

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

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R. VOIGHT SHEALY  
MATERIALS MANAGEMENT OFFICER

July 21, 2005

Mr. Delbert H. Singleton Jr.  
Director  
Procurement Services Division  
6<sup>th</sup> Floor-Wade Hampton Building  
Columbia, South Carolina 29201

Dear Delbert:

I have attached the Commission'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 Forestry Commission 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 FORESTRY COMMISSION**

**PROCUREMENT AUDIT REPORT**

**JULY 1, 2002 - JUNE 30, 2005**

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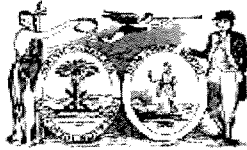
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R. VOIGHT SHEALY  
MATERIALS MANAGEMENT OFFICER

July 19, 2005

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 Forestry Commission for the period July 1, 2002 through June 30, 2005. 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 South Carolina Consolidated Procurement Code, State Regulations and the Commission'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 Forestry Commission 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 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 Forestry Commission 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 operating policies and procedures of the South Carolina Forestry Commission. Our review was conducted June 20, 2005 through July 8, 2005 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.

The examination was directed principally to determine whether, in all material respects, the internal controls of the procurement system 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 ensuing regulations.

On September 17, 2002, the Budget and Control Board granted the South Carolina Forestry Commission the following procurement certifications:

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Goods and Services	\$50,000 per commitment
Information Technology	\$25,000 per commitment
Consultant Services	\$25,000 per commitment

Our audit was performed primarily to determine if recertification is warranted. No additional certifications over the current limits were requested.

## 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 Forestry Commission, hereinafter referred to as the Commission, 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 January 1, 2003 through June 30, 2005, 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, 2002 through June 30, 2005
- (2) Procurement transactions for January 1, 2003 through June 30, 2005 as follows:
  - a) Sixty-two payments each exceeding \$1,500
  - b) One hundred numerical purchase orders and two hundred numerical payment vouchers from FY 2005 reviewed for order splitting and favored vendors
  - c) Procurement card purchases for February, March and April of 2005
- (3) Three construction contracts and one professional service contracts for compliance with the Manual for Planning and Execution of State Permanent Improvements
- (4) Minority Business Enterprise Plans and reports
- (5) Approval of the most recent Information Technology Plan
- (6) Internal procurement procedures manual
- (7) Surplus property disposal procedures
- (8) File documentation and evidence of competition
- (9) Blanket purchase agreements

## RESULTS OF EXAMINATION

### Splitting of Procurement

On the April 27, 2005 procurement card statement, we noted two purchases of \$782.08 each for a total of \$1,564.16 for tarps to the same vendor on the same date of March 28, 2005. The receipts to support the purchases listed the reference numbers as 001045006 and 001045007. The supporting invoice for the two purchases was dated February 28, 2005. The Commission's procurement card procedures limit each purchase to \$1,500. The Code requires that procurement requirements not be artificially divided. Since the procurement was split and exceeded the authorized limit, it was unauthorized as defined in Regulation 19-445.2015.

We recommend the Commission comply with the approved procedures for procurement card transactions. A ratification request must be submitted to the State Forester or his designee for the unauthorized procurement in accordance with Regulation 19-445.2015.

### Unauthorized Procurements

Eleven procurements were not properly authorized.

	<u>Type of Procurement</u>	<u>Reference Number</u>	<u>Date</u>	<u>Amount</u>	<u>Description</u>
1.	Requisition	1061	09/27/04	\$ 5,882	Airplane repairs
2.	Requisition	1706	11/12/04	4,663	Printing
3.	Requisition	2142	12/08/04	9,561	Building supplies
4.	Requisition	3923	03/30/05	8,495	Printing
5.	Requisition	135	07/31/03	2,862	Auto parts
6.	Requisition	2545	12/31/03	3,478	Printing
7.	Requisition	3333	02/19/04	3,823	Building materials
8.	Emergency	3030	09/26/03	3,665	Airplane repairs
9.	Field purchase order	4753	05/18/05	3,629	Transmission repairs
10.	Construction	5524	04/30/03	8,850	Fire alarm equipment
11.	Construction	930	09/18/03	15,998	Roof replacement

For items 1 through 7, the internal procurement procedures manual requires all purchases between the amounts of \$2,501 and \$25,000 be approved by the Purchasing Section prior to the procurement. In each of these cases, we could not find where the Purchasing Section approved the procurements. The written emergency determination on item 8 was not signed and the value



exceeded the procurement authority of \$1,500. The procurement for item 9 exceeded the amount authorized by the procurement procedures manual for this type of transaction. The construction contracts for items 10 and 11 were not submitted to the Office of the State Engineer for approval. These procurements were not authorized as defined in Regulation 19-445.2015 as the proper approvals were not obtained.

We recommend the Commission comply with the approved procurement procedures. Ratification requests must be submitted to the State Forester or his designee for the unauthorized procurements 1 through 9 which were in the Commission’s certification in accordance with Regulation 19-445.2015. The Commission must submit a ratification request to the Office of the State Engineer for the unauthorized construction procurements listed as items 10 and 11 in accordance with Regulation 19-445.2015. We also recommend the Commission review the internal procedures to ensure compliance to the approved procurement procedures.

Untimely Emergency Justifications

Four emergency procurements were supported by written justifications that were not prepared timely.

<u>Reference Number</u>	<u>Dates of Services</u>	<u>Date of Determination</u>	<u>Amount</u>	<u>Description</u>
1072	07/24/03	09/10/03	\$ 3,186	Generator repairs
5670	03/21/03	05/07/03	2,172	Airplane repairs
42923	11/14/03 & 12/01/03	01/05/04	2,360	Aircraft repairs
50264	03/01/02	07/05/02	2,301	Maintenance/repairs on residence

We recommend the Commission process emergency justifications in a timelier manner to ensure compliance with the Code and regulations to include the accurate and timely reporting of emergency procurements.

**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 Forestry Commission in compliance with the Consolidated Procurement Code.

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

PROCUREMENT AREAS

CERTIFICATION LIMITS

Goods and Services

\*\$50,000 per commitment

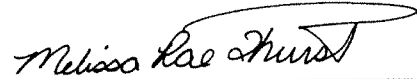
Information Technology

\*\$25,000 per commitment

Consultant Services

\*\$25,000 per commitment

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



Melissa Rae Thurstin  
Senior Auditor



Larry G. Sorrell, Manager  
Audit and Certification



## SOUTH CAROLINA FORESTRY COMMISSION

Bob Schowalter, State Forester

July 21, 2005

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

Dear Mr. Sorrell:

I have read and reviewed the draft report you sent me which including your correspondence with Mr. Voight Shealy concerning the findings of the audit conducted here by your staff.

I have discussed the draft with Mr. Larry Moody, Dir of Administration and we concur with the findings of the audit and the recommendations made by you and your staff. I will make the corrections as suggested and work with the individuals involved to insure that we do not have them in the future. I am fully confident that the prices paid in all of the exceptions found were fair and reasonable. The majority of the exceptions of unauthorized procurements involved the individuals not getting a confirmation number from me and was an omission of procedure of assigning a number on the paperwork. I was aware of and had discussion in many of the procurements but in the future we will follow our procedures and document the paperwork in the manner prescribed by our manual.

Our Construction and Property section has been advised of the two exceptions and a letter requesting ratification has been sent to the State Engineer by our State Forester. The exceptions were reviewed with that section and they understand the corrections that are required of them in future procurements. A copy of his response will be sent to you when it is received.

Thank you for your help and we look forward to receiving our recertification.

William Kelly, Jr. CPPO

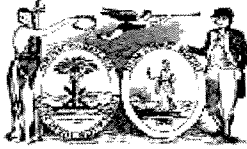
Director of Procurement Services  
South Carolina Forestry Commission  
wk/wk

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July 21, 2005

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 Forestry Commission to our audit report for the period of July 1, 2002 – June 30, 2005. Also we have followed the Commission's corrective action during and subsequent to our fieldwork. We are satisfied that the South Carolina Forestry Commission 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 Forestry Commission 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

Total Copies Printed	11
Unit Cost	.18
Total Cost	\$1.98