

SOUTH CAROLINA DEPARTMENT OF JUVENILE JUSTICE
PROCUREMENT AUDIT REPORT
JULY 1, 2004 – JUNE 30, 2007

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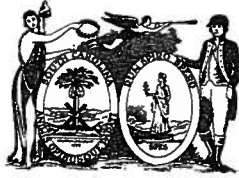
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STATE OF SOUTH CAROLINA
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PROCUREMENT SERVICES DIVISION

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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

November 20, 2007

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, 2004 through June 30, 2007. 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 13, 2004 through September 17, 2007 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 December 14, 2004 the State Budget and Control Board granted the South Carolina Department of Juvenile Justice, hereinafter referred to as the Department, the following procurement certifications.

<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

Our audit was performed primarily to determine if recertification is warranted. On June 13, 2006, Senate bill S. 572 was signed into law raising all governmental bodies' procurement authority levels to \$50,000. As a result, The South Carolina Department of Juvenile Justice requested the following procurement certifications.

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Supplies	\$ 250,000 per commitment
Services	\$ 100,000 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, 2005 through June 30, 2007 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, 2004 through June 30, 2007
- (2) Procurement transactions for the audit period as follows:
 - a) One hundred two payments exceeding \$1,500
 - b) A numerical block sample of 300 purchase orders
 - c) Procurement card transactions for the months of July, August and September of 2006
- (3) Three construction contracts, two professional service contracts, and one indefinite delivery contract for professional services 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

Unauthorized Blanket Purchase Agreement Procurements

Blanket purchase agreements (BPAs) establish a simplified method of filling repetitive needs by setting up charge accounts with vendors as allowed in Regulation 19.445.2100. One of the terms and conditions of Regulation 19-445.2100 is the dollar limitation for each order. The dollar limitation was not listed on the purchase orders but was included in a separate document prepared by the Department. The following items exceeded the established limit of \$1,500.

<u>PO</u>	<u>Invoice Date</u>	<u>Amount</u>
200218	09/02/05	\$4,560
201196	02/09/06	3,487
201571	01/18/06	3,322

Each procurement exceeded the prescribed BPA limit of \$1,500 resulting in each procurement being unauthorized as defined in Regulation 19-445.2015.

We recommend purchase orders include the BPA elements required in Regulation 19-445.2100. Ratification must be submitted to the Director or his designee in accordance with Regulation 19-445.2015 for each of the three unauthorized procurements.

Divided Blanket Purchase Agreement Transactions

The following procurements should have been combined and competition solicited based on the total value rather than divided and procured via the established blanket purchase agreements. As noted above, the dollar limitation was not listed on the purchase orders but was included in a separate document prepared by the Department.

<u>BPA/PO</u>	<u>Invoice</u>	<u>Invoice Date</u>	<u>Description</u>	<u>Amount</u>	<u>Total</u>
201569-4	203154	07/23/06	Janitorial supplies	\$ 1,447	
201569-4	203155	07/23/06	Janitorial supplies	2,331	
201569-4	203156	07/25/06	Janitorial supplies	2,378	
201569-4	203157	07/28/06	Janitorial supplies	2,020	
201569-4	203158	08/01/06	Janitorial supplies	<u>2,030</u>	<u>\$10,206</u>
201569-4	204214	09/19/06	Batteries	\$ 1,718	
201569-4	204215	09/19/06	Batteries	<u>1,429</u>	<u>\$ 3,147</u>
201569-4	201354F	12/06/06	Floor stripper	\$ 1,140	
201569-4	201354G	12/08/06	Floor finish	<u>1,590</u>	<u>\$ 2,730</u>
201569-4	208011	03/09/07	Janitorial supplies	\$ 2,181	
201569-4	208013	03/09/07	Janitorial supplies	<u>1,873</u>	<u>\$ 4,054</u>
201569-4	208148	03/30/07	Batteries	\$ 1,665	
201569-4	208149	04/03/07	Batteries	<u>1,887</u>	<u>\$ 3,552</u>
201751	5766	11/14/06	Janitorial supplies	\$ 636	
2001751	5767	11/15/06	Janitorial supplies	<u>2,373</u>	<u>\$ 3,009</u>
200382-2	7581	08/17/06	Soap	\$ 2,222	
200382-2	7582	08/21/06	Soap	<u>2,222</u>	<u>\$ 4,444</u>
200382-2	10058	04/23/07	Utility trucks	\$ 2,275	
200382-2	10059	04/25/07	Utility trucks	2,275	
200382-2	10060	04/30/07	Utility trucks	<u>1,950</u>	<u>\$ 6,500</u>
200382	3903	07/06/05	Janitorial supplies	\$ 1,498	
200382	3906	07/06/05	Janitorial supplies	<u>1,421</u>	<u>\$ 2,919</u>
200382-2	9431	02/27/07	Janitorial supplies	\$ 2,439	
200382-2	9432	02/27/07	Janitorial supplies	<u>1,646</u>	<u>\$ 4,085</u>

These procurements exceeded the prescribed limit for the BPAs resulting in the procurements being unauthorized as defined in Regulation 19-445.2015.

We recommend the Department conduct a complete review of the BPA process to determine the weakness or weaknesses that resulted in non-compliance. Corresponding corrective action must be implemented. Ratification must be submitted to the Director or his designee in accordance with Regulation 19-445.2015 for each unauthorized procurement. We also recommend compliance with the competitive requirements of the Code based on the total value of each procurement.

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
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.



Larry G. Sorrell, Manager
Audit and Certification



**South Carolina
Department of
Juvenile Justice**

Bill Byars, Director

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Mark Sanford
Governor
State of South Carolina

November 26, 2007

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

Dear Mr. Sorrell,

The South Carolina Department of Juvenile Justice has completed our review of the minor findings of the draft Procurement Audit Report performed by the State Material Management Office (MMO) for the period of July 1, 2004 through June 30, 2007. We offer the following responses to the findings and recommendations contained in the draft report.

Blanket Purchase Agreement Limits Exceeded

We concur with the finding and the Procurement Director has counseled the requestor's regarding the use of Blanket Purchase Orders. The Blanket Purchase Statement that is attached to each Blanket Purchase Order has been explained in detail to the requestor's that violated the Blanket Purchase Order Agreements.

The Blanket Purchase Orders that were issued for SCDJJ Warehouse will be cancelled once the Sealed Solicitation Process is completed.

In closing, the Department appreciates the professionalism with which MMO Auditors conducted their examination of the Department's procurement policies, procedures and transactions. We value their recommendations and will utilize those recommendations as a tool to improve the on going operations of the Department.

Sincerely,

Ruthie H. Bishop, CPPB
Procurement Director

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MATERIALS MANAGEMENT OFFICER

November 27, 2007

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

Dear Voight:

We have reviewed the response from the South Carolina Department of Juvenile Justice to our audit report for the period of July 1, 2004 to June 30, 2007. Also we have followed the Department's corrective action during and subsequent to our fieldwork. We are satisfied that the South Carolina 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 South Carolina Department of Juvenile Justice the certification limits noted in our report for a period of three years.

Sincerely,

Handwritten signature of Larry G. Sorrell in blue ink.

Larry G. Sorrell, Manager
Audit and Certification

LGS/gs

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