South Carolina
Division of General Services

PROCUREMENT
AUDIT AND
CERTIFICATION

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MIDLANDS TECHNICAL COLLEGE
AGENCY

JANUARY 1, 1992 - MARCH 31, 1994
DATE
October 17, 1994

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

Dear Helen:

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

Sincerely,

William E. Gunn
Materials Management Officer

WEG/t1
Attachment
MIDLANDS TECHNICAL COLLEGE

PROCUREMENT AUDIT REPORT

JANUARY 1, 1992 - MARCH 31, 1994
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**NOTE:** The College's responses to issues noted in this report have been inserted immediately following the issues they refer.
August 22, 1994

Mr. William E. Gunn
Materials Management Officer
Division of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Eddie:

We have examined the procurement policies and procedures of Midlands Technical College for the period January 1, 1992 - March 31, 1994. 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 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 Midlands 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 that we believe need correction or improvement.
Corrective action based on the recommendations described in these findings will in all material respects place Midlands Technical College in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

Larry G. Sorrell
Manager
Audit and Certification
INTRODUCTION

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

Our on-site review was conducted May 31, 1994 through June 14, 1994, and was made under the authority as described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Regulations 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.
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.

Most recently, on April 14, 1992, the Budget and Control Board granted Midlands Technical College the following certification:

<table>
<thead>
<tr>
<th>Category</th>
<th>Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods and Services (Local Funds Only)</td>
<td>$15,000 per commitment</td>
</tr>
<tr>
<td>Information Technology in accordance with the approved Information Technology Plan (Local Funds Only)</td>
<td>$15,000 per commitment</td>
</tr>
<tr>
<td>Consultants (Local Funds Only)</td>
<td>$15,000 per commitment</td>
</tr>
</tbody>
</table>

Additionally, on November 10, 1993, the Budget and Control Board approved the following limits concurrent with the above certificate:
<table>
<thead>
<tr>
<th>Category</th>
<th>Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods and Services (Local Funds Only)</td>
<td>$25,000 per commitment</td>
</tr>
<tr>
<td>Information Technology in accordance with the approved Information Technology Plan (Local Funds Only)</td>
<td>$25,000 per commitment</td>
</tr>
<tr>
<td>Consultants (Local Funds Only)</td>
<td>$25,000 per commitment</td>
</tr>
</tbody>
</table>

Our audit was performed primarily to determine if recertification for expenditures of local funds is warranted.
SCOPE

We conducted our examination with Generally Accepted Auditing Standards as they apply to compliance audits. Our examination encompassed a detailed analysis of the internal procurement operating procedures' manual to the extent we deemed necessary to formulate an opinion on the adequacy of the system to properly handle procurement transactions. That examination was limited to procurements made with local funds, which include federal funds, local appropriations, contributions and student collections, which is the procurement activity managed by the College. As in all South Carolina technical colleges, state funded procurements are managed by the State Board of Technical and Comprehensive Education.

Specifically, the examination included, but was not limited to review of the following:

1. All sole source and emergency procurements and trade-in sales for January 1, 1992 to March 31, 1994

   a) One hundred payments each exceeding $500, including twenty-two sealed bids
   b) Block sample of one thousand sequential purchase orders

3. Nine construction contracts, including four relating to Permanent Improvement Projects, and twelve professional services contracts, including four relating to Permanent Improvement Projects.


5. Internal Procurement Procedures Manual

6. Information Technology Plans and approvals covering the audit period
7. Surplus property disposal procedures
8. Blanket Purchase agreement files
9. Ratification files for audit period
SUMMARY OF AUDIT EXCEPTIONS

Our audit of the procurement system of Midlands Technical College, hereinafter referred to as the College, produced findings and recommendations in the following areas:

I. Compliance-Procurements
   A. Sealed Bids
      We noted exceptions in three sealed bid files.
   B. Small Purchases
      One small purchase lacked competition or a sole source determination.

II. Compliance-Sole Source and Emergency Procurements
   A. Drug-Free Workplace Certifications
      Two sole source and one emergency procurement, greater than $50,000, were not supported by Drug-Free Workplace certifications.
   B. Inappropriate Sole Sources
      Four procurements were inappropriately classified as sole sources.
RESULTS OF EXAMINATION

I. Compliance-Procurements

A. Sealed Bids

During our review of sealed bids, we noted problems in three sealed bid packages. These were as follows:

(1) In bid 791-09-16-92 MTC for the removal of four buildings, the original low bid form from the successful bidder was not in the bid file. Only a "faxed" copy of the bid was available for review. The Purchasing Director stated she believed the original bid form was misplaced after opening and a copy was requested for the file back-up documentation. The rest of the file seems to support this assumption.

We remind the College that faxed sealed bids are totally unacceptable. We recommend the purchasing office be more careful handling bidding documents after opening. This will ensure a complete bidding file after award for audit review by state personnel and the general public if requested.

COLLEGE RESPONSE

We concur with the recommendation. The procurement office will carefully open and maintain complete files.

(2) Bid 465-12-17-92 MTC was solicited for a variety of hospital equipment. An amendment was sent out to all bidders stating that the award would be made by individual items. However, after the bid opening some bids were rejected because they were considered incomplete since all items were not bid on. This contradicted the bid amendment. The award should have been made by individual item as a saving of over $2,000 could have been realized.
We recommend the College award bids as specifically stated or amended in future bids.

**COLLEGE RESPONSE**

We concur with recommendation. The College’s interpretation was that General Provisions No. 9 Waiver was applicable. After discussion with the auditor, we accept the auditor’s interpretation and will follow procurement procedures. All bids will be awarded as specifically stated.

3) Bid 430-08-31-92 MTC was for an oxygen generator and a surge tank for $11,700. The bid file only showed a bidder list of five vendors. At this time, the Code required ten solicitations of sealed bids for procurements greater than $10,000. Regulation 19-445-.2035 A states in part “If the minimum number of qualified bidders...cannot be solicited... the head of the governmental body shall certify in writing that all known sources were solicited.” We recommend this be done in the future.

**COLLEGE RESPONSE**

We concur with the recommendation and will seek qualified bidders or certify in writing that all known sources were solicited.

**B. Small Purchases**

During our sample selection review, we noted one procurement that was not supported by evidence of competition, sole source or emergency determination. This was purchase order 22854 for advertisement space bought on bus benches outside Beltline Campus. This type of advertisement is not exempt, therefore one of the above procurement processes should have been used.

**COLLEGE RESPONSE**

We concur with the recommendation. In the future we will seek competition or use Section 11-35-1560 Sole Source Procurement.
II. Sole Source and Emergency Procurements

We reviewed all sole source and emergency procurements with all available supporting documentation for January 1, 1992 through March 31, 1994. We found these procurements to be in compliance with the Code and regulations with the following exceptions:

A. Drug Free Workplace Certification

We noted two sole sources and one emergency procurement for $50,000 or more where the College did not obtain the required Drugfree Workplace Certification. They are as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>PO#</th>
<th>Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>31868</td>
<td>$76,020</td>
<td>Personal Computers</td>
</tr>
<tr>
<td>2</td>
<td>32381</td>
<td>$92,709</td>
<td>Motorcycle Ed. Program</td>
</tr>
<tr>
<td>3</td>
<td>32377</td>
<td>$77,847</td>
<td>Measuring Machine</td>
</tr>
</tbody>
</table>

Section 44-107-40 of the South Carolina Code of Laws 1976 as amended 1-1-91 requires that:

No state agency may enter into a domestic grant with any individual for a stated or estimated value of fifty-thousand dollars or more unless the grant includes a certification by the individual that the individual will not engage in the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance in the performance of the contract.

The College has not complied with the law in these cases. We recommend the College exercise more caution to ensure sole source or emergency contracts greater than $50,000 are not awarded unless the vendor completes the Drug-Free Workplace certification.

COLLEGE RESPONSE

We concur with the recommendation. The College has received Drug-Free Work Place Certification from each of the above mentioned vendors. The College will obtain the Drug-Free Work Place certificates prior to an award.
B. Inappropriate Sole Sources

We believe the following four procurements were inappropriately classified as sole sources.

<table>
<thead>
<tr>
<th>PO#</th>
<th>Date</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>30758</td>
<td>8-6-92</td>
<td>IPC's &amp; Subscription Services</td>
<td>$6,690.00</td>
</tr>
<tr>
<td>30645</td>
<td>7-29-92</td>
<td>IPC's &amp; Subscription Services</td>
<td>$6,690.00</td>
</tr>
<tr>
<td>33520</td>
<td>4-2-93</td>
<td>On-site electrostatic painting</td>
<td>$5,490.64</td>
</tr>
<tr>
<td>23111</td>
<td>3-16-92</td>
<td>Computer furniture</td>
<td>$1,924.00</td>
</tr>
</tbody>
</table>

Items one and two are for personal computers and a subscription service. The subscription service is an exempt item under the Procurement Code and competition is available on the personal computers.

Item three involved on-site electrostatic painting of furniture. The sole source is justified on the grounds as "only vendor in the Columbia area" able to perform the service. We believe other competition is available and the area should not be limited to the Columbia area.

Item four is a procurement for computer tables and peripheral stands. The College purchased the furniture from a vendor with territorial rights in South Carolina. We do not feel as this is adequate justification for a sole source. We recommend other vendors be given an opportunity to offer an acceptable alternative.

**COLLEGE RESPONSE**

We concur with the recommendations. In the future, the College will follow procurement procedures.
CERTIFICATION RECOMMENDATIONS

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

In order to determine that corrective action has been taken, we will perform a follow-up audit prior to October 30, 1994. If, at that time, we determine that corrective action has been taken we will recommend that the College be certified to make direct agency procurements for a period of three (3) years up to the following limits:

<table>
<thead>
<tr>
<th>Procurement Area</th>
<th>Recommended Certification Limits</th>
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</thead>
<tbody>
<tr>
<td>Goods and Services (Local Funds Only)</td>
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</tr>
</tbody>
</table>

*The total potential commitment to the State whether single year or multi-term contracts are used.

James M. Stiles, CPPB
Audit Manager

Larry G. Sorrell, Manager
Audit and Certification
October 17, 1994

Mr. William E. Gunn
Materials Management Office
Office of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Eddie:

We have reviewed Midlands Technical College's response to our audit report for January 1, 1992 - March 31, 1994. 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 that internal controls over the procurement system are adequate.

Therefore, we recommend that the Budget and Control Board grant Midlands Technical College the certification limits noted in our audit report for a period of three (3) years.

Sincerely,

Larry G. Sorrell, Manager
Audit and Certification

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