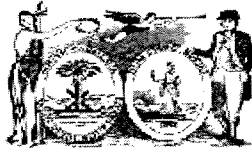


STATE OF SOUTH CAROLINA  
*State Budget and Control Board*  
PROCUREMENT SERVICES DIVISION

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R. VOIGHT SHEALY  
MATERIALS MANAGEMENT OFFICER

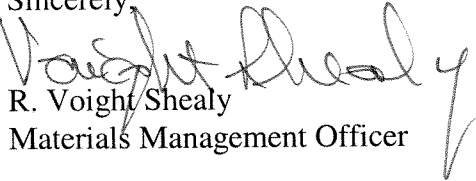
May 31, 2005

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 Department'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 Department of Health and Human Services a three-year certification as noted in the audit report.

Sincerely,

  
R. Voight Shealy  
Materials Management Officer

/jl

**SOUTH CAROLINA DEPARTMENT OF HEALTH AND  
HUMAN SERVICES  
PROCUREMENT AUDIT REPORT  
JANUARY 1, 2002 – DECEMBER 31, 2004**

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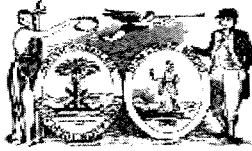
NOTE: The Department’s responses to issues noted in this report have been inserted immediately following the items they refer to.

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R. VOIGHT SHEALY  
MATERIALS MANAGEMENT OFFICER

May 4, 2005

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 Health and Human Services for the period January 1, 2002 through December 31, 2004. 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 Health and Human Services 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, assurances 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 that we believe need correction or improvement by the South Carolina Department of Health and Human Services. Corrective action based on the recommendations described in these findings will in all material respects place the South Carolina Department of Health and Human Services 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 Department of Health and Human Services. Our on-site review was conducted March 7, 2005 through March 31, 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 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 May 7, 2002, the Budget and Control Board granted the South Carolina Department of Health and Human Services the following procurement certifications.

### PROCUREMENT AREAS

### CERTIFICATION LIMITS

Service Provider Contracts funded from any source: Service Provider being a Provider of Services directly to a client	\$3,000,000 per contract, per year. Limit four one-year extension options
Consultant Services including Information Technology Consultants	\$ 150,000 per commitment
Information Technology	\$ 25,000 per commitment
Goods and 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 Department of Health and Human Services 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, 2002 through December 31, 2004 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, 2002 through December 31, 2004
- (2) Procurement transactions for the period July 1, 2002 through December 31, 2004 as follows:
  - a) Ninety-six payments each exceeding \$1,500
  - b) A block sample of four-hundred five numerical purchase orders
  - c) Procurement card transactions for the months of July and August of 2004
- (3) Minority Business Enterprise Plans and reports
- (4) Approval of most recent Information Technology Plan
- (5) Internal procurement procedures manual
- (6) Surplus property disposition procedures
- (7) File documentation and evidence of competition
- (8) Blanket purchase agreements

## SUMMARY OF AUDIT FINDINGS

Our audit of the procurement system of the South Carolina Department of Health and Human Services, hereinafter referred to as the Department, produced the following findings and recommendations.

	<u>PAGE</u>
<u>Unauthorized Procurements</u>	6
Several types of unauthorized procurements were noted.	
<u>Exception on Preferences and Advertisement</u>	7
One procurement did not include preferences and was not advertised.	
<u>Exemption Application</u>	7
The Department misapplied an exemption for one procurement.	
<u>Procurements Without Competition or Inadequate Competition</u>	8
Seven procurements did not have evidence of compliance to the Code.	
<u>Award Exceptions</u>	9
Three purchase orders were not issued to the lowest responsive and responsible bidder.	
<u>Procurement Card Transactions Exceeded Limits</u>	10
The Department exceeded the approved limits for a procurement card transaction.	
<u>Procurement Card Transactions Without Documentation</u>	10
Payments were made without supporting documentations.	
<u>Requisitions Not Combined</u>	11
The Department failed to combine requisitions.	
<u>Inadequate Justifications for Emergency and Sole Source Procurements</u>	12
Three emergency procurement and seven sole source procurement were inadequately justified.	
<u>Written Sole Source Justifications Not Prepared</u>	13
The written justifications were not prepared for nine sole source procurements.	



## RESULTS OF EXAMINATION

### Unauthorized Procurements

Eight procurements were not properly authorized.

<u>PO</u>	<u>Description</u>	<u>Amount</u>	<u>Date</u>
12835 sole source	Tab applicator with maintenance	\$ 4,605	12/03/02
13408 sole source	Add software licenses	11,458	06/03/03
13427 sole source	Software maintenance	11,309	06/05/03
13432 sole source	UPS service agreement	6,611	06/06/03
13236	Printing services	3,228	03/25/03
12899 & 12537	Promotional items	29,156	01/08/03; 09/11/02
12298	Equipment maintenance	81,292	07/15/02
14071	Maintenance of filing system	82,522	10/06/03

Four sole source procurements were not properly authorized. In each instance, the procurement officer attached sole source authorizations for other procurements. The sole source authorization attached to purchase order 12835 for the tab applicator with a maintenance agreement was an authorization for labels and folders. The authorization did not include equipment. The sole source authorization attached to purchase order 13408 to add additional software licenses applied for the period July 1, 2002 through June 30, 2003 whereas the purchase order was for the period July 1, 2003 through June 30, 2004. The same sole source authorization was attached to purchase order 13427 for software maintenance for the period July 1, 2003 through June 30, 2004. The authorization for sole source on purchase order 13432 was dated one year prior to the contract. The authorization did not apply to the contract period. The procurements were not authorized as defined in Regulation 19-445-2015 since current sole source authorizations were not prepared.

The printing services on purchase order 13236 for \$3,228 were performed prior to the Procurement Department's involvement. The vendor's invoice was dated 2/21/03. The requisition was dated 3/3/03 and the purchase order was issued on 3/25/03. Since the printing services were ordered prior to the proper approval, the procurement was unauthorized as defined in Regulation 19-445.2015.

Purchase order 12899 for promotional items amounting to \$7,473 was issued against the quotes supporting purchase order 12537 in the amount of \$21,683 resulting in total awards of \$29,156. The total award exceeded the agency's certification of \$25,000 for goods and services thus the procurement was unauthorized as defined in Regulation 19-445.2015.

The Department reported purchase orders 12298 and 14071 as sole source procurements but did not prepare the written justifications. Without the written justifications the procurements were not authorized as defined in Regulation 19-445-2015 as the total value exceeded the Department's procurement certification of \$25,000 for goods and services.

We recommend the Department comply with Section 11-35-1560 regarding sole source authorization. We also recommend the Department combine requirements and solicit competition base on the total value. Ratification requests must be submitted to the Executive Director or his designee for the unauthorized procurements within the Department's certification limits in accordance with Regulation 19-445.2015. The Department must submit a ratification request to the Materials Management Officer for the unauthorized procurement over its certification in accordance with Regulation 19-445.2015.

#### DEPARTMENT RESPONSE

The Department will scrutinize future procurements and ensure that procurements are properly authorized and are in compliance with the Procurement Code. We will also ensure that the properly dated documentation is included with each procurement.

#### Exception on Preferences and Advertisement

The formal quotation supporting purchase order 12537 dated 09/11/02 for promotional items in the amount of \$21,683 did not address the preferences allowed in Section 11-35-1524 and was not advertised in accordance with Section 11-35-1550(2)(d).

We recommend the Department comply with these sections of the Code for all procurements exceeding \$10,000.

#### DEPARTMENT RESPONSE

In accordance with the Procurement Code, the Department will comply with all procurements exceeding \$10,000.

#### Exemption Application

The Department procured the following procurement incorrectly as an exemption from the Code.

<u>Contract</u>	<u>Exemption</u>	<u>Amount</u>	<u>Date</u>
A31276A	Medical doctors	Not to exceed \$220,000	07/01/02

The application of the exemption requires, in part, that the individual or firm involved must be licensed to perform the specific professional services and must provide that specific service to the requesting governmental body. The contractor was performing services beyond what was covered by the exemption.

We recommend the Department review contracts more carefully to ensure that contracts are properly classified as exemptions. Services that do not meet the criteria for exemptions must be solicited in compliance with the Code.

#### DEPARTMENT RESPONSE

The contract cited under this finding was procured by the previous administration and not continued by the current administration. The Department would agree that the specific services performed were beyond what should be covered by an exemption. The Department will ensure that future application of exemptions are correct and in compliance with procurement guidelines.

#### Procurements Without Competition or Inadequate Competition

Seven procurements were not supported by evidence of competition, sole source or emergency determinations, or justified as exempt. One procurement lacked sufficient competition.

<u>Reference Number</u>	<u>Description of Services</u>	<u>Amount</u>	<u>Date</u>
A31260A	Consultant services for school based Title V initiative	\$45,000	06/01/02
A30990A	Consultant services for managed care	Not to exceed \$25,000	07/01/02
A21274C	Consultant	Not to exceed \$50,000	08/01/02
A41298A	Consultant services	Not to exceed \$93,000	07/01/03
A31298A	Consultant services	Not to exceed \$30,000	04/01/03
PO 13581	Press clipping service	2,800	07/14/03
PO 13992	Printing services	1,746	10/13/03

Section 11-35-1510 of the Code lists the methods of source selection allowed under the Code and Section 11-35-710 addresses exemptions.

Additionally, the Department bought envelopes on purchase order 13030 for \$5,692 on 05/14/03. Evidence of only two solicitations was contained in the file. Section 11-35-1550(2)(c) requires solicitation from three sources for procurements greater than \$5,000 to \$10,000.

We recommend the Department review contracts and procurements more carefully to ensure compliance with the competitive requirements of the Code and compliance is adequately documented in the file.

#### DEPARTMENT RESPONSE

Three of the consultant contracts awarded in 2002 were issued by the prior administration. Under the current Administration, these contracts were terminated and/or were competitively procured in accordance with the Procurement Code. All future procurements and contracts will be reviewed to ensure they are properly procured and documented. The Department will develop a checklist to ensure that all criteria for these solicitations are met and are in accordance with the Procurement Code.

#### Award Exceptions

Promotional items bought on purchase order 12544 dated 09/11/02 for \$9,944 and the printing jobs bought on purchase order 14643 dated 05/03/04 for \$3,045 and 14644 for \$1,433 were not awarded to the lowest responsive and responsible bidders. Section 11-35-1550(2)(b) and Section 11-35-1550(2)(c) require that the award be made to lowest responsive and responsible source. However, the file did not contain documentation to support the basis of the awards not being issued to the lowest responsive and responsible bidders. Additionally, the unit prices for two items on the purchase order 12544 did not match the amount the vendor quoted resulting in an overpayment of \$100.

We recommend the Department carefully review all responses to solicitations to ensure that items are awarded correctly and prices are recorded correctly on the purchase orders. We also recommend the Department adequately prepare written justifications when awards are not issued to the lowest responsive and responsible bidders.

#### DEPARTMENT RESPONSE

The Department will carefully review all responses to a solicitation to ensure that items are awarded correctly and prices are recorded correctly on the purchase orders. The Department will ensure that written justification for an award is prepared when awards are not made to the lowest responsive and responsible bidder.

Procurement Card Transactions Exceeded Limits

The internal control limits established by the Department for procurement card transactions are \$500 per card transaction with no single item to exceed \$500 and a \$5,000 limit per card per month. The Department's approved policies and procedures for the procurement card specifically states, in Section IV.E, that a cardholder must not split a purchase to circumvent the limitations of the procurement card. We noted the following procurement card transaction that exceeded the \$500 limit.

<u>Date</u>	<u>Description</u>	<u>Amount</u>
7/20/04	Labels(96) per invoice 609792-0	\$ 805.39

Additionally, the invoice total of \$805.39 was processed as two transactions on 8/02/04 on the procurement card statement with an invoice date of 7/20/04 as follows.

<u>Transaction Date</u>	<u>Invoice Date</u>	<u>Transaction Reference Number</u>	<u>Amount</u>
8/02/04	7/20/04	24064134217900014100499	\$ 400.00
8/02/04	7/20/04	24064134217900014100507	405.39
		Total	<u>\$ 805.39</u>

Since the procurement card purchases exceeded the authority level of \$500 of the card holders, the procurements were unauthorized as defined in Regulation 19-445-2015.

We recommend the Department comply with its policies and procedures for the procurement card. A ratification request must be submitted to the Executive Director or his designee for the unauthorized procurements in accordance with Regulation 19-445.2015.

DEPARTMENT RESPONSE

We will comply with the Department's policies and procedures for the procurement card. The Department will evaluate and update its policies and procedures to include additional training for staff. In addition, the Department will clearly define the term transaction to ensure compliance with the Department's internal policies and procedures.

Procurement Card Transactions Without Documentation

We reviewed the procurement card transactions for the months of July and August of 2004. Section XXI of the approved policies and procedures for the procurement card states, in part

Program area/district liaisons will retain cardholders' statements, charge slips and receipts for 3 years audit by internal and external auditors. Receipts from purchases made from Federal funds must be maintained for three years.

The invoices for the following transactions for term contract items were not retained as evidenced by the vendor's faxing of the documents on 3/16/05 with each document noted as a reprint.

<u>Original Invoice Date</u>	<u>Reprinted Invoice Date</u>	<u>Amount</u>	<u>Statement Date</u>
7/06/04	3/16/05	\$ 199.50	7/25/04
7/06/04	3/16/05	451.97	7/25/04
7/06/04	3/16/05	445.31	7/25/04
7/06/04	3/16/05	494.96	8/25/04
8/02/04	3/16/05	50.44	8/25/04

Additionally, the statement on 8/25/04 included a charge of \$500 dated 8/2/04 that was paid. The statement included a reference number 2406413421700014100440. The file did not include documentation as to the purchase. However, the vendor faxed a correspondence dated 3/16/05 that referred to a credit with a handwritten statement "for 8-2-04 overcharge." We could not determine the reason for the payment of \$500 and the credit being issued during our review of the procurement card transactions. Without the supporting documents at the time of the payments, the Department failed to maintain and adhere to adequate internal controls to maintain that expenditures were proper.

We recommend the Department thoroughly review the procurement card program to identify the deficiencies that resulted in the exceptions and implement adequate procedures to eliminate payments without supporting documentations.

#### DEPARTMENT RESPONSE

The Department will conduct procurement card training for Department staff. The training will address the deficiencies regarding lack of supporting documentation.

#### Requisitions Not Combined

The following procurement should have been combined and competition solicited based on the total value.

<u>PO</u>	<u>Date</u>	<u>Requisition</u>	<u>Quantity</u>	<u>Description</u>	<u>Amount</u>
13618	7/23/03	74161	10,000	Brochure 919	\$ 339
13619	7/22/03	74160	30,000	Brochure 2410ME	787
13620	7/22/03	74158	30,000	DHHS 3226 package in pads of 100	553
13621	7/22/03	74162	40,000	Brochure non-discrimination policy	1,059
13622	7/22/03	74163	5,000	Brochure non-discrimination policy	229
13623	7/22/03	74159	20,000	Brochure 3214-2me	467
Total					<u>\$3,434</u>

All of these purchase orders were issued to the same vendor for printing services without soliciting competition. Section 11-35-1550(2)(b) requires solicitations of verbal quotes from at least 3 qualified sources for procurements between \$1,500 and \$5,000. Additionally, Section 11-35-1550(1) states that procurement requirements must not be artificially divided.

We recommend the Department combine requisitions and solicit competition, in compliance with the Code, based on the total potential purchase commitment.

DEPARTMENT RESPONSE

The Department will insure that future requisitions are combined and solicited in accordance with the Procurement Code. In addition, training will be provided to procurement staff to address these issues.

Inadequate Justifications for Emergency and Sole Source Procurements

The following procurements were inappropriately procured as either emergency or sole source procurements.

<u>PO</u>	<u>Description</u>	<u>Amount</u>	<u>Type Procurement</u>	<u>Date</u>
13196	Printing Of HIPAA letter	\$18,645	Emergency	03/13/03
13197	Mailing of HIPAA letter	47,609	Emergency	03/11/03
14779	Mailing service	\$22,310	Emergency	06/01/04
11708	Cots and mattresses	17,870	Sole Source	01/29/02
12200	Lease mailing machine	22,357	Sole Source	06/26/02
12201	Lease mailing machine	28,329	Sole Source	06/26/02
12202	Lease mailing machine	17,338	Sole Source	06/26/02
12203	Lease mailing machine	28328	Sole Source	06/26/02
12900	Pharmacist consultant	69,500	Sole Source	01/09/03
13535	Maintenance	22,680	Sole Source	07/01/03

The justifications prepared to authorize the emergency procurements failed to address the emergency conditions that resulted in the need for emergency procurements. Regulation 19-445.2110(B) states, “An emergency condition is a situation which creates a threat to public health, welfare, or safety....” None of the emergency procurements were supported by solicitations of competition as required in Section 11-35-1570 which requires that emergency procurements be made with as much competition as is practicable under the circumstances.

The cots and mattresses were procured as a sole source to meet the special needs of the elderly and to meet the resource intensive requirements in disaster shelters. The written justification stated the cots were one of kind but does not offer any additional information. Section 11-35-1560 states, "Any decision by a governmental body that procurement be restricted to one potential vendor must be accompanied by an explanation as to why no other will be suitable or acceptable to meet the need." The written justification failed to explain why these cots were unique and that they were not available from additional sources.

The leases for the mailing machines on purchase orders 12200, 12201, 12202 and 12203 were replacements for the current equipment that should have been competed in compliance with the competitive requirements of the Code.

The pharmacist consultant on purchase order 12900 was to provide training and services for physicians in South Carolina in the Community Long Term Care program. The written justification did not meet the criteria for a sole source procurement as defined in Section 11-35-1560. The annual value of the contract was \$69,500 with a total value of \$198,500 for three years.

The written justification on purchase order 13535 referred to an attachment to support the sole source. Without the attachment, we could not determine if the sole source was justified.

We recommend the Department comply with the emergency and sole source procurement requirements in the Code and Regulations.

#### DEPARTMENT RESPONSE

Each sole source and emergency procurement will be fully researched and the determination of the sole source or emergency procurement will be made by the Bureau of Administrative Services prior to forwarding to the appropriate signature authority. In addition, all emergency procurements will be solicited with as much competition as practicable.

#### Written Sole Source Justifications Not Prepared

The following nine procurements were reported as sole source procurements but the written justifications as defined in Section 11-35-1560 and Regulation 19-445-2105 were not prepared.

<u>PO</u>	<u>Description</u>	<u>Amount</u>	<u>Date</u>
12127	Auto labeling software	\$ 2,980	06/06/02
12298	Equipment maintenance	81,292	07/15/02



<u>PO</u>	<u>Description</u>	<u>Amount</u>	<u>Date</u>
12548	Folders	5,000	09/01/02
192-69580	Equipment maintenance	6,200	10/02/02
13781	Lease postage machine	2,136	08/22/03
13811	Lease postage machine	3,318	08/28/03
14071	Maintenance filing machine	82,522	10/30/03
79956	Mailing supplies	1,677	06/14/04
14857	Equipment maintenance	4,752	07/08/04

Without the written justifications, we could not determine if the procurements would qualify as sole sources.

We recommend the Department prepare a written justification for each proposed sole source procurement in accordance with the Code and Regulations.

DEPARTMENT RESPONSE

Internal policies and procedures will be implemented to ensure proper reporting methods and that all sole source justifications are written in compliance with the Procurement Code.

**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 Health and Human Services in compliance with the 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 Health and Human Services be recertified to make direct agency procurements for three years up to the limits as follows:

<u>PROCUREMENT AREAS</u>	<u>RECOMMENDED CERTIFICATION LIMITS</u>
Service Provider Contracts funded from any source; Service Provider being a Provider of Services directly to a client	\$3,000,000 per contract, per year. Limit four one-year extension options
Consultant Services including Information Technology Consultants	*\$ 150,000 per commitment
Information Technology	*\$ 25,000 per commitment
Goods and Services	*\$ 25,000 per commitment

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



Robert J. Aycock, IV  
Audit Manager



Larry G. Sorrell, Manager  
Audit and Certification

### ADDITIONAL DEPARTMENT RESPONSE

The Director submitted the following response to our audit. I am troubled by the findings in this report. Taken as a whole, it appears that the more material and blatant violations occurred during the previous administration. We had already taken actions to terminate or correct these inappropriate procurements as we became aware of them. The current Department's administration was not put in place until the beginning of state fiscal year 2004. Subsequent personnel changes have occurred in the Procurement Department. Though the exceptions cited since that time appear relatively immaterial in dollar amount, I am concerned that they reflect a lack of appropriate controls necessary to ensure that we are in complete compliance with the Procurement Code. These findings do not reflect the standards required by the management of this Department. As result, I am implementing the following actions:

- I have requested our Internal Audit Department perform an immediate review of the existing controls within the Department's procurement process and provide appropriate recommendations to me within thirty days.
- I am directing staff to update our policies and procedures manual to ensure they reflect the requirements of the Procurement Code.
- I am requesting that your office perform a follow-up review in six months, if necessary at our expense.
- I would appreciate your assistance in developing a training plan for department staff.

I would like to thank you for the professional manner in which you and your staff conducted this audit and your willingness to assist us in our efforts to correct the deficiencies identified in the report.

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

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R. VOIGHT SHEALY  
MATERIALS MANAGEMENT OFFICER

May 31, 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 Department of Health and Human Services to our audit report for the period of January 1, 2002 – December 31, 2004. Also we have followed the Department's corrective action during and subsequent to our fieldwork. Additionally, we will perform a follow-up review no later than December 31, 2005. If significant corrective action is made, we will recommend increases in procurement certification.

Therefore, we recommend the Budget and Control Board grant the Department of Health and Human Services 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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