

SOUTH CAROLINA ARTS COMMISSION

PROCUREMENT AUDIT REPORT

JULY 1, 2011 – DECEMBER 31, 2014

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NOTE: The Commission’s response to the issue noted in this report has been inserted immediately following the item it refers to.

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May 31, 2016

Mr. John St. C. White
Materials Management Officer
Division of Procurement Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear John:

We have examined the procurement policies and procedures at the South Carolina Arts Commission for the period July 1, 2011 through December 31, 2014. 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 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 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 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 one condition in this report which we believe needs correction or improvement. Corrective action based on the recommendation described in this finding will in all material respects place the South Carolina Arts Commission in compliance with the 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 review was performed 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 Operating Procedures Manual, were in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

On January 31, 2012 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
Information Technology	\$100,000 per commitment
Printing and Design	\$125,000 per commitment

Our audit was performed primarily to determine if recertification was warranted. The South Carolina Arts Commission requested to remain at its current certifications levels minus printing and design. Printing and design certification is covered under Information Technology.

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 at the South Carolina Arts Commission, hereinafter referred to as 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 for the period July 1, 2011 through December 31, 2014 of procurement transactions managed by the Commission for compliance testing and performed other audit procedures that we considered necessary to formulate our 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, 2011 through December 31, 2014 with no exceptions
- (2) Procurement transactions for the period July 1, 2011 through December 31, 2014 as follows:
 - a) Thirty-one payments each exceeding \$2,500 with no exceptions
 - b) Forty sequentially filed purchase orders reviewed against the use of order splitting and favored vendors with no exceptions
 - c) Nine procurement card transactions during July, August, and September 2014 with an exception noted in Section I
- (3) Minority Business Enterprise Plans and reports, with the following activity reported to the Governor's Office Division of Small and Minority Business Contracting and Certification:

<u>Fiscal Year</u>	<u>Goal</u>	<u>Actual</u>
2011-2012	\$3,012	\$7,766
2012-2013	\$3,012	\$4,886
2013-2014	\$3,153	\$4,966
2014-2015	\$3,363	\$4,912*

*Total represents first and second quarters of the fiscal year ending 2015 only

- (4) Approval of the most recent Information Technology Plan with no exceptions
- (5) Internal procurement procedures manual with no exceptions
- (6) Surplus property disposition procedures with no exceptions
- (7) Ratification of unauthorized procurements with no exceptions
- (8) File documentation and evidence of competition with no exceptions
- (9) Other tests performed as deemed necessary with no exceptions

SUMMARY OF AUDIT FINDINGS

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I. Procurement Card Transactions Cardholder Activity Statements Not Approved

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Monthly procurement card statements were not being approved by cardholders or supervisors.

RESULTS OF EXAMINATION

I. Procurement Card Transactions Cardholder Activity Statements Not Approved

Monthly procurement card statements were not being approved by cardholders or supervisors. The statements reflect the card holders monthly activity and should be signed indicating that the transactions were appropriate and recommended for payment. Section III of the State Procurement Card Policy manual establishes supervisors/ approving officials roles and responsibilities. Among them include approving the procurement card cardholder activity statements and verifying that cardholder activity statements contain the cardholder's signature.

We recommend the Commission require cardholder and supervisor signatures on the cardholder activity statements taking responsibility for the transactions and recommending them for payment in accordance with State policy.

Commission Response

The South Carolina Arts Commission (SCAC) concurs with this finding. SCAC's has already put into place the steps for securing the cardholder and supervisor signatures on the monthly activity statements.

CERTIFICATION RECOMMENDATIONS

As enumerated in our transmittal letter, corrective action based on the recommendation described in this report, we believe, will in all material respects place the South Carolina Arts Commission 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 South Carolina Arts Commission be certified to make direct agency procurements for three years up to the following limits.

PROCUREMENT AREAS

REQUESTED CERTIFICATION LIMITS

Supplies and Services

*\$100,000 per commitment

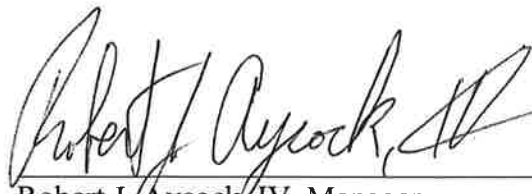
Information Technology

*\$100,000 per commitment

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



Mary E. Jefferson
Senior Auditor



Robert J. Aycock, IV, Manager
Audit and Certification

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July 26, 2016

Mr. John St. C. White
Materials Management Officer
Division of Procurement Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear John:

We have reviewed the response from the South Carolina Arts Commission to our audit report for the period of July 1, 2011 through December 31, 2014. In our opinion, the South Carolina Arts Commission complies with the South Carolina Consolidated Procurement Code, State regulations, and the Commission's procurement policies and procedures in all material respects and the internal procurement operating procedures are adequate to properly handle procurement transactions. Therefore, we recommend the State Fiscal Accountability Authority 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

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