PROCUREMENT AUDIT AND CERTIFICATION
August 16, 1988

Mr. Richard W. Kelly
Division Director
Division of General Services
1201 Main Street, Suite 400
Columbia, South Carolina 29201

Dear Rick:

Attached is the final Department of Insurance audit report and recommendations made by the Office of Audit and Certification. Since no certification above the $2,500.00 allowed by law was requested, and no action is necessary by the Budget and Control Board, I recommend that this report be presented to them for information only.

Sincerely,

James J. Forth, Jr.
Assistant Division Director

Attachment
We have examined the procurement policies and procedures of the South Carolina Department of Insurance for the period July 1, 1986 - April 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 Department of Insurance 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.

We noted no exceptions and found the Department of Insurance
to be in compliance with the South Carolina Consolidated
Procurement Code and ensuing regulations.

R. Voight Shealy, Manager
Audit and Certification
RESULTS OF EXAMINATION

The Office of Audit and Certification performed an examination of the internal procurement operating procedures and policies and related manual of the Department of Insurance for the period July 1, 1986 through April 30, 1988.

Our on-site review was conducted June 2 through June 10, 1988, and was made under the authority as described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code.

The scope of our audit included, but was not limited to review of the following:

(1) All purchase orders for fiscal years 1986/87 and 1987/88. This included:
   (a) Thirty-four selected procurement transactions, each exceeding $500.00;
   (b) A block sample review of two hundred and forty-seven purchase orders in numerical sequence;
(2) All sole source procurements;
(3) All emergency procurements;
(4) All internal procurement procedures.

We noted no exceptions and found the Department of Insurance to be in compliance with the Consolidated Procurement Code and ensuing regulations.
CONCLUSION

The Department of Insurance had a limited number of procurement actions during the audit period but they were handled in a professional manner. We noted no exceptions and found the Department to be in compliance with the Consolidated Procurement Code and ensuing regulations.

We recommend the South Carolina Department of Insurance be allowed to continue procuring all goods and services, information technology and consulting services up to the basic level of $2,500.00 as outlined in the Consolidated Procurement Code.

Jeff Widdowson
Audit and Certification Analyst

R. Voight Shealy, Manager
Audit and Certification
August 8, 1988

R. Voight Shealy, Manager
Audit and Certification
Budget and Control Board
Division of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Re: Procurement Draft Audit Report

Dear Mr. Shealy:

Thank you for your complimentary letter of the Department's procurement activity for the period July 1, 1986 - April 30, 1988.

We are very pleased that there were no exceptions noted in the Audit and that the South Carolina Department of Insurance was found to be in compliance with the Consolidated Procurement Code and ensuing regulations. Based on these findings, we do not desire an exit conference.

I would also like to express my appreciation to Mr. Jeff Widdowson for the professional and courteous manner in which this audit was conducted.

Respectfully,

JOHN G. RICHARDS
Chief Insurance Commissioner

JGR:vja