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South Carolina
Division of General Services

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SOUTH CAROLINA RETIREMENT SYSTEMS
INSURANCE BENEFITS SECTION

AGENCY

FEBRUARY 11, 1982 - NOVEMBER 30, 1986

DATE

STATE OF SOUTH CAROLINA
BUDGET AND CONTROL BOARD
DIVISION OF GENERAL SERVICES
300 GERVAIS STREET
COLUMBIA, SOUTH CAROLINA 29201
(803) 737-2150

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ROBERT N. McLELLAN
CHAIRMAN,
HOUSE WAYS AND MEANS COMMITTEE

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

May 27, 1987

Mr. Richard W. Kelly
Division Director
Division of General Services
300 Gervais Street
Columbia, South Carolina 29201

Dear Rick:

Attached is the final South Carolina Retirement Systems Insurance Benefits Section audit report and recommendation made by the Office of Audit and Certification. I concur and recommend the Budget and Control Board grant the agency three years certification as outlined in the report.

Sincerely,

A handwritten signature in dark ink, appearing to read "Bill", written over the typed name.

William J. Clement, AIA
Assistant Division Director

SOUTH CAROLINA RETIREMENT SYSTEMS
INSURANCE BENEFITS SECTION
AUDIT REPORT

FEBRUARY 11, 1982 - NOVEMBER 30, 1986

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EXECUTIVE DIRECTOR

WILLIAM J. CLEMENT, AIA
ASSISTANT DIVISION DIRECTOR

May 14, 1987

Mr. William J. Clement
Assistant Division Director
Division of General Services
Columbia, South Carolina 29210

We have examined the procurement policies and procedures of the South Carolina Retirement Systems Insurance Benefit Section for the period February 11, 1982 through November 30, 1986. 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 Retirement Systems Insurance Benefits Section 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 conditions enumerated in this report which we believe to be subject to correction or improvement.

Corrective action based on the recommendations described in these findings will in all material respects place the Retirement Systems Insurance Benefits Section in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

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

RESULTS OF EXAMINATION

The Office of Audit and Certification performed an examination of the internal procurement operating procedures and policies and related manual of the Retirement Systems Insurance Benefits Section for the period February 11, 1982 through November 30, 1986.

Our on-site review was conducted December 2, 1986 through April 21, 1987, and was made under the authority as described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code. The audit was primarily instituted because the five year certification granted the Agency by the Budget and Control Board is to expire on June 29, 1987. The certification was transferred from the Division of Human Resource Management (State Personnel) to the Retirement Systems by the Budget and Control Board on May 27, 1986 based on the previous transfer of this function to the Retirement Systems.

Our audit was limited to the review of procurement activity attributed to the various employee insurance programs administered by the South Carolina Retirement Systems. It did not include a general review of all procurement activity.

We found no exceptions to the Consolidated Procurement Code during our review except that the following documentation could not be located.

<u>Missing Documentation</u>	<u>Program/Contract Period</u>
Multi-term determination	Long Term Disability 07/01/84-06/30/87
Multi-term determination	Optional Life 11/01/85-10/31/88
Bid analysis/award criteria	Long Term Disability 07/01/84-06/30/87

As explained in the attached letter from the agency, noted as Appendix A, the various physical moves plus the organizational move from the Division of Human Resource Management (State Personnel) to the South Carolina Retirement Systems could have been a contributing factor to the missing documentation. We recommend that the agency make a concerted effort, for future procurements, to retain the applicable documentation to support the procurement activity for the various employee insurance programs.

CERTIFICATION RECOMMENDATIONS

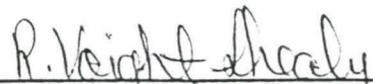
As enumerated in our transmittal letter, corrective action based on the recommendations described in the findings contained in the body of this report, we believe, will in all material respects place the Retirement Systems Insurance Benefits Section in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

Under the authority described in Section 11-35-1210 of the procurement Code, we recommend South Carolina Retirement Systems Insurance Benefits Section be re-certified to make direct agency procurements for three years up to the limits as follows:

<u>PROCUREMENT AREAS</u>	<u>RECOMMENDED CERTIFICATION LIMITS</u>
Employee Insurance Programs	Unlimited



Larry G. Sorrell
Audit Manager



R. Voight Shealy, Manager
Audit and Certification

South Carolina Retirement Systems



INSURANCE BENEFITS SECTION
POST OFFICE BOX 11668
COLUMBIA, S.C. 29211

Purvis W. Collins
Director

(803) 758-2574

April 27, 1987

Mr. R. Voight Shealy
Manager, Audit and Certification
Division of General Services
300 Gervais Street
Columbia, South Carolina 29201

Dear Mr. Shealy:

In response to your request of February 10, 1987, South Carolina Retirement Systems, Insurance Benefits Section, has been unsuccessful in locating the following copies:

1. Multi-term contract period, July 1, 1984 to June 30, 1987, or
2. Multi-term determination for optional life for the contract period November, 1985 to October 31, 1988.

We are confident these required forms were completed at the proper time and appropriately signed by the Director before being placed in the record. Past and present filing documents reflect that this is standard procedure and other forms of this nature are in the records. Furthermore, the Insurance Benefits Section has been keenly aware of the multi-term requirements since this aspect was contested by a bidder on the health contract in 1982 - 83. Recognizing the importance, there is no reason to believe the forms were not originally completed.

Since the aforementioned forms were originally completed and filed, the entire insurance section has not only sustained a physical relocation but has also been transferred from one Budget and Control Board Division to another and experienced turnover in positions responsible for in-house filing of these materials. While this not offered as an excuse, it could explain why some documents cannot be located.

With regard to item four of your letter, bid analysis and award criteria for long term disability for the contract period July 1, 1984 to June 30, 1987, we have requested copies of these documents from the actuaries who provided the analysis and recommendation originally. This material will, hopefully, be

Mr. Voight Shealy
April 27, 1987
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located and forwarded to South Carolina Retirement Systems within a few weeks; however, it should be noted that a change in actuarial consultants has also occurred during the period in question.

Copies of bids received for this contract are on file and since the contract was awarded to the lowest qualified bidder, it would seem that the consultants recommendation for award of this contract would be consistent with others over the years for which similar documentation is available.

If I can be of further assistance, please let me know.

Sincerely

Phyllis B. Beighley
Phyllis Beighley
Assistant Director

cc: Joseph A. Mack
Jim R. Davis
Lewis B. Leopard

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WILLIAM J. CLEMENT, AIA
ASSISTANT DIVISION DIRECTOR

May 27, 1987

Mr. William J. Clement
Assistant Division Director
Division of General Services
300 Gervais Street
Columbia, South Carolina 29201

Dear Bill:

We have reviewed the response to our audit report of South Carolina Retirement Systems Insurance Benefits Section covering the period February 11, 1982 through November 30, 1986. Combined with observations made during our site visit, this review has satisfied the Office of Audit and Certification that the agency is correcting the problem found and that internal controls over the procurement system are adequate.

We, therefore, recommend that the certification limits for South Carolina Retirement Systems Insurance Benefits Section outlined in the audit report be granted for a period of three (3) years.

Sincerely,

A handwritten signature in cursive script that reads "Voight".

R. Voight Shealy, Manager
Audit and Certification

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