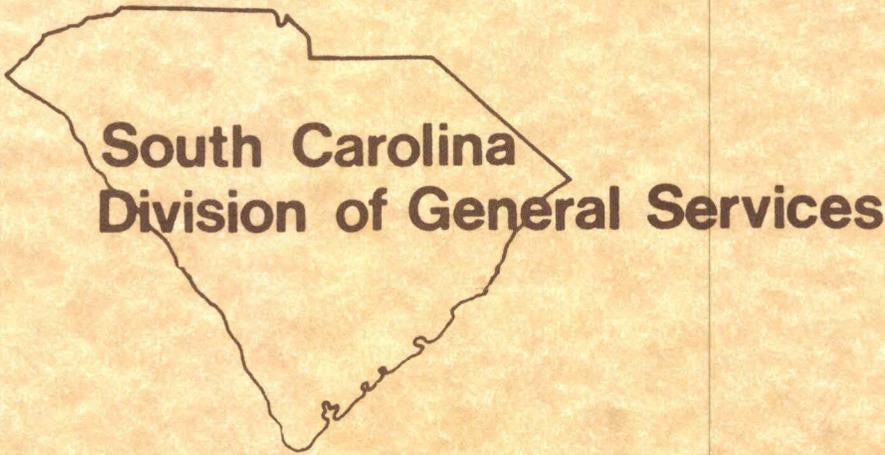


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# PROCUREMENT AUDIT AND CERTIFICATION

STATE LAW ENFORCEMENT DIVISION

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AGENCY

JULY 1, 1986 - MARCH 22, 1988

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DATE

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

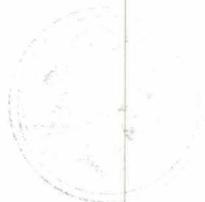
GRADY L. PATTERSON, JR.  
STATE TREASURER

EARLE E. MORRIS, JR.  
COMPTROLLER GENERAL

JAMES M. WADDELL, JR.  
CHAIRMAN,  
SENATE FINANCE COMMITTEE

ROBERT N. McLELLAN  
CHAIRMAN,  
HOUSE WAYS AND MEANS COMMITTEE

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



RICHARD W. KELLY  
DIVISION DIRECTOR

October 26, 1988

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

Dear Rick:

Attached is the State Law Enforcement Division (SLED) report and recommendations made by the Office of Audit and Certification. Since no certification above the \$2,500.00 allowed by law was requested, and no action is necessary by the Budget and Control Board, I recommend that this report be presented to them for their information.

Sincerely,

A handwritten signature in cursive script that reads "James J. Forth, Jr.".

James J. Forth, Jr.  
Assistant Division Director

Attachment

SOUTH CAROLINA LAW ENFORCEMENT DIVISION

AUDIT REPORT

JULY 1, 1986 - MARCH 22, 1988

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EXECUTIVE DIRECTOR



RICHARD W. KELLY  
DIVISION DIRECTOR

October 26, 1988

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 Law Enforcement Division, hereafter referred to as SLED, for the period July 1, 1986 through March 22, 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 SLED 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 SLED 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

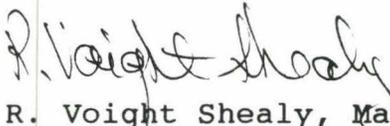
objectives of a system are to provide management with reasonable, but not absolute, assurance of the integrity of the procurement process, that affected assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization 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 SLED in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

  
R. Voight Shealy, Manager  
Audit and Certification

## SCOPE

Our examination encompassed a detailed analysis of the internal procurement operating procedures of SLED 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.

The Office of Audit and Certification of the Division of General Services reviewed a random sample of one hundred (100) procurement transactions for the period July 1, 1986 - December 31, 1987, for compliance testing and performed other audit procedures through March 22, 1988 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) 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 SLED for the period July 1, 1986 through March 22, 1988.

Our on-site review was conducted March 2-22, 1988, and was made under the authority as described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code. SLED did not request additional certification above the \$2,500 limit allowed by law. Over the audit period, SLED 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. Sole Source, Emergency Procurements and Trade-in Sales

Sole source and emergency procurements and trade-in sales were reviewed from January 1, 1985 forward. We noted the following exceptions:

A. A number of sole source determinations were supported by poor or inadequate justifications. Some stated only "manufacturer" or "manufacturer of equipment". This, alone, is not sufficient explanation for a sole source procurement. The justification for a sole source must present a clear and convincing justification as to why this type procurement action was taken.

B. A number of sole source procurement determinations were not dated as to when they were actually approved. Therefore, we were unable to determine if the approvals were obtained prior to the procurements being made.

Section 11-35-1560 of the Consolidated Procurement Code states that:

A contract may be awarded for a supply, service or construction item without competition when, under regulations promulgated by the board, the chief procurement officer, the head of a purchasing agency, or a designee of either officer, above the level of the procurement officer, determines in writing that there is only one source for the required supply, service or construction item.

Since the Code is specific about the approval authority required to process a sole source procurement, such approval must be obtained prior to the procurement being made. All sole source determinations must be dated to indicate clearly when approval was given.

C. One procurement, purchase order 861839B, for a copyrighted training film was unnecessarily reported as a sole source. These procurements are exempt from the purchasing procedures of the Code.

D. The following transactions were inadvertently omitted from the quarterly reports to the chief procurement officer which are required by Sections 11-35-2440 and 11-35-3830 of the Code.

<u>PO Number</u>	<u>Amount Not Reported</u>	<u>Type Procurement</u>
872182	\$ 3,215.00	Sole source
872262	15,800.00	Sole source

872010	3,600.00	Sole source
873703	1,675.00	Sole source
874380	2,598.70	Sole source
884145	2,610.00	Sole source
874418	3,274.39	Emergency
872577	600.00	Trade-in
873883	7,000.00	Trade-in

The purchasing department must devise an adequate reporting procedure to insure that these type transactions are captured and reported in a timely manner.

E. Another omission from the sole source report was the annual lease payment for the information technology computer communication system. In 1985, SLED made a sole source procurement to update their communications system. However, this lease was never updated as a sole source. Each year the annual lease payment is made without any supporting documents being prepared such as a sole source determination or a purchase order.

For the remainder of this lease, we recommend a yearly sole source justification be prepared starting July 1, 1988, and the appropriate amount be reported to the Materials Management Office. Further, for accountability purposes, we recommend that a purchase order be issued annually for each fiscal year's invoice amount.

## II. Compliance - General

We reviewed a random sample of one hundred (100) procurement transactions during our audit period and noted the following exceptions.

Purchase order 872741B for air zero grade oxygen and high purity helium for \$625.92 was made without competition.

Regulation 19-445.2100, Subsection B, Item 2, requires that procurements of \$500.01 to \$1,499.99 be supported by solicitations of verbal or written quotes from a minimum of two qualified sources of supply. SLED has worked with the Materials Management Office and now have these gases on state contract.

Purchase orders 872582B and 872587B issued July 17, 1986 for \$495.33 and \$666.34 respectively, should have been combined and bid as both orders contained the same type new agent issue items.

The terms of blanket purchase agreement 884569 include a \$499.99 limitation per request. This was violated when \$550.15 for clothing was charged against this blanket agreement. Blanket purchase agreements are to be used as a simplified method of filling anticipated repetitive needs for small quantities of supplies or services. However, a blanket purchase agreement does not waive the requirement for competition. This should have been solicited and a regular purchase order issued for the procurement.

The purchasing department does not have a formal written change order policy. This is needed when there is a discrepancy between invoice and purchase order amount. This was evident, for example, regarding PO 873917 where accounting paid an additional \$240.00 for "ink washup and gluing" charge, without sending the invoice back for purchasing to approve. This "washup" charge was not part of the vendors original bid and should not have been paid.

We recommend that the purchasing department review such discrepancies and either challenge them or approve them for payment. Further, we recommend that the overpayment be requested back from the vendor.

Vouchers 1826 and 2131 for \$3,822.36 and \$2,314.32 respectively for services incurred during the National Governors Conference for electrical and telephone services were paid by accounting without a purchase order. These invoices should have been sent to purchasing for approval and issuance of a purchase order. The file should have been documented as to why these services were charged to SLED and probably supported by a sole source justification as the hotel which hosted the conference acted as the outside services coordinator.

Purchasing should issue a purchase order for any vehicle repair or body work when services total over \$500.00. This supports the accounting department for file documentation and can be used for reporting purposes in case of an emergency repair.

### III. Property Control

During our review of the property control we noted twenty-three pieces of information technology lease equipment that should be deleted from the inventory records since this equipment is no longer at SLED. Also, six microscopes should be physically tagged as the decals have been assigned for a number of months. The property officer has been furnished a list of the decal numbers which must be deleted.

IV. Review of the Procurement Procedures Manual

As part of our examination we reviewed the Purchasing Policies and Procedures Manual. The following areas need to be added or updated.

- A. In Section F (4) regarding purchases from \$1,500 to \$2,499.99 delete the words "tax included" as tax is not considered in the source selection process.
- B. Change all references to "central state purchasing" to read "State Procurements".
- C. Approval authority for sole source and emergency procurements.
- D. All pencil and ink changes to current manual to be added.

TO BE ADDED

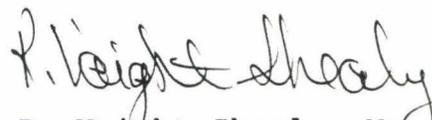
- E. Index
- F. Competitive Sealed Bid and Proposal
- G. Unsigned Bids
- H. Rejection of Bids
- I. Tie Bids
- J. Award of Bid
- K. Blank Purchase Agreements
- L. Legal Services
- M. Auditing Services
- N. Art Procurements
- O. Unauthorized Procurements
- P. Retention of Records
- Q. Professional Development
- R. Information Technology Procurement Procedures
- S. Official Change Order Policy and Change Order Form.

CONCLUSION

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 materials respects place SLED in compliance with the South Carolina Consolidated Procurement Code and ensuing Regulations.

In accordance with Code Section 11-35-1230(1) SLED should take this corrective action by June 30, 1988. Subject to this corrective action and because additional certification was not requested at this time, we recommend that SLED be allowed to continue procuring all goods and services, construction, information technology and consulting services up to the basic level as outlined in the Consolidated Procurement Code.

  
James M. Stiles  
Audit Supervisor

  
R. Voight Shealy, Manager  
Audit and Certification

# SOUTH CAROLINA LAW ENFORCEMENT DIVISION

CARROLL A. CAMPBELL, JR.  
*Governor*



ROBERT M. STEWART  
*Chief*

4400 Broad River Road (J.P. Strom Boulevard) • Mail: P.O. Box 21398  
Columbia, South Carolina 29221-1398 • Phone: 803/737-9000

July 19, 1988

Mr. R. Voight Shealy, Manager  
Audit and Certification  
S. C. Budget and Control Board  
1201 Main Street, Suite 420  
Columbia, South Carolina 29201

Dear Mr. Shealy:

Please find enclosed the Division's response to your recent audit report for the period July 1, 1986 through March 22, 1988 conducted March 2 - 22, 1988.

Corrective measures have been taken by this agency and are described as follows:

- I. Sole Source, Emergency Procurements and Trade-In Sales  
Action has been taken by the Purchasing Department to begin closer review of Sole Source Determination to ensure sufficient justification and completeness. Effort has also been made to ensure the accuracy of all pertinent reports generated and reported as required by Materials Management Office.
- II. Compliance - General  
Regarding purchase orders 872741B, 872582B, 872587B, 884569B and 873917B action has been taken to review procurements more closely to ensure adherence to the S. C. Procurement Code.

The Purchasing Department has taken action to initiate a formal written change order policy, as suggested in your audit report. However, the form which is currently being utilized will be reviewed as to its effectiveness and changes made as required.

( 1 )

In regard to Vouchers 1826 and 2131, these expenditures were incurred during the National Governor's Conference. This agency was not aware of these charges until after the fact. Since this incident, the appropriate employees have been advised of procedures which are to be followed. Future services of this type will be documented as necessary.

As was suggested by your audit report, this agency is in agreement that auto repairs exceeding \$500.00 should be paid for by purchase orders. It is the intention of this agency to see that future repairs meeting this criteria are handled in such a manner.

III. Property Control

Action has been taken to delete the twenty-three pieces of leased information technology equipment as noted in your report. As for the six microscopes which were not physically tagged during your audit, departmental decals have now been affixed. More emphasis is being placed on timely identification of equipment.

IV. Review of the Procurement Procedure Manual

As for your suggestions concerning the Purchasing Policy and Procedure Manual, no action has been taken as of present. However, we are in agreement that this manual is in need of close review and updating and such action will be taken to revise the procedures by October 1, 1988.

In conclusion, I would like to thank you and your staff for your assistance, suggestions and the professional manner in which this audit was conducted.

Yours very truly,



Robert M. Stewart, Chief  
S. C. Law Enforcement Division

RMS/p

cc: Mr. Willard Polk, Director of Administration  
Mr. Michael S. Smith, Purchasing

Enclosure

STATE OF SOUTH CAROLINA  
**BUDGET AND CONTROL BOARD**  
DIVISION OF GENERAL SERVICES  
1201 MAIN STREET, SUITE 420  
COLUMBIA, SOUTH CAROLINA 29201  
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October 26, 1988

Mr. James J. Forth, Jr.  
Assistant Division Director  
Division of General Services  
1201 Main Street, Suite 600  
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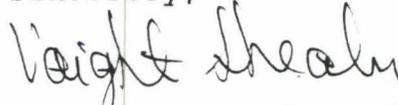
Dear Jim:

We have returned to the State Law Enforcement Division (SLED) to determine the progress made toward implementing the recommendations in our audit report covering the period July 1, 1986 - March 22, 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 Division 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.

Additional certification was not requested, therefore we recommend that the Division be allowed to continue procuring all goods and services, construction, information technology and consulting services up to the basic level as outlined in the Procurement Code.

Sincerely,



R. Voight Shealy, Manager  
Audit and Certification



