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**South Carolina
Division of General Services**

PROCUREMENT AUDIT AND CERTIFICATION

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RICHLAND COUNTY SCHOOL DISTRICT ONE
AGENCY

APRIL 1, 1990 - JUNE 30, 1992

DATE

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EXECUTIVE DIRECTOR

April 16, 1993

Mr. Richard W. Kelly
Director
Division of General Services
1201 Main Street, Suite 420
Columbia, South Carolina 29201

Dear Rick:

I have attached the Richland School District One procurement audit report and recommendations made by the Office of Audit and Certification. The audit was performed in accordance with Section 11-35-70 of the Consolidated Procurement Code. Since Budget and Control Board action is not required, I recommend the report be presented as information.

Sincerely,

A handwritten signature in cursive script that reads "Helen T. Zeigler".

Helen T. Zeigler
Deputy Division Director

Attachment

RICHLAND COUNTY SCHOOL DISTRICT ONE

PROCUREMENT AUDIT REPORT

APRIL 1, 1990 - JUNE 30, 1992

TABLE OF CONTENTS

	<u>PAGE</u>
Transmittal Letter.....	1
Introduction.....	3
Scope.....	4
Summary of Audit Findings.....	6
Results of Examination.....	7
Conclusion.....	11

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JAMES J. FORTH, JR.
ASSISTANT DIVISION DIRECTOR

April 15, 1993

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

Dear Helen:

We have examined the procurement policies and procedures of Richland County School District One for the period April 1, 1990 - June 30, 1992. 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 District 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.

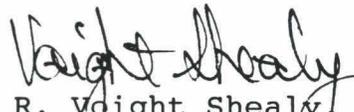
The administration of Richland County School District One is responsible for establishing and maintaining a system of internal control over procurement transactions. In fulfilling

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 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.



R. Voight Shealy, CFE, Manager
Audit and Certification

INTRODUCTION

From September 23 - November 19, 1992, we conducted an examination of the internal procurement operating procedures and policies of Richland County School District One. We made the examination under authority described in Section 11-35-70 of the South Carolina Consolidated Procurement Code. 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 Richland County School District One Procurement Code and Regulations, were in compliance with existing laws and regulations and with accepted public procurement standards.

As with our audits of state agencies, our work was directed also toward assisting the school district in promoting the underlying purposes of the Consolidated Procurement Code which we believe to be applicable to all governmental bodies and which are outlined in Code Section 11-35-20, to 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

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 Richland County School District One 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 statistically selected random samples for the period July 1, 1990 - June 30, 1992, 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) Two hundred forty randomly selected procurement transactions
- (2) The selection and approval of fifteen architect and engineering service contracts
- (3) Twenty-two permanent improvement projects for approvals and compliance with the South Carolina School Facilities Planning and Construction Guide
- (4) Block sample of five hundred sequentially numbered purchase orders
- (5) All sole source procurements from July 1, 1990 to June 30, 1992
- (6) All emergency procurements from July 1, 1990 to June 30, 1992
- (7) Minority Business Enterprise Plan and quarterly reports to the Board
- (8) Eleven rental/lease agreement contracts

- (9) Adherence to applicable procurement laws, regulations and internal policy
- (10) Procurement staff and training
- (11) Adequate audit trails
- (12) Evidence of competition and sealed bidding procedures
- (13) Warehousing, inventory and disposition of surplus property procedures
- (14) Property management procedures
- (15) Economy and efficiency of the procurement process

SUMMARY OF AUDIT FINDINGS

Our audit of the procurement system of Richland County School District One, hereinafter referred to as the District, produced findings and recommendations as follows:

	<u>PAGE</u>
I. <u>Sole Source Procurements</u>	7
We believe one procurement made as a sole source was inappropriate.	
II. <u>Construction and Related Services</u>	
A. <u>16 Day Intent To Award Period Not Followed</u>	8
Three construction contracts were signed before the required 16 day notice of intent to award period had lapsed.	
B. <u>30 Day Advertisement Period Not Followed</u>	9
Three contracts for construction services were not advertised for the required minimum of 30 days.	
III. <u>Overpayment</u>	10
We noted a \$1,000 overpayment to a consultant.	

RESULTS OF EXAMINATION

I. Sole Source Procurements

We examined the semi-annual reports of sole source and emergency procurements for the period July 1, 1990 through June 30, 1992. This review was performed to determine the appropriateness of the procurement actions taken and the accuracy of the reports submitted to the Board of School Commissioners.

Most of the procurement actions were appropriate and accurately reported. However, we did note one exception. We believe the sole source for a reading system for visually impaired students in the amount of \$2,860.00 was inappropriate (Reference PO #62640). While the equipment may be unique, there is another source.

Section V.B.6 of the District's Procurement Code indicates that a contract may be awarded for a supply, service or construction item without competition when there is only one source of supply available. In cases of reasonable doubt, competition must be solicited.

We recommend this transaction be bid in the future.

DISTRICT RESPONSE

After conducting a market search throughout the public and private sectors, the district was unable to identify another source of supply. The firm identified by the audit team will be solicited for competition in the future.

II. Construction and Related Services

We tested twenty-two construction services contracts and fifteen architectural/engineering contracts for compliance to the procurement procedures outlined in the South Carolina School Facilities Planning and Construction Guide and the District's Procurement Code and Regulations. We also tested for the reasonableness of change orders to these contracts. We noted the following:

A. 16 Day Intent To Award Period Not Followed

Three contracts for construction services were awarded prior to fulfilling the 16 day intent to award notice requirement.

<u>Contract Number</u>	<u>Contract Description</u>	<u>Contract Amount</u>	<u>Letter of Intent</u>	<u>Contract Date</u>	<u>Number of Days</u>
C1056	Addition to Satchel Ford School	\$425,191	5/9/91	5/22/91	13
C1052	Addition to Brennan Elementary	\$751,441	5/9/91	5/22/91	13
C2016	Roof Replacement at St. Andrews	\$240,900	10/2/91	10/16/91	14

Section V.B.2. of the District's Code requires for all contracts which have a total or potential value in excess of \$50,000, notice must be given to all bidders responding to the solicitation as to the District's determination of intent to award. Sixteen days after the notice of intent is given, the District may enter into a contract.

We recommend the District adhere to its requirement when awarding construction contracts that exceed \$50,000.

DISTRICT RESPONSE

The district concurs with the recommendation, additional care will be taken in administering the 16 day notice of intent to award.

B. 30 Day Advertisement Period Not Followed

Three contracts for construction services were not advertised for the required 30 day period.

<u>Contract Number</u>	<u>Contract Description</u>	<u>Contract Amount</u>	<u>First Advertisement</u>	<u>Bid Opening</u>	<u>Number of Days</u>
C1003	Hopkins Middle School Additions	\$ 92,230	6/03/90	6/26/90	24
C2005	Science Areas- Asbestos Removal	\$ 49,110	6/16/91	7/03/91	18
C2016	Roof Replacement - St. Andrews	\$240,900	9/01/91	9/26/91	26

Section 8.04 of the South Carolina School Facilities Planning and Construction Guide requires that construction contracts be advertised for 30 days prior to bid opening. Furthermore, it requires that the advertisement be made on three separate occasions. Contract C2005 was only advertised twice.

We recommend the District adhere to this section of the Guide.

DISTRICT RESPONSE

The district does not concur with this finding. These contracts were processed in accordance with Section 8.04.2, which authorizes projects to be advertised only two times in an eighteen (18) day period.

III. Overpayment

On purchase order 68598 for consulting services totalling \$12,000, the District paid an advance deposit of \$1,800. Later, the vendor billed and was paid \$11,200 on check number 01019. Adding the deposit of \$1,800 plus the check of \$11,200 together, the vendor was paid \$13,000, an overpayment of \$1,000.

We recommend the District request reimbursement of the \$1,000.

DISTRICT RESPONSE

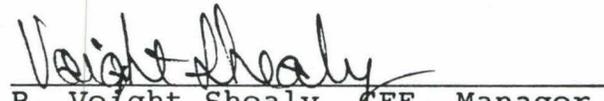
Prior to the conclusion of the audit, the district contacted the vendor and received full reimbursement.

CONCLUSION

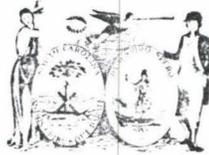
As enumerated in our transmittal letter, corrective action based on the recommendations described in this report, we believe, will in all material respects place Richland County School District One in compliance with its Procurement Code.

Subject to this corrective action, we recommend that Richland County School District One be allowed to continue making direct procurements in accordance with Section 11-35-70 of the South Carolina Consolidated Procurement Code.


Robert J. Aycok, IV
Audit Supervisor


R. Voight Shealy, CFE, Manager
Audit and Certification

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JAMES J. FORTH, JR.
ASSISTANT DIVISION DIRECTOR

April 15, 1992

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

Dear Helen:

We have reviewed Richland School District One's response to our audit report for April 1, 1990 - June 30, 1992. We are satisfied that the District has corrected the problem areas.

Therefore, we recommend that the District be allowed to continue operating under its own procurement code as authorized by Section 11-35-70 of the Consolidated Procurement Code.

Sincerely,

A handwritten signature in cursive script, appearing to read 'R. Voight Shealy'.

R. Voight Shealy, Manager
Audit and Certification

RVS/jj

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