

**SOUTH CAROLINA DEPARTMENT OF MENTAL HEALTH**

**PROCUREMENT AUDIT REPORT**

**JULY 1, 2006 – JUNE 30, 2010**

**FOLLOW-UP AUDIT**

**JULY 1, 2010 – JUNE 30, 2012**

**TABLE OF CONTENTS**

	<b><u>PAGE</u></b>
Transmittal Letter.....	1
Introduction.....	3
Scope.....	4
Summary of Results.....	6
Results of Examination.....	8
Follow-Up Audit.....	18
Certification Recommendations.....	21
Follow-up Letter .....	22

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

**NIKKI R. HALEY, CHAIR  
GOVERNOR**

**CURTIS M. LOFTIS, JR.  
STATE TREASURER**

**RICHARD ECKSTROM, CPA  
COMPTROLLER GENERAL**



**SC BUDGET AND CONTROL BOARD**

**THE DIVISION OF PROCUREMENT SERVICES  
DELBERT H. SINGLETON, JR.  
DIVISION DIRECTOR  
(803) 734-2320**

**R. VOIGHT SHEALY  
MATERIALS MANAGEMENT OFFICER  
(803) 737-0600  
FAX (803) 737-0639**

**HUGH K. LEATHERMAN, SR.  
CHAIRMAN, SENATE FINANCE  
COMMITTEE**

**W. BRIAN WHITE  
CHAIRMAN, HOUSE WAYS AND MEANS  
COMMITTEE**

**MARCIA S. ADAMS  
EXECUTIVE DIRECTOR**

April 11, 2013

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 Department of Mental Health for the period July 1, 2006 through June 30, 2010. We also performed a follow-up audit for the period July 1, 2010 through June 30, 2012 primarily focusing on the areas of concern. 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 established a basis for reliance upon the system of internal controls to assure adherence to the Consolidated Procurement Code, State regulations and procurement policy of the Department. Additionally, the evaluation determined 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 Mental Health 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 those transactions are executed in accordance with management's authorization and 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 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 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 Mental Health in compliance with the Consolidated Procurement Code and ensuing regulations.

Sincerely,



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 Department of Mental Health. Our review, which we performed in four segments, occurred September 13 through November 19, 2010, January 25 through February 14, 2011, December 7 and 8, 2011, and September 28 through October 2, 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.

On November 6, 2007, the State Budget and Control Board granted the South Carolina Department of Mental Health, hereinafter referred to as DMH, the following procurement certifications:

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Supplies and Services	\$ 250,000 per commitment
Consultant/Contractual Services	\$ 500,000 per commitment
Information Technology	\$ 50,000 per commitment
Construction Services	\$ 100,000 per commitment
Construction Contract Change Order	\$ 100,000 per change order
Architect/Engineer Contract Amendment	\$ 15,000 per amendment

Our audit was performed primarily to determine if recertification is warranted. The Department requested to remain at its current certification 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 DMH 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 samples for the period July 1, 2006 through June 30, 2010 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, 2006 through June 30, 2010 with exceptions noted in Section I of the report
- (2) Procurement transactions for the period July 1, 2006 through June 30, 2010 as follows:
  - a) Seventy-seven payments each exceeding \$2,500 supported by purchase orders with exceptions noted in Section II of the report
  - b) Seven direct expenditure vouchers each exceeding \$2,500 (procurements without purchase orders) with exceptions noted in Section III of the report
  - c) Twelve hundred and fifty-three purchase orders reviewed against the use of order splitting and favored vendors with no exceptions
- (3) Eight construction contracts and six Architect/Engineer contracts for compliance with the Manual for Planning and Execution of State Permanent Improvements with no exceptions
- (4) Procurement card transactions for February and April of 2010 with exceptions noted in Section IV of the report
- (5) Minority Business Enterprise Plans and reports for the audit period with exceptions noted in Section V of the report
- (6) Approval of the most recent Information Technology Plan with no exceptions

- (7) Internal Procurement Procedures Manual with no exceptions
- (8) File documentation and evidence of competition with exceptions noted
- (9) Surplus property disposal procedures with no exceptions

#### Follow-Up Audit

We also performed a follow-up audit covering the period July 1, 2010 through June 30, 2012.

This follow-up also included a review of all the recommendations in this report. Specifically, we reviewed the following:

- (1) All sole source, emergency and trade-in sale procurements for the period July 1, 2010 through June 30, 2012 for appropriateness of the transactions and the accuracy of the reporting
- (2) Reviewed Drug-Free Workplace certifications from vendors for sole source and emergency procurements greater than \$50,000
- (3) Reviewed and approved new grant exemption procedures
- (4) Chief Procurement Officer approvals for all procurement cards with single transactions limits over \$2,500
- (5) Minority Business Enterprise Plans and reports

## SUMMARY OF RESULTS

	<u>PAGE</u>
I. <u>Sole Source, Emergency and Trade-in Sale Procurements</u>	8
A. <u>Quarterly Reporting Violations</u>	8
<p>We identified six quarters in which sole source, emergency and trade-in sale procurement reports were not submitted to MMO timely, five sole source and emergency procurements not reported and numerous sole source and emergency procurements were reported incorrectly.</p>	
B. <u>No Drug-Free Workplace Certifications Provided for Sole Source and Emergency Procurements</u>	10
<p>Drug-Free Workplace Certifications were not provided for sole source and emergency procurements.</p>	
C. <u>Inappropriate Emergency Procurements</u>	11
<p>The written determinations did not adequately support four procurements as emergencies.</p>	
II. <u>No Written Certifications for Grant Exemptions</u>	13
<p>DMH utilized an exemption for grant specified equipment or services but failed to complete written certifications, a requirement of the exemption, stating why specified equipment or services were essential to the successful completion of the grant-funded project in accordance with procedures. Absent the written certifications, the exemption was inapplicable to these procurements.</p>	
III. <u>Direct Expenditure Vouchers</u>	14
<p>We were provided no evidence that written quotes were obtained prior to the lease of storage units. Further, we were unable to determine the total value of the procurement.</p>	
IV. <u>Procurement Cards</u>	15
<p>Single procurement card transaction limits greater than \$2,500 had not been approved by the Chief Procurement Officer.</p>	



V. Statutory Reports Not Submitted

DMH failed to submit Minority Business Enterprise (MBE) quarterly progress reports to the Governor's Office of Small and Minority Business Assistance (OSMBA) nor had the MBE Annual Business Plan for FY09-10 been submitted to OSMBA for approval. DMH also failed to submit records of its unauthorized procurements and failed to submit awards that were made based on applying the Procurement Code preferences in 11-35-1524 to the Materials Management Office.

## RESULTS OF EXAMINATION

### I. Sole Source, Emergency and Trade-in Sale Procurements

#### A. Quarterly Reporting Violations

Our review of sole source, emergency, and trade-in sale procurements for the period July 1, 2006 through June 30, 2010, identified six quarters in which the reports were not submitted timely.

<u>Reporting Period</u>	<u>Status</u>	<u>Comments</u>
10/01/07 – 12/31/07	Untimely Reporting	Reported Dec 2011
01/01/10 – 03/31/10	Untimely Reporting	Reported Dec 2011
04/01/10 – 06 /30/10	Untimely Reporting	Reported Dec 2011
04/01/08 – 06 /30/08	Untimely Reporting	Reported April 2009
07/01/08 – 09/30/08	Untimely Reporting	Reported April 2009
10/01/08 – 12/31/08	Untimely Reporting	Reported April 2009

Additionally, we discovered the following sole source and emergency procurements that were not included on the quarterly reports.

#### Sole Source Procurements

<u>PO #</u>	<u>Date</u>	<u>Description</u>	<u>PO Amount</u>	<u>Reporting Quarter</u>
4500041968	12/04/06	CAFAS Scanable Profiles	\$10,500	Oct. – Dec. 2006
4500056070	10/03/08	Residential Care and Treatment	\$42,500	Oct. – Dec. 2008
4500058218	03/11/09	Perf. Measurement System-Hall	\$ 6,850	Jan. – Mar. 2009

**Emergency Procurements**

<u>PO #</u>	<u>Date</u>	<u>Description</u>	<u>PO Amount</u>	<u>Reporting Quarter</u>
4500039882	09/05/06	Equip. Maintenance/Repair	\$ 7,952	July – Sept. 2006
4600017203	01/07/10	Chiller Repair	\$21,194	Jan. – Mar. 2010

Further, we tested the accuracy of sole source and emergency procurements reported to MMO and noted extensive errors. Numerous instances were identified in which the dollar amount of individual purchase orders and the amount reported to MMO on quarterly reports did not agree. Records contained no supporting documentation stating why the reported amounts differed from the PO amounts.

We also identified quarterly reports in which purchase orders for sole source and emergency procurements were not being reported in the correct reporting period. Such reports did not accurately reflect sole source and emergency procurement activity for that quarter.

We should note that reporting inaccuracies were also reported in our previous audit performed for the period January 1, 2004 through June 30, 2006 in which extensive errors were noted in reporting of sole sources and emergency procurements.

Section 11-35-2440(1)(a) of the Procurement Code requires governmental bodies to submit quarterly, a record listing all contracts made pursuant to Section 11-35-1560 (Sole Source Procurements) or Section 11-35-1570 (Emergency Procurements) to the chief procurement officers.

We recommend that DMH comply with the reporting requirements for sole source and emergency procurements. We also recommend the Department review its operating procedures to identify the deficiencies and take appropriate corrective action. Amended reports must be submitted to MMO.

### DMH Response

The reasons for reporting differences was due to DMH's understanding to report on the authorized approved amount of the sole source and emergency procurement. In many cases these involved services and an estimated figure for expenditures was provided since the amount of services to be rendered was unknown. This resulted in the differences being reported versus the purchase order amount. The DMH Procurement Office has since learned and received direction from the audit staff on what amount to report and when to report for actual expenditures. These procurements are to be reported once the purchase order has been processed and not prematurely when approval has been granted for the written determination. Procedures have been reviewed for compliance and appropriate corrective action has been taken and also instituted a process for a year-end review so when changes occur to expenditures they will be filed as an amended report for accuracy of the procurement activity. In addition, there were fluctuations in the temporary employment personnel preparing the quarterly reporting which was a contributing factor. These duties have now been assigned to a permanent position. Although inaccuracies occurred, it was not due to a lack of diligence. Furthermore, DMH has amended the reports as requested and submitted to MMO for those procurements noted above which were not included on the quarterly report and currently up to date on filing the reports.

#### B. No Drug-Free Workplace Certifications Provided for Sole Source and Emergency Procurements

No Drug-Free Workplace Certifications were provided for sole source and emergency procurements. Section 44-107-30 of the Drug-Free Workplace Act states, "No person, other than an individual, may receive a domestic grant or be awarded a domestic contract for the procurement of any goods, construction, or services for a stated or estimated value of fifty thousand dollars or more from any state agency unless the person has certified to the using agency that it will provide a drug-free workplace..."

We recommend that DMH comply with the Procurement Code regarding the Drug-Free Workplace Act.

### DMH Response

DMH has established controls which were put in place in March of 2010 which includes a Drug-Free Work Place Certification form for those procurements \$50,000 or greater that is completed for compliance and included with the appropriate justification.

C. Inappropriate Emergency Procurements

The written determinations did not adequately support the following procurements being made as emergencies.

<u>PO #</u>	<u>Date</u>	<u>Description</u>	<u>PO Amount</u>	<u>Reported Quarter</u>
4500040656	10/09/06	Fidelity and Surety Insurance	\$ 2,954	Oct. – Dec. 2006
4500044321	03/30/07	Juices/Ginger Ale	\$ 5,717	Jan. – Mar. 2007
4500046870	07/13/07	Catering/Concessions	\$16,000	July – Sept. 2007
4500061170	08/19/09	Tree Removal	\$21,800	July – Sept. 2009

The basis for the fidelity and surety insurance emergency was due to the departure of a buyer and DMH’s failure to identify the expiration of the contract with ample time to rebid. Processes should be established to alert management when contracts approach expiration to allow ample time for solicitation.

The basis for the juice and ginger ale emergency was the current contract had expired and the current vendor was the most suitable vendor that could provide quick turnaround, meet the juice specification requirements, and could offer reasonable prices until a contract could be bid. According to the documentation, the contract expired on January 31, 2007, but the emergency wasn’t declared until March 30, 2007. Processes should be established to alert management when contracts approach expiration to allow ample time for solicitation. Further the Code only required solicitation of three quotations for this procurement, a simple solicitation method established to accommodate agency needs quickly.

The basis for the catering, concessions and vending services was the Center did not decide to solicit for a new contract before the previous contract expired. A solicitation should have been issued early enough to allow adequate time for vendors to submit bids.

The death and deterioration of existing trees plus drainage and walkway issues requiring repairs at the Dorchester Center was a process that occurred over time. Competitive quotes should have been obtained for tree removal and the repairs in accordance with normal procurement procedures.

Regulation 19-445.2110 Emergency Procurements, (B) Definition, states, “An emergency condition is a situation which creates a threat to public health, welfare, or safety such as may arise by reason of floods, epidemics, riots, equipment failures, fire loss, ....” The examples listed, by reason of floods, epidemics, riots, equipment failures, fire loss, are all unknown, unforeseen occurrences. An opinion issued by the South Carolina Supreme Court, in Sloan v. DOT, Opinion No. 26534 (S.C. 2008) supports this position. The Court ruled that, “An emergency is, by its very nature, a sudden, unexpected onset of a serious condition.” The emergency conditions cited were neither sudden nor unexpected.

We recommend in the future for such procurements, that competition be solicited in accordance with the Procurement Code.

#### DMH Response

Upon review if procurement is determined not to be adequately supported or justified as an emergency, DMH will seek competition and solicit as appropriate and in the future will be more conscientious in these efforts. As a matter of perspective, out of approximately ninety emergencies that were declared only these four were found to be unsatisfactory.

## II. No Written Certifications for Grant Exemptions

DMH utilized an exemption for grant specified equipment or services where the equipment or services were deemed essential to the successful completion of the grant-funded project. However, for the exemption to apply, during the grant application process DMH must make written certifications stating why specified equipment or services were essential to the successful completion of the grant-funded project. The grant applications, with the required certifications, must be approved and documented in order for the exemption to apply. No written certifications were provided for the following procurements.

<u>PO #</u>	<u>PO Date</u>	<u>Description</u>	<u>PO Amount</u>
4600023196	06/30/10	Enrichment Program	\$80,000
4600042713	06/30/10	Homeless Housing	\$31,595
4600042714	06/30/10	Homeless Housing	\$14,271
4600021249	06/30/10	Treatment Program	\$84,776

The Procurement Code exemption states, “In accordance with Code Section 11-35-710, exempted procurements made by a requesting agency for the purchase of grant specified and approved major equipment, subcontracts, and consultants the agency determines to be essential to the successful completion of the grant funded project if those procurements are made in accordance with procedures approved by the Office of General Services on an agency-by-agency basis.” In order for a procurement to be exempted using this procedure, a certificate for exemption must be prepared and approved explaining why an item or service was deemed essential to the successful completion of the grant-funded project during the grant application period.

We recommend that DMH comply with its approved procedures for processing grant-specified equipment or services.

### DMH Response

DMH was unaware that a certificate for exemption must be prepared and approved during the grant application period. Staff has since reviewed the DMH alternative procedures that MMO approved on 6/19/1995 and consulted with MMO's audit team to determine how other state agencies are complying with their own alternative procedures. As a result, DMH developed a Certification of Grant Exempt Purchases form that must be submitted by the program/project manager and approved by key personnel during the grant application period. New procedures regarding the written certification were submitted and approved by MMO. DMH Procurement/Contracts Office in conjunction with the Grants Administration Office has incorporated the form in the Grant Approval Process.

### III. Direct Expenditure Vouchers

We selected payments made through the direct expenditure voucher (DEV) system as part of our statistical sample. The DEV process allows for procurements to be made by by-passing the purchase order system. We noted two DEVs that had no evidence of solicitations of competition.

<u>Description</u>	<u>Doc. Date</u>	<u>Doc. #</u>	<u>Fund</u>	<u>PO #</u>	<u>Date</u>	<u>Amount</u>
Storage Unit Rental	20080305	100558633	J12F908	NA	04/02/08	\$4,779
Storage Unit Rental	20080707	100588234	J12B800	NA	07/08/08	\$4,946

The only documentation provided were invoices representing the monthly rental of storage units by the Charleston Area DMH Office. We were provided no evidence that written quotes were obtained prior to the lease of these units. Nor did the DEVs establish the total value of the procurement.

We recommend that DMH comply with the competitive requirements of the Procurement Code as required by the statute. Competition must be solicited for storage units.



## DMH Response

The Charleston Area Mental Health Center was contacted and discussed with their Financial Director and the person responsible for the purchase. She stated competitive quotes were obtained for these purchases, however after attempts were made to locate they were unable to find the documentation. These purchases were made in the old version of SAP and documents could not be electronically attached. Appropriate personnel have been counseled and advised to maintain proper records and documentation to confirm compliance for competitive requirements.

### IV. Procurement Cards

The State's procurement card policy limits single procurement card transactions to \$2,500 unless the Chief Procurement Officer (CPO) authorizes a higher limit. During our fieldwork, we identified 43 procurement cards having single transaction limits greater than \$2,500 in which no approval from the Chief Procurement Officer could be provided. In response to our inquiry, DMH submitted a letter to the Chief Procurement Officer dated December 6, 2011 requesting the approval of higher single transaction limits for these procurement cards.

Section II(D)(2) of the Division of Procurement Services Materials Management Office South Carolina Purchasing Card Policy and Procedures manual dated March 17, 2010, states in part, "To raise or lower the single transaction limit, the P-Card administrator must submit the requested change in writing (E-mail or memo) to the MMO Chief Procurement Officer ..."

We recommend that DMH comply with the Division of Procurement Services Materials Management Office South Carolina Purchasing Card Policy and Procedures manual by requesting approval from the MMO Chief Procurement Officer for cards with single transaction limits exceeding \$2,500 prior to increasing these limits and that CPO approval be maintained in the file for future reference.

## DMH Response

The DMH Procurement Card Administrator subsequently located an internal memo indicating the Comptroller General's Office had approved the procurement card to be used to pay for utilities (including telephones, cell phones, pagers, electricity, water, sewer and cable) which most of these cards were being used for. However, the authorization from the MMO Chief Procurement Officer was not located and therefore a letter was submitted requesting approval. DMH subsequently received the necessary approval from MMO. DMH shall comply as required and maintain requests along with the appropriate approval in file for future reference.

### V. Statutory Reports Not Submitted

DMH failed to submit Minority Business Enterprise (MBE) quarterly progress reports of MBE procurements to the Governor's Office of Small and Minority Business Assistance (OSMBA) for the period April 1, 2008 through June 30, 2010. Additionally, the FY09-10 Annual MBE Plan has not been submitted to the OSMBA as required under Section 11-35-5240 of the SC Procurement Code.

Agencies are required to submit fiscal year utilization plans by July thirtieth, annually, and 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. DMH also failed to submit records of its unauthorized procurements. Effective as of the first Monday in September, 2007, a quarterly record of unauthorized contracts, including facts and circumstances surrounding the acts, corrective actions taken to prevent recurrence, and actions taken against individuals performing the acts, along with the decisions to ratify or terminate these contracts was required to be submitted to the Chief Procurement Officer each quarter by Regulation 19-445.2015.

Finally, DMH failed to report to MMO awards that were made based on applying the Procurement Code preferences in 11-35-1524. Section 11-35-1220 of the Procurement Code allows the Chief Procurement Officer to request procurement data from all using agencies.

Based on a recommendation from a performance audit, MMO has required agencies to report preference data from agencies since 1998.

We recommend DMH comply with submitting statutory annual plans and quarterly reports.

The quarterly reports must still be filed.

#### DMH Response

Appropriate measures and processes have been put in place for compliance with reporting requirements and DMH has submitted all annual plans and quarterly reports as required by the statute.

## **FOLLOW-UP AUDIT**

We have performed a follow-up review of the South Carolina Department of Mental Health (DMH) as a result of findings noted in our initial audit for the period July 1, 2006 through June 30, 2010. This initial audit resulted in findings primarily related to sole source and emergency procurements, Drug-Free Workplace certifications, grant specified exemptions, procurement cards, and MBE reporting requirements. The Materials Management Office (MMO) has continued to work with the DMH procurement staff since the completion of our initial audit to help bring about compliance with laws and regulations relating to the South Carolina Consolidated Procurement Code. This effort between MMO and DMH has resulted in corrective action being taken by DMH. This follow-up review was performed September 28 through October 2, 2012 and covered the subsequent period to our audit of July 1, 2010 through June 30, 2012 to determine if improvements had been made in these areas as well as performed certain other tests to ensure compliance with the South Carolina Consolidated Procurement Code.

Our initial audit identified sole source and emergency procurements that were not reported, reported incorrectly or not reported in a timely manner. Our follow-up included a review of all sole source and emergency procurements for appropriateness of the transactions and the accuracy of the reporting. With the exception of the following two inappropriate emergency procurements which resulted from the untimely issuance of solicitations by DMH, we concluded that sole source and emergency procurements were adequately justified and were properly reported to MMO as required by the South Carolina Consolidated Procurement Code.

Purchase order 4600108558 dated July 21, 2011 for \$39,705 for security guard services and purchase order 4600096361 dated May 16, 2011 for \$32,110 for employment services to individuals with mental illness were both processed as emergency procurements based on the fact that contracts expired prior to the execution of solicitations to establish new contracts for these services. Although both services are essential to the welfare and safety of clients, DMH should have competed both contracts prior to expiration to ensure competition and to prevent

these emergencies from occurring. Section 11-35-1570 of the South Carolina Consolidated Procurement Code allows the head of a purchasing agency or a designee to make emergency procurements only when there exists an immediate threat to public health, welfare, critical economy and efficiency, or safety. Both emergencies could have been avoided through the timely monitoring of contracts by DMH. We recommend DMH adhere to the statute for emergency procurements.

During our initial audit, DMH was unable to provide us with Drug-Free Workplace certifications from vendors for sole source and emergency procurements greater than \$50,000 as required by Section 44-107-30 of the Drug-Free Workplace Act. Our follow-up review confirmed that DMH is now obtaining this certification as required by the Act.

Our initial audit noted DMH was utilizing an exemption for grant specified equipment or services but failed to comply with the grant exemption procedures approved by MMO, a requirement of the exemption. In part, the procedures required a written certification during the grant application process stating why specified equipment or services were essential to the successful completion of the grant-funded project. Absent the written certifications, the exemption was inapplicable. DMH has since submitted new procedures for grant specified equipment and services that have been approved by MMO.

During our initial audit, we identified 43 procurement cards with single transaction limits greater than \$2,500 that had not been approved by the Materials Management Officer. This approval is required by the South Carolina Purchasing Card Policy and Procedures Manual. DMH obtained approval from the Materials Management Officer on all of its procurement cards with single transaction limits greater than \$2,500.

Our initial audit revealed that no Minority Business Enterprise (MBE) annual plans had been submitted for approval to the Governor's Office of Small and Minority Business Assistance (OSMBA) since FY08-09 and that quarterly progress reports had not been submitted to that Office since April 2008. Section 11-35-5240 of the South Carolina Consolidated Procurement Code requires MBE utilization plans to be submitted to the OSMBA for approval no later than

July thirtieth, annually and that progress reports must be submitted to the OSMBA no later than thirty days after the end of each fiscal quarter. We verified that DMH has submitted all of its annual plans and quarterly progress reports as required by the statute.

All recommended corrective action made throughout this audit report to ensure compliance with the South Carolina Consolidated Procurement Code has been made by DMH.

**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 Mental Health in compliance with the Consolidated Procurement Code and ensuing regulations.

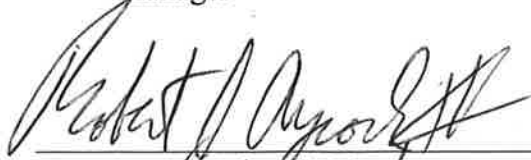
Under the authority described in Section 11-35-1210 of the South Carolina Consolidated Procurement Code, we recommend that the South Carolina Department of Mental Health be recertified to make direct agency procurements for three years up to the limits as follows:

<u>PROCUREMENT AREAS<sup>1</sup></u>	<u>REQUESTED CERTIFICATION LIMITS</u>
Supplies and Services	*\$ 250,000 per commitment
Consultant/Contractual Services	*\$ 500,000 per commitment
Construction Services	\$ 100,000 per commitment
Construction Contract Change Order	\$ 100,000 per change order
Architect/Engineer Contract Amendment	\$ 15,000 per amendment

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



\_\_\_\_\_  
Lane Warren  
Audit Manager



\_\_\_\_\_  
Robert J. Aycock, IV, Manager  
Audit and Certification

<sup>1</sup> DMH's previous certification included \$50,000 for information technology. Since the last certification was granted, a statute was amended granting all agencies \$50,000 in procurement authority. Thus DMH has \$50,000 in information technology authority by statute.

NIKKI R. HALEY, CHAIR  
GOVERNOR

CURTIS M. LOFTIS, JR.  
STATE TREASURER

RICHARD ECKSTROM, CPA  
COMPTROLLER GENERAL



SC BUDGET AND CONTROL BOARD

THE DIVISION OF PROCUREMENT SERVICES  
DELBERT H. SINGLETON, JR.  
DIVISION DIRECTOR  
(803) 734-2320

R. VOIGHT SHEALY  
MATERIALS MANAGEMENT OFFICER  
(803) 737-0600  
FAX (803) 737-0639

HUGH K. LEATHERMAN, SR.  
CHAIRMAN, SENATE FINANCE  
COMMITTEE

W. BRIAN WHITE  
CHAIRMAN, HOUSE WAYS AND MEANS  
COMMITTEE

MARCIA S. ADAMS  
EXECUTIVE DIRECTOR

April 19, 2013

Mr. R. Voight Shealy  
Materials Management Officer  
Division of Procurement Services  
1201 Main Street, Suite 600  
Columbia, South Carolina 29201

Dear Voight:

We have performed a follow-up audit of the Department of Mental Health covering the period July 1, 2010 through June 30, 2012. We have also reviewed the response from DMH to our audit report for the period July 1, 2006 through June 30, 2010. We have verified DMH's corrective action.

Therefore, we recommend the Budget and Control Board grant DMH the certification limits noted in our report for a period of three years.

Sincerely,

Robert J. Aycock, IV, Manager  
Audit and Certification

Total Copies Printed	11
Unit Cost	\$ .90
Total Cost	<u>\$9.90</u>