

**SOUTH CAROLINA**  
**DEPARTMENT OF PUBLIC SAFETY**  
**PROCUREMENT AUDIT REPORT**  
**JULY 1, 2005 – JUNE 30, 2008**

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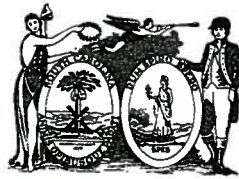
**NOTE:** The Department's responses to issues noted in this report have been inserted immediately following the items they refer to.

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

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R. VOIGHT SHEALY  
MATERIALS MANAGEMENT OFFICER

November 5, 2008

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 Department Public Safety for the period July 1, 2005 through June 30, 2008. 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 established a basis for reliance upon the system of internal control to assure adherence to the Consolidated Procurement Code, State regulations and procurement policy of the South Carolina Department of Public Safety. Additionally, the evaluation determined 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, assurance of the integrity of the procurement process, that affected assets are safeguarded against loss from unauthorized use or disposition and those 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 Public Safety in compliance with the Consolidated Procurement Code and ensuing regulations.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert V. Aycock, IV", written over the printed name.

Robert V. Aycock, IV, Manager  
Audit and Certification

## INTRODUCTION

We conducted an examination of the internal procurement operating policies and procedures of the South Carolina Department Public Safety. Our review, conducted August 28, 2008 through October 7, 2008, 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 13, 2005, the State Budget and Control Board granted the South Carolina Department of Public Safety, hereafter referred to as the Department, the following procurement certifications:

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Goods and Services	\$ 100,000 per commitment
Consultant Services	\$ 100,000 per commitment
Construction Contract 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. The South Carolina Department of Public Safety requested the following certifications.

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Supplies and Services	\$ 250,000 per commitment
Information Technology	\$ 100,000 per commitment
Consultant Services	\$ 100,000 per commitment
Construction Contract 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 South Carolina Department of Public Safety, hereinafter referred to as the Department, 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 samples for the period January 1, 2006 through June 30, 2008 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, 2005 through June 30, 2008 with no exceptions
- (2) Procurement transactions for the period January 1, 2006 through June 30, 2008 as follows:
  - a) Ninety-six payments each exceeding \$2,500 with one exception noted in Section III of the report
  - b) Five hundred and fifty-three sequentially filed purchase orders reviewed against the use of order splitting and favored vendors with no exceptions
  - c) Procurement card transactions for the months of January and February 2008 with no exceptions
- (3) Four Construction Indefinite Delivery Contracts with an exception noted in section II of the report
- (4) Minority Business Enterprise Plans and reports with the following activity reported to The Governor's Office of Small and Minority Business Assistance

<u>Fiscal Year</u>	<u>Goal</u>	<u>Actual</u>
2005-2006	\$522,898	\$707,361
2006-2007	\$515,888	\$907,099
2007-2008	\$467,450	\$241,237

- (5) Approval of most recent Information Technology Plan with no exceptions
- (6) Internal procurement procedures manual with deficiencies in a number of areas noted in section I of the report
- (7) Surplus property disposition procedures with no exceptions
- (8) Other tests performed as deemed necessary with no exceptions

## RESULTS OF EXAMINATION

### I. Procurement Procedures Manual

We reviewed the current procurement procedures manual for compliance with the South Carolina Consolidated Procurement Code (the Code) as defined in Section 11-35-540 and Regulation 19-445.2005 and found it to be deficient in a number of areas. Per the Procurement Director, the manual is in the process of being updated.

We recommend the Department update its manual and submit it to the Materials Management Office in accordance with Section 11-35-540.

### DEPARTMENT RESPONSE

The Department has updated its manual and submitted it to the Materials Management Office in accordance with Section 11-35-540.

### II. Performance and Payment Bonds not Obtained

Our testing of Indefinite Delivery Contracts for construction services indicated performance and payment bonds were not being obtained.

<u>Project Number</u>	<u>Project Name</u>	<u>Delivery Order Amount</u>	<u>Description</u>
IDC-53	Mechanical HVAC	\$146,550.33	Furnish & Install 70 Ton Chiller
IDC-42-5	General Construction	\$ 76,152.97	Lex. Cnty. Weight Station & Renovation of Irmo STP Office

Section 9.2.7 of the Manual for Planning and Execution of State Permanent Improvements, Part II requires Performance Bonds and Labor & Material Payment Bonds for all Delivery Orders exceeding \$50,000.

We recommend the Department comply with section 9.2.7 of the manual.



DEPARTMENT RESPONSE

The Department has discussed with appropriate agency personnel the requirements for obtaining performance and payment bonds in accordance with Section 9.2.7 of the Manual for Planning and Execution of State Permanent Improvements, Part II. Corrective actions have been put in place to ensure adherence to these requirements.

III. Incomplete Terms and Conditions for Blanket Purchase Agreement

A Blanket Purchase Agreement did not include terms and conditions required by Regulation 19-445.2100 (B) (3).

<u>Voucher Number</u>	<u>Description</u>	<u>Voucher Date</u>	<u>Voucher Amount</u>
13214	Parts, labor, maintenance and supplies to repair scales	6/2/2008	3,354.05

The Regulation requires BPAs to include: 1) description of the agreement, 2) specified period of time the BPA applies, 3) stipulated aggregate amount, 4) individuals authorized to place calls, and 5) dollar limitation per call.

We recommend the Department comply with Regulations 19-445.2100 (B) (3).

DEPARTMENT RESPONSE

The Department will comply with Regulation 19-445.2100 (B) (3).

## 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 South Carolina Consolidated 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:

### PROCUREMENT AREAS

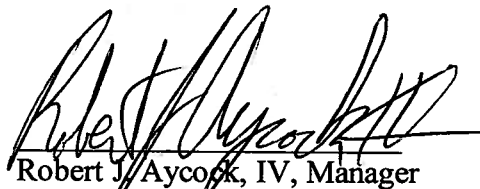
### CERTIFICATION LIMITS

Supplies and Services	*\$ 200,000 per commitment
Information Technology	*\$ 100,000 per commitment
Consultant Services	*\$ 100,000 per commitment
Construction Contract Change Order	\$ 25,000 per change order
Architect/Engineer Contract Amendment	\$ 5,000 per amendment

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



Allen R. Townsend, CBM  
Senior Auditor



Robert J. Aycock, IV, Manager  
Audit and Certification

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R. VOIGHT SHEALY  
MATERIALS MANAGEMENT OFFICER

November 17, 2008

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 Department of Public Safety to our audit report for the period of July 1, 2005 to June 30, 2008. Also we have followed the Department's corrective action during and subsequent to our fieldwork. We are satisfied that the Department of Public Safety 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 Public Safety the certification limits noted in our report for a period of three years.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert J. Aycock, IV".

Robert J. Aycock, IV, Manager  
Audit and Certification

RJA/gs

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