PROCUREMENT AUDIT AND CERTIFICATION

FLORENCE-DARLINGTON TECHNICAL COLLEGE
AGENCY

JANUARY 1, 1986 - JUNE 30, 1987
DATE
February 29, 1988

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

Dear Rick:

Attached is the final Florence-Darlington Technical College audit report and recommendations made by the Office of Audit and Certification. I concur and recommend the Budget and Control Board grant Florence-Darlington Technical College three (3) years certification as outlined in the audit report.

Sincerely,

D.L. McMillin, CPPO
Acting Materials Management Officer

Attachment
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Mr. D.L. McMillin, CPPO
Acting Materials Management Officer
Division of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

We have examined the procurement policies and procedures of Florence-Darlington Technical College for the period January 1, 1986 through June 30, 1987. As apart 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 the Florence-Darlington 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 local fund 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 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 Florence-Darlington 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 the Florence-Darlington Technical College.

Our on-site review was conducted July 13, 1987 through July 30, 1987, 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.
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.

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

In procurement audits of governmental bodies thereafter, the auditors from the Division 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.

Our audit was performed primarily to determine if recertification for expenditures of local funds is warranted. Increased certification above the current $10,000.00 limit was not requested.
SCOPE

Our examination encompassed a detailed analysis of the internal procurement operating procedures of the Florence-Darlington Technical College and the related policies and procedures manual to the extent we deemed necessary to formulated 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 statistically selected random samples for the period January 1, 1986 - June 30, 1987 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. 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) inventory and disposition of surplus property;
(10) Minority Business Enterprise Utilization Plan approval.
SUMMARY OF AUDIT FINDINGS

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

I. Compliance - General
   A. Procurement Exceptions - Random Sample
      As part of our testing, we reviewed a sample of one hundred randomly selected transactions. During this test we noted five exceptions.
   B. Review of Invitations for Bids
      In addition to the testing mentioned in I.A. above, we reviewed an additional twenty-nine invitations for bids processed by the College. We noted exceptions and/or weaknesses in six of these.

II. Compliance - Sole Source and Emergency Procurements
    The College overstated sole source procurements. Also, we noted one emergency procurement where competition should have been solicited.

III. Leases of Real Property
     We reviewed two real property lease renewals which exceeded $5,000 annually that were not approved by the Division of General Services as required by the Procurement Code.
IV. **Procurement Procedures**
Our observation of procurement procedures at the College resulted in several recommendations for improvement.

V. **Review of the Internal Procurement Procedures Manual**
Our review of the Internal Procurement Procedures Manual revealed several areas that need to be added, changed, or expanded.
RESULTS OF EXAMINATION

I. Compliance - General

A. Procurement Exceptions - Random Sample

As part of our testing, we reviewed a sample of one hundred randomly selected transactions. The following exceptions were noted:

<table>
<thead>
<tr>
<th>P.O. #</th>
<th>P.O. Amount</th>
<th>Item Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. 07661</td>
<td>$ 5,000.00</td>
<td>Consultant fees</td>
</tr>
<tr>
<td>2. 08631</td>
<td>600.00</td>
<td>Repair leak</td>
</tr>
<tr>
<td>3. 08724</td>
<td>2,024.31</td>
<td>Galvanized steel</td>
</tr>
<tr>
<td>4. 08266</td>
<td>5,000.00</td>
<td>Truck repairs</td>
</tr>
<tr>
<td>5. 09878</td>
<td>530.00</td>
<td>Travel agent</td>
</tr>
<tr>
<td>6. No P.O. assigned</td>
<td>915.00</td>
<td>Travel agent</td>
</tr>
</tbody>
</table>

(Items 5 and 6 paid on voucher 17297 totalling $1,445.00)

Item one, purchase order 07661, was a sole source procurement of consultant services to assist the College in its fund-raising efforts. It was justified by the College as a sole source on the basis that the vendor had worked with them previously. We do not accept this procurement as a sole source.

Additionally, the procurement was unauthorized. It was initiated by the Development Department and forwarded to purchasing after services had started. The sole source determination was approved by the authorized individual six days after award.

Item two, purchase order 08631, was for repairing a leak in building 100. Competition was not obtained prior to the procurement action. This is in conflict with Regulation 19-445.2100 which requires solicitation of telephone quotes from a
minimum of two qualified sources for procurements of $500.01 - $1,499.99.

Item three, purchase order 08724, was a procurement of galvanized steel. The award, in error, was not made to the low bidder, but to the next bidder whose price was $67.00 higher.

Item four, purchase order 08266, was a blanket purchase agreement for repairs to tractor-trailer equipment. The purchase authorization was $5,000.00 but payments totalled $7,291.00.

Item numbers five and six were paid on voucher number 17297. This was a payment of 1,445.00 to a travel agent for two different airfares. One flight for $530.00 was on purchase order 9878 without competition. The other flight for $915.00 had no purchase order issued and was processed outside the purchasing department.

The College should take care to ensure that the requirements of the Procurement Code are met in all situations. Items one and six above require ratification as unauthorized procurements which is mandated by Regulation 19-445.2015.

B. Review of Invitations for Bids

In addition to the testing mentioned in I.A. previously, we reviewed twenty-nine formal competitive sealed bid invitations processed by the College since receiving procurement certification. We noted the following exceptions and/or weaknesses in this review.

(1) In a sealed bid for a painting dated March 1987, we noted the tabulation sheet had not been signed or
witnessed. This is a very important bid procedure control and should always be done.

(2) In a sealed bid for machine tool technology dated September 1986 for $4,225.00, the invitation for bids did not state how the award would be made. The invitation for bids was separated into three lots but the award was determined by the total of all three. Therefore, if a bidder was low on one lot but incomplete on the other, he was eliminated completely. The invitation for bids should have allowed for the flexibility to award by lot or in total, whichever was most advantageous to the College.

(3) Another good example of the problem noted in (2) above was an invitation for bids for electrical supplies. It included a list of thirty items. Again, the invitation did not state how the award would be made. It was to be awarded by the total bid for all thirty items. The bids received were one no bid, one incomplete bid by two items out of thirty and one complete bid. The award statement limited the College to one total award which could have resulted in increased cost.

(4) In a bid for printing view books and a tabloid for $5,920.00 and $6,480.00 respectively, we noted that the invitation for bids was not advertised in South Carolina Business Opportunities as required by Section 11-35-1580(4) of the Procurement Code.
(5) A procurement of CPR equipment dated June 1987 for $2,725.00 was supported by only two bid requests rather than three as required by Regulation 19-445.2035.

(6) A request for proposals was processed in May 1987 for management training. The use of a request for proposals instead of an invitation for bids was not justified in writing as required by Section 11-35-1530 of the Procurement Code.

II. Compliance - Sole Source and Emergency Procurements

We examined the quarterly reports of sole source and emergency procurements and all available supporting documents for the period October 1, 1985 through June 30, 1987. This review was performed to determine the appropriateness of the procurement action taken and the accuracy of the reports submitted to the Division of General Services, as required by Section 11-35-2440 of the Code. We found the majority of these transactions to be proper and accurately reported but did note the following problems:

Sole Source procurements

The College overstated sole source procurements by over $43,000.00 during the audit period. Sole source procurement determinations were prepared after solicitations for bids or quotations resulted in single bid responses. We noted thirteen procurements totalling $29,300.00 where competition had been solicited appropriately. Additionally, procurements totalling $13,750.00 for continuing education were reported as sole
Continuing education programs are considered exempt as services for resale where they are totally revenue supported.

These types of procurements should not be reported as sole sources in the future.

**Emergency Procurements**

Purchase order number 06760 totalling $2,576.00 was an emergency procurement for roof and flashing repairs necessitated by damages caused by a thunder and hail storm. We accept this as an emergency procurement but believe that time was available to solicit competition, at least, verbally.

Section 11-35-1570 of the Procurement Code states in part "emergency procurements shall be made with as much competition as practicable under the circumstances." The emergency procedures allow for a streamlined selection process, but competition should be solicited if time permits.

**III. Leases of Real Property**

Two leases of real property were renewed by the College without the approval of the Real Property Management Section of the Division of General Services, Numbers 997 and 998. Section 11-35-1590 of the Procurement Code requires such approval for all new lease agreements and renewals of existing lease agreements.

We recommend that the College seek approval of all future lease agreements. Further, the renewals noted here should be reported to the Division of General Services.
IV. Procurement Procedures

The following recommendations are made to tighten procurement procedures of the College.

(1) The purchasing office needs to have better file and purchase order documentation. Many purchase orders resulting from a state or agency contract failed to reference the contract number. Every purchase made from an existing contract should reference the contract number.

(2) All sealed bid packages should be assigned a bid number for better file reference and file accountability.

(3) When bids are received, the envelopes are stamped. When bids are opened, the envelopes are discarded. The purchasing office should either time stamp the bids at opening or keep the original stamped envelope in the file as evidence the bids were responsive.

(4) All invitations for bids are sent via certified mail, return receipt requested. The receipts are used in the file as the bidders list. This is fine, but in some cases the receipts were missing. We recommend that they be stapled in the file or secured in some other manner.

(5) There is no logical order of documents inside the bid files. We recommend that the bid folder be set up similar to the following, front to rear.
A. Certified mail receipts stapled to inside front bid folder.
B. Statement of award to the successful bidder.
C. Tabulation of bids, circling low bidder in red.
D. Any memos for record regarding bid or award.
E. A copy of the purchase order.
F. Low bidder's bid, followed by the next low bidders bids in amending order.

(6) All invitations for bids should state how the award will be made i.e., individual item, lot or total.

(7) The boiler plate, "Request for Bid" needs to be revised. It refers to bid(s) five times and proposal(s) five times on the same page. These are two different source selection methods. The terms bid and proposal are not interchangeable.

V. Review of the Internal Procurement Procedures Manual

As part of our examination, we reviewed the Purchasing Policies and Procedures Manual to insure it has been updated. We found the manual to be generally complete; however, we did note the following changes that need to be made:
Needed Changes

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Under the heading of Sole Source, the emergency procurement process is outlined. Sole source and emergency procedures need to be separated. Further the sole source procedures need to be more definitive.

18-A

The Goods and Services flow chart needs to be updated to show the procedures from $2,500.00 to the College's $10,000.00 certification limit.

23-27

All references to the E-forms for construction should be changed to the appropriate SPIRS form numbers.

Finally, for ease of reference, an index should be included at the front of the manual.
CERTIFICATION RECOMMENDATIONS

As enumerated in our transmittal letter, corrective action based on the recommendations described in the findings contained in the body of this report, we believe, will in all material respects place Florence-Darlington 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, and subject to this corrective action, we recommend Florence-Darlington Technical College be recertified to make direct agency procurements up to the following limit:

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<tr>
<th>PROCUREMENT AREAS</th>
<th>RECOMMENDED CERTIFICATION LIMITS</th>
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<tbody>
<tr>
<td>Goods and Services</td>
<td>*$ 10,000 per purchase commitment</td>
</tr>
<tr>
<td>(Local funds only)</td>
<td></td>
</tr>
</tbody>
</table>

*Total purchase commitment whether single year or multi-term contracts are used.

James M. Stiles, PPB Audit Supervisor

R. Voight Shealy, Manager Audit and Certification
January 13, 1988

Mr. R. Voight Shealy, Manager
Audit and Certification
Division of General Services
1201 Main Street, Suite 600
Columbia, SC 29201

Dear Voight:

Thank you for your letter of December 30, 1987, relative to our most recent procurement audit.

Please be assured that the recommendations and findings in the audit report have been thoroughly examined by our staff. Corrections have been made as called for in the report, and we are in the process of updating and making other necessary changes.

I wish to thank you for the professional manner in which the audit was conducted. We appreciate the opportunity to be reviewed for recertification and trust that it will be granted for the college.

Sincerely,

Efford H. Windham
Vice President for Fiscal Affairs

EHW:lna
cc: Mr. John Blackmon
February 29, 1988

Mr. D.L. McMillin, CPPO
Acting Materials Management Officer
Division of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear D.L.:

We have reviewed the response to our audit report of Florence-Darlington Technical College covering the period January 1, 1986 through June 30, 1987. Combined with observations made during our site visit, this review has satisfied the Office of Audit and Certification that the College is correcting the problem areas found and that internal controls over the procurement system are adequate.

We therefore, recommend that the certification limits for Florence-Darlington Technical College outlined in the audit report be granted for a period of three (3) years.

Sincerely,

R. Voight Shealy, Manager
Audit and Certification