PROCUREMENT
AUDIT AND
CERTIFICATION

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YORK TECHNICAL COLLEGE
AGENCY
JULY 1, 1994 - SEPTEMBER 30, 1996
DATE
April 22, 1997

Ms. Helen T. Zeigler, Director
Office of General Services
1201 Main Street, Suite 420
Columbia, South Carolina 29201

Dear Helen:

I have attached the audit report for York 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,

[Signature]
R. Voight Shealy
Materials Management Officer
YORK TECHNICAL COLLEGE

PROCUREMENT AUDIT REPORT

July 1, 1994 - September 30, 1996
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NOTE: The College’s response to issues noted in the report have been inserted immediately following the issues they refer to.
December 31, 1996

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 York Technical College for the period July 1, 1994 through September 30, 1996. 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 College 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 York 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 York 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 York Technical College. Our on-site review was conducted November 18-26, 1996, 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
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 contract. The Office 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.

Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code states:

In procurement audits of governmental bodies thereafter, the auditors from the Office of General Services shall review the adequacy of the system’s internal controls in order to ensure compliance with the requirements of this Code and the ensuing regulations.
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 York 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 systematically selected samples from the period July 1, 1994 through September 30, 1996 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, emergency and trade-in sale procurements from the period July 1, 1994 through September 30, 1996

(2) Procurement transactions for the period July 1, 1994 through September 30, 1996 as follows:
   a) Thirty four payment transactions for goods and services reviewed for competition and compliance to the Code
   b) A block sample of 380 numerical purchase orders reviewed for order splitting and favored vendors

(3) Surplus property disposition procedures

(4) Minority Business Enterprise reports for the audit period

(5) Information technology plans for fiscal years

(6) Internal procurement procedures manual

(7) Blanket purchase order files
SUMMARY OF AUDIT FINDINGS

Our audit of the procurement system of York Technical College, hereinafter referred to as the College, produced findings and recommendations as follows.

I. Sole Source and Emergency Procurements
   A. Fourteen sole source procurements were unauthorized as the procurements were not authorized by the purchasing department or the approval for the sole source was obtained after the procurement.
   B. Two emergency procurements were made due to oversight and poor planning.

II. Unauthorized Procurement
    A procurement for printed folders was unauthorized as the job was ordered prior to obtaining approval from the purchasing department.

III. Blanket Purchase Agreement (BPA’s)
     Blanket purchase agreements were not being properly handled as procurements were made for amounts greater than specified and prepared after the procurement transactions.

IV. Split Orders
    Two requisitions should have been combined and competition obtained.

V. Change Order Not Prepared
    A purchase order was issued for $1,600 that resulted in a payment of $3,035.34 without a change order to increase the total by $1,435.35.

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RESULTS OF EXAMINATION

I. Sole Source and Emergency Procurements

We examined the quarterly reports of sole source and emergency procurements for the period July 1, 1994 through September 30, 1996. 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 South Carolina Consolidated Procurement Code. We noted the following exceptions.

A. Unauthorized Sole Source Procurements

We noted fourteen instances where goods and services were contracted for outside the purchasing office and prior to sole source approval by the Vice President for Business Affairs.

<table>
<thead>
<tr>
<th>PO</th>
<th>Amount</th>
<th>Invoice or Service Date</th>
<th>Sole Source Approval</th>
<th>PO Date</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>62935</td>
<td>3,260.50</td>
<td>08/30/94</td>
<td>09/26/94</td>
<td>09/26/94</td>
<td>Security controller repair</td>
</tr>
<tr>
<td>63342</td>
<td>1,616.17</td>
<td>09/15/94</td>
<td>01/12/95</td>
<td>01/18/95</td>
<td>Surge suppressors</td>
</tr>
<tr>
<td>63830</td>
<td>2,341.53</td>
<td>10/24/95</td>
<td>01/12/95</td>
<td>01/23/95</td>
<td>Electronic controller repair</td>
</tr>
<tr>
<td>64367</td>
<td>4,985.00</td>
<td>01/95 - 06/95</td>
<td>03/29/95</td>
<td>03/29/95</td>
<td>Consultant services</td>
</tr>
<tr>
<td>64619</td>
<td>1,600.50</td>
<td>04/95 - 03/96</td>
<td>05/16/95</td>
<td>05/09/95</td>
<td>Fire system services agreement</td>
</tr>
<tr>
<td>64811</td>
<td>3,117.00</td>
<td>03/95 - 05/95</td>
<td>06/07/95</td>
<td>06/09/95</td>
<td>Instructional services</td>
</tr>
<tr>
<td>64891</td>
<td>28,856.28</td>
<td>05/94 - 06/95</td>
<td>06/22/95</td>
<td>06/23/95</td>
<td>Fiber optic cable &amp; PVC</td>
</tr>
<tr>
<td>64649</td>
<td>2,500.00</td>
<td>05/11/95</td>
<td>06/26/95</td>
<td>06/27/95</td>
<td>Power supply repair</td>
</tr>
<tr>
<td>65276</td>
<td>4,975.00</td>
<td>01/95 - 12/95</td>
<td>08/11/95</td>
<td>08/11/95</td>
<td>Consultant services</td>
</tr>
<tr>
<td>PO</td>
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<td>Invoice or Service Date</td>
<td>Sole Source Approval</td>
<td>PO Date</td>
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<tr>
<td>------</td>
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<td>-------------------------</td>
<td>----------------------</td>
<td>---------</td>
<td>------------------------------------</td>
</tr>
<tr>
<td>65645</td>
<td>$4,620.93</td>
<td>07/17/95</td>
<td>09/26/95</td>
<td>09/26/95</td>
<td>Training</td>
</tr>
<tr>
<td>65652</td>
<td>8,252.94</td>
<td>07/27/95</td>
<td>09/26/95</td>
<td>09/26/95</td>
<td>Records processing</td>
</tr>
<tr>
<td>65675</td>
<td>4,739.00</td>
<td>08/95 - 07/96</td>
<td>09/26/95</td>
<td>09/26/95</td>
<td>Security maintenance contract</td>
</tr>
<tr>
<td>67396</td>
<td>5,138.06</td>
<td>04/95 - 05/95</td>
<td>05/28/96</td>
<td>05/28/96</td>
<td>Pulling/splicing cable</td>
</tr>
<tr>
<td>67160</td>
<td>1,826.00</td>
<td>02/96 - 02/97</td>
<td>06/27/96</td>
<td>06/27/96</td>
<td>Offset duplicator maintenance agreement</td>
</tr>
</tbody>
</table>

The College’s purchasing policies and procedures manual states in part:

The Purchasing Office has exclusive responsibility for supporting the education mission of the College by procuring materials, supplies, equipment and services required for the College operation.

Section 11-35-1560 of the Code states, “A contract may be awarded for a supply, service, or construction item without competition when, under regulations promulgated by the board, the chief procurement officer, the head of a purchasing agency, or a designee of either officer, above the level of the procurement officers, determines in writing that there is only one source for the required supply, service, or construction item. Written documentation must include the determination and basis for the proposed sole source procurement”.

Regulation 19-445-2105 also addresses the authority for sole source procurements by stating, “The determination as to whether a procurement shall be made as a sole source shall be made by either the chief procurement officer, the head of a governmental body, or designee of either office above the level of the procurement officer. Such determination and the basis therefor shall be in writing. Such officer may specify the application of such determination and the duration of its effectiveness.”
Each of the fourteen sole source procurements was unauthorized as the person who made them did not have the authority. Unauthorized procurements and their ratifications are specifically addressed in Regulation 19-445.2015 as follows.

A. Unauthorized Procurements. The ratification of an act obligating the State in a contract by any person without the requisite authority to do so by an appointment or delegation under the procurement code rests with the Office of General Services. It is prohibited for a procurement officer to ratify such acts.

(1) Ratification by Governmental Body. The Office of General Services hereby delegates authority to ratify such acts to the head of the governmental body responsible for the person committing the act when the value of the contract is within the dollar limits designated by the Budget and Control Board for that governmental body.

(2) Ratification by the Materials Management Officer. The Director of the Office of General Services may delegate authority to ratify such acts other than those specified in Item 1 above.

(3) Corrective Action and Liability. In either case referred to in Items 1 and 2 above, the head of the governmental body shall prepare a written determination as to the facts and circumstances surrounding the act, what corrective action is being taken to prevent reoccurrence, action taken against individual committing the act, and documentation that the price paid is fair and reasonable.

The College President must request ratification from the Materials Management Office for purchase orders 64891, 65652, and 67396 as each exceeded the College’s certification of $5,000. A ratification request for the remaining eleven procurements must be submitted to the College President.

We must express our concern over about the processing of these unauthorized procurements as sole source transactions. The College needs to thoroughly review its interpretation of what constitutes an unauthorized procurement and the requirements of Regulation 19-445.2015 on unauthorized procurements.

We recommend the College adhere to the Code and Regulations for unauthorized and sole source procurements. We will audit the sole source procurements for the period October 1, 1996 to June 30, 1997 to determine if the College has taken this corrective action.
College Response
The Vice President for Business Affairs provided verbal approval prior to the initiation of all sole source purchases noted during your review. At no time was any sole source purchase made without the approval and complete knowledge of the Vice President. We felt this was sufficient justification until the written sole source document was completed. We will take action to ratify the following sole source purchases through the Materials Management Office.

<table>
<thead>
<tr>
<th>PO</th>
<th>Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>64891</td>
<td>$28,856.28</td>
<td>Fiber optic cable &amp; PVC</td>
</tr>
<tr>
<td>65652</td>
<td>8,252.94</td>
<td>Record processing</td>
</tr>
<tr>
<td>67396</td>
<td>5,138.06</td>
<td>Pulling/splicing cable</td>
</tr>
</tbody>
</table>

All other instances noted during your review will be ratified by the College president. In addition we have included in our internal purchasing guidelines the requirement to have written authorization prior to any sole source purchase. Also, we are looking at streamlining the process to ensure the timely processing of all paperwork.

B. Emergency Procurements

We noted two emergency procurements that resulted from the College's failure to process the departmental requisitions in a timely manner.

Purchase order 64133 for $32,726 was issued on February 24, 1995 for broadcast equipment. However, the requisition was received in purchasing on December 7, 1994. As a result of this delay the College had to declare the procurement an emergency. The emergency justification acknowledged that the delay created the emergency. As the total amount of the procurement exceeded the College's certification, the emergency was created by the lack of attention to forward the requisition to the Materials Management Office in December of 1994.

Purchase order 63200 for $44,240 was issued on October 7, 1994 for two 60 ton chillers, four 30 ton condensers, and a five year extended warranty for compressors. However, the requisition was received in purchasing on May 2, 1994. The emergency justification stated the requisition was submitted in May of 1994, however, no action was taken to process the request. The College obtained one quote dated April 26, 1994. The College did not solicit competition from other vendors before issuing the award on October 7, 1994. As the total procurement exceeded the College's certification of $5,000, the College should have submitted the requisition to the Materials Management Office in May of 1994.

We recommend the College review its internal process to identify the weakness that created these emergencies. Procedures should be implemented accordingly to eliminate requisitions not being timely processed.
The College has revised its internal procurement process and has implemented a new software package which allows department managers to track all purchases. Both the purchasing and accounting functions provide better control measures for all purchases. With this software package, the College will be able to process emergency procurements in a timely manner.

II. Unauthorized Procurement

The College procured printed folders on purchase order 64840 for $3,921 dated June 14, 1995. However the folders were ordered on May 19, 1995 per the vendor's invoice. The purchasing policies and procedures manual states in part,

The Purchasing Office has exclusive responsibility for:

(a) supporting the education mission of the College by procuring materials, supplies, equipment and services required for the College’s operation
(b) providing purchasing services to all departments and locations of the College
(c) procuring commodities and services in the most efficient, economical, timely and responsible manner.

Since the commitment was made prior to purchasing’s authorization, it was unauthorized as defined in Regulation 19-445.2015. Accordingly, we recommend a ratification request be prepared and submitted to the College President in accordance with Regulation 19-445.2015.

We also recommend that procurements made by someone without authority to do so be identified as unauthorized procurements. Each authorized procurement must be submitted for ratification to comply with the Code, regulations and the procedures established by the College.

College Response

The unauthorized procurement noted will be ratified by the President of the College.

III. Blanket Purchase Agreements (BPAs)

A blanket purchase agreement is a simplified method of filling anticipated repetitive needs for small quantities of supplies by establishing “charge accounts” with qualified sources of supply. The College has an administrative memo outlining the regulations pertaining to the blanket purchase agreements. The memo is attached to each BPA purchase order and states “each individual call shall not exceed $100.” The following are examples of the College exceeding the $100 limit.
Each payment noted above exceeded the $100 limit per charge, thus violating the procedures established by the College. Consequently, each payment was an unauthorized procurement that must be submitted for ratification to the College President as required in Regulation 19-445.2015.

We recommend the College adhere to its procedures for blanket purchase agreements. Otherwise, the College needs to review its procedures to determine if the $100 limit is sufficient to meet its needs.

**College Response**

This is an internal procedural problem. The College will initiate a ratification action on all the purchases noted in this area. The per call limit has been increased to $200 since the previously established dollar limit is insufficient.

**IV. Split Orders**

We noted two requisitions that should have been combined and processed by competitive solicitation.

<table>
<thead>
<tr>
<th>Req. Date</th>
<th>PO</th>
<th>Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>06/26/96</td>
<td>67452</td>
<td>$287.68</td>
<td>Plumbing supplies</td>
</tr>
<tr>
<td>06/26/96</td>
<td>67591</td>
<td>$1,338.85</td>
<td>Plumbing supplies</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>$1,626.53</strong></td>
<td></td>
</tr>
</tbody>
</table>

Similar items were picked up by the same person from the same vendor on the same day, thus avoiding the competitive requirements of the Code. Procurements exceeding $1,500 and less
than $5,000 require the solicitation of a minimum of three verbal quotations. Code section 11-35-1550(1) under small purchases states “procurement requirements shall not be artificially divided by governmental bodies so as to constitute a small purchase.” The College’s purchasing and procedures manual specifically addresses splitting of orders by stating.

Artificial division to make small purchase - Auditing techniques are in place to detect efforts to circumvent the Code by splitting orders. The splitting of orders is specifically covered and prohibited by the Procurement Code and will not be allowed.

We recommend the Purchasing Office examine department requisitions for evidence of splitting of orders to circumvent the competitive process.

**College Response**
The exception noted was addressed by the procurement officer. Proper procedures were explained to the individual in order to prevent future occurrences.

V. Change Order Not Prepared

The College issued purchase order 67812 on July 30, 1996 for temporary services in the amount of $1,600. A total of $3,035.34 was paid on voucher number 10358 for these services. There is no evidence of a change order to authorize payment for the increased amount.

We recommend any discrepancy between the purchase order and invoice be properly approved and documented before payment is made.

**College Response**
This incident has been addressed with the accounting department in an effort to process all change orders in a timely manner.
CONCLUSION

As enumerated in our transmittal letter, corrective action based on our recommendations described in this report, we believe, will in all material respects place York Technical College in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations. In order to determine that corrective action has taken place, we will perform a follow-up review by April 15, 1997. Subject to the corrective action and since York Technical College has not requested additional certification, we will recommend that 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.

David E. Rawl, CPPB
Senior Auditor

Larry G. Sorrell, Manager
Audit and Certification
April 22, 1997

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

Dear Voight:

We have reviewed York Technical College's response to our audit report for July 1, 1994 - September 30, 1996. 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, information technology and consulting services up to the basic level of outlined in the Code.

Sincerely,

Larry G. Sorrell, Manager
Audit and Certification

LGS/tl

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