PROCUREMENT
AUDIT AND
CERTIFICATION

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DEPARTMENT OF PROBATION,
PAROLE AND PARDON SERVICES
AGENCY

JULY 1, 1989 - JUNE 30, 1991
DATE
December 23, 1991

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

Dear Rick:

I have attached the procurement audit report of the Department of Probation, Parole and Pardon Services as prepared by the Office of Audit and Certification. The Department did not request certification above the $2,500.00 limit so I recommend that the report be presented to the Budget and Control Board for information.

Sincerely,

James J. Forth, Jr.
Assistant Division Director

JFJ/jjm

Attachment
SOUTH CAROLINA
DEPARTMENT OF PROBATION, PAROLE AND PARDON SERVICES
PROCUREMENT AUDIT REPORT

JULY 1, 1989 - JUNE 30, 1991
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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 Probation, Parole and Pardon Services for the period July 1, 1989 - June 30, 1991. 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 Probation, Parole and Pardon Services 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 Probation, Parole and Pardon Services in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

R. Voight Shealy, CFE, Manager
Audit and Certification
SCOPE

We conducted our examination in accordance with Generally Accepted Auditing Standards as they apply to compliance audits. Our examination encompassed a detailed analysis of the internal procurement operating procedures of the South Carolina Department of Probation, Parole and Pardon Services and their 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 7/1/88 - 6/30/91

2) A random sample of sixty expenditure transactions, each greater than $500.00 for the period July 1, 1989 - June 30, 1991

3) A block sample of 1,000 purchase orders in numerical sequence

4) All purchasing policies and procedures

5) File documentation and evidence of competition

6) Information Technology Plan approvals

7) Minority Business Enterprise Plan approvals

8) Dispositions of Surplus Property

9) Real Property Management Office approvals of leases
RESULTS OF EXAMINATION

The Office of Audit and Certification performed an examination of the internal procurement operating procedures and policies and related manual of the South Carolina Department of Probation, Parole and Pardon Services for the period July 1, 1989 - June 30, 1991. Our on-site review was conducted September 5-23, 1991, and was made under the authority as described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code.

Over the audit period, the Department has maintained what we consider to be a professional, efficient procurement system. However, we did note four exceptions as listed below which should be addressed by management.

Compliance - General

Four procurements lacked the required evidence of competition or sole source or emergency procurement determinations. They were as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>Voucher #</th>
<th>Date</th>
<th>Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0840</td>
<td>08/16/89</td>
<td>$1,771.00</td>
<td>Insurance</td>
</tr>
<tr>
<td>2</td>
<td>0854</td>
<td>08/01/90</td>
<td>550.00</td>
<td>Open house refreshments</td>
</tr>
<tr>
<td>3</td>
<td>3033</td>
<td>10/11/90</td>
<td>600.00</td>
<td>Typewriter training</td>
</tr>
<tr>
<td>4</td>
<td>0994</td>
<td>08/02/90</td>
<td>1,197.41</td>
<td>Extradition of prisoner</td>
</tr>
</tbody>
</table>

Item 1 was an annual premium payment for the Department's employee honesty bond. This was the first annual premium of an agreed three year contract, which means the total potential of this contract is $5,313. This insurance coverage was not bid. Furthermore, since the total contract exceeded the Department's certification limit of $2,500.00, it was an unauthorized
procurement. Therefore, it must be submitted to the State Materials Management Officer for ratification in accordance with Regulation 19-445.2015(3).

We recommend that this contract be bid in the future in compliance with the Code and regulations.

Items 2 and 3 were for services between $500.01 and $1,499.99 where at least two telephone quotations should have been obtained prior to award.

Item 4 was for services for the extradition of a prisoner back to South Carolina from out of State. If this service could not have been bid, then a sole source determination should have been considered.

The above four purchases listed above were not made through the Purchasing Office nor were purchase orders issued. In the future, the Department should strive to ensure that all procurements of services are submitted to the Purchasing Office for handling.
CONCLUSION

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

The Department has not requested procurement certification above the basic limit of $2,500.00 that is allowed by the Procurement Code. Subject to corrective action listed in this report, we will recommend that the Department be allowed to continue procuring goods and services, consultant services, construction and information technology up to that level. We will verify completion of this by performing a follow-up review before January 31, 1992.

James M. Stiles, PPB
Audit Manager

R. Voight Shealy, CFE, Manager
Audit and Certification
The examination of our procurement policies and procedures for period 07-01-89 through 06-30-91 is appreciated. According to the examination results, our Department has maintained a professional, efficient procurement system with only four (4) exceptions. We have taken the following steps to preclude similar exceptions in the future:

1. Insurance - We requested and received ratification by the Materials Management Office for our premium payments for our Honesty Blanket Bond coverage. Honesty Blanket Bond insurance coverage will be bid in the future.

2. Open House Refreshments and Typewriter Training - These commitments were made without the involvement of our Procurement Section. In the future any such procurements will be handled as unauthorized and in-house ratification requested. In addition to this we have asked all Division Managers to advise their staff that they may not make or obligate the agency for any purchase without obtaining approval through the procurement process.

3. Extradition of Prisoners - Occasionally, our Greenville County Probation and Parole Office may need to use the Greenville County Sheriff Department's fugitive officer to immediately extradite a prisoner. We have advised the Greenville County Probation and Parole Office that prior approval must be obtained through the agency's procurement process.
We are very proud that, with these corrective actions, the Department of Probation, Parole, and Pardon Services is in compliance with the South Carolina Consolidated Procurement Code.

Please thank Audit Manager, Jim Stiles, for the professional manner in which the audit was conducted.

Sincerely,

[Signature]

Michael J. Covanaugh

/ssb

cc Judy Kennerly, Procurement Manager
Jim Stiles, Audit Manager
December 16, 1991

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 reviewed the response to our audit report of the Department of Probation, Parole and Pardon Services, covering the period of July 1, 1989 - June 30, 1991. Combined with observations made during our exit conference and subsequent communication with Department officials, this review has satisfied the Office of Audit and Certification that the Department has corrected the problem areas found and that internal controls over the procurement system are adequate.

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

Sincerely,

R. Voight Shealy, Manager
Audit and Certification

RVS/jjm