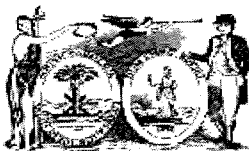


STATE OF SOUTH CAROLINA
State Budget and Control Board
PROCUREMENT SERVICES DIVISION

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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

September 3, 2002

Mr. Delbert H. Singleton Jr.

Director

SOUTH CAROLINA FORESTRY COMMISSION

PROCUREMENT AUDIT REPORT

JULY 1, 1999 – JUNE 30, 2002

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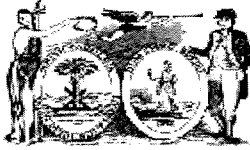
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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

August 1, 2002

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 Forestry Commission for the period July 1, 1999 through June 30, 2002. 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 Commission's internal 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 Forestry Commission 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 Forestry Commission in compliance with Consolidated Procurement Code and ensuing regulations.

Sincerely,



Larry G. Sorrell, Manager
Audit and Certification

INTRODUCTION

The Office of Audit and Certification performed an examination of the internal procurement operating policies and procedures and related manual of the South Carolina Forestry Commission, hereinafter referred to as the Commission. Our on-site review was conducted June 20, 2002 through July 3, 2002, and was made under authority described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Regulation 19-445.2020.

On January 27, 2000, the Budget and Control Board granted the Commission the following

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 Forestry Commission 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 July 1, 2000 through June 20, 2002 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, 1999 through June 30, 2002
- (2) Procurement transactions from the period July 1, 2000 through June 20, 2002 as follows:
 - a) Fifty-nine payments each exceeding \$1,500
 - b) A block sample of five hundred sequential payment vouchers reviewed for order splitting and favored vendors
 - c) An additional sample of five sealed bids from the audit period
- (3) Two professional service contracts, two small construction contracts and two major construction contracts for compliance with the Manual for Planning and Execution of State Permanent Improvements
- (4) Minority Business Enterprise Plans and reports for the audit period
- (5) Information technology plans for the audit period
- (6) Internal procurement procedures manual review
- (7) Surplus property procedures
- (8) Real property lease approvals
- (9) Procurement file documentation and evidence of competition

RESULTS OF EXAMINATION

Since our previous audit in 1999, the Commission has maintained what we consider to be a professional, efficient procurement system. We did note, however, the following points, which should be addressed by management.

Unauthorized Procurements

We noted four procurements that were not approved by a person with the requisite authority.

<u>Date</u>	<u>Reference Number</u>	<u>Amount</u>	<u>Description</u>
3/5/01	Req. 95748	\$ 6,175	Moved HVAC system – contract not approved by Office of the State Engineer (OSE)
4/13/01	Req. 95752	22,060	Renovations to cabin – contract not approved by OSE
10/16/00	FPO 113-024	10,148	Repairs on aircraft – unsigned and unreported emergency determination in file
7/16/01	PO 15	9,968	Parts for nursery equipment - sole source determination not approved by authorized person

Regulation 19-445.2015 defines an unauthorized procurement as "an act obligating the State in a contract by any person without the requisite authority to do so by an appointment or delegation...." Since in each of these cases, the person obligating the funds did not have the authority to do so, the procurements are unauthorized.

We recommend the Commission request ratification for these items in accordance with 19-445.2015 and institute procedures to ensure proper approvals for procurements in the future.

Solicitation Method Selection

We noted three items that were not procured in compliance with the Code.

<u>Date</u>	<u>Reference Number</u>	<u>Amount</u>	<u>Description</u>	<u>Solicitation Method Used</u>	<u>Solicitation Method Required</u>
2/14/00	PO 132	\$ 27,925	Aerial spraying services	Written solicitation of written quotes	Sealed bid
6/22/01	Req. SHSF 1027	6,254	Pond work	Verbal solicitation of verbal quotes	Verbal solicitation of written quotes

<u>Date</u>	<u>Reference Number</u>	<u>Amount</u>	<u>Description</u>	<u>Solicitation Method Used</u>	<u>Solicitation Method Required</u>
8/21/01	PO 23	16,000	Mulch for nursery	Written quotes	Written solicitation of written quotes

Section 11-35-1510 lists the methods of source selection allowed under the Code.

We recommend the Commission review the requirements of the Code and comply with them in the future.

Additionally, the solicitation supporting PO 132 included an extension clause. Section 11-35-2030 limits all contracts to one year unless approved in a manner prescribed by the Budget and Control Board. This section also requires that a determination be prepared prior to use. The Commission did not prepare a multi-term determination.

We recommend the Commission prepare multi-term determinations for all solicitations containing an extension clause.

No Evidence of Compliance

Several items were noted during the audit that had no supporting documentation in the file.

We could not determine compliance with the Code for these items.

<u>Date</u>	<u>Reference Number</u>	<u>Amount</u>	<u>Description</u>
10/12/00	Req. 9562.06	\$ 8,370	Replace HVAC system
10/16/00	Req. 350387	5,053	Meeting facilities
11/13/00	Req. 325260	8,140	Extended warranty on Heavy Machinery
7/25/01	FPO 227-028	1,800	Machinery repairs
7/23/01	FPO 212-003	\$1,692	Tires, tubes and mounting
5/22/02	PO 118	26,963	Color, Infrared Photos

Section 11-35-1510 lists the methods of source selection allowed by the Code.

We recommend the Commission review procurements more carefully to ensure compliance with the Code and document such compliance.

Bid Procedures

We noted three solicitations where the tabulation sheet was not signed by the witness, three solicitations where the tabulation sheet was not signed at all, two solicitations where the responses were not time or date stamped and one solicitation that did not have a bid tabulation in the file. Section 11-35-1520 (5) requires that solicitations over \$25,000 be opened publicly in the presence of one or more witnesses and that the tabulation is open to public inspection the time of opening. Also, Regulation 19-445.2070 requires that any bid that does not conform to essential requirements be rejected. Since the solicitation required responses by a certain time and date, the time and date stamp is evidence of conforming to the requirements of the solicitation.

We recommend the Commission prepare tabulations signed by opener and witness, and time and date stamp bid responses upon opening.

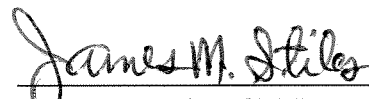
CERTIFICATION RECOMMENDATIONS

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 Forestry Commission in compliance with the 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 Commission be recertified 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	*\$50,000 per commitment
Information Technology	*\$25,000 per commitment
Consultant Services	*\$25,000 per commitment

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


James M. Stiles, CPPB
Audit Manager





SOUTH CAROLINA FORESTRY COMMISSION

Bob Schowalter, State Forester

August 28, 2002

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

Dear Mr. Sorrell,

REVIEW OF PROCUREMENT OPERATIONS

We have reviewed the results of the examination of the procurement operations of the South Carolina Forestry Commission and we concur with your findings. We will make the corrections as recommended in your report and will begin immediately the process of getting the required ratifications from the State Engineer's office on the two procurements that require that. The other two procurements indicated in your draft will be reviewed and ratified as required. Thank you for the time and information you shared at the exit interview. We will use the recommendations and suggestions discussed to make any changes and corrections needed to improve the procurement operations of the Commission.

We appreciate the professional and positive manner that Mr. Jim Stiles and Mrs. Melissa Thurstin conducted the review when they were here.

Sincerely,

William O. Boykin
Deputy State Forester
South Carolina Forestry Commission

wk/wk
cc: Kelly

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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

September 3, 2002

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 Forestry Commission to our audit report for the period of July 1, 1999 – June 30, 2002. Also we have followed the Commission's corrective action during and subsequent to our fieldwork. We are satisfied that the Forestry Commission 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 Forestry Commission the certification limits noted in our report for a period of three years.

Sincerely,

Handwritten signature of Larry G. Sorrell in cursive.

Larry G. Sorrell, Manager
Audit and Certification

LGS/jl

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