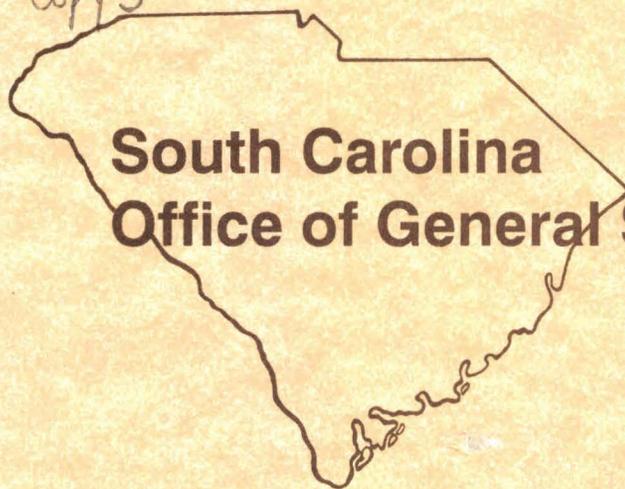


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**South Carolina
Office of General Services**

PROCUREMENT AUDIT AND CERTIFICATION

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AUDIT OF NINETEEN AGENCIES
AGENCY

APRIL 23, 1999
DATE

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



JAMES H. HODGES, CHAIRMAN
GOVERNOR

GRADY L. PATTERSON, JR.
STATE TREASURER

JAMES A. LANDER
COMPTROLLER GENERAL

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CHAIRMAN, SENATE FINANCE COMMITTEE

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CHAIRMAN, WAYS AND MEANS COMMITTEE

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EXECUTIVE DIRECTOR

HELEN T. ZEIGLER
DIRECTOR

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

R. VOIGHT SHEALY
ASSISTANT DIRECTOR
April 23, 1999

Ms. Helen T. Zeigler, Director
Office of General Services
1201 Main Street, Suite 420
Columbia, South Carolina 29201

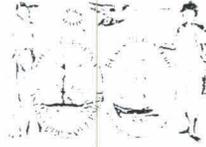
Dear Helen:

I have attached the audit reports prepared by the Office of Audit and Certification for nineteen agencies and commissions subject to the provisions of the South Carolina Consolidated Procurement Code and ensuing regulations. The list at the front shows the audit reports. Since we are not recommending any certification above the basic \$5,000 allowed by the Code, no action is required by the Budget and Control Board. Therefore, I recommend the reports be presented to the Budget and Control Board as information.

Sincerely,

R. Voight Shealy
R. Voight Shealy
Materials Management Officer

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



JAMES H. HODGES, CHAIRMAN
GOVERNOR

GRADY L. PATTERSON, JR.
STATE TREASURER

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COMPTROLLER GENERAL

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COLUMBIA, SOUTH CAROLINA 29201
(803) 737-0600
Fax (803) 737-0639

R. VOIGHT SHEALY
ASSISTANT DIRECTOR

April 23, 1999

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

Dear Voight:

The Office of Audit and Certification completed the audits of nineteen agencies and commissions subject to the South Carolina Consolidated Procurement Code. The attached list shows the audits performed. Also, I have included the audit reports and responses that were received.

The audits were performed to determine the appropriateness of the procurement actions taken and to ensure compliance with the Code and ensuing regulations. As part of the audits, we evaluated the internal controls over the procurement transactions to the extent we deemed necessary. We reviewed sole source and emergency procurements one hundred percent.

The administration of each entity 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 these reports that we believe need correction or improvement.

We have followed up at each agency to determine that the recommended corrective action has taken place. Since none of the agencies requested certification above the \$5,000 limit allowed by the Code, no action is required by the Budget and Control Board. I recommend that these reports be submitted as information to the Budget and Control Board.

Sincerely,



Larry G. Sorrell, Manager
Audit and Certification
c: Audit staff

RECAP OF NINETEEN AUDITS

- 1) ADMINISTRATIVE LAW JUDGE DIVISION
- 2) STATE ELECTION COMMISSION
- 3) CONFEDERATE RELIC ROOM AND MUSEUM
- 4) WORKERS' COMPENSATION COMMISSION
- 5) DEPARTMENT OF INSURANCE
- 6) COMMISSION FOR MINORITY AFFAIRS
- 7) PUBLIC SERVICE COMMISSION
- 8) SECOND INJURY FUND
- 9) OFFICE OF APPELLATE DEFENSE
- 10) OFFICE OF INDIGENT DEFENSE
- 11) SENTENCING GUIDELINES COMMISSION
- 12) COMMISSION ON PROSECUTION COORDINATION
- 13) SECRETARY OF STATE
- 14) LEGISLATIVE AUDIT COUNCIL
- 15) MEDICAL MALPRACTICE/PATIENTS' COMPENSATION FUND
- 16) PROCUREMENT REVIEW PANEL
- 17) DEPARTMENT OF ARCHIVES AND HISTORY
- 18) SEA GRANT CONSORTIUM
- 19) DEPARTMENT OF PROBATION, PAROLE, & PARDON

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

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HELEN T. ZEIGLER
DIRECTOR

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

VOIGHT SHEALY
ASSISTANT DIRECTOR
August 19, 1998

The Honorable Marvin F. Kittrell
Chief Judge
Administrative Law Judge Division
Post Office Box 11667
Columbia, South Carolina 29211

Re: Compliance Audit of Agency Procurement Activity

Dear Judge Kittrell:

On July 8-10, 1998, we examined your Division's procurement records for the period of July 1, 1996 through June 30, 1998. This review was conducted to determine the appropriateness of the procurement actions taken and to ensure compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

The Division had a limited number of procurement transactions. Our examination of the transactions indicated each was handled properly. However, we did note the following exceptions and recommendations.

1. The Division does not have an internal procurement procedures manual. We furnished the Business Manager with a copy of an approved manual as a guide. We recommend the Division prepare an internal procurement procedures manual and submit it to our office for review as required by Regulation 19-445.2005.
2. The Division has failed to file with the Office of Small and Minority Business Assistance (OSMBA) of the Governor's Office a Minority Business Enterprise (MBE) Utilization Plan. In smaller agencies with annual operational dollars less \$300,000, OSMBA will allow an agency to submit a "Letter of Intent" instead of a plan. This recognizes the fact that the agency will try to buy from minority firms when possible. We recommend the Division file a "Letter of Intent" for the

fiscal year June 30, 1999. We also recommend the Division file an annual report recapping the number and dollar value of contracts awarded to eligible minority businesses for the fiscal year ending June 30, 1998. The Division needs to comply with the annual reporting requirements for subsequent fiscal years.

The Division has not requested additional certification. We recommend the Division be allowed to procure all goods and services, construction, information technology, and consultant services up to the basic level of \$5,000 as outlined in the South Carolina Consolidated Procurement Code.

If you wish to discuss our review or any other procurement related matters, we will be glad to meet with you at your convenience. Otherwise, I ask that you formally respond in writing to this report within thirty days of receipt of this letter.

We appreciate the cooperation that you and your staff provided during our audit. If we may be of assistance in the future, please call me at 737-0621 or Jim Stiles at 737-0645.

Sincerely,



Larry G. Sorrell, Manager
Audit and Certification

/tl

- c: H. Lee Smith, Clerk of the Division
- Margaret Sanders, Business Manager
- R. Voight Shealy, Materials Management Officer
- Jim Stiles, CPPB, Audit Manager

STATE OF SOUTH CAROLINA
Administrative Law Judge Division

Marvin F. Kittrell
Chief Judge

H. Lee Smith
Clerk



(803) 734-0550
FAX (803) 734-6400

Edgar A. Brown Building, Suite 224
1205 Pendleton Street
Post Office Box 11667
Columbia, South Carolina 29211

October 14, 1998

Mr. Larry G. Sorrell
Manager, Audit and Certification
Materials Management Office
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Mr. Sorrell:

In response to your examination of the internal procurement operating procedures and policies, and related manual of the Administrative Law Judge Division for the period July 1, 1996 through June 30, 1998, we are forwarding you the Division's internal procurement procedures manual and the Minority Business Enterprise Plan with "Letter of Intent" which was sent to The Office of Small and Minority Business.

Sincerely,

A handwritten signature in cursive script, appearing to read "H. Lee Smith".

H. Lee Smith
Clerk

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

DAVID M. BEASLEY, CHAIRMAN
GOVERNOR

RICHARD A. ECKSTROM
STATE TREASURER

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COMPTROLLER GENERAL

JOHN DRUMMOND
CHAIRMAN, SENATE FINANCE COMMITTEE

HENRY E. BROWN, JR.
CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER F. CARTER
EXECUTIVE DIRECTOR

HELEN T. ZEIGLER
DIRECTOR

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

VOIGHT SHEALY
ASSISTANT DIRECTOR
January 14, 1999

Mr. James Hendrix
Executive Director
State Election Commission
2221 Devine Street, Suite 105
Columbia, South Carolina 29250

Re: Compliance Audit of Commission Procurement Activity

Dear Mr. Hendrix:

On July 7-10, 1998, we examined the South Carolina State Election Commission's procurement records for the period of July 1, 1996 through June 30, 1998. This review was conducted to determine the appropriateness of the procurement actions taken and to ensure compliance with the Consolidated Procurement Code and ensuing regulations.

The Commission does not have an internal procurement procedures manual. We furnished the Director of Financial Services with a copy of an approved manual as a guide. We recommend the Commission prepare an internal procurement procedures manual and submit it to our office for review as required by Regulation 19-445.2005.

The Commission has not requested additional certification. We recommend the Commission be allowed to procure all goods and services, construction, information technology, and consultant services up to the basic level of \$5,000 as outlined in the South Carolina Consolidated Procurement Code.

If you wish to discuss our review or any other procurement related matters, we will be glad to meet with you at your convenience. Otherwise, I ask that you formally respond in writing to this report within thirty days of receipt of this letter.

We appreciate the cooperation that you and your staff provided during our audit. If we may be of assistance in the future, please call me at 737-0621 or David Rawl at 737-0646.

We appreciate the cooperation that you and your staff provided during our audit. If we may be of assistance in the future, please call me at 737-0621 or David Rawl at 737-0646.

Sincerely,



Larry G. Sorrell, Manager
Audit and Certification

/tl

c: Janet Reynolds, Administrative Assistant
Ann Wolfe, Director of Financial Services
David Rawl, CPPB, Senior Auditor

State of South Carolina



Election Commission

2221 DEVINE STREET
POST OFFICE BOX 5987
COLUMBIA, S.C. 29250
PHONE: (803) 734-9060
FAX: (803) 734-9366

JAMES F. HENDRIX
Executive Director

ANN C. WOLFE
Director
Administrative Services

MARCI B. ANDINO
Director
Information Services
and Special Projects

DONNA C. ROYSON
Director
Election Services

GARRY BAUM
State Training Coordinator

JULIE LYBRAND
Public Information Officer

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DR. DEBORAH B. CURETON

VERNON F. DUNBAR

MARTHA C. EDENS

January 19, 1999

Mr. Larry G. Sorrell, Manager
Budget and Control Board
Audit and Certification
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Mr. Sorrell:

We have prepared an updated internal procurement procedures manual for our agency. A copy is enclosed for your review. Please contact me at 734-9061 if you have any questions or if I can be of further assistance.

Sincerely,


Janet Reynolds
Administrative Assistant

/jr

cc: Ann Wolfe, Finance Director
David Rawl, CPPB, Senior Auditor

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

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LUTHER F. CARTER
EXECUTIVE DIRECTOR

HELEN T. ZEIGLER
DIRECTOR

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

VOIGHT SHEALY
ASSISTANT DIRECTOR
September 30, 1998

Mr. Allen Roberson, Director
Confederate Relic Room and Museum
920 Sumter Street
Columbia, South Carolina 29201

Re: Compliance Audit of Museum Procurement Activity

Dear Mr. Roberson:

On July 16 and 17, 1998, we examined the South Carolina Confederate Relic Room and Museum's procurement records for the period of July 1, 1996 through June 30, 1998. This review was conducted to determine the appropriateness of the procurement actions taken and to ensure compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

The Museum had a limited number of procurement transactions. Our examination of these indicated each was handled properly except for the following items. The following two procurements were not supported by solicitations of competition.

<u>Voucher</u>	<u>Date</u>	<u>Amount</u>	<u>Description</u>
97-107	08/19/96	\$ 3,231	Storage boxes
97-060	01/10/97	1,615	Office furniture

Section 11-35-1550(2)(b) of the Code requires solicitation of verbal or written quotes from a minimum of three qualified sources for procurements from \$1,500.01 to \$5,000.00. We recommend competition be solicited to comply with the Code.

Additionally, the Museum does not have an internal procurement procedures manual. We furnished the Administrative Assistant with a copy of an approved manual as a guide. We recommend the Museum prepare an internal procurement procedures manual and submit it to our office for review as required by Regulation 19-445.2005.

Since you have not requested additional certification, we recommend the Museum be allowed to procure all goods and services, construction, information technology, and consultant services up to the basic level of \$5,000 as outlined in the South Carolina Consolidated Procurement Code.

If you wish to discuss our review or any other procurement related matter, we will be glad to meet with you at your convenience. Otherwise, I ask that you formally respond in writing to this report within thirty days of receipt of this letter.

We appreciate the cooperation that you and your staff provided during our audit. If we may be of assistance in the future, please call me at 737-0621 or David Rawl at 737-0646.

Sincerely,



Larry G. Sorrell, Manager
Audit and Certification

/tl

c Ms. Bonnibel G Moffat, Administrative Assistant
Mr. David Rawl, CPPB, Senior Auditor

STATE OF SOUTH CAROLINA
Confederate Relic Room and Museum

October 9, 1998

920 SUMTER STREET
WAR MEMORIAL BUILDING
COLUMBIA, SOUTH CAROLINA 29201
(803) 734-9813

State Budget & Control Board
Office of General Services
Mr. Larry G. Sorrell, Manager
Audit & Certification
1201 Main Street, Suite 600
Columbia, South Carolina 29201

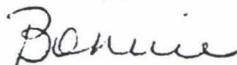
W. ALLEN ROBERSON
DIRECTOR

Dear Mr. Sorrell:

The SC Confederate Relic Room and Museum is in receipt of the report on the agency's *Compliance Audit of Museum Procurement Activity*. The agency agrees that there were two procurements that were not supported by solicitations. In the future, all purchasing requests will be supported with proper documentation and procedures according the South Carolina Consolidated Procurement Code.

Additionally, the museum now has an updated procurement procedures manual that was adopted in the Spring of 1998. The manual follows the South Carolina Consolidated Procurement Code.

Sincerely,



Bonnibel G. Moffat
Administrative Assistant

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

DAVID M. BEASLEY, CHAIRMAN
GOVERNOR

RICHARD A. ECKSTROM
STATE TREASURER

EARLE E. MORRIS, JR.
COMPTROLLER GENERAL

JOHN DRUMMOND
CHAIRMAN, SENATE FINANCE COMMITTEE

HENRY E. BROWN, JR.
CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER F. CARTER
EXECUTIVE DIRECTOR

HELEN T. ZEIGLER
DIRECTOR

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

VOIGHT SHEALY
ASSISTANT DIRECTOR

September 30, 1998

Mr. Michael Grant LeFever
Executive Director
South Carolina Workers' Compensation Commission
1612 Marion Street
Columbia, South Carolina 29202

Dear Mr. LeFever:

On July 20 - 28, 1998, we examined the Workers' Compensation Commission's procurement records for the period July 1, 1996 through June 30, 1998. This review was conducted to determine the appropriateness of the procurement actions taken and to ensure compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

The Commission had a limited number of procurement transactions. Our examination of these indicated each was handled properly except for the following items.

The Commission had three procurements that exceeded its procurement authority of \$5,000.

<u>Requisition</u>	<u>Amount</u>	<u>Description</u>
285984	Not to exceed \$75,000	Software services
364072	9,900	Copier
337509	11,700	Computer training classes
337508		
337507		

Regulation 19-445.2015(A) defines an unauthorized procurement as an act obligating the State in a contract by any person without the requisite authority to do so by an appointment or

delegation. Since the Commission is only certified to \$5,000, each contract is unauthorized and requires ratification in accordance with Regulation 19-445.2015.

Four of the eight quarterly reports for activity with certified minority firms were submitted more than a month after the end of the quarter. Section 11-35-5240(2) of the Code requires that progress reports with certified minority firms be submitted no later than ten days after the end of each fiscal quarter. We recommend the Commission submit the reports within the time frames in the Code.

The Commission issued voucher 780 on March 11, 1998, to pay for folders with a cost of \$16,044. The award was made for \$15,720. No explanation of the difference was contained in the file. We recommend the Commission reconcile any discrepancies between the invoice and award amount prior to payment. We also recommend the Commission contact the vendor to determine the basis for the additional charges and request a refund if applicable.

The most current internal procurement procedures manual is dated August of 1986. Regulation 19-445.2005 requires the Commission to develop a manual and submit it to the Materials Management Officer for review. We recommend the Commission update its manual and submit it for review as defined in the regulation.

Since you have not requested additional certification, we recommend the Commission be allowed to continue to procure all goods and services, construction, information technology, and consultant services up to the basic level of \$5,000 as outlined in the South Carolina Consolidated Procurement Code.

If you wish to discuss our review or any other procurement related matter, we will be glad to meet with you at your convenience. Otherwise, I ask that you formally respond in writing to this report writing thirty days of receipt of this letter.

We appreciate the cooperation that you and your staff provided during our audit. If we may be of assistance in the future, please call me at 737-0621 or Melissa Thurstin at 737-0644.

Sincerely,



Larry G. Sorrell, Manager
Audit and Certification

c: Willie D. Franks, Administrative Services Director
Melissa Rae Thurstin, Senior Auditor

State of South Carolina



1612 Marion Street
P.O. Box 1715
Columbia, S.C. 29202-1715

TEL: (803) 737-5700
FAX: (803) 737-5764

Workers' Compensation Commission

October 21, 1998

Commissioners

W. Lee Catoe
Chairman
737-5668

Ann McCrowey Mickle
Vice Chair
737-5701

Thomas M. Marchant III
737-5663

Sherry Shealy Martschink Spence
737-5660

Roland S. Coming
737-5678

Bryan Lyndon
737-5697

Donald L. Van Riper
737-5692

Executive Director
Michael Grant LeFever
737-5744

Mr. Larry G. Sorrell
Manager, Audit and Certification
Materials Management Office
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Mr. Sorrell:

Please consider this as our formal response of your office's examination of the Workers' Compensation Commission's procurement records for the period July 1, 1996 through June 30, 1998. Our response to each finding is listed below:

**Procurements That Exceeded The
Commissions' Procurement Authority of \$5,000**

Requisition 285984 This requisition was for the purchase of programming and other software development services from a single source. The services were purchased under a sole source agreement approved in advance by Bruce Breedlove in the Materials Management Office. Unfortunately, this was not reported as a sole source purchase, and we will be careful not to make such a mistake in the future.

Requisition 364072 The purchase of a new copier for \$9,900 was made with the assistance of the Materials Management Office using the competitive bidding process. Three bids were obtained and the lowest vendor was selected. The Commission's purchasing director received verbal authorization from David Warren of the Materials Management Office to enter into a purchase agreement with the lowest bidder. Regretfully, we did not follow up and receive the authorization in writing for our records. We will take steps to make sure that all the necessary documents are secured before we enter into any purchasing arrangement.

Mr. Larry G. Sorrell
Page Two
October 21, 1998

Requisition 337509
337508
337507

The Commission contracted with another state agency to provide technical training. Contracts were let for separate training sessions over a period of time which in the aggregate exceeded \$5,000. Unintentionally, we overlooked the fact that even specialized training services should be subject to competitive bidding. We will make certain in the future to follow the required purchasing procedures in this area.

We are confident that all of the above purchases were made in the best interest of the Commission and the State of South Carolina and reflect prices that are fair and reasonable. The procedural errors were unintentional and were not an attempt or intended to circumvent or avoid proper procedures. We ask that the Office of Materials Management consider the above explanations and ratify the purchases.

Quarterly Reports For Activity With Certified Minority Firms

The director of purchasing will be more diligent in meeting the deadlines for reporting quarterly activity with certified minority firms.

Voucher 780

The Commission has reconciled the reported discrepancy between the invoice and award amount on the requisition. The Commission was successful in obtaining a refund from the vendor in the amount of \$324.

Procurement Procedures Manual

The Commission will update its current Procurement Procedures Manual to reflect any changes in Commission or state policies and procedures since August 1986. The updated manual will be submitted to the Materials Management Office for review within the next forty-five days.

We appreciate this opportunity to participate in an audit of our procurement procedures. As always, this is a learning experience which will help us improve our processes and lead to greater proficiency in the area of procurement of goods and services. We especially want to recognize the diligence, competence, and professionalism of Ms. Thurstin, Senior Auditor. We found her to be very cooperative and willing to assist us to understand the legal expectations of our responsibilities under the South Carolina Consolidated Procurement Code.

Mr. Larry G. Sorrell
Page Three
October 21, 1998

In closing, we request that the Commission be allowed to continue to procure all goods and services, construction, information technology, and consultant services up to the basic level of \$5,000 as outlined in the South Carolina Consolidated Procurement Code.

Yours very truly,



Michael Grant LeFever
Executive Director

CC: Duane Earles, Director, Administration & Information
Willie D. Franks, Administrative Services Director
Melissa Rae Thurstin, Senior Auditor

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

DAVID M. BEASLEY, CHAIRMAN
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STATE TREASURER

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CHAIRMAN, WAYS AND MEANS COMMITTEE

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EXECUTIVE DIRECTOR

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DIRECTOR

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

VOIGHT SHEALY
ASSISTANT DIRECTOR

September 30, 1998

Mr. Roger D. Poston
Deputy Director, Administrative Services
South Carolina Department of Insurance
1612 Marion Street
Columbia, South Carolina 29202

Dear Mr. Poston:

On July 8- 28, 1998, we examined the South Carolina Department of Insurance's procurement records for the period of July 1, 1996 through June 30, 1998. This review was conducted to determine the appropriateness of the procurement actions taken and to ensure compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

The Department had a limited number of procurement transactions. Our examination of the transactions indicated each was handled properly except for the following items. The Department entered into two multi-term contracts, one for mail service and one for personal computer repairs. Each contract was for a total of three one year periods. The annual amount for the mail service on purchase order 7059 was \$2,520 with a total amount of \$7,560 for three years. The annual amount for the contract for personal computer repairs on purchase order 6886 was \$3,745 with a total amount of \$11,235 for three years. Section 11-35-1550(1) of the Code states, "Any agency may conduct its own procurement under \$5,000 in actual or potential value." In these two cases, the actual value of the contracts exceeded the Department's procurement authority of \$5,000. Regulation 19-445.2015(A) defines an unauthorized procurement as an act obligating the State in a contract by any person without the requisite authority to do so by an appointment or delegation. Since the Department is only authorized for procurements up to \$5,000 in actual or potential value, the contracts are unauthorized and must be ratified in accordance with Regulation 19-445.2015.

Since you have not requested additional certification, we recommend the Department be allowed to procure all goods and services, construction, information technology, and consultant

services up to the basic level of \$5,000 as outlined in the South Carolina Consolidated Procurement Code.

If you wish to discuss our review or any other procurement related matter, we will be glad to meet with you at your convenience. Otherwise, I ask that you formally respond in writing to this report within thirty days of receipt of this letter.

We appreciate the cooperation that you and your staff provided during our audit. If we may be of assistance in the future, please call me at 737-0621 or Melissa Thurstin at 737-0644.

Sincerely,



Larry G. Sorrell, Manager
Audit and Certification

c: Kenneth Willis, Procurement Services Director
Melissa Rae Thurstin, Senior Auditor



South Carolina Department of Insurance

1612 Marion Street
Columbia, South Carolina 29201

Mailing Address:
P. O. Box 100105, Columbia, S.C. 29202-3105
Telephone: (803)737-6160

DAVID M. BEASLEY
GOVERNOR

LEE P. JEDZINIAK
DIRECTOR OF INSURANCE

October 23, 1998

Mr. Larry Sorrell, Manager
Audit and Certification
Office of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Mr. Sorrell:

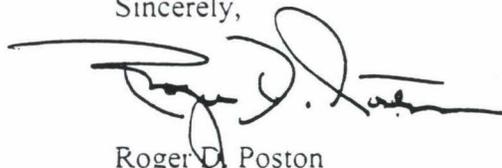
Thank you for your letter of September 30, 1998 regarding the examination by your office of the procurement transactions of the Department of Insurance for the period July 1, 1996 through June 30, 1998. I appreciate your comments on the Department's overall proper handling of its procurement transactions. The two exceptions you cite were contracts entered with Team Mailman for mail service, purchase order 7059, and with Computer Sales and Service for personal computer repairs, purchase order 6886.

In your letter you state that these were each multi-term contracts with a total of three one year periods. Further, you state that the cumulative amount of each over three years exceeded the Department's \$5,000 authority for conducting our own procurement transactions. When entering into these transactions, the Department viewed each of them as single year contracts with the option of renewal as opposed to three year contracts. The single year expenditure did not exceed \$5,000 nor did the Department obligate to expenditures in excess of \$5,000 in either case. In fact, the contract with Computer Sales and Services was not renewed for a third year upon its expiration on July 15, 1998.

Our error in both instances was due to an apparent misinterpretation of what constitutes a multi-term contract even when no obligation is made that exceeds \$5,000. We have taken steps to prevent errors of this type in the future now that we have a clearer understanding as to the section's intent. Please be assured that the Department is committed to transacting the procurement of goods and services in complete compliance with the State Consolidated Procurement Code.

In closing I would like to commend Melissa Thurstin on the professional and thorough manner in which she conducted the examination. We look forward to receiving the final report and will welcome and follow any recommendations.

Sincerely,

A handwritten signature in black ink, appearing to read "Roger D. Poston". The signature is fluid and cursive, with a long horizontal stroke extending to the left.

Roger D. Poston
Deputy Director
Administrative Services

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

DAVID M. BEASLEY, CHAIRMAN
GOVERNOR

RICHARD A. ECKSTROM
STATE TREASURER

EARLE E. MORRIS, JR.
COMPTROLLER GENERAL

JOHN DRUMMOND
CHAIRMAN, SENATE FINANCE COMMITTEE

HENRY E. BROWN, JR.
CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER F. CARTER
EXECUTIVE DIRECTOR

HELEN T. ZEIGLER
DIRECTOR

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

VOIGHT SHEALY
ASSISTANT DIRECTOR
November 6, 1998

Ms. Janie A. Davis, Executive Director
South Carolina Commission for Minority Affairs
2611 Forest Drive, Suite 203
Columbia, South Carolina 29204

Re: Compliance Audit of Commission Procurement Activity

Dear Ms. Davis:

On July 15-20, 1998, we examined the Commission for Minority Affairs' procurement records for the period of July 1, 1996 through June 30, 1998. This review was conducted to determine the appropriateness of the procurement actions taken and to ensure compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

The Commission had a limited number of procurement transactions. Our examination of these indicated each was handled properly except for the following items.

We noted the following six procurements for honorariums that lacked competition, sole source or emergency determinations.

<u>Voucher</u>	<u>Date</u>	<u>Amount</u>
600	11/18/96	\$2,530
602	11/18/96	2,050
603	11/18/96	2,500
606	11/18/96	3,918
649	12/16/96	2,500
705	02/20/97	2,000

Section 11-35-1550(2) of the Code requires solicitation of verbal and written quotes from a minimum of three qualified sources for procurements from \$1,500.01 to \$5,000.00 unless the

procurements are determined to be exempt, sole source, emergency, or term contract item. We recommend the Commission comply with the competitive requirements of the Code if applicable.

The Commission does not have an internal procurement procedures manual. We furnished the Commission with a copy of an approved manual as a guide. We recommend the Commission prepare an internal procurement procedures manual and submit it to our office for review as required by Regulation 19-445.2005.

The Commission failed to file a Minority Business Enterprise (MBE) Utilization Plan with the Office of Small and Minority Business Assistance (OSMBA) of the Governor's Office. In smaller agencies with annual operational dollars less than \$300,000, OSMBA will allow an agency to submit a "Letter of Intent" in lieu of a plan. This recognizes the fact that the agency will try to buy from minority firms when possible. We recommend the Commission file a "Letter of Intent" for the fiscal year ending June 30, 1999, and an annual report recapping the number and dollar value of contracts awarded to eligible minority businesses for the fiscal year ending June 30, 1998. The Commission needs to comply with the reporting requirements for subsequent fiscal years.

The Commission issued voucher 575-A on October 25, 1996 for 400 nylon bags at \$4.25 each. A lower quote of \$4.15 was received but was not awarded. Section 11-35-1810 of the Code requires a written determination of nonresponsibility of a bidder or offeror in accordance with regulations promulgated to the Budget and Control Board. Regulation 19-445.2125(E) allows for a rejection of the lowest offer if a written determination of nonresponsibility is prepared and maintained with the procurement file. Per Commission personnel, the low bidder of \$4.15 could not meet the delivery date. However, no written determination was prepared on the delivery date not being acceptable. We recommend the Commission prepare the written determination to support the award to a vendor other than the lowest response and maintain the determination in the procurement file.

The Commission issued voucher 588 on November 13, 1996 for the printing of booklets. The voucher was issued for \$2,676, however the vendor quoted \$2,386. The voucher package did not contain an authorization to pay the \$2,676 or a receiving report. We recommend the Commission implement procedures to reconcile discrepancies between the amounts quoted and invoiced prior to payment. We also recommend the Commission develop an internal control checklist to include the following items:

- (1) Invoice amount agrees with purchase order/quote amount
- (2) Receiving report confirms items received
- (3) Allowable discounts taken
- (4) Extensions verified
- (5) Freight/shipping/handling charges authorized

Since you have not requested additional certification, we recommend the Commission be allowed to procure all goods and services, construction, information technology, and consultant

services up to the basic level of \$5,000 as outlined in the South Carolina Consolidated Procurement Code.

If you wish to discuss our review or any other procurement related matter, we will be glad to meet with you at your convenience. Otherwise, I ask that you formally respond in writing to this report within thirty days of receipt of this letter.

We appreciate the cooperation that you and your staff provided during our audit. If we may be of assistance in the future, please call me at 737-0621 or Jim Stiles at 737-0645.

Sincerely,



Larry G. Sorrell, Manager
Audit and Certification

/tl

c: Dawn Jennings, Fiscal Technical
Jim Stiles, CPPB, Audit Manager

State of South Carolina



Commission for Minority Affairs

2611 Forest Drive, Suite 203
Columbia, South Carolina 29204

PHONE: (803) 737-7570
FAX (803) 737-7571

December 2, 1998

Mr. Larry G. Sorrell, Manager
Audit and Certification
Office of General Services - B&C Board
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Mr. Sorrell:

This letter is sent in response to your letter of November 6, 1998 regarding the Compliance Audit of the Commission's Procurement Activity for the period July 1, 1996 through June 30, 1998. Five exceptions were noted in your letter. We submit the following responses regarding our efforts to insure that these exceptions no longer occur.

First, when future conferences are held, honorariums paid to conference speakers will be handled as sole source transactions. Therefore, approval for these kinds of transactions will be obtained through your office.

Secondly, in keeping with your recommendation, the Commission has compiled an internal procurement manual. The manual has been submitted to your office for review and approval. We await your letter of approval regarding the document.

Thirdly, the Commission has already complied with the requirement to submit a "Letter of Intent" and an annual report for the fiscal year ending June 30, 1998 to the Office of Small Minority Business. This letter was approved and a copy was forwarded to your office in keeping with the recommendations. We will comply with all reporting requirements for subsequent years.

Fourthly, proper documentation will be made in files regarding any exceptions when a bid is not awarded to the lowest bidder.

Finally, we have already put in place internal controls to verify the bid price against the amount paid to the vendor. Staff personnel have been identified and informed of their responsibilities regarding checks and verifications. We anticipate that there should be no exceptions in this area in future

Mr. Larry G. Sorrell

Page 2

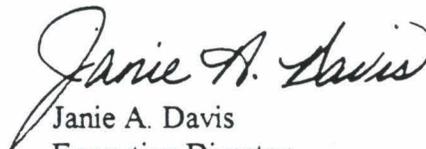
December 2, 1998

audits.

As you are aware, the Commission was created in 1993 and had never had a procurement audit. We appreciated the technical assistance provided during the review. I have only one suggestion, that being, to recommend that your office conduct a yearly seminar for **small agencies** to discuss most commonly found procurement exceptions. This seminar also could be used to bring procurement personnel up-to-date on changes to the procurement code. Since in many of these smaller agencies, procurement is one among many other functions assigned to an individual, this update would be useful.

Thank you and your staff for the assistance received. If additional information is needed, please contact me.

Sincerely,


Janie A. Davis
Executive Director

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

DAVID M. BEASLEY, CHAIRMAN
GOVERNOR

RICHARD A. ECKSTROM
STATE TREASURER

EARLE E. MORRIS, JR.
COMPTROLLER GENERAL

JOHN DRUMMOND
CHAIRMAN, SENATE FINANCE COMMITTEE

HENRY E. BROWN, JR.
CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER F. CARTER
EXECUTIVE DIRECTOR

HELEN T. ZEIGLER
DIRECTOR

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

VOIGHT SHEALY
ASSISTANT DIRECTOR
September 30, 1998

Mr. Gary E. Walsh
Acting Executive Director
South Carolina Public Service Commission
Post Office Box 11649
Columbia, South Carolina 29211

Dear Mr. Walsh:

On August 4 - 10, 1998, we examined the South Carolina Public Service Commission's procurement records for the period of July 1, 1996 through June 30, 1998. This review was conducted to determine the appropriateness of the procurement actions and to ensure compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

The Commission had a limited number of procurement transactions. Our examination of the transactions indicated each was handled properly except for the following items.

The quarterly reports for fiscal year 96-97 of activity with certified minority firms were not submitted to the Office of Small Minority Business Assistance Office until November 6, 1997. No reports have been filed for the fiscal year 97-98. Section 11-35-5240(2) of the Code requires that progress reports of activity with certified minority firms be submitted no later than ten days after the end of the fiscal quarter. We recommend the Commission file a report for the fiscal year 1997-98 and develop procedures to report the activity each quarter.

The Commission issued purchase order 4304 for \$2,914 for emergency security services. The emergency procurement was reported on the quarterly report ending September 30, 1997. A written determination to support the emergency as required in Section 11-35-1570 of the Code was not prepared. We recommend the Commission prepare written determinations to support future emergency procurements.

Since you have not requested additional certification, we recommend the Commission be allowed to continue to procure all goods and services, construction, information technology, and consultant services up to the basic level of \$5,000 as outlined in the South Carolina Consolidated Procurement Code.

If you wish to discuss our review or any other procurement related matter, we will be glad to meet with you at your convenience. Otherwise, I ask that you formally respond in writing to this report within thirty days of receipt of this letter.

We appreciate the cooperation that you and your staff provided during our audit. If we may be of assistance in the future, please call me at 737-0621 or Melissa Thurstin at 737-0644.

Sincerely,



Larry G. Sorrell, Manager
Audit and Certification

c: Anita Starnes, Procurement Officer
Melissa Rae Thurstin, Senior Auditor

COMMISSIONERS
PHILIP T. BRADLEY, 4TH DISTRICT
CHAIRMAN
WILLIAM "BILL" SAUNDERS, 1ST DISTRICT
VICE CHAIRMAN



COMMISSIONERS
C. DUKES SCOTT, 2ND DISTRICT
RANDY MITCHELL, 3RD DISTRICT
H. CLAY CARRUTHER, JR., 5TH DISTRICT
MIGNON L. CLYBURN, 6TH DISTRICT
C. ROBERT MCSELEY, AT LARGE

GARY E. WALSH
EXECUTIVE DIRECTOR

Phone: (803) 737-5100
Fax: (803) 737-5199

The Public Service Commission State of South Carolina

PO Drawer 11649
Columbia, SC 29211
Koger Executive Center
101 Executive Center Dr.
Columbia, SC 29210

VIA Facsimile

February 9, 1999

Mr. Larry G. Sorrell, Manager
Audit and Certification
Budget and Control Board
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Mr. Sorrell:

This correspondence is in response to your letter of September 30, 1998. First, I would like to apologize for the late response. In July of 1998 Charles W. Ballentine retired from the Commission as its Executive Director. In August of 1998 we relocated our offices from our previous address at 111 Doctors Circle to our new location in the Koger Center. Due to the combination of these factors your correspondence was misplaced.

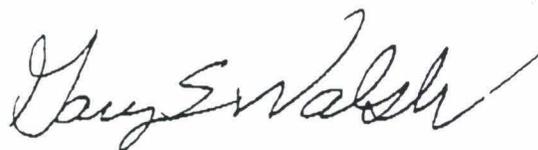
In your review, two exceptions were noted, which I will address individually. The first exception involved a requirement related to submission of Quarterly MBE reports to the Office of Small Minority Business Assistance. I have met with our administrative department personnel responsible for submission of the above referenced reports. During your review we were advised that reports for 97-98 had not been submitted as required by Section 11-35-5240 (2) of the Procurement Code. I am informed that when notified of the exception we provided your office with the completed forms for 97-98. I am enclosing a copy of the completed forms for 97-98 with this correspondence.

Mr. Larry G. Sorrell
February 9, 1999
Page two

The second exception involved our purchase order 4304 for \$2,914 for emergency security services. I have discussed this matter with Ms. Anita Starnes, Procurement Officer, and she is aware of the requirement that written determinations are required under Section 11-35-1570 of the Procurement Code to support emergency purchases. This was simply an oversight on our part and in the future all written determinations to support future emergency procurements will be prepared as required.

I can assure you our agency has taken the appropriate steps to resolve the exceptions raised during your audit and if I can be of further assistance, please feel free to contact me.

Sincerely,



GARY E. WALSH
EXECUTIVE DIRECTOR

Enclosure:

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

DAVID M. BEASLEY, CHAIRMAN
GOVERNOR

RICHARD A. ECKSTROM
STATE TREASURER

EARLE B. MORRIS, JR.
COMPTROLLER GENERAL

JOHN DRUMMOND
CHAIRMAN, SENATE FINANCE COMMITTEE

HENRY E. BROWN, JR.
CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER F. CARTER
EXECUTIVE DIRECTOR

HELEN T. ZEIGLER
DIRECTOR

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

VOIGHT SHEALY
ASSISTANT DIRECTOR
November 6, 1998

Mr. Douglas P. Crossman, Director
South Carolina Second Injury Fund
220 Executive Center Drive
Winthrop Building, Suite 119
Columbia, South Carolina 29210

Re: Compliance Audit of Fund Procurement Activity

Dear Mr. Crossman:

On July 27-29, 1998, we examined the Second Injury Fund's procurement records for the period of July 1, 1996 through June 30, 1998. This review was conducted to determine the appropriateness of the procurement actions taken and to ensure compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

The Fund had a limited number of procurement transactions. Our examination of these indicated each was handled properly except for the following items.

The Fund does not have an internal procurement procedures manual. We furnished the Fund with a copy of an approved manual as a guide. We recommend the Fund prepare an internal procurement procedures manual and submit it to our office for review as required by Regulation 19-445.2005.

The Fund failed to file a Minority Business Enterprise (MBE) Utilization Plan with the Office of Small and Minority Business Assistance (OSMBA) of the Governor's Office. In smaller agencies with annual operational dollars less than \$300,000, OSMBA will allow an agency to submit a "Letter of Intent" in lieu of a plan. This recognizes the fact that the agency will try to buy from minority firms when possible. We recommend the Fund file a "Letter of Intent" for the fiscal year ending June 30, 1999, and an annual report recapping the number and dollar value of contracts awarded to eligible minority businesses for the fiscal year ending June 30, 1998. The Fund needs to comply with the reporting requirements for subsequent fiscal years.

The Fund issued voucher 2233 on October 21, 1996 for \$1,800 for the maintenance on a copier. The procurement was not supported by evidence of competition or a sole source determination. Section 11-35-1550(2)(b) of the Code requires solicitation of verbal or written quotes from a minimum of three qualified sources for procurements from \$1,500.01 to \$5,000.00 if not exempt, a sole source or emergency procurement. We recommend the Fund comply with the competitive requirements of the Code or prepare a determination to support a sole source or emergency procurement if applicable.

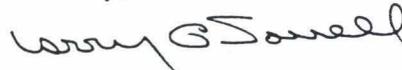
The Fund reported two sole source procurements with a total value of \$4,436 for the quarter ending March 31, 1998. The two procurements were books on CD ROM. These items are exempt from the Code and should not have been reported. We recommend the Fund file an amended report to the Materials Management Office to delete these procurements.

Since you have not requested additional certification, we recommend the Fund be allowed to procure all goods and services, construction, information technology, and consultant services up to the basic level of \$5,000 as outlined in the South Carolina Consolidated Procurement Code.

If you wish to discuss our review or any other procurement related matter, we will be glad to meet with you at your convenience. Otherwise, I ask that you formally respond in writing to this report within thirty days of receipt of this letter.

We appreciate the cooperation that you and your staff provided during our audit. If we may be of assistance in the future, please call me at 737-0621 or Jim Stiles at 737-0645.

Sincerely,



Larry G. Sorrell, Manager
Audit and Certification

c: Mike Harris, Director of Management Services
Jim Stiles, CPPB, Audit Manager

The South Carolina Second Injury Fund

DOUGLAS P. CROSSMAN
DIRECTOR

KOGER CENTER
WINTHROP BUILDING, SUITE 119
220 EXECUTIVE CENTER DRIVE
COLUMBIA, S.C. 29210

(803) 798-2722
FAX: (803) 798-5290

November 16, 1998

Mr. Larry G. Sorrell, Manager
Audit and Certification
Material Management Office
1201 Main St., Suite 600
Columbia, S.C. 29201

Dear Mr. Sorrell:

This is in response to your letter dated November 6, 1998.

1. Attached is a copy of our internal procurement procedures manual for your review and approval.
2. We have filed our Annual Report for FY98 and our "Letter of Intent" for FY99 with the OSMBA and have received an approval from the OSMBA (copies enclosed).
3. We will comply with the competitive requirements of the Code on all future procurement actions.
4. We have filed an amended Sole Source Procurement Report for the quarter ending March 31, 1998. This amended report deleted the sole source procurements totaling \$4,436.00.

Thank you for the assistance and training your staff provided during the audit. If you have any questions please call Mike Harris at extension 130 or myself.

Yours truly,



Douglas P. Crossman
Director

DPC/dgc
Enclosures

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

DAVID M. BEASLEY, CHAIRMAN
GOVERNOR

RICHARD A. ECKSTROM
STATE TREASURER

EARLE E. MORRIS, JR.
COMPTROLLER GENERAL

JOHN DRUMMOND
CHAIRMAN, SENATE FINANCE COMMITTEE

HENRY E. BROWN, JR.
CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER F. CARTER
EXECUTIVE DIRECTOR

HELEN T. ZEIGLER
DIRECTOR

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

VOIGHT SHEALY
ASSISTANT DIRECTOR

November 6, 1998

Mr. Joseph L. Savitz, III, Deputy Chief Attorney
South Carolina Office of Appellate Defense
1122 Lady Street, Suite 940
Columbia, South Carolina 29201

Re: Compliance Audit of Agency Procurement Activity

Dear Mr. Savitz:

On July 24-28, 1998, we examined the Office of the Appellate Defense's procurement records for the period of July 1, 1996 through June 30, 1998. This review was conducted to determine the appropriateness of the procurement actions taken and to ensure compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

The Office had a limited number of procurement transactions. Our examination of these indicated each was handled properly except for the following items.

The following six procurements were not supported by evidence of competition.

<u>Voucher</u>	<u>Date</u>	<u>Amount</u>	<u>Description</u>
6	07/12/96	\$4,676	Printing
28	10/06/97	2,058	Office supplies
61	10/31/97	2,346	Office supplies
180	06/16/97	4,676	Consultant
111	01/05/98	2,676	Consultant
182	04/30/98	5,881	Consultant

Section 11-35-1550(2)(b) of the Code requires solicitation of verbal or written quotes from a minimum of three qualified sources for procurements from \$1,500.01 to \$5,000.00. Section 11-35-1550(2)(c) of the Code requires solicitation of written quotes from a minimum of three qualified sources for procurements

from \$5,000.01 to \$10,000.00. We recommend the Office comply with the Code concerning competition requirements. Regulation 19-445.2015 defines an unauthorized procurement as an act obligating the State in a contract by any person without requisite authority to do so by appointment or delegation. Section 11-35-1550(1) of the Code states, "Any agency may conduct its own procurement under \$5,000 in actual or potential value." Since the Office's procurement authority is limited to procurements less than \$5,000 in actual or potential value, the procurement on voucher 182 is unauthorized and must be ratified in accordance with Regulation 19-445.2015.

The Office does not have an internal procurement procedures manual. We furnished the Office with a copy of an approved manual as a guide. We recommend the Office prepare an internal procurement procedures manual and submit it to our office for review as required by Regulation 19-445.2005.

The Office failed to file a Minority Business Enterprise (MBE) Utilization Plan with the Office of Small and Minority Business Assistance (OSMBA) of the Governor's Office. In smaller agencies with annual operational dollars less than \$300,000, OSMBA will allow an agency to submit a "Letter of Intent" in lieu of a plan. This recognizes the fact that the agency will try to buy from minority firms when possible. We recommend the Office file a "Letter of Intent" for the fiscal year ending June 30, 1999, and an annual report recapping the number and dollar value of contracts awarded to eligible minority businesses for the fiscal year ending June 30, 1998. The Office needs to comply with the reporting requirements for subsequent fiscal years.

The Office failed to file quarterly reports of sole source, emergency, and trade in activity for the quarters ending June 30, 1997, September 30, 1997, and June 30, 1998. Section 11-35-2440 of the Code requires the quarterly reporting of sole source and emergency transaction. Section 11-35-3830(3) requires the quarterly reporting of trade in activity. We recommend the Office file reports for the quarters noted and comply with the reporting requirements for subsequent quarters.

Since you have not requested additional certification, we recommend the Office be allowed to procure all goods and services, construction, information technology, and consultant services up to the basic level of \$5,000 as outlined in the South Carolina Consolidated Procurement Code.

If you wish to discuss our review or any other procurement related matter, we will be glad to meet with you at your convenience. Otherwise, I ask that you formally respond in writing to this report within thirty days of receipt of this letter.

We appreciate the cooperation that you and your staff provided during our audit. If we may be of assistance in the future, please call me at 737-0621 or David Rawl at 737-0646.

Sincerely,



Larry G. Sorrell, Manager
Audit and Certification

c: Jeff Smith, Finance Manager
David Rawl, CPPB, Senior Auditor

South Carolina Office of Appellate Defense

Daniel T. Stacey
Chief Attorney
Joseph L. Savitz, III
Deputy Chief Attorney

Wanda H. Haile
Senior Assistant Appellate Defender

1122 Lady Street, Suite 940
Columbia, S.C. 29201-3243

Telephone: (803) 734-1330
(888) 204-0345
Fax: (803) 734-1397

Robert M. Pachak
Robert M. Dudek
M. Anne Pearce
Melissa J. Kimbrough
Tara S. Taggart
Melody J. Brown
Aileen P. Clare
Assistant Appellate Defenders

March 16, 1999

Mr. Larry G. Sorrell, Manager
Audit and Certification
Materials Management Office
1201 Main Street, Suite 600
Columbia, SC 29201

Dear Mr. Sorrell:

The following response is offered in reference to the July 1998 audit of Appellate Defense's procurement records for the period of July 1, 1996 through June 30, 1998.

During the three-year examination period, six procurements were not supported by evidence of competition. These vouchers represented small item purchases. It is now understood that total purchase value rather than individual item costs must meet regulation standards. The Office of Appellate Defense pledges to monitor individual purchases following the South Carolina Procurement Code.

Agency voucher number 182, dated April 30, 1998, exceeded \$5,000. This voucher represented consultation services towards the completion of the agency's case tracking database. While the initial estimate for development of the system was reported to the agency's procurement officer at a fraction of the final cost, we feel that it was in the best interest of the agency and state to continue with the services once begun. We request ratification of this procurement in accordance with state law.

The Office of Appellate Defense is presently working in conjunction with the Materials Management Office in the preparation for approval of an internal procurement procedure manual. An estimated completion date of March 31, 1999 is offered.

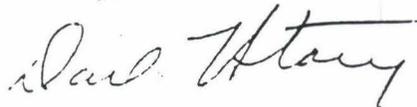
Mr. Larry Sorrell
March 16, 1999
Page two

The Office of Appellate Defense will comply with the state's Minority Business Enterprise Utilization Plan by submitting a "Letter of Intent" for fiscal year 1999 along with an annual report of contracts awarded during the fiscal year ending June 30, 1998.

The Office of Appellate Defense has taken steps to monitor the timely submission of quarterly reports of sole source, emergency, and trade-in activities as required by the state procurement code.

If you have questions, or are in need of additional information regarding this matter, please do not hesitate to call Business Manager, Jeffrey Smith, or me at 734-1330.

Sincerely,

A handwritten signature in cursive script that reads "Daniel T. Stacey". The signature is written in dark ink and is positioned above the printed name and title.

Daniel T. Stacey
Chief Attorney

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

DAVID M. BEASLEY, CHAIRMAN
GOVERNOR

RICHARD A. ECKSTROM
STATE TREASURER

EARLE E. MORRIS, JR.
COMPTROLLER GENERAL

JOHN DRUMMOND
CHAIRMAN, SENATE FINANCE COMMITTEE

HENRY E. BROWN, JR.
CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER F. CARTER
EXECUTIVE DIRECTOR

HELEN T. ZEIGLER
DIRECTOR

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

VOIGHT SHEALY
ASSISTANT DIRECTOR
November 6, 1998

Mr. Tyre D. Lee, Jr., Executive Director
Commission on Indigent Defense
1122 Lady Street, Suite 1110
Columbia, South Carolina 29202

Re: Compliance Audit of Commission Procurement Activity

Dear Mr. Lee:

On August 4-6, 1998, we examined the Commission on Indigent Defense's procurement records for the period of July 1, 1996 through June 30, 1998. This review was conducted to determine the appropriateness of the procurement actions taken and to ensure compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

The Commission had a limited number of procurement transactions. Our examination of these indicated each was handled properly except for the following items.

The following four procurements were not supported by evidence of competition.

<u>Voucher</u>	<u>Date</u>	<u>Amount</u>	<u>Description</u>
707144	01/28/97	\$3,200	Modify software
711044	05/14/97	2,038	Installation of software
801132	07/14/97	4,445	Installation of software and training
812003	06/23/98	2,325	Laptop

Section 11-35-1550(2)(b) of the Code requires solicitation of verbal or written quotes from a minimum of three qualified sources for procurements from \$1,500.01 to \$5,000.00. We recommend the Commission comply with the Code concerning competitive requirements.

The Commission had two procurements that exceeded its procurement authority of \$5,000.

<u>Voucher</u>	<u>Date</u>	<u>Amount</u>	<u>Description</u>
808086	02/18/98	\$23,000	Consultant
809082	03/31/98	10,208	Hardware and software

Regulation 19-445.2015(a) defines an unauthorized procurement as an act obligating the State in a contract by any person without the requisite authority to do so by an appointment or delegation. Since the Commission is only certified to \$5,000, each procurement is unauthorized and requires ratification in accordance with Regulation 19-445.2015.

The Commission does not have an internal procurement procedures manual. We furnished the Administrative Coordinator with a copy of an approved manual as a guide. We recommend the Commission prepare an internal procurement procedures manual and submit it to our office for review as required by Regulation 19-445.2005.

The Commission failed to file a Minority Business Enterprise (MBE) Utilization Plan with the Office of Small and Minority Business Assistance (OSMBA) of the Governor's Office. In smaller agencies with annual operational dollars less than \$300,000, OSMBA will allow an agency to submit a "Letter of Intent" in lieu of a plan. This recognizes the fact that the agency will try to buy from minority firms when possible. We recommend the Commission file a "Letter of Intent" for the fiscal year ending June 30, 1999, and an annual report recapping the number of procurements and the dollar values of the procurements awarded to eligible minority businesses for the fiscal year ending June 30, 1998. The Commission needs to comply with the reporting requirements for subsequent fiscal years.

Since you have not requested additional certification, we recommend the Commission be allowed to procure all goods and services, construction, information technology, and consultant services up to the basic level of \$5,000 as outlined in the South Carolina Consolidated Procurement Code.

If you wish to discuss our review or any other procurement related matter, we will be glad to meet with you at your convenience. Otherwise, I ask that you formally respond in writing to this report within thirty days of receipt of this letter.

We appreciate the cooperation that you and your staff provided during our audit. If we may be of assistance in the future, please call me at 737-0621 or Jim Stiles at 737-0645.

Sincerely,



Larry G. Sorrell, Manager
Audit and Certification

c: Ms. Lisa A. Graves, Administrative Coordinator
Mr. Jim Stiles, CPPB, Audit Manager



SOUTH CAROLINA OFFICE OF INDIGENT DEFENSE

1122 Lady Street, Suite 1110
Post Office Box 11433
Columbia, South Carolina 29211-1433
Telephone (803) 734-1343
Facsimile (803) 734-1345
email: executives@scoid.state.sc.us

Tyre D. Lee, Jr., Esq., Executive Director
Lisa A. Davenport, Administrative Assistant

March 23, 1999

Larry G. Sorrell, Manager
Audit and Certification
Materials Management Office
1201 Main Street, Suite 600
Columbia, SC 29201

RE: Audit of Commission Procurement Activity

Dear Mr. Sorrell:

I apologize for the delay in responding to your letter concerning the above matter but in agencies as small as this one, it is often difficult to accomplish matters in as timely a fashion as we would like. I appreciate the conference we had week before last concerning my first response to your audit letter and believe that it has helped us understand the procurement process much better.

I believe the items you cited in your letter as deficiencies came about because of our size and lack of prior experience in procurement. The fact that this was our first procurement audit hopefully will be considered in mitigating these errors. I believe that most of these errors arose because we had the mistaken impression that an approved vendor with the State was synonymous with being on the State Contract and not having to seek bids from that vendor. This was incorrect and will not be repeated.

Of the items cited under \$5,000, three relate to modifying, installing, and training concerning software. This Office has had a long problem with developing software to accomplish our needs. We have tried to customize off the shelf products and have also tried to have complete custom packages developed, but these have not worked out or produced the results we wanted. In these cases, as I have said, we were under the mistaken impression that these vendors were approved and that we did not have to seek bids.

In the last of these cited cases, listed as a "Laptop", we purchased this item from Dell Computer Corporation. The item is in actuality a desktop system which I was under the impression was on the State Contract. This type computer is presently on the contract. In choosing the Dell computer, I did look at similar computers from Gateway and Micron. However, because I thought the Dell was on the State Contract, I did not document these other two prices. In the future, we will document all contacts.

In the next item you cite, we were again under the mistaken impression that this vendor was approved and therefore there was no need to seek bids. The consultants were used to develop a software package which seems to be what we need to accurately report the statistics and costs of indigent defense in South Carolina. In addition, this vendor also developed a Web Page and site so that we can quickly disburse

information to those we serve in the field and provide information to the public at large. We misunderstood that it was the total contract price which fell under the procurement policies and not the cost of the actual service and payments. In the future, we will follow the requirements of the procurement code.

In the other instance, the items purchased were purchased piecemeal as needed by our consultants in setting up our local area net work and web site. Because they all came from the same source, they were paid on one voucher. Had we paid for each item separately, there would have been no problem. In many instances, we checked with other vendors such as MicroWarehouse and Global Computers who publish catalogues and determined that PC Connection had the best price. We failed to document these searches. We will seek to have these purchases ratified as required by regulation if necessary.

Because both of these purchases are interrelated, I have joined them for the purpose of seeking ratification pursuant to R 19-445.2015(2). I hope that this submission will qualify as such.

The Appropriations Act for Fiscal Year 1997-1998 created two new positions within this agency. Once these persons had been hired and began working, it became obvious that the computer network server the agency had been using could not handle the additional work load generated by the increased staff. It was an early model Pentium computer which had actually been turned into a server. It essentially was functioning as a large hard drive which restricted access to the files needed. The conclusion was that it needed to be replaced by a dedicated server. Once a server was purchased, a need would then exist to have it set up, connected to the office computers, configured to accept information from them and then configure each individual computer to communicate with the server.

Since this Agency was established, the need to process information concerning indigent defense has increased each year. There was no specific "off the shelf" software program which would answer our needs. Prior to the transaction in this letter, the Agency had made three previous attempts to have a custom program written or a developed program modified to fill our needs. None of these attempts were satisfactory. As the need continued to grow, we received information that Ryan Consultant Group had done work in designing custom programs and might be able to help us. In discussing this matter with them, we also explained our server hardware needs and were informed that they could do this work. A long range goal of the Agency had been to establish a Internet web site. In discussing this goal, we were informed that it could be done by this group, too. The contract which was entered into produced the results: (1) Installation and setup of a new computer network, (2) Creation of a custom designed data base program, and (3) Creation, design, installation, and setup of an Agency web site. All three projects were completed and appear to be functioning satisfactorily.

The second unapproved purchase was for the software and non server attached hardware for the above actions. I have explained above how it was purchased. It was all used in connection with the above projects.

We realize now that this matter should have been bid out or an attempt made to have the contractor declared as a sole source provider. In the future, this will be done. We are now more aware of the requirements of procurement and will seek to follow the code or to consult with MMO should we have a need to contract past our procurement limits.

Sorrell, Larry G. Manager, Audit and Certification, MMO
RE: Audit of Commission Procurement Activity
Date: March 23, 1999
Page 3

In an Agency this small, I, as Director, have to accept responsibility for these purchases. I do, however, rely on the advice and recommendations of subordinates. We have become more aware of the requirements of procurement because of this audit. In addition, my Administrative Coordinator has attended one meeting dealing with procurement and will attend others as they are scheduled to keep abreast of the requirements. She and I will serve as a check on one another to insure that the requirements are followed. We have already prepared an internal procurement manual and submitted it to your office for review. We will follow it in the future.

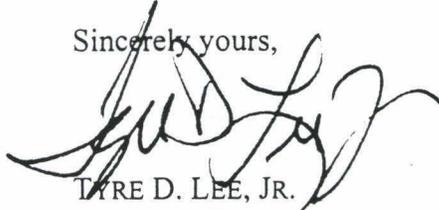
I hope that the above explanations will serve as the ratification required by R 19-445.2015(2). If they do not or you need additional information, please contact me.

We have filed a Minority Business Enterprise Utilization Plan Letter of Intent with OSMBA for FY 1998-1999 as suggested, a copy of which is attached. In addition, I am enclosing copies of MMO Form 154, Quarterly Totals, for the periods 7/1/98 to 9/30/98 and 10/1/98 to 12/31/98. Again, because of the fact that our Agency is so new and the fact that we had not had a procurement audit before, we were unaware of these requirements, and will make the effort to rectify these lapses.

In dealing with these matters, we thought we had been handling these matters correctly. Unfortunately, it turned out that we weren't doing it correctly. In the future, we will make every effort to comply with the current regulations and statutes.

If you have any further questions, please don't hesitate to contact me.

Sincerely yours,



TYRE D. LEE, JR.
Executive Director

TDL/cp

ENCLOSURES:

Copy of Letter of Intent to OSMBA

Copies of MMO FORM 154 for 7/1/98 to 9/30/98 and 10/1/98 to 12/31/98

cc: Hon. Harry A. Dest, Chairman, SC Commission on Indigent Defense

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

DAVID M. BEASLEY, CHAIRMAN
GOVERNOR

RICHARD A. BECKSTROM
STATE TREASURER

EARLE E. MORRIS, JR.
COMPTROLLER GENERAL

JOHN DRUMMOND
CHAIRMAN, SENATE FINANCE COMMITTEE

HENRY E. BROWN, JR.
CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER F. CARTER
EXECUTIVE DIRECTOR

HELEN T. ZEIGLER
DIRECTOR

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

VOIGHT SHEALY
ASSISTANT DIRECTOR
November 6, 1998

Ms. Ashley V. Harwell-Beach, Director
South Carolina Sentencing Guidelines Commission
1105 Pendleton Street, Suite 220
Columbia, South Carolina 29202

Re: Compliance Audit of Commission Procurement Activity

Dear Ms. Harwell-Beach:

On August 11-12, 1998, we examined the Sentencing Guidelines Commission's procurement records for the period of July 1, 1996 through June 30, 1998. This review was conducted to determine the appropriateness of the procurement actions taken and to ensure compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

The Commission had a limited number of procurement transactions. Our examination of these indicated each was handled properly except for the following items.

The Commission does not have an internal procurement procedures manual. We furnished the Commission with a copy of an approved manual as a guide. We recommend the Commission prepare an internal procurement procedures manual and submit it to our office for review as required by regulation 19-445.2005.

The Commission failed to file a Minority Business Enterprise (MBE) Utilization Plan with the Office of Small and Minority Business Assistance (OSMBA) of the Governor's Office. In smaller agencies with annual operational dollars less than \$300,000, OSMBA will allow an agency to submit a "Letter of Intent" in lieu of a plan. This recognizes the fact that the agency will try to buy from minority firms when possible. We recommend the Commission file a "Letter of Intent" for the fiscal year ending June 30, 1999, and an annual report recapping the number and dollar value of contracts awarded to eligible minority businesses for the fiscal year ending June 30, 1998. The Commission needs to comply with the reporting requirements for subsequent fiscal years.

Since you have not requested additional certification, we recommend the Commission be allowed to procure all goods and services, construction, information technology, and consultant services up to the basic level of \$5,000 as outlined in the South Carolina Consolidated Procurement Code.

If you wish to discuss our review or any other procurement related matter, we will be glad to meet with you at your convenience. Otherwise, I ask that you formally respond in writing to this report within thirty days of receipt of this letter.

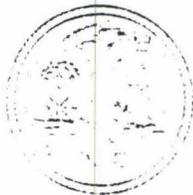
We appreciate the cooperation that you and your staff provided during our audit. If we may be of assistance in the future, please call me at 737-0621 or Jim Stiles at 737-0645.

Sincerely,



Larry G. Sorrell, Manager
Audit and Certification

c: Martha A. Sanders, Administrative Assistant
Jim Stiles, CPPB, Audit Manager



State of South Carolina

Sentencing Guidelines Commission

DAVID H. WILKINS
CHAIRMAN

1105 PENDLETON STREET, SUITE 220
COLUMBIA, SOUTH CAROLINA 29201-3732
(803) 734-6200
FAX (803) 734-8727

ASHLEY HARWELL-BEACH
DIRECTOR

MARCHAR P. STAGG
STATISTICIAN

MARTHA A. SANDERS
EXECUTIVE ASSISTANT

January 8, 1999

Mr. Larry G. Sorrell
Manager, Audit and Certification
Material Management Office
1201 Main Street, Suite 600
Columbia, SC 29201

Dear Mr. Sorrell:

In response to your letter of November 6, 1998, regarding compliance with the South Carolina Consolidated Procurement Code, please be advised that we have taken the necessary steps to be in compliance with your findings as follows:

<u>Finding</u>	<u>Action Taken</u>
No internal procurement procedures manual	Manual was prepared and approved by your office as required by regulation 19-445.2005.
Did not file a Minority Business Enterprise Utilization Plan with the Office of Small and Minority Business Assistance of the Governor's Office.	Since this is a small agency, in lieu of a plan, we filed a Letter of Intent for the fiscal year ending June 30, 1999. We also filed a report recapping the number and dollar value of contracts awarded to eligible minority businesses for the fiscal year ending June 30, 1998. In the future, we will comply with the reporting requirements for subsequent fiscal years.

Mr. Larry G. Sorrell
January 8, 1999
Page Two

If we can be of further assistance, please let us know.

Sincerely,

A handwritten signature in cursive script, appearing to read "Marchar P. Stagg".

Marchar P. Stagg
Acting Director

MPS/ms

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

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 GOVERNOR

RICHARD A. ECKSTROM
 STATE TREASURER

EARLE E. MORRIS, JR.
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JOHN DRUMMOND
 CHAIRMAN, SENATE FINANCE COMMITTEE

HENRY E. BROWN, JR.
 CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER F. CARTER
 EXECUTIVE DIRECTOR

HELEN T. ZEIGLER
 DIRECTOR

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

VOIGHT SHEALY
 ASSISTANT DIRECTOR
 November 6, 1998

Mr. William D. Bilton, Executive Director
 South Carolina Commission on Prosecution Coordination
 1003 Gervais Street
 Post Office Box 11561
 Columbia, South Carolina 29211-1561

Re: Compliance Audit of Commission Procurement Activity

Dear Mr. Bilton:

On August 11-12, 1998, we examined the South Carolina Commission on Prosecution Coordination's procurement records for the period of July 1, 1996 through June 30, 1998. This review was conducted to determine the appropriateness of the procurement actions taken and to ensure compliance with the Consolidated Procurement Code and ensuing regulations.

The Commission had a limited number of procurement transactions. Our examination of these indicated each was handled properly except for the following items.

The Commission issued the following vouchers for items that should have been combined and competition solicited.

<u>Voucher</u>	<u>Date</u>	<u>Description</u>	<u>Amount</u>
218	03/20/97	Printer cartridges	\$ 773
219	03/20/97	Printer cartridges	<u>941</u>
		Total	\$1,714
222	03/20/97	Surge protectors	\$1,176
223	03/20/97	Extension cords	<u>1,006</u>
		Total	\$2,182

Section 11-35-1550(1) of the Code states, "procurement requirements shall not be artificially divided by governmental bodies so as to constitute a small purchase under this section." Section 11-35-1550(2)(b) of the Code requires the solicitation of verbal or written quotes from a minimum of three qualified sources for procurements from \$1,500.01 to \$5,000.00. We recommend the Commission combine its needs and solicit competition as defined in the Code.

The Commission failed to file a Minority Business Enterprise (MBE) Utilization Plan with the Office of Small and Minority Business Assistance (OSMBA) of the Governor's Office. In smaller agencies with annual operational dollars less than \$300,000, OSMBA will allow the Commission to submit a "Letter of Intent" in lieu of a plan. This recognizes the fact that the Commission will try to buy from minority firms whenever possible. We recommend that the Commission file a "Letter of Intent" for the fiscal year ending June 30, 1999, and an annual report recapping the number and dollar value of contracts awarded to eligible minority businesses for the fiscal year ending June 30, 1998. The Commission needs to comply with the reporting requirements for subsequent years.

The Commission failed to file quarterly reports of sole source, emergency, and trade-in activity for the each of the quarters in our review. Section 11-35-2440 of the Code requires the quarterly reporting of sole source and emergency transactions. Section 11-35-3830(3) requires the quarterly reporting of trade-in activity. The reporting requirements apply even if no activity occurred during the quarter. We recommend the Commission begin filing the reports each quarter as required by the Code.

The Commission does not have an internal procurement procedures manual. We furnished the Commission with a copy of an approved manual as a guide. We recommend the Commission prepare an internal procurement procedures manual and submit it to our office for review as required by Regulation 19-445.2005.

Since you have not requested additional certification, we recommend the Commission be allowed to procure all goods and services, construction, information technology, and consultant services up to the basic level of \$5,000 as outlined in the South Carolina Consolidated Procurement Code.

If you wish to discuss our review or any other procurement related matter, we will be glad to meet with you at your convenience. Otherwise, I ask that you formally respond in writing to this report within thirty days of receipt of this letter.

We appreciate the cooperation that you and your staff provided during our audit. If we may be of assistance in the future, please call me at 737-0621 or David Rawl at 737-0646.

Sincerely,



Larry G. Sorrell, Manager
Audit and Certification

c: Tina Thompson, Executive Assistant
David Rawl, CPPB, Senior Auditor

STATE OF SOUTH CAROLINA
Commission on Prosecution Coordination



DONALD V. MYERS, CHAIRMAN
SOLICITOR, ELEVENTH JUDICIAL CIRCUIT

GEORGE M. DUCWORTH, VICE-CHAIRMAN
SOLICITOR, TENTH JUDICIAL CIRCUIT

BARBARA R. MORGAN
SOLICITOR, SECOND JUDICIAL CIRCUIT

DAVID P. SCHWACKE
SOLICITOR, NINTH JUDICIAL CIRCUIT

ROBERT M. ARIALL
SOLICITOR, THIRTEENTH JUDICIAL CIRCUIT

DONALD H. HOLLAND
SENATE JUDICIARY COMMITTEE

1003 GERVAIS STREET
P.O. BOX 11561
COLUMBIA, SOUTH CAROLINA 29211-1561
TELEPHONE: (803) 343-0765
FAX: (803) 343-0766

WILLIAM D. BILTON
EXECUTIVE DIRECTOR

December 9, 1998

DOUG SMITH
HOUSE JUDICIARY COMMITTEE

ROBERT M. STEWART
CHIEF, STATE LAW ENFORCEMENT
DIVISION

WILLIAM B. GUNN
DIRECTOR, DEPARTMENT
OF PUBLIC SAFETY

JANICE W. GILLESPIE
DIRECTOR, SIXTEENTH JUDICIAL
CIRCUIT PRE-TRIAL
INTERVENTION PROGRAM

NANCY M. MOODY
FIFTH JUDICIAL CIRCUIT
VICTIM-WITNESS ASSISTANCE
ADVOCATE

Mr. Larry G. Sorrell, Manager
Audit and Certification
Materials Management Office
1201 Main Street, Suite 600
Columbia, SC 29201

Re: Compliance Audit of Commission Procurement Activity

Dear Mr. Sorrell:

The purpose of this letter is to formally respond to your letter dated November 6, 1998, relating to the Compliance Audit of Commission Procurement Activity. Your first recommendation relates to Code Sections 11-35-1550(1) and (2)(b). As indicated in your letter the Commission had a limited number of procurement transactions most of which were handled properly. Therefore, the Commission accepts your recommendation as it relates to the procurement requirements for small purchases.

Secondly, I am enclosing a copy of the Commission's "Letter of Intent" filed with the Office of Small and Minority Business Assistance (OSMBA) of the Governor's Office in lieu of filing a Minority Business Enterprise (MBE) Utilization Plan. The Commission will try to buy from minority firms whenever possible. The Commission will comply with the reporting requirements for subsequent years.

Thirdly, the Commission has filed its quarterly report for sole source, emergency transactions, and trade-in activity pursuant to Code Sections 11-35-2440 and 11-35-3830(3). The Commission recognizes that these reporting requirements apply even if no activity occurred during the quarter. The Commission will file such reports each quarter as required by the Code.

Memo - Sorrell
December 9, 1998

- 2-

Finally, thank you for furnishing the Commission a copy of an approved internal procurement procedures manual. We are currently preparing a procurement procedures manual for the Commission. Once completed, I will submit it to the full Commission for adoption. Upon approval by this agency's governing body, I will submit it to your office for review as required by regulation 19-445.2005.

Please allow me to thank you for your assistance regarding these matters. Your Senior Auditor, Mr. David Rawl was very helpful during our audit. You are fortunate to have professional staff the quality of Mr. Rawl.

If I may be further assistance, please do not hesitate to contact me.

Sincerely,



William D. Bilton
Executive Director

Enclosure

cc: David Rawl, CPPB, Senior Auditor

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

DAVID M. BEASLEY, CHAIRMAN
GOVERNOR

RICHARD A. ECKSTROM
STATE TREASURER

EARLE E. MORRIS, JR.
COMPTROLLER GENERAL

JOHN DRUMMOND
CHAIRMAN, SENATE FINANCE COMMITTEE

HENRY E. BROWN, JR.
CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER F. CARTER
EXECUTIVE DIRECTOR

HELEN T. ZEIGLER
DIRECTOR

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

VOIGHT SHEALY
ASSISTANT DIRECTOR
November 6, 1998

Mr. Paul Allen, Deputy Secretary of State
Office of the Secretary of State
Edgar Brown Building, Suite 525
Columbia, South Carolina 29201

Re: Compliance Audit of Agency Procurement Activity

Dear Mr. Allen:

On August 5-7, 1998, we examined the Secretary of State's procurement records for the period of July 1, 1996 through June 30, 1998. This review was conducted to determine the appropriateness of the procurement actions taken and to ensure compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

The Office had a limited number of procurement transactions. Our examination of the these indicated each was handled properly except for the following items.

The following two procurements were not supported by evidence of competition.

<u>Voucher</u>	<u>Date</u>	<u>Amount</u>	<u>Description</u>
290	06/11/98	\$1,776	Furniture
16F	02/02/98	3,139	Computer hardware

Section 11-35-1550(2)(b) of the Code requires solicitation of verbal or written quotes from a minimum of three qualified sources for procurements from \$1,500.01 to \$5,000.00. We recommend the Office comply with the Code concerning competition requirements.

The Office does not have an internal procurement procedures manual. We furnished the Office with a copy of an approved manual as a guide. We recommend the Office prepare an

internal procurement procedures manual and submit it to our office for review as required by Regulation 19-445.2005.

The Office failed to file the quarterly reports for sole source, emergency, and trade-in procurements for the quarters ending September 30, 1996, March 31, 1997, and September 30, 1997. Section 11-35-2440 of the Code requires the quarterly reporting of sole source and emergency procurements. Section 11-35-3830(3) requires the quarterly reporting of trade in sales. We recommend the Office file reports for the three quarters listed above and comply with the reporting requirements for subsequent quarters.

The Office failed to file a Minority Business Enterprise (MBE) Utilization Plan with the Office of Small and Minority Business Assistance (OSMBA) of the Governor's Office. In smaller agencies with annual operational dollars less than \$300,000, OSMBA will allow an agency to submit a "Letter of Intent" in lieu of a plan. This recognizes the fact that the agency will try to buy from minority firms when possible. We recommend the Office file a "Letter of Intent" for the fiscal year ending June 30, 1999, and an annual report recapping the number and dollar value of contracts awarded to eligible minority businesses for the fiscal year ending June 30, 1998. The Office needs to comply with the reporting requirements for subsequent fiscal years.

Since you have not requested additional certification, we recommend the Office be allowed to procure all goods and services, construction, information technology, and consultant services up to the basic level of \$5,000 as outlined in the South Carolina Consolidated Procurement Code.

If you wish to discuss our review or any other procurement related matter, we will be glad to meet with you at your convenience. Otherwise, I ask that you formally respond in writing to this report within thirty days of receipt of this letter.

We appreciate the cooperation that you and your staff provided during our audit. If we may be of assistance in the future, please call me at 737-0621 or David Rawl at 737-0646.

Sincerely,



Larry G. Sorrell, Manager
Audit and Certification

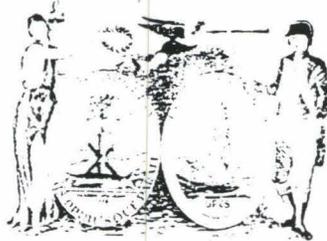
c: Gloria Hallman, Executive Assistant
Jody H. Steigerwalt, Director of Information Technology
David Rawl, CPPB, Senior Auditor

State of South Carolina
Office of the Secretary of State
The Honorable Jim Miles

1205 PENDLETON STREET, SUITE 525
COLUMBIA, SC 29201

Information
(803) 734-2170

Business Filings
(803) 734-2158



P.O. BOX 11350
COLUMBIA, SC 29211

Boards/Commissions
(803) 734-2119

Notaries
(803) 734-2512

December 3, 1998

Mr. Larry Sorrell, Manager
Audit and Certification
Materials Management Office
1201 Main Street., Suite 600
Columbia, South Carolina 29201

Re: Response to Compliance Audit of Agency Procurement Activity

Dear Mr. Sorrell:

The following information is provided in response to the Compliance audit report dated November 6, 1998 that you provided to this office.

As the Secretary of State is a relatively small agency, it operates without a full-time procurement division or purchasing agent. However, it is the intent of this agency to be in complete compliance with the Consolidated Procurement Code. In as much, I have included a copy of the "Letter of Intent" for the fiscal year ending June 30, 1999 that was filed on July 13, 1998 with the Office of Small and Minority Business Assistance.

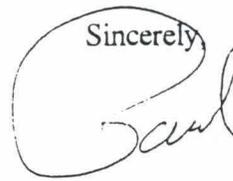
In reference to the quarterly reports for sole source, emergency, and trade-in procurements, you will find a copy of the report for quarter ending September 30, 1996 enclosed with this letter. I am also providing new reports for the quarters ending March 31, 1997, and September 30, 1997. This office will ensure the timely filing of all future reports of this nature.

As to procurement voucher 16F, computer hardware, dated February 2, 1998, the purchase was an emergency expenditure due to a system crash. Equipment could not be obtained through our normal supplier, currently under state contract, quickly enough to keep necessary divisions functioning smoothly.

Quotes were obtained in regards to voucher 290, furniture, dated June 11, 1998, from Commercial Office Furniture, The Market Place, and Office Max. The supplier chosen provided the best quality furniture at the lowest price for the three items purchased.

December 3, 1998

We appreciate the help that you and your office have extended to us during this audit. Again, it is the intent of this agency to comply fully with State policy on these matters. Please contact us for any further information at 734-1605.

Sincerely,


Paul Allen

Deputy Secretary of State

C: David Rawl, CPPB, Senior Auditor
Gloria Hallman, Executive Assistant
Jody Steigerwalt, Director of Information Technology

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

DAVID M. BEASLEY, CHAIRMAN
GOVERNOR

RICHARD A. BECKSTROM
STATE TREASURER

EARLE E. MORRIS, JR.
COMPTROLLER GENERAL

JOHN DRUMMOND
CHAIRMAN, SENATE FINANCE COMMITTEE

HENRY E. BROWN, JR.
CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER F. CARTER
EXECUTIVE DIRECTOR

HELEN T. ZEIGLER
DIRECTOR

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

VOIGHT SHEALY
ASSISTANT DIRECTOR
November 9, 1998

Mr. George L. Schroeder, Director
South Carolina Legislative Audit Council
400 Gervais Street
Columbia, South Carolina 29201

Re: Compliance Audit of Council Procurement Activity

Dear Mr. Schroeder:

On August 7-10, 1998, we examined the South Carolina Legislative Audit Council's procurement records for the period of July 1, 1996 through June 30, 1998. This review was conducted to determine the appropriateness of the procurement actions taken and to ensure compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

The Council had a limited number of procurement transactions. Our examination of these indicated that each was handled properly except for the following items.

The following two procurements were made without solicitations of competition, sole source or emergency procurement determinations.

<u>Voucher</u>	<u>Date</u>	<u>Amount</u>	<u>Description</u>
67	09/25/96	\$1,530	Telephone maintenance
280	03/24/98	3,900	Training services

Section 11-35-1550(2)(b) of the Code requires solicitation of verbal or written quotes from a minimum of three qualified sources for procurements from \$1,500.01 to \$5,000.00 unless the procurements are determined to be exempt, sole source, emergency, or term contract item. We recommend the Council comply with the competitive requirements of the Code if applicable.

The Council issued voucher 331 on May 26, 1998 for \$1,949 to pay for a switch, two ethernet hubs, and six surge protectors. Four solicitations of competition were made on this procurement, but the solicitations did not document prices for the surge protectors or freight. Six surge protectors were bought for a total price of \$225 as part of the procurement. Solicitations must include all items in the procurement. Also, the invoice included a freight charge of \$20.60 which the Council paid. Freight costs are considered when determining the low quote and must be included in the solicitation. The purchase order should also represent freight as being either F.O.B. Destination or Shipping Point. When freight is billed on the invoice but the purchase order does not address it, the freight cost should be treated as a change order if the Council agrees to pay.

Since you have not requested additional certification, we recommend the Council be allowed to procure all goods and services, construction, information technology, and consultant services up to the basis level of \$5,000 as outlined in the South Carolina Consolidated Procurement Code.

If you wish to discuss our review or any other procurement related matter, we will be glad to meet with you at your convenience. Otherwise, I ask that you formally respond in writing to this report within thirty days of receipt of this letter.

We appreciate the cooperation that you and your staff provided during our audit. If we may be of assistance in the future, please call me at 737-0621 or Jimmy Aycock at 737-0647.

Sincerely,



Larry G. Sorrell, Manager
Audit and Certification

c: Cheryl A. Ridings, Deputy Director
Susan S. Long, Business Manager
Robert J. Aycock, IV, Audit Manager

LAC

Legislative Audit Council

400 Gervais Street
Columbia, SC 29201
(803)253-7612
(803)253-7639 FAX



November 30, 1998

Larry G. Sorrell, Manager
Audit and Certification
State Budget and Control Board
Office of General Services
1201 Main Street, Suite 600
Columbia, SC 29201

Dear Mr. Sorrell:

We have reviewed your comments on the audit of our procurement practices. Our responses are listed below.

DV 67 - Maintenance agreement for phone system - A purchase order was issued and approved July 1996 authorizing the procurement.

The vendor for our phone system was Fortran. After the contract period, we continued maintenance with Fortran at a cost of \$1,530.00. You noted that purchases over \$1,500 required a sole source or a competitive solicitation which we did not carry out. This was an oversight on our part.

DV 280 - Training services - A note was attached to the file detailing this service (below).

Instead of sending employees to Washington, DC or Atlanta, GA for USDA training, USDA agreed to send the instructor to Columbia with a cost per person of \$260. This was a cost savings to LAC by not paying out of state travel cost per person. If these employees had gone out of state, we would be billed individually for their fees. Therefore, we do not consider this a sole source agreement.

We frequently use USDA for training because they are the governmental agency identified by the GAO as qualified to provide training in the "Yellow Book" standards and methods which we are required to follow.

We presented this voucher for payment to the Comptroller General's Office identifying the transaction as registrations fees and the Comptroller General's Office paid it as submitted. You noted that this service should have been solicited through the sole source process. In the future we will submit any service of this nature through this process.

DV 331 - Ether hub, switch and surge protector - While solicitations were made on the surge protectors, and they were all the same price, we failed to note this in the file documentation. We also failed to note the freight cost. However, review of all four solicitations reveals that in spite of these oversights, the

Mr. Larry G. Sorrell
Page Two
November 30, 1998

outcome of the solicitation would have remained the same. (The vendor with the low bid of \$1,948.60 included freight. The other three vendors bids came in at \$1,970.00, \$2,089.98, and \$2,440.00 did not include freight.) In the future, all costs involved in the procurement will be documented to the file.

We appreciate the manner in which this audit of our procurement activity was conducted. If we can be of any assistance, please feel free to call.

Sincerely,



George L. Schroeder
Director

ssl

cc: Robert J. Aycock, IV

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

DAVID M. BEASLEY, CHAIRMAN
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LUTHER F. CARTER
EXECUTIVE DIRECTOR

HELEN T. ZEIGLER
DIRECTOR

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

VOIGHT SHEALY
ASSISTANT DIRECTOR
November 6, 1998

Mr. Calvin L. Stewart, Director
South Carolina Medical Malpractice Patients' Compensation Fund
Post Office Box 210738
Columbia, South Carolina 29221-0738

Re: Compliance Audit of Fund Procurement Activity

Dear Mr. Stewart:

On August 18-19, 1998, we examined the South Carolina Medical Malpractice Patients' Compensation Fund's procurement records for the period of July 1, 1996 through June 30, 1998. This review was conducted to determine the appropriateness of the procurement actions taken and to ensure compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

The Fund had a limited number of procurement transactions. Our examination of these indicated each was handled properly except for the following items.

The following two procurements were not supported by evidence of competition.

<u>Voucher</u>	<u>Date</u>	<u>Amount</u>	<u>Description</u>
153	10/28/98	\$2,050	Programming
579	07/10/98	3,068	Consulting and programming services

Section 11-35-1550(2)(b) of the Code requires solicitation of verbal or written quotes from a minimum of three qualified sources for procurements from \$1,500.01 to \$5,000.00. We recommend the Fund comply with the Code concerning competitive requirements.

The Fund does not have an internal procurement procedures manual. We furnished the Fund with a copy of an approved manual as a guide. We recommend the Fund prepare an internal procurement procedures manual and submit it to our office for review as required by regulation 19-445.2005.

The Fund failed to file a Minority Business Enterprise (MBE) Utilization Plan with the Office of Small and Minority Business Assistance (OSMBA) of the Governor's Office. In smaller agencies with annual operational dollars less than \$300,000, OSMBA will allow an agency to submit a "Letter of Intent" in lieu of a plan. This recognizes the fact that the agency will try to buy from minority firms when possible. We recommend the Fund file a "Letter of Intent" for the fiscal year ending June 30, 1999, and an annual report recapping the number and dollar value of contracts awarded to eligible minority businesses for the fiscal year ending June 30, 1998. The Fund needs to comply with the reporting requirements of subsequent fiscal years.

Since you have not requested additional certification, we recommend the Fund be allowed to procure all goods and services, construction, information technology, and consultant services up to the basic level of \$5,000 as outlined in the South Carolina Consolidated Procurement Code.

If you wish to discuss our review or any other procurement related matter, we will be glad to meet with you at your convenience. Otherwise, I ask that you formally respond in writing to this report within thirty days of receipt of this letter.

We appreciate the cooperation that you and your staff provided during our audit. If we may be of assistance in the future, please call me at 737-0621 or Jim Stiles at 737-0645.

Sincerely,



Larry G. Sorrell, Manager
Audit and Certification

/tl

c: Mary Ann West, Fund Coordinator
Jim Stiles, CPPB, Audit Manager



**South Carolina Medical Malpractice
PATIENTS' COMPENSATION FUND**

POST OFFICE BOX 210738
COLUMBIA, SOUTH CAROLINA 29221-0738
803-731-1687

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C. Tucker Weston, MD
Chairman of the Board

January 12, 1999

Mr. Larry G. Sorrell
Manager - Audit and Certification
1201 Main Street, Suite 600
Columbia, SC 29201

RE: Compliance Audit of Fund Procurement Activity

Dear Mr. Sorrell:

I am very sorry for the delay in this response to your letter of November 6, 1998 regarding the August 18-19, 1998 Procurement Audit of our agency. We were under the impression that no response was necessary. We do not disagree with any part of this audit.

The Patients Compensation Fund (PCF) is a very small enterprise fund that operates under a Board of Governors with only three full time employees, myself and two ladies. We have depended on other agencies for advice and assistance during the twenty years we have been in existence. Over the years we have purchased as much as possible from the state agencies in order to comply with the procurement code. The small amount of supplies that is not purchased from the state is divided among a very few vendors including minority vendors. We were not aware of the need for a Minority Business Enterprise Utilization Plan to be filed with the Governor's Office. You indicate that it might be acceptable for us to file a "Letter of Intent" in lieu of a plan. We would appreciate your furnishing a sample of a "Letter of Intent" that would be acceptable.

Our agency is using the copy of the approved procurement manual as our internal procurement manual. Is it necessary that we copy this information and submit it under our name?

We would also request your advice and assistance in the procurements of computer programming and computer consulting. State agencies had provided our computer services in the past. In October of 1996 the Budget and Control Board's Office of Research and Statistics Information Technology Management Division performed an assessment of our existing information technology.

Mr. Larry G. Sorrell
January 12, 1999
Page 2

They recommended that we switch from state's mainframe to an in house microcomputers (PC's). They were very helpful in determining our needs for both hardware and software. The hardware was purchased under state contracts and the software was provided by a former state employee, Mrs. Sue Minter's On-Line Systems, Inc. Mrs. Minter was recommended by Information Technology Management. We did not obtain competitive bids and Mrs. Minter has been working on our programs since October of 1997. In addition to Mrs. Minter having time off for childbirth, our conversion from OIR's mainframe was further delayed by our making an emergency liability assessment of all PCF members in April of 1998. Mrs. Minter did extra programming for this assessment. As a result of these delays we have not completed the software needed for our system. We wish to continue using Mrs. Minter for this programming and to support our system when the conversion is complete. Is it possible for Mrs. Minter to be designated as a "sole source" due to her knowledge of our system? Any suggestions and assistance would be greatly appreciated.

Sincerely,


Calvin L. Stewart
Executive Director

CLS:ddc

enclosures: Technology Evaluation of October, 1996
On-Line Systems proposed plan of October, 1997

cc: Jim Stiles, CPPB, Audit Manager

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

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DIRECTOR

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

VOIGHT SHEALY
ASSISTANT DIRECTOR

November 6, 1998

Ms. Sherry L. Copeland
Administrative Coordinator
South Carolina Procurement Review Panel
Suite 506, 1205 Pendleton Street
Columbia, South Carolina 29201

Sherry
Dear Ms. Copeland:

On August 24, 1998, we examined the Procurement Review Panel's procurement records for the period of July 1, 1996 through June 30, 1998. The review was conducted to determine the appropriateness of the procurement actions and compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

The Panel had a limited number of procurement transactions. Our examination of these indicated each was handled properly except for the following items.

The Panel issued voucher 74 on January 13, 1998 for \$1,687 to pay another state agency for copying services. Section 11-35-1550(2) of the Code requires solicitation of verbal quotes from a minimum of three qualified sources for procurements from \$1,500.01 to \$5,000.00 unless the procurements are determined to be exempt, sole source, emergency, or term contract item. Section 11-35-710 of the Code allows the Budget and Control Board, the Board, to exempt certain items from procurement provisions. On March 22, 1994, the Board modified an existing exemption for contracts between state agencies. The modification allows the Office of General Services to exempt contracts between state agencies provided a cost justification is submitted in advance to the Office of General Services. We recommend the Panel comply with the competitive requirements of the Code if applicable.

The Panel failed to file a Minority Business Enterprise (MBE) Utilization Plan with the Office of Small and Minority Assistance (OSMBA) of the Governor's Office. In smaller agencies with annual operational dollars less than \$300,000, OSMBA will allow an agency to submit a "Letter of Intent" in lieu of a plan. This recognizes the fact that the agency will try to

buy from minority firms when possible. We recommend the Panel file a "Letter of Intent" for the fiscal year ending June 30, 1999, and an annual report recapping the number and dollar value of contracts awarded to eligible minority businesses for the fiscal year ending June 30, 1998. The Panel needs to comply with the reporting requirements for subsequent fiscal years.

Since you have not requested additional certification, we recommend the Panel be allowed to procure all goods and services, construction, information technology, and consultant services up to the basic level of \$5,000 as outlined in the South Carolina Consolidated Procurement Code.

If you wish to discuss our review or any other procurement related matter, we will be glad to meet with you at your convenience. Otherwise, I ask that you formally respond in writing to this report within thirty days of receipt of this letter.

We appreciate your cooperation during our audit. If we may be of assistance in the future, please call me at 737-0621 or Melissa Thurstin at 737-0644.

Sincerely,



Larry G. Sorrell, Manager
Audit and Certification

CC: Melissa Rae Thurstin, Senior Auditor

South Carolina Procurement Review Panel

HON. KIFFEN R. NANNEY
HON. C. BRIAN McLANE, SR.
VICE CHAIRMAN
HON. M.H. "MARK" CLAUSSEN

SHERRY COPELAND
BUSINESS MANAGER

EDGAR A. BROWN BUILDING
1205 PENDLETON STREET, SUITE 506
COLUMBIA, SOUTH CAROLINA 29201
(803) 734-0660
FAX (803) 734-1427

HON. RUTH CHAMPION GLOVER
HON. GEORGE C. LEVENTIS
HON. CARL G. OEHMIG, III
HON. DOUGLAS NOVAK

SUANN K. WHITE
ATTORNEY



HON. GUS J. ROBERTS
CHAIRMAN

December 2, 1998

Mr. Larry G. Sorrell, Manager
Audit and Certification
State Budget and Control Board
Office of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Mr. Sorrell,

I am in receipt of your letter dated November 6, 1998 reviewing your findings of our procurement compliance.

I am pleased to inform you that corrective measures have been taken to assure that the infractions covered in your letter (section 11-35-1550(2) and MBE Utilization Plan), will in the future be followed according to code.

I feel that further discussion of your report at this time is not necessary, however I thank you for your assistance. Should you have any questions in the future, please feel free to contact me at 734-0660.

Sincerely,

A handwritten signature in cursive script that reads "Sherry L. Copeland".

Sherry L. Copeland,
Administrative Coordinator

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

DAVID M. BEASLEY, CHAIRMAN
GOVERNOR

RICHARD A. ECKSTROM
STATE TREASURER

EARLE E. MORRIS, JR.
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LUTHER F. CARTER
EXECUTIVE DIRECTOR

HELEN T. ZEIGLER
DIRECTOR

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

VOIGHT SHEALY
ASSISTANT DIRECTOR
November 6, 1998

Mr. Rodger E. Stroup, Director
South Carolina Department of Archives and History
8301 Parklane Road
Columbia, South Carolina 29223-4905

Re: Compliance Audit of Department Procurement Activity

Dear Mr. Stroup:

On August 20-27, 1998, we examined the Department of Archives and History's procurement records for the period of July 1, 1996 through June 30, 1998. This review was conducted to determine the appropriateness of the procurement actions taken and to ensure compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

The Department had a limited number of procurement transactions. Our examination of these indicated each was handled properly except for the following items.

The following two procurements were not supported by evidence of competition.

<u>Voucher</u>	<u>Date</u>	<u>Amount</u>	<u>Description</u>
1192	04/20/97	\$2,411	Repairs to walls
1264	05/15/98	7,105	Insurance on move

Section 11-35-1550(2)(b) of the Code requires solicitation of verbal or written quotes from a minimum of three qualified sources for procurements from \$1,500.01 to \$5,000.00. We recommend the Department comply with the Code concerning competitive requirements. Regulation 19-445.2015 defines an unauthorized procurement as an act obligating the State in a contract by any person without the requisite authority to do so by appointment or delegation. Section 11-35-1550(1) of the Code states, "Any agency may conduct its own procurement under

\$5,000 in actual or potential value." Since the Department's authority is limited to procurements less than \$5,000 in actual or potential value, the procurement on voucher 1264 is unauthorized and must be ratified in accordance with Regulation 19-445-2015.

The Department does not have an internal procurement procedures manual. We furnished the Department with a copy of an approved manual as a guide. We recommend the Department prepare an internal procurement procedures manual and submit it to our office for review as required by Regulation 19-445.2005.

The Department issued purchase order 980553 on May 7, 1998, as a sole source procurement for microfilm readers. The microfilm readers do not meet the criteria for a sole source procurement as defined in Section 11-35-1560 of the Code and Regulation 19-445.2105. We recommend the Department comply with the Code and regulations concerning limitations on sole source procurements.

Since you have not requested additional certification, we recommend the Department be allowed to procure all goods and services, construction, information technology, and consultant services up to the basic level of \$5,000 as outlined in the South Carolina Consolidated Procurement Code.

If you wish to discuss our review or any other procurement related matter, we will be glad to meet with you at your convenience. Otherwise, I ask that you formally respond in writing to this report within thirty days of receipt of this letter.

We appreciate the cooperation that you and your staff provided during our audit. If we may be of assistance in the future, please call me at 737-0621 or David Rawl at 737-0646.

Sincerely,



Larry G. Sorrell, Manager
Audit and Certification

/tl

c: Ms. Anne C Burriss, Director of Management Services
David Rawl, CPPB, Senior Auditor



December 1, 1998

Mr. Larry G. Sorrell, Manager
Audit and Certification
Materials Management Office
1201 Main Street, Suite 600
Columbia, SC 29201

Dear Mr. Sorrell:

In a recent Procurement Audit it was discovered that we made two unauthorized purchases that did not follow established procurement guidelines. Through this letter, I am requesting ratification of these two purchases.

Voucher #1192 for the repair of walls that were damaged during a thunderstorm while the Archives and History Center was under construction. A payment was made to the drywall contractor on the project. This was an insurance payment made to us because we carried the builder's risk insurance policy, and we forwarded that payment to the contractor.

Voucher #1264 was to pay for insuring the archival collection during the move from Senate Street to Parklane Road. Shortly before the move commenced, we realized that the standard mover's insurance would not cover the actual value of the collection. At that time, the contract to move the collection was already approved, and we asked the mover, Graebel Van Lines, to provide us with the additional insurance. Our move was handled as part of the construction contract with the General Contractor FN Thompson. Graebel Van Lines was a subcontractor to FN Thompson. Because there was not enough time to implement a change order to the contract, Graebel was asked to provide the necessary insurance, and we paid them directly. In retrospect, we probably should have tried to rush through a change order so the insurance would have been a part of the general construction contract.

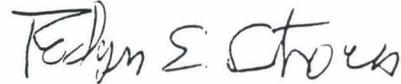
Both of these instances occurred during the construction of the new Archives and History Center. We are pleased that only minor comments were necessary regarding our regular procurement procedures. We do have a procurement manual that was forwarded

Mr. Larry G. Sorrell
Page 2

to your office in April 1992. At that time, we were informed that your staff would not have time to review it in detail. We have been operating under that manual and are in the process of revising it to conform to current practices. We will provide you with a copy for your review when it is completed.

Regarding purchase order #980553 for microfilm readers, I have instructed our procurement staff to make certain that we seek more than one vendor for a specific item. We do want to insure that we get the same machines so they are all compatible. That would greatly simplify maintenance and repairs, but we will make certain that other vendors are identified and provided an opportunity to bid on the purchase.

Sincerely,

A handwritten signature in cursive script that reads "Rodger E. Stroup".

Rodger E. Stroup
Director

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

DAVID M. BEASLEY, CHAIRMAN
GOVERNOR

RICHARD A. ECKSTROM
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CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER F. CARTER
EXECUTIVE DIRECTOR

HELEN T. ZEIGLER
DIRECTOR

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

VOIGHT SHEALY
ASSISTANT DIRECTOR
November 6, 1998

Mr. M. Richard Devoe, Director
South Carolina Sea Grant Consortium
287 Meeting Street
Charleston, South Carolina 29401

Dear Mr. Devoe:

On September 16-17, 1998, we examined the South Carolina Sea Grant Consortium's procurement records for the period July 1, 1996 through June 30, 1998. This review was conducted to determine the appropriateness of the procurement actions taken and to ensure compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

The Consortium had a limited number of procurement transactions. Our examination of these indicated each was handled properly except for the following items.

The following two procurements were unauthorized as each exceeded the Consortium's procurement authority of \$5,000.

<u>Voucher</u>	<u>Date</u>	<u>Amount</u>	<u>Description</u>
70338	11/16/96	\$10,960	Hardware maintenance
80311	11/24/97	11,779	Hardware maintenance

Section 11-35-1550(1) of the Code states, "Any agency may conduct its own procurement under \$5,000.00 in actual or potential value." Regulation 19-445.2015 defines an unauthorized procurement as an act obligating the State in a contract by any person without requisite authority to do so by appointment or delegation. Since the Consortium's authority is limited to procurements less than \$5,000 in actual or potential value, each procurement is unauthorized and must be ratified in accordance with Regulation 19-445.2015.

The Consortium issued voucher 70465 on January 7, 1997 for \$1,799 for a computer. The procurement was supported by 2 written quotes. Section 11-35-1550(2)(b) of the Code requires the solicitation of verbal or written quotes from a minimum of three qualified sources for procurements from \$1,500.01 to \$5,000.00. We recommend the Consortium comply with the Code concerning competitive requirements.

The following two vouchers included freight charges that were not included in the quotes or listed on the purchase order.

<u>Voucher</u>	<u>Date</u>	<u>Amount</u>	<u>Freight</u>	<u>Description</u>
80261	10/29/97	\$150.95	\$5.00	Keyboard
80262	10/29/97	150.95	5.00	Keyboard

With the freight charges considered, the total quote was \$150.95. Another quote was solicited for \$149.95, a lower amount. Section 11-35-1550(2) of the Code requires that an award be made to the lowest responsive and responsible bidder. The Consortium needs to include freight, if applicable, when soliciting quotations and determining the lowest responsive and responsible bidder.

Since you have not requested additional certification, we recommend the Consortium be allowed to continue to procure all goods and services, construction, information technology, and consultant services up to the basic level of \$5,000 as outlined in the South Carolina Consolidated Procurement Code.

If you wish to discuss our review or any other procurement related matter, we will be glad to meet with you at your convenience. Otherwise, I ask that you formally respond in writing to this report within thirty days of receipt of this letter.

We appreciate the cooperation that you and your staff provided during our audit. If we may be of assistance in the future, please call me at 737-0621 or Melissa Thurstin at 737-0644.

Sincerely,



Larry G. Sorrell, Manager
Audit and Certification

c: Elaine Knight, Assistant Director
Melissa Rae Thurstin, Senior Auditor



287 Meeting Street
Charleston, S.C. 29401

Phone (843) 727-2078
Fax (843) 727-2080

Member Institutions

The Citadel

Clemson University

Coastal Carolina
University

Medical University
of South Carolina

S.C. Department of
Natural Resources

S.C. State University

University of
Charleston, S.C.

University of
South Carolina

Chairman

Alexander M. Sanders, Jr., Esq.
President,
University of Charleston, S.C.

Executive Director

M. Richard DeVoe

*Working together to
conserve coastal resources
and enhance economic
opportunity
through research,
education, and
extension programs.*

April 23, 1999

Mr. Larry G. Sorrell, Manager
Audit and Certification
Materials Management Office
1201 Main Street, Suite 600
Columbia, SC 29201

RE: Procurement Audit
Sea Grant Consortium

Dear Mr. Sorrell:

We are in receipt of your procurement exceptions and offer the following responses:

- 1) Voucher 70338 - \$10,960
Voucher 80311 - \$11,779
Hardware maintenance - Unisys

We are fully aware that our procurement limit is \$5,000 or less. Since this equipment was purchased about 14 years ago and maintenance was procured from Unisys (from our standpoint, as with Pitney Bowes, there was only one provider at the time), we continued to procure maintenance from Unisys. We were unaware that after five years we would have to sole source this maintenance each and every year.

We would like to request ratification of the above references procurements in accordance with Regulation 19-445.2015 as outlined in your letter of November 6, 1998.

We will, in the future, make sure any procurements above \$5,000 are justified and authorized.

- 2) Voucher 70465 - \$1,799
Two quotes vs. three quotes

We will comply with the Code concerning competitive requirements and solicit verbal or written quotes from a minimum of three qualified sources for procurements from \$1,500.01 to \$5,000.00.

- 3) Voucher 80261 - \$150.95
Voucher 80262 - \$150.95

Page 2
Mr. Larry G. Sorrell
April 23, 1999

We do consider freight charges in our quotes. Unfortunately, this was one that we missed and agree that we missed the lower quote by \$1.00. We will make sure we award the lowest responsive and responsible bidder on all future transactions.

We appreciate your time and effort on the Consortium's behalf and look forward to working with your office in the future.

If any further information is required, please let me know.

Sincerely,



M. Richard DeVoe
Executive Director

cc Elaine Knight
Assistant Director

EK/mw

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

DAVID M. BEASLEY, CHAIRMAN
GOVERNOR

RICHARD A. ECKSTROM
STATE TREASURER

EARLE B. MORRIS, JR.
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JOHN DRUMMOND
CHAIRMAN, SENATE FINANCE COMMITTEE

HENRY E. BROWN, JR.
CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER F. CARTER
EXECUTIVE DIRECTOR

HELEN T. ZEIGLER
DIRECTOR

MATERIALS MANAGEMENT OFFICE
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VOIGHT SHEALY
ASSISTANT DIRECTOR

December 7, 1998

Mr. Stephen G. Birnie, Director
South Carolina Department of Probation, Parole and Pardon
2221 Devine Street, Suite 600
Columbia, South Carolina 29250

Dear Mr. Birnie:

On August 11-14, 1998, we examined the Department of Probation, Parole and Pardon's procurement records for the period July 1, 1996 through June 30, 1998. This review was conducted to determine the appropriateness of the procurement actions taken and to ensure compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

The Department had a limited number of procurement transactions. Our examination of these indicated each was handled properly except for the following items.

The Department procured draperies and wall covering as a sole source on purchase order 12759 for \$2,408 on August 6, 1997. The sole source justification was based on additional renovations done to a recently completed room. The Department returned to the original supplier for the items. Section 11-35-1560 of the South Carolina Consolidated Procurement Code states:

A contract may be awarded for a supply, service, or construction item without competition when, under regulations promulgated by the board, the chief procurement officer, the head of a purchasing agency, or a designee of either officer, above the level of the procurement officer, determines in writing that there is only one source for the required supply, service, or construction item.... In cases of reasonable doubt, competition must be solicited.

Based on the information in the file, the procurement should have been done as an emergency based on time constraints. We recommend the Department review sole sources carefully to ensure that they meet the definition in the Code.

The following vouchers were issued for procurements from blanket purchase agreements.

<u>Voucher</u>	<u>Amount</u>	<u>Date</u>	<u>PO</u>
8767	\$59.83	03/07/97	11556
7103	75.87	01/22/97	10893
11252	48.59	05/06/97	10893

Each purchase order identified the individual authorized to place calls against the blanket purchase agreement for the Columbia Restitution Center. The authorized individual was not listed on any documentation to support the procurements and subsequent payments. Regulation 19-445.2015(A) defines an unauthorized procurement as an act obligating the State in a contract by any person without the requisite authority to do so by an appointment or delegation. Since the individual listed was not involved in these transactions, each is unauthorized. We recommend a request for ratification be prepared for the Director as noted in Regulation 19.445.2015(1).

Since you have not requested additional certification, we recommend the Department be allowed to continue to procure all goods and services, construction, information technology, and consultant services up to the basic level of \$5,000 as outlined in the South Carolina Consolidated Procurement Code.

If you wish to discuss our review or any other procurement related matter, we will be glad to meet with you at your convenience. Otherwise, I ask that you formally respond in writing to this report within thirty days of receipt of this letter.

We appreciate the cooperation that you and your staff provided during our audit. If we may be of assistance in the future, please call me at 737-0621 or Melissa Thurstin at 737-0644.

Sincerely,



Larry G. Sorrell, Manager
Audit and Certification

c: Kay Teague, Director of Fiscal/Materials Management
Julia Kennerly, Procurement Manager
Melissa Rae Thurstin, Senior Auditor

State of South Carolina
Department of Probation, Parole and Pardon Services

DAVID M. BEASLEY
Governor



STEPHEN G. BIRNIE
Director

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January 7, 1999

Larry G. Sorrell
Manager, Audit and Certification
Materials Management Office
1201 Main Street, Suite 600
Columbia, South Carolina 29201-3212

Dear Mr. Sorrell:

We are in receipt of your letter documenting the results of the examination of our procurement records. We agree with the findings and have complied with the request for ratification of three purchases made by our Columbia Restitution Center and these are attached for your files. We have established procedures to preclude this from happening in the future.

Your review of our records is appreciated.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen G. Birnie".

Stephen G. Birnie,
Director

CC: Judy Kennerly, Procurement Manager
Attachments

