



# A Limited-Scope Review of State Purchasing Overseen by the Budget and Control Board

## MISSION

The Legislative Audit Council conducts performance audits to find ways to reduce the cost and improve the performance of state agencies and programs. Our audits must be requested by members of the General Assembly or required by state law.

Audits by the Legislative Audit Council are conducted in accordance with generally accepted government auditing standards as set forth by the Comptroller General of the United States.

Approximately 18 months after the publication of most audits, we initiate a follow-up review to determine whether our recommendations have been implemented.

In January 2005, the Legislative Audit Council published an audit of two state government purchasing methods overseen by the Budget and Control Board — best value bidding and request for proposals. These methods are used as alternatives to competitive sealed bidding, which requires state agencies to award contracts to the vendor with the lowest price.

When awarding contracts through best value bid and request for proposal purchasing, agencies may consider factors that offset higher prices, such as better quality or lower long-term costs. For best value bid purchases, state law requires that price be at least 60% of the award criteria. For request for proposal purchases, state law allows, but does not require, that price be a factor. These purchasing methods usually include a panel of agency officials who score proposals from vendors.

In our follow-up review, we randomly tested 25 best value bidding and request for proposal files and interviewed Budget and Control Board staff. None of our four recommendations to the Budget and Control Board in 2005 were adequately implemented. We also found that one recommendation to the General Assembly had not been implemented. Each recommendation and its implementation status is addressed below.

- 1. The State Budget and Control Board should develop and implement policies to ensure that the basis of proposal scores is adequately documented.**

The Budget and Control Board did not adequately implement this recommendation.

In our 2005 audit, we found that the board's files for best value bid and request for proposal purchases did not document the reasons for awarding contracts, as required by state law.

In our follow-up review, we examined a sample of files from FY 05-06. None of the files contained documentation of the reasons for the purchasing decisions overseen by the board's Materials Management Office. During our follow-up, the Materials Management Office began to implement this recommendation. For purchasing decisions overseen by the board's Information Technology Management Office, we found that 56% of the files we sampled did not contain documentation of the reasons for the purchasing decisions.

- 2. As required by state law, the Materials Management Office of the State Budget and Control Board should complete a justification form when the best value bid and request for proposal methods are used.**

The board's Materials Management Office did not implement this recommendation.

In our 2005 audit, we found that the Materials Management Office did not consistently complete a justification form when the best value bid or the request for proposal purchasing methods were used. In 27% of the files we analyzed, the Materials Management Office did not complete such a form. In our follow-up review, we found that the Materials Management Office did not complete a justification form in 37% of the files we examined.

WE RECEIVED INFORMATION FROM THE BUDGET AND CONTROL BOARD REGARDING THE IMPLEMENTATION OF THE RECOMMENDATIONS IN THE AUDIT. WE REVIEWED THIS AND OTHER INFORMATION, INTERVIEWED OFFICIALS, AND VERIFIED EVIDENCE SUPPORTING AGENCY INFORMATION AS APPROPRIATE.

FOR MORE INFORMATION

Our full report, summary, and this document are published on the Internet at

LAC.SC.GOV

Copies can also be obtained by calling

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**3. The Information Technology Management Office and the Materials Management Office of the State Budget and Control Board should require persons serving on procurement evaluation panels to complete a conflict of interest statement. The offices should maintain these statements in procurement award files.**

The Budget and Control Board did not adequately implement this recommendation.

In our 2005 audit, we found that the board's Information Technology Management Office did not require persons serving on procurement evaluation panels to complete written conflict of interest statements. The purpose of such statements is to provide increased assurance of the objectivity of persons involved in the process. We found that the board's Materials Management Office files did not contain conflict of interest statements in 23% of the files examined.

In our follow-up review, we examined a sample of files and found that none of the purchases overseen by the Information Technology Management Office contained conflict of interest statements. 56% of files contained a list of instructions signed by procurement evaluation panel members. The instructions included a question asking panel members whether they had conflicts of interest. However, members were not required to affirm that they had no conflicts of interest. In a similar analysis of purchases overseen by the board's Materials Management Office, we found that 44% of files did not contain conflict of interest statements signed by panel members.

**4. The Materials Management Office and the Information Technology Management Office of the State Budget and Control Board should ensure that procurement information is determined and recorded in an accurate and consistent manner.**

The Budget and Control Board did not implement this recommendation.

During our 2005 audit, we found that reports summarizing the purchases overseen by Budget and Control were neither accurate nor consistent. The board provided us with two significantly different expenditure reports pertaining to the fiscal years in our audit. We also found inadequate standardization in the method of reporting purchases.

In our follow-up review, we found that the Budget and Control Board staff did not consistently record information in the Board's procurement data system, which records anticipated expenditures resulting from contracts awarded. For example, multiple-year contracts were sometimes recorded based on the estimated cost for the entire period. In other instances, they were recorded based on the estimated cost for a single year.

**5. The General Assembly should amend state law to delete state government purchasing preferences for resident vendors, in-state products, and United States products.**

The General Assembly did not implement this recommendation.

In our 2005 audit, we found that state law required that a pricing preference be given to certain vendors who sell goods and services to state government through best value bidding and competitive sealed bidding. Preference is given to vendors who are South Carolina residents and/or whose products are made or grown in South Carolina. We noted that it was questionable whether in-state purchasing preferences resulted in net benefits to South Carolina's economy or its government.