PROCUREMENT AUDIT AND CERTIFICATION

SOUTH CAROLINA WILDLIFE AND MARINE RESOURCES DEPARTMENT

AGENCY

JULY 1, 1986 - MAY 31, 1989

DATE
October 17, 1989

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

Dear Rick:

Attached is the final South Carolina Wildlife and Marine Resources Department 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 outlined in the audit report.

Sincerely,

James J. Forth, Jr.  
Assistant Division Director

/jlj

Attachment
SOUTH CAROLINA WILDLIFE AND MARINE RESOURCES DEPARTMENT

AUDIT REPORT

JULY 1, 1986 - MAY 31, 1989
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>4</td>
</tr>
<tr>
<td>Background</td>
<td>5</td>
</tr>
<tr>
<td>Scope</td>
<td>6</td>
</tr>
<tr>
<td>Results of Examination</td>
<td>7</td>
</tr>
<tr>
<td>Certification Recommendations</td>
<td>9</td>
</tr>
<tr>
<td>Department Response</td>
<td>10</td>
</tr>
<tr>
<td>Follow-up Review</td>
<td>11</td>
</tr>
</tbody>
</table>
Mr. James J. Forth, Jr.
Assistant Division Director
Division of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

We have examined the procurement policies and procedures of
the South Carolina Wildlife and Marine Resources Department for
the period July 1, 1986 through May 31, 1989. 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 internal
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 Wildlife and Marine Resources
Department is responsible for establishing and maintaining a
system of internal control over procurement transactions. In
fulfilling this responsibility, estimates and judgements by
management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance of the integrity of the procurement process, that affected assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and are recorded properly.

Because of inherent limitations in any system of internal control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the system of internal control over procurement transactions as well as our overall examination of procurement policies and procedures were conducted with due professional care. They would not, however, because of the nature of audit testing, necessarily disclose all weaknesses in the system.

The examination did, however, disclose conditions enumerated in this report which we believe to be subject to correction or improvement.
Corrective action based on the recommendations described in these findings will in all material respects place the Wildlife and Marine Resources Department in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

R. Voight Shealy, Manager
Audit and Certification
INTRODUCTION

The Office of Audit and Certification conducted an examination of the internal procurement operating procedures and policies of the South Carolina Wildlife and Marine Resources Department. Our on-site review was conducted May 30, 1989 through June 27, 1989 and was made under the authority as described in 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, that 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 agency in promoting the underlying purposes and policies of the Code as outlined in Section 11-35-20, which include:

(1) to ensure the fair and equitable treatment of all persons who deal with the procurement system of this State;

(2) to provide increased economy in state procurement activities and to maximize to the fullest extent practicable the purchasing values of funds of the State;

(3) to provide safeguards for the maintenance of a procurement system of quality and integrity with clearly defined rules for ethical behavior on the part of all persons engaged in the public procurement process.
BACKGROUND

Section 11-35-1210 of the South Carolina Consolidated Procurement Code states:

The (Budget and Control) Board may assign differential dollar limits below which individual governmental bodies may make direct procurements not under term contracts. The 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 ensuing regulations.

Our audit was performed primarily to determine if recertification is warranted. Additionally, the Wildlife and Marine Resources Department requested the increased certification limits listed below:

<table>
<thead>
<tr>
<th>Category</th>
<th>Requested Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Goods and Services</td>
<td>$10,000</td>
</tr>
<tr>
<td>2. Construction</td>
<td>25,000</td>
</tr>
<tr>
<td>3. Information Technology</td>
<td>5,000</td>
</tr>
</tbody>
</table>
SCOPE

Our examination encompassed a detailed analysis of the internal procurement operating procedures of the Wildlife and Marine Resources Department 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.

We statistically selected random samples for the period July 1, 1986 through May 31, 1989, of procurement transactions for compliance testing and performed other audit procedures that we considered necessary in the circumstances to formulate this opinion. 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 accompanying 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; and,

(11) approval of the Minority Business Enterprise Plan.
RESULTS OF EXAMINATION

Our examination of the South Carolina Wildlife and Marine Resources Department, hereinafter referred to as the Department, included, but was not limited to the following: 150 transactions each exceeding $500.00; 300 numerical purchase orders; all sole source procurements; all emergency procurements; and all trade-ins. We found these procurements to be properly handled and in compliance with the Consolidated Procurement Code and regulations with the following exceptions:

1) Two procurements lacked the amount of competition required by Regulation 19-445.2100.

   Voucher number 41712 in the amount of $521.00 was not supported by evidence of competition. Purchase order number 89-00756 in the amount of $1,806.00 was supported by two written quotations. However, the regulations require solicitation of three written quotations for procurements of $1,500.00 - $2,499.99.

   The Department must adhere to the competition requirements of the Procurement Code and regulations.

2) Purchase order number 89-031428 in the amount of $2,922.00 was supported by a written sole source determination approved by the director of administration. The Department's internal procurement procedures manual requires that the executive director approve all sole source procurements which exceed $2,500.00.
As this procurement exceeds the authority granted the director of administration, it is unauthorized. A request for ratification must be submitted to the Department's executive director in accordance with Regulation 19-445.2010.

3) The Department failed to prepare a sole source determination and report it to the Division of General Services. Purchase order number 88-1632 in the amount of $8,550.00 was the result of a federal grant that designated the contractor to be used by the Department. Thus, the procurement was a sole source.

However, since the required written determination was not prepared, the procurement is unauthorized. As such, it must be submitted to the Department's executive director with a request for ratification in accordance with Regulation 19-445.2015.

Also, the Department should file an amended sole source report with the Division of General Services.

4) Three procurements were reported in error as sole sources on the quarterly report. All of these were emergencies and should have been reported as such.

<table>
<thead>
<tr>
<th>PO#</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>87-00591</td>
<td>$2,270.31</td>
</tr>
<tr>
<td>87-00592</td>
<td>11,351.55</td>
</tr>
<tr>
<td>87-00880</td>
<td>18,332.00</td>
</tr>
</tbody>
</table>

Additionally, an emergency procurement of $3,823.00 on purchase order number 88-033420 was not reported on the quarterly report.

The Department must file the necessary amended quarterly reports with the Division of General Services to correct the reporting errors. In the future, additional care should be taken to accurately report sole source and emergency procurements.
CERTIFICATION RECOMMENDATIONS

As enumerated in our transmittal letter, corrective action based on the recommendations in the body of this report, we believe, will in all material respects place the South Carolina Wildlife and Marine Resources Department in compliance with the State Consolidated Procurement Code and ensuing regulations. This corrective action should be accomplished by September 30, 1989.

Under the authority described in Section 11-35-1210 of the Procurement Code and subject to this corrective action, we will recommend that the Wildlife and Marine Resources Department be recertified to make direct agency procurements for a period of three years as follows:

<table>
<thead>
<tr>
<th>Procurement Area</th>
<th>Recommended Certification Limits</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Goods and Services</td>
<td>$10,000 *per purchase commitment</td>
</tr>
<tr>
<td>II. Construction</td>
<td>$25,000 *per purchase commitment</td>
</tr>
<tr>
<td>III. Information Technology in</td>
<td>$5,000 *per purchase commitment</td>
</tr>
<tr>
<td>accordance with the approved</td>
<td></td>
</tr>
<tr>
<td>Information Technology Plan</td>
<td></td>
</tr>
</tbody>
</table>

* The total potential purchase commitment whether single year or multi-term contracts are used.

Marshall B. Williams, Jr., Supervisor
Audit and Certification

R. Voight Shealy, Manager
Audit and Certification
August 22, 1989

Mr. R. Voight Shealy, Manager
Audit and Certification
Division of General Services
1201 Main Street, Suite 600
Columbia, S.C. 29201

Dear Mr. Shealy:

I have reviewed in detail with staff the Audit report for the period July 1, 1986 through May 31, 1989 and have given special consideration to the Audit findings and recommendations as outlined on pages 7 and 8 of the report.

I concur with your recommendations and have instructed staff to take the necessary actions to implement the recommendations immediately, and I am confident these deficiencies will be corrected.

I sincerely appreciate your staff's work in reviewing our purchasing procedures and the personal attention given to our purchasing staff by your audit team offering recommendations and suggestions that would provide for a more efficient operation.

Sincerely,

James A. Timmerman, Jr.
Executive Director

WTPjr/tl
October 13, 1989

Mr. James J. Forth, Jr.
Assistant Division Director
Division of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Jim:

We have returned to the South Carolina Wildlife and Marine Resources Department to determine the progress made toward implementing the recommendations in our audit report covering the period of July 1, 1986 - May 31, 1989. During this visit, we followed up on each recommendation made in the audit report through inquiry, observation and limited testing.

We observed that the Department has made substantial progress toward correcting the problem areas found and improving the internal controls over the procurement system. With the changes made, the system's internal controls should be adequate to ensure that procurements are handled in compliance with the Consolidated Procurement Code and ensuing regulations.

We therefore, recommend that the certification limits for the South Carolina Wildlife and Marine Resources Department outlined in the audit report be granted for a period of three (3) years.

Sincerely,

R. Voight Shealy, Manager
Audit and Certification