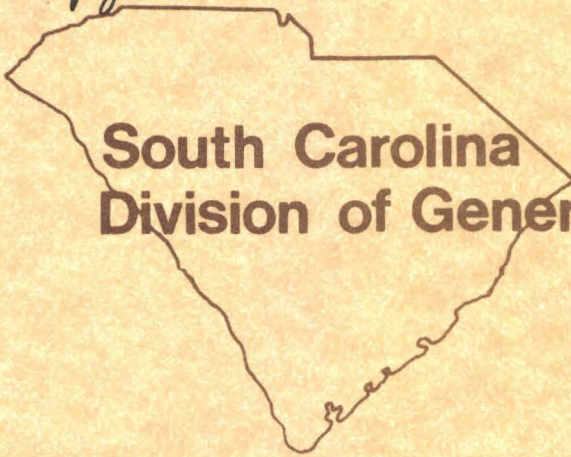


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**South Carolina  
Division of General Services**

# PROCUREMENT AUDIT AND CERTIFICATION

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S.C. DEPT. OF VOCATIONAL REHABILITATION

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AGENCY

JANUARY 1, 1984 - JUNE 30, 1986

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DATE

STATE OF SOUTH CAROLINA  
**BUDGET AND CONTROL BOARD**  
DIVISION OF GENERAL SERVICES  
300 GERVAIS STREET  
COLUMBIA, SOUTH CAROLINA 29201  
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EXECUTIVE DIRECTOR

February 6, 1987

Mr. Richard W. Kelly  
Division Director  
Division of General Services  
300 Gervais Street  
Columbia, South Carolina 29201

Dear Rick:

Attached is the final South Carolina Vocational Rehabilitation Department audit report and recommendations made by the Office of Audit and Certification. I concur and recommend the Budget and Control Board grant the department three years certification as outlined in the audit report.

Sincerely,

A handwritten signature in dark ink, appearing to read "W. J. Clement".

William J. Clement, AIA  
Assistant Division Director

Attachment

SOUTH CAROLINA DEPARTMENT OF VOCATIONAL REHABILITATION  
AUDIT REPORT

January 1, 1984 - June 30, 1986

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TOM G. MANGUM  
CHAIRMAN,  
HOUSE WAYS AND MEANS COMMITTEE

JESSE A. COLES, JR., Ph.D.  
EXECUTIVE DIRECTOR

January 12, 1987

Mr. William J. Clement  
Assistant Director  
General Services  
Columbia, South Carolina 29201

We have examined the procurement policies and procedures of S. C. Vocational Rehabilitation Department for the period January 1, 1984 through June 30, 1986. As a part of our examination, we made a study and evaluation of the system of internal control over procurement transactions to the extent we considered necessary.

The purpose of such 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 department procurement policy. Additionally, the evaluation was used in determining the nature, timing and extent of other auditing procedures that were necessary for developing an opinion on the adequacy, efficiency and effectiveness of the procurement system.

The administration of S. C. Vocational Rehabilitation 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 due professional care. They would not, however, because of the nature of audit testing, necessarily disclose all weaknesses in the system.

The examination did disclose conditions enumerated in this report which we believe to be subject to correction or improvement.

Corrective action based on the recommendations described in these findings will in all material respects place S. C. Vocational Rehabilitation Department in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

*R. Voight Shealy*  
R. Voight Shealy, Manager  
Audit and Certification

## INTRODUCTION

The Office of Audit and Certification conducted an examination of the internal procurement operating procedures and policies and related manual of S. C. Vocational Rehabilitation Department.

Our on-site review was conducted July 24, 1986 through September 5, 1986, 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 certify in writing that it is consistent with the provisions of the code and the ensuing regulations, and recommend to the board those dollar limits for the respective governmental body's procurement not under term contract.

S. C. Vocational Rehabilitation Department has requested recertification to make procurements to a maximum of \$10,000 per purchase for goods and services purchased from case service funds which are specifically for handicapped clients of the department. No additional certification was requested in any other area.

## SCOPE

Our examination encompassed a detailed analysis of the internal procurement operating procedures of S. C. Vocational Rehabilitation Department 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.

The Audit and Certification team statistically selected random samples for the period July 1, 1984 through June 30, 1986, of procurement transactions for compliance testing and performed other auditing procedures that we considered necessary in the circumstances to formulate this opinion. As specified in the Consolidated Procurement Code and related regulations, our review of the system included, but was not limited to, the following areas:

- (1) adherence to provisions of the South Carolina Consolidated Procurement Code and Regulations;
- (2) procurement staff and training;
- (3) adequate audit trails and purchase order registers;
- (4) evidences of competition;
- (5) small purchase provisions and purchase order confirmations;
- (6) emergency and sole source procurements;
- (7) source selections;
- (8) file documentation of procurements;
- (9) disposition of surplus property;

- (10) economy and efficiency of the procurement process;
- (11) Minority and Business Enterprise Utilization Plan approval.

SUMMARY OF AUDIT FINDINGS

Our audit of the procurement system of S. C. Vocational Rehabilitation Department produced findings and recommendations in the following areas:

	<u>PAGE</u>
I. <u>Compliance - Sole Source and Emergency Procurements</u>	8
In a review of quarterly reports, we found the majority of these transactions to be proper and accurately reported, but we did encounter some exceptions.	
II. <u>Compliance - Goods and Services</u>	9
Two procurements did not have the required competition.	
III. <u>Compliance - Case Services Procurements</u>	10
A. <u>Improper award of contract</u>	10
One procurement was awarded incorrectly.	
B. <u>Field audits needed</u>	10
Audits of field procurements are necessary to insure accountability and compliance with the Code.	

## RESULTS OF EXAMINATION

### I. Compliance - Sole Source and Emergency Procurements

Our examination of sole source and emergency procurements made by the department indicated the majority of transactions to be adequately justified and accurately reported. However, we did encounter the following problems:

#### A. Sole Source Procurements

The following procurements are classified as exempt by the Budget and Control Board and, as such, should not have been reported.

	<u>P.O. Number</u>	<u>Amount</u>	<u>Description</u>
1)	86-10460	\$ 599.60	Video cassettes
2)	85-17146	599.95	Video cassettes
3)	85-17154	1,744.50	Filmstrips
4)	85-11440	1,137.00	Video cassettes
5)	85-15588	5,215.00	Copyright evaluator kit
6)	85-16595	514.00	Copyrighted materials

We recommend the agency be more cognizant of the exemptions promulgated by the Board.

#### B. Emergency Procurements

The following procurements did not meet the application of emergency procurements as stated in Section 19-445.2110 of the regulations which is, "...procurements made under emergency conditions that will not permit other source selection methods to be used."

	<u>P.O. Number</u>	<u>Amount</u>	<u>Description</u>
1)	85-13128	\$ 650.00	Refinish board room woodwork
2)	85-13129	775.00	Refinish board room woodwork
3)	85-12288	4,000.00	Repair crack in concrete floor

Items one and two could have been made under the small purchase provisions which require only two telephone quotations in these cases. In our opinion, the procurements should have been made using these simplified purchasing procedures. Item three appeared to be the result of poor planning rather than a true emergency situation.

We recommend stricter adherence to the emergency provisions of the Procurement Code and regulations. If the purchase can be met through normal procedures, it should be.

## II. Compliance - Goods and Services

Our review of transactions in the goods and services area revealed two procurements which were not supported by the required amount of competition.

<u>P.O. Number</u>	<u>Amount</u>
12962	\$795.01
12963	747.56

Both procurements were for food items at the centers. The Code requires competition when food items, not specifically exempted under Section 11-35-710(c), exceed the \$500.00 threshold.

We recommend that the department secure competition on all future food purchases of non-exempt items which exceed \$500.00.

### III. Compliance - Procurements For Case Services

#### A. Improper Award

We reviewed all invitation for bid procurements for case services for the audit period (thirty-two). With one exception, all of these were handled in accordance with the Procurement Code.

The one exception was a procurement of a wheelchair. The two lower bids received were \$2,995.00 and \$2,999.00 respectively. Agency personnel misread the bids and annotated the bid tabulation sheet as two tie bids of \$2,995.00. This resulted in a coin toss. The higher bidder (\$2,999.00) won the coin toss and received the award.

This is an isolated incident, but it resulted in the award being made to the wrong vendor. We urge the department to exercise more care in awarding contracts in the future.

#### B. Field Audits Needed

We reviewed sixteen procurements made from case service funds which ranged from \$500-\$2,500. All of these required competition and were handled by the area offices. The solicitations were well documented and handled in accordance with the Code.

We did note, however, that the central office did not maintain files on procurements made by area offices and that area office procurements were not audited by the department's internal audit staff. We recommend that one of these two options be exercised.

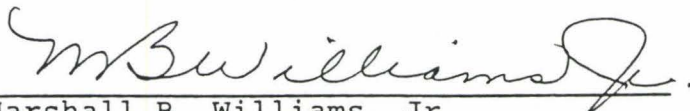
CERTIFICATION RECOMMENDATIONS

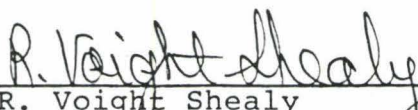
As enumerated in our transmittal letter, corrective action based on the recommendations described in the findings contained in the body of this report, we believe, will in all material respects place S. C. Vocational Rehabilitation Department in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

Under the authority described in Section 11-35-1210 of the Procurement Code, subject to this corrective action, we recommend S. C. Vocational Rehabilitation Department be certified to make direct agency procurements as follows for a period of three years:

Purchases made by the Director of Purchasing from Case Service funds specifically for handicapped clients in the area of vocational rehabilitative equipment to a maximum of \$10,000 per commitment.

All other procurements are to remain at \$2,500.

  
\_\_\_\_\_  
Marshall B. Williams, Jr.  
Supervisor, Audit and Certification

  
\_\_\_\_\_  
R. Voight Shealy  
Manager, Audit and Certification



# South Carolina Vocational Rehabilitation Department



JOE S. DUSENBURY, Commissioner

1410 Boston Avenue • Post Office Box 15 • West Columbia, South Carolina 29171-0015

January 26, 1987

Mr. R. Voight Shealy, Manager  
Office of Audit and Certification  
S. C. Budget and Control Board  
300 Gervais Street  
Columbia, South Carolina 29201

Dear Voight:

I am writing in response to your draft audit report for the period of January 1, 1984, through June 30, 1986. I am listing below our response to each of your audit findings.

I. Compliance - Sole Source and Emergency Procurements

A. Sole Source Procurements

We concur that there were several items reported on our sole source reports that have recently become exempt from the Procurement Code Procedures. We were not aware that these items had been exempted, but have since updated our exemption list to cover these areas. We will make a concerted effort to keep our listing updated and request that information pertaining to any additions to these exemptions be forwarded to this Agency.

B. Emergency Procurements

There were several items in the audit report that we reported as emergency procurements that, in your auditors opinion, should not have been. Two of these items dealt with the refinishing of woodwork in our then under construction state office building. The necessity to expedite this work was due to the fact that we could not accept this building as completed until this work had been done. We were at the time paying rent in other quarters which cost over \$550 per day and felt that it was in the best interest of the state to move as quickly as possible to occupy the new building. We will be cognizant of the regulations pertaining to emergency procurements in the future and will make every effort to comply.

Mr. R. Voight Shealy  
January 26, 1987  
Page 2

II. Compliance - Goods and Services

There were two instances pointed out in the audit report where there was no supporting documentation of competition in the purchase of food items at our residential centers. We are currently taking steps to assure that all future purchases will be in compliance.

III. Compliance - Procurements for Case Services

A. Improper Award

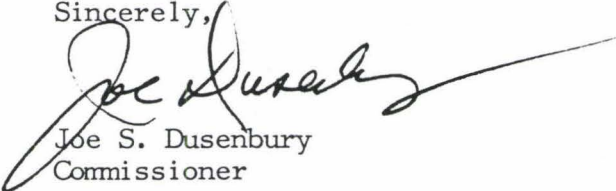
There was one instance in the procurement of a wheelchair where the high bid was inadvertently accepted. The two bidders were only \$4 apart and Agency personnel misread the bid. A concerted effort will be made to prevent this happening in the future.

B. Field Audits Needed

It was recommended in the audit that periodic internal audits be performed on field purchases from case service funds which fall between the \$500 and \$2,500 range. The Agency concurs with this recommendation and these audits with appropriate reports will be done in the future.

I appreciate the cooperation of your staff and the professional manner in which they conducted this audit.

Sincerely,

  
Joe S. Dusenbury  
Commissioner

jam

STATE OF SOUTH CAROLINA  
**BUDGET AND CONTROL BOARD**

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JESSE A. COLES, JR., Ph.D.  
EXECUTIVE DIRECTOR

February 6, 1987

Mr. William J. Clement  
Assistant Division Director  
Division of General Services  
300 Gervais Street  
Columbia, South Carolina 29201

Dear Bill:

We have reviewed the response to our audit report of the South Carolina Vocational Rehabilitation Department covering the period January 1, 1984 through June 30, 1986. Combined with observations made during our site visit, this review has satisfied the Office of Audit and Certification that the department is correcting the problem areas found and that internal controls over the procurement system are adequate.

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

Sincerely,

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

R. Voight Shealy, Manager  
Audit and Certification

