SOUTH CAROLINA BUDGET AND CONTROL BOARD
DIVISION OF INSURANCE SERVICES
EMPLOYEE INSURANCE BENEFITS SECTION

PROCUREMENT AUDIT AND CERTIFICATION

SOUTH CAROLINA BUDGET AND CONTROL BOARD
DIVISION OF INSURANCE SERVICES
EMPLOYEE INSURANCE BENEFITS SECTION

AGENCY
JANUARY 1, 1987 - NOVEMBER 30, 1989

DATE
April 17, 1990

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

Dear Rick:

Attached is the final Budget and Control Board, Division of Insurance Services, Employee Insurance Benefits Section, procurement audit report and recommendations made by the Office of Audit and Certification. I concur and recommend that the Budget and Control Board grant the Division a three (3) year certification as outlined in the audit report.

Sincerely,

James J. Forth, Jr.
Assistant Division Director

/jlf

Attachment
SOUTH CAROLINA
BUDGET AND CONTROL BOARD, DIVISION OF INSURANCE SERVICES
EMPLOYEE INSURANCE BENEFITS SECTION
AUDIT REPORT
JANUARY 1, 1987 - NOVEMBER 30, 1989
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We have examined the procurement policies and procedures of the Budget and Control Board, Division of Insurance Services, Employee Insurance Benefits Section, for the period January 1, 1987 through November 30, 1989. 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 Division of Insurance Services, Employee Insurance Benefits Section, 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 Budget and Control Board, Division of Insurance Services, Employee Insurance Benefits Section in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

R. Voight Shealy, Manager
Audit and Certification
SCOPE

Our examination encompassed a detailed analysis of the internal procurement operating procedures of the Division of Insurance Services, Employee Insurance Benefits Section, 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.

Our audit was limited to the review of procurement activity attributed to the various employee insurance programs administered by the Employee Insurance Benefits Section for the period January 1, 1987 - November 30, 1989. It did not include a general review of all procurement activity. As specified in the Consolidated Procurement Code and related regulations, our review of the system included, but was not limited to, the following areas:

1. adherence to provisions of the South Carolina Consolidated Procurement Code and accompanying regulations
2. adequate audit trails
3. evidences of competition
4. source selections
5. file documentation of procurements
6. economy and efficiency of the procurement process
RESULTS OF EXAMINATION

Based on the tests performed at the Employee Insurance Benefits Section, we noted two exceptions which require corrective action. These two exceptions were the lack of a letter of intent to award and the lack of a formalized bid tabulation form.

For the first instance, the Employee Insurance Benefits Section issued a notice of award to all responsive vendors competing on insurance benefit contracts. However, they did not issue letters of intent to award contracts in excess of $50,000. Section 11-35-1520(10) of the Procurement Code was amended in 1986 to state in part:

When a contract has a total or potential value in excess of fifty thousand dollars, notice must be given to all bidders responding to the solicitation as to the agency's determination that a certain bidder is the lowest responsible and responsive bidder... Notice may be given by first-class mail of this intent to contract to the name and address on the bid documents. Sixteen days after notice of intent to award a contract to the lowest responsive bidder, the agency may enter a contract.....

We recommend the Employee Insurance Benefits Section comply with this section of the Procurement Code.

The other exception we noted was a lack of a formalized bid tabulation form. The Employee Insurance Benefits Section has been using an informal tabulation sheet that is not certified or witnessed. However, section 11-35-1520(6) of the Code requires that when sealed bids are opened, they should be witnessed.

We recommend a designated person certify on the bid tabulation that the information recorded at the bid opening is correct and that this also be witnessed by a second person.
CERTIFICATION RECOMMENDATION

As enumerated in our transmittal letter, corrective action based on the recommendations described in the findings contained in the body of this report, we believe, will in all material respects place the Division of Insurance Services, Employee Insurance Benefits Section, in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

Under the authority described in Section 11-35-1210 of the South Carolina Consolidated Procurement Code, we recommend the Budget and Control Board, Division of Insurance Services, Employee Insurance Benefits Section, be recertified to make direct agency procurements for three years up to the following limits:

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<tr>
<th>PROCUREMENT AREA</th>
<th>RECOMMENDED CERTIFICATION LIMIT</th>
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<td>Employee Insurance Programs</td>
<td>Unlimited</td>
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Robert J. Aycock, IV
Audit Supervisor

R. Voight Shealy, Manager
Audit and Certification
April 9, 1990

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

Dear Voight:

Pursuant to your April 3, 1990 letter, the Division of Insurance Services (DIS) accepts the draft procurement audit report.

As indicated, the Division took action to correct two exceptions noted in the audit - lack of a formal bid tabulation sheet and a notice of intent to award. During the March 26, 1990 meeting, DIS presented a bid tabulation form and notice of intent to award that will be used in future procurements.

We concur that there should be no changes made to the draft copy of your audit report.

Sincerely,

James E. Bennett, CPCU  
Division Director

cc: David L. Anderson, DIS  
Phyllis B. Beighley, DIS  
Lewis Leopard, DIS  
James Ward, DIS  
Robert J. Aycock, DGS
April 13, 1990

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

Dear Jim:

We have reviewed the response to our audit report of the Budget and Control Board, Division of Insurance Services, Employee Insurance Benefits Section, covering the period of January 1, 1987 - November 30, 1989. Also, we have received evidence that the Division has corrected the two items addressed in the report. These steps, combined with observations made during our exit conference have satisfied me that the Division has taken the appropriate corrective action.

Therefore, we recommend that the certification limits as outlined in the audit report be granted for a period of three (3) years.

Sincerely,

R. Voight Shealy
Manager
Audit and Certification

/jlj