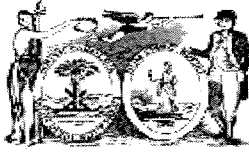


STATE OF SOUTH CAROLINA
State Budget and Control Board
PROCUREMENT SERVICES DIVISION

JIM HODGES, CHAIRMAN
GOVERNOR

GRADY L. PATTERSON, JR.
STATE TREASURER

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FRANK W. FUSCO
EXECUTIVE DIRECTOR

DELBERT H. SINGLETON, JR.
DIVISION DIRECTOR
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MATERIALS MANAGEMENT OFFICE
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COLUMBIA, SOUTH CAROLINA 29201
(803) 737-0600
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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

January 13, 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 Law Enforcement Division'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 Law Enforcement Division 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 LAW ENFORCEMENT DIVISION

PROCUREMENT AUDIT REPORT

JANUARY 1, 2000 - SEPTEMBER 30, 2002

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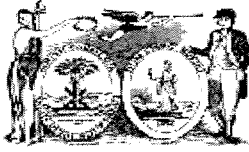
NOTE: The Division's responses to issues noted in this report have been inserted immediately following the items they refer to.

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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

December 17, 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 Law Enforcement Division for the period January 1, 2000 through September 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 Division'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 Law Enforcement Division 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 Law Enforcement Division in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

Sincerely,



Larry G. Sorrell, Manager
Audit and Certification

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 Law Enforcement Division 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 judgemental samples from the period July 1, 2000 through September 25, 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 January 1, 2000 through September 30, 2002
- (2) Procurement transactions for the period July 1, 2000 through September 25, 2002 as follows:
 - a) Eighty-three payments each exceeding \$1,500
 - b) A block sample of 273 sequential purchase orders for order splitting and favored vendors
 - c) One construction contract and one professional service contract for compliance with the Manual for Planning and Execution of State Permanent Improvements
- (3) Minority Business Enterprise Plans and reports for the audit period
- (4) Information technology plans for the audit period
- (5) Internal procurement procedures manual
- (6) Surplus property procedures
- (7) File documentation and evidence of competition

RESULTS OF EXAMINATION

The Office of Audit and Certification conducted an examination of the internal procurement operating policies and procedures of the South Carolina Law Enforcement Division. Our on-site review was conducted October 3-15, 2002 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 April 11, 2000, the State Budget and Control Board granted the South Carolina Law Enforcement Division, hereinafter referred to as the Division, the following procurement certifications. The Division wants to continue these current levels of certification.

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

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

Blanket Purchase Agreements

A blanket purchase agreement (BPA) is a simplified method of filling anticipated repetitive needs of small quantities with qualified sources of supply. A single purchase on each BPA at the Division could not exceed \$1,500. The following purchases exceeded \$1,500, thus making each unauthorized as defined in Regulation 19-445.2015.

| <u>PO</u> | <u>Voucher</u> | <u>Date</u> | <u>Amount</u> |
|-----------|----------------|-------------|---------------|
| 20105 | 928 | 08/20/01 | \$1,844 |
| 20105 | 4490 | 02/07/02 | 1,630 |
| 20105 | 4233 | 02/01/02 | 1,548 |
| 20105 | 5358 | 04/01/02 | 1,596 |

| <u>PO</u> | <u>Voucher</u> | <u>Date</u> | <u>Amount</u> |
|-----------|----------------|-------------|---------------|
| 20105 | 2914 | 11/15/00 | \$2,173 |
| 20105 | 5655 | 04/09/02 | 2,061 |
| 20105 | 6222 | 05/08/02 | 1,831 |
| 20105 | 7411 | 07/01/02 | 2,626 |
| 30090 | 489 | 08/06/02 | 1,644 |

Additionally, we noted that not all items required by Regulation 19-445.2100(b)(3) were contained on purchase orders 20105 and 30090. The missing items were the notice of individuals authorized to place calls, delivery requirements and invoicing requirements.

We noted two purchases charged to a BPA that should have been combined and competition solicited based on the total value.

| <u>PO</u> | <u>Date</u> | <u>Description</u> | <u>Amount</u> |
|-----------|-------------|--------------------|-----------------|
| 20234 | 08/02/01 | Skid shoes | \$1,008 |
| 20234 | 08/02/01 | Skid shoes | <u>1,009</u> |
| | | Total | <u>\$ 2,107</u> |

We recommend the Division comply with the regulations on BPAs. The Division must request ratification of the unauthorized procurements from the Director or his designee in accordance with Regulation 19-445.2015.

DIVISION RESPONSE

This Division understands that blanket purchase agreements are a simplified method of filling anticipated needs of small quantities with qualified sources of supply. Furthermore, it is understood that single purchases are not to exceed \$1500. However, your audit team identified that on several occasions, the respective departments placed orders and the Finance Department paid invoices, which exceeded these regulations on purchase orders 20105 and 30090. Action has been taken to advise the appropriate parties of the requirements and that future said documents will include individuals/departments authorized to place calls. As for blanket purchase order 20234, the appropriate department has been advised that they are not to split procurements in order to avoid soliciting competitive bids.

A ratification request has been submitted per Regulation 19-445.2015.

Multi-Term Determination Not Prepared

The Division did not prepare the multi-term determination on a five-year elevator maintenance contract for the lab on purchase order 30006 dated July 17, 2001. The contract was for one year with an option to extend for four additional one-year periods. Section 11-35-2030 of the Code and Regulation 19-445-2135 define the requirements for the use of multi-term contracts. One requirement is that a written determination must be prepared justifying the use of each multi-term contract.

We recommend the Division prepare a written determination to justify each multi-term contract.

DIVISION RESPONSE

Purchase order 30006 was competitively bid for one year with the option to extend for a period of four additional one-year periods. However, a written determination justifying the use of a multi-term contract in this solicitation/award was not documented. The Division will prepare written determinations for such awards as necessary.

Overpayment

Purchase order 30478 issued on August 19, 2002 included fifteen repair kits at \$30 each. The Division paid \$37.70 each for the fifteen kits on voucher 1192 thus resulting in an overpayment of \$115.50.

We recommend that invoices be reconciled to the purchase orders to avoid overpayments. We also recommend the Division request a refund for the overpayment.

DIVISION RESPONSE

Purchase order 30478 included fifteen repair kits at \$30.00 each. The Division paid \$37.70 each, thus resulting in an overpayment of \$115.50. Per your recommendations, invoices will be reconciled to purchase orders and a refund requested for the overpayment.

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 Law Enforcement Division in compliance with the Consolidated Procurement Code and ensuing regulations.

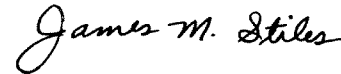
Under the authority described in Section 11-35-1210 of the Procurement Code, subject to this corrective action, we will recommend the South Carolina Law Enforcement Division be recertified to make direct agency procurements for three years up to the limits as follows.

PROCUREMENT AREAS

RECOMMENDED CERTIFICATION LIMITS

| | |
|------------------------|--------------------------|
| Goods and Services | *\$25,000 per commitment |
| Information Technology | *\$25,000 per commitment |
| Consultant Services | *\$25,000 per commitment |

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



James M. Stiles, CPPB
Audit Manager



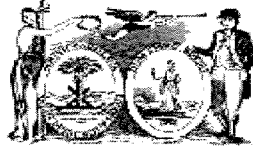
Larry G. Sorrell, Manager
Audit and Certification

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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

January 13, 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 Law Enforcement Division to our audit report for the period of January 1, 2000 – September 30, 2002. Also we have followed the Division's corrective action during and subsequent to our fieldwork. We are satisfied that the South Carolina Law Enforcement Division 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 Law Enforcement Division the certification limits noted in our report for a period of three years.

Sincerely,

A handwritten signature in cursive script that reads "Larry G. Sorrell".

Larry G. Sorrell, Manager
Audit and Certification

LGS/jl

| | |
|----------------------|--------|
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