

## SUMMARY

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

### INTRODUCTION

Members of the General Assembly asked the audit council to review a state government purchasing process known as “competitive best value bidding,” in which contracts may be awarded to vendors who do not have the lowest price. State law allows government officials to use this or a similar procurement method, called the “competitive sealed proposal” process, when there are factors that offset higher prices, such as better quality or lower long-term costs. (The competitive sealed proposal method is often referred to as a “request for proposal” process.) By contrast, in the “competitive sealed bid” process, state agencies award contracts to the vendor with the lowest price who meets the minimum product specifications and vendor qualifications.

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The Budget and Control Board provides oversight of state procurement operations. The board establishes dollar limits within which state agencies may process their own purchases. Above those limits ranging from \$10,000 to \$250,000, most state agencies are required to have their purchases conducted by the Budget and Control Board.

We reviewed the adequacy of documentation to support procurement decisions. We also examined the costs and benefits of including pricing preferences for certain vendors.

THE BUDGET AND CONTROL BOARD DID NOT MAINTAIN ADEQUATE DOCUMENTATION REGARDING THE RATIONALE FOR ITS PROCUREMENT DECISIONS. ALSO, IT IS QUESTIONABLE WHETHER IN-STATE PURCHASING PREFERENCES, REQUIRED BY STATE LAW, RESULT IN NET BENEFITS TO SOUTH CAROLINA'S STATE GOVERNMENT OR TO ITS ECONOMY.

### DOCUMENTATION OF PROPOSAL ANALYSIS

The Budget and Control Board has instructed panel evaluation members (persons who score criteria used to award contracts) not to place documentation of their analysis in the procurement files, which are subject to public inspection. The evaluation score sheets that are in procurement files contain only “number scores” with no information on what the scores are based. It is difficult to determine why one vendor’s proposal was scored higher or lower than that of another.

According to the operating procedures of the materials management and the information technology management offices, evaluators should make no comments or documentation of scoring on the score sheets. MMO’s instructions for the evaluation panel state:

Worksheets and evaluators’ notes will not be taken up or become part of the file. Such notes are subject to the Freedom of Information Act even when in the possession of the evaluator. Do not write in the proposals or on the final score sheets, which when turned in, become part of the procurement file.

In addition, an official of the information technology management office told two audit council employees that staff encourages panel members to destroy documentation pertaining to award decisions.

The intent of the Freedom of Information Act is to provide information on state operations in an open and public environment. When state officials instruct persons participating in the procurement process not to comment on or to destroy information, the purpose of the law is not met. There may be a perception that the decision-making process is unfair. The basis of evaluator scores is important in determining the extent to which vendor proposals are analyzed and in ensuring the integrity of the procurement process.

### JUSTIFICATION OF THE PROCUREMENT METHOD

State law requires that agencies provide justification in writing when the best value bid or the request for proposal method is used rather than competitive sealed bid, in which contracts are awarded to the lowest bidder. We did not find material problems with justifications completed by the information technology management office. However, we found that the materials management office did not provide a written justification in 8 (27%) of 30 cases. Documentation of the reasons these methods were used would help to ensure that there is consideration of which method is “most advantageous” to the state.

AUDITS BY THE LEGISLATIVE AUDIT COUNCIL CONFORM TO GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS AS SET FORTH BY THE COMPTROLLER GENERAL OF THE UNITED STATES.

### FOR MORE INFORMATION

Our full report, including comments from the B&CB, and this document are published on the Internet at

[www.state.sc.us/sclac](http://www.state.sc.us/sclac)

Copies can also be obtained by calling

(803) 253-7612

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## CONFLICT OF INTEREST STATEMENTS

One way to ensure that procurement panel members are free from conflict of interest is to have them complete and sign conflict of interest statements. The information technology management office does not require written statements from persons who serve on evaluation panels. Although the materials management office does require panelists to complete a statement, the office did not obtain a statement from members on 5 (23%) of the 22 cases that we reviewed.

## PROCUREMENT DATA

The Budget and Control Board does not accurately or consistently record purchases in its database. The materials management office and the information technology management office have inconsistently reported information on procurement award amounts. For example:

- Some awards had no amounts, resulting in an amount equivalent to \$0.
- Other award amounts were equivalent to the costs of a contract over a five-year period.
- Other awards represented hourly or monthly rates.

In addition, reports on procurement awards showed vastly different totals. Complete and accurate information is needed to assist the legislature in oversight of state government operations.

DISCREPANCIES IN MMO PROCUREMENTS			
	DATES REPORTS PROVIDED		DIFFERENCE
	AUGUST 2004*	OCTOBER 2004**	
FY 02-03	\$312,571,874	\$353,632,000	\$41,060,126 (13%)
FY 03-04	\$198,085,655	\$350,145,348	\$152,059,693 (77%)

See report for table notes.

## RESIDENT VENDOR AND IN-STATE PRODUCT PREFERENCES

State law requires that vendors who sell goods and services to state government through best value bidding and competitive sealed bidding be given a pricing preference if they are South Carolina "residents" or if their products are made or grown in South Carolina. Preferences are also required for vendors whose products are made or grown outside of South Carolina but within the United States.

It is questionable whether in-state purchasing preferences result in net benefits to South Carolina's economy or to its government. Although some companies benefit from these purchasing preferences, their effect includes higher prices paid by South Carolina taxpayers for the goods and services needed to operate state government. Also, additional staff time is required for state government to administer a system of preferences. Further, South Carolina companies seeking to do business with other state governments are being penalized because of our preferences.