

OCIA Audit Finding & Recommendations for Updated Responses

Maintenance Contract Management

1/5/2011

Finding:

Finding 1: Some of the maintenance contract files did not have approval signatures.

Recommendation:

Recommendation 1: An approved copy of all requisitions should be kept in the contract file, and the process for packaging and advertising a contract should not be initiated without the proper signature approvals.

January 2011 Response:

Purchase order commitments are not made from requisitions submitted for Agency or District-wide contracts. The requisition is used as a tracking number significant only to Procurement. As noted in the Procurement Policy and "Procedures Authorized Signature Approval Requirements, (d) Contract Purchases: *NOTE: All requisitions to establish contracts must be sent to the Procurement Office. After contracts are established Blanket Purchase Orders will be issued on an annual basis*" the intent of requisitions to establish contracts is informational only. Requisitions to establish BPOs are processed through the usual approval process after contract creation. Procurement has the authority to establish contracts as it deems appropriate for the efficient operation of the Department. The upcoming SCEIS system does not provide for "shopping carts" (read requisitions) to establish contracts. The establishment of shopping carts requires a funds check against budget and would adversely affect the various department's ability to function.

April 2015 Updated Response:

No longer applies. All approvals are done electronically through SCEIS.

Finding:

Finding 2: The contracts manager in the maintenance department has delegated authority to sign for the Assistant State Maintenance Engineer, the State Maintenance Engineer, and the Director of Maintenance. One individual should not have signature authority for three different levels of management above his/her position.

Recommendation:

Recommendation 2: Signature authorization should only be delegated to individuals in management positions higher than the delegator to preserve the effectiveness of the approval process. However, when impractical, delegation should be limited to one level below the delegator. Furthermore, the delegator should be held responsible for the outcome of all approvals made on his or her behalf when delegation is granted to a lower level position.

January 2011 Response:

We concur with the recommendation. Steps have been taken internally to address this immediately. Signature authorization delegation has been limited to one level below the delegator. This should not be an issue once the SCEIS system takes effect due to the electronic approval structure submitted to the Procurement office.

April 2015 Updated Response:

The recommendation stated for Finding 2 in regards to signature authorization is currently being executed by the Director of Maintenance office. A Director of Maintenance Procurement Request Form must be filled out and approved by the Director of Maintenance for all maintenance services and contracts.

Finding:

Finding 3: A field location purchased five STIHL brush cutters with a purchasing card within one month. Brush cutters are covered under the Statewide Contract for Lawn and Landscape Equipment, but STIHL is not one of the manufactures listed on this contract. Through inquiry, we were told that STIHL brush cutters were purchased because the brush cutters available on contract do not meet SCDOT's specifications; however, written documentation proving the brush cutters available on the contract do not meet SCDOT's specifications was not included in SCDOT's files or provided.

Recommendation:

Recommendation 3: Purchases from non-contract vendors should be documented in sufficient detail to explain the reason for a deviation from the law and attached to the purchasing card receipt.

January 2011 Response:

The Procurement Code section referenced speaks only to price differences for the same supplies, services, or information technology and not to a products insufficiency to satisfy a particular need or function. There is no "deviation" from the law. There is no stated or implied requirement to document or justify going off contract to satisfy a need. Our inquiries to the appropriate State Procurement Officers tell us that common sense should be applied to the purchases but that documentation, while not inappropriate, is not required. Procurement does require the user to request permission to go off contract but does not require additional documentation of the file. The same would apply to a "field requisition" purchase not from the P Card. This purchase off contract was approved by the Director of Procurement after discussion with the user.

April 2015 Updated Response:

Procurement Card Manual has been updated to require proper documentation.

Finding:

Finding 4: We found the security table is not always utilized to record authorized signatures for persons responsible for signing requisitions, purchase orders, or procurement card receipts.

Also, we found it is not always utilized to show individuals with delegated signature authority. When reviewing requisitions and other related documentation, OCIA found an instance where an individual in a field location who does not have delegated signature authority for a Resident Maintenance Engineer (RME) signed on the RME's behalf.

OCIA found an instance where an individual signed on behalf of a RME but initialed by her signature of the RME's name instead of signing her full signature.

Recommendation:

Recommendation 4: Procurement Services should verify that all signatures on requisitions and purchase orders are from authorized individuals by utilizing the security table. The security table should be updated to reflect accurate approval information. Only full signatures should be utilized on requisitions, purchase orders, and purchasing card receipts as stated in SCDOT's Procurement Policies and Procedures.

January 2011 Reponse:

The SCEIS system's roll mapping and security process will block any unauthorized/role mapped approvals from occurring. The shopping carts will not progress through the system without the proper electronic signatures. We are revising the Policy and Procedures manual to reflect those changes.

The Procurement Office requests OCIA provide additional information on this finding. The central office buyers generally know who has authority in their assigned districts. If a district grants additional signature authority they should notify procurement via a SPORTS 2 form to request an increase in signature authority. In the one example cited this could very well have not occurred. The Procurement Office's verification of field purchases is an after-the-fact the review process and may occur after some time has passed. Failure on the part of the user to provide the necessary documentation will result in a notice of unauthorized purchase which should be attached to the file after "ratification" by upper management.

April 2015 Updated Response:

All requisition and purchase orders are done electronically through SCEIS. Procurement Card Manual has been updated to require full signature on purchasing card receipts.

Finding:

Finding 5: Field locations do not always enter contract numbers in the contract field of the Statewide Purchase Order/Requisition/Tracking System (SPORTS) when creating requisitions. Not all field locations are printing and attaching this document indicating a purchase on contract was entered into SPORTS when making purchases with the purchasing card.

Recommendation:

Recommendation 5: Management should emphasize to field locations that contract numbers and contract purchases made with the purchasing card should always be entered into SPORTS to ensure contract reports are accurate and contract limits are not exceeded.

January 2011 Response:

The OCIA recommendation to enter contract number on P Card purchases in SPORTS will no longer be an issue due to the statewide system, SCEIS which will require the contract number on purchases. It is important to note; however, that SCEIS does not provide any ability to relate P. Card purchases to contracts. As SCEIS comes on board, the P. Card Manual will be updated to remove the requirement that contract numbers be entered. Also, we have found that the amount of contract related purchases utilized on the P. Card are statistically insignificant. In the past we did not amend field purchase orders to correct that type of information due to the cost of processing the paper v. the benefit derived.

April 2015 Updated Response:

Contract numbers are currently being written on receipts.

Finding:

Finding 6: OCIA noted instances in multiple field locations where liaisons had not signed purchasing card statements. Also, OCIA found instances in multiple field locations where liaisons did not reconcile cardholder receipts to the purchasing card statement within five days. Existing liaisons and cardholders are not required to take a refresher course.

Recommendation:

Recommendation 6-A: All liaisons should sign the purchasing card statements showing they have reconciled them within five days as provided in the SCDOT Purchasing Card Program Policy and Procedures Manual. The liaison's reconciliation process should include an actual check of cardholder purchases to ensure purchases were appropriate.

Recommendation 6-B: Liaisons should report to management any cardholder that has not turned in his/her purchasing card receipts. Liaisons should also be instructed in writing that if they suspect fraud by a cardholder, OCIA should be contacted immediately. This statement should inform liaisons of the importance of reviewing purchasing card statements because if fraud is found to have been perpetuated by one of their cardholders, the liaison could also be subject to disciplinary actions.

Recommendation 6-C: Management should enact a policy which disciplines liaisons that do not review purchasing card statements and do not report cardholders who are violating purchasing card policies.

Recommendation 6-D: Procurement Services should provide mandatory refresher training periodically to liaisons and cardholders. Procurement Services should also maintain and monitor the dates each liaison and cardholder receives training.

January 2011 Response:

We do not disagree with the recommendations 6-A through 6-C as they are already a part of the policy. It is up to District/Division management to police the P. Card processes and personnel under their authority.

6-D recommends mandatory refresher liaison training classes which are currently held tri-annually. We will work with the districts and division offices to inform them of the training schedule and encourage participation.

April 2015 Updated Response:

6A-Requirements are reflected in the Procurement Card Manual.

6B-Procurement Card Manual calls for notification to Office of Inspector General.

6C-Purchasing Card Policy reflects this requirement.

6D-Procurement Services encourages, but does not require, refresher training at this time. A training record for liaisons and cardholders is maintained.

Finding:

Finding 7: OCIA noted instances in several field locations of cardholders being assigned as their liaisons' liaison. OCIA also noted instances of liaison assignments for employees in subordinate positions to cardholders.

Recommendation:

Recommendation 7: Liaison assignments should be reviewed by an appropriate level of management. A cardholder should not be assigned as his/her liaison's liaison. A cardholder's liaison should not be his/her subordinate employee.

January 2011 Response:

We agree that a liaison should not be subordinate to the card holder. However, we do not see a conflict for a cardholder to be assigned as a liaison's liaison. With many districts and offices having a limited number of individuals who can fulfill the liaison function, we believe greater management involvement in reviewing purchases and statements would help insure P-Card purchases are appropriate. P-Card policies will be reviewed and revised to appropriately reflect proper management oversight.

April 2015 Updated Response:

Complete

Finding:

Finding 8: OCIA found several instances where the cardholder had not signed an invoice or sales receipt. OCIA found instances where receipts did not have detail descriptions and the cardholders did not fill out this report or provide a detail description on their receipts.

Recommendation:

Recommendation 8: Cardholders should sign all purchasing card invoices and/or sales receipts and always provide detail descriptions of all purchases when descriptions are not provided on the receipts.

January 2011 Response:

We agree that all card holders should follow the policy and procedures. It is the liaison's responsibility to ensure this occurs and it is ultimately the managers' responsibility to monitor that compliance. P-Card policies will be reviewed and revised to appropriately reflect proper management oversight. SCDOT requests examples of the OCIA findings so follow-up can occur with the offices.

April 2015 Updated Response:

Procurement Card Policy reflects this requirement.

Finding:

Finding 9: OCIA noted instances where field locations had not sent in the proper or complete documentation for Procurement Services to review. Also, Procurement Services failed to document or follow-up to obtain the proper or missing documentation.

Recommendation:

Recommendation 9: Procurement Services should ensure field locations send all required documentation by running a report of all purchase orders created in the field over \$2,500. Procurement Services should conduct a thorough review of all documents received by field locations for compliance with applicable laws and policies.

January 2011 Response:

Procurement's verification of field purchases is an after-the-fact review process, which may take some time to complete. Our policy is to review every field purchase to check compliance with the purchase limit policy. It often takes several attempts to receive all of the documentation required. If the field cannot supply the documentation unauthorized procurement ratification is required. This should then be attached to the file. Repeated violations can result in revocation of purchasing authority by that individual. Refresher training is the most often required result unless flagrant disregard is observed. We feel we already comply with the recommendation. SCDOT requests the specific examples from OCIA so we may address the findings in more detail.

April 2015 Updated Response:

Procurement Services performs an ongoing review of field purchase orders.

Finding:

Finding 10: Currently, written approval prior to making a purchase with the purchasing card is not required. OCIA noted several purchases for low dollar equipment items on the purchasing card. These include, brush cutters, chain saws, pole saws, etc. OCIA did not see any prior approval attached to most of these purchases.

Recommendation:

Recommendation 10: The Director of Maintenance should require written approval for purchases equaling a certain dollar amount under \$2,500 and for low dollar equipment

purchases. The Director of Maintenance should determine a dollar amount that requires prior written approval. The written approval should be included in the purchasing card file to be reviewed by the liaison and Procurement Services during the purchasing card review.

January 2011 Response:

We disagree with the recommendation because the Department has policies and procedures in place for Property Control through Departmental Directive 8, Fiscal Procedure Memorandum 69, and Supply and Equipment Management Procedure B-1. The threshold limit for non-expendable property approvals (fixed assets) is set at \$1,000 or greater. Written approval for the purchase of fixed assets above this amount is already required. In addition, the purchase of fixed assets using a procurement card is currently prohibited.

Establishment of the recommended process would in some cases contradict the current policies and procedures in place. The Director of Maintenance through its Quality Management Team currently verifies during inspections that each county has a system in place to account for non-expendable property less than \$1,000.00 and verifies the accuracy of that system.

April 2015 Updated Response:

As noted in the audit response, SCDOT disagreed with this recommendation. However, the Director of Maintenance (through its Quality Management Team) currently verifies inventory and procurement records for non-expendable property less than \$1,000.

Finding:

Finding 11: OCIA found an instance where a cardholder used the purchasing card to purchase personal items.

Recommendation:

Recommendation 11: Cardholders should be required to keep their purchasing cards in a secure locked area in their offices until needed.

January 2011 Response:

In the day-to-day operation of the Department, it is impractical to attempt to put cards under lock and key at all times. SCDOT agrees that it is the responsibility of the card holder to secure the P-Card and only use for SCDOT business as cited in the policy noted above. However, we feel a stronger deterrent to unauthorized use is regular management review of P-Card purchases which will add additional assurance that all purchases are legitimate and warranted. SCDOT documents instances of accidental personal use and find the instances to be few and without individual repeats.

April 2015 Updated Response:

As noted in the audit response, SCDOT disagreed with this recommendation.

Finding:

Finding 12: OCIA noted individuals with two to three purchasing cards. OCIA also noted a cardholder with a spending limit of \$25,000 which is above the field purchasing card limit of \$10,000 and the special circumstances limit of \$15,000. OCIA also found two instances of cards being active for individuals who are no longer employed by SCDOT.

Recommendation:

Recommendation 12: Procurement Services should follow MMO's manual and limit each cardholder to one purchasing card. Procurement Services should also monitor the spending of its cardholders to determine the need for a purchasing card and the appropriate spending limit per MMO's manual and ensure all cards are terminated immediately for employees who are no longer employed by SCDOT. Procurement Services should especially assess the spending limit for cardholders who have been granted a special circumstances limit.

January 2011 Response:

SCDOT is in the process of revising our procurement card program to come into compliance with the MMO policy where possible. Some cards are issued for emergency use only and will have no usage. If management decides this is not required we will close them. SCDOT has permission to use a card with a high dollar limit to pay for annual DHEC permits. Cards are terminated when procurement is advised of the employee's separation from service or change in assignment. Procurement Services works with the field locations to determine the needs. Procurement periodically reviews the usage and attempts to adjust where practical. The basic primus of the P. Card program at SCDOT has been to transfer as much Field PO usage under \$2,500.00 per purchase to the P. Card. The cost to process a field PO was identified early on as \$135.00 per PO. BAC uses \$85.00 as a national average. The cost using the P. Card is calculated to be \$25.00 per transaction. We average around 74,000 transactions annually on the P. Card. Using the BAC average we save approximately \$4,440,000.00 annually if we can use the P. Card v. field POs. SCDOT hesitates to restrict the field's ability to use the P. Card but does stress appropriate oversight of the program by management, Procurement, and Quality Management Teams.

April 2015 Updated Response:

Complete

Finding:

Finding 13: Purchasing card expenditures are not transferred by field locations to operating expense categories.

Recommendation:

Recommendation 13: Field locations should complete purchasing card expenditure transfers as stated in the SCDOT Purchasing Card Program Policy and Procedures Manual. Accounting should ensure expenditures are being properly classified and transferred to the correct expense category.

January 2011 Response:

Currently our cards are assigned based on the category of operating expense. For example the 950 cards are for parts used to repair vehicles and equipment; 990 cards are for miscellaneous shop supplies; and 301 for office supplies. When and if a transfer is required the liaison contacts our office for assistance with this. We do not believe the Cost/Benefit ratio will support the need to make those manual transfers above what is currently provided. Perhaps BAC could offer further guidance on this.

April 2015 Updated Response:

Each card is assigned to an operating expense category.

Finding:

Finding 14: OCIA noted instances where field locations did not accurately record meal purchases during inclement weather as per Fiscal Procedure Memorandum 62, Meals during an Emergency Event. All of the required documentation was not attached to the purchasing card receipt. OCIA noted an instance when a field location went over the allowed per diem for a particular meal during inclement weather.

Recommendation:

Recommendation 14: Field locations should ensure that they abide by the guidelines for the purchase of meals for employees during an emergency event.

January 2011 Response:

We concur with the recommendation. As an added control, the Director of Maintenance through its Quality Management Team will include a review of office records during their inspection to ensure that all units are following Fiscal Procedure Memorandum 62 and keeping the appropriate documentation.

April 2015 Updated Response:

Complete

Finding:

Finding 15: Currently, the purchasing card review is conducted once a year and consists of the reviewer visiting the district offices to review purchasing card purchases. This review rarely consists of a physical observation of items purchased on the purchasing card, and the reviewer does not verify if the persons reviewing the purchasing card statements are the correct liaisons.

Recommendation:

Recommendation 15: The purchasing card reviewer should continuously monitor purchases using the WORKS system in addition to the annual review that is conducted. A selection of items purchased on purchasing cards should be chosen frequently to be physically observed by the purchasing card reviewer in order to ensure that purchases were for SCDOT purposes. The purchasing card reviewer should also ensure liaisons are accurate.

January 2011 Response:

The purpose of the review is to ascertain the compliance with the policy and procedures and identify any anomalies that are evident. The review personnel do not have mechanical expertise to determine whether or not particular parts are used on the assigned equipment. The Quality Teams are already looking at the types of items purchased with the P. Card to ensure that these are logical purchases. We are also checking purchases of chain saws, weed eaters, etc. to ensure that they are included in the units' inventory control system and that these items are present. However, we do not check automotive parts or purchases of materials such as lumber etc.

April 2015 Updated Response:

Complete

Finding:

Finding 16: Per the South Carolina Consolidated Procurement Code, "purchases not in excess of \$2,500 may be accomplished without securing competitive quotations if prices are considered reasonable. When practical, a quotation must be solicited from other than the previous supplier before placing a repeat order." However, if the purchaser is making multiple repeat purchases, a quote should be obtained from another vendor to ensure the best price is received. When this quote is acquired, the quote should be documented and attached to the requisition, sales receipt, or invoice. OCIA did not find this documentation during its review.

Recommendation:

Recommendation 16: Field locations should ensure the prices on items less than \$2,500 are fair and reasonable and attach written documentation to purchases when a quote has been obtained. Prices should be researched to confirm prices were fair and reasonable.

January 2011 Response:

The OCIA has quoted only a portion of the SC Consolidated Procurement Code in making their determination and only that portion that supports their position. The complete section 11-35-1550 (2) (a) states:

2) Competition and Price Reasonableness.

(a) Purchases not in excess of two thousand five hundred dollars. Small purchases not exceeding two thousand five hundred dollars may be accomplished without securing competitive quotations if the prices are considered reasonable. The purchasing office must annotate the purchase requisition: "Price is fair and reasonable" and sign. The purchases must be distributed equitably among qualified suppliers. When practical, a quotation must be solicited from other than the previous supplier before placing a repeat order. The administrative cost of verifying the reasonableness of the price of purchase "not in excess of" may more than offset potential savings in detecting instances of overpricing. Action to verify the reasonableness of the price need be taken only when the procurement officer of

the governmental body suspects that the price may not be reasonable, comparison to previous price paid, or personal knowledge of the item involved.

Field locations are required to state the fair and reasonable clause. We do recommend and encourage the field units to periodically check the prices competitively and we instruct them to document those checks when and if taken. Most field offices will get prices on large purchases under the \$2500.00 limit as a matter of good business. There have been a few instances where we required the field to verify competitive pricing but have found no flagrant violations.

April 2015 Updated Response:

SCDOT currently follows State Procurement Guidelines.

Finding:

Finding 17: OCIA noted that not all field locations utilize Procurement Services' "Request for Informal Quotation Form."

Recommendation:

Recommendation 17: All field locations should utilize Procurement Services' Request for Informal Quotation Form to ensure there is no uncertainty about the solicitation descriptions each vendor receives.

January 2011 Response:

We recommend that field offices use the Informal Quote form and 3085 recap form to document quotes. This is emphasized in training as an aide to insure all bidders receive the same information. This is not a requirement at this time. The SC Consolidated Procurement Code only requires that the written quotes themselves be provided.

April 2015 Updated Response:

IQF recently updated. Encouraged but not mandatory.