PROCUREMENT AUDIT AND CERTIFICATION

S. C. STATE AGENCY

FEB 24 1994

STATE DOCUMENTS

WIL LOU GRAY OPPORTUNITY SCHOOL

AGENCY

OCTOBER 1, 1991 - SEPTEMBER 30, 1993

DATE
February 4, 1994

Mr. Richard W. Kelly
Director
Division of General Services
1201 Main Street, Suite 420
Columbia, South Carolina 29201

Dear Rick:

I have attached Wil Lou Gray Opportunity School's procurement audit report and recommendations made by the Office of Audit and Certification. I concur and recommend the Budget and Control Board grant the School a three (3) year certification as noted in the audit report.

Sincerely,

Hardy L. Merritt
Assistant Division Director

HLM/jj

Attachment
WIL LOU GRAY OPPORTUNITY SCHOOL

PROCUREMENT AUDIT REPORT

OCTOBER 1, 1991 - SEPTEMBER 30, 1993
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**NOTE:** The School's responses to issues noted in this report have been inserted immediately following the issues they address.
February 4, 1994

Dr. Hardy Merritt
Assistant Division Director
Division of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Hardy:

We have examined the procurement policies and procedures of Wil Lou Gray Opportunity School for the period October 1, 1991 - September 30, 1993. 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 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 Wil Lou Gray Opportunity School 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 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 Wil Lou Gray Opportunity School in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

R. Voight Shealy, CFE, Manager
Audit and Certification
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 Wil Lou Gray Opportunity School 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 judgemental samples for the period October 1, 1991 - September 30, 1993, for compliance testing and performed other audit procedures that we considered necessary 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. All sole source and emergency procurements and trade-in sales for the period July 1, 1991 - September 30, 1993

2. Procurement transactions for the period October 1, 1991 - September 30, 1993 as follows:
   a) One hundred payments for procurement transactions, each exceeding $500
   b) A block sample of two hundred and sixteen sequential purchase orders

3. Four permanent improvement project procurements for compliance with the Manual for Planning and Execution of State Permanent Improvements

4. Minority Business Enterprise Plan and reports

5. Procurement staff and training

6. Internal procurement procedures manual

7. Information Technology Plan
RESULTS OF EXAMINATION

The Office of Audit and Certification performed an examination of the internal procurement operating policies and procedures and related manual of the Wil Lou Gray Opportunity School (hereinafter referred to as the School) for the period October 1, 1991 through September 30, 1993.

Our on-site review was conducted October 11-25, 1993, and was made under the authority as described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code. The audit was primarily instituted because the most recent two year certification granted the Opportunity School by the Budget and Control Board is to expire on February 11, 1994. Additionally, the School requested increased certification limits as follows:

Goods and Services  $25,000 per commitment

Since our previous audit in 1991, the Opportunity School has maintained what we consider to be a professional, efficient procurement system. We did note, however, the below listed items which should be addressed by management.

(1) **Insufficient Quotations Obtained**

The School failed to solicit or document the required level of competition on the following two procurements:
<table>
<thead>
<tr>
<th>Voucher Number</th>
<th>Amount Less Taxes</th>
<th>Required Solicitations</th>
<th>Actual Solicitations</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>DV134</td>
<td>$ 502.92</td>
<td>2 phone quotes</td>
<td>1 phone quote</td>
<td>Automotive shop supplies</td>
</tr>
<tr>
<td>DV223</td>
<td>1,602.00</td>
<td>3 written quotes</td>
<td>2 phone quotes</td>
<td>A/C service agreement</td>
</tr>
</tbody>
</table>

Item number one cost $473.62 but freight and handling added another $29.30. Freight is part of the total cost of an item and must be considered in determining competition levels during the bidding process.

Item number two was for an air conditioning service agreement. Only two phone quotes were obtained, where the Code required three written quotations for contracts greater than $1,500.00.

We recommend that the School ensure the appropriate bidding procedures are used in the future.

**SCHOOL RESPONSE**

Two procurements were cited for lack of the required level of competition. Measures have been implemented to ensure the appropriate bidding procedures are used on all procurements.

(2) **Purchase Order Issued for Incorrect Amount**

Purchase Order number 207 dated March 23, 1993 was for classroom chairs and tables. The price quoted by the low bidder was $1,744.58 with tax. The estimated cost on the requisition was $2,186.10 with tax. When the purchase order was typed the new bid prices were never inserted on the requisition form. Therefore, the purchase order reflected the estimated prices on the original
requisition. Subsequently, the vendor invoiced and the school paid $2,186.10 or $441.52 more than the vendor quoted.

We recommend that the school ask the vendor for a refund of the $441.52 overpayment. In the future, the Purchasing Office should double check to ensure the purchase order prices are correct.

SCHOOL RESPONSE

One purchase order was issued for an incorrect amount. In order to ensure purchase order prices are correct, the Purchasing Office has begun double checking all purchase order pricing as recommended.

(3) Time and Date Stamping of Bids

We noted most bids or quotations were not time or date stamped when received. So that the timely receipt of responses can be verified, we recommend that all bids and quotations be time and date stamped as they are received.

SCHOOL RESPONSE

All bids are now time and date stamped as recommended.
CERTIFIED RECOMMENDATIONS

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 Opportunity School in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations. Most importantly, the School must complete an internal procurement procedures manual and submit it to this office for review. Corrective action should be accomplished by January 1, 1994.

Under the authority described in Section 11-35-1210 of the Procurement Code, subject to this corrective action, we recommend the Opportunity School be certified to make direct agency procurements for three years up to the limit as follows:

<table>
<thead>
<tr>
<th>Procurement Area</th>
<th>Recommended Certification Limits</th>
</tr>
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<tbody>
<tr>
<td>Goods and Services</td>
<td>$25,000 per purchase commitment</td>
</tr>
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</table>

James M. Stiles, CPPB
Audit Manager

R. Voght Shealy, CFE, Manager
Audit and Certification
February 4, 1994

Dr. Hardy Merritt
Assistant Division Director
Division of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Hardy:

We have reviewed Wil Lou Gray Opportunity School’s response to our audit report for October 1, 1991 - June 30, 1993. We are satisfied that the School has corrected the problem areas and that internal controls over the procurement system are adequate.

Therefore, we recommend that the Budget and Control Board grant Wil Lou Gray Opportunity School the certification limits noted in our audit report for a period of three (3) years.

Sincerely,

R. Voight Shealy, Manager
Audit and Certification

RVS/jj