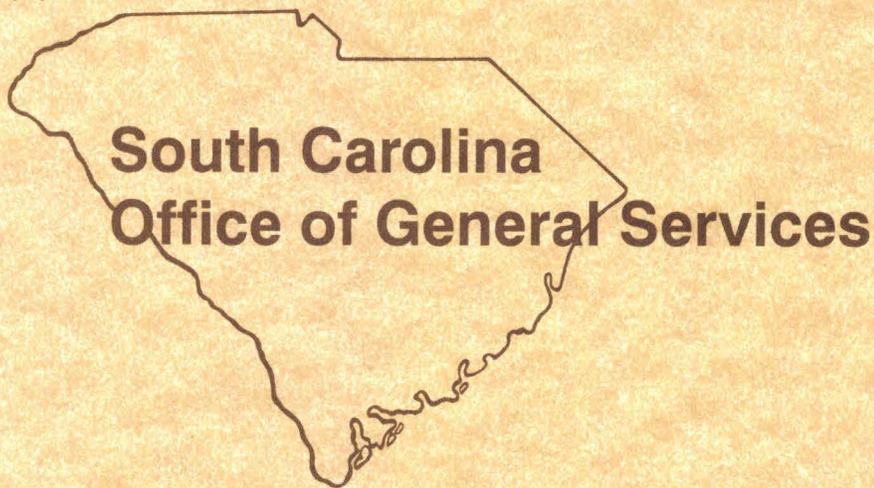


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PROCUREMENT AUDIT AND CERTIFICATION

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SOUTH CAROLINA STATE ETHICS
COMMISSION

AGENCY

JULY 1, 1996 - DECEMBER 31, 1997

DATE

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



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LUTHER F. CARTER
EXECUTIVE DIRECTOR

HELEN T. ZEIGLER
DIRECTOR

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

VOIGHT SHEALY
ASSISTANT DIRECTOR

May 1, 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 Ethics Commission. 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 ETHICS COMMISSION
PROCUREMENT AUDIT REPORT
JULY 1, 1996 - DECEMBER 31, 1997

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HENRY E. BROWN, JR.
CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER F. CARTER
EXECUTIVE DIRECTOR

March 31, 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 Ethics Commission 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 Commission 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 Ethics Commission 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 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 Ethics Commission 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 Ethics Commission, hereafter referred to as the Commission. Our on-site review was conducted March 9 - 11, 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 Commission 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 Commission 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) All payment transactions for goods and services greater than \$1,500 reviewed for competition and compliance to the Code
 - b) A block sample of thirty-eight numerical purchase orders reviewed for order splitting and favored vendors
- (3) Surplus property disposition and procedures
- (4) Minority Business Enterprise goals 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 Commission for the period July 1, 1996 through December 31, 1997.

The Commission has maintained what we consider to be a professional, efficient procurement system. However, we did note the following areas that should be addressed by management.

Drug Free Workplace Certification

We noted one inter-agency procurement contract that exceeded \$50,000 where the Commission did not obtain the required drug-free workplace certification stating the vendor was in compliance with the South Carolina Drug-Free Workplace Act.

| <u>Voucher</u> | <u>Description</u> | <u>Contract Amount</u> |
|----------------|------------------------------------|------------------------|
| 404 | Imaging & data processing services | \$75,000 |

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 the vendor maintains a drug-free workplace. All sole source, emergency, and inter-agency procurements \$50,000 or greater are all subject to the above stated law.

We recommend the Commission obtain the drug-free workplace certification on all future contracts exceeding \$50,000.

Sole Source Reporting Errors

The following three sole source procurements were not reported.

| <u>Voucher</u> | <u>Date</u> | <u>Description</u> | <u>Amount</u> |
|----------------|-------------|--|---------------|
| 12 | 07/01/96 | Computer maintenance & network support | \$5,300 |
| 11 | 07/01/97 | Computer maintenance & network support | 4,500 |
| 402 | 09/16/97 | Imaging & database system development | 30,000 |

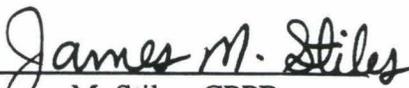
Section 11-35-2440 of the Code requires that governmental bodies submit a listing of all contracts made as a sole source and emergency quarterly to the Materials Management Office.

We recommend the Commission review internal procedures to ensure correct reporting of sole sources and amend the appropriate quarterly reports for the item listed above.

CONCLUSION

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

The Commission 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 Commission 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

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Columbia, S.C. 29211

GARY R. BAKER
EXECUTIVE DIRECTOR

State of South Carolina

State Ethics Commission

April 28, 1998

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

Dear Mr. Sorrel:

Thank you for the procurement audit exit conference. We appreciate the opportunity to provide comments.

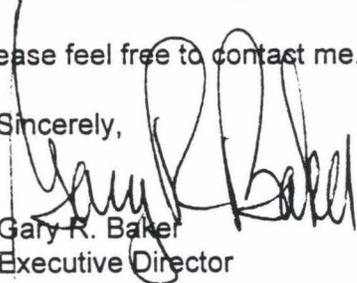
We offer the following response:

In the future, the State Ethics Commission will comply with Section 44-107-10 et seq. of the South Carolina Code of Laws which requires a Drug Free Workplace Certification on any resultant contract of \$50,000 or more.

The agency will comply with Section 11-35-2440 of the Code that requires governmental bodies to submit a listing of all sole source and emergency procurements quarterly to the MAO. Quarterly reports for 7/1/96, 7/1/97 and 9/16/97 have been amended.

If additional information is needed, please feel free to contact me.

Sincerely,


Gary R. Baker
Executive Director

GAB/mmw

