

SOUTH CAROLINA ARTS COMMISSION

PROCUREMENT AUDIT REPORT

JANUARY 1, 2008 – JUNE 30, 2011

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

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August 24, 2011

Mr. R. Voight Shealy
Materials Management Officer
Division 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 Arts Commission for the period January 1, 2008 through June 30, 2011. As part of our examination, we studied and evaluated the system of internal controls over procurement transactions to the extent we considered necessary.

The evaluation was used to establish a basis for reliance upon the system of internal controls to assure adherence to the South Carolina Consolidated Procurement Code, State regulations, and the South Carolina Arts Commission's procurement policies. 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 Arts Commission is responsible for establishing and maintaining a system of internal controls 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

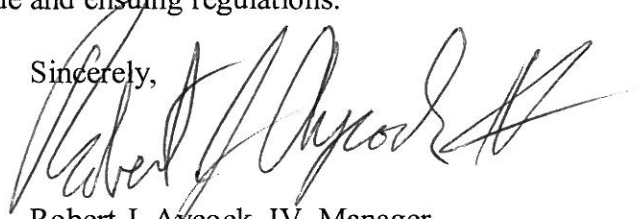
reasonable, but not absolute assurance of the integrity of the procurement process, that affected assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly.

Because of inherent limitations in any system of internal controls, 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 controls 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 the South Carolina Arts Commission in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert J. Aycock, IV". The signature is fluid and cursive, with a large initial "R" and "A".

Robert J. Aycock, IV, Manager
Audit and Certification

INTRODUCTION

We conducted an examination of the internal procurement operating policies and procedures of the South Carolina Arts Commission. Our on-site review was performed July 19 through August 11, 2011 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.

The examination was directed principally to determine whether, in all material respects, the internal controls of the procurement system were adequate and the procurement procedures, as outlined in the Internal Procurement Policies and Procedures Manual, were in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

On November 6, 2008 the State Budget and Control Board granted the South Carolina Arts Commission the following procurement certifications:

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Supplies and Services	\$ 100,000 per commitment
Printing and Design	\$ 125,000 per commitment
Information Technology	\$ 100,000 per commitment

Our audit was performed primarily to determine if recertification was warranted. The South Carolina Arts Commission requested to remain at its current certification limits.

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, hereinafter referred to as the SCAC, 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 January 1, 2008 through June 30, 2011 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 January 1, 2008 through June 30, 2011 with no exceptions.
- (2) Procurement transactions for the period January 1, 2008 through June 30, 2011 as follows:
 - a) Twenty-seven payments each exceeding \$2,500 with exceptions noted in Section I.
 - b) A review of all purchase orders issued for FY11 reviewed against the use of order splitting and favored vendors with no exceptions.
 - c) Procurement card purchases for April, May and June 2011 with no exceptions.
- (3) Minority Business Enterprise Plans and reports with the following activity reported to the Governor's Office of Small and Minority Business Assistance with exceptions noted in Section II of the report:

<u>Fiscal Year</u>	<u>Goal</u>	<u>Actual</u>
FY07-08	\$11,956.00	\$10,609.66
FY08-09	\$10,380.00	\$ 3,687.16
FY09-10	\$ 5,892.00	\$ 3,753.47
FY10-11	\$ 4,777.00	\$ 2,955.80

- (4) Internal procurement procedures manual with no exceptions
- (5) Surplus property disposition procedures with no exceptions
- (6) Ratification of unauthorized procurements with no exceptions
- (7) Other tests performed as deemed necessary with no exceptions

SUMMARY OF AUDIT FINDINGS

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I. <u>Procurement without Competition</u>	7
<p>No written quotes were provided for a procurement of \$4,905.</p>	
II. <u>Minority Business Enterprise Plans Not Approved</u>	7
<p>Our review of the SCAC's Minority Business Enterprise (MBE) Plans revealed that three out of four MBE plans were not approved by the Governor's Office.</p>	

RESULTS OF EXAMINATION

I. Procurement without Competition

The SCAC issued purchase order 460002896 for printing services in the amount of \$4,905. The SCAC provided no evidence that competition had been solicited. Per 11-35-1550(2)(b), “Solicitation of written quotes from a minimum of three qualified sources of supply must be made and documentation of the quotes attached to the purchase requisition for a small purchases over two thousand five hundred dollars but not in excess of ten thousand dollars.”

We recommend that the SCAC comply with the competition requirements for small purchases.

SCAC’s Response:

The South Carolina Arts Commission (SCAC) concurs with this finding. SCAC's new procurement director has implemented procedures and guidelines to insure competition and the solicitation of three written quotes for compliance with the Code.

II. Minority Business Enterprise Plans Not Approved

Our review of the SCAC’s Minority Business Enterprise (MBE) Plans revealed that three out of four MBE plans covering the audit period were not approved by the Governor’s Office. The Governor's Office of Small and Minority Business Assistance (OSMBA) acknowledged receipt of only one of these plans.

Per 11-35-5240 (2), “MBE utilization plans must be submitted to the OSMBA for approval no later than July thirtieth annually.”

We recommend that the SCAC obtain OSMBA approval on its annual MBE plans.

SCAC’s Response:

The new procurement director has implemented measures to insure that SCAC obtains OSMBA approval and that these documents are kept on file in the agency's procurement office.

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 South Carolina Consolidated Procurement Code.

Under the authority described in Section 11-35-1210 of the South Carolina Consolidated Procurement Code, subject to this corrective action, we will recommend the South Carolina Arts Commission be certified to make direct agency procurements for three years up to the following limits.

PROCUREMENT AREAS

CERTIFICATION LIMITS

Supplies and Services

* \$100,000 per commitment

Printing and Design

* \$125,000 per commitment

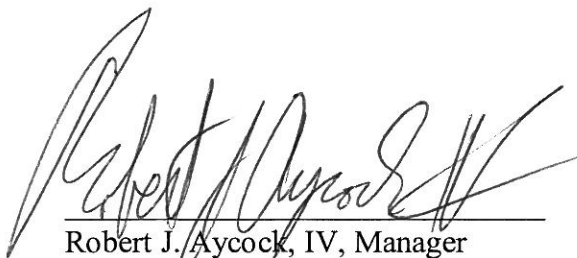
Information Technology

* \$100,000 per commitment

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



Beth Adkins
Senior Auditor



Robert J. Aycock, IV, Manager
Audit and Certification

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MARCIA S. ADAMS
EXECUTIVE DIRECTOR

December 5, 2011

Mr. R. Voight Shealy
Materials Management Officer
Division of Procurement Services
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 January 1, 2008 to June 30, 2011. 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,

Robert J. Aycock, IV, Manager
Audit and Certification

RJA/gs

Total Copies Printed	11
Unit Cost	<u>\$.41</u>
Total Cost	<u>\$4.51</u>