

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

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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

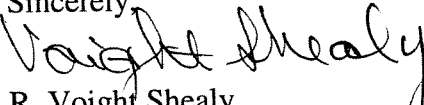
October 21, 2004

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

Dear Delbert:

I have attached Department of Juvenile Justice's 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 of Juvenile Justice a three-year certification as noted in the audit report.

Sincerely,


R. Voight Shealy
Materials Management Officer

/jl

SOUTH CAROLINA DEPARTMENT OF JUVENILE JUSTICE
PROCUREMENT AUDIT REPORT
JULY 1, 2001 – JUNE 30, 2004

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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

October 12, 2004

Mr. R. Voight Shealy
Materials Management Officer
Office 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 Juvenile Justice for the period July 1, 2001 through June 30, 2004. 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 Juvenile Justice 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 Juvenile Justice 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 Juvenile Justice. Our review was conducted August 3, 2004 through August 25, 2004 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.

On February 14, 2002 the State Budget and Control Board granted South Carolina Department of Juvenile Justice, hereinafter referred to as the Department, the following procurement certifications.

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Goods and Services	\$ 50,000 per commitment
Information Technology	\$ 50,000 per commitment
Consultant Services	\$ 50,000 per commitment
Construction Services	\$ 25,000 per commitment
Construction 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 Department requested the following increased certification limits.

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Supplies	\$ 250,000 per commitment
Services	\$ 100,000 per commitment
Information Technology	\$ 50,000 per commitment
Consultant Services	\$ 50,000 per commitment
Construction Contract Award	\$ 25,000 per commitment
Construction Change Order	\$ 25,000 per change order
Architect/Engineer Contract Amendment	\$ 5,000 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 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, 2002 through June 30, 2004 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 July 1, 2001 through June 30, 2004
- (2) Procurement transactions from the period July 1, 2002 through June 30, 2004 as follows:
 - a) Eighty payments each exceeding \$1,500
 - b) A block sample of three hundred purchase orders
 - c) An additional sample of five informal requests for quotations and one sealed bid
- (3) Five construction contracts and four professional service contracts for compliance with the Manual for Planning and Execution of State Permanent Improvements
- (4) Minority Business Enterprise Plans and reports
- (5) Information technology plans for the audit period
- (6) Internal operating procurement procedures manual
- (7) Surplus property disposal procedures
- (8) File documentation and evidence of competition

RESULTS OF EXAMINATION

Blanket Purchase Orders

Blanket purchase orders (BPOs) establish a simplified method of filling anticipated needs by setting up charge accounts with vendors. These BPOs include terms and conditions identified in Regulation 19-445.2100 with one of them being the maximum dollar limit of each call. The following BPOs exceeded the maximum limit per call.

<u>Purchase Order</u>	<u>Voucher</u>	<u>Limit Per Call</u>	<u>Amount Paid</u>
200309	424	\$ 800	\$ 1,091
200309	424	800	929
201132	16252	1,000	1,820
201132	16252	1,000	2,776
201132	16252	1,000	1,873
20892	783	1,500	6,531
20892	783	1,500	5,624
20892	783	1,500	2,318
20892	783	1,500	3,788
201294	3404	1,500	4,260
200144	7011	1,000	2,001
200624	7472	1,500	4,079
200052	13274	1,000	621
200052	13275	1,000	621
200091	13215	1,000	1,496
200091	13216	1,000	1,482

On purchase order 200052, the Department issued vouchers 13274 and 13275 as follows.

<u>Date</u>	<u>Description</u>	<u>Amount</u>
4/15/04	Battery replacement (4PG70-3) and light (4pG84-4)	\$ 621
4/15/04	Battery replacement (4PG70-3) and light (4pG84-4)	<u>621</u>
	Total	<u>\$ 1,242</u>

The total value of \$1,242 exceeded the limit per call of \$1,000.

On purchase order 200091, the Department issued vouchers 13215 and 13216 as follows.

<u>Date</u>	<u>Description</u>	<u>Amount</u>
4/05/04	Storage tank with capacity of 120 gallons	\$ 1,496
4/05/04	Labor to install storage tank	<u>1,482</u>
	Total	<u>\$ 2,978</u>

The Department should have solicited competition on the total value of \$2,978 rather than procure as two separate items.

Since the charges exceeded the maximum limit per call authorized, the procurements were unauthorized as defined in Regulation 19-445.2015.

We recommend the Department comply with the maximum limit per call on BPOs. A ratification must be submitted to the Director or his designee in accordance with Regulation 19-445.2015 for the unauthorized procurements.

Inappropriate Sole Source Procurement

Purchase order 866 in the amount of \$16,000 was a sole source procurement for a consultant to provide a series of workshops to the education staff responsible for instructional supervision. The procurement did not meet the criteria of sole source procurement as defined in Section 11-35-1560 and Regulation 19-445.2105.

We recommend the Department solicit competition for this type of service.

Sole Source Reporting Errors

The following sole source procurements were not reported.

<u>Purchase Order</u>	<u>Description</u>	<u>Amount</u>
202	Shelter for clients	\$ 7,000
200375	Equipment maintenance	13,497
200426	Monitoring service	2,758
201139	Mail equipment lease	6,516
200835	Mail equipment lease	4,408
200147	Mail equipment lease	9,387
152	Consultant	1,817
1325	Supplies for mail equipment	1,814

We recommend the Department file amended reports to the Materials Management for these transactions.

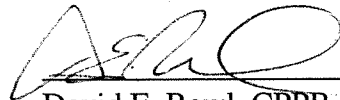
CERTIFICATION RECOMMENDATIONS

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 Juvenile Justice 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>
Supplies	*\$250,000 per commitment
Services	*\$100,000 per commitment
Information Technology	*\$ 50,000 per commitment
Consultant Services	*\$ 50,000 per commitment
Construction Contract Award	\$ 25,000 per commitment
Construction Change Order	\$ 25,000 per change order
Architect/Engineer Contract Amendment	\$ 5,000 per amendment

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



David E. Rawl, CPPB
Senior Auditor



Larry G. Sorrell, Manager
Audit and Certification



**South Carolina
Department of
Juvenile Justice**

Bill Byars, Director



P.O. Box 21069
Columbia, SC 29221-1069

**Mark Sanford
Governor
State of South Carolina**

October 20, 2004

Mr. Larry G. Sorrell
Manager, Audit and Certification
Materials Management Office
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Mr. Sorrell:

I have received and reviewed the draft audit report for the period of July 1, 2001, through June 30, 2004. I concur with the findings and recommendations. Changes have been implemented in order to avoid this in the future. The correction to the Sole Source Report will be filed in the near future.

Sincerely,

A handwritten signature in cursive script that reads 'Ruthie H. Bishop'.

Ruthie H. Bishop, CPPB
Procurement Director
SC Department of Juvenile Justice

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MATERIALS MANAGEMENT OFFICER

October 21, 2004


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 Department of Juvenile Justice to our audit report for the period of July 1, 2001 – June 30, 2004. Also we have followed the Department's corrective action during and subsequent to our fieldwork. We are satisfied that the Department of Juvenile Justice 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 Department of Juvenile Justice the certification limits noted in our report for a period of three years.

Sincerely,


Larry G. Sorrell, Manager
Audit and Certification

LGS/jl

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