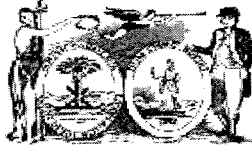


STATE OF SOUTH CAROLINA  
*State Budget and Control Board*  
PROCUREMENT SERVICES DIVISION

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MATERIALS MANAGEMENT OFFICE  
1201 MAIN STREET, SUITE 600  
COLUMBIA, SOUTH CAROLINA 29201  
(803) 737-0600  
Fax (803) 737-0639

R. VOIGHT SHEALY  
MATERIALS MANAGEMENT OFFICER

July 21, 2004

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

Dear Delbert:

I have attached York Technical College's procurement audit report and recommendations made by the Office of Audit and Certification. I concur and recommend the report be submitted as information to the Budget and Control Board.

Sincerely,

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

R. Voight Shealy  
Materials Management Officer

/jl

**YORK TECHNICAL COLLEGE  
PROCUREMENT AUDIT REPORT  
APRIL 1, 2001 - SEPTEMBER 30, 2003**

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NOTE: The College's responses 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

February 12, 2004

Mr. R. Voight Shealy  
Materials Management Officer  
Procurement Services Division  
1201 Main Street, Suite 600  
Columbia, South Carolina 29201

Dear Voight:

We have examined the procurement policies and procedures of York Technical College for the period April 1, 2001 through September 30, 2003. 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, State regulations and the procurement policy of the College. 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 York Technical College 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 York 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 York Technical College. Our on-site review was conducted October 10, 2003 through November 12, 2003 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.

During the audit of the College, the Budget and Control Board granted the College the following procurement certifications effective November 12, 2003.

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Goods and Services	\$25,000
Consultant Services	\$25,000
Information Technology	\$25,000

Our audit was performed primarily to determine if certification is warranted.

## 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 York 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.

We selected a judgmental sample for the period July 1, 2001 through September 30, 2003 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, 2001 through September 30, 2003
- (2) Procurement transactions for the period July 1, 2001 through September 30, 2003 as follows:
  - a) Sixty-two payments exceeding \$1,500 each
  - b) A block sample of five hundred numerical purchase orders reviewed against the use of order splitting and favored vendors
- (3) Three construction contracts and two professional services contract for compliance with the Manual for Planning and Execution of State Permanent Improvements
- (4) Minority Business Enterprise reports for the audit period
- (5) Internal procurement procedures manual
- (6) Surplus property disposal procedures
- (7) File documentation and evidence of competition

## SUMMARY OF RESULTS

	<u>PAGE</u>
I. <u>Inappropriate Sole Source Procurements</u>	6
<p>Nineteen sole source procurements were inappropriate.</p>	
II. <u>Unauthorized Procurements</u>	8
<p>Nine procurements were unauthorized as the services were rendered without obtaining approval. One procurement exceeded the College's procurement authority.</p>	
III. <u>Inappropriate Emergency Procurements</u>	9
<p>Three emergency procurements were inappropriate.</p>	
IV. <u>Misapplied Exemptions</u>	10
<p>The College misapplied the exemption on two procurements.</p>	
V. <u>Drug-Free Workplace Certification Not Obtained</u>	11
<p>The College failed to obtain the drug-free workplace certification on all of its emergency and sole source procurements of \$50,000 or more.</p>	
VI. <u>Payment Issues</u>	11
<p>The College should review its payment practices to determine where internal control procedures are being violated resulting in overpayments.</p>	



## RESULTS OF EXAMINATION

### I. Inappropriate Sole Source Procurements

Section 11-35-1560 of the Code and Regulation 19-445.2105 allow for a contract to be awarded without competition when it is determined in writing that there is only one source for the required item. Other entities were capable of performing the service or supplying the items for the following nineteen procurements thus rendering them inappropriate as sole sources.

<u>Item</u>	<u>PO</u>	<u>Amount</u>	<u>Description</u>
1	B100	\$ 4,000	Consultant for programming services
2	B102	4,000	Consultant for programming services
3	B110	4,000	Consultant for programming services
4	B192	4,000	Consultant for programming services
5	B195	4,000	Consultant for programming services
6	B208	4,000	Consultant for programming services
7	B209	4,000	Consultant for programming services
8	P3656	4,000	Consultant for programming services
9	P3798	4,000	Consultant for programming services
10	P4532	4,000	Consultant for programming services
11	B118	10,000	Software consultant
12	B153	10,000	Software consultant
13	B190	4,500	Consultant to develop composite master plan
14	B198	4,500	Consultant to meet composite objectives
15	B206	2,340	Consultant for composite training assessment
16	P2681	2,000	Consultant for talent search proposal
17	P1602	48,060	Carpet
18	P2018	9,983	Carpet
19	B170	4,942	Pest control service

The same consultant listed for items 1 through 10 was cited in our last procurement audit report. Rather than taking the appropriate corrective action by soliciting competition for the programming services, the College ignored our recommendation in the last audit and continued

sole sourcing the services. The procurements for items 11 through 19 did not meet the criteria for a sole source as defined in Section 11-35-1560 and Regulation 19-445.2105.

We recommend the College comply with the competitive requirements of the Code based on the methods of source selection defined in Section 11-35-1510.

### **COLLEGE RESPONSE**

#### **Items 1-10**

- The consultant was originally retained to develop specific applications for admissions, continuing education, finance and accounting using Microsoft Access, Microsoft SQL, and Oracle RDB.
- As the scope of these applications grew and became more integrated into the day-to-day operation of the College, the maintenance and enhancement of these programs became more complicated.
- The consultant by now had become quite familiar with the operational processes employed by the College and with the internal structure of the College's administrative system. It was the consultant's understanding of the technical aspects of these various systems and the results the consultant produced that were most valuable to the College.
- It would have been counterproductive and inefficient to engage a different contractor(s) to continue this work since the understanding and technical knowledge would have been lacking. An analogy would be going to a physician for a series of tests and procedure. Once that physician becomes familiar with the patient and the issues, it would make no sense to seek another physician strictly based on a lower fee for continued treatment.
- The additional complications of moving to the Datatel system, the data migration application modifications due to a different database engine, and other issues related to a major application conversion made it even more sensible to continue to engage the consultant to assist with the conversion. In addition, the deadlines for this conversion did not allow for involving anyone who was not fully familiar with the database structures and application logic.

#### **Items 11-12**

- York Technical College, as well as eleven other technical colleges, contracted with Datatel to establish and help design the administrative software system for each of the colleges. Datatel assigned the software consultant, an employee of Datatel, as the financial coordinator to guide our personnel in the set up of our general ledger and budget modules. The budget module is considered a key component for our institution. The employee was responsible for developing a financial hierarchy to specifically meet our College's needs. The employee's expertise in preparing our financial system was unique

to our College. The employee was transferred to another department of Datatel and was no longer the software consultant. At the time, there was no other software consultant available that knew the intricacies of our College and could continue with the financial reporting the way we requested. In the timeframe we were given to get the system up and running, it would have been impossible for someone else to come in and take over the implementation of the system. We contacted the software consultant and asked if he would complete our modules within the timeframe specified in the contract. He agreed to work part-time with the College to complete the modules specific to York Tech's requirements.

#### Items 13-16

- Purchase order B190 had the incorrect backup documentation and the wrong amount. The contract was for \$450, not \$4,500. The sole source documentation attached to the purchase order was not required. On the other three purchase orders, the consultants came highly recommended as a field experts by the government agencies working in partnership with the College. The College was encouraged to use the consultants recommended due to the consultant's extensive familiarity with the government program.

#### Items 17-18

- The carpet for items 17 and 18 was for the Hood Center refurbishing project. The independent interior consultant informed the College that the vendor was the only manufacturer and supplier of the carpeting needed for the project.

#### Item 19

- Purchase order B170 was the pest control for the new Science and Technology Building. The vendor had the exclusive rights to the pesticide, Sentricon, used in termite control. The Business Manager for the College contacted at least two other vendors inquiring about the use of Sentricon. He was informed that the vendor was the only pesticide company that used this treatment. This is what the College based the sole source justification. The College saw no need to contact two other branch offices of the same company to get competitive bids.

## II. Unauthorized Procurements

The College received nine invoices dated between October 10, 2001 and December 12, 2001 for miscellaneous truck repairs. The repairs were performed to different trucks for different repair items. Several months after the procurements were made, purchase order P0002961 was issued on January 18, 2002 in the amount of \$2,198 for the nine invoices. The procurement file did not show any evidence that the procurements were authorized in advance by an authorized official. Therefore, each procurement was unauthorized as defined in Regulation 19-445.2015.

The College issued check 32156 on June 11, 2003 for \$10,000. The description on the invoice was “draw for professional services rendered: Chester, SC, feasibility study proposal dated March 28, 2003.” We could not determine nor could the College provide the total value of the procurement or compliance to the Code. The procurement associated with the payment of \$10,000 exceeded the College’s procurement authority of \$5,000 thus resulting in an unauthorized procurement as defined in Regulation 19-445.2015

We recommend the College identify unauthorized procurements and take appropriate corrective action to prevent recurrence. We also recommend the College identify and inform our office of the total value of the procurement for check 32156. The College must request ratification of each unauthorized procurement on purchase order P0002961 from the President or his designee in accordance with Regulation 19-445.2015. The College must request ratification for the unauthorized procurement for check 32156 from the Materials Management Officer in accordance with Regulation 19-445.2015.

### **COLLEGE RESPONSE**

The invoices associated with purchase order P2961 should have been paid for with the College’s purchasing card when the expenses incurred. The end user had the authority to use the card for repairs under \$1,500. He was under the misperception that he had to wait until he accumulated \$1,500 in charges. The Business Manager advised the end user to submit all old invoices so they could be paid. The Business Manager then explained again the proper usage of the purchasing card. This information should have been attached to the purchase order. Based on the above, no ratification action is deemed necessary.

Check 32156 was issued for the payment of study at the Chester site. This should have been sole source procurement. Land appraised over \$1 million was donated to the College. The contributor selected the vendor to do the study as a condition of making the donation. The College partnered with York Technical College Foundation. The College was under the impression that the Foundation would do the sole source request and the Foundation thought the College would do it. It didn’t get done. This appears to be an administrative oversight. A ratification request addressed to the Materials Management Officer is attached.

### **III. Inappropriate Emergency Procurements**

The following three emergency procurements were inappropriate.

<u>PO</u>	<u>Amount</u>	<u>Description</u>
P1470	\$17,615	Well drilling
P2602	1,903	Two way video/audio fiber transceiver
P4676	10,800	Lowboy trailer

In all instances, sufficient time was available to procure these items under normal competitive requirements of the Code.

We recommend the College limit emergency procurements to those unforeseen instances where there is an immediate threat to the College that can not be met through the normal procurement procedures.

#### **COLLEGE RESPONSE**

Purchase order P1470 was during the expansion of “C” Building. This was an emergency due to the immediate need of DHEC to determine contamination of ground water and to expedite the process to avoid construction delays. Any delay in construction would have caused the College additional resources. DHEC demanded additional wells be drilled for testing the ground water. The vendor selected was from an authorized DHEC list that fixes the price for such services. Solicitation of competition was unnecessary in this situation.

Purchase orders P2602 and P4676 were emergencies because delay in procuring these items would have resulted in the College being unable to provide instruction required for the courses. Purchase order 2602 to procure fiber optic cable was needed immediately because the College was scheduled to offer distance learning classes throughout the state in mid November. Purchase order P4676 for the lowboy trailer was needed to provide a training tool for the College’s truck driver training course. Failure to quickly procure these items would have been detrimental to the students this College serves. The College acknowledges that better planning could have been used. This will be addressed in our procurement training for our faculty and staff.

All emergency procurements were handled within the spirit of the guidelines outlined in Section 11-35-1570 of the Code using the concepts of critical economy and efficiency as justification.

#### **IV. Misapplied Exemptions**

The College misapplied the exemptions to the Code on two procurements.

<u>PO</u>	<u>Amount</u>	<u>Description</u>
P4037	\$2,995	On-line subscription service
P4865	1,875	Web service

The College considered the on-line subscription service like a magazine subscription, which is exempt from the Code. However, the procurement was a fee to access an on-line database for faculty and staff to research for available grants. The web service was required for a course and the students reimbursed the College for the cost. The College viewed the cost as an item for commercial resale, which is exempt from the Code. However the exemption would not apply because the College unilaterally made procurement for a captive audience, the students. The College is not selling the service commercially.

We recommend the College solicit competition based on the methods defined in Section 11-35-1510 for these transactions in the future.

**COLLEGE RESPONSE**

The College in the future will solicit the services per conventional procurement guidelines.

V. Drug-Free Workplace Certification Not Obtained

The College failed to obtain the drug-free workplace certification on all of its emergency and sole source procurements of \$50,000 or more. One emergency and three sole source procurements equaled or exceeded the \$50,000 threshold where the certification was required. Section 44-107-30 of the South Carolina Code of Laws requires a written certification on any contract of \$50,000 or more stating that the vendor provides a drug-free workplace. Sole source and emergency procurements are subject to this law.

We recommend the College obtain the drug-free workplace certification from vendors on all sole source and emergency procurements of \$50,000 or more.

**COLLEGE RESPONSE**

The College will review all future procurements over \$50,000 to ensure the contracts include the requirement for the contractor to certify the business is a drug-free workplace.

VI. Payment Issues

The College made four payments that did not agree with the purchase orders.

<u>PO</u>	<u>Check</u>	<u>Description</u>	<u>PO</u>	<u>Invoice</u>	<u>Difference</u>
P1762	8055	Chipper rental	\$ 1,400.00	1,568.00	\$168.00
P4577	24465	Digital microphone	1,577.12	1,608.71	31.59

<u>PO</u>	<u>Check</u>	<u>Description</u>	<u>PO</u>	<u>Invoice</u>	<u>Difference</u>
B222	29289	Monthly copier rental	532.20	624.10	91.90
B223	32461	Monthly copier rental	5,849.29	6,634.05	784.76

Section V.50 of the College’s purchasing guidelines requires any discrepancies to be handled exclusively by the Purchasing Office. The files did not contain documentation on the Purchasing Office’s involvement.

We recommend the College review its process to determine the non-compliance with its guidelines and implement adequate corrective action.

**COLLEGE RESPONSE**

The Procurement Area will validate and match purchase order amounts and invoice amounts before approving payment. This has also been addressed with the Accounting Area. All actions will be documented for the record.

## CONCLUSION

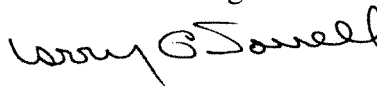
As enumerated in our transmittal letter, corrective action based on the recommendations described in this report, we believe, will in all material respects place York Technical College in compliance with the South Carolina Consolidated Procurement Code and ensuing Regulations.

As noted in the Introduction Section of this report, the Office of Audit and Certification was in the process of auditing the College on November 12, 2003 when the Budget and Control Board granted certification to fifty-eight agencies, including the College. No further certification is recommended at this time. The report is submitted as information only.



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Robert J. Aycock, IV  
Audit Manager



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Larry G. Sorrell, Manager  
Audit and Certification

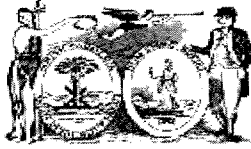


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R. VOIGHT SHEALY  
MATERIALS MANAGEMENT OFFICER

July 21, 2004

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 York Technical College to our audit report for the period of April 1, 2001 – September 30, 2003. Also we have followed the College's corrective action during and subsequent to our fieldwork. We are satisfied that York Technical College has corrected the problem areas and the internal controls over the procurement system are adequate.

Therefore, we recommend the report be submitted as information to the Budget and Control Board.

Sincerely,

Handwritten signature of Larry G. Sorrell in cursive.

Larry G. Sorrell, Manager  
Audit and Certification

LGS/jl

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