

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

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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

June 26, 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 South Carolina Employment Security 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 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 EMPLOYMENT SECURITY COMMISSION
PROCUREMENT AUDIT REPORT
JULY 1, 2000 - MARCH 31, 2003

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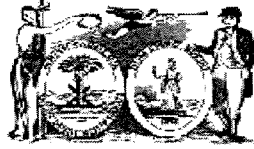
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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

June 16, 2003

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 Employment Security Commission for the period July 1, 2000 through March 31, 2003. 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 Department'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 Employment Security 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 several 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 Carolina Employment Security 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 Employment Security Commission. Our on-site review was conducted April 24, 2003 through May 7, 2003 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.

On November 21, 2000, the State Budget and Control Board granted the South Carolina Employment Commission, hereinafter referred to as the Commission, the following procurement certifications.

PROCUREMENT AREAS

CERTIFICATION LIMITS

Goods and Services	\$25,000 per commitment
Consultant Services	\$25,000 per commitment
Information Technology	\$25,000 per commitment

Our audit was performed primarily to determine if re-certification is warranted. The Commission requested to be recertified at the current levels above.

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 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 from the period July 1, 2000 through March 31, 2003 of procurement transactions for compliance testing and performed other audit procedures 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 July 1, 2000 through March 31, 2003
- (2) Procurement transactions from the period July 1, 2000 through March 31, 2003 as follows:
 - a) One hundred two procurements each exceeding \$1,500
 - b) A block sample of three hundred purchase orders reviewed for order splitting and favored vendors
- (3) Four construction contracts and three professional services contracts for compliance with the Manual for Planning and Execution of State Permanent Improvements
- (4) Minority Business Enterprise Plan and reports for the audit period
- (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

Unauthorized Sole Source Procurements

The written determinations on the following eleven sole source procurements were not signed.

<u>PO</u>	<u>Date</u>	<u>Description</u>	<u>Amount</u>
20010127	08/27/01	Postage meter charges	\$ 12,157
20010242	08/27/01	Software	6,877
20010325	09/19/01	Printed circuit boards	11,668
20010458	10/19/01	Postage meter charges	11,421
20010486	10/19/01	Test forms	3,300
20010585	11/14/01	Equipment lease	16,693
20010659	12/05/01	Postage meter charges	11,433
20020040	07/25/02	Narration fee	3,600
20020449	11/25/02	Maintenance	19,425
20020656	02/12/03	Maintenance	6,558

Section 11-35-1560 of the Code requires the head of the agency or a designee above the level of the procurement officer to prepare a written determination for proposed sole source procurements. Since the procurements were processed as sole source procurements without the written determinations, each procurement is unauthorized as defined in Regulation 19-445.2015.

We recommend the Commission implement procedures to assure that written determinations of proposed sole source procurements are prepared in accordance with the Code. Ratification of each unauthorized procurement must be requested from the Director or his designee in accordance with Regulation 19-445.2015.

Procurements Without Competition

Three procurements were not supported by evidence of solicitations of competition, sole source or emergency procurement determinations.

<u>Document Reference</u>	<u>Description</u>	<u>Amount</u>
PO 99001268	Furniture	\$2,740
PO 200111120	Promotional items	3,741
Voucher 114265	Catering	4,482

Section 11-35-1550 (2)(a) requires the solicitation for a minimum of three verbal or written quotes for procurements between \$1,500 and \$5,000.

We recommend the Commission adhere to the competitive requirements of the Code.

Artificially Divided Procurement

Two procurement card purchases should have been combined and competition solicited based on the total value of \$2,808.

<u>Invoice</u>	<u>Date</u>	<u>Description</u>	<u>Amount</u>
38569166	11/19/01	Pocket calendars	\$1,404
38517116	11/19/01	Pocket calendars	<u>1,404</u>
		Total	<u>\$2,808</u>

One department purchased identical items on the same day from the same vendor. A requisition for the items should have been prepared and submitted in accordance with the Department's policy rather than being procured with the procurement card.

We recommend the Commission monitor the credit card statements for evidence of artificially dividing orders.

CERTIFICATION RECOMMENDATION

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 Employment Security 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 Employment Security Commission be recertified to make direct procurements for three years up to the limit as follows.

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

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



David E Rawl, CPPB
Senior Auditor



Larry G. Sorrell, Manager
Audit and Certification



www.sces.org

COMMISSIONERS
J. William McLeod
McKinley Washington, Jr.
Carole C. Wells

1550 Gadsden Street
Columbia, South Carolina 29202

June 24, 2003

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

Dear Mr. Sorrell:

We have reviewed the Procurement Audit Report for the period July 1, 2000 through June 30, 2003 for this Agency and concur with your findings.

We are in the process of implementing the recommendations specified in the report and with the approval of our re-certification of \$25,000.00 the South Carolina Employment Security Commission will continue to improve our procurement activities.

If I may be of further assistance, please let me know.

Sincerely,

Roosevelt T. Halley
Executive Director

RTH:rr

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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

June 26, 2003

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 Employment Security Commission to our audit report for the period of July 1, 2000 – March 31, 2003. Also we have followed the Commission's corrective action during and subsequent to our fieldwork. We are satisfied that the 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 Employment Security Commission the certification limits noted in our report for a period of three years.

Sincerely,

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

Larry G. Sorrell, Manager
Audit and Certification

LGS/jl

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