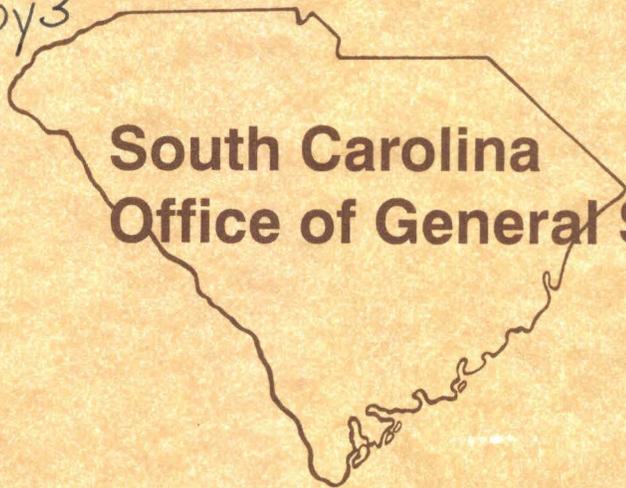


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**South Carolina  
Office of General Services**

# PROCUREMENT AUDIT AND CERTIFICATION

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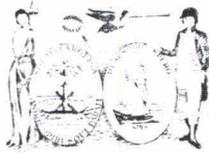
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STATE DOCUMENTS

JULY 1, 1994 - JUNE 30, 1996

DATE

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



DAVID M. BEASLEY, CHAIRMAN  
GOVERNOR

RICHARD A. ECKSTROM  
STATE TREASURER

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COMPTROLLER GENERAL

HELEN T. ZEIGLER  
DIRECTOR

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ASSISTANT DIRECTOR

JOHN DRUMMOND  
CHAIRMAN, SENATE FINANCE COMMITTEE

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

LUTHER F. CARTER  
EXECUTIVE DIRECTOR

November 13, 1996

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

Dear Helen:

I have attached the final audit report for Spartanburg 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,

*R. Voight Shealy*  
R. Voight Shealy

/tl

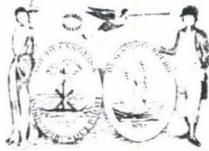
**SPARTANBURG TECHNICAL COLLEGE  
PROCUREMENT AUDIT REPORT**

**July 1, 1994 - June 30, 1996**

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CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER F. CARTER  
EXECUTIVE DIRECTOR

October 15, 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 Spartanburg Technical College for the period July 1, 1994 through June 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 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 Spartanburg 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 which we believe need correction or improvement.

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

Sincerely,



Larry G. Sorrell, Manager  
Audit and Certification

## INTRODUCTION

We conducted an examination of the internal procurement operating policies and procedures of Spartanburg Technical College. Our on-site review was conducted August 5-9, 1996, and was made under Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Section 19-445.2020 of the accompanying regulations.

The examination was directed principally to determine whether, in all material respects, the procurement system's internal controls were adequate and the procurement procedures, as outlined in the Internal Procurement Operating Procedures Manual, were in compliance with the South Carolina Consolidated Procurement Code and its ensuing regulations.

Additionally, our work was directed toward assisting the College in promoting the underlying purposes and policies of the Code as outlined in Section 11-35-20, which include:

- (1) to ensure the fair and equitable treatment of all persons who deal with the procurement system of this State
- (2) to provide increased economy in state procurement activities and to maximize to the fullest extent practicable the purchasing values of funds of the State
- (3) to provide safeguards for the maintenance of a procurement system of quality and integrity with clearly defined rules for ethical behavior on the part of all persons engaged in the public procurement process

**BACKGROUND**

Section 11-35-1210 of the South Carolina Consolidated Procurement Code states:

The (Budget and Control) Board may assign differential dollar limits below which individual governmental bodies may make direct procurements not under term contract. The Office 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 Office 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.

## SCOPE

We conducted our examination in accordance with Generally Accepted Auditing Standards as they apply to compliance audits. Our examination encompassed a detailed analysis of the internal procurement operating procedures of Spartanburg Technical College and its 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.

We selected a systematically selected samples from the period July 1, 1994 through June 30, 1996 of procurement transactions for compliance testing and performed other audit procedures that we considered necessary to formulate this opinion. Specifically, the scope of our audit included, but was not limited to, review of the following:

- (1) All sole source, emergency and trade-in sale procurements from the period July 1, 1994 through June 30, 1996
- (2) Procurement transactions for the period July 1, 1994 through June 30, 1996 as follows:
  - a) Thirty-four expenditures reviewed for competition and compliance to the Code
  - b) A block sample of 500 numerical purchase orders 250 from each fiscal years 94/95 and 95/96 reviewed for order splitting and favored vendors
  - c) A review of sixty-six purchases supported by quotations
- (3) Surplus property disposition procedures
- (4) Minority Business Enterprise reports for the audit period
- (5) Information Technology Plans for fiscal years 92/93 and 93/94
- (6) Internal procurement procedures manual
- (7) Blanket purchase order files

## RESULTS OF EXAMINATION

The Office of Audit and Certification performed an examination of the internal procurement operating policies and procedures and related manual of Spartanburg Technical College for the period July 1, 1994 through June 30, 1996.

Since our last compliance audit, Spartanburg Technical College has maintained what we consider to be a professional, efficient procurement system. However, we did note the following points which should be addressed by management.

### Unauthorized Purchases

We noted three instances where goods and services were contracted for prior to the purchasing office's approval.

<u>PO</u>	<u>Amount</u>	<u>PO Date</u>	<u>Invoice Date</u>	<u>Description</u>
90574	\$1,748.83	09/23/94	07/22/94	Handicap drinking fountains installed
91205	1,747.92	01/11/95	12/19/94	Installed door closures
101221	2,532.55	02/05/96	01/26/96	Plumbing renovations

These jobs were done prior to the procurement officer's knowledge by the maintenance shop. Since the procurement officer does not review the invoices, he was unaware that the services had already been rendered.

Page 1 of the procurement procedures manual, under Responsibilities of the Purchasing Department, states "The Purchasing Department, under the supervision of the Senior Vice President for Business Affairs, has the exclusive responsibility for.... procuring the materials, supplies, equipment and services required for the College's operation."

Therefore, these purchases are unauthorized since the commitments were made prior to procurement's authorization. Accordingly, we recommend a ratification request in accordance with Regulation 19-445.2015 be prepared and submitted to the President since each purchase was within the College's certification authority.

We also recommend the College either implement procedures to assure that purchases are handled by the purchasing department as currently defined or formally delegate small purchase authority to the .small repair items and services.

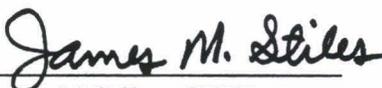
**State Term Contract Numbers not Referenced**

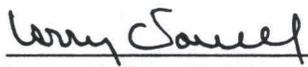
We noted two purchases bought under state contracts that did not reference the state term contract numbers. In order to help ensure the proper contract terms and conditions are met, the contract number should be referenced on the purchase order. We recommend in the future that the state contract numbers be referenced on the purchase order when applicable.

## CONCLUSION

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

The College has not requested increased procurement certification above the basic limit of \$5,000 allowed by the Procurement Code. Subject to corrective action listed in this report, we recommend the College be allowed to continue procuring goods and services, consultant services, construction and information technology up to the basic level.

  
James M Stiles, CPPB  
Audit Manager

  
Larry G. Sorrell, Manager  
Audit and Certification



SPARTANBURG TECHNICAL COLLEGE

Post Office Box 4386 /Business Interstate 85 at New Cut Road Spartanburg, South Carolina 29305-4386 Phone: 864•591•3600 Fax: 864•591•3642

November 7, 1996

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

Dear Mr. Sorrell:

Spartanburg Technical College has reviewed the draft audit report and agree with the findings. The unauthorized procurements that were noted in the audit report are in the process of being ratified by the President and will be forwarded upon completion. It was also noted that two purchases bought under state contract did not reference the state term contract number. We will, in the future, reference the state contract numbers when required.

We appreciate the professionalism Mr. Stiles displayed in his performance of the audit. I am sure that this was a complete and thorough audit. If I can be of any assistance please feel free to call me.

Sincerely,

Bill Powell  
Director of Administrative Services

c: Henry Giles

