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**South Carolina  
Division of General Services**

# PROCUREMENT AUDIT AND CERTIFICATION

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**STATE DOCUMENTS**

REAL ESTATE COMMISSION

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AGENCY

JULY 1, 1986 - JUNE 30, 1988

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DATE

STATE OF SOUTH CAROLINA  
**BUDGET AND CONTROL BOARD**  
DIVISION OF GENERAL SERVICES  
1201 MAIN STREET, SUITE 420  
COLUMBIA, SOUTH CAROLINA 29201  
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CARROLL A. CAMPBELL, JR.  
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CHAIRMAN,  
HOUSE WAYS AND MEANS COMMITTEE

JESSE A. COLES, JR., Ph.D.  
EXECUTIVE DIRECTOR

January 16, 1989

Mr. Richard W. Kelly  
Division Director  
Division of General Services  
1201 Main Street, Suite 400  
Columbia, South Carolina 29201

Dear Rick:

Attached is the final Real Estate Commission audit report and recommendations made by the Office of Audit and Certification. Since no certification above the \$2,500.00 allowed by law was requested, and no action is necessary by the Budget and Control Board, I recommend that this report be presented to them for their information.

Sincerely,

A handwritten signature in cursive script, appearing to read "James J. Forth, Jr.".

James J. Forth, Jr.  
Assistant Division Director

Attachment

REAL ESTATE COMMISSION

AUDIT REPORT

JULY 1, 1986 - JUNE 30, 1988

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JESSE A. COLES, JR., Ph.D.  
EXECUTIVE DIRECTOR

January 16, 1989

Mr. James J. Forth, Jr.  
Assistant Division Director  
Division of General Services  
1201 Main Street, Suite 600  
Columbia, South Carolina 29201

We have examined the procurement policies and procedures of the Real Estate Commission for the period July 1, 1986 through June 30, 1988. As a part of our examination, we made a study and evaluation of the system of internal control over procurement transactions to the extent we considered necessary.

The purpose of such evaluation was to establish a basis for reliance upon the system of internal control to assure adherence to the Consolidated Procurement Code and State and internal procurement policy. Additionally, the evaluation was used in determining the nature, timing and extent of other auditing procedures that were necessary for developing an opinion on the adequacy, efficiency and effectiveness of the procurement system.

The administration of the Real Estate Commission is responsible for establishing and maintaining a system of internal control over procurement transactions. In fulfilling

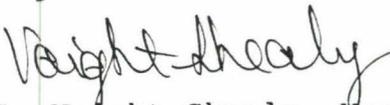
this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance of the integrity of the procurement process, that affected 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 due professional care. They would not, however, because of the nature of audit testing, necessarily disclose all weaknesses in the system.

The examination did, however, disclose one condition which we believe to be subject to correction or improvement.

Corrective action based on the recommendation described in this finding will in all material respects place the Real Estate Commission in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

  
R. Voight Shealy, Manager  
Audit and Certification

## SCOPE

Our examination encompassed a detailed analysis of the internal procurement operating procedures of the Real Estate Commission and the 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.

The Office of Audit and Certification of the Division of General Services reviewed all procurement transactions for the period July 1, 1986 - June 30, 1988, for compliance testing and performed other audit procedures that we considered necessary in the circumstances to formulate this opinion. Our review of the system included, but was not limited to, the following areas:

- (1) adherence to applicable laws, regulations and internal policy;
- (2) procurement staff and training;
- (3) adequate audit trails and purchase order registers;
- (4) evidences of competition;
- (5) small purchase provisions and purchase order confirmations;
- (6) emergency and sole source procurements;
- (7) source selections;
- (8) file documentation of procurements;
- (9) inventory and disposition of surplus property;
- (10) Minority Business Enterprise Utilization Plan.

## RESULTS OF EXAMINATION

The Office of Audit and Certification performed an examination of the internal operating procedures and policies of the Real Estate Commission for the period July 1, 1986 through June 30, 1988. Our on-site review was conducted from August 31, through September 7, 1988, and was made under the authority described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code.

The Commission had a limited number of procurement transactions, and our examination of all of these indicated they were handled properly. However, we did note one condition which we believe to be subject to correction.

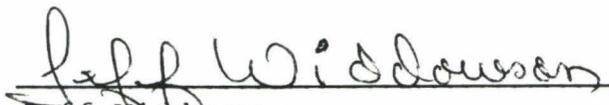
Section 11-35-540(3) of the Consolidated Procurement Code required that each governmental body prepare an internal procurement operating procedures manual. As was the case with many of the smaller agencies, the Commission was allowed to submit a statement of intent in lieu of a formal procedures manual at the inception of the Procurement Code. This document allowed small agencies additional time to prepare a more comprehensive manual. As a result of our recent audit of the Commission's procurement activity, we have determined that a procedures manual should be developed outlining the current procurement system.

This manual should incorporate the most current internal procedures and follow the recommended outline which we submitted to the Commission at the time of the audit.

CONCLUSION

As enumerated in our transmittal letter, corrective action based on the recommendation described in the finding in the body of this report, we believe, will in all material respects place the South Carolina Real Estate Commission in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

In accordance with Code Section 11-35-1230(1) the Commission should take this corrective action prior to October 30, 1988. Subject to this corrective action and because additional certification was not requested, we recommend that the Real Estate Commission be allowed to continue procuring all goods and services, information technology, construction and consulting services up to the basic level as outlined in the Procurement Code.

  
\_\_\_\_\_  
Jeff Widdowson  
Audit and Certification

  
\_\_\_\_\_  
R. Voight Shealy, Manager  
Audit and Certification



## South Carolina Real Estate Commission

CAPITOL CENTER — AT&T BUILDING  
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December 13, 1988

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Commissioner  
EMILY (PAT) McALISTER  
Deputy Commissioner

Mr. R. Voight Shealy, Manager  
Audit and Certification  
Budget and Control Board  
Division of General Services  
1201 Main Street, Suite 420  
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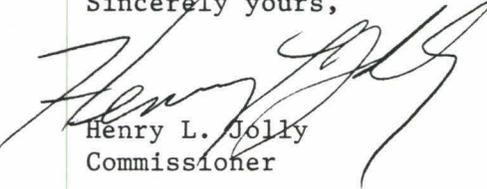
Dear Mr. Shealy:

I have received and reviewed the Procurement Audit Report Draft and am pleased with the results. Enclosed please find the Procurement Operating Procedures Manual referred to in your report. Unless you have any questions or suggestions regarding the manual or the audit, I see no need for an exit conference.

I appreciate the assistance and advice your office and auditor, Jeff Widdowson, gave to the agency during the audit procedure. If you believe an exit conference is necessary, please contact me; otherwise, I trust everything is complete.

Thank you for your continued cooperation with this office.

Sincerely yours,



Henry L. Jolly  
Commissioner

HLJ/ap

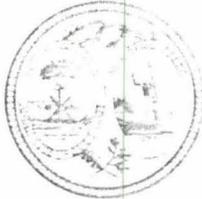
Enclosure

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EXECUTIVE DIRECTOR

January 16, 1989

Mr. James J. Forth, Jr.  
Assistant Director  
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1201 Main Street  
Columbia, South Carolina 29201

Dear Jim:

We have reviewed the Real Estate Commission's response to our audit report covering the period of July 1, 1986 - June 30, 1988. Further, the Commission has prepared and we have reviewed its internal procurement operating procedures manual. Since this was the only exception noted in the audit report we are satisfied that the internal controls over the procurement system are adequate.

Additional certification was not requested. Therefore, we recommend that the Commission be allowed to continue procuring all goods and services, consultant services, construction services and information technology up to the basic level authorized by the Consolidated Procurement Code.

Sincerely,

*R. Voight Shealy*  
R. Voight Shealy, Manager  
Audit and Certification

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