PROCUREMENT
AUDIT AND
CERTIFICATION

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DENMARK TECHNICAL COLLEGE
AGENCY
APRIL 1, 1985 - MARCH 31, 1986
DATE
Mr. Richard W. Kelly
Division Director
Division of General Services
300 Gervais Street
Columbia, South Carolina 29201

Dear Rick:

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

Sincerely,

William J. Clement
Assistant Division Director

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

We have examined the Local Fund procurement policies and procedures of Denmark Technical College for the period April 1, 1985 - March 31, 1986. As a part of our examination we made a study and evaluation of the system of internal control over local fund procurement transactions to the extent we considered necessary.

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

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

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

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

The examination did disclose conditions enumerated in this report which we believe to be subject to correction or improvement.

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

R. Voight Shealy, Manager
Office of Audit and Certification
INTRODUCTION

The Office of Audit and Certification conducted an examination of the internal procurement operating procedures and policies and related manual of Denmark Technical College.

Our on-site review was conducted March 17 through March 26, 1986, and was made under the authority as described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Regulation 19-445.2020.

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.
SCOPE

Our examination encompassed a detailed analysis of the internal procurement operating procedures of Denmark Technical College and the related policies and procedures manual to the extent we deemed necessary to formulate an opinion on the adequacy of the system to properly handle procurement transactions. The examination was limited to procurements from local funds, which includes some federal funds, local contributions and student collections.

The Audit and Certification team selected random samples for the period August 22, 1985 - February 28, 1986, of procurement transactions for compliance testing and performed other auditing procedures that we considered necessary in the circumstances to formulate this opinion. As specified in the Consolidated Procurement Code and related regulations, our review of the system included, but was not limited to, the following areas:

(1) adherence to provisions of the South Carolina Consolidated Procurement Code and regulations;
(2) procurement staff and training;
(3) adequate audit trails and purchase order registers;
(4) evidence of competition;
(5) small purchase provisions and purchase order confirmations;
(6) emergency and sole source procurements;
(7) source selections;
(8) file documentation of procurements;
(9) disposition of surplus property;
(10) economy and efficiency of the procurement process;
and
(11) approval of Minority Business Enterprise Utilization Plan.
SUMMARY OF AUDIT FINDINGS

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

COMPLIANCE - PROCUREMENTS

A. **Procurements Lacked Competition**
   Eleven procurements lacked either competition or sole source determinations.

B. **Procurement Exceeded Authority**
   One procurement exceeded the College's authority.
RESULTS OF EXAMINATION

I. Compliance - Procurements

Our examination of procurements included a review of sixty transactions from the period August 22, 1985 through February 28, 1986. We found the majority of these procurements to be properly handled, however we did encounter the following violations.

A. Procurements Lacked Competition

1. Three procurements lacked the proper number of bids or quotations. See Schedule A.

Regulation 19-445.2100, Subsection B, requires that solicitations of verbal or written quotes from a minimum of two qualified sources of supply shall be made and documented for procurements from $500.01 to $1,499.99. Further, solicitation of written quotations from three qualified sources of supply shall be made and documented for purchases from $1,500.00 to 2,499.99.

We recommend that the College be more cognizant of the bid requirements of the Code in the future.

AGENCY RESPONSE

As of September 1, 1986, the College developed a Purchasing Policies and Procedures Manual outlining steps to be taken in processing orders over $150.00. We have implemented an internal control system to make sure that all applicable policies and procedures are strictly followed.

2. The College failed to compete or sole source eight procurements. See Schedule B.
A review by the audit staff indicated that some of these purchases may have qualified as sole source procurements, however the required determinations were not prepared.

Regulation 19-445.2105, Subsection B, indicates that a sole source procurement is not permissible unless there is only a single supplier. Further, a determination must be prepared by the head of a governmental body, or designee above the level of the procurement officer justifying the procurement as a sole source.

We recommend that the College obtain competition or prepare a sole source or emergency procurement determination in advance of any procurement action.

AGENCY RESPONSE

As of September 1, 1986, the College implemented a procurement system, with internal controls, that will ensure that legal justifications are prepared for all sole source procurements. This system will also ensure that competitive bids are obtained in accordance with the laws of the state. Furthermore, the system that we have placed into operation will ensure that emergency procurements will be handled in accordance with the State Procurement manual.

B. Procurement Exceeded Authority

The College on one occasion exceeded its procurement authority of $2,500.00. Three sealed bids were obtained for the procurement, but due to sales tax the low bid and award exceeded the limit by $114.24. See Schedule C.

Regulation 19-445.2015, Subsection A, requires that this action be sent to the Materials Management Officer for
ratification. We recommend that the College request ratification as outlined therein.

AGENCY RESPONSE

On January 12, 1987, Mr. Richard Campbell, Materials Management Officer, approved the ratification of the aforementioned procurement that exceeded the authorized limit of $2,500.00. However, the College will exercise diligence to ensure that its procurements in the future will be in compliance with its authorized limit.
CONCLUSION

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

In accordance with Code Section 11-35-1230(1) the College should take this corrective action prior to October 31, 1986.

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

Marshall B. Williams, Jr.
Supervisor, Audit & Certification

R. Voight Shealy, Manager
Audit & Certification
DENMARK TECHNICAL COLLEGE

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March 11, 1987

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

Dear Bill:

We have returned to Denmark Technical College to determine the progress made toward implementing the recommendations in our audit report covering the period April 1, 1985 through March 31, 1986. During this visit, we followed up on each recommendation made in the audit report through inquiry, observation and limited testing.

We observed that the college has made substantial progress toward correcting the problem areas found and improving the internal controls over the procurement system. With the changes made, the system's internal controls should be adequate to ensure that procurements are handled in compliance with the Consolidated Procurement Code and ensuing regulations.

Additional certification was not requested, therefore we recommend that Denmark Technical College be allowed to continue procuring all goods and services, construction, information technology and consulting services up to the basic level as outlined in the Consolidated Procurement Code regulations.

Sincerely,

R. Voight Shealy, Manager  
Audit and Certification