November 15, 1990

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

Dear Rick:

Attached is the final Richland County School District One procurement audit report and recommendations made by the Office of Audit and Certification. The audit was performed in accordance with Section 11-35-70 of the Consolidated Procurement Code. Since Budget and Control Board action is not required, I recommend the report be presented as information.

Sincerely,

James J. Forth, Jr.
Assistant Division Director

JJF/jm

Attachment
RICHLAND COUNTY SCHOOL DISTRICT ONE
PROCUREMENT AUDIT REPORT

SEPTEMBER 6, 1986 - MARCH 31, 1990
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NOTE: The District's responses to specific issues noted in this report have been inserted immediately following the items they address.
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 Richland County School District One for the period September 1, 1986 - March 31, 1990. 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 auditing procedures that were necessary for developing an opinion on the adequacy, efficiency and effectiveness of the procurement system.

The administration of 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.

R. Voight Shealy, Manager Audit and Certification
INTRODUCTION

From May 16 - June 29, 1990, we conducted an examination of the internal procurement operating procedures and policies of Richland County School District One. We made the examination under authority described in Section 11-35-70 of the South Carolina Consolidated Procurement Code. The examination was directed principally to determine whether, in all material respects, that the procurement system's internal controls were adequate and the procurement procedures, as outlined in the Richland County School District One Procurement Code and regulations 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

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 Richland County School District One 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 control procurement transactions.

We statistically selected random samples for the period July 1, 1987 - March 31, 1990 of procurement transactions for compliance testing and performed other audit procedures that we considered necessary in the circumstances to formulate this opinion. Specifically, the scope of our audit included, but was not limited to review of the following:

(1) One hundred sixty-two randomly selected procurement transactions

(2) The selection and approval of seventeen architect and engineering service contracts

(3) Thirty-four permanent improvement projects for approvals and compliance with the South Carolina School Facilities Planning and Construction Guide

(4) Block sample of five hundred sequentially numbered purchase orders

(5) All sole source procurements from January 1, 1988 to December 31, 1989

(6) All emergency procurements from January 1, 1988 to December 31, 1989

(7) Minority Business Enterprise Plan and quarterly reports to the Board

(8) Eleven rental/lease agreement contracts
(9) Adherence to applicable procurement laws, regulations and internal policy

(10) Procurement staff and training

(11) Adequate audit trails

(12) Evidence of competition and sealed bidding procedures

(13) Warehousing, inventory and disposition of surplus property procedures

(14) Property management procedures

(15) 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. Tie Bids

The District's Procurement Code does not agree with its general bid conditions for resolving tie bids among Richland County vendors.

II. Compliance - Construction and Related Professional Services

A. Contracts Exceeding $50,000

The Office of School Facilities does not prepare "Intent to Award" notices before awarding contracts in excess of $50,000.

B. Architect-Engineer Selections

One of sixteen architect-engineer selections that we tested was not handled properly.
RESULTS OF EXAMINATION

We reviewed procurements in the four areas of goods and services, consultants services, information technology and construction and related professional services. Since our previous audit in 1986, Richland County School District One has maintained what we consider to be a professional, efficient procurement system. However, we did note the following exceptions during our review.

I. Tie Bids

On bid number 8687-055, two county bidders tied on two lots for crusher run gravel. The District resolved the ties in accordance with the general bid conditions by awarding the contract to the vendor residing in the District. However, Section V.B.2. of the District's Procurement Code states, "Tie bids involving Richland County firms shall be resolved by the flip of the coin in the Purchasing Department witnessed by at least two people."

We recommend that the District align the two policies.

DISTRICT RESPONSE

The District concurs with the recommendations. It is noted that the District's action was in accordance with Section 11-35-1520 of the Code of Laws of South Carolina. The District has made the necessary policy changes.

II. Compliance - Construction and Related Professional Services

A. Contracts Exceeding $50,000

The Office of School Facilities does not issue sixteen day intent to award notices for construction contracts greater than $50,000.
In 1986 the General Assembly amended the South Carolina Consolidated Procurement Code to require that when a contract has a total or potential value in excess of $50,000, notice must be given to all bidders responding to the solicitation as to the District's determination that a certain bidder is the lowest responsive and responsible bidder. In its response to our last audit report, the District agreed to change its Procurement Code to match the State Code on this issue.

The District Purchasing Department made this change, but the Office of School Facilities has not.

Since the General Assembly required governmental bodies to issue intent to award notices for all contract awards over $50,000, the District must revise its Procurement Code accordingly to require such notices for all types of procurements. Under authority provided the Division of General Services in Section 11-35-70 of the State Code, we have determined that the District must make the revision for its Procurement Code to remain substantially similar to the State Code.

DISTRICT RESPONSE

The District's Procurement Code states that construction and related service contracts will be acquired in accordance with the South Carolina School Facilities Planning and Construction Guide. It was the District's interpretation that a Notice of Intent was not necessary for these types of contracts since it was not required by the guide. The District will issue a Notice of Intent for these contracts in the future.
B. Architect-Engineer Selections

During our test of 16 selections of architect-engineer services by the District, we noted one exception.

For project number 8524, the District utilized the exception method to select an architect-engineer firm for a $14,000 contract. However, District Regulation 30.c.(6) limits the use of the exception method to contracts up to $12,000.

We recommend that the District follow its Procurement Code in procurements of architect-engineer services.

DISTRICT RESPONSE

The District concurs with this recommendation. The exception cited on one transaction was merely an oversight and the District will take every precaution to prevent this from occurring on future transactions.
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 the Richland County School District One in compliance with its Procurement Code.

Subject to this corrective action, we recommend that Richland County School District One be allowed to continue making its procurements in accordance with Section 11-35-70 of the South Carolina Consolidated Procurement Code.

James M. Stiles, PPB
Audit Manager

R. Voight Shealy, Manager
Audit and Certification
November 13, 1990

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 Richland County School District One's response to our audit report covering the period September 6, 1986 - March 31, 1990. Combined with observations made during our site visit and subsequent discussions with District officials, we are satisfied that the District has corrected the problem areas found.

We, therefore, recommend that the District be allowed to continue operating under its own procurement code as authorized by Section 11-35-70 of the Consolidated Procurement Code.

Sincerely,

R. Voight Shealy, Manager
Audit and Certification

RVS/jm