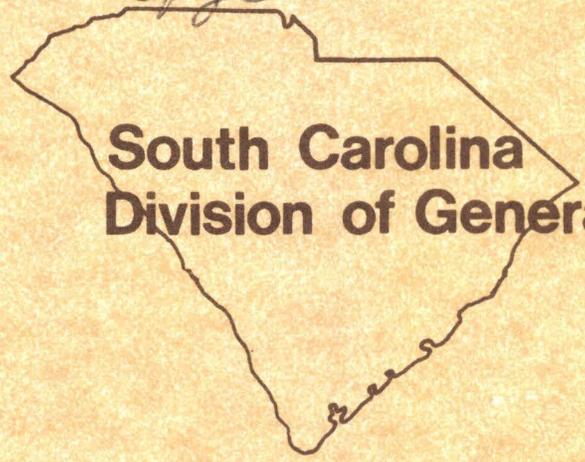


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**South Carolina
Division of General Services**

PROCUREMENT AUDIT AND CERTIFICATION

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DENMARK TECHNICAL COLLEGE

AGENCY

APRIL 1, 1986 - FEBRUARY 28, 1989

DATE

STATE OF SOUTH CAROLINA
State Budget and Control Board
DIVISION OF GENERAL SERVICES



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JAMES J. FORTH, JR.
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ROBERT N. McLELLAN
CHAIRMAN, WAYS AND MEANS COMMITTEE

JESSE A. COLES, JR., Ph.D.
EXECUTIVE DIRECTOR

September 29, 1989

Mr. Richard W. Kelly
Director
Division of General Services
1201 Main Street, Suite 400
Columbia, South Carolina 29201

Dear Rick:

Attached is the final Denmark Technical College procurement audit report and recommendations made by the Office of Audit and Certification. I concur and recommend the Budget and Control Board grant the College a two (2) year certification as outlined in the audit report.

Sincerely,

A handwritten signature in cursive script, appearing to read "James J. Forth, Jr.".

James J. Forth, Jr.
Assistant Division Director

jlj

Attachment

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JESSE A. COLES, JR., Ph.D.
EXECUTIVE DIRECTOR

September 18, 1989

Mr. James J. Forth, Jr.
Assistant Division Director
Division of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

We have examined the procurement policies and procedures of Denmark Technical College for the period April 1, 1986 through February 28, 1989. As a part of our examination, we made a study and evaluation of the system of internal control over 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

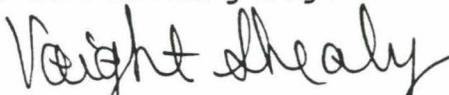
this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance of the integrity of the procurement process, that affected 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, however, disclose one condition in this report which we believe to be subject to correction or improvement.

Corrective action based on the recommendation described in this finding 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
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 7 through March 17, 1989, and was made under 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, that 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.

BACKGROUND

Section 11-35-1210 of the South Carolina Consolidated

Procurement Code states:

The (Budget and Control) Board may assign differential dollar limits below which individual governmental bodies may make direct procurements not under term contracts. The Division of General Services shall review the respective governmental body's internal procurement operation, shall verify in writing that it is consistent with the provisions of this code and the ensuing regulations, and recommend to the Board those dollar limits for the respective governmental body's procurement not under term contract.

While on site, we received a written request from Denmark Technical College for certification to make procurements in the following category and designated amount:

<u>Category</u>	<u>Requested Limit</u>
Goods and Services (local funds only)	\$5,000.00

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. As in all South Carolina technical colleges, state funded procurements are managed by the State Board of Technical and Comprehensive Education.

The Audit and Certification team selected random samples for the period July 1, 1986 - February 28, 1989, of procurement transactions for compliance testing and performed other audit 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) evidences of competition;
- (5) small purchase provisions and purchase order confirmations;
- (6) emergency and sole source procurements;
- (7) source selections;

- (8) file documentation of procurements;
- (9) disposition of surplus property;
- (10) economy and efficiency of the procurement process; and,
- (11) approval of Minority Business Enterprise Utilization Plan.

RESULTS OF EXAMINATION

Our examination of procurements included a review of forty-four transactions from the period July 1, 1987 through February 28, 1989. We found the majority of these procurements to be properly handled. However, we did encounter the following violations.

Two procurements (PO# 4580 for \$818.53 and PO# 5606 for \$979.35) did not have evidence of competition. Further, both were confirming purchase orders and were for the repair of heating and cooling systems at the College. We were told by the College's purchasing department that these procurements were for emergency repairs and no quotes were obtained. We agree that both procurements were emergency in nature. However, the College failed to execute emergency determinations and report the procurements to the Division of General Services.

We recommend that in the future the College either solicit competition or attach emergency determinations if appropriate.

COLLEGE RESPONSE

The College has completed an emergency procurement form for purchase order #'s 4580 and 5606.

CERTIFICATION RECOMMENDATION

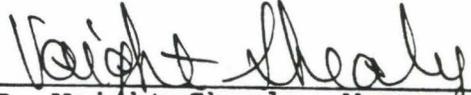
As enumerated in our transmittal letter, corrective action based on the recommendation described in the finding in the body of this report, we believe, will in all material respects place Denmark Technical College in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

Under the authority described in Section 11-35-1210 of the Procurement Code, subject to this corrective action, we recommend that Denmark Technical College be certified to make direct agency procurements up to the limit as follows when using local funds:

<u>PROCUREMENT AREA</u>	<u>RECOMMENDED CERTIFICATION LIMIT</u>
Goods and Services (Local Funds Only)	\$5,000 per purchase commitment



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



R. Voight Shealy, Manager
Audit and Certification

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JESSE A. COLES, JR., Ph.D.
EXECUTIVE DIRECTOR

September 20, 1989

Mr. James J. Forth, Jr.
Assistant Division Director
Division of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Jim:

We have reviewed the response to our audit report of Denmark Technical College covering the period April 1, 1986 through February 28, 1989. This review has satisfied the Office of Audit and Certification that the College corrected the problem area found and that internal controls over the procurement system are adequate.

We, therefore, recommend that the certification limit for Denmark Technical College as outlined in the audit report be granted for a period of two (2) years.

Sincerely,

A handwritten signature in cursive script that reads "Voight Shealy".

R. Voight Shealy, Manager
Audit and Certification

jlj

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