PROCUREMENT
AUDIT AND
CERTIFICATION

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PIEDMONT TECHNICAL COLLEGE
AGENCY

JULY 1, 1998 – 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 Piedmont 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

June 22, 2000
PIEDMONT TECHNICAL COLLEGE
PROCUREMENT AUDIT REPORT

JULY 1, 1998 - DECEMBER 31, 1999
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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 Piedmont Technical College for the period July 1, 1998 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 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 several 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 January 31, 2000 through February 11, 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
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.

We selected judgemental samples from the period July 1, 1998 through December 31, 1999 of procurement transactions for compliance testing and performed other audit procedures 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 July 1, 1998 through December 31, 1999

(2) Procurement transactions from the period July 1, 1998 through December 31, 1999 as follows:
   a) Ninety three payment transactions greater than $1,500 each reviewed for competition and compliance to the Code
   b) A block sample of three hundred payment transactions from the audit period reviewed for order splitting and favored vendors

(3) Two construction contracts and three professional services contracts for compliance with the Manual for Planning and Execution of State Permanent Improvements

(4) Minority Business Enterprise Plan and reports for the audit period

(5) Information technology plans for audit period

(6) Internal procurement procedures manual review

(7) Surplus property procedures

(8) File documentation and evidence of competition
RESULTS OF EXAMINATION

The Office of Audit and Certification performed an examination of the internal procurement policies and procedures and related manual of Piedmont Technical College, hereinafter referred to as the College, for the period July 1, 1998 through December 31, 1999. Our on-site review was conducted January 31, 2000 through February 11, 2000 and was made under the authority described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Regulation 19-445.2020.

Since our previous audit in 1997, the College has maintained what we consider to be a professional, efficient procurement system. We did note, however, the following points which should be addressed by management.

Freight Overpayment

Purchase order 13065 was issued on November 11, 1998 to procure a computer and components totaling $25,493 against the Materials Management Office's solicitation #99-S424. The paid invoices included freight of $192. However, the purchase order did not allow for additional freight, as it was included in the total price of $25,493. The College should be more cautious concerning freight terms.

COLLEGE RESPONSE

We have reviewed our internal procedures concerning the overpayment of freight. The decision was made that all future quote orders will have a separate line item on the purchase order for any freight charges. If no charges for freight are to be paid, a text line will be added to the purchase order to reiterate this to the Accounts Payable Department so that there will be no confusion on whether freight charges are due the vendor.

Manual

We reviewed the most recent Internal Procurement Procedures Manual for compliance to the Code and found it to be deficient in several areas. A detail listing of the needed revisions was given to the Procurement Officer. A revised manual needs to be prepared and submitted to the Materials Management Office for approval per Regulation 19-445.2005. This will have to be accomplished before certification can be granted.

COLLEGE RESPONSE

Since the time of the audit, the manual has been completed and a copy submitted to your office.
Surplus Property

The College has an excessive amount of surplus property, mainly obsolete classroom furniture, stored in its warehouse. Regulation 19-445.2150 requires that surplus items be reported to the Office of General Services’ Surplus Property Management Office (SPMO) within 180 days of the items becoming surplus. The College needs to contact SPMO on the proper disposal of the surplus property.

COLLEGE RESPONSE

All surplus property will be reported to the Office of General Services, State Property Management Office (SPMO) within the 180 days per Regulation 19-445.2150. The obsolete classroom furniture noted in the audit has been processed and collected by Prison Industries. The College recognizes the requirement of reporting all surplus within the required time frame of 180 days and will adhere to all requirements in the future.

Drug-Free Workplace Certification

Purchase order 17056 was issued for $76,000 for the leasing of fiber optic cable. The College did not obtain the required drug-free workplace certification from the vendor stating they are in compliance with the South Carolina Drug-Free Workplace Act.

Section 44-107-30 of the South Carolina Code of Law requires that no State agency may enter into a domestic contract or make a domestic grant with any individual for a stated or estimated value of fifty thousand dollars or more unless the contract or grant includes a certification that the individual will not engage in the unlawful manufacture, distribution, possession, or use of a controlled substance in the performance of the contract. Sole source and emergency procurements are subject to this law. We recommend the College obtain the Drug-Free Workplace certification on all sole source and emergency contracts of $50,000 or more.

COLLEGE RESPONSE

After our conversation with David Rawl, CPPB during the audit, we now understand the importance of receiving the Drug-Free Workplace Certification for all contracts above $50,000. We will verify in the future that all vendors with a contract of $50,000 with the College will submit the certification prior to the contract becoming effective per Section 44-107-30 of the South Carolina Code of Law.
CERTIFICATION RECOMMENDATION

As enumerated in our transmittal letter, corrective action based on the recommendations described in this report will in all material respects place Piedmont 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 Piedmont Technical College be certified to make direct agency procurements for three years up to the limit as follows:

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<tr>
<th>PROCUREMENT AREAS</th>
<th>RECOMMENDED CERTIFICATION LIMITS</th>
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<tr>
<td>Goods and Services (Local Funds Only)</td>
<td>*$25,000 per commitment</td>
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<tr>
<td>Consultants (Local Funds Only)</td>
<td>*$25,000 per commitment</td>
</tr>
<tr>
<td>Information Technology (Local Funds Only)</td>
<td>*$25,000 per commitment</td>
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*The total potential purchase commitment whether single year or multi-term contracts are used.

David E Rawl, CPPB
Senior Auditor

Larry G. Sorrell, Manager
Audit and Certification
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 Piedmont Technical College to our audit report for the period of July 1, 1998 - 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 Piedmont Technical College the certification limits noted in our report for a period of three years.

Sincerely,

Larry G. Sorrell, Manager  
Audit and Certification  

LGS/jl