PROCUREMENT AUDIT AND CERTIFICATION

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STATE BOARD FOR
TECHNICAL AND COMPREHENSIVE EDUCATION
AGENCY

JULY 1, 1991 - DECEMBER 31, 1994
DATE
August 9, 1995

Ms. Helen T. Zeigler
Director
Office of General Services
1201 Main Street, Suite 400
Columbia, South Carolina 29201

Dear Helen:

I have attached the final audit report for the State Board for Technical and Comprehensive Education. Since we are not recommending any certification above the basic $5,000 allowed by the Code, no action is required by the Budget and Control Board. Therefore, I recommend that the report be presented to the Budget and Control Board as information.

Sincerely,

R. Voight Shealy
Acting Materials Management Officer
STATE BOARD FOR TECHNICAL AND COMPREHENSIVE EDUCATION

PROCUREMENT AUDIT REPORT

JULY 1, 1991 - DECEMBER 31, 1994
May 25, 1995

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 State Board for Technical and Comprehensive Education for the period July 1, 1991 through December 31, 1994. As part of our examination, we studied and evaluated the system of internal control over procurement transactions to the extent we considered necessary.

The evaluation was to establish a basis for reliance upon the system of internal control to assure adherence to the Consolidated Procurement Code and State and procurement policy. Additionally, the evaluation was used in determining the nature, timing and extent of other auditing procedures necessary for developing an opinion on the adequacy, efficiency and effectiveness of the procurement system.

The administration of the State Board for Technical and Comprehensive Education is responsible for establishing and maintaining a system of internal control over procurement transactions. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance of the integrity of the procurement process, that affected assets are safeguarded against loss.
from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and are recorded properly.

Because of inherent limitations in any system of internal control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the system of internal control over procurement transactions, as well as our overall examination of procurement policies and procedures, were conducted with professional care. However, because of the nature of audit testing, they would not necessarily disclose all weaknesses in the system.

The examination did, however, disclose conditions enumerated in this report which we believe need correction or improvement.

Corrective action based on the recommendations described in these findings will in all material respects place the State Board for Technical and Comprehensive Education in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

Larry G. Sorrell, Manager
Audit and Certification
INTRODUCTION

We conducted an examination of the internal procurement operating policies and procedures of the State Board for Technical and Comprehensive Education. Our on-site review was conducted January 9 - 26, 1995, and was made under Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Section 19-445.2020 of the accompanying regulations.

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

Additionally our work was directed toward assisting the Board in promoting the underlying purposes and policies of the Code as outlined in Section 11-35-20, which include:

(1) to ensure the fair and equitable treatment of all persons who deal with the procurement system of this State

(2) to provide increased economy in state procurement activities and to maximize to the fullest extent practicable the purchasing values of funds of the State

(3) to provide safeguards for the maintenance of a procurement system of quality and integrity with clearly defined rules for ethical behavior on the part of all persons engaged in the public procurement process
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 State Board for Technical and Comprehensive Education and its related policies and procedures manual to the extent we deemed necessary to formulate an opinion on the adequacy of the system to properly handle procurement transactions.

We selected judgmental samples for the period 7/1/92 through 12/31/94 of procurement transactions for compliance testing and performed other audit procedures that we considered necessary to formulate this opinion. Specifically, the scope of our audit included, but was not limited to, a review of the following:

(1) All sole source and emergency procurements and trade-in sales procurements for the period 7/1/91 through 12/31/94

(2) Procurement transactions for the period 7/1/92 through 12/31/94 as follows:
   a) 100 payments, each exceeding $500
   b) A block sample of 400 sequential purchase orders

(3) Minority Business Enterprise Plans and reports for the audit period

(4) Information Technology Plans for Fiscal Years 91/92, 92/93, 93/94 & 94/95

(5) Internal procurement procedures manual

(6) Surplus Property Procedures
SUMMARY OF AUDIT FINDINGS

Our audit of the procurement system of the State Board for Technical and Comprehensive Education, hereinafter referred to as the Board, produced findings and recommendations as follows:

I. GENERAL PROCUREMENT ACTIVITY

A. Procurements Without Evidence of Competition

Nine procurements were noted that had no evidence of solicitations of competition, sole source or emergency procurement determinations. Two of the procurements were unauthorized.

B. Bidding Practices

We noted weaknesses in the bidding practices which either need correction or improvement.

II. SOLE SOURCE PROCUREMENTS

Inappropriate Sole Sources

We believe three transactions done as sole sources were inappropriate.

III. CONSULTANTS HIRED WITHOUT PROPER APPROVALS

The Board did not obtain the proper approvals outlined in its manual for consultant contracts.
RESULTS OF EXAMINATION

I. GENERAL PROCUREMENT ACTIVITY

We reviewed 100 payments selected at random from the voucher register for compliance to the Consolidated Procurement Code and internal procurement policies and procedures as outlined in the Board’s manual. Additionally, other tests were performed in accordance to our standard audit program. These tests revealed the following exceptions.

A. Procurements Without Evidence of Competition

Our sample revealed nine transactions that were not supported by evidence of solicitation of competition, sole source or emergency procurement determinations.

<table>
<thead>
<tr>
<th>Item</th>
<th>Document Number</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>PO 11823</td>
<td>Modify software</td>
<td>$136,500</td>
</tr>
<tr>
<td>2.</td>
<td>PO Z18613</td>
<td>Billboard advertising</td>
<td>5,781</td>
</tr>
<tr>
<td>3.</td>
<td>PO 18389</td>
<td>Training services</td>
<td>3,061</td>
</tr>
<tr>
<td>4.</td>
<td>PO 16483</td>
<td>Labor &amp; material to wire UPS system</td>
<td>2,476</td>
</tr>
<tr>
<td>5.</td>
<td>Voucher 923</td>
<td>Training services</td>
<td>2,000</td>
</tr>
<tr>
<td>6.</td>
<td>PO 15823</td>
<td>Training services</td>
<td>1,986</td>
</tr>
<tr>
<td>7.</td>
<td>PO 16449</td>
<td>Equipment maintenance agreement</td>
<td>2,911</td>
</tr>
<tr>
<td>8.</td>
<td>PO 15365</td>
<td>Repair services</td>
<td>926</td>
</tr>
<tr>
<td>9.</td>
<td>PO 15846</td>
<td>Software</td>
<td>630</td>
</tr>
</tbody>
</table>

For item 1, the software modification was for existing software. According to the Board, the transaction was intended to be processed as a sole source. However, it was never processed as a sole source and, therefore was unauthorized since it exceeded the Board’s authority level of $5,000. Ratification must be requested from the Director of General Services in accordance to Regulation 19-445.2015.

Items 2 through 6 were incorrectly considered by the Board to be exempt from the Procurement Code. All of these transactions were subject to the Code. Additionally, item 2
exceeded the Board’s authority level of $5,000 and is an unauthorized procurement. Ratification must be requested from the Materials Management Officer in accordance to Regulation 19-445.2015.

For item 7, the Board had a 5 year equipment maintenance agreement which was procured with the equipment. After the 5 years ran out, the Board failed to procure a new maintenance agreement in accordance to the provisions of the Procurement Code.

Both items 8 and 9 occurred prior to July 1, 1993 when the changes to the Procurement Code became effective. Prior to those changes, the provisions of the Code on transactions from $500.01 to $1,499.99 required solicitation from a minimum of two sources. The Board failed to obtain competition on the two procurements.

We recommend the Board either solicit competition or process sole source or emergency procurement determinations where appropriate in accordance to the provisions of the Procurement Code in the future. Ratification must be requested on the transactions indicated.

B. **Bidding Practices**

We noted weaknesses in the bidding practices which need correction or improvement.

On purchase order 18008 for $4,354 for miscellaneous tools, we were unable to determine if the low bidder received the award. The quotations received by the Board were not comparable to one another. A note on the bid tabulation indicated that all items were not competed on, however, all bids were basically the same. The awarded vendor used item codes instead of item descriptions in defining what was being offered. Therefore, we could not determine what the vendor was offering. If the awarded vendor did not compete on everything, another vendor could have been the low bidder.
To avoid confusion on complicated quotes, we recommend that written solicitations be developed and sent to the vendors asking that each respond on these forms.

On purchase order 18033 for T-shirts for $2,483, the low bidder was rejected because the vendor could not meet the required delivery date. However, after carefully reviewing the procurement file, we could not locate where a required delivery date was mentioned. No such date was included on the requisition, bid tabulation, or the purchase order that was ultimately issued. Without this information, we must consider the award improper.

We recommend that critical information, such as required delivery dates, be included in the procurement file in such a manner to demonstrate that this information was conveyed to the vendors and will be used in determining the award. When possible it should also be included on the purchase order since the award was conditional on this criteria.

On purchase order 17873 for $2,279 for miscellaneous hardware supplies, we found two written quotes where three were required. Further, the two quotes obtained were similar for the items quoted, but not the same. The low quote was in the amount of $1,470 plus freight while the purchase order was issued at $2,279 without an explanation or a change order to the file. The invoice contained items that were not included on the quotation.

We recommend the Board clearly define what it wishes to procure and solicit those items from the vendors. Also, the minimum solicitation requirements should be adhered to.

Purchase order 17872 for $2,008.59 was issued for miscellaneous lumber supplies. The written quote received from the vendor contained six items for $1,818.84 plus tax of $90.94 for a total of $1,909.78. Voucher V03348 was issued for $2,008.59 for only five items quoted plus five items that were not included in the written quote.
As noted in our preceding recommendation, the Board needs to define what is to be procured and solicit for these items.

II. SOLE SOURCE PROCUREMENTS

We examined the quarterly reports of sole source and emergency procurements for the period July 1, 1991 through December 31, 1994. This review was performed to determine the appropriateness of the procurement actions taken and the accuracy of the reports submitted to the Office of General Services as required by Section 11-35-2440 of the Consolidated Procurement Code. We found the following exceptions.

Inappropriate Sole Sources

The Board procured the following transactions as sole sources which we believe were inappropriate as such.

<table>
<thead>
<tr>
<th>Item</th>
<th>Purchase Order Number</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>S15779</td>
<td>Plastic Stacking Containers</td>
<td>$2,163</td>
</tr>
<tr>
<td>2.</td>
<td>S18844</td>
<td>Plastic Stacking Containers</td>
<td>2,175</td>
</tr>
<tr>
<td>3.</td>
<td>S18233</td>
<td>PC Projection System</td>
<td>8,661</td>
</tr>
</tbody>
</table>

Items 1 and 2 were bought for shipping and storing manuals. Item 3 was bought to show visual aids during presentations.

Regulation 19-445.2105 B. of the Procurement Code states, "Any request by a governmental body that a procurement be restricted to one potential contractor shall be accompanied by an explanation as to why no other will be suitable or acceptable to meet the need." Additionally, Section 11-35-1560 requires that competition be solicited in cases of reasonable doubt.
In these instances we believe other products were on the market which were comparable and would have met the Board’s needs. Accordingly, we recommend the Board compete these procurements in the future.

III. CONSULTANTS HIRED WITHOUT PROPER APPROVALS

The Board’s internal procurement procedures manual requires that any consultant hired for more than $100 be approved by the Executive Director and the Chairman of the Board. However, the consultant contracts we reviewed did not have these approvals.

We recommend the Board either comply with the requirement noted in the manual or change the manual to reflect the practice.
CONCLUSION

As enumerated in our transmittal letter, corrective action based on the recommendations described in this report, we believe, will in all material respects place the State Board for Technical and Comprehensive Education in compliance with the South Carolina Consolidated Procurement Code.

The Board has not requested procurement certification above the basic limit of $5,000 allowed by the Procurement Code. We will perform a follow-up review by July 31, 1995. Subject to corrective action listed in this report, we recommend that the Board be allowed to continue procuring goods and services, consultant services, construction and information technology up to that level.

Robert J. Aycock, IV
Audit Manager

Larry G. Sorrell, Manager
Audit and Certification
July 24, 1995

Mr. Larry G. Sorrell, Manager
Audit and Certification
State Budget and Control Board
Office of General Services
1201 Main Street, Suite 420
Columbia, South Carolina 29201

Dear Larry:

The revised draft audit report for the period July 1, 1991, to December 31, 1994, has been received and reviewed. Please accept this letter as our response to the report.

The first category of exceptions was for procurements without evidence of competition which included nine items. For the first item a letter from the agency head requesting ratification from Helen Zeigler, Director of General Services, has been submitted. For the second item a letter from the agency head requesting ratification from Voight Shealy, Materials Management Office, has been submitted. Also on items 2 through 9 we concur with the report and all future transactions will be handled in accordance with the Procurement Code.

The second category of concern was on some of the agency’s bidding practices. We also concur with these findings and will have adequate documentation to support the solicitation and subsequent award determination all procurements that are bid.

The third category for exceptions was for sole source procurements which were inappropriate. Again, we concur with the report and will secure competition on these types of items in the future.

The final category was for consultants hired without proper approvals. This exception was for some failures to comply with internal policy. Procedures have been put in place to prevent this in the future. These procedures will verify that all signatures are executed prior to processing procurement documents.

We trust this response will meet with your approval. However, if there are any questions or if additional information is needed, please contact me.

Sincerely,

Richard L. Williams
Director of Accounting
August 9, 1995

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

Dear Voight:

We have reviewed the response from the State Board for Technical and Comprehensive Education to our audit report for July 1, 1991 - December 31, 1994. Also, we have verified the Board’s corrective action through correspondence. We are satisfied that the Board has corrected the problem areas and the internal controls over the procurement system are adequate.

Therefore, we have concluded our work on this report for the State Board for Technical and Comprehensive Education. Since the Board has not requested certification above the $5,000 basic level authorized by the Code, we recommend that the report be presented to the State Budget and Control Board as information.

Sincerely,

Larry G. Sorrell, Manager
Audit and Certification

LGS/31