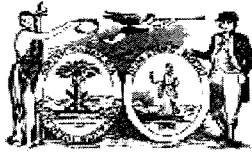


STATE OF SOUTH CAROLINA
State Budget and Control Board
PROCUREMENT SERVICES DIVISION

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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

May 21, 2003

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

Dear Delbert:

I have attached the Construction and Planning Section with the General Services Division'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 Construction and Planning Section a five-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

CONSTRUCTION AND PLANNING SECTION

GENERAL SERVICES DIVISION

BUDGET AND CONTROL BOARD

PROCUREMENT AUDIT REPORT

JULY 1, 2000 - DECEMBER 31, 2002

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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

May 13, 2003

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 Construction and Planning Section with the General Services Division, hereinafter referred to as Section, for the period July 1, 2000 through December 31, 2002. As part of our examination, we studied and evaluated the system of internal control over construction 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 Section. 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 Section 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.

Sincerely,



Larry G. Sorrell, Manager
Audit and Certification

INTRODUCTION

We conducted an examination of the internal procurement operating policies and procedures of the Section. Our on-site review was conducted March 27, 2003 through April 10, 2003 and was made under the authority described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Regulation 19-445.2020.

On November 21, 2000, the Budget and Control Board granted Section the following procurement certifications.

| <u>PROCUREMENT AREA</u> | <u>CERTIFICATION LEVELS</u> |
|---------------------------------------|-----------------------------|
| Construction Contract Award | \$ 50,000 per commitment |
| Construction Contract Change Order | \$ 25,000 per change order |
| Architect/Engineer Contract Amendment | \$ 10,000 per change order |

Our audit was performed primarily to determine if re-certification is warranted. Additionally the Section requested the following increase in certification for five years.

| <u>PROCUREMENT AREA</u> | <u>CERTIFICATION LEVELS</u> |
|---------------------------------------|-----------------------------|
| Construction Contract Award | \$ 50,000 per commitment |
| Construction Contract Change Order | \$ 50,000 per change order |
| Architect/Engineer Contract Amendment | \$ 10,000 per change order |

RESULTS OF EXAMINATION

We conducted our examination in accordance with Generally Accepted Auditing Standards as they apply to compliance audits. Our examination was limited to construction procurement transactions and encompassed a detailed analysis of the internal procurement operating procedures of Section 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 manage these transactions.

We selected a judgemental sample of projects active during the period July 1, 2000 through December 31, 2002 for compliance testing and performed other audit procedures we considered necessary to formulate this opinion. Specifically, the scope of our audit included a review of the following:

- (1) Twenty-five permanent improvement construction contracts greater than \$100,000
- (2) Twenty non-permanent improvement construction contracts less than \$100,000
- (3) Eighteen architect/engineering services contract selections
- (4) Establishment of thirteen indefinite delivery of construction service contracts (IDC)
- (5) File documentation and evidence of compliance to the Manual for the Planning and Execution of State Permanent Improvement

We noted no material exceptions.

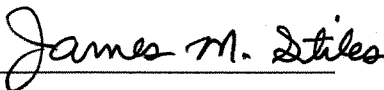
CERTIFICATION RECOMMENDATION

Under the authority described in Section 11-35-1210 of the Procurement Code, we recommend the Construction and Planning Section with the General Services Division be recertified to make direct agency procurements for five years up to the limits as follows.

PROCUREMENT AREAS

RECOMMEND CERTIFICATION LEVEL

| | |
|---------------------------------------|---------------------------|
| Construction Contract Award | \$50,000 per commitment |
| Construction Contract Change Order | \$50,000 per change order |
| Architect/Engineer Contract Amendment | \$10,000 per change order |



James M. Stiles, CPPB
Audit Manager



Larry G. Sorrell, Manager
Audit and Certification

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