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South Carolina
Division of General Services

PROCUREMENT AUDIT AND CERTIFICATION

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SOUTH CAROLINA
COMMISSION FOR THE BLIND

AGENCY

OCTOBER 1, 1988 - JUNE 30, 1991

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

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JOHN DRUMMOND
CHAIRMAN, SENATE FINANCE COMMITTEE

WILLIAM D. BOAN
CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER F. CARTER
EXECUTIVE DIRECTOR

February 24, 1992

Mr. Richard W. Kelly
Director
Division of General Services
1201 Main Street, Suite 420
Columbia, South Carolina 29201

Dear Rick:

I have attached the Office of Audit and Certification's procurement audit report of the South Carolina Commission for the Blind for the period of October 1, 1988 - June 30, 1991. This report encompasses over one year of efforts by our staff in cooperation with Commissioner Donald Gist, the State Auditor's Office and the United States Department of Education, Rehabilitation Services Administration, to identify and correct procurement weaknesses at the Commission for the Blind.

Based on these corrective actions, I concur with Audit and Certification's recommendation that the Commission be allowed to continue to procure goods and services, consulting services, construction and information technology up to the basic level of $2,500 authorized by the Consolidated Procurement Code. Since we have no recommendation for certification at this time, I recommend that the report be presented to the Budget and Control Board as information.

Sincerely,

James J. Forth, Jr.
Assistant Division Director

JJFjr/jjm

Attachment

SOUTH CAROLINA COMMISSION FOR THE BLIND

PROCUREMENT AUDIT REPORT

OCTOBER 1, 1988 - DECEMBER 31, 1990

FOLLOW-UP REVIEW

JANUARY 1, 1991 - JUNE 30, 1991

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NOTE: The Commission's responses to issues noted in this report have been inserted immediately following the issues they refer to.

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LUTHER F. CARTER
EXECUTIVE DIRECTOR

February 21, 1992

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 examined the procurement policies and procedures of the South Carolina Commission for the Blind for the period October 1, 1988 through June 30, 1991. As part of our examination, we studied and evaluated the system of internal control over procurement transactions to the extent we considered necessary.

The 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 necessary for developing an opinion on the adequacy, efficiency and effectiveness of the procurement system.

The administration of the South Carolina Commission for the Blind 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 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 this report which we believe need correction or improvement.

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

Voight Shealy

R. Voight Shealy, CFE, Manager
Audit and Certification

INTRODUCTION

We conducted an examination of the internal procurement operating procedures and policies of the South Carolina Commission for the Blind. Our on-site review was conducted January 7, 1991 through February 25, 1991 and was made under authority as described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Section 19-445.2020 of the accompanying regulations.

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

Additionally, our work was directed toward assisting the South Carolina Commission for the Blind in promoting the underlying purposes and policies of the Code as outlined in Section 11-35-20, which include:

(1) to ensure the fair and equitable treatment of all persons who deal with the procurement system of this State

(2) to provide increased economy in state procurement activities and to maximize to the fullest extent practicable the purchasing values of funds of the State

(3) to provide safeguards for the maintenance of a procurement system of quality and integrity with clearly defined rules for ethical behavior on the part of all persons engaged in the public procurement process

SCOPE

Our examination was performed in accordance with Generally Accepted Auditing Standards as they apply to compliance audits. It encompassed a detailed analysis of the internal procurement operating procedures of the South Carolina Commission for the Blind 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 selected random samples for the period October 1, 1988 - December 31, 1990, of procurement transactions for compliance testing and performed other audit procedures that we considered necessary to formulate this opinion. As specified in the Consolidated Procurement Code and related regulations, our review of the system included, but was not limited to, the following areas:

(1) All sole source procurements for the period October 1, 1987 - December 31, 1990. No emergency procurements or trade-in sales were reported for this period.

(2) Property management procedures

(3) Procurement transactions for the period October 1, 1988 - December 31, 1990

   a) One hundred thirty-four randomly selected procurement transactions exceeding $500.00 each

   b) A block sample of 500 vouchers

(4) Minority Business Enterprise Plans and reports

(5) Procurement staff and training

(6) Procurement procedures

(7) Information Technology Plans and approvals

(8) Real Property leases

(9) Eight specific areas requested by the Commissioner

(10) All procurements from four vendors from July 1, 1988 - March 20, 1991

FOLLOW-UP SCOPE

We performed an extensive follow-up review to determine the corrective actions taken by the Commission. During this review, we determined the corrective action for each recommendation that we made in this report. Also, we tested the following additional transactions:

(1) All sole source, emergency and trade-in sale procurements for the period

(2) Two block samples of 250 vouchers each as follows:

a) Vouchers 9401-9650 dated 5/3/91 - 5/13/91
b) Vouchers 10901-11150 dated 6/14/91 - 6/19/91

Please see page 39 of this report for our results.

SUMMARY OF AUDIT FINDINGS

Our audit of the South Carolina Commission for the Blind, hereinafter referred to as the Commission, produced findings and recommendations as follows:

PAGE

I. AUTOMATED CLIENT INFORMATION SYSTEM 13

Between 1984 and May 1989, the Commission made procurements totalling $666,533 toward development of an automated client information system. However, the Commission never implemented it.

II. INVALID STATE TERM CONTRACT NUMBERS USED 14

Five instances of invalid State term contract numbers were noted out of a random sample of 134 transactions. For this reason, we expanded our testing and found an additional 150 vouchers with invalid references.

III. SOLE SOURCE AND EMERGENCY PROCUREMENTS AND TRADE-IN SALES

A. UNAUTHORIZED SOLE SOURCES 16

Nine sole source procurements were not approved by an appropriate official.

B. SOLE SOURCE PROCUREMENTS OF VENDING EQUIPMENT 17

We noted sole sources totalling $50,917.00 for vending equipment which did not meet the definition of sole source.

C. INAPPROPRIATE SOLE SOURCE TRANSACTION 18

One other procurement made as a sole source did not meet the criteria of sole source.

D. SOLE SOURCE REPORTING ERRORS 18

We noted four sole source reporting errors.

IV. ARTIFICIALLY DIVIDED PROCUREMENTS 19

Five purchase authorizations were artificially divided to avoid competition thresholds. As a result, one procurement was unauthorized.

V. PROCUREMENTS WITHOUT EVIDENCE OF COMPETITION 21

Two procurements were not supported by evidence of solicitations of competition or sole source or emergency procurement determinations. Because of the amounts paid, they exceeded the Commission's authority and were both unauthorized.

VI. INADEQUATE SOLICITATIONS OF COMPETITION 22

In one case, the Commission did not seek adequate competition.

VII. PROCUREMENTS OF VISUAL AID EQUIPMENT 22

Eight out of thirteen procurements made to one vendor for visual aid equipment did not meet the minimum bid requirements.

VIII. PROPERTY MANAGEMENT

A. BUSINESS ENTERPRISE PROGRAM SURPLUS PROPERTY 23

In violation of the State's surplus property procedures, surplus property has been stored in a 2000 square foot warehouse for up to seven years.

B. PROCUREMENTS OF EQUIPMENT FOR CLIENTS 24

We also noted a procedural problem in how client equipment is accounted for.

IX. PROCUREMENTS INAPPROPRIATELY CLASSIFIED AS EXEMPT 25

Low vision aids were classified inappropriately as exempt.

X. PURCHASE AUTHORIZATIONS, REQUISITIONS, AND INVOICES THAT DO NOT MATCH 26

In five instances, we were unable to match the purchase authorizations, requisitions and invoices.

XI. CHANGE ORDER IMPROPERLY AUTHORIZED 27

A change order was improperly authorized resulting in a $94.50 overpayment.

XII. TIE BIDS INAPPROPRIATELY RESOLVED 28

The Commission did not resolve two tie bids in accordance to the Procurement Code.

XIII. REPAIR SERVICE CONTRACT NEEDED 29

Because of a large number of small payments for repair services of concession stand equipment, we recommend that a contract be bid for these services.

XIV. CONSTRUCTION OF VENDING SHELTERS 29

We believe the construction of vending shelters falls under the definition of a permanent improvement project and should follow the procedures.

XV. MISSING DOCUMENTATION 30

Documentation to support payments of $61,802.40 and $37,422.00 could not be located.

XVI. LACK OF APPROVED INFORMATION TECHNOLOGY PLANS 31

The Commission could not provide us with the approvals of their information technology plans for any of the fiscal years we tested.

XVII. PROCUREMENT PROCEDURES MANUAL 32

Not only did the Commission not follow its own Procurement Procedures and Policy Manual, they did not know it existed.

XVIII. PROFESSIONAL DEVELOPMENT OF PROCUREMENT OFFICER 33

We recommend the Procurement Officer be trained.

RESULTS OF EXAMINATION

In our last audit report of the Commission dated July 1, 1985 - September 30, 1988, we noted many problems and made recommendations which we believed would help the procurement process. Our current audit has revealed that many of these problems and violations of the Consolidated Procurement Code, hereinafter referred to as the Code, continue to occur. We have also noted that recommendations we made have not been implemented. A comment from our last report stated:

> The agency does not have sufficient control over procurement activity to assure compliance with the Code and Regulations. We recommend that the procurement officer scrutinize each purchase request for compliance with specific emphasis on the source selection method applicable to each purchase request.

Based on the exceptions noted herein, we find that this comment is still valid.

At the time of our follow-up review, the Commission had agreed to our recommendations and was proceeding with corrective action. However, key management staff and the previous Commissioner left the Commission after our follow-up review. Unfortunately, corrective action was never completed.

The Commission hired a new Commissioner in April 1990. Realizing a variety of problems, he requested that we perform an audit. Our results and recommendations are as follows:

I. AUTOMATED CLIENT INFORMATION SYSTEM

Starting in 1984, the Commission pursued development of an automated client information system. Toward that end, the Commission made procurements of:

Description	Amount
1 - Mainframe computer and software	$ 547,130
2 - Professional services - survey of computing system needs	44,000
3 - Professional services - implement a client information system	42,000
4 - Professional services - contract programming development	33,403
Total	$ 666,533

Unfortunately, to date these efforts have failed. The Commission does not have the system. The fourth vendor listed above informed us that he delivered an automated client information system in May 1989, but the Commission never implemented it.

We believe this failure was primarily caused by turnover of key personnel at the Commission.

We find that the Commission still has a significant need for an automated client information system. We recommend that the Commission seek the necessary advice from the appropriate state authorities and determine what can be done to complete this project.

COMMISSION RESPONSE

The Commission is under contract with the Department of Information Resource Management (DIRM) to develop an Automated Client Information System. This system is being designed per the

Commission's specification, and processing to be completed through the Personal Computer (PC's) Network. After extensive evaluation of the Hewlett-Packard System, the decision was made to abolish the incomplete Client Information System. Also the Hewlett-Packard software will not interface with the Comprehensive Automated Requisition System (CARS) and the Governmental Accounting Financial Reporting System (GAFRS) being installed for fiscal management. Use of the Hewlett-Packard System shall be discontinued and the appropriate documentation shall be completed for surplus declaration by July 1, 1991.

II. INVALID STATE TERM CONTRACT NUMBERS USED

For a period of at least July 1, 1988 - March 5, 1991, the Commission used a rubber stamp to misrepresent a state term contract number and support 155 transactions totalling $61,730.68. Initially, we noted five of these items in a sample of 134 transactions. To pursue this issue, we tested all vouchers processed to three vendors noted in the first five exceptions. See Attachment A for a listing of these.

Amounts listed which exceed $2,500, the Commission's procurement authority, are unauthorized and require ratification from the State Materials Management Officer in accordance with Regulation 19-445.2015. These include items 2, 3 and 4. Also, it includes items 7 - 26 since they were monthly payments for three contracts for computer maintenance agreements.

One of the responsibilities of the Procurement Officer is to verify State contract number references and prices. This responsibility was not performed.

We are disturbed by the misrepresentations of State term contract references and the lack of control at the Commission to discover such misrepresentations.

In our last audit report, due to a lack of control over the procurement function at the Commission, we made the following recommendation:

We recommend that one of the two optional methods be adopted:

1) Procurement actions be centralized with the procurement officer actually handling them. This means establishment of a conventional requisition system with no commitment being made except for isolated cases by anyone but the procurement officer.

2) A departmental purchase order (D.P.O.) system be established to replace the current process. Under such a system, the BEP counselors would be officially authorized to make procurement actions within defined guidelines, i.e. types of procurements, dollar amounts, etc.

We repeat this recommendation.

COMMISSION RESPONSE

The Commission procurement actions will be centralized. The Commission is installing the Comprehensive Automated Requisition System (CARS). This sytem interfaces with the Governmental Accounting Financial Reporting System (GAFRS). Therefore, only the procurement officer shall be authorized to commit for goods and non-medical services. Ratification for items 2, 3, 4, 7-26 and 27-155 are pending approval of the Materials Management Office. Items 1, 5 and 6 ratified by the Commissioner.

III. SOLE SOURCE AND EMERGENCY PROCUREMENTS AND TRADE-IN SALES

We examined the quarterly reports of sole source and emergency procurements and trade-in sales for the period September 1, 1987 through December 31, 1990. This review was performed to determine the appropriateness of the procurement actions taken and the accuracy of the reports submitted to the

Division of General Services as required by Section 11-35-2440 of the Consolidated Procurement Code. The Commission reported no emergency procurements or trade-in sales. However, we noted the following problems with sole source procurements:

A. UNAUTHORIZED SOLE SOURCES

Nine procurements declared as sole sources were not approved by anyone with the requisite authority. They were as follows:

Purchase Authorizations

	Number	Date	Amount	Description
1)	57327	09/19/89	$ 7,580.00	Talking food scales
2)	57325	09/19/89	8,500.00	Talking money identifiers
3)	57326	09/19/89	17,465.00	Talking cash registers
4)	32557	08/31/89	4,240.00	Braille printer/upgrade
5)	32556	08/31/89	10,200.00	Work sample series
6)	32560	08/31/89	2,625.00	Visual system
7)	32569	08/31/89	4,515.00	Visual system printer
8)	32559	08/31/89	3,265.00	Visual system
9)	5573	03/20/90	4,921.31	Broadcast automation controller

At the Commission, only the Commissioner has sole source authority. However, none of these transactions were approved by the Commissioner. This being the case, all of the transactions listed above were unauthorized.

We recommend that the Commissioner remind his employees that he must approve all sole source transactions prior to any commitments being made. Also, since these transactions were unauthorized, they must be submitted for ratification in accordance to Regulation 19-445.2015 to the appropriate officials. Procurements within the Commission's $2,499.99 limit of authority may be ratified by the Commissioner. Procurements

$2,500 up to $25,000 must be submitted to the State Materials Management Officer.

COMMISSION RESPONSE

The Commission agrees with the finding, and all agency employees have been informed about sole source procurement procedures. Ratification requests are pending for stated items 1-9.

B. SOLE SOURCE PROCUREMENTS OF VENDING EQUIPMENT

Since September 1, 1987, the Commission made eleven procurements of vending equipment totalling $50,917.00 as sole sources. According to Section 11-35-1560 of the Code, the criteria of a sole source procurement is that there is only one source for the required supply. The Commission's written determination states, "The replacement of parts and service and maintenance of the machine is of paramount consideration. This company has demonstrated the ability to provide parts, service and maintenance on machines." We understand the Commission's concern for maintenance, but the existence of other vendors for vending equipment disputes the sole source determinations.

We recommend that all future procurements of these vending machines and maintenance be competitively bid in accordance to the Procurement Code.

COMMISSION RESPONSE

The Commission agrees with recommendation. The last vending equipment purchased was competitively bid by the Materials Management Office.

C. INAPPROPRIATE SOLE SOURCE TRANSACTION

One other sole source procurement did not meet the criteria as such. It was as follows:

Number	Date	Amount	Description
36940	02/07/90	$650.00	3 channel satellite demodulation

We recommend that this type of procurement be competitively bid in the future.

COMMISSION RESPONSE

The Commission agrees with recommendation.

D. SOLE SOURCE REPORTING ERRORS

We noted four reporting errors on the sole source transactions. They were as follows:

	Number	Date	Amount	Description
1)	39912	03/30/89	$1,732.55	Parts for brailler
2)	35325	09/26/90	1,194.50	Printed pamphlets and brochures
3)	32559	08/31/89	3,265.00	Visual aid equipment
4)	5573	03/20/90	4,921.31	Broadcast automation controller

Item 1 was reported twice. It was first reported on the quarterly report ending March 31, 1988. The purchase was cancelled, but the quarterly report was never changed. Then, this procurement was made again and reported for the quarter ending March 31, 1989.

Item 2 is an exempt procurement and sole source was unnecessary. Items 3 and 4 were never reported as sole sources.

We recommend amended reports be submitted to the Division of General Services correcting these reporting errors.

COMMISSION RESPONSE

The Commission agrees with finding. Amended Quarterly Totals and Record of Sole Source Contracts' forms have been submitted per Procurement Code.

IV. ARTIFICIALLY DIVIDED PROCUREMENTS

We noted five purchase authorizations which we believe should have been combined into two procurements. They were as follows:

Purchase Authorizations

	Number	Date	Amount	Description
1)	45831	06/27/89	$2,445.00	Recorder
2)	45830	06/26/89	175.00	Remote for recorder
3)	36881	06/26/89	2,400.00	Recorder
4)	36937	01/18/90	128.00	Connectors for tone generator
5)	36938	01/18/90	449.00	Tone generator

Items 1, 2 and 3 should have been combined and handled as one procurement. Three written quotes were obtained and used to support the procurements of both recorders. The low vendor quoted a price of $2,445.00 for one recorder. It appears that the vendor actually lowered his quote to $2,370.00 when the Commission bought two recorders instead of one. This reduction in price by the vendor is a clear indication of why procurements

should be combined whenever possible. No competition was solicited on the remote control unit.

Also, because the amount paid to the vendor for this procurement exceeded the Commission's level of procurement authority, the transaction was unauthorized and must be submitted for ratification to the State Materials Management Officer in accordance to Regulation 19-445.2015.

The Commission did not solicit competition on items 4 and 5. It appears this transaction was divided to avoid the competition threshold of $500.00. Regulation 19-445.2100 requires a minimum of two telephone quotes for procurements from $500.01 to $1,499.99. The regulation also prohibits the artificial division of procurements.

For reference, items 1 and 2 were processed on voucher 9035 dated July 6, 1989. Item 3 was processed on voucher 9370 dated July 17, 1989. Items 4 and 5 were processed on voucher 5596 dated March 20, 1990.

We recommend the Commission combine like transactions whenever possible.

COMMISSION RESPONSE

The Commission agrees with the finding. Ratification for items 1, 2 and 3 pending approval by the Materials Management Office. Items 4 and 5 ratified by the Commissioner.

V. PROCUREMENTS WITHOUT EVIDENCE OF COMPETITION

Two procurements were not supported by either evidence of solicitations of competition or sole source or emergency procurement determinations. They were as follows:

Voucher Number	Voucher Date	Voucher Amount	Description
3499	01/09/90	$18,018.00	Service agreement for computer
4500	12/11/90	4,940.00	Low vision aid equipment

The Code requires that procurement transactions either be supported by solicitations of competition or sole source or emergency procurement determinations if appropriate.

Also, since these transactions exceeded the Commission's procurement authority of $2,500.00, they were unauthorized and must be submitted for ratification from the State Materials Management Officer in accordance to Regulation 19-445.2015.

We recommend the Commission adhere to these requirements of the Code in the future.

COMMISSION RESPONSE

Item 1 - Renewal of annual (01 Jul 89 - 30 Jun 90) software contract with Hewlett-Packard. Purchase authorization number was 45480. Item should have been sole source procured. Employee made a mistake with this procurement transaction. Ratification approval pending from the Materials Management Office.

Item 2 - Voucher number 4500 was a sole source procurement. The approved justification for sole source procurement form was attached to the user department purchase order documentation. Appropriate forms completed and submitted.

VI. INADEQUATE SOLICITATIONS OF COMPETITION

We noted one transaction where the Commission did not solicit sufficient competition. This occurred on purchase authorization 60826 dated February 26, 1990 in the amount of $2,465.00 (less sales tax) for a 35" television. The Commission made two verbal solicitations for competition. Regulation 19-445.2100(B)(3) requires that a minimum of three written solicitations be made from qualified sources of supply for transactions between $1,500.00 and $2,499.99.

We recommend the Commission comply with this regulation.

COMMISSION RESPONSE

The three written quotations were attached to the user department documentation. Written quotations shall be attached to purchasing department copy of the purchase requisition.

VII. PROCUREMENTS OF VISUAL AID EQUIPMENT

We tested thirteen procurements of a particular brand of visual aid equipment made with one vendor. We noted eight exceptions with these transactions. The voucher numbers were as follows:

	Voucher Number	Voucher Date	Voucher Amount	Competition Solicited	Competition Required
1)	3804	11/01/90	$2,360.00	3 verbal	3 written
2)	3259	12/11/89	2,366.00	3 verbal	3 written
3)	6055	03/21/89	2,151.00	3 verbal	3 written
4)	9261	07/13/89	2,151.00	2 verbal	3 written
5)	6806	05/12/87	1,975.00	3 verbal	3 written
6)	7055	04/07/88	2,270.00	1 verbal	3 written
7)	1250	09/11/89	2,359.00	3 written	3 written
8)	1935	10/17/89	2,359.00	1 written/2 verbal	3 written

Regulation 19-445.2100(B)(3) requires for procurements from $1,500.00 to $2,499.99 that a minimum of three written solicitations of competition be made from qualified sources of supply. With the exception of item 7, this requirement was not met.

For item 7 the quotes obtained appeared to have been used to support the transaction listed as item 8 even though only one written quote was found in that voucher package.

We must state our concern over the frequency of exceptions for procurements made with this vendor. The Code requires that written quotes be solicited for procurements at this dollar level. We recommend the Commission comply with the regulation.

COMMISSION RESPONSE

The Commission agrees with the finding. Future visual aid equipment procured shall be competitively bid per Regulation 19-445.2100 (B)(3). The Technical Services Division processes the purchase requisitions for visual aid equipment.

VIII. PROPERTY MANAGEMENT

A. BUSINESS ENTERPRISE PROGRAM SURPLUS PROPERTY

We performed a limited review of property management at the Commission. This review encompassed property management procedures over the capitalization of fixed asset equipment and the disposition of surplus property. We noted two exceptions as follows.

The Commission leases a 2000 square foot warehouse which is full of Business Enterprise Program surplus equipment. We were

told that some of this equipment has been stored there for up to seven years. Regulation 19-445.2150(B)(1) states in part, "within ninety (90) days from the date property becomes surplus, it must be reported to the SPMO on a turn-in document (TID) designed by the SPMO." The SPMO is the Surplus Property Management Office.

We recommend the Commission notify the SPMO of this surplus property so that it may be disposed. When this occurs, the Commission should consider if this leased space is necessary.

COMMISSION RESPONSE

The Commission agrees with the recommendation. Per Regulation 19-445.2150, the Business Enterprise Program Supervisor has notified the Surplus Property Management Office (SPMO) that held an auction. The sold equipment and non-surplus equipment will be removed from the building by June 30, 1991.

B. PROCUREMENTS OF EQUIPMENT FOR CLIENTS

The Commission buys equipment for its clients for a variety of uses. The primary purpose here is to train clients for employment and provide them the necessary equipment. Once procured, this equipment is client owned. In an effort to account for these client equipment purchases, for the first time ever, the Commission recently began recording this equipment on it's fixed asset inventory system. The effect of this policy is that client equipment is being reflected as agency owned.

While we agree that the client equipment should be accounted for and maintained on an inventory listing, it should be maintained separately from the Commission's fixed assets.

We recommend that a separate inventory system be developed for the client owned equipment. This equipment should not be reflected as being owned by the Commission.

COMMISSION RESPONSE

The Commission agrees with the recommendation. A Client Equipment Inventory System is being developed. This system shall be maintained by the Purchasing Department.

IX. PROCUREMENTS INAPPROPRIATELY CLASSIFIED AS EXEMPT

The Low Vision Clinic procures vision aids for both clients and others who need them. The clinic classified these aids as exempt from the Procurement Code as items available for commercial resale. Vision aids that are bought for clients of the Commission are not items available for commercial resale when the Commission funds the procurements. Items bought and then sold to private individuals may be classified as exempt.

We recommend that the Commission procure low vision aids for clients in accordance to the Code.

COMMISSION RESPONSE

The Commission agrees with the recommendation. The Commission misinterpreted the Procurement Code guidelines pertaining to Low Vision Clinic Equipment purchased for resale to Commission's clients. Low vision aids are not exempted from the Code.

X. PURCHASE AUTHORIZATIONS, REQUISITIONS AND INVOICES DO NOT MATCH

We were unable to match the purchase authorizations, requisitions and invoices in five cases. The voucher numbers were as follows:

	Voucher Number	Voucher Date	Voucher Amount	Unsupported Amount	Description
1)	3139	11/01/90	$13,888.64	$ 832.00	Computer equipment
2)	4394	12/11/90	1,069.55	-	Carpentry tools
3)	9409	07/18/89	1,450.00	975.00	Repair charges
4)	2284	10/12/90	608.90	175.80	Audio tapes

For Item 1 the Commission ordered among other things four desk top printers at $712.00 each using a State term contract reference. The Commission accepted receipt of a different type of printer at $504.00 each. There was no documentation as to why the Commission accepted and paid for something other than what was ordered.

Furthermore, these printers were not offered on State term contract from this vendor. We recommend the Procurement Officer verify these contract numbers as to types of equipment being bought and amount paid per item.

On Item 2 the Commission requested bids on an eight inch sander among other things. The purchase authorization listed an eight inch sander. However, the Commission accepted and paid for a six inch sander at the price listed for the eight inch sander. No documentation was available to explain why.

For Item 3 the purchase authorization showed repair cost of $475.00 for an ice machine. However, the requisition which preceded the purchase authorization showed a cost of $1,450.00 which is what was billed on the invoice. There was no

documentation to explain the difference but the vendor was paid in full. The Commission did show evidence that two verbal quotes were obtained which met the competition requirement of the Code. However, we must state our concern over the lack of control in the payment function at the Commission.

On Item 4, the Commission accepted and paid for $175.80 of blank video cassette tapes that were not on the approved purchase authorization. No explanation or acknowledgment was located in the voucher package.

We recommend the Commission reevaluate its internal controls over the accounts payable function. Deviations from purchase authorizations should be explained.

COMMISSION RESPONSE

Agency personnel responsible for authorizing, receiving and approving payments have been instructed that it is their responsibility to ensure that authorizations, invoices and receiving reports are properly completed and accurate prior to submission for payment, and any deviations must be explained. Memorandum sent to program directors outlined their procurement responsibilities.

XI. CHANGE ORDER IMPROPERLY AUTHORIZED

Because the Commission approved a change order that it should not have, an overpayment of $94.50 was made. This occurred on voucher 8687 dated July 9, 1990 for vending machines. The vendor back ordered one item and when it was delivered and invoiced, the price was increased a total of $94.50 by the vendor. The Commission did not catch this and instead approved the increased amount for payment.

We recommend the Commission reevaluate its change order policy and the controls over it.

COMMISSION RESPONSE

Change orders shall be processed through the Purchasing Department prior to payment of invoices. Supporting documentation shall be attached to Purchasing file copy for all changes.

XII. TIE BIDS INAPPROPRIATELY RESOLVED

We noted two instances where tie bids were not resolved in accordance to the Code. These occurred on the following vouchers.

Voucher Number	Voucher Date	Voucher Amount	Description
1883	10/04/90	$1,000.00	Moving expenses
4340	12/11/90	1,404.44	Low noise amplifier

Section 11-35-1520(9) addresses how tie bids are to be resolved.

We recommend the Commission comply with this section of the Code.

COMMISSION RESPONSE

The Commission agrees with recommendation. Tie bids shall be resolved per Section 11-35-1520(9) of the Procurement Code.

XIII. REPAIR SERVICE CONTRACT NEEDED

We noted a number of small procurements (less than $500.00 each) for repair services to concession stand equipment such as ice machines, refrigerators and other equipment. Because each of these transactions is less than $500.00, no competition is solicited. For voucher 4683 dated February 16, 1990, we noted four purchase authorizations within a two week period which authorized $1,047.54 in repair services. On voucher 4682 dated February 16, 1990, two other purchase authorizations to the same vendor were made authorizing another $545.58 for similar repairs within this same two week period.

We recommend the Commission establish a contract for these repair services through the competitive process of the Code. Since these services are rendered all over the State, we recommend the State be divided into regions. Vendors would be allowed to bid on any or all regions they choose. This contract solicitation should be handled through the State Materials Management Office.

COMMISSION RESPONSE

The Commission agrees with the recommendation. Specifications are being developed by the Business Enterprise Program Supervisor to be submitted to the Materials Management Office for formal bidding.

XIV. CONSTRUCTION OF VENDING SHELTERS

We believe that the construction of vending shelters should be established as a permanent improvement project. A permanent improvement project (PIP) is defined as follows:

1. Any acquisition of land
2. Any acquisition (as opposed to construction) of buildings or other structures
3. Any construction or maintenance of facilities (real property) in which the total cost is $25,000 or more.
4. Architectural, engineering, construction management, land surveying, feasibility study, and other types of planning or design work, regardless of cost, which is intended to result in a permanent improvement.

Since the cost to construct and equip one shelter exceeds $25,000.00, we believe the PIP process should be followed. Furthermore, it was the intent of the Commission to build these shelters at all interstate rest areas. One project may be established for all vending shelters since they are all alike.

We recommend the Commission follow the permanent improvement process in the construction of vending stands.

COMMISSION RESPONSE

The Commission agrees with recommendation. Vending shelters built in the future will comply with the Permanent Improvement Projects (PIP) Program. These projects shall be bid through the Division of General Services, Office of Construction and Planning.

XV. MISSING DOCUMENTATION

The Commission was unable to provide us with documentation to support two large payments. These voucher numbers were as follows:

Voucher Number	Voucher Date	Voucher Amount
3170	Nov. '88	$37,422.00
3192	Nov. '88	61,802.40

We do not know what these payments were for, but believe they were for display refrigerators and computer equipment

respectively. We must again state our concern over the apparent lack of internal controls at the Commission.

We recommend the Commission secure these documents and institute a sign out procedure to establish responsibility for all documents removed from files.

COMMISSION RESPONSE

The Commission has implemented a sign out procedure for all documents removed from the Accounting Department procurement/accounting files. When the procurement of supplies freeze is removed, the agency will procure "file removal sign out cards" to identify agency personnel removing files. This procedure will be monitored for 90-120 days, if no improvement determined, the Accounting Department will establish a secured file room. Agency personnel that use the Accounting Department files have been notified of these changes. Copies of invoices and voucher for vouchers 3170 and 3192 are available.

XVI. LACK OF APPROVED INFORMATION TECHNOLOGY PLANS

The Commission is unable to provide us with the approvals of their information technology plans for fiscal years 1988-1989, 1989-1990 and 1990-1991. The Annual Appropriations Acts require that agencies submit for approval to the Budget and Control Board information technology plans each year. We saw the plans but were not provided with the approvals.

We recommend that the Commission obtain approvals from the Budget and Control Board on their annual information technology plans in the future.

COMMISSION RESPONSE

Commission's personnel (previous administration) was misinformed about the correct procedures for submitting the annual Information (IT) Plan for approval. IT Plan budget information was being submitted annually to the Board; therefore, approval of the budget implied approval of the IT Plan. The fiscal year 91-92 IT Plan is being developed for approval by the Information Technology Management Office.

XVII. PROCUREMENT PROCEDURES MANUAL

As with all audits, we requested a copy of the Commission's internal Procurement Procedures and Policy Manual. After several requests we received a copy of a manual dating back to 1981. We review these manuals to determine if changes have been made since our last audit and that these changes comply with the Code. In doing so we retain a copy for our files. The Procurement Officer at the Commission not only did not follow their own manual approved by us in 1988, but was completely unaware of its existence.

Considering the number and variety of exceptions in this report, we recommend that the Commission revise its current manual. We also recommend that the procurement system be revised as well. This manual must be submitted to us for approval once it is completed.

COMMISSION RESPONSE

The Commission agrees with the recommendation. The Commission is revising the procurement manual to include automated enhancements and centralized procurement responsibility.

XVIII. PROFESSIONAL DEVELOPMENT OF PROCUREMENT OFFICER

Based on the number and variety of exceptions, we recommend that the Procurement Officer seek training. As one source for this training, the Budget and Control Board's Division of Human Resource Management offers courses in purchasing. Also, the State Materials Management Office offers updates to the Code and other training. The Procurement Officer might also participate in procurement associations such as the South Carolina Association of Governmental Purchasing Officials (SCAGPO) which coordinates seminars.

COMMISSION RESPONSE

The Commission agrees with the recommendation. The Procurement Officer will take part in associated training and participate in procurement associations.

CONCLUSION

We must reiterate our concerns over the lack of internal controls over the procurement system as well as other accounting controls. Our audit is primarily focused on the procurement function at the Commission, and as such we do not offer an opinion on the Commission as a whole; but the procurement function is out of control.

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

This office will monitor the progress of the South Carolina Commission for the Blind and offer our assistance in solving its procurement related problems. In doing so, we will perform a follow-up review by July 31, 1991 to determine the corrective actions made. Subject to these corrective actions and because additional certification was not requested, we will recommend that the South Carolina Commission for the Blind be allowed to continue procuring goods and services, construction, information technology and consulting services up to the basic level as outlined in the Procurement Code.

Robert J. Aycock, IV

Robert J. Aycock, IV
Audit Supervisor

Voight Shealy

R. Voight Shealy, CFE, Manager
Audit and Certification

Attachment A

Commission for the Blind

List of Vouchers With Invalid Contract Numbers

	Voucher #	Date	Amount	Description
1)	8827	06/26/89	$ 580.00	Install computer connectors
2)	666	08/11/88	3,990.00	Computer software
3)	1768	09/27/88	6,498.00	Computer modem
4)	3206	11/23/88	3,990.00	Computer software
5)	1909	10/17/89	1,944.47	Laser printer
6)	2594	11/01/88	1,091.26	Minicomputer
7)	1877	09/28/88	960.00	Computer maintenance agreement
8)	8552	06/21/89	933.00	Computer maintenance agreement
9)	8551	06/21/89	337.00	Computer maintenance agreement
10)	6727	04/17/89	337.00	Computer maintenance agreement
11)	6728	04/17/89	933.00	Computer maintenance agreement
12)	6729	04/17/89	337.00	Computer maintenance agreement
13)	6730	04/17/89	933.00	Computer maintenance agreement
14)	6731	04/17/89	933.00	Computer maintenance agreement
15)	6732	04/17/89	337.00	Computer maintenance agreement
16)	1874	09/28/88	674.00	Computer maintenance agreement
17)	2617	11/01/88	337.00	Computer maintenance agreement
18)	2618	11/01/88	960.00	Computer maintenance agreement
19)	4574	01/26/89	960.00	Computer maintenance agreement
20)	4575	01/26/89	960.00	Computer maintenance agreement
21)	4576	01/26/89	337.00	Computer maintenance agreement
22)	4677	01/26/89	337.00	Computer maintenance agreement
23)	4578	01/26/89	960.00	Computer maintenance agreement
24)	4579	01/26/89	337.00	Computer maintenance agreement
25)	4580	01/26/89	337.00	Computer maintenance agreement
26)	4581	01/26/89	933.00	Computer maintenance agreement
27)	96	07/25/89	577.50	Copier rental
28)	105	07/25/89	76.83	Copier rental
29)	106	07/25/89	94.26	Copier rental
30)	103	07/25/89	147.00	Copier rental
31)	204	08/01/89	462.00	Copier rental
32)	650	08/16/89	73.50	Copier rental
33)	651	08/16/89	147.00	Copier rental
34)	652	08/16/89	89.66	Copier rental
35)	731	08/18/89	462.00	Copier rental
36)	1192	09/07/89	73.50	Copier rental
37)	1530	07/26/89	147.00	Copier rental
38)	1636	10/02/89	100.22	Copier rental
39)	1637	10/02/89	73.50	Copier rental
40)	1638	10/02/89	73.50	Copier rental
41)	1639	10/02/89	577.50	Copier rental

Commission for the Blind
List of Vouchers With Invalid Contract Numbers

	Voucher #	Date	Amount	Description
42)	1644	10/02/89	462.00	Copier rental
43)	1906	10/17/89	577.50	Copier rental
44)	2033	10/11/89	73.50	Copier rental
45)	2034	10/19/89	79.32	Copier rental
46)	2035	10/19/89	73.50	Copier rental
47)	2089	10/24/89	147.00	Copier rental
48)	2325	11/01/89	462.00	Copier rental
49)	2511	11/08/89	577.50	Copier rental
50)	3645	01/10/90	86.42	Copier rental
51)	3646	01/10/90	147.00	Copier rental
52)	3647	01/10/90	73.50	Copier rental
53)	3648	01/10/90	73.50	Copier rental
54)	3649	01/10/90	462.00	Copier rental
55)	3676	01/10/90	577.50	Copier rental
56)	3731	01/11/90	78.54	Copier rental
57)	3732	01/11/90	462.00	Copier rental
58)	3733	01/11/90	73.50	Copier rental
59)	3850	01/12/90	102.76	Copier rental
60)	4295	01/30/90	577.50	Copier rental
61)	4296	01/30/90	73.50	Copier rental
62)	4297	01/30/90	147.00	Copier rental
63)	4298	01/30/90	75.60	Copier rental
64)	4299	01/30/90	73.50	Copier rental
65)	4854	02/21/90	577.50	Copier rental
66)	4883	02/21/90	462.00	Copier rental
67)	5240	03/09/90	73.50	Copier rental
68)	5421	03/13/90	147.00	Copier rental
69)	5431	03/13/90	73.50	Copier rental
70)	5432	03/13/90	87.26	Copier rental
71)	5504	03/19/90	462.00	Copier rental
72)	6076	04/06/90	577.50	Copier rental
73)	6077	04/06/90	73.50	Copier rental
74)	6146	04/09/90	84.50	Copier rental
75)	6147	04/09/90	462.00	Copier rental
76)	6148	04/09/90	73.50	Copier rental
77)	7018	05/04/90	577.50	Copier rental
78)	7635	05/21/90	73.50	Copier rental
79)	7636	05/21/90	91.05	Copier rental
80)	7637	05/21/90	74.78	Copier rental
81)	7638	05/21/90	462.00	Copier rental
82)	9283	07/19/90	577.50	Copier rental
83)	9308	07/19/90	178.37	Copier rental
84)	9309	07/19/90	462.00	Copier rental
85)	2525	10/18/90	468.95	Copier rental
86)	2636	10/18/90	148.41	Copier rental
87)	2851	10/25/90	462.00	Copier rental
88)	2853	10/25/90	175.12	Copier rental
89)	3565	11/15/90	577.50	Copier rental

Commission for the Blind
List of Vouchers With Invalid Contract Number

	Voucher #	Date	Amount	Description
90)	7140	03/05/91	462.00	Copier rental
91)	8634	06/21/89	73.50	Copier rental
92)	8633	06/21/89	73.50	Copier rental
93)	8632	06/21/89	98.07	Copier rental
94)	8631	06/21/89	147.00	Copier rental
95)	8546	06/20/89	462.00	Copier rental
96)	8199	06/06/89	577.50	Copier rental
97)	7826	05/23/89	78.40	Copier rental
98)	7824	05/24/89	147.00	Copier rental
99)	7825	05/24/89	462.00	Copier rental
100)	7822	05/24/89	96.14	Copier rental
101)	7818	05/23/89	577.50	Copier rental
102)	6970	04/25/89	88.31	Copier rental
103)	6967	04/25/89	77.20	Copier rental
104)	6966	04/25/89	73.50	Copier rental
105)	6966	04/25/89	73.50	Copier rental
106)	6965	04/25/89	147.00	Copier rental
107)	6959	04/25/89	462.00	Copier rental
108)	6584	04/11/89	577.50	Copier rental
109)	6275	04/03/89	462.00	Copier rental
110)	6270	04/03/89	73.50	Copier rental
111)	6271	04/03/89	73.50	Copier rental
112)	6272	04/03/89	147.00	Copier rental
113)	6273	04/03/89	77.60	Copier rental
114)	6274	04/03/89	577.50	Copier rental
115)	5614	03/07/89	83.31	Copier rental
116)	5611	03/07/89	147.00	Copier rental
117)	5612	03/07/89	73.50	Copier rental
118)	5613	03/07/89	73.50	Copier rental
119)	5568	03/06/89	462.00	Copier rental
120)	5041	02/08/89	577.50	Copier rental
121)	280	08/01/88	147.00	Copier rental
122)	284	08/01/88	73.50	Copier rental
123)	610	08/11/88	651.00	Copier rental
124)	611	08/11/88	147.00	Copier rental
125)	612	08/11/88	73.50	Copier rental
126)	751	08/16/88	79.32	Copier rental
127)	752	08/16/88	85.92	Copier rental
128)	753	08/16/88	73.50	Copier rental
129)	754	08/16/88	73.50	Copier rental
130)	2087	10/05/88	73.50	Copier rental
131)	2088	10/05/88	147.00	Copier rental
132)	2089	10/05/88	84.49	Copier rental
133)	2091	10/05/88	92.63	Copier rental
134)	2599	11/01/88	79.70	Copier rental
135)	2600	11/01/88	147.00	Copier rental
136)	2602	11/01/88	651.00	Copier rental

Commission for the Blind
List of Vouchers With Invalid Contract Number

	Voucher #	Date	Amount	Description
137)	2603	11/01/88	73.50	Copier rental
138)	2604	11/01/88	85.73	Copier rental
139)	3194	11/23/88	77.72	Copier rental
140)	3200	11/23/88	147.00	Copier rental
141)	3201	11/23/88	651.00	Copier rental
142)	3202	11/23/88	73.50	Copier rental
143)	3295	12/01/88	73.50	Copier rental
144)	3730	12/22/88	147.00	Copier rental
145)	3846	01/03/89	73.50	Copier rental
146)	3842	01/03/89	577.50	Copier rental
147)	3843	01/03/89	85.76	Copier rental
148)	3844	01/03/89	73.50	Copier rental
149)	3985	01/05/89	462.00	Copier rental
150)	4534	01/23/89	73.50	Copier rental
151)	4538	01/23/89	73.50	Copier rental
152)	4539	01/23/89	75.60	Copier rental
153)	4541	01/23/89	462.00	Copier rental
154)	4542	01/23/89	577.50	Copier rental
155)	4524	01/23/89	147.00	Copier rental

STATE OF SOUTH CAROLINA

State Budget and Control Board

DIVISION OF GENERAL SERVICES

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EXECUTIVE DIRECTOR

February 21, 1992

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

Dear Jim:

Since our audit of the Commission for the Blind, we have worked with them toward correcting the problem areas noted in this report. In coordination with Commissioner Donald Gist and his staff and the United States Department of Education, Rehabilitation Services Administration, we have addressed and confirmed solutions to the exceptions. As you know, Commissioner Gist requested this audit initially and has cooperated fully with our efforts to resolve these matters.

August 1-2, we performed a follow-up review at the Commission to determine their progress toward implementing the recommendations that we made in our report. During that follow-up, we tested the Commission's compliance with each recommendation and performed the following additional tests:

(1) A review of all sole source, emergency and trade-in sale procurements for the period January 1 - June 30, 1991

(2) Two block samples of 250 vouchers each as follows:

a) Vouchers 9401-9650 dated 5/3/91 - 5/13/91
b) Vouchers 10901-11150 dated 6/14/91 - 6/19/91

The results of that follow-up were mixed. We noted distinct improvement in some areas, but not in others. We reported these results to the Commission and learned that the heart of the unresolved problems was that, due to a statewide hiring freeze and budget cuts, Commissioner Gist's plan to centralize procurement had been delayed beyond his control. At that time, we agreed to a time extension for corrective actions.

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Since then, through meetings, correspondence and exchanges of ideas and documentation, we have verified corrective action for all matters addressed in this report. The Commission has hired a full-time procurement officer, centralized its procurement function and trained its employees on the requirements of the Consolidated Procurement Code.

Based on this corrective action, we recommend that the Commission for the Blind be allowed to continue procuring goods and services, consultant services, construction and information technology up to the basic level of $2,500 authorized by the Consolidated Procurement Code.

Sincerely,

Voight Shealy

R. Voight Shealy, Manager
Audit and Certification

RVS/jjm

DATE DUE

OCT 31 1996			

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