PROCUREMENT AUDIT AND CERTIFICATION

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WIL LOU GRAY OPPORTUNITY SCHOOL
AGENCY
JULY 1, 1996 – JUNE 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 Wil Lou Gray Opportunity School’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 School a three-year certification as noted in the audit report.

Sincerely,

[Signature]

R. Voight Shealy  
Materials Management Officer

October 25, 1999
WIL LOU GRAY OPPORTUNITY SCHOOL
PROCUREMENT AUDIT REPORT

JULY 1, 1996 - JUNE 30, 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 Wil Lou Gray Opportunity School for the period July 1, 1996, through June 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 and School 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 Wil Lou Gray Opportunity School 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 Wil Lou Gray Opportunity School in compliance with the South Carolina 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 Wil Lou Gray Opportunity School 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, 1997 through June 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 July 1, 1996 through June 30, 1999
2. Procurement transactions from the period July 1, 1997 through June 30, 1999 as follows:
   a) Twenty-eight payments each exceeding $1,500
   b) A block sample of two hundred fifty payment transactions from the audit period reviewed 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 Wil Lou Gray Opportunity School, hereinafter referred to as the School, for the period July 1, 1996 through June 30, 1999. Our on-site review was conducted July 26, 1999 through July 29, 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 December 10, 1996, the Budget and Control Board granted the School the following certification:

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>LIMIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods and Services</td>
<td>$25,000 per commitment</td>
</tr>
</tbody>
</table>

Our audit was performed primarily to determine if recertification is warranted. Since our previous audit in 1996, the School 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 Procurement

The School issued purchase order 873 for $9,368 to construct a post frame building under its goods and service certification. However, Section 11-35-310 (7) of the Code defines construction to include the process of building any public structure. The School is only certified to $5,000 for construction, thus making the procurement unauthorized as defined in Regulation 19-445.2015.

We recommend the School request ratification for the unauthorized procurement from the State Engineer per Regulation 19-445.2015.

Combining Items For Procurement Purposes

The School should have combined the needs on the following items and solicited competition based on the total potential value.

<table>
<thead>
<tr>
<th>PO</th>
<th>Date</th>
<th>Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>9629</td>
<td>08/08/97</td>
<td>$5,500</td>
<td>Mattresses (100)</td>
</tr>
<tr>
<td>9430</td>
<td>08/08/97</td>
<td>$4,995</td>
<td>Box springs (100)</td>
</tr>
</tbody>
</table>

Total $10,495
<table>
<thead>
<tr>
<th>PO</th>
<th>Date</th>
<th>Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>442</td>
<td>10/05/98</td>
<td>$9,332</td>
<td>Painting</td>
</tr>
<tr>
<td>443</td>
<td>10/06/98</td>
<td>$8,600</td>
<td>Painting</td>
</tr>
<tr>
<td>547</td>
<td>12/04/98</td>
<td>$5,500</td>
<td>Painting</td>
</tr>
</tbody>
</table>

Total $23,432

Section 11-35-1550 (2)(d) of the Code requires the written solicitation of written quotes and the advertisement of the procurement in the South Carolina Business Opportunities (SCBO) for procurements from $10,000.01 to $25,000. The procurement solicitation method is based on the total or potential amount of awards. Three verbal quotes were solicited for each of the procurements listed above.

We recommend the School use the total potential value of a procurement when determining the solicitation method.
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 Wil Lou Gray Opportunity School 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, subject to this corrective action, we will recommend Wil Lou Gray Opportunity School be recertified to make direct School procurements for three years up to the limit as follows.

<table>
<thead>
<tr>
<th>PROCUREMENT AREA</th>
<th>RECOMMENDED CERTIFICATION LIMIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods and Services</td>
<td>*$25,000 per commitment</td>
</tr>
</tbody>
</table>

*The total potential purchase commitment to the State whether single year or multi-term contracts are used.

Melissa Rae Thurstin
Senior Auditor

Larry G. Sorrell, Manager
Audit and Certification
October 22, 1999

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

Dear Larry:

In response to your draft procurement audit of the Wil Lou Gray Opportunity School dated October 22, 1999, the following is our reply of corrective action or changes to be implemented to comply with the Procurement Code.

I. Unauthorized Procurements
   In the course of the audit, some unauthorized procurements were cited. We will review our internal procedures to ensure that the proper approvals are in place in order to avoid future citations.

II. Combining Items for Procurement Purposes
   We have reviewed our internal procedures and will carefully screen requests to ensure that like items are combined for solicitation.

Thank you for your assistance.

Sincerely,

Pat G. Smith
Director
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 Wil Lou Gray Opportunity School to our audit report for the period of July 1, 1996 - June 30, 1999. Also we have followed the School’s corrective action during and subsequent to our fieldwork. We are satisfied that the School 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 Wil Lou Gray Opportunity School 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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