South Carolina Office of General Services

PROCUREMENT AUDIT AND CERTIFICATION

TRIDENT TECHNICAL COLLEGE

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AGENCY
APRIL 1, 1997 – DECEMBER 31, 1999
DATE
Mr. Robert W. McClam, Director  
Office of General Services  
1201 Main Street, Suite 420  
Columbia, South Carolina 29201

Dear Robbie:

I have attached the Trident 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
TRIDENT TECHNICAL COLLEGE
PROCUREMENT AUDIT REPORT

APRIL 1, 1997 - DECEMBER 31, 1999
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>Background</td>
<td>4</td>
</tr>
<tr>
<td>Scope</td>
<td>5</td>
</tr>
<tr>
<td>Summary of Audit Findings</td>
<td>6</td>
</tr>
<tr>
<td>Results of Examination</td>
<td>7</td>
</tr>
<tr>
<td>Certification Recommendations</td>
<td>13</td>
</tr>
<tr>
<td>Follow-up Letter</td>
<td>14</td>
</tr>
</tbody>
</table>

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 Trident Technical College for the period April 1, 1997 through December 31, 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 Trident 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 Trident 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 Trident Technical College. Our on-site review was conducted February 9, 2000 through March 3, 2000, 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 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 8, 1997 the Budget and Control Board granted the College the following procurement certifications:

<table>
<thead>
<tr>
<th>PROCUREMENT AREAS</th>
<th>CERTIFICATION LIMITS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods and Services (Local Funds Only)</td>
<td>$ 75,000 per commitment</td>
</tr>
<tr>
<td>Information Technology (Local Funds Only)</td>
<td>$ 75,000 per commitment</td>
</tr>
<tr>
<td>Consultant Services (Local Funds Only)</td>
<td>$ 50,000 per commitment</td>
</tr>
<tr>
<td>Construction Services (Local Funds Only)</td>
<td>$ 25,000 per commitment</td>
</tr>
</tbody>
</table>

Our audit was performed primarily to determine if recertification is warranted. Additionally the College requested the following increases in certification.

<table>
<thead>
<tr>
<th>PROCUREMENT AREAS</th>
<th>CERTIFICATION LIMITS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods and Services (Local Funds Only)</td>
<td>$ 100,000 per commitment</td>
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<tr>
<td>Information Technology (Local Funds Only)</td>
<td>$ 100,000 per commitment</td>
</tr>
<tr>
<td>Consultant Services (Local Funds Only)</td>
<td>$ 75,000 per commitment</td>
</tr>
<tr>
<td>Construction Contract Award (Local Funds Only)</td>
<td>$ 25,000 per commitment</td>
</tr>
<tr>
<td>Construction Contract Change Order (Local Funds Only)</td>
<td>$ 25,000 per change order</td>
</tr>
<tr>
<td>Architect/Engineer Contract Amendment (Local Funds Only)</td>
<td>$ 5,000 per amendment</td>
</tr>
</tbody>
</table>
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 Trident 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 July 1, 1997 through December 31, 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 April 1, 1997 through December 31, 1999
2. Procurement transactions for the period July 1, 1997 through December 31, 1999 as follows:
   a) Ninety payments exceeding $1,500 each
   b) A block sample of five hundred sequential purchase orders for order splitting and favored vendors
3. Four construction contracts and six professional services 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 Trident Technical College, hereinafter referred to as the College, produced the following findings and recommendations.

I. Sole Source, Emergency and Trade in Sale Procurements
   A. Inappropriate Sole Sources
      Six procurements were inappropriate as sole sources.
   B. Multi-Term Sole Source Contracts Not Properly Authorized
      The justifications to support six sole source procurements applied to prior sole source procurements.
   C. Inappropriate Emergencies
      Five procurements were inappropriate as emergencies.
   D. Trade-in Sale Not Approved
      The approval for the trade in sale was not provided.

II. Procurement Card
    Two unauthorized procurements were made on the procurement cards.

III. General Procurement Exceptions
    A. Automated Requisition Not Updated
       Incorrect prices were recorded on three purchase orders.
    B. Inadequate Competition
       The College did not advertise a procurement of $12,050.
    C. Incorrect Retainage For Construction Projects
       On two construction projects, a retainage of 10% rather than 5% was applied.
RESULTS OF EXAMINATION

I. Sole Source, Emergency and Trade in Sale Procurements

   A. Inappropriate Sole Sources

       The following six sole source procurements were inappropriate.

<table>
<thead>
<tr>
<th>Item</th>
<th>Purchase Order</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>92757</td>
<td>Furniture</td>
<td>$27,026</td>
</tr>
<tr>
<td>2</td>
<td>11561</td>
<td>Furniture</td>
<td>16,350</td>
</tr>
<tr>
<td>3</td>
<td>92267</td>
<td>Spectrometer with software</td>
<td>15,210</td>
</tr>
<tr>
<td>4</td>
<td>12451</td>
<td>Landscape software</td>
<td>3,000</td>
</tr>
<tr>
<td>5</td>
<td>12930</td>
<td>Lab equipment</td>
<td>2,928</td>
</tr>
<tr>
<td>6</td>
<td>90979</td>
<td>Travel agent services for speaker</td>
<td>2,000</td>
</tr>
</tbody>
</table>

       The furniture on items 1 and 2 was declared a sole source to match an existing line of furniture. We do not believe the compatibility provision provided in the sole source procedures applies to aesthetics. The justifications to support items 3, 4 and 5 failed to address what made the items unique. Item 6 was supported by a sole source justification for a graduation speaker and had nothing to do with a travel agent.

       We recommend that procurements that do not meet the definition of a sole source be competed in accordance with the Code and regulations. The justifications to support sole source procurements must address why no other items, if applicable, will satisfy the needs of the College.

   COLLEGE RESPONSE

   Items 1 and 2: The furniture itself can be competed. In the past, the manufacturer has limited our source as they classified our Health Science Building as a medical building. In the future, we will work with the manufacturer to have this restriction lifted so that we may compete the furniture in accordance with the Code.

   Items 3, 4, and 5: In the future we will ensure that our sole source justifications explain why the items are unique and no other items will satisfy the needs of the College as well as why the items cannot be competed.

   Item 6: The contract required that we use the particular travel agent. In the future, should this situation arise, we will prepare separate sole source justifications.

   B. Multi-Term Sole Source Contracts Not Properly Authorized

       We reviewed five sole source procurements for copier maintenance where outdated justifications
were used to support the procurements. We confirmed that the five procurements were for multi-term contracts. However, the original justifications, which authorized the procurements, did not identify the contracts as being multi-term contracts. The person who authorized the original sole source justifications was approving the sole sources for the first year of each contract rather than the subsequent years. Subsequent yearly renewals would not be resubmitted for sole source approval. The College would attach the original justifications to renew the contracts rather than prepare separate justifications.

We recommend the College clearly identify multi-term contracts in the sole source justifications. These justifications may be used to support subsequent annual purchase orders issued for these contracts. Otherwise, determinations must be prepared and approved on an annual basis. We also remind the College that the multi-term provisions found in Section 11-35-2030 of the Code apply to sole source contracts.

Another sole source procurement was supported by an old approval. Purchase order 93146 was issued on April 29, 1998 for $3,922 to upgrade a spectrum analyzer. The sole source justification was dated May 29, 1997. The approval referenced an attachment to further support the procurement action. However, the attachment was written months after the approval was made and could not have been the one referenced in the approval. As a result, the procurement was unauthorized and requires ratification in accordance to Regulation 19-445.2015.

We recommend that new sole source procurements be supported by current sole source approvals.

**COLLEGE RESPONSE**

We have revised our sole source justification form to reflect multi-term contracts. Should we not handle the sole source justification as a multi-term or blanket, we will obtain justifications annually. Additionally, we will ensure that new sole source procurements are supported by current sole source approvals.

C. **Inappropriate Emergencies**

The following five emergency procurements were inappropriate.

<table>
<thead>
<tr>
<th>Item</th>
<th>Purchase Order</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>90742</td>
<td>Interpreter services (Fall '97)</td>
<td>$8,400</td>
</tr>
<tr>
<td>2</td>
<td>Change orders 1 &amp; 2</td>
<td>Interpreter services (Spring '98)</td>
<td>$7,950</td>
</tr>
<tr>
<td></td>
<td>Change order 3</td>
<td>Interpreter services (Fall '98)</td>
<td>$2,520</td>
</tr>
<tr>
<td>---</td>
<td>----------------</td>
<td>---------------------------------</td>
<td>--------</td>
</tr>
<tr>
<td>4</td>
<td>90915</td>
<td>Trees</td>
<td>$2,700</td>
</tr>
<tr>
<td>5</td>
<td>25008</td>
<td>Personal computer</td>
<td>$1,719</td>
</tr>
</tbody>
</table>

Item 1 for the interpreter services was declared an emergency because adequate time was not given to the Procurement Office to solicit competition. Better planning could have prevented the situation. However, the College continued the emergency by issuing change orders to the original contract for the next two semesters. Regulation 19-445.2110 (C) states, “Emergency procurement shall be limited to those supplies, services, or construction items necessary to meet the emergency.” The emergency condition existed the first semester only. It was inappropriate to extend the emergency, which was entered without competition, for two additional semesters.

Since items 4 and 5 were each less than $5,000, only three verbal solicitations for competition were needed to meet the normal competition requirements of the Code. In our opinion time was available to make three verbal solicitations.

We recommend the College limit emergency procurements to meet the immediate needs. Competition, when practical, should be solicited.

**COLLEGE RESPONSE**

Item 1: The College has little notice when needs arise for interpreter services. We have solved this problem by establishing a multi-term contract for interpreter services. The College will limit emergency procurements to meet the immediate needs and solicit competition where practical.

D. Trade-in Sale not Approved

Purchase order 93074 included the trade-in of $22,548 for a conferencing system. The College could not provide nor we could locate the approval of the trade-in. Regulation 19-445.2150(G) states,

Governmental bodies may trade in personal property, whose original unit purchase price did not exceed $5,000, the trade in value of which must be applied to the purchase of new items. When the original unit purchase price exceeds $5,000, the governmental body shall refer the matter to the Materials Management Officer, the Information Technology Management Officer, or the designee of either, for disposition.

Since we were not provided with any documentation, we can not determine whether the College complied with the Regulation. Without supporting documentation, we must consider the transaction unauthorized as defined in Regulation 19-445-2015. The College must request ratification of the
unauthorized trade-in from the Materials Management Officer in accordance with Regulation 19-445.2015.

We recommend the College comply with Regulation 19-445.2150 by referring the disposition to the Materials Management Officer or the Information Technology Officer.

**COLLEGE RESPONSE**
The Procurement Office was unaware that a trade-in was involved in this procurement until after the fact. We will request ratification of the unauthorized trade-in from the Materials Management Officer in accordance with Regulation 19-445.2015. We will comply with Regulation 19-445.2015 by referring the disposition to the Materials Management Officer or the Information Technology Officer.

II. **Procurement Card**

We reviewed all procurement card transactions for October of 1999. Two exceptions were noted. The College established a per purchase limit of $500 on most of its cards. Audio-visual equipment (TVs & VCRs) totaling $2,205 was purchased by two employees from the same department. Each individual transaction was less than $500. However, when combined, the purchase exceeded $500, thus causing it to be unauthorized. Further, the first two transactions listed below were made one minute apart at the same store by two different employees for the same items.

<table>
<thead>
<tr>
<th>Purchase Date</th>
<th>Purchase Time</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>9/27/99</td>
<td>2:57pm</td>
<td>4 VCRs</td>
<td>$445</td>
</tr>
<tr>
<td>9/27/99</td>
<td>2:58pm</td>
<td>4 VCRs</td>
<td>445</td>
</tr>
<tr>
<td>9/27/99</td>
<td>3:42pm</td>
<td>3 TVs (19&quot;)</td>
<td>499</td>
</tr>
<tr>
<td>9/29/99</td>
<td>6:20pm</td>
<td>4 VCRs</td>
<td>466</td>
</tr>
<tr>
<td>9/30/99</td>
<td>1:39pm</td>
<td>1 TV (27&quot;)</td>
<td>350</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total</td>
<td>$2,205</td>
</tr>
</tbody>
</table>

The second exception was done by a different individual in another department. The transactions were split one minute apart thereby circumventing the $500 authority limit causing the purchase to be unauthorized.

<table>
<thead>
<tr>
<th>Purchase Date</th>
<th>Purchase Time</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>10/21/99</td>
<td>2:02pm</td>
<td>Heating &amp; air repair parts</td>
<td>$416.30</td>
</tr>
<tr>
<td>10/21/99</td>
<td>2:03pm</td>
<td>Heating &amp; air repair parts</td>
<td>140.20</td>
</tr>
</tbody>
</table>

We recommend the College not tolerate collusive efforts by employees to circumvent procedures.
The procurements listed above must be submitted to the College President for ratification in accordance to Regulation 19-445.2015.

**COLLEGE RESPONSE**

In both instances, the employees making the procurements had been contacted by the College’s Internal Auditor. The Internal Auditor and the Procurement Office will work closely to handle any exceptions found during the monthly review of the purchasing card procurements. We will request ratification of the procurements noted.

III. General Procurement Exceptions

A. Automated Requisition Not Updated

We noted wrong prices being recorded on purchase orders. Purchase order 90243 for exhaust hoods was issued in the amount of $3,700. The low quote was $1,040. However, the automated requisition originally priced the hoods at $3,700. When the purchase order was prepared, the College failed to update the low quote information and allowed the original information from the requisition to be transferred onto the purchase order. The College was able to negotiate with the awarded vendor into lowering the price to $2,500 thereby only losing $1,460.

On purchase order 12314 for a printer maintenance contract in the amount of $3,156, the College did not solicit competition. Our review of the transaction showed the automated requisition was originally prepared requesting a three-year maintenance contract at $3,156. However, the College decided to procure one year of service instead of three. Since one year of service was less than $1,500, the level at which competition begins, no competition was required. However, when the purchase order was prepared, the College failed to update the information and allowed the original information from the requisition to be transferred onto the purchase order.

On purchase order 10638 for office supplies and equipment in the amount of $2,256, the low quote and purchase order prices did not agree. Two out of four of the line items were transferred from the automated requisition without the information being updated to the purchase order resulting in the wrong prices being recorded. Fortunately, the vendor’s invoice was the quoted prices and no loss was realized by the College.

We recommend the College update information that is posted on the purchase orders.

**COLLEGE RESPONSE**

We currently have a process in the Procurement Office to review purchase orders and compare them to
both the requisition and quoted prices before sending the purchase order. We will be diligent in our review.

B. Inadequate Competition

A procurement to provide and install plants in the amount of $12,050 was made with inadequate solicitations of competition on purchase order 82743. Three written solicitations of written quotes were made. However, in addition to written solicitations, Section 11-35-1550 (d) of the Code requires advertisement in the South Carolina Business Opportunities since the award exceeded $10,000. A note in the file states that an estimate of the cost was received prior to the solicitation. However due to changing market conditions, prices received were substantially higher than estimates. The College should have resolicited or declared an emergency procurement if time did not allow for the resolicitation.

We recommend the College adhere to the competitive requirements of the Code.

**COLLEGE RESPONSE**

In the future, we will either resolicit or declare an emergency if time does not allow resolicitation. We will adhere to the competitive requirements of the Code.

C. Incorrect Retainage For Construction Projects

We noted two construction projects that had 10% retainage on the pay applications. This occurred on the projects for parking lot additions for buildings 910 and 920 and replacement of roof top units at the Berkeley campus. Section 11-35-3030 (4) of the Code limits retainage to not more than 5%. Further, the parking lot addition project was procured under emergency procurement procedures and was not reported to the State Engineer. Section 8.5 G.2. of the current Manual for Planning and Execution of State Permanent Improvements, Part II states, “Construction-related emergency procurements shall be submitted to the OSE on form MMO #103 within 10 days of contract award.” This requirement was in effect at the time of the parking lot addition procurement.

We recommend the College adhere to the requirements noted above.

**COLLEGE RESPONSE**

We will adhere to the retainage requirements of Section 11-35-3030 of the Code and assure that all emergency procurements are reported to the Office of the State Engineer.
CERTIFICATION RECOMMENDATIONS

As enumerated in our transmittal letter, corrective action based on the recommendations described in this report will in all material respects place Trident 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 Trident 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>
</tr>
</thead>
<tbody>
<tr>
<td>Goods and Services (Local Funds Only)</td>
<td>*$ 100,000 per commitment</td>
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<tr>
<td>Information Technology (Local Funds Only)</td>
<td>*$ 100,000 per commitment</td>
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<td>*$ 75,000 per commitment</td>
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<td>Architect/Engineering Contract Amendment (Local Funds Only)</td>
<td>$ 5,000 per amendment</td>
</tr>
</tbody>
</table>

*The 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
June 1, 2000

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 Trident Technical College to our audit report for the period of April 1, 1997 - December 31, 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 Trident Technical College the certification limits noted in our report for a period of three years.

Sincerely,

Larry G. Sorrell, Manager  
Audit and Certification

<table>
<thead>
<tr>
<th>Total Copies Printed</th>
<th>25</th>
</tr>
</thead>
<tbody>
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<td>Unit Cost</td>
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</tr>
<tr>
<td>Total Cost</td>
<td>$6.50</td>
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</table>