:

<u>Category</u>	<u>Requested Limit</u>
1. Goods and Services	\$25,000
2. Consultant Services	25,000
3. Information Technology	25,000
4. Construction	25,000

SCOPE

Our examination encompassed a detailed analysis of the internal procurement operating procedures of Lander 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 up to the requested certification limits.

We selected random samples for the period July 1, 1986 - December 31, 1988, of procurement transactions for compliance testing and performed other audit 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 accompanying regulations;
- (2) procurement staff and training;
- (3) adequate audit trails and purchase order registers;
- (4) evidences 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 Lander College produced findings and recommendations in the following areas:

	<u>PAGE</u>
I. <u>Compliance - Sole Source and Emergency Procurements</u>	9
Four procurements were made as sole sources inappropriately. One sole source was made by an individual without the authority to do so. One sole source for a decorating consultant should have been handled in accordance with Section 11-35-3230 of the Consolidated Procurement Code.	
II. <u>Compliance - General</u>	10
The College failed to obtain a performance bond and a labor and materials payment bond with power of attorney on a procurement of construction services. In another case, the College failed to consider the total potential commitment for a procurement. As a result, the required number of bids were not solicited and a multi-term determination was not prepared.	

III. Compliance - Information Technology

12

The College failed to prepare and submit for approval from the Office of Information Technology Planning and Management of the Division of Research and Statistics an information technology plan for fiscal years 87/88 and 88/89.

IV. Trade-in Procurements

12

The College failed to obtain approval from the Division of General Services on one trade-in procurement which included a trade-in allowance of \$569.55. Another trade-in procurement which was properly approved was not reported on the quarterly report.

RESULTS OF EXAMINATION

I. Compliance - Sole Source and Emergency Procurements

We examined the quarterly reports of sole source and emergency procurements and trade-in sales along with all available supporting documentation for the period April 1, 1986 through December 31, 1988. 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. In general, we found that the College is diligent in its attempts to verify sole source procurements. However, we did note the following problems.

The following sole source procurements were inappropriate:

<u>Purchase Order</u>	<u>Amount</u>	<u>Description</u>
973	\$ 1,815.00	Evaluation of Title III program
1969	1,000.00	Consultant services
5911	10,000.00	Consultant services
7557	1,449.95	High pressure cleaning system

Regulation 19-445.2105, Subsection B, states in part:

Sole source procurement is not permissible unless there is only a single supplier...In cases of reasonable doubt, competition should be solicited.

We recommend that competition be solicited for procurements of these types in the future.

Additionally, a sole source procurement of a special video package was unauthorized as it was made by an individual without the requisite authority (Ref. purchase order number 321 for \$6,573.50).

In accordance with Regulation 19-445.2015 ratification must be requested from the College President.

Further, a sole source procurement for a decorating consultant should have been handled in accordance with Section 11-35-3230 of the Consolidated Procurement Code (Ref. purchase order number 6407 for \$2,470.00). We recommend that future procurements of architect-engineer, land surveying, landscape architecture and interior design services that are anticipated to cost less than \$12,000 be handled in accordance with that section of the Code.

COLLEGE RESPONSE

Four sole source procurements were found to be inappropriate. The College will implement the recommendation that competition be solicited for procurement of these types in the future.

With regard to the sole source procurement of the special video package being unauthorized as it was made by an individual without the requisite authority, it should be noted that this purchase was bid appropriately through the Purchasing Office. Another individual, for budgetary purposes, had obtained price estimates from the bidder who was ultimately successful on this purchase and when the invoice came into the College that individual's name was listed as having placed the order. Regardless, we have had the purchase ratified as recommended.

The recommendation with regard to sole source procurement for decorating consultants will be implemented.

With regard to the three procurements that were incorrectly reported as sole sources amended reports have already been submitted (copies attached).

II. Compliance - General

As part of our audit, we randomly selected 81 procurement transactions for compliance testing. During the review of these procurements, we noted the following exceptions.

A procurement of \$59,800.00 for a roof repair toward the completion of a permanent improvement project was not supported by a performance bond, a material and labor payment bond and a power of attorney. Section 11-35-3030 of the Consolidated Procurement Code requires that such bonds be required of construction contractors prior to the start of work. We recommend that these bonds be required of all construction contractors in the future.

One procurement was solicited as a multiple year agreement considering optional extensions but it was not supported by a multi-term determination (Ref. purchase order number 8777 for elevator maintenance). Such determination is required by Section 11-35-2030 of the Consolidated Procurement Code whenever a contract may exceed twelve months in duration.

Further, only three bids were solicited for this procurement. If the total potential commitment is considered, this is a three year contract for \$7,668.00. Regulation 19-445.2035, Subsection A requires solicitation of bids from a minimum of five qualified providers for procurements of \$5,000.00 - \$9,999.99.

We recommend that the optional extensions not be exercised. The Materials Management Officer has ruled in a protest hearing that for a contract to be extended beyond one year it must be supported by a multi-term determination. For all future procurements, the College should consider the total potential commitment in determining competition and authority thresholds. Also, multi-term determinations should be prepared for all contracts that may exceed twelve months in duration.

COLLEGE RESPONSE

With regard to the roof repair bonds, the College will require proof of such bonds of all construction contractors in the future.

With regard to the multiple year agreement, the optional extensions were not exercised and the contract has been re-bid according to the recommendation.

III. Compliance - Information Technology

The College failed to prepare and submit for approval information technology plans for fiscal years 1987/88 and 1988/89. Section 11-35-1580 of the Consolidated Procurement Code requires development of a plan for management and use of information technology. The plans must be prepared annually and submitted to the Office of Information Technology Planning and Management of the Division of Research and Statistics.

We recommend that the College immediately prepare an information technology plan for fiscal year 1989/90 and submit it for approval.

COLLEGE RESPONSE

The College has subsequently submitted an Information Technology Plan for fiscal year 1989/90 and it has been approved. A copy of that approved plan is attached.

IV. Trade-in Procurements

The College failed to obtain approval from the Division of General Services on one trade-in procurement which had a trade-in allowance of \$569.55. Approval is required for all trade-ins of \$500.00 or more by Regulation 19-445.2150, Subsection E. This procurement occurred on purchase order 5888 and was for telephone

equipment. Another trade-in procurement which was properly approved was not reported on the quarterly report (Ref. purchase order number 2204 for computer equipment with a trade in value of \$1,000.00). An amended report should be filed with the Division of General Services adding this procurement.

COLLEGE RESPONSE

An amended report has already been completed. A copy is attached.

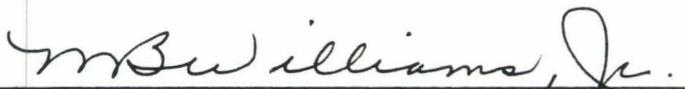
CERTIFICATION RECOMMENDATIONS

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 Lander College in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations. Lander College should take this corrective action prior to April 30, 1989.

Under the authority described in Code Section 11-35-1210, subject to this corrective action, we recommend Lander College be recertified to make direct agency procurements up to the limits as follows:

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

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



Marshall B. Williams, Jr., Supervisor
Audit and Certification



R. Vought Shealy, Manager
Audit and Certification

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EXECUTIVE DIRECTOR

JAMES J. FORTH, JR.
ASSISTANT DIVISION DIRECTOR

May 4, 1989

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 reviewed the response to our audit report of Lander College covering the period April 1, 1986 - December 31, 1988. Combined with observations made during our site visit, this review has satisfied the Office of Audit and Certification that the College has corrected the problem areas found and that internal controls over the procurement system are adequate.

We, therefore, recommend that the certification limits for Lander College outlined in the audit report be granted for a period of three (3) years.

Sincerely,

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

R. Voight Shealy, Manager
Audit and Certification

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