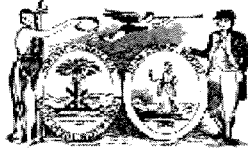


STATE OF SOUTH CAROLINA  
*State Budget and Control Board*  
PROCUREMENT SERVICES DIVISION

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R. VOIGHT SHEALY  
MATERIALS MANAGEMENT OFFICER

October 18, 2005

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

Dear Delbert:

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 South Carolina Arts Commission a three-year certification as noted in the audit report.

Sincerely,

Handwritten signature of R. Voight Shealy in cursive.

R. Voight Shealy  
Materials Management Officer

/jl

**SOUTH CAROLINA ARTS COMMISSION**

**PROCUREMENT AUDIT REPORT**

**OCTOBER 1, 2002 - JUNE 30, 2005**

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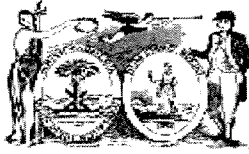
NOTE: The Commission's responses to issues noted in this report have been inserted immediately following the items they refer to.

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R. VOIGHT SHEALY  
MATERIALS MANAGEMENT OFFICER

September 16, 2005

Mr. R. Voight Shealy  
Materials Management Officer  
Procurement Services Division  
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 October 1, 2002 through June 30, 2005. 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 South Carolina Consolidated Procurement Code, State Regulations and the Commission's 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 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 Arts Commission. Our review was conducted July 7-18, 2005 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 internal controls of the procurement system 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 ensuing regulations.

On April 8, 2003 the Budget and Control Board granted the South Carolina Arts Commission the following procurement certifications:

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Goods and Services	\$ 25,000 per commitment
Printing and Design	\$125,000 per commitment

Our audit was performed primarily to determine if recertification is warranted. Additionally, the Commission requested the following increased certifications.

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Goods and Services	\$ 25,000 per commitment
Consultant Services	\$ 25,000 per commitment
Information Technology	\$ 25,000 per commitment
Printing and Design	\$125,000 per commitment

## 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, hereinafter referred to as the 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 October 1, 2002 through June 30, 2005, 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 October 1, 2002 through March 31, 2005
- (2) Procurement transactions for October 1, 2002 through June 30, 2005 as follows:
  - a) Thirty-four payments each exceeding \$1,500
  - b) Two hundred seventy-five numerical purchase orders reviewed for order splitting and favored vendors
  - c) Procurement card purchases for May, August, October and November of 2004
- (3) Minority Business Enterprise Plans and reports
- (4) Approval of the most recent Information Technology Plan
- (5) Internal procurement procedures manual
- (6) Surplus property disposal procedures
- (7) File documentation and evidence of competition
- (8) Blanket purchase agreements

## RESULTS OF EXAMINATION

### Non Compliance Procurement

The Commission issued purchase order 300360 for software support in the amount of \$4,128 that was not supported by evidence of competition, sole source or emergency justification or exempt. Additionally, the vendor invoiced and the Commission paid \$4,864, an increase of \$736, without a documented change order for the increase.

We recommend the Commission comply with the competition requirements of the Code. We also recommend the Commission reconcile and document any discrepancies between purchase orders and invoices.

### COMMISSION RESPONSE

The South Carolina Arts Commission agrees with the finding and has adopted a procedure to reconcile the purchase order and invoice for all purchases prior to payment.

### Blanket Purchase Agreements

The notice of individuals authorized to place calls and the extent of obligation, as required by Regulation 19-445.2100(B)(3)(c), were not included on blanket purchase agreements per purchase orders 400065 and 400085.

We recommend the Commission comply with the requirements of the Regulation when issuing blanket purchase agreements.

### COMMISSION RESPONSE

The South Carolina Arts Commission will include the required documentation for blanket purchase agreements in the future.



**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.

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 re-certified to make direct agency procurements for three years up to the limits as follows.

PROCUREMENT AREAS

CERTIFICATION LIMITS

Goods and Services

\*\$ 25,000 per commitment

Consultant Services

\*\$ 25,000 per commitment

Information Technology

\*\$ 25,000 per commitment

Printing and Design

\*\$125,000 per commitment

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



David E Rawl, CPPB  
Senior Auditor



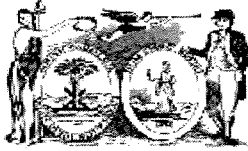
Larry G. Sorrell, Manager  
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R. VOIGHT SHEALY  
MATERIALS MANAGEMENT OFFICER

October 18, 2005

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 period of October 1, 2002 – June 30, 2005. Also we have followed the Commission's corrective action during and subsequent to our fieldwork. We are satisfied that the South Carolina Arts 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 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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