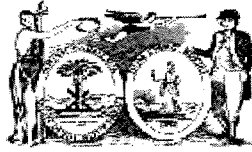


STATE OF SOUTH CAROLINA
State Budget and Control Board
PROCUREMENT SERVICES DIVISION

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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

February 20, 2003

Mr. Delbert H. Singleton Jr.
Director
Procurement Services Division
6th Floor-Wade Hampton Building
Columbia, South Carolina 29201

Dear Delbert:

I have attached the South Carolina Arts Commission's procurement audit report and recommendations made by the Office of Audit and Certification. I concur and recommend the Budget and Control Board grant the South Carolina Arts Commission a three-year certification as noted in the audit report.

Sincerely,

A handwritten signature in cursive script that reads "Voight Shealy".

R. Voight Shealy
Materials Management Officer

/jl

SOUTH CAROLINA ARTS COMMISSION

PROCUREMENT AUDIT REPORT

OCTOBER 1, 1999 - SEPTEMBER 30, 2002

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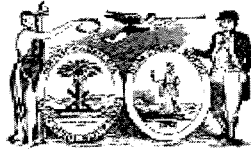
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**STATE OF SOUTH CAROLINA
State Budget and Control Board
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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

December 30, 2002

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

Dear Voight:

We have examined the procurement policies and procedures of the South Carolina Arts Commission for the period October 1, 1999 through September 30, 2002. 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 internal procurement policy. 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 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 Arts Commission in compliance with the Consolidated Procurement Code and ensuing regulations.

Sincerely,



Larry G. Sorrell, Manager
Audit and Certification

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 Arts 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, 2000 through September 30, 2002 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 October 1, 1999 through September 30, 2002
- (2) Procurement transactions for the period July 1, 2000 through September 30, 2002 as follows:
 - a) Thirty-nine payments each exceeding \$1,500
 - b) A block sample of 275 sequential purchase orders reviewed for order splitting and favored vendors
- (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) Surplus property procedures
- (7) File documentation and evidence of competition

RESULTS OF EXAMINATION

We conducted an examination of the internal procurement operating policies and procedures of the South Carolina Arts Commission. Our on-site review was conducted November 7-14, 2002, and 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 April 11, 2000, the Budget and Control Board granted the South Carolina Arts Commission, hereinafter referred to as the Commission, the following procurement certifications. The Commission wants to continue these current levels of certification.

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Design and Printing Services	\$125,000 per commitment
Goods and Services	\$ 25,000 per commitment

Since our previous audit in 1999, the Commission has maintained what we consider a professional, efficient procurement system. We did note, however, the following items that should be addressed by management.

Inappropriate Sole Source

Purchase order 307 for \$2,086 was issued on November 11, 1999, to purchase printed mouse pads. Section 11-35-1560 of the Code allows for sole source procurements where there is only one source for a required item.

We recommend procurements that do not meet the definition of a sole source be competed in accordance with the procurement code.

Procurements Not Advertised

The Commission did not advertise the following solicitations in the South Carolina Business Opportunities (SCBO).

<u>Solicitation</u>	<u>Date</u>	<u>Description</u>	<u>Award</u>
02-06	01/17/02	Printing	\$17,820
02-07	02/19/02	Catering Service	12,653

Section 11-35-1550(2)(d) of the Code requires that procurement from \$10,000 to \$25,000 be advertised in SCBO.

We recommend the Commission comply with the advertisement requirement.

Award Statement Items

The Commission posted the intent to award statement for solicitation 01-1 on May 3, 2000. The intent to award statement did not include the effective date of the contract after the sixteen-day intent to award period. This step is essential in determining the timeliness of any protest.

We recommend the posted award statement include the effective date of the award.

Additionally, the Commission did not include the bidder’s right to protest statement on the award statement for solicitation 01-03 dated 8/2/00. Section 11-35-1520 (10) of the Code requires that the posted notice must contain a statement of a bidder’s right to protest as defined in Section 11-35-4210(1).

We recommend the Commission add the bidder’s right to protest statement on all notices of awards.

Written Determinations Not Prepared

The written multi-term determinations on the following multi year contracts were not prepared.

<u>Solicitation</u>	<u>Date</u>	<u>Description</u>	<u>Total Award</u>
P1-01-05	06/19/00	Printing	\$66,000
01-03	08/02/00	Printing	37,525
02-06	01/17/02	Printing	17,820

Section 11-35-2030 of the Code defines the requirements for the use of multi-term

contracts. The regulation requires a written determination by the procurement officer of the governmental body. Since the required determinations were not prepared, the options to extend should not be exercised.

Additionally solicitation P1-01-05 was a request for proposal (RFP). The Commission did not prepare the written determination for the RFP as required in Section 11-35-1530.

We recommend the Commission prepare the determinations for each solicitation as required by the Code and Regulations.

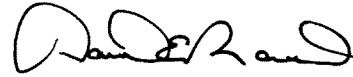
CERTIFICATION RECOMMENDATIONS

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 Arts Commission in compliance with the South Carolina 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 recertified to make direct agency procurements for three years up to the limits as follows:

<u>PROCUREMENT AREAS</u>	<u>RECOMMENDED CERTIFICATION LIMITS</u>
Design and Printing Services	*\$125,000 per commitment
Goods and Services	*\$ 25,000 per commitment

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



David E. Rawl, CPPO
Senior Auditor



Larry G. Sorrell, Manager
Audit and Certification



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(803) 734-8696 Fax #: (803) 734-8526
www.state.sc.us/arts

**South Carolina Arts Commission's Response to
Procurement Audit Report
October 1, 1999 – September 30, 2002**

Inappropriate Sole Source

All sole source documents will be examined to determine if they meet Code definition. Procurements that do not will be returned to the requestor so that qualified quotes may be gathered.

Procurement Not Advertised

The Arts Commission will advertise in SCBO any solicitation that is expected to be near, at, or above the Code dollar limit.

Award Statement Items

The Arts Commission will include both the posting date and the effective starting date of contracts in the Notice of Award. A Bidder's Right to Protest Statement will also be included on all notices.

Written Determinations

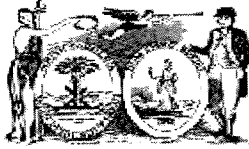
The Arts Commission will prepare and use a checklist to ensure that all documentation required by the Code for a solicitation is included in the file.

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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

February 20, 2003

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 Arts Commission to our audit report for the period of October 1, 1999 – September 30, 2002. Also we have followed the Commission's corrective action during and subsequent to our fieldwork. We are satisfied that the South Carolina Arts Commission has corrected the problem areas and the internal controls over the procurement system are adequate.

Therefore, we recommend the Budget and Control Board grant the South Carolina Arts Commission the certification limits noted in our report for a period of three years.

Sincerely,

Handwritten signature of Larry G. Sorrell in cursive.

Larry G. Sorrell, Manager
Audit and Certification

LGS/jl

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