GREENVILLE COUNTY SCHOOL DISTRICT
AGENCY
MARCH 1, 1987 - MARCH 31, 1990
DATE

PROCUREMENT AUDIT AND CERTIFICATION
January 7, 1990

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

Dear Rick:

I have attached the final Greenville County School District procurement audit report and recommendations made by the Office of Audit and Certification. The audit was performed in accordance with Section 11-35-70 of the Consolidated Procurement Code. Since Budget and Control Board action is not required, I recommend the report be presented as information.

Sincerely,

James J. Forth, Jr.
Assistant Division Director

JFF/jjm

Attachment
GREENVILLE COUNTY SCHOOL DISTRICT
PROCUREMENT AUDIT REPORT

MARCH 1, 1987 - MARCH 31, 1990
<table>
<thead>
<tr>
<th>TABLE OF CONTENTS</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>Scope</td>
<td>4</td>
</tr>
<tr>
<td>Summary of Audit Findings</td>
<td>5</td>
</tr>
<tr>
<td>Results of Examination</td>
<td>7</td>
</tr>
<tr>
<td>Conclusion</td>
<td>15</td>
</tr>
<tr>
<td>District's General Response</td>
<td>16</td>
</tr>
</tbody>
</table>

NOTE: The District's response to specific issues noted in this report have been inserted immediately following the items 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 Greenville County School District for the period March 1, 1987 through March 31, 1990. As a part 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 District 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 Greenville County School District 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 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.

[Signature]
R. Voight Shealy, Manager
Audit and Certification
INTRODUCTION

The Office of Audit and Certification has completed an examination of the internal procurement operating procedures and policies of Greenville County School District. Our on-site review was conducted April 17 - May 3, 1990 and was made under authority described in Section 11-35-70 of the South Carolina Consolidated Procurement Code (State Code). The examination was directed principally to determine whether, in all material respects, that the procurement system's internal controls were adequate and the procurement procedures, as outlined in the Greenville County School District Procurement Code (District Code) were in compliance with existing laws and regulations and with accepted public procurement standards.

As with our audits of state agencies, our work was directed also toward assisting the District in promoting the underlying purposes of the Consolidated Procurement Code which we believe to be applicable to all governmental bodies and which are outlined in Code Section 11-35-20, to 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
SCOPE

Our examination encompassed a detailed analysis of the internal procurement operating procedures of Greenville County School District and the 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 statistically selected a random sample of procurement transactions for compliance testing and performed other audit procedures that we considered necessary in the circumstances to formulate this opinion. Our review of the system included, but was not limited to, the following areas:

(1) All sole source and emergency procurements (1/1/87 - 3/31/90)

(2) Property management and fixed asset procedures

(3) Procurement transactions for the period July 1, 1987 through March 31, 1990
   a) One hundred-ninety randomly selected procurement transactions, each exceeding $500.00
   b) Fifty sealed bid transactions, each exceeding $2,500.00
   c) A block sample of five hundred purchase orders in numerical sequence

(4) Minority Business Enterprise Plan

(5) Procurement staff and training

(6) Procurement procedures
SUMMARY OF AUDIT FINDINGS

Our audit of the procurement system of Greenville County School District, hereinafter referred to as the District, produced findings and recommendations in the following areas:

I. Compliance - Procurement
   The required competition was not solicited in seven cases.

II. Unauthorized Procurements
    The District uses a direct expenditure process where procurements are made without approval from the purchasing department. Unfortunately, the District's Code does not provide for this procedure so the procurements are unauthorized. Further, the competition requirements of the District's Code were not met on any of these procurements.

III. Compliance - General
    Accounting paid four invoices without proper documentation.
IV. Minority Business Enterprise Reports

Required reports of minority business assistance have not been made to the Associate Superintendent for Fiscal Affairs. Also, the annual report to the Board of Trustees has not been filed.

V. Unauthorized Sole Source Procurements

The District's Code requires that sole source procurements be approved by the Superintendent or the Associate Superintendent for Fiscal Affairs. However, two sole sources were not signed and two other sole sources were signed by someone without the requisite authority.

VI. Governor's School for the Arts

The District provides administrative support services for the South Carolina Governor's School for the Arts. Because the Governor's School has its own Board of Director's, it is not completely a part of the District, but the District processes all its expenditures. We reviewed twenty-three Governor's School expenditures, but District files did not provide documentation to indicate compliance with the State Code or the District Code for four of these.
RESULTS OF EXAMINATIONS

I. Compliance - Procurements

Greenville County School District failed to solicit the required amount of competition on the following seven procurements.

<table>
<thead>
<tr>
<th>P.O. #</th>
<th>Amount</th>
<th>Required Solicitations</th>
<th>Vendors Solicited</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. 96899</td>
<td>$1,808.70</td>
<td>3 written quotes</td>
<td>2 telephone</td>
</tr>
<tr>
<td>2. 20146</td>
<td>$13,775.00</td>
<td>10 sealed bids</td>
<td>7 sealed bids</td>
</tr>
<tr>
<td>3. 95780</td>
<td>$2,870.00</td>
<td>3 sealed bids</td>
<td>3 written quotes</td>
</tr>
<tr>
<td>4. 32786</td>
<td>$14,880.39</td>
<td>10 sealed bids</td>
<td>5 sealed bids</td>
</tr>
<tr>
<td>5. 31985</td>
<td>$1,607.00</td>
<td>3 written quotes</td>
<td>1 telephone</td>
</tr>
<tr>
<td>6. 35426</td>
<td>$752.00</td>
<td>2 telephone</td>
<td>1 telephone</td>
</tr>
<tr>
<td>7. 33288</td>
<td>$25,000.00</td>
<td>10 sealed bids</td>
<td>9 sealed bids</td>
</tr>
</tbody>
</table>

The District's Code and Regulations require the solicitation of the following competition:

- $500.01 - $1,499.99 - Solicitation of telephone quotations from a minimum of two qualified vendors.
- $1,500.00 - $2,499.99 - Solicitation of written quotations from a minimum of three qualified vendors.
- $2,500.00 - $4,999.99 - Solicitation of sealed bids from a minimum of three qualified vendors.
- $5,000.00 - $9,999.99 - Solicitation of sealed bids from a minimum of five qualified vendors.
- $10,000 and above - Solicitation of sealed bids from a minimum of ten vendors.

The District should ensure that the minimum requirements of its Code are adhered to.
DISTRIBUTION RESPONSE

Below is a recap of each transaction listed in the finding and a response.

1. P.O. #96899 - $1,808.70 - Purchase of Tandy Computer - Requires 3 written quotes and purchasing solicited 2 telephone quotes.
   Response: We concur with this finding.

2. P.O. #20146 - $13,775.00 - 10 sealed bids required.
   Purchasing had 7 sealed bids.
   Response: This project was estimated at below $10,000 so only 7 sealed bids were received. When it came in over, this was below the 10 required.

3. P.O. #95780 - $2,870.00 - Required 3 sealed bids. Purchasing had 3 written quotes.
   Response: We had three written quotes rather than three sealed bids.

4. P.O. #332786 - $14,880.00 - Ten vendors required. Purchasing solicited five.
   Response: This project was estimated at below $10,000 so only 7 sealed bids were received. When it came in over, this was below the 10 required.

5. P.O. #31985 - $1,607.00 - Required 3 written quotes.
   Purchasing had 1 telephone call.
   Response: We concur with this finding.

6. P.O. #35426 - $752.00 - Required 2 quotes. Purchasing had 1 telephone quote.
   Response: We concur with this finding.

7. P.O. #33288 - $25,000.00 - This order was for telephone service. Ten vendors required. Purchasing had nine.
   Response: Only 9 vendors were involved rather than required 10. Purchasing failed to document that only 9 were available.

II. Unauthorized Procurements

We noted the following payments that were made without the prior written approval of the purchasing department. In each
case, a requisition with attached invoice was sent to the accounting department without involvement or knowledge of purchasing.

<table>
<thead>
<tr>
<th>Voucher #</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. 60726</td>
<td>Storm damage</td>
<td>$1,083.19</td>
</tr>
<tr>
<td>2. 55313</td>
<td>Consultant-media relations</td>
<td>880.00</td>
</tr>
<tr>
<td>3. 56897</td>
<td>Consultant-drama program</td>
<td>2,500.00</td>
</tr>
<tr>
<td>4. 57789</td>
<td>Consultant-SACS review</td>
<td>2,000.00</td>
</tr>
<tr>
<td>5. 75027</td>
<td>Artist-in-residence</td>
<td>650.00</td>
</tr>
<tr>
<td>6. 76216</td>
<td>Artist-in-residence</td>
<td>725.00</td>
</tr>
<tr>
<td>7. 14234</td>
<td>Bus service</td>
<td>1,847.50</td>
</tr>
<tr>
<td>8. 62275</td>
<td>Consultant</td>
<td>1,170.52</td>
</tr>
<tr>
<td>9. 61847</td>
<td>Theatrical performances</td>
<td>3,750.00</td>
</tr>
<tr>
<td>10. 60980</td>
<td>Instructional services - EIA</td>
<td>1,500.00</td>
</tr>
<tr>
<td>11. 60717</td>
<td>Investigative &amp; enforcement services</td>
<td>5,620.70</td>
</tr>
<tr>
<td>12. 1110</td>
<td>Printing</td>
<td>693.70</td>
</tr>
<tr>
<td>13. 3969</td>
<td>Software renewal</td>
<td>4,394.25</td>
</tr>
<tr>
<td>14. 57266</td>
<td>Design and mechanical art</td>
<td>1,621.55</td>
</tr>
</tbody>
</table>

The District has no written procedures for a direct expenditure system. Procurement authority is vested with the purchasing department. Since the procurements were made by persons without the requisite authority, they are unauthorized and must be ratified in accordance with the District's Code.

Additionally, appropriate competition was not solicited for any of these procurements.

We recommend that the District bring its practices in line with its procedures. If it intends to continue to make direct expenditures, procedures must be developed to control the process and ensure compliance with the District Code. Otherwise, the practice should be discontinued.

**DISTRICT RESPONSE**

The School District concurs with the finding that there were 14 purchases found without approval of the Purchasing Department. These confirming requisitions are many times for ongoing services or would have qualified for sole source or emergency handling.
Since the current required process is time consuming and holds up transactions in many cases, the District will develop procedures to accommodate these purchases.

III. Compliance - General

The District's accounting department made payments in four cases where supporting documentation did not justify or support the expenditures.

1) P.O. 45435, Voucher 913. The invoice indicates that the District paid for 2,000 units of building supply items but only received 1335 units. This resulted in an overpayment of $328.18.

2) P.O. 21427, Voucher 3934. The purchase order stated a lump sum price of $1,438.50 for printing services. The District was invoiced and paid $1,894.20, a difference of $455.70. There is no explanation of the overcharge. The invoice was approved for payment by the requisitioner.

3) P.O. 43560, Voucher 17645. The District paid $94.75 per box for forms but the purchase order price stated $85.95 per box, or a difference of $469.49 for the total order. There is no explanation for the difference. The requisitioner signed the invoice as approved for payment.

4) P.O. 35232, Voucher 12135. The vendor overshipped 9 tool boxes and payment was made. The invoice was approved for payment by the requisitioner.

The District uses an "approved for payment" stamp to indicate receipt of goods and authorize payment of invoices.

To prevent recurrence of this condition, we recommend the District implement control procedures as follows:
(1) Establish formal change order procedures to require formal written change orders to control changes to orders above a limited tolerance.

(2) Only the purchasing department should have authority to approve payments above purchase order authorizations. Above a possible limited tolerance, the accounting department should be required to obtain approval from purchasing before these payments are processed.

(3) The "approved for payment" stamp should be used only for that, not to indicate receipt of goods. Receipt of goods or services should always be indicated either by a written receiving report or at least by a receiving signature by the actual receiver.

DISTRICT RESPONSE

The School District concurs with items one through four. The invoices sent to locations with the approval of payment stamp is accompanied by a form which is asking the locations receiving invoices to approve quantity and price of each item. They are approving payment of the invoices as charged. If, when accounts payable matches invoice with purchase order the charge on invoice is out of reason as far as price on PO is concerned, the accounting clerk will call the principal and make him aware of the actual cost versus the PO amount. If this cost is over $200.00 more than the PO, a copy will be sent to the Purchasing Department for a change order to be done.

IV. Minority Business Enterprise Reports

Section XV.B of the District's Code states, "The Board of Trustees of the School District of Greenville County intends to ensure that those businesses owned and operated by minorities are afforded the opportunity to fully participate in the overall procurement process of the District." In order to monitor
progress in this area, Section 29.e(5) of the District's procurement regulations requires that progress reports be submitted quarterly to the Associate Superintendent for Fiscal Affairs no later than fifteen days after the last day of each fiscal quarter and that annual reports be submitted to the School Board no later than fifteen days after the end of the fiscal year.

We found that the quarterly reports to the Associate Superintendent have not been made. Further, the annual reports have not been submitted to the Board.

We recommend that the minority business enterprise assistance reports be made in a timely manner. We note that this was addressed in our previous audit.

DISTRICT RESPONSE

The District acknowledges this finding as correct. Steps have been taken to ensure that the reports are filed on a timely basis in the future.

V. Unauthorized Sole Source Procurements

Section V.B.6 of the District's Code states "A contract may be awarded for a supply, service, equipment or construction item without competition when, under regulations, the Associate Superintendent for Fiscal Affairs or a designee above the level of the Purchasing Agent, determines in writing, that there is only one source for the required supply, service, equipment or construction item." However, in two cases, the determinations were not signed, and in two other cases, someone other than the Associate Superintendent signed the determinations.
The two sole source determinations not signed were:

<table>
<thead>
<tr>
<th>PO Number</th>
<th>Vendor</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>031748</td>
<td>Computer Items</td>
<td>1,636.95</td>
</tr>
<tr>
<td>046167</td>
<td>Copier Supplies</td>
<td>5,423.67</td>
</tr>
</tbody>
</table>

The two sole source determinations approved by someone other than the Associate Superintendent were:

<table>
<thead>
<tr>
<th>PO Number</th>
<th>Vendor</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>048471</td>
<td>Forms</td>
<td>1,382.13</td>
</tr>
<tr>
<td>045824</td>
<td>Scan Cards</td>
<td>862.80</td>
</tr>
</tbody>
</table>

Since these sole source procurements were not approved by the District official with the requisite authority, they must be considered unauthorized. Thus, ratification must be requested from either the Associate Superintendent or the Superintendent in accordance with Section 3 of the District's Regulations.

**DISTRICT RESPONSE**

It was noted that two sole source determinations were not signed. These were signed as valid sole sources by Glenn Stiegman on September 10, 1990. The two sole source determinations which were approved by someone other than the Associate Superintendent have subsequently been signed also.

VI. Governor's School for the Arts

The District provides all administrative support services for the South Carolina Governor's School for the Arts which is located in Greenville. The District provides the salary of the executive director and her secretary, plus all support functions. However, the Governor's School has its own Board of Directors and all other funding comes from the State and other sources. The funding is transferred to the District from the Governor's Office.
Although the Governor's School is not completely a part of the District, all Governor's School expenditures are reflected in the District's records. Because of this, we reviewed twenty-three transactions for the Governor's School. Of the twenty-three transactions we reviewed, the District could not provide documentation to indicate compliance with the State Code nor the District Code for the following four:

<table>
<thead>
<tr>
<th>Voucher Number</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - 71258</td>
<td>Guest artist</td>
<td>$3,000.00</td>
</tr>
<tr>
<td>2 - 59075</td>
<td>Fund-raiser</td>
<td>24,059.69</td>
</tr>
<tr>
<td>3 - 79497</td>
<td>Auditing services</td>
<td>750.00</td>
</tr>
<tr>
<td>4 - 75636</td>
<td>Strategic planning and report to Governor</td>
<td>1,051.00</td>
</tr>
</tbody>
</table>

We believe all of these transactions are subject to either the State Code or the District Code. Since the District's Code was developed under Section 11-35-70 of the State Code, and the Division of General Services accepted it as substantially similar to the State Code, we accept the Governor's School operating under it. However, compliance is required.

We recommend the Governor's School for the Arts make all procurements in accordance with either the District's Code or the State Code.

**DISTRICT RESPONSE**

There is a larger percentage of noncompliance to the Procurement Code on transactions of the Governor's School than there should be. More planning will take place in the future and staff from the Budgets, Operations Accounting, and Purchasing Departments will be meeting with the Executive Director of the Governor's School to resolve the problems.
CONCLUSION

As enumerated in our transmittal letter, corrective action based on the recommendations described in this report, we believe, will in all material respects place Greenville County School District in compliance with the Procurement Code and ensuing regulations.

Subject to this corrective action, we recommend that Greenville County School District be allowed to continue procuring all goods and services, construction, information technology and consulting services as outlined in Section 11-35-70 of the South Carolina Consolidated Procurement Code.

Marshall B. Williams, Jr.
Supervisor, Audit and Certification

R. Voight Shealy, Manager
Audit and Certification
October 25, 1990

Mr. Voight Shealy, Manager
Audit and Certification
State Budget and Control Board
1201 Main Street, Suite 600
Columbia, SC 29201

Dear Voight:

We have reviewed your final draft of the 1990 procurement audit report. Enclosed with this letter are responses to each finding. I understand that these will be incorporated into the final report so that each response appears with the appropriate finding.

As always, it was a pleasure to work with you and your staff. As soon as we develop some small purchase procedures, I would like to send them to you for your review and input. This would be very helpful to us in deciding our direction on this issue.

If you have any questions on what is enclosed here, please let me know.

Sincerely,

Glenn A. Stiegman, Jr.
Assistant Superintendent
for Finance and Operations

GS/hs

cc: Dr. Thomas Kerns
    Mr. John Black
January 3, 1990

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 Greenville County School District's response to our audit report covering the period March 1, 1987 - March 31, 1990. Combined with observations made during our site visit and subsequent discussions and correspondence with District officials, we are satisfied that the District has corrected the problem areas we found.

We, therefore, recommend that the District be allowed to continue operating under its own procurement code as authorized by Section 11-35-70 of the Consolidated Procurement Code.

Sincerely,

R. Voight Shealy, Manager
Audit and Certification

RVS/jm