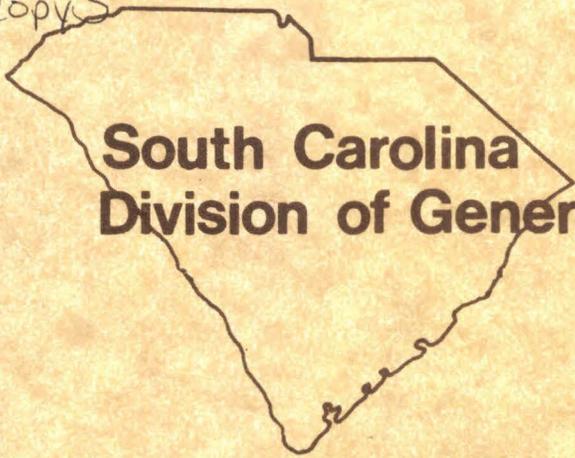


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**South Carolina
Division of General Services**

PROCUREMENT AUDIT AND CERTIFICATION

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State Law Enforcement Division

AGENCY

July 1, 1991 - March 31, 1994

DATE

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

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ASSISTANT DIVISION DIRECTOR

JOHN DRUMMOND
CHAIRMAN, SENATE FINANCE COMMITTEE

WILLIAM D. BOAN
CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER F. CARTER
EXECUTIVE DIRECTOR

August 8, 1994

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

Dear Helen:

I have attached the South Carolina Law Enforcement Division'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 (3) year certification as noted in the audit report.

Sincerely,

A handwritten signature in cursive script, appearing to read 'W. E. Gunn'.

William E. Gunn
Materials Management Officer

WEG/dkr

attachment

STATE LAW ENFORCEMENT DIVISION

PROCUREMENT AUDIT REPORT

JULY 1, 1991 - MARCH 31, 1994

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



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LUTHER F. CARTER
EXECUTIVE DIRECTOR

July 15, 1994

Hardy L. Merritt, Ph.D.
Assistant Division Director
Division of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Hardy:

We have examined the procurement policies and procedures of the State Law Enforcement Division, hereinafter referred to as SLED, for the period July 1, 1991 - March 31, 1994. 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 SLED 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 State Law Enforcement Division 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 SLED in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

Larry G. Sorrell
Larry G. Sorrell, Manager
Audit and Certification

INTRODUCTION

We conducted an examination of the internal procurement operating policies and procedures of SLED. Our on-site review was conducted May 1-20, 1994, and was made under 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 college 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 while ensuring that procurements are the most advantageous to the State and in compliance with the provisions of the Ethics Government Accountability and Campaign Reform Act
- (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

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 SLED 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 statistically selected random samples for the period July 1, 1992 - March 31, 1994, 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, review of the following:

- (1) One hundred selected procurement transactions
- (2) Block sample of six hundred and fifty sequentially numbered purchase orders from fiscal year 91/92
- (3) All sole source, emergency and trade-in sale procurements for the audit period
- (4) Minority Business Enterprise Plan and quarterly progress reports
- (5) Real property lease listings and approvals
- (6) Procurement staff and training
- (7) Evidence of competition and informal bidding procedures
- (8) Inventory and disposition of surplus property procedures
- (9) Review of the procurement procedures manual
- (10) Economy and efficiency of the procurement process

SUMMARY OF AUDIT FINDINGS

Our audit of procurement management at the State Law Enforcement Division produced findings and recommendations in the following areas:

	<u>PAGE</u>
I. <u>Compliance - General</u>	7
We noted two procurements that lacked the appropriate quotations.	
II. <u>Compliance - Sole Source Procurements and Trade-in Sales</u>	7
A. <u>Drug-Free Workplace Certifications</u>	
Seventeen sole source procurement contracts, greater than \$50,000, were not supported by Drug-Free Workplace certifications.	
B. <u>Procurements Reported Unnecessarily as Sole Source</u>	9
Six exempt procurements of software license renewals were unnecessarily reported.	
C. <u>Sole Source Procurements Not Reported</u>	9
One major data processing lease and maintenance contract was not reported.	
D. <u>Trade-in Sales</u>	10
Two trade-in sales were not reported.	

III. Accounting Oversights

10

One increased voucher payment was not supported by the required purchase order amendment. Also the voucher included an overpayment to the vendor.

IV. Procurement Procedures Manual

11

The Division's procedures manual must be updated to reflect the new Code changes and the Division's higher certification limits.

RESULTS OF EXAMINATION

SLED has requested increased certification limits as follows:

Goods and Services	\$25,000 per commitment
Consultants	25,000 per commitment
Information Technology	25,000 per commitment

Since our last audit SLED has maintained what we consider to be a professional, efficient procurement system. We did note, however, the below listed items which should be addressed by management.

I. Compliance - General

Inappropriate Quotations Solicited

SLED failed to document the required competition on the following two procurements:

<u>PO#</u>	<u>Amount</u>	<u>Required Solicitations</u>	<u>Actual Solicitations</u>
921767	\$2,466.45	3 written quotes	3 phone quotes
942417	1,707.34	3 phone quotes	1 phone quote

The Division must ensure the appropriate competition requirements of the Code are met.

II. Compliance - Sole Source Procurements and Trade-in Sales

A. Drug-Free Workplace Certifications

We noted seventeen sole source procurements for \$50,000 or more where the Division did not obtain the required certifications from vendors that they were in compliance with the South Carolina Drug-Free Workplace Act. These contracts were as follows:

<u>Item#</u>	<u>PO#</u>	<u>PO Date</u>	<u>Amount</u>	<u>Item/Service Description</u>
1	920052	07/03/91	\$123,566	Lease & maintenance for DP equipment
2	920102	07/09/91	836,341	Lease & maintenance on system 2200 DP equipment
3	920199	07/17/91	446,250	Lease of data circuits
4	920039	07/03/91	73,956	Security system maintenance contract
5	920048	07/03/91	62,721	Maintenance on lab equipment
6	920053	07/03/91	105,038	Maintenance on lab equipment
7	921441	11/14/91	120,000	Maintenance on Fingerprint ID system
8	930047	07/01/92	71,588	Maintenance on lab equipment
9	930145	07/10/92	113,088	Maintenance on lab equipment
10	930156	07/13/92	130,113	Lease & maintenance for DP equipment
11	930166	07/13/92	859,811	Lease & maintenance for DP equipment
12	930170	07/13/92	189,000	Maintenance on Fingerprint ID system
13	930232	07/15/92	80,393	Maintenance on lab equipment
14	931678	12/17/92	65,860	Memory upgrade for lab
15	940007	07/01/93	180,000	Maintenance on Fingerprint ID system
16	940113	07/02/93	118,276	Lease on modems
17	940120	07/02/93	947,990	Lease & maintenance on system 2200

Section 44-107-40 of the South Carolina Code of Laws, 1976, as amended in 1991, requires that:

No state agency may enter into a domestic contract or make a domestic grant with any individual for a stated or estimated value of fifty thousand dollars or more unless the contract or grant includes a certification by the individual that the individual will not engage in the unlawful manufacture, distribution, dispensation, possession or use of a controlled substance in the performance of the contract.

We recommend the Division exercise more caution to ensure that sole source contracts greater than \$50,000 are not awarded unless the vendors complete Drug-Free Workplace certifications.

B. Procurements Reported Unnecessarily as Sole Source

The following contracts were unnecessarily reported as sole source procurements.

<u>Item#</u>	<u>PO#</u>	<u>Date</u>	<u>Amount</u>	<u>Description</u>
1	940118	07/02/93	\$ 3,150.00	Recurring software maint.
2	940117	07/02/93	6,900.00	Software license agreement
3	932364	03/10/93	6,900.00	Software license agreement
4	932363	03/10/93	600.00	Software license agreement
5	930168	07/13/92	3,307.50	Recurring software maint.
6	922947	04/08/92	7,245.00	Software license agreement

Annual renewals of software maintenance license agreements are exempt if the initial procurement was made in accordance with the Code. Therefore, these sole source transactions should not have been reported. An amendment should be filed with the Materials Management Office to remove these procurement totals from the Division's sole source reports.

C. Sole Source Procurement Not Reported

We noted one sole source procurement which failed to be reported to the Materials Management Office. The procurement was as follows:

<u>PO#</u>	<u>Date</u>	<u>Amount</u>	<u>Item/Service Description</u>
940120	07/02/93	\$947,990.90	Lease & maintenance of hardware & software computer equipment

The purchasing office should pay particular attention to documenting and reporting sole source transactions. This transaction should be included in the Division's next sole source quarterly report to the Materials Management Office.

D. Trade-in Sales

We noted two instances where the Division failed to report trade-in sales to the Materials Management Officer. These trade-ins are as follows:

<u>PO#</u>	<u>PO Date</u>	<u>Trade-in Value</u>	<u>Description of Trade-in Item</u>
942289	02/08/94	\$100.00	Paper shredder
941016	09/21/93	750.00	Data processing line monitor

Section 11-35-3830(3) states in part, "Governmental bodies shall submit quarterly to the Materials Management Officer a record listing all trade-in sales..."

SLED must implement internal procedures to ensure trade-in sales are not overlooked and are reported to the Materials Management Office in a timely manner.

III. Accounting Oversight

Accounting failed to obtain a written amendment to purchase order 933149 prior to an increase payment on voucher 6666. The invoice was \$295.00 more than the purchase order.

In Section VI, page 17 of the Procurement Procedures Manual, states in part: "an amendment to purchase orders shall be made when the total invoiced dollar amounts exceed the total documented on the purchase order".

Accounting must not violate internal procedures regarding amendments to purchase orders. Furthermore, the Manual should be changed and state a dollar amount at which a written amendment is required.

Also an additional 5% or \$31.25 overpayment was made on this voucher as a result of personnel misreading the invoice payment terms.

These errors appear to be only an oversight and no major need for concern.

IV. Procurement Procedures Manual

While on site, we reviewed SLED's procurement procedures manual. With the new certification limits requested by the Division and changes to the South Carolina Procurement Code, we recommend the manual be updated to include the following:

<u>Page</u>	<u>Section</u>	<u>Changes to be Made</u>
5	Bids and Quotation	Change to be in accordance with Section 11-35-1550 of the Code
10	Term Contracts	Change to the new definition in new Code Section 11-35-310(33) of the Code
16	VI(7)	Change reference of Central State Purchasing to the Materials Management Office
20	Fixed Assets	The Division needs to address Surplus Property and Trade-in Sales
N/A		The Division needs to reference how construction projects and A&E Services are handled

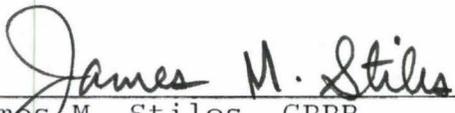
CERTIFICATION RECOMMENDATIONS

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 State Law Enforcement Division in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations. Corrective action should be accomplished by September 30, 1994.

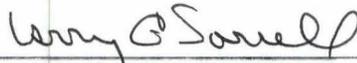
Under the authority described in Section 11-35-1210 of the Procurement Code, subject to this corrective action, we recommend the State Law Enforcement Division be certified to make direct agency procurements for three years up to the limits as follows:

<u>Procurement Areas</u>	<u>Recommended Certification Limits</u>
Goods and Services	*\$25,000 per commitment
Consultant Services	*\$25,000 per commitment
Information Technology in accordance with the approved Information Technology Plan	*\$25,000 per commitment

*Total potential 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

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

AUGUST 2, 1994

MR. LARRY G. SORRELL, MANAGER
AUDIT AND CERTIFICATION
1201 MAIN STREET, SUITE 600
COLUMBIA, SOUTH CAROLINA 29201

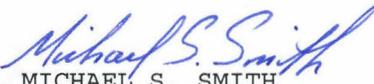
RE: STATE LAW ENFORCEMENT DIVISION
PROCUREMENT AUDIT REPORT
JULY 1, 1991-MARCH 31, 1994

DEAR MR. SORRELL:

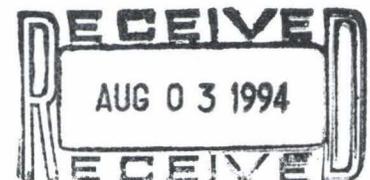
AS A FOLLOW-UP TO YOUR RECENT EXIT INTERVIEW, THIS IS TO CONFIRM THAT THIS AGENCY HAS REVIEWED YOUR FINDINGS REPORTED IN THE PROCUREMENT AUDIT REPORT FOR THE PERIOD OF JULY 1, 1994 THROUGH MARCH 31, 1994. FURTHERMORE, BE ADVISED THAT ACTION HAS BEEN TAKEN TO CORRECT THOSE ISSUES DESCRIBED IN THE AFOREMENTIONED REPORT AND CONCURS WITH YOUR RECOMMENDATIONS.

THE ASSISTANCE RECEIVED BY YOU AND YOUR STAFF IS GREATLY APPRECIATED.

SINCERELY,


MICHAEL S. SMITH
BUSINESS MANAGER

CC:
BETH GRAMMER, DIRECTOR OF ADMIN.
PROCUREMENT OFFICERS



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

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LUTHER F. CARTER
EXECUTIVE DIRECTOR

August 8, 1994

Mr. William E. Gunn
Materials Management Officer
Office of General Services
1201 Main Street, Suite 600
Columbia, SC. 29201

Dear Eddie:

Since we completed our field work, we have met with Department officials of the South Carolina Law Enforcement Division to discuss the exceptions noted and received correspondence indicating corrective action towards the recommendations. Based on the resolution of all issues, a visit to the Department for a formal follow-up was not necessary.

We recommend the Budget and Control Board grant the Department procurement certification for three (3) years at the levels noted in the report.

Sincerely,

Larry G. Sorrell, Manager
Audit and Certification

LGS/dkr

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