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**South Carolina  
Division of General Services**

# PROCUREMENT AUDIT AND CERTIFICATION

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SOUTH CAROLINA JUDICIAL DEPARTMENT

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**AGENCY**

JULY 1, 1989 - JUNE 30, 1991

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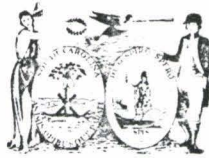
**DATE**

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**State Budget and Control Board**  
DIVISION OF GENERAL SERVICES

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LUTHER F. CARTER  
EXECUTIVE DIRECTOR

April 4, 1992

Mr. Richard W. Kelly  
Director  
Division of General Services  
1201 Main Street, Suite 420  
Columbia, South Carolina 29201

Dear Rick:

Attached is the final Judicial Department audit report and recommendations made by the Office of Audit and Certification. Since no certification above the \$2,500.00 limit allowed by law was requested, and no action is necessary by the Budget and Control Board, I recommend that this report be presented to them for their information.

Sincerely,

James J. Forth, Jr.  
Assistant Division Director

JJF/jjm

Attachment

SOUTH CAROLINA JUDICIAL DEPARTMENT

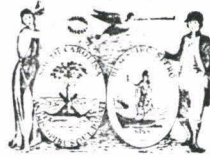
PROCUREMENT AUDIT REPORT

JULY 1, 1989 - JUNE 30, 1991

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*State Budget and Control Board*  
DIVISION OF GENERAL SERVICES



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LUTHER F. CARTER  
EXECUTIVE DIRECTOR

April 2, 1992

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 Judicial Department for the period July 1, 1989 - June 30, 1991. 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 internal 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 Judicial Department is responsible for establishing and maintaining a system of internal control over procurement transactions. In fulfilling this

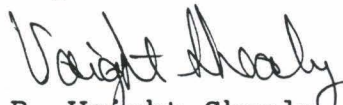
responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance of the integrity of the procurement process, that affected assets 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 Judicial Department in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.



R. Vought Shealy, CFE, Manager  
Audit and Certification

## INTRODUCTION

We conducted an examination of the internal procurement operating procedures of the Judicial Department. Our on-site review was conducted August 16 - 30, 1991, and was made under 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.

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 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.

We selected judgemental samples for the period July 1, 1989 - June 30, 1991, of procurement transactions for compliance testing and performed other audit procedures that we considered necessary to formulate this opinion. Our review of the system included, but was not limited to, the following areas:

- (1) All sole source and emergency procurements and trade-in sales for the period July 1, 1989 - June 30, 1991
- (2) Property management and fixed asset procedures; traced seven equipment purchases to inventory records
- (3) Procurement transactions for the period July 1, 1989 - June 30, 1991 as follows:
  - a) Sixty-five payments for procurement transactions, each exceeding \$500
  - b) A block sample of five hundred sequential purchase orders
- (4) Procurement staff and training
- (5) Internal procurement procedures manual
- (6) Information Technology Plan approvals
- (7) Minority Business Enterprise Plan approvals



SUMMARY OF AUDIT FINDINGS

Our audit of procurement management at the South Carolina Judicial Department produced findings and recommendations in the following areas:

	<u>PAGE</u>
I. <u>Procurements Without the Required Written Quotations</u>	6
Five procurements were only supported by telephone quotes, not by the required written quotations.	
II. <u>Compliance - Sole Source Procurements</u>	6
One sole source procurement determination was dated after the service began.	
III. <u>Minority Business Enterprise Plan</u>	7
The Department needs to file an annual report of number and dollar value of contracts awarded to minority businesses.	
IV. <u>Combining of Forms Orders</u>	7
When possible, we suggest the Department consider combining forms orders and establishing agency term contracts.	

RESULTS OF EXAMINATION

I. Procurements Without the Required Written Quotations

Five procurements were not supported by the required written quotations. They were as follows:

<u>PO#</u>	<u>Amount</u>	<u>Description</u>
90/232	\$1,850.00	Archive boxes
90/240	1,526.00	Court registers
91/313	1,672.00	Bookcase
91/318	1,679.00	Desk
91/334	2,118.00	Printing

The above purchases were supported by telephone quotes. However, Regulation 19-445.2100 b.(3) requires the solicitation of written quotations from three qualified sources on purchases from \$1,500 to \$2,499.99.

The Division of Finance should set up an internal review procedure to ensure small purchases are made in strict compliance with the Code and regulations.

II. Compliance - Sole Source Procurements

Unauthorized Procurements

We noted the following procurement determination was dated after the services had begun.

<u>Purchase Order #</u>	<u>Determination Date</u>	<u>Service Date</u>	<u>Amount</u>	<u>Description</u>
900615	08/01/89	07/01/88- 02/28/89	\$3,018.64	Maintenance agreement

Section 11-35-1560 (Sole Source Procurements) of the South Carolina Procurement Code specified who may declare a sole source procurement.

Since the procurement was not approved by a designated person prior to the start of the service, it was unauthorized. We recommend that the Department exercise caution to ensure approval prior to the execution of a maintenance contract. Furthermore, the Department must request ratification from the Materials Management Officer in accordance with Regulation 19-445.2015.

Additionally, the Department must ensure that all sole source and emergency procurement quarterly reports are forwarded to the Materials Management Office within 30 days from the end of each quarter.

### III. Minority Business Enterprise Plan

The Department has failed to file with the Office of Small and Minority Business Assistance (OSMBA) of the Governor's Office, a Minority Business Enterprise (MBE) Utilization Plan. In smaller agencies, OSMBA may allow the agency to submit a "Letter of Intent" in lieu of a plan. This recognizes the fact that the agency will try to buy from minority firms when possible.

We recommend that the Department file the "Letter of Intent" and also an annual report concerning the number and dollar value of contracts awarded to eligible minority businesses during the preceding fiscal year.

### IV. Combining Forms Orders

When possible, we suggest the Judicial Department consider combining requests for forms and printing services and establishing yearly agency contracts for those forms with continuing use.

The Department makes a lot of small purchases of forms throughout the year. While these small purchases are in compliance with the Procurement Code, we believe the Department could manage procurements of forms better by doing the following:

- (1) Estimate and plan for quarterly or yearly forms contracts when the need is expected to continue
- (2) Keep better inventories of stock on hand to alleviate emergency purchase of forms
- (3) Sections allow sufficient lead time for reorders of forms

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 Judicial Department in compliance with the Consolidated Procurement Code.

The Judicial Department has not requested procurement certification above the basic limit of \$2,500.00 that is allowed by the Procurement Code. Subject to corrective action listed in this report, we recommend that the Department be allowed to continue procuring goods and services, consultant services, construction and information technology up to that level. We will verify completion of this by performing a follow-up review before February 29, 1992.

*James M. Stiles*

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James M. Stiles, CPPB  
Audit Manager

*R. Voight Shealy*

---

R. Voight Shealy, CFE, Manager  
Audit and Certification



**South Carolina Judicial Department**  
**Finance and Personnel**

STEVE K. GOOD  
DIRECTOR

THOMAS B. TIMBERLAKE, CPA  
ASSISTANT DIRECTOR

P.O. BOX 11879  
COLUMBIA, S.C. 29211  
(803) 734-1970

March 20, 1992

Mr. R. Voight Shealy, Manager  
Audit and Certification  
1201 Main Street, Suite 600  
Columbia, South Carolina 29201

Dear Voight:

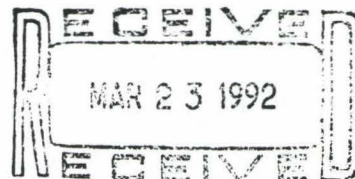
We have received your procurement audit report for the period of July 1, 1989 - June 30, 1991 and authorize its release.

I appreciate the courteous manner in which you and your staff performed this audit.

Sincerely,

*Steve*

Steve Good



STATE OF SOUTH CAROLINA  
**State Budget and Control Board**  
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ASSISTANT DIVISION DIRECTOR

April 2, 1992

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 Judicial Department, covering the period of July 1, 1989 - June 30, 1991. Combined with observations made during our exit conference and subsequent communication with Department officials, this review has satisfied the Office of Audit and Certification that the Department 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 Department be allowed to continue procuring all goods and services, consulting services, construction and information technology up to the basic level as outlined in the South Carolina Consolidated Procurement Code.

Sincerely,

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

R. Voight Shealy, Manager  
Audit and Certification

RVS/jjm

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