



Audit Report

Procurement Audit

December 3, 2015



Commission of the South Carolina Department of Transportation

The Honorable Lawrence K. Grooms, Chairman
South Carolina Senate Transportation Committee

The Honorable Hugh K. Leatherman, Sr., Chairman
South Carolina Senate Finance Committee

The Honorable Merita A. Allison, Chairman
South Carolina House Education and Public Works Committee

The Honorable W. Brian White, Chairman
South Carolina House Ways and Means Committee

Dear Distinguished Legislators:

The Office of the Chief Internal Auditor has completed a Procurement Audit. We are transmitting to you the report on this audit in compliance with Section 57-1-360.

We conducted this audit in accordance with Generally Accepted Governmental Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our observations and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for these observations and conclusions.

Please contact us if you have any questions or comments.

Respectfully submitted,

Paul B. Townes

Paul B. Townes, CPA, CFE
Chief Internal Auditor
Office of the Chief Internal Auditor

EXECUTIVE SUMMARY

In an effort to facilitate a timely review and response, Jim Warren, Deputy Secretary of Finance, requested this audit be conducted in two phases. It was agreed that the first review would entail the following:

- Procurement Policies and Procedures as they relate to supplies and services
- Reports used by Headquarter Procurement employees to review district procurements
- Review of SCEIS access levels
- Processes and controls around Purchase Order changes

Sampling and Testing Procedures: Since SCEIS was not able to produce a report with all the fields that OCIA wished to review, we combined multiple SCEIS reports into one spreadsheet to perform our review. In order to gain an understanding of roles and responsibilities in both SCDOT Headquarters and the field, we judgmentally selected individuals from this list to interview. For our purchase order review, we judgmentally selected one hundred and thirteen purchase orders that were approved between March 1 and March 15, 2015.

Summary of Findings and Recommendations (F&Rs):

F&R 1 – Purchase order requisitions are processed in SCEIS using the shopping cart option. If an employee has both shopping cart creator and approval roles, in addition to a spending limit, their shopping carts will automatically approve if the amount of the shopping cart is under their approval level and spending level. Recommend limiting employee’s role to either shopping cart creator or approver.

F&R 2 – In order to review approver authority limits, OCIA had to combine two files. Not all employees with SCEIS approval roles were listed on the file received that listed approval authority level with dollar amounts. In addition, there were employees listed with approval authority levels that were not listed as having the approval role on the corresponding roles report. Both these files were pulled from SCEIS. Recommend determining why the list of authorized users did not tie to the roles list since both lists were pulled from SCEIS.

F&R 3 – There are numerous individual program groups used in SCEIS. Each program group corresponds to a specific organizational group within SCDOT. For example, employees involved in the procurement process who work in Lee County Maintenance would be assigned to program group THF in SCEIS. OCIA noted cases where an individual’s program group in SCEIS did not correspond to their organizational unit listed on the Human Resource file. Recommend a twice yearly review of individuals assigned to a program group be performed to ensure that program group corresponds to employee’s organizational group.

F&R 4 – Changes to previously approved purchase orders do not have to be systematically reapproved. Also, when an approver is not going to be available, they can assign their approval authority to someone else who will act as a “surrogate” approver. When an approver is acting under “surrogate” authority, they can approve their own shopping carts. Recommend developing reports to identify change orders and orders approved under “surrogate” authority for Headquarters Procurement to review to ensure they are appropriate.

F&R 5 – OCIA noted inconsistencies in how procurements are handled in the field. Also, there are inconsistencies in system access and authority approval levels based on job titles/functions. For example, some employees with the job title of Trade Specialist V can create shopping carts (procurement requests) while other employees with the same job title can approve the request. In addition, the approval authority level of Trade Specialist V that can approve requests range from \$1,500 to \$10,000. Recommend developing and documenting a consistent procurement process to be used by all districts. There should be consistencies in system access and approval authority levels based on job titles. Also, the flow and routing of procurement requests should be the same for each district.

Testing Result and Conclusion:

SCDOT initiated SCEIS for agency wide procurements in the fall of 2011. This audit is the first comprehensive system review since agency implementation. Many of the original roles and responsibilities used to set access levels and authority limits were established based on initial team understanding of SCDOT procurement under SCEIS execution. As such, a number of the audit findings identified can be attributed to the complexities of the system operation and the agency's focus on training and ensuring procurement services advance in a consistent and timely manner. Results for this review have identified an inclusive need to continually address roles and responsibilities of the system based on agency wide changed in staff assignments, promotions, and attrition.

OCIA was able to identify inconsistencies and lack of separation of duties with user role access to SCEIS. While no improper procurements were discovered during our limited purchase order testing, OCIA identified multiple purchase orders that were approved by the same employee that created the shopping cart. OCIA also determined that no periodic review of user's roles and approval authority levels were being performed. OCIA findings and recommendations are addressed in the attached report.

During this audit process, opportunities for strengthening internal control and operational efficiency were identified. User roles and approval authority levels vary among the counties and across job titles. OCIA recommends that Headquarters Procurement set consistent user roles and approval authority standards that all employees involved in the procurement process must adhere to. Centralized controls and reporting by the Headquarters Procurement should be established to enhance the efficiency and effectiveness of the procurement process.

SCDOT named Norma Hall Director of Procurement in January 2015. Ms. Hall has over 40 years of procurement experience including over 12 previous years with SCDOT. Prior to being named SCDOT Director of Procurement, Ms. Hall was State IT Procurement Officer at Information Technology Management Office (ITMO). Ms. Hall's numerous years of experience will enable her to identify and strengthen the controls around procurements at SCDOT. Ms. Hall was receptive to findings, exhibited a high level of cooperation and looks forward to partnering with the Office of the Chief Internal Auditor to improve procurement controls through continuous audits.

PROCUREMENT AUDIT

Audit Objectives and Authority

The Procurement audit was approved as a part of the Office of Chief Internal Auditor's (OCIA) 2014-2015 internal audit plan. According to discussions with SCDOT management, there has not been a SCEIS procurement system access review performed since the agency implemented SCEIS in the Fall of 2011. In addition, there has been a change in the Director of Procurement position and OCIA was asked to assist in the review of the current procurement processes to note any opportunities for improvement and efficiencies. The objectives of this audit are:

- To review and note inconsistencies with SCEIS roles and access across the agency.
- Determine if there are controls and/or processes in place to ensure separation of duties exists.
- To review the current relationship between the field procurement employees and headquarter procurement employees. Note opportunities for improvements.

Procurement Audit

Norma Hall was named Director of Procurement in January of 2015. Ms. Hall has over 40 years of procurement experience including over 12 previous years with SCDOT. Prior to being named Director of Procurement at SCDOT, Ms. Hall was State IT Procurement Officer at Information Technology Management Office (ITMO).

Ms. Hall has recently filled two Procurement Manager positions that have been open for some time. Both these positions have been filled with individuals with numerous years of state procurement experience. Ms. Hall stated during one of our initial meetings, that she had not updated the current Policies and Procedures manual to reflect the addition of these two individuals, nor had she had the opportunity to review and revise the current policies and procedures manual dated May 8, 2014. She also stated that a consistent, district level procurement review process was not in effect upon her accepting the position at SCDOT. With the recent addition of the two Procurement Managers, she anticipated having a consistent review process developed and in place sometime towards the end of 2015. This process would be managed by the Procurement Managers. Given Ms. Hall's newness to the position, these areas of review will be deferred until she has had an opportunity to address them.

Audit Procedures

The auditor had to combine information from multiple SCEIS reports to create one spreadsheet containing all the necessary fields to perform a review. This combined spreadsheet was then filtered, sorted and reviewed on the following fields; Organization Unit, Purchasing Group (three letters used in SCEIS to designate a group of people, i.e. THF is Lee Country Maintenance), Approval Authority, Position Title and Roles. Inconsistencies were noted. For example, we noted cases where an employee's purchasing group did not match their organizational group. Using this list, OCIA identified employees to be interviewed that were involved in the

procurement process at the District, County and Headquarters. Topics discussed were how procurement requests were received and approved, relationship between field and district, field and headquarters, district to headquarters and headquarters to headquarters. Also discussed was the approximate percent of time spent on procurement functions and areas that SCDOT needed to improve. All employees interviewed were candid and honest. Using SCEIS, OCIA pulled a report of all purchase orders approved within a two week period. Which coincided with the SCEIS reports run to review access and roles. A sample of one hundred and thirteen purchase orders was reviewed.

OCIA findings and recommendations are outlined below.

AUDIT FINDINGS AND RECOMMENDATIONS

Finding 1:

Per our review of the SCEIS roles as they relate to Procurement, of the six hundred and sixteen (616) employees with SCEIS procurement roles, OCIA identified ninety-nine (99) employees that have all three SCEIS procurement roles. (Buyer, Shopping Cart User and Shopping Cart Approver) OCIA was originally informed that users with the Shopping Cart User role and the Shopping Cart Approver role could not approve their own shopping carts. However, our testing determined that if an employee had both an approval limit and a spending limit, then their shopping cart would “automatically approve” if the amount was less than their spending limits. An approval limit is the amount that an employee can approve based on another employees request. A spending limit, is the amount that an employee is authorized to spend without needing another employee’s approval.

During our review of one hundred and thirteen purchase orders, OCIA identified seven employees that had both the shopping cart user role and the approver role. Of the seven employees identified, four of the employees had shopping carts “automatically approved” since the procurement amount was less than their approval limit and the amount was less than their spending limit. Purchase orders that are “automatically approved” are not routed to another employee for review and approval.

Recommendation 1:

OCIA recommends that a review of employees that have both the shopping cart creator and shopping cart approver role be performed. OCIA recommends that employees be limited to having either the shopping cart creator or the shopping cart approver role, but not both. Our review showed that employees with both roles could approve their own shopping carts without an independent review if the shopping cart amount was under their approval authority limit and they had a spending limit.

Finding 2:

OCIA reviewed the SCEIS roles report to identify SCDOT employees with shopping cart approval authority. OCIA also reviewed the SRM Org Structure report which was also pulled from SCEIS. The SRM report lists approval authority level for SCDOT employees with procurement roles. OCIA compared the two lists to review approval authority levels. OCIA noted 48 employees that were listed as having the approval role but did not have an approval limit noted on the SRM report. OCIA also noted eight employees that had an approval authority level listed on the SRM report but were not noted as having the approval authority role. Both of these reports are pulled from SCEIS and the employees should be the same on both reports.

Recommendation 2:

OCIA understands that both the Shopping Cart Approvers role list and the SRM Org Structure list (which lists approval authority limits) were pulled from SCEIS. If an employee has the shopping cart approver role, they should have an approval authority limit as well as if an employee does not have an approval authority limit, they should not have the shopping cart approver role. Further research needs to be completed to understand why the employees on

these two lists do not agree. In addition, once the reason for the differences is identified, steps need to be taken to address the reason.

Finding 3:

Per our review, OCIA identified twenty-four (24) employees whose program group did not match their organizational unit. There are seven (7) employees that work in a county maintenance office but have authority for all counties within their respective district. These employees all stated that they were “train the trainers” when SCEIS was implemented in 2011. Their access levels have not been changed to reflect the single county office that they are assigned to. There are three (3) employees in the Director of Maintenance Office at Headquarters that have all district maintenance program groups assigned to them. In addition to all the district maintenance program groups, they also have access to all the district construction program groups.

Each position in SCDOT has a corresponding position number. Hence, each SCDOT employee has a “position” number attached to their SCEIS profile. There are two scenarios that can happen when an employee transfers from one position to another position within SCDOT. If the employee moves into the existing position number, their previous SCEIS roles are deleted and a request for new roles must be processed. However, in some cases, the position number moves with the employee and the old position number is updated to reflect the employee’s current position number. When the position number moves with the employee, SCEIS roles are not deleted or updated and the employee’s existing roles move with them. Our review identified eleven (11) employees whose program group did not agree to their organization unit. OCIA contacted four (4) of these employees and they confirmed that they had changed positions and the program group noted on the SCEIS roles report was from a previously held position.

Recommendation 3:

OCIA recommends a twice yearly review of individuals assigned to a program group to ensure that only the appropriate employees have procurement access to that program group. This review should be performed by the appropriate level of management within each program group to ensure accuracy. Review results should be communicated to the Director of Procurement at headquarters.

Finding 4:

During our interviews with SCDOT employees, we were told that once a purchase order was approved, changes made to the purchase order were not automatically re-routed for re-approval. Headquarters Procurement Department has outlined the necessary steps for handling changes made to purchase orders, however, there are few systematic controls and limited reporting available to ensure change orders are reviewed and appropriate. OCIA was not able to test to ensure proper re-approval as there is not a way to pull a list of changed purchase orders from SCEIS. OCIA did discuss with field employees the process that they used when a change order was necessary. All employees interviewed were aware of the published procedures and stated that they were adhering to them.

On Monday of each week, a Purchase Order Open Encumbrance Report is produced and posted to the Budget website. This report is also emailed directly to SCDOT procurement management.

This report is produced at the cost center level. Key fields on this report are purchase order number and date, original amount, invoiced amount, adjustments and remaining balance. If a purchase order is changed, the dollar amount will be reflected in the adjustment column. Changes can be additions or subtractions to a line item on the purchase order as well as invoice adjustments (taxes, shipping, etc.). OCIA met one procurement specialist in a district who reviews the adjustments column on a weekly basis. She reviews the supporting documentation in SCEIS for any adjustments, notes any amounts over ten percent of the original amount, or items she determines to be questionable. The current version of this report does not note who made the adjustment or the date the adjustment was made. She may end up reviewing the same purchase order week after week as there is currently no way to determine the adjustment date.

When an approver is going to be out of the office or otherwise unavailable to approve orders, they can assign another employee to act on their behalf. This is referred to as “surrogate” authority. During the auditor’s discussions with field employees, an employee with approval authority stated that when he was granted “surrogate” authority, he could approve shopping carts he had created. OCIA was not able to test this since the SCEIS system could not generate a list of purchase orders approved under surrogate authority.

Recommendation 4:

OCIA recommends that Procurement investigate ways to strengthen the controls and reporting around change orders. If SCEIS does not have the capabilities to re-route purchase orders for re-approval, then more robust reporting needs to be developed. OCIA recommends looking at adding the change date and employee making the change to the open encumbrance report. Also, a review of the feasibility of having an ad hoc query in SCEIS that could be run by date change or employee making the change. OCIA recommends that headquarters procurement employees run and review these reports on weekly bases. Since change orders are processed and approved in the field, headquarters procurement employees are independent of the change order process and would ensure an independent review.

OCIA recommends Procurement investigate the situations that result in the need for surrogate approval authority. Once the situations are determined, OCIA recommends that Procurement investigate alternative methods for approval instead of using surrogate authority. (i.e. back-up approver in the district) If surrogate authority is the only solution, then the person appointed as the surrogate should not work in the same office. This would reduce the chance of collusion.

Finding 5:

Per our interviews with field employees, OCIA determined that there are inconsistencies between who and how procurements are handled in the counties and districts. There are only five (5) employees (Headquarters and the field) with the position title of procurement specialist. All the remaining procurement duties are handled by employees with various other job titles. We also noted inconsistencies in how the counties interacted with Headquarters for questions and/or procurements that are over their spending limits. Some counties funneled their questions and high dollar procurement through their district office while some counties stated they contacted Headquarters procurement directly. We also found one district where a majority of the procurement requests were processed by the engineers while the district administrator had a very small role in the procurement activity. This was the exception as most district administrative

coordinators were very active in the procurement process. Many stated that they spent fifty (50) to sixty (60) percent of their time on procurement related tasks.

Recommendation 5:

OCIA recommends SCDOT study how procurements are handled. During Ms. Hall's previous tenure, a long term procurement succession plan was developed with SCDOT's OHR, State OHR and representatives from effected areas. Parts of this plan were implemented and parts were not. This plan focused on identifying, training and developing individuals in the procurement process. These individuals would then become procurement specialists. Developing and training procurement specialists adds credibility to SCDOT's procurement process. SCDOT should look for opportunities to reduce the number of employees involved in the procurement process but strengthen the knowledge, roles and training of the designated procurement specialist.

OCIA also recommends looking at ways to strengthen the separation of duties within the procurement process in the field. A centralized district procurement specialist who reports administratively to the district office but functionally to Headquarters Procurement would strengthen SCDOT's procurement process. This reporting function would strengthen the controls against any perceived or possible collusion and reduce the risk of inappropriate bid awards.

Department Response

MEMORANDUM

To: Paul Townes, Chief Internal Auditor

From: Christy A. Hall, P. E., Interim Secretary of Transportation

Date: November 23, 2015

Subject: SCDOT Response to the Procurement Audit

We have reviewed the findings and recommendations in the subject report. We appreciate the efforts of the Office of the Chief Internal Auditor (OCIA) and the willingness of OCIA to work with our staff. We approach audits as an opportunity to learn and improve, and are confident that our collaboration will ultimately yield an optimized process for all of our stakeholders and customers. Listed below are our responses to each of the recommendations outlined in your report.

AUDIT FINDINGS AND RECOMMENDATIONS

Finding 1:

Per our review of the SCEIS roles as they relate to Procurement, of the six hundred and sixteen (616) employees with SCEIS procurement roles, OCIA identified ninety-nine (99) employees that have all three SCEIS procurement roles. (Buyer, Shopping Cart User and Shopping Cart Approver) OCIA was originally informed that users with the Shopping Cart User role and the Shopping Cart Approver role could not approve their own shopping carts. However, our testing determined that if an employee had both an approval limit and a spending limit, then their shopping cart would “automatically approve” if the amount was less than their spending limits. An approval limit is the amount that an employee can approve based on another employees request. A spending limit, is the amount that an employee is authorized to spend without needing another employee’s approval.

During our review of one hundred and thirteen purchase orders, OCIA identified seven employees that had both the shopping cart user role and the approver role. Of the seven employees identified, four of the employees had shopping carts “automatically approved” since the procurement amount was less than their approval limit and the amount was less than their spending limit. Purchase orders that are “automatically approved” are not routed to another employee for review and approval.

Recommendation 1:

OCIA recommends that a review of employees that have both the shopping cart creator and shopping cart approver role be performed. OCIA recommends that employees be limited to having either the shopping cart creator or the shopping cart approver role, but not both. Our review showed that employees with both roles could approve their own shopping carts without an independent review if the shopping cart amount was under their approval authority limit and they had a spending limit.

SCDOT Response 1:

SCDOT concurs that employees should not be assigned both shopping cart creator and shopping cart approver roles. A comprehensive review shall be performed to ensure employees

no longer have both roles. It is additionally suggested that a review of all spending and approval limits occurs.

It is noted here that in testing of the premise, it is our understanding that an automatic approval of shopping carts does not occur when an employee has both shopping cart creator and approver roles. Automatic approval occurs when a user creates a shopping cart below their assigned spending limit.

Estimated Completion: Review of all employees to discover and correct dual creator and approval roles is estimated to be complete March 31, 2016.

Finding 2:

OCIA reviewed the SCEIS roles report to identify SCDOT employees with shopping cart approval authority. OCIA also reviewed the SRM Org Structure report which was also pulled from SCEIS. The SRM report lists approval authority level for SCDOT employees with procurement roles. OCIA compared the two lists to review approval authority levels. OCIA noted 48 employees that were listed as having the approval role but did not have an approval limit noted on the SRM report. OCIA also noted eight employees that had an approval authority level listed on the SRM report but were not noted as having the approval authority role. Both of these reports are pulled from SCEIS and the employees should be the same on both reports.

Recommendation 2:

OCIA understands that both the Shopping Cart Approvers role list and the SRM Org Structure list (which lists approval authority limits) were pulled from SCEIS. If an employee has the shopping cart approver role, they should have an approval authority limit as well as if an employee does not have an approval authority limit, they should not have the shopping cart approver role. Further research needs to be completed to understand why the employees on these two lists do not agree. In addition, once the reason for the differences is identified, steps need to be taken to address the reason.

SCDOT Response 2:

SCDOT does not concur that every Shopping Cart Approver must have an approval authority limit. In SCEIS, having no approval limit is not equivalent to having unlimited approval. Establishing a user with no approval limit is the same as giving them a zero dollar approval limit. Any shopping cart submitted by a user with no approval limit would require approval from a manager in the Shopping Cart Creator's chain of command to move forward in the system and become an actual contract or purchase order.

SCDOT has met with the SCEIS MM Division Director and employees tasked with establishing roles and the Organizational Structure (Org Structure). These two tasks are performed by different areas of responsibility within SCEIS. If the appropriate information is not sent to the group that handles the Org Structure, it will not match up with the roles assigned and requested for an individual within an Organizational Unit. This is an issue that is internal to SCEIS and cannot be controlled by SCDOT.

Estimated Completion: Documented process for biannual review of individual SCIES roles and Organizational Structure placement by December 31, 2015.

Finding 3:

Per our review, OCIA identified twenty-four (24) employees whose program group did not match their organizational unit. There are seven (7) employees that work in a county maintenance office but have authority for all counties within their respective district. These employees all stated that they were “train the trainers” when SCEIS was implemented in 2011. Their access levels have not been changed to reflect the single county office that they are assigned to. There are three (3) employees in the Director of Maintenance Office at Headquarters that have all district maintenance program groups assigned to them. In addition to all the district maintenance program groups, they also have access to all the district construction program groups.

Each position in SCDOT has a corresponding position number. Hence, each SCDOT employee has a “position” number attached to their SCEIS profile. There are two scenarios that can happen when an employee transfers from one position to another position within SCDOT. If the employee moves into the existing position number, their previous SCEIS roles are deleted and a request for new roles must be processed. However, in some cases, the position number moves with the employee and the old position number is updated to reflect the employee’s current position number. When the position number moves with the employee, SCEIS roles are not deleted or updated and the employee’s existing roles move with them. Our review identified eleven (11) employees whose program group did not agree to their organization unit. OCIA contacted four (4) of these employees and they confirmed that they had changed positions and the program group noted on the SCEIS roles report was from a previously held position.

Recommendation 3:

OCIA recommends a twice yearly review of individuals assigned to a program group to ensure that only the appropriate employees have procurement access to that program group. This review should be performed by the appropriate level of management within each program group to ensure accuracy. Review results should be communicated to the Director of Procurement at headquarters.

SCDOT Response 3:

SCDOT concurs with the recommendation.

Estimated Completion: Documented process for biannual review of individual SCIES roles by December 31, 2015.

Finding 4:

During our interviews with SCDOT employees, we were told that once a purchase order was approved, changes made to the purchase order were not automatically re-routed for re-approval. Headquarters Procurement Department has outlined the necessary steps for handling changes made to purchase orders, however, there are few systematic controls and limited reporting available to ensure change orders are reviewed and appropriate. OCIA was not able to test to ensure proper re-approval as there is not a way to pull a list of changed purchase orders from SCEIS. OCIA did discuss with field employees the process that they used when a change order was necessary. All employees interviewed were aware of the published procedures and stated that they were adhering to them.

On Monday of each week, a Purchase Order Open Encumbrance Report is produced and posted to the Budget website. This report is also emailed directly to SCDOT procurement management.

This report is produced at the cost center level. Key fields on this report are purchase order number and date, original amount, invoiced amount, adjustments and remaining balance. If a

purchase order is changed, the dollar amount will be reflected in the adjustment column. Changes can be additions or subtractions to a line item on the purchase order as well as invoice adjustments (taxes, shipping, etc.). OCIA met one procurement specialist in a district who reviews the adjustments column on a weekly basis. She reviews the supporting documentation in SCEIS for any adjustments, notes any amounts over ten percent of the original amount, or items she determines to be questionable. The current version of this report does not note who made the adjustment or the date the adjustment was made. She may end up reviewing the same purchase order week after week as there is currently no way to determine the adjustment date.

When an approver is going to be out of the office or otherwise unavailable to approve orders, they can assign another employee to act on their behalf. This is referred to as “surrogate” authority. During the auditor’s discussions with field employees, an employee with approval authority stated that when he was granted “surrogate” authority, he could approve shopping carts he had created. OCIA was not able to test this since the SCEIS system could not generate a list of purchase orders approved under surrogate authority.

Recommendation 4:

OCIA recommends that Procurement investigate ways to strengthen the controls and reporting around change orders. If SCEIS does not have the capabilities to re-route purchase orders for re-approval, then more robust reporting needs to be developed. OCIA recommends looking at adding the change date and employee making the change to the open encumbrance report. Also, a review of the feasibility of having an ad hoc query in SCEIS that could be run by date change or employee making the change. OCIA recommends that headquarters procurement employees run and review these reports on weekly bases. Since change orders are processed and approved in the field, headquarters procurement employees are independent of the change order process and would ensure an independent review.

OCIA recommends Procurement investigate the situations that result in the need for surrogate approval authority. Once the situations are determined, OCIA recommends that Procurement investigate alternative methods for approval instead of using surrogate authority. (i.e. back-up approver in the district) If surrogate authority is the only solution, then the person appointed as the surrogate should not work in the same office. This would reduce the chance of collusion.

SCDOT Response 4:

SCDOT has formally met with a SCEIS SRM manager concerning controls over purchase orders. At the present time, should revisions to a purchase order be required, SCEIS is unable to re-route a revised purchase orders for additional approval. Therefore, SCDOT concurs in strengthening internal controls to support the recommendation. As such, the Procurement Office has recently added two Procurement Specialist positions. One of these individuals is tasked with reviewing field purchase orders under \$10,000, a review of purchase order changes can be incorporated into this process. All other field purchase orders that are over \$10,000 and not attached to a current contract route to the CPO or Director of Procurement for approval each time there is a change made to the purchase order. The exception to this is when a purchase order is tied to a contract. The contract is set up in SCEIS with the maximum amount allowable. Purchase orders tied to contracts have already had sufficient competition and cannot exceed the contract amount.

Additionally, SCDOT supports and finds the use of surrogates appropriate to provide timely approvals in an employee’s absence. It should be noted that SCDOT’s response to finding one

(1), should eliminate an individual from having both shopping cart creator and shopping cart approver roles.

Estimated Completion: Documented process for review of revised purchase orders with implementation by December 31, 2015.

Finding 5:

Per our interviews with field employees, OCIA determined that there are inconsistencies between who and how procurements are handled in the counties and districts. There are only five (5) employees (Headquarters and the field) with the position title of procurement specialist. All the remaining procurement duties are handled by employees with various other job titles. We also noted inconsistencies in how the counties interacted with Headquarters for questions and/or procurements that are over their spending limits. Some counties funneled their questions and high dollar procurement through their district office while some counties stated they contacted Headquarters procurement directly. We also found one district where a majority of the procurement requests were processed by the engineers while the district administrator had a very small role in the procurement activity. This was the exception as most district administrative coordinators were very active in the procurement process. Many stated that they spent fifty (50) to sixty (60) percent of their time on procurement related tasks.

Recommendation 5:

OCIA recommends SCDOT study how procurements are handled. During Ms. Hall's previous tenure, a long term procurement succession plan was developed with SCDOT's OHR, State OHR and representatives from effected areas. Parts of this plan were implemented and parts were not. This plan focused on identifying, training and developing individuals in the procurement process. These individuals would then become procurement specialists. Developing and training procurement specialists adds credibility to SCDOT's procurement process. SCDOT should look for opportunities to reduce the number of employees involved in the procurement process but strengthen the knowledge, roles and training of the designated procurement specialist.

OCIA also recommends looking at ways to strengthen the separation of duties within the procurement process in the field. A centralized district procurement specialist who reports administratively to the district office but functionally to Headquarters Procurement would strengthen SCDOT's procurement process. This reporting function would strengthen the controls against any perceived or possible collusion and reduce the risk of inappropriate bid awards.

SCDOT Response 5:

SCDOT concurs. Implementation will require a collaborative effort involving personnel from the seven (7) Districts, Human Resources and Procurement. SCDOT recognizes the SCEIS SRM Module is not designed to function optimally in a decentralized environment. Furthermore, recent changes to the system as identified in response number two (2) have made procurement processes more problematic. SCDOT must evaluate proposed staffing and agency organizational changes. We must balance the functionality of SCEIS with these organizational changes to ensure efficient operations and staffing within agency limitations. Additional training of a dedicated procurement professional for each district would also strengthen procurement as a whole. The SCDOT will further evaluate opportunities to address dedicated personnel in the District offices as well as address a formal training program for SCIES procurement professionals.

Estimated Completion: Draft a plan to identify specific field personnel and provide reoccurring training throughout the agency by June 30, 2016.