South Carolina
Division of General Services

PROCUREMENT
AUDIT AND
CERTIFICATION

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AIKEN TECHNICAL COLLEGE
AGENCY

OCTOBER 1, 1991 - SEPTEMBER 30, 1993
DATE
January 3, 1994

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

Dear Rick:

I have attached the procurement audit of Aiken Technical College as prepared by the Office of Audit and Certification. I concur and recommend the Budget and Control Board grant the College a three (3) year certification as noted in the audit report.

Sincerely,

Hardy L. Merritt
Assistant Division Director

HLM/jj

Attachment
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**NOTE:** The college's responses to issues noted in this report have been inserted immediately following the issues they refer to.
Dr. Hardy Merritt  
Assistant Division Director  
Division of General Services  
1201 Main Street, Suite 600  
Columbia, South Carolina 29201  

Dear Hardy:  

We have examined the procurement policies and procedures of Aiken Technical College for the period October 1, 1991 - September 30, 1993. 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 State 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 Aiken 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 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 Aiken Technical College in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

R. Vought Shealy, CFE, Manager
Audit and Certification
INTRODUCTION

The Office of Audit and Certification conducted an examination of the internal procurement operating policies and procedures and related manual of Aiken Technical College.

Our on-site review was conducted September 30, 1993 through October 26, 1993, and was made under the authority as described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Regulations 19-445.2020.

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

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

The (Budget and Control) Board may assign differential dollar limits below which individual governmental bodies may make direct procurements not under term contracts. The Division of General Services shall review the respective governmental body's internal procurement operation, shall 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.

Most recently, on December 17, 1991, the Budget and Control Board granted Aiken Technical College the following certification:

<table>
<thead>
<tr>
<th>Category</th>
<th>Requested Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods and Services (Local Funds Only)</td>
<td>$10,000 per commitment</td>
</tr>
</tbody>
</table>

Our audit was performed primarily to determine if recertification for expenditures of local funds is warranted. Also, the College requested an increase in certification as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Requested Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods and Services (Local Funds Only)</td>
<td>$25,000 per commitment</td>
</tr>
</tbody>
</table>
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 Aiken 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. That examination was limited to procurements made with local funds, which include federal funds, local appropriations, contributions and student collections, which is the procurement activity managed by the College. As in all South Carolina technical colleges, state funded procurements are managed by the State Board of Technical and Comprehensive Education.

Specifically, the examination included, but was not limited to review of the following:

1. All sole source and emergency procurements and trade-in sales for the period October 1, 1991 through September 30, 1993

2. Purchase transactions for the period July 1, 1991 through September 30, 1993
   a) Ninety payments each exceeding $500, including three sealed bids
   b) Block sample of three hundred sequential purchase orders for one month of activity

3. Surplus property disposal procedures


5. Internal Procurement Procedures Manual

6. Information Technology Plans covering the audit period
SUMMARY OF AUDIT EXCEPTIONS

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

I. Compliance-Sole Source and Emergency Procurements

We noted three procurements done as emergencies which were inappropriate as such.

II. Unauthorized Architectural Services

Two procurements for architectural services were not approved by the State Engineer's Office.

III. Unauthorized Real Property Lease

The college rented real property without the approval of the Commission of Higher Education and the Office of Real Property Management.
IV. Compliance-Procurements

A. Unauthorized Contract

The college entered into a contract without proper authority.

B. Procurements with No Evidence of Compliance

We noted two instances of procurements not supported by evidence of competition.
RESULTS OF EXAMINATION

I. Sole Source and Emergency Procurements

We reviewed all sole source and emergency procurements and all available supporting documentation for the period October 1, 1991 through September 30, 1993. We found these procurements to be in compliance with the Code and regulations with the following exceptions.

The college did the following three procurements as emergencies:

<table>
<thead>
<tr>
<th>Purchase Order</th>
<th>Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>21688</td>
<td>$4,360.65</td>
<td>Hazardous material testing equipment</td>
</tr>
<tr>
<td>21695</td>
<td>8,117.71</td>
<td>Hazardous material testing equipment</td>
</tr>
<tr>
<td>21538</td>
<td>7,308.00</td>
<td>Optical comparator</td>
</tr>
</tbody>
</table>

The college justified these emergencies due to the approach of the year-end and the funds needed to be encumbered.

Section 11-35-1570 of the South Carolina Consolidated Procurement Code defines an emergency as an immediate threat to public health, welfare, critical economy and efficiency, or safety. Regulation 19-445.2110 further defines an emergency as a condition arising from floods, epidemics, riots, equipment failure, fire loss, or other such reason.

Based on this definition, loss of funding does not meet the definition of an emergency and as a result, is inappropriate.

Accordingly, we recommend that the college desist from using emergency procurements except in cases where it is justified.
COLLEGE RESPONSE

The first two procurements should have stated that these items were requested and necessary to implement a new Hazardous Waste curriculum. These procurements were not made without competition. Written quotes were requested from nine qualified vendors.

PO# 21538: This procurement was to upgrade an existing price of educational equipment. Written quotes were requested and awarded to the appropriate vendor.

The college will desist from using emergency procurement except in those cases that warrant.

II. Unauthorized Architectural Services

The college paid for an architect's service on check numbers 073158 and 081953 for $1,065.00 and $1,800.00 respectively. The payment on 073158 was for preparation of specification drawings for paving a parking lot. Check 081953 was for work prepared for proposed tennis courts. No evidence was contained in the file to indicate that the State Engineer's Office had approved either of the services.

Section 11-35-3230 (3) states, "All contracts negotiated pursuant to this section shall be submitted for approval to the State Engineer's Office in accordance with regulations to be established by the board prior to the awarding and execution of the contracts."

Therefore, the sole authority for these services is the State Engineer's Office. As a result, these contracts are unauthorized.

Accordingly, we recommend that the college request ratification for these contracts from the Materials Management
Officer and procure architect services through the State Engineer's Office in the future.

**COLLEGE RESPONSE**

The college requested the architect's services after MMO refused to process a requisition on repairing the parking lot. MMO stated that more detailed plans, drawings and specifications were needed in order to bid this procurement. The college was operating under a time constraint to have the repairs made between breaks.

The second procurement was revisions to our master plan. The college assumed the master plan services did not have to be reported to the State Engineer's Office.

All future services will be processed through the State Engineer's Office. Also, the college will request ratification for these contracts per your request.

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III. **Unauthorized Real Property Lease**

The college entered into a lease on December 5, 1991 for classroom space in North Augusta. This lease was a replacement of a lease which had previously been exempt. However, the new lease was for seven months at $1,325.00 a month. The lease was renewed July 1, 1992 for a year at $15,900 annual rent. The college did not seek approval from the Commission on Higher Education or Real Property Management on the renewal and the college did not report the original lease as an exempt lease to Real Property Management.

Section 11-35-1590 of the Consolidated Procurement Code invests all authority for leasing of real property in the Division of General Services. Within the Division, the Office of Real Property Management was formed to manage this function.
Also, Regulation 19-445.2015 defines an unauthorized procurement as "an act obligating the State in a contract by a person without the requisite authority to do so by an appointment or delegation."

Since the authority for real property leases rests in the Division, and for colleges and universities, the Commission, the lease is unauthorized.

Accordingly, we recommend that the college request ratification for the lease from the Materials Management Officer and obtain the proper approvals to continue the lease.

COLLEGE RESPONSE

The procurement officer made several phone calls to the Property Management Office attempting to correct the problems with our lease reporting. Also enclosed in this response is a copy of a letter submitted to Edward Dukes reporting the lease and requesting permission to renew this lease. As of this date, no response has been given to our request. The documented phone calls were shown to the compliance analyst. We request that this information be removed from the draft since the college has made every attempt to report this to the proper agencies.

REBUTTAL

The college's response addresses contact with the Real Property Management Office. However, as previously stated, in the cases of colleges and universities, the Commission on Higher Education must approve leases prior to the Real Property Management Office. In fact, the Real Property Management Office cannot approve a lease until after the Commission's approval has been received.
IV. Compliance-Procurements

A. Unauthorized Contract

On check 073570, the college paid $6,274.82 for the printing of the master schedule. The college did not compete this service because they believed it was exempt as an auxiliary enterprise. The college had entered into a contract with an advertising firm to sell advertising in the master schedule to cover the cost of preparation and printing of the schedule with additional income. However, the accrual of income from advertising revenues does not exempt this procurement from the Code.

Section 11-35-710 of the Code addresses exemptions and the methods of exempting items.

Since the procurement was not exempt, it should have been processed using one of the methods listed in Section 11-35-1510. Additionally, the purchase is unauthorized since the college was not certified to do this purchase.

Accordingly, we recommend that the college request ratification for this contract from the Materials Management Officer and institute procedures to avoid this situation in the future.

COLLEGE RESPONSE

The college believed this service to be exempt because it was an auxiliary enterprise and advertising.

The college will request ratification for this contract from the Materials Management Officer and will seek clarification from Audit and Certification on all future contracts where reasonable doubt exists.
B. Procurements with No Evidence of Compliance

The following two procurements have no evidence of compliance with the Procurement Code.

<table>
<thead>
<tr>
<th>Date</th>
<th>Check Number</th>
<th>Purchase Order</th>
<th>Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2/10/93</td>
<td>083027</td>
<td></td>
<td>$5,153.33</td>
<td>Heavy Equipment Rental</td>
</tr>
<tr>
<td>1/08/92</td>
<td>075028</td>
<td>14447</td>
<td>2,310.00</td>
<td>Monitors, Keyboards and Tape Drive Backup</td>
</tr>
</tbody>
</table>

On item 1, the college had bid out the equipment rental but due to an extended period of inclimate weather, the college continued to use the equipment for an additional period. No procurement action was taken by the college for the extra time. On item 2, no evidence of compliance was attached to the Accounts Payable package. In several cases, the Procurement Office had to provide copies of quotations that were not attached. However, they were unable to locate the ones for this purchase.

Therefore, we recommend that the college exercise caution to ensure that all procurements are in compliance with the Code and that this compliance is adequately documented.

**COLLEGE RESPONSE**

Item #1: Due to inclimate weather, the college should have declared the additional equipment rental an emergency. It would have been cost prohibitive to return said equipment and re-bid. A deadline had to be met in order to relieve the overcrowding of existing parking facilities. The college will file an amended report for that period or seek ratification per your report.

Item #2: Due to recent audits by several different agencies and the constant use of student workers, many documents have been misfiled. Written quotes were requested from several vendors, but the college was only able to locate the one from the low bidder.

The college will exercise extreme caution in the documenting and filing of future procurements.
CERTIFICATION RECOMMENDATIONS

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

In order to determine that corrective action has been taken, we will perform a follow-up audit prior to December 31, 1993. If, at that time, we determine that corrective action has been taken we will recommend that the college be certified to make direct agency procurements for a period of three (3) years up to the following limits:

<table>
<thead>
<tr>
<th>Procurement Area</th>
<th>Recommended Certification Limits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods and Services (Local Funds Only)</td>
<td>$25,000 per commitment</td>
</tr>
</tbody>
</table>

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

[Signature]
Melissa Rae Thurstin
Compliance Analyst

[Signature]
Voight Shealy, CFE
Manager
Audit and Certification
January 3, 1994

Dr. Hardy Merritt
Assistant Division Director
Division of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Hardy:

We have reviewed Aiken Technical College's response to our audit report for the period October 1, 1991 - September 30, 1993. Combined with observations and discussions with college personnel, we are satisfied that the college has corrected the problem areas found and that internal controls over the procurement system are adequate.

We, therefore, recommend that the certification limits for Aiken Technical College outlined in our audit report be granted for a period of three (3) years.

Sincerely,

R. Voight Shealy, Manager
Audit and Certification

RVS/jj