PROCUREMENT
AUDIT AND
CERTIFICATION

LAND RESOURCES CONSERVATION COMMISSION
AGENCY
JULY 1, 1985 - MARCH 15, 1988
DATE
October 21, 1988

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

Dear Rick:

Attached is the Land Resources Conservation Commission audit report and recommendations made by the Office of Audit and Certification. Since no certification above the $2,500.00 allowed by law was requested, and no action is necessary by the Budget and Control Board, I recommend that this report be presented to them for their information.

Sincerely,

James J. Forth, Jr.
Assistant Division Director

Attachment
LAND RESOURCES CONSERVATION COMMISSION

AUDIT REPORT

JULY 1, 1985 - MARCH 15, 1988
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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

We have examined the procurement policies and procedures of the Land Resources Conservation Commission for the period July 1, 1985 through February 15, 1988. 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 Commission 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 Land Resources Conservation Commission 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 Land Resources Conservation Commission in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

R. Voight Shealy, Manager
Audit and Certification
SCOPE

Our examination encompassed a detailed analysis of the internal procurement operating procedures of the South Carolina Land Resources Conservation Commission, hereinafter referred to as the Commission, 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.

The Office of Audit and Certification of the Division of General Services reviewed all procurement transactions for the period July 1, 1985 - February 15, 1988, for compliance testing and performed other audit procedures through March 15, 1988 that we considered necessary in the circumstances to formulate this opinion. Our review of the system included, but was not limited to, the following areas:

1. adherence to applicable laws, regulations and internal policy;
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. inventory and disposition of surplus property;
(10) economy and efficiency of the procurement process; and, 

RESULTS OF EXAMINATION

I. Compliance - Goods and Services, Consultant Services, Information Technology and Construction

Our examination of the Commission's procurements consisted of a review of all expenditures for the period July 1, 1985 - February 15, 1988 as indicated by the monthly voucher registers. We noted the following fifteen transactions were not supported by evidence of competition or by sole source or emergency procurement determinations.

<table>
<thead>
<tr>
<th>Item</th>
<th>P.O.</th>
<th>Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>860422</td>
<td>$642.52</td>
<td>Chairs</td>
</tr>
<tr>
<td>2</td>
<td>870054</td>
<td>827.25</td>
<td>Prints</td>
</tr>
<tr>
<td>3</td>
<td>870840</td>
<td>678.30</td>
<td>Chest</td>
</tr>
<tr>
<td>4</td>
<td>870544</td>
<td>535.50</td>
<td>Printed material</td>
</tr>
<tr>
<td>5</td>
<td>870184</td>
<td>1,169.56</td>
<td>Computer tables</td>
</tr>
<tr>
<td>6</td>
<td>860103</td>
<td>956.85</td>
<td>Sofa and chairs</td>
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<tr>
<td>7</td>
<td>860065</td>
<td>618.00</td>
<td>Typewriter maintenance</td>
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<tr>
<td>8</td>
<td>860480</td>
<td>1,401.32</td>
<td>Pants and shirts</td>
</tr>
<tr>
<td>9</td>
<td>860479</td>
<td>938.21</td>
<td>Pants and shirts</td>
</tr>
<tr>
<td>10</td>
<td>860932</td>
<td>597.00</td>
<td>Surety bond</td>
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<tr>
<td>11</td>
<td>870290</td>
<td>586.00</td>
<td>Chairs</td>
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<tr>
<td>12</td>
<td>870254</td>
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<td>Clipboards</td>
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<td>14</td>
<td>880401</td>
<td>604.01</td>
<td>U.H.F. Radios</td>
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<tr>
<td>15</td>
<td>Contract</td>
<td>17,950.00</td>
<td>Soil analysis</td>
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Regulation 19-445.2100, Subsection B, Item 2, requires that procurements of $500.01 to $1,499.00 be supported by solicitations of verbal or written quotes from a minimum of two qualified sources. Two telephone quotations would have satisfied the competitive requirements of item 1 through 14. Item 15, was an interagency agreement for soil analysis services with another state agency.

The Commission was unaware that interagency contracts are subject to the Consolidated Procurement Code unless a specific
request for an exemption is made to and approved in advance by the Division of General Services.

The competitive requirements of the Procurement Code should be adhered to at all times.

II. Compliance – Sole Source Procurements

We examined the quarterly reports of sole source procurements for the period July 1, 1985 through December 31, 1987, for the purpose of determining the appropriateness of the procurement actions taken, and the accuracy of the reports submitted to the Division of General Services. We found the majority of these transactions to be appropriate, however, we noted that the following were improperly processed.

<table>
<thead>
<tr>
<th>Purchase Order</th>
<th>Amount</th>
<th>Quarter Reported</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>1. 860129</td>
<td>$4,442.00</td>
<td>9/85</td>
<td>Soil mapping</td>
</tr>
<tr>
<td>2. 860248</td>
<td>3,625.00</td>
<td>9/85</td>
<td>Soil mapping</td>
</tr>
<tr>
<td>3. 860617</td>
<td>4,598.00</td>
<td>3/86</td>
<td>Soil mapping</td>
</tr>
<tr>
<td>4. 860706</td>
<td>5,500.00</td>
<td>3/86</td>
<td>Soil mapping</td>
</tr>
</tbody>
</table>

Items 1, 2, and 3 were supported by copies of determinations prepared for previous procurements. Item 4 was approved after-the-fact as evidenced by the approval date on the written determination.

A current written determination must be prepared to support each sole source procurement. A blanket sole source determination may be prepared, however, in certain cases where it is known that sole source is appropriate and that the need is continuing if the blanket determination indicates clearly the period of time it covers. In all cases, the sole source determination must be approved by an authorized official prior to the procurement being made.
Item 4 is an unauthorized procurement because the written determination was approved after the procurement was made. Regulation 19-445.2015 requires that ratification be requested from the Materials Management Officer for all unauthorized procurements between $2,500.00 and $25,000.00.

III. Internal Procurement Procedures Manual

Our review of the Commission's Internal Procurement Procedures Manual indicated the following areas which need to be added to, deleted or changed.

Page 1: Delete the word "Chief" from the title of chief procurement officer.

Page 2: Delete the title "Central State Purchasing Officer" and insert "State Procurement Officer" throughout the manual.

Page 3: Per our discussion, change the requisition flow to indicate that the procurement officer approves the purchase order after solicitation of quotations. This will mirror actual procedures.

Address the following policies with a statement or short paragraph.

1. Special project appropriations and the contractual agreements with governmental subdivisions to administer these projects to their completion.

2. Land and soil mapping surveys as referenced in Regulation 19-445.2140, Section F.
3. Since the Soil and Water Conservation Districts have been furnished with some suggested procurement guidelines as set forth in the back of the Internal Procurement Procedures Manual, the Commission should consider adding Sealed Bidding Procedures as outlined in Regulation 19-445.2030, 2035, 2045, 2055, 2065, 2070, 2075, 2080, 2090.
CONCLUSION

As enumerated in our transmittal letter, corrective action based on the recommendations described in the findings contained in the body of this report, we believe, will in all materials respects place the Land Resources Conservation Commission in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

In accordance with Code Section 11-35-1230(1) the Commission should take this corrective action prior to June 30, 1988. Subject to this corrective action and because additional certification was not requested, we recommend that the Land Resources Conservation Commission be allowed to continue procuring all goods and services, information technology and consulting services up to the basic level as outlined in the Consolidated Procurement Code.

Jeff Widdowson
Audit and Certification Analyst

R. Voight Shealy, Manager
Audit and Certification
Land Resources Conservation Commission
July 25, 1988

Mr. R. Voight Shealy, Manager
Audit and Certification
Materials Management Office
1201 Main Street, Suite 420
Columbia, S.C. 29201

Dear Voight:

I truly appreciate the valuable assistance your office provided the Land Resources Commission staff during your procurement audit. The time and patience of Jeff Widdowson is to be commended.

Your recommendations have been adopted and corrective action initiated. However, in response to some key points outlined in your audit report, I have evaluated our procurement procedures to ensure that the following items have been addressed and corrected:

1) transactions not supported by evidence of competition, sole source or by emergency determination
2) interagency contracting procedures
3) proper approval of documentation to support sole source procurements
4) changes in our agency's internal procurement policy manual
5) prior notification and approval of exemptions for interagency contracts as they occur
6) special project appropriations (Due to the uncertainty in this area, I have asked Jeff to assist me in formulating some basic guidelines.)

I requested and have received ratification for two (2) previous interagency contracts and an unauthorized sole source as requested by your office. (Attachment)

While we were cited for minor violations in some areas, I feel positive about the results of the audit since it revealed only a few weak points in our system. Your audit has been a tremendous learning experience for myself as well as other staff and I can assure you that we will do everything possible to remain in compliance with the S.C.
Consolidated Procurement Code and its ensuring regulations.

I have scheduled an appointment with Jeff Widdowson to conduct a follow-up on August 8, 1988 at 2:00 p.m.

Again, I thank you and your staff for your time and patience. Should you require further clarification, please call me at 734-9100.

Sincerely,

Lynn I. Hutto
Director, Management Services

LIH/pvb
Attachment
cc: Jeff Widdowson
Cary Chamblee
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 Land Resources Conservation Commission to determine the progress made toward implementing the recommendations in our audit report covering the period July 1, 1985 - March 15, 1988. During this visit, we followed up on each recommendation made in the audit report through inquiry, observation and limited testing.

We observed that the Commission 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.

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

Sincerely,

R. Voight Shealy, Manager
Audit and Certification