PROCUREMENT AUDIT AND CERTIFICATION

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SOUTH CAROLINA
STATE MUSEUM COMMISSION

AGENCY
JULY 1, 1986 - NOVEMBER 20, 1988

DATE
May 14, 1990

Mr. Richard W. Kelly
Director
Division of General Services
1201 Main Street, Suite 420
Columbia, South Carolina 29201

Dear Rick:

I have attached the procurement audit report of the South Carolina Museum Commission. Over the last eighteen months, the Materials Management Office, primarily the Office of Audit and Certification, has worked with the Commission to eliminate the weaknesses noted during the audit.

I believe that a great deal has been accomplished.

Since the Commission did not request certification, I recommend that the report be submitted to the Budget and Control Board for information.

Sincerely,

James J. Forth, Jr.
Assistant Division Director

Attachment
SOUTH CAROLINA STATE MUSEUM COMMISSION

PROCUREMENT AUDIT REPORT

JULY 1, 1986 - NOVEMBER 30, 1988
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May 3, 1990

Mr. James J. Forth, Jr.
Assistant Division Director
Division of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

We have examined the procurement policies and procedures of the South Carolina State Museum Commission for the period July 1, 1986 through November 30, 1988. As a part of our examination, we made a study and evaluation of the system of internal control over procurement transactions to the extent we considered necessary.

The purpose of such evaluation was to establish a basis for reliance upon the system of internal control to assure adherence to the Consolidated Procurement Code and State and internal procurement policy. Additionally, the evaluation was used in determining the nature, timing and extent of other auditing procedures that were necessary for developing an opinion on the adequacy, efficiency and effectiveness of the procurement system.

The administration of the South Carolina State Museum Commission is responsible for establishing and maintaining a system of internal control over procurement transactions. In
fulfilling this responsibility, estimates and judgements 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 due professional care. They would not, however, because of the nature of audit testing, necessarily disclose all weaknesses in the system.

The examination did, however, disclose conditions enumerated in this report which we believe to be subject to correction or improvement.
Corrective action based on the recommendations described in these findings will in all material respects place the South Carolina State Museum Commission in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

R. Voygh Shealy, Manager
Audit and Certification
SCOPE

Our examination encompassed a detailed analysis of the internal procurement operating procedures of the South Carolina State Museum Commission and the 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 random samples of expenditure transactions for the period July 1, 1986 - September 30, 1988, from the voucher registers for compliance testing and performed other audit procedures through November 30, 1988 that we considered necessary in the circumstances to formulate this opinion. Our review of the system included, but was not limited to, the following areas:

1. adherence to applicable laws, regulations and internal policy;
2. procurement staff and training;
3. adequate audit trails and purchase order registers;
4. evidences of competition;
5. small purchase provisions and purchase order confirmations;
6. emergency and sole source procurements;
7. source selections;
8. file documentation of procurements;
9. inventory and disposition of surplus property;
SUMMARY OF AUDIT FINDINGS

Our audit of the procurement system for the South Carolina State Museum Commission (the Commission) produced findings and recommendations in the following areas.

I. Administrative Control of the Procurement System
   The Commission is a decentralized agency, both administratively and programmatically. It did not have a procurement officer until recently. Administration has been weak in its oversight of the procurement system resulting in the failure of the agency to comply with the Consolidated Procurement Code and Regulations in numerous areas.

II. Procurement Procedures
    Our observation of procurement procedures and internal controls resulted in numerous recommendations for improvement.

III. Unauthorized Procurements
    The Commission made nine procurements which exceeded their certification limit.
IV. Compliance - Sole Source and Emergency Procurements

We noted problems in sole source and emergency procurements in the following areas:

A. Inappropriate Sole Source Procurements
B. Unauthorized Sole Source Procurement
C. Unnecessary Reporting of Sole Source Activity
D. Untimely Reporting of Sole Source Activity
E. Improper Emergency Procurement

V. Compliance - Goods and Services, Consultants and Information Technology

Seven procurements out of a sample of sixty-two were made without evidence of competition.

VI. Approval Not Obtained for a Trade-in Sale

The Commission made a trade-in sale which totalled more than $500.00 without the required approval of the Materials Management Office.

VII. Compliance - Blanket Purchase Agreements

The Commission failed to establish its blanket purchase agreements in accordance with the Consolidated Procurement Code and Regulations.
VIII. **Internal Procurement Procedures Manual**

The Commission does not have an approved Internal Procurement Procedures Manual on file with the Division of General Services.
RESULTS OF EXAMINATION

I. Administrative Control of the Procurement System

The Commission did not have a procurement officer until recently. Until that time, the Director of Administration was charged with agency-wide responsibility for procurement management. However, the Commission has been decentralized both administratively and programmatically. The task of the Commission meeting the deadline for opening its new facility, coupled with the lack of procurement staff, has resulted in weak oversight over the internal controls and procedures necessary to ensure compliance with the Consolidated Procurement Code and Regulations.

The basic failure of the Commission to exercise its responsibilities has resulted in non-compliance with the Code and Regulations as this report shall indicate.

We recommend the Commission establish and implement policies and procedures that will enable it to comply with its own internal policies, the Consolidated Procurement Code and Regulations.

II. Procurement Procedures

During our audit, we noted several procedural weaknesses which resulted in the following recommendations for improvement.

1. Purchase Requisitions: The Commission does not have a standardized initiating document such as a requisition to allow departments to communicate their needs to the procurement
section. Good internal controls require an initiating requisition to be completed by a requestor, and authorized by the appropriate authority prior to a procurement being made. This serves to consolidate procurement authority, reduce unauthorized procurements, and document the payment process.

The Commission should establish a procurement system which would consolidate procurement authority by requiring that a requisition be completed and appropriately approved before being forwarded to the procurement section for processing.

2. Purchase Orders: The Commission also does not have a purchase order document, or a purchase order register, and in effect resorts to using dummy numbers to facilitate processing payments.

The Commission should develop a purchase order document and establish a purchase order register to log all requisitions and purchase orders thereby creating an audit trail and improving internal controls. These documents will serve to support the verification and approval of payments.

3. Written Determinations: Written determinations for sole source and emergency procurements should be referenced with the purchase order amount.

4. Exempt and Term Contract Items: Procurements made from state term contracts should be documented by referencing the contract number. Additionally, when the procurement is exempt from the Code, the purchasing documents should be so noted.

5. Receiving Procedures: The Commission should develop procedures to centralize the receiving function to ensure that
items received are properly inspected for damage, posted to the fixed asset inventory, if applicable, and the payment approved by the appropriate departmental person.

6. Price Confirmations: All verbal quotations received by departments and forwarded to purchasing should be confirmed unless a written quotation has been received.

III. Unauthorized Procurements

The Commission made the following nine procurements which exceeded their certification limit.

<table>
<thead>
<tr>
<th>Item</th>
<th>Voucher</th>
<th>Amount</th>
<th>Item/Service Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>30</td>
<td>$2,965.50</td>
<td>Maintenance on camera</td>
</tr>
<tr>
<td>2</td>
<td>33</td>
<td>4,479.73</td>
<td>Laboratory supplies</td>
</tr>
<tr>
<td>3</td>
<td>397</td>
<td>3,110.00</td>
<td>Dry wall addition</td>
</tr>
<tr>
<td>4</td>
<td>1517</td>
<td>2,620.81</td>
<td>Clamps</td>
</tr>
<tr>
<td>5</td>
<td>1517</td>
<td>2,532.16</td>
<td>Sockets</td>
</tr>
<tr>
<td>6</td>
<td>1761</td>
<td>2,694.30</td>
<td>Fireproof safe</td>
</tr>
<tr>
<td>7</td>
<td>1830</td>
<td>3,344.76</td>
<td>Repair forklift</td>
</tr>
<tr>
<td>8</td>
<td>0605</td>
<td>3,904.00</td>
<td>Specimen case</td>
</tr>
<tr>
<td>9</td>
<td>401</td>
<td>10,192.05</td>
<td>Audiovisual equipment</td>
</tr>
</tbody>
</table>

The Commission's procurement limit is $2,500.00, meaning these transactions are unauthorized procurements. As such, the Director must request ratification of each procurement from the State Materials Management Officer. In accordance with Regulation 19-445.2015, the request must specify the facts and circumstances surrounding each act, what corrective action is being taken to prevent recurrence, action taken against the individual committing each act, and documentation that each price was fair and reasonable.
IV. Compliance - Sole Source and Emergency Procurements

We examined all of the Commission's sole source and emergency procurements, the supporting documents and the quarterly reports for the period July 1, 1986 through September 30, 1988. Our purpose was to determine the appropriateness of the procurement actions taken and the accuracy of the reports submitted to General Services, as required by Section 11-35-2440 of the Consolidated Procurement Code. We categorized the exceptions noted as follows.

A. Inappropriate Sole Source Procurements

The following procurements were inadequately justified as sole sources based on the supporting written determinations and findings.

<table>
<thead>
<tr>
<th>Item</th>
<th>Voucher #</th>
<th>Amount</th>
<th>Date</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Contract</td>
<td>$2,485.50</td>
<td>6/87</td>
<td>Copy editor</td>
</tr>
<tr>
<td>2</td>
<td>Contract</td>
<td>7,870.50</td>
<td>6/87</td>
<td>Copy editor</td>
</tr>
<tr>
<td>3</td>
<td>516</td>
<td>16,029.00</td>
<td>6/87</td>
<td>Laboratory equipment</td>
</tr>
<tr>
<td>4</td>
<td>157</td>
<td>5,040.07</td>
<td>9/87</td>
<td>Seating, planters</td>
</tr>
<tr>
<td>5</td>
<td>32</td>
<td>44,542.60</td>
<td>9/87</td>
<td>Seating, planters</td>
</tr>
<tr>
<td>6</td>
<td>56</td>
<td>3,150.00</td>
<td>9/88</td>
<td>Used printer</td>
</tr>
<tr>
<td>7</td>
<td>1550</td>
<td>4,000.00</td>
<td>6/87</td>
<td>Pest control</td>
</tr>
<tr>
<td>8</td>
<td>847</td>
<td>6,442.80</td>
<td>12/86</td>
<td>Mailing machine</td>
</tr>
<tr>
<td>9</td>
<td>1553</td>
<td>14,232.50</td>
<td>6/87</td>
<td>Graphics camera</td>
</tr>
<tr>
<td>10</td>
<td>138</td>
<td>2,500.00</td>
<td>9/88</td>
<td>Wood storage cabinets</td>
</tr>
<tr>
<td>11</td>
<td>956</td>
<td>2,835.00</td>
<td>3/88</td>
<td>Wood conference table</td>
</tr>
</tbody>
</table>

A sole source determination should adequately explain why an item is one of a kind and the reason for restricting the procurement to one vendor. In cases of reasonable doubt competition should be solicited.
B. Unauthorized Sole Source Procurement

A sole source procurement of $3,904.00 for exhibit cases was reported on the quarterly report ending September 30, 1987. This procurement was unauthorized because it was not supported by a written determination.

Section 11-35-1560 of the Procurement Code indicates that a procurement may be made as a sole source if it is determined in writing by a chief procurement officer, a head of a governmental body or a designee above the level of the purchasing officer that there is only a single source for the needed supplies or services. The determination must be approved by one of these officials in advance of a commitment being made.

Ratification must be requested from the State Materials Management Officer in accordance with Regulation 19-445.2015 as was discussed in item II above.

C. Unnecessary Reporting of Sole Source Activity

The Commission reported many sole source procurements to the Division of General Services even though it was unnecessary. We have categorized these exceptions as follows:

1. Commission purchases of one-of-a-kind items such as paintings, antiques, sculpture and similar objects are exempt from the procurement procedures of the Code. However, over eighty exhibit procurements were erroneously reported as sole sources to the Division of General Services resulting in a $657,784.91 overstatement of the Commission's sole source procurements.
2. A procurement for executive chairs in the amount of $11,743.20 on voucher number 452, was reported for the quarters ending September 1986 and December 1986. This duplicate reporting resulted in an overstatement of sole source activity of $11,743.20 for the quarter ending 12/86.

3. A procurement of a personal computer for $4,615.58 was made from the state contract vendor and should not have been reported on the sole source quarterly report. Again, this is an overstatement.

Unnecessary reporting of procurements as sole sources overstates sole source totals for the Commission and for the State. Only true sole source procurements should be reported.

D. Untimely Reporting of Sole Source Activity

The Commission does not report its sole source and emergency procurement activity to the Division of General Services in a timely manner.

In all cases where there are definable commitment numbers for contracts, the sole source and emergency procurement quarterly reports should reflect them when the procurement actions are taken. If sole source or emergency procurements are made for extended periods of time, for estimated amounts, and it is impossible to determine the exact commitment, it may be necessary to report expenditures as they occur. However, this should be the exception, not the rule.
E. Improper Emergency Procurement

The Commission made an emergency procurement of $4,800.00 for a research study to assist in development of a marketing program. Our analysis of this transaction revealed the following concerns:

1. The written determination states that three proposals were solicited. We question the validity of the emergency, in accordance with the intent of Section 11-35-1570 of the Consolidated Procurement Code, when the time frame allowed for these solicitations to be made.

2. This procurement was reported as the expenditures were subsequently made ($3,200.00 and $1,600.00) and not when the procurement action was made. The Commission should report all transactions at the time of commitment. (Reference report point IV.D. above).

3. Part of the procurement ($3,200.00) was reported incorrectly as a sole source, and the remainder ($1,600.00) was reported as an emergency.

We recommend that emergency procurements only be made to meet an immediate and serious need for supplies, services, or construction that cannot be met through normal procurement methods and the lack of which would seriously threaten:

1) the functioning of State government
2) the preservation or protection of property; or
3) the health and safety of any person.

CONCLUSION - SOLE SOURCE AND EMERGENCY PROCUREMENTS

Our examination of sole source and emergency procurement activity at the Commission was seriously hampered by an
inadequate audit trail and poor documentation. The numerous exceptions in this area indicate an immediate need for the implementation of procurement policies and procedures to centralize the procurement activity in these areas.

We recommend the Commission establish a central file of the written determinations which support sole source and emergency procurements. These files should be complete and should thoroughly document all transactions. We also recommend that the Commission amend its quarterly reports to correct the overstatements of sole source procurement activity and submit these amendments to the Division of General Services.

V. Compliance Goods and Services, Consultants, and Information Technology

Our examination of procurement activity at the Commission included a test of a sample of sixty-two (62) transactions from the period July 1, 1987 through November 30, 1988. Seven of these transactions were not supported by evidence of competition or by a sole source or emergency determination.

<table>
<thead>
<tr>
<th>Item</th>
<th>Voucher</th>
<th>Amount</th>
<th>Item/Service Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>329</td>
<td>$563.93</td>
<td>Hand truck, dolly etc.</td>
</tr>
<tr>
<td>2</td>
<td>367</td>
<td>1,036.08</td>
<td>Computer printers</td>
</tr>
<tr>
<td>3</td>
<td>543</td>
<td>1,604.23</td>
<td>Black track lighting</td>
</tr>
<tr>
<td>4</td>
<td>476</td>
<td>2,254.00</td>
<td>Overhead door system</td>
</tr>
<tr>
<td>5</td>
<td>807</td>
<td>2,360.36</td>
<td>Duplicating copies</td>
</tr>
<tr>
<td>6</td>
<td>442</td>
<td>1,700.02</td>
<td>Terminals</td>
</tr>
<tr>
<td>7</td>
<td>486</td>
<td>2,250.00</td>
<td>Plate glass mirrors</td>
</tr>
</tbody>
</table>

Regulation 19-445.2100, Subsection E, Item 2 which covers procurements from $500.01 to $1,499.99 requires "Solicitation of verbal or written quotes from a minimum of two qualified sources of supply. Items 1 and 2 above needed only documentation of two
(2) telephone quotes to meet this requirement. However, this was not done.

Regulation 19-445.2100 Subsection B, Item 3, which covers procurements from $1,500.00 to $2,499.99 requires that "Solicitation of written quotations from three qualified sources of supply shall be made and documented..." Items 3 through 7 above fall into this category but the requirement was not met.

The Commission should comply with these regulations. When competition is solicited documentation must be maintained as evidence.

VI. Approval Not Obtained for a Trade-in Sale

The Commission made a procurement of a new mailing machine using the older unit as a credit of $800.00 towards the new purchase price. The trade-in value exceeded $500.00. Regulation 19-445.2150, Subsection E, states in part, "... when the trade-in value exceeds five hundred dollars ($500.00), the governmental body should refer the matter to the Materials Management Officer for disposition." In the future, the Commission must ensure that all trade-in's greater than $500.00 have the appropriate advance approvals.

VII. Compliance - Blanket Purchase Agreements

The Commission's local purchase agreements (charge accounts) are not in compliance with the Consolidated Procurement Code Regulations. These agreements are for small procurements of electrical supplies, photography, lumber and other miscellaneous items.
The regulations for establishing blanket purchase agreements as stated in Section 19-445.2100, Subsection C, require that blanket purchase agreements contain the following provisions:

a) Description of agreement
b) Extent of obligation
c) Notice of individuals authorized to place calls and dollar limitations
d) Delivery tickets
e) Invoice disposition

Since the Commission has only recently hired a procurement officer, the blanket purchase agreements were never properly established and are out of compliance with the regulation.

We recommend that all future procurements using the blanket purchase agreement method be in accordance with Regulation 19-445.2100, Subsections C, D, & E. Further, we recommend that these be included in the Commission's Internal Procurement Procedures Manual.

VIII. Internal Procurement Procedures Manual

The Commission has on file with the Materials Management Office a statement of intent dated May 26, 1983 to comply with the requirements of the Procurement Code Section 11-35-540(3), which requires the development of an Internal Procurement Operating Procedures Manual.

The statement of intent was accepted in lieu of a formal procedures manual at the inception of the Procurement Code. This document allowed small agencies additional time to prepare a more
comprehensive manual. As a result of our recent audit of the Commission's procurement activity we have determined that a procedures manual should be developed outlining the current procurement system.

This manual should incorporate the most current internal procedures and follow the recommended outline which we have supplied the Commission during the audit.
CONCLUSION

We must state our concern over the number and variety of exceptions noted during the audit. We acknowledge the demands faced by the Museum Commission to finish its new facility by the opening date. However, the exceptions noted herein indicate a lack of administrative control over procurement and a lack of understanding of the Consolidated Procurement Code.

In accordance with Section 11-35-1230(1) of the Code, the Commission must take corrective action to eliminate the problem areas noted. This should be accomplished prior to August 31, 1989. The Office of Audit and Certification will perform a follow-up review prior to that date to confirm that corrective action has occurred.

Subject to this corrective action and because additional certification was not requested, we recommend that the Commission be allowed to continue procuring all goods and services, information technology and consulting services up to the basic level as outlined in the Procurement Code.

R. Voight Shealy, Manager
Audit and Certification
August 25, 1989

Mr. R. Voight Shealy, Manager
Audit and Certification
Materials Management Office
1201 Main Street – Suite 600
Columbia, S. C. 29201

Dear Mr. Shealy:

I am pleased to submit the formal response of the South Carolina State Museum Commission to the MMO Audit Report for July 1, 1986 through November 30, 1988. The period covered in the audit was an extraordinary one for this agency. During that time the State Museum grew from a planning staff of approximately 25 employees into a fully operational museum with a staff of 70 full-time employees and over 60 part-time and temporary workers. During that time we also moved from temporary office quarters on Devine Street into the newly renovated State Museum building, which then had to be furnished, equipped and outfitted with exhibits for the Grand Opening, which took place on October 29, 1988.

Although the rapid growth of the organization demanded a great deal of procurement activity during the period in question, the Museum Commission did not have a full-time procurement officer on staff until October 3, 1988, shortly before the Museum opened. During most of the period examined by the audit, the Museum Commission had a very decentralized approach to procurement, with many staff members involved in aspects of the procurement process. This organizational fact, coupled with the extraordinary pressures of workload and time that the staff faced while preparing the Museum for opening, accounts for most of the problems identified in the Audit Report. I am glad to report that the Museum has now established a more centralized approach to procurement, which should eliminate most problems in the future.

I would like to respond to the points raised in the Audit according to the order of their appearance in the Report.

I. Administrative Control of the Procurement System

The Commission has hired a full-time procurement officer, has centralized the procurement function in his office, and is in the process of establishing internal policies, procedures, and controls to ensure compliance with the Consolidated Procurement Code.
II. Procurement Procedures

1. Purchase Requisitions. The Commission's procurement officer has developed an initiating document which identifies the signature authority required before processing. Under the procedures we are implementing, all expenditures under $500 must be approved by the appropriate department head. All expenditures over $500 must be also approved by the Assistant Director, and all expenditures over $1500 must be approved by the Executive Director. This document is now being printed and will be put into effect shortly.

2. Purchase Orders. Since last October the Museum Commission has been using the standard state requisition form No. MMO R005-3/83. The procurement officer is keeping a serial file of copies and is developing a purchase order register.

3. Written Determinations. Purchase order amounts are now being included on all sole source and emergency procurement documents.

4. Exempt and Term Contract Items. The procurement officer is now including state contract numbers on all procurement documents relating to state term contracts. When procurements are exempt from the Code he is noting that fact on the purchasing documents.

5. Receiving Procedures. The Commission is taking steps to centralize its receiving functions. Most shipments are directed to Loading Zone D, where they are checked in by the procurement officer and sent to their proper location. A receiving form has been designed and will be put into effect in the near future.

6. Price Confirmations. The Commission's procurement officer is now confirming and documenting all verbal quotations between $100 and $500 received by his office.

III. Unauthorized Procurements

The nine unauthorized procurements listed in this section reflect the decentralized nature of Agency purchasing prior to the employment of a procurement officer and the fact that a number of individuals who took charge of aspects of purchasing were not well versed in the state procurement procedures. A letter requesting ratification of these procurements is being prepared, which will set forth the circumstances and details of each one.
IV. Compliance - Sole Source and Emergency Procurements

A. Inappropriate Sole Source Procurements

Items 1-2. In 1987 the Museum recruited 2 copy editors to assist with label writing and editing. These people were hired in a competitive recruitment process, with the rate of pay per hour determined in advance by the agency. We were later informed that contracts were not appropriate for that type of employment, and the editors were transferred to the payroll.

Item 3. The Agency believed that equipment supplied by the Kewaunee Corporation best met its specialized programming needs. No other vendor seemed able to provide exactly the features we required. In the future the Museum will write very specific specifications to ensure that it will get the appropriate equipment during a competitive process.

Items 4-5. Our staff did extensive research into commercially available designs for lobby seating and planters and determined that the line offered by Landscape Forms Inc. best suited the museum's requirements. No other vendor was able to provide an equivalent. We were also able to negotiate a discount of more than 50% of the catalog price for these items, and we believe that both factors justified a sole source procurement. In the future we will be sure to consult with MMO before undertaking such a purchase.

Item 6. We used a sole source procurement to acquire a printer when our computer programmer analyst found an appropriate piece of used equipment at an excellent price. We only had one printer to serve the entire agency, and we urgently needed a second unit. At the time this purchase was made, our staff was unaware of the services available from MMO in obtaining information technology equipment.

Item 7. At the time, several factors indicated that a sole source procurement of exterminating services would be appropriate. The Modern Exterminating Company, which has the state pest control contract, had found an infestation in the Museum's collections during a routine inspection. Since time was of the essence in preventing further contamination of the collections, and since Modern was familiar with the Museum's requirements and knew which pesticides had to be used to conform to safe conservation practices, we believed that a sole source was justified.

Item 8. This transaction represented an upgrade of our mailing machine from a manual to an electronic model. The staff had a long association with Pitney Bowes and was unaware of other suppliers.
Item 9. The Museum's exhibit staff carefully researched the various models of stat cameras on the market and selected the Pos One Total Camera as the one best fitting its needs. We made a sole source procurement from Visual Graphics Corporation, since they were the only company that sold that particular camera. In the future the Museum will work with MMO to develop specifications that will ensure that the Museum obtains the equipment it requires.

Item 10. In procuring wood cabinetry for the Science Demonstration Theatre, the Museum engaged Aristocrat Contractors as a sole source because it was familiar with the firm's work and because time was of the essence. The Theatre had to be ready for public programming in less than 3 months. Perhaps the planning for this project could have been done sooner, allowing more time for bidding, but the volume of work was very heavy and that was not done.

Item 11. The Museum used a sole source procurement for a conference table because the size required to fit the dimensions of the Board Room was not available from commercial vendors. The piece had to be custom made. The staff was impressed by the quality of work available from McWaters, a local company, and obtained a very competitive price from them.

B. Unauthorized Sole Source Procurement

Ratification for this unauthorized procurement will be requested in the same letter to the state Materials Management Officer that is being prepared in relation to the items discussed in Section II of the Audit Report.

C. Unnecessary Reporting of Sole Source Activity

1. The Museum Commission's accountant says that he was instructed by the staff of MMO to report all sole source procurements, whether exempt or not. The Agency will gladly amend its quarterly reports to delete exempt items and to correct the overstatement.

2. The duplicate reporting for the purchase of executive chairs was an administrative error and will be amended to delete the overstatement.

3. The report of this procurement as a sole source was also an administrative error and will be amended.

D. Untimely Reporting of Sole Source Activity

The Museum Commission is now reporting procurement actions on a quarterly basis.
E. Improper Emergency Procurement

In this case the Museum Commission sought an emergency procurement because the funding to support the marketing study became available late in the fiscal year and would have been lost if the Agency had not moved quickly to complete the study by June 30. The solicitation of proposals had been done earlier in the fiscal year before it could be determined that funds would in reality be available for the project. The impending loss of funding constituted the emergency.

The Commission now understands that such a justification does not fall under the definition of emergency by MMO. The reporting of one expenditure as a sole source and the other as an emergency was an administrative error.

The Commission is in the process of developing written procedures and guidelines that will define the circumstances under which emergency procurements can be made in compliance with Consolidated Procurement Code 11-35-1570 and Regulation 19-445-210. That should help us avoid such problems in the future.

CONCLUSION - SOLE SOURCE AND EMERGENCY PROCUREMENTS

The Commission's procurement officer has started separate chronological files of sole source and emergency procurements. These files include all relevant documentation with the sole source and emergency procurement justification forms. As indicated earlier, the Commission will amend its quarterly reports to correct the overstatements of sole source procurement activity.

V. Compliance: Goods and Services, Consultants, and Information Technology

The seven inadequately documented transactions resulted from the activities of personnel inexperienced in procurement in situations where time was of the essence. The fact that the Commission now has a full-time procurement officer and is no longer under the pressure of opening deadlines should eliminate such problems in the future. For example, the Commission is now using the telephone quote form which appears on the reverse side of requisition form 005 3/83. Instructions on soliciting written quotes for purchases between $1500 and $2499 will be included in the agency's Procurement Procedures Manual, which is currently under preparation.

VI. Approval Not Obtained for a Trade-In Sale

The trade-in was done in ignorance of procurement regulations. In a later instance, MMO Form No. 137, trade-in documentation, was executed on February 13, 1989, for disposal of an old copier that was not economically feasible to repair. Guidelines for trade-ins will be incorporated in the Procurement Manual that the agency is currently developing.
VII. Compliance - Blanket Purchase Agreements

The Museum has taken steps to establish blanket purchase agreements in conformity with Procurement Code Regulations. Guidelines for blanket purchase agreements will be incorporated in the internal Procurement Procedures Manual.

VIII. Internal Procurement Procedures Manual

The Museum Commission is in the process of developing a Procurement Procedures Manual and plans to have it finished by November 1, 1989. We appreciate the Material Management Office's offer of assistance in producing this document.

In conclusion, the State Museum Commission would like to thank audit and certification officer, Mr. Jeffrey Widdowson, for his careful review of the agency's procedures and for his recommendations and helpful suggestions. The Museum Commission, now that it has achieved some measure of stability and has established a centralized procurement office, is committed to improving its handling of procurements and to insuring that its actions are in compliance with the Consolidated Procurement Code.

Sincerely,

[Signature]

Overton G. Ganong
Executive Director

OGG:mfr

AUDITREP
May 11, 1990

Mr. James J. Forth, Jr.
Assistant Division Director
Division of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Jim:

When the Office of Audit and Certification audited the South Carolina Museum Commission, we discovered an agency that had outgrown its procurement management system. As a result, the noncompliance noted during the audit was unacceptable.

However, the audit period covered the most successful yet difficult period in the history of the Commission. During this time, the Commission developed and opened the State Museum. Staff size increased from 25 to 70 full-time employees and over 60 part-time and temporary workers.

Over the past eighteen months, the Museum Commission has cooperated with us to eliminate the problems noted during the audit. Notably, it has:

1 - hired a purchasing officer
2 - developed purchasing procedures
3 - developed purchase requisitions and purchase orders
4 - centralized purchasing authority
We have conducted many meetings with administration and Museum staff members. Also, we have held training sessions for key personnel.

I believe a great deal has been accomplished and recommend that the Museum Commission be allowed to continue procuring all goods and services, consulting services, construction and information technology up to the basic level of $2,500 authorized by the Consolidated Procurement Code.

Sincerely,

R. Wight Shealy, Manager
Audit and Certification

/jlj