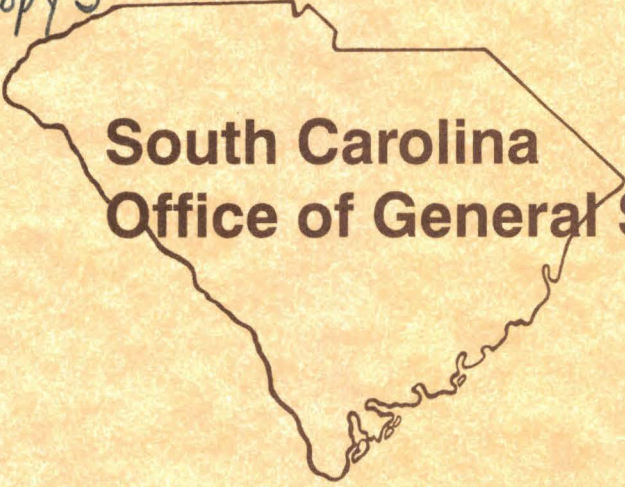


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**South Carolina
Office of General Services**

PROCUREMENT AUDIT AND CERTIFICATION

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STATE DOCUMENTS

COMMISSION FOR THE BLIND

AGENCY

JULY 1, 1995 – JUNE 30, 1998

DATE

STATE OF SOUTH CAROLINA
State Budget and Control Board
OFFICE OF GENERAL SERVICES



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LUTHER F. CARTER
EXECUTIVE DIRECTOR

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DIRECTOR

MATERIALS MANAGEMENT OFFICE
1201 MAIN STREET, SUITE 600
COLUMBIA, SOUTH CAROLINA 29201
(803) 737-0600
Fax (803) 737-0639

R. VOIGHT SHEALY
ASSISTANT DIRECTOR

June 10, 1999

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

Dear Helen:

I have attached the audit report for the South Carolina Commission for the Blind. 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,

A handwritten signature in cursive script that reads "Voight Shealy".

R. Voight Shealy
Materials Management Officer

/jl

**SOUTH CAROLINA COMMISSION FOR THE BLIND
PROCUREMENT AUDIT REPORT**

JULY 1, 1995 - JUNE 30, 1998

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Note: The Commission's responses to issues noted in this report have been inserted immediately following the items they refer to.

STATE OF SOUTH CAROLINA
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R. VOIGHT SHEALY
ASSISTANT DIRECTOR

March 3, 1999

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 South Carolina Commission for the Blind for the period July 1, 1995 through June 30, 1998. 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 the Commission'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 Commission for the 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 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 Commission for the Blind in compliance with the South Carolina 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 Commission for the Blind. Our on-site review was conducted September 11 through 21, 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.

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

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 Department 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 Commission for the 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 June 30, 1998 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 for the period July 1, 1995 through June 30, 1998
- (2) Procurement transactions for the period July 1, 1995 through June 30, 1998 as follows:
 - a) Seventy-five payments each exceeding \$1,500
 - b) A block sample of five hundred forty purchase orders
- (3) Minority Business Enterprise Plans and reports for the audit period
- (4) Information technology plans and approvals.
- (5) Internal procurement procedures manual
- (6) Surplus property procedures
- (7) Procurement file documentation

SUMMARY OF AUDIT FINDINGS

Our audit of the procurement system of the South Carolina Commission for the Blind, hereinafter referred to as the Commission, produced findings and recommendations as follows:

	<u>PAGE</u>
I. <u>General Procurement Code Violations</u>	6
A. <u>Procurements Made With No Competition</u>	
Five transactions were not supported by evidence of competition, sole source or emergency determinations.	
B. <u>Unauthorized Procurements</u>	7
The Commission exceeded its procurement authority on two procurements.	
II. <u>Information Technology Plans Not Approved</u>	7
The Commission failed to receive approval of their information technology plans as required by the annual Appropriations Acts.	
III. <u>Minority Business Enterprise Reports Submitted Late</u>	8
Five out of twelve minority business enterprise quarterly reports were not submitted in a timely manner.	
IV. <u>Blanket Purchase Agreements (BPAs) Should Be Used for Medical Clinic Procurements</u>	8
A review of the Commission's procurements of medical clinic services finds no reason why BPAs could not be used resulting in an administrative cost savings.	

RESULTS OF EXAMINATION

I. General Procurement Code Violations

A. Procurements Made With No Competition

Five procurements were not supported by evidence of competition, sole source or emergency determinations.

<u>Item</u>	<u>PO</u>	<u>Date</u>	<u>Description</u>	<u>Amount</u>
1	69394	07/08/97	Mail equipment lease	\$57,375
2	69162	05/23/97	Medical equipment	2,077
3	76371	05/20/98	Dump truck	1,900
4	75539	04/22/98	Low vision aids	1,780
5	71781	10/17/97	Pocket magnifiers	1,718

For item one, because the contract amount exceeded \$25,000 the sealed bid process should have been used. Further, because the Commission's purchasing authority is limited to \$5,000, the contract is unauthorized and must be submitted for ratification from the Materials Management Office in accordance with Regulation 19-445.2015. On items two through five, Section 11-35-1550 requires a minimum of three verbal solicitations of competition. For item two, the medical equipment was prescribed by a doctor which the Commission incorrectly viewed as being exempt.

We recommend the Commission solicit the required level of competition or declare procurements as sole sources or emergencies when appropriate. Competitive procurements exceeding the Commission's \$5,000 authority level should be forwarded to the Materials Management Office for solicitation.

COMMISSION RESPONSE

The Commission agrees with your recommendation and will ensure proper documentation for all procurement transactions. This documentation will be maintained with the appropriate purchase order.

B. Unauthorized Procurements

The Commission exceeded its procurement authority on two procurements.

<u>PO</u>	<u>Date</u>	<u>Description</u>	<u>Amount</u>
62827	07/10/96	Services for SCCB mini center	\$90,000
66689	01/28/97	Fabricate & install cabinets	10,065

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 appointment or delegation." The Commission has the basic certification limit of \$5,000. An agency's certification limit applies to the total potential award value of a contract. Since the Commission exceeded its procurement authority, the contracts are unauthorized.

The contract for services in the amount of \$90,000 is a contract between State agencies. The Commission stated that they followed the exemption process and submitted for approval the appropriate documentation (MMO 136) to the Materials Management Office. However, the approved MMO 136 was not provided to us.

The contract to fabricate and install cabinets should have been approved by the State Engineer's Office. The advertisement for the bid was approved by the State Engineer. However, the award of the contract was not. Secondly, the bidder awarded the contract did not meet the insurance requirements and should have been considered non responsive to the solicitation. To get around the insurance problem, the Commission awarded the contract to another contractor who did not bid on the job and allowed the original bidder to act as a subcontractor.

We recommend the Commission request ratification through the Materials Management Office in accordance with Regulation 19-445.2015 for the above transactions.

COMMISSION RESPONSE

The Commission agrees with your recommendation.

II. Information Technology Plans Not Approved

The Commission failed to obtain approval of the information technology plans from the Office of Research and Statistics of the Budget and Control Board as required by the annual Appropriations Acts. This finding is a repeat finding noted in the prior procurement audit report. We requested to see the approval letters for those plans covering the audit period. The general

three year plan covering July 1, 1995 through June 30, 1998 was approved, however, the annual updates were not. Further, the plan for fiscal year 98/99 was not approved.

We recommend the Commission comply with the requirement of the annual Appropriations Acts to have the information technology plans approved by the Office of Research and Statistics of the Budget and Control Board.

COMMISSION RESPONSE

The Commission agrees with your recommendation. The Commission has employed a fulltime Director of Management Information, and henceforth, the agency will be in compliance.

III. Minority Business Enterprise Reports Submitted Late

Our review of the minority business enterprise reporting requirements showed that five out of twelve quarterly reports were submitted late to the Governor's Office. This finding is a repeat finding noted in the prior audit report in that six out of eleven reports were submitted late. Section 11-35-5240(2) of the Code requires that quarterly progress reports be submitted no later than ten days after the end of each quarter.

We recommend the Commission submit the minority business enterprise quarterly reports in a timely manner.

COMMISSION RESPONSE

The Commission agrees with your recommendation.

IV. Blanket Purchase Agreements (BPAs) Should Be Used for Medical Clinic Procurements

We were asked by the Commission to review procurements of medical clinic services to determine if blanket purchase agreements (BPAs) could be used in lieu of issuing individual purchase orders for every purchase. Our review finds no reason why BPAs could not be used. Further, we believe the Commission would realize an administrative cost savings by utilizing BPAs while still maintaining internal controls over the procurements. A sample of medical clinic procurements made to three vendors for the fiscal year 97/98 revealed the following information.

<u>Vendor</u>	<u>Number of POs</u>	<u>Number of Canceled POs</u>	<u>Average PO Value</u>
A	89	9	\$151.63
B	107	23	50.00

<u>Vendor</u>	<u>Number of POs</u>	<u>Number of Canceled POs</u>	<u>Average PO Value</u>
C	<u>212</u>	<u>20</u>	203.84
Total	408	52	

The smallest purchase order amount was \$10 and the largest was \$1,101.24. Most of the purchase order amounts were small as revealed by the average value of the purchase order. In the schedule above which represents only three of the Commission's vendors, the Procurement Office issued 408 purchase orders of which 52 had to be canceled then reissued. Under a BPA system, only three purchase orders would have been issued for the entire fiscal year with no canceled purchase orders resulting.

We recommend the Commission set up a BPA system for medical clinic procurements. Regulation 19-445.2100 should be followed in developing the internal controls over the use of the BPAs.

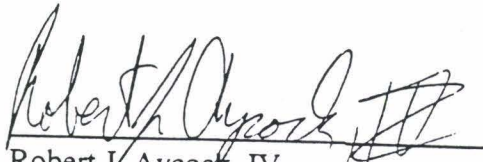
COMMISSION RESPONSE

The Commission agrees with your recommendation. A BPA procedure will be developed and implemented by July 1, 1999.

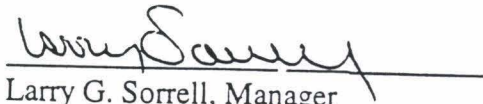
CONCLUSION

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 Commission for the Blind in compliance with the Consolidated Procurement Code and ensuing regulations.

The Commission has not requested procurement certification above the basic limit of \$5,000 allowed by the Code. Subject to the corrective action listed in this report, we will recommend the Commission be allowed to continue procuring goods and services, consultant services, construction and information technology up to the basic level of \$5,000 as allowed by the Consolidated Procurement Code and regulations.



Robert J. Aycock, IV
Audit Manager



Larry G. Sorrell, Manager
Audit and Certification

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R. VOIGHT SHEALY
ASSISTANT DIRECTOR
May 26, 1999

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 response from the South Carolina Commission for the Blind to our audit report for the period of July 1, 1995 - June 30, 1998. Also we have followed the Commission's corrective action during and subsequent to our fieldwork. We are satisfied that the Commission has corrected the problem areas and the internal controls over the procurement system are adequate.

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

Sincerely,

A handwritten signature in cursive script, appearing to read "Larry G. Sorrell".

Larry G. Sorrell, Manager
Audit and Certification

LGS/jl

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