

**CHARLESTON COUNTY SCHOOL DISTRICT
SOUTH CAROLINA**

Procurement Agreed Upon Procedures

For the Year Ended June 30, 2011



**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES**

To the Board of Trustees and Management of Charleston County School District:

We have performed the procedures enumerated below, which were agreed to by the Charleston County School District (the "District") and the State of South Carolina Budget and Control Board – Procurement Services Division – Office of Audit and Certification (the "SCBCB"), solely to assist the specified parties in evaluating the District's compliance with its procurement code, which has been determined by the SCBCB to be substantially similar to the South Carolina Consolidated Procurement Code, for the year ended June 30, 2011. Management is responsible for the District's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We performed the steps as indicated in the program provided to us by the SCBCB and, where applicable, the District's procurement policies. The program has been edited, where applicable, in accordance with the District's procurement policies. A copy of the program is attached as Attachment A.

Our procedures and the associated findings are as follows:

- Procedure: We obtained answers to the SCBCB's questionnaire for evaluating internal control efficiency and effectiveness of School District Operations and evaluated those answers.
- Finding: No findings noted.
- Procedure: We reviewed the Minority Business Enterprise Utilization annual plan ("MBE Plan") to determine if it was approved and submitted to the Board of Trustees timely and that the annual report to the Board of Trustees was filed timely.
- Finding: No findings noted.
- Procedure: We selected a sample of credit card purchases to determine if they were being managed in compliance with the District's Procurement Code and Procurement Card Program Cardholders' Manual.
- Finding: We selected and tested forty credit card transactions during the year ended June 30, 2011, verifying that they were for legitimate District expenditures. However, we noted the following items: (a) three transactions were missing some of the required supporting documentation, such as a receipt, cardholder log, bank statement, or a required travel form; (b) there was no evidence of approval by the cardholder for seven statements; these statements were properly reviewed and approved by the supervisor; (c) there was no evidence of a supervisor's review and approval for three statements; (d) one unallowable item was purchased using a District credit card; and (e) there was no documentation of review or approval by Procurement Services for four statements in which the cardholder was also the Department Liaison.

In addition, the Procurement Card Program Cardholder' Manual states that ten percent of the cardholder accounts will be reviewed monthly under the direction of the Director of Contracts and Procurement Services and Finance Director. We noted that through January 2011 Procurement Services was reviewing a portion of the cardholder accounts each month; however, there was no formal documentation of this review and of the District ensuring that at least ten percent of the statements were being reviewed. Since January 2011, all of the cardholder accounts are being reviewed by Procurement Services and this review is being documented and tracked.

It is important to note that it appears the compliance with the District's Procurement Card Program Cardholder' Manual has improved significantly as a result of the hiring of a Procurement Card Administrator in January 2011.

Response: Prior to January 2011 the P-card review process was managed by one person whose main responsibility was as the Purchasing Officer for the district. As was noted in the previous audit we were not able to review the appropriate amount of transactions and there were transactions that did not contain all proper documentation and some statements were not appropriately reviewed by the cardholder or supervisor. As noted in the Accountant's report, since January 2011 we have been able to review all accounts and they are being documented and tracked. In January 2011 we were able to add a P-Card Administrator to our staff to perform the required functions.

Procedure: We reviewed a sample of blanket purchase agreement files to determine if they were being used in accordance with the District's Procurement Code.

Finding: We noted that the District is currently using one blanket purchase order for various rentals; however, the District did not prepare this agreement in accordance with section 1550.4 of the District's Procurement Code. The requirements listed in section 1554.4 of the code were not presented to the vendor.

Response: CCSD utilized only one blanket purchase order for the 2011 FY for rentals. This one purchase order was not set up according to Procurement Code requirements and the required information as to the proper use of the purchase order was not relayed to the vendor. The p-card has replaced the need for most blanket orders, but Procurement staff will be given detailed setup training and statements to be included on the blanket purchase orders, so that when we do have occasion to utilize a Blanket that we set up the PO properly. The Procurement Officer will be responsible for review and compliance with the code requirements.

Procedure: We reviewed a block sample of purchase orders from the numerical purchase order file to check for splitting of vendors, favored vendors, and any questionable procurements.

Finding: No findings noted.

Procedure: We reviewed procurements of revenue generating contracts to determine if they were done in accordance with the District's procurement code.

Finding: No findings noted.

Procedure: We reviewed a sample of ratifications to determine if they were properly done and approved in accordance with the District's procurement code.

Finding: No findings noted.

Procedure: We obtained and reviewed copies of all sole source and emergency determinations and findings and related purchased orders or vouchers for the year ended June 30, 2011 to determine that each procurement was justified, properly approved, and accurately reported.

Finding: The District's report of sole source procurements listed included two procurements that were not properly approved. Section 1560.1 of the District's Procurement Code states that written determination and approval must be provided, therefore the District did not comply with section 1560.1 of the code.

Response: Two sole source procurements had the appropriate documentation that they were sole source, but the documents were not properly approved. This was an oversight by the approvers and by the Purchasing Official. Increased effort will be placed on the proper review of the documentation for these purchases, to include monthly review and documentation by the Procurement Officer.

Procedure: We reviewed trade-in files to determine if proper approval was obtained (if the original cost was greater than \$5,000) and that the trade-in was accurately reported.

Finding: No findings noted.

Procedure: We selected and tested ten Goods and Services procurements, ten Consulting procurements, ten Information Technology procurements, and ten Food Service procurements for compliance with the SCBCB's standard test matrix. This sample of forty transactions included ten procurements greater than \$50,000, fourteen procurements between \$10,000 and \$50,000, eight procurements between \$2,500 and \$10,000, and eight procurements less than \$2,500. Of the forty transactions tested, six procurements were either bid or quoted and awarded during fiscal year 2011, ten procurements were term-contract extensions that were bid and awarded in prior years, ten procurements were exempt based on the Procurement Code's exemption requirements, five procurements were awarded through State Contracts, seven procurements were small purchases where the price paid was fair and reasonable, and one procurements were a sole source.

Finding: One of the Food Service procurements tested was noted to have an expired contract. The District is required to obtain competitive sealed bids for procurements exceeding \$50,000; however, they did not receive bids for the services as they continued to use a vendor that they had in the past. The prior contract expired in FY08.

Response: This service is for terminal cleaning during the summer and restocking of cleaning products. As an oversight the contract was not extended or re-solicited. The service was required for the beginning of school and the contract was utilized in error by both Procurement and Food Services without an extension being requested. This contract is being re-bid during the first quarter of 2011-2012 FY.

Procedure: We selected and tested ten construction and/or architect services procurements for compliance with the SCBCB's Major Construction Matrix or the A&E and Related Professional Services Matrix, as applicable. This sample included three procurements greater than \$50,000, three procurements between \$10,000 and \$50,000, two procurements between \$2,500 and \$10,000, and two small purchases less than \$2,500. Of the ten transactions tested, four procurements were bid or quoted and awarded during fiscal year 2011, two procurements were term-contract extensions that were awarded in prior years, one procurement was awarded through a SC School District Cooperative Contract, two procurements were small purchases where the price paid was fair and reasonable, and one procurement was a sole source.

Finding: No findings noted.

Procedure: We selected a sample of disposals and sales of surplus property to determine if they were handled in accordance with the District's procurement code.

Finding: No findings noted.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the above information. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Trustees and the MMO and is not intended to be and should not be used by anyone other than these specified parties.



Greene, Finney & Horton, LLP
Mauldin, South Carolina
September 6, 2011

ATTACHMENT A

**STATE OF SOUTH CAROLINA
BUDGET AND CONTROL BOARD
PROCUREMENT SERVICES DIVISION
OFFICE OF AUDIT AND CERTIFICATION**

Charleston County School District
AGENCY NAME

Fiscal Year Ending June 30, 2011
AUDIT PERIOD

SCHOOL DISTRICTS AUDIT PROGRAM

INDEX

- A. General Control Program**
- B. Code Compliance - General**
- C. Compliance - Sole Source and Emergency Procurements**
- D. Compliance - Goods and Services, IT, Consultants and Construction**
- E. Surplus Property**

**PROCUREMENT SERVICES DIVISION
OFFICE OF AUDIT AND CERTIFICATION
SCHOOL DISTRICTS AUDIT PROGRAM**

Step #	<u>DONE BY AND DATE</u>	<u>W/P REFERENCE</u>
A. <u>GENERAL CONTROL PROGRAM</u>		
1.		
Arrange for entry conference with district officials to discuss upcoming audit. Prepare a memo if necessary.		
2.		
Review correspondence to date since the prior engagement and other working papers (including auditor's suggestions for programs changes). Prepare a memo		
3.		
Obtain answers to questionnaire (ICQ) on internal controls and efficiency and efficiency and effectiveness. Prepare an evaluation.		
4.		
Review all audit reports from internal and external audit organizations since the previous engagement. Review scope of audit program in the procurement area and their resulting reports. Prepare a memo if necessary.		
5.		
Have district prepare and sign standard representation letter.		
6.		
Prepare memo for next audit listing pending matters, suggested changes in audit procedures or other items which will be of help in preparing the next audit. N/A if not necessary..		
7.		
Update organization charts, showing the purchasing office's location in the district's overall structure and the internal organization of the purchasing office itself.		
8.		
Complete working paper index. Make certain that all working papers are properly headed, initialed and dated and that they accurately support the conclusions reached. Review all workpapers of audit team members.		
9.		
Prepare, in good form, draft report (management letter) pointing out out weaknesses noted during our audit our recommendations for improvements in the system and any recommended certification limits.		
10.		
Prepare the time summary and track time for the audit. Include all post fieldwork time.		
11.		
Arrange and conduct an informal exit conference to advise district officials of probable audit exceptions.		
12.		
Arrange and conduct an exit conference to go over the results of our audit with district personnel. Document any changes to the draft report.		
13.		
Arrange and conduct follow-up review if necessary. to determine if corrective action has been taken and prepare supplemental report		
14.		
Review managers notes		

**PROCUREMENT SERVICES DIVISION
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Step #	<u>DONE BY AND DATE</u>	<u>W/P REFERENCE</u>
B. <u>CODE COMPLIANCE - GENERAL</u>		
1.		
Obtain copy of district Code and regulations and any internal procedures manual and review. Update the office file		
2.		
Minority Business Enterprise (MBE) Utilization		
a. Check to see that annual plans were approved and submitted timely.		
b. Determine that quarterly reports and annual reports were filed timely.		
3.		
Determine if credit card purchases are being managed in compliance with the Code and internal procedures.		
4.		
Review blanket purchase agreement files or lists. Test BPA procedures and a sample of release files.		
5.		
If bid files are not adequately tested in D, review a sample of sealed bid and quotation files.		
6.		
Review a block sample from the numerical purchase order file. Check for:		
a. splitting of orders		
b. favored vendors		
c. any questionable procurements that you feel you need to look at.		
7.		
If necessary, combine memos from all areas to identify common compliance		
8.		
Determine that procurements of revenue generating contracts such as contracts such as vending/concessions management, trademark management, television/radio management, etc. were done in accordance with the Code.		
9.		
Determine if the district maintains a separate file for ratification and that ratifications were properly done and approved in accordance with the district's Code and Regulations.		
10.		
If necessary, visit a sample of satellite offices to test field procurement procedures.		

**PROCUREMENT SERVICES DIVISION
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SCHOOL DISTRICTS AUDIT PROGRAM**

**Step
#**

**DONE BY
AND DATE**

**W/P
REFERENCE**

C. SOLE SOURCE, EMERGENCY AND TRADE-IN PROCUREMENTS

To determine the validity of sole source, emergency and trade-in procurements reported and their Code compliance.

Obtain copies of all Determinations and Findings and related purchase orders or vouchers for period being reviewed.

1. Obtain document stating who is authorized to sign sole source and emergency procurements for the district.
2. Review each sole source and emergency determination and finding. Determine that each procurement is:
 - a. justified
 - b. properly approved
 - c. accurately reported
3. Review file of trade-ins for:
 - a. Proper approvals if the original cost is greater than \$5,000.
 - b. accurate reporting
4. Prepare a memo on what quarters were tested, the dollars tested and our findings. State the number of transactions and total dollars tested in the memo.

D. COMPLIANCE - GOODS AND SERVICES, IT and Consultants and Construction

1. Establish that procurement authority and responsibility is vested in the purchasing department, or, if not, it is clearly defined and logically delegated.
2. Select and test a sample of transactions, using the standard matrix.
3. Assure that sample items for construction or architect services are in compliance with ODFM manual. Prepare a schedule using Major Construction Matrix) or A&E and Related Professional Services Matrix. If project began before this audit period and contract has been tested previously, test change orders that occurred during the audit period.

Expand sample as necessary to assure adequate coverage of contracts awarded.
4. Prepare memo of findings.

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E. SURPLUS PROPERTY

1. Determine that the district has properly handled disposal and sales of surplus property.
2. Determine if the district has conducted sales of surplus property, scrap or junk during the audit period. Review sales documentation for compliance with the Code.
3. Prepare a memo covering the work performed and findings.

**PROCUREMENT SERVICES DIVISION
OFFICE OF AUDIT AND CERTIFICATION
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EXHIBIT A

STANDARD MATRIX FOR D-1

- (A) The properly approved requisition agrees with the purchase order and the vendor invoice for items procured and amount. Invoice and purchase order amounts agree. The voucher is supported by the proper receiving reports which are signed and dated by receiving personnel. Dates of documents indicate that the procurement was properly authorized
- (B) Discounts were taken and payment was made in a timely manner. Only S.C. sales taxes were paid.
- (C) All changes to the purchase order (i.e., price and quantity changes) were properly documented and approved.
- (D) Materials Management Office term contracts were properly utilized. If term contract prices beaten by 10%, determine that term contract vendor was offered chance to match price.
- (E) The procurement was handled in accordance with the District's Code and Regulations and any internal procurement procedures.
- Small Purchases (< \$50,000.00)
 - < \$2,500.00 - Price was fair and reasonable
 - \$1,500.00 - \$4,999.99 - Phone quotes requested and documented
 - \$2,500.00 - \$9,999.99 - Written quotes requested and documented
 - \$10,000.00 - \$49,999.99 - Written request for quotations documented
 - Written responses documented
 - Advertisement documented
 - Competitive Sealed Bids (>\$50,000.00)
 - Written invitation for bids documented
 - Written responses documented and tabulated
 - Advertisement documented
 - Award posting documented
 - Competitive Sealed Proposals (>\$50,000.00)
 - Same as competitive sealed bids above; and
 - Determinations to do RFP's and award RFP's prepared
 - Sole Source
 - Written determination prepared in advance and approved by authorized official
 - Single source was appropriate
 - Transaction reported
 - Emergency
 - Written determination prepared and approved by authorized official
 - Emergency was justified
 - Competition, as practicable was sought
 - Transaction reported
 - Procurement > \$50,000.00
 - Notice of Intent to Award provided to all respondent (N/A for sole source and emergency procurements)
 - Drug Free Workplace Certification obtained (All type procurements)
- (F) All other aspects of the procurement appear proper.

**PROCUREMENT SERVICES DIVISION
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SCHOOL DISTRICTS AUDIT PROGRAM**

EXHIBIT B

MAJOR CONSTRUCTION MATRIX

- A. ODFM approval of plans for new buildings and major renovations
- B. Construction Contract
 - 1. Advertised for 30 days with 3 separate advertisement
 - 2. Bid form of low bidder with listing of subcontractors
 - 3. Bid security of low bidder with power of attorney (5% of bid)
 - 4. Certified Bid Tabulation sent to all bidders within ten (10) days
 - 5. Statement of Award or Notice of Intent to Award (if over \$50,000) sent to all bidders and posted.
 - 6. Fully Executed Construction Contract
 - 7. Performance Bond and Labor and Materials Payment Bond with Power of Attorney (100% of contract).
 - 8. Contractor's Certificate of Insurance
 - 9. Approval of Contract as necessary
 - 10. Notice of Proceed issued after approval
- C.. Change Orders
 - 1. All change orders to construction contract approved
 - 2. Compare change order approval dates with applications for payment.
- D.. Payment of Contractor
 - 1. Application for payment for construction contract
 - 2. Retention - 10% Maximum
- E. Request for sole source procurement.
 - Written determination prepared in advance and approved by authorized official
 - Single source was appropriate
 - Transaction reported
 - Labor and Material Payment Bonds received if over \$100,000
- F. Request for emergency procurement
 - Written determination prepared and approved by authorized official
 - Emergency was justified
 - Competition, as practicable was sought
 - Transaction reported
 - Labor and Material Payment Bonds received if over \$100,000

**PROCUREMENT SERVICES DIVISION
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EXHIBIT C

A&E AND RELATED PROFESSIONAL SERVICES MATRIX

- A. Advertised with response date at least 15 days .
- B. Bidders must use proper form in response
A&E Service Questionnaires, Federal Standard Forms #254 and #255.
- C. Interviews
 - 1. Selection committee's determination must be in writing as to ranking.
 - 2. Written notification of order of ranking must be sent to all responding vendors.
- D. A&E Selection Approval Request
 - 1. Approval obtained as required.
 - 2. Copy of executed agreement for A&E services.
- E. A&E Approval Request - Small Contracts
 - 1. Procurement must be under \$25,000 (Steps A-D do not apply).
 - 2. Copy of executed agreement for A&E services.
- F. Sole Source of A&E
 - Executed agreement to A&E services
 - Written determination prepared in advance and approved by authorized official
 - Single source was appropriate
 - Transaction reported
- G. Emergency Procurement of A&E
 - Executed agreement
 - Written determination prepared and approved by authorized official
 - Emergency was justified
 - Competition, as practicable was sought
 - Transaction reported