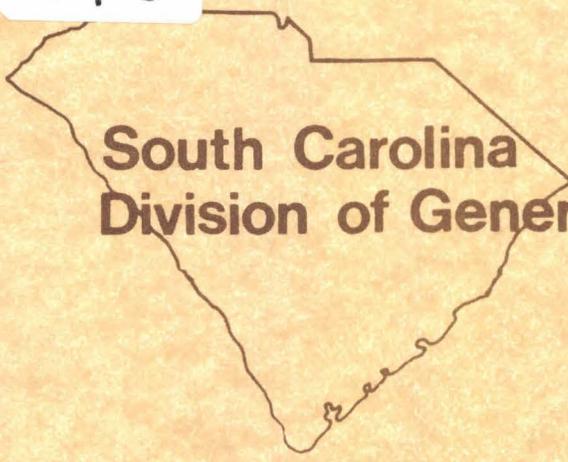


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South Carolina
Division of General Services

PROCUREMENT AUDIT AND CERTIFICATION

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SOUTH CAROLINA TAX COMMISSION

AGENCY

JULY 30, 1981
DECEMBER 31, 1985

DATE

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

CARROLL A. CAMPBELL, JR.
GOVERNOR

GRADY L. PATTERSON, JR.
STATE TREASURER

EARLE E. MORRIS, JR.
COMPTROLLER GENERAL



WILLIAM J. CLEMENT, AIA
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CHAIRMAN,
SENATE FINANCE COMMITTEE

ROBERT N. McLELLAN
CHAIRMAN,
HOUSE WAYS AND MEANS COMMITTEE

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

May 6, 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 Tax Commission audit report and recommendations made by the Office of Audit and Certification. I concur and recommend the Budget and Control Board grant the Commission two years certification as outlined in the audit report.

Sincerely,

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

William J. Clement, AIA
Assistant Division Director

Attachment

SOUTH CAROLINA TAX COMMISSION
AUDIT REPORT

MAY 27, 1986

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STATE OF SOUTH CAROLINA
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CHAIRMAN,
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JESSE A. COLES, JR., Ph.D.
EXECUTIVE DIRECTOR

May 27, 1986

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

We have examined the procurement policies and procedures of the South Carolina Tax Commission for the period July 30, 1981 through December 31, 1985. As 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 a recommendation for certification above the \$2,500 limit.

The administration of the Tax 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 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 Tax Commission in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

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

INTRODUCTION

The Office of Audit and Certification conducted an examination of the internal procurement operating procedures and policies and related manual of the South Carolina Tax Commission.

Our on-site review was conducted March 11 through March 28, 1986 and was made under the authority as described in 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 agency in promoting the underlying purposes and policies of the Code as outlined in Section 11-35-20, which includes:

- (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.

BACKGROUND

Section 11-35-1210 of the South Carolina Consolidated Procurement Code states:

The (Budget and Control) Board may assign differential dollar limits below which individual governmental bodies may make direct procurements not under term contracts. The Division of General Services shall review the respective governmental body's internal procurement operations, shall certify in writing that it is consistent with the provisions of this code and the ensuing regulations, and recommend to the board those dollar limits for the respective governmental body's procurement not under term contract.

Our audit was performed primarily to determine if certification is warranted for these requested increased limits:

<u>Category</u>	<u>Requested Limit</u>
1. Printing Services	\$10,000

SCOPE

Our examination encompassed a detailed analysis of the internal procurement operating procedures of the South Carolina Tax 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 up to the requested certification limits.

The Audit and Certification team of the Division of General Services selected random samples for the period July 30, 1984 through December 31, 1985, of procurement transactions for compliance testing and performed other auditing procedures that we considered necessary in the circumstances to formulate this opinion. As specified in the Consolidated Procurement Code and related regulations, our review of the system included, but was not limited to, the following areas:

- (1) adherence to provisions of the South Carolina Consolidated Procurement Code and accompanying regulations;
- (2) procurement staff and training;
- (3) adequate audit trails and purchase order register;
- (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) disposition of surplus property;
- (10) economy and efficiency of the procurement process;
and
- (11) approval of Minority Business Enterprise Plan.

SUMMARY OF AUDIT FINDINGS

Our audit of the procurement system of the South Carolina Tax Commission produced findings and recommendations in the following areas:

	<u>PAGE</u>
I. <u>Compliance - Sole Source and Emergency Procurements and Trade-In Sales</u>	10

Two emergency procurements lacked the formal approved determination and were not reported to General Services. One trade-in item greater than \$500.00 did not have the Materials Management Officer's approval.

II. <u>Compliance - Goods and Services, Consultants and Information Technology</u>	12
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Our test sample revealed several areas where the Purchasing Office did not comply with the Procurement Code and/or internal procedures.

III. Change Order Policy

19

The agency does not use an official "change order" document when increasing or decreasing a purchase order.

IV. Internal Office Procedures

21

A number of office practices need to be strengthened for better internal control over purchasing transactions.

V. Review of the Procurement Procedures Manual

23

Our review of the current manual indicated several areas that needed to be added; changed, or expanded.

RESULTS OF EXAMINATION

I. Compliance - Sole Source and Emergency Procurements and Trade-In Sales

Interim reviews of sole source and emergency procurements were performed June 20, 1983 and March 14, 1985. The results can be seen at appendixes A and B. Since this had been accomplished previously, we examined the quarterly reports of sole source and emergency procurements and trade-in sales and all available supporting documents for the period January 1, 1985 - December 31, 1985. The purpose of this examination was to determine the appropriateness of the procurement actions taken and the accuracy of the reports submitted to the Division of General Services, as required by Section 11-35-2440 of the Consolidated Procurement Code. We found the majority of these transactions to be proper and accurately reported, but did note the following problems:

A. Emergency Procurements

The following two transactions were considered emergency procurements by the Field Services Section.

<u>P.O. Number</u>	<u>Amount</u>	<u>Item Description</u>
13116	\$8,876.00	Electronic Key Telephone System
13189	\$4,498.00	Telephone System

With proper planning these emergency situations might have been avoided. The procurements were not supported by formal emergency procurement determinations, as required by the Code in Section 11-35-1570. Further, the transactions were not reported to General Services as required by Section 11-35-2440 of the Code.

Purchase order number 12723 for \$3,191.00 was an emergency procurement for a binding machine. Competition was not solicited. The requisition was dated July 9 with the purchase order dated July 19. The ten day period between the time the requisition and the purchase order were prepared seems to indicate that competitive quotations could have been obtained. Regulation 19-445-2110, Subsection E, states in part... "The procedures used shall be selected to assure the required supplies, services or items are procured in time to meet the emergency. Given this constraint, such competition as is practicable shall be obtained."

AGENCY RESPONSE

With reference to P. O. 13116 and 13189, we will inform our division directors of the importance for competitive bidding and that emergency procurements must be avoided, except in extreme situations. Further, the procurement procedures must be followed strictly.

With reference to P. O. 12723, the machine purchased was actually delivered at the time of the requisition and a purchase order was drafted ten days later. There was not actually ten days, or we would agree that there was time for competitive bids.

B. Trade-In Sales

The Tax Commission failed to obtain the Materials Management Officer's approval for a trade-in of a mail machine valued at \$1,300. Regulation 19-445-2150, Subsection E, states in part, "...when the trade-in value exceeds five hundred dollars (\$500.00), the governmental body shall refer the matter to the Materials Management Officer for disposition." In the future, the agency must ensure that all trade-in's greater than \$500.00 have the appropriate approvals.

AGENCY RESPONSE

We realize an error was made in this situation. We will ensure that appropriate approvals will be included on all future trade-ins.

II. Compliance Goods and Services,

Consultants and Information Technology

Our audit included a test of 238 transactions, or thirty-seven percent (37%) of all purchases greater than \$500.00, for the period July 1, 1984 - December 31, 1985. This test revealed the following areas of noncompliance:

A. Written Quotations Not Obtained

One (1) telephone quote was obtained for purchase order 12751 for \$2,349.00. Regulation 19-445.2100 requires "written quotations from three qualified sources of supply" for purchases from \$1,500.00 to \$2,499.99.

Three (3) vendors were contacted, but only (1) provided a price quote. The agency should have required the successful vendor to submit his price in writing before making the award.

AGENCY RESPONSE

We will install procedures immediately to correct this area of noncompliance.

B. Failure to Justify Rejection of Low Bidder

Two (2) telephone quotes were obtained for purchase order 13560, however the goods were not purchased from the low bidder. The total purchase order was \$842.00 while another vendor offered the same items for \$812.00.

The purpose of obtaining competition is to purchase goods for the least possible cost. However, the low bid was rejected without documented justification.

Section 19-445.2090 of the regulations states "The contract shall be awarded to the lowest responsible and responsive bidder whose bid meets the requirements and criteria set forth in the invitation for bids." We were told the low bidder did not receive the award because of problems with his past performance. If so, this amounts to a determination of nonresponsibility. Section 19-445.2125 of the regulations states:

If a bidder or offeror who otherwise would have been awarded a contract is found non-responsible, a written determination of non-responsibility setting forth the basis of the finding shall be prepared by the Chief Procurement Officer or the procurement officer

of the governmental body. A copy of the determination shall be sent promptly to the nonresponsible bidder or offeror. The final determination shall be made part of the procurement file.

AGENCY RESPONSE

We will comply in the future by submitting a determination of nonresponsibility as required by regulation.

C. Untimely Payment

We noted six (6) instances when payments to vendors were not made in a timely manner.

<u>Voucher Number</u>	<u>Invoice Date/ Receipt Date</u>	<u>Voucher Date</u>
504330	10/29/84	12/27/84
503054	08/23/84	11/07/84
503695	08/30/84	11/29/84
500523,4	06/02/84	08/02/84
501305	06/08/84	09/04/84
502862	08/21/84	10/22/84

Section 17 of the Consolidated Procurement Code was amended to read in part:

Beginning January 1, 1983, all vouchers for payment of purchases of goods or services shall be delivered to the Comptroller General's Office within thirty (30) workdays from receipt of the goods or services....

The untimely payment of invoices could result in the assessment of late payment charges by the Office of the Comptroller General. The Tax Commission should pay all invoices

within thirty (30) working days of satisfactory receipt of goods, services, or invoice.

We do note that all of these occurrences were during a period of transition for the Tax Commission. Improvement has been made in this area.

AGENCY RESPONSE

As noted, these payments were made during a period of transition. We will make every effort to have these payments made on time in the future. We have noted that during our recent move, we had several payments that were not paid timely. Again, this was due to unusual circumstances, and we feel that we can control this in the future.

D. Lack of Competition

Competition was not obtained for the following seven (7) purchase orders.

<u>P.O. Number</u>	<u>P.O. Amount</u>	<u>Voucher Amount</u>
12702	\$486.00	\$510.30
13351	\$493.20	\$530.52
13586	\$500.00	\$522.90
13575	\$468.00	\$501.40
13894	\$480.00	\$504.00
13938	\$468.00	\$501.06
12858	\$1,658.00	\$1,658.00

Section 19-445.2100 of the regulations states that "solicitations of verbal or written quotes from a minimum of two qualified sources of supply shall be made" for purchases from

\$500.01 to \$1,499.99, and "solicitation of written quotations from three qualified sources of supply shall be made" for purchases from \$1,500.00 to \$2,499.99. In addition, the Materials Management Officer has determined that freight and sales tax are to be included as part of the purchase price when considering requirements for competition. In six of the seven cases listed above, this was not done.

The Tax Commission must consider all elements of cost when determining the total purchase price and, in turn, must comply with the specific requirements of the Code.

AGENCY RESPONSE

We are now aware of adding sales tax and freight to purchase prices. Care will be taken to adhere to these rules.

E. Orders That Should Have Been Combined

We noted three (3) procurements for furniture which should have been combined and competitively bid by State Procurements. The orders, all to the same vendor, are as follows:

<u>Requisition</u>	<u>Date</u>	<u>P.O.</u>	<u>Date</u>	<u>Amount</u>
04904	12/20/84	13106	12/21/84	\$1,809.62
04906	12/20/84	13105	12/21/84	\$2,278.32
04907	12/20/84	13109	12/21/84	<u>\$1,809.62</u>
			TOTAL	\$5,897.56

When combined, the total procurement amount exceeds the Tax Commission's authority. Further, the total purchase amount

requires solicitation of five sealed bids, but competition was not obtained. (Regulation 19-445.2035)

In the future, orders made for the same items on the same day should be combined. Lower prices may be obtained as a result of the larger orders.

AGENCY RESPONSE

This is an area that concerns us because of the possibility of requisitions being made by different divisions on the same day. We will try to monitor and insure that when possible, we will be able to assemble these orders and use the appropriate procurement procedures.

F. Exceeded Procurement Authority

The Tax Commission exceeded its certification when it issued purchase order 13873 for \$2,628.00.

Regulation 19-445.2000, Subsection C, states in part: "A governmental body may make direct procurements above \$2,500.00 if they are certified to do so...." The agency was not certified at the time of this procurement.

The initial request for 75 items was increased to 100 items, thus pushing the cost above \$2,500.00. This too, must be ratified by the Materials Management Officer.

AGENCY RESPONSE

The original requisition was less than \$2,500.00. The requisition was for billboards during the Amnesty Program. As we received more free space, we increased our order. We realize now that the appropriate procedure was to contact the Materials Management Office for authority.

G. Procurements Without Purchase Orders

Twenty-four (24) transactions in our sample were not supported by purchase orders and were not approved by the Purchasing Officer (see Appendix C).

The agency's "Administrative Service Purchasing Procedures" requires the preparation of purchase orders for all procurements less than \$2,500.00 and not available from the Division of General Services. In addition the purchase order must be "properly approved by the Purchasing Officer."

In contrast, the Accounts Payable "Requisition and Invoice Approval Schedule" states in part: "All purchases except for certain routine purchases or certain single source items must be made through our Purchasing Office."

As a result, procurements were not routed to the Purchasing Office, and some were not supported by the required competition or sole source determinations.

Commission policies should be reviewed for disagreements such as this. All such situations should be eliminated. Procurement activity should be managed by the Purchasing Office.

AGENCY RESPONSE

We will identify in our procedures what is and what is not required to be accompanied by a purchase order. We expect to completely update and finalize our procedures manual by March 1, 1987, at the latest. We will review the policies of other agencies in order to have a comprehensive policy regarding this area of procurement.

III. Change Order Policy

Purchase orders are being increased or decreased without using official "change orders." The Purchasing Officer approves the change by annotating the purchase order. In some cases a user department may initiate the changes without notifying the Purchasing Office. The Purchasing Office may be the last to know and their authorization extends only to an after-the-fact approval when they are contacted by Accounts Payable.

Good internal controls dictate that a change order should be issued if the content of an order materially changes after its issuance but prior to completion.

The N.A.E.B. (National Association of Educational Buyers) states in its guide to small order handling that:

A material change is defined as an alteration in the scope of the contract which affects delivery dates or destinations of items to be delivered, affects the quantity of items ordered and/or their unit price, or changes any other terms which are pertinent to the original purchase order.

There are some changes which can only be determined after the fact such as "installation charges" and "overruns." However, the majority of price changes are known prior to delivery, i.e., freight charges, etc. A formal standardized change order system accomplishes several objectives:

- (1) Control of price deviations by the purchasing agent thereby centralizing the authorization function.

- (2) Preventing vendors from making unauthorized price changes in purchase orders which are issued and approved at a specific price.
- (3) Monitoring using department requests to authorize quantity changes to vendors.

We recommend the following steps be implemented to strengthen internal control over purchase order changes:

- (1) A formal written change order procedure be inserted in the Tax Commission's Internal Procedures Manual. A suggested guideline might be that the Accounting Department have the authority to make price changes, with signature approval of Purchasing, to a maximum of 10% of the purchase order not to exceed \$100.00. Any overage exceeding these guidelines would require a formal change order document issued by the Purchasing Office.
- (2) Mandate that final approval authority for any change remain with the Purchasing Officer, thus maintaining control over all purchase order changes.
- (3) Ensure that the Purchasing Officer is confirming prices submitted by user departments before issuing purchase orders, so as to reduce the number of changes occurring.

- (4) Educate the departments to the extent that requests for changes in prices and quantities will not be processed if there is no prior approval by the Purchasing Officer.

AGENCY RESPONSE

We are in the process of having a change order form printed. The policy itself will be incorporated into our manual.

Other recommendations relating to change orders will also be adhered to by the Commission.

IV. Internal Office Procedures

Although the following does not affect Code compliance, we noted several Purchasing Office procedures that need to be strengthened for better internal control.

1. Quotations received should be time and date stamped to avoid any possible question of whether they were received within the designated time period.
2. Poor or vague purchase order descriptions such as the following should be avoided:

<u>Purchase Order</u>	<u>Item Description</u>	<u>Amount</u>
13855	In-house training	\$29,000.00
12741	Preventative Maintenance on Kodak equipment	\$ 5,545.00
13930	Cullinet manuals	\$ 580.00

The description on a purchase order should be as specific as possible. The above should have stated exactly what kind of

training was authorized, what piece of equipment was to be maintained and for how long, and the manual name or catalog number.

3. The Supply Room does not use the Commission's requisition form when reordering stock. The items are listed on a blank sheet of paper and forwarded to Purchasing. The internal service purchasing procedures states, "a purchasing requisition (C-108) has to be filled out with the proper approvals." This should include the Supply Room.
4. Purchase orders are not issued for some subscriptions for magazines, manuals, and reports. Also, purchase orders are not issued for recurring yearly maintenance contracts. We recommend that Commission policy clearly state what procurements must be supported by purchase orders.
5. While on site, we reviewed the Commission's revised purchase order. We recommend the following line items be included on the form.
 - (a) the requisition number
 - (b) a line for terms or discounts
 - (c) a line for contract numbers
6. We recommend a quotation or bid number be assigned to all written "Request for Quotations" or "Sealed Bids."

AGENCY RESPONSE

We concur with all the recommendations and are in the process of having them made effective. The March 1, 1987 deadline mentioned earlier should incorporate all of these recommendations.

V. Review of the Procurement Procedures Manual

As a part of our examination, we review the Purchasing Policies and Procedures Manual. We found the following areas that need to be added, expanded, and/or changed. These are as follows:

<u>Section</u>	<u>Needed Changes</u>
I.A.	In line seven, change the word "responsibility to read "authority."
I.C.	In line three, delete the word "emergency."
I.E.	Include the approved signature list as referenced by "See Appendix 1."
II.A.	Include the flow chart as called for in "Attachment A."
II.B. (5)	State here who is authorized to sign the sole source and emergency determinations for the agency.

Additionally, other policies which need to be incorporated in your manual with a brief statement include:

- (1) Submission of Samples
- (2) Professional Development (Procurement Personnel)
- (3) Official File for Determinations
- (4) Conflict of Interest
- (5) Auditing Services
- (6) Legal Services
- (7) Restrictive Specifications
- (8) Confirming Purchases
- (9) Unauthorized Procurements Including Possible Penalties and Ratification Procedures
- (10) Retention of Records

- (11) The Agency Minority Business and Information Technology Plans, along with their appropriate approvals, should be included in the manual or their location referenced in the manual.
- (12) Formal Change Order Policy
- (13) An appendix containing all the appropriate forms used in the procurement process, i.e., requisition, purchase order, property control forms, supply requisitions, etc.
- (14) The Consolidated Procurement Code exempted certain commodities from being procured through the Chief Procurement Officer. These items, along with the latest ones exempted by the Budget and Control Board need to be included in the agency procurement manual.
- (15) The following procurement procedures need to be addressed:
 - a. Construction architect-engineer and land surveying
 - b. Information technology
 - c. Consultants
 - d. Printing services and equipment.
- (16) Include in the manual the agency's property control procedures for fixed asset inventory
- (17) If applicable, define supply room procedures including the following:
 - a. Method of inventory control
 - b. Restocking procedures
 - c. Requisitioning and charge out methods
- (18) Table of Contents

AGENCY RESPONSE

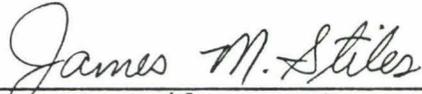
Our manual is in the process of being updated according to the recommendations listed in the audit. We expect these revisions will be final no later than March 1, 1987.

CONCLUSION

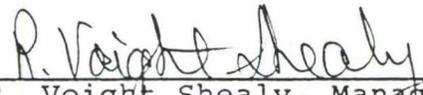
As enumerated in our transmittal letter corrective action, based on the recommendations described in the findings contained in the body of this report, we believe, will in all material respects place the South Carolina Tax Commission in compliance with the State Consolidated Procurement Code and ensuing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

Under the authority described in Section 11-35-1210 of the Procurement Code, subject to this corrective action, we recommend the South Carolina Tax Commission be certified to make direct agency procurements up to the limits as follows:

<u>PROCUREMENT AREAS</u>	<u>RECOMMENDED CERTIFICATION LIMITS</u>
Printing Services	\$10,000 per purchase commitment



James M. Stiles, PPB
Audit Supervisor



R. Voight Shealy, Manager
Audit and Certification

Appendix C

State Tax Commission
Procurements Without Purchasing Department Approval

<u>Voucher Number</u>	<u>Voucher Amount</u>	<u>Description</u>
503235	\$ 668.00	* Published periodical
503037	\$1,720.00	Published pamphlets
501305	\$1,797.12	Computer maintenance
505137	\$ 525.00	Insurance forms
501715	\$1,403.20	Disk pack refurbishing
502431	\$ 841.92	Disk pack refurbishing
505917	\$1,251.75	* Published periodicals
507661	\$1,260.00	Copier maintenance
509841	\$1,049.50	Mailing machine maint.
600917	\$2,363.40	Moving expenses
601739	\$ 600.00	* Published pamphlets
602018	\$1,867.83	Mailing machine maint.
601994	\$2,350.05	Printing Press maint.
600321	\$ 630.00	Copier maintenance
600497	\$ 630.00	Copier maintenance
510445	\$ 660.73	Copier maintenance
600361-63	\$1,748.85	* Software license
602654	\$1,532.00	* Published pamphlets
603802	\$1,025.50	Printing press maint.
604175	\$ 661.50	Copier maintenance
604004	\$ 560.00	Poster displays
604431-32	\$1,317.00	* Software license
500059	\$1,314.00	Printing press maint.
600908	\$1,393.00	Printing press maint.

* Exempt from Procurement Code

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

WILLIAM J. CLEMENT, AIA
ASSISTANT DIVISION DIRECTOR

May 6, 1987

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

Dear Bill:

We have returned to the South Carolina Tax Commission to determine the progress made toward implementing the recommendations in our audit report covering the period July 30, 1981 through December 31, 1985. During this visit, we followed up on each recommendation made in the audit report through inquiry, observation and limited testing.

We observed that the commission has made substantial progress toward correcting the problem areas found and improving the internal controls over the procurement system. With the changes made, the system's internal controls should be adequate to ensure that procurements are handled in compliance with the Consolidated Procurement Code and ensuing regulations.

We, therefore, recommend that the certification limits as outlined in the audit report, be granted for a period of two (2) years.

Sincerely,

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

