SOUTH CAROLINA FORESTRY COMMISSION

PROCUREMENT AUDIT REPORT

JANUARY 1, 2012 – MARCH 31, 2016

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NOTE: The Commission's reponse to the issue noted in this report has been inserted immediately following the item it refers to.

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August 25, 2017

Mr. John St. C. White
Materials Management Officer
Procurement Services Division
1201 Main Street, Suite 600
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Dear John:

We have examined the procurement policies and procedures of the South Carolina Forestry Commission for the period January 1, 2012 through March 31, 2016. As part of our examination, we studied and evaluated the system of internal control over procurement transactions to the extent we considered necessary.

The evaluation established a basis for reliance upon the system of internal control to assure adherence to the Consolidated Procurement Code, State regulations and the procurement policy of the South Carolina Forestry Commission. 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 Forestry Commission is responsible for establishing and maintaining a system of internal control 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,

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 Forestry Commission, hereinafter referred to as the Commission. 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 December 12, 2012, the State Budget and Control Board granted the Commission the following procurement certifications.

PROCUREMENT AREAS	CERTIFICATION LIMITS
Supplies and Services	$ 100,000 per commitment
Major Fire Fighting Equipment per Commodity Codes 065, 071, 072, 073, 760 & 765	$ 1,000,000 per commitment
Consultant Services	$ 75,000 per commitment
Information Technology	$ 75,000 per commitment

The Commission requested an increase in its Supplies and Services and Information Technology certifications with all other areas remaining the same. We performed our audit to determine if the certifications were warranted.

PROCUREMENT AREAS	REQUESTED CERTIFICATION LIMITS
Supplies and Services	$ 200,000 per commitment
Major Fire Fighting Equipment per Commodity Codes 065, 071, 072, 073, 760 & 765	$ 1,000,000 per commitment
Consultant Services	$ 75,000 per commitment
Information Technology	$ 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 the Commission 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 January 1, 2012 through March 31, 2016 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 March 31, 2016 as follows:

   a) One hundred seventeen payments each exceeding $2,500 with exceptions noted

   b) A purchase order block sample review for the period October 25, 2013 through March 11, 2016 to check against the use of order splitting and favored vendors with no exceptions

   c) Procurement card transactions for December 2015, January, and February 2016 with no exceptions

(2) All sole source, emergency, and trade-in sale procurements for the period January 1, 2012 through March 31, 2016 with one exception

(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:

Fiscal Year	Annual Goal	Actual
2012-2013	$26,588	$2,801
2013-2014	$27,864	$2,418
2014-2015	$23,281	$3,373
2015-2016	$23,502	$ 470

(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 no exceptions

RESULTS OF EXAMINATION

Direct Expenditure Vouchers

We tested payments made through the direct expenditure voucher (DEV) system for the purpose of determining compliance with The State of South Carolina Policy for Use of Purchasing/Payment Document Type issued jointly by the Comptroller General's Office and the Division of Procurement Services[1]. The DEV process allows for procurements to by-pass the purchase order system thereby circumventing certain internal controls inherent in the South Carolina Enterprise Information System (SCEIS). Therefore, State Policy restricts the types of transactions allowed by the DEV process. Our testing noted cases where the Commission paid vendor invoices through DEVs in violation of State Policy.

Clearing Doc Number	Document Date	Check Number	Description	Invoice Amount	
3403404434	04/05/13	140284392	Motor Vehicle Supplies	$ 5,020.46	State Contract
3405216164	06/30/14	141087635	Agr/Mar/Frstry/Supp	$ 15,955.39	Competition
3403367768	03/21/13	140256085	Motor Vehicle Services	$ 24,658.30	Sole Source
3403107651	11/26/12	140060786	Motor Vehicle Services	$ 22,546.20	Sole Source
3403335184	03/08/13	140230778	Building Renovation	$ 9,403.55	Competition
3403120550	11/30/12	140069974	Agr/Mar/Frstry/Supp	$ 15,444.73	Sole Source

Each of these transactions should have been processed through the purchase order system in SCEIS. Purchase orders are the preferred procurement process in SCEIS when an agency orders or procures supplies or services from a vendor. Another benefit of issuing purchase orders in accordance

[1] The State of South Carolina Policy for Use of Purchasing/Payment Document Type applies to agencies under the South Carolina Enterprise Information System (SCEIS) and can be found on the Comptroller General's web site at http://www.cg.sc.gov/guidanceandformsforstateagencies/Documents/CGsAPP/12-31-15/PolicyOnUseOfPurchaseOrdersAndDirectExpenditures_12-31-2015.pdf

with the State Policy, it allows the State to capture data that is used to develop its Strategic Sourcing Plan. The DEV process has reduced internal controls and approvals. Further the data is not formatted in a way that allows it to be captured for strategic sourcing purposes.

Also, the Commission inappropriately procured as a sole source repairs to a transport truck (reference clearing document 3403107651) in the amount of $22,546. The written determination stated repairs had to be made by an authorized dealer. The determination did not claim that only one authorized dealer existed. 11-35-1560 limits sole source procurements to unique items or services available from only one vendor. Competition should have been solicited in accordance with the Procurement Code from authorized dealers.

We recommend the Commission comply with The State of South Carolina Policy for Use of Purchasing/Payment Document Type when making procurements. Sole source procurements must be limited to unique items or services only available from one source.

Commission Response

We agree purchase orders should have been issued and the repairs to a transport truck should have been competed by authorized dealers.

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 Forestry Commission in compliance with the South Carolina Consolidated Procurement Code.

Under the authority described in Section 11-35-1210 of the Procurement Code, subject to this corrective action, we will recommend the South Carolina Forestry Commission be certified to make direct agency procurements for three years up to the following limits.

PROCUREMENT AREAS	CERTIFICATION LIMITS
Supplies and Services	*$ 200,000 per commitment
Major Fire Fighting Equipment per Commodity Codes 065, 071, 072, 073, 760 & 765	*$ 1,000,000 per commitment
Consultant Services	*$ 75,000 per commitment
Information Technology	*$ 100,000 per commitment

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

Robin Devette Jacobs, CPA, CGMA
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September 19, 2017

Mr. John St. C. White
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1201 Main Street, Suite 600
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Dear John:

We have reviewed the response from the South Carolina Forestry Commission to our audit report for the period of January 1, 2012 through March 31, 2016. In our opinion, the Commission complies with the South Carolina Consolidated Procurement Code, State regulations, and the Commission'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 Forestry Commission the certification limits noted in our report for a period of three years.

Sincerely,

Robert J. Aycock, IV, Manager
Audit and Certification

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