

STATE OF SOUTH CAROLINA
State Budget and Control Board
PROCUREMENT SERVICES DIVISION

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EXECUTIVE DIRECTOR

DELBERT H. SINGLETON, JR.
DIVISION DIRECTOR
(803) 734-2320

MATERIALS MANAGEMENT OFFICE
1201 MAIN STREET, SUITE 600
COLUMBIA, SOUTH CAROLINA 29201
(803) 737-0600
Fax (803) 737-0639

R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

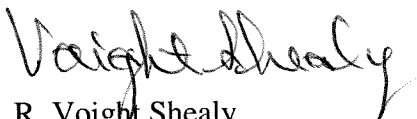
September 3, 2003

Mr. Delbert H. Singleton Jr.
Director
Procurement Services Division
6th Floor-Wade Hampton Building
Columbia, South Carolina 29201

Dear Delbert:

I have attached the South Carolina Department of Alcohol and Other Drug Abuse Services' procurement audit report and recommendations made by the Office of Audit and Certification. I concur and recommend the Budget and Control Board grant the Department a three-year certification as noted in the audit report.

Sincerely,


R. Voight Shealy
Materials Management Officer

/jl

**SOUTH CAROLINA DEPARTMENT OF
ALCOHOL AND OTHER DRUG ABUSE SERVICES
PROCUREMENT AUDIT REPORT
OCTOBER 1, 2000 – JUNE 30, 2003**

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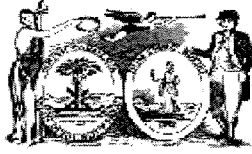
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Fax (803) 737-0639

R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

September 2, 2003

Mr. R. Voight Shealy
Materials Management Officer
Office of General 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 Alcohol and Other Drug Abuse Services for the period October 1, 2000 through June 30, 2003. 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 to establish a basis for reliance upon the system of internal control to assure adherence to the Consolidated Procurement Code, State regulations and the procurement policy of the Department. 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 Alcohol and Other Drug Abuse Services 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 are 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 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 Alcohol and Other Drug Abuse Services in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

Sincerely,



Larry G. Sorrell, Manager
Audit and Certification

INTRODUCTION

We conducted an examination of the internal procurement operating policies and procedures of the South Carolina Department of Alcohol and Other Drug Abuse Services. Our on-site review was conducted June 9, 2003 through June 27, 2003 and was made under the Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Section 19-445.2020 of the accompanying regulations.

On February 13, 2001, the State Budget and Control Board granted the South Carolina Department of Alcohol and Other Drug Abuse Services, hereinafter referred to as the Department, the following procurement certifications.

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Goods and Services	\$25,000
Consultant Services	\$25,000
Information Technology	\$25,000

Our audit was performed primarily to determine if recertification is warranted. No additional certification over the current limits was requested.

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 Department and its related policies 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, 2001 through June 30, 2003 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) All sole source, emergency and trade-in sale procurements for the period October 1, 2000 to June 30, 2003
- (2) Procurement transactions from the period July 1, 2001 through June 30, 2003 as follows:
 - a) Thirty-three payments each exceeding \$1,500
 - b) A block sample of five hundred numerical purchase orders from fiscal years 00/01, 01/02 and 02/03 reviewed for order splitting and favored vendors
- (3) Minority Business Enterprise Plans and reports
- (4) Information technology plans for the audit period
- (5) Internal operating procurement procedures manual
- (6) Surplus property disposal procedures
- (7) File documentation and evidence of competition

RESULTS OF EXAMINATION

Artificially Divided Procurements

Procurements from two sections should have been combined and competition solicited based on the total value.

<u>PO</u>	<u>Date of Requisition</u>	<u>Section</u>	<u>Amount</u>	<u>Description</u>
PO00203	9/07/01	Prevention	\$ 7,770	Promotional items
PO00263	9/17/01	Prevention	6,606	Promotional items
PO00205	9/06/01	Prevention	<u>2,240</u>	Promotional items
Total			<u>\$ 16,616</u>	

<u>PO</u>	<u>Date of PO</u>	<u>Section</u>	<u>Amount</u>	<u>Description</u>
PO741	5/07/01	Communications	\$ 881	Printing of booklet
PO742	5/07/01	Communications	442	Printing of cards
PO744	5/09/01	Communications	<u>442</u>	Printing of cards
Total			<u>\$ 1,765</u>	

Section 11-35-1550 of the Code states, in part, "procurement requirements shall not be artificially divided by governmental bodies."

We recommend the Department combine orders of like items and solicit competition based on the total value.

Procurements Without Competition

Two procurements were not supported by evidence of competition, sole source or emergency determinations, or exempt.

<u>Contract</u>	<u>Amount</u>	<u>Description</u>
TIL-SA-02	\$ 61,395	Program evaluation October 1, 2001 to September 30, 2002
RPP-MED-2	81,375	Consultant

In our prior audit, an exception was listed for the same type of service in contract TIL-SA-02 with the same vendor for another period of time. The consultant on contract RPP-MED-2 was a physician, which is a category exempt from the Code. However, for the exemption to apply, a physician must be providing the services as a physician. Each contract exceeded the Department's certification limit of \$25,000, thus resulting in each being unauthorized as defined in Regulation 19-445.2015.

We recommend the Department comply with the Code for these types of services. The Department must request ratification for each unauthorized procurement from the Materials Management Officer in accordance with Regulation 19-445.2015.

Sole Source Reporting Errors

We noted six sole source reporting errors.

	<u>Reference Number</u>	<u>Amount</u>	<u>Description</u>
1	Fox-Cont-3	\$ 3,000	Speaker at conference
2	PO00025	2,600	Speaker for conference
3	PO00713	2,390	Training class
4	PO00714	2,812	Training class
5	PO00715	2,812	Training class
6	PO00063	70,126	Software modifications
7	PO00993	1,999	Training class

Items 1 through 6 were in the sole source file with a note to amend the reports, however the Department did not file the amended reports. Item 7 was an unauthorized procurement that was ratified and reported as a sole source.

We recommend the Department file amended reports to add items 1 through 6 and remove item 7.

Incorrect Award

Purchase order PO750 was issued for printing of booklets for \$4,512. When evaluating the quotes, the reprint cost was added to the cost for one vendor by mistake causing the vendor to lose the award. Therefore, the lowest responsive and responsible vendor was not given the award as required by Section 11-35-1550.

We recommend the Department exercise more caution when evaluating quotes.

Contract Expiration

Purchase order PO00978 was issued on November 1, 2002 for printing of a publication for \$1,748. The file referenced a contract for the printing of the publication that expired on June 30, 2001. The Department should have solicited competition for the printing rather than utilized the expired contract.

We recommend the Department use current contracts to support procurements.

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 Department of Alcohol and Other Drug Abuse Services in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

Under the authority described in section 11-35-1210 of the Procurement Code, subject to this corrective action, we will recommend the Department be re-certified to make direct agency procurements for three years up to the limits as follows:

<u>PROCUREMENT AREAS</u>	<u>RECOMMENDED CERTIFICATION LIMITS</u>
Goods and Services	*\$25,000 per commitment
Consultant Services	*\$25,000 per commitment
Information Technology	*\$25,000 per commitment

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



Melissa Rae Thurstin
Senior Auditor



Larry G. Sorrell, Manager
Audit and Certification



South Carolina Department of Alcohol and Other Drug Abuse Services

MARK SANFORD
Governor

W. LEE CATOE
Director

September 2, 2003

Mr. Larry Sorrell
Manager, Audit and Certification
1201 Main Street, Suite 600
Columbia, SC 29201

Dear Mr. Sorrell:

We have reviewed the Procurement Audit Report for the period October 1, 2000 through June 30, 2003 for this Agency and concur with your findings.

The South Carolina Department of Alcohol and Other Drug Abuse Services has taken the appropriate actions to comply with recommendations specified in the audit report and will begin immediately ratifying the (2) contracts as required.

We will continue to improve our procurement activities to maintain compliance with the South Carolina Consolidated Procurement Code and Regulations.

Sincerely,

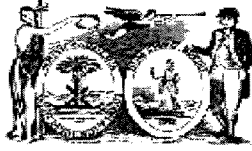
Margaret Sanders
Deputy Director for Finance and Operations

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MATERIALS MANAGEMENT OFFICER

September 3, 2003

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

Dear Voight:

We have reviewed the response from the South Carolina Department of Alcohol and Other Drug Abuse Services to our audit report for the period of October 1, 2000 – June 30, 2003. Also we have followed the Department's corrective action during and subsequent to our fieldwork. We are satisfied that the Department has corrected the problem areas and the internal controls over the procurement system are adequate.

Therefore, we recommend the Budget and Control Board grant the South Carolina Department of Alcohol and Other Drug Abuse Services the certification limits noted in our report for a period of three years.

Sincerely,

A handwritten signature in cursive script, appearing to read "Larry G. Sorrell".

Larry G. Sorrell, Manager
Audit and Certification

LGS/jl

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