



WIL LOU GRAY OPPORTUNITY SCHOOL
INDEPENDENT PROCUREMENT AUDIT REPORT
JULY 1, 2014 to SEPTEMBER 30, 2017

Office of Audit & Certification
Division of Procurement Services
December 15, 2017

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INTRODUCTION

We conducted an examination of WLG's internal procurement operating policies and procedures, as outlined in their Internal Procurement Procedures Manual, under §11-35-1230(1) of the South Carolina Consolidated Procurement Code and Reg. 19-445.2020 of the accompanying regulations.

The primary objective of our examination was to determine whether, in all material respects, the internal controls of WLG's procurement system were adequate to ensure compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

The management of WLG is responsible for establishing and maintaining a system of internal controls 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 internal control relate to (1) financial reporting, (2) operations, and (3) compliance. Safeguarding of assets is a subset of these objectives. Management designs internal control to provide reasonable assurance that unauthorized acquisition, use, or disposition of assets will be prevented or timely detected and corrected.

Because of inherent limitations in any system of internal controls, errors or irregularities may occur and not be detected. 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 review 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.

WLG has operated under the Procurement Code's \$50,000 statutory procurement authority and did not request certification for an increase in authority during the examination.

SCOPE

We conducted our examination to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. Our examination included testing, on a sample basis, evidence supporting WLG's compliance with the South Carolina Consolidated Procurement Code, for the audit period, July 1, 2014 through September 30, 2017, and performing other procedures that we considered necessary in the circumstances. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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 audit period
- (2) Procurement transactions for the audit period as follows:
 - a) Forty-nine payments, each exceeding \$2,500
 - b) Eighty-six purchase orders reviewed against the use of order splitting or favored vendors
 - c) We sampled eighteen procurement card purchases for the period June through August 2017
- (3) Minority Business Enterprise plans and reports. The following activity was reported to the Governor's Office Division of Small and Minority Business Contracting and Certification:

<u>Fiscal Year Ending</u>	<u>Goal</u>	<u>Actual</u>
FY15-16	\$102,000	\$12,321
FY16-17	\$102,000	\$12,486
FY17-18	\$ 98,500	\$ 3,423

- (4) The most recent Information Technology Plan
- (5) Internal procurement procedures manual
- (6) Surplus property disposal procedures
- (7) Disposition of unauthorized procurements

SUMMARY OF AUDIT FINDINGS

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Note: The school's responses to issues raised in this report have been attached at the end of the report.

RESULTS OF EXAMINATION

I. Supplies and Services

A. Artificially Divided Procurements

For two consecutive fiscal years, WLG has procured media planning and placement services from the same vendor by means of six purchase orders and one direct expenditure voucher, for a combined total of \$42,437 without the required competition.

Purchase order	Date	Description	Amount
4600438127	8/12/15	Media Planning/Placement	\$2,475
4600458335	11/13/15	Media Planning/Placement	\$5,790
4600484081	4/7/16	Media Planning/Placement	\$9,999
4600520334	9/12/16	Media Planning/Placement	\$7,593
4600535868	12/1/16	Media Planning/Placement	\$5,243
4600549324	2/22/17	Media Planning/Placement	\$5,785
DEV	4/3/17	Media Planning/Placement	\$5,552

Based upon the aggregated expenditures for each fiscal year exceeding \$10,000 for media planning and placement, and the frequency of such procurements, the Agency should have solicited bids for such services.

WLG purchased cleaning supplies, for use in the kitchen, from a non-contract minority vendor and split the order to avoid having to solicit written bids.

Purchase order	Date	Description	Amount
4600438444	8/12/15	Cleaning Supplies	\$7,000
4600439182	8/14/15	Cleaning Supplies	\$4,500

Per SC Code Ann. §11-35-1550 (C), "Purchases over ten thousand dollars up to fifty thousand dollars. Written solicitation of written quotes, bids, or proposals must be made for a small purchase over ten thousand dollars but not in excess of fifty thousand dollars. The procurement must be

RESULTS OF EXAMINATION

advertised at least once in the South Carolina Business Opportunities publication or through a means of central electronic advertising as approved by the designated board office. A copy of the written solicitation and written quotes must be attached to the purchase requisition. The award must be made to the lowest responsive and responsible source or, when a request for proposal process is used, the highest ranking offeror.”

We recommend the Wil Lou Gray Opportunity School anticipate its procurement requirements and solicit the appropriate level of competition. We also recommend WLГ review and revise its procedures to ensure compliance with the competition requirements of the South Carolina Consolidated Procurement Code by preventing the artificial dividing of orders.

B. Improper Award

WLГ received two quotes in response to a SCBO advertisement dated November 24, 2017 for a Hunter Pronto III Aligner. Based upon the supporting documentation provided by WLГ, both quotes were submitted to the correct e-mail address and were received prior to the posted submission deadline (December 19, 2014). However, PO 4600395933, dated January 30, 2015, for \$17,000, was not issued to the lowest bidder at \$16,089, resulting in payment of \$911 in excess of the lowest qualified bid.

Per SC Code Ann. §11-35-1550(2)(c), “The award must be made to the lowest responsive and responsible source or, when a request for proposal process is used, the highest ranking offeror.” There was no documentation in file indicating that the low bidder was non-responsive or non-responsible. The Agency should have awarded the contract to the lowest bidder.

We recommend the Wil Lou Gray Opportunity School review and revise its procurement procedures to comply with South Carolina Consolidated Procurement Code regarding the award of contracts.

CONCLUSION

We believe corrective action based on the recommendations made in this report will in all material respects, place the Wil Lou Gray Opportunity School in compliance, with the South Carolina Consolidated Procurement Code.

The School has not requested procurement certification above the statutory limit of \$50,000. Under the authority granted in SC Code Ann. §11-35-1210, and subject to the corrective action described in this report, we recommend the Wil Lou Gray Opportunity School be allowed to continue procuring supplies and services, consultant services, information technology, and construction services up to the \$50,000 statutory authority granted by the South Carolina Consolidated Procurement Code.



D. Crawford Milling, CPA, CGMA
Director of Audit & Certification

Wil Lou Gray Opportunity School

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June 7, 2019

Mr. D. Crawford Milling, CPA, CGMA
SC State Fiscal Accountability Authority
Division of Procurement Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

RE: Wil Lou Gray Opportunity School Independent Procurement Audit Report

Mr. Milling,

The Wil Lou Gray Opportunity School (WLGOS) is in receipt of the Independent Procurement Audit Report received via e-mail December 18, 2018 for the audit period of July 1, 2014 to September 30, 2017. WLGOS acknowledges the findings noted in this report and will take the appropriate measures to ensure all recommendations are addressed. Please see our agency response in the subsequent pages.


It is our intent to conduct procurement training this summer to reinforce current procurement standards and address new changes to the South Carolina Consolidated Procurement Code.

It is also appropriate to acknowledge the professionalism displayed by Mary Jefferson who conducted this audit.

If you have any questions or need additional information, please feel free to contact me at 803.896.6469.

Sincerely,


Charlie Abbott
Director of Operations


Pat G. Smith
Director



I. Supplies and Services

A. Nine procurements were artificially divided to avoid competition.

Agency Response

WLGOS understands that these items need to be solicited as written quotes and advertised. Initially we did not believe that the procurements would exceed \$10,000. As the programs were expanded our need increased and eventually exceeded the \$10,000 threshold. We will provide the appropriate training for buyers and solicit for these services as necessary by code.

B. One procurement was not awarded to the lowest bidder.

WLGOS concurs with the appearance that we did not accept the “lowest responsive bidder”. However, relying on memory the lowest responsive bidder could not deliver as they didn’t include freight in their bid. The file is poorly documented and that stance cannot be verified. It is evident that better care of procurement files and documentation is essential to maintain the integrity of the procurement process.