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**South Carolina
Division of General Services**

PROCUREMENT AUDIT AND CERTIFICATION

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**SOUTH CAROLINA DEPARTMENT OF
HEALTH AND ENVIRONMENTAL CONTROL**

AGENCY

JANUARY 1, 1993 - DECEMBER 31, 1995

DATE

STATE OF SOUTH CAROLINA
State Budget and Control Board
OFFICE OF GENERAL SERVICES



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EXECUTIVE DIRECTOR

HELEN T. ZEIGLER
DIRECTOR

MATERIALS MANAGEMENT OFFICE
1201 MAIN STREET, SUITE 600
COLUMBIA, SOUTH CAROLINA 29201
(803) 737-0600
Fax (803) 737-0639

RAYMOND L. GRANT
ASSISTANT DIRECTOR

July 26, 1996

Ms. Helen T. Zeigler, Director
Office of General Services
1201 Main Street, Suite 420
Columbia, South Carolina 29201

Dear Helen:

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

Sincerely,

Raymond L. Grant
Raymond L. Grant
Materials Management Officer

/tl

SOUTH CAROLINA DEPARTMENT OF
HEALTH AND ENVIRONMENTAL CONTROL
PROCUREMENT AUDIT REPORT

JANUARY 1, 1993 - DECEMBER 31, 1995

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NOTE: The Department's responses to issues noted in this report have been inserted immediately following the items they refer to.

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RAYMOND L. GRANT
ASSISTANT DIRECTOR

June 4, 1996

Mr. Raymond L. Grant
Materials Management Officer
Office of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Ray:

We have examined the procurement policies and procedures of the Department of Health and Environmental Control for the period January 1, 1993 through December 31, 1995. 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 and Department 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 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 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 Department of Health and Environmental Control in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

Sincerely,


Larry G. Sorrell, Manager
Audit and Certification

INTRODUCTION

We conducted an examination of the internal procurement operating policies and procedures of the Department of Health and Environmental Control. Our on-site review was conducted February 13, - March 8, 1996 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 Department 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

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 operation, shall verify 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.

On August 26, 1993, the Budget and Control Board granted the Department of Health and Environmental Control the following procurement certifications:

<u>Category</u>	<u>Limit</u>
Annual Term Contracts For:	
Drugs, biological and device and all other management commodities defined in the Materials Management Office commodity code manual under #270, Drugs, Pharmaceutical and Biological, #475-25 Contraceptives, and #115 Biochemical Research	\$3,000,000 maximum of all such contracts combined
Medical supplies and instruments under commodity code classes #475- - Hospital Sundries and #435 - Germicides	\$1,700,000 maximum of all contracts combined
All other Goods and Services	\$ 50,000 per commitment
Consultant Services	\$ 50,000 per commitment
Information Technology in accordance with the approved Information Technology Plan	\$ 50,000 per commitment

Our audit was performed primarily to determine if recertification is warranted. Additionally, the Department requested the following certification limits:

<u>Category</u>	<u>Limit</u>
Annual Term Contracts For: Drugs, biological and device and all other management commodities defined in the Materials Management Office commodity code manual under #270, Drugs, Pharmaceutical and Biological, #475-25 Contraceptives, and #115 Biochemical Research	\$3,000,000 maximum of all such contracts combined
Medical supplies and instruments under commodity code classes #475- - Hospital Sundries and #435 - Germicides	\$1,700,000 maximum of all contracts combined
All other Goods and Services	\$ 100,000 per commitment
Consultant Services	\$ 50,000 per commitment
Information Technology in accordance with the approved Information Technology Plan	\$ 50,000 per commitment

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 Department of Health and Environmental Control 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, 1993 through December 31, 1995 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 January 1, 1993 through December 31, 1995
- (2) Procurement transactions for the period July 1, 1993 through December 31, 1995 as follows:
 - a) 167 payments, each exceeding \$1,500
 - b) A block sample of 855 Direct Purchase Orders (DPOs) tested for Code compliance
 - c) An additional test of sixteen sealed bids
- (3) Three professional A & E service contracts tested for compliance with the Manual for Planning and Execution of State Permanent Improvements
- (4) Minority Business Enterprise plans and reports for the audit period
- (5) Information technology plans and approvals for the audit period
- (6) Internal procurement procedures manual
- (7) Surplus property procedures
- (8) All real property lease approvals and exempt leases reports

SUMMARY OF AUDIT FINDINGS

Our audit of the procurement system of the Department of Health and Environmental Control, hereinafter referred to as the Department or DHEC, produced findings and recommendations as follows:

	<u>PAGE</u>
<u>I. Sole Source, Emergency and Trade-In Sales Procurements</u>	
A. <u>Drug-Free Workplace Certifications Not Obtained</u>	8
The Department failed to obtain the Drug-Free Workplace Certification on numerous purchases over \$50,000.	
B. <u>Sole Source, Emergency and Trade-In Sales Reporting Errors</u>	
(1) Fifteen exempt software upgrades were unnecessarily reported.	9
(2) Six other reporting errors were noted.	10
(3) Two trade-in sales reporting errors were noted.	10
<u>II. In State Bidder's Preference Misapplied</u>	11
The in-state bidder preference was incorrectly applied against another in-state bidder.	
<u>III. Vendor's Right to Protest Statement Not Included on Intent to Award</u>	12
The Department failed to include the vendor's right to protest statement on its Notice of Intent to Award statements.	
<u>IV. Increased Invoice Payments Made Without Purchasing Office Approvals</u>	
A. Freight overpayments of \$2,063 were made.	12
B. Unit price increases were not approved.	13
<u>V. General Procurement Activity</u>	
A. Approvals were lacking on direct purchase orders (DPOs) for IT equipment.	13
B. The direct expenditure vouchers (DEVs) were inappropriately used on two transactions.	14
C. The Department was not retaining the envelopes for informal quotations and sealed bids.	15

RESULTS OF EXAMINATION

I. Sole Source Emergency and Trade-In Sales Procurements

We examined the quarterly reports of sole source, emergency and trade-in sale procurements for the period January 1, 1993 through December 31, 1995. The review was performed to determine the appropriateness of the procurement actions taken and the accuracy of the reports submitted to the Office of General Services as required by Section 11-35-2440 of the Consolidated Procurement Code. The following exceptions were noted.

A. Drug-Free Workplace Certifications Not Obtained

We noted numerous sole source and emergency procurements for \$50,000 or greater where the Department did not obtain the required certification from vendors stating they were in compliance with the South Carolina Drug-Free Workplace Act. The Department stated on its sole source justification that all procurements over \$50,000 must be in compliance with the Drug-Free Workplace Act. However, the Department failed to have a written certification from the vendor indicating compliance.

Effective January 1, 1991, Section 44-107-30 of the South Carolina Code of Laws, 1976, requires that: "No State agency may enter into a domestic contract or make a domestic grant with any individual for a stated or estimated value of fifty thousand dollars or more unless the contract or grant includes a certification that the individual will not engage in the unlawful manufacture, distribution, possession, or use of a controlled substance in the performance of the contract". The Department has not complied with the law in these cases.

We recommend the Department obtain the Drug-Free Workplace certification on all sole source contracts and emergency contracts \$50,000 or greater.

Department Response

Concur. When the Drug-Free Workplace certification was initially implemented, a form was used to obtain certification from vendors. After attending a procurement training seminar, we understood that printing the Drug-Free Workplace clause on the purchase order was acceptable. However, we have been informed by the auditors that a certification form stating the vendors compliance with the Drug-Free Workplace Act should accompany each purchase that exceeds \$50,000. Our internal procedures manual has been amended to reflect this change. Each

procurement officer will attach the Drug-Free Workplace form to each purchase order to be signed and returned by the vendor.

B. Sole Source, Emergency and Trade-In Reporting

(1) Exempt Software Upgrades

Fifteen transactions were reported as sole sources that should have been considered exempt.

<u>PO</u>	<u>Date</u>	<u>Description</u>	<u>Amount</u>
P1527	02-08-93	Software Upgrade	\$ 618
P1759	02-25-93	Software Upgrade	5,500
P1279	01-13-93	Software Upgrade	980
P2586	05-07-93	Software Upgrade	8,401
P3098	06-14-9	Software Upgrade	9,60
P4604	11-23-93	Software Upgrade	5,200
P6150	06-21-94	Software Maintenance	123,210
P6620	07-25-94	Software Maintenance	8,770
P6845	08-24-94	Software License Renewals	14,505
P7281	11-02-94	Software Maintenance	6,025
P8293	05-09-95	Software Maintenance	8,821
P8566	06-01-95	Software License Renewals	15,000
P8292	05-12-95	Software Maintenance	147,093
P9465	11-06-95	Software License Renewals	2,400
P6455	11-02-95	Software License Renewals	9,471

Software maintenance and licenses are exempt from the Code after such software has been competitively bid, or sole source or emergency determination have been prepared. Therefore, any upgrade or maintenance on software is exempt.

We recommend procurement upgrades and annual maintenance on software not be reported as a sole source.

Department Response

Concur. There was a misunderstanding in the interpretation of the Procurement Code that software maintenance and licenses were exempt from the Code only after such software had been competitively bid. We understand from the auditors that if

the software had a previous sole source or emergency determination prepared, then any upgrade or maintenance on the software is exempt. Now that we have this understanding, procurement upgrades and annual maintenance on software procured through the methods mentioned above will not be reported as sole source.

(2) Other Reporting Errors

We noted six other reporting errors.

<u>ITEM</u>	<u>PO</u>	<u>DATE</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>
1.	P2464	04-28-93	Telephone System	\$ 3,630
2.	P3954	08-25-93	Maintenance on IT Equipment	200,646
3.	EQ4127	08-13-93	Aerial Photographic Program	10,000
4.	P3870	08-17-93	Repair Parts	14,199
5.	5039	01-28-94	Training Videos	5,790
6.	P6001	06-09-94	Lease of Client Information System	65,000

Item one was an emergency procurement reported as a sole source. Items two and three were not reported. On item four, a \$2,898 item was canceled and the reduction was not reported. Item five for training videos was exempt under the Code. Item six showed an increased amount on the purchase order that was not reported.

We recommend Purchasing strive to eliminate sole source and emergency reporting errors.

Department Response

Concur. We will run a status report every two weeks to include all the sole sources, emergency and trade-in activity during the time frame. Instead of a once a quarter review, thorough quality control checks will be conducted throughout the quarter on status reports. This procedure should eliminate reporting errors because it allows Procurement Services to do thorough quality control checks without operating under a tight suspense date.

(3) Trade-Ins Reported Incorrectly

We noted two trade-in reporting errors. Purchase order P1368 dated January 22, 1993 for \$4,944 was for equipment repair. The vendor gave a trade-in of \$2,227 for the old replacement parts. However, the total purchase price was reported instead of the trade-in value. Purchase order P6850 dated August 25, 1994 was for lab equipment totaling \$120,000. It included a trade-in allowance for old equipment of

\$40,000. Again, the total purchase price of \$120,000 was reported as the trade-in value rather than the \$40,000.

We recommend the Department comply with Section 11-35-3830(3) by reporting the value of the trade-in rather than the total of the procurement before the trade-in value.

Department Response

Concur. With our procedures we have established in (2) above, we should eliminate reporting errors such as the one indicated with this trade-in. The quality control checks will concentrate on the correct identification of the procurement and the correct recording under the category along with the correct dollar amount.

II. In State Bidder's Preference Misapplied

The Department incorrectly applied the 2% in-state bidder's preference requested by one in-state bidder against a second in-state bidder who did not request the preference. The bid was as follows.

<u>IFB Number</u>	<u>Date</u>	<u>Award Amount</u>	<u>Item Description</u>
8600-7/11/95	07/11/95	\$21,185	Baby bibs with immunization art work

Section 11-35-1520 (9) of the South Carolina Procurement Code states in part, "Preferences under this subsection do not apply against a resident vendor whether or not he made written claim for the preference at the time of the bid."

When the 2% preference was added to the second bidder's prices, it made his bid higher than an out-of-state company that was awarded the contract.

We recommend that additional internal training be given to the buyers on how to apply the State preferences and the buyers exercise more care when calculating the required preferences.

Department Response

Concur. The reference in the Procurement Code concerning the applicant of the In-State vendor preference is not clear. We have refined our internal training to include examples for the buyers to figure out and present to the other buyers. By training in this fashion, we can be assured that the buyers understand the entire process. Additionally, the internal auditor will concentrate on this area during his quality assurance checks. However, there is a need to clarify In-State Preference in the Procurement Code. A clarification is required for agencies to determine the statue of an in-state vendor prior to the award. Should this determination be based only on the information submitted with the bid package or should we allow for additional information to be submitted after notice of award? The area causing the most

concern is the interpretation of the Procurement Review Panel that indicated that if a vendor did not submit the form, they could successfully change the award at any time. This adds complications in finalizing our procurement actions.

III. Vendor's Right to Protest Statement Not Included on Intent to Award

The Department does not include the vendor's right to protest statement on the Notice of Intent to Award. Section 11-35-1520 (10) of the Code states in part, "... such mailed notice (Notice of Intent to Award) must contain a statement of the bidder's right to protest under Section 11-35-4210 (1)."

We recommend the Department add the vendor's right to protest statement on each Notice of Intent to Award statement.

Department Response

Concur. The vendor's right to protest statement will be added to all statements of award and notices of intent to award for bids and proposals.

IV. Increased Invoice Payments Made Without Purchasing Office Approvals

A. Freight Overpayments Made

We noted unauthorized freight charges were paid on the following transactions.

<u>Voucher</u>	<u>Date</u>	<u>PO</u>	<u>Quote/Bid #</u>	<u>Excess Freight</u>	<u>Description</u>
60112	02/03/94	P-4261	74279	\$ 380	Printed Forms
84750	04/19/94	P-4261	74279	472	Printed Forms
G8666	06/30/94	P-4261	74279	450	Printed Forms
18446	09/21/94	P-4261	74279	369	Printed Forms
49954	01/05/96	P-8797	C501026001	<u>391</u>	Printed Forms
			Total	<u>\$2,063</u>	

Finance was paying unauthorized freight charges on invoices without approval from the Business Management Purchasing Office. The above freight payments were for shipments when the original purchase order read freight "FOB destination - Prepaid". The bid conditions required the bidder to include freight in the bid and the bid was awarded on that basis. With the shipping charges, the vendor would no longer be the low bidder. We recommend that Finance not pay additional freight charge unless it is authorized on the purchase orders. Any discrepancies of freight charges should be routed to the procurement office for resolution before payment.

Further, we recommend the Department request the shipping charges back from the vendor since shipping charges were included in the original bid price.

Department Response

Concur with recommendation that Finance not pay any additional freight charges unless authorized on the purchase orders. This recommendation is the current agency policy. In determining why the deviation occurred, the process was reviewed with our Accounts Payable staff emphasizing (1) how to determine the appropriate freight charge and (2) what to do if the invoice is different from the appropriate purchase order. Finance is in the process of contacting the vendor to obtain overpayment of the shipping charges.

B. Unit Price Increase Not Approved

Voucher numbers 47793 dated 12/28/95 and 32707 dated 11/18/95 included payments for paper billed at \$38.21 per case. The original bid price was \$33.21 per case. The difference of \$5 for 58 cases resulted in an additional \$290 without approval from the Purchasing Office.

We recommend that differences be approved by Purchasing prior to payment to ensure compliance with the contract.

Department Response

Concur with the recommendation that all discrepancies between purchase orders and invoices relating to unit pricing be referred to Procurement Services prior to payment release to ensure contract compliance. The Accounts Payable staff has had the invoice review requirements reiterated to them and is aware of the proper procedures relating to variances in unit pricing. This situation appears to be singular in nature (one vendor, one purchase order) and should be considered a unique situation. If a similar deviation occurs, Finance will contact Procurement Services to discuss and resolve the differences prior to payment.

V. General Procurement Activity

A. Approvals Lacking on Direct Purchase Orders (DPOs) for IT Equipment

The appropriate approvals were lacking on the following Information Technology (IT) Direct Purchase Orders.

<u>DPO</u>	<u>Date</u>	<u>Description</u>	<u>Amount</u>
X2366	08/09/95	IT Equipment	\$ 2,886
X5360	09/22/95	IT Equipment	8,251
X5419	10/11/95	IT Equipment	599
X5573	11/30/95	IT Equipment	3,704

<u>DPO</u>	<u>Date</u>	<u>Description</u>	<u>Amount</u>
X5574	11/30/95	IT Equipment	\$ 3,824
X7608	12/12/95	IT Equipment	18,037

DHEC's manual states, "All IT equipment must be approved by the Deputy Level approving authority for each section". The direct purchase orders did not have these signature approvals. Each purchase was unauthorized and must be ratified in accordance with Regulation 19-445.2015 (1).

We recommend that DHEC sections strictly adhere to the Department's internal approval requirements when purchasing IT equipment on a DPO.

Department Response

Concur. Although these purchases were properly approved by budget managers in the programs areas, they were not processed according to DHEC's internal administrative procedures for the purchase of IT equipment. As a result these purchases will be ratified as unauthorized procurements. We have reemphasized the policy on approval for IT equipment to all of our purchasing coordinators throughout DHEC. This subject is a special interest item that will be addressed during our quarterly DPO updates and our annual procurement quality assurance visit. The Procurement Code does not distinguish between internal administrative violations and Procurement Code violations in the purchasing process. We have recommended an easier ratification process for internal administrative errors.

B. Inappropriate Use of Direct Expenditure Voucher (DEVs) For Goods and Services

The following two procurements were made inappropriately using the Direct Expenditure Voucher process.

<u>Item</u>	<u>Voucher</u>	<u>Date</u>	<u>Amount</u>	<u>Description</u>
1	77099	03/25/94	\$ 4,712	Consultant Services
2	16875	09/20/93	11,550	Mailing Service

Item 1 was incorrectly classified as class registration and considered exempt from the Code. Item 2 was a payment for bulk mailing services bought off a State term contract.

Section 25 -1 of DHEC's Direct Purchase Order Manual states in part, "The Direct Expenditure Voucher (DEV) is a method of payment and not a legal purchase document. The DEV is designed to allow individual sections to make small emergency purchase transactions without the prior approval of the Division of Purchasing. It is important to remember that using a DEV does not exempt the

purchase from the requirements of the Procurement Code. Finance will forward DEV's exceeding \$500 to Procurement Services for approval prior to processing payment".

We recommend continued training by the Division of Purchasing on the appropriate use of DEV by the user sections. Strict compliance with the DEV procedures will avoid unauthorized procurements.

Department Response

Concur. The Direct Purchase Order Reference Manual, section 25 outlines the correct usage of the Direct Expenditure Voucher (DEV). The Bureau of Finance will ensure that all items submitted on a DEV for payment processing that either (1) are not listed as an approved purchases or (2) exceeded the established dollar limit are sent to Procurement Services for review and authorization. Discussions are being held with the Directors of Procurement Services Division and Finance Division to ensure that the approved purchases by DEV listing in the DPO Manual are current, up to date, and complete.

C. Time and Date Stamping of Bids and Quotations Needed

When the purchasing office receives informal quotations and sealed bids, the envelopes are time/date stamped, and placed in a secured file until the time/date of the opening. After the opening, the envelopes are discarded leaving the official file without any evidence that the quotes and bids were received timely.

We recommend the purchasing office continue to time and date stamp all bid envelopes when received. The office should either retain the stamp envelopes or time and date stamp the bids when opened as evidence of timely receipt.

Department Response

Concur. In addition to time and date stamping of bid envelopes, the bid clerk will provide the envelopes to the Procurement Officer who will ensure that a copy is made of the face of the envelope showing the date and time received along with the firm's name and address. This copy will be filed with other supporting documents in the purchase order file.

CERTIFICATION RECOMMENDATIONS

As enumerated in our transmittal letter, corrective action based on the recommendations described in this report, we believe, will in all material respects place the Department of Health and Environmental Control in compliance with the South Carolina Consolidated Procurement Code.

Under the authority described in Section 11-35-1210 of the Procurement Code, subject to this corrective action, we recommend the Department of Health and Environmental Control be recertified to make direct agency procurements for three years up to the following limits.

<u>Category</u>	<u>Limit</u>
Annual Term Contracts For:	
Drugs, biological and device and all other management commodities defined in the Materials Management Office commodity code manual under #270, Drugs, Pharmaceutical and Biological, #475-25 Contraceptives, and #115 Biochemical Research	\$3,000,000 maximum of all such contracts combined
Medical supplies and instruments under commodity code classes #475- - Hospital Sundries and #435 - Germicides	\$1,700,000 maximum of all contracts combined
All other Goods and Services	\$ 100,000 per commitment
Consultant Services	\$ 50,000 per commitment
Information Technology in accordance with the approved Information Technology Plan	\$ 50,000 per commitment

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


James M. Stiles, CPPB
Audit Manager


Larry G. Sorrell, Manager
Audit and Certification

STATE OF SOUTH CAROLINA
State Budget and Control Board
OFFICE OF GENERAL SERVICES



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RAYMOND L. GRANT
ASSISTANT DIRECTOR

July 25, 1996

Mr. Raymond L. Grant
Materials Management Officer
Materials Management Office
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Ray:

We have reviewed the response from the South Carolina Department of Health and Environmental Control to our audit report January 1, 1993 - December 31, 1995. Also we have followed the Department's correction action during and subsequent to our field work. 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 Department of Health and Environmental Control certification limits noted in our report for period of three years.

Sincerely,

Handwritten signature of Larry G. Sorrell in cursive.

Larry G. Sorrell, Manager
Audit and Certification

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