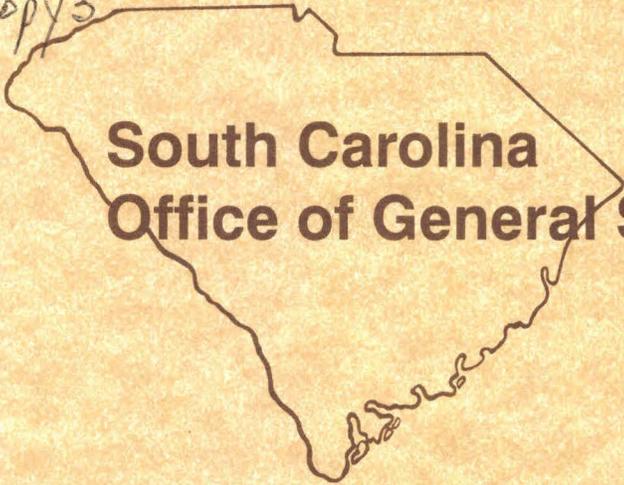


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**South Carolina
Office of General Services**

PROCUREMENT AUDIT AND CERTIFICATION

S. C. STATE LIBRARY

JUL 9 1998

STATE DOCUMENTS

SOUTH CAROLINA STATE LIBRARY
AGENCY

JULY 1, 1996 - DECEMBER 31, 1997
DATE

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State Budget and Control Board
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COLUMBIA, SOUTH CAROLINA 29201
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VOIGHT SHEALY
ASSISTANT DIRECTOR

May 8, 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 audit report for the South Carolina State Library. Since we are not recommending any certification above the basic \$5,000 allowed by the Code, no action is required by the Budget and Control Board. Therefore, I recommend the report be presented to the Budget and Control Board as information.

Sincerely,

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

R. Voight Shealy
Materials Management Officer

/tl

SOUTH CAROLINA STATE LIBRARY

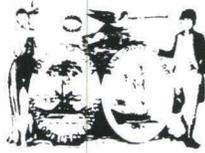
PROCUREMENT AUDIT REPORT

JULY 1, 1996 - DECEMBER 31, L997

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VOIGHT SHEALY
ASSISTANT DIRECTOR

March 30, 1998

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 State Library for the period July 1, 1996 through December 31, 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 insure adherence to the Consolidated Procurement Code and Library 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 State Library 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, 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 that 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 State Library 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 State Library, hereafter referred to as the Library. Our on-site review was conducted February 11-18, 1998 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 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 Library 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 Library and its 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 systematically selected samples from the period July 1, 1996 through December 31, 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 from the period July 1, 1996 through December 31, 1997
- (2) Procurement transactions for the period July 1, 1996 through December 31, 1997 as follows:
 - a) Fifty payment transactions for goods and services reviewed for competition and compliance to the Code
 - b) A block sample of three hundred numerical purchase orders reviewed for order splitting and favored vendors
- (3) Surplus property disposition and procedures
- (4) Minority Business Enterprise Plans and reports for the audit period
- (5) Information technology plans for fiscal years 1995-98
- (6) Internal procurement procedures manual
- (7) Real property lease procedures

RESULTS OF EXAMINATION

The Office of Audit and Certification performed an examination of the internal procurement operating policies, procedures and related manual of the Library for the period July 1, 1996 through December 31, 1997.

Since our last audit, the Library has maintained what we consider to be a professional, efficient procurement system. However, we did note the following exceptions that should be addressed by management.

Procurements Lacking Competition

We noted three procurements which had no evidence of competition nor were the procurements supported by determination as a sole source or emergency.

<u>Voucher</u>	<u>Description</u>	<u>Date</u>	<u>Amount</u>
1317	Duplicator repairs	03/26/97	\$2,442
346	Copier maintenance	09/25/97	3,287
663	Display easels	11/13/97	2,782

Section 11-35-1550 of the Code outlines the small purchase solicitation requirements. For procurements between \$ 1,500 and \$5,000, verbal solicitations of competition from at least three vendors are required.

We recommend the Library comply with the competitive requirements of the Code.

Sole Source Procurement Not Reported

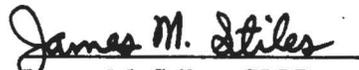
Purchase order 311439 was issued on September 5, 1997 to purchase three digital reader/printers for \$36,508. The procurement was made as a sole source. However, it was not reported to the Materials Management Office as required by Section 11-35-2440 of the Code.

We recommend the Library file an amended report to the Materials Management Office.

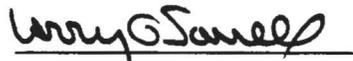
CONCLUSION

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 State Library in compliance with the Consolidated Procurement Code and ensuing regulations.

The Library has not requested increased procurement certification above the basic limit of \$5,000 allowed by the Code. Subject to corrective actions listed in this report, we will recommend the Library be allowed to continue procuring all goods and services, consultants services, construction services, and information technology up to the basic level of \$5,000 as allowed by the South Carolina Consolidated Procurement Code and accompanying regulations.



James M. Stiles, CPPB
Audit Manager



Larry G. Sorrell, Manager
Audit and Certification



The South Carolina State Library

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(803) 734-8666

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JAMES B. JOHNSON, JR.
DIRECTOR

May 7, 1998

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

Dear Mr. Sorrell:

We have reviewed the procurement audit report of the South Carolina State Library for the period July 1, 1996 through December 31, 1997, and concur with the findings of the Office of Audit and Certification. The three procurements lacking competition were:

Voucher 1317, dated 03/26/97, in the amount of \$2,442.00 was for the repair of a high speed tape duplicator. This procurement should have been declared as an emergency since this was the only high speed tape duplicator we had at the time and it was imperative to restore services provided to our patrons with visual disabilities. We will comply with Section 11-35-1570, Emergency Procurements, and complete the Justification for Emergency Procurement (mmm#103) for any emergency procurements in the future.

Voucher 346, dated 09/25/97, in the amount of \$3,287.00 was for maintenance on a digital copier. The digital copier was procured as a sole source and therefore the copier maintenance should have been reported as a sole source. We will comply with Section 11-35-1560, Sole Source Procurements, and complete the Justification for Sole Source Procurement (mmo#102) in the future.

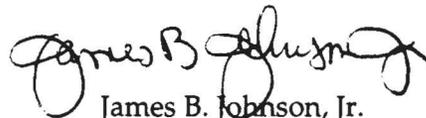
Voucher 663, dated 11/13/97, in the amount of \$2,782.00 was for custom made display easels and should have been declared as a sole source. We will comply with Section 11-35-1560, Sole Source Procurements, and complete the Justification for Sole Source Procurement (mmo#102) in the future.

Mr. Larry G. Sorrell, Manager
Audit and Certification
Materials Management Office

The Sole Source Procurement for the purchase of three digital reader/printers was inadvertently omitted from our quarterly report. An amended report has been filed with the Materials Management Office.

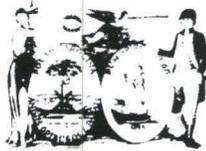
We believe the corrective actions noted above will place the South Carolina State Library in compliance with the Consolidated Procurement Code and ensuing regulations.

Sincerely yours,


James B. Johnson, Jr.
Director

JBjr:da

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VOIGHT SHEALY
ASSISTANT DIRECTOR

May 8, 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 South Carolina State Library's response to our audit report for July 1, 1996 - December 31, 1997. We are satisfied that the Library has corrected the problem areas and the internal controls over the procurement system are adequate.

Additional certification was not requested. Therefore, we recommend the Library be allowed to continue procuring all goods and services, construction, information technology and consulting services up to the basic level of outlined in the Code.

Sincerely,

Handwritten signature of Larry G. Sorrell in cursive.

Larry G. Sorrell, Manager
Audit and Certification

LGS/tl

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