



**SOUTH CAROLINA
VOCATIONAL REHABILITATION DEPARTMENT
(Voc Rehab)**

INDEPENDENT PROCUREMENT AUDIT REPORT

APRIL 1, 2013 – SEPTEMBER 30, 2018

**Division of Procurement Services
Office of Audit & Certification
December 21, 2018**

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INTRODUCTION

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

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

The management of Voc Rehab 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 SC Consolidated Procurement 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.

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

INTRODUCTION

On December 10, 2013 the SC Budget and Control Board granted South Carolina Vocational Rehabilitation Department the following procurement certifications:

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Supplies and Services	*\$ 250,000 per commitment
Information Technology	*\$ 100,000 per commitment
Construction Contract Award	\$ 250,000 per commitment
Construction Contract Change Order	\$ 100,000 per change order
Architect/Engineer Contract Amendment	\$ 25,000 per amendment

During the audit Voc Rehab requested the following increases in its certification limits.

<u>PROCUREMENT AREAS</u>	<u>REQUESTED CERTIFICATION LIMITS</u>
Supplies and Services	*\$ 500,000 per commitment
Information Technology	*\$ 100,000 per commitment
Construction Contract Award	\$ 250,000 per commitment
Construction Contract Change Order	\$ 100,000 per change order
Architect/Engineer Contract Amendment	\$ 25,000 per amendment

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

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 Voc Rehab's compliance with the South Carolina Consolidated Procurement Code for the period April 1, 2013 through September 30, 2018, 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 procurement justifications
- (3) Procurement transactions for the audit period as follows:
 - a) One hundred ninety-six payments each exceeding \$2,500
 - b) Six hundred purchase orders (POs) reviewed for the use of splitting orders and favored vendors
 - c) Sixty-two P-card purchases for the period April 1, 2013 through September 30, 2018
- (4) Nine construction contracts and twelve 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 (SMBCC):

<u>Fiscal Year</u>	<u>\$ Goal</u>	<u>\$ Actual</u>
2014	785,536	437,607
2015	948,968	61,858
2016	1,341,601	40,024
2017	1,315,052	108,748
2018	2,129,407	68,277
Q1 2019	1,921,525	10,351

- (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 activity was reported to the Division of Procurement Services (DPS):

<u>Fiscal Year</u>	<u>Count</u>	<u>\$ Amount</u>
2014	-	-0-
2015	1	285
2016	-	-0-
2017	1	50
2018	1	5,255
Q1 2019	-	-0-

RESULTS OF AUDIT

P-Cards Issued to Two Retired State Employees

P-Cards were issued to two retired state employees that continued to work for Voc Rehab through a partnership with a nonprofit organization. Both cardholders were supervised by Voc Rehab's Procurement and Facility Office Department Director. Both cards were terminated during the audit.

Per Section I of the South Carolina Purchasing Card Policy and Procedures Manual, "The State of South Carolina Purchasing Card (P-Card) is a charge card designed to enable authorized, full-time State of South Carolina (State) employees to make small value purchases of supplies, materials, equipment, and services for State business use."

Recommendation: We recommend the agency develop and implement procedures to ensure future P-Cards are only issued to full-time State of South Carolina employees.

Agency Response

The SC Vocational Rehabilitation Department has received your draft audit report and accepts your audit findings regarding P-Cards being issued to two retired state employees. The Procurement Director at the time the P-Cards in question were issued is no longer employed with the agency.

The agency's Procurement Department requires the employee's supervisor to send a request to procurement to have a P-Card issued. The internal legacy system is then checked to ensure an employee is active with the agency before requesting a P-Card account in Works. The employee is also required to read the Purchasing Cardholder Manual and sign the Cardholder Agreement Form. This corrective action has been in place prior to the most recent audit and will continue.

CERTIFICATION RECOMMENDATION

We believe corrective action(s) based on the recommendation described in this report will in all material respects place the agency in compliance with the South Carolina Procurement Code.

Under the authority granted in SC Code Ann. §11-35-1210, subject to corrective action by the agency, we recommend South Carolina Vocational Rehabilitation Department be certified to make direct agency procurements for three years up to the following limits:

PROCUREMENT AREAS

RECOMMENDED CERTIFICATION LIMITS

Supplies and Services ¹	*\$ 250,000 per commitment
Information Technology ²	*\$ 100,000 per commitment
Construction Contract Award	\$ 250,000 per commitment
Construction Contract Change Order	\$ 100,000 per change order
Architect/Engineer Contract Amendment	\$ 25,000 per amendment

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



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Director of Audit & Certification

¹ Supplies and Services includes non-IT consulting services

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