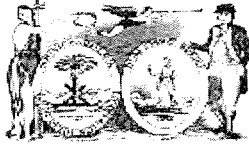


STATE OF SOUTH CAROLINA
State Budget and Control Board
PROCUREMENT SERVICES DIVISION

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

April 6, 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 John de la Howe School's procurement audit report and recommendations made by the Office of Audit and Certification. I concur and recommend the report be submitted as information to the Budget and Control Board.

Sincerely,

A handwritten signature in cursive script that reads 'Voight Shealy'.

R. Voight Shealy
Materials Management Officer

/jl

**JOHN DE LA HOWE SCHOOL
PROCUREMENT AUDIT REPORT
JULY 1, 2002 - SEPTEMBER 30, 2003**

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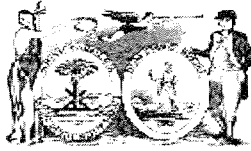
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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

February 4, 2004

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 John de la Howe School for the period July 1, 2002 through September 30, 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 School'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 John de la Howe School 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 John de la Howe School 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 John de la Howe School. Our on-site visit was conducted October 27, 2003 through November 17, 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.

During the audit, the State Budget and Control Board granted John de la Howe School the following procurement certification effective November 12, 2003.

| <u>PROCUREMENT AREAS</u> | <u>CERTIFICATION LIMITS</u> |
|--------------------------|-----------------------------|
| Goods and Services | \$25,000 |
| Consultant Services | \$25,000 |
| Information Technology | \$25,000 |

Our audit was performed primarily to determine if certification is warranted.

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 John de la Howe School 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 July 1, 2002 through September 30, 2003 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 July 1, 2002 through September 30, 2003
- (2) Procurement transactions for the period July 1, 2002 through September 30, 2003 as follows:
 - a) Ten payments each exceeding \$1,500
 - b) A block sample of four months purchase orders reviewed for order splitting and favored vendors
- (3) One construction contract for compliance with the Manual for Planning and Execution of State Permanent Improvements
- (4) Minority Business Enterprise reports for the audit period
- (5) Information technology plans for the audit period
- (6) Internal procurement procedures manual review
- (7) Procurement file documentation and evidence of competition
- (8) Surplus property procedures

RESULTS OF EXAMINATION

Procurements Without Competition

Two procurements were not supported by evidence of competition, solicitation, sole source, or emergency determinations, or exempt.

| <u>PO</u> | <u>Amount</u> | <u>Description</u> |
|-----------|---------------|---------------------|
| 53230 | \$2,250 | Training consultant |
| 53531 | 2,230 | Software |

We recommend the School comply with the competitive requirements as defined in Section 11-35-1550 of the Code for these types of items.

Procurement Authorization

Three procurements were not supported with written documentation to confirm procurement authority.

| <u>PO</u> | <u>Amount</u> | <u>Description</u> |
|-----------|---------------|--------------------|
| 53376 | \$213 | Training |
| 53434 | 80 | Hybrid sweet corn |
| 53437 | 65 | Clearing field |

Procurement authority, as defined by the School's policy, is limited to the Superintendent, the Director of Business and Support Services, and the Procurement Specialist. Based on discussion with School personnel, verbal approval rather than written approval was obtained on these procurements.

We recommend the School implement procedures to address the written delegation of procurement authority.

Procurement From Expired Contract

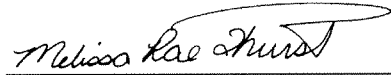
The contract for HVAC service was solicited and awarded by the Materials Management Office in 1999. The contract expired on June 30, 2003. On August 18, 2003, purchase order 53636 in the amount of \$1,523 was issued to repair a compressor and referenced the contract as the solicitation method. School personnel did not realize the contract had expired.

We recommend the School discontinue using the expired contract and solicit competition for these types of services.

CERTIFICATION RECOMMENDATIONS

As enumerated in our transmittal letter, corrective action based on the recommendations described in this report will in all material respects place John de la Howe School in compliance with the Consolidated Procurement Code and ensuing Regulations.

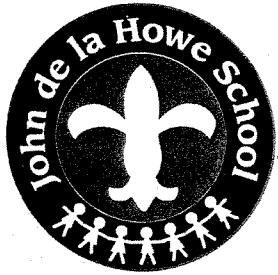
As noted in the Introduction Section of this report, the Office of Audit and Certification was in the process of auditing the School on November 12, 2003 when the Budget and Control Board granted certification to fifty-eight agencies, including the School. No further certification is recommended at this time. The report is submitted as information only.



Melissa Rae Thurstin
Senior Auditor



Larry G. Sorrell, Manager
Audit and Certification



John de la Howe School

South Carolina's Home for Children

George H. Young, Jr.
Interim Superintendent

February 26, 2004

Mr. Larry G. Sorrell, Manager
Audit and Certification
State of South Carolina
Materials Management Office
1201 Main Street, Suite 600
Columbia, SC 29201-3212

Dear Mr. Sorrell:

We have read the draft copy of the audit report. We concur with the recommendations and will take appropriate actions.

We appreciate the help your office has given when asked and the professional manner and pleasantness of your staff.

Sincerely,

George H. Young, Jr.
Interim Superintendent

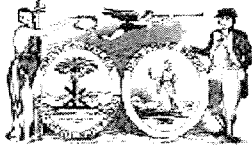
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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

April 6, 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 John de la Howe School to our audit report for the period of July 1, 2002 – September 30, 2003. Also we have followed the School's corrective action during and subsequent to our fieldwork. We are satisfied that John de la Howe School has corrected the problem areas and the internal controls over the procurement system are adequate.

Therefore, we recommend the report be submitted as information to the Budget and Control Board.

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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