PROCUREMENT
AUDIT AND
CERTIFICATION
January 5, 1993

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 Office of Comptroller General as prepared by the Office of Audit and Certification. I concur and recommend the Budget and Control Board grant a three (3) year certification as outlined in the report.

Sincerely,

James J. Forth, Jr.
Assistant Division Director

JJP/jlj
Attachment
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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 examined the procurement policies and procedures of the South Carolina Office of the Comptroller General for the period September 1, 1989 – June 30, 1992. 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 assure adherence to the Consolidated Procurement Code and State and 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 South Carolina Office of the Comptroller General 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 professional care. However, because of the nature of audit testing, they would not necessarily disclose all weaknesses in the system.

The examination did, however, disclose conditions enumerated in this report which we believe need correction or improvement.
Corrective action based on the recommendations described in these findings will in all material respects place the Office of the Comptroller General in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

R. Voight Shealy, CFE, Manager
Audit and Certification
INTRODUCTION

We conducted an examination of the internal procurement operating procedures and policies and related manual of the Office of the Comptroller General. Our on-site review was conducted August 6-11, 1992, and was made under the authority as described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Regulation 19-445.2020.

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.
BACKGROUND

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

The (Budget and Control) Board may assign differential dollar 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 contract.

The Budget and Control Board certified the Office of the Comptroller General in goods and services for $10,000 and information technology for $10,000 on April 9, 1990 for three years. The audit was performed to determine if recertification is warranted. Additional certification was not requested.
SCOPE

We conducted our examination in accordance with Generally Accepted Auditing Standards as they apply to compliance audits. It encompassed a detailed analysis of the internal procurement operating procedures of the Office of the Comptroller General 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 manage procurement transactions.

Specifically, our scope for this project included, but was not limited to, the following:

(1) All sole source and emergency procurements for the period 7/1/91 - 6/30/92

(2) A judgemental sample of thirty-six purchase orders for 7/1/91 - 6/30/92

(3) A block sample was performed while reviewing the purchase order listing for (2) above

(4) Minority Business Enterprise Plans and quarterly reports for 9/1/89 - 6/30/92

(5) Information Technology plans and approvals

(6) Property Management procedures and traced nine equipment purchases to the inventory list

(7) Internal procedures manual

(8) An interim review was performed for 1/1/90-6/30/91 (Attachment) with a scope of:

   a) All sealed bids for fiscal year 1990/91
   b) A judgemental sample of twelve procurements for fiscal year 1990/91
   c) All sole source, emergency and trade-in sale procurements for 1/1/90 - 6/30/91
SUMMARY OF AUDIT FINDINGS

Our audit of the procurement system of the Office of the Comptroller General, hereinafter referred to as the C.G.'s Office, produced findings and recommendations in the following areas:

I. Procurements Lacking Competition

Three procurements were done with no evidence of competition, sole source or emergency determinations.

II. Blanket Purchase Agreements

Three instances were noted where the items should have been combined and competed as one.

III. Wrong Prices on Purchase Order

The prices from a higher quote were erroneously put on one purchase order.
RESULTS OF EXAMINATION

I. Procurements Lacking Competition

The C.G.'s Office did not support the following procurements with evidence of competition, sole source or emergency determinations:

<table>
<thead>
<tr>
<th>Voucher Date</th>
<th>Voucher #</th>
<th>PO#</th>
<th>Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>08/16/91</td>
<td>A600050</td>
<td>920037</td>
<td>$ 939.04</td>
<td>Printing of envelopes</td>
</tr>
<tr>
<td>12/18/91</td>
<td>A600172</td>
<td>920094</td>
<td>950.00</td>
<td>Review of CAFR's</td>
</tr>
<tr>
<td>06/30/92</td>
<td>A600473</td>
<td>920384</td>
<td>1,004.51</td>
<td>Office supplies</td>
</tr>
</tbody>
</table>

Section 11-35-1510 lists the methods of source selection acceptable under the Consolidated Procurement Code.

C.G.'s Office personnel did not think that competition was required on these procurements.

We recommend that the C.G.'s Office procure these items in accordance with Article 5 of the Code.

II. Blanket Purchase Agreements

During our review of the purchase order listing, we noted several recurring purchases.

1) Three procurements of 9 x 12 white printed envelopes

<table>
<thead>
<tr>
<th>PO Date</th>
<th>PO Number</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>01/09/92</td>
<td>P0920159</td>
<td>$ 455.52</td>
</tr>
<tr>
<td>01/28/92</td>
<td>P0920192</td>
<td>490.00</td>
</tr>
<tr>
<td>01/31/92</td>
<td>P0920192</td>
<td>490.00</td>
</tr>
</tbody>
</table>

2) Two procurements of printed envelopes to match letterhead stationery

<table>
<thead>
<tr>
<th>PO Date</th>
<th>PO Number</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>01/28/92</td>
<td>P0920196</td>
<td>$ 495.00</td>
</tr>
<tr>
<td>01/31/92</td>
<td>P0920245</td>
<td>495.00</td>
</tr>
</tbody>
</table>
3) Two procurements of printer toner cartridges

<table>
<thead>
<tr>
<th>PO Date</th>
<th>PO Number</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>01/30/92</td>
<td>P0920228</td>
<td>$ 497.70</td>
</tr>
<tr>
<td>01/30/92</td>
<td>P0920233</td>
<td>497.70</td>
</tr>
</tbody>
</table>

While these procurements were done in accordance with established purchasing procedures, we feel they can be done more efficiently through a blanket purchase agreement.

Regulation 19-445.2100 C. allows for the establishment of blanket purchase agreements for recurring procurements.

Therefore, we recommend that the procurement officer review frequently used items, seek competition and establish blanket purchase agreements where practical.

III. Wrong Prices on Purchase Order

While preparing purchase order P0920198 from the written quotes, the procurement officer erroneously used the prices from the high quote. The actual quote of the low bidder was $862.50. The purchase order total was $1,360.00. The C.G.'s Office has requested a refund of the difference from the vendor.

We recommend that the C.G.'s Office exercise caution in preparing purchase orders.
CERTIFICATION RECOMMENDATIONS

As enumerated in our transmittal letter, corrective action based on the recommendations described in this report, we believe, will in all material respects place the Office of the Comptroller General in compliance with the South Carolina Consolidated Procurement Code.

Under the authority described in Section 11-35-1210 of the Procurement Code, subject to this corrective action, we recommend that the Office of the Comptroller General be recertified to make direct agency procurements as follows for a period of three years as follows:

<table>
<thead>
<tr>
<th>Procurement Area</th>
<th>Certification Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods and Services</td>
<td>*$10,000 per purchase commitment</td>
</tr>
<tr>
<td>Information Technology in accordance with the approved Information Technology Plan</td>
<td>*$10,000 per purchase commitment</td>
</tr>
</tbody>
</table>

*Total potential purchase commitment whether single year or multi-term contracts are used.

Melissa Rae Thurstin
Compliance Analyst

R. Voight Shealy, CFE, Manager
Audit and Certification
July 10, 1991

Mr. Kinsey J.H. Jenkins, Jr.
Assistant Comptroller General
Comptroller General's Office
P.O. Box 11228
Columbia, South Carolina 29211

Dear Kinsey:

As you requested, we performed an interim review of the Comptroller General's Office procurement activity for January 1, 1990 through June 30, 1991. The scope of our work included:

1) A review of all sealed bids for fiscal year 1990/91. There were three, all for printing services.

2) A judgemental sample of procurements over $500.00 each for fiscal year 1990/91. This included twelve transactions.


Our findings and comments addressed by the sections listed under the scope of work were:

1) Review of Sealed Bids

   a) The first two sealed bids for printing services made in August and September 1990 were not advertised in South Carolina Business Opportunities (SCBO) as required by Section 11-35-1580(4) of the Procurement Code. However, this policy was corrected as evidenced by the advertisement of the third sealed bid for printing services made in December 1990.
b) We recommend that a separate sheet be used as a sign in sheet at bid openings in lieu of using the bid tabulation.

c) We recommend that the reference made to the Disadvantaged County Preference be removed from the invitations for bids form since the preference is no longer allowed.

d) We remind your staff that sealed bids received late must not be opened. They may either be retained as part of your files or sent back to the vendor indicating they were received late. Envelopes should be date and time stamped as evidence of late receipt.

e) We informed your staff that vendors who send self addressed stamped envelopes along with their bids are asking for copies of the bid tabulation to be mailed to them. We suggest to clear up confusion that such a statement be added to the invitation for bids form.

2) Procurements Over $500.00

One transaction was noted that did not have sufficient solicitations of competition. This was the result of a change order. (Ref. P.O. 910463 for plenum cable)

3) Sole Source, Emergency and Trade-in Procurements

We believe one procurement made as a sole source for graphic arts design was inappropriate. Furthermore, the procurement officer has no authority to sign sole source determinations.

Finally, please ensure that the Comptroller General's Office has an approved Minority Business Utilization Plan for this fiscal year. Certification is contingent upon an approved plan.

Based on the interim review, we find that the Comptroller General's Office is in compliance with the Consolidated Procurement Code in all material respects. We believe implementation of the recommendations and suggestions listed above will further ensure compliance with the Consolidated Procurement Code.

Please contact us if you have any questions pertaining to this letter or any other matters. We will be glad to meet with you to discuss these items and to assist you however we can.

Sincerely,

R. Voight Shealy, Manager
Audit and Certification

RVS/jlj
Mr. R. Voight Shealy, Manager
Audit and Certification
State Budget and Control Board
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Mr. Shealy:

Thank you for your assistance and comments pertaining to the 1992 Procurement Audit of the Comptroller General's Office. Your staff was most helpful and the suggestions offered for improvements are being implemented.

The Procurement Audit listed three areas of concern. The first area involved a lack of competition. One of the items concerned the fee for the review of South Carolina's CAFR. We were not aware that a sole source document needed to be issued but will ensure that this does not occur in the future. The other two instances involved confusion between suggestions concerning handling of items for the financial audit by division. We did not realize the financial audit recommendations would create a conflict with procurement procedures. Now that this has been brought to our attention, steps have been implemented to correct internal purchasing procedures.

The second area discussed in the Procurement Audit was a suggestion for improving purchasing procedures and did not involve violations of procurement regulations. Your suggestion to use "blanket purchase agreements" for items which are purchased in large volumes is being implemented and should provide improved efficiency to our purchasing operation. As we noted in conversations during the procurement audit, the purchasing officer and I were unaware of this procedures and appreciate the assistance we have received from your staff in creating these agreements.

The third area involved a price being entered incorrectly on a purchase order. This resulted in an overpayment for one item. The firm involved has repaid the difference between their bid and the requisition and these funds have been deposited into the General Fund. Procedures have been implemented so that the accounting officer now verifies the price quotes to the requisition before vendor payments are processed. This should reduce the possibility of this happening in the future.

I would like to complement you on the professionalism and courtesy of your staff. Mrs. Melissa Thursten was both competent and helpful throughout the entire process and reflects credit on your organization.
January 4, 1993

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 Office of Comptroller General covering the period September 1, 1989 - June 30, 1992. Combined with observations made during our site visit and documentation submitted by the Agency, this review has satisfied us that the Agency has corrected the problem areas found and that internal controls over the procurement system are adequate.

We, therefore, recommend that the certification limits for the Office of Comptroller General outlined in our audit report be granted for a period of three (3) years.

Sincerely,

R. Voight Shealy, Manager
Audit and Certification

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