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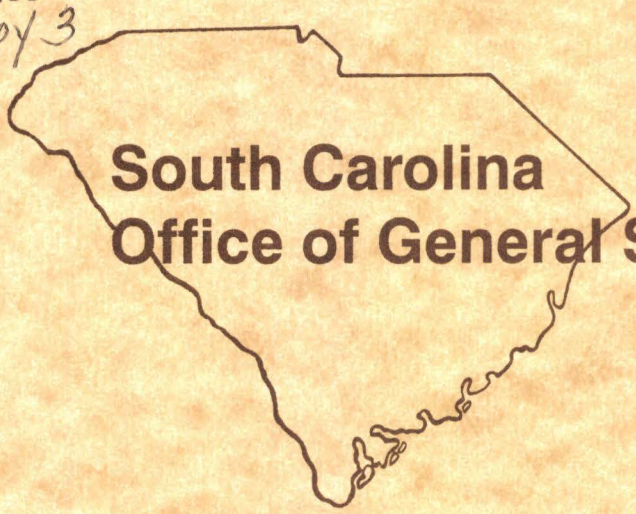

South Carolina
Office of General Services

PROCUREMENT AUDIT AND CERTIFICATION

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AGENCY

JULY 1, 1998 – DECEMBER 31, 1999
DATE

STATE OF SOUTH CAROLINA

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MATERIALS MANAGEMENT OFFICE
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COLUMBIA, SOUTH CAROLINA 29201
(803) 737-0600
Fax (803) 737-0639

R. VOIGHT SHEALY
ASSISTANT DIRECTOR

July 10, 2000

Mr. Robert W. McClam, Director
Office of General Services
1201 Main Street, Suite 420
Columbia, South Carolina 29201

Dear Robbie:

I have attached the audit report for the Office of the Attorney General. 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,

Voight Shealy

R. Voight Shealy
Materials Management Officer

/jl

OFFICE OF THE ATTORNEY GENERAL

PROCUREMENT AUDIT REPORT

JULY 1, 1998 - DECEMBER 31, 1999

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R. VOIGHT SHEALY
ASSISTANT DIRECTOR

May 25, 2000

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 Office of the Attorney General for the period July 1, 1998 through December 31, 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 insure adherence to the Consolidated Procurement Code, State regulations and the Office's 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 Office of the Attorney General 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 Office of the Attorney General in compliance with the Consolidated Procurement Code and ensuing regulations.

Sincerely,

Larry G. Sorrell

Larry G. Sorrell, Manager
Audit and Certification

INTRODUCTION

We conducted an examination of the internal procurement operating policies and procedures of the Office of the Attorney General, hereafter referred to as the Office. Our on-site review was conducted February 7 - 11, 2000, 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 Office 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 Office 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, 1998 through December 31, 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 from the period July 1, 1998 through December 31, 1999

(2 Procurement transactions from the period July 1, 1998 through December 31, 1999 as follows:
   a) Forty payment transactions greater than $1,500 each reviewed for competition and compliance to the Code
   b) A block sample of one hundred fifty numerical purchase orders reviewed for order splitting and favored vendors

(3) Surplus property procedures

(4) Minority Business Enterprise goals and reports for the audit period

(5) Information technology plans for fiscal year 1998/99

(6) Internal procurement procedures manual review

(7) Real property lease procedures

(8) Procurement file documentation and evidence of competition

RESULTS OF EXAMINATION

The Office of Audit and Certification performed an examination of the internal procurement operating policies, procedures and related manual of the Office for the period July 1, 1998 through December 31, 1999.

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

The following two sole source procurements were not reported.

PO	PO Date	Description	Amount
1711	6/29/99	Security system monitoring services	$12,416
1816	9/28/99	Spacefinder cabinets and locks	4,253

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

We recommend the Office review internal procedures to ensure correct reporting of sole source procurements and amend the appropriate quarterly reports for the items listed above.

Purchase order 1715 was issued on June 29, 1999 for expandable folders that included freight charges that were not considered when determining the solicitation requirement. The folders were $1,499.40 plus freight of $79.80 for a total of $1,579.20, excluding sales tax. Since freight is a part of the total cost of the goods, it must be included in determining the procurement method. Procurements above $1,500 require solicitation of three verbal quotes but no quotes were requested for this procurement.

We recommend the Office include the freight cost when determining the competition requirements.

CONCLUSION

As enumerated in our transmittal letter, corrective action based on the recommendations described in this report, will in all material respects place the Office of the Attorney General in compliance with the Consolidated Procurement Code and ensuing regulations.

The Office 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 Office 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

James M. Stiles, CPPB
Audit Manager

Larry Sorrell

Larry G. Sorrell, Manager
Audit and Certification

The State of South Carolina
OFFICE OF THE ATTORNEY GENERAL

CHARLES M. CONDON
ATTORNEY GENERAL

June 30, 2000

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

Dear Mr. Sorrell:

We have reviewed the results of the procurement audit of this Office for the period of July 1, 1998 - December 31, 1999. Your two findings, failure to report two sole source proceurements and failure to include freight costs which caused a purchase to exceed the authorized amount, were due to human oversight.

Because of the nature of the problems cited in your report, we are not requesting an exit conference. However, we are making a special effort to insure that such oversight does not occur again, and that all purchases are handled in accordance with our Procurement Policy approved by your Office. We appreciate your assistance and will use the report as a means to improving our procurement practices.

Sincerely,

John W. McIntosh
Chief Deputy Attorney General

cc: Josephine A. McRant, Director of Administration
Jack Bryan, Support Services Manager

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R. VOIGHT SHEALY
ASSISTANT DIRECTOR

July 10, 2000

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 Office of the Attorney General's response to our audit report for July 1, 1998 – December 31, 1999. Also, we have followed the Office's corrective action during and subsequent to our field work. We are satisfied that the Office has corrected the problem areas and the internal controls over the procurement system are adequate.

Additional certification was not requested. Therefore, we recommend the Office be allowed to continue procuring all goods and services, construction services, information technology and consulting services up to the basic level of outlined in the Code.

Sincerely,

Larry G. Sorrell, Manager
Audit and Certification

LGS/jl

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