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State Budget and Control Board
PROCUREMENT SERVICES DIVISION

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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

May 28, 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 Department of Parks, Recreation and Tourism'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 Parks, Recreation and Tourism 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 PARKS, RECREATION AND
TOURISM
PROCUREMENT AUDIT REPORT
JANUARY 1, 2000 - DECEMBER 31, 2002**

TABLE OF CONTENTS

	<u>PAGE</u>
Transmittal Letter.....	1
Introduction.....	3
Scope.....	4
Results of Examination.....	5
Certification Recommendations.....	8
Follow-up Letter	9

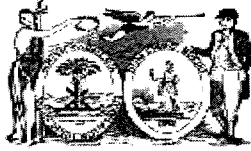
NOTE: The Department's responses to issues noted in this report have been inserted immediately following the items they refer to.

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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

April 14, 2003

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 Parks, Recreation and Tourism for the period January 1, 2000 through December 31, 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 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 Parks, Recreation and Tourism 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 Parks, Recreation and Tourism 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 policies and procedures of the South Carolina Department of Parks, Recreation and Tourism. Our on-site review was conducted January 22, 2003 through February 6, 2003 and was made under the authority described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Regulation 19-445.2020.

On June 21, 2000, the State Budget and Control Board granted the Department the following certifications. The Department desires to continue at these levels of certification.

<u>PROCUREMENT AREAS</u>	<u>RECOMMENDED CERTIFICATION LIMITS</u>
Goods and Services	\$ 25,000 per commitment
Consultant Services	\$ 25,000 per commitment
Information Technology	\$ 25,000 per commitment
Construction Contract Award	\$100,000 per commitment
Construction Contract Change Award	\$100,000 per change order
Architect/Engineering Contact Amendment	\$ 15, 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 Parks, Recreation and Tourism 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 December 31, 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 December 31, 2002 as follows:
 - a) One hundred and two procurements each exceeding \$1,500
 - b) Block sample of 300 sequential purchase orders reviewed for order splitting and favored vendors
 - c) Twenty additional informal written quotes from FY 03
- (3) Four construction contracts and four professional service contracts for compliance with the Manual for Planning and Execution of State Permanent Improvements
- (4) Minority Business Enterprise Plans and reports
- (5) Information technology plans
- (6) Internal procurement procedures manual
- (7) File documentation and evidence of competition
- (8) Surplus property disposal procedures

RESULTS OF EXAMINATION

Additional Cost Added for Workshop Materials

Purchase order 775 was issued on October 8, 2001 for a one-day media-training workshop. The vendor's written quote stated, "The total fee for this workshop is \$2,500". The vendor added an additional \$118 for materials and invoiced the Department \$2,618. The Procurement Department questioned the additional charge, however the Deputy Director approved the increase of \$118. Relying on the vendor's written quote, we do not believe the increase should have been granted.

We recommend the Department review its policy that allows changes to purchase orders.

DEPARTMENT RESPONSE

We will review our policy on change order procedures and ensure this exception is prevented in the future.

Inappropriate Sole Source Procurements

Three sole source procurements were inappropriate.

<u>PO</u>	<u>Date</u>	<u>Description</u>	<u>Amount</u>
2305	4/05/01	Design new filing system and file conversion	\$12,213
2306	4/05/01	Design new filing system and file conversion	17,028
2526	6/05/01	Doors, shelving and supplies for design filing system on purchase orders 2305 and 2306	<u>7,790</u>
		Total	<u>\$37,031</u>

Section 11-35-1560 of the Code requires that sole source procurements only apply when there is only one source for the required supply, service, or construction items. In cases of reasonable doubt, competition must be solicited.

We recommend that procurements that do not meet the definition of a sole source be competed in accordance with the Code.

DEPARTMENT RESPONSE

We searched the market at the time of this request and there were no sources available to provide the services needed. The manufacturer that makes this filing system distributed the product by regions within the United States and the vendor was the designated vendor for this region. Therefore we sole sourced this request. We feel that this is a valid sole source and should not be reported as an audit exception.

Inappropriate Emergency Procurement

Purchase order 883 was issued on September 22, 2000 for perennial rye grass seeds totaling \$11,119 as an emergency procurement. The written justification to justify the emergency was approved on August 8, 2000 and three written quotes were obtained. Since time was available to meet the requirements of the Code, the procurement should have been competed in accordance with Section 11-35-1550(2)(d).

We recommend that procurements that do not meet the criteria of an emergency procurement be competed in compliance with the Code.

DEPARTMENT RESPONSE

This transaction appears to be an oversight on our part since the emergency was processed August 8, 2000 and the purchase order was dated September 22, 2000. However, we did solicit three quotes from three vendors. This emergency request was coordinated with the Director of SCPRT prior to processing. The lead time for receipt of this order was 60 days, therefore when we approved the emergency procurement the vendor alerted the manufacturer that an order would be forth coming. We will ensure documentation is attached to the purchase order when a delay occurs in processing an emergency procurement request to prevent an audit exception.

Incorrect Award

Purchase order 1289 was issued on May 8, 2002 for \$8,193 for lawn treatment chemicals to an incorrect vendor. The low quote was \$8,133 plus sales tax of \$487 for a total of \$8,620. When determining the award, the Department used the total of \$8,620 rather than \$8,133.

We recommend the Department review responses to solicitations to ensure that awards are made to the lowest responsive and responsible bidders.

DEPARTMENT RESPONSE

This was a human error on SCPRT's part. The requisition was received by the Procurement Department with the vendor listed as the low bidder. We failed to notice that the tax was added to another bid which made this bid the high bid. We will pay strict attention to details in the future to prevent this type of exception.

Incorrect Purchase Order Amount

Purchase order 210 was issued for \$3,767 on March 2, 2002. The vendor quoted a price of \$3,385 plus sales tax of \$203 for a total of \$3,588. When processing the requisition to generate a purchase order, the Department used the amount of \$3,588 rather than \$3,385. The computer system added \$215 for sales tax. The purchase order total of \$3,767 was paid. Consequently, the Department paid \$179 more than was quoted.

We recommend the Department review requisitions and corresponding purchase orders for accuracy.

DEPARTMENT RESPONSE

This error occurred due to an oversight by SCPRT for failing to separate the taxes when processing the purchase requisition. Therefore, the computer automatically added the taxes which caused a duplication of taxes paid. We will review requisitions and corresponding purchase orders for accuracy to prevent unnecessary exceptions in future audits.

CERTIFICATION RECOMMENDATIONS

As enumerated in our transmittal letter, corrective action based on the recommendations described in this report, will in all material respects place the South Carolina Department of Parks, Recreation and Tourism in compliance with the South Carolina Consolidated Procurement Code and ensuing Regulations.

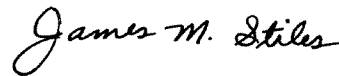
Under the authority described in Section 11-35-1210 of the Procurement Code, subject to this corrective action, we will recommend the South Carolina Department of Parks, Recreation and Tourism be re-certified to make direct agency procurements for three years up to the limits as follows:

PROCUREMENT AREAS

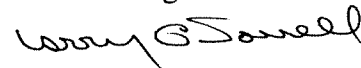
CERTIFICATION LIMITS

Goods and Services	*\$ 25,000 per commitment
Consultant Services	*\$ 25,000 per commitment
Information Technology	*\$ 25,000 per commitment
Construction Contract Award	\$100,000 per commitment
Construction Contract Change Order	\$100,000 per change order
Architect/Engineering Contract Amendment	\$ 15,000 per amendment

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



James M. Stiles, CPPB
Audit Manager



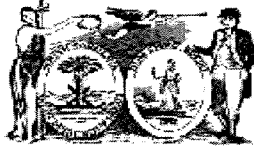
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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

May 28, 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 Department of Parks, Recreation and Tourism to our audit report for the period of January 1, 2000 – December 31, 2002. Also we have followed the Department's corrective action during and subsequent to our fieldwork. We are satisfied that the South Carolina Department of Parks, Recreation and Tourism 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 Parks, Recreation and Tourism 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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