SOUTH CAROLINA SCHOOL FOR
THE DEAF AND THE BLIND

AGENCY

JANUARY 1, 1995 - DECEMBER 31, 1997
DATE
Ms. Helen T. Zeigler, Director  
Office of General Services  
1201 Main Street, Suite 420  
Columbia, South Carolina 29201

Dear Helen:

I have attached the South Carolina School for the Deaf and the Blind’s procurement audit report and recommendations made by the Office of Audit and Certification. I concur and recommend the Budget and Control Board grant the School a three year certification as noted in the audit report.

Sincerely,

R. Voight Shealy  
Materials Management Officer
SOUTHERN CAROLINA SCHOOL FOR THE DEAF AND BLIND
PROCUREMENT AUDIT REPORT
JANUARY 1, 1995 - DECEMBER 31, 1997
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Dear Voight:

We have examined the procurement policies and procedures of the South Carolina School for the Deaf and Blind for the period January 1, 1995 through December 31, 1997. 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 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 School for the Deaf and Blind 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
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 School for the Deaf and Blind in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

Sincerely,

Larry G. Sorrell, Manager
Audit and Certification
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 South Carolina School for the Deaf and Blind 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 selected judgmental samples for the period July 1, 1995 through November 13, 1997 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, review of the following:

(1) All sole source, emergency and trade-in sale procurements for the period January 1, 1995 - December 31, 1997

(2) Procurement transactions for the period July 1, 1995 - November 13, 1997 as follows:
   a) Fifty-seven payments each exceeding $1,500
   b) A block sample of purchase orders from six areas of responsibility

(3) Two professional service contracts and three construction contracts for permanent improvement projects for compliance with the Manual for Planning and Execution of State Permanent Improvements

(4) Minority Business Enterprise Plans and reports

(5) Information technology plans

(6) Internal procurement procedures manual

(7) Surplus property procedures

(8) File documentation and evidence of competition
RESULTS OF EXAMINATION

The Office of Audit and Certification conducted an examination of the internal procurement operating policies and procedures of the South Carolina School for the Deaf and Blind. Our on-site review was conducted January 12 - 16, 1998, 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.

On June 20, 1995, the Budget and Control Board granted the South Carolina School for the Deaf and Blind, hereinafter referred to as the School, the following procurement certifications:

<table>
<thead>
<tr>
<th>Category</th>
<th>Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods and Services</td>
<td>$25,000 per commitment</td>
</tr>
<tr>
<td>Information Technology in accordance with the approved Information Technology Plan</td>
<td>$25,000 per commitment</td>
</tr>
<tr>
<td>Consultants Services</td>
<td>$25,000 per commitment</td>
</tr>
</tbody>
</table>

Our audit was performed primarily to determine if recertification is warranted.

While the School has maintained a professional and efficient procurement system since our last audit, we did note the following items which should be addressed by management.

Procurements Without Competition

Our testing revealed four procurements that were not supported by competition.

<table>
<thead>
<tr>
<th>Item</th>
<th>PO Date</th>
<th>PO</th>
<th>Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>10/16/97</td>
<td>1185</td>
<td>$1,654</td>
<td>Lock sets, blank keys</td>
</tr>
<tr>
<td>2</td>
<td>10/25/96</td>
<td>1214</td>
<td>2,070</td>
<td>Grading standardized test</td>
</tr>
<tr>
<td>3</td>
<td>08/15/97</td>
<td>540</td>
<td>3,763</td>
<td>Consultant</td>
</tr>
<tr>
<td>4</td>
<td>09/09/97</td>
<td>750</td>
<td>5,439</td>
<td>Conference facilities</td>
</tr>
</tbody>
</table>
Section 11-35-1510 of the Code lists the source selection methods. Small purchases are defined in Section 11-35-1550 and sole source procurements are defined in Section 11-35-1560. The Budget and Control Board granted an exemption on December 13, 1988, for in-state conference facilities. For the exemption to apply, the guidelines as established by the Office of General Services must be followed.

Based on information provided by School personnel, item 1 should have been competed in accordance with Section 11-35-1550, items 2 and 3 should have been sole sourced in accordance with Section 11-35-1560 and item 4 should have been procured in accordance with the guidelines per the exemption or competed in accordance with Section 11-35-710.

We recommend that the School comply with the Code for purchases in the future.

Unauthorized Procurements

The School repaired a HVAC system damaged by lightning on purchase order 2106 for $15,899. The purchase order was dated March 5, 1997 but the invoice was dated December 13, 1996. According to a note in the file, the procurement was unauthorized but no evidence of ratification was contained. Additionally, change order #2 for construction project H75-9520 was approved by the State Engineer’s Office on October 13, 1997. The change order was included on the Application for Payment #3 for $15,495 dated September 12, 1997. The change order included a procurement for $7,885, which exceeds the School’s construction certification of $5,000. The procurement of $7,885 required the approval of the State Engineer’s Office prior to the work being performed.

Regulation 19-445.2015 defines an unauthorized procurement as “an act obligating the State in a contract by any person without the requisite authority to do so by an appointment or
delegation.” Since the procurements were not approved by an authorized person prior to commitment, the procurements are unauthorized.

We recommend the School request ratification from the President for the repairs to the HVAC system as the procurement was below the School’s certification of $25,000 for goods and services. A ratification request must be submitted by the President to the State Engineer for the construction procurement of $7,885. Each ratification request must include the requirements noted in Regulation 19-445.2015(A)(3).

Blanket Purchase Agreements

The School does not address all the terms and conditions required by Regulation 19-445.2100 B. (3) for blanket purchase agreements. The terms and conditions are:

- Description of Agreement
- Extent of Obligation
- Notice of Individuals Authorized to Place Calls
- Delivery Tickets which must include:
  - name of supplier
  - blanket purchase agreement number
  - date of call
  - call number
  - itemized list of supplies of services furnished
  - quantity, unit price, and extension
  - date of delivery or shipment
- Invoicing method

According to School personnel, the blanket purchase agreements had to be entered manually in the new system for the current fiscal year only. As a result, several of the terms and conditions were overlooked.

We recommend the School review the blanket purchase agreements to determine which terms and conditions need to be added and add them accordingly.
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 South Carolina School for the Deaf and Blind 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 will recommend the South Carolina School for the Deaf and Blind be recertified to make direct agency procurements for three years up to the limits as follows:

<table>
<thead>
<tr>
<th>PROCUREMENT AREAS</th>
<th>RECOMMENDED CERTIFICATION LIMITS</th>
</tr>
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<tbody>
<tr>
<td>Goods and Services</td>
<td>*$25,000 per commitment</td>
</tr>
<tr>
<td>Information Technology</td>
<td>*$25,000 per commitment</td>
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<tr>
<td>Consultants Services</td>
<td>*$25,000 per commitment</td>
</tr>
</tbody>
</table>

*The total potential purchase commitment to the State whether single year or multi-term contracts are used.

Melissa Rae Thurstin  
Senior Auditor

Larry G. Sorrell, Manager  
Audit and Certification
April 27, 1998

Mr. Larry G. Sorrell, Manager
Audit and Certification
Suite 600
1201 Main Street
Columbia, South Carolina 29201

Dear Larry:

In response to the Procurement Audit conducted for the period of January 1, 1995 - December 31, 1997. We have reviewed the audit report and concur wholly.

It is always our intent to comply with all applicable codes and regulations. Therefore, necessary corrective action plans have been implemented to address all areas outlined in the audit report.

Sincerely,

Valeria Williams
Fiscal Affairs Manager
Mr. R. Voight Shealy  
Materials Management Officer  
1201 Main Street, Suite 600  
Columbia, South Carolina  29201

Dear Voight:

We have reviewed the response from the South Carolina School for the Deaf and the Blind to our audit report for the audit period of January 1, 1995 - December 31, 1997. Also we have followed the School’s corrective action during and subsequent to our field work. We are satisfied that the School has corrected the problem areas and the internal controls over the procurement system are adequate.

Therefore, we recommend the Budget and Control Board grant the South Carolina School for the Deaf and the Blind the certification limits noted in our report for period of three years.

Sincerely,

Larry G. Sorrell, Manager  
Audit and Certification

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