

SOUTH CAROLINA LAW ENFORCEMENT DIVISION

PROCUREMENT AUDIT REPORT

JULY 1, 2008 – JUNE 30, 2011

TABLE OF CONTENTS

	<u>PAGE</u>
Transmittal Letter.....	1
Introduction.....	3
Scope.....	4
Summary of Audit Findings.....	6
Results of Examination.....	7
Certification Recommendations.....	8
Follow-up Letter	9

NOTE: The Division’s response to an issue noted in the report has been inserted immediately following the item it refers to.

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EXECUTIVE DIRECTOR**

June 1, 2012

Mr. R. Voight Shealy
Materials Management Officer
Division 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 Law Enforcement Division for the period July 1, 2008 through June 30, 2011. As part of our examination, we studied and evaluated the system of internal controls over procurement transactions to the extent we considered necessary.

The evaluation was used to establish a basis for reliance upon the system of internal controls to assure adherence to the Consolidated Procurement Code, State regulations, and the Division'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 Law Enforcement Division is responsible for establishing and maintaining a system of internal controls 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 controls, 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 controls 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 Law Enforcement Division. 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 Consolidated Procurement Code and ensuing regulations.

Sincerely,

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

Robert J. Aycock IV, Manager
Audit and Certification

INTRODUCTION

We conducted an examination of the internal procurement operating policies and procedures of the South Carolina Law Enforcement Division. Our on-site review, conducted August 2, 2011 through February 16, 2012, 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 June 17, 2008, the State Budget and Control Board granted the South Carolina Law Enforcement Division, hereinafter referred to as the Division, the following procurement certifications:

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Supplies & Services	\$ 100,000 per commitment
Information Technology	\$ 100,000 per commitment
Consultant Services	\$ 100,000 per commitment

Our audit was performed primarily to determine if recertification is warranted. The Division requested to remain at its current levels.

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 a judgmental sample for the period July 1, 2008 through June 30, 2011, 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, 2008 through June 30, 2011, with no exceptions
- (2) Procurement transactions for the period July 1, 2008 through June 30, 2011, as follows:
 - a) Ninety-four payments exceeding \$2,500 each, with no exceptions
 - b) Two hundred numerical purchase orders reviewed against the use of order splitting and favored vendors, with no exceptions
- (3) File documentation, with no exceptions
- (4) Minority Business Enterprise plans and reports for the audit period, with one exception noted in Section I of the report, and the following activity reported to the Governor's Office of Small and Minority Business Assistance:

<u>Fiscal Year</u>	<u>Dollar Goal</u>	<u>Dollars Spent</u>
2008-2009	\$954,039	\$104,651
2009-2010	\$380,750	\$ 1,636
2010-2011	\$382,820	\$ 0

- (5) Ratification files of unauthorized procurements, with no exceptions
- (6) Approval of most recent Information Technology Plan, with no exceptions
- (7) Internal procurement procedures manuals, with no exceptions
- (8) Surplus property disposal procedures, with no exceptions

SUMMARY OF AUDIT FINDINGS

PAGE

I. Minority Business Enterprise Procurements

7

Seven quarters of MBE progress reports were not reported to the Governor's Office of Small and Minority Business Assistance.

RESULTS OF EXAMINATION

I. Minority Business Enterprise Procurements

The Division failed to submit Minority Business Enterprise (MBE) Utilization Plans and quarterly progress reports of MBE activity to the Governor's Office of Small and Minority Business Assistance (OSMBA) for the period October 1, 2009 through June 30, 2011. Agencies are required to submit quarterly progress reports no later than thirty days after the end of each fiscal quarter to the OSMBA, as stated in section 11-35-5240(2) of the Procurement Code.

We recommend the Division comply with the MBE provisions of the Code and submit quarterly progress reports to the OSMBA. The missing reports must be filed.

Division's Response

Based upon the findings of the recent audit conducted by your office for the period of 7/1/08–6/30/2011, we recognize the exception of failing to report Minority Business Enterprise Procurements for seven periods: three quarterly periods for FY 2009/2010 and four quarterly periods for FY 2010/2011. While the records reflect little or no Minority Business Procurements for these periods, the Division actually spent the following dollars with SC certified/registered Minority Enterprise Businesses:

FY 2009/2010	Total \$37,173.54
FY 2010/2011	Total \$17,198.23

The Division will comply with the MBE provisions of the Code and submit quarterly progress reports to the OSMBA as stated in section 11-35-5240(2) of the Procurement Code.

CERTIFICATION RECOMMENDATIONS

As enumerated in transmittal letter, corrective action based on the recommendations described in this report will, in all materials respects, place the South Carolina Law Enforcement Division in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

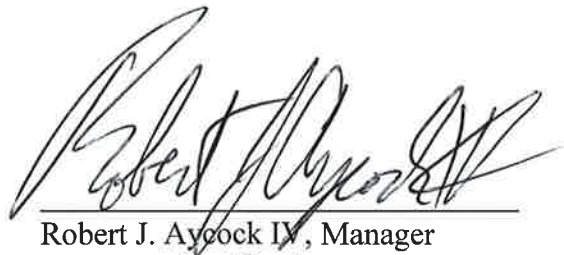
Under the authority described in Section 11-35-1210 of the Procurement Code, subject to this corrective action, we will recommend the South Carolina Law Enforcement Division be re-certified to make direct agency procurements for three years up to the limits as follows:

<u>PROCUREMENT AREAS</u>	<u>RECOMMENDED CERTIFICATION LIMITS</u>
Supplies & Services	\$100,000 per commitment*
Information Technology	\$100,000 per commitment*
Consultant Services	\$100,000 per commitment*

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



Mac Stiles
Senior Auditor



Robert J. Aycock IV, Manager
Audit and Certification

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EXECUTIVE DIRECTOR

June 26, 2012

Mr. R. Voight Shealy
Material Management Officer
Division of Procurement Services
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 July 1, 2008 through June 30, 2011. We have followed-up on the Division's corrective action during and subsequent to our fieldwork.

We are satisfied that the South Carolina Law Enforcement Division has taken corrective action to prevent the recurrence of the problem areas noted and that steps have been implemented to help ensure internal controls over the procurement system are adequate.

Sincerely,

Robert J. Aycocock, IV, Manager
Audit and Certification

cc: Mac Stiles, Audit Manager

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