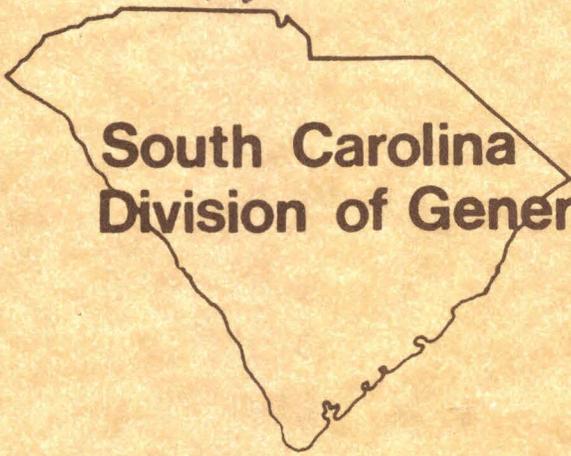


B8595G  
2.N86  
Copy 3



**South Carolina  
Division of General Services**

# PROCUREMENT AUDIT AND CERTIFICATION

S. C. STATE LIBRARY

DEC 7 1989

STATE DOCUMENTS

STATE BOARD OF NURSING

---

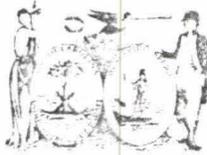
AGENCY

JULY 1, 1987 - DECEMBER 30, 1988

---

DATE

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



CARROLL A. CAMPBELL, JR., CHAIRMAN  
GOVERNOR

GRADY L. PATTERSON, JR.  
STATE TREASURER

EARLE E. MORRIS, JR.  
COMPTROLLER GENERAL

RICHARD W. KELLY  
DIVISION DIRECTOR

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

JAMES J. FORTH, JR.  
ASSISTANT DIVISION DIRECTOR

JAMES M. WADDELL, JR.  
CHAIRMAN, SENATE FINANCE COMMITTEE

ROBERT N. McLELLAN  
CHAIRMAN, WAYS AND MEANS COMMITTEE

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

September 6, 1989

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

Dear Rick:

Attached is the final S.C. Board of Nursing procurement audit report and recommendations made by the Office of Audit and Certification. Since no certification above the \$2,500.00 allowed by law was requested, and no action is necessary by the Budget and Control Board, I recommend that this report be presented to them for their information.

Sincerely,

A handwritten signature in cursive script, appearing to read "James J. Forth, Jr.".

James J. Forth, Jr.  
Assistant Division Director

Attachment

STATE  
PROCUREMENT

INFORMATION  
TECHNOLOGY  
MANAGEMENT

STATE & FEDERAL  
SURPLUS  
PROPERTY

CENTRAL SUPPLY  
& INTERAGENCY  
MAIL SERVICE

OFFICE OF AUDIT  
& CERTIFICATION

INSTALLMENT  
PURCHASE  
PROGRAM

STATE BOARD OF NURSING  
FOR SOUTH CAROLINA  
AUDIT REPORT

JULY 1, 1987 - DECEMBER 30, 1988

TABLE OF CONTENTS

	<u>PAGE</u>
Transmittal Letter.....	1
Scope.....	4
Summary of Audit Findings.....	5
Results of Examination.....	6
Conclusion.....	8
Nursing Board Response.....	9
Follow-up Review.....	10

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



CARROLL A. CAMPBELL, JR., CHAIRMAN  
GOVERNOR

GRADY L. PATTERSON, JR.  
STATE TREASURER

EARLE E. MORRIS, JR.  
COMPTROLLER GENERAL

RICHARD W. KELLY  
DIVISION DIRECTOR

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

JAMES J. FORTH, JR.  
ASSISTANT DIVISION DIRECTOR

JAMES M. WADDELL, JR.  
CHAIRMAN, SENATE FINANCE COMMITTEE

ROBERT N. McLELLAN  
CHAIRMAN, WAYS AND MEANS COMMITTEE

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

September 1, 1989

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

We have examined the procurement policies and procedures of the State Board of Nursing for South Carolina for the period July 1, 1987 through December 30, 1988. As a part of our examination, we made a study and evaluation of the system of internal control over procurement transactions to the extent we considered necessary.

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

The administration of the State Board of Nursing for South Carolina is responsible for establishing and maintaining a system of internal control over procurement transactions. In fulfilling

this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance of the integrity of the procurement process, that affected assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and are recorded properly.

Because of inherent limitations in any system of internal control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the system of internal control over procurement transactions as well as our overall examination of procurement policies and procedures were conducted with due professional care. They would not, however, because of the nature of audit testing, necessarily disclose all weaknesses in the system.

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

Corrective action based on the recommendations described in these findings will in all material respects place the State Board of Nursing for South Carolina in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

  
R. Voight Shealy, Manager  
Audit and Certification

## SCOPE

Our examination encompassed a detailed analysis of the South Carolina internal procurement operating procedures of the State Board of Nursing and the related policies and procedures manual to the extent we deemed necessary to formulate an opinion on the adequacy of the system to properly handle procurement transactions.

We reviewed all procurement transactions for the period July 1, 1987 - December 30, 1988, for compliance testing and performed other audit procedures that we considered necessary in the circumstances to formulate this opinion. Our review of the system included, but was not limited to, the following areas:

- (1) adherence to applicable laws, regulations and internal policy;
- (2) procurement staff and training;
- (3) adequate audit trails and purchase order registers;
- (4) evidences of competition;
- (5) small purchase provisions and purchase order confirmations;
- (6) emergency and sole source procurements;
- (7) source selections;
- (8) file documentation of procurements;
- (9) inventory and disposition of surplus property;
- (10) Minority Business Enterprise Utilization Plan.

SUMMARY OF AUDIT FINDINGS

Our audit of the procurement system for the State Board of Nursing for South Carolina, (hereinafter referred to as the Board) produced findings and recommendations in the following areas.

PAGE

I. Procurements Made Without Evidence of Competition 6

Eight procurements out of a sample of twenty were made without evidence of competition.

II. Internal Procurement Operating Procedures Manual 7

Section 11-35-540(3) of the Consolidated Procurement Code required that each governmental body prepare an internal procurement operating procedures manual. As was the case with many of the smaller agencies, the Board was allowed to simply submit a statement of intent. We recommend that a full procurement procedures manual be developed to better outline the Board's current procurement system.

## RESULTS OF EXAMINATION

### I. Procurements Made Without Evidence of Competition

Our examination of procurement activity at the Board consisted of a review of all voucher transactions greater than \$500.00 each from the period July 1, 1987 through December 30, 1988. Nine of these transactions were not supported by evidence of competition or by sole source or emergency determinations.

<u>Item</u>	<u>Voucher</u>	<u>Voucher Amount</u>	<u>Item/Service Description</u>
1	433	\$ 812.36	Office supplies
2	363	659.95	Copier paper
3	198	616.80	Bulletins
4	292	650.67	Printing services
5	244	1,191.33	Printing services
6	145	965.00	Repairs to computer
7	288	1,894.53	Printing services
8	284	2,107.55	Printing services

Regulation 19-445.2100, Subsection E, Item 2, which covers procurements from \$500.01 to \$1,499.99 requires "Solicitation of verbal or written quotes from a minimum of two qualified sources of supply." Items 1 through 6 above needed only documentation of two (2) telephone quotes to meet this requirement. However, this was not done.

Regulation 19-445.2100, Subsection B, Item 3, which covers procurements from \$1,500.00 to \$2,499.99 requires "Solicitation of written quotations from three qualified sources of supply shall be made and documented..." Items 7 and 8 above fall into this category.

The Board must comply with these regulations. If competition is solicited, documentation should be maintained as evidence.

## II. Internal Procurement Operating Procedures Manual

The Board has on file with the Materials Management Office a statement of intent dated December 21, 1981, to comply with the requirements of the Procurement Code Section 11-35-540(3) which requires the development of an Internal Procurement Operating Procedures Manual.

The statement of intent was acceptable in lieu of a formal procedures manual at the inception of the Procurement Code. This document allowed small agencies additional time to prepare a more comprehensive manual. As a result of our recent audit of the Board's procurement activity we have determined that a procedures manual should be developed outlining the current procurement system.

This manual should incorporate the most current internal procedures and follow the recommended outline which we have submitted to the Board during the time the audit was performed.

CONCLUSION

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

In accordance with Code Section 11-35-1230(1) the Board should take this corrective action prior to August 31, 1989. We will perform a follow-up review to verify this. Subject to this corrective action and verification by this office, we recommend that the Board be allowed to continue procuring all goods and services, consulting services, information technology and construction services up to the basic level as outlined in the Procurement Code.

  
\_\_\_\_\_  
Jeff Widdowson  
Audit and Certification Analyst

  
\_\_\_\_\_  
R. Voight Shealy, Manager  
Audit and Certification

State Board of Nursing  
for  
South Carolina

(803) 737-6594



Suite 102  
1777 St. Julian Place  
Columbia, S.C. 29204-2488

July 18, 1989

Mr. R. Voight Shealy, Manager  
Audit and Certification  
Materials Management Office  
Division of General Services  
State Budget and Control Board  
1201 Main Street, Suite 600  
Columbia, SC 29201

Dear Mr. Shealy:

I have received the procurement audit report and carefully reviewed the findings. As we discussed during the exit conference, the major deficiency noted was the absence of the written documentation that competition was secured, not the absence of competition. We have taken steps to provide that all telephone quotes and written bids will be attached to the payment voucher and the purchase requisitions. The four vouchers for printing services were all for multiple editions of a newsletter. Competitive bids were sought for one edition and the vendor with the lowest bid was contracted and then subsequently used for the future editions. We appreciate your recommendation that we develop a proposal to cover all our printing needs and solicit one bid for the year. We anticipate implementing the recommendation this year. The staff has developed a procurement manual and a copy of the manual is being forwarded to you for your files.

The Board of Nursing has every intent to follow the procurement code and we appreciate the assistance offered by the audit and certification division. Thank you for your comments and suggestions and the helpful spirit in which the audit was performed.

Most Sincerely,

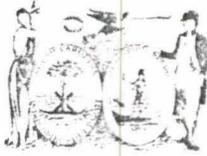
*Renatta S. Loquist* RSL

Renatta S. Loquist, RN, MN  
Executive Director

RSL/bs

cc: Board members

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



CARROLL A. CAMPBELL, JR., CHAIRMAN  
GOVERNOR

GRADY L. PATTERSON, JR.  
STATE TREASURER

EARLE E. MORRIS, JR.  
COMPTROLLER GENERAL

RICHARD W. KELLY  
DIVISION DIRECTOR

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

JAMES J. FORTH, JR.  
ASSISTANT DIVISION DIRECTOR

JAMES M. WADDELL, JR.  
CHAIRMAN, SENATE FINANCE COMMITTEE

ROBERT N. McLELLAN  
CHAIRMAN, WAYS AND MEANS COMMITTEE

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

September 1, 1989

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

Dear Jim:

We have returned to the South Carolina Board of Nursing to determine the progress made toward implementing the recommendations in our audit report covering the period of July 1, 1987 - December 30, 1988. During this visit, we followed up on each recommendation made in the audit report through inquiry, observation and limited testing.

We observed that the Board has made substantial progress toward correcting the problem areas found and improving the internal controls over the procurement system. With the changes made, the system's internal controls should be adequate to ensure that procurements are handled in compliance with the Consolidated Procurement Code and ensuing regulations.

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

Sincerely,

A handwritten signature in cursive script, appearing to read "R. Voight Shealy".

R. Voight Shealy, Manager  
Audit and Certification

