

**SOUTH CAROLINA DEPARTMENT OF
PROBATION, PAROLE AND PARDON SERVICES
PROCUREMENT AUDIT REPORT
APRIL 1, 2012 – JUNE 30, 2014**

TABLE OF CONTENTS

	<u>PAGE</u>
Transmittal Letter	1
Introduction	3
Scope	4
Results of Examination	6
Conclusion.....	7
Department's Response.....	8
Follow-up Letter.....	10

**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**

October 29, 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 of the South Carolina Department of Probation, Parole and Pardon Services for the period April 1, 2012 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 established a basis for reliance upon the system of internal controls to assure adherence to the Consolidated Procurement Code, State regulations and the Department's procurement policies. 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 of the South Carolina Department of Probation, Parole and Pardon Services 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 process, that affected assets are safeguarded against loss from unauthorized use or disposition and that those 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 Probation, Parole and Pardon Services in compliance with the South Carolina Consolidated Procurement Code and ensuring regulations.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert J. Aycock, IV", with a stylized flourish at the end.

Robert J. Aycock, IV, Manager
Audit and Certification

INTRODUCTION

We conducted an examination of the internal procurement operating policies and procedures at the South Carolina Department of Probation, Parole and Pardon Services. We conducted our on-site review from July 30 through August 4, 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.

Based on a recommendation in our report presented to the Budget and Control Board on October 31, 2013, the Board suspended the Department's sole source authority for one year. Furthermore, we told the Board we would perform a follow-up examination and report back to the Board in one year which is the primary purpose of this examination.

Additionally our work was directed toward assisting the South Carolina Department of Probation, Parole and Pardon Services in promoting the underlying purposes and policies of the South Carolina Consolidated Procurement Code as outlined in Section 11-35-20, which include in part:

- (1) to provide increased economy in state procurement activities and to maximize to the fullest extent practicable the purchasing values of funds while ensuring that procurements are the most advantageous to the State and in compliance with the provisions of the Ethics Government Accountability and Campaign Reform Act;
- (2) to foster effective broad-based competition for public procurement within the free enterprise system;
- (3) to ensure the fair and equitable treatment of all persons who deal with the procurement system which will promote increased public confidence in the procedures followed in public procurement;
- (4) to provide safeguards for the maintenance of a procurement system of quality and integrity with clearly defined rules for ethical behavior on the part of all persons engaged in the public procurement process.

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 Probation, Pardon and Parole Services, hereinafter referred to as the Department, 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, 2012 through June 30, 2014 of procurement transactions 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 April 1, 2012 through June 30, 2014 with exceptions noted in Section I
- (2) Procurement transactions for the period April 1, 2012 through June 30, 2014 as follows:
 - a) Twenty-four payments each exceeding \$2,500 with no exceptions
 - b) A block sample of 1,251 purchase orders from fiscal years 2012 through 2014 against the use of order splitting and favored vendors with no exceptions
 - c) We sampled fourteen procurement card transactions for the period February through April 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>
2012-2013	\$54,240	\$220,508
2013-2014	\$94,915	\$ 3,818

- (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

I. Procurements Without Competition

Purchase order 4600287394 dated September 9, 2013, for \$37,350 for software maintenance and purchase order 4600293651 dated October 4, 2013, for \$376,000 for a software upgrade were both reported to the Division of Procurement Services as sole source procurements. However no written determinations were provided to us by the Department for either purchase authorizing the procurements as sole sources. Section 11-35-1560(B), "Written documentation must include the determination and basis for the proposed sole source procurement." Per Regulation 19-445.2102(C), "The determination as to whether a procurement shall be made as a sole source shall be made by either the Chief Procurement Officer, the head of a purchasing agency, or designee of either office above the level of the procurement officer."

Ratification must be requested for each of these procurements. Regulation 19-445.2015(A) states in part, "Upon finding after award that a state employee has made an unauthorized award of a contract or that a contract award is otherwise in violation of law, the appropriate office may ratify or affirm the contract or terminate it in accordance with this section." Part B of this regulation provides, "If the value of the contract exceeds one hundred thousand dollars, the chief procurement officer must concur in the written determination before any action is taken on the decision."

We recommend the Department comply with the statute and regulation over sole source procurements by properly authorizing written determinations that include sufficient justification for sole source procurements.

CONCLUSION

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 Probation, Parole and Pardon Services in compliance with the South Carolina Consolidated Procurement Code. This report reflects significant improvement since our last examination.

The Department did not request increased procurement certification above the basic limit of \$50,000 allowed by the Code. Subject to the corrective action listed in this report, we will recommend the Department be allowed to continue procuring supplies and services, consultant services, construction services and information technology up to the basic level of \$50,000 as allowed by the South Carolina Consolidated Procurement Code.



J. Lane Warren, CFE, CBM
Audit Manager



Robert J. Aycock, IV, Manager
Audit and Certification

State of South Carolina
Department of Probation, Parole and Pardon Services

NIKKI R. HALEY
Governor



KELA E. THOMAS
Director

2221 DEVINE STREET, SUITE 600
POST OFFICE BOX 50666
COLUMBIA, SOUTH CAROLINA 29250
Telephone: (803) 734-9220
Facsimile: (803) 734-9440
www.djpps.sc.gov

November 12, 2014

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

Dear Mr. White:

Thank you for the opportunity to respond to the Procurement Audit Report for the period of July 30, 2014 – August 4, 2014. The Department has worked very hard to ensure that all procurement activities have been conducted in accordance with the South Carolina Consolidated Procurement.

Unfortunately, we had one finding with two procurements related to Procurements Without Competition. As a result of the review, it was determined that the agency did not complete the final step of the Sole Source Documentation process. The Agency Justification for the file was not completed at the time of the procurement although the competition process to make the Sole Source determination was completed as required by Regulation 19-445-2102 (C).

In addition, the department has taken corrective action on the finding included in this report. We will continue to consult with the Procurement Services Division and the Procurement Code to ensure that all procurements are processed appropriately.

Sincerely,

A handwritten signature in blue ink that reads "Cheryl Mack Thompson".

Cheryl Mack Thompson
Assistant Deputy Director for Administration



SC Department of Probation, Parole and Pardon Services Procurement Audit Report Response to Audit Findings

I. Procurements Without Competition

Purchase order 4600287394 dated September 9, 2013, for \$37,350 for software maintenance and purchase order 4600293651 dated October 4, 2013, for \$376,000 for a software upgrade were both reported to the Division of Procurement Services as sole source procurements. However no written determinations were provided to us by the Department for either purchase authorizing the procurements as sole sources. Section 11-35-1560(B), "Written documentation must include the determination and basis for the proposed sole source procurement." Per Regulation 19-445.2102(C), "The determination as to whether a procurement shall be made as a sole source shall be made by either the Chief Procurement Officer, the head of a purchasing agency, or designee of either office above the level of the procurement officer."

Ratification must be requested for each of these procurements. Regulation 19-445.2015(A) states in part, "Upon finding after award that a state employee has made an unauthorized award of a contract or that a contract award is otherwise in violation of law, the appropriate office may ratify or affirm the contract or terminate it in accordance with this section." Part B of this regulation provides, "If the value of the contract exceeds one hundred thousand dollars, the chief procurement officer must concur in the written determination before any action is taken on the decision."

We recommend the Department comply with the statute and regulation over sole source procurements by properly authorizing written determinations that include sufficient justification for sole source procurements.

- We concur with this finding. Corrective action has been taken to ensure that the Sole Source process is properly executed and sufficient written authorization is completed as required by Regulation 19-445 2102 (C). Additionally, the department has implemented an internal process to ensure all steps of the Sole Source process are completed prior to awarding the contract.

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

November 18, 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 reviewed the response from the Department of Probation, Parole and Pardon Services to our audit report for the period of April 1, 2012 through June 30, 2014. We have followed-up on the Department of Probation, Parole and Pardon Services' corrective action during and subsequent to our fieldwork.

In our opinion, the Department of Probation, Parole and Pardon Services 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 Department of Probation, Parole and Pardon Services 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.

Sincerely,

Robert J. Aycock, IV, Manager
Audit and Certification

Total Copies Printed	11
Unit Cost	<u>\$.49</u>
Total Cost	<u>\$5.39</u>