

**DEPARTMENT OF CONSUMER AFFAIRS**

**PROCUREMENT AUDIT REPORT**

**JULY 1, 2010 – MARCH 31, 2014**

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September 19, 2014

Mr. John St. C. White  
Interim Materials Management Officer  
Division of Procurement Services  
1201 Main Street, Suite 600  
Columbia, South Carolina 29201

Dear John:

We have examined the procurement policies and procedures at the South Carolina Department of Consumer Affairs for the period July 1, 2010 through March 31, 2014. 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 used to establish a basis for reliance upon the system of internal controls to assure adherence to the South Carolina Consolidated Procurement Code, State regulations, and the Department's procurement policies. 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 Department's administration is responsible for establishing and maintaining a system of internal controls 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 recorded properly.

Because of inherent limitations in any system of internal controls, 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 controls 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.

Based on the testing performed as outlined in the Scope section of this report, our examination did not reveal any material findings.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert J. Aycock, IV". The signature is written in a cursive, flowing style with some loops and flourishes.

Robert J. Aycock, IV, Manager  
Audit and Certification

## **INTRODUCTION**

We conducted an examination of the internal procurement operating policies and procedures at the Department of Consumer Affairs. We conducted our on-site review on June 2 and 3, 2014. Our review was made under Section 11-35-1230(1) of the 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 Consolidated Procurement Code and its ensuing regulations.

## 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 at the South Carolina Department of Consumer Affairs 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, 2010 through March 31, 2014 of the limited number of procurement transactions managed by the Department for compliance testing and performed other audit procedures that we considered necessary to formulate our 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 July 1, 2010 through March 31, 2014 with no exceptions
- (2) Procurement transactions for the period July 1, 2010 through March 31, 2014 as follows:
  - a) Fourteen payments each exceeding \$2,500 with no exceptions
  - b) Sixty eight sequentially filed purchase orders reviewed against the use of order splitting and favored vendors with no exceptions
  - c) Eleven procurement card transactions during January, February and March, 2014 with no exceptions
- (3) Minority Business Enterprise Plans and reports, with the following activity reported to The Governor's Office of Small and Minority Business Assistance:

<u>Fiscal Year</u>	<u>Goal</u>	<u>Actual</u>
2011-2012	\$ 2,500	\$ 3,204
2012-2013	\$ 4,156	\$ 6,454
2013-2014 <sup>1</sup>	\$27,332	\$24,169

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<sup>1</sup> \$24,169 represents expenditures with certified minority vendors for the first three quarters (July 1, 2013 – September 30, 2013, October 1, 2013 – December 31, 2013 and January 1, 2014 – March 31, 2014) of the fiscal year.

- (4) Approval of the most recent Information Technology Plan with no exceptions
- (5) Internal procurement procedures manual with no exceptions
- (6) Surplus property disposition procedures with no exceptions
- (7) Ratification of unauthorized procurements with no exceptions
- (8) File documentation and evidence of competition with no exceptions
- (9) Other tests performed as deemed necessary with no exceptions

## **RESULTS OF EXAMINATION**

Our examination revealed no material findings.



CONCLUSION

Based on the testing performed, our examination did not reveal any material findings. In our opinion, the South Carolina Department of Consumers Affairs complies with the South Carolina Consolidated Procurement Code, State regulations, and the Department's procurement policies and procedures in all material respects and the internal procurement operating procedures are adequate to properly handle procurement transactions. Therefore, we recommend that the South Carolina Department of Consumer Affairs be allowed to continue to procure all supplies and services, consultant services, information technology, and construction up to the basic level of \$50,000 as outlined in the South Carolina Consolidated Procurement Code.



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J. Lane Warren, CFE, CBM  
Audits Manager



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Robert J. Aycock, IV, Manager  
Audit and Certification



Carri Grube Lybarker  
Administrator

# The State of South Carolina Department of Consumer Affairs

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*Celebrating Over 35 Years of Public Service*  
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*Via Electronic Mail Only*

Mr. John St. C. White  
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**RE: DCA's Response to Procurement Audit Draft Report**

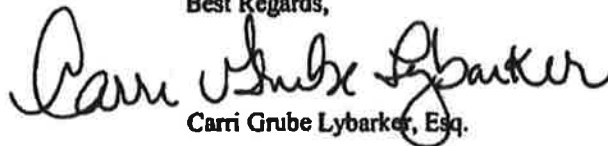
Dear Mr. White:

Please allow this letter to serve as the South Carolina Department of Consumer Affairs' (SCDCA) response to the draft procurement policies and procedures audit report pertaining to July 1, 2010 through March 31, 2014. We are delighted the examination resulted in no "material findings."

SCDCA incurred severe budget reductions beginning in fiscal year 2009, with the Administration Division receiving a large funding decrease in fiscal year 2011 when all of the Division's general funds were eliminated. Subsequently thereafter, SCDCA personnel took on new, additional duties. The audit findings, or lack thereof, serve as a testament to the hard work put in by SCDCA staff to focus on compliance and effective performance, especially in the midst of challenging times.

Thank you for the opportunity to obtain a third parties' perspective on our activities in the procurement arena. I want to express our gratitude to the auditors for the professionalism displayed during the examination. We sincerely look forward to working with your office in the future. If there are any questions or if further information is needed, please feel free to contact me at 803-734-4233.

Best Regards,



Carri Grube Lybarker, Esq.

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