South Carolina Office of General Services

PROCUREMENT AUDIT AND CERTIFICATION

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BERKELEY COUNTY SCHOOL DISTRICT
AGENCY

JULY 1, 1994 - JUNE 30, 1997
DATE
Dear Helen:

I have attached the Berkeley County School District's procurement audit report for the period July 1, 1994 to June 30, 1997 and the recommendations made by the Office of Audit and Certification. The audit was performed in accordance with Section 11-35-70 of the South Carolina Consolidated Procurement Code. Since no action is required by the State Budget and Control Board, I recommend the report be presented as information.

Sincerely,

R. Voight Shealy
Materials Management Officer
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NOTE: The District's responses to issues noted in this report have been inserted immediately following the items they refer to.
Mr. R. Voight Shealy  
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 the Berkeley County School District for the period of July 1, 1994 through June 30, 1997. 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 Section 11-35-70 of the South Carolina Consolidated Procurement Code and Berkeley County School District’s Procurement Code and Regulations. 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 the Berkeley County School District 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 of 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 the Berkeley County School District 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 the Berkeley County School District. Our on-site review was conducted October 21 through November 13, 1997, and was made under 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 Berkeley County School District's Procurement Code and Regulations, were in compliance with the South Carolina Consolidated Procurement Code and its ensuing regulations.

Additionally, our work was directed toward assisting the District in promoting the underlying purposes and policies of the South Carolina Consolidated Procurement 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
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 the Berkeley County School District and its related policies and procedures manual to the extend we deemed necessary to formulate an opinion on the adequacy of the system to properly handle procurement transactions.

We selected judgmental samples for the period July 1, 1995 through June 30, 1997 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 reported sole source and emergency procurements for the period July 1, 1994 through June 30, 1997

(2) Procurement transactions for the period July 1, 1995 through June 30, 1997 as follows:
   a) One hundred seventeen judgmentally selected payments each exceeding $1,500
   b) Sixty payments of building fund transactions each exceeding $1,500

(3) A block sample of five hundred sequential purchase orders

(4) A review of ninety-one maintenance work orders

(5) Minority Business Enterprise Plans and reports to the School Board of Trustees

(6) District Procurement Code and Regulations

(7) Surplus property procedures

(8) Adequate audit trails

(9) Economy and efficiency of the procurement system
SUMMARY OF AUDIT FINDINGS

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

I. District Code Violations

A. Procurements Made Without Competition

Six procurements were not supported by solicitations of competition.

B. Procurements Made With Inadequate Solicitations of Competition

Twelve procurements were supported by inadequate solicitations of competition.

C. Unauthorized Procurements

Four procurements were made by individuals who did not have the authority to do so.

D. Unauthorized Change Orders

Since the appropriate approvals were not obtained, ten procurements had unauthorized changes made.

E. Unauthorized Signatures On Purchase Orders

Our test of 500 purchase orders revealed that 97.4% were approved by individuals with no authority to do so. The signatures were not those of the persons signing the purchase orders.

F. Bidding Practices Need Improvement

We noted seven specific practices that need to be changed.

G. Solicitations Not Advertised

Six procurements ranging from $148,200 to $11,137 were not publicly advertised.

H. Board Approval Not Documented On Contracts

Two contracts were not supported by Board approval.
I. **Competed Annual Contracts Needed**

We identified five areas where competed annual contracts were needed.

J. **Exemptions Misapplied**

Four procurements were inappropriately classified as exempt from the competitive requirements of the Code.

K. **Payments Not Timely**

Six payments were not made within the time frame required by the Regulations.

L. **Request For Proposals Not Done Properly**

Two request for proposal solicitations were not done in accordance with the Code.

M. **Tie Bid Improperly Resolved**

The District failed to resolved a tie bid in accordance with its Code.

N. **Multi-Term Determinations Not Prepared**

None of the multi-term contracts we reviewed were supported by the required written determination justifying the use of such a contract.

O. **Artificially Divided Procurement Made Without Competition**

A procurement for scientific equipment was artificially divided to circumvent bid requirements.

P. **Missing Bid Information**

Nineteen transactions we requested were missing all or part of the supporting information.

Q. **Other Weakness Noted**

Personnel have little or no procurement training.
II. Construction and Related Professional Service Selection Code Violations

A. No Information Provided On Related Professional Service Contracts

We were not provided with any procurement information on professional services contracts such as architect/engineer and construction management selections.

B. Construction Contracts Not Supported By Board Approval

Five construction contracts we tested that exceeded $100,000 were not supported by evidence of Board approval.

C. Change Orders To Construction Contracts Not Approved By Board

None of the change orders to construction contracts which exceeded $50,000 that we tested were approved by the Board.

III. Maintenance Department Work Order Code Violations

District personnel do not know the procurement authority of the Maintenance Department.

A. Inappropriate Sole Sources

Five sole source procurements for heat pumps amounting to $79,275 were inappropriate as such. Competition should have been solicited.

B. Sole Source Procurements Not Reported

The Maintenance Department failed to inform the Procurement Officer of its sole source procurements where they could be compiled into the semi-annual reports.

C. Unauthorized Procurements With Inadequate Competition

Three procurements had inadequate solicitations of competitions and all exceeded the Maintenance Department's authority level.
D. **Procurements With Inadequate Solicitations of Competition**

Three work orders were supported by previously obtained quotes.

E. **Internal Control Weaknesses**

The work order document is used as a purchase order but lacks certain information.

IV. **Sole Source and Emergency Procurements**

A. **Sole Source And Emergency Procurement Reports Not Submitted To Board**

The District has not reported sole source or emergency procurements to the Superintendent or Board as required.

B. **Inappropriate Sole Sources**

We believe two procurements made as sole sources were inappropriate.

C. **Unauthorized Sole Sources**

Two sole source procurements were not properly authorized.

D. **Reporting Errors**

Four procurements were not reported correctly.

V. **Minority Business Enterprise**

Minority Business Enterprise (MBE) annual plans have not been prepared nor have progress reports been submitted to the Board. No MBE liaison officer has been appointed.

VI. **Amendments To District Procurement Code And Regulations**

The Code and Regulations need to be revised.
RESULTS OF EXAMINATION

I. District Code Violations

We sampled expenditure transactions for the purpose of testing procurement activity to determine compliance with the District’s Procurement Code and Regulations. The testing revealed numerous exceptions which must be addressed by the administration of Berkeley County School District. The exceptions are discussed below.

A. Procurements Made Without Competition

The following six procurements were not supported by evidence of solicitations of competition, sole source or emergency procurement determinations.

<table>
<thead>
<tr>
<th>Document Reference</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>PO 1229</td>
<td>Consultant for educational planning services</td>
<td>$55,689</td>
</tr>
<tr>
<td>Check 54049</td>
<td>Monitoring &amp; maintenance of security systems</td>
<td>37,609</td>
</tr>
<tr>
<td>Check 91215</td>
<td>Superintendent search consultant</td>
<td>11,408</td>
</tr>
<tr>
<td>PO 2020</td>
<td>Tree and shrub planting</td>
<td>10,000</td>
</tr>
<tr>
<td>Check 62463</td>
<td>Lifetime software maintenance</td>
<td>7,336</td>
</tr>
<tr>
<td>PO 1016</td>
<td>Industrial Saw</td>
<td>3,980</td>
</tr>
</tbody>
</table>

The consultant used for educational planning was originally contracted in May 1987 which was prior to the District coming under the South Carolina Consolidated Procurement Code. This contract expired on July 1, 1997. At the expiration of the old contract, the District should have procured the services following its Code, but failed to do so. No competition was sought. The amount of $55,689 which we have listed is the amount due on only one project, the Berkeley Intermediate School. Since the total contract value is based on 1% of construction costs, as defined by the contract, of various projects in the District, we cannot determine the total potential value. Competition should have been sought on this contract.

The monitoring and maintenance involves 37 security systems at schools in the District. The invoice, paid without the issuance of a purchase order, might have been appropriately procured as a sole source. However, none of the sole source procedures were followed.
The consultant to assist the District in finding a new superintendent should have been competed. Other individuals and companies specialize in this type of search activity. Procurements between $10,000 and $25,000 require advertisement and a minimum of five written solicitations of written quotes under the District’s Code. No competition was solicited.

The tree and shrub contract was done as a change order made without competition to a landscaping contract. We reviewed the original contract to determine if the change order was appropriate. The original contract was awarded at $15,391. Since the change of $10,000 was so significant, competition should have been sought. At the $10,000 level, the District’s Code requires advertisement and a minimum of five written solicitations of written quotes.

The software maintenance agreement probably should have been procured using the sole source procedures but did not.

The purchase order for the industrial saw was issued in the amount of $39.80 which is the price the procurement officer understood the saw to be. However, the invoice was $3,980. A minimum of three verbal quotes were required at that level of procurement. No competition was sought.

We recommend the District compete contracts in accordance to its Code. If the proposed contract meets the definition of a sole source procurement, then the sole source procedures should be followed.

DISTRICT RESPONSE
Purchase order 1229 The consultant has been advising the District for 10 years or more and through 3 superintendents. The Board has worked with the consultant in such detail and with such highly classified information that they chose to renew his contract.
Check 54049 A sole source form should have been completed.
Check 91215 The Board chose to hire the consultant from their knowledge of his administrative abilities.
Purchase order 2020 Written quotations were obtained for original landscape contract by the project supervisor. More shrubbery was needed for $10,000 and was purchased. A change order and sole source for the additional purchase should have been done and approved by the District. The building supervisors will be instructed on District’s procurement code policy in the future.
Purchase order 62463 A sole source justification should have been done. The District is buying out the software license at schools when funds are available. A blanket sole source will be done in the future.
Purchase order 1016 The saw purchase was a decimal point mistake.
B. **Procurements Made With Inadequate Solicitations of Competition**

The following twelve procurements were not supported by the appropriate levels of competition or failed to follow the emergency procurement procedures.

<table>
<thead>
<tr>
<th>Document Reference</th>
<th>Description of Purchase</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>PO 31343 &amp; PO 2292</td>
<td>Portable classroom relocation service</td>
<td>$61,745</td>
</tr>
<tr>
<td>PO 31213</td>
<td>Demolition of burned buildings</td>
<td>43,500</td>
</tr>
<tr>
<td>PO 31215</td>
<td>Disposal of hazardous materials</td>
<td>40,955</td>
</tr>
<tr>
<td>PO 29037</td>
<td>Flooring contract</td>
<td>37,763</td>
</tr>
<tr>
<td>PO 33569</td>
<td>Lab equipment and supplies</td>
<td>26,926</td>
</tr>
<tr>
<td>Check 79584</td>
<td>Cabling and port patch panel</td>
<td>26,500</td>
</tr>
<tr>
<td>PO 90525 &amp; PO 93805</td>
<td>Pre engineered metal building</td>
<td>13,784</td>
</tr>
<tr>
<td>Check 1421</td>
<td>HVAC repair parts</td>
<td>10,158</td>
</tr>
<tr>
<td>Check 74549</td>
<td>Hood systems &amp; ducts</td>
<td>8,950</td>
</tr>
<tr>
<td>PO 32597</td>
<td>Tubas</td>
<td>7,628</td>
</tr>
<tr>
<td>Check 2148</td>
<td>Door closures and exit devices</td>
<td>5,982</td>
</tr>
<tr>
<td>Check 1377</td>
<td>Tile</td>
<td>5,670</td>
</tr>
</tbody>
</table>

Quotation 14 (95-96) was used to support the award of portable classroom relocation services for up to five years. A quotation is used for procurements from $10,000 to $25,000 and is defined as a small purchase. The awarded contract had a total potential period of five years and, based on the two purchase orders issued, could exceed $100,000. Procurements greater than $25,000 require formal sealed bidding which includes provisions for public bid opening and vendor protest rights. For awards that have a potential of $50,000 or more, the District must notify all responsive bidders or offerors 16 days in advance of the District's intent to award a contract. The notice of intent must inform bidders of the successful vendor, amount of the contract to be awarded, and notify vendors of their protest rights should any bidder feel aggrieved in the award. The notice of intent to award was not done.

Purchase orders 31213 and 31215 were issued as a result of a burned school. The District had to take immediate action to secure the safety and well being of students, faculty and staff.
The procurements should have followed the emergency procurement procedures outlined in the District’s Code which include seeking the appropriate approvals and reporting the procurements to the Board. This is was not done. However, informal competition was obtained.

The flooring contract was procured informally as a small purchase on quotation 31 (95-96) but should have been procured as a formal sealed bid. Under the informal procedures, vendors were allowed to fax the quotations to the District where prices were exposed. Under formal sealed bidding, bids must be received unopened and kept secured until the designated time for bid opening has arrived.

Purchase order 33569 for the lab equipment and supplies had emergency noted on it. However, the procurement did not follow the emergency procedures and only informal competition was solicited. The sealed bid procedures should have been followed.

Check 79584 made payment for two purchase orders that were issued based on quotation 105 (96-97). The quotation was on 50 rolls of cable of 1,000 feet per roll. However, 150 rolls of cable were procured. Based on the dollars spent, the sealed bid procedures should have been followed.

The procurement of the metal building was done on two work orders. Work order 90525 was issued for the building for $8,784. The second work order 93805 was issued to the same vendor in the amount of $5,000 for the doors and the labor to construct the building. We believe the two separate work orders were issued to circumvent the Maintenance Department’s authority level of $10,000. In doing so the Maintenance Department artificially divided the procurement requirements. Further, written quotes were solicited for this procurement. However, the District’s Code requires advertisement and a minimum of five written solicitations of written quotes. Finally, the awarded vendor’s written quote was $12,629. No documentation was made available to us explaining why the District paid $1,155 more than the vendor quoted. Since the procurement of the metal building exceeded the $10,000 authority level of the Maintenance Department, ratification must be requested from the Assistant Superintendent for Fiscal Affairs.

The HVAC repair parts was procured on work order 77820 for $10,158. The work order
was supported by three written quotes. However, five written solicitations plus advertisement are required for procurement transactions between $10,000 and $25,000.

Check 74549 for the hood systems and purchase order 32597 for the tubas were both supported by verbal quotes. The District’s Code requires written solicitation from three sources on purchases from $5,001 to $10,000. While the District can not make vendors send in written quotes, it can require that the low bidder send in a written quote before the award is made to that vendor. The District should also document on the quotation sheet that written quotes were requested.

For checks 2148 and 1377, each paid two purchase orders giving the appearance that each order was less than $5,000. However, the purchase orders should have been combined and the appropriate level of competition solicited. Instead, three verbal quotes were solicited. However, the District’s Code requires three solicitations of written quotes. Finally, on check 1377 for the tiles, the District solicited competition based on the price per box of tiles. None of the vendors were provided with information as to how many boxes the District intended to by. Under the scales of economy theory, the more quantity of an item that is bought, the lower the unit price. The District should inform vendors of estimated quantities when soliciting pricing. Without such information, vendors are inclined to offer higher pricing.

We recommend the District adhere to the competitive requirements of its Code.

DISTRICT RESPONSE

Purchase orders 31343 and 2292 A request for quotation was advertised and only one quote was received. The number of relocations increased during the summer. Since only one vendor quoted, the same vendor was used. A formal bid was done May 22, 1998 on this work and only one vendor bid.

Purchase order 31213 Competition was obtained, but we did not fill out an emergency procurement form.

Purchase order 31215 Chemicals had to be removed from burned Macedonia High School (MHS). The vendor was low bid for chemical removal from other schools on a previous solicitation. They were contacted and gave a quotation for removal from MHS. Their quotation had a provision for $4,000 additional if gas cylinders caused additional disposal. This was needed but a change order was not completed. This should have been done as an emergency procurement but no determination was prepared. In the future the District will be more vigilant about this type of purchase.
Purchase orders 29037 and 33569 Checks 79584 and 32597 On all purchases, the staff members needing the material estimated incorrectly and needed more services or material to finish the jobs than original ordered. They incorrectly allowed the vendor to perform services or ship supplies. No intent to violate the Code exist.

Purchase orders 90525 and 93805 These purchases were not issued to intentionally circumvent the procurement code. While the building was being planned, the principal had only the $8,784 and the building was planned and procured. While materials were on order and work beginning, the principal found $5,000 more and wanted a bigger building with roll up doors. Also, the principal requested additional features that cost the $1,155. Yes, mistakes were made, such as change orders being issued, advertisements being made, and number of solicitations, etc. Again, mistakes were made but not intentional.

Check 1421 The Maintenance Department did not follow the Code. They only received three quotes on the $10,158 purchase. They have been trained on the Code and are required, for items over $10,000, be advertised and quotes received.

Checks 74549 and 2148 The Maintenance Department has been trained on the Code and required to receive written quotes on items from $5,001 to $10,000.

Check 1377 This was for an on-going improvement project. Quotes were obtained by the Maintenance Department but the number of cartons needed were not included in request for quotes. Maintenance has been instructed to include an estimate of the amount needed in all future solicitations.

C. Unauthorized Procurements

The following four procurements were unauthorized.

<table>
<thead>
<tr>
<th>Document Reference</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Check 1421</td>
<td>HVAC repair parts</td>
<td>$10,158</td>
</tr>
<tr>
<td>PO 82436</td>
<td>Land surveyor services</td>
<td>5,320</td>
</tr>
<tr>
<td>Check 58654</td>
<td>Mariner project consultant</td>
<td>2,000</td>
</tr>
<tr>
<td>Check 61058</td>
<td>Books/manuals</td>
<td>1,903</td>
</tr>
</tbody>
</table>

An unauthorized procurement is defined as a procurement obligating the District by an individual who does not have the authority to do so whether by appointment or delegation.

The HVAC repair parts had seven separate invoices that totaled $10,158 issued on a single work order. The delegated authority level at the Maintenance Department is limited to $10,000. Thus, the procurement was unauthorized.

Based on information contained on work order 82436, the land surveying services were procured as exempt from the District’s Code by the Maintenance Department. However, the District’s Code specifically includes land surveying services as subject to the professional services selection procedures of Architects and Engineers (A/E). With advance approval by the
Assistant Superintendent for Fiscal Affairs, the District could have followed the small A/E selection procedures for amounts less than $18,000. The Assistant Superintendent approved the invoice for payment. But, because his approval was after the commitment had been made, the procurement was unauthorized.

The contract for the mariner project consultant was not supported by a purchase order authorizing this contract until after the invoice was received by the District. Under the contract, services began on July 11, 1995 but the purchase order was not issued until October 2, 1995. Since we have no evidence to support that the purchase was made by an authorized official, we must consider the contract unauthorized.

A confirming purchase order was issued on December 5, 1995, for books and manuals. The invoice was dated November 15, 1995, and included the statement, "Your order is now complete." Since the commitment was made prior to obtaining a purchase order, the procurement was unauthorized.

The ratification process per Regulation I.C requires that a written determination be prepared as to the facts and circumstances surrounding the act, corrective action taken to prevent recurrence, action taken against the individual committing the act, and documentation supporting that the price paid is fair and reasonable. When unauthorized procurements are discovered, ratification must be sought from the Superintendent or the Assistant Superintendent for Fiscal Affairs. The intent of this high level of ratification authority is to discourage users from making unauthorized procurements. However, the ratification process will not work if unauthorized procurements are not submitted to the appropriate authorities for review. As such, we recommend the unauthorized procurements noted above be submitted for ratification in accordance to the Regulation.

DISTRICT RESPONSE

Check 1421 Additional parts were needed to complete the job. A ratification request was not prepared by the District.

Purchase order 82436 The Assistant Superintendent for Financial and Operational Services knew of the surveyor selection before the work began. A small A/E form was not filed. The procurement was ratified on December 15, 1998.
Check 58654 The instruction training seminar/staff development exemption was not put on the purchase order. The unauthorized procurement was ratified on December 15, 1998.
Check 61058 The mariner project director was taught proper purchasing and did not follow for the book/manual purchase. The mariner project no longer exists. The unauthorized procurement was ratified on December 15, 1998.

D. Unauthorized Change Orders

The following ten changes were made to District contracts without the appropriate approvals being obtained.

<table>
<thead>
<tr>
<th>Document Reference</th>
<th>Description</th>
<th>Original Contract Amount</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>PO 31215</td>
<td>Disposal of chemicals</td>
<td>$36,955</td>
<td>$4,000</td>
</tr>
<tr>
<td>PO 1854</td>
<td>Columns and masonry work</td>
<td>12,500</td>
<td>3,970</td>
</tr>
<tr>
<td>PO 29016</td>
<td>Furniture</td>
<td>25,173</td>
<td>3,597</td>
</tr>
<tr>
<td>PO 22951</td>
<td>Awnings for schools</td>
<td>24,950</td>
<td>3,240</td>
</tr>
<tr>
<td>Work Order 77820</td>
<td>HVAC repair parts</td>
<td>7,371</td>
<td>728</td>
</tr>
<tr>
<td>PO 38337</td>
<td>Scientific devices</td>
<td>3,146</td>
<td>204</td>
</tr>
<tr>
<td>PO 21324</td>
<td>Chemical removal from schools</td>
<td>6,526</td>
<td>375</td>
</tr>
<tr>
<td>PO 20629</td>
<td>Printing of Fast Facts</td>
<td>1,516</td>
<td>194</td>
</tr>
<tr>
<td>PO 36862</td>
<td>Network CD tower</td>
<td>9,950</td>
<td>340</td>
</tr>
<tr>
<td>PO 22867</td>
<td>Testing materials</td>
<td>5,859</td>
<td>301</td>
</tr>
</tbody>
</table>

A change order as defined by the District's Code is a written order signed by the procurement officer directing the contractor to make changes to the contract. In fulfilling this responsibility, the procurement officer must determine if the proposed change is needed and if the proposed change is within the scope of the contract. Based on the definition of a change order, we noted the following exceptions.

The additional $4,000 on the chemical disposal contract was not itemized on the invoice and we could not determine the basis for the addition. A handwritten note on the vendor's quote indicated a $4,000 up-charge may be added if gas cylinders caused additional disposal. Regardless, the invoice should not have been paid without an approved change order.
The invoice for the columns and masonry work included a note which read, "Not included in original contract." Because the additional work of $3,970 was not in the scope of the original contract, the District should have solicited competition. Three verbal quotes were required.

The invoice for additional furniture included a note that indicated the change was approved by the Assistant Superintendent for Fiscal Affairs. However, we did not see documentation to confirm his approval. Without his signature, the invoice should not have been paid.

The increase of $3,240 for the awning contract included a patio cover for $1,500 and repairs to an existing walkway cover of $1,740. The original contract was for walkway cover installation and awnings for portable classrooms and not patio covers and repair work. Further, the contract was based on the unit cost per square foot of installation. The invoices were prepared based on the job and did not include the unit pricing information. Therefore, we could not verify if the District was charged according to the rates identified in the contract.

For the HVAC repair parts the District asked for pricing on one item of a particular repair part and actually bought two items. Likewise on the scientific items, two additional items were invoiced that were not quoted.

For the chemical removal services and the printing services, changes resulting in additional charges were made by District personnel who did not have the authority to do so.

Finally, freight was paid for the network CD tower and the testing materials even though the purchase orders were silent to freight charges. The freight should not have been paid without an approved change order from the procurement officer. Freight is a consideration in determining low bidders. Thus, the District may not have owed the freight.

We recommend Accounts Payable stop paying invoices that do not agree with the contracts or purchase orders. Any changes done to a contract or purchase order must be approved in advance in writing by the procurement officer responsible for the contract. Changes by other personnel should be considered unauthorized and must be submitted for ratification prior to payment. Within the ratification process, the District may decide it does not owe the additional
amount and leave the individual committing the act financially responsible. As such, the unauthorized change orders must be submitted for ratification per Regulation I.C.

**DISTRICT RESPONSE**

Each procurement except purchase order 38337 was ratified on December 15, 1998. A ratification request was not prepared by the District for purchase order 38337.

- Purchase order 31215 More chemicals were found in schools than expected and approval was given without a change order.
- Purchase order 1854 Additional masonry work was needed to complete the work and approval was given without a change order.
- Purchase order 29016 When the principal ordered the furniture for the new school, he left some rooms out. The Assistant Superintendent for Financial and Operational Services okayed the increased delivery without a change order.

Work order 77820 and purchase orders 38337, 21324, 20629, 36862 and 22867 All of these were considered small purchases and price changes were approved verbally.

**E. Unauthorized Signatures On Purchase Orders**

In testing procurements made by the District, we noted a significant number of purchase orders that were not signed by personnel with procurement authority. The District’s Code is specific as to procurement authority, however, the Code is not being followed by District personnel. Most of the signatures would be written in the name of the Assistant Superintendent for Fiscal Affairs followed by the initials of the person signing his name. According to the Code, none of these individuals have procurement authority or responsibility in any way.

To identify the frequency of invalid signatures, we performed a test of 500 sequential purchase orders and documented the frequency of unauthorized signatures. Out of 500 purchase orders, only 13 purchase orders had appropriate signatures. The remaining 487 purchase orders were not signed by authorized personnel. This frequency equates to 97.4% of the purchase orders approved by individuals with no authority to do so. With the frequency and acceptance of inappropriate signatures by District personnel and the lack of enforcing written internal controls, we believe the District’s assets are at risk of unauthorized use or disposition.

We recommend the District stop the practice of allowing personnel without requisite procurement authority to sign purchase orders. When personnel do appropriately authorize
documents, they should be required to sign their own names thereby assuming full responsibility for the actions taken and leaving an audit trail to the individuals actually signing the documents.

**DISTRICT RESPONSE**

All purchase orders were seen by the Controller, the Accountant or the Assistant Superintendent for Financial and Operational Services and approved or not. Clerical purchasing staff were allowed to sign the Assistant Superintendent’s name with their initial to speed up processes. They will sign their name after our approval in the future.

F. **Bidding Practices Need Improvement**

We noted certain weaknesses in the bidding practices of the District which should be improved. Improving these weaknesses, we believe, will improve the effectiveness and efficiency of the procurement process as well as strengthen the overall integrity of the bidding practices.

1. **Bids and Quotes Not Always Date Stamped**

   We noticed that not all bids and quotes had been date and time stamped to verify receipt prior to the opening. The date and time stamp machine is a secure instrument that requires a key to change the setting.

   We recommend this procedure be done to show, through an independent means, that all bids and quotes which are tabulated were indeed received prior to the opening. This procedure helps protect the District and the procurement officers conducting the openings.

**DISTRICT RESPONSE**

The District plans to date stamp all bids and quotes received in the future.

2. **Quantity To Be Procured Not In Bid Specifications And Acceptance Time Exceeded**

   On quote 19 (95-96) the District solicited prices for three classes of copiers with each type being identified by options one, two, and three. No where in the solicitation did it inform vendors of how many copiers would be bought. In reading the quote, one gets the impression the District is soliciting to buy one copier but soliciting prices on three different classes of copiers to determine the best value. We identified $13,482 in purchase orders issued for five copiers against this quote. It appears the intent of the District was to establish a short term contract
where a small quantity of copiers would be bought. This information should be communicated to the vendors through the quote specifications.

On the same quote, the District required that vendors allow for an acceptance period of 30 days from the closing date of the quote. In effect, the District is requiring vendors to keep their prices firm for 30 days after acceptance. The quote closed on November 30, 1995. The District issued its first purchase order on January 23, 1996 and three more purchase orders in February. If a longer evaluation period is needed, it should be specified in the quote. Beyond the acceptance period, vendors have no obligation to remain firm on their pricing.

DISTRICT RESPONSE
The District plans to include quantity in all bid specs and adhere to all deadlines.

3. Purchase Order Errors

We noted the following types of errors in the preparation of purchase orders.

On purchase order 31188, a number of items were included on the purchase order that were not included in the bid solicitation. The purchase order was issued in the amount of $13,023 for furniture that included $8,223 of items not included in the solicitation, thus no competition was sought for these items. The items on purchase orders should originate on solicitations. If additional items are needed, a change order should be issued. If a change is as material as the one noted above, a separate solicitation should be considered.

On purchase order 34213, the District obtained three written quotes and issued the purchase order to the low bidder. However, the bid price on the purchase order of $2,909 was that of the next low bidder. The purchase order should have been issued for $2,866, $43 less than the amount of the purchase order. The District needs to be more attentive in the preparation of purchase orders.

DISTRICT RESPONSE
Purchase order 31188 The District has initiated a change order process and will only order items included in the solicitation.
Purchase order 34213 An error was made but the correct amount was paid to the vendor.
4. **Bid Improperly Opened Privately**

The District awarded a contract for petroleum tank modifications for $196,468. The solicitation was prepared and issued by a consultant on behalf of the District. Included in the solicitation was the statement "**Bids will be opened privately.**" Under no circumstance can the District or a District representative ever open bids privately. Bids must always be opened publicly to insure the integrity of the system. The District must require that its representatives adhere to the requirements of the District’s Code, including the requirement that bids be opened publicly.

**DISTRICT RESPONSE**

The petroleum tank modification bid was opened publicly. Yes, an error was found in the consultant’s bid document stating privately instead of publicly.

5. **Freight Not Considered In Award**

Three instances were noted where freight costs were not considered in determining the awards.

<table>
<thead>
<tr>
<th>PO</th>
<th>Description</th>
<th>Freight Paid</th>
<th>Purchase Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>36862</td>
<td>Network CD tower</td>
<td>$340</td>
<td>$10,290</td>
</tr>
<tr>
<td>37324</td>
<td>Computer monitors</td>
<td>70</td>
<td>3,862</td>
</tr>
<tr>
<td>38016</td>
<td>Computer HUB</td>
<td>28</td>
<td>5,485</td>
</tr>
</tbody>
</table>

Because the District failed to consider freight on PO 36862, inadequate competition was solicited. Since the procurement exceeded $10,000, five written solicitations of written quotes plus advertisement were required. The District only solicited three written quotes. The other two purchase orders listed above did not consider freight in determining the awards nor was it included on the purchase orders for payment.

We recommend the District consider all costs except sales tax in determining awards and solicitation methods. Accounts Payable should not pay freight unless it is authorized on a purchase order. The District may find that another bidder should have received the award if the freight costs are applied to the solicitation.
DISTRICT RESPONSE

Purchase order 36862 Freight was not quoted by the vendor and we mistakenly forgot to ask that it be included in the purchase. Freight will be considered in all purchases.
Purchase order 37324 Freight of $70 was not quoted.
Purchase order 38016 Freight of $28 was not quoted.

6. Low Bidder Rejected Without Explanation

We noted two instances, IFB 37 (94-95) and IFB 1 (96-97), where low bidders were not awarded particular parts of bid solicitations without any explanation being offered in the bid files. Both of these solicitations included multiple items of furniture for vendors to offer bids. The awards were made to different vendors on each solicitation depending on which vendor was low on a particular item. The Regulations allow for a bidder to be rejected for not meeting bid specifications or not meeting some other criteria established in a bid solicitation. Section I.D of the Code requires determinations be documented in sufficient detail to satisfy external audit.

We recommend the District document why low bidders are rejected.

DISTRICT RESPONSE

The responses to IFB 37 and IFB 1 did not meet specification and the determinations were not filed.

7. Nonresponsive Vendor Awarded Contract

On IFB 11 (95-96) for intercom systems for three schools, the contract was improperly awarded because the vendor did not meet bid specifications 2.3 and 2.7 of the solicitation. Specification 2.3 required expansion capabilities of the intercom system of 500 stations. The vendor’s system was only capable of expansion to 256 stations. Specification 2.7 required the intercom amplifier to be capable of delivering at least twelve watts. The vendor’s system only provided three watts. It is inherently unfair to bidders to specify one standard of equipment and then to allow a lessor standard. If the lessor standard meets the needs of the District, all vendors should be allowed to bid on that standard.

We recommend the District carefully evaluate bids to make sure that the lowest bid conforms to all specifications. A low bidder must be determined responsive and responsible before an award is made.
DISTRICT RESPONSE

All systems were fairly evaluated. After writing the specifications, we found that the specifications in our bid exceeded our needs. In the future we will be more diligent in assessing our needs when preparing specifications.

G. Solicitations Not Advertised

The District did not advertise the following six solicitations in the South Carolina Business Opportunities (SCBO).

<table>
<thead>
<tr>
<th>Document Reference</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bid 17 (95-96)</td>
<td>Computers</td>
<td>$148,200</td>
</tr>
<tr>
<td>Quote 105 (96-97)</td>
<td>Cabling and port patch panel</td>
<td>26,250</td>
</tr>
<tr>
<td>Quote 28 (95-96)</td>
<td>Fertilizer</td>
<td>16,676</td>
</tr>
<tr>
<td>PO 2869</td>
<td>Piano</td>
<td>14,695</td>
</tr>
<tr>
<td>Quote 19 (95-96)</td>
<td>Copiers</td>
<td>13,482</td>
</tr>
</tbody>
</table>

Regulations I.F(1)(c) and I.F(1)(d) require that procurements greater than $10,000 be advertised in the SCBO publication.

We recommend the District advertise all solicitations greater than $10,000 in SCBO.

DISTRICT RESPONSE

The District is unable to find a copy of the advertisements for these items. The District will advertise all procurements over $10,000.

H. Board Approval Not Documented On Contracts

The District failed to provide to us evidence that the Board of Trustees approved the following procurement that exceeded $100,000 as required by the Regulations. Also, we were not provided with evidence of approval by the Board or its designee on a contract for attorney services.

<table>
<thead>
<tr>
<th>Document Reference</th>
<th>Description of Purchase</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bid 101 (94-95)</td>
<td>5 year contract for dish washing cleaners</td>
<td>$226,523</td>
</tr>
<tr>
<td>Check 53966</td>
<td>Attorney fees</td>
<td>8,414</td>
</tr>
</tbody>
</table>

Regulation I.D requires each procurement over $100,000 be approved by the Board of Trustees. Section IV.A(6)(f) of the Code requires any legal services be approved by the Board or
its designee. Without the Board approval of these contracts we must consider them unauthorized. Ratification must be requested from the Board of Trustees for the contracts listed above.

We recommend the District obtain approval on procurements greater than $100,000 from the Board of Trustees prior to award. The approval for legal services by the Board or its designee needs to be obtained prior to award. A copy of the approval should be included in the procurement file. In our opinion, the approval by the Board includes all sealed bids, sealed proposals, sole source procurements and emergency procurements, food service contracts, construction contracts, and items procured from state contracts where the awards are greater than $100,000.

**DISTRICT RESPONSE**

Bid 101 This contract was approved by the Board but was not noted in the minutes. Check 53966 The Board approved the attorney and his fee schedule. The check was for $8,414 for less than $100,000. The unauthorized procurements were submitted to the Board for ratification on July 28, 1998. The ratifications request did not include the following items specifically defined in Regulation DD.15(C).

1. Facts and circumstances surrounding the act,
2. Corrective actions being taken to prevent reoccurrence,
3. Action taken against the individual committing the act, and
4. Documentation that the price pad was fair and reasonable.

I. Competed Annual Contracts Needed

We reviewed the payment files where small, individual repetitive procurements were made for certain types of supplies and repairs parts. The requirements for these purchases continue throughout the year. Individually, the procurements did not require competition. However, when viewed over a very short period of time, a pattern of identifiable items and significant amount of District funds were being spent with no or very little competition being sought.

<table>
<thead>
<tr>
<th>Check Number</th>
<th>Description</th>
<th>Amount</th>
<th>Number of Purchases</th>
<th>Time Period of Procurements</th>
</tr>
</thead>
<tbody>
<tr>
<td>1478</td>
<td>Fire extinguisher maintenance supplies</td>
<td>$11,861</td>
<td>34</td>
<td>4 weeks</td>
</tr>
<tr>
<td>32542</td>
<td>Air conditioning, heating and refrigeration parts</td>
<td>$10,466</td>
<td>53</td>
<td>9 weeks</td>
</tr>
</tbody>
</table>

24
<table>
<thead>
<tr>
<th>Check Number</th>
<th>Description</th>
<th>Amount</th>
<th>Number of Purchases</th>
<th>Time Period of Procurements</th>
</tr>
</thead>
<tbody>
<tr>
<td>73212</td>
<td>Air conditioning, heating and refrigeration parts</td>
<td>$6,200</td>
<td>30</td>
<td>5 weeks</td>
</tr>
<tr>
<td>77554</td>
<td>Cleaning supplies</td>
<td>7,102</td>
<td>9</td>
<td>6 weeks</td>
</tr>
<tr>
<td>65538</td>
<td>Miscellaneous maintenance repair parts</td>
<td>3,390</td>
<td>24</td>
<td>3 weeks</td>
</tr>
<tr>
<td>72119</td>
<td>Auto parts</td>
<td>3,083</td>
<td>9</td>
<td>3.5 weeks</td>
</tr>
</tbody>
</table>

The small, individual repetitive procurement activity should be rolled into a competed contract. This action should save the District money through competition and streamlining the procurement process.

We recommend the District consider competing annual contracts for such repetitive purchases. The amount of money spent without competition on an annual basis for these items is substantial.

**DISTRICT RESPONSE**  
Some contracts have been established for these types of needs. The District is in the process of identifying contracts to be competed for repetitive type procurements.

**J. Exemptions Misapplied**  
Four procurements were inappropriately classified as exempt from the competitive requirements of the Code.

<table>
<thead>
<tr>
<th>Document Reference</th>
<th>Description of Purchase</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Check 68518</td>
<td>Antilock brake system trainer and auto electric boards</td>
<td>$21,420</td>
</tr>
<tr>
<td>PO 25032</td>
<td>Multi-port fuel injection trainer</td>
<td>6,900</td>
</tr>
<tr>
<td>Check 61177</td>
<td>Artist performance</td>
<td>7,000</td>
</tr>
<tr>
<td>Check 58654</td>
<td>Consultant fees</td>
<td>$2,000</td>
</tr>
</tbody>
</table>

The documents supporting these transactions indicated each was exempt. However, after careful review of the District's exemption list, we could not determine how these transactions fell into any of the exemption categories.

We recommend the District review its exemption listing carefully before determining a transaction exempt from the competitive requirements of the Code. Should a transaction fall
under an exemption category, a brief explanation should be made in the procurement file documenting the application of the particular exemption.

**DISTRICT RESPONSE**

The items were incorrectly marked as exempt. The items should have been marked sole source with the appropriate documentation provided. In the future, the District will be more diligent in declaring procurements exempt, sole source, or emergency.

**K. Payments Not Timely**

The following six payments were not made in a timely basis.

<table>
<thead>
<tr>
<th>Check Number</th>
<th>Description</th>
<th>Amount</th>
<th>Date</th>
<th>Check Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>62777</td>
<td>Testing information, multiple invoices</td>
<td>$8,011</td>
<td>10/30/95 - 12/12/95</td>
<td>02/08/96</td>
</tr>
<tr>
<td>1168</td>
<td>Awning, multiple invoices</td>
<td>29,124</td>
<td>11/03/95 - 01/03/96</td>
<td>02/13/96</td>
</tr>
<tr>
<td>62468</td>
<td>Printing services</td>
<td>1,795</td>
<td>11/20/95</td>
<td>02/01/96</td>
</tr>
<tr>
<td>61058</td>
<td>Books</td>
<td>1,903</td>
<td>11/15/95</td>
<td>01/04/96</td>
</tr>
<tr>
<td>60531</td>
<td>Northern red oak</td>
<td>4,368</td>
<td>11/03/95</td>
<td>12/15/95</td>
</tr>
<tr>
<td>60616</td>
<td>Remove chemicals from schools</td>
<td>6,901</td>
<td>11/07/95</td>
<td>12/15/95</td>
</tr>
</tbody>
</table>

Regulation FF requires that invoices be paid within thirty calendar days of receipt. The Regulation does allow for the thirty calendar day period to begin when the District certifies its satisfaction with the goods or services. We found no indication in the files to support any dissatisfaction by the District of the received goods or services.

We recommend the District pay invoices within the time frame stipulated by the Regulation. In situations where the District is not satisfied with goods or services, adequate documentation should be included in the file to support delay in payment. Otherwise, the District may be subject to paying interest on late payments.

**DISTRICT RESPONSE**

Previously the Code required that invoices be paid within thirty calendar days beginning when the District certifies its satisfaction with the goods and services. However, the Code has been changed and approved to allow for thirty working days.
Check 62777 The invoice was received during the holiday season when the staff at the school and accounts payable received numerous vacation days. This situation delays the payment process.

Check 1168 This purchase was paid within the thirty working days which is the new requirement of the Code. However, timeliness in receiving packing slips from the school or department was a problem.

Check 62468 The invoice was received during the holiday season when the staff received numerous vacation days. This situation delays the payment process.

Check 61058 This vendor allowed a trial period for the books. The invoice was sent to the Finance Office but the packing slip was not received from the school until the trial period was complete.

Checks 60531 and 60616 The purchase was paid within the thirty working days which is the new requirement of the Code. Timely reception of the packing slip was a problem.

Corrective actions, as follows, have been taken to eliminate the above problems. 1) The Code has been changed and approved to thirty working day for invoice payment. 2) All schools and departments are periodically reminded to check their purchase order status report for outstanding purchase orders. 3) The Finance Office monitors the frequency of delay at each school and department and questions excessive delays. 4) An annual inservice will be held for all schools and departments explaining financial policies and procedures.

L. Request For Proposals Not Done Properly

The request for proposal (RFP) is a competitive procurement method similar to a formal bid except that it allows for consideration of evaluation criteria other than price. We noted the following compliance problems.

On RFP 1 (95-96), the District solicited proposals for the production of public service announcements and awarded the contract for $5,000. The District failed to meet the following four requirements of Section V.B(3) of its Code. First, a minimum of five solicitations were required. Only three vendors were solicited with a statement added that all known sources were solicited. Other sources were available and should have been solicited. The District should have made a more concerted effort to find the minimum number of prospective vendors. Second, the District did not advertise the RFP as required. Third, no evaluation criteria were established in the RFP. Since price is not the determining factor in the award of a RFP, evaluation criteria must be communicated to the vendors responding to the RFP so they may respond to all criteria and be fairly evaluated. Finally, no written determination justifying the use of a RFP over competitive sealed bidding was prepared. The Code requires that procurements be done as competitive
sealed bids except, among other things, when it is determined in writing that sealed bidding is not practical or advantageous. Only then a RFP may be used.

On another RFP for partition walls awarded in the amount of $19,463 and paid on check 78843, we noted the following four deficiencies. The proposal was not advertised. As stated earlier, a RFP is required to be advertised. Second, the only response received was prepared by a vendor on a separate form. Since vendors may impose conditions on their bid forms which are not in agreement with the District’s terms and conditions, the District should require in any formal solicitation that vendors respond on the District’s forms. On this solicitation, the vendor imposed that “Prices firm for acceptance within 30 days” whereas the District required that proposals shall be firm for at least 60 days from the closing date of the RFP. Since the vendor’s terms were not in agreement with the District’s specifications, the vendor’s proposal should have been rejected. Third, the RFP established no evaluation criteria leaving no means to the District to fairly evaluate vendors’ proposals. Finally, a written determination justifying the use of a RFP over a sealed bid was not prepared.

We recommend the District adhere to the provisions of Section V.B(3) of its Code.

**DISTRICT RESPONSE**

Request for proposals will be advertised, evaluation criteria established and written determinations justifying a request for proposals will be made. Vendors will be required to use District forms and follow the items listed in the solicitation.

M. Tie Bid Improperly Resolved

On purchase order A00828, the District procured a copier for $2,800. Two vendors offered the District the same price and met all of the District’s requirements. Section V.B(2)(i) of the Code establishes criteria for resolving tie bids. When all the criteria are considered and all things still remain equal, the last resolution is for the District to flip a coin witnessed by at least two people. Instead of following the Code on resolving tie bids in an unbiased manner, one vendor was simply picked over another.

We recommend the District follow its Code in resolving tie bids thus not allowing any personal bias to enter the resolution.
DISTRICT RESPONSE

The District chose the copier preferred by the school. The District will flip a coin witnessed by at least two people in the future.

N. Multi-Term Determinations Not Prepared

We reviewed three solicitations which were done as multi-term contracts that did not have the written determinations justifying the use of such contracts. A multi-term contract is a contract that extends beyond a year.

<table>
<thead>
<tr>
<th>Document Reference</th>
<th>Description</th>
<th>Total Potential Amount</th>
<th>Potential Term of Contract</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bid 101 (94-95)</td>
<td>Dishwashing chemical services</td>
<td>$226,523</td>
<td>5 years</td>
</tr>
<tr>
<td>Quotation 14 (95-96)</td>
<td>Portable classroom relocation services</td>
<td>61,745</td>
<td>5 years</td>
</tr>
<tr>
<td>Bid 10 (96-97)</td>
<td>Remove and replace awnings</td>
<td>Term contract</td>
<td>5 years</td>
</tr>
</tbody>
</table>

Section VI.C of the Code requires that no contract for supplies, equipment or services be entered into for any period of more than one year unless approved in a manner prescribed by Regulation. Regulation Y recognizes that it is not always advantageous to the District to limit some contracts to a single year. Specifically, contracts that require high start up costs, uninterrupted services or high phase in/phase out costs might be more cost effective over an extended period of time. The extended period allows vendors the opportunity to spread such costs over a longer period of time.

To promote economy and efficiency in procurement, the Code allows the District to solicit contracts which extend beyond a year provided that, prior to the solicitation, the District prepares a written determination justifying the use of such a contract. The determination must find that estimated requirements of the contracts are reasonably firm, continuing, and such a contract will serve the best interest of the District by encouraging competition. In discussions with District personnel, we learned that the District does not prepare multi-term determinations on any of the contracts subject to this provision.
We recommend the District adhere to the requirements of its Code and Regulations by preparing the written determination justifying the use of multi-term contracts prior to solicitation.

**DISTRICT RESPONSE**

A written determination justifying the use of multi-term contracts will be done prior to utilizing multi-term contracts.

O. **Artificially Divided Procurement Made Without Competition**

The following procurement was artificially divided. Competition was not solicited.

<table>
<thead>
<tr>
<th>PO</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>35451</td>
<td>2 analog multi-mosfets - portable</td>
<td>$1,185</td>
</tr>
<tr>
<td>35452</td>
<td>2 digital multi-meter - portable</td>
<td>1,185</td>
</tr>
<tr>
<td>35453</td>
<td>2 high current power supplies</td>
<td>1,020</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>$3,390</strong></td>
</tr>
</tbody>
</table>

The purchase orders were issued on the same day to the same vendor and originated from one school. Each purchase order is less than $1,500, the threshold where competition is required. However, Regulation R.1 states in part, “procurement requirements shall not be artificially divided.” A minimum of three verbal quotes were required to support the actual procurement amount of $3,390.

We recommend the District not artificially divide procurement requirements thereby circumventing the competitive requirements of its Code and Regulations.

**DISTRICT RESPONSE**

Competition was needed but the technician ordering the materials did not know that additional material was needed when he began the project. As he fixed one bad component, another problem was found.

P. **Missing Bid Information**

The District did not furnish us the following information.

<table>
<thead>
<tr>
<th>Item</th>
<th>Document Reference</th>
<th>Description</th>
<th>Amount</th>
<th>Missing Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Quote 19 (95-96)</td>
<td>Photo copiers</td>
<td>$13,482</td>
<td>Quote from low bidder</td>
</tr>
<tr>
<td>2</td>
<td>Check 1180</td>
<td>Plenum cable</td>
<td>3,133</td>
<td>Solicitation file</td>
</tr>
<tr>
<td>Item</td>
<td>Document Reference</td>
<td>Description</td>
<td>Amount</td>
<td>Missing Information</td>
</tr>
<tr>
<td>------</td>
<td>--------------------</td>
<td>-------------</td>
<td>----------</td>
<td>-----------------------------------</td>
</tr>
<tr>
<td>3.</td>
<td>Check 1276</td>
<td>Construction program management - New Hanahan Elementary School</td>
<td>$21,255</td>
<td>Solicitation file</td>
</tr>
<tr>
<td>4.</td>
<td>Check 1085</td>
<td>Architect/ Engineering services</td>
<td>3,125</td>
<td>Advanced A/E approval</td>
</tr>
<tr>
<td>5.</td>
<td>Check 900</td>
<td>On site topographical, boundary and subdivision surveys for proposed elementary school</td>
<td>20,252</td>
<td>Solicitation file</td>
</tr>
<tr>
<td>6.</td>
<td>Check 941</td>
<td>Unknown</td>
<td>7,885</td>
<td>Solicitation and check files</td>
</tr>
<tr>
<td>7.</td>
<td>Check 1107</td>
<td>Construction management service</td>
<td>19,667</td>
<td>Solicitation file</td>
</tr>
<tr>
<td>8.</td>
<td>Check 1878</td>
<td>Unknown</td>
<td>8,221</td>
<td>Solicitation and check files</td>
</tr>
<tr>
<td>9.</td>
<td>Check 76714</td>
<td>Unknown</td>
<td>2,521</td>
<td>Solicitation and check files</td>
</tr>
<tr>
<td>10.</td>
<td>Check 73361</td>
<td>Play ground equipment</td>
<td>7,152</td>
<td>Solicitation and check files</td>
</tr>
<tr>
<td>11.</td>
<td>Check 74979</td>
<td>Unknown</td>
<td>4,619</td>
<td>Solicitation and check files</td>
</tr>
<tr>
<td>12.</td>
<td>Check 86255</td>
<td>Unknown</td>
<td>15,995</td>
<td>Solicitation and check files</td>
</tr>
<tr>
<td>13.</td>
<td>Check 67495</td>
<td>Unknown</td>
<td>2,300</td>
<td>Solicitation file</td>
</tr>
<tr>
<td>14.</td>
<td>Check 63191</td>
<td>Unknown</td>
<td>3,249</td>
<td>Solicitation file</td>
</tr>
<tr>
<td>15.</td>
<td>Check 1387</td>
<td>Architect/Engineering services - Goose Creek High</td>
<td>3,415</td>
<td>Solicitation and check files</td>
</tr>
<tr>
<td>Item</td>
<td>Document Reference</td>
<td>Description</td>
<td>Amount</td>
<td>Missing Information</td>
</tr>
<tr>
<td>------</td>
<td>--------------------</td>
<td>-------------</td>
<td>---------</td>
<td>---------------------</td>
</tr>
<tr>
<td>16.</td>
<td>Check 1744</td>
<td>Ball field lighting</td>
<td>$13,000</td>
<td>Solicitation and check files</td>
</tr>
<tr>
<td>17.</td>
<td>Check 1964</td>
<td>Unknown</td>
<td>2,510</td>
<td>Solicitation file</td>
</tr>
<tr>
<td>18.</td>
<td>Check 1865</td>
<td>Cross Elementary School addition</td>
<td>85,043</td>
<td>Solicitation and check files</td>
</tr>
<tr>
<td>19.</td>
<td>Check 1677</td>
<td>Architect/Engineering services - UST closure and assessment at Cross Elementary School</td>
<td>1,957</td>
<td>Solicitation file</td>
</tr>
</tbody>
</table>

Except for item one, the check amounts represent payments and do not represent total contract amounts. Since we were not provided with the solicitation files, we do not know the total contract amounts. We believe some of the contract amounts are substantial especially on the architectural/engineering contracts and the construction management services. For one of the construction management services (item 7) we believe the contract to be $749,684. Without the requisite documentation to support compliance with the Code, we can not determine compliance. We recommend the District locate the files indicated above. It is our opinion that the amount of missing information is material and unacceptable. The District should evaluate its filing procedures and make the necessary modifications so that information is available.

**DISTRICT RESPONSE**

Quotation 19-(95-96) The quotation opened on November 30, 1995, awarded to two vendors, and orders placed. Four purchase orders were issued. After the purchase orders were issued, a vendor would not honor its quotations. We were notified that the person signing the quotation did not have the authority to do so. We did not get the formal notice from the vendor until February that they would not honor the quotation. The schools notified us that machines were not received in January. Due to time involved, all copiers were then ordered from the other vendor, the next low bidder. The quotation from the other vendor was missing from file. The bid tabulation was only proof of their quotation. The number of copiers was not stated in request for quotations. Numbers will be listed on future solicitations.

Check 1180 Quotations were obtained by the Office of Technology for plenum cable. Approximate freight was indicated on purchase orders. The Procurement Office will be more diligent in following up on copies of quotations received from other departments. Freight charges will be requested on all future quotations.
Check 1276 The Superintendent recommended and the Berkeley County School Board approved the use of the same construction manager since an exact duplicate of a school was being built and the vendor would have the experience to save the District money.

Check 1085 No other quotations for this service were solicited. Future A/E services will be procured according to the Code. The small A/E form was missing from file.

Check 900 Small A/E form was not prepared.

Check 941 A/E form was not prepared.

Check 1107 The check was issued as payment on the contract to build Timberland High School. The contract was approved by the Board on September 14, 1993.

Check 1878 Quotations were obtained by the Maintenance Department with an oral request to return written quotes. The District should have sent written quotes.

Check 76714 The total represents small purchases for three schools from August 8, 1996 to August 30, 1996. We are working on a blanket purchase order for this type purchase.

Check 73361 The quotation file was misplaced. Quotes obtained by the school and the PTO.

Check 74979 Oral quotations were received. The District should have sent written request for quotations for the amount of purchase. We are working to prevent on future procurements.

Check 86255 The purchase was for additional equipment at the schools. No other equipment was compatible with the existing equipment. We should have justified as a sole source. Bids were done for previous purchases and the vendor was the only response.

Check 67495 No solicitation was done. Formal bids were done April 23, 1998 to obtain block layers for future projects and the vendor was low bid.

Check 63191 Quotations were obtained for carpet in the Department of Learning Services and Personnel Services. The vendor was low.

Check 1387 The check was issued for A/E services for Goose Creek High School.

Check 1744 The check was issued for the ball field lighting for new the Timberland High School. The invoices were submitted through the vendor.

Check 1964 The check was issued to pay the surveyors for Goose Creek High School renovations as A/E services.

The District did not respond to checks 1865 and 1677.

Q. Other Weakness Noted

We noticed that a number of District employees have procurement responsibility. Some employees approve purchase orders and others have authority to solicit competition. The Procurement Officer has received procurement training, however, others with procurement responsibilities have received no or very limited procurement training.

We recommend any employee associated with approving procurements or responsible for soliciting competition receive procurement training.

DISTRICT RESPONSE

Procurement training is given to employees. The latest was in June of 1998 with the Maintenance Department.
II. Construction And Related Professional Service Selection Code Violations

In our prior procurement audit report, we disclaimed on Code compliance regarding construction contracts and the related professional service contracts because the District was unable to furnish us with procurement information. On this audit we were provided with limited information. Based on the testing performed, we noted the following exceptions.

A. No Information Provided On Related Professional Service Contracts

We made repeated attempts to obtain procurement information for contracts subject to the Code regarding the selections of construction related professional services for architectural, engineering and construction management services. We were not provided with any procurement or contract information. We estimate two contracts for construction management to be $749,684 and $286,000. Because we have been provided with no information, we cannot determine if the construction related professional service contracts have been procured in accordance to the District's Code or Regulations. Consequently, we must assume that these procurements were not made in accordance with the Code.

We recommend the District furnish the information requested for the selection of construction related professional service contracts during the audit.

DISTRICT RESPONSE
The Board interviewed and selected architects for many of our current contracts. These were approved in 1989 as presented to the audit team. Construction managers were interviewed and selected by the Board for many of our current projects. They were approved by the Board in September of 1993.

B. Construction Contracts Not Supported By Board Approval

Five construction contracts each exceeding $100,000 were not supported by evidence of Board approval.

<table>
<thead>
<tr>
<th>Project Description</th>
<th>Contract Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Berkeley County High School - Wastewater transmission facilities and potable water facilities</td>
<td>$549,700</td>
</tr>
<tr>
<td>New Elementary School (Off-site utilities)</td>
<td>248,400</td>
</tr>
</tbody>
</table>
Project Description

New Berkeley School - East
Improvements Highway 52 Bypass and Stoney Landing Road
New Berkeley Primary East - Kitchen food service equipment

Regulation I.D requires that any contract exceeding $100,000 be approved by the Board. Since the contracts exceeded $100,000, the District was required to obtain Board approval for each one. On our prior audit, we also recommended that evidence of Board approval be maintained in the procurement file.

We recommend the District provide copies of Board minutes showing that the contracts were approved by the Board. Such documentation should be maintained as part of the procurement file. If Board approval was not obtained, ratification requests must be submitted to the Board to validate these unauthorized procurements.

DISTRICT RESPONSE

The unauthorized procurements were ratified by the Board on July 28, 1998. The ratification requests did not include the following items specifically defined in Regulation DD.15(C).

1. Facts and circumstances surrounding the act,
2. Corrective actions being taken to prevent reoccurrence,
3. Action taken against the individual committing the act, and
4. Documentation that the price pad was fair and reasonable.

C. Change Orders To Construction Contracts Not Approved By Board

None of the following construction contract change orders which exceeded $50,000 were submitted for approval from the Board as required by the Regulations.

<table>
<thead>
<tr>
<th>Project Description</th>
<th>Change Order Number/Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Berkeley County High School Site Improvement</td>
<td>C/O 1 $205,274</td>
</tr>
<tr>
<td></td>
<td>C/O 4 209,755</td>
</tr>
<tr>
<td>New Berkeley County Elementary School</td>
<td>C/O.1 382,780</td>
</tr>
<tr>
<td></td>
<td>C/O 2 206,412</td>
</tr>
<tr>
<td></td>
<td>C/O 4 192,334</td>
</tr>
</tbody>
</table>

The District's Regulation DD.15(c) requires that change orders exceeding $50,000 be approved by the Board. When we questioned District personnel whether any construction
contract change orders which exceeded the $50,000 level had been submitted to the Board for approval, we were told no. Since the District failed to obtain Board approval of construction contract change orders, each was unauthorized. We believe the unauthorized change orders listed above represent a sample, not all, of unauthorized construction contract change orders. The District must submit these unauthorized construction contract change orders to the Board for ratification.

**DISTRICT RESPONSE**

The unauthorized procurements were submitted to the Board for ratification on July 28, 1998. The ratifications request did not include the following items specifically defined in Regulation DD.15(C).

1. Facts and circumstances surrounding the act,
2. Corrective actions being taken to prevent reoccurrence,
3. Action taken against the individual committing the act, and
4. Documentation that the price pad was fair and reasonable.

III. **Maintenance Department Work Order Code Violations**

The Maintenance Department has limited procurement authority. We asked for confirmation of the authority level and received two different answers. The Procurement Officer believes the authority level is $10,000 whereas the Maintenance Department believes the level is $1,500. The District has not clearly defined nor does the District's Code address procurement authority at the Maintenance Department. We recommend this issue be resolved.

For testing purposes, we used $10,000 as the authority level for the Maintenance Department. Using this level of authority, we tested work orders issued by the Maintenance Department. The work orders are used as purchase order documents. We noted the following exceptions.

**DISTRICT RESPONSE**

The Maintenance Department's level of authority is $1,499.00

A. **Inappropriate Sole Sources**

Five work orders were done as sole sources for heat pumps which we believe to be inappropriate.
Many different brands and types of heat pumps are available through various sources. The District required a particular feature, heat wheels, that is apparently not common among heat pump units. However, for an item, service or supply to qualify as a sole source, it must be unique and only available from a single source. We do not believe this feature to be so unique that the District can only procure one brand of heat pump from only one dealer. Specifications should be written and competition solicited.

We recommend the District compete these heat pumps in the future. Since it appears that a significant number of units are needed, a competed term contract for heat pumps would be more advantageous.

**DISTRICT RESPONSE**

The heat/air systems have an energy management system that controls electrical consumption by its units. We looked for other units with that system and found none. Also we recently bid this project per your recommendation and only one vendor bid on the unit. Of course, we want competition but did the research before we sole sourced the units.

**B. Sole Source Procurements Not Reported**

The following seven sole source procurements were not reported.
Section VIII.D of the District's Code states in part, "The District shall submit semi-annually a record listing all contracts made under sole source procurement or emergency procurements to the Assistant Superintendent for Fiscal Affairs... A copy of the record shall be submitted to the Board through the Superintendent on an annual basis and shall be available for public inspection."

We recommend the Maintenance Department inform the Procurement Officer of each sole source procurement. Also, the Maintenance Department should send a listing of its sole source and emergency procurements to the Procurement Officer beginning on July 1, 1994, forward so amended reports can be prepared and submitted to the Board.

DISTRICT RESPONSE
The District submitted a sole source report for the fiscal year June 30, 1997 to the Board on June 16, 1998. The report did not include the procurements listed.

C. Unauthorized Procurements With Inadequate Competition
The following procurements by the Maintenance Department were unauthorized as each exceeded its authority level of $10,000.

<table>
<thead>
<tr>
<th>Item</th>
<th>Work Order</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>93805</td>
<td>Metal building Goose Creek High School</td>
<td>$8,784</td>
</tr>
<tr>
<td></td>
<td>90525</td>
<td>Overhead doors, personnel doors and labor for</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>metal building Goose Creek High School</td>
<td>$5,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total</td>
<td>$13,784</td>
</tr>
<tr>
<td>2.</td>
<td>81205</td>
<td>Masonry services</td>
<td>$13,322</td>
</tr>
<tr>
<td></td>
<td>81206</td>
<td>Masonry services</td>
<td>1,875</td>
</tr>
<tr>
<td></td>
<td>81207</td>
<td>Masonry services</td>
<td>1,975</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total</td>
<td>$17,172</td>
</tr>
<tr>
<td>Item</td>
<td>Work Order</td>
<td>Description</td>
<td>Amount</td>
</tr>
<tr>
<td>------</td>
<td>------------</td>
<td>------------------</td>
<td>--------</td>
</tr>
<tr>
<td>3.</td>
<td>90797</td>
<td>Masonry services</td>
<td>$24,060</td>
</tr>
<tr>
<td></td>
<td>94761</td>
<td>Masonry services</td>
<td>5,500</td>
</tr>
<tr>
<td></td>
<td>96477</td>
<td>Masonry services</td>
<td>3,175</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Total</strong></td>
<td><strong>$32,735</strong></td>
</tr>
</tbody>
</table>

Competition should have been solicited for the building on item one for the total value of $13,784. The District solicited written quotes from three vendors rather than advertising the solicitations and requesting written quotations from five vendors.

The work orders for masonry work for item two was supported by three quotes taken on June 11, 1996. The work orders showed three separate locations with only one of the jobs, the most costly, being competed with quotations from three vendors. The jobs should have been combined into one solicitation for all three jobs. Regulation R.1 states "...procurement requirements shall not be artificially divided." Regulation A.3 requires the District to promote competition while considering the administrative cost of such procurements. Five written solicitations of written quotes and advertisement should have been made with one work order being issued.

The work orders for masonry services for item three were supported by the same three written quotes. Competition should have been solicited for the total of $32,735. If enough work was anticipated, a competed term contract could have been established. Based on the level of expenditures associated with these work orders, a minimum of five solicitations of formal sealed bids and advertisement were required.

We recommend the Maintenance Department receive training on how to manage procurements to comply with the District’s Code and Regulations. The training should include but not be limited to the competitive requirements for the total value of the goods and services being procured. We also recommend the District monitor the procurement activity of the Maintenance Department until reasonable assurance can be obtained that needs are combined and competition solicited as defined in the Code and Regulations. The practice of not combining the
needs of the District must stop. A ratification request must be prepared and submitted to the
Assistant Superintendent for Fiscal Affairs in accordance with Regulation I.C(1) for each of the
three items listed above as the total procurements exceeded the authority level of $10,000 for the
Maintenance Department.

DISTRICT RESPONSE
Purchase orders 93805 and 90525 These purchases were not issued to intentionally circumvent
the procurement code. While the building was being planned, the principal had only the $8,784
and the building was planned and procured. While materials were on order and work beginning,
the principal found $5,000 and wanted a bigger building with roll doors. Also, the principal
requested additional features that cost the $1,155. Yes, mistakes were made, such as change
orders being issued, advertisements being made, and number of solicitations, etc. Again,
mistakes were made but not intentional. The procurement was ratified on December 15, 1998.
Items 2 and 3 The District has bid the masonry services and currently has a contract in place for
these services.
The District did not respond to the request ratifications of the unauthorized procurements for
items 2 and 3 on masonry services..

D. Procurements With Inadequate Solicitations Of Competition

We noted three work orders which were supported by quotes obtained previously.

<table>
<thead>
<tr>
<th>Item</th>
<th>Work Order</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>88702</td>
<td>Light fixtures for 600 wing</td>
<td>$8,198</td>
</tr>
<tr>
<td>2.</td>
<td>95164</td>
<td>Light fixtures for 700 wing</td>
<td>7,755</td>
</tr>
<tr>
<td>3.</td>
<td>78109</td>
<td>Roof top air conditioning unit</td>
<td>1,901</td>
</tr>
</tbody>
</table>

The work orders for items one and two were supported by the same set of quotes. New
quotes should have been solicited on the second work order or, more appropriately, the two work
orders should have been combined into one solicitation since the two wings were associated with
one project. Further, the award on the two work orders was not made to the low bidder. The
tabulation sheet compared one quote that included sales tax and another quote that did not. Sales
tax was later added to the awarded quote. The quotes must be compared on the same basis,
preferable without sales tax. The awarded vendor's quote was actually $34 more plus associated
sales tax.

On item three, the quotes used to support the work order were dated February 13, April 29,
and May 1 of 1996. The work order was issued on May 5, 1996. The February quote was valid
for thirty days meaning it had expired when the work order was issued on May 5, 1996, thus resulting in only two valid quotes being obtained. The vendor should have been asked to extend his quote or a new quote should have been obtained.

We recommend the Maintenance Department not support work orders with old quotes. Careful attention should be used in the evaluation of quotes and, to benefit from economies of scale in procurement, orders should be combined when possible.

**DISTRICT RESPONSE**

Work orders 88072 and 95164 The same quotes were incorrectly used. The quotes were not combined due to a lack of warehouse space. These have been bid as a multi-term contract to prevent solicitation and delivery problems. Sales tax was not correctly included in the vendor determination.

Work order 78109 Only new valid quotes will be used in the future.

E. Internal Control Weaknesses

The Maintenance Department uses its work order as a purchase order. We noted the following deficiencies with the work orders.

1. Vendor names are often omitted
2. Prices are often omitted
3. Authorized signatures are often omitted
4. Work orders are prepared after purchases are made instead of being used to initiate purchases

We recommend the Maintenance Department either revise its work order document to include the items indicated above or utilize a purchase order.

**DISTRICT RESPONSE**

The maintenance work orders were reviewed with the audit team and corrections have been agreed upon.

IV. Sole Source and Emergency Procurements

We examined the semi-annual reports of sole source and emergency procurements for the period July 1, 1994 through June 30, 1997. This review was performed to determine the appropriateness of the procurement actions taken and the accuracy of the reports submitted to the
Superintendent and Board of Trustees as required by Section VIII.D of the District's Code. We found the following exceptions.

A. **Sole Source And Emergency Procurement Reports Not Submitted To Board**

The District has not reported sole source or emergency procurements to the Superintendent or the Board as required by its Code. This is a repeat finding from the prior audit. Section VIII.D of the Code states, "The District shall submit semi-annually a record listing all contracts made under sole source procurement or emergency procurements to the Assistant Superintendent for Fiscal Affairs... A copy of the record shall be submitted to the Board through the Superintendent on an annual basis and shall be available for public inspection."

We recommend the District adhere to its Code by reporting sole source and emergency procurements semi-annually to the Assistant Superintendent for Fiscal Affairs and submit annual reports through the Superintendent to the Board. All reports for the audit period still must be reported to the Board.

**DISTRICT RESPONSE**

A sole source report for the fiscal year June 30, 1997 was submitted to the Board on June 18, 1998. The District did not respond to the annual filing of the sole source procurements for the other fiscal years. The District did not respond to the filing of the emergency procurements for the fiscal years.

B. **Inappropriate Sole Sources**

We believe two procurements made as sole sources were inappropriate.

<table>
<thead>
<tr>
<th>PO</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>97044</td>
<td>Air conditioner units</td>
<td>$47,044</td>
</tr>
<tr>
<td>38624</td>
<td>Cafeteria tables</td>
<td>36,760</td>
</tr>
</tbody>
</table>

Section V.B(6) of the Codes states, "A contract may be awarded for a supply, service, equipment or construction item without competition when, under regulations, the Assistant Superintendent for Fiscal Affairs determines in writing that there is only one source for the required supply, service, equipment or construction item. In cases of reasonable doubt, competition must be solicited."

We recommend competition be solicited on these procurements in the future.
DISTRIBUTION RESPONSE

Purchase order 97044 The heat/air systems have an energy management system that controls electrical consumption by its units. We looked for other units with that system and found none. Also we recently bid this project per your recommendation and only one vendor bid on the unit. Of course, we want competition but did the research before we sole sourced the units. Purchase order 38624 The Food Service Department did extensive research on cafeteria tables since we have had a problem with a previous type. They reported their findings to procurement and we had a table demo. We will advertise in the future.

C. Unauthorized Sole Sources

The following two sole source procurements were not properly authorized.

<table>
<thead>
<tr>
<th>PO</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>97044</td>
<td>Air conditioner units</td>
<td>$47,044</td>
</tr>
<tr>
<td>16309</td>
<td>Repair parts for a public address system</td>
<td>2,338</td>
</tr>
</tbody>
</table>

The sole source determination used to support the procurement of the air conditioner units was dated June 17, 1996. The procurement was made on work order 97044 dated May 15, 1997, almost a full year later. Regulation S.2 states, "Such officer (Assistant Superintendent for Fiscal Affairs) may specify the application of such (sole source) determination and the duration of its effectiveness." The Regulation allows for a blanket sole source determination to be made provided the determination indicates it is a blanket and the specific period of time of its effectiveness is stipulated in the written determination. This was not done. Since we have no way of knowing if the Assistant Superintendent for Fiscal Affairs intended or in fact authorized the sole source procurement of air conditioner units to be made as a sole source on May 15, 1997, we must consider the procurement unauthorized.

The invoice for the repair parts for a public address system was dated August 30, 1997. It showed that the parts had already been delivered. The sole source was authorized on the same date as the invoice which was after the commitment. Regulation S.2 states, "The determination as to whether a procurement shall be made as a sole source shall be made by the Assistant Superintendent for Fiscal Affairs with respect to sole source determination and the basis thereof shall be in writing." Since the Regulation is so specific about sole source authority, determinations must be authorized prior to each commitment being made.
We recommend the District prepare a sole source determination on each sole source procurement or prepare a blanket determination stipulating it as a blanket and specifying the period of time of its effectiveness. Sole source determinations must be authorized in advance of each commitment. A ratification request for the two unauthorized procurements must be submitted in accordance with Regulation I.C.

**DISTRICT RESPONSE**

The District did not respond to the request ratifications for the unauthorized procurements. Purchase order 97044 The District had previously procured these units as sole source. However, sole source was not prepared. The District has since prepared a sealed bid and a term contract is now in place. The District did not respond to purchase order 16309.

**D. Reporting Errors**

We noted the following sole source and emergency reporting errors.

<table>
<thead>
<tr>
<th>Document Reference</th>
<th>Description</th>
<th>Amount</th>
<th>Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>No reference</td>
<td>Emergency roof repairs</td>
<td>$27,200</td>
<td>Emergency reported as sole source</td>
</tr>
<tr>
<td>PO 26242</td>
<td>Update public address system</td>
<td>9,980</td>
<td>Quotes obtained, sole source unnecessary</td>
</tr>
<tr>
<td>No reference</td>
<td>Uninterruptible power supply system</td>
<td>2,573</td>
<td>Emergency reported as sole source</td>
</tr>
<tr>
<td>No reference</td>
<td>Replace parts for irrigation system</td>
<td>693</td>
<td>Less than $1,500 sole source unnecessary</td>
</tr>
</tbody>
</table>

We recommend amended reports be prepared correcting these errors. More care should be used in recording emergency procurements on the semi-annual emergency reports and not the sole source report. Also, the sole source and emergency reports that are compiled by the Procurement Officer do not contain any type of document reference. Sufficient information such as purchase order numbers, work order numbers or any other type of document number reference should be recorded on the reports to maintain an audit trail.

For the public address system, sufficient solicitations of competition were made even though the District only received one response. The Code requires the District to make bona fide attempts to solicit at competition, not that it is necessarily obtained.
DISTRICT RESPONSE

Emergency roof repairs, purchase order 26242, and uninterruptible power supply system We will be more diligent in our paperwork. Replace parts for irrigation system A sole source determination was made prior to the purchase and was not destroyed when found to be unnecessary.

V. Minority Business Enterprise

The District has not prepared annual Minority Business Enterprise plans for Board approval or made quarterly progress reports to the Superintendent. The District also has not submitted annual progress reports of Minority Business Enterprise (MBE) participation to the Board of Trustees. This is a repeat finding from our last audit.

Regulation CC.5(c)(e) states:

(1) The MBE Utilization Plan shall be submitted to the Board not later than June 30, 1991, and annually thereafter.

(2) Progress reports will be submitted quarterly to the Superintendent not later than thirty days after the end of the fiscal quarter.

(3) Annual reports will be submitted annually to the Board through the Superintendent not later than thirty days after the end of the fiscal year.

Additionally, Section XV.E(2) of the Code requires that a MBE liaison officer be appointed to implement and maintain the program. The District has yet to appoint a person as the MBE liaison officer.

The purpose of the MBE program is to assist those individuals that have been socially and economically disadvantaged by providing a directory of minority firms who wish to do business with the District and to disseminate information on available business opportunities so that MBEs are provided an equal opportunity to bid. The program also establishes and maintains records on the number of bids sent to MBEs and the number of awards made to those individuals.

We recommend the District appoint a minority business liaison officer, implement the MBE program and begin preparing the annual plans and reports for the Board of Trustees and Superintendent as required by its Code and Regulations.
DISTRICT RESPONSE

A minority business report for the fiscal years June 30, 1997 and June 30, 1998 was reported to the Board on June 18, 1998. The District did not respond to the appointment of a minority business liaison officer, the implementation of the MBE program, and the preparation of the annual plan.

VI. Amendments To District Procurement Code And Regulations

The South Carolina Consolidated Procurement Code was amended on June 13, 1997. Changes included new procurement methods that the District may find advantageous. Also, from our review of the District’s Code and Regulations, several changes are needed so that the District will remain substantially similar to the South Carolina Consolidated Procurement Code. The changes are listed as Attachment I.

DISTRICT RESPONSE

Amendments were made to the Code and approved by the Board on January 20, 1998.
CONCLUSION

We must express our utmost concern over the variety and number of exceptions noted during this audit. This is the second procurement audit since the inception of the District’s Procurement Code and Regulations. Our report issued from the last audit was very critical. We have seen no improvement in most areas of procurement. The recommendations from the last audit for the most part have not been implemented.

This audit found that the District does not follow its established internal controls, personnel without procurement knowledge or authority routinely sign purchase orders, and authentic signatures are not used on purchase orders.

With only one procurement professional, the District is unable to devote adequate resources to the responsibility of procurement. It is our opinion that with only one person to procure millions of dollars in contracts annually, it is virtually impossible for the District to comply with the Code and Regulations.

In the Introduction of this audit report, page 3, we state one of the underlying purposes of our work is directed toward assisting the District 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. Since the District has not implemented our recommendations in all material respects, we offer no assurances to the Board of Trustees over the District’s procurement system.

We have agreed to perform a follow-up audit for the period July 1, 1998 to December 31, 1998. The purpose of the follow-up audit will be to ascertain if the District took significant corrective actions to eliminate the non compliance issues noted in this report. If significant corrective action has not occurred based on the results of the follow-up audit, we will recommend the Board of Trustees consider the provision noted in Section IV.A(6)(a) of the Administrative Penalties of the District’s Code.

Robert J. Aycock, IV
Audit Manager

Larry G. Sorrell, Manager
Audit and Certification
## ATTACHMENT 1

Berkeley County School District
Changes to Procurement Code

<table>
<thead>
<tr>
<th>DISTRICT CODE/REGULATION REFERENCE</th>
<th>STATE CODE REFERENCE</th>
<th>CHANGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>V.B</td>
<td>11-35-1525</td>
<td>Methods of Source Selection</td>
</tr>
<tr>
<td></td>
<td>11-35-1528</td>
<td>Competitive Fixed Price Bidding</td>
</tr>
<tr>
<td></td>
<td>11-35-1575</td>
<td>Competitive Best Value Bidding</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Procurements at Auction</td>
</tr>
<tr>
<td>V.B(2)(b)</td>
<td>11-35-1520</td>
<td>Add these procurement methods.</td>
</tr>
<tr>
<td>V.B(2)(c)</td>
<td>11-35-1520</td>
<td>Competitive Sealed Bidding - Invitation for Bids</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The District may delete the minimum requirement for solicitation of sources and only require that sealed bids be advertised. The District may use the South Carolina Business Opportunities' (SCBO) to meet the advertisement requirements or may change its Code to require advertisement in a newspaper of general circulation in your area. SCBO is free for the District to use. The District may indicate in its Code that it may use either method of advertisement.</td>
</tr>
<tr>
<td>V.B(2)(d)</td>
<td>11-35-1520</td>
<td>Competitive Sealed Bidding - Bidders’ List</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The District may delete the requirements for a bidders’ list if the minimum requirements are deleted.</td>
</tr>
<tr>
<td>V.B(2)(j)</td>
<td>11-35-1520</td>
<td>Competitive Sealed Bidding - Notice</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The District may delete the requirements for use of a bidders’ list if the minimum requirements are deleted.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Competitive Sealed Bidding - Award</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Provision for posted notices of award must be added. The District may add for procurements over $50,000, the 16 day Notice of Intent to Award may be waived if only one response is received.</td>
</tr>
</tbody>
</table>
## ATTACHMENT 1

Berkeley County School District  
Changes to Procurement Code

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</thead>
</table>
| V.B.(3)(b)                       |                      | **Competitive Sealed Proposals - Requests for Proposal**  
The District may delete the minimum requirement for solicitation of sources and replace with the advertisement requirements. |
| XI                               |                      | **Major Construction**  
A statement that procurements under this section shall be subject to the procedures set forth in Section V.B Competitive Sealed Bidding except as provided by the South Carolina School Facilities Planning and Construction `guide and Section DD of the District's Regulations. Adding this statement requires that the 16 day Notice of Intent to Award, the posting requirements and the protest rights of vendors apply to Construction contracts. |
| XIII(A)(1)                       |                      | **Legal and Contractual - Right to Protest**  
Change the Code to require the written Notice of Protest to be sent to the Assistant Superintendent of Fiscal Affairs and not the Purchasing Agent. Also, the time period of the protest is tied into the issue date and the posting date of procurements as follows:  

1. Right to Protest: Exclusive Remedy. Any prospective bidder, offeror, contractor, or subcontract who is aggrieved in connection with the solicitation of a contract shall protest to the appropriate chief procurement officer in the manner stated in subsection (2) below within fifteen days of the date of issuance of the Invitation For Bids or Requests for Proposals or other solicitation documents, whichever is applicable, or any amendment thereto, if the amendment is at issue. Any actual bidder,
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Berkeley County School District
Changes to Procurement Code

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Offeror, contractor, or subcontractor who is aggrieved in connection with the intended award or award of a contract shall protest to the appropriate chief procurement officer in the manner stated in subsection (2) below within fifteen days of the date notification of award is posted in accordance with this Code.

**Paragraph 2. Authority to Resolve Protests**

The Purchasing Agent may attempt to resolve a protest prior to a formal hearing. However, the hearing must be conducted by the person receiving the written protest, the Assistant Superintendent, and not the Purchasing Agent. Please change the Code.

**Paragraph 3. Decision**

The decision is issued by the hearing officer, the Assistant Superintendent.

**Paragraph 5. Finality of Decision**

In the first paragraph, change the Assistant Superintendent to Superintendent. Because the Assistant Superintendent is the hearing officer, any request for review of a decision issued by the hearing officer must be moved up organizationally in the District.

**Authority to Debar or Suspend**

The authority to debar or suspend as the District's Code is written lies with the Purchasing Agent. This authority should be with the Assistant Superintendent. Please change all references from purchasing agent to Assistant Superintendent throughout this section.

**Paragraph 6. Finality of Decision**

The appeal by a vendor of a decision should be
## ATTACHMENT 1

Berkeley County School District  
Changes to Procurement Code

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<th>CHANGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>XIII.C</td>
<td></td>
<td>Authority to Resolve Contract and Breach of Contract Controversies. Just as done under Section B above, please change all references in Section C from the purchasing agent to the Assistant Superintendent. Paragraph 5. Finality of Decision. The appeal by a vendor of a decision should be made to the Superintendent.</td>
</tr>
<tr>
<td>Regulations 1.A(3)(b)</td>
<td></td>
<td>Competitive Sealed Bidding. Update this paragraph to no longer require a minimum number of solicitations if the Code is changed as advertisement will be used in lieu of a minimum number of solicitations.</td>
</tr>
<tr>
<td>F</td>
<td></td>
<td>Bidders' List. Update this section regarding the requirement for a bidders' list if the minimum number of solicitations are deleted. Update sections c and d to require advertisement in lieu of a minimum number of solicitations if the minimum of solicitations is deleted.</td>
</tr>
<tr>
<td>R.2(a - f)</td>
<td></td>
<td>Small Purchases. The rounding of the small dollar thresholds has been clarified. Please update the regulation to reflect the thresholds as follows: 2.c - $5,000.01 to $10,000.00 2.d - $10,000.01 to $25,000.00 2.f - above $25,000.00</td>
</tr>
<tr>
<td>R.2(d)</td>
<td></td>
<td>Small Purchases - Purchases from $10,001 to $25,000. Update this section to require advertisement only if the minimum number of solicitations is deleted. Change the beginning amount to</td>
</tr>
</tbody>
</table>
## ATTACHMENT 1

Berkeley County School District
Changes to Procurement Code

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<th>CHANGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>R.2(f)</td>
<td></td>
<td>$10,000.01.</td>
</tr>
</tbody>
</table>

Small Purchases - Purchasing above $25,001.00
Correct the threshold to reflect above $25,000.00.

<table>
<thead>
<tr>
<th>Y.4</th>
<th></th>
<th>Conditions for use of Multi-Term Contract</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>The District may consider using multi-term contracts up to seven years. A contract exceeding five years up to seven must have the written multi-term determination approved by the Superintendent prior to solicitation.</td>
</tr>
</tbody>
</table>

Contracts exceeding seven years would have to be approved by the Board.

<table>
<thead>
<tr>
<th>DD</th>
<th></th>
<th>Planning and Construction School Facilities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Please add that procurements under the Section shall be subject to the procedures set forth in Section V.B. Competitive Sealed Bidding except as provided by the South Carolina School Facilities Planning and Construction guide and Section DD. of the regulations. The 16 day Notice of Intent to Award and the posting requirements apply to construction as well as protest rights of vendors.</td>
</tr>
</tbody>
</table>

| DD.13                            |                      | Notice of Award |
|                                  |                      | This paragraph needs to include provision for Notice of Intent to Award procedures for contracts amounting to $50,000 or more. |

| DD.3(f)(1)                        |                      | The District may increase the small A/E limit to $25,000. Also update paragraph G if the District elects to increase the small A/E limit. The total payable noted in paragraph (2) over 24 months under the small A/E limit to a firm may be increased to $75,000 if the small A/E limit is raised to $25,000. |

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

Dear Voight:

We have completed the audit of the Berkeley County School District for the period July 1, 1994 to June 30, 1997. The final audit report was presented to the Berkeley County Board of Education on February 9, 1999. As noted in the conclusion of the audit report, a follow-up audit for the period July 1, 1998 to December 31, 1998 will be performed in March.

We recommend that the final audit report be presented as information to the State Budget and Control Board.

Sincerely,

[Signature]

Larry G. Sorrell, Manager  
Audit and Certification

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