

SOUTH CAROLINA
VOCATIONAL REHABILITATION DEPARTMENT
PROCUREMENT AUDIT REPORT
OCTOBER 1, 2008 – MARCH 31, 2013

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

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August 1, 2013

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

Dear Voight:

We have examined the procurement policies and procedures of the South Carolina Vocational Rehabilitation Department for the period October 1, 2008 through March 31, 2013. 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 control to assure adherence to the South Carolina Consolidated Procurement Code, State regulations, and the Department's procurement policy. 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 Vocational Rehabilitation Department is responsible for establishing and maintaining a system of internal control 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 control, 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 control 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 a condition noted in this report which we believe needs correction.

Corrective action based on the recommendation described in this finding will in all material respects place the South Carolina Vocational Rehabilitation Department in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

Sincerely,

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 Vocational Rehabilitation Department. Our on-site review was conducted April 15, 2013 through May 17, 2013 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 Operating Procedures Manual, were in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

On June 29, 2009, the Budget and Control Board granted the South Carolina Vocational Rehabilitation Department the following procurement certifications:

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Goods and Services	*\$ 100,000 per commitment
Information Technology	*\$ 100,000 per commitment
Construction Contract Award	\$ 100,000 per commitment
Construction Contract Change Order	\$ 50,000 per amendment
Architect/Engineer Contract Amendment	\$ 15,000 per amendment

Our audit was performed primarily to determine if recertification is warranted. Additionally, the South Carolina Vocational Rehabilitation Department requested the following increased certifications.

<u>PROCUREMENT AREAS</u>	<u>REQUESTED CERTIFICATION LIMITS</u>
Supplies and Services	\$ 250,000 per commitment
Information Technology	\$ 250,000 per commitment
Construction Contract Award	\$ 250,000 per commitment
Construction Contract Change Order	\$ 100,000 per change order
Architect/Engineer Contract Amendment	\$ 25,000 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 the South Carolina Vocational Rehabilitation Department, 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 October 1, 2008 through March 31, 2013 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 October 1, 2008 through March 31, 2013 with an exception noted in Section I of the report
- (2) Procurement transactions for October 1, 2008 through March 31, 2013 as follows:
 - a) One hundred eight payments each exceeding \$2,500 with no exceptions
 - b) A block sample of 2,864 purchase orders from July 2011 reviewed against the use of order splitting and favored vendors with no exceptions
 - c) Procurement card purchases for October and November 2012 with no exceptions
- (3) Five construction contracts, three small professional service contracts and four small professional service Indefinite Delivery Contracts for compliance with the Manual for Planning and Execution of State Permanent Improvements, Part II with no exceptions
- (4) Minority Business Enterprise Plans and reports for the period October 1, 2008 through March 31, 2013 with no exceptions. The chart below contains the Department's annual goals and actual activity reported to The Governor's Office of Small and Minority Business Assistance.

<u>Fiscal Year Ending</u>	<u>MBE Annual Utilization Goals</u>	<u>Actual Utilization</u>
2009-2010	\$1,660,838	\$145,936
2010-2011	\$1,185,711	\$ 98,688
2011-2012	\$ 862,138	\$ 37,300

- (5) Approval of the most recent Information Technology Plan with no exceptions.
- (6) Internal procurement procedures manual with no exceptions
- (7) Surplus property disposal procedures with no exceptions
- (8) File documentation and evidence of competition with no exceptions

RESULTS OF EXAMINATION

I. No Drug-Free Workplace Certifications Provided for Sole Source Procurements

No Drug-Free Workplace Certifications were provided for sole source procurements valued at \$50,000 or more. Section 44-107-30 of the Drug-Free Workplace Act states, “No person, other than an individual, may receive a domestic grant or be awarded a domestic contract for the procurement of any goods, construction, or services for a stated or estimated value of fifty thousand dollars or more from any state agency unless the person has certified to the using agency that it will provide a drug-free workplace...”

We recommend the Department comply with the Drug-Free Workplace Act.

Department Response

Drug-Free Workplace Certifications will be provided for all procurements with a stated or estimated value of fifty thousand dollars or more.

CERTIFICATION RECOMMENDATIONS

As enumerated in our transmittal letter, corrective action based on the recommendation described in this report, we believe, will in all material respects place the South Carolina Vocational Rehabilitation Department in compliance with the 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 Vocational Rehabilitation Department be re-certified to make direct agency procurements for three years up to the following limits.

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

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



Mac Stiles
Senior Auditor



Robert J. Aycock, IV, Manager
Audit and Certification

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MARCIA S. ADAMS
EXECUTIVE DIRECTOR

November 19, 2013

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 Vocational Rehabilitation Department to our audit report for the period of October 1, 2008 through March 31, 2013. We have followed-up on Department's corrective action during and subsequent to our fieldwork.

Therefore, we recommend the Budget and Control Board grant the South Carolina Vocational Rehabilitation Department 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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