PROCUREMENT
AUDIT AND
CERTIFICATION

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FLORENCE-DARLINGTON
TECHNICAL COLLEGE

AGENCY
JULY 1, 1987 - OCTOBER 31, 1990
DATE
March 27, 1991

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

Dear Rick:  

I have attached the Florence-Darlington 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 three (3) year certification as noted in the audit report.

Sincerely,

James J. Forth, Jr.  
Assistant Division Director  

JFF/jjm  
Attachment
FLORENCE-DARLINGTON TECHNICAL COLLEGE

PROCUREMENT AUDIT REPORT

JULY 1, 1987 - OCTOBER 31, 1990
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transmittal Letter</td>
<td>1</td>
</tr>
<tr>
<td>Introduction</td>
<td>3</td>
</tr>
<tr>
<td>Background</td>
<td>4</td>
</tr>
<tr>
<td>Scope</td>
<td>5</td>
</tr>
<tr>
<td>Summary of Audit Findings</td>
<td>6</td>
</tr>
<tr>
<td>Results of Examination</td>
<td>8</td>
</tr>
<tr>
<td>Certification Recommendations</td>
<td>16</td>
</tr>
</tbody>
</table>

**NOTE:** The College's responses to issues noted in this report have been inserted immediately following the issues they refer to.
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 examined the procurement policies and procedures of Florence-Darlington Technical College for the period July 1, 1987 - October 31, 1990. 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 Florence-Darlington 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 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 Florence-Darlington Technical College in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

R. Volght Shealy, CFE, 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 Florence-Darlington Technical College.

Our on-site review was conducted November 27, 1990 through December 12, 1990, 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.

Most recently, on April 12, 1988, the Budget and Control Board granted Florence-Darlington Technical College the following certification:

Goods and Services $10,000 per commitment
(Local Funds Only)

Our audit was performed primarily to determine if recertification for expenditures of local funds is warranted. Additionally, during the audit, the College requested that its certification be raised to $15,000.00.
SCOPE

Our examination was performed in accordance with Generally Accepted Auditing Standards as they apply to compliance audits. It encompassed a detailed analysis of the internal procurement operating procedures of Florence-Darlington 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. The 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 the following areas:

(1) All sole source and emergency procurements (7/1/87-9/30/90)
(2) Property management and fixed asset procedures
(3) Purchase orders for fiscal years 1988/89, 1989/90 and part of fiscal year 1990/91 as follows:
   a) one hundred eight randomly selected procurement transactions, each exceeding $500.00
   b) block sample of five hundred sequentially numbered purchase orders
(4) Two of three permanent improvement projects for compliance with the Manual for Planning and Execution of State Permanent Improvements
(5) Real property leases
(6) Procurement staff and training
(7) Information Technology Plans
(8) Procurement Procedures Manual
SUMMARY OF AUDIT FINDINGS

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

I. Sole Source and Emergency Procurements
   A. Inappropriate Sole Source Procurements
      1. Procurements of Telephone Service and Equipment.
         The College inappropriately made nine procurements of telephone service and equipment using the sole source methodology. This area of procurement is under the sole authority of the Division of Information Resource Management of the Budget and Control Board.
      2. Procurements Inappropriately Justified as Sole Sources
         We believe four procurements were inappropriately declared sole sources.

II. General Code Compliance Violations
    A. Contracts Inappropriately Extended
       The College extended 3 contracts to additional periods but did not follow any of the multi-term contract procedures. As a result, two of the contracts were unauthorized.
B. Inadequate Competition Solicited
Four procurements did not have adequate solicitations of competition as required by the Code.

C. Unauthorized Procurements
Our testing revealed three procurements which were unauthorized. Furthermore, the Vice President for Business and Finance was ratifying contracts without authority.

D. Inadequate Descriptions on Some Purchase Orders
We observed that purchase orders issued for service related contracts did not have sufficient description information to ensure that invoices were billed in accordance to contract terms.

E. Sealed Bid Awarded to Wrong Vendor
Due to a miscalculation on a vendor preference, a contract was awarded to the wrong vendor.

F. Missing File for a Sealed Bid
The College was unable to provided us with one sealed bid file.
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, 1987 through September 30, 1990. This review was performed to determine the appropriateness of the procurement actions taken and the accuracy of the reports submitted to the Division of General Services as required by Section 11-35-2440 of the Consolidated Procurement Code. We noted the following problems.

A. Inappropriate Sole Source Procurements

1. Procurements of Telephone Service and Equipment

The College made nine procurements of telephone service and equipment as sole sources. These items were approved by the Division of Research and Statistical Services on the College's Information Technology Plan. However, because the College was unaware of State Law on procurements of telephone service and equipment, they did not submit the procurements to the appropriate authority for processing. These procurements were as follows:

<table>
<thead>
<tr>
<th>PO Number</th>
<th>PO Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. 14980</td>
<td>$6,163.50</td>
<td>Service</td>
</tr>
<tr>
<td>2. 14317</td>
<td>2,802.37</td>
<td>Equipment</td>
</tr>
<tr>
<td>3. 18764</td>
<td>2,738.00</td>
<td>Service</td>
</tr>
<tr>
<td>4. 18392</td>
<td>2,640.00</td>
<td>Service</td>
</tr>
<tr>
<td>5. 14981</td>
<td>2,300.00</td>
<td>Service</td>
</tr>
<tr>
<td>6. 0194</td>
<td>1,466.00</td>
<td>Equipment</td>
</tr>
<tr>
<td>7. 2001</td>
<td>813.00</td>
<td>Service</td>
</tr>
<tr>
<td>8. 1146</td>
<td>772.96</td>
<td>Service</td>
</tr>
<tr>
<td>9. 1189</td>
<td>668.85</td>
<td>Equipment</td>
</tr>
</tbody>
</table>
Procurements of telephone service and telephone equipment for State agencies and colleges are under the sole authority of the Budget and Control Board's Division of Information Resource Management. Section 1-11-430 of the Code of Laws states in part, "The State Budget and Control Board shall secure all telecommunications equipment and services for the State government enterprise..." As a result, state agencies are without authority to enter into any contract for telecommunications equipment or service. Therefore, the College had no authority to make these procurements and should not have made them as sole source.

We recommend that the College coordinate all future procurements of telephone equipment and services through the Division of Information Resource Management. Furthermore, the procurements noted above are unauthorized since the College had no authority to procure these items. Consequently, the College President must request ratification of these procurements from the Materials Management Officer in accordance to Regulation 19-445.2015.

**COLLEGE RESPONSE**

All requests for approvals for telephone service and equipment will be submitted through the Division of Information Resource Management as well as the Division of Research and Statistical Services. Ratification of those findings included in the report has been requested.

2. Procurements Inappropriately Justified as Sole Sources

Four procurements were inappropriately declared as sole sources. They should have been competed. They were as follows:
<table>
<thead>
<tr>
<th>PO Number</th>
<th>PO Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1236</td>
<td>$1,659.00</td>
<td>Catering services</td>
</tr>
<tr>
<td>16861</td>
<td>$1,531.00</td>
<td>Maintenance service</td>
</tr>
<tr>
<td>17314</td>
<td>$1,163.00</td>
<td>Seminar services for asbestos</td>
</tr>
<tr>
<td>15959</td>
<td>$719.94</td>
<td>Cholesterol test strips</td>
</tr>
</tbody>
</table>

Regulation 19-445.2105, Subsection B, states, "Sole source procurement is not permissible unless there is only a single supplier... In cases of reasonable doubt, competition should be solicited."

We recommend that procurements which do not meet the definition of a sole source be competitively bid in accordance to the Procurement Code.

**COLLEGE RESPONSE**

Procurements which do not meet the definition of a sole source will be competitively bid in accordance with the Procurement Code.

II. General Code Compliance Violations

A. Contracts Inappropriately Extended

Three contracts were inappropriately extended for additional terms even though no options to extend were included in the original solicitations. The College did not follow any of the requirements for multi-term contracts as outlined in Section 11-35-2030 of the Procurement Code.

The contracts were bid as one year contracts. However, instead of rebidding these contracts at the end of their terms, the College renewed the existing contracts.
Additionally, the College did not take into consideration the total potential value of these contracts resulting in insufficient competition being solicited and the painting services contracts being unauthorized because they exceeded the College's level of procurement authority. The contracts were as follows:

<table>
<thead>
<tr>
<th>Contract Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Painting services on an as-needed-basis</td>
<td>$9,999.99</td>
</tr>
<tr>
<td>for fiscal year 1987-1988</td>
<td></td>
</tr>
<tr>
<td>2) Painting services on an as-needed-basis</td>
<td>9,999.99</td>
</tr>
<tr>
<td>for fiscal year 1989-1990</td>
<td></td>
</tr>
<tr>
<td>(Both contracts above were extended for the</td>
<td></td>
</tr>
<tr>
<td>succeeding fiscal year for another</td>
<td></td>
</tr>
<tr>
<td>$9,999.99 each.)</td>
<td></td>
</tr>
<tr>
<td>3) Fire alarm maintenance service</td>
<td>1,265.00</td>
</tr>
</tbody>
</table>

The fire alarm maintenance service contract was originally bid in 1985 and awarded at the amount shown. This contract has continued to be renewed and is currently at $1,668.43 per year.

We recommend that the College follow the multi-term procurement procedures as outlined in Section 11-35-2030 of the Procurement Code. The use of this procurement method must be justified in writing prior to its use. The total potential value must be taken into consideration when determining the appropriate amount of competition to solicit. And, all bidders must be made aware in the solicitations that the contracts may be extended for additional periods. Finally, the first two contracts listed above must be submitted to the Materials Management Officer for ratification in accordance with regulation 19-445.2015.
COLLEGE RESPONSE

Multi-term procurement procedures as outlined in Section 11-35-2030 will be followed. The total potential value of a contract will be taken into consideration when determining the appropriate amount of competition to solicit. Contracts for painting services referred to in the report have been submitted for ratification.

B. Inadequate Competition Solicited

The competition solicited on four contracts did not meet the minimum requirements of the Procurement Code. They were as follows:

<table>
<thead>
<tr>
<th>PO Number</th>
<th>PO Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. P001427</td>
<td>$8,120.00</td>
<td>Transportation service</td>
</tr>
<tr>
<td>2. P002174</td>
<td>5,400.00</td>
<td>Furnish &amp; install HVAC system</td>
</tr>
<tr>
<td>3. P000206</td>
<td>2,100.00</td>
<td>Management review</td>
</tr>
<tr>
<td>4. P001814</td>
<td>1,580.00</td>
<td>Light fixtures</td>
</tr>
</tbody>
</table>

For items 1 and 2, the College solicited three sealed bids. Regulation 19-445.2035 requires solicitation of a minimum of five sealed bids for contracts from $5,000.00 to $9,999.99. The College solicited one written quotation on item 3 and solicited two written quotations on item 4. Regulation 19-445.2100 requires for contracts from $1,500.00 to $2,499.99, solicitation of a minimum of three written quotations.

We recommend that if minimum bid solicitation requirements cannot be met, a written determination be prepared in accordance with Regulation 19-445.2035, Subsection A. Otherwise minimum bid solicitation requirements must be met.

COLLEGE RESPONSE

A written determination will be prepared in accordance with Regulation 19-445.2035 if minimum bid solicitation requirements cannot be met.
C. Unauthorized Procurements

Our testing revealed three procurements which were unauthorized. They were as follows:

<table>
<thead>
<tr>
<th>PO Number</th>
<th>PO Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>P000698</td>
<td>$1,000.00</td>
<td>Training for software</td>
</tr>
<tr>
<td>13747</td>
<td>$350.00</td>
<td>Roof repairs totalling $1,187.00</td>
</tr>
<tr>
<td>13725</td>
<td>$200.00</td>
<td>Roof repairs totalling $540.00</td>
</tr>
</tbody>
</table>

On item 1, the services were rendered before the procurement officer was ever made aware of the contract. An individual without requisite authority made the procurement. Therefore, the contract was unauthorized.

For items 2 and 3, purchase orders were issued for the roof repairs. However, the amounts actually charged exceeded the amounts authorized on the purchase orders. The procurement officer was never made aware of this and the amounts charged were paid. Therefore, these changes were unauthorized.

College policy requires that written change orders be issued by the procurement office. We recommend that the College adhere to this policy. Also, ratification must be requested for these procurements from the appropriate officials.

Furthermore, unaware that this authority could not be delegated, an administrative officer has ratified procurements within the College's certification. Since this authority cannot be delegated below the head of an agency, we recommend that the President ratify all future unauthorized procurements within the College's certification.
COLLEGE RESPONSE

The Procurement Officer for the College now issues written change orders. The President of the College will ratify all future unauthorized procurements within the College's certification.

D. Inadequate Descriptions on Some Purchase Orders

We observed that purchase orders for service related contracts did not contain sufficient information to identify bid prices such as hourly rates and percentage of discounts on repair parts. This information is critical on the purchase order since accounts payable is responsible for verifying invoices to purchase orders.

We recommend that this critical information be included in the description of the purchase order. Also, vendors should be required to invoice the College based on this same information so that accounts payable can verify the charges.

COLLEGE RESPONSE

Critical information giving complete description will be included in purchase orders for service related contracts.

E. Sealed Bid Awarded to Wrong Vendor

Due to a miscalculation on a vendor preference, a contract was awarded to the wrong vendor. This award was on purchase order 15655 in the amount of $3,225.60 for instructional equipment.

We recommend the College take more care in calculating the effects of preferences in making awards.
COLLEGE RESPONSE

Care will be taken in calculating the effects of preference in making awards.

F. Missing File for a Sealed Bid

The procurement officer was unable to locate sealed bid file number 148 for furniture. The purchase order number is 18616 and amounted to $5,596.92. Since we are unable to review this procurement, we must take exception to it.

We recommend that the procurement office require a signout signature for files removed from the office.

COLLEGE RESPONSE

A signout signature is now required for files removed from the office.
CERTIFICATION 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 Florence-Darlington Technical College in compliance with the South Carolina Consolidated Procurement Code.

The College must take the necessary action to correct the deficiencies noted herein by March 15, 1991. We will perform a follow-up to verify completion.

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 for a period of three (3) years:

<table>
<thead>
<tr>
<th>Procurement Area</th>
<th>Recommended Certification Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods and Services (Local Funds Only)</td>
<td>*$15,000 per purchase commitment</td>
</tr>
</tbody>
</table>

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

Robert J. Aycock, IV
Audit Supervisor

R. Volight Shealy, CFE, Manager
Audit and Certification
March 26, 1991

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 Florence-Darlington Technical College's response to our procurement audit report for July 1, 1987 - October 31, 1990. 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 Florence-Darlington Technical College the certification limit noted in our audit report for a period of three (3) years.

Sincerely,

R. Veight Shealy, Manager
Audit and Certification

RVS/jjm