

SOUTH CAROLINA ARTS COMMISSION

PROCUREMENT AUDIT REPORT

JULY 1, 2005 – DECEMBER 31, 2007

TABLE OF CONTENTS

	<u>PAGE</u>
Transmittal Letter	1
Introduction	3
Scope.....	4
Results of Examination	5
Certification Recommendations	6
Follow-up Letter.....	7

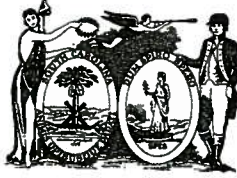
NOTE: The Commission's responses to issues noted in this report have been inserted immediately following the items they refer to.

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

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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

September 30, 2008

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 for the South Carolina Arts Commission for the period July 1, 2005 through December 31, 2007. 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 established 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 determined 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 those 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 two 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, conducted March 20, 2008 through April 4, 2008, 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 1, 2005 the State Budget and Control Board granted the South Carolina Arts Commission the following procurement certification:

<u>PROCUREMENT AREA</u>	<u>CERTIFICATION LIMIT</u>
Printing and Design	\$ 125,000 per commitment

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

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Goods and Services	\$ 100,000 per commitment
Printing and Design	\$ 125,000 per commitment
Information Technology	\$ 100,000 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 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 samples for the period July 1, 2005 through December 31, 2007 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, 2005 through December 31, 2007
- (2) Procurement transactions for the period January 1, 2006 through February 29, 2008 as follows:
 - a) Thirty-six payments each exceeding \$2,500
 - b) Two hundred and ninety-six sequentially numbered purchase orders with the prefix "a" for goods and services reviewed against the use of order splitting and favored vendors
- (3) Procurement card transactions for July 2006 and June of 2007
- (4) Minority Business Enterprise Plans and reports for the audit period with the following activity reported to the MBE Office

<u>Fiscal Year</u>	<u>Goal</u>	<u>Actual</u>
2005-2006	\$ 5,818	\$ 11,420
2006-2007	8,978	13,760
2007-2008	11,956	10,609

- (5) Internal procurement procedures manual
- (6) File documentation and evidence of competition
- (7) Surplus property disposal procedures

RESULTS OF EXAMINATION

Procurement Procedures Manual

We reviewed the current procurement procedures manual for compliance with the Code as defined in Section 11-35-540 and Regulation 19-445.2005 and found it to be deficient in a number of areas. Per the Procurement Director, the manual is in the process of being updated.

We recommend the Commission update its manual and submit it to the Materials Management Office in accordance with Section 11-35-540.

COMMISSION RESPONSE

The revised manual has been submitted to your office for review.

Receiving Not Documented

The following vouchers were not supported by properly documented receiving reports, which would have indicated services or items being received.

<u>Date</u>	<u>PO</u>	<u>Voucher</u>	<u>Amount</u>
06/14/06	600510	600945	\$ 3,250
06/23/06	600565	601026	10,633
07/17/06	800001	700011	12,075
07/26/06	700011	700021	8,649
09/18/06	700076	700116	2,965
09/20/06	700090	700121	34,800
04/18/07	700377	700748	15,000
08/01/07	800023	800027	9,180
08/01/07	800028	800028	39,800
11/15/07	800067	800323	15,132
01/04/08	800202	800486	6,125
01/17/08	800241	800560	8,580

We recommend all vouchers clearly indicate services or items being received prior to processing for payment.

COMMISSION RESPONSE

Accurate documentation shall be on file before processing for payment.

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 and ensuing regulations.

Under the authority described in Section 11-35-1210 of the Procurement Code, subject to the corrective actions, we will recommend the South Carolina Arts Commission be recertified to make direct agency procurements for three years up to the limits as follows:

PROCUREMENT AREAS

RECOMMENDED CERTIFICATION LIMITS

Supplies and Services

*\$ 100,000 per commitment

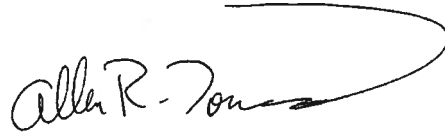
Printing and Design

*\$ 125,000 per commitment

Information Technology

*\$ 100,000 per commitment

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



Allen R. Townsend, CBM
Senior Auditor



Larry G. Sorrell, Manager
Audit and Certification

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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

October 15, 2008

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 July 1, 2005 to December 31, 2007. 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,

A handwritten signature in blue ink that reads "Larry G. Sorrell".

Larry G. Sorrell, Manager
Audit and Certification

LGS/gs

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