

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

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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

July 9, 2002

Mr. Delbert H. Singleton Jr.
Director
Procurement Services Division
6th Floor-Wade Hampton Building
Columbia, South Carolina 29201

Dear Delbert:

I have attached the Aiken 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 Aiken Technical College a three-year certification as noted in the audit report.

Sincerely,

A handwritten signature in cursive script that reads "Voight Shealy".

R. Voight Shealy
Materials Management Officer

/jl

**AIKEN TECHNICAL COLLEGE
PROCUREMENT AUDIT REPORT**

APRIL 1, 1999 - MARCH 31, 2002

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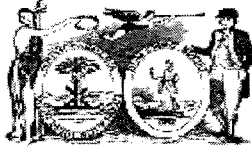
NOTE: The College's response to issues noted in this report have been inserted immediately following the items they refer to.

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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

June 5, 2002

Mr. R. Voight Shealy

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 Aiken Technical College in compliance with the Consolidated Procurement 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 Aiken Technical College. Our on-site review was conducted April 15 - May 3, 2002 and was made under Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Section 19-445.2020 of the accompanying regulations.

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 Office 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 November 9, 1999, the Budget and Control Board granted Aiken Technical College the following procurement certifications:

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Goods and Services (Local Funds Only)	\$ 25,000 per commitment
Information Technology (Local Funds Only)	\$ 25,000 per commitment

Our audit was performed primarily to determine if recertification is warranted. Additionally, the University requested the following certification increase.

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Consultants (Local Funds Only)	\$ 25,000 per commitment

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 Aiken Technical College, hereinafter referred to as the 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.

We selected judgmental samples for the period July 1, 1999 through March 31, 2002 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, emergency and trade-in sale procurements for the period April 1, 1999 through March 31, 2002
- (2) Procurement transactions for July 1, 1999 through March 31, 2002 as follows:
 - a) Fifty payments each exceeding \$1,500
 - b) Four hundred sequentially numbered purchase orders from FY 2002 reviewed against order splitting and favored vendors
 - c) Procurement card purchases for two months
 - d) An additional sample of 3 formal quotations
 - e) Four months of maintenance work orders
 - f) Four blanket purchase order files
- (3) Three construction contracts and three construction related professional services for compliance with the Manual for Planning and Execution of State Permanent Improvements
- (4) Minority Business Enterprise Plans and reports
- (5) Information technology plans
- (6) Internal procurement procedures manual
- (7) Surplus property disposal procedures
- (8) File documentation and evidence of competition

RESULTS OF EXAMINATION

Unauthorized Procurements

The following two procurements for construction items exceeded the College's construction certification level of \$5,000 thus resulting in each being unauthorized as defined in Regulation 19-445.2015.

<u>PO</u>	<u>Amount</u>	<u>Description</u>
1267	\$5,230	Landscape services
512	\$7,750	Sprinkler system

We recommend the College process construction procurements that exceed the College's certification to the Office of the State Engineer. The College must submit ratification requests of the two unauthorized procurements to the State Engineer in accordance with Regulation 19-445.2015.

COLLEGE RESPONSE

The College received quotes and purchased landscape services on 3/6/01 and additions to our sprinkler system on 10/10/00. We mistakenly classified these two procurements as services and not construction. We are seeking ratification of these two unauthorized in accordance with Regulation 19-445-2015.

Combining Items

The College solicited competition based on the individual items rather than the total potential value for the following items.

<u>Date</u>	<u>PO</u>	<u>Amount</u>	<u>Description</u>
02/13/2002	P0002687	\$ 2,458	Plasma cutting machine
02/13/2002	P0002688	7,694	Arc welder with wire feeder & reel
02/14/2002	P0002689	<u>4,462</u>	Arc welder with foot control
	Total	<u>\$ 14,614</u>	

We recommend the College solicit competition based on the total potential value.

COLLEGE RESPONSE

The new procurement assistant solicited competition on all three purchase orders but was unaware of the rule of total potential value. The new procurement assistant is currently enrolled in level 1 certification classes as well as working towards the CPPB. We feel these classes will

only enhance our ability to improve the procurement function at Aiken Technical College and reduce our number of errors.

Determinations

The written determinations for sole source and emergency procurements are being completed when the quarterly reports are prepared. The written determinations, per Sections 11-35-1560 and 11-35-1570, must be completed at the time of the procurement actions.

We recommend the College complete the written determinations at the time of the applicable procurement actions.

COLLEGE RESPONSE

Aiken Technical College transitioned to the State Tech wide Datatel software in July of 2000. At the time we moved to a more automated system of purchasing. This system change resulted in the procurements being processed before the determinations were signed off by the Vice President of Administration Services. We now require the form to be filled out at the requisition stage. This corrective action should bring us back in to compliance with sections 11-35-1560 and 11-35-1570.

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 Aiken Technical College in compliance with the Procurement Code.

Under the authority described in Section 11-35-1210 of the Procurement Code, subject to this corrective action, we will recommend Aiken Technical College be re-certified to make direct agency procurements for three years up to the following levels.

PROCUREMENT AREAS

CERTIFICATION LIMITS

Goods and Services (Local Funds Only)

*\$ 25,000 per commitment

Information Technology (Local Funds Only)

*\$ 25,000 per commitment

Consultants (Local Funds Only)

*\$ 25,000 per commitment

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



Melissa Rae Thurstin
Senior Auditor



Larry G. Sorrell, Manager
Audit and Certification

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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

July 9, 2002

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 Aiken Technical College to our audit report for the period of April 1, 1999 – March 31, 2002. Also we have followed the College's corrective action during and subsequent to our fieldwork. We are satisfied that the Aiken Technical College has corrected the problem areas and the internal controls over the procurement system are adequate.

Therefore, we recommend the Budget and Control Board grant the Aiken Technical College the certification limits noted in our report for a period of three years.

Sincerely,

Handwritten signature of Larry G. Sorrell in cursive.

Larry G. Sorrell, Manager
Audit and Certification

LGS/jl

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