South Carolina Office of General Services

PROCUREMENT AUDIT AND CERTIFICATION

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HORRY-GEORGETOWN TECHNICAL COLLEGE

STATE DOCUMENTS

JUN 8 1999

AGENCY

APRIL 1, 1996-SEPTEMBER 30, 1998

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

Dear Helen:

I have attached the 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,

R. Voight Shealy
Materials Management Officer
HORRY-GEORGETOWN TECHNICAL COLLEGE
PROCUREMENT AUDIT REPORT

APRIL 1, 1996 - SEPTEMBER 30, 1998
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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 Horry-Georgetown Technical College for the period April 1, 1996 through September 30, 1998. 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 which 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
INTRODUCTION

We conducted an examination of the internal procurement operating policies and procedures of Horry-Georgetown Technical College. Our on-site review was conducted October 9, through October 21, 1998, 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 Horry-Georgetown 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 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 July 9, 1996, the Budget and Control Board granted Horry-Georgetown Technical College the following procurement certifications:

<table>
<thead>
<tr>
<th>Category</th>
<th>Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods and Services (Local Funds Only)</td>
<td>$30,000 per commitment</td>
</tr>
<tr>
<td>Information Technology (Local Funds Only)</td>
<td>$30,000 per commitment</td>
</tr>
<tr>
<td>Consultant Services (Local Funds Only)</td>
<td>$30,000 per commitment</td>
</tr>
</tbody>
</table>

Our audit was performed primarily to determine if recertification is warranted. The College requested the same certification levels.
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 Horry-Georgetown 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 a judgmental sample of procurement transactions for the period July 1, 1996, through September 30, 1998, 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 April 1, 1996 through September 30, 1998

2. Procurement transactions for the period July 1, 1996 through September 30, 1998 reviewed as follows:
   a) A sample of ninety procurement transactions judgmentally selected from the general population of activity
   b) Four major construction procurements and two professional service selections related to construction
   c) Additional sample of eight procurement solicitations
   d) A block sample of 440 purchase orders

3. Minority Business Enterprise reports for the audit period

4. Information technology plans for fiscal years 95-98

5. Internal procurement procedures manual

6. Blanket purchase agreements

7. Real property leases

8. Surplus property procedures
SUMMARY OF AUDIT FINDINGS

Our audit of the procurement system of Horry-Georgetown Technical College, hereinafter referred to as the College, produced findings and recommendations as follows:

I. Unauthorized Procurements

A. Unauthorized Procurement of Construction Services

The College improperly solicited demolition services, a construction service, under its procurement certification for goods and services resulting in the contract being unauthorized.

B. Ratification of Unauthorized Procurements Not in Compliance

For unauthorized procurements ratified by the College, certain elements required in ratification requests were not being addressed and other elements were not being consistently addressed.

II. Violations of Competition Requirements

We noted two procurements which were made without any solicitations of competition, sole source or emergency procurement determinations and one procurement which was artificially divided.

III. Procurement Practices

A. Solicitations of Printing Services

The College procured printing services and did not include by reference the terms and conditions of the South Carolina Government Printing Services Manual nor was the printing specification sheet used.

B. Quotes Not Date Stamped

We noticed that quotes had not been date and time stamped showing that they had been received prior to the openings.
C. Solicitation Practice

On a procurement for office panels, only the awarded vendor offered a quote on the actual quantities procured. Two other vendors provided pricing based on one unit of each item.

IV. Inappropriate Sole Source

The College inappropriately procured water treatment services as a sole source.
RESULTS OF EXAMINATION

I. Unauthorized Procurements

A. Unauthorized Procurement of Construction Services

The College improperly solicited quotations to demolish a swimming pool, pool buildings, associated side walks and the surrounding fence under its procurement certification for goods and services. The College awarded a contract for $16,100 for demolition services based on the responses to RFQ 9901. Demolition services, as defined by Section 6.2.B of the Manual for Planning and Execution of State Permanent Improvements, Part II, fall under the construction procurement category. The College is only certified to $5,000 for construction. Section 9.6, Part II of the manual requires the written approval from the State Engineer for demolition. The College did obtain the approval. Because the approval was not obtained and the procurement exceeded the construction certification of $5,000, the procurement is unauthorized as defined in Regulation 19-445.2015.

We recommend the College procure future demolition services through the Office of the State Engineer. The College must submit a ratification request for the unauthorized procurement to the State Engineer per Regulation 19-445.2015.

B. Ratification of Unauthorized Procurements Not in Compliance

We reviewed the unauthorized procurements which were ratified by the College President to determine if all of the elements required in the ratification process were being addressed. Certain elements required in a ratification were not being addressed and other elements were not consistently being addressed. Regulation 19-445.2015 (A)(3) states in part,

The head of the governmental body shall prepare a written determination as to the facts and circumstances surrounding the act, what corrective action is being taken to prevent reoccurrence, action taken against the individual committing the act, and documentation that the price paid is fair and reasonable.

Our review showed that the College ratified 39 unauthorized procurements for the past two fiscal years. Given the size of the College, we believe that the occurrence of 39 unauthorized procurements over two fiscal years to be excessive. Of the 39 ratifications, none addressed...
actions taken against individuals committing the acts or whether the prices paid were fair and reasonable. Nineteen failed to address corrective action to prevent recurrence. Two failed to address the facts and circumstances surrounding the acts.

We recommend the College address each element in Regulation 19-445.2015 (A)(3) for every unauthorized procurement. A more formal approach to the ratification process should reduce the number of unauthorized procurements.

II. Violations of Competition Requirements

We noted two procurements which were made without any solicitations of competition, sole source or emergency procurement determinations. One procurement was artificially divided.

<table>
<thead>
<tr>
<th>PO</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>32908</td>
<td>Uninterruptible power supply maintenance agreement</td>
<td>$4,692</td>
</tr>
<tr>
<td>39694</td>
<td>Mailing services</td>
<td>2,040</td>
</tr>
<tr>
<td></td>
<td>Artificially Divided</td>
<td></td>
</tr>
<tr>
<td>36584</td>
<td>Computer processors</td>
<td>7,014</td>
</tr>
<tr>
<td>36425</td>
<td>Computer memory</td>
<td>8,208</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>$15,222</td>
</tr>
</tbody>
</table>

The maintenance agreement was procured from the original equipment supplier. The equipment is used to back up the power supply to the College's computer system and must be maintained by the original equipment supplier. The sole source procurement method should have been used. The procurement for mailing services was limited to the Conway and Myrtle Beach areas due to the College's bulk rate mailing permit being located in Conway. Competition is available for the service.

The procurement for computer upgrades was made on two different purchase orders to different vendors. The two requisitions to support the procurements were dated July 7, 1997, and originated from the same requestor. Three written quotes of competition were solicited for a total procurement of $15,222. For procurements at this level, advertisement in the South Carolina Business Opportunities (SCBO) is required.
We recommend that determinations for sole source procurements be prepared if applicable. We also recommend that competition be solicited in accordance to the Code.

III. Procurement Practices

A. Solicitations Of Printing Services

On request for quotation 9611, the College procured printing services for the 96-97 class schedule for $7,844. The solicitation did not include by reference the terms and conditions of the South Carolina Government Printing Services Manual nor was the printing specification sheet used. Page 1, paragraph 2 of the Manual states, “Regardless of whether the procurement is to be done by the agency or the Materials Management Office, all solicitations for printing services must include either a printing specification sheet or form specification sheet (included in this manual), whichever is applicable. Additional detailed specifications may be attached to better explain the requirements.” Additionally, page 2, paragraph 1 of the Manual states, “The South Carolina Government Printing Services Manual ... shall be made a part of all printing services, solicitations, and contracts by reference regardless of dollar value.”

We recommend the College adhere to the requirements of the South Carolina Government Printing Services Manual by incorporating by reference the terms and conditions and using the standard printing specification sheet in each printing solicitation.

The College’s standard request for quotation solicitation package, which was part of this printing solicitation, contained a clause informing bidders on how to get notification of the contract award. The clause asked bidders to include with the their responses to the solicitation a self addressed, stamped envelope. Our review revealed two self addressed, stamped envelopes in the file indicating that the contract award notification was not sent to these bidders.

We recommend, as a matter of practice, that a bid tabulation be prepared for each solicitation done as a request for quotation. The bid tabulation can be used to notify bidders, when applicable, of the award.
B. Quotes Not Date Stamped

We noticed that not all quotes had been date and time stamped showing that they had been received prior to the openings. The date and time stamp machine is a secure instrument that requires a key to change the settings. We recommend this procedure be done to show, through an independent means, that all quotes which are tabulated were received prior to the openings. This procedure helps protect the College and the procurement officer conducting the openings.

C. Solicitation Practice

On purchase order 38740 for $3,388, we noted that only the awarded vendor offered a quote on the actual quantities procured. Two other vendors provided pricing based on one unit of each item. To ensure that vendors are given a fair and equal chance when competing, we recommend the College solicit the same quantities from all vendors.

IV. Inappropriate Sole Source

On purchase order 36669 for $3,465, the College inappropriately procured water treatment services as a sole source. The sole source determination was based on the vendor's equipment already being on campus. If high start up costs are incurred with installing water treatment equipment, a multi term contract should be considered which would give vendors the opportunity to spread start up costs over an appropriate period of time.

We recommend competition be solicited on future contracts for water treatment services.
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 Horry-Georgetown 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 Horry-Georgetown Technical College be recertified to make direct agency procurements for three years up to the limits as follows.

<table>
<thead>
<tr>
<th>PROCUREMENT AREAS</th>
<th>RECOMMENDED CERTIFICATION LIMITS</th>
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<tr>
<td>Goods and Services (Local Funds Only)</td>
<td>*$30,000 per commitment</td>
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<tr>
<td>Consultant Services (Local Funds Only)</td>
<td>*$30,000 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
March 25, 1999

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 serves as our official response to the report of the audit performed recently at Horry Georgetown Technical 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 the College by the Audit and Certification Department.

Sincerely,

D. Kent Sharples, President

dba

Enclosure
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 Horry-Georgetown Technical College to our audit report for the period of April 1, 1996 - September 30, 1998. 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 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  

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