

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

**WIL LOU GRAY OPPORTUNITY SCHOOL
PROCUREMENT AUDIT REPORT
JULY 1, 1999 - MARCH 31, 2002**

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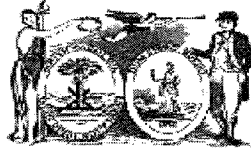
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DIVISION DIRECTOR
(803) 734-2320

MATERIALS MANAGEMENT OFFICE
1201 MAIN STREET, SUITE 600
COLUMBIA, SOUTH CAROLINA 29201
(803) 737-0600
Fax (803) 737-0639

R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

May 1, 2002

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 Wil Lou Gray Opportunity School for the period July 1, 1999 through March 31, 2002. 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 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 Wil Lou Gray Opportunity 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 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 Wil Lou Gray Opportunity School in compliance with the South Carolina 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 Wil Lou Gray Opportunity School. Our on-site review was conducted April 9-12, 2002 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.

Section 11-35-1210 of the South Carolina Consolidated Procurement Code states:

The (Budget and Control) Board may assign differential dollar limits below which individual governmental bodies may make direct procurements not under term contracts. The Office of General Services shall review the respective governmental body's internal procurement operation, shall verify in writing that it is consistent with the provisions of this code and the ensuing regulations, and recommend to the Board those dollar limits for the respective governmental body's procurement not under term contract.

On November 9, 1999 the Budget and Control Board granted Wil Lou Gray Opportunity School the following procurement certification.

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

Our audit was performed primarily to determine if re-certification is warranted. Additionally, the Wil Lou Gray Opportunity School requested the following certification increases.

<u>PROCUREMENT AREAS</u>	<u>RECOMMENDED CERTIFICATIONS LIMITS</u>
Goods and Services	\$25,000 per commitment
Consultant Services	\$25,000 per commitment
Information Technology	\$25,000 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 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, 1999 through March 31, 2002 of procurement transactions for compliance testing and performed other audit procedures that we considered necessary to formulate this opinion. 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, 1999 through March 31, 2002
- (2) Procurement transactions for the period July 1, 1999 through March 31, 2001 as follows:
 - a) Forty-three payments each exceeding \$1,500
 - b) A block sample of two hundred fifty eight purchase orders reviewed for order splitting and use of favored vendors

(2) Two construction contracts and one professional services contracts for

RESULTS OF EXAMINATION

Unauthorized Sole Sources

We noted two unauthorized sole source procurements.

<u>PO</u>	<u>Date</u>	<u>Description</u>	<u>Amount</u>
1422-02	10/02/01	LED wall clock	\$2,656
S9212A	12/05/01	Service on energy management system	5,684

The procurement officer was delegated sole source authority. Delegation of sole source authority is allowed by the Code, however, according to Section 11-35-1560 of the Code, the delegated authority must at a level above the procurement officer. Each procurement is unauthorized as defined in Regulation 19-445.2015 because the delegation of sole source authority was to procurement officer.

We recommend the School delegate sole source authority to a level above the procurement officer. A ratification request must be submitted to the Director or his designee in accordance with Regulation 19-445.2015 for the unauthorized sole source procurements.

Procurements Without Competition

Four procurements lacked evidence of competition, sole source, or emergency determinations.

<u>PO</u>	<u>Date</u>	<u>Description</u>	<u>Amount</u>
1209-02	8/10/01	Radio service	\$17,000
2685	2/24/00	Drink mix	2,368

<u>PO</u>	<u>Date</u>	<u>Amount</u>
2415-01	6/20/01	\$1,425
2425-01	6/21/01	1,460
2434-01	6/21/01	<u>1,449</u>
	Total	<u>\$4,334</u>

We recommend the School combine its needs when possible and solicit competition in accordance with the Code based on the total potential contract value.

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 Wil Lou Gray Opportunity School 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 Wil Lou Gray Opportunity School be re-certified 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
Consultant Services	*\$25,000 per commitment
Information Technology	*\$25,000 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
Audit and Certification

Wil Lou Gray Opportunity School

WEST CAMPUS ROAD • WEST COLUMBIA, SOUTH CAROLINA 29170 • (803) 896-6480 FAX (803) 896-6490

May 29, 2002

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

Dear Larry:

In response to your draft procurement audit of the Wil Lou Gray Opportunity School dated May 13, 2002, the following is our reply of corrective action or changes to be implemented to comply with the Procurement Code.

- I. Unauthorized Sole Sources
In the course of the audit, some unauthorized procurements were cited due to signature requirements. The School will delegate sole source authority to a level above the procurement officer.

- II. Procurements Without Competition and Combining Procurements
We have reviewed our internal procedures and will carefully screen requests to ensure that like items are combined for solicitation.

Thank you for your assistance.

Sincerely,



Pat G. Smith
Director, Wil Lou Gray Opportunity School



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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

May 31, 2002

Mr. R. Voight Shealy
Materials Management Officer