PROCUREMENT AUDIT AND CERTIFICATION

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FLORENCE/DARLINGTON TECHNICAL COLLEGE
AGENCY

OCTOBER 1, 1996 – SEPTEMBER 30, 1999
Mr. Robert W. McClam, Director
Office of General Services
1201 Main Street, Suite 420
Columbia, South Carolina 29201

Dear Robbie:

I have attached Florence-Darlington 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 the College a three-year certification as noted in the audit report.

Sincerely,

R. Voight Shealy
Materials Management Officer
FLORENCE-DARLINGTON TECHNICAL COLLEGE
PROCUREMENT AUDIT REPORT

OCTOBER 1, 1996 - SEPTEMBER 30, 1999
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**NOTE:** The College’s responses to issues noted in this report have been inserted immediately following the items they refer to.
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, 1996 through September 30, 1999. 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, State regulations and the College’s 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 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 November 15, 1999 through December 3, 1999, 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.

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 the College in promoting the underlying purposes and policies of the Code as outlined in Section 11-35-20, which includes:

(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 Office 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 8, 1997 the Budget and Control Board granted the College the following procurement certifications:

<table>
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<tr>
<th>Procurement Areas</th>
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<tbody>
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<td>Goods and Services (Local Funds Only)</td>
<td>$25,000 per commitment</td>
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<td>Information Technology (Local Funds Only)</td>
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</tbody>
</table>

Our audit was performed primarily to determine if recertification is warranted. No additional certification was requested.
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, 1996 through September 30, 1999 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 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, 1996 through September 30, 1999

(2) Procurement transactions for the period October 1, 1996 through September 30, 1999 as follows:
   a) One hundred-eight payments exceeding $1,500 each
   b) A block sample of five hundred purchase orders for order splitting and favored vendors

(3) Nine construction contracts and four professional service contracts for compliance with the Manual for Planning and Execution of State Permanent Improvements

(4) Minority Business Enterprise reports for the audit period

(5) Information technology plans for the audit period

(6) Internal procurement procedures manual review

(7) Procurement file documentation and evidence of competition

(8) Surplus property procedures
SUMMARY OF AUDIT FINDINGS

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

I. General Procurement Exceptions
   A. Preferences Not Included in Bid Documents

   The College, in its written solicitations, does not provide bidder preference information allowed by the Code.

   B. Artificially Divided Procurement

   A procurement for printing services appears to have been artificially divided.

   C. Revenue Generating Contract

   We reviewed a food service contract that was not properly procured.

   D. Mandatory Pre-bid Sign In Sheets Not Available

   None of the bid files we reviewed which required vendors to attend mandatory pre-bid conferences had vendor sign in sheets.

   E. Freight Terms Not Always on Purchase Orders

   We noticed that purchase orders generally do not address freight terms.

II. Unauthorized Sole Source Procurement

   The justification to support a sole source procurement was prepared seven months after the effective date of the contract.

III. Construction Services

   A change order was not supported by an acknowledgement from the State Engineer.
RESULTS OF EXAMINATION

I. General Procurement Exceptions

A. Preferences Not Included in Bid Documents

The College does not provide bidder preference information in its written solicitations. Section 11-35-1524 of the Code allows preferences for resident vendors and end products made, manufactured or grown in South Carolina or the United States. However, the bidders are not being informed of the availability of these preferences.

We recommend the preferences found in Section 11-35-1524 be included in the written solicitations.

COLLEGE RESPONSE
The South Carolina Consolidated Procurement Code on vendor preferences, Section 11-35-1524, does not cross reference small purchases Section 11-35-1550. Section 11-35-1524 notes that the vendor must request in writing for the preference and the agency would provide the documentation at that time. However, the College will follow your recommendation and include preference documentation with written solicitations.

B. Artificially Divided Procurement

A procurement for printing services appears to have been artificially divided thereby circumventing the Code’s procurement requirements. Purchase orders 30643 and 30642 totaling $13,993 were issued to print course schedules for the summer and fall of 1998 respectively. The two purchase orders, issued to the same vendor, were supported by one set of quotes. Since the value of the two purchase orders exceeded $10,000, written solicitations of written quotes and advertisement in the South Carolina Business Opportunities were required.

We recommend procurements not be artificially divided. Competition should be solicited based on the total potential value.

COLLEGE RESPONSE
This person was new to this position and has been advised on the correct procedures. We will solicit in accordance with the Code in the future.

C. Revenue Generating Contract

We reviewed the contract for the food service operation for the College. The contract began on August 25, 1997 and ended December 31, 1999. The College contacted three vendors for informal
proposals for food service operation on campus. However, detailed specifications of the services desired by the College were not given to the vendors. Therefore, each proposal was different. None of the proposals addressed revenues to be paid to the College, which should be a factor in determining the award. The contract generates approximately $1,000 per month to the College based on the gross revenues of approximately $15,000 per month while classes are in session. Since the solicitation method is determined on gross revenues, the procurement should have been solicited through the Materials Management Office as the gross revenues exceeded the College's certification of $25,000 for goods and services. Since the total value of the contract exceeded the College's certification, the procurement was unauthorized as defined in Regulation 19-445.2015. The College must request ratification of the unauthorized procurement from the Materials Management Officer in accordance with Regulation 19-445.2015.

We recommend the College compete future food service contracts in accordance with the Code.

**COLLEGE RESPONSE**

We will solicit through the Materials Management Office for this contract in the future and will submit a ratification request.

D. **Mandatory Pre-bid Sign In Sheets Not Available**

None of the solicitation files we reviewed contained vendor sign in sheets for the mandatory pre-bid conferences. The sign in sheets are used to verify that vendors attended the mandatory pre-bid conferences. Without the sign in sheets the College cannot document which vendors attended.

We recommend the College utilize a vendor sign in sheet for all mandatory pre-bid conferences.

**COLLEGE RESPONSE**

The College's Director of Physical Plant who conducts the pre-bid conferences provides the Procurement Officer with a list of vendors who attended. We felt this was sufficient to document who attended. In no instance could the Auditor show that a vendor was allowed to bid that did not attend the pre-bid. Additionally, we could not find in the Code where a sign-in sheet was required. We will be glad to follow your recommendation but do not feel that this item should be cited as an exception.

E. **Freight Terms Not Always on Purchase Orders**

We noticed that purchase orders generally do not address freight terms even though a box is included for the terms to be recorded. Two instances were noted where freight was paid when there was no provision authorizing freight in the purchase orders. On purchase order 24743 for a data video
projector, the written quote from the vendor included freight as part of the price. The purchase order did not specify the freight terms and the vendor invoiced and was paid freight of $10. On PO 30178 for workbooks, no freight terms were specified yet $56 in freight was paid. The freight should not have been paid unless authorized through a change order.

We recommend purchase orders always specify freight terms.

**COLLEGE RESPONSE**

The College does not consider it feasible to have standard FOB destination default on our purchase orders due to issuing different types of purchase orders that do not require freight such as check with orders for memberships, registration fees, student stipends, student child care providers, student utilities payments, student transportation, employees' various reimbursements, and utilizing our trucks for pick-ups from local vendors in the College's service area. We do employ the 10% rule with a maximum of $100.00 for tolerances above or below the purchase order amount before a formal change order is utilized. The tolerances include freight, price and measure. We will reconsider the recommendation to specify freight terms on purchase orders.

**II. Unauthorized Sole Source Procurement**

Purchase order 34026 was issued on February 17, 1999 for $2,256 for the maintenance agreement on an autoclave. The contract period was July 1, 1998 to June 30, 1999. Sole source procurements must be approved by an authorized official prior to the effective dates of the contracts. Since this contract was not approved prior to the contract period, the procurement is unauthorized as defined in Regulation 19-445.2015. A ratification request must be submitted to the College President or his designee in accordance with Regulation 19-445.2015.

We recommend that justifications to support sole source procurements be approved prior to the contract.

**COLLEGE RESPONSE**

In the future, we will obtain approval of justifications to support sole source procurements before the contract period. A ratification request has been submitted and approved by the College President.

**III. Construction Services**

On project H59-N144-MP for a rubber roofing system for Building 400, check 01-102326 was issued for $22,165 that included a change order of $4,500. Since the change order was within the College's construction authority of $5,000, the College had authority to commit to the work prior to the State Engineer's approval. However, the change order was required to be sent to the State Engineer within 30 days per Section 7.8 of the Manual for Planning and Execution of State Permanent
Improvements. The College did not submit the change order to the State Engineer.

We recommend the College submit all change orders to the State Engineer as required in the Manual for Planning and Execution of State Permanent Improvements.

**COLLEGE RESPONSE**

In the future, the College will submit all change orders to the State Engineer as required in the manual for Planning and Execution of State Permanent Improvements.
CERTIFICATION RECOMMENDATIONS

As enumerated in our transmittal letter, corrective action based on the recommendations described in this report, will in all material respects place Florence-Darlington Technical College in compliance with the Consolidated Procurement Code and ensuing Regulations.

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

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<tr>
<th>PROCUREMENT AREAS</th>
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<td>Information Technology (Local Funds Only)</td>
<td>*$25,000 per commitment</td>
</tr>
</tbody>
</table>

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

Robert J. Aycock, IV
Audit Manager

Larry G. Sorrell, Manager
Audit and Certification
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, 1996 – September 30, 1999. Also we have followed the College’s corrective action during and subsequent to our fieldwork. 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 the certification limits noted in our report for a period of three years.  

Sincerely,  

Larry G. Sorrell, Manager  
Audit and Certification  

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