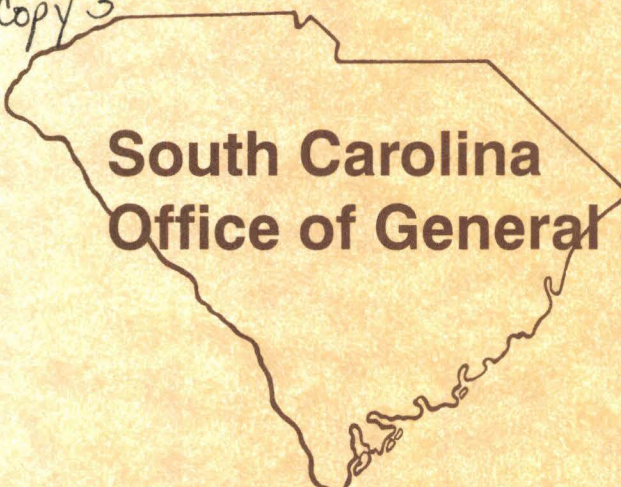


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**South Carolina
Office of General Services**

PROCUREMENT AUDIT AND CERTIFICATION

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SOUTH CAROLINA ARTS COMMISSION

AGENCY

APRIL 1, 1994 - DECEMBER 31, 1996

DATE

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



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HELEN T. ZEIGLER
DIRECTOR

MATERIALS MANAGEMENT OFFICE
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COLUMBIA, SOUTH CAROLINA 29201
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VOIGHT SHEALY
ASSISTANT DIRECTOR

June 16, 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 Arts 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,

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

R. Voight Shealy
Materials Management Officer

/tl

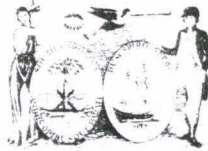
**SOUTH CAROLINA ARTS COMMISSION
PROCUREMENT AUDIT REPORT**

APRIL 1, 1994 - DECEMBER 31, 1996

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State Budget and Control Board
OFFICE OF GENERAL SERVICES



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LUTHER F. CARTER
EXECUTIVE DIRECTOR

May 9, 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 Arts Commission for the period April 1, 1994 through December 31, 1996. 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 South Carolina Arts 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, 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 South Carolina Arts Commission in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

Sincerely,



Larry G. Sorrell, Manager
Audit and Certification

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 Arts 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 judgmental samples for the period July 1, 1994 through December 31, 1996 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 April 1, 1994 through December 31, 1996
- (2) Procurement transactions for the period July 1, 1994 through December 31, 1996 as follows:
 - a) Thirty-five payments, each exceeding \$1,500
 - b) A block sample of three hundred sequential purchase orders
- (3) Minority Business Enterprise Plans and reports for the audit period
- (4) Information technology plans for fiscal years 95, 96, and 97
- (5) Internal procurement procedures manual
- (6) Surplus property procedures

RESULTS OF EXAMINATION

We conducted an examination of the internal procurement operating policies and procedures of the South Carolina Arts Commission. Our on-site review was conducted March 17 - 24, 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.

On October 6, 1994 the Budget and Control Board granted the South Carolina Arts Commission the following procurement certifications:

<u>Category</u>	<u>Limit</u>
Design and Printing Services	\$100,000 per commitment
Goods and Services	\$ 10,000 per commitment

Our audit was performed primarily to determine if recertification is warranted.

While the Commission has maintained a professional and efficient procurement system since our last audit, we did note the following items that should be addressed by management.

Multi-Term Determinations

The following solicitations had extension options, however the multi-term determinations were not prepared prior to the award of the contracts.

<u>Solicitation</u>	<u>Description</u>
RFP 95-99	Production of magazine
Bid 95-3	Printing of magazine
Bid 92-5	Quick copy services

Section 11-35-2030(2) of the Code requires a multi-term determination be prepared in writing prior to using a multi-term contract.

We recommend the Commission prepare multi-term determinations prior to issuing solicitations which exceed more than one year.

Sixteen Day Intent to Award

The Commission did not issue a sixteen day intent to award for three solicitations where the total potential value of the contracts exceeded \$50,000.

<u>Solicitation</u>	<u>Description</u>	<u>Total Potential Value</u>
RFP 95-99	Production of magazine	\$60,000
bid 95-3	Printing of magazine	134,840
bid 92-5	Quick copy services	50,490

Section 11-35-1520(10) of the South Carolina Consolidated Procurement Code states:

When a contract has a total or potential value in excess of \$50,000, in addition to the posted notice, notice of an intended award must be given to all bidders responding to the solicitation by first-class mail to the name and address on the bid documents. Such mailed notice must contain a statement of the bidder's right to protest under Section 11-35-4210(1). When a contract has a total or potential value in excess of \$50,000, sixteen days after notice is given the agency may enter a contract with the bidder named in the notice in accordance with the provisions of the Code and of the bid solicited.

The Commission did not consider the total potential value of the contracts when determining whether to issue a sixteen day intent to award or statement of award.

We recommend the Commission consider extension options when determining the total potential value of contracts and comply with the Code concerning the sixteen day intent to award for contracts that exceed \$50,000.

Bid Awarded Incorrectly

On bid 95-2, the Commission solicited the printing of stationery. One response was \$5,317.50 and the US end product preference was claimed. Another response was \$5,263.00 and the US end product preference was not claimed. The Commission did not apply the preference to the \$5,263.00 and, as a result, the award was made to the vendor that responded at \$5,263.00.

Regulation 19-446.1000 states, "The cost of an end-product made, manufactured or grown in the other states of the United States is unreasonable if the bid or offer exceeds by more than two percent the lowest qualified bid or proposal on the same end-product which is made, manufactured or grown in a foreign country or territory." Since the bid of \$5,317.50 did not exceed the bid of \$5,263.00 by two percent, the award should have been made to the vendor that responded at \$5,317.50.

We recommend the Commission apply preferences in accordance with the regulation to ensure that contracts are awarded correctly.

Invoices and Purchase Orders Not Reconciled

Purchase order 501405 was issued for \$4,880.50 for catering four events. Voucher 1915 paid \$3,750.00 on purchase order 501405 for three events. Purchase order 600128 was issued for \$1,250.00 for one event and was paid on voucher 0051. We could not reconcile the total payments of \$5,000.00 to the quote of \$4,880.50.

We recommend the Commission reconcile discrepancies between purchase orders and invoices before processing payments.

Blanket Purchase Agreements

We noted several problems in the payments for blanket purchase agreements. Purchase order 700063 authorized expenditures up to a total of \$200. However, voucher 40 was issued for \$216.42. The blanket purchase agreements list the individual authorized to place calls. However, the approval authorizations were not listed on vouchers 781 for \$31.50 and 587 for \$71.27. Because each payment was made without the proper approval, each is an unauthorized procurement as defined by Regulation 19-445.2015. A ratification on each unauthorized procurement must be submitted to the Executive Director per Regulation 19-445.2015.

We recommend the procedures for blanket purchase agreements be followed when calls are made against each agreement.

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 Arts Commission in compliance with the Consolidated Procurement Code.

We will perform a follow-up review by May 30, 1997 to ensure that the Commission has completed this corrective action.

Under the authority described in Section 11-35-1210 of the Procurement Code, subject to this corrective action, we will recommend the South Carolina Arts Commission be recertified to make direct agency procurements for three years up to the limits as follows:

PROCUREMENT AREAS

RECOMMENDED CERTIFICATION LIMITS

Design and Printing Services

\$100,000 per commitment*

Goods and Services

\$10,000 per commitment*

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



Melissa Rae Thurstin
Senior Auditor



Larry G. Sorrell, Manager
Audit and Certification



South Carolina Arts Commission
1800 Cerva's Street
Columbia, South Carolina 29201
(803) 734-8696
Fax # (803) 734-8526

June 12, 1997

Mr. Larry Sorrell, Manager
Audit and Certification
Materials Management
Office of General Services
1201 Main, Suite 600
Columbia, S.C. 29201

Dear Mr. Sorrell:

The South Carolina Arts Commission concurs with the findings in the Report issued by the State Audit and Certification Division regarding the audit conducted on the Arts Commission's procurement policies and procedures for the period of April 1, 1994 through December 31, 1996.

The Commission has moved forward to take corrective action on the recommendations made.

We have enclosed the justifications for the two unauthorized purchases.

Sincerely,

Suzette Surkamer
Executive Director

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



DAVID M. BEASLEY, CHAIRMAN
GOVERNOR

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VOIGHT SHEALY
ASSISTANT DIRECTOR

June 16, 1997

JOHN DRUMMOND
CHAIRMAN, SENATE FINANCE COMMITTEE

HENRY E. BROWN, JR.
CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER F. CARTER
EXECUTIVE DIRECTOR

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 Arts Commission to our audit report for the audit period of April 1, 1994 - December 31, 1996. 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 Arts Commission the certification limits noted in our report for period of three years.

Sincerely,

A handwritten signature in cursive script, reading "Larry G. Sorrell".

Larry G. Sorrell, Manager
Audit and Certification

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