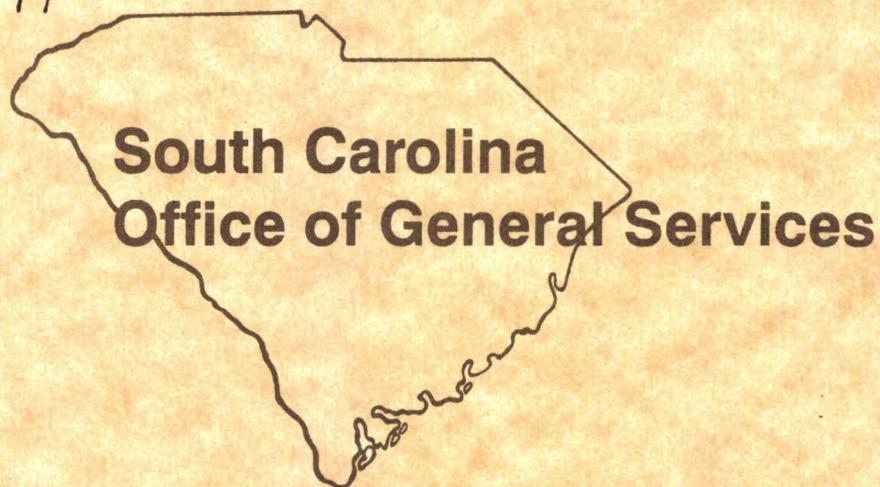


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PROCUREMENT AUDIT AND CERTIFICATION

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CONSTRUCTION AND PLANNING
OFFICE OF GENERAL SERVICES

AGENCY

JANUARY 1, 1997 – MAY 31, 2000

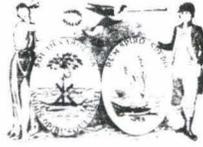
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OFFICE OF GENERAL SERVICES

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GOVERNOR

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ROBERT W. McCLAM
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

JOHN DRUMMOND
CHAIRMAN, SENATE FINANCE COMMITTEE

ROBERT W. HARRELL, JR.
CHAIRMAN, WAYS AND MEANS COMMITTEE

RICK KELLY
EXECUTIVE DIRECTOR

October 25, 2000

Mr. Robert W. McClam, Director
Office of General Services
1201 Main Street, Suite 420
Columbia, South Carolina 29201

Dear Robbie:

I have attached Construction and Planning of the Office of General Services' procurement audit report and recommendations made by the Office of Audit and Certification. I concur and recommend the Budget and Control Board grant the Office a three-year certification as noted in the audit report.

Sincerely,

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

R. Voight Shealy
Materials Management Officer

/jl

**CONSTRUCTION AND PLANNING
OFFICE OF GENERAL SERVICES
PROCUREMENT AUDIT REPORT**

JANUARY 1, 1997 - MAY 31, 2000

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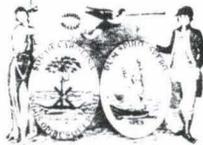
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STATE OF SOUTH CAROLINA
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ROBERT W. McCLAM
DIRECTOR

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

R. VOIGHT SHEALY
ASSISTANT DIRECTOR

September 22, 2000

JOHN DRUMMOND
CHAIRMAN, SENATE FINANCE COMMITTEE

ROBERT W. HARRELL, JR.
CHAIRMAN, WAYS AND MEANS COMMITTEE

RICK KELLY
EXECUTIVE DIRECTOR

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

Dear Voight:

We have examined the procurement policies and procedures of Construction and Planning of the Office of General Services for the period January 1, 1997 through May 31, 2000. As part of our examination, we studied and evaluated the system of internal control over construction 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, State regulations, and the Board's 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 Construction and Planning of the Office of General Services 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 two 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 Construction and Planning of the Office of General Services in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

Sincerely,



Larry G. Sorrell, Manager
Audit and Certification

INTRODUCTION

We conducted an examination of the internal procurement operating policies and procedures of Construction and Planning of the Office of General Services, hereafter referred to as the Office. Our on-site review was conducted May 24, 2000 through June 2, 2000 and was made under 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 in compliance with the South Carolina Consolidated Procurement Code and its ensuing regulations.

Additionally, our work was directed toward assisting the Office in promoting the 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

We conducted our examination in accordance with Generally Accepted Auditing Standards as they apply to compliance audits. Our examination encompassed a detailed analysis of the internal procurement operating procedures of the Office and its related policies and procedures to the extent we deemed necessary to formulate an opinion on the adequacy of the system to properly handle construction procurement transactions. Our review was limited to construction projects and related items handled by the Office as other types of procurements are handled through the Office of Internal Operations of the State Budget and Control Board.

We selected a judgmental sample of projects active during the period January 1, 1997 through May 31, 2000 for compliance testing and performed other audit procedures we considered necessary to formulate this opinion. Specifically, the scope of our audit included, but was not limited to, a review of the following:

- (1) Nineteen construction contracts and thirty architect/engineering services contracts
- (2) File documentation and evidence of compliance to the Manual for the Planning and Execution of State Permanent Improvement

RESULTS OF EXAMINATION

The Office of Audit and Certification performed an examination of the internal procurement policies and procedures of Construction and Planning of the Office of General Services, for the period January 1, 1997 through May 31, 2000. Our on-site review was conducted May 24, 2000 through June 2, 2000 and was made under the authority described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Regulation 19-445.2020. Construction and Planning has requested increased construction procurement certification as follows. Our audit was performed to determine if increased certification is warranted.

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Construction Contract Award	\$ 50,000 per commitment
Construction Contract Change Order	\$ 25,000 per change order
Architect/Engineer Contract Amendment	\$ 10,000 per change order

We reviewed the selection process of thirty architect/engineer (A/E) service firms and nineteen major construction files for approvals and compliance with the Manual for the Planning and Execution of State Permanent Improvements.

The Office could not furnish nor could we locate the Federal forms 254 and 255 on project F07-9629MT for asbestos abatement. Since the Office was unable to provide these required documents, we were unable to verify compliance with the Code, regulations, and the Manual for the Planning and Execution of State Permanent Improvements.

We recommend the Office complete its project files with the required documentation. We also recommend the project officers devise a checklist for the required State Engineer's documents to insure all files are complete and support the steps taken throughout the project.

CERTIFICATION RECOMMENDATION

As enumerated in our transmittal letter, corrective action based on the recommendations described in this report, we believe, will in all material respects place Construction and Planning of the Office of General Services in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

Under the authority described in Section 11-35-1210 of the Procurement Code, subject to this corrective action, we will recommend Construction and Planning of the Office of General Services be certified to make direct agency procurements for three years up to the limits as follows.

<u>PROCUREMENT AREAS</u>	<u>RECOMMEND CERTIFICATION LIMITS</u>
Construction Contract Award	\$50,000 per commitment
Construction Contract Change Order	\$25,000 per change order
Architect/Engineer Contract Amendment	\$10,000 per change order

James M. Stiles

James M. Stiles, CPPB
Audit Manager

Larry G. Sorrell

Larry G. Sorrell, Manager
Audit and Certification

STATE OF SOUTH CAROLINA
State Budget and Control Board
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EXECUTIVE DIRECTOR

ROBERT W. McCLAM
DIRECTOR

STATE BUILDING AND PROPERTY SERVICES
1201 MAIN STREET, SUITE 410
COLUMBIA, SOUTH CAROLINA 29201
(803) 737-0790 FAX 737-0689

JOSEPH O. ROGERS, III
ASSISTANT DIRECTOR

October 18, 2000

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

Dear Mr. Sorrell:

The Construction and Planning Team reviewed the procurement audit report for the period January 1, 1997 – May 31, 2000 during its' October 9 Team Meeting with special emphasis given to the two items enumerated in the report as needing correction or improvement. As a result, the office has begun to include in each procurement file a checklist of forms required to be maintained in the procurement file as recommended and has begun to file forms SF-254 and SF-255 with the procurement file rather than separately.

Sincerely,

A handwritten signature in cursive script that reads "William B. McCallum".

William B. McCallum, Architect
Manager, Construction and Planning Unit

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

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ROBERT W. McCLAM
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

October 25, 2000

JOHN DRUMMOND
CHAIRMAN, SENATE FINANCE COMMITTEE

ROBERT W. HARRELL, JR.
CHAIRMAN, WAYS AND MEANS COMMITTEE

RICK KELLY
EXECUTIVE DIRECTOR

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

Dear Voight:

We have reviewed the response from Construction and Planning of the Office of General Services to our audit report for the period of January 1, 1997 – May 31, 2000. Also we have followed the Office's corrective action during and subsequent to our fieldwork. We are satisfied that the Office has corrected the problem area and the internal controls over the procurement system are adequate.

Therefore, we recommend the Budget and Control Board grant Construction and Planning of the Office of General Services the certification limits noted in our report for a period of three years.

Sincerely,

Handwritten signature of Larry G. Sorrell in cursive.

Larry G. Sorrell, Manager
Audit and Certification

LGS/jl

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