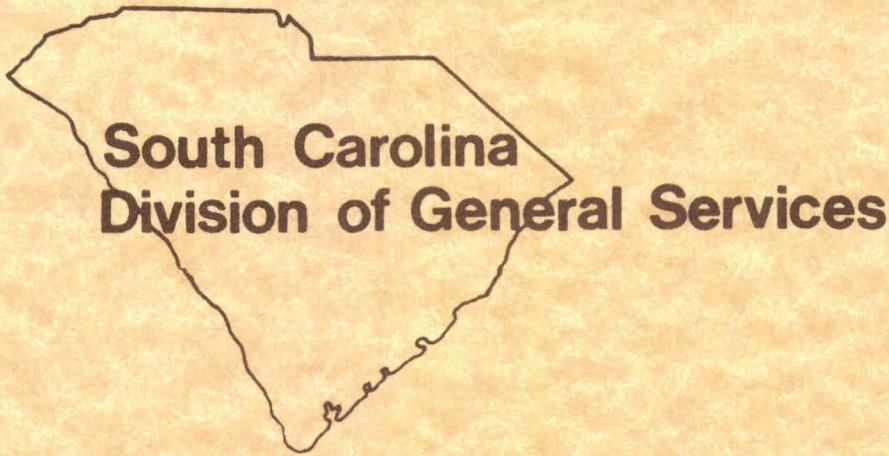


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PROCUREMENT AUDIT AND CERTIFICATION

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STATE ELECTION COMMISSION

AGENCY

JULY 1, 1986 - JUNE 30, 1988

DATE

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HOUSE WAYS AND MEANS COMMITTEE

JESSE A. COLES, JR., Ph.D.
EXECUTIVE DIRECTOR

JAMES J. FORTH, JR.
ASSISTANT DIVISION DIRECTOR

March 1, 1989

Mr. Richard W. Kelly
Division Director
Division of General Services
1201 Main Street, Suite 400
Columbia, South Carolina 29201

Dear Rick:

Attached is the final South Carolina State Election Commission audit report and recommendations made by the Office of Audit and Certification. Since no certification above the \$2,500.00 allowed by law was requested, and no action is necessary by the Budget and Control Board, I recommend that this report be presented to them for their information.

Sincerely,

A handwritten signature in dark ink, appearing to read "James J. Forth, Jr." with a stylized flourish at the end.

James J. Forth, Jr.
Assistant Division Director

MATERIALS MANAGEMENT OFFICE

Attachment

State Supply & Surplus Property Management
Surplus Property
Boston Avenue
W. Columbia, S.C. 29169
739-5490

Supply, Warehousing & IMS
1942 Laurel Street
Columbia, S.C. 29201
734-7919

Training & Research
300 Gervais Street
Annex 3
Columbia, S.C. 29201
737-2060

State Procurements &
Information Technology Management Office
1201 Main Street
Suite 600
Columbia, S.C. 29201
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Office of Audit & Certification
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ASSISTANT DIVISION DIRECTOR

March 1, 1989

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

We have examined the procurement policies and procedures of the State Election Commission for the period July 1, 1986 through June 30, 1988. As a part of our examination, we made a study and evaluation of the system of internal control over procurement transactions 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 internal 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 State Election Commission is responsible for establishing and maintaining a system of internal control over procurement transactions. In fulfilling

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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 State Election Commission in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.


R. Voight Shealy, Manager
Audit and Certification

SCOPE

Our examination encompassed a detailed analysis of the internal procurement operating procedures of the State Election Commission 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 reviewed all procurement transactions which exceeded \$500.00 for the period July 1, 1986 - June 30, 1988, for compliance testing and performed other audit procedures that we considered necessary in the circumstances 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) adherence to applicable laws, regulations and internal policy;
- (2) procurement staff and training;
- (3) adequate audit trails and purchase order registers;
- (4) evidences of competition;
- (5) small purchase provisions and purchase order confirmations;
- (6) emergency and sole source procurements;
- (7) source selections;
- (8) file documentation of procurements;
- (9) inventory and disposition of surplus property;
- (10) Minority Business Enterprise Utilization Plan.

RESULTS OF EXAMINATION

I. Procurements Made Without Competition

Our examination of procurement activity at the Commission included a test of forty-one (41) transactions greater than \$500.00 each from the period July 1, 1986 through June 30, 1988. Three of these procurements were either made without evidence of competition, or without a sole source or emergency determination being prepared.

<u>Item</u>	<u>Voucher</u>	<u>Voucher Amount</u>	<u>Item/Service Description</u>
(1)	66	\$ 857.85	Printer
(2)	96	567.00	Book binders
(3)	641	890.56	Panels and accessories

Regulation 19-445.2100, Subsection E, Item 2, which covers procurements from \$500.01 to \$1,499.99, requires "solicitations of verbal or written quotes from a minimum of two qualified sources of supply." The items listed above needed only documentation of two (2) telephone quotes to meet this requirement. However, this was not done.

Competition must always be solicited when the total of the requisition or purchase order is expected to exceed five hundred dollars except where the procurement is exempt from the Consolidated Procurement Code, is made from a state term contract or is determined in writing to be a sole source or emergency.

II. Internal Procurement Procedures Manual

The Commission has on file with the Materials Management Office a statement of intent dated May 31, 1983, to comply with the requirements of Section 11-35-540(3) of the Consolidated Procurement Code which requires the development of an Internal Procurement Operating Procedures Manual.

The statement of intent was acceptable in lieu of a formal procedures manual at the inception of the Procurement Code. This document allowed small agencies additional time to prepare a more comprehensive manual. As a result of our recent audit of the Commission's procurement activity we have determined that a procedures manual should be developed outlining the current procurement system.

This manual should incorporate the most current internal procedures and follow the recommended outline which we have submitted to the Commission during the time the audit was performed.

III. Compliance - Sole Source Procurements

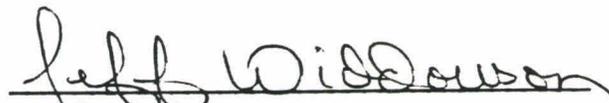
We examined all sole source documents of the Commission for the period July 1, 1986 through June 30, 1988. We noted several procedures which we felt should be changed. We found that one sole source determination was used to support three procurements based on compatibility. Each procurement must be supported independently by a determination at the time of the procurement action unless a blanket determination is made.

We also noted that the file copies of the sole source written determinations were not approved. Apparently, the Director signs the copy after typing and a file copy is made. At this point, the procedure is for the Director to hand carry the signed sole source copy to State Procurements for a purchase order to be issued. We recommend that signed copies of the sole source determinations be maintained in the files to provide for an adequate audit trail.

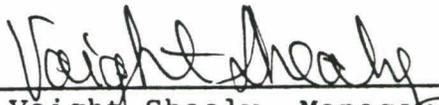
CONCLUSION

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

In accordance with Code Section 11-35-1230(1) the Commission should take this corrective action prior to February 28, 1989. Subject to this corrective action and because additional certification was not requested, we recommend that the Commission be allowed to continue procuring all goods and services, information technology, construction services and consulting services up to the basic level as outlined in the Procurement Code.



Jeff Widdowson
Audit and Certification Analyst



Voight Shealy, Manager
Audit and Certification

State of South Carolina



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Election Commission

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PUBLIC INFORMATION OFFICER
PHONE 734-9060

February 17, 1989

Mr. R. Voight Shealy, Manager
Audit and Certification
South Carolina Budget and Control Board
Division of General Services
1201 Main Street, Suite 420
Columbia, South Carolina 29201

Dear Mr. Shealy:

I am in receipt of the revised draft report of the procurement audit conducted at the State Election Commission. I have read the report and have discussed it with Jim Hendrix who is responsible for overseeing purchasing for our agency. We concur with your findings in the report.

Since your January 27 meeting with Mr. Hendrix and Ms. Foster, all necessary steps have been taken to ensure that the irregularities cited in your audit report will not happen again and that all purchases made by the State Election Commission are made in compliance with the State Procurement Code. Enclosed is a copy of our Internal Procurement Procedures Manual developed at your recommendation following the outline you provided us.

I appreciate the attitude and spirit of cooperation exhibited by you and Jeff Widowson during the audit. We certainly want our procurement practices to comply with the requirements of the Code and intend to see that they do in all respects in the future. Your comments and suggestions were helpful and your findings were accurate and fair. If we can be of further assistance to you, please call on us.

Sincerely,

A handwritten signature in cursive script that reads "James B. Ellisor".

James B. Ellisor
Executive Director

Enclosure

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ASSISTANT DIVISION DIRECTOR

March 1, 1989

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

Dear Jim:

We have reviewed the South Carolina Election Commission's response to our audit report covering the period of July 1, 1986 - June 30, 1988. The response has addressed the two exceptions noted in the audit report and we are satisfied that the internal controls over the procurement system are adequate. Further, the Commission has prepared and we have reviewed its internal procurement operating procedures manual.

Additional certification was not requested. Therefore, we recommend the Commission be allowed to continue procuring all goods and services, consultant services, construction services and information technology up to the basic level authorized by the Consolidated Procurement Code.

Sincerely,

R. Voight Shealy, Manager
Audit and Certification

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