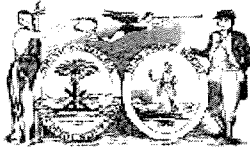


STATE OF SOUTH CAROLINA
State Budget and Control Board
PROCUREMENT SERVICES DIVISION

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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

April 15, 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 Sea Grant Consortium's procurement audit report and recommendations made by the Office of Audit and Certification. I concur and recommend the report be submitted as information to the Budget and Control Board.

Sincerely,

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

R. Voight Shealy
Materials Management Officer

/jl

SOUTH CAROLINA SEA GRANT CONSORTIUM
PROCUREMENT AUDIT REPORT
JULY 1, 2002 – DECEMBER 31, 2003

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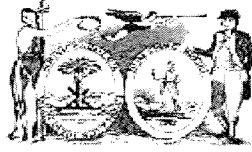
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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

February 26, 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 Sea Grant Consortium for the period July 1, 2002 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 Consortium. 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 Sea Grant Consortium 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 one condition enumerated in this report which we believe needs correction or improvement.

Corrective action based on the recommendation described in the finding will in all material respects place the South Carolina Sea Grant Consortium 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 Sea Grant Consortium. Our on-site review was conducted February 5 and 6, 2004 and was made under the Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Section 19-445.2020 of the accompanying regulations.

The State Budget and Control granted the South Carolina Sea Grant Consortium the following procurement certifications effective November 12, 2003.

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

Our audit was performed primarily to determine if certification is warranted.

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 Consortium and its related policies to the extent we deemed necessary to formulate an opinion on the adequacy of the system to properly handle procurement transactions.

We selected a judgmental sample for the period July 1, 2002 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 July 1, 2002 to December 31, 2003
- (2) Procurement transactions from the period July 1, 2002 through December 31, 2003 as follows:
 - a) Fifteen payments exceeding \$1,500 each
 - b) A block sample of three months of purchase orders reviewed for order splitting and favored vendors
 - c) Three months of procurement card transactions
- (3) Minority Business Enterprise reports
- (4) Information technology plans for the audit period
- (5) Internal operating procurement procedures manual
- (6) Surplus property disposal procedures
- (7) File documentation and evidence of competition

RESULTS OF EXAMINATION

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

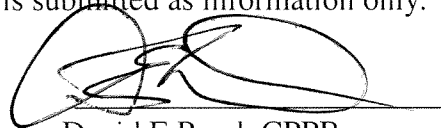
<u>PO</u>	<u>Amount</u>	<u>Description</u>
440016	\$4,250	Computer consultant
440062	4,227	Office furniture
440063	2,321	Office furniture

We recommend the Consortium comply with the competitive requirements defined in Section 11-35-1550 of the Code for these types of items.

CERTIFICATION RECOMMENDATION

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 Sea Grant Consortium in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

As noted in the Introduction Section of this report, the Budget and Control Board granted certification to the Consortium on November 12, 2003. The certification was included in the Board's certification of fifty-eight agencies. The report is submitted as information only.



David E Rawl, CPPB
Senior Auditor



Larry G. Sorrell, Manager
Audit and Certification



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conserve coastal resources
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opportunity through
research, education, and
extension programs.*

April 4, 2004

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

Dear Mr. Sorrell:

We are in receipt of the procurement audit report for the South Carolina Sea Grant Consortium for the procurement period July 1, 2002 to December 31, 2003.

We are in agreement with your findings that there were three purchases which were not competed nor documented as sole source procurements. The Consortium will comply with the competitive requirements in all future procurements which require competitive documentation.

Sincerely,

A handwritten signature in cursive script that reads "Elaine L. Knight".

Elaine L. Knight
Assistant Director

/ek

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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

April 15, 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 Sea Grant Consortium to our audit report for the period of July 1, 2002 – December 31, 2003. Also we have followed the Agency's corrective action during and subsequent to our fieldwork. We are satisfied that Sea Grant Consortium has corrected the problem area and the internal controls over the procurement system are adequate.

Therefore, we recommend the report be submitted as information to the Budget and Control Board.

Sincerely,

A handwritten signature in black ink, appearing to read "Larry G. Sorrell".

Larry G. Sorrell, Manager
Audit and Certification

LGS/jl

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