PROCUREMENT
AUDIT AND
CERTIFICATION
November 10, 1987

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

Dear Rick:

Attached is the final Office of the Attorney General audit report and recommendations made by the Office of Audit and Certification. Since certification above the $2,500 limit allowed by law was not requested, and no action is necessary by the Budget and Control Board, I recommend that this report be presented to Dr. Coles for his information.

Sincerely,

D. L. McMillin
Acting Materials Management Officer

Attachment
SOUTH CAROLINA OFFICE OF THE ATTORNEY GENERAL
AUDIT REPORT

July 30, 1981 - March 31, 1987
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We have examined the procurement policies and procedures of the South Carolina Attorney General's Office for the period July 30, 1981 through March 31, 1987. As 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 Attorney General's Office 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 Attorney General's Office in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

R. Voight Shealy, Manager
Audit and Certification
INTRODUCTION

The Office of Audit and Certification conducted an examination of the internal procurement operating procedures and policies and related manual of the South Carolina Attorney General's Office.

Our on-site review was conducted May 14, 1987 through June 10, 1987 and was made under the authority as described in 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 agency in promoting the underlying purposes and policies of the Code as outlined in Section 11-35-20, which includes:

(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 designed rules for ethical behavior on the part of all persons engaged in the public procurement process.
SCOPE

Our examination encompassed a detailed analysis of the internal procurement operating procedures of the South Carolina Attorney General's Office 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.

The Audit and Certification team selected a sample for the period July 1, 1985 through March 31, 1987, of procurement transactions for compliance testing and performed other auditing procedures that we considered necessary in the circumstances to formulate this opinion. 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. procurement staff and training;
3. adequate audit trails and purchase order register;
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;
10. economy and efficiency of the procurement process, and
11. approval of Minority Business Enterprise Plan.
SUMMARY OF AUDIT FINDINGS

Our audit of the procurement system at the South Carolina Attorney General's Office produced findings and recommendations in the following areas:

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

Our examination of goods and services, consultant services and information technology procurement activity revealed that competition has not been solicited for procurements of a needed form. Additionally, in three cases, telephone quotations were solicited rather than the required written quotations.

II. Compliance-Sole Source Procurements

We noted four sole source procurements which should have been competitively bid. Also, one transaction where competition was sought should not have been reported as a sole source procurement.

III. Professional Development

Professional development of the procurement officer needs to be a goal of the agency.
RESULTS OF EXAMINATION

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

Our test sample consisted of sixty (60) randomly selected procurement transactions for goods and services, consultants and information technology from the period July 1, 1985 through March 31, 1987. Most of these procurements were handled properly, however; we did note the following exceptions.

The Attorney General's Office has a continuing need for solicitors' indictment forms, of different types. Since the enactment of the Consolidated Procurement Code, the Attorney General's Office has used one printing company exclusive for printing these forms. Some individual orders exceed the $500.00 threshold at which competition is required by the Procurement Code. At the time of this audit, no competition has ever been obtained for procurements of these forms. We were told during the audit that the agency was in the process of working with the State Printing Officer, toward development of a competitive solicitation for the procurement of these indictment forms.

We concur with this decision to seek competitive bids and insure compliance with the procurement code and regulations. Hopefully, an agency contract can be established for this recurring supply need.

Additionally we noted three instances where required written quotations were not solicited. Instead, the procurements were made on the basis of telephone quotations. These exceptions were as follows:
Regulation 19-445.2100, Subsection B Item 3 states in part that... "For purchases from $1500.00 to $2,499.00, solicitation of written quotations from three qualified sources of supply shall be made... Such documentation shall be attached to the purchase requisition." We remind the agency that procurements from $1500.00 to $2,499.00 must be supported by written quotations from three qualified vendors.

AGENCY RESPONSE

Office legal staff have worked with the Circuit Solicitors and Court Administration staff for several years in revising the indictment forms which are used in criminal proceedings. Release of the bid for this printing contract was delayed over a year until the final versions of the needed documents were completed. At the time this audit began, we had already completed the bid document and it was formally submitted to General Services on May 18, 1987. A multi-year contract for this printing was awarded by the Materials Management Office on July 24, 1987. We recognized the need for this procurement to be bid and unavoidable delay of the bidding process was occasioned only by the need to have the final documents available for printers to review.

We acknowledge the three calendar year 1985 procurements which were made based upon telephone quotations that were not confirmed in writing. I would note that in each instance the low bidder was awarded the procurement and that my staff had, prior to the audit, realized this procedural error. I understand that my staff has shown your auditor subsequent procurements for similar items to demonstrate that our procedure has been changed.
II. Compliance-Sole Source Procurements

We examined the quarterly reports of sole source and emergency procurements and trade-in sales and all available supporting documents for the period July 31, 1981 through March 31, 1987, for purposes of determining the appropriateness of the procurement actions taken and the accuracy of the reports submitted to the Division of General Services, as required by Section 11-35-2440 of the Consolidated Procurement Code. We found the majority of these transactions to be proper and accurately reported, but we did note the following sole source exceptions.

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<th>P.O. NUMBER</th>
<th>AMOUNT</th>
<th>EXCEPTION</th>
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<tr>
<td>2149</td>
<td>$624.00</td>
<td>Boling 20 series furniture, credenza and table</td>
</tr>
<tr>
<td>0500</td>
<td>$1,329.30</td>
<td>Boling 25 series furniture credenza</td>
</tr>
<tr>
<td>52189</td>
<td>$3,219.30</td>
<td>Boling 25 series furniture credenza and desk</td>
</tr>
<tr>
<td>60163</td>
<td>$1,564.50</td>
<td>Boling 25 series executive desk &amp; credenza</td>
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The Boling Furniture Brand is an open product line so bids should have been solicited.

Section 19-445.2105, Subsection B, of the regulations states in part:

Sole source procurement is not permissible unless there is only a single supplier.

The Materials Management Officer has interpreted this as follows:

The terminology 'only one source' is intended to mean one manufacturer or unique service provider distributing through one distribution channel. If a firm specification for a product or service is requested due to a unique circumstance or need only satisfied by the
procurement of that specific product/service and there is no more than one source of distribution, the procurement is not sole source. Bids should be forwarded to all known distributors to achieve the lowest possible price for the particular service or product.

We understand that the vendor may have inferred that his company had an exclusive to this furniture line. However, we urge the agency to be cautious of such claims. We recommend the procurement officer check competition himself against such claims and/or contact the Materials Management Office for guidance.

AGENCY RESPONSE

We acknowledge that we relied upon availability information provided by a reputable local vendor in procuring Boling furniture. It was not intended that these procurements be directed to this vendor for any other reason. My staff has identified other vendors that can be solicited for such items.

III. Professional Development

We found that professional development of the purchasing officer may have been overlooked as a goal of the agency. This is an important factor in the successful operation of a procurement system. The procurement officer has been in this position a number of years without any formal governmental training.

Per Section 11-35-20 (k) of the Procurement Code, one of its primary purposes and policies is "to train procurement officials in the techniques and methods of public procurements." To help accomplish this, the Research and Training Section of the Division of General Services was established. Other procurement training is available as well.

We recommend the agency implement a program promoting professional development of procurement personnel through the following:
(1) Include a policy statement on professional development goals in the Internal Procurement Operating Procedures Manual.

(2) Budget available funds for procurement training such as the basic, intermediate, and advanced purchasing seminars given by the National Institute of Governmental Purchasing. As a minimum, the General Public Purchasing (Basic) course should be taken.

(3) Promote the attainment of professional certification of the purchasing staff such as professional Public Buyer (PPB) or Certified Public Purchasing Officer (CPPO). These certifications are a part of the Universal Certification Requirements for Public Procurement Personnel developed by the National Institute of Governmental Purchasing (NIGP) and the National Association of State Purchasing Officials (NASPO).

(4) Attend Procurement Code updates given by the Materials Management Office.

(5) Continue to monitor and pay particular attention to the Materials Management Office publication, "Facts and Figures."

(6) Consider membership for the procurement officer in the South Carolina Association of Governmental Purchasing Officers (SCAGPO).

AGENCY RESPONSE

We are enrolling our Support Services Manager in a basic purchasing course offered by the Research and Training Section of the Budget and Control Board. Since this individual does not have full-time procurement duties, and our purchasing needs for goods and services are relatively small, we have not felt the need to have a professional purchasing officer. I do appreciate that it is desirable our staff involved in procurements have exposure and appreciation for professional procurement standards. We will be more sensitive to this issue.
CONCLUSION

As enumerated in our transmittal letter, corrective action based on the recommendations described in the findings in the body of this report, we believe, will in all material respects place the Attorney General's Office in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

In accordance with Code Section 11-35-1230 (1) the agency should take this corrective action prior to October 30, 1987. Subject to this corrective action and because additional certification was not requested, we recommend that the Attorney General's Office be allowed to continue procuring all goods and services, construction information technology and consulting services up to the basic level as outlined in the Procurement Code.

James M. Stiles, PPB Audit Manager

Voight Shealy, Manager Audit and Certification
November 10, 1987

Mr. D. L. McMillin
Acting Materials Management Officer
Division of General Services
1201 Main Street
Columbia, South Carolina 29201

Dear D.L.:

We have reviewed the response to our audit report of the Office of the Attorney General covering the period July 30, 1981 through March 31, 1987. Combined with observations made during our exit conference, this review has satisfied the Office of Audit and Certification that the agency has corrected the problem areas found and that internal controls over the procurement system are adequate.

Additional certification was not requested, therefore we recommend that the Office of the Attorney General be allowed to continue procuring all goods and services, construction, information technology and consulting services up to the basic level as outlined in the South Carolina Consolidated Procurement Code.

Sincerely,

R. Wight Shealy, Manager
Audit and Certification