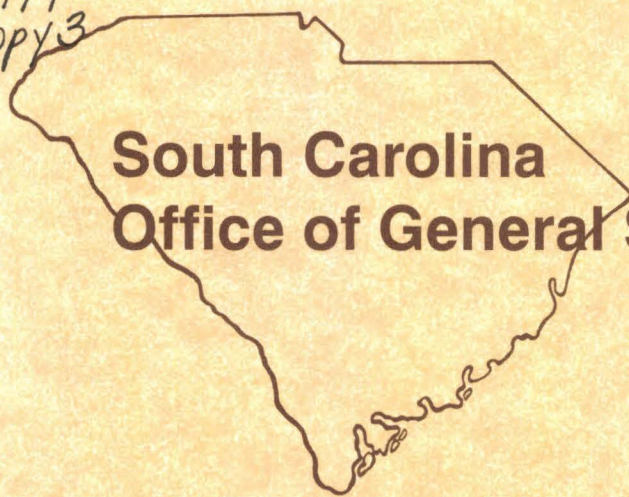


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**South Carolina  
Office of General Services**

# PROCUREMENT AUDIT AND CERTIFICATION

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**SOUTH CAROLINA EMPLOYMENT  
SECURITY COMMISSION**

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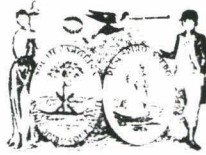
**AGENCY**

**JULY 1, 1995 - JUNE 30, 1997**

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**DATE**

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



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

VOIGHT SHEALY  
ASSISTANT DIRECTOR

November 19, 1997

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 Employment Security Commission'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 Commission a three year certification as noted in the audit report.

Sincerely,

*Voight Shealy*  
R. Voight Shealy  
Materials Management Officer

/tl

**SOUTH CAROLINA EMPLOYMENT SECURITY COMMISSION**

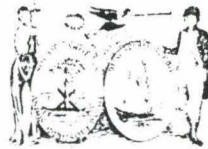
**PROCUREMENT AUDIT REPORT**

**JULY 1, 1995 - JUNE 30, 1997**

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



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VOIGHT SHEALY  
ASSISTANT DIRECTOR

October 28, 1997

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 Employment Security Commission for the period July 1, 1995 through June 30, 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 ensure adherence to the Consolidated Procurement Code and Commission 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 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, assurances 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 that we believe need correction or improvement.

Corrective action based on the recommendations described in these findings will in all material respects place the South Carolina Employment Security Commission 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 South Carolina Employment Security Commission. Our on-site review was conducted June 16-30, 1997, 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.

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 Commission in promoting the underlying purpose 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 person engaged in the procurement process

**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 Office of General Services shall review the respective governmental body's internal procurement operation, shall verify in writing that it is consistent with the provisions of this code and ensuing regulations, and recommend to the Board those dollar limits for the respective governmental body's procurement not under term contract.

On December 12, 1995, the Budget and Control granted the South Carolina Employment Security Commission the following procurement certifications:

<u>Category</u>	<u>Limits</u>
Goods and Services	\$25,000 per commitment
Consultants Services	\$25,000 per commitment
Information Technology in accordance with the approved Information Technology Plan	\$25,000 per commitment

Our audit was performed primarily to determine if recertification is warranted. The Commission did not request increased certification limits.

## 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 Employment Security Commission 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 a judgmental sample from the period July 1, 1995 through June 30, 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, a review of the following:

- (1) All sole source, emergency and trade-in sale procurements from the period July 1, 1995 - June 30, 1997
- (2) Procurement transactions from the period July 1, 1995 to June 30, 1997 as follows:
  - a) One hundred and five randomly selected procurement transactions
  - b) An additional block sample of five hundred purchase orders
  - c) A block sample of three hundred seventy-six numerical purchase orders
- (3) Four construction projects and four A & E selections reviewed for compliance with the Manual for Planning and Execution of State Permanent Improvements
- (4) Surplus property disposition procedures
- (5) Minority Business Enterprise Plans and reports for the audit period
- (6) Information technology plans and approvals for fiscal years 95/98
- (7) Internal procurement procedures manual review
- (8) Real Property Management Office approvals of leases
- (9) File documentation and evidence of competition

## SUMMARY OF AUDIT FINDINGS

Our audit of the procurement system of the South Carolina Employment Security Commission, referred to as the Commission, produced finds and recommendations as follows:

	<u>PAGE</u>
I. <u>Compliance-General</u>	
A. <u>Errors In Awards</u>	7
Two awards were not made to the low bidders.	
B. <u>Unauthorized Procurements</u>	7
Two procurements were made by personnel who did not have procurement authority thus making each an unauthorized procurement.	
C. <u>Procurement Not Advertised And Written Quotes Not Mailed</u>	8
A printing contract for \$10,200 was not advertised in the <u>South Carolina Business Opportunities</u> and the quotes were not mailed.	
D. <u>Drug-Free Workplace Certification</u>	8
The drug-free workplace certification was not requested on four sole source procurements.	
E. <u>Sole Source Procurements Not Reported</u>	9
The Commission did not report \$143,324 in sole source procurements.	
F. <u>Discount Not Taken</u>	9
A discount of \$75 was not taken.	
II. <u>Information Technology Plan</u>	9
The information technology plan for the period 07/95 to 6/98 was not prepared.	

## RESULTS OF EXAMINATION

### I. Compliance- General

#### A. Errors In Awards

We noted two awards that were not made to the low bidders.

<u>PO</u>	<u>Date</u>	<u>Item Description</u>	<u>Low Bid</u>	<u>Awarded Bid</u>
96000367	09/19/96	Printer with cable	\$1,885	\$1,958
96000460	10/10/96	Wireless sound system	2,348	2,375

We could not determine nor could the Commission explain why the awards were not made to the vendors that quoted the lowest prices. Section 11-35-1810(2) of the Code states in part, "A determination of nonresponsibility of a bidder or offer shall be made". No such documentation was available to support rejection of the low bids.

We recommend the Commission properly document the basis of rejecting a low bid. The documentation should be included in the procurement file.

#### B. Unauthorized Procurements

Purchase order 9600460 was issued on October 10, 1996 for \$2,348 to procure a wireless sound system. However, according to the invoice, the order was placed on September 30, 1996. The Commission's internal procedures manual, section 1000.3 for unauthorized procurements, states "Only those persons designated by the Commission by job assignment have the authority to enter into any type of contract for the Commission".

We recommend a ratification request be submitted to the Commissioner in accordance with Regulation 19-445-2015(A)(3).

The Commission contracted with an engineering firm to perform architectural services and the firm was paid \$4,170 on voucher 9703498 dated September 17, 1996. Section 11-35-3230 of the Code identifies the State Engineer's Office as the sole authority to approve architect and engineer contracts. The contract was not approved by the State Engineer's Office, thus making the procurement unauthorized.

We recommend the Commission request ratification from the State Engineer in accordance with Regulation 19-445.2015.

C. Procurement Not Advertised And Written Quotes Not Mailed

Purchase order 96001374 was issued for \$10,200 for printing. The procurement was not advertised in the South Carolina Business Opportunities (SCBO). Furthermore, written solicitations of written quotes were not mailed to prospective bidders. Section 11-35-1550(2) of the Code stated, at the time of the solicitation, "Written solicitation of written quotes from a minimum of five qualified sources of supply shall be made. The procurement shall be advertised at least once in the South Carolina Business Opportunities Publication".

We recommend the Commission comply with Section 11-35-1550(2), as revised on June 13, 1997, that requires the advertisement in SCBO for procurements from \$10,000 to \$25,000.

D. Drug-Free Workplace Certification

We noted four sole source procurements that exceeded \$50,000. The Commission did not obtain the required drug-free workplace certification stating the vendor was in compliance with the South Carolina Drug-Free Workplace Act.

<u>PO</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>
95000791	Software upgrade	\$ 55,335
96000584	Equipment maintenance	51,667
96000829	Fold pressure seal paper	109,097
<u>Voucher</u>		
9603791	Software license fees	\$426,975
		(Total contract)

Section 44-107-10 et seq. of the South Carolina Code of Laws requires on any resultant contract of \$50,000 or more that a certification be obtained from the recipient stating that the vendor maintains a drug-free workplace. All sole source and exempt procurements are subject to the above stated law.

We recommend the Commission obtain the drug-free workplace certification on all future contracts exceeding \$50,000.

E. Sole Source Procurements Not Reported

Beginning on July 1, 1995, the Commission procured software maintenance at a cost of \$35,831 per quarter. The Commission did not report the sole source procurements of \$35,831 for the quarters ending September 30, 1995, December 31, 1995, March 31, 1996 and December 31, 1996 as required by Section 11-35-2440 of the Code.

We recommend amended reports be filed.

F. Discount Not Taken

Purchase order 9402022 was issued for \$3,760 for preprinted brochures on June 16, 1995. The vendor offered a 2% discount if payment was made within 20 days. The invoice was dated July 5, 1995 and payment was made July 20, 1995 on voucher 9600270 within the discount period. The discount of \$75 was not taken even though the payment was made within the discount period.

We recommend the Finance Department use more care in reviewing invoices for timely payment discounts and take appropriate discounts when applicable.

II. Information Technology Plan

The Commission did not prepare or submit an information technology plan for the period 07/95 to 06/98. Section 129.44 of the 1994/95 Appropriations Act requires that agencies, institutions, or departments submit all expenditures and requested increases to the Office of Information Technology Planning Process of the Budget and Control Board for compilation and evaluation. The Office now requires a three year plan be submitted for review.

We recommend the Commission submit a plan for the fiscal year ending June 30, 1998.

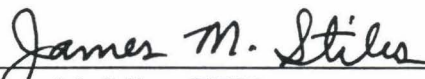
**CERTIFICATION RECOMMENDATIONS**

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 Employment Security Commission in compliance with the Consolidated Procurement Code and ensuing regulations.

Under the authority described in section 11-35-1210 of the Procurement Code, and subject to this corrective action, we will recommend the South Carolina Employment Security Commission be re-certified for three years at the levels below.

<u>PROCUREMENT AREA</u>	<u>RECOMMENDED CERTIFICATION LEVELS</u>
Goods and Services	*\$25,000 per commitment
Consultants Services	*\$25,000 per commitment
Information Technology	*\$25,000 per commitment

\* Total potential purchase commitment whether single year or multi-term contracts are used

  
\_\_\_\_\_  
James M. Stiles, CPPB  
Audit Manager

  
\_\_\_\_\_  
Larry G. Sorrell, Manager  
Audit and Certification



South Carolina  
**Employment Security Commission**



1550 Gadsden Street  
P. O. Box 995  
Columbia, S. C. 29202

November 18, 1997

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(803) 737-2655  
J. William McLeod, Vice-Chairman  
(803) 737-2652  
Samuel R. Foster, Commissioner  
(803) 737-2656

EXECUTIVE DIRECTOR  
Joel T. Cassidy  
(803) 737-2617

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

Dear Mr. Sorrell:

We have reviewed the Procurement Audit Report for the period July 1, 1995 through June 30, 1997 for this Agency and concur with your findings.

We are in the process of implementing the recommendations specified in the report and with the approval of our re-certification of \$25,000.00 the South Carolina Employment Security Commission will continue to improve our procurement activities.

If I may be of further assistance, please let me know.

Sincerely,

A handwritten signature in cursive script, reading 'Joel T. Cassidy'.

Joel T. Cassidy  
Executive Director

SS/5  
JTC/ds

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



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VOIGHT SHEALY  
ASSISTANT DIRECTOR

November 19, 1997

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 South Carolina Employment Security Commission to our audit report for the period of July 1, 1995 - June 30, 1997. Also we have followed the Commission's corrective action during and subsequent to our field work. We are satisfied that the Commission 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 Employment Security Commission the certification limits noted in our report for period of three years.

Sincerely,

A handwritten signature in cursive script that reads 'Larry G. Sorrell'.

Larry G. Sorrell, Manager  
Audit and Certification

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