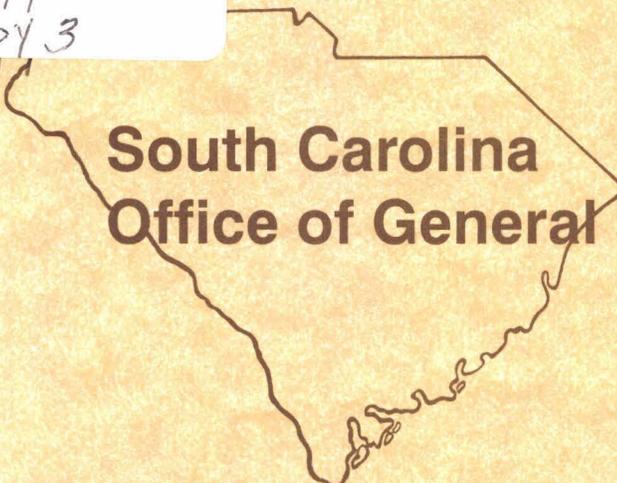


B8595 G  
2. H85  
1999  
Copy 3



**South Carolina  
Office of General Services**

# PROCUREMENT AUDIT AND CERTIFICATION

S. C. STATE LIBRARY

FEB 26 1999

STATE DOCUMENTS

**SOUTH CAROLINA HUMAN AFFAIRS  
COMMISSION**

---

AGENCY

**JULY 1, 1996 - MARCH 31, 1998**

---

DATE

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



JAMES H. HODGES, CHAIRMAN  
GOVERNOR

GRADY L. PATTERSON, JR.  
STATE TREASURER

JAMES A. LANDER  
COMPTROLLER GENERAL

JOHN DRUMMOND  
CHAIRMAN, SENATE FINANCE COMMITTEE

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

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

R. VOIGHT SHEALY  
ASSISTANT DIRECTOR

January 21, 1999

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 Human Affairs 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 HUMAN AFFAIRS COMMISSION  
PROCUREMENT AUDIT REPORT**

**JULY 1, 1996 - MARCH 31, 1998**

TABLE OF CONTENTS

	<u>PAGE</u>
Transmittal Letter .....	1
Introduction .....	3
Scope .....	4
Summary of Audit Findings .....	5
Results of Examination .....	6
Conclusion.....	10
Follow-up Letter.....	11

NOTE: The Commission's responses to issues noted in this report have been inserted immediately following the items they refer to.

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

DAVID M. BEASLEY, CHAIRMAN  
GOVERNOR

RICHARD A. BECKSTROM  
STATE TREASURER

EARLE E. MORRIS, JR.  
COMPTROLLER GENERAL



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

JOHN DRUMMOND  
CHAIRMAN, SENATE FINANCE COMMITTEE

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

LUTHER F. CARTER  
EXECUTIVE DIRECTOR

August 5, 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 Human Affairs Commission for the period July 1, 1996 through March 31, 1998. 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 assure adherence to the South Carolina 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 South Carolina Human Affairs 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 which 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 Human Affairs 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 Human Affairs Commission. Our review was made under Section 11-35-1230(1) of the 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 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 South Carolina Human Affairs 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 selected a judgmental sample from the period July 1, 1996 through March 31, 1998 of procurement transactions for compliance testing and performed other audit procedures 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) Sole source, emergency and trade-in sale procurements for the period July 1, 1996 through March 31, 1998
- (2) Procurement transactions for the period July 1, 1996 through March 31, 1998 as follows:
  - a) Thirty-three judgmentally selected procurement transactions
  - b) A block sample of procurement activity for three months reviewed for order splitting and favored vendors
- (3) Minority Business Enterprise reports for the audit period
- (4) Information technology plan and approval for the audit period
- (5) Internal procurement procedures manual review
- (6) Surplus property disposition procedures
- (7) Real Property Management Office approval of leases
- (8) File documentation and evidence of competition

## SUMMARY OF AUDIT FINDINGS

Our audit of the procurement system of the South Carolina Human Affairs Commission, hereinafter referred to as the Commission, produced the following findings and recommendations.

	<u>PAGE</u>
I. <u>Sole Source, Emergency, And Trade-In Activity Not Reported</u> The reports for four quarters were not prepared and reported.	6
II. <u>Procurements Without Of Competition</u> Five procurements lacked evidence of competition.	6
III. <u>Low Quotes Rejected Without Explanation</u> The Commission purchased items from vendors other than the low bidders without documenting the reasons for the rejections.	7
IV. <u>Printing Overage Exceeded Five Percent</u> A printing overage exceeded the five percent allowed by the State Printing Manual.	7
V. <u>Procurement Procedures Manual</u> The Commission should update its internal procurement procedures manual.	8
VI. <u>Lease Not Reported</u> A real property lease was not reported to the Office of General Services.	8
VII. <u>Minority Business Enterprise Reports</u> The reports for five quarters were not prepared and submitted.	8

## RESULTS OF EXAMINATION

### I. Sole Source, Emergency, And Trade-In Activity Not Reported

The Commission has not prepared and filed the reports for the quarters ending March 31, 1997, September 30, 1997, December 31, 1997, and March 31, 1998. Section 11-35-2440 of the Code states, "Any governmental body as defined in Section 11-35-310(18) shall submit quarterly a record listing all contracts made under Section 11-35-1560 (Sole Source Procurement) or Section 11-35-1570 (Emergency Procurements) to the chief procurement officers." Section 11-35-3830(3) of the Code requires the quarterly reporting of trade-in activity. Even if the Commission has no activity, a quarterly report showing no activity must be filed.

We recommend the Commission file the reports for the quarters listed. The Commission needs to develop and implement procedures to comply with the Code on the reporting of sole source, emergency, and trade-in activity.

## COMMISSION RESPONSE

We are still working on the of the sole source, emergency and trade-in reports. Once completed, we will forward to you and will continue to submit in a timely manner. We hope to have the reports by January 25, 1999.

### II. Procurements Without Competition

Our testing revealed five procurements that were not supported by competition.

<u>Document</u>	<u>Date</u>	<u>Amount</u>	<u>Description</u>
DV 82	08/19/97	\$3,750	Training
DV 241	10/23/97	3,750	Training
DV 151	09/04/97	1,998	Envelopes and stationary
DV 107	09/04/97	1,925	Technical support
PO 975	09/10/97	3,533	File cabinet

Section 11-35-1510 of the Code lists the source selection methods. Small purchase competition requirements are defined in Section 11-35-1550.

We recommend the Commission strictly comply with the Code regarding competition in the future.

**COMMISSION RESPONSE**

In the future, the Commission will adhere to procedures listed in Sections 11-35-1510 and 11-35-1550 of the Code.

III. Low Quotes Rejected Without Explanation

On two procurements the Commission purchased items other than the low bidders' without documenting reasons for the rejections.

<u>Voucher</u>	<u>Description</u>	<u>Rejected Bid</u>	<u>Bid Awarded</u>
DV226	Promotional items	\$1,560	\$1,835
DV276	Furniture	949	1,894

Regulation 19-445.2065 states in part, "... Unless there is a compelling reason to reject one or more bids, award will be made to the lowest responsible and responsive bidder."

We recommend the Commission properly document the reason why it determines a bidder's solicitation to be nonresponsible or nonresponsive.

**COMMISSION RESPONSE**

In the future, the Commission will document the reason why it determines a bidder's response to be nonresponsible or nonresponsive.

IV. Printing Overage Exceeded Five Percent

The Commission issued purchase order 996 on December 16, 1997 for \$1,494 to order 200 copies of its annual report. The Commission received 265 copies and issued voucher DV 420 for \$2,589 to pay for the 265 copies. The 265 copies represented an overrun of 33%. At the time of purchase, the terms and conditions as defined in the South Carolina Government Printing Services Manual only allowed for overruns up to five percent. On January 1, 1998, the overrun allowance was revised to two and a half percent for less than 500,000 copies.

We recommend the Commission adhere to the State's policy on the overrun allowances for printing.

### COMMISSION RESPONSE

In the future, the Commission will follow the South Carolina Government Printing Services Manual for overruns.

#### V. Procurement Procedures Manual

Regulation 19-445.2005 requires all governmental bodies to develop an internal procurement manual and forward it to the Materials Management Officer for review and approval.

We recommend the Commission update its manual and submit it to the Materials Management Officer as required by the regulation.

### COMMISSION RESPONSE

The manual will be submitted by January 25, 1999.

#### VI. Lease Not Reported

The Commission failed to report a real property lease with an annual value less than \$10,000 to the Office of General Services. The lease payment of \$1,416 was paid on voucher DV 84 on August 19, 1997. Commercial leases which commit less than \$10,000 in a single fiscal year are not subject to the lease approval process. However, agencies must report all leases to the Office of General Services by copy of the executed lease document.

We recommend the Commission report the exempt lease to the Office of General Services.

### COMMISSION RESPONSE

The property lease of \$1,416 was erroneously considered a small purchase. We are presently working with the State Building and Property Services with the Office of General Services to resolve the past situation and to insure we follow the guidelines of the Code in the future.

#### VII. Minority Business Enterprise Reports

The Department did not prepare the quarterly reports for awards made to certified minority business enterprises for five of the seven quarters during the period July 1, 1996, to March 31, 1998. Section 11-35-5240(2) of the Code requires progress reports be submitted to the Small Minority Business Assistance Office not later than ten days after the end of each fiscal quarter.

We recommend the Commission prepare and submit the reports for the five quarters. Further, the Commission must begin submitting a progress report for each quarter as required by the Code.

**COMMISSION RESPONSE**

A copy of the MBE report will be forwarded to you by January 25, 1999.

## 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 Human Affairs Commission in compliance with 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.



David E. Rawl, CPPB  
Senior Auditor



Larry G. Sorrell, Manager  
Audit and Certification

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



JAMES H. HODGES, CHAIRMAN  
GOVERNOR

GRADY L. PATTERSON, JR.  
STATE TREASURER

JAMES A. LANDER  
COMPTROLLER GENERAL

JOHN DRUMMOND  
CHAIRMAN, SENATE FINANCE COMMITTEE

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

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

R. VOIGHT SHEALY  
ASSISTANT DIRECTOR

January 21, 1999

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 Human Affairs Commission's response to our audit report for July 1, 1996 - March 31, 1998. We are satisfied that the Commission has corrected the problem areas and the internal controls over the procurement system are adequate.

Additional certification was not requested. Therefore, we recommend the Commission 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

Total Copies Printed - 30  
Unit Cost - .32  
Total Cost - \$9.60



0 01 01 0238109 J



SOUTH CAROLINA STATE LIBRARY

