

**SOUTH CAROLINA LAW ENFORCEMENT DIVISION**

**PROCUREMENT AUDIT REPORT**

**JULY 1, 2011 – DECEMBER 31, 2015**

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

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February 15, 2017

Mr. John St. C. White  
Materials Management Officer  
Division of Procurement Services  
1201 Main Street, Suite 600  
Columbia, South Carolina 29201

Dear John:

We have examined the procurement policies and procedures of the South Carolina Law Enforcement Division for the period July 1, 2011 through December 31, 2015. 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 the procurement policy of the South Carolina Law Enforcement Division. 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 at the South Carolina Law Enforcement Division 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 of internal controls 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.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert J. Aycock, IV". The signature is written in a cursive style with a large, stylized initial "R".

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 Law Enforcement Division, hereinafter referred to as SLED. We conducted our audit under authority granted in 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 August 08, 2012, the State Budget and Control Board granted SLED the following procurement certifications.

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

SLED requested the following certifications. We performed our examination to determine if the certifications were warranted.

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

## 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 SLED 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, 2011 through December 31, 2015 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) Procurement transactions for the period July 1, 2012 through December 31, 2015 as follows:
  - a) One hundred twenty-three payments each exceeding \$2,500, with no exceptions
  - b) A purchase order block sample review for the period March 31, 2015 through December 11, 2015 to check against the use of order splitting and favored vendors, with no exceptions
  - c) Procurement card transactions for October, November, and December 2015, with no exceptions
- (2) All sole source, emergency, and trade-in sale procurements for the period July 1, 2011 through December 31, 2015, with exceptions noted in Section II
- (3) Minority Business Enterprise Plans and reports with the following activity reported to the Governor's Office Division of Small and Minority Business Contracting and Certification

<u>Fiscal Year</u>	<u>Goal</u>	<u>Actual</u>
FY12-13	\$ 309,096	\$222,507
FY13-14	\$ 333,699	\$ 20,916
FY14-15	\$1,012,161	\$ 7,503
FY15-16	\$ 833,636	\$ 13,085*

\*Represents total for first and second quarters only

- (4) Approval of the most recent Information Technology Plan, with no exceptions
- (5) Internal procurement procedures manual, with no exceptions
- (6) Surplus property disposition procedures, with no exceptions
- (7) Ratification of unauthorized procurements, with no exceptions
- (8) File documentation and evidence of competition, with no exceptions
- (9) Other tests performed as deemed necessary, with exceptions noted in Section I.

## SUMMARY OF AUDIT FINDINGS

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<p>Four contracts were executed in accordance with the laws of other states and not South Carolina.</p>	
II. <u>No Drug Free Workplace Certifications</u>	8
<p>Drug-free workplace certifications were not obtained for non-competitive procurements greater than \$50,000.</p>	



**RESULTS OF EXAMINATION**

I. Contract Governance

SLED executed four contracts in which agreements were governed and interpreted in accordance with the laws of other states and not South Carolina.

<u>PO#</u>	<u>PO Date</u>	<u>Description</u>	<u>Amount</u>	<u>State of Governance</u>
4600362800	08/15/14	Helicopter	\$2,549,672	Arizona
4600463572	12/15/15	Wireless Equipment	\$ 49,000	Florida
4600355404	07/25/14	Web-based Portal Services	\$ 9,000	New York
4600459757	11/20/15	Maintenance Contract	\$ 6,996	Florida

Per Section 10 Article 10 of the SC Constitution, “The General Assembly may direct, by law, in what manner claims against the State may be established and adjusted.” The South Carolina Procurement Code provides that all contract controversies (including governance issues) will be heard by the Chief Procurement Officers. Per Section 11-35-4320 contract controversies “The appropriate chief procurement officer or the Procurement Review Panel, in the case of review under Section 11-35-4410(1) may award such relief as is necessary to resolve the controversy as allowed by the terms of the contract or by applicable law”.

Allowing contracts to be governed and interpreted in accordance to the laws of other states jeopardizes the enforcement of such contracts by this State’s Chief Procurement Officers. Procurement contracts should state that all terms and conditions, including disputes, will be governed by and interpreted in accordance to the laws of South Carolina.

We recommend that SLED ensure all future procurement contracts are governed by the laws of South Carolina.

SLED’s Response

The agency concurs. The Procurement Office has developed a process with our Legal Counsel to ensure that all contracts comply with the South Carolina Consolidated Procurement Code.

## II. No Drug Free Workplace Certifications

SLED did not obtain certifications from its contractors stating they maintained drug-free workplaces prior to award of contracts for procurements of \$50,000 or more on non-competitive 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...” Sole source procurements are subject to this law.

We recommend SLED obtain drug-free workplace certifications from vendors on all future contracts of \$50,000 or more as required by the Act.

### SLED’s Response

The agency concurs. Procurement Department Staff will obtain DFWP documents as required and file with appropriate purchase orders to comply with the South Carolina Consolidated 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 Law Enforcement Division in compliance with the Consolidated Procurement Code.

Under the authority described in Section 11-35-1210 of the South Carolina Consolidated Procurement Code, we recommend the South Carolina Law Enforcement Division be recertified to make direct agency procurements for three years up to the following levels:

**PROCUREMENT AREAS**

**CERTIFICATION LIMITS**

Supplies and Services

\*\$ 250,000 per commitment


Information Technology

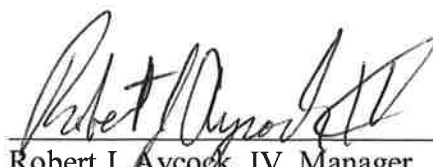
\*\$ 100,000 per commitment

Consultant Services

\*\$ 100,000 per commitment

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

  
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Robin D. Jacobs, CPA, CGMA  
Audit Manager

  
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Robert J. Aycock, IV, Manager  
Audit and Certification

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April 4, 2017

Mr. John St. C. White  
Materials Management Officer  
Division of Procurement Services  
1201 Main Street, Suite 600  
Columbia, South Carolina 29201

Dear John:

We have reviewed the response from the South Carolina Law Enforcement Division to our audit report for the period of July 1, 2011 through December 31, 2015. In our opinion, SLED complies with the South Carolina Consolidated Procurement Code, State regulations, and SLED's procurement policies and procedures in all material respects and the internal procurement operating procedures are adequate to properly handle procurement transactions. Therefore, we recommend the State Fiscal Accountability Authority grant the South Carolina Law Enforcement Division 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	<u>\$ .45</u>
Total Cost	<u>\$4.95</u>