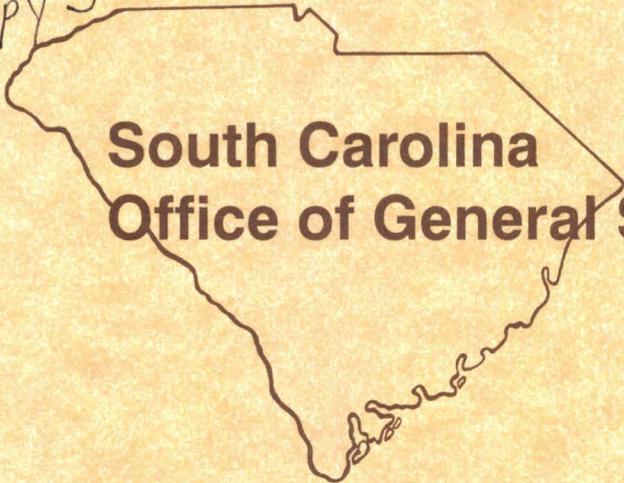


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**South Carolina
Office of General Services**

PROCUREMENT AUDIT AND CERTIFICATION

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STATE DOCUMENTS

JOHN DE LA HOWE SCHOOL

JULY 1, 1995 - SEPTEMBER 30, 1997

AGENCY

DATE

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



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GOVERNOR

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STATE TREASURER

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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

January 21, 1998

JOHN DRUMMOND
CHAIRMAN, SENATE FINANCE COMMITTEE

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

LUTHER F. CARTER
EXECUTIVE DIRECTOR

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 John de la Howe School. 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 that 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

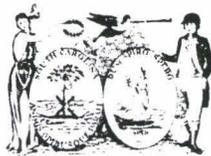
**JOHN DE LA HOWE SCHOOL
PROCUREMENT AUDIT REPORT**

JULY 1, 1995 - SEPTEMBER 30, 1997

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STATE OF SOUTH CAROLINA
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HENRY E. BROWN, JR.
CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER F. CARTER
EXECUTIVE DIRECTOR

December 2, 1997

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 John de la Howe School for the period July 1, 1995 through September 30, 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 assure adherence to the Consolidated Procurement Code and State 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 John de la Howe School 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.

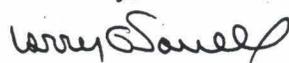
Because of inherent limitations in any system of internal control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree 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 John de la Howe School in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

Sincerely,



Larry G. Sorrell, Manager
Audit and Certification

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 John de la Howe School 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 judgmental samples for the period July 1, 1995 through June 30, 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 for the period July 1, 1995 through September 30, 1997
- (2) Procurement transactions for the period July 1, 1995 through June 30, 1997 as follows:
 - a) Twenty-nine payments each exceeding \$1,500
 - b) All purchase orders issued from July 1, 1997 through September 30, 1997
- (3) Minority Business Enterprise Plans and reports for the audit period
- (4) Information technology plans for fiscal years 1995-98
- (5) Internal procurement procedures manual
- (6) Surplus property procedures

RESULTS OF EXAMINATION

We conducted an examination of the internal procurement operating policies and procedures of the John de la Howe School, hereinafter referred to as the School. Our on-site review was conducted October 6 - 9, 1997 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. Since our last audit, the School has made tremendous progress in Code compliance. We commend the School's actions. However, while we noted a substantial improvement in compliance, we did note the following items which need to be addressed by management.

No Evidence of Compliance

We noted the following four procurements which had no evidence of competition, a sole source or emergency determination did not appear to be exempt.

<u>Voucher</u>	<u>PO</u>	<u>Amount</u>	<u>Description</u>
DV 387	47149	\$2,216	Computer with tracking software
DV 71	46098	1,800	Self defense training
DV 633	46259	2,620	Lock sets and installation
DV 943		5,194	Groceries

On voucher DV 943, a total of \$2,942 was subject to the Code with the remaining \$2,252 being exempt as defined in Section 11-35-710(9) of the Code.

We recommend the School comply with the Code concerning items which are not exempt.

Inadequate Documentation

The following three procurements did not have evidence of solicitation of three verbal quotes.

<u>Item</u>	<u>Voucher</u>	<u>PO</u>	<u>Amount</u>	<u>Description</u>
1.	DV 355	47234	\$2,714	Repairs to car
2.	DV 1092	46635	3,937	Saddles and girths

<u>Item</u>	<u>Voucher</u>	<u>PO</u>	<u>Amount</u>	<u>Description</u>
3.	DV 1542	47901/ 47912	\$2,772	Valances and curtain rods

Items 1 and 2 were payments from insurance proceeds. On item 1, the file contained one quote plus an estimate from the insurance adjuster. The School personnel believe other quotes were obtained but were not in the file. The School solicited from two vendors for item 2 but did not document the pricing of both vendors. On item 3, the School solicited quotes for the material to make the valances but did not document the quotes. Subsequently, the School determined it was cheaper to buy the items pre-made rather than buy the material and make the items themselves. Competition was not solicited for the pre-made items.

Section 11-35-1550 of the Code requires that purchases from \$1,500 to \$5,000 have three verbal quotes. In each of these cases, the School sought competition but did not document the prices. Additionally, based on the conversations with School officials, three quotes were not solicited in accordance with the Code.

We recommend the School solicit the number of vendors required by the Code and document the competition to ensure compliance.

Blanket Purchase Agreements

The School issues a limited amount of monthly blanket purchase agreements. However, the blanket purchase agreements do not address the following items as required by Regulation 19-445.2100(B).

- Description of agreement
- Extent of obligation
- Notice of individuals authorized to place calls
- Delivery tickets with must include:
 - name of supplier
 - blanket purchase agreement number
 - date of call
 - call number
 - itemized list of supplies or services furnished
 - quantity, unit price, and extension
 - date of delivery or shipment

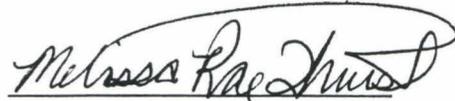
- Invoicing method

We recommend the School include these items as part of the blanket purchase agreements.

CONCLUSION

As enumerated in our transmittal letter, corrective action based on the recommendations described in this report, we believe, will in all material respects place John de la Howe School in compliance with the South Carolina Consolidated Procurement Code and ensuing Regulations. We will perform a follow-up review by January 15, 1998, to ensure that the School has completed this corrective action.

The School has not requested increased procurement certification above the basic limit of \$5,000 allowed by the Procurement Code. Subject to corrective action listed in this report, we recommend the School be allowed to continue procuring goods and services, consultant services, construction, and information technology up to the basic level.



Melissa Rae Thurstin
Senior Auditor



Larry G. Sorrell, Manager
Audit and Certification



State of South Carolina
John de la Howe School
Route 1, Box 154
McCormick, South Carolina 29835-9721



John C. Shiflet, Jr.
Superintendent

January 13, 1998

Phone: 864-391-2131
FAX: 864-391-2135

Mr. Larry G. Sorrell
Audit and Certification
Materials Management Office
1201 Main Street, Suite 600
Columbia, SC 29201

Dear Mr. Sorrell:

In response to your recent procurement audit of John de la Howe School, we agree to follow the South Carolina Consolidated Procurement Code and Regulations which outlines the bidding process for amounts over the \$1,500 ceiling. We will seek competition and document this thoroughly. We will set up a form and apply this to the blanket purchase order issued on a monthly basis.

As you noted in your report, you have found that we have made tremendous progress in Code compliance. We are determined to keep this momentum going.

We appreciate the professional manner in which your staff conducted the audit. We feel that we can call on any of your staff when certain situations arise.

Sincerely,

George H. Young, Jr.
Director of Business and Support Services

GHY:mg

STATE OF SOUTH CAROLINA
State Budget and Control Board
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VOIGHT SHEALY
ASSISTANT DIRECTOR

January 21, 1998

Mr. Voight Shealy
Materials Management Officer
Materials Management Office
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Voight:

We have reviewed John de la Howe School's response to our audit report for July 1, 1995 - September 30, 1997. Also, we have followed the School's corrective action during and subsequent to our field work. We are satisfied that the School has corrected the problem areas and the internal controls over the procurement system are adequate.

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

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