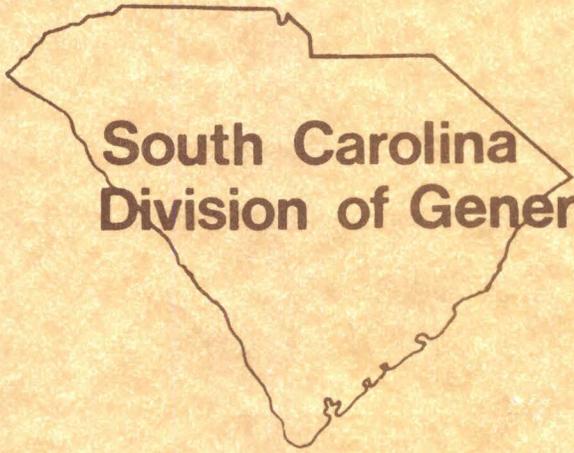


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PROCUREMENT AUDIT AND CERTIFICATION

ORANGEBURG CALHOUN TECHNICAL COLLEGE
AGENCY

JANUARY 20, 1987
DATE

STATE OF SOUTH CAROLINA
BUDGET AND CONTROL BOARD
DIVISION OF GENERAL SERVICES
300 GERVAIS STREET
COLUMBIA, SOUTH CAROLINA 29201
(803) 737-2150

RICHARD W. RILEY, CHAIRMAN
GOVERNOR

GRADY L. PATTERSON, JR.
STATE TREASURER

EARLE E. MORRIS, JR.
COMPTROLLER GENERAL



WILLIAM J. CLEMENT
ASSISTANT DIVISION DIRECTOR

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SENATE FINANCE COMMITTEE

TOM G. MANGUM
CHAIRMAN,
HOUSE WAYS AND MEANS COMMITTEE

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

January 16, 1987

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

Dear Rick:

Attached is the final Orangeburg-Calhoun Technical College audit report and recommendations made by the Office of Audit and Certification. Since no certification request above the \$2,500 allowed by law was requested, and no action is necessary by the Budget and Control Board, I recommend that this report be presented to Dr. Coles for his information.

Sincerely,

A handwritten signature in black ink that reads "WILL" in a stylized, cursive font.

William J. Clement
Assistant Division Director

Attachment

ORANGEBURG-CALHOUN TECHNICAL COLLEGE
AUDIT REPORT

August 20, 1986

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

WILLIAM J. CLEMENT
ASSISTANT DIVISION DIRECTOR
August 20, 1986

Mr. William J. Clement
Assistant Division Director
300 Gervais Street
Columbia, South Carolina 29201

We have examined the local fund procurement policies and procedures of the Orangeburg-Calhoun Technical College for the period April 1, 1985 through June 30, 1986. 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 College 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 Orangeburg-Calhoun 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 due professional care. They would not, however, because of the nature of audit testing, necessarily disclose all weaknesses in the system.

The examination did disclose conditions enumerated in this report which we believe to be subject to correction or improvement.

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

R. Vaight Shealy

R. Voight Shealy, Manager
Office of Audit and Certification

INTRODUCTION

The Office of Audit and Certification conducted an examination of the internal procurement operating procedures and policies and related manual of the Orangeburg-Calhoun Technical College.

Our on-site review was conducted June 23, 1986 through July 16, 1986, and was made under the authority as described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Regulation 19-445.2020.

The examination was directed principally to determine whether, in all material respects, the procurement system's internal controls 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.

SCOPE

Our examination encompassed a detailed analysis of the internal procurement operating procedures of Orangeburg-Calhoun 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 from local funds, which includes some federal funds, local contributions and student collections.

The Audit and Certification team selected random samples for the period July 1, 1985 through May 31, 1986, of procurement transactions for compliance testing and performed other auditing procedures that we considered necessary in the circumstances to formulate this opinion. As specified in the Consolidated Procurement Code and related regulations, our review of the system included, but was not limited to, the following areas:

- (1) adherence to provisions of the South Carolina Consolidated Procurement Code and training;
- (2) procurement staff and training;
- (3) adequate audit trails and purchase order registers;
- (4) evidence of competition;
- (5) small purchase provisions and purchase order confirmations;
- (6) emergency and sole source procurements;
- (7) source selections;
- (8) file documentation of procurements;

- (9) disposition of surplus property;
- (10) economy and efficiency of the procurement process;
and
- (11) approval of Minority Business Enterprise
Utilization Plan.

SUMMARY OF AUDIT FINDINGS

Our audit of the procurement system at Orangeburg-Calhoun Technical College produced findings and recommendations in the following areas:

	<u>PAGE</u>
I. <u>Compliance - Goods and Services, Consultants and Information Technology</u>	8

Our examination of goods and services, consultant services and information technology procurements revealed numerous compliance exceptions to the Procurement Code and to the College's internal procurement procedures. The exceptions noted are in the following areas:

A. <u>Goods and Services - Lack of Competition</u>	8
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Six procurements were made improperly. As noted herein, two of these indicated a larger problem. Also, all but one of the transactions were unauthorized procurements.

B. Maintenance Contracts - Information 10

Technology Equipment

Equipment maintenance contracts were not renewed in accordance with the Procurement Code possibly because the Purchasing Department was not involved.

C. Information Technology - Printing 11

Accounting made a procurement improperly and without input from the Purchasing Department.

D. Consultant Services - Unauthorized 11

Procurements

Two procurements were made improperly by user departments outside Purchasing.

II. Review of Internal Procurement Procedures 13

Manual

Our review of the current procurement procedures manual indicated several areas that needed to be added, changed or expanded.

RESULTS OF EXAMINATION

I. Compliance - Goods and Services, Consultants and Information Technology

Our examination of procurement transactions included a test of a random sample of sixty (60) vouchers from the combined areas of goods and services, information technology and consultant services. Eighteen percent (18%) of the procurements tested were not made in compliance with Procurement Code and/or internal procurement policy. The majority of these exceptions were a result of departments circumventing the Purchasing Department and contracting directly with preferred vendors. Thus, they are unauthorized procurements.

Most exceptions cited were violations of the Procurement Code as well as the College's internal procurement policy, which states in Section B, Part I:

All contracts or contractual agreements for service, products, professional consultation, lease or lease-purchase, must flow through the Purchasing Department prior to execution. The Purchasing Department will perform the required solicitation of bid, verification of contract form, content or conditions and will route the document to the appropriate authority (Vice President for Business Affairs) for approval.
(Emphasis Added)

The exceptions noted are as follows:

A. Goods and Services - Lack of Competition

1. Voucher 59483, totaling \$564.20 for billboard sheet posters, was supported by neither evidence of competition nor a sole source determination. As required by an

existing contract for the billboard, this was a sole source procurement. The sole source determination and finding was not prepared however.

2. Voucher 58640, totaling \$2,489.50 was for recap tires, tubes and casings. This procurement lacked competition. Further, it was processed for a purchase order days after the order had actually been placed so it is an unauthorized procurement.
3. Vouchers 58447 and 58778 totaling \$1,298.43 and \$4,759.89, respectively, were for assorted truck parts and repair work contracted for on an as-needed basis. In all, over \$16,000 of these parts and services were procured last year without competition.

For normal vehicle maintenance of this type, the college should establish an agency contract through State Procurements based on hourly labor rates and a percent discount off of list price for required parts.

4. Voucher 56995 totaling \$766.80 was for door repairs in four Industrial Division shops. The repair services were purchased by the Physical Plant, then the requisition was forwarded to the Purchasing Department for a purchase order to be issued. This is an unauthorized procurement. Competition was not obtained.
5. Voucher 57124 totaling \$2,454.60 was for general institutional and kitchen supplies. The procurement was never routed through Purchasing. Bids were not obtained and a purchase order was never issued. This is an unauthorized procurement.

Regulation 19-445.2100, Subsection B, Items 1 and 2 require solicitations of verbal or written quotes from a minimum of two (2) qualified sources of supply for purchase from \$500.01 to \$1,499.99 and three (3) written quotes for purchases from \$1,500.00 to \$2,499.99. Exceptions 2 through 5 above are unauthorized procurements and must be ratified in accordance with Regulation 19-445.2015.

B. Maintenance Contracts - Information Technology Equipment

Voucher 56658 for \$2,370.00 was to renew a yearly maintenance contract for the period August 1, 1985 through July 31, 1986. The College could not locate the contract so we cannot confirm the terms of the original agreement. In this case, we must assume that the renewal constitutes a new procurement since contracts entered into prior to the College coming fully under the Procurement Code must be renewed in accordance with the Code.

Voucher 000286 for \$1,125.00 was for a maintenance contract on the library's electronic book security system. This contract was neither bid nor sole sourced.

Both payments were made only from an invoice with no purchase order supporting the agreement. All maintenance contracts must follow the same source selection process as goods and services. In the future, all maintenance contracts should be supported by purchase orders. It should be the responsibility of the Purchasing Department to renew these contracts in compliance with the Code.

C. Information Technology - Printing

Voucher 000233 totaling \$971.42 was for continuous voucher checks and payroll checks. The order was made by Accounting, not Purchasing. We noted the following exceptions with this transaction:

- (1) Bids were not obtained.
- (2) A purchase order was never issued.
- (3) Since the order was not made by the Purchasing Department it is a violation of internal policy.
- (4) It resulted in an internal control weakness since the same person ordered, received and made payment for the supplies.

Again, this is an unauthorized procurement. As such, it must be ratified in accordance with Section 19-445.2015 of the regulations.

D. Consultant Services - Unauthorized Procurements

1. Voucher 001215 totaling \$1,200.00 was for "providing training and supervising practical application in commercial housekeeping procedures." This contract, again, was negotiated outside the Purchasing Department, without competition or a purchase order. This being the case, it is an unauthorized procurement that must be ratified in accordance with Section 19-445.2015 of the regulations.

2. Voucher 58213 was partial payment against a contract for an Energy Audit and Technical Assistance Report and Grant Application totaling \$4,000.00. Again, the contract was awarded without involvement by the Purchasing Department. It was awarded on the basis of two informal bids. Section 11-35-1520 of the Procurement Code states "contracts amounting to two thousand, five hundred dollars or more shall be awarded by competitive sealed bidding...." Regulation 19-445.2035 requires a minimum of three (3) qualified sources for the above contract dollar range. Furthermore, Regulation 19-445.2000, subsection C, states "A governmental body may make direct procurements above \$2,500.00 if they are certified to do so by the Materials Management Officer...." Since the College has no such certification, this is another unauthorized procurement. This transaction must be ratified by the Materials Management Officer.

SUMMARY

Administrative officials and department personnel are by-passing the Purchasing Department. Clearly, this is in violation of the College's internal procurement policy. It is an indication of insufficient management involvement in the procurement function to ensure compliance with College policy. This is the major problem area in procurement at Orangeburg-Calhoun Technical College. Immediate action must be taken to effect compliance with the Procurement Code and internal policy.

II. Review of Internal Procurement Procedures Manual

As part of our examination, we reviewed the College's Procurement Procedures Manual to determine if their written procedures were consistent with the Consolidated Procurement Code and its regulations. Our review revealed that the following areas need to be added, changed or expanded.

1. The following general topics should be addressed:
 - Procurement authority
 - Purpose statements (goals and objectives)
 - Determination of compliance
 - Statement with code and regulations
 - Ethical standards
2. Include a procurement organizational chart.
3. Address the following general procurement policy statements:
 - Source selection
 - Retention of records
 - Expenditure of funds (Federal, State, Local)
 - Vendor grievances
 - Complaints against vendors
 - Professional development
 - Conflict of interest
 - Authorized signature approval
 - Advance notice of needs
 - Approval authority for determinations (i.e., Sole Source, Emergency Procurements)

4. The following areas should be strengthened:
 - Receiving procedures (Quality Assurance)
 - Unauthorized procurements
 - Trade-in of equipment with value greater than \$500
 - Amendment to purchase order
5. Include the updated exempted commodities list
6. The late payment penalty should be included.
7. Policies for the procurement of the following should be included:
 - Equipment leases
 - Consulting services
 - Legal services
 - Auditing services
 - Personal purchases
8. A written procedure for property control should be developed
9. A pertinent "exhibit" appendix should be added

CONCLUSION

As enumerated in our transmittal letter, corrective action based on the recommendations described in the findings in the body of this report, we believe, will in all material respects place Orangeburg-Calhoun Technical College in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

We must state our concern over unauthorized procurements, which is clearly the procurement problem at the Orangeburg-Calhoun Technical College. As indicated in this report, when procurements are made by the Purchasing Officer, they are generally handled properly. We remind the College that for each unauthorized procurement Section 19-445.2015, Subsection A, requires that the head of the governmental body prepare a written determination as to the facts and circumstances surrounding each act, what corrective action is being taken to prevent reoccurrence, action taken against the individual committing the act and documentation that the price paid is fair and reasonable. Further, if the price paid is unreasonable, the individual may be held pecuniarily liable for the difference.

Corrective action should be taken to eliminate this and other weaknesses noted in this report. The corrective action should be taken by December 31, 1986. A follow-up review will be performed by this office at that time to determine the College's progress toward this end.

Subject to this corrective action and because additional certification was not requested, we recommend that Orangeburg-Calhoun Technical College be allowed to continue procuring all goods and services, construction, information technology and consulting services up to the basic level as outlined in the Procurement Code.

James M. Stiles
James M. Stiles, PPB
Audit Supervisor

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



ORANGEBURG-CALHOUN

October 30, 1986

TECHNICAL COLLEGE

Accredited by The Southern Association of Colleges and Schools
3250 ST. MATTHEWS ROAD, NE
ORANGEBURG, S.C. 29115-8299/803-536-0311

Mr. Richard Campbell
Assistant Division Director
Division of General Services
800 Dutch Square Boulevard
Columbia, South Carolina 29210

Dear Mr. Campbell:

As President of Orangeburg-Calhoun Technical College, I have thoroughly reviewed the recent procurement audit. The audit process has been valuable as a means of becoming more familiar with the Procurement Code. The period surveyed began only a few months after the technical colleges were brought under the code. We wish to stress that, without exception, each of the purchases noted was made in good faith and in the best interest of the college.

Compliance with the Procurement Code has been given a high priority by the management of Orangeburg-Calhoun Technical College. Our first area of attention must be the development and refinement of a Procurement Procedures Manual. Upon completion and approval, the Procurement Procedures Manual will be adopted and enforced throughout the college. This activity will be completed by November 28, 1986.

The transactions noted in the audit have been thoroughly reviewed and our response is as follows:

1. Voucher #56658 in the amount of Two Thousand Three Hundred Seventy Dollars (\$2,370.00). This expenditure was a renewal for maintenance on thirty (30) Dictaphone dictation units maintained in our classrooms.
2. Voucher #000286 in the amount of One Thousand One Hundred Twenty Five Dollars (\$1,125.00). This expenditure was for the initiation of a maintenance contract on library security equipment following the expiration of the warranty period.

These services could not have been provided by any other supplier, but a sole source determination was not completed as required by the code. We are assured by our administrative staff that procedures are under development to prevent violations of this type in the future. All maintenance contracts are now forwarded to our purchasing department for disposition.

Mr. Richard Campbell
Page 2
October 30, 1986

3. Voucher #000233 in the amount of Nine Hundred Seventy One Dollars and Forty Two Cents (\$971.42). This expenditure was for new checks which had to be printed in connection with the bidding of banking services.

It is the decision of the undersigned to ratify the purchase based upon findings that prices paid were fair and reasonable and that the transaction was made in the best interest of the college.

4. Voucher #001215 in the amount of One Thousand Two Hundred Dollars (\$1,200.00). This expenditure was provided to a local cleaning company which provided training, materials and supervised work experience for participants in a training and job placement program.

This purchase was made as a major component of a program referred to as the 'Women's Center'. This was a unique performance based contract which necessitated considerable flexibility and initiative on the part of the program administrators. The program concluded with the successful training and placement of all participants at a considerable financial savings to the State. The purchase is ratified with assurance from administration that this type contract will follow necessary procedures in the future.

5. Voucher #58640 in the amount of Two Thousand Four Hundred Eighty Nine Dollars and Fifty Cents (\$2,489.50);
6. Voucher #58447 in the amount of One Thousand Two Hundred Ninety Eight Dollars and Forty Three Cents (\$1,298.43);
7. Voucher #58788 in the amount of Four Thousand Seven Hundred Fifty Nine Dollars and Eighty Nine Cents (\$4,759.89).

Each of these vouchers was for truck repair service and replacement of truck parts and supplies. These expenditures were necessitated on an unscheduled basis due to breakdowns in vehicles being utilized in our truck driving class. The large amounts of these expenditures were not anticipated and immediate repair was necessary. These expenditures were not for normal vehicle maintenance. The trucks are on the campus for a limited time each year for training purposes under a cooperative agreement with other colleges. Competitive prices have now been obtained from available local suppliers and an agency contract now exists. The expenditures are ratified.

Mr. Richard Campbell
Page 3
October 30, 1986

8. Voucher #56995 in the amount of Seven Hundred Sixty Six Dollars and Eighty Cents (\$766.80).

These expenditures were proper and necessary repair expenses related to the operation of the college. Repairs were urgently required to the overhead doors in the Industrial Division shops. The anticipated cost had been less than Five Hundred (\$500.00) Dollars, but it was discovered that additional repairs were needed and these were approved in order to permit continuation of scheduled classes. The expenditure is ratified, however, a blanket contract is being negotiated for all overhead door repair.

9. Voucher #57124 in the amount of Two Thousand Four Hundred Fifty Four Dollars and Sixty Cents (\$2,454.60).

This expenditure was for furnishings and kitchen supplies which became available at considerable savings through the liquidation of a local business. The prices paid for materials purchased were fair and reasonable, but competitive bidding did not occur. The procurement is ratified; however, we were presented excellent advice in the course of the audit which will enable the college to avoid problems with similar situations.

SUMMARY:

We have ratified these expenditures based on apparent good faith, reasonable and fair prices and the fact that all purchases were made in the best interest of the college. No College employee has received personal gain or favors as a result of any of these transactions. We are confident that deficiencies identified in the audit are being corrected and that the college will be in full compliance with the Procurement Code.

Sincerely,



M. Rudy Groomes
President

MRG:seb

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

January 16, 1987

Mr. William J. Clement
Assistant Division Director
Division of General services
300 Gervais Street
Columbia, S.C. 29201

Dear Bill:

We have returned to Orangeburg-Calhoun Technical College to determine the progress made toward implementing the recommendations in our audit report covering the period April 1, 1985 through June 30, 1986. During this visit, we followed up on each recommendation made in the audit report through inquiry, observation and limited testing.

We observed that the college has made substantial progress toward correcting the problem areas found and improving the internal controls over the procurement system. With the changes made, the system's internal controls should be adequate to ensure that procurements are handled in compliance with the Consolidated Procurement Code and ensuing regulations.

Additional certification was not requested, therefore we recommend that Orangeburg-Calhoun Technical College be allowed to continue procuring all goods and services, construction, information technology and consulting services from local funds up to the basic level as outlined in the Consolidated Procurement Code regulations.

Sincerely,

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

R. Voight Shealy, Manager
Audit and Certification

/kd

