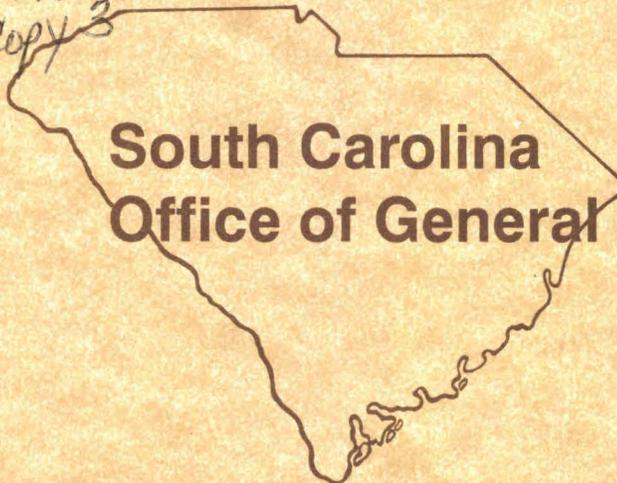


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**South Carolina
Office of General Services**

PROCUREMENT AUDIT AND CERTIFICATION

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**SOUTH CAROLINA JUDICIAL
DEPARTMENT**

AGENCY

JULY 1, 1996 - DECEMBER 31, 1997

DATE

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State Budget and Control Board
OFFICE OF GENERAL SERVICES



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

VOIGHT SHEALY
ASSISTANT DIRECTOR

May 12, 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 Judicial Department. 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,

Handwritten signature of R. Voight Shealy in cursive script.
R. Voight Shealy
Materials Management Officer

/tl

SOUTH CAROLINA JUDICIAL DEPARTMENT

PROCUREMENT AUDIT REPORT

JULY 1, 1996 - DECEMBER 31, L997

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STATE OF SOUTH CAROLINA
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VOIGHT SHEALY
ASSISTANT 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 Judicial Department 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 Department 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 Judicial Department 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.

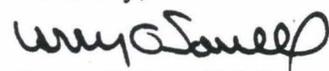
Because of inherent limitations in any system of internal control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree 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 Judicial Department 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 Judicial Department, hereafter referred to as the Department. Our on-site review was conducted February 23 - 27, 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 Department 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 Department 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) Sixty payment transactions for goods and services reviewed for competition and compliance to the Code
 - b) A block sample of four hundred numerical purchase orders reviewed for order splitting and favored vendors
- (3) Surplus property disposition and procedures
- (4) Minority Business Enterprise Plans 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 Department for the period July 1, 1996 through December 31, 1997.

Since our last audit, the Department 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.

Minority Business Enterprise Plan

The Department has failed to file with the Office of Small and Minority Business Assistance (OSMBA) of the Governor's Office, a Minority Business Enterprise (MBE) Utilization Plan. In smaller agencies, with annual operational dollars less \$300,000, OSMBA will allow an agency to submit a "Letter of Intent" in lieu of a plan. This recognizes the fact the agency will try to buy from minority firms when ever possible.

We recommend the Department file a "Letter of Intent" along with an annual report recapping the number and dollar value of contracts awarded to eligible minority businesses for the preceding year. Beginning for fiscal year 98/99, we also recommend the Department file an annual MBE plan with minority dollar goals and submit quarterly progress reports as required by Regulation 19-445-2160(E)(5).

Exempted Real Property Lease Not Reported

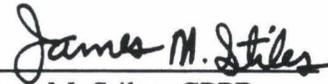
The Department had a month to month rental of a storage facility at the Palmetto Compress Building that was less than \$10,000 annually. The Department did not consider the month to month rental as being subject to the commercial lease requirements as defined by the Office of General Services. Commercial leases which commit less than \$10,000 in a single fiscal year are exempt and not subject to the lease procurement approval process. However, state agencies must report all exempted leases to the Office of General Services.

We recommend the Department report the rental of the storage facility at the Palmetto Compress Building to the Office of General Services.

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 Judicial Department in compliance with the Consolidated Procurement Code and ensuing regulations.

The South Carolina Judicial Department 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 Department 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



South Carolina Judicial Department
Finance and Personnel

THOMAS B. TIMBERLAKE, CPA
DIRECTOR

P. O. BOX 11879
COLUMBIA, S.C. 29211
(803) 734-1970

FAX (803) 734-1963

May 11, 1998

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

Dear Larry:

We have reviewed your procurement audit report for the period July 1, 1996 - December 31, 1997 and authorize its release.

We have reviewed your findings and have implemented your recommendations. We have filed a "Letter of Intent" with the Office of Small and Minority Business Assistance (OSMBA) of the Governor's Office and a summary of our expenditures for FY 1996-1997. We will file an annual report with OSMBA at the end of FY 1997-1998. We also have reported the rental of storage facilities to the Real Property Management Office of the Office of General Services.

I appreciate the helpful and efficient manner in which you and Jim Styles performed this audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Tom Timberlake", with a long horizontal flourish extending to the right.

Thomas B. Timberlake

TBT:rd

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State Budget and Control Board
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VOIGHT SHEALY
ASSISTANT DIRECTOR

May 12, 1998

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 Judicial Department's response to our audit report for July 1, 1996 - December 31, 1997. We are satisfied that the Department has corrected the problem areas and the internal controls over the procurement system are adequate.

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

A handwritten signature in black ink that reads "Larry G. Sorrell".

Larry G. Sorrell, Manager
Audit and Certification

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