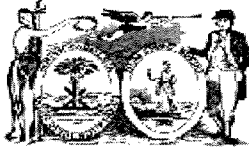


STATE OF SOUTH CAROLINA  
*State Budget and Control Board*  
PROCUREMENT SERVICES DIVISION

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(803) 737-0600  
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R. VOIGHT SHEALY  
MATERIALS MANAGEMENT OFFICER

November 29, 2005

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

Dear Delbert:

I have attached the Department'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 South Carolina Department of Public Safety a three-year certification as noted in the audit report.

Sincerely,

A handwritten signature in cursive script that reads "Voight Shealy".

R. Voight Shealy  
Materials Management Officer

/jl

**SOUTH CAROLINA DEPARTMENT OF PUBLIC SAFETY**

**PROCUREMENT AUDIT REPORT**

**JULY 1, 2002 – JUNE 30, 2005**

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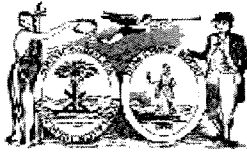
NOTE: The Department's response to issue noted in this report has been inserted immediately following the item it refers to.

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R. VOIGHT SHEALY  
MATERIALS MANAGEMENT OFFICER

October 31, 2005

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 Public Safety for the period July 1, 2002 through June 30, 2005. 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 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 Department of Public Safety 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, assurances 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 that we believe need correction or improvement by the South Carolina Department of Public Safety. Corrective action based on the recommendations described in these findings will in all material respects place the South Carolina Department of Public Safety in compliance with the 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 Public Safety. Our on-site review was conducted July 18, 2005 through August 9, 2005 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 procurement system's internal controls 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 its ensuing regulations.

On January 28, 2003 the Budget and Control Board granted the South Carolina Department of Public Safety the following procurement certifications:

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Goods and Services	\$ 50,000 per commitment
Consultant Services	\$ 50,000 per commitment
Information Technology	\$ 50,000 per commitment
Construction Contract Award	\$ 25,000 per commitment
Construction Contract Change Order	\$ 25,000 per change order
Architect/Engineer Contract Amendment	\$ 5,000 per change order

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

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Goods and Services	\$ 100,000 per commitment
Consultant Services	\$ 100,000 per commitment
Information Technology	\$ 50,000 per commitment
Construction Contract Award	\$ 25,000 per commitment
Construction Contract Change Order	\$ 25,000 per change order
Architect/Engineer Contract Amendment	\$ 5,000 per change order

## 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 Public Safety 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 a judgmental sample for the period July 1, 2002 through June 30, 2005 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, 2002 through June 30, 2005
- (2) Procurement transactions for the period July 1, 2002 through June 30, 2005 as follows:
  - a) Eighty-seven payments each exceeding \$1,500
  - b) A block sample of three-hundred one sequential purchase orders
  - c) Procurement card transactions for September of 2002, June of 2004, and April of 2005
- (3) Four construction contracts and three related professional service 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) Approval of most recent Information Technology Plans
- (6) Internal procurement procedures manual
- (7) Surplus property disposition
- (8) File documentation and evidence of competition

## SUMMARY OF AUDIT FINDINGS

Our audit of the procurement system of the South Carolina Department of Public Safety, hereinafter referred to as the Department, produced the following findings and recommendations.

	<u>PAGE</u>
I. <u>Indefinite Delivery Contracts (IDC) for Construction</u>	6
We found two instances where the Department failed to comply with IDC procedures.	
II. <u>Bidding Practices</u>	6
Two bidding practices need to be changed.	
III. <u>Payment</u>	7
Two purchase orders do not have sufficient information to allow us to reconcile the payments.	
IV. <u>Sole Source Reporting Error</u>	8
The Department declared sole source procurement for consulting services and issued several amendments resulting in a final total of \$553,500. However, the Department only reported \$48,500.	



## **RESULTS OF EXAMINATION**

### **I. Indefinite Delivery Contracts (IDC) for Construction**

Indefinite delivery contracts (IDCs) are awarded for construction and architectural services on an as-needed basis. Certain procedures apply to IDCs that do not apply to routine construction or architectural contracts. We found two instances where the Department failed to comply with IDC procedures.

On an IDC delivery order to renovate a weigh station in the amount of \$127,794, the IDC value exceeded the Department's construction certification level of \$25,000. Section 6.25C of the Manual for Planning and Execution of State Permanent Improvements issued by the Office of the State Engineer (OSE) of the Budget and Control Board requires that plans and specifications on delivery orders for construction that are expected to exceed agency construction certification be reviewed by the OSE before delivery order awards can be made.

We recommend the Department obtain approval on all delivery order plans and specifications from the OSE that are anticipated to exceed the Department's construction certification.

On another matter, section 6.25D of the Manual for Planning and Execution of State Permanent Improvements requires that Agencies submit quarterly reports of IDC activity to the OSE. The Department has not submitted quarterly reports.

We recommend the Department comply with section 6.25D of the manual.

### **DEPARTMENT RESPONSE**

We concur with the findings. On all future orders exceeding the Department's construction certification, we will obtain approval from the OSE prior to issuing purchase orders. We also concur with the finding regarding section 6.25D of the Manual for Planning and Execution of State Permanent Improvements and will comply with the reporting requirements of this section.

### **II. Bidding Practices**

Two bidding practices need to be changed. On a procurement in the amount of \$7,528 for a block of motel rooms awarded on purchase order 05 001339, the Department did not solicit competition. The rooms were for non-state employees to attend law enforcement training at the Criminal Justice Academy. The Department did not consider the transaction subject to the Code because the procurement was only for motel rooms and not conference facilities.

We recommend the Department solicit competition for motel rooms in accordance to the Code.

On quotation Q05-2211389 for a video streaming server, the Department required vendors to bid as specified meaning substitutions would not be allowed. However, a vendor offered an alternate item that did not meet the bid specifications. The Department accepted the alternate and awarded the quote in the amount of \$18,430. Since the alternate did not meet the bid specifications, the Department should not have made awarded.

We recommend the Department adhere to bid specifications when determining awards.

**DEPARTMENT RESPONSE**

We concur with the findings. On all future requirements for hotel rooms for non-state employees we will take quotes on the room rates. On all future bids the Department will adhere to bid specifications when determining awards.

III. Payment

Two purchase orders do not have sufficient information to allow us to reconcile the payments. Information on purchase order 04 240430 shows a price of \$14,000 for disposal of confidential documents. Unit pricing was not listed. The vendor invoiced based on a rate of \$.07 each. On purchase order 05 250174, information listed shows a price of \$9,515 for film processing. Unit pricing was not listed. The vendor invoiced based on varying unit price rates. Almost none of the rates on the invoices could be reconciled with the bid schedule.

We recommend the Department prepare purchase orders in accordance with bid schedules.

**DEPARTMENT RESPONSE**

We concur with the findings and on all future purchase orders where various rates are being utilized the procurement staff will attach a bid schedule by reference or will spell out the payment options on the purchase order document.

#### IV. Sole Source Reporting Error

The Department declared a sole source procurement for consulting services and issued several amendments resulting in a total procurement of \$553,500. However, the Department only reported \$48,500 as required by Section 11-35-2440 of the Code.

We recommend the Department review its procedures for the reporting of sole source activity to determine the weakness that resulted in the under reporting of \$505,000 of sole source activity. We also recommend the Department file an amended report for the \$505,000.

#### **DEPARTMENT RESPONSE**

The sole source was prepared and issued by the Department of Motor Vehicles (DMV) while they were still sharing the SAMS financial package owned and operated by the Department of Public Safety. The original order was issued and properly reported as required by Section 11-35-2440. The subsequent increases were all issued at the request of DMV officials and were performed by DMV staff. During this transition, these increases were not identified by DPS personnel at the time of sole source submittal. An amended sole source is being issued to capture this expenditure.

**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 Public Safety 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 South Carolina Department of Public Safety 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	*\$ 100,000 per commitment
Consultant Services	*\$ 100,000 per commitment
Information Technology	*\$ 50,000 per commitment
Construction Contract Award	\$ 25,000 per commitment
Construction Contract Change Order	\$ 25,000 per change order
Architect/Engineer Contract Amendment	\$ 5,000 per change order

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



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Robert J. Aycock, IV  
Audit Manager



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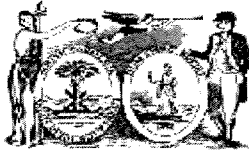
Larry G. Sorrell, Manager  
Audit and Certification

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R. VOIGHT SHEALY  
MATERIALS MANAGEMENT OFFICER

November 29, 2005

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 Public Safety to our audit report for the period of July 1, 2002 – June 30, 2005. Also we have followed the Department's corrective action during and subsequent to our fieldwork. We are satisfied that the South Carolina Department of Public Safety has corrected the problem area and the internal controls over the procurement system are adequate.

Therefore, we recommend the Budget and Control Board grant the South Carolina Department of Public Safety the certification limits noted in our report for a period of three years.

Sincerely,

A handwritten signature in blue ink that reads "Larry G. Sorrell".

Larry G. Sorrell, Manager  
Audit and Certification

LGS/jl

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