South Carolina
Office of General Services

PROCUREMENT
AUDIT AND
CERTIFICATION

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BUDGET AND CONTROL BOARD
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 State Budget and Control Board. 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,

[Signature]

R. Voight Shealy
Materials Management Officer

/jl
STATE BUDGET AND CONTROL BOARD

PROCUREMENT AUDIT REPORT

JULY 1, 1998 - DECEMBER 31, 1999
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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 the State Budget and Control Board 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 insure 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 State Budget and Control Board 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 conditions enumerated in this report that we believe need correction or improvement.

Corrective action based on the recommendations described in these findings will in all material respects place the State Budget and Control Board in compliance with the Consolidated Procurement Code and ensuing regulations.

Sincerely,

[Signature]
Larry G. Sorrell, Manager
Audit and Certification
INTRODUCTION

We conducted an examination of the internal procurement operating policies and procedures of the State Budget and Control Board, hereafter referred to as the Board. Our on-site review was conducted January 18, 2000 through February 4, 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 Board 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 Board 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 systematically selected samples from 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 from the period July 1, 1998 through December 31, 1999

(2) Procurement transactions from the period July 1, 1998 through December 31, 1999 as follows:
   a) Seventy-five payment transactions for goods and services greater than $1,500 reviewed for competition and compliance to the Code
   b) A block sample of two hundred numerical purchase orders reviewed for order splitting and favored vendors

(3) Surplus property procedures

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

(5) Information technology plans for fiscal year 1998/99

(6) Internal procurement procedures manual

(7) Procurement file documentation and evidence of competition
RESULTS OF EXAMINATION

The Office of Audit and Certification performed an examination of the internal procurement operating policies, procedures and related manual of the Board for the period July 1, 1998 through December 31, 1999.

The Board has maintained what we consider to be a professional, efficient procurement system. However, we did note the following exception that should be addressed by management.

Twenty sole source and three emergency procurements exceeding $50,000 did not have the required drug-free workplace certification stating the vendor was in compliance with the South Carolina Drug-Free Workplace Act. Section 44-107-30 of the South Carolina Code of Laws requires on any contract of $50,000 or more that a certification be obtained stating that the vendor maintains a drug-free workplace. Sole source and emergency procurements are subject to this law.

We recommend the Board obtain the drug-free workplace certification on all sole source and emergency contracts of $50,000 or greater.
CONCLUSION

As enumerated in our transmittal letter, corrective action based on the recommendations described in this report, will in all material respects place the State Budget and Control Board in compliance with the Consolidated Procurement Code and ensuing regulations.

The Board has not requested increased procurement certification above the basic limit of $5,000 allowed by the Code. Subject to corrective actions listed in this report, we will recommend the Board be allowed to continue procuring all goods and services, consultant services, construction services, and information technology up to the basic level of $5,000 as allowed by the South Carolina Consolidated Procurement Code and accompanying regulations.

James M. Stiles, CPPB
Audit Manager

Larry G. Sorrell, Manager
Audit and Certification
June 13, 2000

Mr. Larry Sorrell, Manager
Audit and Certification
Office of General Services
Materials Management Office
1201 Main Street, Suite 600
Columbia, SC 29201

Dear Larry:

We have reviewed the procurement audit report for the South Carolina State Budget and Control Board for the period of July 1, 1998-December 31, 1999. We are in agreement with your finding. Corrective action has been taken to ensure compliance with the South Carolina Drug-Free Workplace Act, Section 44-107-30 of the South Carolina Code of Laws.

Yours truly,

[Signature]

Ronald E. Claypool
Director of Finance

REC:gs
cc:  Jimmy Simpson
     Eddie Gunn
     Bob Davis
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 South Carolina State Budget and Control Board’s response to our audit report for July 1, 1998 – December 31, 1999. Also, we have followed the Board's corrective action during and subsequent to our field work. We are satisfied that the Board has corrected the problem area and the internal controls over the procurement system are adequate.

Additional certification was not requested. Therefore, we recommend the Board be allowed to continue procuring all goods and services, consultant services, construction services, and information technology up to the basic level of outlined in the Code.

Sincerely,

Larry G. Sorrell, Manager
Audit and Certification

LGS/jl