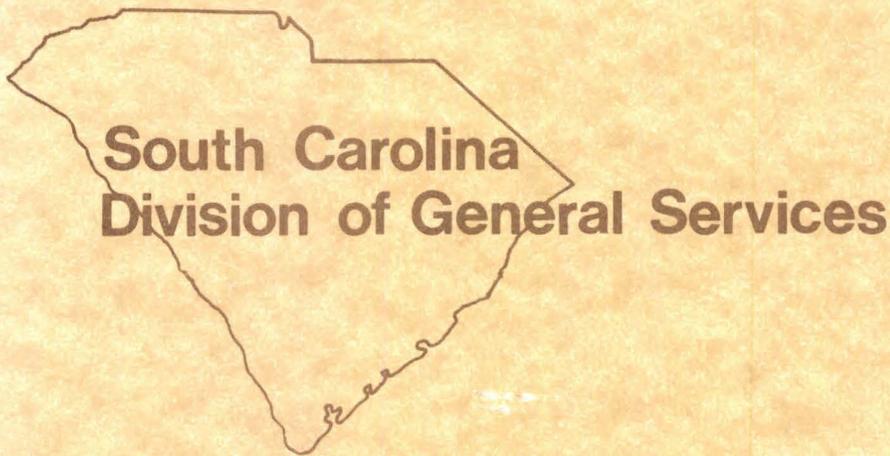


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# PROCUREMENT AUDIT AND CERTIFICATION

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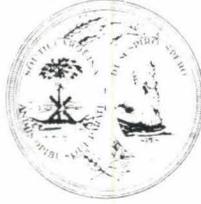
S.C. DEPARTMENT OF SOCIAL SERVICES

AGENCY

SEPTEMBER 13, 1984

DATE

STATE OF SOUTH CAROLINA  
BUDGET AND CONTROL BOARD  
DIVISION OF GENERAL SERVICES  
800 DUTCH SQUARE BLVD., SUITE 150  
COLUMBIA, S.C. 29210  
(803) 758-6060



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EXECUTIVE DIRECTOR

RICHARD J. CAMPBELL  
ASSISTANT DIVISION DIRECTOR

September 13, 1984

Mr. Tony Ellis  
Division of General Services  
300 Gervais Street  
Columbia, South Carolina 29201

Dear Tony:

Attached is the interim South Carolina Department of Social Services (DSS) audit report and recommendations made by the Office of Audit and Certification. I have reviewed this report and the recommendations made by the Audit and Certification staff and concur with their findings. I, therefore, recommend that the temporary certification for Social Services Block Grant contracts up to \$750,000 per contract provided to the Department of Social Services be extended for a period of eight months or until a comprehensive audit by the Audit and Certification Office can be performed. I further recommend that the temporary certification include Child Welfare Services contracts funded from the various sub-parts of Federal Title IV.

This temporary certification recommendation is being submitted with the understanding that a comprehensive audit of DSS will be conducted and a permanent certification will be considered. It must also be understood that this temporary certification is recommended to provide for service continuity in view of the recent reorganization of the DSS and Health and Human Services Finance Commission.

Sincerely,

Richard J. Campbell  
Materials Management Officer

Attachment

MATERIALS MANAGEMENT OFFICE

State Supply & Surplus Property Management  
Surplus Property      Supply, Warehousing & IMS  
Boston Avenue      1942 Laurel Street  
W. Cola., S.C. 29169      Cola., S.C. 29201  
758-2626      758-3246

Training & Research  
300 Gervais Street  
Annex 3  
Cola., S.C. 29201  
758-5051

State Procurements  
800 Dutch Sq. Blvd.  
Suite 250  
Cola., S.C. 29210  
758-6050

Information Technology Management Office  
800 Dutch Sq. Blvd.  
Suite 150  
Cola., S.C. 29210  
758-6060

Installment Purchase Program  
800 Dutch Sq. Blvd.  
Suite 150  
Cola., S.C. 29210  
758-6060

S. C. DEPARTMENT OF SOCIAL SERVICES

AUDIT REPORT

July 2, 1984

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STATE OF SOUTH CAROLINA  
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TOM G. MANGUM  
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WILLIAM T. PUTMAN  
EXECUTIVE DIRECTOR

RICHARD W. KELLY  
ASSISTANT DIVISION DIRECTOR

July 2, 1984

Mr. Richard J. Campbell  
Materials Management Officer  
Columbia, South Carolina 29210

We have examined the procurement policies and procedures of the Department of Social Services for the fiscal year 1983/84. As a part of our examination, we made a study and evaluation of the system of internal control over the procurement of service provider contracts to the extent we considered necessary.

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

The administration of the Department of Social Services is responsible for establishing and maintaining a system of internal control over procurement transactions. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide

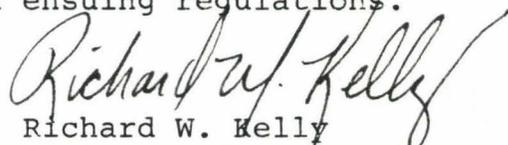
management with reasonable, but not absolute, assurance of the integrity of the procurement process, that affected assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and are recorded properly.

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

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

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

Corrective action based on the recommendations described in these findings will in all material respects place the Department of Social Services in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

  
Richard W. Kelly  
Director of Agency Services

## RESULTS OF EXAMINATION

The Audit and Certification Section performed an examination of the internal procurement policies and procedures and related manual for service provider contracts of the Department of Social Services (DSS) for the fiscal year 1983/84.

Our on-site review was conducted June 12 through June 22, 1984, and was made under the authority as described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code.

The audit was instituted because of the creation of the new Health and Human Services Finance Commission (HHSFC) that assumed administrative authority for many of the programs previously operated by DSS. HHSFC drew most of its staff, including the Contracts Division from DSS. While at DSS, the Contracts Division was temporarily certified by the South Carolina Budget and Control Board to contract for the use of Social Service Block Grant funds up to \$750,000.

With the passage of Title 44, Chapter 6, Code of Laws of South Carolina, 1976, HHSFC assumed authority for administration of most of the contracts covered by the temporary certification. However, some of the responsibility for administration of these programs remained at DSS. Also, DSS retained authority for Child Welfare Services not funded from Social Service Block Grants. Toward this end, DSS requested that the temporary certification be expanded to include Child Welfare Services contracts funded from the various subparts of Federal Title IV.

Due to these changes and DSS's request we performed an audit of the department to determine what programs and personnel remained at DSS that should be covered by procurement certification and if the temporary certification could be continued.

## I. Contract Staff

When HHSFC was created, the DSS Contracts Division was incorporated into the new agency and authority for solicitation and administration of the remaining service provider contracts within DSS shifted to Procurement and Property Management. Thus, Procurement and Property Management assumed responsibility for approximately 650 contracts with no experienced contract staff.

A contracts officer has been hired in the Procurement Office to control solicitation of these contracts, but as of this time, only limited experience has been gained.

Due to this shift in responsibility our audit effort had to be directed primarily to determining contracting policy and written procedure. Consequently, this report and the temporary certification recommendation made herein are based primarily on our review of written procedure and on our past experience with the Procurement and Property Management Division.

Although this report recommends continued temporary certification, there is an area of concern. Specifically, the transfer of the Contracts Division to HHSFC reduces DSS's capability to assume the Child Welfare Services contracts that remain. Also, it is our understanding that HHSFC may shift some of their contracts back to DSS for processing.

The certification program is based upon agency expertise and capability to handle its procurement/contracting in compliance with the State Procurement Code and Regulations. I feel the procurement/contract section may need to be strengthened in order

to adequately process the contracts that remain at DSS and maintain compliance. Should our subsequent audit reveal an inability to comply with the Code, the only alternative would be to shift contracts above \$2,500 to the Materials Management Office.

The DSS Procurement Division has limited personnel for service provider contract solicitation with limited experience. The Materials Management Office of the Division of General Services offers its full support and assistance.

## II. Social Service Block Grant Subcontracts

There appear to be questions concerning exactly how DSS is going to work with HHSFC. We have been told that certain parts of the Social Service Block Grant program will be contracted to DSS from HHSFC. Some of these contracts will require DSS to solicit subcontract services.

As we understand it, this will specifically include:

1. Special residential treatment for children.
2. Out-of-state placement for individual children when proper programs cannot be found in-state.
3. Training.

HHSFC wishes to maintain some control over DSS actions including:

1. Approval of the request for proposal (RFP) "boiler plate" and format
2. Approval of the contract format

### 3. Representation on the evaluation panel

Based on discussions with DSS program personnel this appears acceptable. However, this arrangement has not received management approval nor has it been formalized. We recommend that these decisions be finalized, logistics be developed and the agreement be confirmed in writing by both agencies.

Further, the mailing lists developed by HHSFC for these service lines were found to be inadequate based on Regulation 19-445.2035. If DSS is going to conduct subcontract solicitations for these services efforts should be made to expand the mailing lists through advertisement and inquiries to all known potential providers statewide. Where Licensing agencies exist, the department, either separately or in connection with HHSFC, should obtain lists of all licensed providers and inquiries should be mailed to them announcing forthcoming solicitations.

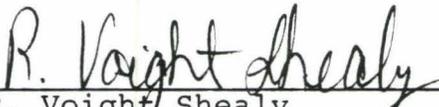
If the above is done one time, and inquiries are mailed to all new licensed providers each year, the department could not be questioned on its efforts to seek competition among service providers.

CERTIFICATION RECOMMENDATIONS

As enumerated in our transmittal letter corrective action based on our recommendations described in the findings contained in the body of this report, we believe, will in all material respects place DSS in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations covering solicitation of service contracts.

Once these procedures have been finalized and verified by the Audit and Certification Section, we recommend the temporary certification for Social Service Block Grant contracts up to \$750,000 provided DSS be extended for eight months or until a comprehensive audit can be performed by this section. We further recommend that this temporary certification be expanded to include Child Welfare Service contracts funded from the various subparts of Federal Title IV.

We recommend that certification remain temporary because time constraints resulting from the need to continue service to recipients limited the scope of our audit. We have scheduled a comprehensive audit of DSS for February, 1985. At that time, we will determine if permanent certification is warranted.

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



  
**South Carolina**  
**Department of Social Services**  
 P. O. BOX 1520  
 Columbia, South Carolina 29202-9988

**JAMES L. SOLOMON, JR.**  
 COMMISSIONER

August 30, 1984

Mr. Richard W. Kelly, Director  
 Agency Services  
 Division of General Services  
 300 Gervais Street  
 Columbia, S. C. 29201

SUBJECT: Procurement Audit of May 24 through June 15, 1984

Dear Mr. Kelly:

In response to your report of August 14, and our meeting of August 27, we accept the report as issued. In the report, as well as in the meeting, certain concerns were expressed and our response is as follows:

1. **Staffing:** The report as rendered is correct. The situation we faced last fiscal year was a complex one and in certain areas we had few, if any, choices or options. We have hired one Contract Specialist and upon your recommendation, as well as our internal assessment, we will address this problem in depth immediately. As for HHSFC transferring additional contracts back to DSS, thereby increasing our workload, we will address this in writing to HHSFC. Should we be required, or if it is advantageous to both Agencies for DSS to handle additional contracts currently administered by HHSFC, we will reassess our staffing requirements.
2. **Subcontracts by DSS and Mailing Lists:** The roles of both HHSFC and DSS are being defined and refined daily. One contract between the two Agencies has been formalized and another, relative to Block Grants, should be formalized by September 1, or shortly thereafter. These contracts identify the type contracts DSS would be responsible for, relative to our association with HHSFC, and state the terms and conditions for subcontracting. There are some procedures that need to be finalized and that should be completed in the very near future.

As for the mailing lists being incomplete, we cannot speak for HHSFC; however, it is our intent to use not only those used in the past but to contact Materials Management and State Procurement for additional sources. However, in some cases, such as specialized residential

**South Carolina Board of Social Services**

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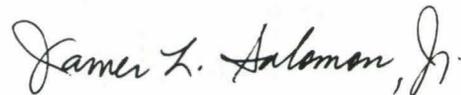
Mr. Richard W. Kelly  
August 30, 1984  
Page 2

treatment for children, it may not be possible to solicit the required number of prospective bidders/offerers. In such cases, we would solicit as many sources as possible and document our files as to why the appropriate number could not be solicited.

3. **Contracts Not in Compliance:** All Program Directors, including Training Staff, have been instructed to direct their requests for contracts to the Procurement Division for processing. Further, sole source and emergency determinations will be prepared where appropriate with copies attached to the contracts which are to be retained in the Procurement Division.

I hope this is sufficient to satisfy the audit and to grant temporary certification to handle Block Grant and Child Welfare Services contracts. Should you have any questions or wish to discuss any point, please contact me.

Sincerely,



James L. Solomon, Jr.  
Commissioner

JLSjr:fal

