

SOUTH CAROLINA ADMINISTRATIVE LAW COURT

PROCUREMENT AUDIT REPORT

JULY 1, 2010 – JUNE 30, 2013

TABLE OF CONTENTS

	<u>PAGE</u>
Transmittal Letter	1
Introduction	3
Scope	4
Results of Examination	6
Conclusion.....	7
Court’s Response.....	8
Follow-up Letter.....	10

**NIKKI R. HALEY, CHAIR
GOVERNOR**

**CURTIS M. LOFTIS, JR.
STATE TREASURER**

**RICHARD ECKSTROM, CPA
COMPTROLLER GENERAL**



SC BUDGET AND CONTROL BOARD

**THE DIVISION OF PROCUREMENT SERVICES
DELBERT H. SINGLETON, JR.
DIVISION DIRECTOR
(803) 734-2320**

**JOHN ST. C. WHITE
INTERIM MATERIALS MANAGEMENT OFFICER
(803) 737-0600
FAX (803) 737-0639**

**HUGH K. LEATHERMAN, SR.
CHAIR, SENATE FINANCE
COMMITTEE**

**W. BRIAN WHITE
CHAIR, HOUSE WAYS AND MEANS
COMMITTEE**

**MARCIA S. ADAMS
EXECUTIVE DIRECTOR**

November 3, 2014

**Mr. John St. C. White
Interim 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 of the South Carolina Administrative Law Court for the period July 1, 2010 through June 30, 2013. 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 established a basis for reliance upon the system of internal controls to assure adherence to the Consolidated Procurement Code, State regulations and the Court'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 Administrative Law Court 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 of internal controls 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 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 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 needed correction or improvement. Corrective action based on the recommendations described in these findings will in all material respects place the South Carolina Administrative Law Court 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 Administrative Law Court. We performed our on-site review September 10-11, 2013. This 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 policies and procedures manual were in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

Additionally, our work was directed toward assisting the South Carolina Administrative Law Court in promoting the underlying purposes and policies of the South Carolina Consolidated Procurement Code as outlined in Section 11-35-20, which include in part:

- (1) to provide increased economy in state procurement activities and to maximize to the fullest extent practicable the purchasing values of funds while ensuring that procurements are the most advantageous to the State and in compliance with the provisions of the Ethics Government Accountability and Campaign Reform Act;
- (2) to foster effective broad-based competition for public procurement within the free enterprise system;
- (3) to ensure the fair and equitable treatment of all persons who deal with the procurement system which will promote increased public confidence in the procedures followed in public procurement;
- (4) to provide safeguards for the maintenance of a procurement system of quality and integrity with clearly defined rules for ethical behavior on the part of all persons engaged in the public procurement process.

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 Administrative Law Court, hereinafter referred to as the Court, 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, 2010 through June 30, 2013 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 July 1, 2010 through June 30, 2013 with no exceptions
- (2) Procurement transactions for the period July 1, 2010 through June 30, 2013 as follows:
 - a) Seven payments each exceeding \$2,500 with one exception noted in Section I
 - b) A block sample of two hundred and ninety-four purchase orders for the fiscal years ending 2011, 2012 and 2013 against the use of order splitting and favored vendors with no exceptions
 - c) Procurement card purchases made during March, April, and May 2013 with no exceptions
- (3) Minority Business Enterprise Plans and reports with an exception noted in Section II
- (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

RESULTS OF EXAMINATION

I. No Competition for Consulting Service

The Court issued a contract to provide for legislative services without soliciting competition. The contract was initially executed on April 24, 2007, for a period of one year in the amount of \$20,000. An amendment prior to the conclusion of this first year extended the contract until June 5, 2008, and raised the value to \$24,000 annually. The amendment provided for the agreement to continue beyond June 5, 2008, but gave the court the right to cancel at any time after giving a sixty day notice. This agreement has continued since that time.

We recommend the Court terminate this agreement and solicit competition in accordance with the Procurement Code.

II. Minority Business Enterprise Annual Plans and Quarterly Reports not Prepared

The Court had not submitted annual minority business enterprise (MBE) utilization plans or quarterly reports of its MBE activity to the Governor's Office of Small and Minority Business Assistance (OSAMBA) for the three years we reviewed (FY10/11, FY11/12, FY12/13) as required by section 11-35-5240 of the Procurement Code.


Section 11-35-5240(2) of the Procurement Code requires that MBE utilization plans be submitted to the OSAMBA for approval no later than July thirtieth, annually. Progress reports must be submitted to the OSAMBA no later than thirty days after the end of each fiscal quarter..."

We recommend that the Court comply with Section 11-35-5240 of the South Carolina Consolidated Procurement Code by submitting annual utilization plans and quarterly progress reports to OSAMBA.


CONCLUSION

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 Administrative Law Court in compliance with the South Carolina Consolidated Procurement Code.

The Court has not requested increased procurement certification above the basic limit of \$50,000 allowed by the Code. Subject to the corrective action listed in this report, we will recommend the Court be allowed to continue procuring supplies and services, consultant services, information technology and construction and up to the basic level of \$50,000 as allowed by the South Carolina Consolidated Procurement Code.



J. Lane Warren, CFE, CBM
Audit Manager



Robert J. Aycok, IV, Manager
Audit and Certification

STATE OF SOUTH CAROLINA
Administrative Law Court

Ralph K. Anderson, III
Chief Judge

Jana E. Cox Shealy
Clerk



PHONE: (803) 734-0550
FAX: (803) 734-6400
WEB: WWW.SCALC.NET

October 15, 2014

Robert J. Aycock, IV
Audit & Certification Manager
SC Budget and Control Board
1201 Main St., Suite 600
Columbia, SC 29201

In Re: S.C. Administrative Law Court Audit for the period of July 1, 2010 to June 30, 2013

Dear Mr. Aycock:

We want to thank you, Mr. Warren, Mr. Singleton and Mr. White for your assistance in reviewing the above audit with us and working with us to ensure the ALC is in compliance with all aspects of the Procurement Code. As a result, therefore, our response to the audit is as follows:

I. No Competition for Consulting Service

The agency has developed and submitted a requisition to the Materials Management Office for the solicitation for consulting service so a contract can be awarded in compliance with the Procurement Code.

The agency anticipates having a new contract in place prior to December 31, 2014.

II. Minority Business Enterprise Annual Plans and Quarterly Reports not Prepared

The agency submitted its Annual Utilization Plan and Quarterly Report to QSMBA as required by Section 11-35-5240 of the South Carolina Procurement Code regarding the Minority Business Enterprise Program (MBE) 10/4/2013. Therefore, corrective action has been adhered to.

Edgar A. Brown Building • 1205 Pendleton Street, Suite 224 • Columbia, South Carolina 29201-3755

Mr. Robert J. Aycock

Page 2

October 15, 2014

Thank you again for all of your assistance and for allowing us to include our response in the final report of the audit. If you have any questions or concerns, please let me know.

Sincerely,

A handwritten signature in cursive script that reads "Ralph King Anderson, III". The signature is written in dark ink and is positioned above the printed name.

Ralph King Anderson, III
Chief Judge

cc: Delbert H. Singleton, Jr., Director, Procurement Services
John St. C. White, Interim Materials Management Officer
Lane Warren, Audit Manager
Margaret Sanders, Director of Finance and Personnel, ALC

NIKKI R. HALEY, CHAIR
GOVERNOR

CURTIS M. LOFTIS, JR.
STATE TREASURER

RICHARD ECKSTROM, CPA
COMPTROLLER GENERAL



SC BUDGET AND CONTROL BOARD

THE DIVISION OF PROCUREMENT SERVICES
DELBERT H. SINGLETON, JR.
DIVISION DIRECTOR
(803) 734-2320

JOHN ST. C. WHITE
INTERIM MATERIALS MANAGEMENT OFFICER
(803) 737-0600
FAX (803) 737-0639

HUGH K. LEATHERMAN, SR.
CHAIR, SENATE FINANCE
COMMITTEE

W. BRIAN WHITE
CHAIR, HOUSE WAYS AND MEANS
COMMITTEE

MARCIA S. ADAMS
EXECUTIVE DIRECTOR

November 18, 2014

Mr. John St. C. White
Interim 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 Administrative Law Court to our audit report for the period of July 1, 2010 through June 30, 2013. We have followed-up on the South Carolina Administrative Law Court's corrective action during and subsequent to our fieldwork.

In our opinion, the South Carolina Administrative Law Court complies with the South Carolina Consolidated Procurement Code, State regulations, and the Court'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 that the South Carolina Administrative Law Court be allowed to continue to procure all supplies and services, consultant services, information technology, and construction up to the basic level of \$50,000 as outlined in the South Carolina Consolidated Procurement Code.

Sincerely,

Robert J. Aycock, IV, Manager
Audit and Certification

Total Copies Printed	11
Unit Cost	\$.45
Total Cost	<u>\$4.95</u>