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South Carolina
Division of General Services

PROCUREMENT AUDIT AND CERTIFICATION

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SOUTH CAROLINA DEPARTMENT OF
HEALTH AND ENVIRONMENTAL CONTROL
AGENCY

MARCH 1, 1985 - DECEMBER 31, 1986
DATE

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BUDGET AND CONTROL BOARD
DIVISION OF GENERAL SERVICES
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COLUMBIA, SC 29210
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EXECUTIVE DIRECTOR

RICHARD J. CAMPBELL
ASSISTANT DIVISION DIRECTOR

August 11, 1987

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

Dear Rick:

Attached is the final Department of Health and Environmental Control audit report and recommendations made by the Office of Audit and Certification. I concur and recommend the Budget and Control Board grant the Department of Health and Environmental Control three (3) years certification as outlined in the audit report.

Sincerely,

Richard J. Campbell
Assistant Division Director

Attachment

MATERIALS MANAGEMENT OFFICE

State Supply & Surplus Property Management
Surplus Property Supply, Warehousing & IMS
Boston Avenue 1942 Laurel Street
W. Cola., SC 29169 Cola., SC 29201
734-4335 734-7919

Training & Research
300 Gervais Street
Annex 3
Cola., SC 29201
737-2060

State Procurements
800 Dutch Sq. Blvd.
Suite 250
Cola., SC 29210
737-8910

Information Technology Management Office
800 Dutch Sq. Blvd.
Suite 150
Cola., SC 29210
737-8900

Installment Purchase Program
800 Dutch Sq. Blvd.
Suite 150
Cola., SC 29210
737-8900

SOUTH CAROLINA DEPARTMENT OF HEALTH AND ENVIRONMENTAL CONTROL
AUDIT REPORT

MARCH 1, 1985 - DECEMBER 31, 1986

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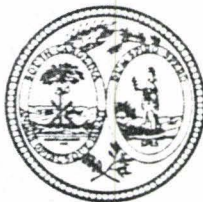
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JESSE A. COLES, JR., Ph.D.
EXECUTIVE DIRECTOR

WILLIAM J. CLEMENT, AIA
ASSISTANT DIVISION DIRECTOR

August 11, 1987

Mr. Richard J. Campbell
Assistant Division Director
Division of General Services
Columbia, South Carolina 29210

We have examined the procurement policies and procedures of the South Carolina Department of Health and Environmental Control (DHEC) for the period March 1, 1985 through December 31, 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 DHEC 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 the 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, however, 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 DHEC in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.



R. Voight Shealy, Manager
Audit and Certification

RESULTS OF EXAMINATION

The Office of Audit and Certification performed an examination of the internal procurement operating procedures and policies and related manual of S. C. Department of Health and Environmental Control (DHEC) for the period March 1, 1985 through December 31, 1986.

Our on-site review was conducted January 20 through March 6, 1987, and was made under the authority as described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code. The audit was primarily instituted because the two year certification granted DHEC by the Budget and Control Board is to expire on November 5, 1987. Additionally, DHEC requested increased certification limits as follows:

Goods and Services	\$30,000
Hospital and Laboratory Equipment	30,000
Drugs - commodity codes 270, 475-25 and 115	3,000,000
Medical Supplies - commodity codes 475 and 435	1,700,000
Consultants	30,000
Information Technology	30,000

Since our previous audit in 1985, DHEC has maintained what we consider to be a professional, efficient procurement system. We did note, however, the below listed minor exceptions which should be addressed by management.

1. Purchase order number 0085, totaling \$1,900, for "initiatives on quality assurance for patient education, review educational

materials, district assessments, workshops, make recommendations and develop protocols" was documented and reported as a sole source procurement as stated in Section 11-35-1560 of the Procurement Code and Section 19-445.2105 of the regulations. Competition should have been solicited.

2. The procurement procedures manual lacks a definitive method for approving changes to purchase orders.

Purchase order number B1037 was increased by \$75 without the documented approval of purchasing. Purchase order number B2504 had the approval of purchasing for the \$182 increase but the lack of documentation left it unclear if the requisitioner was aware of the additional charge against the budget.

We recommend that DHEC adopt a policy similar to the one below and incorporate the same into its procedures.

a) Changes in price or quantity less than \$100 shall be approved by purchasing with notations made on the purchase order.

b) Changes in excess of \$100 would require a formal modification or change order issued by purchasing.

Primarily for budgetary purposes, user departments should always be notified of changes in purchase price.

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 DHEC 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 DHEC be re-certified to make direct agency procurements for three years up to the limits as follows:

<u>PROCUREMENT AREAS</u>	<u>RECOMMENDED CERTIFICATION LIMITS</u>
I. Goods and Services	
A. Annual Term Contracts For:	
1. Drugs, biologicals and devices and all other commodities under commodity code 270, Drugs, Pharmaceuticals and Biologicals; 475-25 Contraceptives, and 115 Biochemical Research	\$3,000,000 Maximum
2. Medical supplies and instruments under commodity code class 475-Hospital Sundries and 435-Germicides	\$1,700,000 Maximum
B. All Other Goods and Services	* \$30,000 Per Purchase Commitment
II. Consultant Services	* \$30,000 Per Purchase Commitment

III. Information Technology in
accordance with the approved
Information Technology Plan

* \$30,000 Per Purchase

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



Marshall B. Williams, Jr.
Supervisor
Audit and Certification



R. Voight Shealy, Manager
Audit and Certification

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EXECUTIVE DIRECTOR

August 11, 1987

Mr. Richard J. Campbell
Assistant Division Director
Division of General Services
Columbia, South Carolina 29201

Dear Richard:

We have reviewed the response to our audit report of the Department of Health and Environmental Control covering the period March 1, 1985 through December 31, 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 the Department of Health and Environmental Control outlined in the audit report be granted for a period of three (3) years.

Sincerely,

R. Veight Shealy, Manager
Audit and Certification

