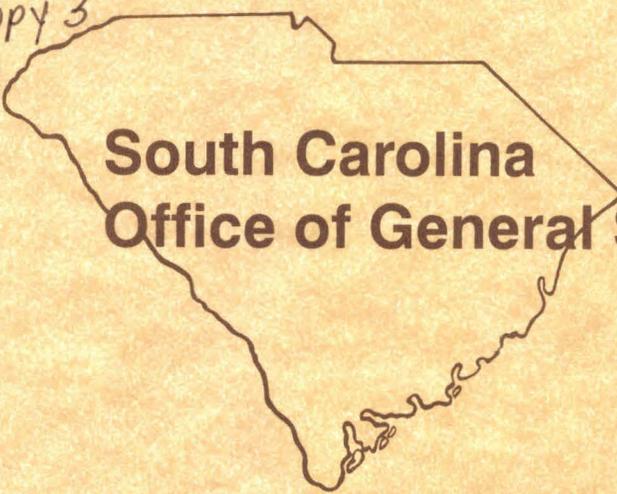


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**South Carolina
Office of General Services**

PROCUREMENT AUDIT AND CERTIFICATION

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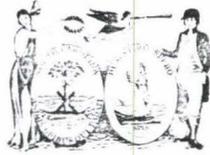
ORANGEBURG-CALHOUN TECHNICAL COLLEGE

AGENCY

JULY 1, 1995 - SEPTEMBER 30, 1996

DATE

STATE OF SOUTH CAROLINA
State Budget and Control Board
OFFICE OF GENERAL SERVICES



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HENRY E. BROWN, JR.
CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER F. CARTER
EXECUTIVE DIRECTOR

January 20, 1997

Ms. Helen T. Zeigler, Director
Office of General Services
1201 Main Street, Suite 420
Columbia, South Carolina 29201

Dear Helen:

I have attached the audit report for Orangeburg-Calhoun Technical College. Since we are not recommending any certification above the basic \$5,000 allowed by the Code, no action is required by the Budget and Control Board. Therefore, I recommend that the report be presented to the Budget and Control Board as information.

Sincerely,

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

R. Voight Shealy
Interim Materials Management Officer

/tl

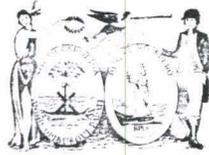
**ORANGEBURG-CALHOUN TECHNICAL COLLEGE
PROCUREMENT AUDIT REPORT**

JULY 1, 1995 - SEPTEMBER 30, 1996

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STATE OF SOUTH CAROLINA
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CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER F. CARTER
EXECUTIVE DIRECTOR

December 11, 1996

Mr. R. Voight Shealy
Interim Materials Management Officer
Office of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Voight:

We have examined the procurement policies and procedures of Orangeburg-Calhoun Technical College for the period July 1, 1995 through September 30, 1996. 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 Orangeburg-Calhoun Technical College is responsible for establishing and maintaining a system of internal control over procurement transactions. In fulfilling this responsibility, estimates and judgments 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 that we believe need 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.

Sincerely,



Larry G Sorrell, Manager
Audit and Certification

SCOPE

We conducted our examination with Generally Accepted Auditing Standards as they apply to compliance audits. Our examination encompassed a detailed analysis of the internal procurement operating procedures' manual to the extent we deemed necessary to formulate an opinion on the adequacy of the system to properly handle procurement transactions. That 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, a review of the following:

1. All sole source and emergency procurements and trade-in sales for July 1, 1995 through September 30, 1996
2. Payment transactions for July 1, 1995 through September 30, 1996
 - a) Thirty-five payments each exceeding \$1,500
 - b) Block sample of approximately 500 numerically sequenced vouchers
3. Minority Business Enterprise Plan and quarterly reports for July 1, 1995 through September 30, 1996
4. Internal procurement procedures manual
5. Information technology plans and approvals covering the audit period
6. Surplus property disposal procedures
7. Blanket purchase agreement files

RESULTS OF EXAMINATION

The Office of Audit and Certification conducted an examination of the internal procurement operating policies and procedures and related manual of Orangeburg-Calhoun Technical College, hereinafter referred to as the College. Our on-site review was conducted from October 7 through October 11, 1996, and was made under the authority as described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Regulations 19-445.2020. We found most transactions to be correct but did note the following items.

Inappropriate Sole Sources

The College did a sole source on PO30117 for tools in the amount of \$1,785 and on PO30218 for transportation services in the amount of \$5,940. The sole source determination attached to PO30117 stated that this vendor was selected because they could supply all the tools rather than having to go to several different vendors. The determination on PO30218 stated that this vendor was the lowest of two vendors able to meet the College's schedule of a Saturday pick up. The College believed because the minimum competition requirements could not be met that a sole source was required.

Section 11-35-1560 states, "A contract may be awarded for a supply, service, or construction item without competition when, under regulations promulgated by the board, the chief procurement officer, the head of a purchasing agency, or a designee of either officer, above the level of the procurement officer, determines in writing that there is only one source for the required supply, service, or construction item.... In cases of reasonable doubt, competition must be solicited." In both of these cases, competition existed and was sought. We recommend that the College apply the sole source definition more carefully to ensure compliance with the Code. A sole source determination is not required when an agency meets the competition requirements of the Code, but only receives one responsive and responsible bid.

Procurement Appears To Be Split

The College bought tools on PO31301 and PO31354 for the same department in the amount of \$1,416 and \$1,448 respectively. The requisitions were dated May 8, 1996 and May 13, 1996. It appears that the requisitioning department split the procurement to avoid competition requirements.

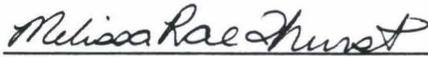
Section 11-35-1550 states, "...provided, however, that procurement requirements shall not be artificially divided by governmental bodies so as to constitute a small purchase under this section."

We recommend that the department review the Code and avoid separating requisitions in order to ensure compliance.

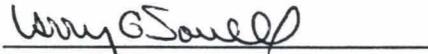
CERTIFICATION RECOMMENDATIONS

As enumerated in our transmittal letter, corrective action based on the recommendations described in this report, we believe, will in all material respects place Orangeburg-Calhoun 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 January 31, 1997. Subject to this corrective action, and since Orangeburg-Calhoun Technical College has not requested additional procurement certification, we will recommend that the College be allowed to continuing procuring all goods and services, consultant services, construction services and information technology up to the basic level of \$5,000 as allowed by the South Carolina Consolidated Procurement Code and accompanying regulations.



Melissa Rae Thurstin
Senior Auditor



Larry G. Sorrell, Manager
Audit and Certification

Office of the President

3250 St. Matthews Rd. • Orangeburg, SC • 29118-8299 • (803) 535-1200 • Fax: (803) 535-1388 • e-mail: olsonj@org.tec.sc.us

January 15, 1997

Mr. Larry Sorrell, Manager
Audit and Certification
Materials Management Office
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Mr. Sorrell:

The staff of Orangeburg-Calhoun Technical College and I have reviewed the draft of the procurement audit report prepared by the Office of Audit and Certification and have addressed the two findings noted in that report below:

Inappropriate Sole Sources

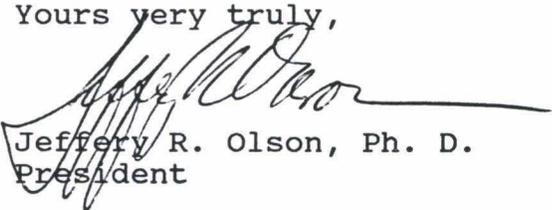
The College will note for future procurements that when competition exists and is sought, it is not necessary to award a contract under sole source guidelines.

Split Procurement

Appropriate College personnel have met with the instructional department involved in the apparent split purchase order of tools. The Chairman of the department stated that his intent was not to circumvent the procurement process. He fully understands the implication of this action and has assured us that this situation will not occur in the future. We are confident that appropriate counseling has taken place and that additional diligence will be applied in this area.

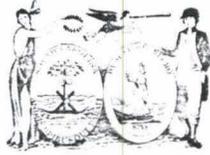
I would like to take this opportunity to thank you and your staff for a professional audit and a productive exit conference. Your continued support and accessibility are appreciated.

Yours very truly,


Jeffery R. Olson, Ph. D.
President

c: Retta Guthrie

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LUTHER F. CARTER
EXECUTIVE DIRECTOR

January 20, 1997

Mr. Voight Shealy
Interim Materials Management Officer
Materials Management Office
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Voight:

We have reviewed Orangeburg-Calhoun Technical College's response to our audit report for July 1, 1995 - September 30, 1996. Also, we have followed the College's corrective action during and subsequent to our field work. We are satisfied that the College has corrected the problem areas and the internal controls over the procurement system are adequate.

Additional certification was not requested. Therefore, we recommend the College be allowed to continue procuring all goods and services, construction, information technology and consulting services up to the basic level of outlined in the Code.

Sincerely,


Larry G. Sorrell, Manager
Audit and Certification

LGS/tl

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