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South Carolina
Division of General Services

PROCUREMENT AUDIT AND CERTIFICATION

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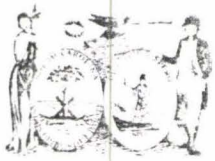
PIEDMONT TECHNICAL COLLEGE
AGENCY

APRIL 1, 1986 - JUNE 30, 1989
DATE

STATE OF SOUTH CAROLINA

State Budget and Control Board

DIVISION OF GENERAL SERVICES



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

July 20, 1989

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

Dear Rick:

Attached is the final audit report of Piedmont Technical College as prepared by the Office of Audit and Certification. Initially, an audit was performed of the College's procurement activity for the period of April 1, 1986 - September 30, 1988. The audit results were less than desirable.

The audit staff informed the College that we would allow time for corrective action to be taken, perform an extensive follow-up audit to confirm this and recommend recertification at the previous levels of $10,000 for goods and services, consultant services and information technology if substantial improvement was evident.

The follow-up audit was performed July 5-6, 1989, covering the period of October 1, 1988 - June 30, 1989. The results are covered in the follow-up review letter on page 31 of this report. Although several exceptions were noted, significant improvement has been accomplished.

Based on the results of the follow-up audit, I recommend that Piedmont Technical College be recertified at the previous level of $10,000 for goods and services, consultant services and information technology.

Sincerely,

James J. Forth, Jr.
Assistant Division Director

Attachment

PIEDMONT TECHNICAL COLLEGE

AUDIT REPORT

ORIGINAL AUDIT PERIOD

APRIL 1, 1986 - SEPTEMBER 30, 1988

FOLLOW-UP AUDIT PERIOD

OCTOBER 1, 1988 - JUNE 30, 1989

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EXECUTIVE DIRECTOR

July 13, 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 Piedmont Technical College for the period April 1, 1986 through June 30, 1989. 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, 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 Piedmont Technical College in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

Voight Shealy

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 Piedmont Technical College.

Our on-site review was conducted October 26 - December 15, 1988 and was made under authority as described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Regulation 19-445.2020. An extensive follow-up audit was performed July 5-6, 1989.

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.

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 procurement audits of governmental bodies thereafter, the auditors from the Division of General Services 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.

On April 14, 1987, the Budget and Control Board granted Piedmont Technical College procurement certification for local funds as follows:

Category	Requested Limit
1. Goods and Services	$10,000
2. Consultant Services	10,000
3. Information Technology	10,000

Our audit was performed primarily to determine if recertification for expenditures of local funds is warranted. Increased certification above the current $10,000 limit was not requested.

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 - including federal funds, local contributions and student collections - which is the procurement activity managed completely by the College. As in all South Carolina technical colleges, State funded procurements are managed by the State Board of Technical and Comprehensive Education.

We selected a random sample of procurement transactions for compliance testing for the period April 1, 1986 - September 30, 1988 and performed other audit procedures that we considered necessary in the circumstances to formulate this opinion. Additionally, an extensive follow-up audit was performed for the period October 1, 1988 - June 30, 1989. 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) inventory and 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 Piedmont Technical College, hereinafter referred to as the College, produced findings and recommendations in the following areas:

PAGE

I. Sole Source and Emergency Procurements and Trade-ins

A. Sole Source Procurements

1. Compliance 11

We noted seven procurements which we believe were inappropriately made as sole sources.

2. Unnecessary Sole Sources 13

In nine cases, the requirements of the Procurement Code had been met, but due to the fact that the documentation was either not retained or not forwarded to the Procurement Office, sole source determinations were prepared unnecessarily.

3. Unauthorized Procurements 15

Five sole source procurements were found to be unauthorized.

4. Reporting 16

We found fifteen procurements inappropriately reported as sole sources.

B. Emergency Procurements

1. Compliance 18

An emergency procurement amounting to $10,780.65 for building supplies was caused due to inadequate planning.

2. Reporting 19

Three emergency procurements were supported by adequate solicitations of competition and should not have been reported.

II. Compliance - Procurements

A. Procurements Without Competition 21

Two procurements were made without evidence of competition or sole source or emergency determinations.

B. Inappropriate Procurement Methodology 22

One instance was noted where the College used the wrong procurement methodology.

C. Reporting 23

Two instances were found where the College made sole source procurements and failed to report them.

D. Tie Bid Inappropriately Resolved 24

One tie bid was noted where the College failed to follow the Procurement Code in determining the award.

III. Blanket Purchase Agreements Not in Compliance 25

The College did not include all of the terms in its blanket purchase agreements that are required by the Regulations.

IV. Sealed Bid Procedures are Inadequate 26

Several weaknesses were noted in the sealed bidding practices.

RESULTS OF EXAMINATION

I. Sole Source and Emergency Procurements and Trade-ins

We examined the quarterly reports of sole source and emergency procurements and trade-in sales for the period April 1, 1986 through September 30, 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. The following problems were noted.

A. Sole Source Procurements

1. Compliance

We noted seven sole source procurements which we believe to be inappropriate.

PO#	Amount	Description
31737	667.63	Photograph enlargements
31788	1,545.03	Installation of CCTV/ETV lines
32915	1,144.60	Design production of posters
33482	1,750.00	Evaluation of Title III program
33563	1,365.00	Used computer equipment
34088	574.15	Subscription service
35396	1,281.96	Installation of ball field sound system

Regulation 19-445.2105, Subsection B, states, "Sole source procurement is not permissible unless there is only a single supplier... In cases of reasonable doubt, competition should be solicited."

These procurements should have been competitively bid. Likewise, future procurements of this type should be competitively bid.

COLLEGE RESPONSE

1. Compliance - We understand the reasons for citing the seven procurements noted, but offer the following explanations for each procurement:

a. PO# 31737 - TNT Color Lab - $667.63

This situation developed during the AM88 Exhibition during which the school photographer used a wholesale photo reproduction service to enlarge prints for the PTC display booth. This person did have verbal approval of the president of the college to perform this duty and this project was not anticipated to incur expenses greater than $500. Since this expense did exceed $500, a sole source determination was made because time was a determining factor. Every attempt will be made to assure that requisitioners understand proper purchasing procedures to preclude these situations.

b. PO# 31788 - CommTronics - $1,545.03

This was a service order initiated by the Learning Resources Center Coordinator of the college. As reflected on the sole source justification, this vendor was formerly with ETV and had been referred to PTC by the State ETV when inquiring about the installation of cable for the receipt of ETV channels at the college. This vendor provided the expertise and equipment during the initial installation. To our knowledge, there is no other supplier who can provide these services without incurring considerable additional cost to the college. However, continued action will be taken to actively seek additional competition for this type of service.

c. PO# 32915 - Associated Posters - $1,144.60

This requisition was initiated by the Public Information Office to obtain promotional posters for billboards within the seven county support area of the college. Coordination with the state public information office and local vendors resulted in the referral to this vendor. Because of the special circumstance resulting from a short deadline for establishing an effective advertising campaign recommended by the state public information office and because this was the only known source for providing this support within the seven county support area, a sole source determination was made. We recognize this as an improper procedure and will solicit competition for further procurements of this type.

d. PO# 33482 - Development Institute - $1,750.00

In 1983, when the college received a Title III Grant, action was taken to secure from the Federal Title III Office, a listing of potential evaluators. Three evaluators were

obtained and were requested to provide proposals. These proposals were evaluated and a selection was made based on their proposals and cost. Development Institute was selected and documented in the purchase order file. This transaction took place prior to the college being under the Standard Procurement Code, but the effort was made to secure competition. This grant covered a five year period. Each year Development Institute was used as their cost was reasonable and they were familiar with the college program. They were used again in 1987. The circumstances of the uses were documented and retained in the file. Since the original contract was bid, the sole source determination was not necessary, but was used to document the history of the transactions and to secure the president's approval.

e. PO# 33563 - ATS, Inc. $1,365.00

This requisition, initiated by the Media Center, resulted from a vendor's offer of used equipment when we were seeking price quotations for new equipment. This offer appeared to be quite reasonable and the need was so immediate that approval was sought and obtained from the president to authorize the purchase. The sole source was used to document the "one of a kind" opportunity purchase. The offer was unique and accepted. These types of transactions will be reviewed more carefully to ensure code compliance.

f. PO# 35396 - CommTronics - $1,281.96

This requirement was for installation of an athletic field sound system for the college. This vendor was the only source who responded to verbal solicitations. Because of his familiarity with the existing audio/visual requirements of the college and a short deadline, this was determined to be a sole source. We recognize that documentation of solicitations should have occurred and that the use of sole source procurements should be limited to the description contained in the code. Solicitations will be documented more accurately in future procurements.

2. Unnecessary Sole Sources

Competition was sought for the following transactions, after which the College processed them as sole source procurements. Since the competition requirements of the Code had been met, sole source determinations were unnecessary.

PO#	Amount	Description
29994	$ 1,064.70	Crusher run gravel
31014	1,050.00	Used pressure washer

31956	851.76	Crusher run gravel
33125	2,126.25	Rental of photo copier
33188	910.00	Brick masonry services
33865	1,055.01	Audiovisual equipment repair
34271	708.75	Used conduit benders and band saw
34786	2,010.73	Remove and replace duct work
35339	1,107.00	Audiovisual equipement repair

Telephone quotes were obtained by user departments but the information was either not retained or not forwarded to the Procurement Office. Eventually, the information was located by the College.

We recommend that all price quotations obtained by user departments be forwarded to the Procurement Office to provide evidence of competition and to avoid confusion. Where the required competition has been solicited, sole source determinations should not be prepared.

COLLEGE RESPONSE

2. Unnecessary Sole Sources - We concur with your recommendation that all documentation of quotations should be submitted to and retained by the Procurement Office. All requisitioners have been advised of the importance of this procedure and all attempts will be made to comply with this procedure in future procurements. However, with the following procurements, we offer the following rationale for the sole source determinations:

a. PO# 31014 - Pressure Cleaning Services - $1,050.00

This was a requisition initiated by the Maintenance Department. This was a one of a kind purchase of a pressure washer. The Maintenance Department needed to purchase one of these units for several years, but the funds were not available to do so at upwards of $3,000. In reviewing prices and availability of new units, the college was offered a used unit that happended to become available. In checking this price with other vendors, they indicated that used units rarely become available and when they do, they never come with a warranty. One vendor stated that the price was more than fair, that he would have to charge more and not provide a warranty. Since the unit offered by Pressure Cleaning was given a new unit warranty and was one third of the cost of the new unit, the purchase was made. Since the item was one of a kind in terms of rare availability, a sole source determination was made and approved.

b. PO# 33865 & 35339 - Applied Video Systems, Inc. - $2,162.01

Telephone calls were made several times and requests for quotations have been solicited on the repair of audio/visual equipment items used in the Media Center. We have had no success at all in this endeavor. Vendors were not capable of providing quotes on hourly rates or per job costs because of the nature of this service. Every vendor contacted stated each unit would have to be looked into to find the cause of the problem. No vendor wanted to provide hourly rates for such service. The sole source determinations were prepared in each case because of these extenuating circumstances.

3. Unauthorized Procurements

We noted five unauthorized sole source procurements. In three instances, the invoices preceded the sole source authorizations. These purchase order numbers were as follows:

PO#	Amount	Description
31467	$1,545.03	Student list
31737	667.63	Photograph enlargements
33865	1,055.01	Audiovisual equipment repair

In two instances, personnel without the requisite authority to do so signed contracts. The purchase order numbers for these contracts were:

PO#	Amount	Description
34088	$ 574.15	Subscription service
32002	13,000.00	Clinical respiratory therapy Instruction and supervision

Section 11-35-1560 of the Procurement Code indicates that a procurement may be made as a sole source if the chief procurement officer, the head of a governmental body or a designee of either officer above the level of the purchasing agent determines in writing that the item or service is only available from a single source. Since the Code is so specific about the authority required to make a sole source procurement,

determinations must be approved by someone with requisite authority before commitments are made.

Since the procurements above are all unauthorized, ratification must be requested for each item in accordance with Regulation 19-445.2015. The requests should be submitted to the College President except for purchase order 32002 for $13,000.00. Ratification for that procurement must be requested from the State Materials Management Officer.

COLLEGE RESPONSE

3. Unauthorized Procurements - With regard to the unauthorized procurements cited, ratifications have been requested from the president of the College and from the chief procurement officer of the State Materials Management Office. Ratifications have been received on all citings. We are continuing to educate the requisitioners and other college personnel on the risks of obligating college funds inappropriately.

4. Reporting

We found fifteen procurements that were inappropriately reported as sole sources. They were as follows:

PO#	Amount	Description
28508	$ 1,500.00	Copyrighted books
30961	1,750.00	Seminar services on a registration fee basis
31087	1,740.00	Photo copier (State contract)
31866	1,610.76	Amendment to printing services originally procured on an emergency basis
31884	525.00	Procurement is $500.00 + tax
32051	2,154.00	Copyrighted books and guides
32667	556.05	Continuing education on a registration fee basis
32942	900.00	Continuing education on a registration fee basis
33322	1,500.00	Continuing education on a registration fee basis
33989	660.00	Copyrighted books
34195	900.00	Copyrighted books
34287	1,500.00	Registration fees
34714	900.00	Continuing education on a registration fee basis

34873	1,034.22	Continuing education on a registration fee basis
34908	643.80	Continuing education on a registratin fee basis

Most of these procurements were exempted from the Procurement Code and should not have been procured/reported as sole source procurements with the following exceptions. Purchase order 31087 is for a photo copier which was covered by State contract. The College should not have reported this procurement as a sole source. Purchase order 31866 was an amendment to an emergency procurement. The College incorrectly procured/reported the amendment as a sole source. This procurement should have been reported as an amendment to the emergency procurement. And finally, purchase order 31884 for the rental of a mortar mixer should have been handled under the small purchase procedures as defined in Regulation 19-445.2100, Subsection B since the item is $500.00 excluding tax.

Amended sole source reports should be submitted to the Division of General Services to reduce the reported sole source activity for the fiscal years in question. For the current fiscal year, amended reports should be submitted by quarter.

COLLEGE RESPONSE

4. Reporting - The fifteen procurements inappropriately reported as sole source have been noted and the amended sole source reports have been processed and are ready to submit to the Division of General Services. These errors occurred because of a misunderstanding in the exemptions of the Procurement Code. Discussions were held with Materials Management Officials and a new exemptions listing was requested, as well as a written explanation of the Continuing Education exemption. We will be certain to annotate all purchases which are exempt from the provisions of the Procurement Code. For the items which were not exemptions, the following explanations have been included:

a. PO# 31087 - Pitney Bowes - $1,740.00

This was an extension of a rental contract for a copier which was on State Contract. At the time of the renewal, the contract sheets for this particular model had been replaced and there was a misunderstanding of how to renew such a contract. The sole source method was used because it had not been made clear that contracts could be extended for items on state contract. This was during a time when copier requirements were under review by the Information Technology Office. It was suggested that we renew this contract in lieu of investigating other copier brands during this period. The rental agreement expires on June 30, 1989 and prior to that expiration, the college will determine which of the copiers currently on state contract will meet the needs of this general JTPA area.

b. PO# 31866 - Jacobs Press - $1,610.76

This procurement was made as a sole source purely by error. It should have been reported as an amendment to the original emergency procurement. An amended sole source report to correct this has been prepared and an emergency procurement report will be submitted to the Division of General Services.

c. PO# 31884 - The Rental Center - $525.00

The rental of a mortar mixer was procured as a sole source because it was procured from the sole vendor who could provide this equipment for our use. Since this should have been considered as a small procurement, an amended sole source report has been processed to reduce our reporting by this amount.

B. Emergency Procurements

1. Compliance

On purchase order 30396, the College made an emergency procurement for $10,780.65 for building supplies. The project to be completed was originally scheduled to be bid with an approximate cost of $40,000. The College decided instead to complete the project with students and in-house labor. This resulted in a significant decrease in project cost. However, at the time the decision was made to use student labor the procurement of building supplies had to be declared an emergency

in order for the project to coincide with the upcoming quarter's classes. Informal quotes were obtained and an emergency determination was prepared.

While we commend the College for its cost containment efforts, it is unfortunate that, at the time the decision was made to use student labor, bids could not be solicited through normal procurement channels. Better planning could have eliminated the emergency situation.

COLLEGE RESPONSE

1. Compliance - On PO# 30396 the college made an emergency procurement of wood and other construction supplies to have on hand for a construction management class that was going to build some needed office space as part of a class project. The purchasing office had limited time to obtain material due to requirement to complete this project while the proposed area was not in use by faculty. Time was not available to advertise in SCBO or request a number of sealed bids, but considerable effort was made to seek and obtain local competition. Quotes were obtained from four vendors and the procurement was made. The audit findings suggest that "poor planning" was involved. In our view, given the uncertainty of summer enrollment and the availability of students, as well as the cost of external construction, the option to use students to construct and renovate the area was a good one. All labor costs were avoided at considerable cost savings to the college and the state. The need for the new spaces was a new requirement and resulted from program changes that were contingent on the status of enrollment and internal organizational changes. The event was not one that could have been planned long before the circumstances occurred.

2. Reporting

Three procurements were declared emergencies even though the College met the competition requirements of the Procurement Code (Ref. P.O. 35373 for $1,915.20, P.O. 30067 for $1,167.00 and P.O. 33717 for $2,028.21.) These procurements should not have been reported as emergencies. An amended report should be submitted to the Division of General Services to correct these errors.

COLLEGE RESPONSE

2. Reporting - The three procurements which were cited as reporting errors have been reviewed and the individual corrections to reported amounts have been made. These items were declared emergencies due to the circumstances in each case. We have reviewed the reporting requirements for emergency procurements and understand that if bidding requirements can be met within the limited time available, then reporting is not a requirement.

a. PO# 35373 - Baker Brothers, Inc. $1,915.00

This emergency order was placed by the Maintenance Department because of the failure of an air conditioning compressor in the Multi-Purpose Building scheduled for two major events in August. Expedited written competition was sought from three vendors and the award went to the low bidder. In our view, this was a valid emergency situation requirement and was treated as such, even though competition was sought and the low bidder was awarded the contract.

b. PO# 30067 - 54" Pipe, etc. - $1,167.00

In this case, the college purchased forty-eight feet of 54" pipe to enhance a perimeter road that had been under construction by the National Guard. During this project a contractor on another project had fill dirt available at no cost, but needed disposal immediately. These circumstances prompted the thought that this dirt could be used to extend the road over a ravine connecting the main campus to a newly acquired location. To do so, however, pipe was required to form a culvert. Time was the driving factor and after several telephone calls the pipe was located and purchased via an emergency procurement. This transaction was documented as an emergency procurement and approved by the President.

Competition was sought by calling three firms, only one of which had the pipe available for immediate delivery. The chance to save considerable dollars by accepting the free available fill dirt to provide an unexpected opportunity to complete a project prompted the emergency purchase. Since the procurement code states that in an emergency situation competition should be solicited as practicable, we feel we have met all requirements.

c. PO# 33717 - Durr Fillauer Medical, Inc. $2,028.21

This purchase resulted from an emergency need to procure nursing supplies for newly approved Associate Degree Nursing Program. Four vendors were called for solicitations. Durr Fillauer was the only company who could provide all supplies required for the start up of this new nursing program. The

emergency existed due to the time between the actual approval of the new program and the implementations of the instruction of the new program. Failure to have these supplies on hand during the start up of the course would have adversely affected the curriculum.

II. Compliance - Procurements

A. Procurements Without Competition

The following two procurements were made without either evidence of competition or sole source or emergency determinations:

	Amount	Description
P.O.# 35303	6,827.22	Subscription service
Voucher# 679	1,754.06	Day care service

We recommend that competition be solicited for all future procurements that are not exempt from the Procurement Code, that are not appropriately justified as sole sources or emergencies or that are not made from State term contracts.

COLLEGE RESPONSE

A. Procurements Without Competition

1. PO# 35303 - Ebsco Subscription Service - $6,827.22

This procurement of subscription renewals was considered to be an exemption because of the criteria under the listing of Exemptions provided in the South Carolina Consolidated Procurement Code. Discussions were held during Research & Training sessions with other procurement officials which led the college to believe that an exemption status was accurate. We realize this status has been challenged and that a decision on how to handle this type of procurement is still pending. Hopefully, a statewide term contract can be established for this service, since mostly all technical colleges currently use Ebsco as the routine provider of subscription renewal services.

2. Voucher #679 - Sunshine House - $1,754.06

The college has attempted to solicit by telephone responses from day care providers interested in providing this day care

service. We have had no successful response from any single vendor who may be interested in this activity.

Federal Grant Number 8730331 for JTPA Dislocated Workers recommends compliance with the procurement code for subgranting services required by JTPA students. The procurement of day care services is a problem in this area because the individual student selects the day care service to provide this benefit. Therefore, this activity does not yield itself to the requirements of the code. Although every day care provider in town is used by the students, the principle provider is the Sunshine House because it has five day care facilities.

In discussions with the procurement auditors, it was determined that this type of activity should be a sole source procurement based on the fact that we have no control over where these children can be placed under day care. This procurement will be reported as a sole source in the future, until other recommendations are made.

B. Inappropriate Procurement Methodology

We found one instance where the College used the wrong procurement methodology. The College solicited three written quotations on a $2,600.00 procurement to move two double wide trailers. (Ref: Purchase Order 32779) Regulation 19-445.2035, Subsection A requires solicitation of a minimum of 3 qualified sources using the competitive sealed bidding methodology for procurements from $2,500.00 to $4,999.99.

We recommend that the College take more care to insure procurements are made using the correct procurement methodology.

COLLEGE RESPONSE

B. Inappropriate Procurement Methodology

PO# 32779 - Bradley & Rude House Moving - $2,600.00

In this instance written bids were obtained from three vendors to move a double-wide trailer in the way of proposed construction. The award was made to the low bidder at $2,600.00 (the other bids were $4,000 and $8,200 respectively). The bid process was documented and in file.

The adoption of a separate sealed bid form had been delayed while awaiting samples from other technical colleges and state agencies. Future transactions of this type will be within the sealed bid guidelines recently implemented at the college. Care will be taken to insure procurements are made using the correct procurement methodology.

C. Reporting

Two instances were noted where the College made sole source procurements and failed to report them on the quarterly reports to the Division of General Services. In the first instance, a procurement was made using three separate but sequential purchase orders to the same vendor. The College used three purchase orders for accounting purposes but only one purchase order, 33631 for $805.95, was reported. The other two purchase orders, 33629 and 33630 for $204.35 and $179.10 respectively, were not reported. The total procurement was $1,189.40 but only $805.95 was reported on the quarterly report.

The second instance occurred on purchase order 34336 in the amount of $1,490.40. This procurement was not reported.

The College must take more care to accurately report sole source procurement activity to the Division of General Services. Agency reports are combined into a statewide annual report to the Budget and Control Board. Inaccurate reporting distorts the public's impression of sole source procurements.

COLLEGE RESPONSE

C. Reporting

a. PO# 33631 - Nightingale Uniform Co. - $1,189.40

This procurement represents a commitment to purchase uniforms from a vendor because this was the sole vendor capable of providing the uniforms in the color required by our student nursing assistants to be worn at Self Memorial Hospital during their clinical training. This purchase was separated

for accounting purposes because the individuals were under separate project numbers in the JTPA department. The procurement office only reported the purchase order with the large amount on it and did not report the two smaller amounts because, in the view of the office, it would appear that we were reporting a small purchase less than $500.00. Apparently, the two smaller amounts should have been combined with the reported amount for total sole source procurement of $1,189.40 being reported. An amended sole source report has been prepared and will be submitted to reflect this change in reporting.

b. PO# 34336 - Compugraphic Corp. - $1,564.92

This procurement was not reported as a sole source procurement due to oversight. This purchase order was not in the file when the report was being prepared and was not recognized as missing until later. An amended report will be submitted for 1988. As advised, the college will take more care to accurately report sole source procurement activity to the Division of General Services.

D. Tie Bid Inappropriately Resolved

On purchase order 34054 in the amount of $2,000.00 for catering services, the College resolved a tie bid in an inappropriate manner. Section 11-35-1520 paragraph (9) of the Code requires that when two or more South Carolina bidders from the same taxing jurisdiction are tied in price while otherwise meeting all of the required conditions, awards are determined as follows:

> (d) Tie bids involving South Carolina firms in the same taxing jurisdiction as the governmental body's consuming location must be resolved by the flip of a coin in the office of the chief procurement officer or the head of a purchasing agency witnessed by all interested parties.

The College simply chose one vendor over another even though all requirements of the solicitation were met by both vendors. We recommend that the College adhere to the Procurement Code when resolving tie bids.

COLLEGE RESPONSE

D. Tie Bid Inappropriately Resolved

PO# 34054 - Teahouse Catering - $2,000.00

This purchase represents bid solicitations for lunches for the Career Fair for the college. This procurement was not recognized as a tie bid situation because the successful bidder offered one more food item. In the view of the procurement office, one bidder was offering more than the other bidder quoting the same price. This particular situation arose during meetings with other procurement officials and it was determined that one bidder was actually offering more than the other for the same price and therefore, should receive the award. However, future tie bid situations will be handled according to the procurement code.

III. Blanket Purchase Agreements Not in Compliance

The College used blanket purchase agreements (B.P.A.'s) for small procurements. However, the College does not include all the terms and conditions required for BPA's. This is in violation of Regulation 19-445.2100, Subsection C.

As a result, a procurement for auto parts on purchase order 31028 totalling $575.00 was made without competition. To comply with the Regulation, we recommend that the College add all items and conditions required by Regulation 19-445.2100 to each of it's BPA's.

COLLEGE RESPONSE

III. Blanket Purchase Agreements Not in Compliance

PO# 31028 - Emerald Auto Parts - $1,000.00

This was an open (blanket) purchase order for the repair of an automobile which needed many items replaced, including an engine. This purchase order was used by the instructor of the automotive department. Routinely, letters are sent to vendors stating the terms and conditions of blanket purchasing agreements, but since this vendor had already received one letter during the year's period it was omitted from this file as an attachment. The procurement office

will be more careful to attach the terms and conditions of using blanket purchase orders and will comply with all provisions for blanket purchases in the future.

IV. Sealed Bid Procedures are Inadequate

Several weaknesses were noted in the sealed bidding procedures. First of all, a "Request for Quotation" form was used in lieu of an "Invitation for Bids" form. The Request for Quotation is intended for use in informal quotation practices and should be limited to procurements which do not exceed $2,499.99. We recommend that the College adopt an Invitation for Bids form and use it for procurements which are anticipated to exceed $2,499.99.

Secondly, the College's invitations for bids only specified a date on which sealed bids would be opened. Sealed bids must be publicly opened at a specified time. Regulation 19-445.2050, Subsection A states:

> The procurement officer of the governmental body or his designee shall decide when the time set for bid opening has arrived, and shall so declare to those present. He shall then personally and publicly open all bids received prior to that time and when practicable, read them aloud to those persons present and have the bids recorded. The amount of each bid and such other relevant information, together with the name of each bidder, shall be tabulated. The tabulation shall be open to public inspection.

We recommend the College comply with this Regulation.

Finally, bid tabulations were not witnessed. We recommend that when sealed bids are opened they always be witnessed in writing. This is required by Section 11-35-1520(6) of the Procurement Code. A designated person should certify on the bid tabulation that the information recorded at the bid opening is correct.

COLLEGE RESPONSE

IV. Sealed Bid Procedures are Inadequate

We concur with all recommendations regarding the sealed bid procedure. We have implemented changes in this area and belive the college currently to be in compliance. All activities which resulted from the audit are recorded in the report provided to you during the meeting of March 27, 1989.

CONCLUSION

The exceptions noted herein are cause for concern and mean the College must make improvements in its management of procurement. However, many of the instances noted in the report were caused by misunderstandings of the requirements of the Consolidated Procurement Code and Regulations. Some of these were actually caused by the College exceeding the Code's requirements. We believe these misunderstandings have been eliminated through the audit and the meetings that have been held with the College.

Corrective action must be taken in all areas addressed in the report. Completion of this will be verified by this office. If corrective action is taken and verified, we will recommend that the College be recertified at the current level of $10,000 for goods and services, consultants and information technology.

FOLLOW-UP CONCLUSION

The follow-up audit was performed July 5-6, 1989. Results are shown in the letter on page 31 of this report. Based upon the results of the follow-up, we recommend recertification at the previous levels for a period of two(2) years as follows:

PROCUREMENT AREA	RECOMMENDED CERTIFICATION LEVELS
Goods and Services (Local Funds Only)	* $10,000 per commitment
Consultants (Local Funds Only)	* $10,000 per commitment
Information Technology in accordance with the approved Information Technology Plan (Local Funds Only)	* $10,000 per commitment

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

Robert J. Aycock, IV
Audit and Certification Analyst

R. Voight Shealy, Manager
Audit and Certification

STATE OF SOUTH CAROLINA

State Budget and Control Board

DIVISION OF GENERAL SERVICES

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

July 17, 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 returned to Piedmont Technical College to perform a follow-up audit of procurement activity since the end of our original audit period of April 1, 1986 - September 30, 1988. The follow-up was conducted July 5-6, 1989, and covered procurements for the period October 1, 1988 - June 30, 1989.

The scope of our review included but was not limited to, the following:

1) A random sample of forty-five procurements for the period March 1, 1989 - June 30, 1989.

2) All sole source and emergency procurements and trade-in sales for the period October 1, 1988 - June 30, 1989.

Based on the tests performed, the following exceptions were noted.

I. Compliance

A. Two sole source procurements were found to be unauthorized because the determinations were prepared after the commitments. The purchase order numbers were as follows:

PO#	AMOUNT	DESCRIPTION
36340	$ 2,500.00	Library information system
36560	825.00	System test & installation of workstations

Both instances occurred prior to training sessions held by the College for its staff to reacquaint them of proper procurement procedures. No exceptions were noted after the training occurred.

B. Two procurements for copyrighted materials were made without competition or sole source or emergency procurement determinations because the College incorrectly assumed these items were exempt. The purchase orders were as follows:

PO#	AMOUNT	DESCRIPTION
36973	$ 1,455.00	Pre-GED testing materials
36989	2,985.00	Instructional software

These items should have been procured under the sole source methodology based on the information provided to us. The College concurs.

II. Reporting

Two items which were exempt from the Procurement Code were reported as sole sources. The reporting was unnecessary. These were as follows:

PO#	AMOUNT	DESCRIPTION
36174	$ 1,500.00	Medical doctor
36484	8,040.00	Software license renewal

Conclusion

Based on the follow-up audit, it is our opinion that substantial progress has been made and the College should be recertified at its previous level of $10,000.00 in goods and services, consultants and information technology.

Sincerely,

R. Voight Shealy, Manager
Audit and Certification

cc: Dr. John A. Morgan