PROCUREMENT AUDIT AND CERTIFICATION

DEPARTMENT OF CORRECTIONS
AGENCY

JULY 1, 1984 - DECEMBER 31, 1987
DATE
Mr. Richard W. Kelly  
Director  
Division of General Services  
1201 Main Street  
Columbia, South Carolina 29201  

Dear Rick:  

Attached is the final audit report of the South Carolina Department of Corrections as prepared by the Office of Audit and Certification. Initially, an audit was performed of the Department's procurement activity for the period July 1, 1984 through June 30, 1986. We found that the Department had abused the emergency procurement authority of the Consolidated Procurement Code. We also found that required approvals from the State Engineer for expenditures under permanent improvement projects were largely disregarded. The violations were widespread and cause for much concern.  

On September 24, 1987, the auditors met with Department staff to discuss the results of the audit. Included in this meeting were the new Commissioner, Mr. Parker Evatt, and the new Director of Construction, Mr. Bill Harmon.  

We agreed to perform a follow-up audit of the period July 1, 1986 through September 30, 1987 to bring the audit current. The Division of General Services offered its assistance in developing strategies toward elimination of the problem areas. In addition, we indicated that we would monitor emergency and sole source procurements on a monthly basis and conduct a thorough follow-up audit in January 1988 to determine progress.  

Results of the first follow-up audit covering the period July 1, 1986 - September 30, 1987 were similar to those of the original report.
However, the follow-up audits of the Department's procurement activity under the new administration have been very positive. We found no exceptions in the previous problem areas. Compliance with the Consolidated Procurement Code and regulations is emphasized by top management. Replacements in key positions and a reorganization in purchasing authority should help insure present and future compliance.

We believe that the Department has taken the necessary actions to insure compliance with the State Procurement Code and regulations and should be certified to the following limits:

<table>
<thead>
<tr>
<th>S/L Description</th>
<th>Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods and Services</td>
<td>$10,000</td>
</tr>
<tr>
<td>Construction Services</td>
<td>25,000</td>
</tr>
</tbody>
</table>

Sincerely,

D.L. McMillin, CPPO
Acting Materials Management Officer
SOUTH CAROLINA DEPARTMENT OF CORRECTIONS
AUDIT REPORT

ORIGINAL AUDIT PERIOD
July 1, 1984 – June 30, 1986

FOLLOW-UP AUDIT PERIOD
JULY 1, 1986 – DECEMBER 31, 1987
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transmittal Letter</td>
<td>1</td>
</tr>
<tr>
<td>Introduction</td>
<td>3</td>
</tr>
<tr>
<td>Background</td>
<td>4</td>
</tr>
<tr>
<td>Scope</td>
<td>5</td>
</tr>
<tr>
<td>Summary of Audit Findings</td>
<td>7</td>
</tr>
<tr>
<td>Results of Examination</td>
<td>9</td>
</tr>
<tr>
<td>Conclusion</td>
<td>35</td>
</tr>
<tr>
<td>Department Response Letters</td>
<td></td>
</tr>
<tr>
<td>Follow-Up Audit Letters</td>
<td></td>
</tr>
</tbody>
</table>
Mr. D.L. McMillin  
Acting Materials Management Officer  
Division of General Services  
Columbia, South Carolina 29201

We have examined the procurement policies and procedures of the South Carolina Department of Corrections for the period July 1, 1984 – December 31, 1987. 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 department 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 the South Carolina Department of Corrections 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 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 the South Carolina Department of Corrections in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

R. Voight Shealy, Manager

Audit and Certification
INTRODUCTION

The Audit and Certification Section conducted an examination of the internal procurement operating procedures and policies and related manual of the Department of Corrections.

Our on-site review was conducted September 8, 1986 through November 12, 1986, and was made under the authority as described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Regulation 19-445.2020. A follow-up review was performed September 29-30, 1987. Monthly follow-up reviews were performed on November 17 and December 8, 1987. An extensive follow-up audit was performed January 18-21, 1988.

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.
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 Division 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.

Section 11-35-1230 (1) of the South Carolina Consolidated Procurement Code states in part:

In procurement audits of governmental bodies thereafter, the auditors from the Division of General Services shall review the adequacy of the system's internal controls in order to ensure compliance with the requirements of this code and the ensuing regulations.

We have received a written request from the Department of Corrections for recertification to make procurements in the following categories and designated amounts:

<table>
<thead>
<tr>
<th>AREA</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods and Services</td>
<td>$10,000.00</td>
</tr>
<tr>
<td>Construction Services</td>
<td>25,000.00</td>
</tr>
</tbody>
</table>
SCOPE

Our examination encompassed a detailed analysis of the internal procurement operating procedures of the Department of Corrections 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 Audit and Certification team statistically selected random samples for the period July 1, 1984 - June 30, 1986, of procurement transactions for compliance testing and performed other auditing procedures that we considered necessary in the circumstances to formulate this opinion. Additionally, selected transactions were tested for the period July 1, 1986 - September 30, 1987. All emergency and sole source procurements were tested for the months of October - December 1987. Finally, during and extensive follow-up audit, we performed tests of selected procurement transactions for the period October 1 - December 31, 1987. As specified in the Consolidated Procurement Code and related regulations, our review of the system included, but was not limited to, the following areas:

1. adherence to provisions of the South Carolina Consolidated Procurement Code and regulations;
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) disposition of surplus property;
(10) economy and efficiency of the procurement process;
SUMMARY OF AUDIT FINDINGS

Our audit of the procurement function at the South Carolina Department of Corrections (hereinafter referred to as SCDC) produced findings and recommendations in the following areas:

I. Emergency Procurements

SCDC has abused the emergency procurement provisions of the Consolidated Procurement Code.

II. Compliance-Construction

A. Permanent Improvement Project Expenditures

SCDC has vastly exceeded its authority involving the expenditure of funds within permanent improvement projects.

B. Small Architect-Engineer Contracts

Section 11-35-3230 of the Consolidated Procurement Code which covers procurements of small architect-engineer and land surveying contracts was misused in two cases.
III. Division of Industries

The Division of Industries is exempt from the purchasing provisions of the Consolidated Procurement Code for the purchase of raw materials to be used in the production of finished goods. However, the exemption does not apply to other procurement activity. In twelve cases, the Procurement Code was violated.

IV. Interest Penalties Paid and Discounts Lost

Due to slow processing of invoices for payment and a lost cash discount SCDC spent over $5,000.00 unnecessarily over the past two years.

V. Reporting of Sole Source and Emergency Procurements and Trade-ins

We recommend a change to the automated sole source and emergency procurement and trade-in sales reporting system.
Results of Examination

I. Emergency Procurements

SCDC has abused the emergency procurement provisions of the South Carolina Consolidated Procurement Code. These provisions of the Procurement Code are intended to provide governmental bodies a streamlined procurement process where unforeseen events have resulted in an emergency situation that presents a need for goods and/or services that cannot be met through normal procurement procedures. Specifically, Section 19-445.2110 of the regulations states:

Subsection A. Application

The provisions of the Regulation apply to every procurement made under emergency conditions that will not permit other source selection methods to be used.

Subsection B.

An emergency condition is a situation which creates a threat to public health, welfare, or safety such as may arise by reason of floods, epidemics, riots, equipment failures, fire loss, or such other reason as may be proclaimed by either the Chief Procurement Officer or the head of a governmental body or a designee of either office. The existence of such conditions must create an immediate and serious need for supplies, services, or construction that cannot be met through normal procurement methods and the lack of which would seriously threaten:

(1) the functioning of State government;
(2) the preservation or protection of property; or
(3) the health or safety of any person.
Subsection C. - Limitations

Emergency procurement shall be limited to those supplies, services, or construction items necessary to meet the emergency.

Subsection D. - Conditions

Any governmental body may make emergency procurements when an emergency condition arises and the need cannot be met through normal procurement methods, provided that whenever practical, approval by either the head of a governmental body or his designee or the Chief Procurement Officer shall be obtained prior to the procurement.

Subsection E. - Selection of Method of Procurement.

The procedure used shall be selected to assure that the required supplies, services, or construction items are procured in time to meet the emergency. Given this constraint, such competition as is practicable shall be obtained.
Subsection G. - Written Determination.

The Chief Procurement Officer or the head of the governmental body or a designee of either office shall make a written determination stating the basis for an emergency procurement and for the selection of the particular contractor.

The following emergency procurements are examples of problems in this area. In our opinion, these represent instances where emergency procurement authority was used primarily to extend SCDC's procurement authority. This is particularly apparent in the Division of Construction, Engineering and Maintenance. We are well aware of the difficulties placed on SCDC by the Nelson Consent Decree and have attempted to consider this during our audit. However, after taking this into consideration, we believe the following transactions are improper as emergency procurements.

(1) X-ray equipment totalling $34,301.25 was procured on an emergency basis on purchase order H57629. It was for a new outpatient clinic at Francis Lieber Correctional Institute that was being built as a permanent improvement project. Since permanent improvement projects must be planned well in advance of actual construction, ample time was available to procure this equipment through normal procedures, thus it is not justified as an emergency. Additionally, obtaining only one quotation for a procurement of this dollar amount is in violation of Section 19-445.2110, Subsection E, which requires, "such competition as is practicable."
(2) Purchase order H46554 was for the emergency procurement of cable and connectors totalling $11,132.00 with the following justification: "to replace deteriorating and faulty cable presently installed and to be able to return modules on consignment." This seems to indicate that no unforeseen event occurred to create an emergency situation. Three verbal quotes were obtained but the Procurement Code requires solicitation of ten formal sealed bids.

(3) Transient protectors for the fire alarm system at Perry Correctional Institution totalling $4,224.60 were procured on an emergency basis. The justification states, "This is an urgent matter due to approaching season in which lightning storms are prevalent." These were new items, not replacements. Proper planning should have allowed ample time for normal procedures. A requisition should have been sent to the Division of General Services for purchase.

(4) Light fixtures and material totalling $13,210.58 were procured on an emergency basis on purchase orders H46635 and H46631 to construct a flood-lighting system for MacDougall Youth Correction Center. It was justified as: "There is no lighting for the entire yard of the institution at this time. This creates a safety hazard for inmates and officers in this area. It is also a definite safety hazard to local residents as inmates are able to escape into the community due to lack of visual contact." Apparently, SCDC did not consider outside lighting when the prison was built.
(5) Two vehicle refrigeration units costing $15,680.00 were procured on purchase order H53167 on an emergency basis. The justification states, "Present thermo kings installed on vehicles 56 and 957 are inoperable and not economically feasible to repair due to age and number of operating hours logged on them." We have the following problems with this emergency procurement:

a) These units had been in service for a long time. Proper planning would have indicated that they would have to be replaced soon.

b) The emergency justification states that the two old units which were traded in were inoperable. However, the vendor's quotation states that one of these was "running and cooling" so possibly the situation could have been satisfied with the procurement of one unit.

c) Competition was not obtained. The Procurement Code requires solicitation of ten formal sealed bids for a purchase of this dollar amount.

(6) The Cooper Building on the State Park grounds was renovated as a joint project between the Department of Mental Health and SCDC. On October 17, 1984, SCDC declared the procurement of various construction materials an emergency. The Code permits and limits emergency procurements to those necessary to meet the emergency. The procurements listed below were procured as emergencies, however, more than ample time was available to make the purchases through normal
channels. It was also noted that the required amount of competition was not obtained.

<table>
<thead>
<tr>
<th>DATE</th>
<th>P.O.</th>
<th>DESCRIPTION</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>3/14/85</td>
<td>H43431</td>
<td>fence</td>
<td>6,230.00</td>
</tr>
<tr>
<td>8/14/85</td>
<td>H49173</td>
<td>alcorn values</td>
<td>12,100.14</td>
</tr>
<tr>
<td>8/16/85</td>
<td>H49344</td>
<td>windows</td>
<td>2,654.40</td>
</tr>
<tr>
<td>8/28/85</td>
<td>H49702</td>
<td>shear</td>
<td>18,345.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>$39,329.54</strong></td>
</tr>
</tbody>
</table>

The above procurements were not justified as emergencies as some were made more than a year after the emergency was declared.

(7) The up-grade of the wastewater treatment plant which services Dutchman and Cross Anchor institutions was declared an emergency as the existing facility was exceeding its discharge limits.

Emergencies are occurrences in which time does not permit procurement in any other manner. SCDC knew of the condition for a long period of time before any action was taken. This is evidenced by the fact that a permanent improvement project was established July 25, 1984, one full year before the below listed procurements were made. Even after the emergency was declared on June 10, 1985, there was more than ample time for the procurements to be made through normal channels as evidenced by the purchase order dates listed below:
<table>
<thead>
<tr>
<th>DATE</th>
<th>P.O.</th>
<th>DESCRIPTION</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>7/03/85</td>
<td>H47451</td>
<td>concrete</td>
<td>$7,760.00</td>
</tr>
<tr>
<td>7/03/85</td>
<td>H47457</td>
<td>building materials</td>
<td>4,922.80</td>
</tr>
<tr>
<td>8/21/85</td>
<td>H49439</td>
<td>bar screen</td>
<td>24,500.00</td>
</tr>
<tr>
<td>8/23/85</td>
<td>H49528</td>
<td>electrical material</td>
<td>5,641.61</td>
</tr>
<tr>
<td>8/28/85</td>
<td>H49438</td>
<td>36' tank</td>
<td>8,100.00</td>
</tr>
<tr>
<td>9/18/85</td>
<td>H50313</td>
<td>upgrade package</td>
<td>46,394.10</td>
</tr>
<tr>
<td>11/19/85</td>
<td>H52172</td>
<td>review shop drawings</td>
<td>2,500.00</td>
</tr>
</tbody>
</table>

$99,819.11

No more than three verbal quotes were obtained for any of these procurements. The Procurement Code requires solicitation of from three to ten formal sealed bids before procurements of these dollar amounts are made.

(8) The building of an engineering and maintenance warehouse on an emergency basis was justified by SCDC as not having adequate space to safeguard construction material.

This permanent improvement project was approved on December 12, 1985. Purchases were made months later as listed below.

<table>
<thead>
<tr>
<th>DATE</th>
<th>P.O.</th>
<th>DESCRIPTION</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>4/24/86</td>
<td>H57393</td>
<td>electrical line</td>
<td>$3,349.00</td>
</tr>
<tr>
<td>4/29/86</td>
<td>H57550</td>
<td>concrete block</td>
<td>3,515.55</td>
</tr>
<tr>
<td>5/08/86</td>
<td>H57871</td>
<td>electrical supplies</td>
<td>7,479.67</td>
</tr>
<tr>
<td>5/08/86</td>
<td>H57907</td>
<td>heaters and fans</td>
<td>4,799.62</td>
</tr>
<tr>
<td>6/10/86</td>
<td>H59120</td>
<td>overhead doors</td>
<td>7,199.85</td>
</tr>
</tbody>
</table>

$26,259.69
We do not believe the building of this warehouse qualifies as an emergency. We also believe ample time was available for State Procurements to procure the items as each procurement exceeds SCDC's certification. Finally, no more than three verbal quotes were obtained before the procurements were made. The Procurement Code requires solicitation of at least three formal sealed bids for each of these procurements.

(9) A washer and dryer totalling $5,420.00 were procured on purchase order H53039 as an emergency procurement. The blanket emergency procurement justification indicated that it is for "various construction materials to increase the security." The emergency justification is unacceptable and insufficient competition was solicited. The procurement was not made until two and one-half months after the emergency determination was prepared. The dollar amount exceeds SCDC's certification so a requisition should have been sent to State Procurements.

(10) Purchase order H59158 was for the emergency procurement of a back-hoe/front-end loader costing $26,750.00. It was justified for "The emergency repairs of fresh and waste water lines throughout the state..." SCDC was allowed a trade-in of $7,000.00 for an existing piece of equipment. This certainly seems to be a planable procurement that could have been made through normal channels. Only three quotes were obtained rather than the solicitation of ten formal sealed bids as required for a procurement of this amount. The trade-in was not
approved by the Division of General Services as required by Section 19-445.2150, Subsection E., of the regulations.

(11) SCDC failed to justify an emergency procurement of 1230 tons of rock costing $10,416.00 on purchase order 0100021343. The rock was purchased as "necessary to prepare base for installation of high security man barrier were required for all maximum security institutions." This does not indicate what occurred that created an emergency situation. Only three verbal quotes were obtained rather than the solicitation of ten formal sealed bids as required by the Procurement Code. The procurement should have been sent to State Procurements as it exceeds SCDC's authority.

(12) The purchase of two complete dental units totalling $15,155.00 on purchase order H43372 was justified as "the two units at Kirkland Dental Clinic have completely broken down and are not repairable." One must question why at least one unit was not replaced sooner through normal channels. Deterioration of equipment does not necessarily constitute an emergency as it happens over a period of time.

(13) The emergency procurement of a roof system for a dairy feed lot at the Wateree Dairy Facility totalling $37,601.00 was justified as "necessary for the operation of the new milk processing plant." Reference purchase order H40746. We noted the following problems with this procurement:
a) As noted above, the facility the roof was being procured for was new. However, another statement seems to indicate that this is a replacement roof. It is, "Present facilities are both structurally unsafe and do not provide an acceptable sanitary environment."

b) A note on the emergency justification states that "ordinarily this would not be an emergency because we have known about this since the project began. Since he wasn't sure there would be sufficient funds, he froze these funds. Now it is an emergency."

A self-imposed freeze on funds in no way justifies an emergency.

c) Only three verbal quotes were obtained instead of the solicitation of ten formal sealed bids as required by the Procurement Code.

d) A roof to cover cattle is questionable as an emergency in any circumstance.

(14) Purchase orders H44163 for technical services totalling $4,800.00, H49034 for a metal roof and siding totalling $7,300.00 and H49179 for installation of electrical services totalling $7,600.00 were all determined to be emergency procurements. The three procurements were part of a permanent improvement project for construction of an ethanol plant. They were all justified by SCDC as emergencies based on time constraints but no mention was made of what those time constraints were
or who they were imposed by. There is nothing in the available documentation to justify these as emergency procurements. Insufficient competition was obtained. All three procurements should have been sent to State Procurements for normal processing.

(15) Purchase orders H57951 and H57949 were for emergency procurements of an irrigation hose reel totalling $23,900.00 and a diesel engine totalling $12,445.00 respectively. SCDC justified both emergency procurements as, "To supply water for irrigation of grain and forage crops to maintain food supplies for livestock during the drought periods." This justification meets none of the criteria for an emergency. Besides, it was declared an emergency on April 24, 1986, before the start of the dry months. Three quotes were solicited for each procurement rather than ten formal sealed bids, which the Procurement Code requires for each one. There was ample time to submit this to State Procurements.

(16) Purchase order H56452 was for the emergency purchase of locks "to replace unsafe, unserviceable, unsecure room door security hardware at Wateree River Correctional Institution." Nothing occurred to create an emergency situation. This was merely a normal replacement of locks. Proper planning would have eliminated this $3,805.00 emergency. Normal procurement procedures should have been used.

(17) A corn snapper-husker for $10,689.00 was procured on an emergency basis on purchase order H46072. The need for the piece of equipment in
itself does not justify an emergency. Phone quotes were solicited rather than the ten formal sealed bids required by the Procurement Code. With proper planning, this equipment could have been procured through normal channels.

(18) An epoxy floor for $3,988.05 was procured as an emergency on purchase order H48202 "To complete the milking parlor so that the start-up may be made immediately because Sumter Dairies has requested the return of their milk transport trailer." This is insufficient reason for an emergency procurement. Another transport trailer could have been obtained, an extension could have been worked out with the vendor or other arrangements could have been made. Besides, since this was a new milking parlor, it should have been known well in advance that the epoxy floor was necessary. Finally, making a $3,988.05 purchase without seeking competition is totally unacceptable.

(19) The below listed emergency procurements of vehicles were justified by SCDC as either vehicles for new employees or programs or to replace those that were worn out. Neither justification is acceptable and represent a complete lack of planning and preparation. Further, the competitive bidding process was ignored with only a single phone quote supporting many of these.
P.O. #  | AMOUNT
-------|---------
H30336  | $10,800.00
H37889  | 24,759.05
H37890  | 23,993.00
H37891  | 9,700.00
H45946  | 271,346.40
H48812  | 11,300.00
H54562  | 46,500.00
H59629  | 9,399.00

$407,797.45

(20) Purchase order H58297 for a $5,320.35 hot water tank and purchase order H59579 for $8,043.82 worth of miscellaneous plumbing parts were justified as emergency procurements by SCDC as "The hot water system has deteriorated to the point of being dangerously unsafe." The justification does not explain why this was suddenly an emergency. The deterioration over a period of time does not meet the criteria of an emergency and reflects poor planning.

(21) The following various materials to construct an x-ray room and medical examining area at Lieber Correctional Institution were procured as emergencies "for the safety and health of inmates."

<table>
<thead>
<tr>
<th>P.O.</th>
<th>DESCRIPTION</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>H58118</td>
<td>wood doors</td>
<td>$3,840.37</td>
</tr>
<tr>
<td>H58139</td>
<td>jambs &amp; doors</td>
<td>5,539.00</td>
</tr>
<tr>
<td>H58567</td>
<td>security hardware</td>
<td>4,106.00</td>
</tr>
</tbody>
</table>

13,485.37
As noted in the first item under this report point, the x-ray room was a permanent improvement project, meaning SCDC had prior knowledge of the addition well in advance of the procurements being made. The procurements should have been sent to State Procurements. Again, phone quotes rather than required formal sealed bids were solicited.

(22) Two additional cameras for $11,824.00 were procured as an emergency on purchase order H59878. The justification states, "Lieber Correctional Institute will become operational sooner than planned and these items are necessary for adequate security measure. The contractor is supplying two...cameras per contract; the two additional cameras needed must be compatible to the existing cameras which have been installed by (this vendor)."

We have the following problems with this emergency procurement.
a) The existing contract should have covered all cameras necessary.
b) The need for compatibility may justify the purchase of the same type equipment, but not necessarily the same vendor.
c) This $11,824.00 procurement was made without competition.

(23) Purchase order H58965 was for an emergency procurement of a $31,120.00 fuel pumping system for Lieber Correctional Institution. The emergency justification states: "The change of the opening date for Lieber makes it necessary to speed the installation of the fuel system."

Lieber Correctional Institution was opened two months ahead of schedule, but construction was scheduled to begin in October 1984 per the Nelson Consent Decree. So, the project had been underway at least one year and one-half before this emergency procurement was made. This is a tremendous oversight.
(24) The $28,607.00 emergency procurement on purchase order H57647 of a deaerator for the boiler at Central Correctional Institution stated the following as SCDC's justification. "The deaerator for the CCI boiler is so deteriorated that it has become a dangerous safety hazard. The deaerator has been taken out of service." Emergency procurements are not for replacing worn out equipment unless it breaks down unexpectedly. Proper planning and preventative maintenance should identify the problems so the procurements can be made in the standard manner within the competitive bid process which assures the best cost for the state and taxpayers. In this case, only three quotes were solicited rather than the required ten formal sealed bids.

(25) Purchase order 100027571 was an emergency procurement totalling $4,750.00 for labor and materials to construct additional parking. The emergency justification states "to provide needed parking area for employees and visitors. Present parking area is inadequate and vehicles are being parked on pipeline right-of-way which is prohibited." This justification, in no way, qualifies this procurement as an emergency.

(26) Purchase orders H58651 for $17,030.00 and H58645 for $5,924.00 were emergency procurements for repairing asphalt roads and creating additional parking area at Broad River Road Complex Area. The emergencies were justified as deteriorated roads and the need for additional parking. Again, emergency procurement was totally unwarranted.
(27) SCDC spent $38,616.00 for asphalt paving of roads at Mac Dougall Youth Correction Center. The justification for the emergency procurement is quoted as follows: "Dirt roads cause undue wear and tear on state vehicles due to rough surface and potholes. Also impede timely movement from area to area due to rough surface. When wet, roads are unsafe for vehicular traffic due to boggy surfaces which cause slipping and sliding. This is dangerous for the vehicles and the operators. This also restricts greatly the response time to a dormitory in case of emergency. Muddy road surfaces are a threat to pedestrians who might try to use them. Water on the road is a breeding ground for mosquitoes and other pest."

This is an unacceptable justification for the paving of a dirt road as an emergency. The procurement exceeded $30,000.00 and would constitute a permanent improvement project. Finally, the procurement was based on solicitation of only three informal quotations.

(28) Purchase order H56507 was an emergency procurement for upgrade of the primary electrical system for the SCDC Headquarters and Walden Correctional Institution at a cost of $6,495.00. There is no evidence that a real emergency as defined in the procurement code existed. Time was available to procure the services through normal channels.

(29) SCDC procured an aluminum storage building for $2,531.00 as an emergency procurement on purchase order 0100027515. The justification stated that this procurement would comply with the Fire Marshal's
deadline. Supporting documents state a ninety day deadline for compliance. This was more than sufficient time for procurement through normal channels.

(30) Twelve recording Resusci Annes at a cost of $11,414.40 were procured on an emergency basis on purchase order H35680 as being needed to train correctional officers. This procurement meets none of the criteria of an emergency and should have been sent to State Procurements. Also, the procurement was made based on four phone quotes rather than the solicitation of ten formal sealed bids as required.

(31) The procurement of a $23,057.00 modular office building on an emergency basis on purchase order 54242 does not meet the criteria of an emergency. The justification states: "To provide offices for additional employees required to comply with the Nelson suit. Office space requirement by June 30, 1986." We have the following problems with this procurement:

a) The Nelson Consent Decree was finalized in 1982, so it is questionable that this procurement is justified as an emergency based on the decree.

b) The Manual for Planning and Execution of State Permanent Improvements indicates that the purchase of any building must be established as a permanent improvement project. This was not done.
c) Three telephone quotes were sought on June 4 with a required delivery date of June 30. Only one vendor could meet this very strict delivery requirement. The award was made based on this one phone quote.

(32) SCDC purchased a bulldozer for $36,624.00 to close a lagoon at Kirkland Correctional Institution. SCDC justified the procurement as the lagoon posed a serious health threat. We agree that the emergency was to close the lagoon. However, before the procurement was made, SCDC rented a bulldozer for a period of nine months to close the lagoon. Emergencies are designed to meet the emergency and the rental satisfied that. Ample time was available to secure a new bulldozer through normal channels. Therefore, the procurement of a new bulldozer exceeds the scope of the emergency. Reference purchase order H48410.

(33) Purchase order H45220 was an emergency procurement of termite extermination services at Givens Youth Corrections Center in the amount of $4,700.00. This procurement does not meet the criteria of an emergency and should have been sent to State Procurements for bidding.

(34) The procurement of a rooftop air conditioner on purchase order H37068 for the canteen at Dutchman Correctional Institution for $5,150.00 was justified by SCDC as "failure to make this repair could jeopardize the health/safety of personnel." However, the quotation was dated one month prior to the requisition being prepared. This seems to indicate
that the situation was not serious. Further, we were told that this was not a repair at all, but rather the procurement of a new unit where there had been no previous unit in place.

(35) On December 7, 1984, SCDC's master locksmith prepared a memorandum that indicated a quotation had been received for replacing six doors at Aiken Youth Correctional Institution. On February 20, 1985, two and one half months after the original quotation was received an emergency procurement was made on purchase order H42643 to replace the doors at a cost of $2,667.60. The dates of documents in the file indicate that ample time was available for the procurements to be made through normal channels. Further, the emergency justification indicates that the damage to the doors occurred over time, not by an unforeseen event.

(36) (Purchase order H61772) Six gas packs were procured for the visitation area at Dutchman Correctional Institute at a cost of $15,942.00. The emergency justification was dated July 30, 1986 and the purchase order was dated July 31, 1986. Documentation, however, shows that quotes were received as early as April 9, 1986, over three months before the emergency was declared. The documentation also clearly shows that documentation dates were altered in order for the emergency to appear legitimate. This example of emergency procurement policy at SCDC shows the height of total disregard for the procurement system established by the Code and regulations.
II. Compliance Construction

A. Permanent Improvement Project Expenditures

SCDC has vastly exceeded its authority involving the expenditure of funds within permanent improvement projects. There appears to be a total disregard for the authority of the State Engineer's Office as the required authorizations have been ignored.

Approval of the State Engineer is required for all expenditures of permanent improvement project funds. This is accomplished by the agency sending and obtaining the authority on one or more of the following forms.

SE 220 A & E Selection Approval Request
SE 380 Request for Authority to Execute a Construction Contract
SE 520 Request for Authority to Purchase equipment and/or construction materials.
SE 550 Request for Sole Source Procurement
SE 560 Request for Emergency Procurement

We found in most cases that SCDC has failed to execute SE-520 or SE-560 forms. Below, please find listed permanent improvement projects in which approvals for expenditures were not requested by SCDC nor granted by the State Engineer as of December 31, 1986.
<table>
<thead>
<tr>
<th>PROJECT#</th>
<th>DESCRIPTION</th>
<th>PIP $</th>
<th>EXPENDITURES AT 12/31/86</th>
<th>EXPENDITURES NOT APPROVED</th>
</tr>
</thead>
<tbody>
<tr>
<td>8662</td>
<td>General Renovations</td>
<td>$1,216,000</td>
<td>$840,428</td>
<td>$688,838</td>
</tr>
<tr>
<td>8664</td>
<td>Fire/life safety</td>
<td>10,255,800</td>
<td>1,718,090</td>
<td>353,408</td>
</tr>
<tr>
<td>8679</td>
<td>Wateree Ethanol Plant</td>
<td>229,000</td>
<td>none reported</td>
<td>229,000</td>
</tr>
<tr>
<td>9026</td>
<td>Canteen Warehouse Renovation</td>
<td>36,825</td>
<td>36,293</td>
<td>36,293</td>
</tr>
<tr>
<td>9072</td>
<td>Temp. Housing</td>
<td>246,148</td>
<td>209,656</td>
<td>209,656</td>
</tr>
<tr>
<td>9073</td>
<td>Temp. Housing</td>
<td>264,185</td>
<td>195,944</td>
<td>195,944</td>
</tr>
<tr>
<td>9074</td>
<td>Temp. Housing</td>
<td>192,302</td>
<td>153,222</td>
<td>153,222</td>
</tr>
<tr>
<td>8687</td>
<td>Construction</td>
<td>40,000</td>
<td>39,594</td>
<td>39,594</td>
</tr>
<tr>
<td>8960</td>
<td>Construction</td>
<td>40,000</td>
<td>none reported</td>
<td>40,000</td>
</tr>
<tr>
<td>8625</td>
<td>Upgrade of Sewer</td>
<td>242,000</td>
<td>206,924</td>
<td>206,924</td>
</tr>
<tr>
<td>7426</td>
<td>Wateree Dairy</td>
<td>1,336,629</td>
<td>1,046,774</td>
<td>1,046,774</td>
</tr>
<tr>
<td>7128</td>
<td>Womens Correctional Center</td>
<td>745,289</td>
<td>668,551</td>
<td>668,551</td>
</tr>
<tr>
<td>8152</td>
<td>State Park Renovation</td>
<td>250,000</td>
<td>214,559</td>
<td>214,559</td>
</tr>
<tr>
<td>8151</td>
<td>Manning Central Laundry</td>
<td>1,565,000</td>
<td>354,019</td>
<td>354,019</td>
</tr>
<tr>
<td>8061</td>
<td>Blue Ridge Renovation</td>
<td>79,750</td>
<td>73,656</td>
<td>73,656</td>
</tr>
<tr>
<td>8057</td>
<td>Kirkland Psychiatric Facility</td>
<td>1,704,969</td>
<td>1,644,000</td>
<td>1,213,000</td>
</tr>
<tr>
<td>8616</td>
<td>MacDougall Gen. Reno.</td>
<td>75,000</td>
<td>74,210</td>
<td>70,710</td>
</tr>
<tr>
<td>8617</td>
<td>Goodman Roof Repairs</td>
<td>35,000</td>
<td>34,802</td>
<td>34,802</td>
</tr>
<tr>
<td>8618</td>
<td>Kirkland Roof/Floor Repairs</td>
<td>98,000</td>
<td>96,508</td>
<td>96,508</td>
</tr>
<tr>
<td>8619</td>
<td>Perry Security Upgrade</td>
<td>55,650</td>
<td>55,696</td>
<td>55,696</td>
</tr>
<tr>
<td>8620</td>
<td>Walden Renovations</td>
<td>65,000</td>
<td>64,807</td>
<td>64,807</td>
</tr>
<tr>
<td>8621</td>
<td>Greenwood Electrical Renovations</td>
<td>30,000</td>
<td>30,045</td>
<td>30,045</td>
</tr>
<tr>
<td>8622</td>
<td>Stevenson Wards/Chapel Edu.</td>
<td>91,200</td>
<td>47,213</td>
<td>47,213</td>
</tr>
<tr>
<td></td>
<td>School Buildings Renovations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8644</td>
<td>Palmer Roof Replacement</td>
<td>50,000</td>
<td>48,827</td>
<td>48,827</td>
</tr>
<tr>
<td>8658</td>
<td>Convert Dutchman to Medium Security</td>
<td>676,000</td>
<td>101,683</td>
<td>101,683</td>
</tr>
<tr>
<td>8660</td>
<td>WCC Additions</td>
<td>379,000</td>
<td>392,127</td>
<td>392,127</td>
</tr>
<tr>
<td>8661</td>
<td>Manning Lockup Renovation</td>
<td>48,000</td>
<td>16,310</td>
<td>16,310</td>
</tr>
</tbody>
</table>

Source: STARS expenditure data as of 12/31/86.
As these expenditures exceed the purchasing authority of SCDC and are in violation of requirements set forth by the Budget and Control Board, these must be ratified as unauthorized procurements in accordance with regulation 19-445.2015.

B. Small Architect-Engineer Contracts

The department requested and received approval for two small contracts for architect-engineer services. These contracts were for $12,000 each and would be allowable under Section 11-35-3230, Exception for Small Architect Engineer and Land Surveying Services Contracts, except that the corresponding regulation (19-445.2145, Subsection F, Item 2) limits the use of this simplified procurement method to contracts with firms who have received less than $36,000 in fees during the twenty-four month period immediately preceding negotiation of the contract. In this case, the same firm received both contracts. At that time, this firm already had two contracts in force with SCDC where more than $2,000,000 in fees would be earned. Payments to the firm greatly exceeded the $36,000 limit, thus a small A & E Contract was inappropriate. We recommend that SCDC adhere to Section 11-35-3230 of the Code and the corresponding regulations.
III. Division of Industries

Our examination included a view of the Division of Industries purchasing department, its policies and procedures and a sample of procurement transactions from fiscal year 1985/86. The procurement officer's primary function is to purchase the required raw materials for the thirteen plants which the Department of Corrections operate. The purchase of raw materials is exempt from the Code, however, all other goods and services procured by the Division of Industries must be handled according to the Code. We found the following procurement transactions other than raw materials were not made in compliance with the Code.

<table>
<thead>
<tr>
<th>ITEM</th>
<th>P.O.</th>
<th>AMOUNT</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>8321</td>
<td>$968.00</td>
<td>Slotting/Notching Dies</td>
</tr>
<tr>
<td>2</td>
<td>7983</td>
<td>1861.00</td>
<td>Repair blanking die, grind &amp; replace parts</td>
</tr>
<tr>
<td>3</td>
<td>7471</td>
<td>918.00</td>
<td>Punching die</td>
</tr>
<tr>
<td>4</td>
<td>7793</td>
<td>677.84</td>
<td>3-part purchase order form</td>
</tr>
<tr>
<td>5</td>
<td>8437</td>
<td>659.45</td>
<td>State of S.C. IDT forms</td>
</tr>
<tr>
<td>6</td>
<td>7859</td>
<td>1,560.00</td>
<td>Yearly contract for pick up of waste/trash</td>
</tr>
<tr>
<td>7</td>
<td>7159</td>
<td>1,407.00</td>
<td>Reinforced nylon thread paper towels</td>
</tr>
<tr>
<td>8</td>
<td>7720</td>
<td>1,407.00</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>8136</td>
<td>1,411.00</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>8703</td>
<td>1,411.00</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>contract</td>
<td>8,856.75</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>4637</td>
<td>35,484.00</td>
<td></td>
</tr>
</tbody>
</table>

Calendar year 1985 personal service contract to direct operation of cutting tables, train personnel in making patterns and markers and make required markers as directed. 48 month lease/purchase of truck.
Item numbers one through ten were made without following the competitive source selection process nor were they justified as sole source or emergency purchases.

Section 19-445.2100, Subsection B, Items 2 and 3, of the regulations require solicitation of verbal or written quotes from two sources of supply for purchases from $500.01 to $1,499.99 and solicitation of written quotations from three qualified sources of supply for purchases form $1,500.00 to $2,499.99.

Additionally, Section 19-445.2000, Subsection C, Item 1, of the regulations limits the procurement authority of the Department of Corrections, including Prison Industries, to $2,500.00 when not procuring exempted services as in item Number (11) eleven.

For the lease in item number 12, we were unable to locate (1) the approval of Department of Motor Vehicle Management (2) the lease approval by the Materials Management Office (3) competitive bids. Further, this exceeds the agency's certification limits by almost $33,000.00

Items 11 and 12 were unauthorized procurements and must be ratified in accordance with Section 19-445.2015 of the regulations.

We remind the Division of Industries per the Materials Management Office's letter dated February 1985 that only the "consumable materials or supplies used in the production, packaging, labeling or shipment of products or equipment produced by the Division of Industries, which are exclusively used for these distribution functions, are exempt under Section 11-35-710 (b) (h) of the South Carolina Procurement Code."
All other procurements must be made in strict compliance with the Code and regulations.

IV. Interest Penalties Paid and Discounts Lost

Over the past two years, SCDC has been assessed more than $4,500.00 in interest penalties for late payment of invoices. Additionally, the accounts payable department failed to take a cash discount of $503.00 on payment for purchase order 49980 even though payment was made within the discount period.

Section 11-35-45 of the Consolidated Procurement Code states in part:

Beginning January 1, 1983, all vouchers for payment of purchases of goods or services shall be delivered to the Comptroller General's Office within thirty work days from receipt of the goods or services whichever is received later by the agency. After the thirtieth work day, the Comptroller General shall pay an amount not to exceed fifteen percent per annum from the funds available to the agency, such amount to be applied to the unpaid balance to be remitted to the vendor.

Lack of compliance with this section of the Procurement Code and the previously mentioned failure of accounts payable to take a cash discount resulted in the unnecessary expenditure of over $5,000.00.

We recommend the invoice review process be reevaluated to improve handling time and control of disbursements. Also, accounts payable must be aware that State Procurement purchase orders sometimes show a discount for timely payment that may not be shown on the vendor invoice. All state purchase orders should be specifically checked for such authorized discounts.
V. Reporting of Sole Source and Emergency Procurements and Trade Ins

Section 11-35-2440 of the Procurement Code requires governmental bodies to report quarterly all sole source and emergency procurements to the chief procurement officers. Section 11-35-3830(3) of the Procurement Code requires that governmental bodies report quarterly to the materials management officer a record listing all trade-in sales.

To accomplish this, SCDC developed a computerized system that captures this information automatically. When a sole source, emergency or trade-in sale purchase order is entered into the system, it is noted by the codes S, E or T respectively.

We compliment SCDC on development of such a system. However, codes were never developed to indicate combinations of these, such as a sole source or emergency procurement that includes a trade-in. To ensure complete reporting, we recommend that additional report codes be developed to capture combination transactions.
CONCLUSION

The conditions enumerated in this report indicate areas of major deficiencies in the procurement system at SCDC. The key problem areas are abuse of emergency procurement authority and disregard for the authority of the State Engineer's Office. SCDC should take immediate action in these problem areas.

The Division of General Services acknowledges SCDC's situation resulting from the Nelson Consent Decree, changeover of administration and the tremendous task of operating the State's prison system. Over the next six months we offer the assistance of key management staff in developing strategies toward elimination of the problem areas noted herein.

The Office of Audit and Certification will perform immediately a review of emergency procurement activity since the cutoff date of the audit period. Additionally, we will monitor SCDC's future emergency procurement activity on a monthly basis. Finally, in January 1988 we will perform a review of procurement management at SCDC to determine progress therein.

If, at that time, substantial improvement is noted, we will recommend recertification for construction services. However, if substantial progress is not evident, we will recommend that SCDC's current procurement certification for construction services be revoked by the Budget and Control Board.

The follow-up audit was performed January 18-21, 1988. Results are shown in the letter at the back of this report. Based upon the results of the follow-up audit, we recommend recertification for construction services at the current level of $25,000.00 and additional certification for goods and services of $10,000.00 for a period of two (2) years.

-35-
November 6, 1987

Mr. Voight Shealy
Manager
Audit and Certification
South Carolina Budget and
Control Board
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Voight:

We accept your audit findings without exception for the period July 1, 1984, through September 30, 1987. Your report was very thorough, and your team brought to our attention several areas wherein we need improvement. It is the intention of this Agency to have a "clean" audit report.

Those permanent improvements which were cited in Paragraph III of the Audit Report have been ratified by the State Engineer, Jay Flanagan (letter attached). Additionally, the following changes have been implemented since September 30, 1987:

1) All procurement personnel assigned to the Division of Construction, Engineering, and Maintenance are now responsible to Mr. Don Lemmons, Director of Procurement.

2) All Sole Source procurements will be verified with Central State Purchasing.

3) All Emergency procurements will be made in accordance with Regulation 19-445.2110 of the South Carolina Procurement Code.

4) All engineers, project directors, superintendents, and craftsmen from Construction, Engineering, and Maintenance have been instructed in specific rules and regulations pertinent to the Consolidated Procurement Code. A similar training class will be conducted for all new hires.
This Agency is dedicated to ensuring compliance with the South Carolina Consolidated Procurement Code, and we solicit your help in our efforts to achieve higher certification.

Parker Evatt

PE: bd

Attachment
Mr. Jay Flanagan, State Engineer  
Division of General Services  
Budget and Control Board  
1201 Main Street  
Columbia, South Carolina  29201  

RE:  N04-116, Stars ID#9078  
Women's Correctional Center Shock Probation  

Dear Jay:

This purpose of this letter is to ask for ratification of procurements unauthorized that were made on the following purchase orders:

<table>
<thead>
<tr>
<th>Order #</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>H76667</td>
<td>$800.00</td>
</tr>
<tr>
<td>H75198</td>
<td>3,196.00</td>
</tr>
<tr>
<td>H75603</td>
<td>2,537.90</td>
</tr>
<tr>
<td>H77939</td>
<td>2,898.60</td>
</tr>
<tr>
<td>H72722</td>
<td>2,640.00</td>
</tr>
<tr>
<td>H72747</td>
<td>22,000.00</td>
</tr>
<tr>
<td>H72751</td>
<td>3,476.94</td>
</tr>
<tr>
<td>H73273</td>
<td>5,609.82</td>
</tr>
<tr>
<td>H73312</td>
<td>3,058.00</td>
</tr>
<tr>
<td>H73791</td>
<td>2,597.64</td>
</tr>
</tbody>
</table>

A blanket emergency was prepared and signed by South Carolina Department of Corrections' officials for various vendors under State Procurement Code Subsection B(2 & 3) Section 19-445.2110. We were required by the Omnibus Crime Bill to provide bedspace to house certain individuals convicted of non-violent crimes in lieu of long-term incarceration. Because of the required completion date it precluded us from using the normal purchasing channels and procedures. However, we did not follow the procedure and have the State Engineer approve this as required by the Manual for Planning and Execution of State Permanent Improvements. The prices paid for the materials procured were fair and reasonable; therefore, no one individual will be held pecuniarily liable.
We have now devised a form listing all approvals needed before we proceed with the purchase of materials. With better planning it should give ample time to send procurements over $2500.00 to the Materials Management Office (MMO). Your approval of this ratification will be greatly appreciated.

Sincerely,

William H. Harmon, P.E.
Director, Division of Construction, Engineering and Maintenance

APPROVED

Jay Flanagan
State Engineer

11/6/87
Reference State Consolidated Procurement Code Permanent Regulations dated 6-7-82 and signed by Tony R. Ellis, Section 19-445.2110, Subsection B, Paras. 1 and 2.

Don Lemmons

**JUSTIFICATION FOR EMERGENCY PROCUREMENT**

Based upon the following determination, the proposed procurement action described below is being procured pursuant to the authority of Section 11-35-1570 of the South Carolina Consolidated Procurement Code.

This government body proposes to procure **various construction materials to build a 24 bed female Shock Probation Unit at WCC**

as an emergency procurement from **various vendors**

based upon the following justification: 1. State Procurement Code Subsection B(2) and (3)

2. Section 19-445.2110, Emergency Procurements to provide bedspace mandated by the Omnibus Crime Bill which requires this department to house certain individuals convicted of non-violent crimes in lieu of long term incarceration. This critical need is to provide space for these non-violent inmates to protect and ensure safety of these inmates, plus the required completion dates preclude the use of normal purchasing channels and procedures.

SOUTH CAROLINA DEPARTMENT OF CORRECTIONS

GOVERNMENTAL BODY

I CERTIFY THAT THE STATEMENTS LISTED ABOVE ARE TRUE AND THAT THE CONDITIONS CITED EXIST AND JUSTIFY THIS EMERGENCY PROCUREMENT.

Requestor's Signature/Date

Approved:

Disapproved:

AUTHORIZED SIGNATURE DATE

DEPUTY COMMISSIONER

Notes:

1. Enter description of goods or services to be procured.
2. Enter name of contractor.
3. Enter the basis of emergency procurement.

Distribution:

Original - attached to voucher for payment (ACCOUNTS PAYABLE COPY)
Carbon copy - retained in governmental body contract file (REQUISITIONER)
Carbon copy - attached to PURCHASING NUMERIC COPY

MAY 15 1987

RECEIVED
December 15, 1987

Mr. R. Voight Shealy
Manager, Audit and Certification
South Carolina Budget and Control Board
Division of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Mr. Shealy:

Thank you for the progress report of December 7, 1987 on the Department's compliance with the State Procurement Code. I am extremely pleased that you found everything to be in order.

The Department is committed to abiding by the State Procurement Code. A special effort has been made and will continue to be made to remain in compliance with the Code.

I look forward to the next progress report after your December visit. If you need any information from me with regard to your next visit, please let me know.

Sincerely,

Parker Evatt

cc: Rick Kelly
    Don Lemmons
    Marshall Williams
January 11, 1988

Mr. R. Voight Shealy, Manager
Office of Audit and Certification
Budget and Control Board
Division of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Mr. Shealy:

Thank you for your December 30 letter advising me you found no problems in either our emergency or sole source procurements during your December 8, 1987, audit.

We are committed to complying with state procurement policies and procedures to the fullest extent possible.

Sincerely,

Parker Evatt

PE:abb

cc: Mr. Rick Kelly
    Mr. Don Lemmons
    Mr. Marshall Williams
October 20, 1987

Mr. Parker Evatt  
Commissioner  
S.C. Department of Corrections  
P.O. Box 21787  
Columbia, South Carolina 29221-1787

Dear Commissioner:

On September 29th and 30th, we returned to the South Carolina Department of Corrections (SCDC) to follow up on our exit conference of September 24th and to bring the audit period current through September 30, 1987 as stated in the conclusion section of the audit report.

We found exceptions similar to those addressed in the audit report as listed below:

I. The following procurements are not justified as emergencies.

<table>
<thead>
<tr>
<th>P.O. Number</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>H60406</td>
<td>$40,268.88</td>
</tr>
<tr>
<td>H61309</td>
<td>24,012.00</td>
</tr>
<tr>
<td>H66410</td>
<td>26,756.75</td>
</tr>
<tr>
<td>H64684</td>
<td>9,200.00</td>
</tr>
<tr>
<td>58708</td>
<td>3,053.40</td>
</tr>
<tr>
<td>H72850</td>
<td>14,900.00</td>
</tr>
<tr>
<td>H71432</td>
<td>12,732.72</td>
</tr>
<tr>
<td>H71889</td>
<td>6,722.56</td>
</tr>
<tr>
<td>H72192</td>
<td>13,175.00</td>
</tr>
<tr>
<td>H73620</td>
<td>4,820.00</td>
</tr>
<tr>
<td>H73391</td>
<td>25,448.00</td>
</tr>
<tr>
<td>H71890</td>
<td>9,370.32</td>
</tr>
<tr>
<td>H73084</td>
<td>11,725.00</td>
</tr>
<tr>
<td>H64342</td>
<td>15,876.82</td>
</tr>
</tbody>
</table>

MATERIALS MANAGEMENT OFFICE
We remind SCDC that all expenditures for permanent improvement projects must have the approval of the State Engineer.

IV. The appropriate number of bids were obtained and these procurements were within the certification limits of the Department, therefore, they should not have been reported as emergencies.

<table>
<thead>
<tr>
<th>Purchase Order Number</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>H68818</td>
<td>$810.00</td>
</tr>
<tr>
<td>H68811</td>
<td>2,028.60</td>
</tr>
<tr>
<td>H68779</td>
<td>2,461.24</td>
</tr>
<tr>
<td>H68820</td>
<td>1,021.80</td>
</tr>
<tr>
<td>H69954</td>
<td>1,250.00</td>
</tr>
<tr>
<td>H69053</td>
<td>1,841.84</td>
</tr>
<tr>
<td>H69021</td>
<td>1,270.25</td>
</tr>
<tr>
<td>H69033</td>
<td>2,439.50</td>
</tr>
<tr>
<td>H62630</td>
<td>2,443.20</td>
</tr>
<tr>
<td>H62080</td>
<td>2,437.65</td>
</tr>
<tr>
<td>H61562</td>
<td>2,483.16</td>
</tr>
<tr>
<td>H64803</td>
<td>2,433.00</td>
</tr>
<tr>
<td>H71344</td>
<td>2,495.00</td>
</tr>
</tbody>
</table>

Procurements which are made based upon solicitation of the required number of competitive bids should not be reported as emergencies.

This review brings us current with our exit conference with you and your staff when we discussed the areas of noncompliance in SCDC's past procurement activity.

The types of exceptions noted herein are similar to those in the audit report. These exceptions should not be taken lightly. However, they occurred prior to your administration and prior to our discussion of the audit results. As such, we require no further discussion with you on these specific exceptions unless you feel this would be helpful.

Beginning with the month of October, we will review your emergency procurements on a monthly basis through January 1988. Our primary interest there will be to determine current emergency procurement management at SCDC. As indicated in the audit report, we must see evidence of improvement before we can recommend recertification for the Department.
SCDC must be more cognizant of what constitutes an emergency as defined in Section 11-35-1570 of the South Carolina Consolidated Procurement Code.

II. Ample time was available to send the below listed emergency procurements to State Procurement, thus they were inappropriate as emergencies.

<table>
<thead>
<tr>
<th>P.O. Number</th>
<th>P.O. Date</th>
<th>Emergency Date</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>H71199</td>
<td>04/09/87</td>
<td>02/02/87</td>
<td>$4,761.00</td>
</tr>
<tr>
<td>H70066</td>
<td>02/09/87</td>
<td>03/20/87</td>
<td>6,294.00</td>
</tr>
<tr>
<td>H77939</td>
<td>09/22/87</td>
<td>02/02/87</td>
<td>2,898.60</td>
</tr>
<tr>
<td>H64195</td>
<td>09/15/86</td>
<td>04/02/86</td>
<td>3,998.00</td>
</tr>
<tr>
<td>H61992</td>
<td>07/31/86</td>
<td>03/17/86</td>
<td>12,416.00</td>
</tr>
<tr>
<td>H62014</td>
<td>08/19/86</td>
<td>04/08/86</td>
<td>4,639.00</td>
</tr>
<tr>
<td>H67026</td>
<td>12/18/86</td>
<td>05/30/86</td>
<td>19,844.05</td>
</tr>
<tr>
<td>H66948</td>
<td>12/15/86</td>
<td>04/08/86</td>
<td>2,830.04</td>
</tr>
<tr>
<td>H65999</td>
<td>11/13/86</td>
<td>04/08/86</td>
<td>6,823.10</td>
</tr>
<tr>
<td>H65256</td>
<td>10/22/86</td>
<td>04/08/86</td>
<td>5,618.50</td>
</tr>
<tr>
<td>H65031</td>
<td>10/16/86</td>
<td>04/08/86</td>
<td>2,624.07</td>
</tr>
<tr>
<td>H64910</td>
<td>11/22/86</td>
<td>04/08/86</td>
<td>5,987.00</td>
</tr>
</tbody>
</table>

III. The below listed procurements were made as emergencies on permanent improvement project N04-116 (9078). A blanket emergency was prepared by SCDC but never approved by the State Engineer as required by the Manual for Planning and Execution of State Permanent Improvements. These procurements are unauthorized and must be ratified in accordance with Regulation 19-445.2105 as they exceed SCDC's procurement authority.

<table>
<thead>
<tr>
<th>P.O. Number</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>H76667</td>
<td>$800.00</td>
</tr>
<tr>
<td>H75198</td>
<td>3,916.00</td>
</tr>
<tr>
<td>H75603</td>
<td>2,537.90</td>
</tr>
<tr>
<td>H77939</td>
<td>2,898.60</td>
</tr>
<tr>
<td>H72722</td>
<td>2,640.00</td>
</tr>
<tr>
<td>H72747</td>
<td>22,000.00</td>
</tr>
<tr>
<td>H72751</td>
<td>3,476.94</td>
</tr>
<tr>
<td>H73273</td>
<td>5,609.82</td>
</tr>
<tr>
<td>H73312</td>
<td>3,058.00</td>
</tr>
<tr>
<td>H73791</td>
<td>2,597.64</td>
</tr>
</tbody>
</table>
Please let me know if you would like to discuss the exceptions listed herein. We will be glad to do so.

Sincerely,

R. Voight Shealy, Manager
Audit and Certification

cc: Mr. Rick Kelly
Mr. Richard Campbell
Mr. Marshall Williams
Mr. Don Lemmons
Mr. Parker Evatt  
Commissioner  
S.C. Department of Corrections  
4444 Broad River Road  
Columbia, South Carolina  29221-1787  

Dear Commissioner:  

As we indicated at our exit conference of September 24, the Office of Audit and Certification has started monitoring the Department of Correction's emergency procurements on a monthly basis beginning with October 1987 activity. On November 17, we returned to the Department to review emergency procurements for the month of October. We found that no emergencies had been reported. We commend the Department for its prudent use of emergency procurements.  

As a control measure, we also reviewed the sole source procurements for October. Nine sole source procurements were reported during the month. All available documentation for these procurements were reviewed and we found them to be appropriate as sole sources. No exceptions were noted.  

We will return in early December to review November's emergency procurements. If you have any questions or comments, please let us know.  

Sincerely,  

R. Voight Shealy  
Manager  
Audit and Certification  

cc: Rick Kelly  
Don Lemmons  
Marshall Williams  

MATERIALS MANAGEMENT OFFICE
December 30, 1987

Mr. Parker Evatt
Commissioner
S.C. Department of Corrections
4444 Broad River Road
Columbia, South Carolina 29221-1787

Dear Commissioner:

As we indicated at our exit conference of September 24, the Office of Audit and Certification has started monitoring the Department of Correction's emergency procurements on a monthly basis beginning with October 1987 activity. On December 8, we returned to the Department to review emergency procurements for the month of November. We found that no emergencies had been reported. Again, we commend the Department for its prudent use of emergency procurements.

As a control measure, we also reviewed the sole source procurements for November. Twenty-one sole source procurements were reported during the month. All available documentation for these procurements were reviewed and one exception was noted on purchase order number 0100055299-0100055302. Upon further review, we determined that the sole source justification is poorly written. We requested that the purchasing department add certain additional information to the file which we believe will bring this sole source procurement in compliance with the Code.

We will return in early January to review December's emergency procurements as well as perform an extensive follow-up of the Department's general procurement activity. As we indicated in our report, the results of this follow-up review will determine whether the Department will be recertified to handle its own procurements of construction services. Thus far, the results have been positive.
If you have any questions or comments, please let us know.

Sincerely,

[Signature]

R. Vaught Shealy, Manager
Audit and Certification

cc: Rick Kelly
Don Lemmons
Marshall Williams
Mr. D.L. McMillin  
Acting Materials Management Officer  
Division of General Services  
1201 Main Street, Suite 600  
Columbia, South Carolina 29201  

The Office of Audit and Certification performed an extensive follow-up audit of the South Carolina Department of Corrections for the period October 1 through December 31, 1987.

Our on-site audit was conducted January 18-21, 1988, and was made as part of our previous audit which covered the period July 1, 1984, through June 30, 1986. Since we have reviewed procurement activity for the period July 1, 1986 - September 30, 1987 previously, we concentrated on the months of October - December 1987. Our primary interest was to determine the current state of procurement management at the Department.

The scope of our audit included, but was not limited to review of the following:

(1) One hundred selected procurement transactions which each exceeded five hundred dollars;

(2) A block sample review of all purchase orders;

(3) All sole source procurements;

(4) All emergency procurements;
(5) Selected blanket purchase agreements from the maintenance and communications area;

(6) A review of all purchase orders executed by the Industries Division; which processes its own orders up to $2,500.00.

(7) A review of construction procurements.

Since the audit was performed, the Department of Corrections has had key changes in top management. These changes have resulted in the Department achieving compliance with the Procurement Code and regulations. Substantial improvement in the management and control of the procurement function has been accomplished. We did note, however, the below listed items which should be addressed by management.

1. We found two instances where purchases had been split, resulting in procurements which exceeded the Department's certification limit of $2,500.00.

<table>
<thead>
<tr>
<th>P.O. #</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>H81463</td>
<td>Concentrated fruit juice</td>
<td>$2,323.70</td>
</tr>
<tr>
<td>H81464</td>
<td>Concentrated fruit juice</td>
<td>2,264.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$4,587.70</td>
</tr>
<tr>
<td>01-55711</td>
<td>Bedspreads</td>
<td>$1,488.96</td>
</tr>
<tr>
<td>01-55743</td>
<td>Blankets</td>
<td>1,183.68</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$2,672.64</td>
</tr>
</tbody>
</table>

These are unauthorized procurements and must be ratified in accordance with Section 19-445.2015, Subsection A, Item number 2, of the regulations.
2. Purchase order number 01-56704 was supported by written quotes which had expired. The prices quoted were good for thirty days but the procurement was made ninety days after the quotes were received.

We recommend that the Department obtain new quotes in such situations.

3. Prison Industries purchased shoes from the Florida State Prison System and sold them to the Department on purchase order number H80441. The Department paid Prison Industries a surcharge/handling fee on the shoes.

We recommend that the Department handle the procurement directly and avoid any additional charges or fees.

4. Our review of procurements in Prison Industries revealed two purchases which were not supported by the required number of quotes.

<table>
<thead>
<tr>
<th>P.O. #</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>13378</td>
<td>$1,476.16</td>
</tr>
<tr>
<td>13475</td>
<td>634.34</td>
</tr>
</tbody>
</table>

The Procurement Code regulations require solicitation of quotes from a minimum of two qualified sources for each procurement from $500.01 - $1,499.99. Only a single quote was requested on each purchase.
We recommend that Industries solicit the required amount of competition.

Management must secure ratification for the procurements listed in item number one above. Overall, however, the problem areas addressed in the audit report have been corrected by the Department. We believe that the South Carolina Department of Corrections is now acting in compliance with the Consolidated Procurement Code and its regulations.

Based upon the complete reversal toward procurement compliance and the current state of procurement management of the Department, we recommend that certification be granted by the Budget and Control Board.

Sincerely,

[Signature]

R. Voight Shealy, Manager
Audit and Certification