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October 14, 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. On May 12th, the audit staff performed the 90 day review and identified the School had not complied with the Board's directive. Mr. Thomas Mayer, the School's Superintendent, asked that we request from the Board a continuance of the Board's directive for another 90 day period as he worked to solve the School's problems by acclimating new staff, training existing staff and evaluating progress. We presented the 90 day report to the Board at its June 14, 2011 meeting. Because the School had not complied with the Board's directive, the Board instructed the following:

Directed that the following actions be taken concerning the John de la Howe School, as recommended by the Division of Procurement Services:

- (a) The Board continue suspension of the John de la Howe School's procurement authority until the Board approves that it be restored;
- (b) The Division complete an audit of the paperwork from order point to payment for the procurements that are missing supporting documentation or that have not been approved by the Division as directed by the Board in the February 8, 2011, meeting;
- (c) The Division continue to review and approve all purchases for the school using the SCEIS system;

- (d) The Division review and approve all invoices for the School prior to payment using the SCEIS system (this will prevent the School from directly paying for goods and services that should be acquired using the purchase order system);
- (e) The Division conduct another complete audit in 90 days and, thereafter, report the results at the next scheduled Board meeting; and
- (f) The Division conduct customized procurement training for the School's financial and procurement staff;

To accomplish the Board's directive, the Division took the following actions. Suspension of the School's procurement authority continued. Because the School uses the South Carolina Enterprise Information System (SCEIS) for procurements and payments, the Division, working with the SCEIS Office, had the system "re-wired" to require our approval of all the School's shopping carts (requisitions) for all procurements and also to require our approval of all invoices for payment. No checks could be processed without our approval.

The Division assigned a staff member to communicate with the School on each and every procurement transaction and invoice. We compiled a continuous weekly procurement activity log, a direct expenditure voucher log and an invoice log for Budget and Control Board Executive Management. Every week we generated expenditure reports out of SCEIS and reconciled all payments to Division approved procurements. As of October 3, 2011, the Division has reviewed and approved two hundred seventy-five (275) procurements totaling \$293,325.42 as well as 32 direct expenditure vouchers totaling \$36,874.23. All procurements and payments since June 14th complied with the Board's directive.

We performed invoice confirmations with the vendors on the transactions identified in our last review and also on the prior audit. Most vendors cooperated by responding that they had provided the goods or services invoiced and had received payment. No information came to our attention from any of the vendors that would warrant further investigation.

On June 16th, the Division provided procurement training for the School's staff.

We previously reported the School had been buying food from expired contracts. The State Procurement Officer awarded a food purchase contract for the School on October 6, 2011. In order to facilitate a permanent solution to 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 buying power of the majority of school districts in South Carolina. John de la Howe School qualifies to participate in the food purchase alliance.

On September 28, 2011, we finalized our second 90 day review of the School. This letter presents the results of that review.

In our opinion, the School is on track for improvement and has complied with the Board's directive. We therefore recommend the Board remove the School's suspension of procurement authority and allow the School to conduct its own procurements up to the basic limits allowed in law.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert J. Aycock, IV", with a long horizontal line extending to the right.

Robert J. Aycock, IV
Manager, Audit and Certification

cc: Mr. Thomas W. Mayer, Superintendent
Mr. Delbert H. Singleton, Jr., Division Director
Mr. Mac Stiles, Senior Auditor