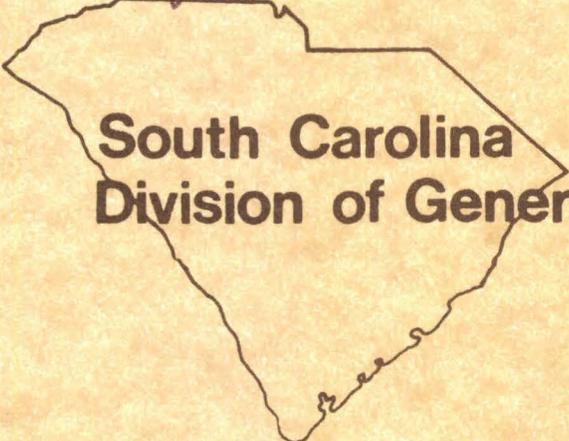


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PROCUREMENT AUDIT AND CERTIFICATION

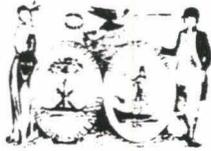
SUMTER AREA TECHNICAL COLLEGE

AGENCY

APRIL 1, 1986 - FEBRUARY 28, 1989

DATE

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



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ROBERT N. McLELLAN
CHAIRMAN, WAYS AND MEANS COMMITTEE

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

December 11, 1989

Mr. Richard W. Kelly
Director
Division of General Services
1201 Main Street, Suite 400
Columbia, South Carolina 29201

Dear Rick:

Attached is the final Sumter Area Technical College procurement audit report and recommendations made by the Office of Audit and Certification. Since no certification above the \$2,500.00 limit allowed by law was requested, and no action is necessary by the Budget and Control Board, I recommend that this report be presented to them for their information.

Sincerely,

A handwritten signature in cursive script, appearing to read "James J. Forth, Jr.".

James J. Forth, Jr.
Assistant Division Director

/j1j

Attachment

SUMTER AREA TECHNICAL COLLEGE

AUDIT REPORT

APRIL 1, 1986 - FEBRUARY 28, 1989

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

December 1, 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 Sumter Area Technical College for the period April 1, 1986 through February 28, 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 Sumter Area 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 Sumter Area Technical College in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

R. 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 of Sumter Area Technical College. The examination was made under authority as described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Section 19-445.2020 of the accompanying regulation.

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 Sumter Area Technical College's Purchasing Policies and Procedures Manual, were in compliance with the South Carolina Consolidated Procurement Code and its ensuing regulations.

SCOPE

Our examination encompassed a detailed analysis of the internal procurement operating procedures of Sumter Area 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 control procurement transactions. The examination was limited to procurements from local funds, which included federal funds, local contributions and student collections, which is the procurement activity managed completely by Sumter Area Technical College. As in all South Carolina technical colleges, state funded procurements are managed by the State Board of Technical and Comprehensive Education.

We reviewed procurement transactions for the period April 1, 1986 - February 28, 1989, for compliance testing and performed other audit procedures that we considered necessary in the circumstances to formulate this opinion. 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) disposition of surplus property;
- (10) economy and efficiency of the procurement process; and
- (11) Minority Business Enterprise Utilization Plan.

SUMMARY OF AUDIT FINDINGS

Our audit of the procurement system of Sumter Area Technical College, hereinafter referred to as the College, produced findings and recommendations in the following areas:

	<u>PAGE</u>
I. <u>Compliance - Sole Source Procurements</u>	
A. <u>Procurements Not Justified as Sole Sources</u>	9
We found twelve procurements which were in- appropriately made as sole sources.	
B. <u>Unauthorized Sole Source Procurements</u>	10
Two procurements made as sole sources are unauthorized.	
C. <u>Sole Source Procurements Not Reported</u>	11
Five procurements made as sole sources were found which had not been reported. The sole source reports are materially misstated.	
D. <u>Procurements Which Should Not Be Reported</u>	12
Eight procurements should not have been reported as sole sources.	

II. Compliance - General

13

Two procurements were not supported by evidence of competition or by sole source or emergency procurement determinations. One procurement was not supported by sufficient solicitations of competition. The total potential commitment for one contract exceeded the College's procurement authority. Also, it was not supported by a multi-term determination. Two contracts for auditing services were not approved by the State Auditor. Three blanket purchase agreements were set up with no dollar limitations per call because the College thought the funds involved were exempt. Finally, changes were made on two purchase orders issued by the Materials Management Office without its approval.

RESULTS OF EXAMINATION

I. Compliance - Sole Source Procurements

A. Procurements Not Justified as Sole Sources

We examined the quarterly reports of sole source and emergency procurements and trade-in sales along with all available supporting documentation for the period April 1, 1986 through January 31, 1989. 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.

Based on our review, we believe the following sole source procurements were inappropriate.

<u>Purchase Order</u>	<u>Amount</u>	<u>Description</u>
6815	\$ 1,110.00	Painting services
6817	130.00	Change order to P.O. 6815
8014	1,686.00	Consultant for sanitary survey course
8015	1,686.00	Consultant for sanitary survey course
9773	1,626.00	Consultant for sanitary survey course
9774	1,626.00	Consultant for sanitary survey course
9936	1,955.00	Correctable tape
11345	736.00	Paper
11443	5,114.50	Paper
12656	12,150.00	Consultant
11887	716.00	Energy management monitoring service
62049 (check#)	6,050.75	Consultant

Regulation 19-445.2105, Subsection B, 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.

We recommend that competition be solicited for procurements of these types in the future.

COLLEGE RESPONSE

The College is now aware of the inappropriateness to sole source the procurements listed in your report and is committed to soliciting competition for procurements of this type in the future.

B. Unauthorized Sole Source Procurements

The following procurements made as sole sources are unauthorized.

<u>Purchase Order</u>	<u>Amount</u>	<u>Description</u>
8854	\$ 2,477.13	Repair services
12656	12,150.00	Consultant

Both of the above procurements were made by personnel without the requisite authority to do so. For purchase order 8854, the invoice preceded all approvals. For purchase order 12656, we have a clear indication that the requesting department knew of the procurement in advance and authorized the vendor to proceed. Approval for a sole source procurement was not requested until almost three months later. Also, purchase order 12656 was listed earlier in this report in item I.A. as not being justified as a sole source.

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 prior to any commitments being made. We recommend that the College comply with this section of the Code in the future.

Ratification must be requested for the procurements listed above in accordance with Regulation 19-445.2015. Purchase order 8854 is within the College's certification so it may be ratified by the College President. Since purchase order 12656 exceeded the College's certification level, ratification must be requested from the State Materials Management Officer.

COLLEGE RESPONSE

Ratification has been requested from our agency head for the unauthorized procurement of repair services. Ratification has been requested from the State Materials Management Officer for the unauthorized procurement of consultant services.

C. Sole Source Procurements Not Reported

Five sole sources were not reported to the Division of General Services. These procurements were as follows:

<u>Purchase Order</u>	<u>Amount</u>	<u>Description</u>
9050	\$176,286.95	High speed copier
11899	358.33	Monthly payment for energy management monitory services
11590	57,750.00	Software
12480	1,537.30	Consultant
62049(check#)	<u>6,050.75</u>	Consultant
 Total	 <u>\$241,983.33</u>	

For our audit period (April 1, 1986 through January 31, 1989), total sole source procurements reported to the Division of General Services from the College amounted to \$141,540.90 based

on reports from the Materials Management Office. The sole source reports were materially misstated. We recommend that the College submit amended reports to the Division of General Services adding the procurements listed above. We also recommend the College prenumber its sole source forms and institute a log of these forms being issued.

Additionally, on purchase order 9050 above, the College procured a high speed copier on a lease basis. This lease has been identified as a capital lease by a recent financial audit, yet the College has not recorded the item on its fixed asset inventory system. To be in compliance with Generally Accepted Accounting Principles (GAAP) and Financial Accounting Standards Board (FASB) statement thirteen, the College must record the copier as a capitalized asset even though it does not have title to the asset.

COLLEGE RESPONSE

An amended report has been submitted to the Division of General Services requesting these purchase orders, with descriptions and amounts, be deleted from our Sole Source Activity Report. The purchasing department has since adopted the numerical sole source method as recommended by your auditor, Jimmy Aycock.

D. Procurements Which Should Not Have Been Reported

The following procurements should not have been reported as sole sources.

<u>Purchase Order</u>	<u>Amount</u>	<u>Description</u>
5788	\$ 504.21	Procurement less tax \$480.20
7417	514.21	Procurement less tax \$490.20
8132	516.21	Procurement less tax \$492.20
4449	690.00	State contract
4504	531.56	State contract
4914	925.00	Copyrighted video tapes
4932	1,500.00	Software license renewal
8685	843.70	State contract

The first three procurements were less than \$500.00 before sales tax was added. Three of the procurements were from state contracts. Finally, purchase orders 4914 and 4932 were for exempt items.

We recommend that amended reports be submitted to the Division of General Services removing these items from the reported sole source activity of the College.

COLLEGE RESPONSE

An amended report has been submitted to the Division of General Services requesting these purchase orders, with descriptions and amounts, be deleted from our Sole Source Activity Report.

II. Compliance - General

As a part of our audit, we randomly selected one hundred (100) procurement transactions for compliance testing. Two of these procurements were not supported by evidence of competition or by sole source or emergency procurement determinations. They were as follows:

<u>Purchase Order</u>	<u>Amount</u>	<u>Description</u>
7054	\$12,475.00	Conference facilities
9360	1,350.00	Student liability insurance

On purchase order 7054 the College should have used the sole source methodology since the conference facility was selected by the federal agency that provided the funding for the procurement. For the procurement of student liability insurance on purchase order 9360, the College incorrectly assumed that the procurement was exempt because most of the cost is reimbursed through student tuition.

We recommend that either solicitations for bids be made and documented as defined in the regulations or that procurement actions be supported by sole source or emergency determinations.

One procurement was solicited as a multiple year agreement (24 months) but was not supported by a multi-term determination (Ref. purchase order 7827 for pest control services). Such determination is required by Section 11-35-2030 of the Consolidated Procurement Code whenever a contract may exceed twelve months in duration.

Further, three solicitations of written quotes were made for this contract with a potential commitment of \$4,056.00. Regulation 19-445.2035, Subsection A, requires solicitations of sealed bids from a minimum of three qualified sources for procurements from \$2,500.00 to \$4,999.99. The College has no authority above \$2,500.00.

We recommend the College comply with this regulation. And, since the total potential commitment exceeded the College's certification, ratification must be requested from the Materials Management Officer in accordance to Regulation 19-445.2015.

We noted two contracts for auditing related services which were not approved by the State Auditor. These contracts are as follows:

<u>Check Number</u>	<u>Amount</u>
67014	\$ 1,300.00
68988	1,000.00

Section 11-35-1250 of the Procurement Code states "No contract for auditing or accounting services shall be awarded

without the approval of the State Auditor..." We recommend the College comply with this section of the Procurement Code.

COLLEGE RESPONSE

P.O. #7054 - Ratification has been requested from the State Materials Management Officer for the authorized procurement of conference facilities.

P.O. #9360 - No solicitations for bids were made for the procurement of student liability insurance because we incorrectly assumed that purchases for reimbursement through student tuition exempt the Code. We have been advised of this error and are committed to soliciting bids for procurements being funded through student tuition.

P.O. #7827 - Ratification has been requested from the State Materials Management Officer for exceeding the College's certification in pest control services for the College.

Check #'s 67014, 68988 - The College is aware of the error made in contracting for auditing services and is committed to complying with that section of the Procurement Code.

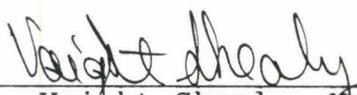
CONCLUSION

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

Prior to August 31, 1989 the Office of Audit and Certification will perform a follow-up review to determine if the proposed corrective action has been taken. Subject to this corrective action, and since Sumter Area Technical College has not requested procurement certification, we recommend that it be allowed to continue procuring all goods and services, consultant services, construction services and information technology up to the basic level of \$2,500.00 as allowed by the Consolidated Procurement Code and accompanying regulations.



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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ROBERT N. McLELLAN
CHAIRMAN, WAYS AND MEANS COMMITTEE

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

December 5, 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 Sumter Area Technical College to determine the progress made toward implementing the recommendations in our audit report covering the period of April 1, 1986 - February 28, 1989. 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.

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

Sincerely,

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

R. Voight Shealy, Manager
Audit and Certification

/jlj

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