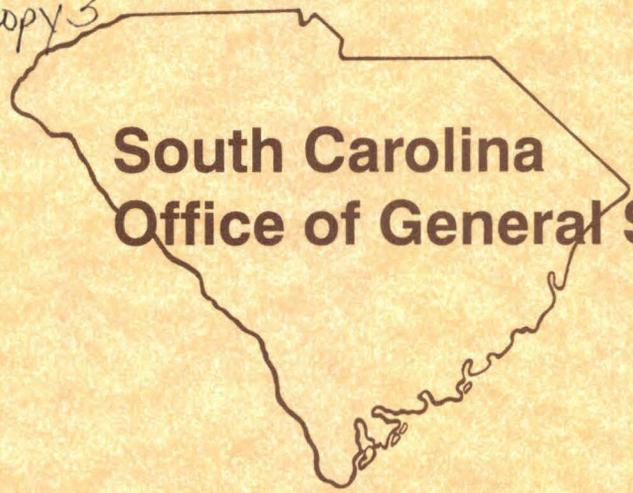


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**South Carolina
Office of General Services**

PROCUREMENT AUDIT AND CERTIFICATION

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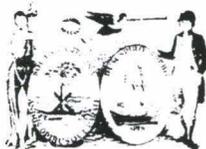
SOUTH CAROLINA DEPARTMENT
OF ALCOHOL AND OTHER DRUG
ABUSE SERVICES

AGENCY

APRIL 1, 1996 - JUNE 30, 1997

DATE

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



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

VOIGHT SHEALY
ASSISTANT DIRECTOR

January 9, 1998

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

Dear Helen:

I have attached the South Carolina Department of Alcohol and Other Drug Abuse 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 Department a three year certification as noted in the audit report.

Sincerely,

Voight Shealy
R. Voight Shealy
Materials Management Officer

/tl

**SOUTH CAROLINA DEPARTMENT OF
ALCOHOL AND OTHER DRUG ABUSE SERVICES
PROCUREMENT AUDIT REPORT
APRIL 1, 1996 - JUNE 30, 1997**

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NOTE: The Department's response to issues noted in the report have been inserted immediately following the issues they refer to.

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CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER F. CARTER
EXECUTIVE DIRECTOR

September 10, 1997

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 the South Carolina Department of Alcohol and Other Drug Abuse Services for the period April 1, 1996 through June 30, 1997. 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 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 Department of Alcohol and Other Drug Abuse 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 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 Department of Alcohol and Other Drug Abuse Services in compliance with the 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 the South Carolina Department of Alcohol and Other Drug Abuse Services. Our review 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 the procurement procedures were in compliance with the South Carolina Consolidated Procurement Code and its ensuing regulations.

Additionally, our work was directed toward assisting the Department 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

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 South Carolina Department of Alcohol and Other Drug Abuse Services and its related policies to the extent we deemed necessary to formulate an opinion on the adequacy of the system to properly handle procurement transactions.

We selected judgmental samples for the period July 1, 1996 through June 30, 1997 of procurement transactions for compliance testing and performed other audit procedures that 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) All sole source, emergency and trade-in sale procurements for the period April 1, 1996 through June 30, 1997
- (2) Procurement transactions from the period July 1, 1996 through June 30, 1997 as follows:
 - a) Thirty-eight payments
 - b) A block sample of three hundred sequential vouchers
 - c) A block sample of five hundred numerical purchase orders
- (3) Minority Business Enterprise Plans and reports for the audit period
- (4) Information technology plans for fiscal years 1995/98
- (5) Internal operating procurement procedures manual
- (6) Surplus property disposal procedure

RESULTS OF EXAMINATION

The Office of Audit and Certification performed an examination of the internal procurement operating policies and procedures and related manual of the South Carolina Department of Alcohol and Other Drug Abuse Services for the period April 1, 1996 through June 30, 1997.

Our on-site reviewed was conducted July 15 - 22, 1997, and was made under the authority as described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code. 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, the Department requested increased certification limits as follows:

<u>PROCUREMENT AREA</u>	<u>CERTIFICATION LEVELS</u>
Goods and Services	\$25,000
Consultant Services	\$25,000
Information Technology	\$25,000

Since our previous audit in April of 1996, the Department has maintained what we consider to a professional, efficient procurement system. We did note, however, the following minor points that should be addressed by management.

SOLE SOURCE AND EMERGENCY PROCUREMENTS

A. Drug-Free Workplace Certification

The Department did not have the drug-free workplace certification for the emergency procurement on purchase order 7679 for computer equipment of \$102,864. Section 44-107-10 et seq. of the South Carolina Code of Laws requires on any resultant contract of \$50,000 or more that a certification be obtained from the recipient stating that the vendor maintains a drug-free workplace. Sole source and emergency procurements are subject to this law.

We recommend the Department obtain the drug-free workplace certification on all future emergency contracts that exceed \$50,000.

DEPARTMENT RESPONSE

This certification was part of a failed bid package and thus the need to redo was overlooked on the emergency procurement. The Department will obtain the drug-free workplace certificate for all contracts that exceed \$50,000.

Reporting Error

The following sole source procurement was not reported.

<u>DATE</u>	<u>CONTRACT</u>	<u>AMOUNT</u>	<u>DESCRIPTION</u>
12/09/96	NC-97-TID	\$31,665	New connections evaluation

Section 11-35-2440 of the Code requires that governmental bodies submit a listing of all contracts made as a sole source or emergency quarterly to the Materials Management Office.

We recommend the Department review internal procedures to ensure correct reporting and amend the report for the item listed above.

DEPARTMENT RESPONSE

The Department has reviewed its internal procedures to ensure correct reporting and has amended the report omitting the above item. The Grants and Contracts Section will forward a copy of the current year's contract log to the Procurement Officer. This will ensure that we include all contracts on the procurement report.

Procedures Manual Needs Updating

We reviewed the Department's most recent procurement procedures manual for compliance to the Code. The manual needs to be revised to include the procedures to accommodate the increased certification limits and the changes to the Code that were effective on June 13, 1997.

The revised manual must be submitted to the Office of Audit and Certification for review and approval prior to the increase levels of certification being recommended.

DEPARTMENT RESPONSE

The Department is in the process of revising its manual to accommodate the increase certification limits and the changes to the Code that were effective June 13, 1997. The target date for completion is mid-December.

CERTIFICATION RECOMMENDATIONS

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 Department of Alcohol and Other Drug Abuse Services in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations. Corrective action should be accomplished by October 30, 1997.

Under the authority described in Section 11-35-1210 of the Code, and subject to this corrective action, we will recommend the South Carolina Department of Alcohol and Other Drug Abuse Services be certified for three years at the levels below.

<u>PROCUREMENT AREA</u>	<u>RECOMMENDED CERTIFICATION LEVELS</u>
Goods and Services	*\$25,000
Consultants Services	*\$25,000
Information Technology	*\$25,000

*Total potential purchase commitment whether single year or multi-term contracts are used.



James M. Stiles, CPPB
Audit Manager



Larry G. Sorrell, Manager
Audit and Certification

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State Budget and Control Board
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VOIGHT SHEALY
ASSISTANT DIRECTOR

January 9, 1998

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 South Carolina Department of Alcohol and Other Drug Abuse Services to our audit report for the period of April 1, 1996 - June 30, 1997. Also we have followed the Department's corrective action during and subsequent to our field work. We are satisfied that the Department has corrected the problem areas and the internal controls over the procurement system are adequate.

Therefore, we recommend the Budget and Control Board grant the South Carolina Department of Alcohol and Other Drug Abuse Services the certification limits noted in our report for period of three years.

Sincerely,

Handwritten signature of Larry G. Sorrell in cursive.

Larry G. Sorrell, Manager
Audit and Certification

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