PROCUREMENT
AUDIT AND
CERTIFICATION

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CHESTERFIELD-MARLBORO TECHNICAL COLLEGE
AGENCY
JULY 1, 1994 - JUNE 30, 1996
DATE
January 20, 1997

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

Dear Helen:

I have attached the audit report for Chesterfield-Marlboro 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
Interim Materials Management Officer
CHESTERFIELD MARLBORO TECHNICAL COLLEGE
PROCUREMENT AUDIT REPORT

JULY 1, 1994 - JUNE 30, 1996
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December 11, 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 Chesterfield Marlboro 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 Chesterfield Marlboro 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 Chesterfield Marlboro 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 Chesterfield Marlboro Technical College. Our on-site review was conducted October 2 - 8, 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 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.
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 Chesterfield Marlboro 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 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, a 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) 34 payments, each exceeding $1,500
   b) A block sample of 526 numbered purchase orders

(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
RESULTS OF EXAMINATION

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

Since our last compliance audit, Chesterfield Marlboro 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.

Sole Source and Emergency Procurements

We examined the quarterly reports of sole source and emergency procurements for the period. This review was performed to determine the appropriateness of the procurement actions taken and the accuracy of the reports submitted to the Office of General Services as required by Section 11-35-2440 of the Code.

Inappropriate Sole Sources

We noted one sole source transaction that we believe was inappropriate.

<table>
<thead>
<tr>
<th>PO</th>
<th>DESCRIPTION</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>29126</td>
<td>Mailing System</td>
<td>$8,088</td>
</tr>
</tbody>
</table>

Section 11-35-1560 of the Code allows for sole source procurements where there is only one source for a required item. We recommend procurements that do not meet the definition of a sole source be competed in accordance with the Code and the College not use sole source procurements in cases where competition is available.

Unauthorized Sole Source

We noted one sole source that we consider unauthorized.

<table>
<thead>
<tr>
<th>PO</th>
<th>DATE</th>
<th>DESCRIPTION</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>20971</td>
<td>06/12/95</td>
<td>Computers</td>
<td>$2,343</td>
</tr>
</tbody>
</table>

The procurement officer for the College approved the sole source by signing the President's name and then initialing after the signature. While delegation of sole source authority is allow by Section 11-35-1560 of the Code, the delegation must always remain a level above the Procurement Officer. We recommend that delegated sole source authority comply with the Section 11-35-1560. The unauthorized procurement must be submitted for ratification to the College President in accordance with Regulation 19-445.2015.
General Procurement Code Violations

We tested 34 payment transactions and the associated procurements and performed other tests for compliance to the Code and internal policies and procedures of the College. Our testing revealed the following.

Unauthorized Service Contract

The College exceeded its procurement certification limit of $5,000 on the following multi-term service contract.

<table>
<thead>
<tr>
<th>RFQ</th>
<th>Description</th>
<th>Possible Extensions</th>
<th>Annual Contract Amount</th>
<th>Total Potential</th>
</tr>
</thead>
<tbody>
<tr>
<td>2076</td>
<td>Waste Removal</td>
<td>4</td>
<td>$1,524</td>
<td>$7,620</td>
</tr>
</tbody>
</table>

The certification limit of the College applies to the total potential award whether awarded by individual lots or awarded to one bidder. Furthermore, the certification limit applies to the total commitment of a contract, whether single year or multi-term contract.

Regulation 19-445.2015 defines an unauthorized procurement as "an act obligating the State in a contract by any person without the requisite authority to do so by appointment or delegation". Since the College exceeded its authority of $5,000, the contract is unauthorized.

We recommend the College consider the total potential value on multi-year contracts in determining compliance with the Code and Regulations. Furthermore, the College must request ratification for the procurement from the Materials Management Officer in accordance with Regulation 19.445.2015.

No Competition

One transaction lacked evidence of competition, sole source or emergency determination.

<table>
<thead>
<tr>
<th>Voucher</th>
<th>Description</th>
<th>Date</th>
<th>Contract Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>36437</td>
<td>Statistical Software</td>
<td>10/16/95</td>
<td>$1,995</td>
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</table>

The College considered the purchase of the software an exempt copyrighted item.

We recommend the College solicit the competition required by the Code or declare a sole source or emergency, when applicable, on future procurements.
**Split Order**

We noted two requisitions with a total of $2,306 that should have been combined.

<table>
<thead>
<tr>
<th>Requisition Date</th>
<th>PO</th>
<th>Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>08/31/95</td>
<td>29462</td>
<td>$855</td>
<td>Office Supplies</td>
</tr>
<tr>
<td>08/31/95</td>
<td>29492</td>
<td>1,451</td>
<td>Office Supplies</td>
</tr>
</tbody>
</table>

Each requisition was submitted by the department to purchasing at different times. Section 11-35-1550 (1) under small purchases states procurement requirements shall not be artificially divided by governmental bodies.

We recommend the Purchasing Office examine department requisitions for evidence of splitting orders that would circumvent the competitive process.

**State Term Contracts Not Referenced**

We noted a number of purchases under state contract that did not reference the State term contract number. In order to help ensure the proper contract terms and conditions the contract number should be referenced on the purchase order.

We recommend the contract number 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 Chesterfield Marlboro 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.

David E Rawl
Senior Auditor

Larry G. Sorrell, Manager
Audit and Certification
January 14, 1997

Mr. Larry Sorrell, Manager
Audit and Certification
Materials Management Office
1201 Main Street, Suite 600
Columbia, SC 29201

Dear Mr. Sorrell:

We have reviewed your draft procurement audit report of Chesterfield-Marlboro Technical College for July 1, 1994 - June 30, 1996, and are in agreement with your findings and recommendations.

Ratification requests have been made and recommendations have been implemented. Also, our updated internal procurement procedures manual is being sent to David Rawl for his review.

It was a pleasure working with David on this audit. I appreciate his helping CMTC improve its procurement operations.

If additional information is needed, please don’t hesitate to call me.

Sincerely,

Lena V. McCoy
Director of Fiscal Affairs
January 20, 1997

Mr. Voight Shealy
Interim Materials Management Officer
Materials Management Office
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Voight:

We have reviewed Chesterfield-Marlboro Technical College’s response to our audit report for July 1, 1994 - June 30, 1996. Also, we have followed the College’s corrective action during and subsequent to our field work. We are satisfied that the College has corrected the problem areas and the internal controls over the procurement system are adequate.

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

Sincerely,

Larry G. Sorrell, Manager
Audit and Certification

LGS/tl