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May 31, 2011

Mr. R. Voight Shealy
Materials Management Officer
Division of Procurement Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Voight:

At its February 8, 2011 meeting, the State Budget and Control Board directed the Division of Procurement Services to oversee all procurement activity and to conduct a review of the John de la Howe School's procurement practices in ninety (90) days. The Board further instructed that the Division report back to the Board the results of the review. From the Board's February 8, 2011 minutes:

He (Mr. Shealy) suggested that someone be assigned to communicate with John de la Howe every time before they process a procurement which could be done telephonically, by computer, or by fax. Mr. Eckstrom said that was going to be his suggestion and to have the audit staff go back to the School in 90 days to see if the School has been following the directions that have been given to them on a daily basis.

Upon a motion by Mr. Eckstrom, seconded by Mr. Loftis, the Board received as information that the Division of Procurement Services, in accordance with Section 11-35-1230 of the South Carolina Consolidated Procurement Code, reviewed the procurement system of John de la Howe School and that the chief procurement officers have determined, pursuant to S. C. Reg. 19-445.2022, that the School's audit results warrant a temporary suspension of authority from \$50,000 to \$25,000 because of extensive audit findings. However, the Board directed that all of John de la Howe School's procurements be overseen by the Division of Procurement Services. The Board further directed the Procurement Services Division to conduct a review of John de la Howe School's procurement practices in ninety (90) days and report back to the Board the results of the review.

To accomplish the Board's directive, the Division of Procurement Services took the following actions. Because the School uses the South Carolina Enterprise Information System (SCEIS) for procurement, the Division, working with the SCEIS Office, had the system "re-wired" to require our approval of all of the School's shopping carts (requisitions) for all procurements. We also assigned two staff members to communicate with the School on each and every procurement transaction. We communicated this assignment to the School through written procedural instructions. We further communicated, that if for some reason the School needs to amend a purchase request after we had approved the shopping cart, to communicate that need to us first. Further, we recognized the School has a student population and that it operates 24 hours a day, 7 days a week. We instructed should emergency conditions occur as defined in Section 11-35-1570 and Regulation 19-445.2110 of the Procurement Code that created an immediate threat to the health, welfare, critical economy or safety of the students, campus or John de la Howe as a whole, the School may proceed as necessary to address the condition provided it followed-up with paper work to us as soon as is practical under the circumstances. Additionally, the Division compiled a continuous weekly procurement activity log for Budget and Control Board Executive Management.

The School's Superintendent, Mr. Thomas W. Mayer, communicated to us that he instructed his staff to work cooperatively with the contacts we identified to effect this process. He assured us the School was working diligently to ensure all findings of the audit were resolved and looked forward to our return visit.


Throughout the 90 day period, we reviewed the School's shopping carts and supporting documents for compliance to the Consolidated Procurement Code before authorizing approvals to purchase. During this period, the Division reviewed sixty-three (63) procurements totaling \$39,712. On May 12, 2011, the audit staff returned to the School to conduct a review of John de la Howe School's procurement practices. Our review discovered the School by-passed the shopping cart process on some of its purchases. See the attachment for the listing of those purchases. Therefore those purchases were not presented to us for review and approval. As a result, those purchases violated the Board's directive.

The listing identified \$36,325 in expenditures that violated the Board's directive. Further, some of those purchases did not comply with the Consolidated Procurement Code. We identified those on the attached listing as "no competition." Food purchases totaling \$29,772 represented the majority of the expenditures. The School had been buying food from expired contracts. To correct the problem, the Division coordinated a meeting between its staff, John de la Howe staff and the South Carolina Department of Education. The Department of Education coordinates a school district food solicitation through the South Carolina School Food Service Purchasing Alliance utilizing the buyer power of the majority of school districts in South Carolina. John de la Howe School qualifies to participate in the food purchase alliance. The Division anticipates the School will realize noticeable savings in its food purchases once the contract solicitation is awarded.

The School's Superintendent is working to comply with the Board's directive. In June 2010, shortly after he was hired, the School's Superintendent requested we perform a procurement audit. Through the audit process, he recognized he had problems to address. The person responsible for the shredding of documents that led to the Board's action on February 8, 2011 is no longer employed by the School. Further, the person responsible for by-passing the shopping cart process identified by the

audit staff on May 12th is no longer employed by the School. His employment ended at the end of April. After the May 12th review where the audit staff identified the School had not complied with the Board's directive, the Superintendent asked that we request from the Board a continuance of the Board's directive for another 90 day period as he works to solve the School's problems by acclimating new staff, training existing staff and evaluating progress. He also requested that the audit staff perform a monthly review of the School's purchasing activity during this period to confirm compliance with the Board's directive. We concur with his request.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert J. Aycock, IV". The signature is fluid and cursive, with a large, sweeping flourish at the end.

Robert J. Aycock, IV
Manager, Audit and Certification

cc: Mr. Thomas W. Mayer, Superintendent
Ms. Shatika Spearman, Director of Budget and Finance
Mr. Delbert H. Singleton, Jr., Division Director
Mr. Mac Stiles, Senior Auditor
Mr. Derwin Brannon, Procurement Manager

Attachment

John de la Howe School
 Procurements that Violated the Board's Directive
 February 8, 2011 - May 12, 2011

Description	Ref Doc	Doc Date	Payment Amount	Contract Value	Comments
Waste Collection contract	3001759547	3/1/2011	\$ 648.90	\$23,361	No competition
	3001862608	4/1/2011	\$ 648.90		
Elevator service & repair contract	3001799802	3/15/2011	\$ 600.79	\$6,134	No competition
	3001862614	4/12/2011	\$ 165.79		
Subtotal			\$ 2,064.38	\$29,495	

Food products	3001761013	2/23/2011	\$ 7,316.00		No competition
Food products	3001831433	3/23/2011	\$ 9,023.64		No competition
Food products	3001761008	2/24/2011	\$ 5,154.60		No competition
Food products	3001831440	3/30/2011	\$ 5,802.28		No competition
Food products	3001831490	3/21/2011	\$ 1,131.42		No competition
Bread	3001760960	2/28/2011	\$ 198.00		Exempt
Bread	3001831495	3/28/2011	\$ 196.20		Exempt
Milk	3001831479	3/30/2011	\$ 950.26		Exempt
Subtotal			\$ 29,772.40		

Industrial gases	3001759419	2/28/2011	\$ 52.67		State contract
	3001863902	3/31/2011	\$ 60.75		State contract
Drug testing supplies	3001759411	3/10/2011	\$ 393.00		State contract
	3001862619	4/13/2011	\$ 221.25		State contract
Subtotal			\$ 727.67		

Service call to repair air	3001799858	2/28/2011	\$ 1,462.01		Competition not required
Staff development	3001731702	2/17/2011	\$ 1,550.00		Competition not required
Fire Alarm service	3001769823	2/17/2011	\$ 321.60		Competition not required
Postage to refill postage machine	3001799757	3/3/2011	\$ 427.00		Exempt
Subtotal			\$ 3,760.61		

Total \$ 36,325.06



John de la Howe School

South Carolina's Home for Children



Thomas W. Mayer
Superintendent

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May 26, 2011

Mr. R. Voight Shealy
Materials Management Officer
Division of Procurement Services
1201 Main Street, Suite 600
Columbia, SC 29201

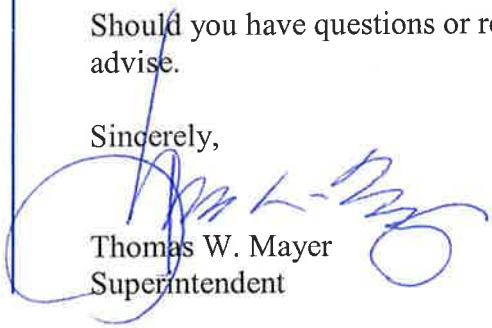
Dear Voight:

As the John De La Howe School continues to transition staff associated with the purchasing processes within the agency, I am requesting a continuance of the Board's directive for the review and approval of agency purchases for an additional 90 day period as we work to acclimate new staff, train existing staff and evaluate progress. Additionally, I would ask that your audit staff, at each thirty-day interval during the extended period, perform a review of the agency's purchasing activity to confirm compliance with the Board's directive.

Our close work with your Division over the past months has had a positive impact on the overall efficiency of our purchasing processes and this additional review period would only serve to further enhance our ability to ensure compliance and accountability in this core area of agency operations.

Should you have questions or require additional information, please advise.

Sincerely,


Thomas W. Mayer
Superintendent

tmw:crs

cc: Shatika Spearman, Director of Budget & Finance