PROCUREMENT
AUDIT AND
CERTIFICATION

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SOUTH CAROLINA VOCATIONAL
REHABILITATION DEPARTMENT
AGENCY

JANUARY 1, 1998 – SEPTEMBER 30, 1999
DATE
Mr. Robert W. McClam, Director  
Office of General Services  
1201 Main Street, Suite 420  
Columbia, South Carolina 29201  

Dear Robbie:  

I have attached the South Carolina Vocational Rehabilitation Department’s procurement audit report and recommendations made by the Office of Audit and Certification. I concur and recommend the Budget and Control Board grant the Department a three-year certification as noted in the audit report.  

Sincerely,  

R. Voight Shealy  
Materials Management Officer  

March 21, 2000
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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 South Carolina Vocational Rehabilitation Department for the period January 1, 1998 through September 30, 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, State regulations and the Department'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 South Carolina Vocational Rehabilitation Department 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 several 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 Vocational Rehabilitation Department in compliance with the Consolidated Procurement Code and ensuing regulations.

Sincerely,

Larry G. Sorrell, Manager
Audit and Certification
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 Vocational Rehabilitation Department 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 judgemental samples from the period July 1, 1998 through September 30, 1999 of procurement transactions for compliance testing and performed other audit procedures 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 January 1, 1998 through September 30, 1999

2. Procurement transactions from the period July 1, 1998 through September 30, 1999 as follows:
   a) Forty payments exceeding $1,500
   b) A block sample of one thousand transactions for order splitting and favored vendors

3. Minority Business Enterprise Plan and reports for the audit period

4. Information technology plans for audit period

5. Internal procurement procedures manual review

6. Surplus property disposition procedures

7. File documentation and evidence of competition
RESULTS OF EXAMINATION

The Office of Audit and Certification performed an examination of the internal procurement policies and procedures and related manual of South Carolina Vocational Rehabilitation Department, hereinafter referred to as the Department, for the period January 1, 1998 through September 30, 1999. Our on-site review was conducted November 10, 1999 through December 3, 1999 and was made under the authority described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Regulation 19-445.2020.

On April 14, 1998, the Budget and Control Board granted the Department the following certification:

<table>
<thead>
<tr>
<th>PROCUREMENT AREAS</th>
<th>CERTIFICATION LIMITS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods and Services</td>
<td>$25,000 per commitment</td>
</tr>
<tr>
<td>Consultant Services</td>
<td>$25,000 per commitment</td>
</tr>
<tr>
<td>Information Technology</td>
<td>$25,000 per commitment</td>
</tr>
<tr>
<td>Case Services Funds</td>
<td>$25,000 per commitment</td>
</tr>
<tr>
<td>Construction Service change orders</td>
<td>$15,000 per commitment</td>
</tr>
</tbody>
</table>

Our audit was performed primarily to determine if recertification is warranted. Additionally the Department requested the following increase in certification.

<table>
<thead>
<tr>
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</tr>
<tr>
<td>Construction Contract Award</td>
<td>$25,000 per commitment</td>
</tr>
<tr>
<td>Construction Contract Change Order</td>
<td>$25,000 per change order</td>
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Since our previous audit in 1998, the Department has maintained what we consider to be a professional, efficient procurement system. We did note, however, the following points which should be addressed by management.
Since our previous audit in 1998, the Department has maintained what we consider to be a professional, efficient procurement system. We did note, however, the following points which should be addressed by management.

Unauthorized Trade-In Sale

The Department issued purchase order 99-11493 to procure a dictation system. The purchase order included the trade in of a dictation machine that had an original purchase price of $109,987. Regulation 19-445.2150(G) requires the approval for a trade in from the Materials Management Officer, the Information Technology Management Officer, or the designee of either when the original purchase price exceeds $5,000. The Department did not submit the trade in for approval thus making the transaction unauthorized as defined in Regulation 19-445.2015.

We recommend the Department obtain the appropriate approval on the trade in of property. Ratification must be requested by the Commissioner or his designee from the Materials Management Officer in accordance with Regulation 19-445.2015 for the unauthorized trade in.

Reporting of Trade-In Sales

The Department began reporting surplus property sales as trade-in sales beginning October 1, 1998. The reporting of the sales of surplus property was attributed to the retirement of the employee responsible for compiling and reporting trade-in sales. The responsibility was moved into a new section. The section failed to report the following trade in transactions.

<table>
<thead>
<tr>
<th>Purchase Order</th>
<th>Trade In Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>99-11493</td>
<td>$13,513</td>
<td>Dictation system</td>
</tr>
<tr>
<td>99-27001</td>
<td>2,210</td>
<td>Forklift</td>
</tr>
<tr>
<td>00-10381</td>
<td>1,000</td>
<td>Forklift</td>
</tr>
</tbody>
</table>

Section 11-35-3830 of the Code requires the quarterly reporting of trade in sales.

We recommend the Department submit amended reports to remove the surplus property sales and add the trade-in sales. The Department should review property disposal records for the audit period to ensure that all trade-in sales are included on the amended reports. We also recommend that the section responsible for complying and reporting trade in sales comply with the Code and Regulations.
CERTIFICATION RECOMMENDATION

As enumerated in our transmittal letter, corrective action based on the recommendations described in this report, we believe, will in all material respects place South Carolina Vocational Rehabilitation Department in compliance with the 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 will recommend the Department be recertified to make direct procurements for three years up to the limit as follows.

<table>
<thead>
<tr>
<th>PROCUREMENT AREAS</th>
<th>RECOMMENDED CERTIFICATION LIMITS</th>
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<tr>
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*Total potential purchase commitment whether single year or multi-term contracts are used.

Melissa Rae Thurstin
Senior Auditor

Larry G. Sorrell, Manager
Audit and Certification
March 20, 2000

Materials Management Office
Mr. Larry Sorrell, Manager
Audit Certification
1201 Main St. – Suite 600
Columbia, S.C. 29201

RE: Exit conference for audit 01/01/98 through 09/30/99

Mr. Sorrell:

The exceptions noted in this audit have been addressed. Ratification for approval for a trade-in on purchase order number 99-11493 has been submitted to Voight Shealy, Materials Management Officer. The second item noted incorrectly is the reporting of trade-in sales on surplus property has also been addressed and we are enclosing with this letter, amended copies of trade-in sale reports deleting surplus property sales.

We are taking steps to ensure that this does not occur in the future and we would like to thank you and Ms. Thurstin for all of your help and cooperation in this audit.

Sincerely,

W.M. Corder
Procurement Manager
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 the South Carolina Vocational Rehabilitation Department to our audit report for the period of January 1, 1998 – September 30, 1999. Also we have followed the Department’s corrective action during and subsequent to our fieldwork. We are satisfied that the Department has corrected the problem areas and the internal controls over the procurement system are adequate.

Therefore, we recommend the Budget and Control Board grant the South Carolina Vocational Rehabilitation Department the certification limits noted in our report for a period of three years.

Sincerely,

Larry G. Sorrell, Manager  
Audit and Certification

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