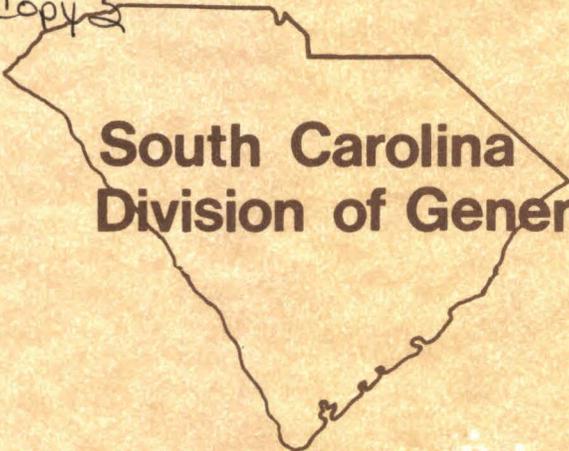


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**South Carolina
Division of General Services**

PROCUREMENT AUDIT AND CERTIFICATION

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DEPARTMENT OF HIGHWAYS
AND PUBLIC TRANSPORTATION

AGENCY

JULY 1, 1988 - SEPTEMBER 30, 1991

DATE

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



CARROLL A. CAMPBELL, JR., CHAIRMAN
GOVERNOR

GRADY L. PATTERSON, JR.
STATE TREASURER

EARLE E. MORRIS, JR.
COMPTROLLER GENERAL

JOHN DRUMMOND
CHAIRMAN, SENATE FINANCE COMMITTEE

WILLIAM D. BOAN
CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER F. CARTER
EXECUTIVE DIRECTOR

RICHARD W. KELLY
DIVISION DIRECTOR

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

JAMES J. FORTH, JR.
ASSISTANT DIVISION DIRECTOR

September 3, 1992

Mr. Richard W. Kelly
Director
Division of General Services
1201 Main Street, Suite 420
Columbia, South Carolina 29201

Dear Rick:

Attached is the final Department of Highways and Public Transportation procurement audit report and recommendations made by the Office of Audit and Certification. I concur and recommend the Budget and Control Board grant the Department a two(2) year certification as noted in the audit report.

Sincerely,

A handwritten signature in cursive script, appearing to read "James J. Forth, Jr.".

James J. Forth, Jr.
Assistant Division Director

JJFjr/jlj

Attachment

DEPARTMENT OF HIGHWAYS AND PUBLIC TRANSPORTATION
PROCUREMENT AUDIT REPORT

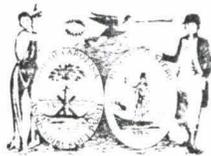
JULY 1, 1988 - SEPTEMBER 30, 1991

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NOTE: The Department's responses to issues noted in this report have been inserted immediately following the issues they refer to.

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State Budget and Control Board
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JAMES J. FORTH, JR.
ASSISTANT DIVISION DIRECTOR
September 3, 1992

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 examined the procurement policies and procedures of the South Carolina Department of Highways and Public Transportation for the period July 1, 1988 - September 30, 1991. 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 and State and internal procurement policy. 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 Department of Highways and Public Transportation is responsible for establishing and maintaining a

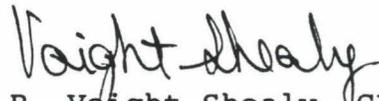
system of internal control over procurement transactions. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, 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 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 Department of Highways and Public Transportation in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.



R. Voight Shealy, CFE, Manager
Audit and Certification

INTRODUCTION

The Office of Audit and Certification conducted an examination of the internal procurement operating procedures and policies and related manual of the Department of Highways and Public Transportation. Our on-site review was conducted November 13, 1991 through January 27, 1992 and was made under authority as described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Section 19-445.2020 of the accompanying regulations.

The examination was directed principally to determine whether, in all material respects, the procurement system's internal controls were adequate and the procurement procedures, as outlined in the Internal Procurement Operating Procedures Manual, were in compliance with the South Carolina Consolidated Procurement Code and its ensuing regulations.

Additionally our work was directed toward assisting the Department in promoting the underlying purposes and policies of the Code as outlined in Section 11-35-20, which include:

- (1) to ensure the fair and equitable treatment of all persons who deal with the procurement system of this State
- (2) to provide increased economy in state procurement activities and to maximize to the fullest extent practicable the purchasing values of funds of the State
- (3) to provide safeguards for the maintenance of a procurement system of quality and integrity with clearly defined rules for ethical behavior on the part of all persons engaged in the public procurement process

BACKGROUND

Section 11-35-1210 of the South Carolina Consolidated Procurement Code, hereinafter referred to as the Code, states:

The (Budget and Control) Board may assign differential dollar limits below which individual governmental bodies may make direct procurements not under term contracts. The Division of General Services shall review the respective governmental body's internal procurement operation, shall verify in writing that it is consistent with the provisions of this code and the ensuing regulations, and recommend to the Board those dollar limits for the respective governmental body's procurement not under term contract.

Most recently, on July 18, 1989, the Budget and Control Board granted the following procurement certifications to the Department of Highways and Public Transportation:

<u>Category</u>	<u>Requested Limit</u>
1. Goods and Services	\$ 50,000
2. Information Technology	50,000
3. Consultant Services	50,000
4. Construction Services	25,000
5. Aggregate	100,000
6. Construction Materials Testing	1,250,000

Our audit was performed primarily to determine if recertification is warranted. Additionally, the Department of Highways and Public Transportation requested the increased certification limits listed below:

<u>Category</u>	<u>Requested Limit</u>
1. Goods and Services	\$ 100,000
2. Consultant Services	100,000
3. Information Technology	100,000
4. Construction Services	100,000
5. Printing Services	200,000
6. Aggregate	200,000
7. Construction Materials Testing	1,250,000

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 Department of Highways and Public Transportation and their 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.

Specifically, our scope for this project included, but was not limited to , the following:

- (1) All sole source and emergency procurements for the period January 1, 1988 - September 30, 1991
- (2) A random sample of two hundred forty expenditure transactions, each greater than \$500.00, for the period July 1, 1989 - September 30, 1991
- (3) A special review of (40) forty additional sealed bid files
- (4) Highway rest area maintenance and Welcome Center maintenance contracts
- (5) A block sample of six hundred purchase orders in numerical sequence
- (6) Six permanent improvement contracts for approvals and compliance with the Manual for Planning and Execution of State Permanent Improvements
- (7) All purchase policies and procedures
- (8) File documentation and evidence of competition
- (9) Information Technology Plan approvals
- (10) Minority Business Enterprise Plan approvals
- (11) Supply Depot Warehouse procedures
- (12) Real Property Management Office approvals of lease
- (13) Property Management and fixed asset procedures

SUMMARY OF AUDIT FINDINGS

Our audit of the procurement system of the Department of Highways and Public Transportation, hereinafter referred to as the Department, produced findings and recommendations in the following areas:

	<u>PAGE</u>
I. <u>Exemption for Construction, Maintenance and Repair of Bridges, Highways and Roads</u>	11
<p>During the audit, we readdressed our understanding of the exemption provided the Department by the General Assembly in Section 11-35-710. This was not done as a result of audit exceptions or problems, rather to hopefully avoid future misunderstandings. We find that both agencies' interpretations of the exemption remain compatible.</p>	
II. <u>Compliance - Sole Source and Emergency Procurements</u>	12
A. <u>Sole Source Procurements</u>	13
<p>1. Three procurements were not approved and were therefore unauthorized.</p> <p>2. We take exception to two sole source procurements.</p> <p>3. The Department failed to report \$1,485 of travel expenses to a consultant.</p>	

4. Five exempt procurements were reported unnecessarily.
- B. Unnecessary Emergency Procurements 16
The Department reported an exempt bridge repair as an emergency.
- III. Compliance - Sealed Bids 16
The Department failed to send the required number of bid solicitations out for four bids.
- IV. Compliance - Construction 17
A. Five emergency construction projects were not reported to the State Engineer's Office.
B. One minor construction project was not bid under Article 9 of the Manual for Planning and Execution of Permanent Improvements procedures.
- V. Compliance - Consultant Services 20
A. Determination for use of an RFP was not done.
B. An expense for consultant was not bid nor sole sourced.

VI. Compliance - Information Technology 21
Purchase of software and maintenance
was not bid nor sole sourced.

VII. Procurement Procedures Manual 22
The Department's procurement procedures
manual should be updated.

RESULTS OF EXAMINATION

I. Exemption for Construction, Maintenance and Repair of Bridges, Highways and Roads

Under Section 11-35-710(a) of the Consolidated Procurement Code, the Department has been exempted from following the purchasing provisions of the Code in the procurement of the following items:

The construction, maintenance and repair of bridges, highways and roads; vehicle and road equipment maintenance and repair; and any other emergency type parts or equipment....

From time to time over the years, questions have arisen about the application of the first part of this exemption, which covers construction, maintenance and repair of bridges, highways and roads. In 1983, the Materials Management Office and the Department developed a mutual understanding of the application of this exemption. Since this issue has not formally been readdressed since then, the audit staff felt it would be worthwhile to ensure that both agencies' interpretations of the exemptions remained compatible. Although we had no audit exceptions or problems during this review with the Department's application of the exemption, we met with Department officials with hopes of avoiding any potential future misunderstandings.

During the meeting with Department officials, the State Engineer, the Director of State Procurements and the audit staff we developed the mutual position that the exemption will be applied as follows:

It is agreed that this exemption applies to all contractual services in preparation for and during construction, maintenance

and repair of bridges, highways and roads. Section 56-5-430 of the South Carolina Code of Laws, 1976 as amended defines a highway as:

The entire width between boundary lines of every way publicly maintained when any part thereof is open to the use of the public for purposes of vehicular travel is a "street" or "highway."

This definition is reinforced by Section 57-1-10, which states in part:

The terms "highway", "street" and "road" as used herein shall be general terms denoting a public way for the purpose of vehicular travel, including the entire area within the right of way, and the terms shall include roadways, pedestrian facilities, bridges, tunnels, viaducts, drainage structures and all other facilities commonly considered component parts of highways, streets or roads.

Furthermore; the exemption applies to contracts for construction of precast and prestressed replacement bridges. However, the exemption for construction, maintenance and repairs of bridges, highways and roads does not apply to the purchase of supplies to be used by Department employees for these purposes.

DEPARTMENT RESPONSE

The Department concurs with the position of the Division of General Services on the Department's exemption under Section 11-35-710(a). The Department also concurs with the new application of this exemption to cover contracts for construction of precast and prestressed replacement bridges. Furthermore, we understand the exemption does not apply to the supplies used by Department employees for the purposes of construction, maintenance and repairs of bridges, highways and roads.

II. Compliance - Sole Source and Emergency Procurements

We examined the quarterly reports of sole source and emergency procurements and all available documentation for July 1, 1988 through September 31, 1991. We performed the review to

determine the appropriateness of the procurement actions taken and the accuracy of the reports submitted to the Division of General Services.

As a result of this review, we noted the following exceptions:

A. Sole Source Procurements

1. Unauthorized Sole Sources

The following three sole source procurements were not approved and are therefore unauthorized:

	<u>PO#</u>	<u>PO Date</u>	<u>Amount</u>	<u>Description</u>
1.	65255	03/18/91	\$10,000.00	Software
2.	57890	10/31/90	500.00	Software
3.	35797	10/11/89	3,500.00	Upgrade recording equipment

Regulation 19-445.2105 requires that sole source determinations be made by a duly authorized official. Since this was not done, these procurements must be submitted to the Executive Director of the Department for ratification in accordance with Regulation 19-445.2015.

DEPARTMENT RESPONSE

Upon examination of the following purchase order documents the Department finds the proper forms were filed and submitted on quarterly reports as required. All three procurements were not signed by a duly authorized official. The attached procurement ratification is being submitted to cover these orders.

	<u>PO#</u>	<u>PO Date</u>	<u>Amount</u>	<u>Description</u>
1.	65255	03/18/91	\$10,000.00	Software
2.	57890	10/31/90	500.00	Software
3.	35797	10/11/89	3,500.00	Upgrade recording equipment

2. Inappropriate Sole Source Procurements

We take exception to the following two procurements made as sole sources:

	<u>PO#</u>	<u>PO Date</u>	<u>Amount</u>	<u>Description</u>
1.	71938	06/28/91	\$ 1,485.00	Used office furniture
2.	42464	02/16/90	\$54,000.00	Public relations training

We believe these items or services were available from other sources and open to competition. We recommend that the Department adhere to the criteria found in Regulation 19-445.2105 when determining sole sources and that competition be solicited when available.

DEPARTMENT RESPONSE

Purchase order number 71938 dated June 28, 1991 was issued to a company in Chester, South Carolina for used office furniture. This firm was going out of business and local Department employees found used furniture in good condition at prices considerably lower than new furniture, as outlined in our sole source document. On future procurement of used furniture and equipment, the Department will obtain bids of like items when available.

Purchase order number 42464 dated February 16, 1990 for public relations training was issued in accordance with a Commission recommendation in response to poor public opinion of performance of employees of the Division of Motor Vehicles. This training was done on a test and evaluation to determine if statewide training at this level would provide the immediate results desired by the Commission. On future procurements for consultant training the Department will utilize regulations regarding requests for proposals as outlined in Section 11-35-1530.

3. Unreported Sole Source Procurement

The Department sole sourced a consultant but failed to report the speaker's \$1,485.00 travel expenses as part of the sole source total.

We recommend that the Department report all expenses related to a consultant procured as a sole source.

DEPARTMENT RESPONSE

The travel expenses related to a sole source speaker were paid on a direct expense submitted to the Accounting Office. Due to Department policy concerning employees travel there was some confusion about how the speakers expenses should be paid. In accordance with a new memorandum from the Secretary-Treasurer all employees involved in the payment of travel expenses have been advised that all procurement regulations must be complied with prior to issuance of travel expense checks for anyone not employed by the Department.

4. Unnecessary Sole Source Procurements

The following five procurements were exempt and therefore should not have been made and reported using the sole source method:

<u>PO#</u>	<u>PO Date</u>	<u>Amount</u>	<u>Description</u>
1. 73649	08/09/91	\$ 537.50	Copyrighted student workbooks
2. 65490	03/20/91	2,160.00	Copyrighted student workbooks
3. 64996	03/13/91	1,330.00	Copyrighted course books
4. 59142	11/26/90	2,020.00	Copyrighted displays
5. 40548	01/15/90	3,870.00	Copyrighted displays

We recommend that future procurements of exempt items not be purchased and reported as sole sources.

DEPARTMENT RESPONSE

After reviewing the following five procurements, and discussions with the audit staff; the Department's Procurement Division agrees the copyrighted exemption applies to these purchases even though they are not purchased directly from the copyright source. On future procurements from the Safety Councils for this type of material the exemption will be utilized. Amended sole source reports for these periods have been submitted.

B. Unnecessary Emergency Procurements

The Department reported one exempt procurement unnecessarily as an emergency. It was for repairs to a bridge totalling \$306,000 on July 16, 1990 (PO# 51320).

The Department was granted an exemption for these items and services in Section 11-35-710. We recommend that future procurements of these type items and services not be made as emergencies.

DEPARTMENT RESPONSE

Purchase order number 51320 dated July 16, 1990 for bridge repairs was reported as an emergency because emergency procurement regulations were utilized, as time did not allow the use of the formal sealed bid process. After discussions with the Department's Procurement Division and the audit staff, the Department will utilize the exemption granted in Section 11-35-710(a) on future bridge and bridge repair procurements. An amended emergency report for this period has been submitted.

III. Compliance - Sealed Bids

The Department failed to solicit the required number of bids where the resulting award was greater than \$10,000 on the following four solicitations:

<u>Sealed Bid Number</u>	<u>Dollar Award</u>	<u>Solicitations Required</u>	<u>Solicitation Requests</u>	<u>Description</u>
4276	\$11,670.00	10	7	Navigation lights
5206	13,247.40	10	7	Corrugated drainage pipe
5308	19,780.00	10	5	Circle saw attachment
4230	13,226.20 (Lots B&C)	10	7	Warehouse hardware & stacking bins

Regulation 19-445.2035 requires that procurements of \$10,000.00 or more be supported by solicitations from a minimum of ten qualified sources. It states further:

If the minimum number of qualified bidders required under this regulation cannot be solicited the appropriate chief procurement office or the head of a governmental body shall certify in writing that all known sources were solicited.

We recommend that the Department take care to either solicit the required number of bids or determine in writing that all known sources were solicited for all procurements.

DEPARTMENT RESPONSE

Upon review of sealed bid 4276 we found the procurement officer had documented the file as we had advised we would do in response to the 1989 audit. As was pointed out in Regulation 19-445.2035 this documentation must come from the head of a governmental body. A memorandum will be used to support future procurements when the minimum number of bidders cannot be met.

On sealed bids 4230, 5206, and 5308 the Procurement Officer failed to provide the proper documentation.

In response to this section the Department has issued new guidelines to avoid any future confusion concerning Regulation 19-445.2035.

IV. Compliance - Construction

A. Construction Emergencies Not Submitted to the State Engineer's Office

We noted five construction related emergency procurements which were not submitted to the Office of the State Engineer. These are as follows:

<u>PO#</u>	<u>Date</u>	<u>Amount</u>	<u>Description</u>
41502	01/31/90	\$ 42,534.00	Replace Hugo damaged roof
41503	01/31/90	38,818.00	Replace Hugo damaged roof
35906	10/13/89	26,950.00	Replace Hugo damaged roof
38481	11/30/89	51,081.00	Building repairs as a result of Hugo
39300	12/15/89	278,360.00	Radio tower replacement as a result of Hugo

All five emergencies were related to repairs caused by Hurricane Hugo.

Section 1.11.F of the Manual for Planning and Execution of State Permanent Improvements Part II, requires that all construction related emergencies be reported to the Office of the State Engineer on their form SE-560 within ten days of the contract award.

Accordingly, we recommend that the Department comply with this requirement in the future. Also, these expenditures should now be reported to the State Engineer's Office for informational purposes.

DEPARTMENT RESPONSE

Upon review of the five noted construction emergencies, related to Hurricane Hugo, we found three (3) of these procurements for reroofing were reported as emergencies under requirements related to procurements made under Article 5. The Department defined these reroofing procurements under maintenance as outlined on attached State Engineer regulations. After discussions, with our Procurement Division and audit staff, all future procurements caused by actions of God with a total cost of \$25,000.00 or greater will be issued in accordance with the State Engineer's regulations.

Due to the nature of the two (2) other procurements, the requirements of Article 5 in lieu of Article 9 were utilized in the emergency reporting procedures. On all future procurements of this type the Construction Engineer's office will be contacted concerning reporting requirements to comply with all State Engineer regulations. To comply with the audit requirements the SE-560 forms have been forwarded to the Office of the State Engineer.

B. Minor Construction Project Not Bid by State Engineer Guidelines

Our review of sealed bid package number 3912 dated February 7, 1990 for the construction of a transmitter building in Conway, South Carolina, revealed that the project was not bid under Article 9 of the Code. Rather, it was bid under Article 5 of the Code. Article 9 sets procurement guidelines for construction projects whereas Article 5 pertains to the procurement of general goods and services. Since the project was new construction of a building over \$2,500.00, total cost \$20,930.00, the procurement should have been handled under Article 9.

None of Article 9's requirements for bid bonds or performance payment bonds were met in the original bid.

In the future, we recommend that any new construction project over \$2,500.00 as defined in Section 11-35-2910 of the Code be handled in accordance with Article 9, not under the goods and services certification.

DEPARTMENT RESPONSE

After reviewing our sealed bid package number 3912 we found there was a misunderstanding about bonding requirements with procurements under \$25,000.00. The Procurement Division does not ordinarily issue bids under Article 9 and the buyer was not aware that permanent improvement projects at any limits require bidding under Article 9 even though the value of the procurement may not require a permanent improvement project number. All procurement officer has been issued the MMO and OSE Policy Statement for permanent improvement projects and procurement responsibilities, and definitions for construction, repair, maintenance and operation. The staff has been instructed to following the procedures required in this policy statement. The procurement staff has been instructed to work in conjunction with the Building Engineer to make certain we are in compliance with the State Engineer's procedures and all requirements of Section 11-35-2910.

V. Compliance - Consultants

We noted exceptions with the following two procurements of consultants:

<u>Reference</u>	<u>Date</u>	<u>Amount</u>	<u>Description</u>
PO# 50726	06/29/90	\$21,428.00	RFP for development of an implementation plan to assist transportation providers
Voucher# 771325	02/07/90	815.52	Consultant

Item 1 - the Department did not justify the use of the competitive sealed proposal method as required by Section 11-35-1530. We recommend that all future requests for use of the competitive sealed proposal method follow the requirements of all the above referenced section.

Item 2 - this procurement was not supported by evidence of competition or a sole source or emergency procurement determination.

We recommend that the Department consider the total potential cost of a consultant's contract when determining the procurement method or when reporting sole source or emergency procurements.

DEPARTMENT RESPONSE

Item 1 - Upon review of the bid file for purchase order 50726 we found written documentation was not filed as required in Section 11-35-1520(1). Discussions took place between the Procurement Division and the Public Transportation Division prior to issuance, but written determination was not issued. To prevent a recurrence of this type, a new form has been issued to all Procurement Officers to complete bid file determinations.

Item 2 - Upon review we found this payment was made directly through the Accounting Office for expenses of a consultant who conducted a training session for the Commission. Since these expenses were travel related the Secretary-Treasurer was unaware this was viewed as a procurement and required compliance with the requirements of the South Carolina Consolidated Procurement Code. On future procurements for consultants or expenses of

consultants, the Department will consider the total value of the contract when determining the procurement method to be used.

VI. Compliance - Information Technology Procurements

A. Procurement Without Competition

The following procurement was not supported by evidence of competition or a sole source or emergency procurement determination.

<u>PO#</u>	<u>Date</u>	<u>Amount</u>	<u>Description</u>
61976	01/17/91	\$2,300.00	Initial purchase of software and maintenance

The Department had considered this procurement to be exempt, but the exemption applies only to extensions of existing license agreements for software after it has been appropriately competed.

We recommend that the Department competitively bid initial purchases of software and related maintenance agreements as required by the Code.

DEPARTMENT RESPONSE

After review of purchase order 61976 dated January 17, 1991 we found the procurement officer has incorrectly applied a procurement exemption for software maintenance. After this review, we determined this procurement should have been handled in accordance with Section 11-35-1560. As a result, we have amended our sole source report for the period of January 1, 1991 through March 29, 1991. All future procurements of this type will be handled in accordance with the above code requirements.

B. Contract Numbers Not Referenced

The Department did not reference contract numbers for several procurements of information technology equipment maintenance.

We recommend that in the future the Department reference the contract number for these procurements.

DEPARTMENT RESPONSE

The procurements referenced are for maintenance agreements on copiers. When contract bids are issued for copiers, maintenance is bid for a five (5) year period. This allows agencies to have maintenance for five (5) years from the date of purchase without soliciting bids. The Procurement Division already obtains this information for determination of the contract period. After discussions with the audit staff, the Department's Procurement Division is referencing the original purchase contract number for each year's maintenance agreement renewal orders.

VII. Procurement Procedures Manual

As part of our audit we reviewed the Department's Internal Procurement Procedure Manual. We noted the following areas that need to be updated.

- A - Change all reference of Central State Purchasing to State Procurements of the Materials Management Office
- B - On Page 3, Item F.(2), The Administrative Memorandum 395 has been superseded by Memorandum 407
- C - Item 7 on page 4 which states in part, "Requisitions... are submitted to Central State Purchasing for all items that exceed \$2,500," is incorrect and the statement needs to be revised to current certification limits.
- D - Item 11 on page 5 which states in part, "Purchase orders... are submitted to the chief commissioner for his approval if the total price exceeds \$1,000" is not correct and needs to be eliminated.
- E - On page 7, Item K(1), under Small Purchases it states that bids are required for any line item amount that

exceeds \$100.00. This is not being enforced and should be removed.

- F - On page 15, Item J, the reference to Regulation 19-445.2010(B) should read "Before any governmental body procures any art objects... above \$500.00."
- G - The Goods and Services procurement flow chart dollar limits need to be updated on page 18.
- H - On page 21 under Construction and Related Professional Services it states, "If the estimated value of the contract equals \$10,000 or more it will be advertised for bid..." This dollar limit should be changed to read \$2,500 throughout this paragraph.
- I - The organization chart in Appendix V for the Procurement Division needs to be updated to the current chain of command.

We recommend the manual be reviewed and revised to current operating procedures and a copy be furnished to our office.

DEPARTMENT RESPONSE

Prior to the start of the audit process the procedures manual update had already begun. The areas needing immediate updating have been noted. Upon completion of the changes, a copy of the revised manual will be furnished to your office for review.

CERTIFICATION RECOMMENDATIONS

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 Department of Highways and Public Transportation in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

We will perform a follow-up review before May 31, 1992 in accordance with Section 11-35-1230(1) of the Procurement Code to determine if the proposed corrective action has been taken by the Department. Based on the follow-up review, and subject to this corrective action, we will recommend that the Department of Highways and Public Transportation be recertified to make direct agency procurements for a period of three years as follows:

<u>Procurement Area</u>	<u>Recommended Certification Limits</u>
1. Goods and Services	*\$ 50,000 per purchase commitment
2. Information Technology	*\$ 50,000 per purchase commitment
3. Consultant Services	*\$ 50,000 per purchase commitment
4. Construction Services	*\$ 25,000 per purchase commitment
5. Aggregate	*\$ 100,000 per purchase commitment
6. Construction Materials Testing	*\$1,250,000 per purchase commitment

At this time, we do not recommend an increase in certification. However, we will reevaluate this decision eighteen months from the date of recertification.

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

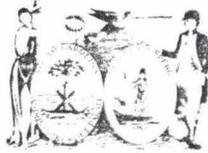


James M. Stiles, CPPB
Audit Manager



R. Voight Shealy, CFE, Manager
Audit and Certification

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



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JAMES J. FORTH, JR.
ASSISTANT DIVISION DIRECTOR

September 3, 1992

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

Dear Jim:

Through discussions with agency officials, review of bid procedures and documents and limited revisits, we have determined that the Department of Highways and Public Transportation has completed the corrective action recommended herein. We recommend that the Budget and Control Board grant the Department procurement certification as recommended on page 24 of this report.

Sincerely,

A handwritten signature in cursive script that reads 'R. Voight Shealy'.

R. Voight Shealy, Manager
Audit and Certification

RVS/jlj

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