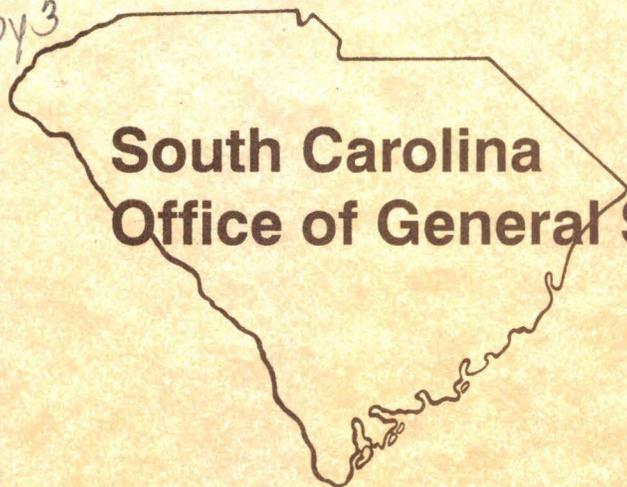


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**South Carolina
Office of General Services**

**PROCUREMENT
AUDIT AND
CERTIFICATION**

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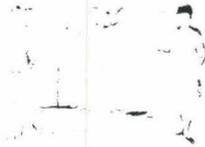
SOUTH CAROLINA MUSEUM COMMISSION

AGENCY

JULY 1, 1998 – FEBRUARY 28, 1999

DATE

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



JAMES H. HODGES, CHAIRMAN
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LUTHER F. CARTER
EXECUTIVE DIRECTOR

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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

June 10, 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 State Museum 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 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

/jl

**SOUTH CAROLINA STATE MUSEUM COMMISSION
PROCUREMENT AUDIT REPORT
JULY 1, 1998 - FEBRUARY 28, 1999**

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CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER F. CARTER
EXECUTIVE DIRECTOR

May 10, 1999

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 Museum Commission for the period July 1, 1998 through February 28, 1999. 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 South Carolina State Museum 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 State Museum 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 Museum Commission. Our on-site review was conducted March 5 - 10, 1999 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 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 State Museum 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 for the period July 1, 1998 through February 28, 1999 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, 1998 through December 31, 1998
- (2) Procurement transactions for the audit period as follows:
 - a) Twenty seven payments each exceeding \$1,500
 - b) A block sample of approximately 200 purchase orders
- (3) Minority Business Enterprise Plan and report
- (4) Internal procurement procedures manual
- (5) Surplus property procedures disposition procedures
- (6) Information technology plan for the audit period
- (7) File documentation and evidence of competition

RESULTS OF EXAMINATION

The Office of Audit and Certification performed an examination of the internal procurement operating policies and procedures and related manual of the South Carolina State Museum Commission for the period July 1, 1998 through February 28, 1999.

Since our last compliance audit, the Museum Commission has maintained what we consider to be a professional procurement system. However, we did note the following two items which should be addressed by management.

Payment Made Without Verification of Items Being Received

The following partial payment was made without evidence of the item being received.

<u>Voucher</u>	<u>Date</u>	<u>Description</u>	<u>Amount</u>
1019	12/29/98	Antique doll house	\$17,500

The Commission agreed to make a 50% payment after the item had been delivered. However, the Commission sent the payment without written verification that the item had been received. The Commission needs to ensure that the receiving reports are completed before payments are made.

Freight Overpayment

Purchase order 11007 was issued on September 24, 1998, to procure miscellaneous hardware to upgrade computers against state contract C800738 for \$1560 plus freight of \$24. Voucher 1002 was issued on December 7, 1998 for \$1,652 that included the payment of the freight. The terms of the state term contract were FOB destination. Therefore, the freight should not have been included on the purchase order. The Commission should be more cautious concerning the freight terms on state term contracts.

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 the South Carolina State Museum 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 Procurement Code. Subject to corrective action 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 Consolidated Procurement Code and accompanying regulations.



David E. Rawl, CPPB
Senior Auditor



Larry G. Sorrell, Manager
Audit and Certification

South Carolina State Museum

"South Carolina Under One Roof"
"Customer Focused Quality"



May 17, 1999

Mr. Larry G. Sorrell, Manager
Audit and Certification
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Mr. Sorrell:

We have reviewed the comments made in your report resulting from the examination of the internal procurement operating policies and procedures and related manual of the South Carolina State Museum Commission for the period July 1, 1998 through February 28, 1999. We are pleased to have the opportunity to respond to the recommendations made.

Payment Made Without Verification of Items Being Received

The policy of the Museum Commission is to pay for items only after a receiving report is completed and we make every effort to ensure this policy is followed. We will aggressively monitor all requests for payment to ensure that (1) payment is not processed without a receiving report and (2) payment is not approved without a receiving report. In addition, the accounts payable process now includes a checklist that documents that the receiving report is completed.

Freight Overpayment

The Commission makes every effort to ensure that freight terms are considered at the time a purchase order is processed. The Commission will be more cautious concerning freight terms and the checklist referred to above includes a line item that freight is properly charged and approved to pay.

We appreciate the professional manner in which your staff conducted this review. Please include our response in your final report.

Sincerely,

A handwritten signature in black ink, appearing to read "Overton G. Ganong". The signature is fluid and cursive, with a long horizontal flourish at the end.

Overton G. Ganong,
Executive Director

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



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R. VOIGHT SHEALY
ASSISTANT DIRECTOR
May 24, 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 response from South Carolina State Museum Commission to our audit report for the period of July 1, 1998 - February 28, 1999. Also we have followed the Museum's corrective action during and subsequent to our fieldwork. We are satisfied that the Museum 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 as outlined in the Code.

Sincerely,

A handwritten signature in cursive script that reads "Larry G. Sorrell".

Larry G. Sorrell, Manager
Audit and Certification

LGS/jl

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