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**South Carolina
Division of General Services**

PROCUREMENT AUDIT AND CERTIFICATION

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Trident Technical College

AGENCY

April 1, 1991 - March 31, 1994

DATE

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



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LUTHER F. CARTER
EXECUTIVE DIRECTOR

August 10, 1994

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

Dear Helen:

I have attached the Trident 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 Department a three (3) year certification as noted in the audit report.

Sincerely,

A handwritten signature in dark ink, appearing to read 'W. E. Gunn'.

William E. Gunn
Materials Management Officer

WEG/tsl

attachment

TRIDENT TECHNICAL COLLEGE

PROCUREMENT AUDIT REPORT

APRIL 1, 1991 - MARCH 31, 1994

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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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State Budget and Control Board
OFFICE OF GENERAL SERVICES



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LUTHER F. CARTER
EXECUTIVE DIRECTOR

June 5, 1994

Hardy L. Merritt, Ph.D.
Assistant Division Director
Division of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Hardy:

We have examined the procurement policies and procedures of Trident Technical College for the period April 1, 1991 - March 31, 1994. 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 College 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 Trident 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 Trident Technical College in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.


Larry G. Sorrell, Manager
Audit and Certification

INTRODUCTION

The Office of Audit and Certification conducted an examination of the internal procurement operating policies and procedures and related manual of Trident Technical College. Our on-site review was conducted April 12, 1994 through April 29, 1994, and was made under the authority as described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Regulations 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.

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.

On October 31, 1991 the Budget and Control Board granted Trident Technical College the following certification:

<u>Category</u>	<u>Certification Limit</u>
1. Goods and Services	\$50,000
2. Consultants	\$50,000
3. Information Technology	\$50,000
4. Construction	\$25,000

Our audit was performed primarily to determine if recertification for expenditures of local funds 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 Trident 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. That 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.

Specifically, the examination included, but was not limited to review of the following:

- (1) All sole source and emergency procurements and trade-in sales for the period April 1, 1991 through March 31, 1994
- (2) Purchase transactions for the period April 1, 1991 through March 31, 1994
 - a) 100 payments each exceeding \$500, including 17 sealed bids
 - b) Block sample of five hundred sequential purchase orders
- (3) Surplus property disposal procedures
- (4) Minority Business Enterprise Plan and quarterly reports for the period April 1, 1991 - September 30, 1994
- (5) Internal Procurement Procedures Manual
- (6) Information Technology Plans covering the audit period

- (7) Blanket purchase agreements
- (8) Permanent improvement projects for compliance with the Manual for Planning and Execution of state permanent improvements

SUMMARY OF AUDIT FINDINGS

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

	<u>PAGE</u>
I. <u>Internal Control</u>	
A. <u>Automated Receiving System Weakness</u>	8
A procedural weakness was noted in the automated receiving system where invoices were paid without items being entered as received.	
B. <u>Combining Requisitions</u>	8
We noted two procurements that could have been combined.	
C. <u>Quantity Quoted and Amount Purchased Did Not Agree</u>	9
The College's purchase order quantity exceeded amount indicated on quote.	
II. <u>Compliance-Sole Source and Emergency</u>	10
A. <u>Drug-Free Workplace Certification</u>	
Drug-Free Workplace certifications were not obtained on two sole source procurements and one emergency procurement.	

RESULTS OF EXAMINATION

I. Internal Control

We noted a procedural problem with the receiving system on two service related procurements. The following two procurements were not supported by receiving reports or approval to pay invoices.

A. Automated Receiving System Weakness

<u>PO#</u>	<u>PO Date</u>	<u>Description</u>	<u>Check#</u>	<u>Ck Date</u>	<u>PO Amount</u>
1. 42942	06/22/93	Greenhouse repair	01-300093	08/04/93	3,900.00
2. 41359	04/30/93	Lunches	02-210433	08/09/93	1,605.00

We recommend that when a job is completed either the information be entered in the system as received or the responsible official approve the invoice for payment.

COLLEGE RESPONSE

Service orders, other than those for contracts with standard monthly payments, will be set up with purchase order types requiring three way matches. Blanket order call sheets will be initialed by the budget administrator or his designee.

B. Combining Requisitions

We noted two procurements which we believe should have been combined into one procurement. They are as follows:

<u>PO#</u>	<u>PO# Date</u>	<u>Description</u>	<u>Amount</u>
31083	11/11/91	Art print	\$259.96
31082	11/11/91	Art print	451.36

At the time of the procurement, Code Regulation 19-445.2100 required a minimum of two verbal quotes.

We recommend the College combine like purchases and solicit the appropriate competition levels as required by the Code.

COLLEGE RESPONSE

The purchasing staff will review orders carefully so as to combine like purchases and solicit the appropriate competition.

C. Quantity Quoted and Amount Purchase Do Not Agree

The College issued purchase order 41039 on November 11, 1992 for 3 each of mulch at \$750 each for a total of \$2,250. The purchase order was issued based on the response to RFQ921030-2950-790-11/11/92 for 180 cy of mulch at \$9 each for a total of \$1,620. We could not determine the basis for the purchase order being issued for amounts different from the quote.

We recommend the College be careful to ensure that items and quantities outlined on the purchase order agree with quotation documentation.

COLLEGE RESPONSE

The purchasing staff will carefully audit orders prior to their release to ensure that items and quantities outlined on the purchase order agree with quotation documentation.

II. Sole Source, Emergency and Trade-in Sales

We examined 100% of the quarterly reports for sole source, emergency and trade-in sales and all available documentation for April 1, 1991 - March 31, 1994. We performed the review to determine appropriateness of the procurement actions taken and the accuracy of the reports submitted to General Services.

As a result of this review we noted the following exception.

A. Drug-Free Workplace Certification Not Obtained

The College made the following two sole source procurements and one emergency procurement that exceeded \$50,000 without obtaining a drug-free workplace certification.

<u>PO#</u>	<u>Dated</u>	<u>Description</u>	<u>Amount</u>	
1. 32454	05/08/92	Chiller replacement	\$75,536	Sole source
2. 40469	08/28/92	Temperature controls	63,880	Sole source
3. 45087	08/03/92	Parking lot construction	62,424	Emergency

Section 44-107-40 of the South Carolina Code of Laws required 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 by the individual that the individual will not engage in the unlawful manufacture, distribution, dispensation, possession or use of a controlled substance in the performance of the contract.

We recommend the College obtain drug-free workplace certifications whenever the potential value of a contract is in excess of \$50,000 for sole sources and emergencies.

COLLEGE RESPONSE

We have revised our sole source and emergency declaration forms to include an area to note the need for and include a copy of the signed declaration.

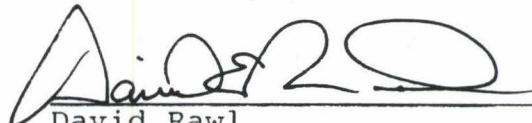
CONCLUSION

As enumerated in our transmittal letter, corrective action based on the recommendations described in this report, we believe, will in all material respects place Trident Technical College in compliance with the South Carolina Consolidated Procurement Code.


Subject to this corrective action, under the authority described in Section 11-35-1210 of the Procurement Code, we recommend that the Budget and Control Board recertify the College to make direct procurements for three (3) years up to the limits as follows:

<u>Procurement Areas</u>	<u>Recommended Certification Limits</u>
Goods and Services	*\$50,000 per purchase commitment
Consultants	*\$50,000 per purchase commitment
Information Technology in accordance with the approved Information Technology Plan	*\$50,000 per purchase commitment
Construction	*\$25,000 per purchase commitment

*The total potential commitment whether single year or multi-term contracts are used.

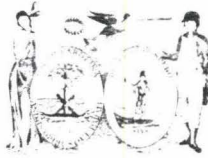


David Rawl
Compliance & Certification Analyst



Larry G. Sorrell, Manager
Audit and Certification

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EXECUTIVE DIRECTOR

August 10 , 1994

Mr. William E. Gunn
Materials Management Officer
Office of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Eddie:

Since we completed our field work, we have met with officials of Trident Technical College to discuss the exceptions noted and received correspondence indicating corrective action towards the recommendations. Based on the resolution of all issues, a visit to the College for a formal follow-up was not necessary.

We recommend the Budget and Control Board grant the College procurement certification for three (3) years at the levels noted in the report.

Sincerely,

A handwritten signature in cursive script that reads 'Larry G. Sorrell'.

Larry G. Sorrell, Manager
Audit and Certification

LGS/tsl

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