South Carolina
Division of General Services

PROCUREMENT
AUDIT AND
CERTIFICATION

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FLORENCE-DARLINGTON TECHNICAL COLLEGE

AGENCY
OCTOBER 1, 1993 - SEPTEMBER 30, 1996
DATE
March 24, 1997

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

Dear Helen:

I have attached 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 year certification as noted in the audit report.

Sincerely,

R. Voight Shealy
Materials Management Officer
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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.
January 24, 1997

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 Florence-Darlington Technical College for the period October 1, 1993 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 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 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 Florence-Darlington 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 Florence-Darlington Technical College. Our on-site review was conducted October 14 through 31, 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. Further, on June 12 - 13, 1995, we performed a limited interim review of procurement activity and have attached that letter report as Attachment A at the end of this report.

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 Florence-Darlington Technical 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 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.

On April 5, 1994, the Budget and Control Board granted Florence-Darlington Technical College the following procurement certifications:

<table>
<thead>
<tr>
<th>Category</th>
<th>Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods and Services</td>
<td>$25,000 per commitment</td>
</tr>
<tr>
<td>Information Technology in accordance with the approved Information Technology Plan</td>
<td>$25,000 per commitment</td>
</tr>
</tbody>
</table>

Our audit was performed primarily to determine if recertification is warranted. Florence-Darlington Technical College did not request an increase in the current certification limits.
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 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.

We selected judgmental samples for the period October 1, 1993 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 combined with the interim review included, but was not limited to, a review of the following:

1. All sole source, emergency and trade-in sale procurements for the period October 1, 1993 through September 30, 1996

2. Procurement transactions for the period October 1, 1993 through September 30, 1996 as follows:
   a) Ninety-three payments, each exceeding $1,500
   b) A block sample of 500 numerically filed purchase orders
   c) Interim review test of 30 vendor payment files

3. Minority Business Enterprise reports for the audit period

4. Information technology plans for fiscal years 94/95 and 95-98

5. Internal procurement procedures manual

6. Blanket purchase agreements

7. Real property leases
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 as follows:

I. Unauthorized Procurements

Nine procurements made on ten purchase orders were unauthorized either because the College did not have the authority to make the procurements or the individuals at the College did not have delegated procurement authority to make the purchases. Some of these transactions were not supported by competition.

II. Procurements With Inadequate Competition

Four procurements made on five purchase orders were not supported by adequate solicitations of competition, sole source or emergency procurement determinations.

III. Incorrect Application of Preference

The College incorrectly applied a preference resulting in the wrong vendor being awarded the contract. The error cost the College $450 plus applicable sales tax.

IV. Printing Service Procurements

Two procurements for printing services did not include the standard printing specification sheet as required by the South Carolina Government Printing Services Manual. The College allowed an overrun of 7.5% whereas only 5% was permissible. Freight of $95.36 was incorrectly billed and paid.
RESULTS OF EXAMINATION

I. Unauthorized Procurements

Nine procurements were made on the following ten purchase orders that were unauthorized because the College does not have authority to make the procurements or individuals who made the procurements did not have procurement authority.

<table>
<thead>
<tr>
<th>PO</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>16919</td>
<td>College master plan</td>
<td>$15,000</td>
</tr>
<tr>
<td>16742</td>
<td>Renovation of office space</td>
<td>9,750</td>
</tr>
<tr>
<td>16724</td>
<td>Furnish and install gas pack</td>
<td>8,000</td>
</tr>
<tr>
<td>20385</td>
<td>Advertising campaign</td>
<td>14,681</td>
</tr>
<tr>
<td>20521</td>
<td>Advertising campaign</td>
<td>15,681</td>
</tr>
<tr>
<td>22864</td>
<td>Major gifts campaign</td>
<td>13,365</td>
</tr>
<tr>
<td>22874</td>
<td>Image campaign</td>
<td>9,208</td>
</tr>
<tr>
<td>12894</td>
<td>Presidential search</td>
<td>8,000</td>
</tr>
<tr>
<td>21539</td>
<td>Deposit for conference facility</td>
<td>3,920</td>
</tr>
<tr>
<td>23100</td>
<td>Balance for conference facility</td>
<td>Total not to exceed 10,000</td>
</tr>
</tbody>
</table>

The College master plan procured on purchase order 16919 was architectural/engineering services. Section 11-35-3230 (3) of the Code requires the approval of the State Engineer’s Office. The College did not request or obtain the approval. Without the approval from the State Engineer’s Office, the procurement was unauthorized as defined in Regulation 19-445.2015 (A).
On purchase orders 16742 and 16724 in the respective amounts of $9,750 and $8,000, the College procured construction services. The certification level for construction services is limited to $5,000 per commitment, thus resulting in each procurement being unauthorized. The specific services performed under these purchase orders were to renovate office space and the installation of a new 4 ton roof top gas pack unit for heating and cooling purposes. The definition of construction services as defined by the Manual for Planning and Execution of State Permanent Improvements includes a contract for the process of building, altering, repairing, remodeling, improving or demolishing any public structure or building or other public improvements of any kind to any public real property.

We recommend the College adhere to the definition of construction services and procure those contracts through the Office of the State Engineer when the contracts are valued at more than $5,000. The State Engineer has life safety responsibility over all public structures and must review plans and specifications for life safety and building code issues.

Since the College did not have the authority to procure the three contracts cited above, ratification must be requested by the College President from State Engineer in accordance with the provisions indicated in Regulation 19-445.2015.

On purchase orders 20385 and 20521 the College procured the services of an advertising firm in the respective amounts of $14,681 and $15,681. The College considered this procurement exempt from the Code and competition was not solicited. The exemption used by the College is for advertising time or space in newspapers, radio or television. The exemption clearly states that consultants obtained to handle advertising campaigns for agencies are not exempt. The firm hired by the College did manage an advertising campaign for the College. The invoices indicated that services had already begun before the
procurements were authorized, thus making each transaction unauthorized. Furthermore, as
the wording in the exemption indicates, the services were consultant services for which the
College only has authority up to $5,000 per commitment.

A ratification request from the College President must be submitted to the Materials
Management Officer as required in Regulation 19-445.2015 for these two unauthorized
procurements.

On purchase orders 22864 and 22874 in the respective amounts of $13,365 and $9,208,
the College procured consultant services for the purpose of managing a major gifts campaign
and an image campaign. Also, no competition was solicited on these two procurements
because the College incorrectly considered the contracts exempt from the Code due to the
College Foundation reimbursing the College for the cost of the contracts. Section 11-35-40
(2) of the Code states in part, “This code shall apply to every expenditure of funds by this
State... irrespective of the source of the funds....” In order for Foundation funded
procurements to be exempt from the Code, the Foundation must make them directly. The
College has consultant services authority up to $5,000 per commitment. The two
procurements were unauthorized as each exceeded the $5,000 authority. A ratification request
from the College President must be submitted to the Materials Management Office as required
by Regulation 19-445.2015 for the two unauthorized procurements.

Prior to the selection of the current President at the College, the College hired a consultant
on purchase order 12894 in the amount of $8,000 for the purpose of assisting the College in
screening presidential candidates. The procurement was not supported by evidence of
solicitations of competition, sole source or emergency procurement determinations.
Furthermore, the College’s procurement authority for consultants is limited to $5,000, thus
making this contract unauthorized. We recommend ratification be requested by the College President from the Materials Management Officer in accordance with the provisions of Regulation 19-445.2015.

On purchase orders 21539 and 23100 the College procured conference facility services for a Board retreat. Purchase order 21539 was issued to pay a deposit. Purchase order 23100 was issued to pay the balance due after the end of the conference. The Budget and Control Board adopted an exemption from the Code for such procurements provided that agencies follow guidelines established by the Office of General Services. One of the guidelines was the completion of a form known as the Justification For Conference Site Selection that documents the steps to be followed for conference site selection. Prior to the completion of the form by the College, a contract was signed on October 4, 1995 by someone at the College without procurement authority. Purchase order 21539 was issued on October 16, 1995, however, the form was not signed until January 3, 1996 approving the conference site selection.

We remind the College that the conference site selection guidelines should be followed and the Justification For Conference Site Selection form be approved prior to commitments being made. Additionally, conference facility contracts should be signed by someone with requisite procurement authority at the College. Since these steps were not followed, the contract was unauthorized. Ratification should be requested from the College President in accordance to Regulation 19-445.2015 as the value of the contract was less than the College’s procurement authority of $25,000 for goods and services.

**College Response**

Items 1 through 3 of the report will be sent to the State Engineer Office to be ratified as you recommended. Items 4 through 8 of the report will be sent to the Materials Management Office to be ratified as you recommended. Items 9 through 10 have been ratified by this office and corrective action has been taken to prevent such recurrences.
II. Procurements With Inadequate Competition

The following procurements were made with either inadequate or no solicitations of competition, sole source or emergency procurement determinations.

<table>
<thead>
<tr>
<th>PO</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>15820</td>
<td>Energy management system service and software</td>
<td>$22,600</td>
</tr>
<tr>
<td>19322</td>
<td>Reception for SACS committee</td>
<td>1,259</td>
</tr>
<tr>
<td>19345</td>
<td>Dinner for SACS team</td>
<td>1,359</td>
</tr>
<tr>
<td>14264</td>
<td>Tools</td>
<td>8,768</td>
</tr>
<tr>
<td>20829</td>
<td>Lease contract</td>
<td>4,961</td>
</tr>
</tbody>
</table>

The procurement for the energy management system service and software was made with only four written solicitations of competition. For procurements between $10,000 and $25,000, the Code requires that a minimum of five written solicitations of competition be made. The solicitation was for a two year contract. Section 11-35-2030 of the Code limits a contract to no more than one year unless it is determined prior to use:

(a) that estimated requirements cover the period of the contract and are reasonably firm and continuing;
(b) that such contract will serve the best interest of the State by encouraging effective competition or otherwise promoting economies in state procurement.

No such multi-term determination was prepared justifying the use of a multi-term contract.

We recommend that the minimum levels of competition be solicited and multi-term determinations be prepared prior to use of any multi-term contracts.

On purchase orders 19322 and 19345 in the amounts of $1,259 and $1,359, the College procured from one vendor services for a reception to be held on March 3, 1995 and a dinner to
be held on March 5, 1995. The reception and dinner were held for the SACS committee and team members. These purchase orders should have been combined and competition solicited. As it was done, no competition was solicited. Section 11-35-1550 of the Code states in part, “...procurement requirements shall not be artificially divided by governmental bodies....”

We recommend that procurement requirements not be artificially divided and appropriate levels of competition be solicited.

Purchase order 14264 for tools was issued to the vendor that provided a grant to the College to procure those tools. No competition was solicited or sole source or emergency determination prepared. Part of the requirement to receive the grant was that certain tools would be bought from the vendor. This being the case the College could not have competed the contract for the tools. Given the circumstances above, a sole source procurement would have been appropriate and should have been done.

We recommend that when the College confronts situations as presented above the sole source procurement method be used.

Purchase order 20829 for $4,961 was issued for a lease agreement on medical equipment. Section 11-35-1550 (2) (b) of the Code requires solicitations of verbal or written quotes from a minimum of three qualified sources for purchases from $1,501 to $5,000. No competition was solicited nor was a determination for a sole source or emergency procurement prepared.

We recommend the College comply with the provisions of the Code and Regulation as applicable.

**College Response**

Your report revealed five situations that were not documented properly to reveal evidence of competition, sole source, or emergency procurements. There were specific valid reasons for the procurements, however, the files did not indicate such. In the future, the College will procure services of this nature in compliance with the Code with proper documentation.
III. Incorrect Application of Preference

On purchase order 13460 the College bought a forklift in the amount of $14,625. In the evaluation of the vendor quotes, the College applied the United States/ South Carolina made preference in determining the award. However, the preference does not apply when the unit price of an item is more than $10,000 as indicated in Regulation 19-446.1000. The application of the preference was incorrect and resulted in the wrong vendor being awarded the contract. Further, the incorrect application of the preference cost the College $450 plus applicable sales tax, the difference in the correct low vendor and the awarded vendor.

On a side note, the correct low vendor requested to be considered for the US made preference whereas the awarded vendor requested the SC made preference. The US made preference was not applied for this particular vendor. Had the College consistently applied the preferences as requested by the vendors, the correct low bidder would have been awarded the contract anyway.

We recommend that close attention be paid to the correct application of preferences.

College Response
Your report revealed one situation where the College failed to comply with Regulation 19-446.1000. The College incorrectly applied the US/SC Preference. In the future, the College will pay closer attention to the correct application of preferences.

IV. Printing Service Procurements

We reviewed two procurements for printing services that did not include the standard printing specification sheet as required on page one of the South Carolina Government Printing Services Manual. The omittance of the sheet occurred on purchase orders 19408 and 19653 issued in the respective amounts of $5,300 and $2,978. The printing specification sheet was developed jointly by the South Carolina printing industry and the Materials
Management Office for the purpose of insuring that specifications for printing jobs were accurately made and communicated.

Further, on purchase order 19653, the College accepted a 7.5% overrun whereas the printing manual only allows vendors to bill up to a 5% overrun. Also, even though the awarded vendor prepared the quote F.O.B. destination, the vendor billed and was paid $95.36 for freight.

We recommend the College adhere to the requirements of the South Carolina Government Printing Services Manual. Also, the printing specification sheet should be incorporated into each printing service procurement.

**College Response**

Your report revealed two situations that were not documented properly or the printing manual specifications were not being followed. In the future, the College will adhere to the requirements of the South Carolina Government Printing Services Manual.
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.

Under the authority described in Section 11-35-1210 of the Procurement Code, subject to this corrective action, we recommend Florence-Darlington Technical College be recertified to make direct agency procurements for three years up to the limits as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods and Services</td>
<td>*$25,000 per commitment</td>
</tr>
<tr>
<td>Information Technology in accordance with the approved Information Technology Plan</td>
<td>*$25,000 per commitment</td>
</tr>
</tbody>
</table>

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

Robert J. Aycock, IV
Audit Manager

Larry G. Sorrell, Manager
Audit and Certification
Dear Dr. Gould:

On June 12 and 13, I performed an interim review at the College. The review was to determine whether the College was procuring items in accordance with the Code under their certification. The scope of the review included the following:

1. All sole source and emergency procurements and trade-in sales for October 1, 1993 through March 31, 1995
2. Minority Business Enterprise Plan and reports for October 1, 1993 through March 31, 1995
3. A review of 30 vendor payment files
4. The internal procedures manual

Since our previous audit the College has maintained what we consider to be a professional, efficient procurement system. However, we did note the following exception.

1. Two reporting errors were made on the sole source quarterly report. PO14496 was reported as a sole source but was processed as an emergency and PO17728 did not have to be processed as a sole source since it was exempt.

2. During my review of the manual, I noticed that the following changes should be made:

   - Page 6, Section B 1.4 - The first sentence says “written solicitation or written quotes". According to Section 11-35-1550, it should be “written solicitation of written quotes".

   - Page 6, Section B 1.4 - I believe the last word under this section should be supervisor not supervision.

   - Page 6-7, Section B 1.5 - South Carolina Business Opportunities is published twice a week.

   - Page 7-11, Section B2 - 2.13 - These sections apply to competitive sealed bids per Section 11-35-1520 of the Code, not to quotes. If you wish to remove this section, you can. By having it in your manual, you are being more restrictive than the Code.
• Page 12, Section B 6 - Emergency is defined in this section but you need add sole source definition. If you want to address both these items in one section, that is fine but probably should be addressed in separate paragraphs.

• Page 12, Section B 6 - You need to address the quarterly reports that must be submitted to the Materials Management Office.

• Page 12 - 13, Section B 7.1 - “Installation purchases” should be installment purchases in the second paragraph.

• Page 14, Section B 8.1 - The last sentence in the first paragraph is confusing. The Materials Management Officer can ratify unauthorized procurements above the College’s certification limit. No limit is set on the Materials Management Officer’s authority. Please change this sentence.

• Page 14, Section B 8.1 - The second paragraph indicates that the President prepares the ratification request even when it is within his authority ratify. The paragraph does apply when requesting ratification from the Materials Management Office. The internal ratification request needs to be added to this section.

I want to express my appreciation to Lorena McLeod and Judy Gardner for all the assistance provided during my review. If you have any question or concern, please call me at 737-0644.

Sincerely,

Melissa Rae Thurston
Compliance and Certification Analyst

cc: Larry Sorrell, Manager
    Lorena McLeod
March 24, 1997

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

Dear Voight:

We have reviewed the response from Florence-Darlington Technical College to our audit report for the period of October 1, 1993 - 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.

Therefore, we recommend the Budget and Control Board grant Florence-Darlington Technical College certification limits noted in our report for period of three years.

Sincerely,

Larry G. Sorrell, Manager
Audit and Certification

LGS/tl

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