



**SOUTH CAROLINA  
DEPARTMENT OF EDUCATION (SCDE)  
INDEPENDENT PROCUREMENT AUDIT REPORT  
JULY 1, 2013 to SEPTEMBER 30, 2017**

**Office of Audit & Certification  
Division of Procurement Services  
January 25, 2018**

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## INTRODUCTION

We conducted an audit of SCDE's internal procurement operating policies and procedures, as outlined in their internal Procurement Operating Procedures Manual, under §11-35-1230(1) of the South Carolina Consolidated Procurement Code (Code) and Reg. 19-445.2020 of the accompanying regulations.

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

The management of SCDE 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 effective controls over procurement activities that provide reasonable assurance that the agency administers its procurement programs in compliance with the Code.
- Evaluating and monitoring the agency's compliance with the Code.
- Taking corrective action when instances of noncompliance are identified, including corrective action on audit 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, were 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.

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On August 25, 2015 the State Fiscal Accountability Authority granted SCDE the following procurement certifications:

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Supplies & Services	*\$ 100,000 per commitment
School Bus Supplies and Services	*\$ 250,000 per commitment
Information Technology	*\$ 100,000 per commitment
Consultant Services	*\$ 100,000 per commitment

During the audit, SCDE requested the following increases in procurement certification:

<u>PROCUREMENT AREAS</u>	<u>REQUESTED CERTIFICATION LIMITS</u>
Supplies & Services	*\$ 150,000 per commitment
School Bus Supplies and Services	*\$ 400,000 per commitment
Information Technology	*\$ 100,000 per commitment
Consultant Services	*\$ 100,000 per commitment

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

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## 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 SCDE's compliance with the South Carolina Consolidated Procurement Code, for the audit period July 1, 2013 through September 30, 2017, 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.

The scope of our audit included, but was not limited to, a review of the following:

- (1) Internal procurement and purchasing card (P-Card) procedure manuals.
- (2) All sole source and emergency procurements for the audit period. The following sole source procurement activity was reported to the Division of Procurement Services:

<u>Fiscal Year</u>	<u>Count</u>	<u>\$ Amount</u>
2014	46	9,729,566
2015	53	12,275,655
2016	102	19,382,160
2017	68	15,963,469
Q1 2018	23	8,237,908
Qs 2-4 2018	30	7,503,113 (Post Audit)

- (3) Procurement transactions for the period July 1, 2014 through September 30, 2017 as follows:
  - a) One hundred and twenty-six payments each exceeding \$2,500.
  - b) Three hundred purchase orders reviewed against the use of order splitting and favored vendors.
  - c) Three hundred and twenty-six P-Card transactions for the period July through September 2017.
- (4) Eight construction contracts and five A-E contracts for compliance with the Manual for Planning and Execution of State Permanent Improvements, Part II.
- (5) Small and Minority Business utilization plans and reports. The following activity was reported to the Division of Small and Minority Business Contracting and Certification:

<u>Fiscal Year</u>	<u>\$ Goal</u>	<u>\$ Actual</u>
2015	544,329	60,031
2016	18,369,174	27,648
2017	13,799,175	218,481

- (6) Information Technology acquisitions under IT Plans.
- (7) Surplus property dispositions, and approval of trade-ins in excess of \$5,000.

**SCOPE**

(8) Disposition of Unauthorized Procurements. The following unauthorized procurement activity was reported to the Division of Procurement Services:

<u>Fiscal Year</u>	<u>Count</u>	<u>\$ Amount</u>
2014	1	8,400
2015	9	19,580
2016	34	153,434
Q1 2017	-	-0-

## **CONCLUSION**

Based on the procedures performed, our audit did not identify any conditions which we believe need to be addressed in this report. In our opinion, the internal controls of SCDE's procurement system are adequate to ensure compliance with the Code.

**CERTIFICATION RECOMMENDATION**

In our opinion, the internal controls of the SC Department of Education’s procurement system are adequate to ensure compliance with the South Carolina Consolidated Procurement Code .

Under the authority described in §11-35-1210 of the Consolidated Procurement Code, we recommend that the SC Department of Education be recertified to make direct agency procurements for three years up to the following limits:

<u>PROCUREMENT AREAS</u>	<u>RECOMMENDED CERTIFICATION LIMITS</u>
Supplies & Services <sup>1</sup>	*\$ 150,000 per commitment
Information Technology <sup>2</sup>	*\$ 100,000 per commitment
School Bus Supplies and Services	*\$ 400,000 per commitment

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

  
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D. Crawford Milling, CPA, CGMA  
Director of Audit & Certification

<sup>1</sup> Supplies and Services includes non-IT consulting services

<sup>2</sup> Information Technology includes consulting services for any aspect of information technology, systems and networks



Attachment



**STATE OF SOUTH CAROLINA**  
**DEPARTMENT OF EDUCATION**

**MOLLY M. SPEARMAN**  
*STATE SUPERINTENDENT OF EDUCATION*

August 5, 2019

Mr. D. Crawford Milling, CPA, CGMA  
Director of Audit and Certification  
Division of Procurement Services  
State Fiscal Accountability Authority  
1201 Main Street, Suite 600  
Columbia, South Carolina 29201

Dear Mr. Milling:


Based on your examination of the Department of Education's internal operating procurement procedures and policies for the period July 1, 2013, through September 30, 2017, we accept the results of the audit.

To the best of our knowledge and belief, no events have occurred subsequent to the previous indicated audit period, and through the date of this letter that would require adjustment to or disclosure of matters relating to internal operating procurement procedures.

We appreciate your thorough review of our policies and procedures and the internal controls in place. We will continue to comply with the SC Consolidated Procurement Code and ensuing regulations.

Sincerely,

  
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Elsie S. Montgomery  
Procurement Director

  
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Molly M. Spearman  
State Superintendent of Education

cc: Cathy Hazelwood, Deputy State Superintendent Legal Division