PROCUREMENT
AUDIT AND
CERTIFICATION

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STATE DOCUMENTS

HORRY-GEORGETOWN TECHNICAL COLLEGE

AGENCY
JULY 1, 1994 - MARCH 31, 1996

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

Dear Helen:

I have attached Horry-Georgetown 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,

Raymond L. Grant
Materials Management Officer

June 25, 1996
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Mr. Raymond L. Grant  
Materials Management Officer  
Division of General Services  
1201 Main Street, Suite 600  
Columbia, South Carolina 29201

Dear Ray:

We have examined the procurement policies and procedures of Horry­Georgetown Technical College for the period July 1, 1994 through March 31, 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 Horry-Georgetown 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 that we believe need correction or improvement.

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

Sincerely,

Larry G Sorrell, Manager
Audit and Certification
SCOPE

We conducted our examination with Generally Accepted Auditing Standards as they apply to compliance audits. Our examination encompassed a detailed analysis of the internal procurement operating procedures' manual to the extent we deemed necessary to formulate an opinion on the adequacy of the system to properly handle procurement transactions. That examination was limited to procurements made with local funds, which include federal funds, local appropriations, contributions and student collections, which is the procurement activity managed by the College. As in all South Carolina technical colleges, state funded procurements are managed by the State Board of Technical and Comprehensive Education.

Specifically, the examination included, but was not limited to, a review of the following:

1. All sole source and emergency procurements and trade-in sales for April 1, 1995 to March 31, 1996

2. Payment Transactions for July 1, 1994 through March 31, 1996

   a) Forty-eight payments each exceeding $1,500, including sealed bids
   b) Block sample of approximately 200 sequential payment vouchers

3. One construction contract and one professional service contract both relating to Permanent Improvement Projects


5. Internal procurement procedures manual

6. Information Technology Plans and approvals covering the audit period

7. Surplus property disposal procedures

8. Blanket Purchase agreement files
9. Ratification files for audit period

In addition to the work listed above, we performed an interim review of the college. The results of this review are at Attachment 1.
RESULTS OF EXAMINATION

The Office of Audit and Certification conducted an examination of the internal procurement operating policies and procedures and related manual of Horry-Georgetown Technical College. Our on-site review was conducted from April 29 to May 3, 1996, and was made under the authority as described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Regulations 19-445.2020.

Most recently, on October 6, 1994, the Budget and Control Board granted Horry-Georgetown Technical College the following certification (Local Funds Only):

<table>
<thead>
<tr>
<th>Category</th>
<th>Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods and Services</td>
<td>$30,000 per commitment</td>
</tr>
<tr>
<td>Information Technology in accordance with the approved Information Technology Plan</td>
<td>$30,000 per commitment</td>
</tr>
<tr>
<td>Consultants</td>
<td>$30,000 per commitment</td>
</tr>
</tbody>
</table>

Our audit was performed primarily to determine if recertification for expenditures of local funds is warranted based on the certification that expires October 6, 1996. While the college has maintained a professional and efficient procurement system since our last audit, we did note the following items which should be addressed by Management.
### Unauthorized Procurements

We noted eleven instances of services being rendered prior to purchasing's approval.

<table>
<thead>
<tr>
<th>VOUCHER #</th>
<th>PO #</th>
<th>PO Date</th>
<th>Invoice Date</th>
<th>PO Amt.</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>07-065062</td>
<td>no PO</td>
<td>3/4/96 3/25/96</td>
<td>$48.00</td>
<td>Deodorizing Services</td>
</tr>
<tr>
<td>2.</td>
<td>07-064910</td>
<td>27664</td>
<td>3/11/96 2/27 (date shipped)</td>
<td>47.25</td>
<td>Roll Wire</td>
</tr>
<tr>
<td>3.</td>
<td>07-065023</td>
<td>27737</td>
<td>3/19/96 1/3/96</td>
<td>525.00</td>
<td>Continuing Education Classes</td>
</tr>
<tr>
<td>4.</td>
<td>07-064998</td>
<td>27839</td>
<td>3/27/96 2/29/96</td>
<td>1,006.98</td>
<td>Repair Service on Fire Alarm System</td>
</tr>
<tr>
<td>5.</td>
<td>07-065042</td>
<td>27910</td>
<td>4/4/96 3/5 - 3/28/96</td>
<td>1,712.81</td>
<td>Food and Supplies for Culinary Arts</td>
</tr>
<tr>
<td>6.</td>
<td>07-065052</td>
<td>27912</td>
<td>4/4/96 3/3, 3/4</td>
<td>63.00</td>
<td>Food and Supplies for Culinary Arts</td>
</tr>
<tr>
<td>7.</td>
<td>07-065063</td>
<td>27914</td>
<td>4/4/96 3/18</td>
<td>505.82</td>
<td>Food and Supplies for Culinary Arts</td>
</tr>
<tr>
<td>8.</td>
<td>07-065094</td>
<td>27915</td>
<td>4/4/96 3/4 - 3/25/96</td>
<td>3,557.34</td>
<td>Food and Supplies for Culinary Arts</td>
</tr>
<tr>
<td>10.</td>
<td>07-065096</td>
<td>27917</td>
<td>4/4/96 3/4 - 3/26/96</td>
<td>2,817.73</td>
<td>Food and Supplies for Culinary Arts</td>
</tr>
<tr>
<td>11.</td>
<td>07-064328</td>
<td>27548</td>
<td>2/28/96 2/5 - 2/15/96</td>
<td>605.41</td>
<td>Lumber and Materials</td>
</tr>
</tbody>
</table>

Items 1 through 4 were done prior to the procurement officer's knowledge. However, since she does not review the invoices, she was unaware that the services had already been rendered. Items 5 through 10 were food and supplies for Culinary Arts. The procurement officer has been allowing the department to buy items and she prepares the purchase orders based on the invoices received. On item 11, the maintenance department had a blanket purchase order for $1,450. The actual
purchases exceeded the amount authorized and the procurement officer issued a purchase order to cover the excess of $605.41.

On page 19 under Commitments, the internal procurement manual states, "The procurement office is the sole agency authorized to make commitment for supplies, equipment, and services necessary for the operation of the college." Therefore, these items are unauthorized since the commitments were made prior to purchasing's authorization.

Accordingly, we recommend a ratification request per Regulation 19-445.2015 for these items be prepared and submitted to the President since each was within the college's certification. We also recommend the following changes be made:

- The accounts payable clerk should compare the invoice date to the purchase order date to ensure that items are properly authorized.
- Maintenance should monitor purchases made under blanket purchase orders to ensure that the authorized amount is not exceeded.
- The purchases for Culinary Arts should be processed in accordance with the internal manual or the manual needs to be revised to reflect what is actually occurring.

Unauthorized Leases

The college entered into three contracts to lease college-owned property to outside entities.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air Force Base Classrooms</td>
<td>$20,000/year</td>
<td>01/01/96 - 12/31/96</td>
</tr>
<tr>
<td>Retail</td>
<td>$ 2,725/month</td>
<td>Month to Month</td>
</tr>
<tr>
<td>Public Use</td>
<td>6,000/year</td>
<td>6/1/95 - 5/31/96</td>
</tr>
</tbody>
</table>

Section 11-35-1590 of the Code states, "The board [Budget and Control Board] is hereby designated as the single central broker for leasing of real property for
governmental bodies. No governmental body shall enter into any lease agreement or renew any existing lease except in accordance with the provisions of this Section."

Since the college did not receive the board's approval prior to entering into these leases, each is unauthorized. Accordingly, we recommend that the college request ratification per Regulation 19-445.2015 and submit these leases to the Real Property Management Section of the board for approval immediately. We noted in our previous audit that the college was not reporting leases as required.

**Blanket Purchase Orders**

We reviewed the blanket purchase orders established by the college. During this review, we noted that the orders did not contain a statement about delivery tickets or invoicing procedures in several cases. Regulation 19-445.2100 B (3) requires that the following be addressed:

- Description of agreement
- Extent of obligation
- Notice of individuals authorized to place calls
- Delivery tickets
- Invoices

We recommend the college incorporate all required elements in each blanket purchase agreement. This weakness was noted in our last audit.

**Inappropriate Procurement Method**

The college procured a software license on purchase order 26958 for $1,699. They believed that the procurement was exempt as an upgrade of existing software. However, the software was a package which contained additional software applications which the college did not have. Therefore, it should have been competed as new software with licensing rather than an exempted item.

**Professional Development**

On page 4 of the internal procedures manual, the college states its intent to promote and sponsor the training and certification of procurement personnel. However, the procurement officer has not attended a National
Institute of Governmental Purchasing (NIGP) course since 1991. With the level of certification, it is imperative that the college allocate time and funds for the procurement officer to complete the courses. We recommend the procurement officer continue her professional development by attending the final two courses. Additionally, as noted above, some issues from the previous audit are still outstanding. It appears that the procurement officer has not had the time or resources to effectively correct the problems noted. We recommend the college review the staffing requirements of the procurement office to ensure that the weaknesses do not continue.
CERTIFICATION RECOMMENDATIONS

As enumerated in our transmittal letter, corrective action based on the recommendations described in this report, we believe, will in all material respect place Horry-Georgetown Technical college in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

In order to determine that corrective action has been taken, we will perform a follow-up audit prior to July 10, 1996. If, at that time, we determine that corrective action has been taken we will recommend that the college be certified to make direct agency procurements for a period of three years up to the following limits:

<table>
<thead>
<tr>
<th>Procurement Area</th>
<th>Recommended Certification Limits</th>
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</thead>
<tbody>
<tr>
<td>1. Goods and Services (Local Funds Only)</td>
<td>*$30,000 per commitment</td>
</tr>
<tr>
<td>2. Information Technology in accordance with the approved with the approved Information Technology Plan (Local Funds Only)</td>
<td>*$30,000 per commitment</td>
</tr>
<tr>
<td>3. Consultants (Local Funds Only)</td>
<td>*$30,000 per commitment</td>
</tr>
</tbody>
</table>

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

Melissa Rae Thurstin  
Senior Auditor

Larry G Sorrell, Manager  
Audit and Certification
Mr. H. Neyle Wilson  
Senior Vice President  
Horry-Georgetown Technical College  
Post Office Box 1966  
Conway, South Carolina 29526-1966

Dear Neyle:

On June 14, we 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 July 1, 1994 through March 31, 1995  
3. A block sample of 200 numeric payment checks and all request for quotations done since July, 1994  
4. Surplus property inventory

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.

On purchase order 21456, the College did not consider reprints in the total when determining the procurement method. The procurement method should be based on the total potential amount including reprints. Three written quotes were solicited, however, the total potential was $16,584. The Code requires solicitations of 5 written quotes and advertisement in the South Carolina Business Opportunities. I recommend the College consider the cost of reprints when choosing the procurement method.

I spoke to the Procurement Officer and Maintenance Director about surplus property. In the last audit report, excess surplus was observed and the College was advised to turn it in to
State Surplus Property. When I did my review, the surplus was still on site but had been declared junk by State Surplus Property. I advise the College to advertise the sale of scrap and accept bids on the items.

I want to express my appreciation to Darlyn Adams and Sid Mullins for all the assistance provided during my review. If you have any questions or concern, please call me at 737-0644,

Sincerely,

Melissa Rae Thurston
Compliance and Certification Analyst

attachments

c: Larry G. Sorrell
   Darlyn Adams
June 19, 1996

Mr. Larry G. Sorrell, Manager
Audit and Certification
State Budget and Control Board
1201 Main Street Suite 600
Columbia, SC 29201

Dear Mr. Sorrell:

This letter is our official response to the report of the audit performed recently at our College.

We have reviewed the report and concur with the findings of the audit staff. The Procurement Officer, the Senior Vice President and I have discussed the findings, and corrective action with each incident has been taken.

Mr. Sorrell, we appreciate the assistance that has been given to Horry Georgetown Technical College by the Audit and Certification Department.

Sincerely,

D. Kent Sharples, President

Enclosure
Mr. Raymond L. Grant  
Materials Management Officer  
Materials Management Office  
1201 Main Street, Suite 600  
Columbia, South Carolina 29201  

Dear Ray:  

We have reviewed the response from Horry-Georgetown College to our audit report April 1, 1994 - March 31, 1996. Also, we have followed the College’s correction 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 Horry-Georgetown Technical College the certification limits noted in our report for a period of three years.

Sincerely,  

Larry G. Sorrell, Manager  
Audit and Certification  

LGS/tl

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