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South Carolina
Division of General Services

PROCUREMENT AUDIT AND CERTIFICATION

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SOUTH CAROLINA VOCATIONAL
REHABILITATION DEPARTMENT

AGENCY

JULY 1, 1986 - MARCH 31, 1989

DATE

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



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JESSE A. COLES, JR., Ph.D.
EXECUTIVE DIRECTOR

October 17, 1989

Mr. Richard W. Kelly
Director
Division of General Services
1201 Main Street, Suite 400
Columbia, South Carolina 29201

Dear Rick:

Attached is the final South Carolina Vocational Rehabilitation Department procurement audit report and recommendations made by the Office of Audit and Certification. I concur and recommend the Budget and Control Board grant the Department a three (3) year certification as outlined in the audit report.

Sincerely,

A handwritten signature in black ink, appearing to read 'James J. Forth, Jr.', written in a cursive style.

James J. Forth, Jr.
Assistant Division Director

/jlj

Attachment

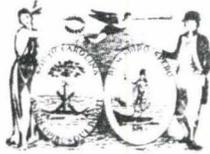
SOUTH CAROLINA
VOCATIONAL REHABILITATION DEPARTMENT
AUDIT REPORT

JULY 1, 1986 - MARCH 31, 1989

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EXECUTIVE DIRECTOR

October 13, 1989

Mr. James J. Forth, Jr.
Assistant Division Director
Division of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

We have examined the procurement policies and procedures of the South Carolina Vocational Rehabilitation Department for the period July 1, 1986 - March 31, 1989. As a part of our examination, we made a study and evaluation of the system of internal control over procurement transactions to the extent we considered necessary.

The purpose of such evaluation was to establish a basis for reliance upon the system of internal control to assure adherence to the Consolidated Procurement Code and State and Department procurement policy. Additionally, the evaluation was used in determining the nature, timing and extent of other auditing procedures that were necessary for developing an opinion on the adequacy, efficiency and effectiveness of the procurement system.

The administration of the South Carolina Vocational Rehabilitation Department is responsible for establishing and maintaining a system of internal control over procurement

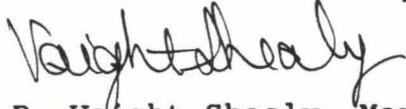
transactions. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance of the integrity of the procurement 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 due professional care. They would not, however, because of the nature of audit testing, necessarily disclose all weaknesses in the system.

The examination did, however, disclose conditions enumerated in this report which we believe to be subject to correction or improvement.

Corrective action based on the recommendations described in these findings will in all material respects place the Vocational Rehabilitation Department in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.



R. Voight Shealy, Manager
Audit and Certification

INTRODUCTION

We conducted an examination of the internal procurement operating procedures and policies and related manual of the Vocational Rehabilitation Department. Our on-site review was conducted May 31, 1989 through June 27, 1989 and was made under the authority as described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Regulation 19-445.2020.

The examination was directed principally to determine whether, in all material respects, that the procurement system's internal controls were adequate and the procurement procedures, as outlined in the Internal Procurement Operating Procedures Manual, were in Compliance with the South Carolina Consolidated Procurement Code and its ensuing regulations.

BACKGROUND

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 Division 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.

The Vocational Rehabilitation Department is currently certified to purchase rehabilitative equipment for handicapped clients using case service funds up to \$15,000 per commitment. The audit was scheduled to determine if recertification is warranted.

During the audit, we received a request from the Vocational Rehabilitation Department that it be recertified at the existing level. Additional certification was not requested.

SCOPE

Our examination encompassed a detailed analysis of the internal procurement operating procedures of the Vocational Rehabilitation Department and the 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 statistically selected random samples for the period July 1, 1986 through March 31, 1989, for compliance testing and performed other audit procedures that we considered necessary in the circumstances to formulate this opinion. As specified in the Consolidated Procurement Code and regulations, our review of the system included, but was not limited to, the following areas:

- (1) adherence to provisions of the South Carolina Consolidated Procurement Code and Regulations;
- (2) procurement staff and training;
- (3) adequate audit trails and purchase order registers;
- (4) evidences of competition;
- (5) small purchase provisions and purchase order confirmations;
- (6) emergency and sole source procurements;
- (7) source selections;
- (8) file documentation of procurements;
- (9) disposition of surplus property;
- (10) economy and efficiency of the procurement process; and,
- (11) approval of the Minority Business Enterprise Plan.

SUMMARY OF AUDIT FINDINGS

Our audit of the procurement system of the Vocational Rehabilitation Department, hereinafter referred to as the Department, produced findings and recommendations in the following areas:

	<u>PAGE</u>
I. <u>Compliance - Sole Source and Emergency Procurements</u>	8
<p>We tested all of the Department's sole source and emergency procurements for the audit period and found the majority of them to be proper and accurately reported. However, we did note several exceptions.</p>	
II. <u>Compliance - Goods and Services</u>	9
<p>Three procurements did not meet the requirements of the Consolidated Procurement Code.</p>	
III. <u>Compliance - Construction</u>	10
<p>One permanent improvement project was not supported by all of the required documents.</p>	
IV. <u>Review of the Procurement Procedures Manual</u>	11
<p>The Department needs to add several procurement procedures, including the competitive sealed bid procedures for procurements above \$2,500.00.</p>	

RESULTS OF EXAMINATION

I. Compliance - Sole Source and Emergency Procurements

We examined the quarterly reports of sole source and emergency procurements and all supporting documents for the period of July 1, 1986 - March 31, 1989. During this examination, we attempted to determine the validity of each of these procurements and the accuracy of the reports submitted to the Division of General Services in accordance with Section 11-35-2440 of the Consolidated Procurement Code.

We found the majority of these procurements to be adequately justified and accurately reported. However, we did note the following exceptions.

A. Sole Source Procurements

The following procurements are classified as exempt by the Budget and Control Board and, as such, should not have been reported.

	<u>P.O. Number</u>	<u>Amount</u>	<u>Description</u>
1)	89-10584	\$ 7,822.50	Annual renewal fee for computer software product
2)	88-10315	7,350.00	Annual renewal fee for computer software product
3)	87-15429	634.94	Pre-recorded video cassettes

We recommend the Department be more cognizant of exemptions promulgated by the Board.

B. Emergency Procurements

Purchase order 88-14019 was an emergency procurement to remove and replace a 6 inch pipe needed during construction of a

new road. The purchase order was dated December 14, 1987 with an invoice date of December 18, 1987. However, the determination was not approved until January 5, 1988, twenty two days later. We were unable to determine why this approval took so long.

Additionally, the following procurement did not meet the application of emergency procurements as stated in Section 19-445.2110 of the regulations which is, "...procurements made under emergency conditions that will not permit other source selection methods to be used."

<u>P.O. Number</u>	<u>Amount</u>	<u>Description</u>
88-14473	\$ 624.00	For hydro-jet cleaning of lines in kitchen at center

This procurement could have been made under the small purchase provisions which only require solicitation of two telephone quotations. In our opinion, the procurement should have been made using these simplified purchasing procedures. At least the hourly rates of a truck and labor could have been quoted.

We recommend stricter adherence to the emergency provisions of the Code and regulations. If the purchase can be made through normal procedures, it should be. Approvals for these procurements should be obtained in a timely manner.

II. Compliance - Goods and Services

Our review of transactions in the goods and services area revealed three procurement/contracts not supported by the required competition or sole source or emergency justifications.

<u>P.O. Number</u>	<u>Amount</u>	<u>Description</u>
88-15213	\$ 525.00	Rental of exhibit booth
89-13279	600.00	Consulting services
Contract	63,813.00	Vehicular transportation services for eligible clients

After reviewing the above transactions in detail, we believe that, each one could have possibly been considered a sole source procurement. We recommend the Department either secure competition, or if applicable, prepare a sole source justification for such procurements in the future.

III. Compliance - Construction

We were unable to locate certain required documentation on permanent improvement project (PIP) 8823. These documents are as follows:

1. Bid form of the low bidder
2. Letter from the architect recommending award
3. Certified bid tabulation
4. Letter indicating that copies of bid tabulations have been sent to all responsive bidders
5. Bid bond with power of attorney

For documents 1, 2, & 3 the "Manual for Planning and Execution of State Permanent Improvements", Section 80.02, requires that these documents be forwarded to the State Engineer's Office for its review and approval if concurrence is made. Items 4 and 5 are required by the Procurement Code under Sections 11-35-3020 and 11-35-3030.

We recommend that these documents be retained on all projects in the future.

VI. Review of the Procurement Procedures Manual

As part of our examination, we reviewed the Purchasing Policies and Procedures Manual. The manual needs to be expanded to address the following topics:

A. Competitive sealed bids greater than \$2,500.00 to include:

1. Bidders List
2. Receipt and Safeguarding of Bids
3. Unidentified Bids
4. Bid Opening Procedures
5. Postponement of Bid Opening
6. Disclosure of Bid Information
7. Bid Acceptance and Evaluation
8. Rejection of Bids
9. Alternate Bids
10. Nonresponsive Bids
11. Tie Bids
12. Instate Bidders Preference
13. Unsigned Bids

B. Term Contracts

C. The Official State Government Publication

D. Legal Services

E. Auditing Services

F. Art Procurements

G. Specification Considerations

H. Retention of Procurement Records

I. Updated Exemption List

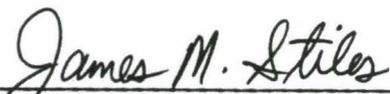
CERTIFICATION RECOMMENDATIONS

As enumerated in our transmittal letter, corrective action based on the recommendations described in the findings contained in the body of this report, we believe, will in all material respects place the Vocational Rehabilitation Department in compliance with the South Carolina Consolidated Procurement Code and regulations.

Under the authority described in Section 11-35-1210 of the Procurement Code, subject to this corrective action, we recommend that the Vocational Rehabilitation Department be recertified to make direct agency procurements as follows for a period of three years:

Purchases made by the Director of Purchasing from Case Service funds specifically for handicapped clients in the area of vocational rehabilitative equipment to a maximum of \$15,000 per commitment.

All other procurements are to remain at \$2,500.00


James M. Stiles, PPB
Audit Manager


R. Voight Shealy, Manager
Audit and Certification



South Carolina Vocational Rehabilitation Department



JOE S. DUSENBURY, Commissioner

1410 Boston Avenue • Post Office Box 15 • West Columbia, South Carolina 29171-0015

September 12, 1989

Mr. R. Voight Shealy, Manager
Audit and Certification
Division of General Services
Materials Management Office
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Mr. Shealy:

This letter represents our official response to the findings of the procurement audit of this agency for the period July 1, 1986 through March 31, 1989. We have reviewed the audit with the Audit and Certification staff and concur with their findings as reported. Agency personnel have taken appropriate actions to respond to all recommendations of the report.

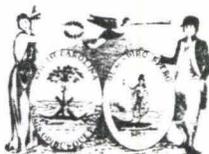
We appreciate the courteous and professional manner in which this review was conducted.

Sincerely,


J. S. Dusenbury
Commissioner

JSD:mrb

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EXECUTIVE DIRECTOR

October 13, 1989

James J. Forth, Jr.
Assistant Division Director
Division of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Jim:

We have reviewed the response to our audit report of the South Carolina Department of Vocational Rehabilitation covering the period July 1, 1986 through March 31, 1989. Combined with observations made during our site visit, this review has satisfied the Office of Audit and Certification that the Department has corrected the problem areas found and that internal controls over the procurement system are adequate.

We, therefore, recommend that the certification limit for the Department of Vocational Rehabilitation outlined in the audit report be granted for a period of three (3) years.

Sincerely,

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

R. Voight Shealy, Manager
Audit and Certification

/jlj

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