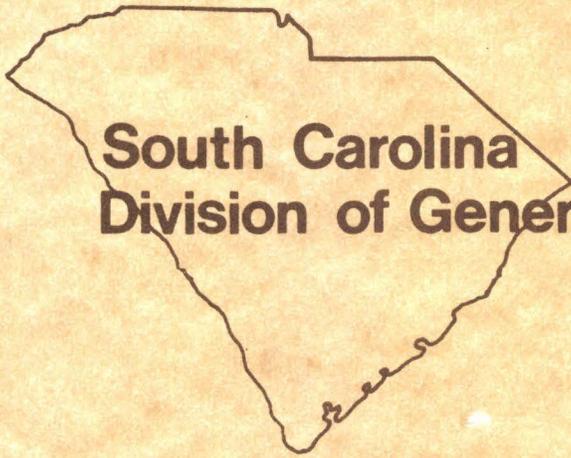


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**South Carolina
Division of General Services**

PROCUREMENT AUDIT AND CERTIFICATION

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SOUTH CAROLINA
JOBS - ECONOMIC DEVELOPMENT AUTHORITY

AGENCY

JULY 1, 1987 - SEPTEMBER 30, 1989

DATE

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



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ROBERT N. McLELLAN
CHAIRMAN, WAYS AND MEANS COMMITTEE

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

April 24, 1990

Mr. Richard W. Kelly
Director
Division of General Services
1201 Main Street, Suite 420
Columbia, South Carolina 29201

Dear Rick:

I have attached the procurement audit report of the Jobs - Economic Development Authority as prepared by the Office of Audit and Certification. The Authority did not request certification above the \$2,500.00 limit so I recommend that the report be presented to the Budget and Control Board for information.

Sincerely,

A handwritten signature in cursive script, appearing to read "James J. Forth, Jr.".

James J. Forth, Jr.
Assistant Division Director

/jlj

Attachment

SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY

AUDIT REPORT

JULY 1, 1987 - SEPTEMBER 30, 1989

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CHAIRMAN, WAYS AND MEANS COMMITTEE

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

April 20, 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 South Carolina Jobs - Economic Development Authority, hereafter referred to as JEDA, for the period July 1, 1987 through September 30, 1989. 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 agency 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 JEDA is responsible for establishing and maintaining a system of internal control over procurement transactions. In fulfilling this responsibility, estimates and

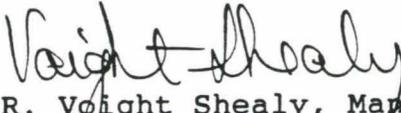
judgements by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance of the integrity of the procurement process, that affected assets are safeguarded against loss 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 JEDA in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.


R. Voight Shealy, Manager
Audit and Certification

RESULTS OF EXAMINATION

The Office of Audit and Certification performed an examination of the internal operating procedures and policies of JEDA for the period July 1, 1987 through September 30, 1989. Our on-site review was conducted October 20-27, 1989, and was made under the authority described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code.

JEDA had a limited number of procurement actions during the audit period so we tested all of them. We noted the following two exceptions.

<u>Voucher#</u>	<u>Date</u>	<u>Amount</u>	<u>Description</u>
4	7/06/89	\$704.00	Dictation equipment maintenance
9	7/28/89	885.62	Copier maintenance

When this equipment was originally procured, it was covered by five year maintenance contracts. However, both of the original contracts have expired so these transactions should have either been bid or sole sourced. These services must be handled accordingly in the future.

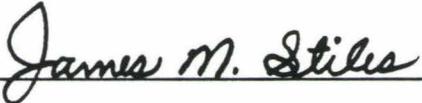
JEDA failed to report annually the dollar value of contracts awarded to certified minority firms to the Office of Small and Minority Business Assistance of the Governor's Office. This should be done starting with the minority contracts awarded for fiscal year 88/89.

We also reviewed JEDA's internal procurement operating procedures manual. The manual needs to be revised and updated somewhat as discussed with the procurement officer. After revision, a copy should be sent to this office for review.

CONCLUSION

As enumerated in our transmittal letter, corrective action based on the recommendations in the body of this report, we believe, will in all material respects place the South Carolina Jobs - Economic Development Authority in compliance with the State Consolidated Procurement Code and regulations.

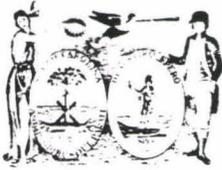
The Jobs - Economic Development Authority has not requested additional certification. Subject to corrective action, we recommend that the Authority be allowed to procure all goods and services, consultants, construction and information technology up to the basic level of \$2,500.00 provided in the Code.



James M. Stiles, PPB
Audit Manager



R. Voight Shealy, Manager
Audit and Certification



South Carolina Jobs-Economic Development Authority

February 12, 1990

Mr. R. Voight Shealy
Manager
Audit and Certification
Division of General Services
Materials Management Office
1201 Main Street, Suite 600
Columbia, South Carolina 29201

RE: PROCUREMENT AUDIT

Dear Mr. Shealy:

Per our discussions during our meeting of January 25, 1990, the Jobs-Economic Development Authority concurs with the Draft of the Authority's Procurement Audit covering the period July 1, 1987 - September 30, 1989. It is our understanding that the Audit has determined that the Authority is in compliance with the South Carolina Consolidated Procurement Code.

The Audit identified three exceptions to the Consolidated Procurement Code which have been or are in process of becoming corrected. The Authority's actions are as outlined below:

1. All equipment maintenance contracts will be originated and/or continued on bid or sole source option as necessitated by the equipment.
2. The Authority will continue to provide the Office of Small and Minority Business Assistance of the Governor's Office with estimates of dollar volume to be awarded to certified minority businesses. Further, the Authority has received the forms for reporting actual dollar value of contract awarded to certified minority firms and will submit said forms to the Governor's Office in accordance with the required schedule.
3. The Authority's internal Procurement Operating Procedures Manual will be completely revised by March 1, 1990. A copy will be provided to Materials Management upon completion of the revision. The Procedures Manual is scheduled for review and revision at the end of each fiscal year and upon notice of policy changes within the South Carolina Consolidated Procurement Code.

R. Voight Shealy
February 17, 1990
Page 2

The Authority understands that its procurement efforts, with the above mentioned corrections, are in compliance with the South Carolina Consolidated Procurement Code. Current internal procurement controls are sufficient to allow the Authority to remain in compliance.

Voight, I would like to reiterate that our staff found it a pleasure working with Jim on this audit.

With every best wish, I am

Yours sincerely,



Elliott E. Franks, III
Chief Executive Officer

EEF:mgm

c: Douglas E. Cooper
Myra G. Mackey

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State Budget and Control Board
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JESSE A. COLES, JR., Ph.D.
EXECUTIVE DIRECTOR

April 20, 1990

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

Dear Jim:

We have reviewed the response to our audit report of the South Carolina Jobs - Economic Development Authority (JEDA), covering the period of July 1, 1987 - September 30, 1989. Combined with observations made during our exit conference and subsequent communication with JEDA officials, this review has satisfied the Office of Audit and Certification that the agency has corrected the problem areas found and that internal controls over the procurement system are adequate.

Additional certification was not requested. Therefore, we recommend that JEDA be allowed to continue procuring all goods and services, consulting services, construction and information technology up to the basic level as outlined in the South Carolina Consolidated Procurement Code.

Sincerely,

A handwritten signature in cursive script that reads "R. Vought Shealy".

R. Vought Shealy, Manager
Audit and Certification

/j1j

