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South Carolina
Division of General Services

PROCUREMENT AUDIT AND CERTIFICATION

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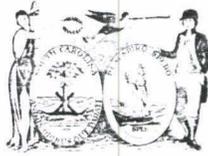
SOUTH CAROLINA DEPARTMENT
OF PUBLIC SAFETY

AGENCY

JULY 1, 1994 - SEPTEMBER 30, 1996

DATE

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



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STATE TREASURER

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CHAIRMAN, SENATE FINANCE COMMITTEE

HENRY E. BROWN, JR.
CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER F. CARTER
EXECUTIVE DIRECTOR

January 21, 1997

Ms. Helen T. Zeigler, Director
Office of General Services
1201 Main Street, Suite 420
Columbia, South Carolina 29201

Dear Helen:

I have attached the South Carolina Department of Public Safety'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 "R. Voight Shealy".

R. Voight Shealy
Interim Materials Management Officer

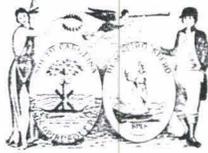
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SOUTH CAROLINA DEPARTMENT OF PUBLIC SAFETY
PROCUREMENT AUDIT REPORT
July 1, 1994 - September 30, 1996

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HENRY E. BROWN, JR.
CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER F. CARTER
EXECUTIVE DIRECTOR

December 11, 1996

Mr. R. Voight Shealy
Interim 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 Public Safety for the period July 1, 1994 through September 30, 1996. 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 Departmental 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 South Carolina Department of Public Safety 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 Public Safety in compliance with the South Carolina 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 Public Safety. Our on-site review was conducted July 15 - 19 and October 15 - 21, 1996, 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 February 16, 1994 the Budget and Control Board granted the Department the following procurement certifications:

<u>Category</u>	<u>Limit</u>
Goods and Services	\$50,000 per commitment
Information Technology in accordance with the approved Information Technology Plan	\$25,000 per commitment
Construction Services	\$25,000 per commitment

Our audit was performed primarily to determine if re-certification is warranted. Our audit is the first audit of the Department of Public Safety as a separate governmental body.

Additionally, the Department has requested the following increased certification.

<u>Category</u>	<u>Limit</u>
Goods and Services	\$ 50,000 per commitment
Printing Services	\$ 50,000 per commitment
Information Technology in accordance with the approved Information Technology Plan	\$ 25,000 per commitment
Construction Services	\$25,000 per commitment

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 Public Safety 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 systematic samples for the period July 1, 1994 through June 30, 1996 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, 1994 through September 30, 1996
- (2) Procurement transactions for the period July 1, 1994 through June 30, 1996 as follows:
 - a) One hundred and twelve voucher payments and supporting purchase orders for the appropriate competition
 - b) An additional block sample of purchase orders with supporting bids from the audit period as follows:

Informal Quotations	25
Sealed Bids	14
Sealed Proposals	<u>8</u>
Total	<u>47</u>
- (3) Twenty-seven construction files for permanent improvement and non-permanent improvement projects were reviewed for compliance with the Code and 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 audit period
- (6) Internal procurement procedures manual
- (7) Surplus property procedures
- (8) Real property lease approvals

SUMMARY OF AUDIT FINDINGS

Our audit of the procurement system of the Department of Public Safety, hereinafter referred to as the Department, produced findings and recommendations as follows.

	<u>PAGE</u>
I. <u>Sole Source and Emergency Procurements</u>	
A. Twenty-nine sole source determinations were not dated, thus we could not determine if the procurements were properly authorized.	7
B. Twelve sole source procurements were supported by duplicate justifications.	7
C. Six determinations were prepared after the items had already been procured.	7
II. <u>Compliance - General</u>	
A. Thirteen requisitions should have been combined into six and the requirements bid out.	8
B. Notice of award was not prepared or posted for six awards.	8
C. Multi-term determinations were not prepared for two sealed bids.	9
III. <u>Construction - General</u>	
A. <u>Permanent Improvement Projects Not Established</u>	9
Twelve small construction projects should have been combined into four permanent improvement projects (PIPs).	
B. <u>Two Different Offices Responsible for Construction Related Projects</u>	9
The Department should consider combining these two offices.	
IV. <u>Time and Date Stamping of Quotations and Sealed Bids</u>	10
The Department has not maintained evidence of when bids and quotations were received.	

RESULTS OF EXAMINATION

I. Sole Source and Emergency Procurements

A. Sole Source Justifications Not Dated

We noted justifications to support twenty nine sole source procurements, listed in attached Appendix 1, were not dated. Without a date to confirm the sole source procurement, we could not determine when the procurement was authorized. Section 11-35-1560 of the Code and Regulation 19-445.2105 requires that a justification be prepared to support a sole source procurement. The person authorized to approve a sole source needs to date the justifications as they are approved to confirm the authorization. We recommend that each justification be dated at the time the determination is approved.

B. Duplicate Sole Source Justifications Used

Duplicate sole source justifications were used on twelve procurements as listed in Appendix 2. One-time justifications were used to support subsequent sole source procurements. Section 11-35-1560 of the Code and Regulation 19-445.2105 requires a justification be prepared to support each sole source procurement. By failing to identify the justifications for subsequent sole source procurements, the person who authorized the original sole source procurement would not necessarily be aware of subsequent sole source procurements. We recommend the justifications that apply for subsequent sole source procurements be clearly identified as to the items being procured and the period of time covered by the justifications.

C. Sole Source Justifications Prepared Late

We noted justifications to support eight sole source procurements, listed in Appendix 3, were dated after the items were procured. In some cases, the delays in completing the justifications were attributed to the uncertainties of the responsibilities during restructuring. Section 11-35-1560 of the Code and Regulation 19-445.2105 requires that justifications be completed prior to the procurement action. Since each procurement was initiated prior to being authorized as a sole source procurement, each was an unauthorized procurement as defined in Regulation 19-445.2015. Each of these procurements requires ratification. We

recommend these unauthorized procurements be identified and submitted to the appropriate official for ratification. For future sole sources, we recommend that the Department's authorized official sign each sole source determination before it occurs. If not, the procurement must be considered unauthorized.

II. Compliance General

A. Requisitions Not Combined

Thirteen requisitions listed in Appendix 4 were prepared and purchase orders subsequently issued that should have been combined. As evidenced by the dates of the requisitions as well as the requisition numbers, the originators of the requisitions failed to combine their needs before forwarding the requisitions to the procurement department. Additionally, the procurement department did not have notice that the requisitions could have been combined. By failing to combine the requisitions, the Department avoided the requirements of the Code and regulations. We recommend the procurement department develop and implement procedures that will monitor the splitting of orders by user departments.

B. Notice of Award Not Prepared Or Posted

Our review of procurement transactions resulted in six examples listed in Appendix 5 where the notice of award was not prepared and posted. Section 11-35-1520 (10) of the Code requires that an award statement showing the bidders' right to protest be prepared and posted at a location specified in the solicitation. Regulation 19-445.2090 also requires that a notice of award be prepared and posted. By failing to prepare the notice of award, the department did not comply with the Code and regulation. We recommend that a notice of award be prepared and posted as required by the Code and regulation.

C. Multi-Term Determinations Not Prepared

The Department failed to prepare multi-term determinations to support two multiple year contracts. These were for bid #95-019 for state wide weight station equipment maintenance agreements and bid #96-063 for box juices with dispensers and services. Section 11-35-2030 of the Code requires that no contract shall exceed one year unless approved in a manner prescribed by regulation of the Budget and Control Board. Regulation 19-445-2135-(D) requires that the procurement officer determine in writing that certain criteria as described by the regulation are met. Accordingly, we recommend that the Department prepare a multi-term determinations before soliciting bids for contracts that may exceed one year.

III. Construction -General

A. Permanent Improvement Projects Not Established

We reviewed twenty seven construction files for permanent improvement projects and non permanent improvement projects. Twelve non permanent improvements projects listed in Appendix 6 were established for similar projects. The cumulative value of each of the non permanent projects exceeded \$100,000, the threshold for establishing a permanent improvement project. By failing to consider the cumulative value, the number of permanent improvement projects was understated by four. We recommend procedures be implemented to properly identify and establish permanent improvement projects.

B. Two Different Offices Responsible For Construction Related Projects

The project files for the construction activity are maintained in two separate offices which are the Capital Improvements Office and the Facilities Management Office. The Capital Improvements Office handles major construction that includes architect/engineering contracts, major/minor construction coordinated through the State Engineer's Office, and in house design work. The Facilities Management Office handles the maintenance of the facilities, in house construction, and prepares requisitions for procurements of construction materials such as carpet, sheet rock, brick, lumber, etc. By having two separate offices responsible for similar types of activities, a lack of coordination exists. By combining the two offices, a more efficient operation would result as the one office would be responsible for the management of the facilities. We recommend the Department consider combining these

offices under one person to better coordinate building and maintenance projects. We also recommend the office establish project files on each permanent improvement project (PIP) to reflect the procurement activity associated with the project.

IV. Time and Date Stamping of Quotations and Bids

When the purchasing office receives informal written quotations and sealed bids, the envelopes are time and date stamped and placed in a locked file until the time and date of the public opening. After the opening, the envelopes are discarded leaving the official file without any evidence of timely receipt.

We recommend the purchasing office continue to time and date stamp all envelopes when received. The office should either file the stamped envelopes or time and date stamp the quotes and bids at the time of opening. This procedure will verify timely receipt of responses.

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 Public Safety in compliance with the South Carolina Consolidated Procurement Code.

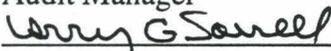
Under the authority described in Section 11-35-1210 of the Procurement Code, subject to this corrective action, we will recommend the South Carolina Department of Public Safety be re-certified to make direct agency procurements for three years up to the limits as follows:

<u>PROCUREMENT AREAS</u>	<u>RECOMMENDED CERTIFICATION LIMITS</u>
1. Goods and Services	*\$50,000 per commitment
2. Printing Services	*\$50,000 per commitment
3. Information Technology in accordance with the approved Information Technology Plan	*\$25,000 per commitment
4. Construction services	*\$25,000 per commitment

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



James M. Stiles, CPPB
Audit Manager



Larry G Sorrell
Manager, Audit and Certification

APPENDIX -1

SOLE SOURCE JUSTIFICATIONS
NOT DATED

<u>PO NUMBER</u>	<u>DESCRIPTION</u>	<u>QUARTER ENDING</u>	<u>AMOUNT</u>
600851	Load Weigher	09/30/95	\$39,000
600959	Vehicle Ramps	09/30/95	7,072
601340	Daily Reports	09/30/95	7,020
601735	Bus Ramps	09/30/95	14,144
604630	Maintenance Equipment	03/31/96	30,000
953581	Elevator Maintenance	12/31/94	1,682
956493	Relocation of Machine	06/30/95	2,327
957199	Software	06/30/95	7,360
957339	Software	06/30/95	6,490
957904	Software	06/30/95	22,200
957925	Tower Rental	06/30/95	8,496
958256	Energy Management	06/30/95	1,677
960078	Response Forms	09/30/95	1,662
960363	Maintenance Agreement	09/30/95	18,476
960364	Service Contract	09/30/95	8,901
960365	Maintenance Agreement	09/30/95	30,085
960366	Energy Management System	09/30/95	17,067
960367	Service Agreement	09/30/95	6,975
960368	Maintenance Contract	09/30/95	7,025
960379	Maintenance Agreement	09/30/95	33,480
960387	Repair to Scales	09/30/95	5,000
960524	Maintenance Contract	09/30/95	2,209
960562	Scoring	09/30/95	3,000
960569	Software License	09/30/95	1,540
960593	Maintenance Contract	09/30/95	9,041
960610	Computer Maintenance	12/31/95	5,342
960612	Tower Rental	12/31/95	7,380
960680	Maintenance	12/31/95	9,292
960721	Microfilm Maintenance	12/31/95	1,850

APPENDIX -2

DUPLICATE SOLE SOURCES
JUSTIFICATIONS

<u>PO NUMBER</u>	<u>DESCRIPTION</u>	<u>QUARTER ENDING</u>	<u>AMOUNT</u>
600851	Load Weigher	09/30/95	\$39,000
600959	Vehicle Ramps	09/30/95	7,072
601068	Computer Part	09/30/95	5,985
601069	Computer Training	09/30/95	2,250
601340	Daily Reports	09/30/95	7,020
601735	Bus Ramps	09/30/95	14,144
603031	Software	12/31/95	27,007
954464	Forms	03/31/95	7,020
954688	Forms	03/31/95	2,605
960363	Maintenance Agreement	09/30/95	18,476
960387	Repair to Scales	09/30/95	5,000
960522	Maintenance Equipment	09/30/95	2,643

APPENDIX -3

SOLE SOURCE JUSTIFICATIONS
PREPARED LATE

<u>PO NUMBER</u>	<u>DESCRIPTION</u>	<u>QUARTER ENDING</u>	<u>AMOUNT</u>
602692	Test Service	12/31/95	\$2,250
602893	Tower Rental	12/31/95	4,920
603669	Tower Rental	03/31/96	4,200
603699	Tower Rental	03/31/96	3,600
957879	Tower Rental	06/30/95	4,920
957881	Tower Rental	06/30/95	4,824
960522	Maintenance Equipment	09/30/95	2,643
960525	Maintenance Equipment	09/30/95	4,920

APPENDIX -4

REQUISITIONS NOT COMBINED

<u>REQUISITION</u>	<u>REQUISITION DATE</u>	<u>PO NUMBER</u>	<u>AMOUNT</u>
19053	10/19/94	602404	\$1,369
19054	10/19/94	602405	<u>1,064</u>
		Total	<u>\$2,433</u>
7594	11/03/94	950312	\$1,320
7592	11/03/94	950313	<u>1,400</u>
		Total	<u>\$2,720</u>
7672	11/03/94	953246	\$1,400
7670	11/03/94	953247	<u>1,320</u>
		Total	<u>\$2,720</u>
5932	12/15/94	954200	\$1,233
6015	12/15/94	954204	1,407
5931	12/15/94	954199	<u>1,422</u>
		Total	<u>\$4,062</u>
11100	03/18/95	956016	\$1,480
14956	03/17/95	956019	<u>1,260</u>
		Total	<u>\$2,740</u>
5955	11/10/94	953889	\$ 2,582
5921	11/23/94	953888	<u>9,660</u>
		Total	<u>\$12,242</u>

APPENDIX -5

NOTICE OF AWARDS NOT PREPARED OR POSTED

<u>SOLICITATION</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>
B-95-032	Motorcycles	\$50,000
B-95-041	Patrol Belts	33,323
B-95-051	Camera Supplies	47,084
B-96-010	Weapons	36,875
B-96-018	Drivers Manuals	39,697
B-96-034	Shotguns	41,010

APPENDIX -6
 PERMANENT IMPROVEMENT PROJECTS
 NOT ESTABLISHED

<u>PROJECT NUMBER</u>	<u>DESCRIPTION</u>	<u>BUDGET</u>
6030	Hardeeville Weigh Station	\$ 50,000
6031	Anderson Weigh Station	25,000
6032	Richland Weigh Station	25,000
6033	Rock Hill Weigh Station	<u>95,000</u>
	Total	<u>\$195,000</u>
6038	Range Paving	93,500
6039	Rifle Deck Baffle	99,405
6044	Miscellaneous Renovation CJA Ranges	<u>89,014</u>
	Total	<u>\$281,919</u>
6015	Portable Offices	\$ 99,750
6017	Modular Links II	<u>97,500</u>
	Total	<u>\$197,250</u>
6024	Accounting/Finance Modular	\$ 45,000
6025	H. P. Headquarters Modular	45,000
6026	Site Preparation For Modular	<u>99,900</u>
	Total	<u>\$189,900</u>



South Carolina Department of Public Safety

Office of the Director

January 20, 1997

Mr. Larry G. Sorrell
Office of General Services
Audit and Certification
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Mr. Sorrell:

Thank you for the recent review of the procurement policies and procedures of the South Carolina Department of Public Safety and your recommendation to recertify the Department for direct agency procurements. The Department agrees with your review findings and is taking the appropriate steps to implement your suggested changes.

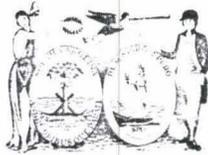
We appreciate the professionalism of you and your staff and look forward to working with you in the continued improvement of the Department's procurement practices.

Sincerely,

William E. Gunn
Interim Director

WEG/ibm

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EXECUTIVE DIRECTOR

January 21, 1997

Mr. R. Voight Shealy
Interim 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 Public Safety to our audit report July 1, 1994 - September 30, 1996. Also we have followed the Department's correction action during and subsequent to our field work. 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 Public Safety the certification limits noted in our report for period of three years.

Sincerely,

Larry G. Sorrell, Manager
Audit and Certification

LGS/tl

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