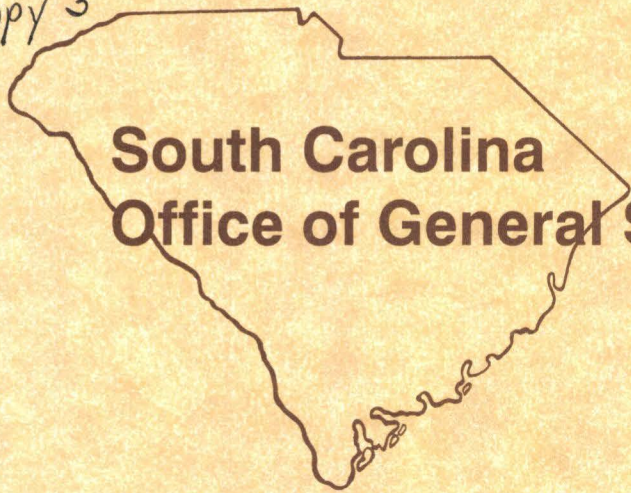


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**South Carolina
Office of General Services**

PROCUREMENT AUDIT AND CERTIFICATION

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SOUTH CAROLINA DEPARTMENT OF
CONSUMER AFFAIRS

AGENCY

JULY 1, 1995 - DECEMBER 31, 1996

DATE

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State Budget and Control Board
OFFICE OF GENERAL SERVICES



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VOIGHT SHEALY
ASSISTANT DIRECTOR

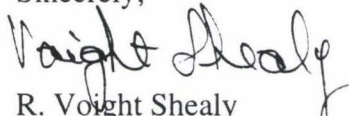
June 23, 1997

Ms. Helen T. Zeigler, Director
Office of General Services
1201 Main Street, Suite 420
Columbia, South Carolina 29201

Dear Helen:

I have attached the audit report for the South Carolina Department of Consumer Affairs. Since we are not recommending any certification above the basic \$5,000 allowed by the Code, no action is required by the Budget and Control Board. Therefore, I recommend that the report be presented to the Budget and Control Board as information.

Sincerely,


R. Voight Shealy
Materials Management Officer

/tl

SOUTH CAROLINA DEPARTMENT OF CONSUMER AFFAIRS

PROCUREMENT AUDIT REPORT

JULY 1, 1995 - DECEMBER 31, 1996

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VOIGHT SHEALY
ASSISTANT DIRECTOR

May 27, 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 Department of Consumer Affairs for the period July 1, 1995 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 Department 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 Department of Consumer Affairs 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 Department of Consumer Affairs 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 Department of Consumer Affairs . Our on-site review was conducted March 17-21, 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 Department in promoting the underlying purposes 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 persons engaged in the public procurement process

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 Department of Consumer Affairs 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 systematically selected a sample from the period July 1, 1995 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 from the period July 1, 1995 through December 31, 1996
- (2) Procurement transactions for the period July 1, 1995 through December 31, 1996 as follows:
 - a) Forty payments greater than \$1,500
 - b) A block sample of 140 numerical purchase orders from FY 95/96 reviewed for order splitting and favored vendors
- (3) Surplus property disposition and procedures
- (4) Minority Business Enterprise Reports and plan approvals for the audit period
- (5) Information technology plan for fiscal years 1995-98
- (6) Internal procurement procedures manual
- (7) Real property lease procedures

RESULTS OF EXAMINATION

The Office of Audit and Certification performed an examination of the internal procurement operating policies, procedures and related manual of the Department of Consumer Affairs for the period July 1, 1995 through December 31, 1996.

Since our last compliance audit, the Department of Consumer Affairs has maintained what we consider to be a professional, efficient procurement system. However, we did note the following points which should be addressed by management.

State Term Contract Numbers Not Referenced

We noted seven purchases bought under state term contracts that did not reference the contract numbers. In order to help ensure the proper contract terms and conditions are met, the term contract numbers should be referenced on all purchase orders when applicable.

No Evidence of Compliance

We noted no evidence of Code compliance on two vouchers. Voucher 305 dated November 14, 1996 was a payment of \$15,194 for extended maintenance services for computer and computer related hardware. Voucher 321 dated November 20, 1995 was a \$1,759 payment for computer network hardware, cabling from rack to the multi-access unit and connectors. No evidence of competition, sole source or emergency determinations were contained in the files. Section 11-35-1510 of the Code lists the different methods of source selection. We recommend the Department comply with the Code in regards to the procurement source selection methods and maintain evidence of such compliance in the procurement files.

Procurement Procedures Manual

The Department's procurement procedures manual must be changed to reflect the current competitive requirements as outlined in Section 11-35-1550 of the Code. These limits have not been updated since the Code was changed in July 1993. We recommend the following areas be

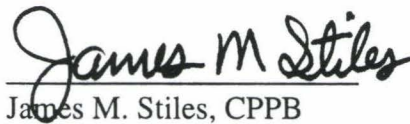
addressed by the Procurement Office in their procedures manual as well as the appropriate exhibits.

1. Scope and Purpose of the Procurement Office
2. Department Procurement Goals
3. Department Procurement Authority Defined
4. Code of Ethics
5. Authorizations on Determinations
6. Unauthorized Purchases
7. Method and Types of Procurements to Include Sole Source and Emergencies
8. Legal and Contractual Remedies
9. Auditing and Legal Services
10. Leases, Installment, Purchases and Rental Agreement
11. Construction, Architect-Engineering Services
12. Sales, Transfer, Disposal of Surplus Property
13. Contracts for Conference Facilities
14. Reporting of Sole Source, Emergency, Trade-Ins and Minority Vendor Activity
15. Records Retention
16. Code Exemptions
17. Term Contracts

CONCLUSION

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 Department of Consumer Affairs in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

The Department has not requested increased procurement certification above the basic limit of \$5,000 allowed by the Code. Subject to corrective action listed in this report, we will recommend the Department of Consumer Affairs be allowed to continue procuring goods and services, consultant services, construction and information technology up to the basic level of \$5,000 as allowed by the South Carolina Consolidated Procurement Code and accompanying Regulations.



James M. Stiles, CPPB
Audit Manager



Larry G. Sorrell, Manager
Audit and Certification



Philip S. Porter
Administrator
and
Consumer Advocate

The State of South Carolina
Department of Consumer Affairs

2801 DEVINE STREET
P.O. BOX 5757
COLUMBIA, S.C. 29250-5757

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Gregory J. English
Simpsonville

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

Dear Mr. Sorrell:

We have reviewed and evaluated the findings cited in the Procurement Audit Report for the period of July 1, 1995 - December 31, 1996. We concur with these findings and will implement corrective actions as soon as possible.

If you have questions or need additional information, please call me at 734-9450, ext. 156. We look forward to working with you and your staff in the future.

Sincerely,

Herbert Walker
Deputy for Administrative and
Regulatory Services

HW/dca

STATE OF SOUTH CAROLINA
State Budget and Control Board
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VOIGHT SHEALY
ASSISTANT DIRECTOR

June 23, 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 South Carolina Department of Consumer Affairs' response to our audit report for July 1, 1995 - December 31, 1996. Also, we have followed the Department's corrective action during and subsequent to our field work. We are satisfied that the Department has corrected the problem areas and the internal controls over the procurement system are adequate.

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

Sincerely,

A handwritten signature in cursive script, appearing to read "Larry G. Sorrell".

Larry G. Sorrell, Manager
Audit and Certification

LGS/tl

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