PROCUREMENT AUDIT AND CERTIFICATION

GREENVILLE TECHNICAL COLLEGE
AGENCY

JULY 1, 1985 - MARCH 31, 1988
DATE
November 10, 1988

Mr. Richard W. Kelly
Division Director
Division of General Services
1201 Main Street, Suite 400
Columbia, South Carolina 29201

Dear Rick:

Attached is final Greenville Technical College audit report and recommendations made by the Office of Audit and Certification. Since no certification above the $2,500.00 allowed by law was requested, and no action is necessary by the Budget and Control Board, I recommend that this report be presented to them for their information.

Sincerely,

James J. Forth, Jr.
Assistant Division Director

Attachment
# 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>Scope</td>
<td>4</td>
</tr>
<tr>
<td>Summary of Audit Findings</td>
<td>6</td>
</tr>
<tr>
<td>Results of Examination</td>
<td>9</td>
</tr>
<tr>
<td>Conclusion</td>
<td>21</td>
</tr>
<tr>
<td>Follow-up Review</td>
<td>22</td>
</tr>
</tbody>
</table>
June 24, 1988

Mr. James J. Forth, Jr.
Assistant Division Director
Division of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

We have examined the procurement policies and procedures of Greenville Technical College for the period July 1, 1985 through March 31, 1988. 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 the Consolidated Procurement Code and State and College procurement policy. Additionally, the evaluation was used in determining the nature, timing and extent of other auditing procedures that were necessary for developing an opinion on the adequacy, efficiency and effectiveness of the procurement system.

The administration of Greenville 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 due professional care. They would not, however, because of the nature of audit testing, necessarily disclose all weaknesses in the system.

The examination did, however, disclose conditions enumerated in this report which we believe to be subject to correction or improvement.

Corrective action based on the recommendations described in these findings will in all material respects place Greenville Technical College in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

R. Voight Shealy, Manager
Audit and Certification
INTRODUCTION

The Office of Audit and Certification conducted an examination of the internal procurement operating procedures and policies and related manual of the Greenville Technical College.

Our on-site review was conducted April 5 - 28, 1988, and was made under 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, that 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.
SCOPE

Our examination encompassed a detailed analysis of the internal procurement operating procedures of Greenville Technical College 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. The examination was limited to procurements from local funds, which included federal funds, local contributions and student collections, which is the procurement activity managed completely by the College. As in all South Carolina technical colleges, state funded procurements are managed by the State Board of Technical and Comprehensive Education.

We selected random samples for the period July 1, 1986 - March 31, 1988, of procurement transactions for compliance testing and performed other auditing procedures for the period July 1, 1985 - March 31, 1988 that we considered necessary in the circumstances to formulate this opinion. As specified in the Consolidated Procurement Code and related regulations, our review of the system included, but was not limited to, the following areas:

(1) adherence to provisions of the South Carolina Consolidated Procurement Code and accompanying regulations;
(2) procurement staff and training;
(3) adequate audit trails and purchase order registers;
(4) evidences of competition;
(5) small purchase provisions and purchase order confirmations;
(6) emergency and sole source procurements;
(7) source selections;
(8) file documentation of procurements;
(9) inventory and disposition of surplus property;
(10) economy and efficiency of the procurement process; and
(11) approval of Minority Business Enterprise Utilization Plan.
SUMMARY OF AUDIT FINDINGS

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

I. Unauthorized Procurements
   A. General Procurement Activity
      The College has allowed personnel without defined requisite authority to make purchases.
   B. Auditing Services Procured Without the State Auditor's Approval
      Two auditing contracts were awarded without the State Auditor's approval which is required by Section 11-35-1250 of the Code.
   C. Unauthorized Sole Source Procurements
      Three sole source procurements were unauthorized either because the applicable determinations were prepared after the fact or they were approved by personnel without the requisite authority to do so.

II. Maintenance Contracts Extended Improperly
    Maintenance contracts have been extended improperly without soliciting competition or declaring them sole source procurements.
III. **Compliance - Sole Source Procurement**

We noted problems in sole source procurements in the following areas:

A. Inappropriate sole sources;
B. Reporting exempted items as sole sources and;
C. Unreported sole sources.

IV. **Compliance - Goods and Services, Consultants, Information Technology and Construction**

Our examination of goods and services, consultant services, information technology, and construction procurements revealed compliance exceptions to the Consolidated Procurement Code and/or to the College's internal procurement procedures. The exceptions noted are in the following areas:

A. **Procurements Made Without Competition**

Four procurements were neither supported by evidence of competition or sole source or emergency determinations.

B. **Inappropriate Source Selection Method Used**

Two procurements should have been made by soliciting written bids rather than using phone quotes.
V. Compliance - Blanket Purchase Agreements

Four blanket purchase agreements were not handled in accordance with internal procedures or state regulations.

VI. Review of Internal Procurement Procedures Manual

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

I. Unauthorized Procurements

A. General Procurement Activity

During our review, we noted over two hundred unauthorized procurements where personnel did not obtain a purchase order number as authorization before commitments were made to vendors. In all of these cases the requisitions were properly approved and, in the vast majority of cases, the dollar amounts were small.

However, this is in violation of the College's purchasing policy meaning the procurements were unauthorized. Section A.2 of the Purchasing Policies and Procedures Manual states:

The purchasing department ... has exclusive responsibility for supporting the educational mission of the College by procuring the materials, supplies, equipment and service required for the College's operation. (Emphasis added)

Regulation 19-445.2015 states, "The ratification of an act obligating the State in a contract by any person without the requisite authority to do so by an appointment or delegation under the Procurement Code rests with the Division of General Services." The Division delegated authority to ratify such acts to the head of the governmental body responsible for the unauthorized procurement up to the entity's certification level, $2,500.00 in this case. Above that amount, ratification must be requested from the Division of General Services.

Most of these procurements were within the College's certification limit and may be ratified by the President. However, the following two procurements must be submitted for ratification to the State Materials Management Officer.
We understand that unauthorized procurements have not been submitted to the College President for ratification. Rather, they have been handled informally by an administrative officer.

Steps must be taken by management to eliminate this problem. Either procurement authority must be delegated to some degree or centralized as the current policy indicates. We recommend that formal small purchase procedure be developed to delegate authority to those individuals who need it.

The practice of not submitting unauthorized procurements to the College President should cease immediately. The Procurement Code is specific that each unauthorized procurement must be submitted for ratification. There is no authority to delegate this function below that level. The existing transactions must be submitted for ratification.

**COLLEGE RESPONSE**

In the past, Greenville Tech maintained a list of all purchases made without purchase orders for the purpose of internal control. Greenville Tech used this list to ensure purchases were indeed authorized by the proper authorities. In order to avoid this problem in the future, Greenville Tech will change its purchasing policies to allow more flexibility and ratify all purchases which violate procedures.

**B. Auditing Services Procured Without the State Auditor's Approval**

The following auditing contracts were awarded without the approval of the State Auditor.
Section 11-35-1250 of the Procurement Code states, in part, "No contract for auditing or accounting services shall be awarded without the approval of the State Auditor." The College must insure that all future procurements of auditing or accounting services have the State Auditor's approval. Since these required approvals were not obtained, these are unauthorized procurements which must be submitted for ratification in accordance with Regulation 19-445.2015.

**COLLEGE RESPONSE**

The auditing contracts were to the Cresswell firm which won our three year auditing services contract. This three year contract was approved by the State Auditor. Greenville Tech misinterpreted the regulation under the belief that contracts could be sole sourced without state approval, since the State Auditor approved a three year contract with the Cresswell firm.

**C. Unauthorized Sole Source Procurements**

The following sole source procurements were unauthorized either because the applicable determinations were prepared after the fact or they were approved by personnel without the requisite authority to do so.

<table>
<thead>
<tr>
<th>P.O. NUMBER</th>
<th>AMOUNT</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>56662</td>
<td>$2,000.00</td>
<td>Not signed by President</td>
</tr>
<tr>
<td>59807</td>
<td>$1,208.00</td>
<td>Not signed by President</td>
</tr>
<tr>
<td>69584</td>
<td>$634.75</td>
<td>Invoice 3/17/87 determination dated 3/20/87</td>
</tr>
</tbody>
</table>

Section 11-35-1560 of the Procurement Code indicates that a procurement may be made as a sole source if the chief
procurement officer, the head of a governmental body or a
designee of either officer above the level of the purchasing
agent determines in writing that the item or service is only
available from a single source. Since the Code is so specific
about the authority required to make a sole source procurement,
determinations must be approved by someone with requisite
authority before commitments are made.

COLLEGE RESPONSE

The two contracts not signed by Dr. Barton were 1986 contracts,
which was the year Greenville Tech began to follow this
procedure. For the past two years Greenville Tech has not
violated this policy and will make every effort not to violate
this policy in the future.

II. Maintenance Contracts Extended Improperly

We reviewed one hundred and twenty maintenance contracts
for compliance to the Consolidated Procurement Code. We found
nine (9) procurements which have been extended year after year
without seeking competition or preparing sole source
determinations. Also, multi-term determinations were not
prepared to justify the use of multi-year contracts. Five (5)
of these procurements were contracts for maintenance of data
processing related items. Some of them were entered into prior
to the College being subject to the Procurement Code.

The College felt that these types of contracts were
established with the original equipment manufacturers and
therefore were not subject to the Code.

The College must evaluate each continuing maintenance
contract and handle as appropriate:
a) seek competition through the sealed bid method;
b) seek competition through the request for proposal process;
c) determine that the procurement is a sole source and prepare the sole source determination.

The College may make or request multi-year awards up to a maximum of five years if the services meet the criteria as stated in Regulation 19-445.2135.

COLLEGE RESPONSE
Greenville Tech will adhere to this policy in the future.

III. Compliance - Sole Source Procurements

We examined the quarterly reports of sole source procurements and all available supporting documents for the period July 1, 1985 through December 31, 1987 for the purpose of determining 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 found the majority of these transactions to be proper and accurately reported, but we did note the following types of exceptions.

A. Inappropriate Sole Source Procurements

The following procurements were made inappropriately as sole sources.

<table>
<thead>
<tr>
<th>P.O. NUMBER</th>
<th>AMOUNT</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>64937</td>
<td>7,229.25</td>
<td>Floor buffers</td>
</tr>
<tr>
<td>71192</td>
<td>4,177.00</td>
<td>Consultant</td>
</tr>
<tr>
<td>70720</td>
<td>3,516.38</td>
<td>Consultant</td>
</tr>
</tbody>
</table>
Regulation 19-445.2105 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 competition be solicited when there is reason to believe that an item or service may be available from another source.

**COLLEGE RESPONSE**

In the future, Greenville Tech will tighten controls on the use of sole sources and require bids on all consultants hired.

**B. Reporting of Exempt Items**

Procurements of the following items are exempt from the Code and should not have been reported as sole sources.

<table>
<thead>
<tr>
<th>P.O. NUMBER</th>
<th>AMOUNT</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>68067</td>
<td>$5,524.74</td>
<td>Pre-recorded video tapes</td>
</tr>
<tr>
<td>1244</td>
<td>2,579.85</td>
<td>Pre-recorded video tapes</td>
</tr>
</tbody>
</table>

The College should ensure that exempted items are not reported as sole sources. Reporting them overstates the sole source procurements for the College and the State.

**COLLEGE RESPONSE**

To eliminate this problem, in the future Greenville Tech will update its list of exempted items.

**C. Unreported Sole Sources**

The following transactions were made as sole source or emergency procurements and properly supported with authorized written determinations. However, the procurements were not reported on the quarterly reports submitted to the Division of General Services as required by Code 11-35-2440.
These transactions should be reported to the Division of General Services on an amended report reflecting the reporting period.

**COLLEGE RESPONSE**

Greenville Tech will file an amended return.

IV. **Compliance - Goods and Services, Consultants, Information Technology and Construction**

As part of our audit, we reviewed a sample of one hundred and seventy-five randomly selected transactions for the period July 1, 1986 through March 31, 1988. The following exception areas were noted:

A. **Procurements Made Without Competition**

The following procurements were neither supported by evidence of competition nor sole source or emergency procurement determinations.

<table>
<thead>
<tr>
<th>P.O. NUMBER</th>
<th>P.O. AMOUNT</th>
<th>ITEM DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>64097</td>
<td>600.00</td>
<td>Software</td>
</tr>
<tr>
<td>72355</td>
<td>960.00</td>
<td>Printing services</td>
</tr>
<tr>
<td>72165</td>
<td>733.00</td>
<td>Security services</td>
</tr>
</tbody>
</table>

The Consolidated Procurement Code requires that all procurements greater than $500.00 be supported by evidence of competition, sole source or emergency procurement determinations unless there are specific exceptions. Regulation 19-445.2100,
Subsection B, Items 2 and 3 require solicitations of verbal or written quotes from a minimum of two qualified sources for purchases from $500.01 to $1,499.99 and solicitations of written quotations from a minimum of three qualified sources for purchases from $1,500.00 to $2,499.99.

We recommend that these guidelines be adhered to for all future procurements.

COLLEGE RESPONSE

In the future, Greenville Tech will make every attempt to ensure all purchases are made with the appropriate competition required.

B. Inappropriate Source Selection Method Used

The following procurements were supported by telephone quotes instead of written quotations.

<table>
<thead>
<tr>
<th>P.O. NUMBER</th>
<th>P.O. AMOUNT</th>
<th>ITEM DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>63793</td>
<td>$ 1,560.00</td>
<td>IT equipment</td>
</tr>
<tr>
<td>71907</td>
<td>1,705.00</td>
<td>Catering services</td>
</tr>
</tbody>
</table>

Regulation 19-445.2100, Subsection B, Item 3, indicates that purchases for $1,500.00 to $2,499.99 require solicitation of written quotations from three qualified sources. When prices are solicited by telephone the vendors shall be requested to furnish written evidence of their quotations.

All future procurements in this dollar range should be made in accordance with this regulation.
COLLEGE RESPONSE

With the changes being made on the purchasing system, inappropriate source selection should not be a problem.

V. Compliance - Blanket Purchase Agreements

We reviewed approximately two hundred seventy-five (275) blanket purchase agreements established by the College. The majority of these were found to be in compliance with Regulation 19-445.2100, Subsection C. However, we did note the following exceptions.

A. Improper Use of a Blanket Agreement

We noted one particular blanket purchase agreement which had a total of $8,951.25 charged to it for fiscal year 1987/88. This amount consisted of seventeen (17) procurements of $498.75 each and one (1) of $472.00 for wood chips.

Section 19-445.2100 of the Procurement Code regulations indicates a blanket purchase agreement is a simplified method of filling anticipated needs for small quantities of supplies or services by establishing charge accounts with qualified sources of supply. (Emphasis added)

This particular blanket order for wood chips was not being used to accomplish the purpose of making small repetitive purchases.

Since the need for wood chips is established, an annual agency contract should be solicited and awarded to satisfy this need.

COLLEGE RESPONSE

Greenville Tech will solicit either a local or agency contract for the purchase of bark.
B. Orders Exceeding Limit

The following procurements made from blanket purchase agreements exceeded the five hundred dollar ($500.00) per call limit authorized by the College for individual purchases against such blankets.

Additionally, they were made without evidence of competition.

Procurements which exceed $500.00 require evidence of competition under the small purchasing guidelines.

<table>
<thead>
<tr>
<th>P.O. NUMBER</th>
<th>AMOUNT</th>
<th>ITEM DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>63975</td>
<td>$842.60</td>
<td>Paper products</td>
</tr>
<tr>
<td>68007</td>
<td>2,185.11</td>
<td>Engine repair and parts</td>
</tr>
<tr>
<td>64334</td>
<td>825.00</td>
<td>Engine repair and parts</td>
</tr>
</tbody>
</table>

Since these procurements exceeded the limits authorized by the blanket purchase agreements they are unauthorized procurements. As stated previously in item I of this report, ratification must be requested from the College President for each procurement.

**COLLEGE RESPONSE**

Violations occurred the first year we started blanket P.O.'s and were due to employee's unfamiliarity with the system.

VI. Review of Internal Procurement Procedures Manual

As part of our examination, we reviewed the College's Procurement Procedures Manual to determine if their written procedures were consistent with the Consolidated Procurement Code and its regulations. Our review revealed that the following areas need to be added, changed or expanded.

A. Page 11, Blanket Orders: Change the title of this statement to blanket agreements as this is what is being described.
Page 12, Item 6.1, **Sole Source:** Emphasize the requirement for approval of a sole source prior to the procurement of the goods or service.

Page 12, Item 6.2, **Emergency Procurement:** Designate the approval authority for the written determination to make an emergency procurement. Distinguish between an emergency procurement and a confirmation purchase order. See Item 5, page 18.

Page 12, Item 7.2, **Lease of Real Property:** Address the location of these leases i.e., Business Office.

Page 18, Item 3, **Central State Purchasing:** Delete this title in the manual and reference the new one of "State Procurement."

Page 18, Item 5, **Emergency Requisition Ordering Procedure:** Address this heading as confirmation orders to eliminate confusion with emergency procurements.

B. The manual should have an appendix added which should include any pertinent exhibits such as:

1) Requisition
2) Purchase order
3) Exempted commodities from the competitive requirements of the code.

C. Address with a short statement or explanation of the following policies:

1) Trade-in of fixed assets
2) Invoices are currently processed in the purchasing department. This procedure is contradicted by the procedures manual.
3) The manual does not reflect current receiving procedures. Old procedures should be updated.

4) Purchase order change policy is not specific enough. This procedure needs to be expanded to handle different situations.

The College has adopted as its guide a manual from another technical college. The current manual must be reviewed and updated to ensure that it reflects actual procurement procedures in place at Greenville Technical College.

COLLEGE RESPONSE

All suggested changes are being made.
CONCLUSION

As enumerated in our transmittal letter, corrective action based on the recommendations described in the findings in the body of this report, we believe, will in all material respects place Greenville Technical College in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

Corrective action must be taken to eliminate this and other weaknesses noted in this report. Corrective action should be completed by October 31, 1988. A follow-up review will be performed by this office to determine the College's progress toward this end.

Subject to this corrective action and because additional certification was not requested, we recommend that Greenville Technical College be allowed to continue procuring all goods and services, construction, information technology and consulting services up to the basic level as outlined in the Procurement Code.

James M. Stiles, PPB
Audit Supervisor

R. Voight Shealy, Manager
Audit and Certification
November 10, 1988

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 returned to Greenville Technical College to determine the progress made toward implementing the recommendations in our audit report covering the period July 1, 1985 - March 31, 1988. During this visit, we followed up on each recommendation made in the audit report through inquiry, observation and limited testing.

We observed that the College has made substantial progress toward correcting the problem areas found and improving the internal controls over the procurement system. With the changes made, the system's internal controls should be adequate to ensure that procurements are handled in compliance with the Consolidated Procurement Code and ensuing regulations.

Additional certification was not requested, therefore we recommend that the College be allowed to continue procuring all goods and services, construction, information technology and consulting services up to the basic level as outlined in the Procurement Code.

Sincerely,

R. Voight Shealy, Manager
Audit and Certification