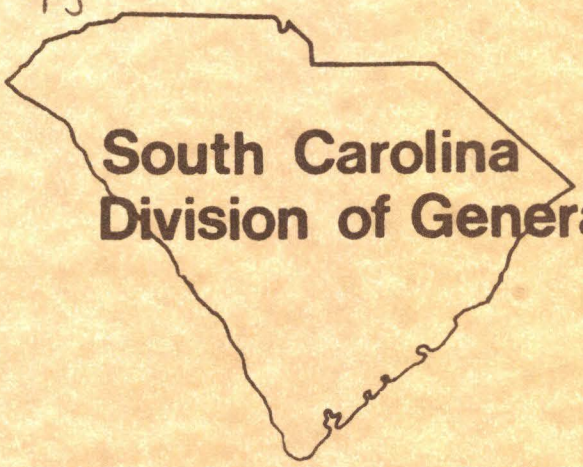

South Carolina
Division of General Services

PROCUREMENT AUDIT AND CERTIFICATION

DEPARTMENT OF EDUCATION

AGENCY

JULY 1, 1986 - JUNE 20, 1988

DATE

STATE OF SOUTH CAROLINA
BUDGET AND CONTROL BOARD
DIVISION OF GENERAL SERVICES
1201 MAIN STREET, SUITE 420
COLUMBIA, SOUTH CAROLINA 29201
(803) 737-3880

CARROLL A. CAMPBELL, JR.
GOVERNOR

GRADY L. PATTERSON, JR.
STATE TREASURER

EARLE E. MORRIS, JR.
COMPTROLLER GENERAL

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SENATE FINANCE COMMITTEE

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CHAIRMAN,
HOUSE WAYS AND MEANS COMMITTEE

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

RICHARD W. KELLY
DIVISION DIRECTOR

January 16, 1989

Mr. Richard W. Kelly
Division Director
Division of General Services
1201 Main Street, Suite 400
Columbia, South Carolina 29201

Dear Rick:

Attached is the final Department of Education audit report and recommendations made by the Office of Audit and Certification. Since no certification above the $2,500.00 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

Attachment.

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COLUMBIA, SOUTH CAROLINA 29201
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RICHARD W. KELLY
DIVISION DIRECTOR

January 16, 1989

Mr. James J. Forth, Jr.
Assistant Division Director
Division of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

We have examined the procurement policies and procedures of the South Carolina Department of Education for the period July 1, 1986 through June 20, 1988. 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 the Department of Education 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, 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 the Department of Education in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

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 of the South Carolina Department of Education.

Our on-site review was conducted June 20 - July 15, 1988, 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, that 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.

SCOPE

Our examination encompassed a detailed analysis of the internal procurement operating procedures of the Department of Education 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 random samples from the period July 1, 1986 - June 20, 1988 of procurement transactions for compliance testing and performed other audit procedures that we considered necessary in the circumstances to formulate this opinion. 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 accompanying 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) inventory and disposition of surplus property;

(10) economy and efficiency of the procurement process; and

(11) approval of Minority Business Enterprise Utilization Plan.

SUMMARY OF AUDIT FINDINGS

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

RESULTS OF EXAMINATION

I. Compliance - Sole Source and Emergency Procurements

We examined the quarterly reports of sole source and emergency procurements and all available supporting documents for the period July 1, 1984 through March 31, 1988 for the purpose of determining the appropriateness of the procurement actions taken and the accuracy of the reports submitted to the Division of General Services as required by Section 11-35-2440 of the Consolidated Procurement Code. We found these transactions to be proper and accurately justified, but we did note the following reporting exceptions.

A. Emergency Procurements Reported as Sole Sources

The following transactions were justified as emergency procurements but reported as sole source procurements to the Division of General Services.

P.O Number	Amount	Description
P 02549	$ 4,583.00	Safety week flyers
C 06098	1,634.81	Repairs to gas tanker
C 15806	750.00	Repairs to gas tanker
C 13822	680.00	Repairs to gas tanker

B. Duplicate Reporting of Emergency Procurements

The following transactions were reported twice on the quarterly report dated January 1, 1985 - March 31, 1985.

P.O Number	Amount
P 8700	$ 639.29
P 8701	3,300.25
P 8702	1,084.00
P 8703	902.14
P 8704	923.90

C. Reporting of Exempt Items

Procurements of the following items are exempt from the Procurement Code and should not have been reported as sole sources.

P.O Number	Amount	Description
P 06848	$7,056.00	Copyrighted books
P 02826	1,097.50	Copyrighted booklets

D. Sole Source and Emergency Procurements Not Reported

The following transactions were made as sole source or emergency procurements and properly supported with authorized written determinations. However, the procurements were not reported on the quarterly reports submitted to the Division of General Services:

P.O Number	Amount	Description
C 29273	$ 1,918.00	Emergency repair to gas pump
P 23119	27,531.00	Emergency procurement to prepare camera ready copy for a publication
P 49756	1,250.00	Sole source, consultant services

P 53559	3,000.00	Sole source, consultant services
P 55556	1,250.00	Sole source, consultant services
P 55957	1,250.00	Sole source, consultant services
P 63745	2,400.00	Sole source, consultant services

Amended reports should be filed with the Division of General Services to correct the reporting errors noted above. In the future, more care should be taken to ensure the accuracy of the quarterly reports of sole source and emergency procurements.

II. Procurements Made Without Competition or Sole Source or Emergency Procurement Determinations

The following procurements were neither supported by evidence of competition nor a sole source or emergency procurement determination:

P.O Number	Amount	Description
P 55611	$ 600.00	Consultant Services
P 44641	2,000.00	Consultant Services

All non-exempt procurements totalling more than $500.00 must be supported by evidence of competition or sole source or emergency procurement determinations. We recommend that this be done for future transactions.

CONCLUSION

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

Subject to this corrective action and because additional certification was not requested, we recommend that the S.C. Department of Education be allowed to continue procuring all goods and services, construction, information technology and consulting services up to the basic level as outlined in the Procurement Code.

James M. Stiles

James M. Stiles, PPB
Audit Supervisor

R. Voight Shealy

R. Voight Shealy, Manager
Audit and Certification

STATE OF SOUTH CAROLINA
DEPARTMENT OF EDUCATION
COLUMBIA 29201

CHARLIE G. WILLIAMS
STATE SUPERINTENDENT OF EDUCATION

January 9, 1989

MEMORANDUM

TO: Voight Shealy, Manager
Audit and Certification Section

FROM: Charlie G. Williams
State Superintendent of Education

SUBJECT: S.C. Department of Education Procurement Audit Report, July 1, 1986 through June 20, 1988

We commend the staff of the Audit and Certification Division in the professional manner in which the audit was conducted. We are pleased with the overall finding that the State Department of Education is in compliance with the S.C. Consolidated Procurement Code and its ensuing regulations.

We recognize that even though the Office of Purchasing is successfully carrying out its duties, constant review and refinement is necessary to ensure compliance with the state laws and regulations. As a result of this audit, the agency has taken steps to improve as well as maintain the effectiveness of its centralized procurement system.

Below you will find the agency's response to the audit findings set forth in the draft report of November 22, 1988. We are in agreement with the findings set forth and appropriate measures have been taken to correct the noted deficiencies.

Summary of Audit Findings

1. Compliance - Sole Source and Emergency Procurements

RESPONSE: The agency is in agreement with the findings set forth. Improved data collection procedures have been implemented to ensure a more accurate reporting of quarterly sole source and emergency procurements.

2. Procurements Made Without Competition or Sole Source or Emergency Procurement Determinations

RESPONSE: The agency is in agreement with the findings set forth. Steps have been taken by the agency to ensure that all non-exempt procurements totalling more than $500.00 are supported by evidence of competition or sole source or emergency procurement determination.

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EXECUTIVE DIRECTOR

RICHARD W. KELLY
DIVISION DIRECTOR

January 13, 1989

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 returned to the Department of Education to determine the progress made toward implementing the recommendations in our audit report covering the period July 1, 1986 - June 20, 1988. During this visit, we followed up on each recommendation made in the audit report through inquiry, observation and limited testing.

We observed that the Department has made substantial progress toward correcting the problem areas found and improving the internal controls over the procurement system. With the changes made, the system's internal controls should be adequate to ensure that procurements are handled in compliance with the Consolidated Procurement Code and ensuing regulations.

Additional certification was not requested. Therefore, we recommend that the Department be allowed to continue procuring all goods and services, construction, information technology and consulting services up to the basic level as outlined in the Procurement Code.

Sincerely,

Voight Shealy

R. Voight Shealy, Manager
Audit and Certification