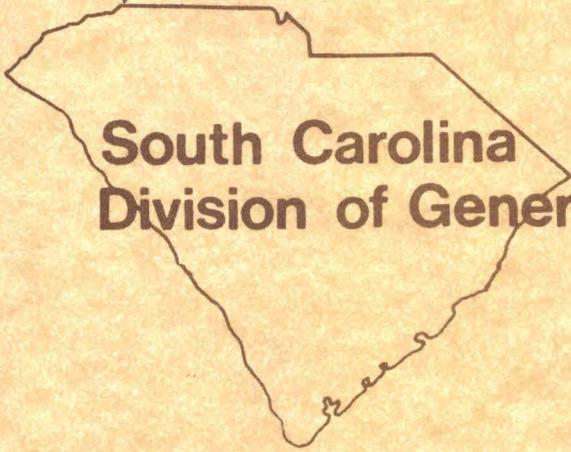


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Division of General Services**

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PROCUREMENT AUDIT AND CERTIFICATION

PIEDMONT TECHNICAL COLLEGE

AGENCY

APRIL 1, 1985 - MARCH 20, 1986

DATE

STATE OF SOUTH CAROLINA
BUDGET AND CONTROL BOARD

DIVISION OF GENERAL SERVICES
300 GERVAIS STREET
COLUMBIA, SOUTH CAROLINA 29201
(803) 737-2150

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HOUSE WAYS AND MEANS COMMITTEE

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

February 27, 1987

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

Dear Rick:

Attached is the final Piedmont 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 two years certification as outlined in the audit report.

Sincerely,

William J. Clement
Assistant Division Director

Attachment

**PIEDMONT TECHNICAL COLLEGE
AUDIT REPORT**

April 1, 1985 - March 20, 1986

TABLE OF CONTENTS

	<u>PAGE</u>
Transmittal Letter.....	1
Introduction.....	3
Background.....	4
Scope.....	5
Summary of Audit Findings.....	7
Results of Examination.....	8
Certification Recommendations.....	13

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HOUSE WAYS AND MEANS COMMITTEE

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

July 29, 1986

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

We have examined the local fund procurement policies and procedures of the Piedmont Technical College for the period April 1, 1985 - March 20, 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 Piedmont 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 the Piedmont Technical College in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

R. Voight 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 Piedmont Technical College.

Our on-site review was conducted May 5, 1986 through May 22, 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.

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 certify in writing that it is consistent with the provision 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.

While on site, we received a written request from the Piedmont Technical College for certification to make procurements in the following categories and designated amounts:

<u>Area</u>	<u>Amount</u>
Goods and Services (local funds only)	\$10,000.00
Information Technology	\$10,000.00
Construction	\$10,000.00
Consultants	\$10,000.00

SCOPE

Our examination encompassed a detailed analysis of the internal procurement operating procedures of Piedmont 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 - March 30, 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 regulations;
- (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 of Piedmont Technical College produced findings and recommendations in the following areas:

	<u>PAGE</u>
I. <u>Compliance - Procurements</u>	8
Four procurements were not made in compliance with the Consolidated Procurement Code and its ensuing regulations.	
II. <u>Compliance - Sole Source</u>	9
One procurement was handled improperly as a sole source.	
III. <u>Transaction Control</u>	10
Accounts payable failed to take two cash discounts. Additionally, four invoices were paid without purchasing approval of increased amounts.	
IV. <u>Compliance - Contracts</u>	11
Two annual contracts for services were not supported by evidence of competition.	

RESULTS OF EXAMINATION

I. Compliance - Procurements

The following procurements were not made in accordance with the Consolidated Procurement Code and regulations.

	<u>P.O. Number</u>	<u>Amount</u>	<u>Description</u>
1.	28184	\$1,970.00	Recondition copier
2.	28982	665.49	Rescue equipment
3.	27892	2,209.10	Maintenance supplies
4.	29553	1,722.00	Building material

Items one and two were not supported by evidence of competition. Section 19-445.2100 of the regulations requires competition for all procurements greater than \$500.00 that are not sole source or emergency procurements or items available from State term contracts.

Telephone quotes were solicited for items three and four. Section 19-445.2015, Subsection B, Item 3, requires solicitation of written quotations from three qualified sources of supply.

The College should take care to ensure that these and all other requirements of the Procurement Code are met in the future.

AGENCY RESPONSE

P. O. #28184: Reconditioned Copier - \$1,970.00
Proposals were solicited from Xerox and others on several models of copiers to replace one which was inoperable. After extensive review, it was determined to recondition a copier which had been donated to the college. Since it was a Xerox model, we obtained a proposal from the Xerox serviceman. We termed this as a Sole Source Procurement. In documenting this purchase, the Sole Source Justification became detached from the purchase order and was lost. This type of incident has been reviewed and is not a recurring problem. Every precaution is taken to keep this from happening again.

P. O. #28982: Rescue Equipment - \$584.26

Requisitioner was unable to obtain quotes due to absence of procurement officer. Items were needed for a class beginning that week in Continuing Education. The purchasing office is taking precautions to eliminate any reoccurrence of orders being placed without proper documentation and approvals.

P. O. #27892: Maintenance Supplies - \$2,209.10

In expediting this order, a handwritten listing of the required supplies was hand carried to vendors, who entered their prices on these sheets. Originals of these sheets were attached to the purchase order. This procedure has been eliminated for orders requiring written bids. The purchasing office prepares bid invitations for orders requiring bids from three qualified sources of supply.

P. O. #29553: Building Materials - \$1,722.00

This was an order for a large quantity of paneling for several priority construction projects in process on campus. There are only two vendors in Greenwood who carry this type of paneling and telephone bids were solicited from both. In lieu of written quotes, the unit price was written on the dummy invoice copy from Snead's. The college recognizes this as a questionable procedure and will reinforce procedures as outlined in the Code for obtaining written quotes from vendors on all orders exceeding the \$1,499.99 dollar limit. We also recognize the need to obtain at least one more quote. Procedures have been implemented to ensure more control of documentation on maintenance supply orders processed by the purchasing office.

II. Compliance - Sole Source

Our review of the sole source and emergency procurements for the quarters April 1, 1985 through March 31, 1986 revealed the following exceptions that do not qualify as sole source.

<u>P.O. Number</u>	<u>Amount</u>	<u>Description</u>
29450	\$ 7,875.00	Breathing ventilator. "Vendor has given us the lowest quote for reconditioning this unit." The determination itself indicated that this was not a sole source. Competition should have been solicited.

Section 19-445.2105, Subsection B, of the regulations 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."

The College should adopt the Materials Management Office's definition of a sole source which is a unique item or service available only from a single supplier. Competition should be sought before making procurements that do not meet this criteria.

AGENCY RESPONSE

P. O. #29450: Breathing Ventilator - \$7,875.00
This was termed "Sole Source" due to the technical aspects in reconditioning this unit. Three vendors were contacted for proposals on reconditioning the ventilator. Vendors not located in Greenwood did not provide written quotations because they could not give a firm price until they could determine what would have to be done to this unit in the reconditioning process. This would not have been possible without incurring additional costs, such as travel, time and possible materials used for the preview of this unit. Consequently, only verbal estimates were provided. With the above considerations, Self Memorial Hospital was declared the only responsive and responsible vendor who could perform the required tasks. This seemed logical at the time as Self Memorial had donated the unit to the college and had been maintaining it. The purchasing office concurs that this was an unqualified Sole Source Procurement according to the definition in the code. Competition will be solicited on all items and/or services which are not unique and are not available only from a single supplier.

III. Transaction Control

The following transactions were not properly processed by Accounts Payable.

<u>Item</u>	<u>P.O. Number</u>	<u>P.O. Amount</u>	<u>Invoice Amount</u>	<u>Description</u>
1	27946	\$1,402.00	\$1,421.67	Cable
2	27808	\$1,460.40	\$1,524.66	Lightbulbs
3	28299	\$ 621.60	\$ 686.60	Carpet

4 28199 \$ 865.16 \$ 874.29 Carpet

The above invoices were paid by Accounts Payable without having the price increases approved by the Purchasing Department. In order to insure proper payment, Purchasing should review and approve or disapprove price changes. The increases may not be appropriate. This was discussed with the appropriate officials of the College during the audit. We understand that corrective action has been taken.

Additionally, we noted two invoices which were paid timely but discounts totaling \$72.23 were not taken. We recommend the college examine invoices more closely, and take all available discounts.

AGENCY RESPONSE

Informal college policy has been that price increases not exceeding 5 percent of the purchase order cost could be verbally approved. This informal policy accounted for the transactions cited in the report that were not approved by the purchasing officer. Since that time, a formal written policy has been developed that requires approval by the purchasing officer and in some cases the initiation of a purchase change. In addition, the purchasing officer spot checks documentation to ensure compliance. The discounts not taken were oversights. The business office manager will review invoices to ensure available discounts are taken. The purchasing office has established internal controls suggested by the audit. These guidelines have been included in the Policies and Procedures Manual in the Purchasing Office.

IV. Compliance - Contracts

The following annual contracts were not renewed in accordance with the Consolidated Procurement Code.

	<u>Amount</u>	<u>Description</u>
1.	\$7,318.00	Auto liability insurance

2. \$3,941.00 Trash removal

Section 19-445.2035 requires solicitation of a minimum of three sealed bids for purchases from \$2,500.00 to \$4,999.99 and solicitation of a minimum of five sealed bids for purchases from \$5,000 to \$9,999.99.

Additionally, these items exceeded the college's procurement certification limit of \$2,500.00 and consequently are unauthorized procurements that require ratification from the Materials Management Officer, in accordance with Section 19-445.2015.

AGENCY RESPONSE

The college concurs that the contracts for auto liability insurance and for trash removal services were not renewed in accordance with the Consolidated Procurement Code and recognizes these as questionable procurements. Competition had been sought on both contract renewals, however, including soliciting bids from automobile insurers, resulting in a change to an insurer with a lower insurance cost. Since the audit, the college has taken action to ensure that the appropriate documents in support of the contract renewals are retained in the procurement files. In addition, qualifying renewals will be forwarded to the State Procurement Contracts Administrator's Office. This month a contract has been concluded for a new trash removal contract through the State bid process.

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 Piedmont Technical College in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

Under the authority described in Section 11-35-1210 of the Procurement Code, subject to this corrective action, we recommend Piedmont Technical College be certified to make direct agency procurements up to the limits as follows when using local funds.

<u>PROCUREMENT AREAS</u>	<u>RECOMMENDED CERTIFICATION LIMITS</u>
Goods and Services (Local Funds Only)	\$10,000 per purchase commitment
Information Technology in accordance with the approved Information Technology Plan (Local Funds Only)	\$10,000 per purchase commitment
Consultants (Local Funds Only)	\$10,000 per purchase commitment
Construction	Not Recommended at this time



Jeff Widdowson, P.P.B.
Audit and Certification Analyst



R. Voight Shealy, Manager
Office of Audit and Certification

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

February 27, 1987

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

Dear Bill:

We have returned to Piedmont Technical College to determine the progress made toward implementing the recommendations in our audit report covering the period April 1, 1985 through March 20, 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.

We, therefore, recommend that the certification limits as outlined in the audit report, be granted for a period of two (2) years.

Sincerely,

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

R. Voight Shealy, Manager
Audit and Certification

