October 30, 2001

Mr. George N. Dorn, Director
Office of General Services
1201 Main Street, Suite 420
Columbia, South Carolina 29201

Dear George:

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

Sincerely,

R. Voight Shealy
Materials Management Officer
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**NOTE:** The College's responses to issues noted in this report have been inserted immediately following the items they refer to.
CENTRAL CAROLINA TECHNICAL COLLEGE
PROCUREMENT AUDIT REPORT

JULY 1, 1999 - JUNE 30, 2001
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 Central Carolina Technical College for the period July 1, 1999 through June 30, 2001. 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, State regulations and the College’s internal 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 Central Carolina Technical College is responsible for establishing and maintaining a system of internal control over procurement transactions. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance of the integrity of the procurement process, that affected assets are safeguarded against loss from unauthorized use or disposition.
and that transactions are executed in accordance with management's authorization and are recorded properly.

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

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

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

Corrective action based on the recommendations described in these findings will in all material respects place Central Carolina Technical College in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

Sincerely,

Larry G. Sorrell, Manager
Audit and Certification
INTRODUCTION

We conducted an examination of the internal procurement operating policies and procedures of Central Carolina Technical College. Our on-site review was conducted July 19-31, 2001 and was made under Section 11-35-1230 (1) of the South Carolina Consolidated Procurement Code and Section 19-445.2020 of the accompanying regulations.

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

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

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

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

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

We selected a judgmental sample of procurement transactions from the period July 1, 1999 through June 30, 2001 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, review of the following:

1. All sole source, emergency and trade-in sale procurements from the period July 1, 1999 through June 30, 2001

2. Procurement transactions for the period July 1, 1999 through June 30, 2001 as follows:
   a) Fifty-two expenditures reviewed for compliance to the Code
   b) A block sample of two hundred fifty-seven vouchers filed by vendor reviewed against the use of order splitting and favored vendors

3. Three major construction contracts and three Architectural/Engineer selections reviewed for compliance with the Manual for Planning and Execution of State Permanent Improvements

4. Surplus property procedures

5. Minority Business Enterprise

6. Most recent Information Technology Plans

7. Internal procurement procedures manual
SUMMARY OF AUDIT FINDINGS

Our audit of the procurement system of Central Carolina Technical College, hereinafter referred to as the College, produced the following findings and recommendations.

I. Competition

Two procurements were not supported by solicitations of competition. On another procurement, the low vendor was not awarded the contract.

II. Internal Controls

Our testing revealed two weaknesses in internal controls that need strengthening. The College paid unauthorized freight on five invoices. Two invoices could not be reconciled to the purchase orders.

III. Sole Source Procurements

One sole source procurements was inappropriate. On another sole source, the College failed to report the entire procurement.

IV. Ratification of Unauthorized Procurements

The College ratified fifty-one unauthorized procurements totaling $70,700 for the past two fiscal years.
RESULTS OF EXAMINATION

I. Competition

The following two procurements were not supported by either solicitations of competition, sole source or emergency procurement determinations, contract references or classified as exempt items

<table>
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<th>Check Number</th>
<th>PO Number</th>
<th>PO Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>05-076786</td>
<td>31463</td>
<td>$4,000</td>
<td>Consultant</td>
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<tr>
<td>05-077948</td>
<td>31611</td>
<td>2,226</td>
<td>Equipment service agreement</td>
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</table>

On another procurement the College issued purchase order 33284 to purchase multimode fiber modems with a unit price of $935. The College obtained three written quotes, two of which were obtained from the internet. One of those internet quotes identified the unit price as the list price of $1,100 and stated in part, "For an immediate price quote, call..." The file contained no evidence that a call was made. A better price may have been obtained from this vendor. The second internet quote had two price columns. One column was the manufacturer's unit list price of $1,100 and the second column was the state discount unit price of $902. When determining the lowest responsive and responsible bid, the College used the price of $1,100 rather than the $902.

We recommend the College adhere to the competition requirements defined in Section 11-35-1510 of the Code. Price quotes from the internet can be used to support procurements but more care should be taken in the evaluation of these quotes.

COLLEGE RESPONSE

The College will adhere to the competition requirements as defined in Section 11-35-1510. More care will be given to the evaluation of quotes.

II. Internal Controls

We noted two weaknesses in internal controls that need strengthening. First, the College paid $363.97 of unauthorized freight on the following five payments even though the purchase orders did not authorize it.
On PO 30409 for the printing services, the second low quote was $3,460 as opposed to the low quote of $3,391. Once $106.73 in freight is added to the low quote of $3,391, the price becomes $3,498. Because of the addition of freight, the College awarded the wrong vendor the contract. Since freight is a factor in determining the low bidder, the College must not pay it unless freight is authorized on the purchase order. Instances where freight is included on invoices but not authorized on purchase orders should be referred to the Procurement Office for disposition.

We recommend freight charges not be paid unless authorized by the purchase order.

The second weakness we noted was two invoices could not be reconciled to the purchase orders yet they were paid. The purchase orders did not include enough information for us to reconcile the invoices nor could Accounts Payable.

We recommend sufficient detail be included on purchase orders and invoices to allow Accounts Payable to verify invoice amounts.

**College Response**
The Accounts Payable Office has been advised to obtain approval from the Purchasing Office for payment of freight charges not defined on purchase orders. If no charges for freight are to be paid, a text line will be added to the purchase order as information for Accounts Payable. Additionally, the term “Destination-Prepay/Add” has been added to the purchase order when we
are certain that freight charges will be added, but the amount has not been determined. In an effort to properly reconcile invoices to purchase orders, the purchasing department will seek thorough information from the requisitioner for inclusion on purchase order.

IV. Sole Source Procurements

The following sole source procurement was inappropriate.

<table>
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<tr>
<th>PO Number</th>
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<th>Description</th>
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</thead>
<tbody>
<tr>
<td>33571</td>
<td>1,652</td>
<td>Benches</td>
</tr>
</tbody>
</table>

The procurement was justified as a sole source for aesthetic reasons for the College's courtyard. While the item may have been the best source, it was not the only source. Competition should have been solicited.

We recommend that procurements which do not meet the definition of a sole source be procured in accordance with the competitive procedures of the Code.

The College failed to report the entire procurement of $46,245 on purchase order 33366 as required by Section 11-35-2440. Only $17,940 was reported. Part of the procurement was incorrectly viewed as exempt.

We recommend an amended report be filed adding the unreported amount.

**COLLEGE RESPONSE**

The College accepts the findings and recommendations and has filed an amended report indicating the unreported amount.

IV. Ratification of Unauthorized Procurements

Our review of unauthorized procurements that were ratified by the College showed that the College ratified 51 unauthorized procurements totaling $70,700 for the past two fiscal years. We believe the frequency of the unauthorized procurements over two fiscal years to be excessive. While letters of ratification were prepared and approved, some of the same offenders continued to violate internal procedures as evidenced by repeat offenses.

We recommend the College take a more aggressive position against individuals who violate internal procedures. The College should also review why unauthorized procurements continue to occur and determine if procurement procedures should be modified to accommodate certain circumstances.
COLLEGE RESPONSE

The College has addressed this issue with the appropriate department heads responsible for the citation and has advised them of the seriousness of these violations. Additionally, the College has revised its ratification form to include an aggressive position taken against individuals who violate internal procedures. Additionally, we will hold sessions with users throughout the College to ascertain understanding of internal procedures.
CONCLUSION

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

The College has not requested increased procurement certification above the basic limit of $5,000 allowed by the Code. Subject to corrective action listed in this report, we will recommend the College be allowed to continue procuring all goods and services, consultant services, construction services and information technology up to the basic level of $5,000 as allowed by the South Carolina Consolidated Procurement Code and accompanying regulations.

Robert J. Aydock, IV
Audit Manager

Larry G. Sorrell, Manager
Audit and Certification
Mr. R. Voight Shealy
Materials Management Officer
Materials Management Office
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Voight:

We have reviewed Central Carolina Technical College’s response to our audit report for July 1, 1999 – June 30, 2001. Also, we have followed the College’s corrective action during and subsequent to our field work. We are satisfied that the College has corrected the problem areas and the internal controls over the procurement system are adequate.

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

Sincerely,

Larry G. Sorrell, Manager
Audit and Certification

LGS/jl

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