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

Dear Helen:

I have attached the audit report for Piedmont Technical College. Since we are not recommending any certification above the basic $5,000 allowed by the Code, no action is required by the Budget and Control Board. Therefore, I recommend that the report be presented to the Budget and Control Board as information.

Sincerely,

R. Voight Shealy
Materials Management Officer
PIEDMONT TECHNICAL COLLEGE
PROCUREMENT AUDIT REPORT

January 1, 1995 - December 31, 1996
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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 Piedmont Technical College for the period January 1, 1995 through December 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 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 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 Piedmont 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 Piedmont Technical College. Our on-site review was conducted February 10-19, 1997, 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
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. This 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 Piedmont Technical College. As in all 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, emergency and trade-in sale procurements from the period January 1, 1995 through December 31, 1996

(2) Procurement transactions for the period January 1, 1995 through December 31, 1996 as follows:
   a) Thirty-four expenditures each exceeding $1,500
   b) A block sample of 300 numerical purchase orders reviewed for order splitting and favored vendors

(3) Information technology plans for fiscal years

(4) Minority Business Enterprise reports for the audit period

(5) Internal procurement procedures manual

(6) Blanket purchase order files

(7) Surplus property disposition procedures
RESULTS OF EXAMINATION

The Office of Audit and Certification performed an examination of the internal procurement operating policies and procedures and related manual of Piedmont Technical College for the period January 1, 1995 through December 31, 1996.

Since our last compliance audit, Piedmont Technical College has maintained what we consider to be a professional, efficient procurement system. However, we did note the following points which should be addressed by management.

Unauthorized Sole Sources

Three sole source procurements were made prior to obtaining the approvals for these types of procurements.

<table>
<thead>
<tr>
<th>Item</th>
<th>PO</th>
<th>Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>P002606</td>
<td>$1,758</td>
<td>Video tapes</td>
</tr>
<tr>
<td>2</td>
<td>P006375</td>
<td>3,185</td>
<td>Maintenance</td>
</tr>
<tr>
<td>3</td>
<td>P006150</td>
<td>1,795</td>
<td>Maintenance</td>
</tr>
</tbody>
</table>

The determination to justify the sole source procurement for item 1 was dated June 28, 1995. The purchase order was issued on June 21, 1995, seven days prior to the authorization. For items 2 and 3 the contract period began July 1, 1996. The sole source authorizations were approved on August 5, 1996 for item 2 and July 23, 1996 for item 3. Each sole source procurement is unauthorized as defined in Regulation 19-445.2015. A ratification request in accordance with Regulation 19-445.2015 must be prepared and submitted to the President.

We recommend the College implement procedures to assure that the authorizations to support sole source procurements are obtained prior to the procurements.

Inappropriate Sole Sources

Three procurements did not meet the criteria per Section 11-35-1560 of the Code and Regulation 19-445.2105 for a sole source. Purchase order P001562 dated November 28, 1995 for $8,780 was issued to procure a consultant to provide a feasibility study on a two way interactive television network. Purchase order P004751 dated March 12, 1996 for $2,000 was
issued to the same vendor for additional consulting services for the feasibility study. The file listed the components needed for the study. Other vendors could have provided the consulting services. Purchase order P000998 dated October 7, 1994 in the amount of $22,789 was issued to procure a used offset printing press. While buying used equipment might represent a good value, it is not sufficient justification for a sole source. New or used equipment can be competed.

We recommend procurements that do not meet the definition of a sole source be competed in accordance with the Code.

**Sole Source Reporting Errors**

We noted the following reporting error for sole source procurements.

<table>
<thead>
<tr>
<th>Item</th>
<th>Date</th>
<th>PO</th>
<th>Description</th>
<th>Amount Reported</th>
<th>Correct Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>08/08/95</td>
<td>P003316</td>
<td>Training</td>
<td>$2,400</td>
<td>$24,000</td>
</tr>
<tr>
<td>2</td>
<td>09/30/95</td>
<td>PF0140</td>
<td>Parts</td>
<td>0</td>
<td>1,800</td>
</tr>
<tr>
<td>3</td>
<td>11/28/95</td>
<td>P001562</td>
<td>Consultants</td>
<td>0</td>
<td>2,870</td>
</tr>
<tr>
<td>4</td>
<td>09/17/96</td>
<td>K00014</td>
<td>Supplies</td>
<td>1,849</td>
<td>0</td>
</tr>
</tbody>
</table>

For item 1 the unit cost on the purchase order was listed as $40 instead of $400 for the 60 units. By using the $40 per unit, the total of $2,400 was reported. Items 2 and 3 were not reported. Item 4 was the totals for small procurements on a blanket purchase agreement.

We recommend an amended report be submitted to the Office of General Services for the fiscal year ending June 30, 1996 for items 1, 2, and 3. An amended report for item 4 needs to be submitted to properly reflect the sole source activity for the current fiscal year.

**Freight Overpayment**

Purchase order P006675 was issued on September 16, 1996 for $2,900 per a quote that included delivery. The vendor invoiced the College for $2,900 plus a freight charge of $171.28. The College paid the amount of the invoice that included the freight charges.

We recommend the College request a refund for this overpayment and exercise more caution in the future when paying freight charges.
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 and ensuing regulations.

The College has not requested increased procurement certification above the base limit of $5,000 allowed by the Code. Subject to corrective action listed in this report, we will recommend the College be allowed to continue procuring goods and services, consultant services, construction services, and information technology up to the basic level of $5,000 as allowed by the South Carolina Consolidated Procurement Code and accompanying regulations.

David E. Rawl, CPPB
Senior Audit

Larry G. Sorrell, Manager
Audit and Certification
June 11, 1997

Larry G. Sorrell
Manager, Audit and Certification
State Budget and Control Board
Division of General Services
1201 Main Street, Suite 420
Columbia, S.C.  29201

Dear Larry:

I appreciate David and you taking time out of your busy schedule to personally visit with us to discuss the recent procurement audit. We realize that you could have completed this service with a mere phone call, but your extra efforts to talk with us about our progress was welcomed. Your office has been very instrumental in assisting Piedmont Technical College during the past several years in trying to improve our procurement processes and most importantly, mentoring our procurement specialist in her efforts to abide by the South Carolina Consolidated State Procurement Code and to educate the college as to its use.

We have reviewed your documentation and following our discussion yesterday, we are in concurrence with your report and the findings. We will submit our response and required documentation to you no later than June 18, 1997 in order that your office might complete our file and submit to the Budget and Control Board on July 8th. This audit demonstrates to us that the college has in fact followed your recommendations from past reports and with all material respects has come into compliance with the Code.

Again, we thank you for the timely completion of this audit and look forward to a continued progressive relationship with your office.

Sincerely,

Teresa E. Smith
Vice President for Business Affairs

cc:  Dr. Lex D. Walters
     Ms. Susie Crawford