



**South Carolina
Department of Labor, Licensing and Regulation**

INDEPENDENT PROCUREMENT AUDIT REPORT

**for the Audit Period:
October 1, 2020 to September 30, 2023**

**Office of Audit & Certification
Division of Procurement Services
May 9, 2024**

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Abbreviations

Code	– SC Consolidated Procurement Code and ensuing Regulations
CPO	– Chief Procurement Officer
DPS	– Division of Procurement Services
MBE	– Minority Owned Business Enterprise
P-Card	– Purchasing Card
PO	– Purchase Order
SFAA	– State Fiscal Accountability Authority
State P-Card Policy	– SC Purchasing Card Policy and Procedures

Introduction

DPS audited South Carolina Department of Labor, Licensing & Regulation's (LLR) internal procurement operating policies and procedures, as outlined in their internal Procurement Operating Procedures Manual, under § 11-35-1230 of the Code and Reg. 19-445.2020.

The primary objective of our audit was to determine whether, in all material respects, the internal controls of LLR's procurement system were adequate to ensure compliance with the Code.

The management of LLR is responsible for the agency's compliance with the Code. Those responsibilities include the following:

- Identifying the agency's procurement activities and understanding and complying with the Code
- Establishing and maintaining an effective organization structure and system of internal control over procurement activities that provide reasonable assurance that the agency administers its procurement programs in compliance with the Code
- Establishing clear lines of authority and responsibility for making and approving procurements
- Documenting the agency's system of internal control over its procurement activities in an internal procurement procedure manual
- Taking corrective action when instances of noncompliance are identified, including corrective action for the findings of this audit

Because of inherent limitations in any system of internal controls, errors or irregularities may occur and not be detected. 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 review and evaluation of the system of internal control over procurement transactions, as well as our overall audit of procurement policies and procedures, was conducted with professional care. However, because of the nature of audit testing, they would not necessarily disclose all weaknesses in the system.

Introduction

Our audit was also performed to determine if recertification under SC Code Ann. § 11-35-1210 is warranted.

On August 21, 2018, SFAA granted LLR the following procurement certifications:

<u>PROCUREMENT AREA</u>	<u>CURRENT CERTIFICATION \$ LIMITS</u>
Supplies and Services.....	100,000 per commitment*
Consultant Services.....	100,000 per commitment*

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

During the audit LLR did not request an increases in its certification limits.

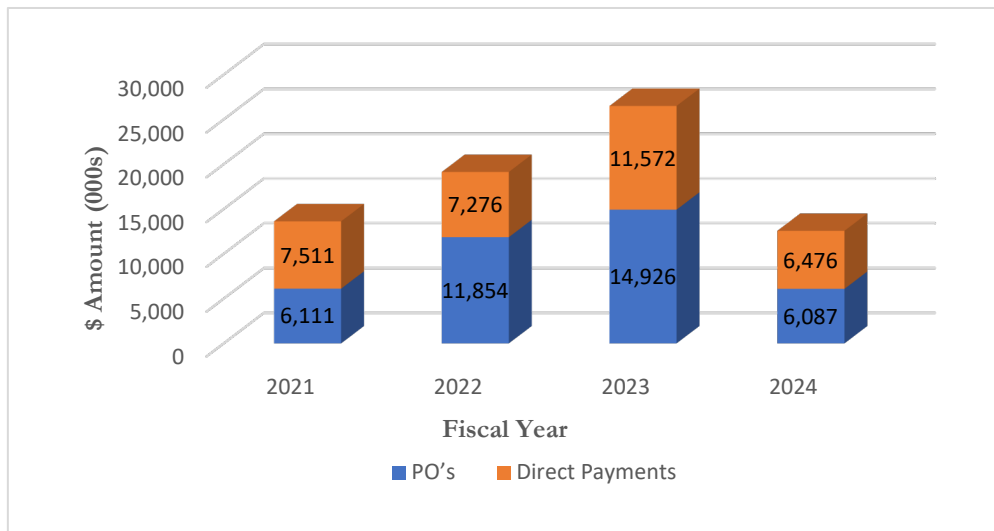
Scope

We conducted our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. Our audit included testing, on a sample basis, evidence about LLR’s compliance with the Code for the period October, 2020 through September 2023 the audit period and performing other procedures that we considered necessary in the circumstances. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Total Expenditures

During the audit period, the agency made expenditures as follows:

	\$ Amount (000s)				Total
	Q2,3,4 FY2021	FY2022	FY2023	Q1 FY2024	
POs ¹	6,111	11,854	14,926	6,087	38,978
Direct Pay ²	7,511	7,276	11,572	6,476	32,835
Total Spend	13,622	19,130	26,498	12,563	71,813



¹ **POs** represents all expenditures made with a Purchase Order. These are required for most contract purchases by the terms of the contract and is the preferred procurement instrument when a government unit orders or procures supplies or services from a vendor.

² **Direct Pays** are made without purchase order based on the State PO Policy. These may occur with purchases of supplies or services that are exempt from the Code or for such things as payment for P-Card purchases or purchases less than \$2,500.

Results of Audit

I. Supplies, Services, and IT

We audited expenditures exceeding \$10,000 made with POs, and expenditures made without a PO to determine compliance with the Code.

Our review of supplies & services did not identify any compliance issues.

II. Sole Source Procurements

Written determinations for all sole source procurements pursuant to SC Code Ann. § 11-35-1560, were evaluated to assess the appropriateness of the procurement actions and the accuracy of the quarterly reports required by § 11-35-2440. During the audit period LLR reported 22 sole source procurements totaling approximately \$1M to DPS.

Our review of sole source procurements did not identify any compliance issues

III. Emergency Procurements

All written determinations for emergency procurements made pursuant to SC Code Ann. § 11-35-1570 were evaluated to assess the appropriateness of the procurement actions and the accuracy of the quarterly reports required by § 11-35-2440. During the audit period LLR did not report any emergency procurements.

IV. P-Cards

LLR had 46 P-Cards in use during the audit period and spent \$641,632 in 10,967 transactions.

Program Administration

We reviewed LLR P-Card Policy and Procedures for compliance with the State P-Card Policy and found no compliance issues.

P-Card Transaction Testing

We performed tests of P-Card transactions to ensure compliance with State and Agency P-Card policies and procedures. Transaction testing did not identify any compliance issues.

V. Unauthorized or Illegal Procurements

We tested Unauthorized or Illegal Procurements to determine compliance with the Code and Regulations.

All reported unauthorized or illegal procurements were properly resolved.

Results of Audit

VI. Surplus Property

We tested asset disposals to determine compliance with the Code and State policies and procedures. We did not identify any compliance issues.

VII. Assistance to MBEs

We requested copies of LLR's Annual MBE utilization plans and quarterly progress reports to assess compliance with the Code. We did not identify any compliance issues.

Certification Recommendation

We believe, based on the audit procedures performed, that the Department of Labor, Licensing & Regulation's system of internal control over procurement is adequate to ensure compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

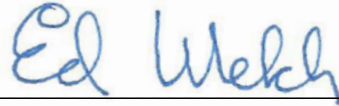
As provided in SC Code Ann. § 11-35-1210, we recommend that LLR's procurement authority to make direct agency procurements be re-certified up to the following limits for three years:

PROCUREMENT AREA

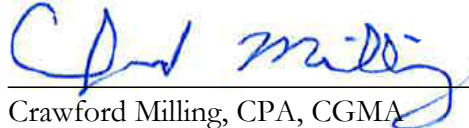
RECOMMENDED CERTIFICATION \$ LIMITS

Supplies and Services¹ 100,000 per commitment*

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



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¹ Supplies and Services including non-IT consulting services