

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

PROCUREMENT AUDIT REPORT

APRIL 1, 2004 – MARCH 31, 2007

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State Budget and Control Board
PROCUREMENT SERVICES DIVISION

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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

August 27, 2007

Mr. R. Voight Shealy
Materials Management Officer
Office 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 Educational Television Commission for the period April 1, 2004 through March 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 was to establish a basis for reliance upon the system of internal control to assure adherence to the Consolidated Procurement Code, State regulations and the procurement policy of the Commission. 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 Educational Television 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 that 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 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 Educational Television 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 Educational Television Commission. Our review was conducted March 20, 2007 through April 10, 2007 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 December 14, 2004 the State Budget and Control Board granted the South Carolina Educational Television Commission, hereinafter referred to as the Commission, the following procurement certifications.

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Goods and Services	\$50,000 per commitment
Information Technology	\$25,000 per commitment
Consultant Services	\$25,000 per commitment
Construction Award	\$25,000 per commitment
Construction Contract Change Order	\$25,000 per change order
Architect/Engineering Contract Amendment	\$ 5,000 per amendment

The enactment of Senate Bill 572 on June 13, 2006 increased the baseline certification for all governmental bodies to \$50,000 for goods and services, information technology, consultant services, and construction. The Commission did not request recertification for construction contract change order and Architect/Engineering contract amendment.

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 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 March 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 April 1, 2004 through March 31, 2007
- (2) Procurement transactions for the period July 1, 2005 through March 31, 2007 as follows:
 - a) Ninety-two payments each exceeding \$1,500
 - b) Two hundred purchase orders reviewed for order splitting and favored vendors
 - c) Procurement card transactions for June, July and August of 2006
- (3) Minority Business Enterprise Plans and reports for the audit period
- (4) Information technology plans for the audit period
- (5) Internal procurement procedures manual
- (6) File documentation and evidence of competition
- (7) Surplus property disposal procedures

RESULTS OF EXAMINATION

Inappropriate Sole Source Procurements

The following procurements did not meet the criteria of a sole source as defined in Section 11-35-1560 of the Code.

<u>Description</u>	<u>PO/Voucher</u>	<u>Amount</u>
Closed captioning services	V405805	\$ 4,450
Closed captioning services	V405645	5,000
Closed captioning services	V405554	8,700
Closed captioning services	PO50299	75,000
Closed captioning services	PO60546	120,000
Closed captioning services	PO70562	75,000
Security camera	PO60235	7,500
Temp services	PO60641	2,040
Metal fire doors	PO70070	6,340

Section 11-35-1560 of the Code states, in part, "A contract may be awarded for a supply, service, or construction item without competition when, under regulations promulgated by the board, the chief procurement officer, the head of a purchasing agency, or a designee of either officer, above the level of the procurement officer, determines in writing that there is only one source for the required supply, service, or construction item." The section further states, "In cases of reasonable doubt, competition must be solicited."

We recommend the Commission solicit competition in compliance with the Code on these types of items.

Recurring Emergency Procurements

The Commission had numerous emergencies for less than \$10,000 each.

<u>Description</u>	<u>PO</u>	<u>Amount</u>
Tower repair services	61598	\$3,655
Tower repair services	61599	5,100
Tower repair services	61210	1,700
Tower repair services	70205	3,727
Tower repair services	70400	2,613
Tower repair services	70465	2,890
Tower repair services	70640	4,250

The tower repair emergencies are ongoing, predictable expenses and were cited in our last audit report. The Commission should seek competition on this type of service and establish a repair contract.

We recommend the Commission establish an agency contract or contracts for the tower repair services.

Unauthorized Procurement

The Commission awarded solicitation 06-ETV-5000 for video production equipment in the amount of \$53,530 on purchase order 60856 dated 12/09/05. Since the total value of the contract exceeded the Commission’s procurement certification limit of \$50,000 the procurement was unauthorized as defined in Regulation 19-445.2015.

We recommend the Commission request ratification of the unauthorized procurement from the Materials Management Officer in accordance with Regulation 19-445.2015. We also recommend procurements anticipated to exceed the Commission’s certification be forwarded to the Materials Management Office or the Chief Information Office for processing.

Procurements Without Competition

Two procurements were not supported by solicitations of competition, sole source or emergency determinations, contract references or exemptions.

<u>Description</u>	<u>PO</u>	<u>Solicitation</u>	<u>Amount</u>
Audio visual equipment	60979	06-ETV-3000	\$ 5,909
Video production equipment	61222	06-ETV-5000	7,375

Section 11-35-1550 (2) (b) defines the competitive requirements for solicitations with a total potential value greater than \$2,500 to \$10,000.

We recommend the Commission comply with the competitive requirements of the Code.

Term Contract Not Utilized

The Commission issued purchase order 60669 in the amount of \$10,661 for audio video tapes, an item available on a mandatory term contract. However the Commission did not purchase these items from one of the term contract vendors. Section 11-35-310 (35) of the Code makes a term contract mandatory for all governmental bodies covered by the Code. Additionally, the section states, in part, “if a public procurement unit is offered the same supplies, services, or information technology at a price that is at least ten percent less than the term contract price, it may purchase from the vendor offering the lower price after first offering the vendor holding the term contract the option to meet the lower price.....If the vendor holding the term contract meets the lower price, then the governmental body shall purchase from the contract vendor.” We were not provided nor could we locate any documentation on the application of the ten percent provision.

We recommend the Commission use the term contracts or prepare sufficient documentation for not using the term contract vendor.

Artificially Divided Procurement

The following should have been combined and competition solicited on the total value.

<u>Description</u>	<u>PO</u>	<u>Amount</u>
Envelopes	70174	\$2,489
Envelopes	70198	<u>1,950</u>
		<u>\$4,439</u>

The competitive requirements of the Code were circumvented as two requisitions were prepared by the user department on the same day. Section 11-35-1550(1) states, in part, “procurement requirements must not be artificially divided by governmental bodies so as to constitute a small purchase...” These items should have been combined and competition solicited based on the total value.

We recommend that the Purchasing Office examine requisitions for evidence of splitting orders that would circumvent the competitive process.

CONCLUSION

The South Carolina Education Television Commission has not requested increased procurement certification above the basic limits of \$50,000 as allowed per Section 11-35-1550 (1) of the Code. Since no action is required by the State Budget and Control Board, the report is being submitted as information.



David E Rawl, CPPB
Senior Auditor



Larry G. Sorrell, Manager
Audit and Certification



August 30, 2007

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

Dear Mr. Sorrell:

Our staff has reviewed the draft procurement audit report for the Educational Television Commission for the period of April 1, 2004 – March 31, 2007. We concur with the content of the report and its recommendations. The Department of Accounting and Procurement has taken action to implement all of the recommendations for improvements noted in the report.

We appreciate the professional manner in which you and Mr. David Rawl conducted the audit for the Educational Television Commission.

Sincerely,

A handwritten signature in black ink, appearing to read "Maurice", followed by a long horizontal line extending to the right.

Maurice "Moss" Bresnahan
President

MB:bl

cc: David Crouch, Senior Vice President of Administration
Brad Livingston, Director of Accounting and Procurement

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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

September 7, 2007

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 Educational Television Commission to our audit report for the period of April 1, 2004 to March 31, 2007. Also we have followed the Commission's corrective action during and subsequent to our fieldwork. We are satisfied that the South Carolina Educational Television Commission has corrected the problem areas and the internal controls over the procurement system are adequate.

Additional certification was not requested. Therefore, we recommend the Commission be allowed to continue procuring all goods and services, construction services, information technology and consulting services up to the basic level as outlined in the Code.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Larry G. Sorrell', written in black ink.

Larry G. Sorrell, Manager
Audit and Certification

LGS/gs

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