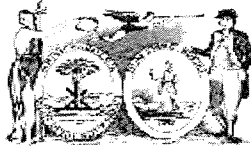


STATE OF SOUTH CAROLINA
State Budget and Control Board
PROCUREMENT SERVICES DIVISION

MARK SANFORD, CHAIRMAN
GOVERNOR

GRADY L. PATTERSON, JR.
STATE TREASURER

RICHARD ECKSTROM
COMPTROLLER GENERAL



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

ROBERT W. HARRELL, JR.
CHAIRMAN, WAYS AND MEANS COMMITTEE

FRANK W. FUSCO
EXECUTIVE DIRECTOR

DELBERT H. SINGLETON, JR.
DIVISION DIRECTOR
(803) 734-2320

MATERIALS MANAGEMENT OFFICE
1201 MAIN STREET, SUITE 600
COLUMBIA, SOUTH CAROLINA 29201
(803) 737-0600
Fax (803) 737-0639

R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

April 6, 2004

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 School for the Deaf and the Blind'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 School for the Deaf and the Blind 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 SCHOOL FOR THE DEAF AND THE BLIND

PROCUREMENT AUDIT REPORT

JANUARY 1, 2001 – DECEMBER 31, 2003

TABLE OF CONTENTS

	<u>PAGE</u>
Transmittal Letter	1
Introduction	3
Scope	4
Results of Examination	5
Certification Recommendations	7
School Response	8
Follow-up Letter.....	9

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

MARK SANFORD, CHAIRMAN
GOVERNOR

GRADY L. PATTERSON, JR.
STATE TREASURER

RICHARD ECKSTROM
COMPTROLLER GENERAL



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

ROBERT W. HARRELL, JR.
CHAIRMAN, WAYS AND MEANS COMMITTEE

FRANK W. FUSCO
EXECUTIVE DIRECTOR

DELBERT H. SINGLETON, JR.
DIVISION DIRECTOR
(803) 734-2320

MATERIALS MANAGEMENT OFFICE
1201 MAIN STREET, SUITE 600
COLUMBIA, SOUTH CAROLINA 29201
(803) 737-0600
Fax (803) 737-0639

R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

February 25, 2004

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 School for the Deaf and the Blind for the period January 1, 2001 through December 31, 2003. 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 School. 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 School for the Deaf and the Blind 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 School for the Deaf and the Blind 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 School for the Deaf and the Blind. Our review was conducted January 5, 2004 through January 22, 2004 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 May 8, 2001, the Budget and Control Board granted the South Carolina School for the Deaf and the Blind the following procurement certifications.

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Goods and Services	\$ 25,000 per commitment
Consultant Services	\$ 25,000 per commitment
Information Technology	\$ 25,000 per commitment

Our audit was performed primarily to determine if re-certification is warranted. Additionally, the School requested the following increased certifications.

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Goods and Services	\$ 50,000 per commitment
Consultant Services	\$ 50,000 per commitment
Information Technology	\$ 25,000 per commitment

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 School 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, 2001 through December 31, 2003 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 January 1, 2001 through December 31, 2003
- (2) Procurement transactions for the period July 1, 2001 through December 31, 2003 as follows:
 - a) Eighty-seven payments exceeding \$1,500 each
 - b) Five hundred purchase orders reviewed for order splitting and favored vendors
 - c) Three months of procurement card transactions
- (3) Six construction contracts and five professional services contracts for compliance with the Manual for Planning and Execution of State Permanent Improvements
- (4) Minority Business Enterprise reports
- (5) Information technology plans for the audit period
- (6) Internal procurement procedures manual
- (7) File documentation and evidence of competition
- (8) Surplus property disposal procedures

RESULTS OF EXAMINATION

Procurements Without Competition

Two procurements were not supported by evidence of competition, sole source or emergency determinations, or exempt.

<u>PO</u>	<u>Amount</u>	<u>Description</u>
2731	\$3,543	Speech therapist services
6217	5,544	Braille display and keyboard

We recommend the School comply with the competitive requirements of the Code for these types of items.

Drug-Free Workplace Certifications Not Obtained

The School failed to obtain the drug-free workplace certification on any of its sole source and emergency procurements of \$50,000 or more. Five sole source procurements and one emergency procurement exceeded the \$50,000 threshold where the certification was required. Section 44-107-30 of the South Carolina Code of Laws requires a written certification on any contract of \$50,000 or more stating that the vendor provides a drug-free workplace. Sole source and emergency procurements are subject to this law.

We recommend the School obtain the drug-free workplace certification from vendors on all sole source and emergency procurements of \$50,000 or more.

Change Order Procedure

On voucher 188, Accounts Payable paid \$288 more than authorized on purchase order 231. The operating procedures manual allows Accounts Payable to make changes up to a maximum of 10% of a purchase not to exceed \$100. Amounts that exceed this tolerance require the issuance of a change order to the purchase order. A change order was not prepared for the overpayment of \$288.

We recommend Accounts Payable comply with the change order policy.

Inappropriate Sole Source Procurement

The School issued purchase order 628 as a sole source procurement for \$11,000 for a consultant to review procurement, warehouse and fixed assets procedures. The procurement was inappropriate as a sole source since the procurement did not meet the criteria defined in Section 11-35-1560.

We recommend the School comply with the competitive requirements of the Code based on the methods of source selection defined in Section 11-35-1510.

Written Sole Source and Emergency Justifications Not Signed

The written justifications for seventeen sole source and twelve emergency procurements were not signed by the Chief Financial Officer, the approving authority at the School. The Chief Financial Officer gave the Procurement Officer verbal approval. Section 11-35-1560 of the Code requires that the head of the agency or a designee above the level of the procurement officer prepare a written justification for sole source and emergency procurements.

We recommend the School develop and implement procedures to ensure compliance with the Code on the written justifications for sole source and emergency procurements.

CERTIFICATION RECOMMENDATIONS

As enumerated in transmittal letter, corrective action based on the recommendations described in this report, will in all materials respects place the South Carolina School for the Deaf and the Blind in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

Under the authority described in Section 11-35-1210 of the Procurement Code, subject to this corrective action, we will recommend the South Carolina School for the Deaf and Blind be recertified to make direct agency procurements for three years up to the limits as follows.

PROCUREMENT AREAS

RECOMMENDED CERTIFICATION LIMITS

Goods and Services	*\$50,000 per commitment
Consulting Services	*\$50,000 per commitment
Information Technology	*\$25,000 per commitment

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



James M. Stiles, CPPB
Audit Manager



Larry G. Sorrell, Manager
Audit and Certification

SOUTH CAROLINA

SCHOOL FOR THE DEAF AND THE BLIND

Serving Individuals Who Are Deaf, Blind or Sensory Multidisabled

SHEILA S. BREITWEISER, Ed.D.
PRESIDENT

March 4, 2004

Mr. Larry Sorrell, Manager
Audit and Certification
120 Main Street, Suite 600
Columbia, South Carolina 29201

RE: SCSDB Procurement Audit conducted for the period of January 1, 2001 through December 31, 2003.

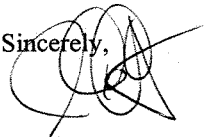
Dear Mr. Sorrell:

In response to the Procurement Audit conducted at the South Carolina School for the Deaf and the Blind for the period of January 1, 2001 through December 31, 2003, we have reviewed the audit report and are taking steps to correct the minor discrepancies noted.

It is always our intent to comply with all applicable codes and regulations. Necessary corrective action plans will be implemented to address all areas outlined in the audit report.

If I can be of further assistance to you, please feel free to contact me at any time at (864) 577-7544.

Sincerely,



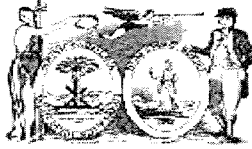
Mr. Jon Castro, CFO
South Carolina School for the Deaf and the Blind

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

MARK SANFORD, CHAIRMAN
GOVERNOR

GRADY L. PATTERSON, JR.
STATE TREASURER

RICHARD ECKSTROM
COMPTROLLER GENERAL



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

ROBERT W. HARRELL, JR.
CHAIRMAN, WAYS AND MEANS COMMITTEE

FRANK W. FUSCO
EXECUTIVE DIRECTOR

DELBERT H. SINGLETON, JR.
DIVISION DIRECTOR
(803) 734-2320

MATERIALS MANAGEMENT OFFICE
1201 MAIN STREET, SUITE 600
COLUMBIA, SOUTH CAROLINA 29201
(803) 737-0600
Fax (803) 737-0639

R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

April 6, 2004

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 Department School for the Deaf and the Blind to our audit report for the period of January 1, 2001 – December 31, 2003. Also we have followed the School's corrective action during and subsequent to our fieldwork. We are satisfied that the South Carolina School for the Deaf and the Blind 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 School for the Deaf and the Blind the certification limits noted in our report for a period of three years.

Sincerely,

A handwritten signature in cursive script that reads 'Larry G. Sorrell'.

Larry G. Sorrell, Manager
Audit and Certification

LGS/jl

Total Copies Printed	11
Unit Cost	.18
Total Cost	\$2.52