PROCUREMENT
AUDIT AND
CERTIFICATION

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SOUTH CAROLINA DEPARTMENT OF
AGRICULTURE
AGENCY
JULY 1, 1995 - MARCH 31, 1997
DATE
Ms. Helen T. Zeigler, Director  
Office of General Services  
1201 Main Street, Suite 420  
Columbia, South Carolina 29201  

Dear Helen:

I have attached the audit report for the South Carolina Department of Agriculture. Since we are not recommending any certification above the basic $5,000 allowed by the Code, no action is required by the Budget and Control Board. Therefore, I recommend that the report be presented to the Budget and Control Board as information.

Sincerely,

R. Voight Shealy  
Materials Management Officer  

November 10, 1997
SOUTH CAROLINA DEPARTMENT OF AGRICULTURE

PROCUREMENT AUDIT REPORT

JULY 1, 1995 - MARCH 31, 1997
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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.
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 Agriculture for the period July 1, 1995 through March 31, 1997. 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 Department 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 Agriculture 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 Agriculture 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 Agriculture. Our on-site review was conducted March 24, 1997 through April 1, 1997 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 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
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 Agriculture 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 July 1, 1995 through March 31, 1997 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 July 1, 1995 through March 31, 1997

(2) Procurement transactions for the period July 1, 1995 through March 31, 1997 as follows:
   a) Thirty-two payments each exceeding $1,500
   b) A block sample of approximately 365 purchase orders

(3) Minority Business Enterprise Plans for the audit period

(4) Internal procurement procedures manual

(5) Surplus property procedures

(6) Real property lease agreements
SUMMARY OF AUDIT FINDINGS

Our audit of the procurement system of the South Carolina Department of Agriculture, hereinafter referred to as the Department, produced findings and recommendations as follows:

I. Sole Source and Emergency Procurements
   A. Unauthorized Sole Source
      One sole source procurement was unauthorized.
   B. Reporting Errors
      Four sole source procurements were incorrectly reported and one emergency procurement was not reported.

II. General Procurement Code Violations
   A. No Competition
      Three transactions did not have evidence of competition, sole source or emergency determinations.
   B. Overpayment
      An overpayment was made on a term contract item.
   C. Incorrect Award
      An award of $2,213 was incorrect.
   D. No Approval To Increase Amount on Purchase Order
      An increase amount was paid on a purchase order without being properly approved.
   E. Blanket Purchase Agreements (BPAs)
      All of the required information is not included on BPAs.
   F. Term Contract Numbers Not Referenced
      The term contract numbers were not referenced on purchase orders.
   G. Procurement Procedures Manual
      The manual needs to be revised.
   H. Minority Business Enterprise Reports
      The quarterly progress reports were not submitted.
RESULTS OF EXAMINATION

I. Sole Source and Emergency Procurements

We examined the quarterly reports of sole source and emergency procurements for the period July 1, 1995 to March 31, 1997. This review was performed to determine the appropriateness of the procurement actions taken and the accuracy of the reports submitted to the Office of General Services as required by Section 11-35-2440 of the South Carolina Consolidated Procurement Code.

A. Unauthorized Sole Source

Purchase order 2097 was issued on August 23, 1995 for $1,768 to procure laboratory parts and supplies. The items were shipped on August 31, 1995. The sole source determination was signed on September 12, 1995. Since the determination to support the sole source procurement was prepared after the procurement, the transaction was unauthorized.

A ratification request for the unauthorized procurement must be submitted to the Commissioner in accordance with Regulation 19-445.2015.

DEPARTMENT RESPONSE

The unauthorized procurement was ratified by the Commissioner.

B. Reporting Errors

We noted four sole source procurements that were incorrectly reported and one emergency procurement that was not reported.

<table>
<thead>
<tr>
<th>Item</th>
<th>PO</th>
<th>Date</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1873</td>
<td>08/11/95</td>
<td>Printing supplies</td>
<td>$654</td>
</tr>
<tr>
<td>2</td>
<td>2184</td>
<td>09/06/95</td>
<td>Printing supplies</td>
<td>304</td>
</tr>
<tr>
<td>3</td>
<td>2066</td>
<td>08/30/95</td>
<td>Laboratory supplies</td>
<td>196</td>
</tr>
<tr>
<td>4</td>
<td>3219</td>
<td>03/08/96</td>
<td>Printing supplies</td>
<td>632</td>
</tr>
<tr>
<td>5</td>
<td>2419</td>
<td>10/24/96</td>
<td>Repairs to street sweeper</td>
<td>1,939</td>
</tr>
</tbody>
</table>

Items one through four were less than $1,500 and should not have been reported. Item five was an emergency procurement the Department failed to report.
We recommend the Department review internal procedures to ensure correct reporting in these areas and amend the reports for the items listed above.

**DEPARTMENT RESPONSE**

We have sent an amended report to your office asking that you reduce our sole source reporting because the items were less than $1,500 and should have not been reported. We have also sent to your office an amended emergency procurement the Department failed to report.

**II. GENERAL PROCUREMENT CODE VIOLATIONS**

**A. No Competition**

We noted three procurements that lacked evidence of competition, sole source or emergency determinations.

<table>
<thead>
<tr>
<th>Item</th>
<th>PO</th>
<th>Voucher</th>
<th>Description</th>
<th>Date</th>
<th>Contract Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>3797</td>
<td>4851</td>
<td>Repair cooling fans</td>
<td>04/23/96</td>
<td>$1,638</td>
</tr>
<tr>
<td>2</td>
<td>3874</td>
<td>4178</td>
<td>Repair lights</td>
<td>05/03/96</td>
<td>1,965</td>
</tr>
<tr>
<td>3</td>
<td>1381</td>
<td>302</td>
<td>Repair sky lights</td>
<td>07/06/95</td>
<td>1,672</td>
</tr>
</tbody>
</table>

The purchase order for item one was issued with an estimated cost of $970 to repair the cooling fans. A note in the file indicated the department anticipated the total for repairs would be considerably more than the initial estimates. When in doubt of the cost of a procurement, a reasonable estimate should be obtained and competition obtained if greater than $1,500. No competition was obtained for items two and three. Section 11-35-1550(2)(b) of the Code requires solicitations from a minimum of three qualified sources for procurement from $1,500 to $5,000.

We recommend the Department solicit the minimum number of bidders.

**DEPARTMENT RESPONSE**

Purchase order 3797 was issued for $970 for labor to install new 2 inch pillow block bearing on 2 retail building exhaust fans (2 bearing per fan used for cooling). The Department did receive an estimate from the vendor. We had no indication that it would cost more than the amount they gave us. When the vendor began working on the fans, only then was the market manager notified of the increase. The manager called and explained the situation, and there was nothing else we could do since they had already started the work. The letter in our file is only a letter requested from the manager stating what had happened. The only thing we could have done was to initial an additional approval on this purchase order stating an approved increased. Purchase order
number 3874 was issued on May 23, 1996. However, the actual work was done on January 25, 1996. The market manager did not have authority to proceed with this repair before finance issued a purchase order enabling us to procure proper bids. In the future this unauthorized procurement will be submitted for ratification. Purchase order number 1381 did not have any quotes. Several people recall discussing this bid and accepting the lowest bid from the vendor. In the future we will make sure that all bids are noted in our files.

B. Overpayment

Purchase order 2359 was issued on November 13, 1996 for security services on term contract C700217001. The purchase order was for $2,000 and did not refer to the hourly rate of $10.27. The Department paid $10.44 per hour on voucher 2599 for 168 hours, thus resulting in an overpayment of $28.56.

We recommend that sufficient information be included on the purchase order to assure that payments are for the amounts as specified by the Department and term contracts.

DEPARTMENT RESPONSE

We received a credit from the vendor on our March 1997 invoice. The Department has since included sufficient information on our purchase orders to assure payments are for the amounts as specified by the Department and term contracts.

C. Incorrect Award Made

The Department issued purchase order 2604 on October 20, 1995 for $2,213 to procure platform scales. The award was made based on solicitations of written quotes. The awarded vendor did not meet the specifications of the quotation. The vendor should have been determined nonresponsive and rejected. The next low bidder that met the specification should have received the award.

We recommend the Department confirm that the specifications are met before making awards.

DEPARTMENT RESPONSE

We were not aware that the vendor did not meet specifications on the quotations. The Department in the future will examine specifications very closely before making awards.

D. No Approval To Increase Amount On Purchase Order

Purchase order 2299 was issued on October 9, 1996 for computers for $2,359. A total of $2,816 was paid on voucher 1522. We could not find any evidence of the increase being
approved.

We recommend any discrepancies between the purchase order and invoice be properly approved and documented before payment is made.

**DEPARTMENT RESPONSE**
The finance section approved this increase, however it was not noted on the purchase order. In the future any discrepancies between the purchases order and the invoice will be properly noted before payment is made.

**E. Blanket Purchase Agreement (BPA's)**
The Department does not include the requirements defined in Regulation 19-445.2100 for blanket purchase agreements. The requirements for blanket purchase agreements include who is authorized to make procurements, the duration of the agreement, aggregate amount, dollar limit per call, and specific information on delivery tickets or sales slips.

We recommend the requirements of Regulation 19-445.2100 be included on each blanket purchase agreement.

**DEPARTMENT RESPONSE**
The Department will adhere to the requirements of Regulation 19-445.210 which are to include who is authorized to make procurements, the agreements, aggregate amounts, dollar limit per call and the specific information on delivery tickets and sales slips.

**F. Term Contract Numbers Not Referenced**
We noted a number of purchases from term contracts established by the Materials Management Office that did not refer to the term contract numbers. To help ensure the proper contract terms and conditions, we recommend the term contract numbers be referenced on the purchase order when applicable.

**DEPARTMENT RESPONSE**
The Department will ensure that term contract numbers established by the Materials Management Office are noted on all purchase orders. This will help us properly adhere to the contract terms and conditions.

**G. Procurement Procedures Manual**
We reviewed the most recent procurement procedures manual for compliance to the Code. We found it to be deficient in a number of areas. A detail listing of the needed revisions was
given to the Finance Department. A revised manual needs to be prepared and submitted to the Materials Management Office as required by Regulation 19-445.2005.

**DEPARTMENT RESPONSE**

We are in the process of revising our procurement procedures manual which will be submitted to the Materials Management Office as required by Regulation 19-445.2005 on September 30, 1997.

**H. Minority Business Enterprise Reports**

The Department has not prepared the quarterly reports for awards made to certified minority vendors. Section 11-35-5240 (2) of the Code requires progress reports be submitted to the Small and Minority Business Assistance Office not later than ten days after the end of each fiscal quarter.

We recommend an annual report for the fiscal year ending June 30, 1997 be prepared and submitted to the Small and Minority Business Assistance Office. The Department must begin making progress reports each quarter as required.

**DEPARTMENT RESPONSE**

We have submitted our annual report for the fiscal year ending June 30, 1997 to the Small and Minority Business Assistance Office. We will start submitting our progress reports each quarter as required.
CONCLUSION

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 Department of Agriculture in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

In order to determine that corrective action has been taken, we will perform a follow-up review prior to October 30, 1997. Subject to this corrective action and since the South Carolina Department of Agriculture has not requested additional procurement certification, we will recommend the Department be allowed to continue procuring goods and services, consultant services, construction services, and information technology up to the basic level of $5,000 as allowed by the South Carolina Consolidated Procurement Code and accompanying regulations.

David E. Rawl, CPPB
Senior Auditor

Larry G. Sorrell, Manager
Audit and Certification
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 South Carolina Department of Agriculture’s response to our audit report for July 1, 1995 - March 31, 1997. Also, we have followed the Department’s corrective 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.

Additional certification was not requested. Therefore, we recommend the Department be allowed to continue procuring all goods and services, construction, information technology and consulting services up to the basic level of outlined in the Code.

Sincerely,

Larry G. Sorrell, Manager
Audit and Certification

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