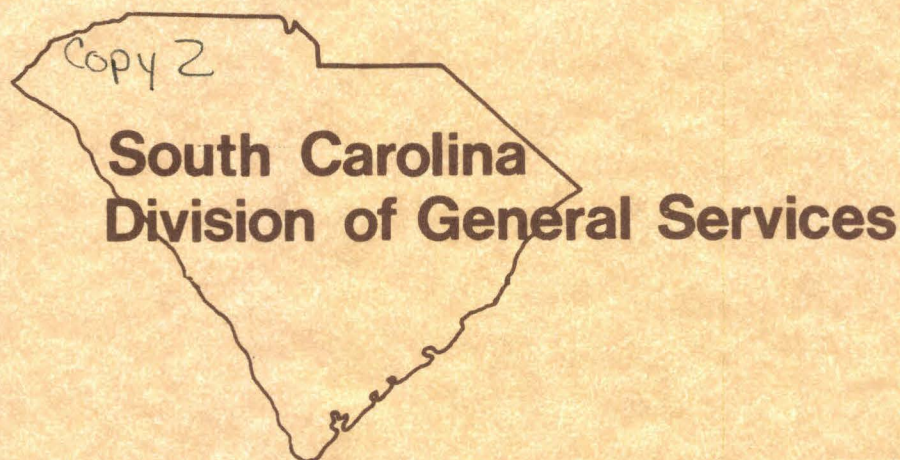


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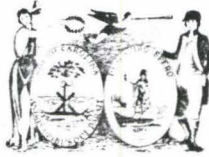
PROCUREMENT AUDIT AND CERTIFICATION

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SPARTANBURG TECHNICAL COLLEGE
AGENCY

JANUARY 1, 1988 - MARCH 31, 1991
DATE

STATE OF SOUTH CAROLINA
State Budget and Control Board
DIVISION OF GENERAL SERVICES



CARROLL A. CAMPBELL, JR., CHAIRMAN
GOVERNOR

GRADY L. PATTERSON, JR.
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DIVISION DIRECTOR

MATERIALS MANAGEMENT OFFICE
1201 MAIN STREET, SUITE 600
COLUMBIA, SOUTH CAROLINA 29201
(803) 737-0600

JAMES J. FORTH, JR.
ASSISTANT DIVISION DIRECTOR

JAMES M. WADDELL, JR.
CHAIRMAN, SENATE FINANCE COMMITTEE

WILLIAM D. BOAN
CHAIRMAN, WAYS AND MEANS COMMITTEE

JESSE A. COLES, JR., Ph.D.
EXECUTIVE DIRECTOR

August 5, 1991

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

Dear Rick:

I have attached Spartanburg 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 (3) year certification as noted in the audit report.

Sincerely,

James J. Forth, Jr.
Assistant Division Director

JJF/jjm

Attachment

SPARTANBURG TECHNICAL COLLEGE

PROCUREMENT AUDIT REPORT

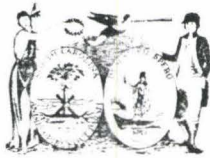
JANUARY 1, 1988 - MARCH 31, 1991

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NOTE: The College's responses to issues noted in this report have been inserted immediately following the issues they refer to.

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JESSE A. COLES, JR., Ph.D.
EXECUTIVE DIRECTOR

July 29, 1991

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 Spartanburg Technical College for the period January 1, 1988 through March 31, 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 internal 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 Spartanburg 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 Spartanburg Technical College in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.



R. Voight Shealy, CFE, Manager
Audit and Certification

INTRODUCTION

We conducted an examination of the internal procurement operating procedures and policies of Spartanburg Technical College. Our on-site review was conducted May 1, 1991 through May 17, 1991 and was made under authority as described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Regulation 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.

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 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 23, 1988, the Budget and Control Board granted Spartanburg Technical College the following procurement certifications:

<u>Category</u>	<u>Limit</u>
1. Goods and Services (Local Funds Only)	\$ 5,000 per commitment
2. Information Technology in accordance with the approved Information Technology Plan (Local Funds Only)	\$ 5,000 per commitment

Since that certification expires August 8, 1991, this audit was performed to determine if recertification is warranted. The College did not request an increase in certification.

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 Spartanburg Technical College and the 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. The 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.

We selected judgemental samples for the period January 1, 1988 through March 31, 1991, for compliance testing and performed other audit procedures that we considered necessary to formulate this opinion. As specified in the Consolidated Procurement Code and related regulations our review of the system included, but was not limited to, the following areas:

- (1) All sole source and emergency procurements and trade-in sales for the period January 1, 1988 - March 31, 1991
- (2) Property management and fixed asset procedures
- (3) Purchase transactions for the period January 1, 1988 - March 31, 1991, including
 - (a) Sixty payments for department transactions, each exceeding \$500
 - (b) Twenty purchase orders each exceeding \$500

- (c) A block sample of six hundred sequential purchase orders
- (4) Minority Business Enterprise Plan and reports
- (5) Procurement staff and training
- (6) Procurement procedures
- (7) Information Technology Plan
- (8) All Permanent Improvement Projects

SUMMARY OF AUDIT FINDINGS

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

	<u>PAGE</u>
I. <u>Compliance - Procurements</u>	
A. <u>Unauthorized Procurement</u>	8
We noted one unauthorized procurement which was also a late payment. One other late payment was also noted.	
B. <u>Procurements Lacking Competition</u>	9
Two procurements were made without competition.	
II. <u>Compliance - Construction</u>	10
A bid tabulation was not sent to every bidder in two cases.	
III. <u>Compliance - Sole Source and Emergency Procurements and Trade-in Sales</u>	10
We noted two sole sources which were inappropriate.	

RESULTS OF EXAMINATION

I. Compliance - Procurements

A. Unauthorized Procurement

P.O. number 040416 paid on check number 030166 for \$620.00 is unauthorized. The invoice was dated June 20, 1989 and the purchase order was dated September 13, 1989. Since only procurement has the authority to commit the College, the purchase is unauthorized.

We recommend that this procurement be submitted to the College President for ratification in accordance with Regulation 19-445.2015.

This procurement was also one of two late payments we noted. The other was purchase order number 000628, check number 33057, for \$2,539.00. On check number 030166, the invoice was dated June 20, 1989 and the check was dated September 25, 1989. On check number 000628, the invoice was received by the College on January 5, 1990 and the check was dated March 15, 1990.

Section 11-35-45 of the Consolidated Procurement Code requires that payments be processed within 30 working days of satisfactory receipt.

We recommend that the College make every effort to comply with this section. Exceptions should be explained prior to payment.

RESPONSE

Unauthorized Procurements

P.O. Number 040416, Check Number 030166 for \$620.00. This procurement was noted also for late payment.

This was for a circuit breaker that blew in an electric panel adjacent to the x-ray lab. The breaker had been installed during recent renovations. When the breaker and panel blew it cut off power to the entire B wing of the West Building requiring immediate attention. The electrical contractor that had recently completed the renovations was called and necessary repairs were made. At the time the contractor was called, it was assumed that the problem would be corrected under warranty. After consulting with the design engineer, it was determined that the problem was partially a panel design problem. In fairness to the contractor an agreement was made to pay for the cost of the breaker. This was the reason for the unauthorized procurement and late payment of this purchase. This procurement has been ratified in accordance with Regulation 19-445.2015 by the President of the College.

Late Payments

P.O. Number 000628, Check Number 33057 for \$2,539.00.

The job was not completed at the time the invoice was received; therefore, payment was withheld. The contractor was notified that an installed wall was not properly braced. Subsequently, the contractor was notified on several other occasions. Once the job was completed payment was processed immediately.

Action: Late payments will be properly documented in the future.

B. Procurements Lacking Competition

Check number 39596 for \$2,972.65 and purchase order number 41326 for \$4,250.00 were not supported by evidence of competition, or sole source or emergency determinations. Check number 39596 was a credit card payment. The credit card has been issued to the College for official use. Purchase order number 41326 was for outdoor advertising. The College incorrectly assumed that these items were exempt from the Code. We recommend that the College procure these items in accordance with the Consolidated Procurement Code.

RESPONSE

Procurements Lacking Competition

P.O. Number 41326 issued for billboard advertisements and Check Number 039596 to or VISA charges.

We were unaware that billboard advertisements or charge cards required competition.

Action: This will be corrected in future procurements of this nature.

II. Compliance - Construction

For project number 9567, Ledbetter Parking Lot, and the Gaines Building Sidewalk Project, the College did not send bid tab forms to all bidders. The original contract amounts were \$47,120 and \$9,269 respectively. This oversight was due to a misunderstanding on the College's part.

Accordingly, we recommend the College's personnel familiarize themselves with the requirements of Article 9 of the Procurement Code and take steps to ensure compliance.

RESPONSE

For Project 9567 - Ledbetter Parking Lot, and Gaines Building Sidewalk Project. The College did not send bid tab forms to all bidders.

This was an oversight. It will be corrected in the future.

III. Sole Source and Emergency Procurements and Trade-in Sales

We reviewed all sole source and emergency procurements and trade-in sales with all available supporting documentation for the period January 1, 1988 through March 31, 1991. We found these procurements to be in compliance with the Code and regulations with the following exceptions.

We found two sole source procurements which were inappropriate:

<u>PO Number</u>	<u>Amount</u>	<u>Description</u>
42214	\$6,014.40	Fire alarm system
50290	2,569.25	Computer technician's workbench

The College sole sourced these items because they had features which were important to the College. However, competition was available in both cases.

Regulation 19-445.2105 of the Consolidated Procurement Code requires that in cases of reasonable doubt competition should be solicited.

The College had in fact examined several different types of computer workstations and fire alarm systems prior to sole sourcing these items. Therefore, in both cases, reasonable doubt existed. We recommend that the College seek competition in the future when in doubt.

RESPONSE

Two sole sources were sighted as inappropriate. P.O. Number 42214 for a firm alarm system for the West Building and P.O. Number 50290 for a computer technician's workbench.

FIRE ALARM SYSTEM: In developing the specifications for this system, it was determined that the system required a "walk test" capability. This capability would then allow the system to be placed in a test mode and allow maintenance personnel to then walk through the building initiation alarm stations. The system then responds with a unique number of rings to identify the zone that has been activated and confirms that the designated zone is functioning properly. In subsequent checks, with what we considered potential vendors, it was found that competition for this type of system was not available. Consequently, we initiated a sole source procurement.

COMPUTER TECHNICIAN'S WORKBENCH: This workbench is designed as a specialist modular workbench for electronic technicians. It is composed of individual modules which permits the buyer to arrange

or design the workbench to suit the needed work. After thorough research, our procurement specialist made the determination that competition could not be found to meet the specifications. A sole source request was then initiated.

ACTION: The College will always seek competition if there is any doubt as to the propriety of sole source procurement. However, we must point out that reasonable doubt is subject to individual interpretation. It will continue to be our policy to seek competition anytime there is a reasonable doubt at any level of approval within the College's structure.

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 Spartanburg Technical College in compliance with the South Carolina Consolidated Procurement Code.

Prior to July 31, 1991, we 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 Spartanburg Technical College be recertified to make direct agency procurements for a period of three (3) years as follows:

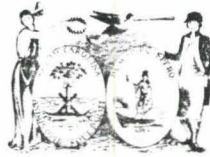
<u>Procurement Area</u>	<u>Recommended Certification Limits</u>
1. Goods and Services (Local Funds Only)	\$ 5,000 per commitment
2. Information Technology in accordance with the approved Information Technology Plan (Local Funds Only)	\$ 5,000 per commitment

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


Melissa Rae Thurstin
Compliance Analyst


R. Voight Shealy, CFE, Manager
Audit and Certification

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JESSE A. COLES, JR., Ph.D.
EXECUTIVE DIRECTOR

July 29, 1991

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 reviewed Spartanburg Technical College's response to our audit report for January 1, 1988 - March 31, 1991. 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 that internal controls over the procurement system are adequate.

Therefore, we recommend that the Budget and Control Board grant Spartanburg Technical College the certification limits noted in our audit report for a period of three (3) years.

Sincerely,

R. Voight Shealy, Manager
Audit and Certification

RVS/jjm

