PROCUREMENT AUDIT AND CERTIFICATION

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SOUTH CAROLINA FORESTRY COMMISSION
AGENCY
APRIL 1, 1995 - SEPTEMBER 30, 1996
DATE
January 17, 1997

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 Forestry Commission's procurement audit report and recommendations made by the Office of Audit and Certification. I concur and recommend the Budget and Control Board grant the Commission a three year certification as noted in the audit report.

Sincerely,

R. Voight Shealy
Interim Materials Management Officer
SOUTH CAROLINA FORESTRY COMMISSION
PROCUREMENT AUDIT REPORT

APRIL 1, 1995 - SEPTEMBER 30, 1996
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December 11, 1996

Mr. R. Voight Shealy
Interim Materials Management Officer
Office of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Voight:

We have examined the procurement policies and procedures of the South Carolina Forestry Commission for the period April 1, 1995 through September 30, 1996. 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 South Carolina Forestry Commission 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 South Carolina Forestry Commission in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

Sincerely,

Larry G. Sorrell, 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 Forestry Commission 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 April 1, 1995 through September 30, 1996 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 April 1, 1995 through September 30, 1996

(2) Procurement transactions for the audit period as follows:
   a) One hundred payments, each exceeding $1,500
   b) A block sample of 200 sequential purchase orders

(3) One professional service contract and two 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 96 and 97

(6) Internal procurement procedures manual

(7) Surplus property procedures

(8) Real property lease approvals

In addition to the work listed above, we performed an interim review of the Commission. The results of this review are at Attachment 1.
RESULTS OF EXAMINATION

We conducted an examination of the internal procurement operating policies and procedures of the South Carolina Forestry Commission. Our on-site review was conducted October 29 - November 8, 1996, and was made under authority of Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Section 19-445.2020 of the accompanying regulations.

On May 10, 1994, the Budget and Control Board granted the Commission the following procurement certifications:

<table>
<thead>
<tr>
<th>Category</th>
<th>Limit</th>
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</thead>
<tbody>
<tr>
<td>Goods and Services</td>
<td>$25,000 per commitment</td>
</tr>
<tr>
<td>Information Technology in</td>
<td>$25,000 per commitment</td>
</tr>
<tr>
<td>accordance with the approved</td>
<td></td>
</tr>
<tr>
<td>Information Technology Plan</td>
<td></td>
</tr>
<tr>
<td>Consultant Services</td>
<td>$25,000 per commitment</td>
</tr>
</tbody>
</table>

Our audit was performed primarily to determine if recertification is warranted. While the Commission has maintained a professional and efficient procurement system since our last audit, we did note the following items which should be addressed by management.

Blanket Purchase Agreements

The Commission's blanket purchase agreements do not address all the items required by Regulation 19-445.2100. This regulation requires that each blanket purchase agreement contain the following items in its terms and conditions.

- Description of Agreement
- Extent of Obligation
- Notice of Individuals Authorized to Place Calls
- Delivery Tickets which must include:
  - name of supplier
  - blanket purchase agreement number
  - date of call
- call number
- itemized list of supplies of services furnished
- quantity, unit price, and extension
- date of delivery or shipment
- Invoicing method

The Commission does address some of the required items in the agreements. However, we recommend that the Commission review the requirements and revise the agreements to ensure that all items are addressed as required.

**Discrepancies Not Reconciled**

We noted that the Commission was invoiced and paid $5,459.14 for 10,380 books on voucher 07198. However, the purchase order was for 10,500 books in the amount of $5,459.14 ($5,199.18 + 5% sales tax). The Commission overpaid for the shipment. On voucher 00126 for building supplies, the Commission was invoiced and paid $4,521.02. The invoices included water sealer which was not included in the purchase order. Also, the invoice indicated that one item had 192 pieces shipped while the purchase order contained only 189 pieces. These discrepancies were discussed with Commission personnel. They believe the invoice was wrong on the amount shipped on voucher 07198 and the water sealer was charged to the wrong purchase order on voucher 00126. No explanation was offered on the over shipment of items on voucher 00126. Discrepancies between the invoices and purchase orders should be resolved prior to payment and the causes documented in the payment file. Since these payment files did not have any documentation concerning the differences, we could not verify the invoices to the purchase orders.
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 South Carolina Forestry Commission 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 South Carolina Forestry Commission be recertified to make direct agency procurements for three years up to the limits as follows.

<table>
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<tr>
<th>PROCUREMENT AREAS</th>
<th>RECOMMENDED CERTIFICATION LIMITS</th>
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<tr>
<td>1. Goods and Services</td>
<td>$25,000 per commitment</td>
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<tr>
<td>2. Information Technology in accordance with the approved Information Technology Plan</td>
<td>$25,000 per commitment</td>
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<tr>
<td>3. Consultants</td>
<td>$25,000 per commitment</td>
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*This means the total potential purchase commitment to the State whether single year or multi-term contracts are used.

Melissa Rae Thurstin
Senior Auditor

Larry G. Sorrell, Manager
Audit and Certification
Mr. William Kelly, Jr., CPPO  
Purchasing Director  
South Carolina Forestry Commission  
5500 Broad River Road  
Post Office Box 2107  
Columbia, South Carolina 29221

Dear Bill:

On June 15 and 16 we performed an interim review in the Commission. Our review was to determine whether the Commission was handling the higher certification limits compliance with the Code and Regulations associated with the increased certification granted on May 10, 1994 by the Budget and Control Board. Our review period was January 1, 1994 through June 16, 1995. Specifically, the scope of the review was as follows:

1. All sole source and emergency procurements and trade-in sales for the audit period  
2. Minority Business Enterprise Plan and reports for the period  
3. A block sample review of five hundred eight numerical purchase orders from fiscal years 94/95

Since our previous audit the Commission has maintained what we consider to be a professional, efficient procurement system. However, we do not the following exception.

Quotation 233608 for miscellaneous forestry supplies opened October 24, 1994. Purchase orders was issued for these awards on October 27, 1994 that totaled $16,047. In January 1995, the Commission purchased more of these supplies using the prices on quotation 233608. This reorder resulted in purchase orders 500310, 500311 and 500312 dated January 12, 1995. The amounts for these purchase orders were $6,587, $3,581 and $5,609 respectively. These amounts collectively exceeded the Commission’s total potential award per contract of $25,000. Therefore, the procurements were unauthorized and must be ratified by the Materials Management Officer in accordance with Regulation 19-45.2015(A) (3).

Please thank Carol Cabe for her assistance during our review. If you have any question please call me 737-0645.

Sincerely,

James M. Stiles, CPPB  
Audit Manager

c: Larry G. Sorrell
January 16, 1997

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

Dear Mr. Sorrell:

We have reviewed the results of your examination of the Commission's procurement activities and concur with your findings. I have reviewed the exceptions as listed in your draft with Mr. William Kelly our Director of Procurement Services and we agree with them. We have started the process of securing a list of individuals to be authorized to utilize the blanket purchase order issued. With respect to the two PO/invoice discrepancies noted, we have discussed them with the Accounting Manager and we will try to eliminate future occurrences.

We appreciate the professional manner in which Mrs. Melissa Thurstin of your office conducted this examination and we will continue as we have in the past to contact your office a seek advice prior to any procurements which involve questions as to method of procedure to follow. Additionally, we will continue to encourage and support the continued professional development of our staff in procurement. We intend to share the results of your procurement examination with our staff to keep them informed as to the Commission's procurement record and to the areas that need to be improved.

Further, we appreciate the confidence that your staff has shown in the Commission by recommending the recertification the South Carolina Forestry Commission requested.

Sincerely,

Joe M. Richbourg  
Director Of Administration

OUR MISSION - To protect and develop the forest resources of South Carolina
January 17, 1997

Mr. R. Voight Shealy
Interim Materials Management Officer
Materials Management Office
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Voight:

We have reviewed the response from the South Carolina Forestry Commission to our audit report April 1, 1995 - September 30, 1996. Also we have followed the Commission’s correction action during and subsequent to our field work. We are satisfied that the Commission 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 Forestry Commission the certification limits noted in our report for period of three years.

Sincerely,

Larry G. Sorrell, Manager
Audit and Certification

LGS/tl