PROCUREMENT
AUDIT AND CERTIFICATION

SOUTH CAROLINA DEPARTMENT OF
PARKS, RECREATION AND TOURISM
AGENCY
JULY 1, 1991 - FEBRUARY 15, 1992
DATE
May 26, 1992

Mr. Richard W. Kelly
Director
Division of General Services
1201 Main Street, Suite 420
Columbia, South Carolina 29201

Dear Rick:

Attached is the final Department of Parks, Recreation and Tourism 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 two (2) year certification as noted in the audit report.

Sincerely,

James J. Forth, Jr.
Assistant Division Director

JFF/jlj

Attachment
SOUTH CAROLINA DEPARTMENT OF PARKS, RECREATION AND TOURISM

PROCUREMENT AUDIT REPORT

JULY 1, 1991 - FEBRUARY 15, 1992
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May 19, 1992

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 examined the procurement policies and procedures of the South Carolina Department of Parks, Recreation and Tourism (PRT) for the period July 1, 1991 through February 15, 1992. As part of our examination, we studied and evaluated the system of internal control over procurement transactions to the extent we considered necessary.

The evaluation was to establish a basis for reliance upon the system of internal control to assure adherence to the Consolidated Procurement Code and State and Department procurement policy. Additionally, the evaluation was used in determining the nature, timing and extent of other auditing procedures necessary for developing an opinion on the adequacy, efficiency and effectiveness of the procurement system.

The administration of the Department of Parks, Recreation and Tourism is responsible for establishing and maintaining a
system of internal control over procurement transactions. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance of the integrity of the procurement process, that affected assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and are recorded properly.

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

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

The examination did, however, disclose conditions enumerated in this report which we believe need correction or improvement.
Corrective action based on the recommendations described in these findings will in all material respects place the Department of Parks, Recreation and Tourism in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

\[Signature\]

R. Voight Shealy, CFE, Manager
Audit and Certification
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 Parks, Recreation and Tourism 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.

Specifically, our scope for this project included, but was not limited to, the following:

(1) All sole source and emergency procurements for the period 7/1/91 - 12/31/91
(2) All purchase orders issued for the period 7/1/91 - 2/15/92
(3) Eight permanent improvement contracts for approvals and compliance with the Manual for Planning and Execution of State Permanent Improvements
(4) Purchasing policies and procedures
(5) File documentation and evidence of competition
RESULTS OF EXAMINATION

We performed an examination of the internal procurement operating procedures and policies and related manual of the South Carolina Department of Parks, Recreation and Tourism, hereinafter referred to as the Department, for the period July 1, 1991 - February 15, 1992. Our on-site review was conducted February 10-25, 1992 and was made under the authority as described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code, hereinafter referred to as the Code.

The audit was performed because the Department requested in writing that it wanted to be certified higher than their current $2,500 limit. The Department's requested increased certification limits are as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods and Services</td>
<td>$50,000</td>
</tr>
<tr>
<td>Information Technology</td>
<td>$25,000</td>
</tr>
<tr>
<td>Construction</td>
<td>$50,000</td>
</tr>
</tbody>
</table>

Since our last follow-up audit ending June 30, 1991, the Department has developed what we consider to be an efficiently run procurement system. We did note, however, the below listed items which need to be addressed by management.

I. Compliance - Goods and Services

In this area we noted two exceptions that should be addressed by the Procurement Director.

1. On purchase order 879 for herbicides, grass seed and fertilizer, a park obtained phone quotes and then submitted them in writing to the Purchasing Office as evidence of competition.
However, Regulation 19-445.2100 b(3) states in part "when prices are solicited by telephone, the vendor shall be requested to furnish written evidence of their quotation." (Emphasis added) In the future, the vendors must be asked to submit their quotations in writing.

(2) We noted on purchase order number 1063 and 1078 that prices had been struck through and changed without proper documentation. We recommend that the Department include a written change order policy in its updated procurement procedures manual.

II. Weak Invoice Approval Procedures

In our two previous audits we noted that the Department has allowed vendors to mail invoices to the service and supply center and to the Parks. In both audit responses, the Department stated they had changed this policy. However, from our observation, this change still has not been implemented.

Since the Department centralized its procurement function, the majority of this problem has been eliminated. However, we recommend that the Department work with us to develop a manageable invoice approval process which provides the necessary internal controls.

III. Review of the Procurement Procedures Manual

As part of our examination, we reviewed the Department's Purchasing Policies and Procedures Manual. Before we can recommend certification, the manual must be expanded to address the following topics:
A. Competitive sealed bidding greater than $2,500.00 to include:

1. Bidders List
2. Receipt and Safeguarding of Bids
3. Unidentified Bids
4. Bid Opening Procedures
5. Postponement of Bid Opening
6. Disclosure of Bid Information
7. Bid Acceptance and Evaluation
8. Rejection of Bids
9. Alternate Bids
10. Nonresponsive Bids
11. Tie Bids
12. Instate Bidders Preference
13. Unsigned Bids
14. Correction Creates Low Bid
15. Award
16. Protest Against Award

B. Also, the following topics need to be added in the manual as policy or procedures statements:

1. Term Contracts
2. Equipment Leases
3. Legal Services
4. Art Procurement
5. Conference Facilities Procurements
6. Trade-in Procurements
7. Contract Between State Agencies
8. Conflict of Interest
9. Restrictive Specifications
10. Conditions for Use of Multi-Term Contracts
11. Retention of Procurement Records
12. Amendment to Purchase Order
13. Minority Business Enterprise
14. Procurement Organization Chart
15. Appropriate Appendix
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 Parks, Recreation and Tourism Department in compliance with the South Carolina Consolidated Procurement Code and ensuing regulation.

Under the authority described in Section 11-35-1210 of the Code, subject to this corrective action, we recommend the Department be certified to make direct agency procurements for two (2) years up to the limits as follows:

<table>
<thead>
<tr>
<th>Procurement Areas</th>
<th>Recommended Certification Limits</th>
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<tbody>
<tr>
<td>I. Goods and Services</td>
<td>$15,000 per purchase commitment</td>
</tr>
<tr>
<td>II. Construction Services</td>
<td>$25,000 per purchase commitment</td>
</tr>
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*The total potential purchase commitment whether single year or multi-term contracts are used.

Because this will be the Department's first certification, we cannot recommend the limits requested, which would be among the highest of all certified agencies. For consistency and fairness to other certified agencies, we must follow our history of conservatism with first certifications.

James M. Stiles, CPPB
Audit Manager

R. Vught Shealy, CFE, Manager
Audit and Certification

8
May 12, 1992

Mr. R. Voight Shealy, Manager
Audit and Certification
SOUTH CAROLINA STATE BUDGET
AND CONTROL BOARD
1201 Main Street - Suite 600
Columbia, South Carolina 29201

Dear Mr. Shealy,

We have received your amended draft report of the Department. We would like to express our appreciation for your quick response to our request for an audit of the Procurement Operation for possible increase of the current $2500.00 certification limit. This request was based on the fact that we have centralized the Procurement Section and tightened procurement procedures.

The two exceptions noted in your audit report have been addressed by the Procurement Director.

1. A letter of ratification dated April 7, 1992 addressed purchase order 879 on securing three written quotes from the vendor as evidence of competition.

2. Purchase Order # 1063 and 1078 prices had been struck through and changed without proper documentation. We have updated the procurement procedure manual and included written change order policy. In addition, we are in the process of adding the capability of making changes to purchase orders in the SAAS Accounting System.

The letter of ratification and updated expanded procurement procedure manual were given to you at the exit audit review. All topics listed in the audit have been added to the procedure manual.

Additionally, we will work with you and your staff to develop a manageable invoice process which provides the necessary internal controls.
If there is a need for further clarification or information, please feel free to let me know.

As you know, we had originally requested increased certification limits of $50,000 for goods and services and $50,000 for construction, along with $25,000 for information technology. We appreciate your comments in this regard and welcome your recommendation to raise our limits to $15,000 for goods and services and $25,000 for construction.

Again, we sincerely appreciate the time and effort that you and your staff have given in helping us establish a sound procurement function and we commit to you our best efforts in making this function efficient, effective and accountable.

Sincerely,

W. R. Jennings

cc: Mr. J. W. "Bill" Lawrence, Executive Director, PRT
    Mr. Harris Caldwell, Director, Administrative Services Division, PRT
    Mr. Walter Grant, Procurement Director, PRT
May 21, 1992

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

Dear Jim:

Through discussions with agency officials, review of bid procedures and documents and limited revisits, we have determined that the Department of Parks, Recreation and Tourism has completed the corrective action recommended herein. We recommend that the Budget and Control Board grant the Department procurement certification as recommended on page 8 of this report.

Sincerely,

R. Voight Shealy, Manager
Audit and Certification

RVS/jlj