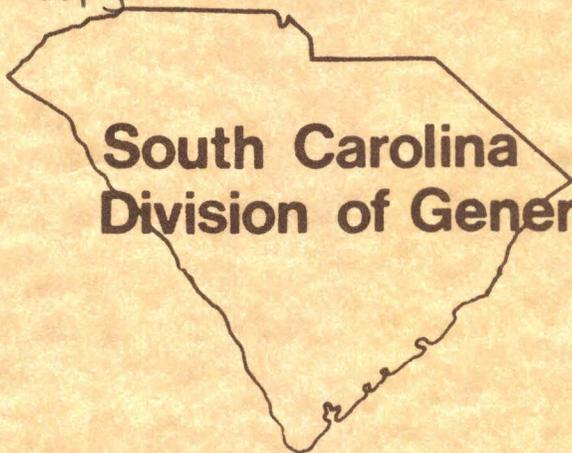


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**South Carolina
Division of General Services**

PROCUREMENT AUDIT AND CERTIFICATION

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STATE DOCUMENTS

CRIMINAL JUSTICE ACADEMY

AGENCY

JULY 1, 1985 - JUNE 30, 1988

DATE

STATE OF SOUTH CAROLINA
BUDGET AND CONTROL BOARD
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1201 MAIN STREET, SUITE 600
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(803) 737-0600

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EXECUTIVE DIRECTOR

JAMES J. FORTH, JR.
ASSISTANT DIVISION DIRECTOR

January 16, 1989

Mr. Richard W. Kelly
Division Director
Division of General Services
1201 Main Street, Suite 400
Columbia, South Carolina 29201

Dear Rick:

Attached is the final South Carolina Criminal Justice Academy audit report and recommendations made by the Office of Audit and Certification. I concur and recommend the Budget and Control Board grant the Academy two (2) years certification as outlined in the audit report.

Sincerely,

A handwritten signature in dark ink, appearing to read "James J. Forth, Jr.", written over a typed name.

James J. Forth, Jr.
Assistant Division Director

Attachment

MATERIALS MANAGEMENT OFFICE

State Supply & Surplus Property Management
Surplus Property Supply, Warehousing & IMS
Boston Avenue 1942 Laurel Street
W. Cola., S.C. 29169 Cola., S.C. 29201
739-5490 734-7919

Training & Research
300 Gervais Street
Annex 3
Cola., S.C. 29201
737-2060

State Procurements &
Information Technology Management Office
1201 Main Street
Suite 600
Cola., S.C. 29201
737-0600

Office of Audit & Certification
1201 Main Street
Suite 600
Cola., S.C. 29201
737-0600

Installment Purchase Program
1201 Main Street
Suite 600
Cola., S.C. 29201
737-0600

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STATE OF SOUTH CAROLINA
BUDGET AND CONTROL BOARD
DIVISION OF GENERAL SERVICES
1201 MAIN STREET, SUITE 420
COLUMBIA, SOUTH CAROLINA 29201
(803) 737-3880

CARROLL A. CAMPBELL, JR.
GOVERNOR

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CHAIRMAN,
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JESSE A. COLES, JR., Ph.D.
EXECUTIVE DIRECTOR

January 16, 1989

Mr. James J. Forth, Jr.
Assistant Division Director
Division of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

We have examined the procurement policies and procedures of the South Carolina Criminal Justice Academy for the period July 1, 1985 through June 30, 1988. As a part of our examination, we made a study and evaluation of the system of internal control over procurement transactions to the extent we considered necessary.

The purpose of such evaluation was to establish a basis for reliance upon the system of internal control to assure adherence to the Consolidated Procurement Code and State and Academy procurement policy. Additionally, the evaluation was used in determining the nature, timing and extent of other auditing procedures that were necessary for developing an opinion on the adequacy, efficiency and effectiveness of the procurement system.

The administration of the Criminal Justice Academy is responsible for establishing and maintaining a system of internal control over procurement transactions. In fulfilling

this responsibility, estimates and judgements 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 due professional care. They would not, however, because of the nature of audit testing, necessarily disclose all weaknesses in the system.

The examination did, however, disclose conditions enumerated in this report which we believe to be subject to correction or improvement.

Corrective action based on the recommendations described in these findings will in all material respects place the Criminal Justice Academy in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.


R. Veight Shealy, Manager
Audit and Certification

SCOPE

Our examination encompassed a detailed analysis of the internal procurement operating procedures of the Criminal Justice Academy and the 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 reviewed one hundred twenty (120) randomly selected procurement transactions and a block sample of four hundred (400) numerical purchase orders for the period July 1, 1986 - June 30, 1988 for compliance testing and performed other audit procedures that we considered necessary in the circumstances to formulate this opinion. Our review of the system included, but was not limited to, the following areas:

- (1) adherence to applicable laws, regulations and internal policy;
- (2) procurement staff and training;
- (3) adequate audit trails and purchase order registers;
- (4) evidences of competition;
- (5) small purchase provisions and purchase order confirmations;
- (6) emergency and sole source procurements;
- (7) source selections;
- (8) file documentation of procurements;
- (9) inventory and disposition of surplus property;
- (10) economy and efficiency of the procurement system;
- (11) Minority Business Enterprise Utilization Plan.

RESULTS OF EXAMINATION

The Office of Audit and Certification performed an examination of the internal procurement operating procedures and policies and related manual of the South Carolina Criminal Justice Academy for the period July 1, 1986 through June 30, 1988.

Our on-site review was conducted July 28 through August 25, 1988, and was made under the authority as described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code. The Criminal Justice Academy has requested in writing to be certified in the areas of goods and services up to \$10,000 per contract and construction up to \$25,000 per contract. Over the audit period, the Academy has maintained what we consider to be an efficient procurement system. We did note, however, the below listed items which should be addressed by management.

I. Compliance - General

A. Six procurement transactions between \$1,500.00 and \$2,499.99 were not supported by written quotations from the successful low bidder. These transactions are as follows:

<u>P.O. Number</u>	<u>P.O. Amount</u>	<u>Description</u>
870040	\$ 2,130.00	Paper folding machine
870135	2,375.00	Ice cream machine
870730	1,828.00	Radio equipment
880239	2,475.00	Vinyl binders
880720	2,100.00	Basic road stone
881068	1,747.25	Shotgun shells

In all of the above transactions, phone quotes were received, but the purchasing office never followed up to ensure

written quotes were received from the successful low bidder. The Code and the Academy Purchasing Procedures Manual states "when prices are solicited by telephone, the vendor shall be requested to furnish written evidence of their quotation." In the future the invoice should not be paid until the purchasing office has received the requested quotation in writing from the successful bidder.

B. Purchase order 870102 for \$1,359.50 for an electric paint sprayer was awarded to the wrong bidder according to the informal phone quotation document.

Furthermore, three of the four phone quotes received were lower than the successful contract award. There was no documentation in the file as to why the award was not made to one of the other lower bidders. The purchasing office was unable to explain the logic for this award. In the future, purchasing must be more careful to ensure that the correct award is made and that the file is sufficiently documented when an award is made to other than the apparent low bidder.

C. A payment on voucher 00364 for \$3,087.50 for tea is an unauthorized procurement as this transaction exceeds the Academy's certification limit of \$2,500.00. This award was made based on informal verbal quotes. This procurement should have been made by the sealed bid process through the Materials Management Office. This procurement must be submitted to the Materials Management Officer for ratification in accordance with Regulation 19-445.2015.

Additionally, the Academy's annual requirements for coffee and coffee machines need to be competitively sealed bid. Because of the installation of the coffee making equipment, a multi-term contract should be considered.

D. Purchase order 872050 was for a contract for water treatment on heating and cooling equipment. The contract award was for \$1,800.00 per year with an option to extend for two additional years. A multi-term contract determination was prepared for this contract. However, the potential for this contract is \$5,400 which exceeds the Academy's certification limit and therefore it must also be submitted to the Materials Management Officer for ratification.

For future contracts, the Academy must take in account the total potential dollar commitment when choosing the appropriate source selection bidding process.

With the Academy's new certification limits, purchasing will be able to handle the above contracts at the Academy level.

II. Excessive Purchase Order Cancellations

During our review of the block sample of numerical purchase orders, we noted an excessive number of cancelled purchase orders. Further investigation revealed that 14.5% of all purchase orders issued for FY 87/88 were cancelled and reissued.

The major cause of cancellation was that the incorrect expenditure object codes were used. Under the current computer system, accounting can not make a change internally. The original purchase order must be cancelled and a new purchase order issued.

We recommend that the Criminal Justice Academy check into the possibility of adapting the computer software system so that accounting can make an object code correction without cancelling the original purchase order.

III. Review of the Procurement Procedures Manual

As part of our examination, we reviewed the Purchasing Policies and Procedures Manual. In order for certification to be recommended, the manual must be expanded to address the following topics:

A. Competitive sealed bids greater than \$2,500.00 to include:

1. Bidders List
2. Receipt and Safeguarding of Bids
3. Unidentified Bids
4. Bid Opening Procedures
5. Postponement of Bid Opening
6. Disclosure of Bid Information
7. Bid Acceptance and Evaluation
8. Rejection of Bids
9. Alternate Bids
10. Nonresponsible Bids
11. Tie Bids
12. Instate Bidders Preference
13. Unsigned Bids
14. Correction Creates Low Bid
15. Award

B. Legal Services

C. Auditing Services

D. Art Procurements

E. Personal Purchases

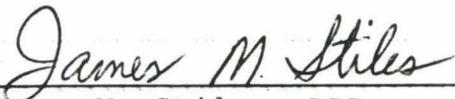
CERTIFICATION RECOMMENDATIONS

As enumerated in our transmittal letter, corrective action based on the recommendations described in the findings contained in the body of this report, we believe, will in all material respects place the South Carolina Criminal Justice Academy in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

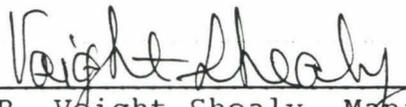
Under the authority described in Section 11-35-1210 of the Procurement Code, subject to this corrective action, we recommend the Criminal Justice Academy be certified to make direct agency procurements for two years up to the limits as follows:

<u>PROCUREMENT AREAS</u>	<u>RECOMMENDED CERTIFICATION LIMITS</u>
Goods and Services	\$10,000 *per purchase commitment
Construction	\$25,000 *per purchase commitment

*The total potential commitment to the State whether single year or multi-term contracts are used.



James M. Stiles, PPB
Audit Supervisor



R. Vaight Shealy, Manager
Audit and Certification

South Carolina Criminal Justice Academy

5400 BROAD RIVER ROAD, COLUMBIA, SOUTH CAROLINA 29210-4088 * PHONE: (803) 737-8400

December 8, 1988

Mr. R. Voight Shealy, Manager
Audit and Certification
Budget and Control Board
Division of General Services
1201 Main Street, Suite 420
Columbia, South Carolina 29201

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Executive Director

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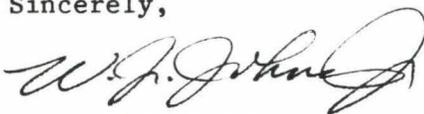
RE: Management Response to Procurement Audit

Dear Voight:

Management acknowledges the recent procurement audit and concurs in the result. We appreciate the thoroughness of the audit and have taken appropriate steps to correct the deficiencies in our procedures.

We thank you for the recommendation of an increase in agency certification and the confidence that it shows in our staff.

Sincerely,



W. J. "Rick" Johnson, Jr.
Executive Director

WJJ:HRW:em

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BUDGET AND CONTROL BOARD
DIVISION OF GENERAL SERVICES
1201 MAIN STREET, SUITE 420
COLUMBIA, SOUTH CAROLINA 29201
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CHAIRMAN,
HOUSE WAYS AND MEANS COMMITTEE

JESSE A. COLES, JR., Ph.D.
EXECUTIVE DIRECTOR

January 13, 1989

Mr. James J. Forth, Jr.
Assistant Division Director
Division of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Jim:

We have returned to the South Carolina Criminal Justice Academy to determine the progress made toward implementing the recommendations in our audit report covering the period July 1, 1985 - June 30, 1988. During this visit, we followed up on each recommendation made in the audit report through inquiry, observation and limited testing.

We observed that the Academy has made substantial progress toward correcting the problem areas found and improving the internal controls over the procurement system. With the changes made, the system's internal controls should be adequate to ensure that procurements are handled in compliance with the Consolidated Procurement Code and ensuing regulations.

We therefore, recommend that the certification limits for the Criminal Justice Academy outlined in the audit report be granted for a period of two (2) years.

Sincerely,

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

R. Voight Shealy, Manager
Audit and Certification

