

GREENVILLE TECHNICAL COLLEGE

PROCUREMENT AUDIT REPORT

JULY 1, 2005 – DECEMBER 31, 2006

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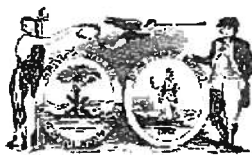
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STATE OF SOUTH CAROLINA
State Budget and Control Board
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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

June 13, 2007

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

Dear Voight:

We have examined the procurement policies and procedures of Greenville Technical College for the period July 1, 2005 through December 31, 2006. 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 Greenville 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 two 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 Greenville Technical College in compliance with the Consolidated Procurement Code and ensuing regulations.

Sincerely,



Larry G. Sorrell, Manager
Audit and 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 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 samples for the period July 1, 2005 through December 31, 2006 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 July 1, 2005 through December 31, 2006
- (2) Procurement transactions for the period July 1, 2005 through December 31, 2006 as follows:
 - a) Seventy-four payments each exceeding \$1,500
 - b) Two hundred forty two sequential purchase orders reviewed for order splitting and favored vendors
 - c) Procurement card transactions for August, September and October of 2006
- (3) Two construction contracts, one professional services contract and three indefinite delivery orders for compliance with the Manual for Planning Execution of State Permanent Improvements
- (4) Minority Business Enterprise Plans and reports for the audit period
- (5) Information technology plans for the audit period
- (6) Internal procurement procedures manual
- (7) File documentation and evidence of competition
- (8) Surplus property disposal procedures

RESULTS OF EXAMINATION

Unauthorized Procurement Card Transactions

The procurement card procedures manual limits individual transactions to \$1,500 each. Page seven of the manuals states the cardholder must not split transactions to circumvent the \$1,500 limit. The following transactions exceeded the limit or were split to circumvent the limit thus resulting in each transaction being unauthorized as defined in Regulation 19-445.2015.

<u>Date</u>	<u>Description</u>	<u>Sub Total</u>	<u>Total Amount</u>
10/06/06	Uniform items	\$ 1,096	
10/06/06	Uniform items	<u>622</u>	
	Total		\$ 1,718
08/11/06	Planners and calendars	\$ 2,000	
08/11/06	Planners and calendars	<u>1,319</u>	
	Total		3,319
08/02/06	Plastic letters	\$ 1,352	
08/02/06	Plastic letters	<u>1,655</u>	
	Total		3,007
09/12/06	Key code supplies		1,508
08/01/06	Filters		1,771
07/31/06	Ink cartridges		2,041
08/14/06	Ink cartridges		2,254
08/14/06	Ink cartridges		2,331
08/14/06	Ink cartridges		1,954
08/22/06	Ink cartridges	\$ 1,129	
08/22/06	Ink cartridges	<u>2,405</u>	
	Total		3,534
08/28/06	Ink cartridges		2,339
09/15/06	Ink cartridges		2,226
09/15/06	Ink cartridges		2,431
09/15/06	Ink cartridges		1,952
10/02/06	Ink cartridges	\$ 2,298	
10/02/06	Ink cartridges	<u>682</u>	
	Total		2,980
10/10/06	Ink cartridges	\$ 2,374	
10/10/06	Ink cartridges	<u>1,319</u>	
	Total		3,693
10/16/06	Ink cartridges		1,777
10/23/06	Ink cartridges	\$ 992	
10/23/06	Ink cartridges	<u>874</u>	
	Total		1,866
10/30/06	Ink cartridges		2,343

We recommend the College reviews its procedures, identify the weakness or weaknesses that resulted in these transactions exceeding the \$1,500 and implement the appropriate corrective action. The College must prepare a ratification request for the unauthorized procurements in accordance with Regulation 19-445.2015.

Procurement Consolidation

The College purchased a total of \$39,296 of ink cartridges during the months of July, August, September and October of 2006. Separate purchases were made with the procurement card at different times. These items should have been competed in accordance with the Code and a term contract established.

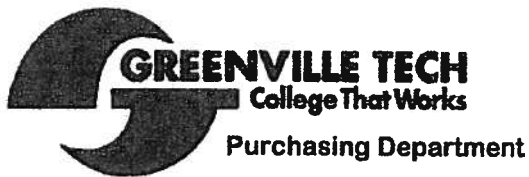
We recommend the College identify and combine like items then solicit the appropriate level of competition based on the estimated total value with emphasis on establishing an agency term contract.

CERTIFICATION RECOMMENDATIONS

Greenville Technical College has not requested increased procurement certification above the basic limits of \$50,000 as allowed per Section 11-35-1550 (1) of the Code. Since no action is required by the State Budget and Control Board, the report is being submitted as information.



Larry G. Sorrell, Manager
Audit and Certification



Mr. Larry Sorrell
Manager, Audit & Certification
Budget and Control Board
Suite 600
1201 Main Street
Columbia, SC 29201

June 25, 2007

Reference: Procurement Audit – July 1, 2005 to December 31, 2006

Dear Mr. Sorrell,

We are in receipt of the audit report for the time period specified above. We propose the following corrective action:

The internal policy for credit card purchases has been revised to reflect the new individual transaction limit of \$2,500 per purchase as provided for in the SC Procurement Code Section 11-35-1550(2). Other changes to our internal policy have been published along with college wide training of procurement card holders. Internal guidelines to review the Procurement Card Policy and Procedures annually and/or when legislative action is passed that requires modification is now in effect.

The credit card transactions deemed to have violated policy and the Procurement Code will be ratified in accordance with regulation 19-445-2015. The ink cartridges transactions not in compliance with the Procurement Code are now on a statewide term contract and our Central Store personnel have been directed to and are now ordering this supply item from the contract vendor.

The college issued solicitation GTC 07-026 "Supply Source for Lexmark Laser Toner Cartridges" with an award to the lowest responsive and responsible bidder. We received four (4) responses to our solicitation. The contract was awarded for a one year period with a limit of \$50,000. Research indicates this supply source may need to be on a multi-term contract with a larger award value. Prior to the expiration of our agency contract, we will seek the assistance of MMO to bid a higher value multi-term contract for this supply source.

We appreciate the professional approach your staff took during the audit process. Your auditor was courteous, helpful, informative, and provided guidance in several areas of procurement processes.

Sincerely,

A handwritten signature in black ink that reads 'Bill Tripp'.

Bill Tripp
Agency Procurement Officer

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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

June 27, 2007

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 Greenville Technical College to our audit report for the period of July 1, 2005 to December 31, 2006. Also we have followed the College's corrective action during and subsequent to our fieldwork. We are satisfied that Greenville Technical College has corrected the problem area and the internal controls over the procurement system are adequate.

Additional certification was not requested. Therefore, we recommend the College be allowed to continue procuring all goods and services, construction services, information technology and consulting services up to the basic level as outlined in the Code.

Sincerely,

A handwritten signature in blue ink, appearing to read "Larry G. Sorrell".

Larry G. Sorrell, Manager
Audit and Certification

LGS/gs

Total Copies Printed.....	11
Unit Cost.....	\$.30
Total Cost.....	<u>\$3.30</u>