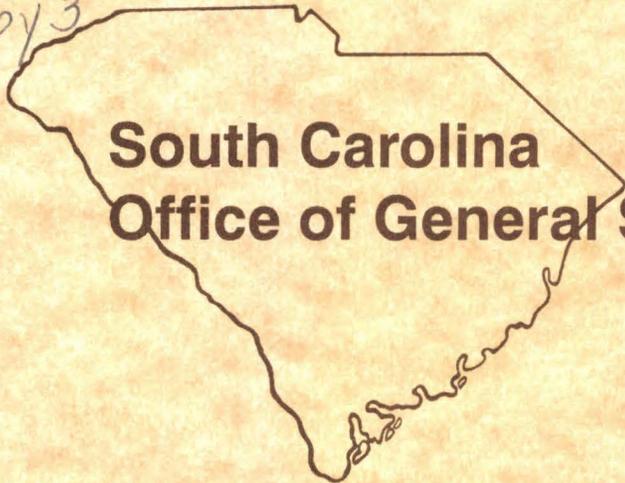


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**South Carolina
Office of General Services**

PROCUREMENT AUDIT AND CERTIFICATION

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STATE DOCUMENTS

**SOUTH CAROLINA DEPARTMENT OF
PARKS, RECREATION AND TOURISM**

AGENCY

OCTOBER 1, 1996 – DECEMBER 31, 1999

DATE

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

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GOVERNOR

GRADY L. PATTERSON, JR.
STATE TREASURER

JAMES A. LANDER
COMPTROLLER GENERAL



ROBERT W. McCLAM
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R. VOIGHT SHEALY
ASSISTANT DIRECTOR

JOHN DRUMMOND
CHAIRMAN, SENATE FINANCE COMMITTEE

ROBERT W. HARRELL, JR.
CHAIRMAN, WAYS AND MEANS COMMITTEE

RICK KELLY
EXECUTIVE DIRECTOR

June 1, 2000

Mr. Robert W. McClam, Director
Office of General Services
1201 Main Street, Suite 420
Columbia, South Carolina 29201

Dear Robbie:

I have attached the South Carolina Department of Parks, Recreation and Tourism's 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 three-year certification as noted in the audit report.

Sincerely,

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

R. Voight Shealy
Materials Management Officer

/jl

**SOUTH CAROLINA DEPARTMENT OF PARKS, RECREATION AND
TOURISM**

PROCUREMENT AUDIT REPORT

OCTOBER 1, 1996 - DECEMBER 31, 1999

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NOTE: The Department's responses to issues noted in this report have been inserted immediately following the items they refer to. No additional certification was requested.

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



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R. VOIGHT SHEALY
ASSISTANT DIRECTOR

April 19, 2000

Mr. R. Voight Shealy
Materials Management Officer
Office of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Voight:

We have examined the procurement policies and procedures of the South Carolina Department of Parks, Recreation and Tourism for the period October 1, 1996 through December 31, 1999. 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 Department's 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 South Carolina Department of Parks, Recreation and Tourism 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 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 South Carolina Department of Parks, Recreation and Tourism 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 Department of Parks, Recreation and Tourism. Our on-site review was conducted December 12, 1999 through January 19, 2000 and was made under 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 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 Office 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.

On July 8, 1997 the Budget and Control Board granted the Department the following procurement certifications:

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Goods and Services	\$ 25,000 per commitment
Consultant Services	\$ 25,000 per commitment
Information Technology	\$ 25,000 per commitment
Construction Services	\$100,000 per commitment

Our audit was performed primarily to determine if recertification is warranted. No additional certification was requested.

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 South Carolina Department of Parks, Recreation and Tourism and its 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 selected judgmental samples for the period October 1, 1996 through December 31, 1999 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 October 1, 1996 through December 31, 1999
- (2) Procurement transactions for the period October 1, 1996 through December 31, 1999 as follows:
 - a) One hundred ten payments exceeding \$1,500 each
 - b) A block sample of three hundred sequential purchase orders
- (3) Four construction contracts and four professional services contracts for compliance with the Manual for Planning and Execution of State Permanent Improvements
- (4) Minority Business Enterprise Plans and reports for the audit period
- (5) Information technology plans for the audit period
- (6) Internal procurement procedures manual review
- (7) Procurement file documentation and evidence of competition
- (8) Surplus property procedures

SUMMARY OF AUDIT FINDINGS

Our audit of the procurement system of the South Carolina Department of Parks, Recreation and Tourism, hereinafter referred to as the Department, produced the following findings and recommendations.

	<u>PAGE</u>
<u>I. General Procurement Code Exceptions</u>	
A. <u>Restrictive Specifications</u>	7
The Department improperly restricted competition to one brand of bicycle.	
B. <u>Inadequate Competition</u>	7
Two procurements did not have adequate solicitations of competition.	
C. <u>Low Bidder Rejected</u>	8
No documentation was provided to justify the rejection of a low quote.	
D. <u>Request for Proposals Not In Compliance With Code</u>	8
Two request for proposal solicitations were not done in compliance with the Code.	
<u>II. Payment Process</u>	9
We noted four payment discrepancies.	

RESULTS OF EXAMINATION

I. General Procurement Code Exceptions

A. Restrictive Specifications

Quote 99-028, which was issued for police bicycles, restricted competition to one brand. The Department received one response to the solicitation and issued purchase order 256 for \$13,761 for eleven police bicycles. The justification for restricting competition was based on certain characteristics of the brand specified. We contacted another bicycle retailer and learned that the characteristics of the requested brand are common on police bicycles of different manufacturers. This retailer also sells a police bicycle that meets and exceeds the minimum specifications used by the Department to justify the brand name requirement. Regulation 19-445.2145(B) states, "Specifications shall be drafted with the objective of clearly describing the State's requirements. All specifications shall be written in a non-restrictive manner as to describe the requirements to be met."

We recommend the Department not restrict competition on future police bicycle procurements.

DEPARTMENT RESPONSE

The particular bike was used by the police patrols in the national parks and was recommended for use by our park patrols. The national parks also indicated that there were some inferior bikes on the market so we restricted the specifications to get the best bikes. We now have better knowledge of the bike market and have eliminated this exception.

B. Inadequate Competition

We noted two procurements that did not have adequate solicitations of competition. Request for quotation 96-049 was issued for security services at Myrtle Beach State Park as a multi-term contract for two years. The value of the services was \$6,634 per year for a total potential value of \$13,268. Competition was solicited based on one year of service rather than the total service of two years. Also, the Department did not prepare the written determination for a multi-term contract as required in Section 11-35-2030 of the Code.

We recommend the Department comply with Section 11-35-2030 for multi-term contracts and solicit competition based on the total potential value of contracts.

The Department issued purchase order 1289 for \$5,177 for the pre-press work and color printing of the South Carolina Film Office 1998 Production Guide, the Guide. Purchase order 1290 for \$6,913 was issued for the black and white printing of the Guide. Two separate solicitations of three written quotes were made from the

same vendors. The Department stated that even though the procurements were for the Guide, it has two distinct printing requirements. The Department should have combined the requirements into one procurement.

We recommend the Department combine requirements for printing the Guide and solicit competition based on the total potential value.

DEPARTMENT RESPONSE

RFQ 96-049: The request for quotation was an oversight. We will solicit competition based on the total potential value and will prepare a written determination for a multi-term contract as required per Section 11-35-2030 of the Code.

PO 1289 and PO 1290: Normally in the past, one company could not do this job because of the two colors and multiple colors. We will solicit by lots in the future.

C. Low Bidder Rejected

Purchase order 2378 was issued for \$2,245 for software. However, the vendor awarded the contract was not the low quote. No documentation was provided to us justifying rejection of the low quote of \$2,159. Section 11-35-1710 of the Code states, "The reasons for rejection, supported with documentation sufficient to satisfy external audit, shall be made a part of the contract file."

We recommend that when bidders are rejected, sufficient documentation justifying such actions be made a part of the procurement file.

DEPARTMENT RESPONSE

This was an oversight as we could not locate documentation for this action. We will provide sufficient documentation when a vendor's quote is rejected.

D. Request for Proposals Not In Compliance With Code

The Department issued two request for proposal solicitations for consultant services that were not in compliance with Section 11-35-1530 of the Code. Purchase orders 1164 and 136 for \$10,000 each were not supported by the following requirements of Section 11-35-1530 for a request for proposal.

- 1) Conditions for Use. A written determination stating the use of competitive sealed bidding is either not practicable or not advantageous to the state must be done.
- 2) Receipt of Proposals. Proposals shall be opened publicly. A tabulation of proposals shall be prepared and be open for public inspection after contract award.
- 3) Evaluation Factors. The proposal shall state the relative importance of the factors to be considered in evaluating proposals.
- 4) Award. Award must be made to the responsive offeror whose proposal is determined in writing to be the most advantageous to the State, taking into consideration price and the evaluation factors

set forth in the proposal. Also, a notice of award of a contract whose bid meets the requirements set forth in the proposal shall be given by posting such notice at a location specified in the proposal.

Additionally, the following requirements were not included in the solicitation for purchase order 136.

- 1) Pubic Notice. Adequate public notice given at a reasonable time prior to the date set forth therein for the opening of the proposal.
- 2) Selection and Ranking. Proposals shall be evaluated using only the criteria stated in the request for proposal and there must be adherence to any weightings that have been previously assigned.

We recommend the Department comply with all of the requirements noted in Section 11-35-1530 of the Code for request for proposal solicitations.

DEPARTMENT RESPONSE

We will comply with all of the requirements noted in Section 11-35-1530 of the Code for each request for proposal.

II. Payment Process

We noted the following payment discrepancies. Purchase order 2244 was issued for \$5,610 for the rental of two exhibitor booths for an exposition in August of 1998. Voucher 15912 was issued on February 25, 1998 for \$5,355 against the purchase order. The Accounts Payable Department subsequently issued purchase order M12568 for \$2,805 for a booth rental at the exposition. However, the use of the "M" purchase orders by the Accounts Payable Department was limited by Departmental policy to certain types of items such as utility bills. The Accounts Payable Department should not have issued a "M" purchase order. Additionally voucher 16629 was issued on March 6, 1998 for \$2,805. The total payments of \$8,160 represent an overpayment of \$2,550 for the rental of the two booths. We must state our concern on the Accounts Payable Department bypassing the Procurement Department by issuing the "M" purchase order of an item not allowed by Departmental policies.

Purchase order 13 was issued for three types of animal feed. The purchase order listed the number of pounds and the price per pound for the feed. Voucher 2824 was issued for \$3,900 to pay for the animal feed. The invoice listed the price per case of the feed but did not define the number of pounds per case. Consequently, it was not possible to determine if the Department paid the correct price on the invoice. As such, the voucher should not have been processed.

Purchase order 182 was issued for the monthly rental of golf carts for the period July 1, 1998 to June 30, 1999. The purchase order included the rate of \$45.61 per month for the rental of 50 model G14EM carts.

Voucher 6106 was issued to authorize the payment of \$63.85 per month for the rental of 50 model G14EM carts. A change order was not prepared nor did the file contain an authorization for the price increase. The explanation we received for the price difference was that more carts were rented than were reflected on the invoice. The actual rate charged was \$45.61 each for 70 carts and not 50 as reflected in the purchase order and invoice. We must state our concern over allowing invoices to improperly reflect actual quantities received. The Accounts Payable Department must not process vouchers for these situations. Additionally, a late fee was paid even though the invoice was paid within the 30 workdays as defined in Section 11-35-40 of the Code. The late fee should not have been paid.

Purchase order 999 was issued for several types of clothing. Voucher 13172 included the payment for the following items for prices that were greater than the amounts listed on the purchase order.

<u>Description</u>	<u>Quantity</u>	<u>PO</u>	<u>Invoice</u>
1J26 Sweater	4	\$15.28	\$17.08
1J14 Sweater	40	17.08	19.78

A change order was not prepared nor did the file contain an authorization for the payment of amounts greater than were listed on the purchase order.

We recommend invoices not be processed for payments until price differences have been properly resolved in accordance with written Departmental policies. The Accounts Payable Department should issue "M" purchase orders in accordance with procedures of the Department.

DEPARTMENT RESPONSE

Since price discrepancies occurred, the Accounts Payable Department should have contacted the Procurement Department. The Accounts Payable Department will ensure that invoices will not be processed for payment if discrepancies exist. Proper resolution will be documented and attached to the voucher payment. The Accounts Payable Department will issue "M" purchase orders in accordance with Departmental Procedures.

CERTIFICATION RECOMMENDATIONS

As enumerated in our transmittal letter, corrective action based on the recommendations described in this report, will in all material respects place the South Carolina Department of Parks, Recreation and Tourism in compliance with the Consolidated Procurement Code and ensuing Regulations.

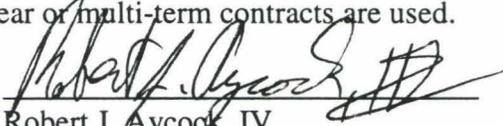
Under the authority described in Section 11-35-1210 of the Procurement Code, subject to this corrective action, we will recommend the South Carolina Department of Parks, Recreation and Tourism be recertified to make direct agency procurements for three years up to the limits as follows:

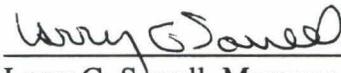
PROCUREMENT AREAS

RECOMMENDED CERTIFICATION LIMITS

Goods and Services	*\$25,000 per commitment
Consultant Services	*\$25,000 per commitment
Information Technology	*\$25,000 per commitment
Construction Contract Award	\$100,000 per commitment
Construction Contract Change Order	\$25,000 per change order
Architect/Engineering Contract Amendment	\$15,000 per amendment

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


Robert J. Aycock, IV
Audit Manager


Larry G. Sorrell, Manager
Audit and Certification

STATE OF SOUTH CAROLINA
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R. VOIGHT SHEALY
ASSISTANT DIRECTOR

June 1, 2000

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 the South Carolina Department of Parks, Recreation and Tourism to our audit report for the period of October 1, 1996 – December 31, 1999. Also we have followed the Department's corrective action during and subsequent to our fieldwork. We are satisfied that the Department has corrected the problem areas and the internal controls over the procurement system are adequate.

Therefore, we recommend the Budget and Control Board grant the South Carolina Department of Parks, Recreation and Tourism the certification limits noted in our report for a period of three years.

Sincerely,

Handwritten signature of Larry G. Sorrell in cursive.

Larry G. Sorrell, Manager
Audit and Certification

LGS/jl

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