PROCUREMENT AUDIT AND CERTIFICATION

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RICHLAND COUNTY SCHOOL DISTRICT ONE

AGENCY
JULY 1, 1993 - JUNE 30, 1996

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

Dear Helen:  

I have attached the procurement audit report of Richland County School District One and recommendations made by the Office of Audit and Certification. This audit was performed in accordance with Section 11-35-70 of the South Carolina Consolidated Procurement Code. I recommend that the District be allowed to continue operating under its own procurement code.  

Sincerely,  

Voight Shealy  
Materials Management Officer
RICHLAND COUNTY SCHOOL DISTRICT ONE

PROCUREMENT AUDIT REPORT

JULY 1, 1993 - JUNE 30, 1996
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NOTE: The District’s response to issues noted in the report have been inserted immediately following the issues 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 the Richland County School District One for the period July 1, 1993 through June 30, 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 Section 11-35-70 of the Consolidated Procurement Code and the District’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 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 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 the Richland County School District One in compliance with Section 11-35-70 of the South Carolina Consolidated Procurement Code and the District’s 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 the Richland County School District One. Our on-site review was conducted June 10, 1996, through July 19, 1996, and was made under Section 11-35-70 of the South Carolina Consolidated Procurement Code.

The examination was directed principally to determine whether, in all material respects, the internal controls in the procurement system were adequate and the procurement procedures, as outlined in the District’s Procurement Code and Internal Procurement Operating Procedures Manual, were in compliance with existing laws and regulations and with accepted public procurement standards.

Additionally our work was directed toward assisting the District in promoting the underlying purposes and policies of the Code, which we believe to be appropriate for all governmental bodies, 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 the 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 handle procurement transactions.

We selected judgmental samples for the period September 1, 1994, through June 30, 1996, of procurement transactions for compliance testing and performed other audit procedures that 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 procurements for the period July 1, 1993 through June 30, 1996

(2) Procurement transactions for the period September 1, 1994 through June 30, 1996, as follows:
   a) One hundred and eighty four judgmentally selected payments each exceeding $1,500
   b) A block sample of approximately 500 purchase orders reviewed for favored vendors and order splitting

(3) An additional review of twenty sealed bids tested for Code compliance

(4) A block review of maintenance work orders for one month in fiscal year 1995-96

(5) Minority Business Enterprise Plans and quarterly reports submitted to the Assistant Superintendent for Finance

(6) Internal guidelines for procurement and District’s Procurement Code and Regulations

(7) The selection and approval of thirteen architect and engineering service contracts

(8) Eight permanent improvement projects for approval and compliance with the South Carolina School Facilities Planning and Construction Guide and District Code

(9) Economy and efficiency of the procurement system with adequate trails audit
SUMMARY OF AUDIT FINDINGS

Our audit of the procurement system of the District produced findings and recommendations as follows.

I. Compliance-General
   We noted two bids with errors on the bid tab.

II. Procurement Procedures
   We could not find evidence of compliance with three requirements of the District’s Code.

III. Code and Regulations
   The District needs to make changes to their code in order to be substantially similar to the State Code.
RESULTS OF EXAMINATION

I. Compliance - General

We noted several errors on the bid tabulations for bid numbers 9495-062 (computer equipment and accessories) and 9495-069 (art supplies). The errors were brought to the attention of District personnel and none of the errors effected the award outcome. However, the District should exercise extreme caution in preparing the tabulations since the award is based on results of the evaluation to responses.

DISTRICT RESPONSE

There were some clerical errors made in the recording kept on two separate bid transactions. These errors are not compliance issues. The bid opening and recordings were conducted in compliance with the District’s procurement code. One of the transactions involved 168 separate line items with 13 responsive bidders. These clerical errors did not result in an improper award or any additional expense to the District. Awards are made by referring to the original bid and not by simply using the tabulation sheet.

II. Procurement Procedures

We noted several processes that were not being performed for solicitations handled as sealed bids and request for proposals. The solicitations did not indicate the location of the award posting. No evidence of the awards being posted or evidence of the bid openings being witnessed was contained in the bid file.

Section V-B(2)(j) of the District’s code states, "...notice of an intended award of a contract to the lowest responsive and responsible bidder whose bid meets the requirements set forth in the invitation for bids shall be given by posting such notice at a location specified in the invitation for bids." Section V-B(2)(f) states, "Bids shall be opened publicly in the presence of one or more witnesses at the time and place designated in the invitation for bids."

The District should address the location of the bid posting in the invitation for bid. The District should implement a procedure to document that the bid opening is witnessed and the award is posted.

DISTRICT RESPONSE

The District had identified and was in the process of implementing/changing/correction its procedures for posting intended awards prior to the audit. These procedures included a statement in the solicitation citing the location of posting and announcing the date of posting at the bid opening. As required by the District’s code, all District bid opening are conducted in the presence of one or more witnesses at the time and place designated in the invitation for bids. Neither the District’s code nor regulations require that this activity be documented in the file. The audit team did not cite a specific bid opening that they felt had not been witnessed.
III. Code and Regulations

We noted several changes in the District’s code and regulations which need to be made in order for them to be substantially similar to the State’s code and regulations. The recommended changes are listed at Attachment 1. Section 11-35-70 of the South Carolina Consolidated Procurement Code, “…if a District has its own procurement code which is, in the written opinion of the Office of General Services of the State Budget and Control Board, substantially similar to the provisions of the South Carolina Consolidated Procurement Code, the District is exempt from the provision of the South Carolina Consolidated Procurement Code except for a procurement audit which must be performed every three years by an audit firm approved by the Office of General Services.” Based on our review, the District’s code is not substantially similar until the changes are made.

DISTRICT RESPONSE
The District concurs with the recommendation of the audit team. The district will recommend the necessary changes to its procurement code.
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 Richland County School District One in compliance with the District’s Procurement Code and ensuing regulations.

Subject to this corrective action, we will recommend that Richland County School District One be allowed to continue procuring all goods and services and construction in accordance with Section 11-35-70 of the South Carolina Consolidated Procurement Code.

James M. Stiles, CPPB
Audit Manager

Larry G. Sorrell, Manager
Audit and Certification
Attachment 1

Richland County School District One
Changes Necessary To Be Substantially Similar
July 1, 1993 through June 30, 1996

<table>
<thead>
<tr>
<th>District Code/Regulations Reference</th>
<th>Page</th>
<th>State Reference</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>16 b 18 b 2 18 b 3 27 27 e 3 a 2 V B 6 XIII A 5 XIII B 5 XIII A 5 XIII B 6 XIII B 4 XIII D 6</td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>14</td>
<td>19-445.2090</td>
<td>The Regulation states “The procurement officer shall issue the notice of intent to award or award on the date announced at the bid opening, unless the procurement officer determines, and gives notice, that a longer review time is necessary. The procurement officer shall give notice of a time extension to each bidder by posting it at the location announced at the bid opening.” An extension notice must be posted not just mailed.</td>
</tr>
<tr>
<td></td>
<td>16</td>
<td>11-35-1550 (b)</td>
<td>The State Code requires that the award shall be made to the lowest responsible and responsive source. Administrative cost and other factors are not a consideration.</td>
</tr>
<tr>
<td></td>
<td>16</td>
<td>11-35-1550 (c)</td>
<td>The District Code needs to say that “Solicitation of written quotations from a minimum of three written qualified sources.” Also award must be to the lowest responsible and responsive vendor. Administrative cost and other factors are not a consideration.</td>
</tr>
<tr>
<td></td>
<td>29-30</td>
<td>19-445.2150 H &amp; I</td>
<td>The District Code does not address the sale of junk or unauthorized disposal.</td>
</tr>
<tr>
<td></td>
<td>31</td>
<td>19-445.2150 G</td>
<td>The State Regulation requires that property with an original unit price of $5000 be approved prior to trade-in. The District Code approval is based on the trade-in amount.</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>19-445.2015 A (3)</td>
<td>An individual may no longer be held pecuniarily liable for the difference.</td>
</tr>
<tr>
<td></td>
<td>20</td>
<td>11-35-1560</td>
<td>The last sentence can be removed as these items do not apply to school districts.</td>
</tr>
<tr>
<td></td>
<td>29</td>
<td>11-35-4210 (5)</td>
<td>The Notice of the Decision must include a statement of vendor’s right to appeal and must be posted with the posting date annotated on its face.</td>
</tr>
<tr>
<td></td>
<td>31</td>
<td>11-35-4220 (4)</td>
<td>An appeal must be within ten days of the Posting of the Decision.</td>
</tr>
<tr>
<td></td>
<td>31</td>
<td>11-35-4220 (3)</td>
<td>The debarment decision must state the period of debarment or suspension.</td>
</tr>
<tr>
<td></td>
<td>34</td>
<td>11-35-4410 (6)</td>
<td>The District’s Code says, &quot;No determination by the Review Panel or Board concerning an issue of law shall be final or conclusive.&quot; The State Code says,” The decision of the Procurement Review Panel is final as to administrative review and may be appealed to the Circuit Court under the provisions of the South Carolina Administrative Procedures Act.” The District needs to match the State Code.</td>
</tr>
</tbody>
</table>
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 the Richland County School District One to our procurement audit report for July 1, 1993 - June 30, 1996. Also, we have followed the District's corrective action during and subsequent to our field work. We are satisfied that the District has made substantial progress toward implementing the recommendations in our audit report and strengthening the internal controls in the procurement system.  

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 South Carolina Consolidated Procurement Code.  

Sincerely,  

Larry G. Sorrell, Manager  
Audit and Certification  

LGS/tl  

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