PROCUREMENT
AUDIT AND
CERTIFICATION

S. C. STATE LIBRARY
JAN 8 1996
STATE DOCUMENTS

SOUTH CAROLINA
DEPARTMENT OF TRANSPORTATION
AGENCY
OCTOBER 1, 1991 - MARCH 31, 1995
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 South Carolina Department of Transportation’s procurement audit report and recommendations made by the Office Audit and Certification. I concur and recommend the Budget and Control Board grant the Department a three year certification as noted in the audit report.

Sincerely,

Raymond L. Grant  
Materials Management Officer

RLG/tl
TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>TABLE OF CONTENTS</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>6</td>
</tr>
<tr>
<td>Results of Examination</td>
<td>8</td>
</tr>
<tr>
<td>Certification Recommendations</td>
<td>20</td>
</tr>
<tr>
<td>Follow-up</td>
<td>21</td>
</tr>
</tbody>
</table>

NOTE: The Department’s responses to issues noted in this report have been inserted immediately following the issues they refer to.
Mr. Raymond L. Grant  
Materials Management Officer  
Office of General Services  
1201 Main Street, Suite 600  
Columbia, South Carolina 29201  

Dear Ray:  

We have examined the procurement policies and procedures of the Department of Transportation for the period October 1, 1991 through March 31, 1995. 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 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 Department of Transportation 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 Department of Transportation in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

Larry G. Sorrell, Manager
Audit and Certification
INTRODUCTION

We conducted an examination of the internal procurement operating policies and procedures of the Department of Transportation. Our on-site review was conducted March 17, 1995 through May 31, 1995 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, 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 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
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.

On October 13, 1992 the Budget and Control Board granted the Department the following procurement certifications:

<table>
<thead>
<tr>
<th>Category</th>
<th>Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods and Services</td>
<td>$ 50,000 per commitment</td>
</tr>
<tr>
<td>Information Technology in accordance with the approved Information Technology Plan</td>
<td>$ 50,000 per commitment</td>
</tr>
<tr>
<td>Consultants</td>
<td>$ 50,000 per commitment</td>
</tr>
<tr>
<td>Construction</td>
<td>$ 25,000 per commitment</td>
</tr>
<tr>
<td>Construction Materials Testing</td>
<td>$ 1,250,000 per commitment</td>
</tr>
<tr>
<td>Contract</td>
<td>$ 100,000 per commitment</td>
</tr>
<tr>
<td>Aggregate</td>
<td>$ 100,000 per commitment</td>
</tr>
</tbody>
</table>

Our audit was performed primarily to determine if recertification is warranted. Additionally, the Department requested the following increased certification limits.

<table>
<thead>
<tr>
<th>Category</th>
<th>Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods and Services</td>
<td>$ 50,000 per commitment</td>
</tr>
<tr>
<td>Information Technology in accordance with the approved Information Technology Plan</td>
<td>$ 50,000 per commitment</td>
</tr>
<tr>
<td>Consultants</td>
<td>$ 50,000 per commitment</td>
</tr>
<tr>
<td>Construction</td>
<td>$ 50,000 per commitment</td>
</tr>
<tr>
<td>Prefabricated Concrete Bridge Spans</td>
<td>$ 250,000 per commitment</td>
</tr>
<tr>
<td>Aggregate</td>
<td>$ 250,000 per commitment</td>
</tr>
</tbody>
</table>
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 Department of Transportation 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, 1992 through January 31, 1995 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 October 1, 1991 through March 31, 1995

(2) Procurement transactions for the period July 1, 1992 through January 31, 1995 as follows:
   a) Two hundred and forty-one payments, each exceeding $500.00
   b) A block sample of five hundred sequentially numbered purchase orders

(3) Four professional service contracts and six construction contracts for permanent improvement projects for compliance with the Manual for Planning and Execution of State Permanent Improvements

(4) Minority Business Enterprise Plans and reports for the audit period

(5) Information Technology Plans for fiscal years 1992, 1993 and 1994

(6) Internal procurement procedures manual

(7) Surplus property procedures
SUMMARY OF AUDIT FINDINGS

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

PAGE

I. Unauthorized Procurements
   A. Form 608 Payments
      Our samples revealed 13 payments using form 608 which did not comply to internal policies resulting in those payments being unauthorized.
   B. Unauthorized Sole Source Procurements
      Three sole source procurements were unauthorized.
   C. Auditing Services Not Approved
      One contract for auditing services was not approved by the State Auditor’s Office.
   D. Aggregate Certification Exceeded
      The Department exceeded its delegated authority for aggregate.

II. General Procurement Exceptions
   A. Non-Responsive Vendors Awarded Contracts
      Three awards were made to vendors that were not responsive to bid requirements.
   B. Missing Documents
      Twelve contracts were not supported by the required certifications of insurance.
   C. Preference Calculation Programming Error
      The automated bid tabulation program was not calculating the United States End Products preference even though it was indicated on the bid tabulation.
   D. Prices Recorded Incorrectly
      On one purchase order the buyer incorrectly recorded the higher prices of another vendor.
E. **Payment Not In Accordance With Terms**

Because a vendor did not record the discount terms offered in his bid on the invoice, the Department failed to take it even though the discount terms were indicated on the purchase order.

F. **Qualified Product Procedure Needs Amending**

Because of established procedures, a low bidder was rejected even though the product offered was a qualified product.

G. **Emergency and Sole Source Procurements Not Reported**

Five instances were noted where emergency and sole source procurements were either not reported to the Materials Management Office or to the State Engineer’s Office.
RESULTS OF EXAMINATION

I. Unauthorized Procurements

A. Form 608 Payments

From our samples we noted the following payments were made by the Department on an internal form called a 608.

<table>
<thead>
<tr>
<th>Date</th>
<th>Voucher Number</th>
<th>Voucher Amount</th>
<th>Contract Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>10/13/92</td>
<td>1870</td>
<td>$1,015.00</td>
<td>--</td>
<td>Testing of employees; Lab Services</td>
</tr>
<tr>
<td>11/20/92</td>
<td>1918</td>
<td>1,611.60</td>
<td>--</td>
<td>PSA Screens on Trooper Candidates</td>
</tr>
<tr>
<td>11/02/92</td>
<td>1889</td>
<td>39,200.00</td>
<td>--</td>
<td>Psychological Assessments On Trooper Candidates</td>
</tr>
<tr>
<td>01/26/95</td>
<td>400560</td>
<td>2,722.01</td>
<td>$49,983.00</td>
<td>Entrepreneurial Development</td>
</tr>
<tr>
<td>02/24/93</td>
<td>871700</td>
<td>6,025.00</td>
<td>--</td>
<td>Computer Software Maintenance</td>
</tr>
<tr>
<td>10/20/94</td>
<td>221672</td>
<td>1,947.60</td>
<td>--</td>
<td>Computer Software Maintenance</td>
</tr>
<tr>
<td>03/12/93</td>
<td>877801</td>
<td>4,560.00</td>
<td>--</td>
<td>Relocation of Force Main - Right of Way Exemption</td>
</tr>
<tr>
<td>09/19/94</td>
<td>215701</td>
<td>2,878.15</td>
<td>17,525.00</td>
<td>STP-EH27 Landscape Design - Right of Way Exemption</td>
</tr>
<tr>
<td>10/22/92</td>
<td>830481</td>
<td>8,637.00</td>
<td>--</td>
<td>Title Searches; - Right of Way Exemption</td>
</tr>
<tr>
<td>05/13/94</td>
<td>91091</td>
<td>3,811.45</td>
<td>--</td>
<td>WF-08-32 - Right of Way Exemption</td>
</tr>
<tr>
<td>11/17/94</td>
<td>226810</td>
<td>15,312.48</td>
<td>18,700.00</td>
<td>STP-EH02 - Right of Way Exemption</td>
</tr>
<tr>
<td>06/29/93</td>
<td>504613</td>
<td>5,593.57</td>
<td>--</td>
<td>Waste Water Treatment - Right Of Way Exemption</td>
</tr>
<tr>
<td>10/12/94</td>
<td>400471</td>
<td>48,594.82</td>
<td>72,294.00</td>
<td>Bridge Management System - Phase II Study - Contracts Between State Agency Exemption</td>
</tr>
</tbody>
</table>

Our testing revealed the following problems.

We were provided with no evidence that items 1 through 13 were processed through the Procurement Department or that the proper procurement method was followed. Items 7 through 13 were exempt from the Code but were still subject to the internal procedures manual. The internal policies and procedures manual did not address the use of Form 608 as a
procurement method until the current manual was issued in January, 1995 which was after these 13 transactions were processed. Because the previous manual vested procurement authority with the Procurement Department, the 13 transactions listed above were unauthorized.

Additionally, we noted that these payments did not conform to the current manual. The current manual states that Form 608 may be used when vendors require advanced payment whereby a purchase order will not suffice. It also states, “The Form 608 shall not be utilized as a convenient tool in purchasing and should be avoided if possible.” Based on our review, it appears that it is being used as a convenient tool.

We recommend the Department adhere to the internal policies and procedures manual regarding Form 608 or amend the manual to reflect the actual use of Form 608 if appropriate. We offer as a suggestion to ensure compliance with the Code and internal manual that all Form 608 transactions be routed through the Procurement Department prior to payment being made. Ratification for items 1 through 13 must be requested in accordance to Regulation 19-445.2015.
Department Response

Prior to January 1995, there was no formal policy regarding the usage of Form 608, however; there was policy regarding all procurement transactions being processed through the Procurement Office. We agree that as currently stated in the Procurement Internal Policies and Procedures Manual there were thirteen (13) transactions which were paid utilizing the Form 608 that should have been handled as regular procurement transactions through the Procurement Office. After further review of these transactions it has been determined that there are some exceptions that should be considered. Changes will be made to the Policies and Procedures Manual to specifically identify those exceptions, i.e. procurements for projects which are within the Right-Of-Way involving highway construction. These procurements are exempt for the Procurement Code. This determination could be made in Accounting, with any questionable transactions being forwarded to the Procurement Office for review. All form 608’s which do not fall under the exceptions shall be forwarded to the Director of Procurement for review and determination of proper procurement method. As recommended by the audit findings, we are submitting all items which required ratification in accordance to Regulation 19-445.2015.

B. Unauthorized Sole Source Procurements

On PO86226 for $1,225, the Department authorized a sole source contract for a maintenance agreement covering the period November 1, 1991 through October 31, 1992 but the determination was not signed until March 19, 1992, over four months after the service started. In another matter, the Department could not locate the authorized sole source determination for PO91713 for $3,300 to procure patented sign posts. The sole source determination authorizing PO85672 dated March 22, 1992 for $2,400 for testing services was prepared October 31, 1988 some three and a half years earlier.

Section 11-35-1560 of the Code states in part that a procurement without competition may be done if the head of a governmental body or a designee above the level of the procurement officer determines in writing that only one source exists for a needed supply or service. Since the Code is so specific about sole source authority, determinations must be authorized prior to each commitment being made. Regulation 19-445.2015 defines an unauthorized procurement as an act obligating the State in a contract by any person without requisite authority. Since
these procurements were made without proper sole source authorization, each was unauthorized.

We recommend the Department request ratification in accordance with Regulation 19-445.2015 for these transactions. Sole source contracts must be authorized in advance for each commitment. A blanket sole source determination may be used for repeat sole source transactions provided that the determination clearly identifies it as such and is not used for more than one fiscal year.

**Department Response**

We agree that proper sole source procurements were not made for the three (3) instances cited. As recommended by the audit findings, these procurements are being submitted for ratification in accordance with Regulation 19-445.2015. The Procurement Office will ensure that all sole source procurements in the future are approved by the Agency Director prior to the commitment being made. In the event there are procurements where approval by the Agency Director is not obtained prior to the commitment, those transactions will be handled as unauthorized procurements in accordance with Regulation 19-445.2015. All blanket sole source determinations shall be reviewed at the beginning of each fiscal year to determine whether there is still a need for the determination. The appropriate blanket determinations shall be submitted for approval by the Agency Director annually.

C. **Auditing Services Not Approved**

The auditing services of a Certified Public Accounting Firm were contracted in the amount of $4,850 on voucher 908910. The Department could provide no evidence that the services were approved by the State Auditor’s Office.

Section 11-35-1250 requires that no contracts for auditing and accounting services be awarded without the approval of the State Auditor. Without this approval the services were unauthorized and require ratification in accordance with Regulation 19-445.2015 by the Materials Management Officer.
We recommend the Department comply with Section 11-35-1250 of the Code. Ratification must also be requested for this contract.

**Department Response**
Auditing services are required by the Department’s contract for Support Services for Disadvantaged Business Enterprises. The contract allows for minority, women, owned and disadvantaged businesses to receive CPA services from certified CPA firms. The requests are sent to the Procurement Office for approval by the State Auditor, prior to audits being conducted. We agree that there was one request for CPA services which did not have the prior approval of the State Auditor and have submitted this for ratification in accordance with Regulation 19-445.2015. The Office of Compliance has been notified that the Code requires all auditing services by CPA firms are to be forwarded to the Procurement Office to obtain approval from the State Auditor prior to departmental approval of these services.

D. **Aggregate Certification Exceeded**

The Department was delegated procurement certification for aggregate in the amount of $100,000 per purchase commitment. We reviewed sealed bids SB5907 and SB5909 for aggregate and the total awards were $134,408.29. Because these sealed bids were issued for the same classes of aggregate to be delivered to the same locations, we viewed the purchase commitment as one commitment. The only distinguishing feature in the two bids was SB5907 was designated for minority vendors. We also remind the Department to ensure the sixteen day Notice of Intent to Award is complied with on any award over $50,000.

Because the aggregate certification was exceeded, the sealed bids referenced above were unauthorized. Ratification in accordance to Regulation 19.445-2015 must be requested from the Director of General Services.

We recommend the Department consider higher certification for aggregate. Because the procurements of aggregate have been effectively managed and is a specialized certification at the Department, we will recommend higher certification for aggregate at the Department’s request.
**Department Response**

Bid SB5907 and SB5909 did total $134,408.29 and together these procurements were over our certification limit of $100,000 for aggregate. These purchases were not split to avoid competition, but in an effort to be in compliance with our Minority Business Enterprises (MBE) Plan. The plan states that “The Department, when practicable, will divide large projects into small units to allow for minority firms to participate in such projects. This ‘splitting’ will be mostly in, but not limited to, aggregate hauling and clearing and grubbing where number of certified minorities are only equipped to manage smaller jobs.” The Department did not view these procurements as a single commitment but as two separate commitments, in which case neither exceeded the Department’s procurement authority. We understand the procurement auditor’s opinion that it was one single commitment which was handled by two separate bids. The Procurement Staff has been reminded that in all instances where a procurement exceeds $50,000 a Notice of Intent to Award must be issued sixteen days prior to award. As recommended in the audit, we are submitting this procurement for ratification in accordance with Regulation 19.445-2015 to the Director of the Division of General Services. We agree that by increasing the agency’s certification limit for aggregate this should alleviate any reoccurrence of unauthorized procurements of this type and allow us to continue to be in compliance with our MBE Plan.

II. General Procurement Exceptions

A. Non-Responsive Vendors Awarded Contracts

We noted three vendors that were awarded contracts that should have been considered non-responsive. In sealed bid SB7350 that opened June 23, 1993, one of the requirements was a 5% bid security be provided by the vendors as well as a site visit. Two bids were received and neither contained bid security or evidence of a site visit. However, the low bidder was allowed to submit bid security the day after the bids were opened contrary to bid terms.

In sealed bids SB7019 that opened on February 23, 1993 and SB6969 that opened on February 5, 1993, the Department issued amendments changing the bid specifications. In both cases, the amendments were required to be signed and returned to the Department. The vendors who were awarded contracts did not return the amendments nor was there any
indication in the responses that the vendors considered the changes or complied with the amended specifications.

We recommend the Department ensure all bid requirements are met by vendors who are awarded contracts.

**Department Response**

In sealed bid SB7350 there were requirements for a 5% bid security and certification of a site visit. Two (2) bids were received for this project with neither of the bidders supplying proof of site visit or bid security. The bid was for repairs to a license sales office where a motorist ran into the building. Time was critical in getting the building repaired. Both bidders should have been considered non-responsive and a determination should have been made to proceed under emergency procurement guidelines because there was not sufficient time to rebid the project. The determination was not made, and therefore an award was made incorrectly. In the future the procurement staff will consider all the factors involving a procurement transaction. If emergency conditions are present and there is not sufficient time for rebidding, the proper procedures will be followed. There were two instances cited where amendments were issued for bids requiring the amendment to be returned by the bidders, however, the bidders did not return the amendments and awards were made to the low bidder, even though the amendment had not been returned. This was an oversight by the procurement officers who issued, received, tabulated, and recommended award of the bids. The Procurement Director or Assistant Directors must now review all bid solicitations prior to a contract being awarded or purchase order issued to ensure that all terms and conditions of the bid have been met and that a proper award will be made to the lowest responsive and responsible bidder. This procedure should alleviate any reoccurrence of an award being made to a non-responsive bidder.

**B. Missing Documentation**

The Department required vendors to provide proof of insurance before contracts could be awarded on the following twelve contracts. However, they were not supported by the certifications of insurance.

<table>
<thead>
<tr>
<th>Date</th>
<th>Reference Document</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>02/17/93</td>
<td>PO15646</td>
<td>$23,218.00</td>
</tr>
<tr>
<td>12/13/91</td>
<td>PO80747</td>
<td>6,031.00</td>
</tr>
<tr>
<td>06/30/92</td>
<td>PO92721</td>
<td>2,340.00</td>
</tr>
<tr>
<td>12/10/91</td>
<td>PO80428</td>
<td>3,200.00</td>
</tr>
<tr>
<td>02/23/93</td>
<td>PO15977</td>
<td>2,880.00</td>
</tr>
</tbody>
</table>
03/23/93  PO18061  3,894.00
06/24/93  PO24169  6,489.00
11/22/93  PO33524  7,400.00
11/22/93  PO33525  6,080.00
11/18/93  PO33362  3,489.00
03/08/94  PO40046  8,990.00
06/14/94  PO46767  3,474.00

According to Department personnel, the certifications of insurance were maintained in a separate file which had been disposed of and not in the solicitation file. Therefore, we could not verify compliance with the solicitation requirements.

As a result of this audit exception the Department started filing the certifications of insurance with the solicitation file.

**Department Response**

Proof of insurance at one time was not kept in the purchase order/requisition file, but in a separate file along with correspondence. During a clean up of offices files these were apparently thrown away. The Procurement Office now keeps all documents which are related to a contract in one central file with the purchase order and requisition. This will ensure all necessary documentation is readily available in the contract file.

C. **Preference Calculation Programming Error**

Upon the review of sealed bid SB6254 for steel tubing, we noted that the wrong vendor was awarded the contract in the amount of $4,120. Because of a computer programming error, the United States End Product preference requested by vendors was not being considered even though the buyer would include the preference in the automated bid tabulation. The application of the preference in this bid would have saved the Department $150.
We recommend that on occasion manual calculations be performed to ensure the automated bid tabulation is being calculated correctly. The tabulations should always be reviewed for the appearance of reasonableness.

**Department Response**

After discovery during the audit of the computer programming error on calculations for preferences, the Procurement Office has begun to manually calculate the preferences by spreadsheet methodology, and rechecked by either the Director or Assistant Directors until Data Processing can reprogram the calculation methodology. After the program has been rewritten the Procurement Office will periodically check to ensure the program is operating correctly.

D. **Prices Recorded Incorrectly**

On PO43738 in the amount of $2,486 for color printers, the low bidder who was awarded the contract quoted $1,987. However, when the buyer recorded the prices on the requisition and the purchase order, the prices quoted by another vendor were recorded. Subsequently, the vendor billed and was overpaid by $499.

We recommend more care be used in recording prices on purchase orders. The Department should request a refund from the vendor.

**Department Response**

The Procurement Staff has been directed to take greater care in recording prices from quotes obtained during the formal and informal solicitation processes. All solicitations are now reviewed by either the Director or Assistant Directors prior to a purchase order being issued. This procedure should help alleviate the reoccurrence of award being made to vendors at an incorrect prices. The Department is requesting reimbursement of the $499 which was overpaid to the vendor in this solicitation.

E. **Payment Not In Accordance With Terms**

The Department issued PO23451 to reshingle a roof in the amount of $5,261. The lowest bid resulted from payment terms of a 2% discount net 30 days offered by the vendor in the bid. Simply stated, the discount made this vendor the low bidder. However, the invoice from
the vendor did not acknowledge the 2% discount nor did it include the discounted amount. The discount was recorded on the purchase order but was not taken even though payment was made within 30 days, thus resulting in an overpayment of $105.22.

We recommend the Department comply with the payment terms on the purchase order to ensure compliance with the bid. Questions about differences between invoice and purchase order terms should be resolved by the Procurement Department prior to payments being made.

**Department Response**
The Accounting Division has been notified of this error and has been reminded of the necessity to check all terms and conditions referenced on the Purchase Order when reviewing invoices for payment and to consult with the Procurement Division if there are any discrepancies with the invoice and purchase order.

F. **Qualified Product Procedure Needs Amending**

For sealed bid SB6618 for generators in the amount of $11,583, the Department rejected the low bidder because the generator engine brand was not listed as a qualified product by the Department. The difference in the awarded vendor and the low bidder was $792. Subsequent to this bid, the engine brand offered by the rejected bidder was added to the Department’s qualified products list. The engine was a qualified product. It just was not on the Department’s list.

We recommend the qualified product evaluation procedure be amended to allow for evaluations during bidding to determine if products meet the Department’s qualified products criteria.
Department Response

The Procurement Division will monitor all specifications received where name brands are being requested. In all cases where an "equal" may be acceptable and would not require extensive testing prior to acceptance, the Procurement Office will contact the requester and a determination will be made whether an "equal" product will be acceptable. After such a determination is made, the specifications will be amended to allow an "equal" product to be evaluated and accepted during the bidding process. When the Department’s requester and/or end user determines that an "equal" product is acceptable and meets all of the qualified products criteria the award will be made to the "equal" product, if that bidder is the lowest responsive and responsible bidder. The Department will use this procedure in all cases where it is practical to do so.

G. Emergency and Sole Source Procurements Not Reported

The following emergency and sole source procurements were either not reported to the State Engineer's Office (OSE) or the Materials Management Office (MMO). They were required to be reported to both Offices.

<table>
<thead>
<tr>
<th>Reference Document</th>
<th>Contract Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. U12-9507-MJ</td>
<td>$ 76,904</td>
<td>Beech Island Section Shed</td>
</tr>
<tr>
<td>2. U12-9503-MJ</td>
<td>118,900</td>
<td>Hickory Grove Section Shed</td>
</tr>
<tr>
<td>3. PO41957</td>
<td>28,500</td>
<td>Hazardous material Abatement and Demolition and Removal Structures</td>
</tr>
<tr>
<td>4. PO77144</td>
<td>$17,465</td>
<td>Corrective Action Plan for Colleton County Maintenance Shop (Sole Source)</td>
</tr>
<tr>
<td>5. PO85672</td>
<td>2,400</td>
<td>Interim quarterly testing required by DHEC (Sole Source)</td>
</tr>
</tbody>
</table>

Items 1 and 2 were reported to the OSE but were not included in the quarterly reports submitted to MMO. Items 3 through 5 were reported to MMO but not to the OSE.

Section 11-35-2440 of the Consolidated Procurement Code requires that the all sole source and emergency contracts be submitted on a list to the chief procurement officer. Further, the Manual For Planning And Execution Of State Permanent Improvements requires that all construction related emergency and sole source procurements be reported to the OSE.
We recommend the Department comply with the reporting requirements of the Code and the Manual. Because construction related items are handled by both the Procurement Office and the Facilities Section, better communication is needed to ensure proper reporting.

**Department Response**
The Procurement Office has been instructed to follow Section 11-35-2440 Procurement Code as well as the Manual For Planning and Execution of State Permanent Improvements when handling constructions procurements with the Agency’s certification authority. The Facilities Planning and Construction Manager has been reminded to forward any sole source or emergency procurement documentation which has been approved by the State Engineer’s Office (OSE) to be included in the quarterly reports to the Materials Management Office. Communication between both the Procurement Office and the Facilities Planning Office will be strengthened to comply with all code reporting requirements for construction.
CERTIFICATION RECOMMENDATIONS

As enumerated in our transmittal letter, corrective action based on the recommendations described in this report, we believe, will in all material respects place the Department of Transportation in compliance with the South Carolina Consolidated Procurement Code.

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

<table>
<thead>
<tr>
<th>PROCUREMENT AREAS</th>
<th>RECOMMENDED CERTIFICATION LIMITS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods and Services</td>
<td>$ 50,000 per commitment*</td>
</tr>
<tr>
<td>Information Technology in accordance</td>
<td>$ 50,000 per commitment*</td>
</tr>
<tr>
<td>with the approved Information Technology Plan</td>
<td></td>
</tr>
<tr>
<td>Consultants</td>
<td>$ 50,000 per commitment*</td>
</tr>
<tr>
<td>Construction</td>
<td>$ 50,000 per commitment*</td>
</tr>
<tr>
<td>Prefabricated Concrete Bridge Spans</td>
<td>$ 250,000 per commitment*</td>
</tr>
<tr>
<td>Aggregate</td>
<td>$ 250,000 per commitment*</td>
</tr>
</tbody>
</table>

*This means the total potential purchase commitment to the State whether single year or multi-term contracts are used.

Robert J. Aydock, IV
Audit Manager

Larry G. Sorrell, Manager
Audit and Certification
Mr. Raymond L. Grant  
Materials Management Officer  
1201 Main Street, Suite 600  
Columbia, South Carolina 29201

Dear Ray:

We have reviewed the South Carolina Department of Transportation’s response to our audit report for October 1, 1991 - March 31, 1995. Also, we have followed the Department’s correction 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.

Therefore, we recommend the Budget and Control Board grant the South Carolina Department of Transportation the certification limits noted in our report for a period of three years.

Sincerely,

Larry G. Sorrell, Manager  
Audit and Certification

LGS/tl