PROCUREMENT
AUDIT AND
CERTIFICATION

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Richland County School District One
AGENCY

July 1, 1985 - August 31, 1986
DATE
Mr. Richard W. Kelly  
Division Director  
Division of General Services  
1201 Main Street  
Columbia, South Carolina 29201

Dear Rick:

Attached is the final Richland County School District One audit report and recommendations made by the Office of Audit and Certification. Since the issue of certification above the $2,500 does not apply to the District, and no action is necessary by the Budget and Control Board, I recommend that this report be presented to Dr. Coles for his information.

Sincerely,

Richard J. Campbell  
Assistant Division Director

Attachment
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Mr. Richard J. Campbell
Assistant Division Director
Division of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

We have examined the procurement policies and procedures of
the Richland County School District One for the period July 1,
1985 through August 31, 1986. As a part of our examination, we
made a study and evaluation of the system of internal control
over procurement transactions to the extent we considered
necessary.

The purpose of such evaluation was to establish a basis for
reliance upon the system of internal control to assure adherence
to district procurement policy. Additionally, the evaluation was
used in determining the nature, timing and extent of other audit-
ing procedures that were necessary for developing an opinion on
the adequacy, efficiency and effectiveness of the procurement
system.

The administration of the Richland County School District One
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 due professional care. They would not, however, because of the nature of audit testing, necessarily disclose all weaknesses in the system.

The examination did, however, disclose conditions enumerated in this report which we believe to be subject to correction or improvement.

\[Signature\]
R. Voight Shealy, Manager
Audit and Certification
INTRODUCTION

The Office of Audit and Certification has completed an examination of the internal procurement operating procedures and policies of Richland County School District One. Our on-site review was conducted September 22 through October 27, 1986 and was made under authority described in Act 493 of 1984 as amended by Act 109 of 1985. The examination was directed principally to determine whether, in all material respects, the procurement system's internal controls were adequate and the procurement policies and procedures as outlined in the Richland County School District One Procurement Code were in compliance with existing laws and regulations and with accepted public procurement standards.

As with our audits of state agencies, our work was directed also toward assisting the school district in promoting the underlying purposes of the Consolidated Procurement Code which we believe to be applicable to all governmental bodies and which are outlined in Code Section 11-35-20, to 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

Our examination encompassed a detailed analysis of the internal procurement operating procedures of Richland County School District One 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 Office of Audit and Certification of the Division of General Services statistically selected random samples for the period July 1, 1985 - August 31, 1986, of procurement transactions for compliance testing and performed other auditing procedures through October 27, 1986, that we considered necessary in the circumstances to formulate this opinion. Our review of the system included, but was not limited to, the following areas:

1. adherence to applicable laws, regulations and internal policy;
2. procurement staff and training;
3. adequate audit trails and purchase order registers;
4. evidences of competition;
5. small purchase provisions and purchase order confirmations;
6. emergency and sole source procurements;
7. source selections;
8. file documentation of procurements;
9. warehousing, inventory and disposition of surplus property; and
10. economy and efficiency of the procurement process.
SUMMARY OF AUDIT FINDINGS

Our audit of the procurement system of Richland County School District One, hereinafter referred to as the District, produced findings and recommendations in the following areas:

I. Compliance General

One procurement was made from an expired state term contract. Sealed bid number 8586-170 was a large solicitation for the purchase of one hundred five different line items. Four of the one hundred five items were not awarded to the low bidders.

II. Compliance - Construction and Related Professional Services

The Board appointed architectural selection committee improperly delegated their authority and responsibility for the selection of architects to the Superintendent of Buildings, Grounds and Maintenance. In another case, a construction contractor received an award even though he did not adequately meet the requirement for a bid bond.
III. Reporting Sole Source and Emergency Procurements

The requirement of the District Procurement Code to report sole source and emergency procurements to the Superintendent and the School Board and make them available for public inspection was not met during fiscal year 1985/86. This problem has been corrected by the new purchasing administration.

IV. Information Technology Plan

The District has not adequately met its requirement to develop a master plan for information technology procurements.

V. Standard Procurement Operating Procedures

On one invitation for bids, prices were not recorded correctly on four line items. In another case, the quantity ordered was greater than the quantity solicited.
VI. Updates to the District's Procurement Code

The Division of General Services approved the Procurement Code and regulations of the District as being substantially similar to the South Carolina Consolidated Procurement Code on June 18, 1985. Through this report, we have made the District aware of several changes to the State Procurement Code which should be incorporated into the District's Procurement Code.
RESULTS OF EXAMINATION

I. Compliance - General

We reviewed procurements in the four areas of goods and services, consultant services, construction and related professional services and information technology. During this review, we tested one hundred and ninety four randomly selected transactions and performed extensive tests of other transactions as we deemed necessary. We found that these were handled properly except for the following items.

Purchase order 16402, totalling $1,541.40, was issued on August 1, 1986 for cleaner. It referenced a state term contract as satisfying competition requirements. The referenced state term contract had expired February 28, 1986. The vendor charged the District the expired contract price, but since the contract was no longer in effect, this was unacceptable.

Purchase order 15428, issued on May 30, 1986 for $1,759.97, for maintenance supplies was based on sealed bid number 8586-170. This was a major solicitation comprised of one hundred five items to be awarded by line item. In four of the one hundred five line items the low bidders did not receive the awards. These were as follows:

<table>
<thead>
<tr>
<th>Part</th>
<th>Section</th>
<th>Quantity Required</th>
<th>Low Bid</th>
<th>Award</th>
<th>Excess Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>Item 2</td>
<td>10 Boxes</td>
<td>$2.64/Bx</td>
<td>$2.70/Bx</td>
<td>$ .60</td>
</tr>
<tr>
<td>I</td>
<td>Item 13</td>
<td>5</td>
<td>5.45</td>
<td>16.02</td>
<td>$52.85</td>
</tr>
<tr>
<td>I</td>
<td>Item 34</td>
<td>150</td>
<td>.25</td>
<td>.35</td>
<td>$15.00</td>
</tr>
<tr>
<td>II</td>
<td>Item 63</td>
<td>35000</td>
<td>.89/1000</td>
<td>5.64/5000</td>
<td>$8.33</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>Total Excess Cost</strong></td>
<td><strong>$76.78</strong></td>
<td></td>
</tr>
</tbody>
</table>

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Section V.B.2.j. of the District Procurement Code states:

The contract shall be awarded with reasonable promptness by written notice to the lowest responsible and responsive bidder whose bid meets the requirements and criteria set forth in the invitation for bids unless there is a compelling reason to reject one or more bids as prescribed by regulation.

Awards must be made to the lowest responsive and responsible bidders that meet the required specifications unless there are compelling, well documented, reasons not to. In these cases, the excess cost to the District was not great, but the integrity of the competitive process must be maintained.

**DISTRICT RESPONSE**

District personnel have worked very hard to improve purchasing performance and are pleased that this review shows that district purchasing was operating at a near perfect level of performance.

Operating procedures have been changed to further improve this level of performance. All procurements from state contracts are now verified to be sure that the contract is still effective by calling the appropriate state purchasing official. This step is documented in the District's purchasing files. The District has placed increased emphasis on buyers to accurately complete bid tabulation sheets. Bid tabulation sheets are currently reviewed with the actual bid during the bid evaluation process. A reorganization structure within the Purchasing Department will place the responsibility of formal bidding/contracts upon higher qualified employees.
II. Compliance-Construction and Related Professional Services

Two areas of exceptions were noted during our review of the architect-engineer selection process. Section 30.C. of the Procurement Code regulations outlines required procedures for the selection of architects-engineers. The regulations indicate that the District must announce its requirements for such services through advertisements. Once responses are received, the Board appointed architectural selection committee must hold interviews with at least five persons or firms who responded to the advertisement and who are deemed most qualified on the basis of information available prior to the interviews. The Board selection committee's determination as to which will be interviewed must be in writing and must specifically list the names of all persons and firms that responded to the advertisement and enumerate the reasons of the committee for selecting those to be interviewed.

Based on these interviews, the Board selection committee must rank five firms in priority order. The selection committee's report ranking the top five persons or firms must be in writing and must include data substantiating its determinations. When the ranking order is final, written notification of the election and order of preference must be sent to all who responded to the Board selection committee's invitation.

The committee met on December 3, 1985 to discuss the architects-engineers for seven projects. They determined at that meeting that the Superintendent of Buildings, Grounds and Maintenance should review the respondents and determine the five firms to be interviewed by the committee. On January 6, 1986,
the Superintendent of Buildings, Grounds and Maintenance sent a memo to the District Superintendent detailing these events and ranking the top five firms for the seven projects.

As indicated above, the Procurement Code requires that these duties be performed by the full committee, not the Superintendent of Buildings, Grounds and Maintenance. Delegating these responsibilities to him was improper.

In another instance, contracts C86012, C86015 and C86029, each respondent to the advertisement was notified of the ranking of the top two firms rather than the top five firms, as required. Additionally, the required data substantiating the determinations was not prepared.

We recommend that the District abide by its Procurement Code for procurements of construction and related professional services. The Board appointed architectural selection committee should not delegate its authority and responsibility.

One exception was noted during our review of construction related procurements. Contract C86024 for window shades was issued on April 4, 1986 totalling $107,456.65 based on sealed bid number 8586-112. The invitation for bids required a bid bond of five percent (5%). The low bidder, however, submitted a bid bond of only three percent (3%). This was apparently missed during evaluation and this bidder was awarded the contract. Since the invitation for bids required a bid bond of five percent (5%), this bid should have been rejected as non-responsive and the award should have been made to the lowest responsive and responsible bidder who met the requirements.
DISTRICT RESPONSE

The District's procedures have been changed to come into strict compliance with the procurement code. The window shade replacement project was successfully completed and the bid bond was not called upon.

III. Reporting Sole Source and Emergency Procurements

The District Procurement Code effective July 1, 1985, required in Section VIII.D. that a semi-annual record of each procurement made using the sole source or emergency procurement methodology be submitted to the Deputy Superintendent. Additionally, a copy of the record must be submitted on an annual basis, through the Superintendent, to the Board and be available for public inspection. Unfortunately, procedures were not implemented until July 1, 1986 to accumulate the information. We recommend that these reports be prepared for July 1, 1986 forward.

DISTRICT RESPONSE

This problem had been corrected by the new purchasing administration prior to the audit.

IV. Information Technology Plan

Section 21.b. of the Procurement Code regulations states, "The District shall develop a master plan for Information
Technology Procurements." The plan developed by the District, however, did not present the goals for the procurement and use of information either academically or administratively nor the procurement requirements necessary to attain such goals. The plan was merely a general overview of the basic components, need and terminology in this area.

In our opinion, this plan does not address in sufficient detail the direction and procurement requirements for information technology for the District. We recommend that a plan be developed to outline standards for information technology including data processing, telecommunications and office system technologies and services and to identify applicable procurement requirements.

DISTRICT RESPONSE

An information technology procurement plan is in the process of being developed.

V. Standard Procurement Operating Procedures

During our review of transactions in the area of goods and services, we noted the following exceptions to standard procurement operating procedures:

1. At times bids were not accurately recorded on bid tabulation sheets where prices were compared to determine awards. Accurate transposition of bid prices to bid tabulation sheets is imperative for evaluation purposes. On sealed bid 8586-170 the following discrepancies were noted:
<table>
<thead>
<tr>
<th>Part/Section</th>
<th>Per Bid</th>
<th>Per Tabulation Sheet</th>
</tr>
</thead>
<tbody>
<tr>
<td>I Item 28</td>
<td>$ 4.43 each</td>
<td>$ 4.33 each</td>
</tr>
<tr>
<td>II Item 7</td>
<td>1.65 box</td>
<td>1.64 box</td>
</tr>
<tr>
<td>II Item 40</td>
<td>9.33 each</td>
<td>9.43 each</td>
</tr>
<tr>
<td>II Item 4</td>
<td>18.53 pound</td>
<td>18.53/C</td>
</tr>
<tr>
<td>II Item 5</td>
<td>18.06 pound</td>
<td>18.06/C</td>
</tr>
</tbody>
</table>

2. On sealed bid 8586-170 the District solicited a quantity of 2 hammers, however, purchase order 15750 was issued on July 1, 1985 for 10 hammers, a quantity greater than that noted in the bid package.

We recommend that the District implement procedures to assure bids are accurately recorded and quantities solicited are the quantities ordered. This is essential to maintain the integrity of the competitive procurement process.

**DISTRICT RESPONSE**

The District has placed increased emphasis on preventing the types of mistakes made. A review process has been installed to test procurements to further enhance quality control. The reorganization of the Purchasing Department should eliminate future administrative errors and reflect properly documented files.

VI. **Updates to the District's Procurement Code**

The Division of General Services approved the Procurement Code and regulations of the District as being substantially similar to the South Carolina Consolidated Procurement Code on June 18, 1985. Through this audit report, we have made the
District aware of several changes that have subsequently been made to the State Procurement Code which should be incorporated into the District's Procurement Code.

Specifically, the State Procurement Code has been updated by Act 109 of 1985 and Act 510 of 1986. In order for the District's Procurement Code to remain substantially similar, we recommend that these changes be made.

**DISTRICT RESPONSE**

The District will change its procurement code to keep it similar to the state code.
CONCLUSION

As enumerated in our transmittal letter, corrective action based on the recommendations described in the findings in the body of this report, we believe, will in all material respects place Richland County School District One in compliance with the Procurement Code and ensuing regulations.

Subject to this corrective action, we recommend that Richland County School District One be allowed to continue procuring all goods and services, construction, information technology and consulting services as outlined in the Procurement Code pursuant to Act 493 of 1984.

Larry G. Sorrell
Audit Manager

R. Voight Shealy
Manager, Audit and Certification