PROCUREMENT AUDIT AND CERTIFICATION

SOUTH CAROLINA BOARD OF FINANCIAL INSTITUTIONS CONSUMER DIVISION

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AGENCY
JULY 1, 1998 – DECEMBER 31, 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 audit report for the South Carolina Board of Financial Institutions Consumer Division. 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,

R. Voight Shealy
Materials Management Officer

I
SOUTH CAROLINA BOARD OF FINANCIAL INSTITUTIONS
CONSUMER DIVISION
PROCUREMENT AUDIT REPORT

JULY 1, 1998 - DECEMBER 31, 1999
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May 30, 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 South Carolina Board of Financial Institutions Consumer Division 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 assure adherence to the Consolidated Procurement Code, State regulations, and the Board'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 Board of Financial Institutions Consumer Division 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.

Sincerely,

Larry G. Sorrell, Manager
Audit and Certification
INTRODUCTION

We conducted an examination of the internal procurement operating policies and procedures of the South Carolina Board of Financial Institutions Consumer Division. Our on-site review was conducted February 23-25, 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 Division 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 South Carolina Board of Financial Institutions Consumer Division 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 judgmental samples for 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 for the period July 1, 1998 through December 31, 1999

(2) Procurement transactions for the period July 1, 1996 through December 31, 1999 as follows:
   a) Six payment transactions greater than $1,500 each reviewed for competition and compliance to the Code
   b) Fifteen payment transactions less than $1,500

(3) Surplus property procedures

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

(5) Information technology plans for the audit period

(6) Internal procurement procedures manual

(7) File documentation and evidence of competition
RESULTS OF EXAMINATION

We conducted an examination of the internal procurement operating policies and procedures of the South Carolina Board of Financial Institutions Consumer Division. Our on-site review was conducted February 23 - 25, 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.

We noted no material exceptions.
CONCLUSION

The South Carolina Board of Financial Institutions Consumer Division has not requested increased procurement certification above the basic limit of $5,000 allowed by the Code. We recommend the Consumer Division be allowed to continue procuring all goods and services, consultant services, construction services and information technology up to the basic level $5,000 as allowed by the Consolidated Procurement Code.

David E Rawl, CPPB
Senior Auditor

Larry G. Sorrell, Manager
Audit and Certification

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