PROCUREMENT
AUDIT AND
CERTIFICATION

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BEAUFORT TECHNICAL COLLEGE
AGENCY

JANUARY 8, 1987
DATE
January 8, 1987

Mr. Richard W. Kelly
Division Director
Division of General Services
300 Gervais Street
Columbia, South Carolina 29201

Dear Rick:

Attached is the final Beaufort Technical College audit report and recommendations made by the Office of Audit and Certification. Since no certification request above the $2,500 allowed by law was requested, and no action is necessary by the Budget and Control Board, I recommend that this report be presented to Dr. Coles for his information.

Sincerely,

William J. Clement
Assistant Division Director

Attachment
BEAUFORT TECHNICAL COLLEGE
AUDIT REPORT

July 31, 1986
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July 31, 1986

William J. Clement
Assistant Division Director
Division of General Services
300 Gervais Street
Columbia, South Carolina 29201

We have examined the local fund procurement policies and procedures of Beaufort Technical College for the period April 1, 1985 to May 26, 1986. As part of our examination, we made a study and evaluation of the system of internal control over local fund 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.

The administration of Beaufort 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 Beaufort Technical College in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

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 and related manual of Beaufort Technical College.

Our on-site review was conducted May 29, 1986 through June 18, 1986 and was made under the authority as described in 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 agency in promoting the underlying purposes and policies of the Code as outlined in Section 11-35-20, which includes:

(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

Our examination encompassed a detailed analysis of the internal procurement operating procedures of Beaufort 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 handle procurement transactions up to the basic certification limits. The examination was limited to procurements from local funds which includes some federal funds, local contributions, and student collections.

The Office of Audit and Certification of the Division of General Services selected random samples for the period April 1, 1985 to May 26, 1986, of procurement transactions for compliance testing and performed other auditing procedures that we considered necessary in the circumstances to formulate this opinion. As specified in the Consolidated Procurement Code and related regulations, 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 register;
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) approval of Minority Business Enterprise Utilization Plan.
SUMMARY OF AUDIT FINDINGS

Our audit of the procurement system of the Beaufort Technical College produced findings and recommendations in the following areas:

I. COMPLIANCE - PROCUREMENTS

A. Procurements Made Without Competition

Sixteen of sixty-six procurements tested were made without obtaining competition.

B. Unauthorized Procurements

Six unauthorized procurements must be formally ratified in accordance with Section 19-445.2015 of the regulations.
II. INTERNAL CONTROL WEAKNESS

The amount paid on one transaction was greater than the amount per the vendor invoice.

III. PROCUREMENT PROCEDURES MANUAL

The College does not have a procurement procedures manual as required by Section 19-445.2005 of the regulations.
RESULTS OF EXAMINATION

I. Compliance - Procurements

A. Procurements Made Without Competition

Our review of sixty-six randomly selected transactions for the period July 1, 1985 through May 26, 1986 revealed that sixteen procurements or twenty-four percent (24%) of the transactions tested were not handled properly. Based on discussions with College personnel, we believe several of these may have been appropriate sole source or emergency procurements, but the required determinations were not prepared. The exceptions are as follows:

<table>
<thead>
<tr>
<th>Voucher Number</th>
<th>Voucher Amount</th>
<th>Purchase Order</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. 46868</td>
<td>$927.50</td>
<td>Contract</td>
<td>Student malpractice</td>
</tr>
<tr>
<td>2. 46702</td>
<td>$723.73</td>
<td>20103</td>
<td>Tractor parts</td>
</tr>
<tr>
<td>3. 46660</td>
<td>$700.00</td>
<td>20022</td>
<td>Repair kits</td>
</tr>
<tr>
<td>4. 46676</td>
<td>$2,049.22</td>
<td>19734</td>
<td>Repairs - air conditioning</td>
</tr>
<tr>
<td>5. 45513</td>
<td>$2,959.80</td>
<td>19406</td>
<td>Repairs to walls/ceiling</td>
</tr>
<tr>
<td>6. 48837</td>
<td>$525.00</td>
<td>20905</td>
<td>Forms</td>
</tr>
<tr>
<td>7. 48508</td>
<td>$1,505.88</td>
<td>20284</td>
<td>Presentation folders</td>
</tr>
<tr>
<td>8. 49476</td>
<td>$613.14</td>
<td>20835</td>
<td>Rental - cash registers</td>
</tr>
<tr>
<td>9. 49644</td>
<td>$1,344.00</td>
<td>20254</td>
<td>Maintenance-printers</td>
</tr>
<tr>
<td>10. 49088</td>
<td>$560.00</td>
<td>20708</td>
<td>Roof repair</td>
</tr>
<tr>
<td>Voucher Number</td>
<td>Voucher Amount</td>
<td>Purchase Order</td>
<td>Description</td>
</tr>
<tr>
<td>---------------</td>
<td>----------------</td>
<td>----------------</td>
<td>--------------------------------------------------</td>
</tr>
<tr>
<td>11. 48203</td>
<td>$3,082.74b</td>
<td>19749</td>
<td>Employee uniforms</td>
</tr>
<tr>
<td>12. 45541</td>
<td>$1,538.26</td>
<td>Contract</td>
<td>Transportation services</td>
</tr>
<tr>
<td>13. N/A</td>
<td>$16,000.00</td>
<td>Contract</td>
<td>Transportation services from 10/19/85 to 7/22/86</td>
</tr>
<tr>
<td>14. 46067</td>
<td>$762.59</td>
<td>19522</td>
<td>Janitorial supplies</td>
</tr>
<tr>
<td>15. 48038</td>
<td>$726.87</td>
<td>19470</td>
<td>Pay envelopes</td>
</tr>
<tr>
<td>16. 47008</td>
<td>$810.00</td>
<td>20041</td>
<td>Voucher forms</td>
</tr>
</tbody>
</table>

(a) Paid $456.12 against purchase order
(b) Paid $2,063.09 against purchase order

The Procurement Code requires evidence of competition for all procurements greater than $500.00 unless they are made from State term contracts, are exempt from the requirements of the Code or are justifiable as sole source or emergency procurements. If the transactions are justified sole source or emergency procurements, there must be a written determination supporting each action.

Additionally, the College's procurement authority is limited to $2,500.00. This being the case, items five, eleven, and thirteen are unauthorized procurements because the total amounts exceeded this limit. In accordance with Section 19-445.2015 of the regulations, these transactions must be ratified by the Materials Management Officer.

The College should take immediate action to effect compliance with the Procurement Code. This requires application of the Code requirements by the Purchasing Officer and management support and oversight of the actions taken.
The College offers the following explanation for each of the sixteen (16) procurements in question:

1. Voucher 46868 - This procurement involved malpractice insurance for our ADN and LPN students. Inadvertently, we renewed this policy without competitive bidding. Given the new insurance legislation, the college will insure its students with insurance procured from the State.

2. Voucher 46702 - This procurement involved tractor parts. It was the maintenance chief's opinion that these parts were not generic and that he needed these specific parts in order to perform the in-house maintenance which saved the institution a considerable amount of money.

3. Voucher 46660 - This procurement involved repair kits for instructional equipment used in EMS training. It was not known that the equipment was in need of repair until just before the course was to begin. The institution should have filed sole source documentation for this procurement.

4. Voucher 46676 - This procurement involved repairs to the central air-conditioning unit for a two-story building that has no windows. Although the compressor purchased was the only one that could be used with this special unit, the institution should have emergency procurement documentation on file.

5. Voucher 45513 - This procurement involved repairing flood damage to the E.T.V. studio housed on our campus. There was solicitation of other companies in this repair work and all repairs were completely reimbursed by the insurance company. The college thought that because of this reimbursement situation and the fact that we were acting as agents for E.T.V., the procurement code did not apply in terms of the limitation on the dollars we could expend without Materials Management Office approval. This procurement has been ratified as a result of the audit.

6. Voucher 48837 - This procurement involved printing of purchase orders and an additional phone call bid should have been made.

7. Voucher 48508 - This procurement involved the printing of folders. Although bids were solicited, the college did not retain all the documentation and could not produce it for the auditors.
8. Voucher 49476 - This procurement involved the rental of cash registers for a JTPA educational program. The cash registers were rented from the sole supplier in Beaufort: The College was not aware that it could have called another supplier and documented their inability to supply the cash registers and, thus, maintain code compliance.

9. Voucher 49644 - This procurement involved a maintenance contract for Qume printers. Formerly the printers had been repaired under a State contract with U.S.C. but that contract ended. Although the new contract we procured resulted in a cost savings over the former contract, the College did not solicit the proper bids.

10. Voucher 49088 - This procurement involved repair to a damaged roof. Although the final cost of the repair was less than $500, the estimate was $560 and another telephone call should have been made.

11. Voucher 48203 - This procurement involved uniforms for the twelve (12) men on the maintenance crew. Although the purchase of these uniforms resulted in a considerable cost-savings to the institution, the decision to purchase from this particular company was made after comparing various supplier catalogues. The College did not intentionally bypass the sealed bid process. This purchase has been ratified by the Materials Management Office.

12. Voucher 45541 - This procurement involved a contract with R.T.A. to provide transportation for a student trip. Although R.T.A. is the only properly insured provider in our area, the College should have followed the Code's procurement guidelines and filed sole source documentation.

13. This procurement involved a contract with R.T.A. to provide transportation for transporting students involved in a federally funded program. Although R.T.A. is the only properly insured provider in our area, the College should have followed the Code's procurement guidelines and filed sole source documentation.

14. Voucher 46067 - This procurement involved janitorial supplies that the College thought were on State contract. We have been unable to produce the information to verify this, therefore we should have on file a record of another telephone bid.

15. Voucher 48038 - This procurement involved payroll envelopes that the College thought were on State contract. We have been unable to produce the information to verify this, therefore we should have on file a record of another bid.
16. Voucher 47008 - This procurement involved voucher forms that the College thought were on State contract. We have been unable to produce the information to verify this, therefore we should have on file a record of another telephone bid.

B. Unauthorized Procurements

As indicated in item I.A., three procurements exceeded the College's authority so they are unauthorized procurements which require ratification by the Materials Management Officer. In the following three other cases, procurements less than $2,500.00 were made by College personnel without the requisite authority to do so:

<table>
<thead>
<tr>
<th>Voucher Number</th>
<th>Voucher Amount</th>
<th>Purchase Order</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>48477</td>
<td>$1,750.00</td>
<td>Contract</td>
<td>Software license</td>
</tr>
<tr>
<td>48120</td>
<td>$1,634.07</td>
<td>N/A</td>
<td>Meeting room facilities</td>
</tr>
<tr>
<td>49736</td>
<td>$998.00</td>
<td>N/A</td>
<td>Consultant</td>
</tr>
</tbody>
</table>

The College does not have a procurement procedures manual, as required by Section 19-445.2005 of the regulations. However, we were informed that the President, the Business Manager and the Purchasing Officer are the only College officials with procurement authority. This being the case, the three procurements listed above must be ratified by the College President in accordance with Section 19-445.2015 of the regulations.
AGENCY RESPONSE

The three procurements in question have been ratified by the Materials Management Officer.

The three procurements in question have been ratified by the College President.

II. INTERNAL CONTROL WEAKNESS

On voucher 49088 the College paid the amount bid by the vendor for roof repairs, $560.00, rather than the invoice amount of $443.73. The vendor had full right to request payment of $560.00 since that was the bid and the resulting purchase order amount. However, the vendor chose to invoice the College a lesser amount. Payments should be made for the amount per the vendor invoice with any differences approved by the Purchasing Officer.

AGENCY RESPONSE

The vendor quoted the $560 figure as a maximum, therefore this is what was encumbered in the purchase order. The payment of this amount as opposed to the invoice amount was a clerical error. The college would disagree that this error entails a "control weakness".

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III. PROCUREMENT PROCEDURES MANUAL

The College does not have a procurement procedures manual that outlines purchasing authority, policy and procedures. As noted in item I.B. above, this is required in Section 19-445.2005 of the regulations. The Office of Audit and Certification is currently working with the appropriate persons to develop an acceptable manual.

AGENCY RESPONSE

The College has a draft of a procurement procedures manual that will ensure its compliance.
CONCLUSION

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

However, we cannot overstate our concern over the lack of competitive solicitations by the College. The College should take immediate corrective action to solve this problem including, but not limited to, additional management support and oversight of the procurement function by the Business Manager. Our office will perform a follow-up review by November 30, 1986 to evaluate this corrective action.

Subject to this corrective action and because additional certification was not requested, we recommend that Beaufort Technical College be allowed to continue procuring all goods and services, construction, information technology and consulting services using local funds up to the basic level as outlined in the Procurement Code.

Larry G. Sorrell
Audit Manager

R. Voight Shealy
Manager, Audit and Certification
January 7, 1987

Mr. William J. Clement
Assistant Division Director
Division of General Services
300 Gervais Street
Columbia, South Carolina 29201

Dear Bill:

We have returned to Beaufort Technical College to determine the progress made toward implementing the recommendations in our audit report covering the period April 1, 1985 through May 26, 1986. 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 Beaufort Technical 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 Consolidated Procurement Code regulations.

Sincerely,

R. Voight Shealy, Manager
Audit and Certification