PROCURMENT
AUDIT AND
CERTIFICATION

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OFFICE OF THE GOVERNOR
AGENCY

JULY 1, 1998 – DECEMBER 31, 1999
DATE
Mr. Robert W. McClam, Director  
Office of General Services  
1201 Main Street, Suite 420  
Columbia, South Carolina 29201  

Dear Robbie:

I have attached the audit report for the Office of the Governor. Since we are not recommending any certification above the basic $5,000 allowed by the Code, no action is required by the Budget and Control Board. Therefore, I recommend that the report be presented to the Budget and Control Board as information.

Sincerely,

R. Voight Shealy  
Materials Management Officer

June 26, 2000
OFFICE OF THE GOVERNOR

PROCUREMENT AUDIT REPORT

JULY 1, 1998 - DECEMBER 31, 1999
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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 the Governor for the period July 1, 1998 through December 31, 1999. 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 insure adherence to the Consolidated Procurement Code, State regulations, and the Office's 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 the Governor 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.

The examination did, however, disclose conditions enumerated in this report that 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 Governor in compliance with the Consolidated Procurement Code and ensuing regulations.

Sincerely,

Larry G. Sorrell, Manager
Audit and Certification
INTRODUCTION

We conducted an examination of the internal procurement operating policies and procedures of the Office of the Governor, hereafter referred to as the Office. Our on-site review was conducted February 17 - 25, 2000 and was made under 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 were in compliance with the South Carolina Consolidated Procurement Code and its ensuing regulations.

Additionally, our work was directed toward assisting the Office in promoting the underlying purposes and policies of the Code as outlined in Section 11-35-20, which include:

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

We systematically selected samples from the period July 1, 1998 through December 31, 1999 of procurement transactions for compliance testing and performed other audit procedures that we considered necessary to formulate this opinion. Specifically, the scope of our audit included, but was not limited to, a review of the following.

1. All sole source, emergency and trade-in sale procurements from the period July 1, 1998 through December 31, 1999

2. Procurement transactions from the period July 1, 1998 through December 31, 1999 as follows:
   a) Forty payment transactions greater than $1,500 each reviewed for competition and compliance to the Code
   b) A block sample of two hundred numerical purchase orders reviewed for order splitting and favored vendors

3. Surplus property procedures

4. Minority Business Enterprise goals and reports for the audit period

5. Information technology plan for fiscal year 1998/99

6. Internal procurement procedures manual

7. Real property lease procedures

8. File documentation and evidence of competition
RESULTS OF EXAMINATION

The Office of Audit and Certification performed an examination of the internal procurement operating policies, procedures, and related manual of the Office for the period July 1, 1998 through December 31, 1999.

The Office has maintained what we consider to be a professional, efficient procurement system. However, we did note the following exceptions that should be addressed by management.

Drug Free Workplace Certification Not Obtained

Three sole source procurements exceeding $50,000 did not have the required drug-free workplace certification stating the vendor was in compliance with the South Carolina Drug-Free Workplace Act.

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<tr>
<td>9990349</td>
<td>08/01/98</td>
<td>High management group home care</td>
<td>$55,110</td>
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<tr>
<td>9900351</td>
<td>07/20/99</td>
<td>Residential treatment center services</td>
<td>57,750</td>
</tr>
<tr>
<td>9900447</td>
<td>08/11/99</td>
<td>Residential treatment center services</td>
<td>71,050</td>
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Section 44-107-30 of the South Carolina Code of Laws requires that no State agency may enter into a domestic contract or make a domestic grant with any individual for a stated or estimated value of fifty thousand dollars or more unless the contract or grant includes a certification that the individual will not engage in the unlawful manufacture, distribution, possession, or use of a controlled substance in the performance of the contract. Sole source and emergency procurements are subject to this law. We recommend the Office obtain the drug-free workplace certification on all sole source and emergency contracts of $50,000 or more.

State Term Contracts Not Referenced

We noted a number of purchases made from state term contract that did not reference the state term contract number. In order to help ensure the proper contract terms and conditions, the
contract number should be referenced on all purchase orders. We recommend the state contract number be referenced on the purchase order when applicable.

**Procurements Without Competition**

We noted two procurements that lacked evidence of competition.

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<td>1276</td>
<td>3/26/99</td>
<td>Filing cabinets</td>
<td>$2,552</td>
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<tr>
<td>1659</td>
<td>6/02/99</td>
<td>Laserjet printer</td>
<td>4,676</td>
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Section 11-35-1550(2)(b) of the Code requires solicitation of a minimum of three verbal or written quotes for procurements from $1,500 to $5000 unless a procurement is exempt, a sole source, emergency or a state term contract. We recommend the Office comply with the competitive requirements of the Code.

**No Procurement Procedures Manual**

The Office does not have an Internal Procurement Procedure Manual. We furnished the Office with a copy of an approved manual as a guide. We recommend the Office prepare an internal procurement manual and submit it to our office for approval as required by regulation 19-445.2005.
CONCLUSION

As enumerated in our transmittal letter, corrective action based on the recommendations described in this report will in all material respects place the Office of the Governor in compliance with the Consolidated Procurement Code and ensuing regulations.

The Office has not requested increased procurement certification above the basic limit of $5,000 allowed by the Code. Subject to corrective actions listed in this report, we will recommend the Office be allowed to continue procuring all goods and services, consultants services, construction services, and information technology up to the basic level of $5,000 as allowed by the South Carolina Consolidated Procurement Code and accompanying regulations.

James M. Stiles, CPPB
Audit Manager

Larry G. Sorrell, Manager
Audit and Certification
June 22, 2000

Mr. Larry G. Sorrell  
Manager  
Audit and Certification  
Office of General Services  
South Carolina Budget and Control Board  
1201 Main Street/Suite 600  
Columbia, SC 29201

Dear Mr. Sorrell:

I have reviewed the comments relating to the procurement audit report for the Office of the Governor and concur. Corrective steps will be taken immediately to prevent any further occurrences.

Should you have any further questions, please contact me at 734-0432.

Sincerely,

Anthony C. Kester  
Administration & Economic Services
Mr. R. Voight Shealy  
Materials Management Officer  
Materials Management Office  
1201 Main Street, Suite 600  
Columbia, South Carolina 29201  

Dear Voight:  

We have reviewed the Office of the Governor’s response to our audit report for July 1, 1998 – December 31, 1999. Also, we have followed the Office’s corrective action during and subsequent to our field work. We are satisfied that the Office has corrected the problem areas and the internal controls over the procurement system are adequate.  

Additional certification was not requested. Therefore, we recommend the Office be allowed to continue procuring all goods and services, construction services, information technology and consulting services up to the basic level of outlined in the Code.  

Sincerely,  

Larry G. Sorrell, Manager  
Audit and Certification  

LGS/jl