

SOUTH CAROLINA DEPARTMENT OF PUBLIC SAFETY

PROCUREMENT AUDIT REPORT

JULY 1, 2008 – MARCH 31, 2012

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NOTE: The Department’s response to the issue noted in this report has been inserted immediately following the item it refers to.

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**MARCIA S. ADAMS
EXECUTIVE DIRECTOR**

August 9, 2012

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

Dear Voight:

We have examined the procurement policies and procedures of the South Carolina Department of Public Safety for the period July 1, 2008 through March 31, 2012. 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 South Carolina Department of Public Safety'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 administration of the South Carolina Department of Public Safety 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.

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 Department of Public Safety in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert J. Aycock, IV", written over a light blue horizontal line.

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 Public Safety. Our review was performed April 16, 2012 through May 16, 2012 and was made under 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 internal controls of the procurement system were adequate and the procurement procedures, as outlined in the Internal Procurement Policies and Procedures Manual, were in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

On December 11, 2008 the State Budget and Control Board granted the South Carolina Department of Public Safety the following procurement certifications:

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Supplies and Services	\$ 200,000 per commitment
Information Technology	\$ 100,000 per commitment
Consultant 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 is warranted. Additionally, the South Carolina Department of Public Safety requested an increase in its Supplies and Services certification to \$300,000 per commitment with all other areas remaining at current certification levels.

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 Public Safety, hereinafter referred to as SCDPS, 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, 2008 through March 31, 2012 of procurement transactions for compliance testing and performed other audit procedures that we considered necessary to formulate this opinion. 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, 2008 through March 31, 2012 with no exceptions
- (2) Procurement transactions for the period July 1, 2008 through March 31, 2012 as follows:
 - a) Eighty-three payments each exceeding \$2,500 with no exceptions
 - b) A review of all PO's issued for nine months processed from July 1, 2011 to March 31, 2012 reviewed against the use of order splitting and favored vendors with no exceptions
 - c) Procurement card purchases for January, February and March 2012 with no exceptions
 - d) Procurement card internal controls with an exception noted in Section I
 - e) Direct Expenditure Vouchers exceeding \$2,500 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 with no exceptions

<u>Fiscal Year</u>	<u>Goal</u>	<u>Actual</u>
FY08-09	\$423,564.00	\$64,290.00
FY09-10	\$513,715.00	\$84,152.00
FY10-11	\$126,600.00	\$414,568.00

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

SUMMARY OF AUDIT FINDINGS

PAGE

I. **Procurement Card Single Transaction Limits Not Established**

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Two procurement cards had no single transaction limits established.

RESULTS OF EXAMINATION

I. Procurement Card Single Transaction Limits not Established

We identified two procurement cards with no single transaction limits established. The Division of Procurement Services Materials Management Office South Carolina Purchasing Card Policy and Procedures manual establishes minimum standards for use of the P-Card in order to ensure compliance with all applicable State laws pertaining to purchasing as contained in the State Code. Section D.(1) of the manual established that each P-Card is subject to the “no compete” (\$2,500) Purchase Limit. Section D.(2) states, “To raise or lower the Single Purchase Limit, the P-Card Administrator must submit the requested change in writing (E-mail or memo) to the MMO Chief Procurement Officer.”

We recommend that SCDPS establish single transaction limits on all procurement cards in accordance with State policies.

The Department’s Response

We concur with this finding. The Department has verified and ensured all existing procurement cards and profiles have an established single transaction limit of \$2,500. Any request to change this limit by the Department will be submitted in writing, via email or memo, to the MMO Chief Procurement Officer.

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 Department of Public Safety in compliance with the South Carolina Consolidated Procurement Code.

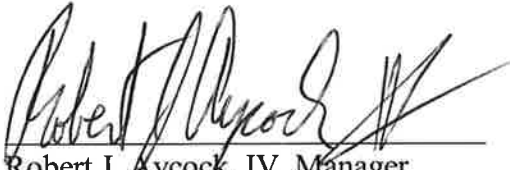
Under the authority described in Section 11-35-1210 of the Procurement Code, subject to this corrective action, we will recommend the South Carolina Department of Public Safety be certified to make direct agency procurements for three years up to the following limits.

PROCUREMENT AREAS

CERTIFICATION LIMITS

Supplies and Services	*\$ 300,000 per commitment
Information Technology	*\$ 100,000 per commitment
Consultant Services	*\$ 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.


Robert J. Aycock, IV, Manager
Audit and Certification

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MARCIA S. ADAMS
EXECUTIVE DIRECTOR

September 25, 2012

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

Dear Voight:

We have reviewed the response from the South Carolina Department of Public Safety to our audit report for the period of July 1, 2008 through March 31, 2012. We have followed-up on the Department's corrective action during and subsequent to our fieldwork.

We are satisfied that the South Carolina Department of Public Safety has taken corrective action to prevent recurrence of the problem area noted and that steps have been implemented to help ensure internal controls over the procurement system are adequate.

Sincerely,

Robert J. Aycock, IV, Manager
Audit and Certification

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