



South Carolina
Department of Parks, Recreation, and Tourism
INDEPENDENT PROCUREMENT AUDIT REPORT
For the Audit Period:
January 1, 2015 to September 30, 2020

Office of Audit & Certification
Division of Procurement Services
May 13, 2021

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INTRODUCTION

The Division of Procurement Services (DPS) audited the Department of Parks, Recreation, and Tourism's (PRT) 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 Regulation 19-445.2020.

The primary objective of the audit was to determine whether the internal controls of PRT's procurement system was adequate to ensure compliance with the Code and ensuing regulations.

The management of PRT 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, 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 § 11-35-1210 is warranted.

On November 7, 2016, the State Fiscal Accountability Authority granted PRT the following procurement certifications:

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Supplies and Services	*\$250,000 per commitment
Construction Contract Award	*\$250,000 per commitment
Construction Contract Change Order	\$250,000 per change order
Architect/Engineer Contract Amendment	\$ 50,000 per amendment

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

During the audit PRT did not request a change in its certification limits.

Total Expenditures

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

<u>Period</u>	<u>\$ Amount (000s)</u>		
	<u>POs</u>	<u>DEVs</u>	<u>Total Spend</u>
Q3,4; FY 2015	14,841	21,217	36,058
FY 2016	28,360	61,928	90,288
FY 2017	30,627	72,361	102,988
FY 2018	26,059	50,229	76,288
FY 2019	28,756	63,014	91,770
FY 2020	45,446	78,693	124,139
Q1; FY 2021	3,763	21,431	25,194
Total	177,852	368,873	546,725

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 PRT’s compliance with the Code for the period January 1, 2015 through September 30, 2020, 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) Written determinations for all sole source and emergency procurements during the audit period. PRT reported the following sole source and emergency procurement activity to DPS during the audit period:

Fiscal Year	Sole Source		Emergency	
	Count	\$ Amount	Count	\$ Amount
Q3,4; 2015	9	212,721	4	14,970
2016	46	1,460,210	4	21,137
2017	42	1,414,065	7	400,407
2018	35	1,477,132	2	7,961
2019	38	1,309,351	7	98,992
2020	22	2,222,710	4	43,358
Q1; 2021	7	262,476	1	5,586
Total	199	8,358,665	29	592,411

- (3) Procurement transactions for the audit period as follows:

- a) Seventy-one payments each exceeding \$10,000
- b) A block of sequential expenditures over a two-month period reviewed for order splitting or the use of favored vendors
- c) Twenty-five P-Card transactions for the months of April 2017 and July 2020. PRT’s total P-Card spend for the audit period was as follows:

Fiscal Year	Population \$ Amount
Q3, 4; 2015	1,516,561
2016	2,912,543
2017	3,117,892
2018	3,741,372
2019	4,120,317
2020	4,230,183
Q1; 2021	1,054,132
Total	20,693,000

SCOPE

- (4) Small and Minority Business utilization plans and progress reports. The following activity was reported to the Division of Small and Minority Business Contracting and Certification (SMBCC):

<u>Fiscal Year</u>	<u>Annual</u> <u>\$ Goal</u>	<u>\$ Actual</u>
Q3, 4; 2015	754,712	81,042
2016	690,008	98,803
2017	855,407	230,957
2018	1,479,732	263,014
2019	1,110,438	-0-
2020	-0-	-0-
Q1; 2021	-0-	-0-

- (5) Surplus property dispositions, and approval of trade-ins in excess of \$5,000

- (6) Disposition of unauthorized procurements. The following unauthorized procurement activity was reported to DPS:

<u>Fiscal Year</u>	<u>Count</u>	<u>\$ Amount</u>
Q3, 4; 2015	4	44,362
2016	6	20,209
2017	3	13,617
2018	10	42,861
2019	7	35,180
2020	5	16,185
Q1; 2021	5	65,497
Total	40	237,911

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Note: The agency’s corrective action plans in response to issues raised in this report have been inserted immediately following the recommendations in the body of the report. The cover letter is at the end of the report as Attachment 1.

RESULTS OF AUDIT

I. PRT's Procurement Manual Lacked Key Provisions

PRT's internal procurement policies and procedures manual did not provide procedures for application of key provisions of the Code as required by Code and Regulation 19-445.2005. Key provisions not addressed by PRT include, among others, procedures for the use of source selection methods commonly used by the agency, and a filing system that provides for consistent organization and retention of procurement files, as well as assignment of roles and responsibilities.

SC Code Ann. § 11-35-540(3) states, "Governmental bodies shall develop internal operational procedures consistent with this code; except, that the operational procedures must be approved in writing by the appropriate chief procurement officer (CPO)."

Recommendation: We recommend PRT revise its internal procurement manual to provide procedures for procurement personnel conducting source selection methods commonly used by the agency, a consistent filing system and the assignment of roles and responsibilities. Procurement Services provides a Procurement Manual checklist on its website that may assist in revising the manual. Once the manual has been revised, we recommend PRT submit the manual to Audit and Certification for approval as required by SC Code Ann. § 11-35-540 and Reg. 19-445.2005. Then, we recommend retraining staff on the revised procedures.

Agency Response

SCPRT will revise its internal procurement manual to address the missing provisions noted in the audit report. Once revised, SCPRT will submit the manual to Audit and Certification for approval, and upon approval, staff will be trained on the revised procedures.

II. Sole Source Procurements

During the audit period PRT reported 199 sole source procurements totaling approximately \$8.36M to DPS. 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 as well as the accuracy of the quarterly reports required by § 11-35-2440.

A. Required Written Sole Source Determinations Not Provided

PRT did not provide written determinations for nine sole source procurements totaling \$467,292 out of 199 sole source determinations tested. Without written determinations, we were unable to determine the appropriateness of making these procurements without competition. Per SC Code Ann. § 11-35-1560, "a contract may be awarded for a supply, service, information technology, or construction item without competition if, ...the head of the purchasing agency, or a

RESULTS OF AUDIT

designee of either officer, above the level of the procurement officer, determines in writing that there is only one source.”

Recommendation: We recommend PRT develop and implement procedures, including management review and approval, to ensure that written determinations are properly prepared and reported for all sole source procurements.

Agency Response

SCPRT will ensure that sole source procurements are properly prepared, documented/retained, and reported as required by the Code.

B. Sole Source Procurements Not Reported or Reported Late to DPS

PRT did not report seven sole sources totaling \$149,320 in required quarterly reports to DPS. Additionally, six sole source procurements totaling \$117,425 were reported late. SC Code Ann. § 11-35-2440 requires that governmental bodies submit quarterly, a record listing of all sole source and emergency contracts made pursuant to § 11-35-1560 to the CPO.

Recommendation: We recommend PRT develop and implement reporting procedures, including management review and approval, to ensure complete, accurate, and timely reporting of sole source procurements.

Agency Response

SCPRT will ensure that sole source procurements are reported quarterly and in a timely manner as required by the Code.

C. Sole Source Approval Dates Missing

Authorized approvers did not date their signatures on 23 sole source written determinations totaling \$759,552. Therefore, we could not determine if authorization for these sole source procurements occurred before contract execution. Regulation 19-445.2105 states that the determination must be authorized prior to contract execution.

Recommendation: We recommend that PRT develop and implement procedures to ensure that written determinations are prepared and properly authorized, signed and dated, prior to contract execution for all sole source procurements as required by the Code.

Agency Response

SCPRT will ensure that sole source determination records are complete (including proper dates and signatures) and accurate.

RESULTS OF AUDIT

III. P-Cards

PRT had 243 P-Card holders with a total spend of approximately \$20.7M during the audit period. Due to the volume of usage, there is enhanced risk of misuse without adequate management oversight.

1. P-Card Program Administration

We reviewed PRT's P-Card Policies and Procedures for compliance with the State P-Card Policy and identified areas of non-compliance.

A. No P-Card Liaisons Roles Assigned

PRT did not assign P-Card Liaisons to review transactions for compliance with Code. PRT's internal P-Card Manual describes Liaison roles and responsibilities; however, in practice, these reviews were performed by two P-Card Administrators (PCA's).

Per State P-Card Policy, III(C), the Liaison reviews the transactions for all cardholders assigned to him/her to determine compliance with State P-Card Policy, i.e., no prohibited transactions, no split transactions, purchases are made from contract vendors when available, no deliveries to other than the business address(es), no blocked MCC codes, etc. ...3. "Perform documented monthly reviews of all transactions for assigned cardholders to verify that there have been no un-allowable transactions."

Recommendation: We recommend PRT assign Liaisons, as required by State and agency P-Card Policy, to perform a documented monthly review for STL, prohibited or split transactions, and the use of blocked MCC codes. Accepted practice is to use a checklist to document and ensure adequate, consistent reviews.

Agency Response

SCPRT will designate P-Card Liaisons to perform documented monthly transaction reviews, and SCPRT will develop a checklist to be used by P-Card Liaisons to ensure reviews are adequate and consistent.

B. Span of Control for P-Card Oversight Was Not Manageable

Two PCA's were assigned responsibility for monthly reviews of transactions for all 243 P-Card holders; however, we found no documentation that these reviews were performed. The span of control is too large for two PCA's to effectively review the transactions of that many cardholders each month. State P-Card Policy assigns this role to P-Card Supervisor/Approvers.

RESULTS OF AUDIT

Per Section III. A. 3. of the State P-Card Policy, "Establish appropriate limits on the number of Cardholders assigned to supervisor/approving officials, and Liaisons in order to ensure adequate review of business need and documentation for each purchase."

Recommendation: We recommend PRT implement and develop appropriate limits on the number of cardholders assigned to one liaison for review to ensure effective oversight.

Agency Response

SCPRT will develop and implement limits on the number of cardholders assigned to P-Card Liaisons to ensure effective oversight of the P-Card program.

C. Independent Audit of P-Cards Not Performed

Independent audits of P-Card activity had not been performed by PRT as required. Section V. 6. of the State P-Card Policy requires the agency to create a "provision for an annual independent audit or review of the P-Card Program by the P-Card Administrator, Internal Audit unit, or other unit assigned audit responsibilities". PRT's P-Card Manual does not require a periodic independent audit or review of the P-Card program.

Recommendations: We recommend PRT develop and implement procedures to require periodic independent audits of the P-Card program which includes program administration and transaction testing. We further recommend individuals not associated with the P-Card program perform these audits.

Agency Response

SCPRT will develop and implement audit procedures in compliance with the State P-Card Policy.

D. Missing P-Cardholder Agreements

PRT did not execute cardholder agreements for two P-Cardholders whose cards were approved via email and issued in 2018. Per Section III A.1.g. of the State P-Card Policy, each cardholder must have a cardholder agreement to acknowledge receipt of a P-Card account.

Recommendation: We recommend that procedures be developed and implemented that require all new cardholders sign cardholder agreements in accordance with State P-Card Policy. We further recommend PCAs maintain cardholder agreements.

Agency Response

SCPRT will develop a revised P-Cardholder Agreement to be signed by cardholders upon completion of Cardholder Training and prior to issuance of P-Cards to ensure agreements are on file for all cardholders. SCPRT Procurement will maintain cardholder agreements.

RESULTS OF AUDIT

E. P-Card STLs Not Communicated to Cardholders

Cardholder agreements do not specify the cardholder's STL's. State P-Card Policy section V. B. states that spending limits enable management to provide cardholders with the purchasing power to accomplish the needs of the job without exposing the State or the organization to unnecessary risk. Section III. A. 1. g. requires that each agency ensure that a credit limit is assigned to each Cardholder Account and record the dollar amount of this credit limit on the employee Cardholder Agreement to be acknowledged by the prospective Cardholder upon receipt of a P-Card Account.

Recommendation: We recommend that PRT revise the cardholder agreement form to include the cardholder's approved STL and credit limit amounts.

Agency Response

SCPRT will revise the P-Cardholder Agreement to ensure that P-Card spending limits are clearly identified and acknowledged by cardholders.

F. No Documented Cardholder Training Program

PRT did not have a documented training program for cardholders. They also did not consistently maintain documentation of cardholder training before issuing P-Cards. Section III. A. 4. of the State P-Card Policy requires that each agency develop a documented, agency-specific training program that must be completed for all prospective cardholders, supervisors/approving officials, and Liaisons prior to issuance of the P-Card.

Recommendation: We recommend PRT develop and implement documented Level I and II training programs for all P-Card personnel. We further recommend PRT document receipt of training by all P-Card personnel. PRT could revise the Cardholder Agreement form to include a cardholder acknowledgement of training prior to receipt of the P-Card.

Agency Response

Although P-Card policies and procedures are reviewed with cardholders prior to issuance of cards, SCPRT acknowledges that a more formal, documented training program is needed in order to comply with the State P-Card Policy. A mandatory, agency-specific training program will be developed and implemented. SCPRT currently has no plans to allow P-Card use for purchases exceeding the "no competition" threshold, so training will be limited to Level I P-Cardholders per the State P-Card Policy.

RESULTS OF AUDIT

G. Inactive P-Cards Not Cancelled

PRT had not cancelled eleven P-Cards which cardholders had not used in the last 12 months. Section III. A. 1. a. xi. of the State P-Card Policy requires agencies to monitor cardholder accounts for inactivity and promptly close accounts and cards that are no longer needed.

Recommendation: We recommend that PRT develop and implement a procedure to promptly close P-Card accounts that have been inactive for more than 12 months as required by State P-Card Policy.

Agency Response

SCPRT will develop and implement procedures for monitoring and closing inactive P-Cards in compliance with State P-Card Policy.

2. P-Card Transaction Testing

We judgementally selected two-months of P-Card transactions with a total spend of \$609,354 from which we tested a sample of 25 transactions totaling \$20,717. Transaction testing identified an area of non-compliance, that PRT had not identified during the monthly review and reconciliation of cardholder statements.

Late Management Approval of P-Card Activity

PRT's practice is for supervisor/approvers to approve transactions electronically in Works by an internally established cutoff date. We identified four P-Card transactions totaling \$8,389 where cardholders' supervisors did not electronically approve the transactions before the cutoff date. Section III. A. 5. c. of the State P-Card Policy, requires agencies to establish reconciliation procedures between cardholders, supervisors/approving officials, and agency accounts payable unit to ensure timely payment of the monthly P-Card billing statement. In addition, PRT's internal P-Card Policy Section B. 7. states that reports are due to Finance by the 10th of every month.

Recommendation: We recommend that PRT provide cardholder supervisors training to reinforce the requirement of timely approval of cardholder Activity statements as set forth by the agency's P-Card Manual. We recommend the agency assign the PCA responsibility for ensuring required reviews are performed by P-Card Supervisor/Approvers and Liaisons prior to signing the P-Card Statement Certification.

Agency Response

SCPRT will reinforce the requirement and importance of timely approval of cardholder statements when providing training to card holder supervisors. Agency P-Card Administrators will be responsible for ensuring required reviews have been performed prior to signing the P-Card Statement Certification.

RESULTS OF AUDIT

IV. Surplus Property

Improper Disposal of Assets

There were two unauthorized disposals totaling more than \$10,285 during fiscal year 2017 out of five surplus property transactions tested during the audit period. Per Reg 19-445.2150 (B) (1) Reporting, “Within 180 days from the date property becomes surplus, it must be reported to the Surplus Property Management Office (SPMO) on a turn-in-document designed by SPMO.”

Recommendation: We recommend PRT develop and implement procedures for the disposal of Surplus Property to ensure compliance with Regulation 19-445.2150.

Agency Response

SCPRT will develop and implement procedures to ensure that disposals of surplus property are processed and reported in compliance with Regulation 19-445.2150.

V. Assistance to Minority Business Enterprises (MBE)

Required MBE Reporting Not Submitted to SMBCC

PRT has not submitted required Annual MBE utilization plans and quarterly progress reports since November 2018. SC Code Ann. § 11-35-5240 requires each agency director to develop an MBE utilization plan. MBE utilization plans must be submitted to the SMBCC for approval no later than July 30th, annually, and that progress reports be submitted to the SMBCC no later than 30 days after the end of each fiscal quarter.

Recommendation: We recommend PRT develop and implement procedures, including management review, for submitting Annual Utilization Plans and Quarterly Progress reports to the SMBCC as required by SC Code Ann. § 11-35-5240.

Agency Response

SCPRT will ensure that future MBE utilization plans and quarterly progress reports are submitted to SMBCC as required by the Code.

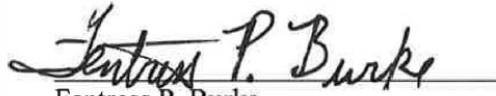
CERTIFICATION RECOMMENDATION

We believe corrective action based on the recommendations in this report will make the Department of Parks, Recreation, and Tourism's internal procurement operations consistent, in all material respects, with the South Carolina Consolidated Procurement Code and ensuing regulations.

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

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Supplies and Services ¹	*\$ 250,000 per commitment
Construction Contract Award	*\$ 250,000 per commitment
Construction Contract Change Order	\$ 250,000 per change order
Architect/Engineer Contract Amendment	\$ 50,000 per amendment

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


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¹ Supplies and Services includes non-IT consulting services