South Carolina
Division of General Services

PROCUREMENT
AUDIT AND
CERTIFICATION

S. C. STATE LIBRARY
MAY 1, 1992
STATE DOCUMENTS

PIEDMONT TECHNICAL COLLEGE
AGENCY
JULY 1, 1989 - JUNE 30, 1991
DATE
March 23, 1992

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

Dear Rick:

I have attached the Office of Audit and Certification's procurement audit report of Piedmont Technical College for the period of July 1, 1989 - June 30, 1991. This report includes extensive efforts by our staff in cooperation with the College, the State Board for Technical and Comprehensive Education and the Commission for Higher Education to resolve certain issues at the College.

Based on these corrective actions, I concur with Audit and Certification's recommendation that Piedmont Technical College's certification be reinstated for a period of two (2) years as outlined in the report.

Sincerely,

James J. Forth, Jr.
Assistant Division Director

JFF/jjm

Attachment
PIEDMONT TECHNICAL COLLEGE

PROCUREMENT AUDIT REPORT

JULY 1, 1989 - MARCH 31, 1991

FOLLOW-UP REVIEW

APRIL 1, 1991 - JUNE 30, 1991
**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>7</td>
</tr>
<tr>
<td>Results of Examination</td>
<td>9</td>
</tr>
<tr>
<td>Conclusion</td>
<td>18</td>
</tr>
<tr>
<td>Follow-up Review/Resolution</td>
<td>19</td>
</tr>
</tbody>
</table>

**NOTE:** The College's responses to issues noted in this report have been inserted immediately following the issues 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 Piedmont Technical College for the period July 1, 1989 - June 30, 1991. 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 Piedmont 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 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 Piedmont Technical College in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

R. Woight Shealy, CFE, 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 Piedmont Technical College.

Our on-site review was conducted May 7, 1991 through May 28, 1991, 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.

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.
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 Division 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.

Most recently, on August 17, 1989, the Budget and Control Board granted Piedmont Technical College the following certification:

<table>
<thead>
<tr>
<th>Category</th>
<th>Requested Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Goods and Services (Local Funds Only)</td>
<td>*$ 10,000 per commitment</td>
</tr>
<tr>
<td>2. Information Technology in accordance with the approved Information Technology Plan (Local Funds Only)</td>
<td>*$ 10,000 per commitment</td>
</tr>
<tr>
<td>3. Consultants (Local Funds Only)</td>
<td>*$ 10,000 per commitment</td>
</tr>
</tbody>
</table>

*Total potential purchase commitment whether single year or multi-term contracts are used.

Our audit was performed primarily to determine if recertification for expenditures of local funds is warranted. Increased certification was not requested.
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 Piedmont 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. 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 review of the following:

(1) Sixty judgementally selected procurement transactions for the period 7/1/89 - 3/31/91

(2) All sole source and emergency procurements (7/1/89 - 3/31/91)

(3) All trade in sales (7/1/89 - 3/31/91)

(4) Five permanent improvement contracts for approvals and compliance with the Manual for Planning and Execution of State Permanent Improvements

(5) Selection and approval of three architect-engineer contracts

(6) Block sample of four hundred sequentially numbered purchase orders

(7) Evidence of competition and sealed bidding procedures
(8) Purchasing Policy and Procedures Manual
(9) Property Management and fixed asset procedures
(10) Warehousing, inventory and disposition of surplus property procedures
(11) Procurement staff and training
(12) Information Technology Plans
(13) Minority Business Enterprise Plan quarterly progress reports
(14) Adequate audit trails

FOLLOW-UP SCOPE

We performed a follow-up audit August 14-15, 1991 during which we verified Piedmont Technical College's corrective action for each recommendation made in this report. Also, we tested the following additional transactions:

(1) All sole source, emergency and trade-in sale procurements for the period 4/1/91 - 6/30/91

(2) A review of all nine sealed bids for the period 4/1/91 - 6/30/91

(3) A review of all six request for quotations procurements between $1,500.00 and $2,499.99 for the period 4/1/91 - 6/30/91

Please see page 19 of this report for the follow-up review/resolution.
SUMMARY OF AUDIT FINDINGS

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

I. Compliance - General
   A. Unauthorized Procurements
      We noted two unauthorized procurements.
   B. Inappropriate Procurement Methodology
      We noted four procurements where the College used an inappropriate procurement method.
   C. Blanket Purchase Agreements
      We noted one blanket purchase agreement that was not in compliance.

II. Unauthorized Real Property Lease
    We noted one real property lease that was not approved by the Division of General Services.

III. Sealed Bidding Procedures
     We recommended that the College's sealed bid package be revised.
IV. Construction

A. Missing Construction Documents

We noted that three construction contract files did not contain all of the required documents.

B. Missing Architect-Engineer Documents

We were not provided all of the required documents for the selection of one architect-engineer.
RESULTS OF EXAMINATION

I. Compliance - General

To test for general compliance with the Consolidated Procurement Code, we selected a sample of sixty transactions as described in the scope of this report. As a result of this testing, we noted the following exceptions:

A. Unauthorized Procurement

The following procurements were unauthorized:

1. PO#   PO Date   PO Amount   Description
   3709   05/07/90   $13,915.00   Catering services

   The Purchasing Office was bypassed and a contract was entered into by unauthorized individuals. Additionally, the procurement exceeded the College's procurement certification.

   The College must submit a request for ratification to the State Materials Management Officer in accordance with Regulation 19-445.2015 for this procurement.

   We recommend that all purchase requests be submitted to the Purchasing Office for processing as required by the College's Institutional Directive 3-4, and that all purchases that exceed, or potentially exceed, the College's certification be submitted to the State Materials Management Office.

2. The total of the following procurements, related to a direct mail service contract, exceeded the College's procurement certification.
<table>
<thead>
<tr>
<th>Item</th>
<th>PO#</th>
<th>PO Date</th>
<th>PO Amount</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>35086</td>
<td>07/26/88</td>
<td>$4,914.00</td>
<td>Original contract for 12 months</td>
</tr>
<tr>
<td>2</td>
<td>1505</td>
<td>07/01/89</td>
<td>1,638.00</td>
<td>&quot;one time&quot; renewal</td>
</tr>
<tr>
<td>3</td>
<td>2558</td>
<td>11/09/89</td>
<td>1,683.00</td>
<td>&quot;one time&quot; renewal</td>
</tr>
<tr>
<td>4</td>
<td>5134</td>
<td>07/16/90</td>
<td>5,049.00</td>
<td>renewal</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>Total $13,284.00</strong></td>
</tr>
</tbody>
</table>

We noted the following exceptions with these procurements:

(1) The original contract was not awarded pursuant to an invitation for bids solicitation as required by Section 11-35-1520 of the Code.

(2) The original contract was not supported by a multi-term determination as required by Section 11-35-2030 of the Code or an extension provision meaning it could not be renewed.

(3) The two "one time" renewals (items 2 and 3) were not supported by evidence of competition.

(4) The final renewal (item 4) was not awarded pursuant to an invitation for bids solicitation as required by Section 11-35-1520 of the Code.

(5) The total procurement exceeded the College's procurement authority so the entire contract was unauthorized.

We recommend that the College solicit appropriate competition for all future procurements considering the total potential commitment of each transaction. Also, we recommend that the College not renew any contract unless the original solicitation provided for extensions, the contracts contain an extension option and the procurement is supported by a multi-term determination. Finally, we recommend that the College request ratification of this unauthorized procurement from the State Materials Management Officer in accordance with Regulation 19-445.2015.
1. PO #3709 - $13,915.00 - Catering Services:

We requested and received ratification for P003709 from James J. Forth, Jr., Materials Management Officer. A copy of this was submitted to Voight Shealy.

Part 2 : Unauthorized Mailing Service Procurement

1. PO #35086 - $4,914.00 - [Vendor] Printing Service:

This purchase order resulted from the solicitation of written bids by the procurement office during a time when the College decided to increase its mail distribution of the Continuing Education Catalog. Since the initial cost of this service was unknown, the solicitation went out as a Request for Quotation. At that time it was not realized that this was going to be an ongoing procurement that ultimately exceeded the College's purchasing authority. In the future, we will forward any solicitations, which may result in multi-termed contracts exceeding the College's procurement authority to the Materials Management Office.

2. PO #1505 - $1,638.00 - [Vendor] Printing Service Renewal:

This purchase resulted from a discussion with BM Cave that the College should renew the existing contract with Hardwick, since this firm did not include mailing services as part of the original printing contract. Because of personnel changes in the Continuing Education Department, sufficient information was not available in time to include in the printing bid. This will be avoided in the future.

3. PO #2558 - $1,683.00 - [Vendor] Printing Service Renewal:

This renewal resulted from the lack of any other alternatives. At that time, the entire mailing service for the Continuing Education Bulletin was being investigated by the College. Concurrently, desktop publishing was being examined as a method of reducing printings costs. However, when the bid for the printing costs was received at the state level, the cost was almost the same with or without any customer provided typesetting. As a result, Mr. Cave was asked if we could "renew" again. He said we could as long as the renewal did not exceed a one year period. At that time it was not realized that this should have been regarded as a multi-termed contract.

4. PO #5134 - $5,049.00 - [Vendor] Printing Service Renewal:

For this procurement, a written Request for Quotations was solicited and again [this vendor] was the low bidder. Since, this was the case, the sealed bid process was not used.
Ratification of this procurement will be requested. For the upcoming procurement of mailing services the procurement office has gone out for the sealed bid process and received only two bids. An award was made to another firm for the next year's mailings. Due to the fact that this will apparently be an ongoing process, the College will submit the mailing requirements along with the printing requirements for future years and will submit to Materials Management Office the entire procurement for at least a three year period.

B. Inappropriate Procurement Methodology

The following four procurements should have been sealed bid:

<table>
<thead>
<tr>
<th>Item</th>
<th>PO#</th>
<th>PO Date</th>
<th>PO Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>3450</td>
<td>03/20/90</td>
<td>$3,511.24</td>
<td>Trainer components</td>
</tr>
<tr>
<td>2</td>
<td>5600</td>
<td>09/11/90</td>
<td>6,538.70</td>
<td>Chemistry sets</td>
</tr>
<tr>
<td>3</td>
<td>6086</td>
<td>11/02/90</td>
<td>5,168.94</td>
<td>Office furniture</td>
</tr>
<tr>
<td>4</td>
<td>5038</td>
<td>07/11/90</td>
<td>6,150.00</td>
<td>Service agreement</td>
</tr>
</tbody>
</table>

The College solicited informal written quotations on items 1-3 and informal verbal quotations on item 4.

The Code is quite clear that procurements of $2,500 or more must be awarded pursuant to solicitations for competitive sealed bids unless they are supported by sole source or emergency determinations. We recommend that the College adhere to this requirement as stated in Section 11-35-1520 of the Code.

**COLLEGE RESPONSE**

1. PO #3450 - $3,511.24
2. PO #5600 - $6,538.70
3. PO #6068 - $5,168.94
4. PO #5038 - $6,150.00

These four procurements were not processed through the sealed bid process because of time limitations. The items were requested and required at specific times for delivery and the need for each could not be anticipated in time for the complete sealed bid process to be performed because inappropriate approvals were not received until each item was in a time limitation. However, using the sealed bid process is a standard method at the College and is used routinely for most procurements exceeding $2,500.00. The sealed bid procedure as stated in the Code will be used in all future procurements.
C. Blanket Purchase Agreements

On five different occasions the College allowed unauthorized individuals to procure items against blanket purchase order number 6691.

This is in violation of the College's written conditions for open purchase order agreements and Regulation 19-445.2100 (C) and (E).

We recommend that the College adhere to its conditions for blanket purchase orders and ensure compliance with the regulation referenced above.

COLLEGE RESPONSE

The procurement office was unaware that individuals who were not authorized were using the blanket purchase agreements to procure items for the College. The Office has issued a memo to the Maintenance Superintendent requesting him to monitor this activity and to change the blanket purchase agreements to include any personnel who are authorized by him to pick up items for his department. Also vendors have been reminded to limit this type of activity. The College has eliminated the recurrence of unauthorized personnel using the blanket purchase agreements and are now in compliance with the referenced regulations.

II. Unauthorized Real Property Lease

On January 4, 1991, the Real Property Management Office solicited proposals for a lease in the City of Laurens for the College. The resulting lease was for $12,000.00, or $1,000.00 per month with a twelve month option. The College then "negotiated" the lease to $9,600.00, or $800.00 per month, thus making the lease exempt.
The College then, under a separate transaction, agreed to lease the parking lot of that building for $2,400.00, or $200.00 per month for the twelve month period.

These transactions were in-fact one and should have been submitted to the Commission of Higher Education and the Real Property Management Office for approval prior to the execution of either lease.

Regulation 19-445.2120(A) and the Real Property Leasing Regulation 19-445.2121 require that all non-exempt, non-state-owned real property leases be negotiated and approved by the Division of General Services.

Since this lease exceeded the $10,000.00 exemption, it was unauthorized. The College must submit a request for ratification to the State Materials Management Officer in accordance with Regulation 19-445.2015.

We recommend that the College adhere to the above requirements when soliciting, negotiating and executing non-exempt real property leases of non-state-owned property.

COLLEGE RESPONSE

The lease of property has a long history beginning in the Fall of 1990. At that time, Mr. Dukes was asked to provide the forms and guidance to lease a portion of a building in Laurens County. This documentation was completed and forwarded to the Property Management Office on October 23, 1990. Concurrently, the State Board of Technical and Comprehensive Education was asked to approve leasing property in Laurens. Coordination was made also with the Commission of Higher Education. After approval by State Tech and acknowledgment by CHE, the State Property Management Office coordinated directly with the leasor and asked that the lease forms be completed and returned to the College. After a considerable amount of written correspondence and telephone calls, communications between the president of Piedmont Technical College, Mr. Dukes of Property Management, and the leasor, it was concluded that the lease should relate to the building. Since this amount was within the College's dollar authorization, the
lease was concluded at the local level. A copy of this executed contract was provided to Mr. Edward Dukes of the Property Management Office. From the date of the first correspondence to the Property Management Office in September, 1990, and the final execution of the contract in February, 1991, a major effort was made at the College to comply with the appropriate state regulations. The lease was approved by the State Tech Board and approved by the Property Management Office of General Services. However, as requested, a ratification request is being sent to the Materials Management Officer, Mr. Jim Forth, Jr.

III. Sealed Bidding Procedures

The College's instructions, provisions and conditions contained in their sealed bid package reference the Materials Management Office and not the College.

We recommend that the College revise their bid package so that the proper references are included.

COLLEGE RESPONSE

The College concurs that the Sealed Bid Procedures need revising and will proceed with that process promptly. Revised procedures and boilerplate of conditions will be typed and a copy will be submitted to the Audit and Certification Office when finalized.

IV. Construction

A. Missing Construction Documents

The following documents were not in the College's contract files:

<table>
<thead>
<tr>
<th>Missing Required Documents</th>
<th>PIP#</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Copy of bid tabulation sent to all bidders within 10 days</td>
<td>9540, 8704, 9298</td>
</tr>
<tr>
<td>2. Fully executed construction contract</td>
<td>9298</td>
</tr>
<tr>
<td>3. Contractor's certificate of insurance</td>
<td>9298</td>
</tr>
<tr>
<td>4. Performance and labor and materials payment bonds with power of attorney</td>
<td>9298</td>
</tr>
</tbody>
</table>
These documents are required by Section 11-35-3020 and 11-35-3030 of the Code and the Manual for Planning and Execution of State Permanent Improvements, Part II.

We recommend that the College obtain the required documents on all future construction contracts.

COLLEGE RESPONSE

During the transition from the individual responsible for filing this information to the new office of responsibility, some of the files became co-mingled and the documents cited in the audit were not immediately available. The documents, which had been completed by the College and forwarded to State Tech and the State Engineer's Office as required, were obtained from the State Tech files and are on file at the College. The College understands the need for maintaining this documentation in local files and will make a special effort to do so.

B. Missing Architect-Engineer Documentation

We were not given the following documents required for the architect-engineer selection for permanent improvement project number 9298:

1. Proper forms used in response
2. Written notification of order of ranking sent to responding vendors

These documents are required by Section 11-35-3220 of the Code and the Manual for Planning and Execution of State Permanent Improvements, Part II.

We recommend that the College obtain the required documents on the selection of all architect-engineer contracts.
COLLEGE RESPONSE

The construction file for State Project #H59-9298, Engineering Technology Project, contains a request to the State Engineer's Office for the approval of [this architect] as the architect and engineering firm for this project. This request, supported by an SE-220, A&E Selection Approval Request; and SE-610, A Certificate of the Availability of Funds; a written report of the Area Commission Building Committee selection process; proof of advertising; a list of A&E firms responding to the request for proposals; and a variety of scoring sheets used in the selection process, was approved by the State Engineer on April 20, 1987. At that time, the documentation submitted with the A&E Selection Request was the required documentation. The College has and will continue to follow the requirements of the state regulations cited in the audit report.
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 Piedmont Technical College in compliance with the South Carolina Consolidated Procurement Code.

Prior to July 31, 1991, the Office of Audit and Certification will perform a follow-up review in accordance with Section 11-35-1230(1) of the Procurement Code to determine if the proposed corrective action has been taken. Based on the follow-up review, and subject to this corrective action, we will recommend that Piedmont Technical College be recertified to make direct agency procurements for a period of two (2) years as follows:

<table>
<thead>
<tr>
<th>Procurement Area</th>
<th>Recommended Certification Limits</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Goods and Services (Local Funds Only)</td>
<td>*$ 10,000 per commitment</td>
</tr>
<tr>
<td>2. Information Technology in accordance with the approved Information Technology Plan (Local Funds Only)</td>
<td>*$ 10,000 per commitment</td>
</tr>
<tr>
<td>3. Consultants (Local Funds Only)</td>
<td>*$ 10,000 per commitment</td>
</tr>
</tbody>
</table>

*Total potential purchase commitment whether single year or multi-term contracts are used.

William A. Shealy
Compliance Analyst

R. Voight Shealy
Manager
Audit and Certification
March 18, 1992

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

Dear Jim:

Since our audit of Piedmont Technical College, we have worked with them toward correcting the problem areas noted in this report. In coordination with the College, the State Board for Technical and Comprehensive Education and the Commission on Higher Education, we have addressed and confirmed acceptable solutions to the concerns and exceptions.

August 14-15, 1991, we performed a follow-up review at the College to determine their progress toward implementing the recommendations that we made in our report. During the follow-up, we reviewed the College's compliance with each recommendation and performed the following additional testing:

(1) All sole source, emergency and trade-in sale procurements for the period 4/1/91 - 6/30/91

(2) A review of all nine sealed bids for the period 4/1/91 - 6/30/91

(3) A review of all six request for quotations procurements between $1,500.00 and $2,499.99 for the period 4/1/91 - 6/30/91

As a result, we requested that the College submit a response to the findings noted in the follow-up review and that immediate action be taken to resolve the issue of the unauthorized real property lease noted in the report. At that time, it came
apparent that the College's certification would expire and that we could not proceed with any recommendation for reinstatement until this issue was satisfactorily resolved.

Since the follow-up review, through meetings, correspondence and exchanges of ideas and documentation between the Office of Audit and Certification, the College, the State Board for Technical and Comprehensive Education and the Commission on Higher Education, the issue regarding the unauthorized lease has been resolved.

Based on this corrective action, we recommend that Piedmont Technical College's certification be reinstated at their current level as outlined in our report for a period of two (2) years.

Sincerely,

R. Voight Shealy, Manager
Audit and Certification

RVS/jjm