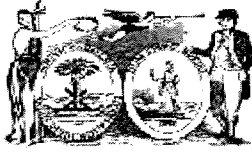


STATE OF SOUTH CAROLINA
State Budget and Control Board
PROCUREMENT SERVICES DIVISION

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STATE TREASURER

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MATERIALS MANAGEMENT OFFICE
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COLUMBIA, SOUTH CAROLINA 29201
(803) 737-0600
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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

June 30, 2004

Mr. Delbert H. Singleton Jr.
Director
Procurement Services Division
6th Floor-Wade Hampton Building
Columbia, South Carolina 29201

Dear Delbert:

I have attached the South Carolina Educational Television 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 South Carolina Educational Television 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

/jl

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION
PROCUREMENT AUDIT REPORT
APRIL 1, 2001 – MARCH 31, 2004

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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

June 11, 2004

Mr. R. Voight Shealy
Materials Management Officer
Office of Procurement Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Voight:

We have examined the procurement policies and procedures of the South Carolina Educational Television Commission for the period April 1, 2001 through March 31, 2004. 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, State regulations and the procurement policy of the Commission. 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 Educational Television 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 recommendation described in the finding will in all material respects place the South Carolina Educational Television Commission in compliance with the 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 Educational Television Commission. Our on-site review was conducted April 5, 2004 to April 28, 2004 and was made under the Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Section 19-445.2020 of the accompanying regulations.

On August 15, 2001, the State Budget and Control granted the South Carolina Educational Television Commission, hereinafter referred to as the Commission, the following procurement certifications.

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Goods and Services	\$25,000
Information Technology	\$25,000
Consultant Services	\$25,000
Construction Contract Award	\$25,000
Construction Contract Change Order	\$25,000
Architect/Engineer Contract Amendment	\$ 5,000

Our audit was performed primarily to determine if recertification is warranted. No additional certification over the current limits was requested.

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 Commission and its related policies 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 for the period July 1, 2001 through March 31, 2004 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, 2001 to March 31, 2004
- (2) Procurement transactions from the period July 1, 2001 through March 31, 2004 as follows:
 - a. Fifty-eight payments exceeding \$1,500 each
 - b. A block sample of five hundred payment vouchers
- (3) Two major construction contracts for compliance with the Manual for Planning and Execution of State Permanent Improvements
- (4) Minority Business Enterprise Plans and reports
- (5) Information technology plans for the audit period
- (6) Internal procurement procedures manual
- (7) Surplus property disposal procedures
- (8) File documentation and evidence of competition

RESULTS OF EXAMINATION

Recurring Purchases Need Contracts

The Commission had numerous recurring purchases for antenna repairs, rewiring of classrooms and satellite dish installation as follows.

<u>Date</u>	<u>Description</u>	<u>Amount</u>	<u>PO</u>
05/10/01	Antenna repairs	\$ 3,000	12937
07/24/01	Antenna repairs	2,475	20194
08/29/01	Antenna repairs	6,830	20520
09/10/01	Antenna repairs	5,029	20614
11/16/01	Antenna repairs	2,711	21202
05/21/03	Antenna repairs	1,597	32415
08/11/03	Antenna repairs	2,086	40317
02/25/04	Antenna repairs	3,248	41624
03/09/04	Antenna repairs	<u>3,681</u>	41708
	Total	<u>\$ 30,657</u>	
09/01/03	Rewiring of classrooms	\$ 1,103	40477
09/01/03	Rewiring of classrooms	1,068	40488
09/04/03	Rewiring of classrooms	488	40524
09/09/03	Rewiring of classrooms	350	40566
09/09/03	Rewiring of classrooms	1,050	40570
09/12/03	Rewiring of classrooms	1,473	40602
09/22/03	Rewiring of classrooms	525	40628
09/22/03	Rewiring of classrooms	<u>1,425</u>	40639
	Total	<u>\$ 7,482</u>	
09/01/03	Satellite dish installation	\$ 1,000	40447
09/02/03	Satellite dish installation	1,000	40514
09/09/03	Satellite dish installation	225	40564
09/09/03	Satellite dish installation	850	40565
09/12/03	Satellite dish installation	1,000	40613
09/18/03	Satellite dish installation	<u>1,000</u>	40629
	Total	<u>\$ 5,075</u>	

The antenna repairs were procured as emergencies. The Commission had a contract for the rewiring services but it expired in August of 2003. The satellite dish installation was considered exempt by the Commission.

We recommend the Commission establish agency contracts for these services in accordance with the Code.

Inappropriate Sole Source Procurements

The following sole source procurements did not meet the criteria of a sole source as defined in Section 11-35-1560 of the Code and Regulation 19-445.2105.

<u>Description</u>	<u>Amount</u>	<u>PO</u>
Janitorial services	\$ 6,418	31034
Janitorial services	6,418	31240
Repair stolen vehicle damage	2,422	41395

We recommend the Commission solicit competition for these types of services.

Drug-Free Workplace Certification on Sole Source Procurements

The Commission failed to obtain the drug-free workplace certification on four sole source procurements.

<u>Description</u>	<u>Amount</u>	<u>PO</u>
Broadcast automation expansion and upgrades	\$ 52,889	30222
High speed copier lease	53,434	30289
Server upgrade	63,115	31778
High speed copier lease	50,434	40318

Section 44-107-30 of the Code of Law requires a written certification on any contract of \$50,000 or more stating that the vendor provides a drug-free workplace.

We recommend the Commission obtain the drug-free workplace certification from vendors on all sole source procurements of \$50,000 or more.

Misapplied Exemptions

The Commission misapplied the exemptions to the Code on three procurements.

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Voucher</u>
1	Closed captioning	\$ 6,000	205462
2	Broadcast fees	6,197	403860
3	Satellite dish parts	11,700	303778

For items 1 and 2, the Commission considered the procurements as meeting the criteria for the exemption for talent that was delegated by the South Carolina Arts Commission in 1992. Item 3 was considered an item for resale.

We recommend the Commission solicit competition for these types of procurements.

Unauthorized Procurements

Three procurements were made by persons who did not have procurement authority causing each to be unauthorized.

<u>Description</u>	<u>Amount</u>	<u>PO</u>
Janitorial services	\$ 6,418	31031
Janitorial services	6,418	31240
Printing	7,274	40844

Regulation 19-445.2015 defines an authorized procurement as “an act obligating the State in a contract by any person without the requisite authority to do so by appointment or delegation.” Since the people obligating the funds did not have the authority to do so, the procurements are unauthorized.

We recommend the Commission implement adequate internal controls to eliminate unauthorized procurements. The Commission must request ratification for each unauthorized procurement from the President or his designee in accordance with Regulation 19-445.2015.

Solicitation Items

The Commission paid for the renewal of an insurance policy on voucher 402707 in the amount of \$7,245. The procurement was not supported by evidence of competition, a sole source or emergency determination or exempt.

Additionally, internet quotes supported the purchase of digital decoders for \$6,154 on purchase order 30153. The quote from the awarded internet vendor was \$5,862 but did not include a handling fee of \$292. However the fee of \$292 was included on the purchase order. Quotes for other vendors were \$5,990 and \$6,137.

We recommend the Commission comply with the competitive requirements of Code and include all applicable costs when determining the lowest responsive and responsible vendor.

CERTIFICATION RECOMMENDATIONS

As enumerated in our transmittal letter, corrective action based on the recommendations described in this report, will in all material respects place the South Carolina Educational Television Commission in compliance with the 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 will recommend the South Carolina Educational Television Commission be recertified to make direct agency procurements for three years up to the limits as follows:

<u>PROCUREMENT AREAS</u>	<u>RECOMMENDED CERTIFICATION LIMITS</u>
Goods and Services	*\$25,000 per commitment
Information Technology	*\$25,000 per commitment
Consultant Services	*\$25,000 per commitment
Construction Contract Award	\$25,000 per commitment
Construction Contract Change Order	\$25,000 per change order
Architect/Engineer Contract Amendment	\$ 5,000 per change order

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



Melissa Rae Thurstin
Senior Auditor



Larry G. Sorrell, Manager
Audit and Certification



June 28, 2004

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

Dear Mr. Sorrell:

Our staff has reviewed the draft procurement audit report for the Educational Television Commission for the period of April 1, 2001 – March 31, 2004. We concur with the content of the report and its recommendations. The Department of Accounting and Procurement has taken action to implement all of the recommendations for improvements noted in the report.

We appreciate the professional manner in which you and Ms. Melissa Thurstin conducted the audit for the Educational Television Commission.

Sincerely,

A handwritten signature in black ink, appearing to read 'Maurice Bresnahan', with a long horizontal line extending to the right.

Maurice "Moss" Bresnahan
President

MB:bl

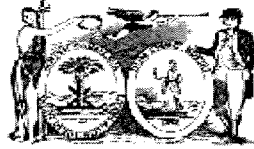
cc: David Crouch, Senior Vice President of Administration
Brad Livingston, Director of Accounting and Procurement

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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

June 30, 2004

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 Educational Television Commission to our audit report for the period of April 1, 2001 – March 31, 2004. Also we have followed the Commission's corrective action during and subsequent to our fieldwork. We are satisfied that the South Carolina Educational Television 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 Educational Television Commission the certification limits noted in our report for a period of three years.

Sincerely,

Handwritten signature of Larry G. Sorrell in cursive.

Larry G. Sorrell, Manager
Audit and Certification

LGS/jl

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