

SOUTH CAROLINA DEPARTMENT OF JUVENILE JUSTICE

PROCUREMENT AUDIT REPORT

JANUARY 1, 2011 – MARCH 31, 2015

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September 27, 2016

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

Dear John:

We have examined the procurement policies and procedures of the South Carolina Department of Juvenile Justice for the period January 1, 2011 through March 31, 2015. As part of our examination, we studied and evaluated the system of internal controls over procurement transactions to the extent we considered necessary.

The evaluation established a basis for reliance upon the system of internal controls to assure adherence to the Consolidated Procurement Code, State regulations and the procurement policy of the South Carolina Department of Juvenile Justice. Additionally, the evaluation determined 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 at the South Carolina Department of Juvenile Justice 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 of

internal controls are to provide management with reasonable, but not absolute, assurance of the integrity of the procurement processes that affected assets are safeguarded against loss from unauthorized use or disposition and those transactions are executed in accordance with management's authorization and are 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 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, 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 fluid and cursive, with a prominent initial "R" and "A".

Robert J. Aycock, IV, Manager
Audit and Certification

INTRODUCTION

We conducted an examination of the internal procurement operating policies and procedures of the South Carolina Department of Juvenile Justice, hereinafter referred to as DJJ. We conducted our audit under authority granted in Section 11-35-1230(1) of the South Carolina 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 South Carolina Consolidated Procurement Code and its ensuing regulations.

On November 3, 2011, the State Budget and Control Board granted DJJ the following procurement certifications:

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Supplies	\$ 250,000 per commitment
Services	\$ 100,000 per commitment
Construction Contract Change Order	\$ 25,000 per change order
Architect/Engineer Contract Amendment	\$ 5,000 per amendment

Our audit was performed primarily to determine if recertification was warranted. DJJ requested the following increased certification levels:

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Supplies and Services	\$ 500,000 per commitment
Construction Contract Award	\$ 100,000 per commitment
Construction Contract Change Order	\$ 25,000 per change order
Architect/Engineer Contract Amendment	\$ 5,000 per amendment

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 DJJ 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 samples for the period January 1, 2011 through March 31, 2015 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) Procurement transactions for the period January 1, 2011 through March 31, 2015 as follows:
 - a) One hundred nine payments each exceeding \$2,500 with no exceptions
 - b) A block sample of two hundred twenty five purchase orders for the period February 6, 2015 through March 31, 2015 to check against the use of order splitting and favored vendors with no exceptions
 - c) Procurement card transactions for January, February, and March 2015 with no exceptions
- (2) All sole source, emergency, and trade-in sale procurements for the period January 1, 2011 through March 31, 2015 with no exceptions
- (3) Minority Business Enterprise Plans and reports with the following activity reported to the Governor's Office Division of Small and Minority Business Contracting and Certification:

<u>Fiscal Year</u>	<u>Goal</u>	<u>Actual</u>
FY11-12	\$100,000	\$202,540
FY12-13	\$127,840	\$227,663
FY13-14	\$ 74,164	\$122,198
FY14-15	\$ 76,018	\$145,373

- (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.

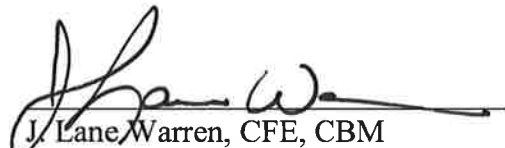
CONCLUSION

In our opinion, the South Carolina Department of Juvenile Justice 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.

Under the authority described in Section 11-35-1210 of the South Carolina Consolidated Procurement Code, we recommend the South Carolina Department of Juvenile Justice be recertified to make direct agency procurements for three years up to the following levels:

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Supplies and Services	*\$ 500,000 per commitment
Construction Contract Award	\$ 100,000 per commitment
Construction Contract Change Order	\$ 25,000 per change order
Architect/Engineer Contract Amendment	\$ 5,000 per amendment

*Total potential purchase commitment whether single year or multi-term contracts are used.


J. Lane Warren, CFE, CBM
Audit Manager


Robert J. Aycock IV, Manager
Audit and Certification



South Carolina
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Nikki R. Haley
Governor
State of South Carolina

October 3, 2016

State Fiscal Accountability Authority
Audit and Certification Office
C/o Jimmy Aycock, Manager
1201 Main Street, STE 601
Columbia, SC 29201

Mr. Aycock,

SCDJJ is in receipt of our Draft Procurement Audit Report for the period of January 1, 2011 – March 31, 2015. We are pleased that there were no findings denoted in this report and concur with the decision that an exit conference is not needed. I appreciate the time Lane Warren spent at our Agency and the professional manner in which this audit was conducted. We look forward to working with you again in the future.

Thank you,

Stephen L. Pullie, CPPB
Interim Director of Fiscal Affairs

NIKKI R. HALEY, CHAIR
GOVERNOR

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EXECUTIVE DIRECTOR

October 11, 2016

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

Dear John:

We have reviewed the response from the Department of Juvenile Justice to our audit report for the period of January 1, 2011 through March 31, 2015. In our opinion, the Department of Juvenile Justice 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 the State Fiscal Accountability Authority grant the Department of Juvenile Justice the certification limits noted in our report for a period of three years.

Sincerely,

Robert J. Aycock, IV, Manager
Audit and Certification

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