

**SOUTH CAROLINA DEPARTMENT OF
LABOR, LICENSING AND REGULATION
PROCUREMENT AUDIT REPORT**

APRIL 1, 2010 – JUNE 30, 2014

TABLE OF CONTENTS

| | <u>PAGE</u> |
|------------------------------------|--------------------|
| Transmittal Letter..... | 1 |
| Introduction..... | 3 |
| Scope..... | 4 |
| Results of Examination..... | 6 |
| Certification Recommendations..... | 7 |
| Department's Response | 8 |
| Follow-up Letter | 9 |

**NIKKI R. HALEY, CHAIR
GOVERNOR**

**CURTIS M. LOFTIS, JR.
STATE TREASURER**

**RICHARD ECKSTROM, CPA
COMPTROLLER GENERAL**



SC BUDGET AND CONTROL BOARD

**THE DIVISION OF PROCUREMENT SERVICES
DELBERT H. SINGLETON, JR.
DIVISION DIRECTOR
(803) 734-2320**

**JOHN ST. C. WHITE
INTERIM MATERIALS MANAGEMENT OFFICER
(803) 737-0600
FAX (803) 737-0639**

**HUGH K. LEATHERMAN, SR.
CHAIR, SENATE FINANCE
COMMITTEE**

**W. BRIAN WHITE
CHAIR, HOUSE WAYS AND MEANS
COMMITTEE**

**MARCIA S. ADAMS
EXECUTIVE DIRECTOR**

June 10, 2015

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 of the South Carolina Department of Labor, Licensing, and Regulation for the period April 1, 2010 through June 30, 2014. 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 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 internal 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 Labor, Licensing, and Regulation 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 Aycock, IV", written in a cursive style.

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 Labor, Licensing and Regulation, hereinafter referred to as LLR. Our review was conducted 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 Operating Procedures Manual, were in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

On December 14, 2010 the State Budget and Control Board granted LLR the following procurement certifications:

| <u>PROCUREMENT AREAS</u> | <u>CERTIFICATION LIMITS</u> |
|--------------------------|-----------------------------|
| Supplies and Services | \$ 100,000 per commitment |
| Consultant Services | \$ 100,000 per commitment |

Our audit was performed primarily to determine if recertification was warranted. LLR requested to remain at its 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 LLR 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, 2010 through June 30, 2014 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 April 1, 2010 through June 30, 2014 with no exceptions
- (2) Procurement transactions for the period July 1, 2010 through June 30, 2014 as follows:
 - a) One hundred twenty-six payments each exceeding \$2,500 with no exceptions
 - b) A block sample of all two hundred and eleven purchase orders issued from July 2013 through June 2014, against the use of order splitting and favored vendors with no exceptions
 - c) Procurement card purchases made during March, April, and May 2014 with no exceptions
- (3) Minority Business Enterprise Plans and reports for the audit period with no exceptions, and 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 | \$62,526 | \$40,933 |
| 2012-2013 | \$71,428 | \$15,031 |
| 2013-2014 | \$20,500 | \$ 2,119 |

- (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.

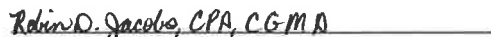
CERTIFICATION RECOMMENDATIONS

Based on the testing performed, our examination did not reveal any material findings. In our opinion, the South Carolina Department of Labor, Licensing and Regulation complied 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 were adequate to properly handle procurement transactions.

Under the authority described in Section 11-35-1210 of the Procurement Code, we recommend the South Carolina Department of Labor, Licensing and Regulation be certified to make direct agency procurements for three years up to the following limits:

| <u>PROCUREMENT AREAS</u> | <u>RECOMMENDED CERTIFICATION LIMITS</u> |
|--------------------------|---|
| Supplies and Services | *\$ 100,000 per commitment |
| Consultant Services | *\$ 100,000 per commitment |

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


Robin D. Jacobs, CPA, CGMA
Audit Manager


Robert J. Aycock, IV, Manager
Audit and Certification



Nikki R. Haley
Governor

Richele K. Taylor
Director

South Carolina
Department of Labor, Licensing and Regulation

Division of Administration - Procurement



110 Center View Drive
Post Office Box 11329
Columbia, SC 29211-1329
(803) 896-4335
FAX (803) 896-4310

June 26, 2015

Robert J. Aycock IV, Manager

Audit & Certification

Materials Management Office

1201 Main St., Suite 600

Columbia, SC 29201

Subject: SC Department of Labor, Licensing and Regulation Audit Report

Dear Mr. Aycock:

My staff and I have reviewed your draft of the procurement audit for the SC Department of Labor, Licensing and Regulation (SCLLR) for the period April 1, 2010 – June 30, 2014. SC Department of Labor, Licensing and Regulation concur with this report.

Please extend our thanks to Ms. Robin Jacobs for the expertise and professionalism displayed during this audit. It was a pleasure working with her as always the norm with you and your staff to insure that we are "Procuring the Right Way" for the citizens of this state.

Sincerely

Al Morant

Procurement Manager I

CC: Richele Taylor, Director

Farrar Stewart, Deputy Director Administration

Stephanie Davis

Diane Parker

NIKKI R. HALEY, CHAIR
GOVERNOR

CURTIS M. LOFTIS, JR.
STATE TREASURER

RICHARD ECKSTROM, CPA
COMPTROLLER GENERAL



THE DIVISION OF PROCUREMENT SERVICES
DELBERT H. SINGLETON, JR.
DIVISION DIRECTOR
(803) 734-8018

JOHN ST. C. WHITE
MATERIALS MANAGEMENT OFFICE
(803) 737-0600
FAX: (803) 737-0639

HUGH K. LEATHERMAN, SR.
CHAIRMAN, SENATE FINANCE COMMITTEE

W. BRIAN WHITE
CHAIRMAN, HOUSE WAYS AND MEANS

July 27, 2015

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 reviewed the response from the Department of Labor, Licensing and Regulation to our audit report for the period of April 1, 2010 through June 30, 2014. In our opinion, the Department of Labor, Licensing and Regulation 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 Labor, Licensing and Regulation the certification limits noted in our report for a period of three years.

Sincerely,

Robert J. Aycock, IV, Manager
Audit and Certification

| | |
|----------------------|---------------|
| Total Copies Printed | 11 |
| Unit Cost | <u>\$.41</u> |
| Total Cost | <u>\$4.51</u> |