PROCUREMENT AUDIT AND CERTIFICATION

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BUDGET AND CONTROL BOARD
OFFICE OF INSURANCE SERVICES - INSURANCE BENEFITS MANAGEMENT SECTION

AGENCY
AUGUST 1, 1992 - MARCH 31, 1996

DATE
April 23, 1997

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

Dear Helen:

I have attached the Budget and Control Board Office of Insurance Services - Insurance Benefits Management Section procurement audit report from the Office of Audit and Certification. I concur and recommend the Budget and Control Board grant the Office a five year certification as noted in the audit report.

Sincerely,

R. Voight Shealy
Materials Management Officer
BUDGET AND CONTROL BOARD
OFFICE OF INSURANCE SERVICES
INSURANCE BENEFITS MANAGEMENT SECTION
PROCUREMENT AUDIT REPORT
AUGUST 1, 1992 - MARCH 3, 1997
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April 8, 1997

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 the Office of Insurance Services for the period August 1, 1992 through March 31, 1996. 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 ensure adherence to the Consolidated Procurement Code and the Office 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 Office of Insurance Services is responsible for establishing and maintaining a system of internal control over procurement transactions. In fulfilling this
April 8, 1997

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The administration of the Office of Insurance Services 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.

We noted no exceptions and found the Office of Insurance Services, Insurance Benefits
Management Section, to be in compliance with the South Carolina Consolidated Procurement
Code and ensuing regulations.

Sincerely,

Larry G. Sorrell, Manager
Audit and Certification
BACKGROUND

Section 11-35-1210 of the South Carolina Consolidated Procurement Code states:

The Budget and Control Board may assign differential dollars 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 contracts.

On November 10, 1992, the Budget and Control Board granted the Department the following procurement certification:

<table>
<thead>
<tr>
<th>Category</th>
<th>Limit</th>
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</thead>
<tbody>
<tr>
<td>Employee Insurance Programs</td>
<td>Unlimited</td>
</tr>
</tbody>
</table>

Our audit was performed primarily to determine if recertification is warranted. The Department has requested to maintain the same certification limit.
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 Office of Insurance Services 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.

Our audit was limited to the review of procurement activity attributed to the various employee insurance programs administered by the Insurance Management Section for the period August 1, 1992 through March 31, 1997. It did not include a review of all procurement activity. As specified in the South Carolina Consolidated Procurement Code and related regulations, our review of the system included, but was not limited to, a review of the following areas:

(1) Adherence to provisions of the South Carolina Consolidated Procurement Code and accompanying regulations
(2) Adequate audit trails
(3) Evidence of competition
(4) Source selection
(5) File documentation of procurements
(6) Economy and efficiency of the procurement process
RESULTS OF EXAMINATION

We reviewed all contract solicitations covering the audit period for employee insurance programs. The review included seven different contract solicitations and five extensions on other contracts. We also reviewed the internal controls that direct the employee insurance contract solicitations through testing and inquiry. Also, we reviewed the procurement policies and procedure's manual. The results of these reviews revealed no material audit exceptions.
CERTIFICATION RECOMMENDATION

The Office of Insurance Services had a limited number of procurement actions during the audit period but they were handled in a professional manner. We found the Office of Insurance Services to be in compliance with the South Carolina Consolidated Procurement Code and ensuing regulation.

Under the authority described in Section 11-35-1210 of the South Carolina Consolidated Procurement Code, we recommend the Budget and Control, Office of Insurance Services, Insurance Benefits Management Section be recertified to make direct agency procurements for five years as follows.

<table>
<thead>
<tr>
<th>Procurement Area</th>
<th>Recommended Certification Limit</th>
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<tbody>
<tr>
<td>Employee Insurance Programs</td>
<td>Unlimited</td>
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David E Rawl, CPPB  
Senior Auditor

Larry G Sorrell, Manager  
Audit and Certification

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