STATE FISCAL ACCOUNTABILITY AUTHORITY	REGULAR SESSION
MEETING OF August 19, 2026	ITEM NUMBER 13, Page 1

AGENCY: Division of Procurement Services

SUBJECT: Audit and Certification - South Carolina Vocational Rehabilitation Department

The S.C. Consolidated Procurement Code and ensuing regulations (Procurement Code) authorize agencies to make direct procurements up to $50,000 and to enter sole source and emergency procurement contracts with no dollar limitation. S.C. Code Ann. §§ 11-35-1210 (1), 1560, and 1570, and Regulation 19-445.2000C(1). The Code authorizes the Authority to authorize additional procurement authority by assigning dollar limits below which an agency may make direct procurements. On October 15, 2019, the Authority delegated procurement authority to South Carolina Vocational Rehabilitation Department (SCVRD) as follows:

Procurement Area	**Certification $ Limits**
Supplies and Services	250,000 per commitment
Information Technology	100,000 per commitment
Construction Contract Award	250,000 per commitment
Construction Contract Change Order	100,000 per change order
Architect/Engineer Contract Amendment	25,000 per amendment

In accordance with S.C. Code Ann. § 11-35-1230, the Division of Procurement Services (DPS) audited the procurement operating policies and procedures of SCVRD to determine whether the internal controls of the Agency's procurement system were adequate to ensure compliance, in all material respects, with the Procurement Code. The audit revealed a number of procurement and P-Card deficiencies. The Agency has started implementation of the recommended corrective actions and upon completion of the corrective actions, the internal controls of the SCVRD's procurement system will be adequate to ensure compliance with the Procurement Code as described in the audit report.

Based on the audit findings, DPS recommends the Authority to take the action set forth in Section 4 below, including reducing SCVRD's authority to make direct procurements for Supplies & Services.

AGENCY: Division of Procurement Services

SUBJECT: Audit and Certification - South Carolina Vocational Rehabilitation Department

AUTHORITY ACTION REQUESTED:

Authorize South Carolina Vocational Rehabilitation Department (SCVRD) to make direct procurements at the following limits for three years from date of approval:

Procurement Area	**Certification $ Limits**
Supplies and Services[1]	100,000 per commitment*
Information Technology[2]	100,000 per commitment*
Construction Contract Award	250,000 per commitment*
Construction Contract Change Order	100,000 per change order*
Architect/Engineer Contract Amendment	25,000 per amendment*

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

Require SCVRD to reduce active P-Cards by 50% to 54 or less for a year. The Agency shall reduce its active cards to this amount within 30 days of receipt of this report and provide the Division of Procurement Services (DPS) with lists of both cancelled and active cards. In addition, the Agency must revise its P-Card manual and submit it to DPS for approval within 90 days of receipt of this report. Failure to submit a revised P-Card manual to DPS within the required time frame will result in the suspension of all P-Cards until DPS receives the manual.

ATTACHMENTS:

Agenda item worksheet and attachment

[1] Supplies and Services includes non-IT consulting services.
[2] Information Technology includes consultant assistance for any aspect of information technology, systems, and networks.

STATE FISCAL ACCOUNTABILITY AUTHORITY
AGENDA ITEM WORKSHEET

Meeting Scheduled for: August 19, 2026, **Regular Agenda**

1. **Submitted by:**
   (a) Agency: Division of Procurement Services
   (b) Authorized Official Signature: John St. C. White, Materials Management Officer

2. **Subject:** **Audit and Certification**
   South Carolina Vocational Rehabilitation Department

3. **Summary and Background Information:**

The S.C. Consolidated Procurement Code and ensuing regulations (Procurement Code) authorize agencies to make direct procurements up to $50,000 and to enter sole source and emergency procurement contracts with no dollar limitation. S.C. Code Ann. §§ 11-35-1210 (1), 1560, and 1570, and Regulation 19-445.2000C(1). The Code authorizes the Authority to authorize additional procurement authority by assigning dollar limits below which an agency may make direct procurements. On October 15, 2019, the Authority delegated procurement authority to South Carolina Vocational Rehabilitation Department (SCVRD) as follows:

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Based on the audit findings, DPS recommends the Authority to take the action set forth in Section 4 below, including reducing SCVRD's authority to make direct procurements for Supplies & Services.

4. **What is Authority asked to do?**

Authorize South Carolina Vocational Rehabilitation Department to make direct procurements at the following limits for three years from date of approval:

Procurement Area	Certification $ Limits
Supplies and Services[1]	100,000 per commitment*
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Require SCVRD to reduce active P-Cards by 50% to 54 or less for a year. The Agency shall reduce its active cards to this amount within 30 days of receipt of this report and provide DPS with lists of both cancelled and active cards. In addition, the Agency must revise its P-Card manual and submit it to DPS for approval within 90 days of receipt of this report. Failure to submit a revised P-Card manual to DPS within the required time frame will result in the suspension of all P-Cards until DPS receives the manual.

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STATE FISCAL ACCOUNTABILITY AUTHORITY
AGENDA ITEM WORKSHEET

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5. What is recommendation of the submitting agency involved?

Authorize the South Carolina Vocational Rehabilitation Department to make direct procurements at the limits set forth above for three years and require the Agency to implement the measures set forth above.

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6. Private Participant Disclosure – Check one:

☒ No private participants will be known at the time the Authority considers this agenda item.

☐ A Private Participant Disclosure form has been attached for each private participant.

As referenced on the Disclosure forms, a private participant is a natural person or non-governmental legal entity which may directly benefit from, and is participating in or directly associated with, the requested approval.

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7. Recommendation of other office (as required)?

(a) Authorized Signature: ____

(b) Office Name: ____

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8. List of Supporting Documents:

(a) Procurement Audit Report
(b) S.C. Code Ann. § 11-35-1230
(c) S.C. Code Ann. § 11-35-1210

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9. Upload Agenda Item Worksheet and supporting documentation in PDF and native format to the SFAA Authority File Drop.

South Carolina
Vocational Rehabilitation Department

INDEPENDENT PROCUREMENT AUDIT REPORT

for the Audit Period:
October 1, 2021, to September 30, 2024

Office of Audit & Certification
Division of Procurement Services
June 29, 2026

Table of Contents

Abbreviations

Cardholder – Purchasing Card Holder
Code – SC Consolidated Procurement Code and ensuing Regulations
DPS – Division of Procurement Services
PI Manual – Manual for Planning and Execution of State Permanent Improvements
MCC – Merchant Category Codes
MMO – Materials Management Office
OCG – Office of the Comptroller General
PCA – Purchasing Card Administrator
P-Card – Purchasing Card
PO – Purchase Order
SCBO – South Carolina Business Opportunities
SFAA – State Fiscal Accountability Authority
State P-Card Policy – SC Purchasing Card Policy and Procedures
State PO Policy – State of South Carolina Statewide Purchase Order Policy
STL – Single Transaction Limit

Introduction

DPS audited the South Carolina Vocational Rehabilitation Department's (SCVRD) internal procurement operating policies and procedures, as outlined in their internal Procurement Operating Procedures Manual, under § 11-35-1230 of the Code and Reg. 19-445.2020.

The primary objective of our audit was to determine whether, in all material respects, the internal controls of SCVRD's procurement system were adequate to ensure compliance with the Code.

The management of SCVRD 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 an effective organization structure and system of internal control over procurement activities that provide reasonable assurance that the agency administers its procurement programs in compliance with the Code
- Establishing clear lines of authority and responsibility for making and approving procurements
- Documenting the agency's system of internal control over its procurement activities in an internal procurement procedure manual
- Taking corrective action when instances of noncompliance are identified, including corrective action for the 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 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.

Background: During fieldwork SCVRD experienced turnover in key procurement roles. The Procurement Manager position became vacant on June 6, 2025, and recruitment for a Procurement Manager II is underway. SCVRD has a Procurement Manager 1 starting on December 17, 2025. Interim coverage was provided by the Director of Grants & Fund Management and the Agency Chief of Staff. As a result, some historical files and documentation were not readily available. This information is provided as context and does not alter the audit objectives or criteria.

Introduction

Our audit was also performed to determine if recertification under SC Code Ann. § 11-35-1210 is warranted.

On October 15, 2019, SFAA granted SCVRD the following procurement certifications:

PROCUREMENT AREA	CURRENT CERTIFICATION $ LIMITS	
Supplies and Services	250,000	per commitment*
Information Technology	100,000	per commitment*
Construction Contract Award	250,000	per award*
Construction Contract Change Order	100,000	per change order
Architect/Engineer Contract Amendment	25,000	per amendment

During the audit SCVRD did not request an increase in its certification limits.

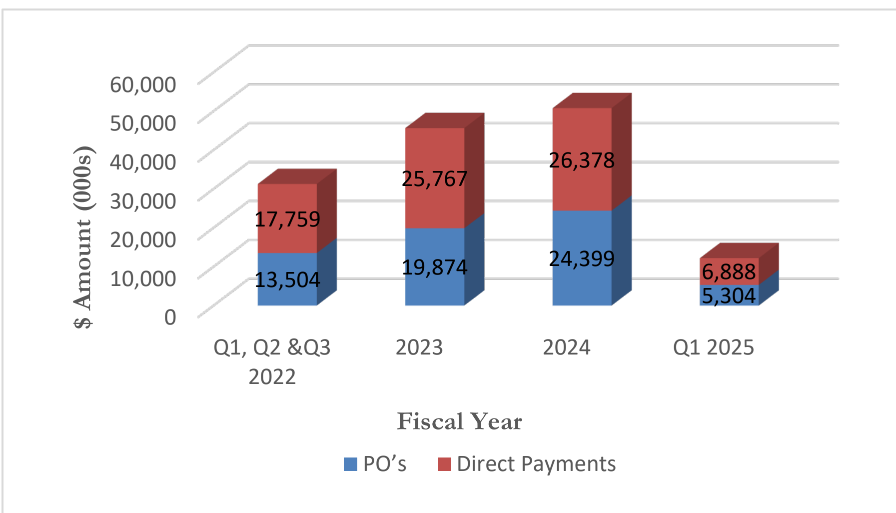
Scope

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 SCVRD's compliance with the Code for the period October 1, 2021, through September 30, 2024, the audit period, and performing other procedures that we considered necessary in the circumstances. We reviewed all sole source and emergency procurements for the period October 1, 2018, to September 30, 2024, in accordance with Proviso 117.4. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Total Expenditures

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

	$ Amount (000s) Q2, 3, 4 FY2022	FY2023	FY2024	Q1 FY2025	Total
POs[1]	13,504	19,874	24,399	5,304	63,081
Direct Pay[2]	17,759	25,767	26,378	6,888	76,792
Total Spend	**31,263**	**45,641**	**50,777**	**12,192**	**139,873**



[1] **POs** represents all expenditures made with a Purchase Order. These are required for most contract purchases by the terms of the contract and is the preferred procurement instrument when a government unit orders or procures supplies or services from a vendor.

[2] **Direct Pays** are made without purchase order based on the State PO Policy. These may occur with purchases of supplies or services that are exempt from the Code or for such things as payment for P-Card purchases or purchases less than $2,500.

Summary of Results

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Summary of Results

Note: The agency's responses to the recommendations made in this report are attached after the report.

Results of Audit

I. Supplies, Services and IT

We audited expenditures exceeding $10,000 made with POs, and expenditures made without a PO to determine compliance with the Code.

Our review of procurements for the audit period identified the following issues:

A. Contract Awarded to Non-Responsive Bidder

SCVRD solicited and awarded a contract totaling $118k via invitation for bid for software and site development. However, the vendor was a non-responsive bidder because the vendor submitted an RFP type of proposal which did not meet the requirements and criteria set forth in the invitation for bid.

Recommendation: We recommend SCVRD ensure that contract awards are only made to bidders deemed both responsive and responsible in accordance with SC Code § 11-35-1520 and related regulations. We further recommend that procurement staff receive refresher training on bid evaluation procedures, focusing on responsiveness and responsibility determinations to prevent future violations. This procurement should be reported to DPS as in violation of the Procurement Code per SC Reg.19-445.2015.

Agency Response

We will immediately review bidding processes and revise procedures to ensure responsiveness criteria are strictly evaluated. We will update the procurement training program agency wide over the next six months to correct and to prevent this adverse audit finding.

B. Competition Not Obtained for Small Purchases

SCVRD did not obtain the required bona fide quotes from a minimum of three qualified sources of supply or provide the required public notice for three small purchases greater than $10k but less than $25k totaling approximately $47k.

Recommendation: We recommend SCVRD develop and implement procedures to ensure any small purchases over $10k but less than $25k receive bona fide responsive and responsible written quotes from a minimum of three qualified sources unless adequate public notice is provided in SCBO. The result is that these three small purchases should be reported to DPS as in violation of the Procurement Code per SC Regs 19-445.2015.

Agency Response

We will execute a procurement training program agency wide over the next six months to correct and to prevent this adverse audit finding. The new senior Procurement staff (as of 04/02/2026) have directed the two incumbent staff members to review each shopping cart for adherence. One senior staff member is tasked with daily oversight. Additionally, staff will prepare and distribute Agency wide a "Mini" Quick Reference Guide (in conjunction with the updated training program).

C. Inappropriate Use of Procurement Code Exemptions

SCVRD inappropriately applied the Vocational Rehab Industries exemption (Raw materials and related supplies to be exclusively used in the production of a finished product by clients for SCVRD on a contract basis with industry) to a warehouse lease for approximately $69k. Real property leases are not governed by the Code.

Recommendation: SCVRD should report this transaction to the Department of Administration, Division of Facilities Management and Property Services as a violation of the State's leasing laws and procedures. We further recommend that SCVRD develop and implement procedures and training to ensure the Vocational Rehab, Industries exemption is only applied to the "raw materials and related supplies to be exclusively used in the production of a finished product by clients for SCVRD on a contract basis with industry," per the terms of the exemption.

Agency Response

We will conduct training sessions over the next six months for relevant staff on leasing regulations as per South Carolina Code of Regulations Chapter 19; Article 4; Section 19-447.1000 (Leasing on Real Property) as well as the GASB 87 requirements and appropriate exemption(s) to ensure understanding and compliance. We will have an Exemption Policy and Procedure section added to the Agency and Procurement manuals.

D. Market Research Not Performed

SCVRD did not perform market research for four procurement contracts totaling approximately $830k per SC Reg. 19-445.2017 (A) (2).

Recommendation: We recommend SCVRD develop and implement procedures to ensure sufficient acquisition planning and market research is performed to support acquisitions of supplies, services, or information technology. DPS provides a Market Research Form on its website that may serve as a guide.

Agency Response

We will develop a market research framework over the next six months that will be applied to all future procurements to ensure informed decision making. A Market Research training procedure for staff will be implemented immediately. Procurement staff members (PM II and PM I) will be enrolled in the SFAA Acquisition Planning and Market Research online course.

E. No Justification for Selected Procurement Method

SCVRD awarded one contract totaling approximately $250K through a request for proposal without the required written determination that the use of competitive sealed bidding was not advantageous to the State as required by SC Code Ann § 11-35-1530 (1) (a).

Recommendation: We recommend SCVRD develop and implement procedures to ensure the required written determination is prepared for any source selected method other than Competitive Sealed Bidding for all solicitation. DPS provides sample form MMO 104 on its website that may serve as a guide.

Agency Response

The SC Consolidated Procurement Code states that any method of a procurement other than the State's "preferred method - IFB" must be documented and justified in writing. We are now using the SFAA/SPO official "Checklist for Each Stage of the Procurement Process". ALL Procurement office staff and all agency solicitation requesters will be trained and required to utilize this checklist. Senior Procurement staff will review all solicitations to ensure compliance.

II. Direct Pays

We tested 25 purchases made without a PO for compliance with the Code.

A. Agency Procedures Lacked a PO Policy

SCVRD's policy and procedures did not address when purchases were permitted to be made without a purchase order. When asked for an explanation as to why selected purchases were made without a PO, SCVRD procurement staff indicated that 'procurement is not involved in the process and has no knowledge of the transaction or how they were paid.' SCVRD Accounts Payable explained that it 'uses the DP policy on the CG's Office website as their guide to determine if the invoice can be paid using the direct pay process.'

The risk of procurements in violation of the Procurement Code is increased without a policy that requires POs unless specified conditions are met. Per the State PO Policy, "A Direct Pay is a payment method only. It does not establish compliance with the SC Consolidated Procurement Code & Regulations or other State regulations." In addition, the State PO Policy states, Direct Payments "should not be used as a matter of convenience as it leads to a reduction in controls and approvals." Making purchases above the Code's competition threshold without competition, or in accordance with a documented policy specifying when competition is not required, is a control weakness.

Recommendation: We recommend SCVRD revise its internal procurement procedures to require the use of POs unless specified circumstances are present for Direct Payment. The State PO

Policy provides guidance on when a direct payment is acceptable. Accepted practice is for all procurements greater than $10k be processed by procurement staff unless direct payment meets conditions provided in the policy. We also recommend the Agency send its revised internal procedures to DPS for approval.

Agency Response

SCVRD will work with the State's Audit and Certification staff to develop a Direct Pay policy within the next four months. This policy will be added to the Agency and Procurement Policy and Procedures manuals. Staff will be fully trained, and implementation will commence once the policy is developed and approved.

B. Inappropriate Use of Exemption

SCVRD processed six procurements totaling approximately $180k for prosthetic devices which it treated as exempt from competition based on its interpretation of 34 CFR § 361.52 Informed Choice which requires that applicants and recipients of services be provided information and support services to assist them to exercise informed choice. 34 CFR § 361.53 – Comparable Services and Benefits provides that a state plan for provision of vocational rehabilitation services must, except for a list of six exempt services, first determine whether those services are available to qualified individuals under any other program.

The referenced Federal law provides guidance to states in developing written policies and procedures to enable applicants or recipients to exercise informed choice throughout the vocational rehabilitation process. Agency policy CSP 4.40 – Diagnosis and Treatment of Impairments provides standards and guidance for SCVRD's provision of physical and mental restoration services to a consumer for a list of services including prosthetic and orthotic devices, which allows counselors to consider payment of the consumer's portion when the consumer demonstrates financial need. SCVRD also has a MOUs with SCDHHS, DDSN, and DMH for the coordination of relevant benefits.

While enabling legislation and federal law require informed choice, and the identification of comparable services and benefits available under any other program, there is no exemption from the Procurement Code for services required of SCVRD. SCVRD has historically made purchases to provide for patients' preferences without competition, and therefore these transactions were made in violation of competitive procurement procedures required by SC Code Ann § 11-35-1550 (2) (b).

Recommendation: At its June 16, 2026, meeting the State Fiscal Accountability Authority exempted SCVRD's acquisition of certain consumer supplies and services resolving this finding.

However, we recommend SCVRD train its counselors on its internal policy CSP 4.40, section 3.3 regarding Comparable Services and Benefits.

Agency Response

SCVRD will add an Exemption policy to the Agency and Procurement manuals and provide to DPS.

III. Sole Source Procurements

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 and the accuracy of the quarterly reports required by § 11-35-2440. During the audit period SCVRD reported 74 sole source procurements totaling approximately $3.27M to DPS.

A. Inappropriate Sole Source Determinations

SCVRD conducted five sole source procurements totaling approximately $1.1M that were inadequate to justify the vendor was the only one available for the products and services purchased. The Agency failed to adequately describe the agency's need for the goods or services and did not include documentation of market research conducted to support the sole source justification per SC Reg 19-445.2105 (C)(2). These procurements should be reported to DPS as in violation of the Procurement Code as required by SC Reg.19-445.2015.

Recommendation: We recommend SCVRD develop and implement procedures to ensure compliance with SC Code Ann. § 11-35-1560, and SC Reg 19-445.2105 (C)(2) regarding sole source determinations, and that competition be solicited whenever there is reasonable doubt.

Agency Response

Senior staff currently reviews all sole source determination processes and has implemented additional checks to ensure all sole source justifications align with regulatory requirements. We have also implemented use of the SFAA/SPO official "Checklist for Each Stage of the Procurement Process". All Procurement office staff and all agency solicitation requesters will be trained and required now to utilize this checklist. Senior Procurement staff will review all solicitations to ensure compliance. Additionally, no Sole Source procurements will be processed outside of the SCVRD State Office Procurement Department without use of the State's Form MMO_102_4-17-25.

B. Required Written Determinations Lacked Authorization

SCVRD had 33 sole source procurements totaling approximately $2.6M that were approved by three personnel without delegated sole source approval authority from the Commissioner of SCVRD per § 11-35-1560 & Reg 19-445.2105. The result is that these 33 sole source procurements should be reported to DPS as in violation of the Procurement Code per SC Regs 19-445.2015.

Recommendation: We recommend that SCVRD develop and implement procedures to ensure that written determinations are prepared and properly authorized for all sole source procurements as required by the Code. Any delegation of sole source approval authority by the Commissioner must be submitted in writing to the MMO. We also recommend that SCVRD report all 33 sole source procurements to DPS as in violation of the Procurement Code per SC Reg 19-445.2015.

Agency Response

Over the next six months we will implement a standardized process for obtaining necessary approvals and authorizations for all written determinations before procurement decisions. We have implemented use of the SFAA/SPO official "Checklist for Each Stage of the Procurement Process". Henceforth, all Procurement office staff and all agency solicitation requesters will be trained and required to utilize this checklist. Senior Procurement staff will review all solicitations to ensure compliance.

C. Sole Source Procurements Lacked Public Notice

SCVRD did not post public notice for two sole source procurements greater than $50k totaling approximately $416k as required by Regulation 19-445-2105.D(2).

Recommendation: We recommend that SCVRD develop and implement procedures, including management review and approval, to ensure that sole source procurements are properly advertised in SCBO as required.

Agency Response

We will establish a clear policy over the next six months to ensure that all sole source procurements are posted publicly, in compliance with regulations, including clear written documentation(s) made to notify the public. We have implemented use of the SFAA/SPO official "Checklist for Each Stage of the Procurement Process". Henceforth all Procurement office staff and all agency solicitation requesters will be trained and required to utilize this checklist. Senior Procurement staff will review all solicitations to ensure compliance with the Code and Form MMO_102_4-17-25.

IV. Emergency Procurements

All written determinations for emergency procurements made pursuant to SC Code Ann. § 11-35-1570 were evaluated to assess the appropriateness of the procurement actions and the accuracy of the quarterly reports required by § 11-35-2440. SCVRD conducted 17 emergency procurements totaling $1,356,714 during the audit period.

Results of Audit

A. Inappropriate Use of Emergency Procurement

SCVRD initially declared an emergency procurement for security guard services at their Greenville office location in 2019 and stated in the written determination that they would solicit a new contract to meet the security needs. However, six emergency procurements totaling approximately $281k were used to obtain security services over a two-year period rather than competitively solicit a new contract to meet the needs of the Agency.

These procurements beyond the initial one did not meet the definition of an emergency per SC Regs 19-445.2110 (B).

Recommendation: We recommend the Agency develop and implement procedures to ensure emergency procurements are limited to circumstances that meet the definition of an emergency under Reg. 19-445.2110. We also recommend all future instances where contracts are expiring and require extension to facilitate solicitation of competition, be reported to the CPO prior to contract extension by emergency declaration. We further recommend that the Agency develop procedures to ensure that procurements requiring longer lead times can be identified and accommodated, and that the procurement office develops procedures to track contract expiration dates. These five procurements should be reported to DPS as in violation of the Procurement Code per SC Regs 19-445.2015.

Agency Response

We will review and revise our Emergency Procurement procedures to ensure they align with regulatory requirements, including stricter criteria for defining emergency situations. We have implemented the SFAA/SPO official "Checklist for Each Stage of the Procurement Process". All Procurement office staff and all agency solicitation requesters will be trained and required to utilize this checklist. Senior Procurement staff will review all solicitations to ensure compliance. Additionally, no Sole Source procurements will be processed outside of the SCVRD State Office Procurement Department without use of the State's Form MMO_103_5-23-25.

B. Written Determinations Not Properly Authorized

SCVRD had 15 emergency procurements totaling approximately $1.1M during the audit period that were approved by the Director of Administration without delegation of approval authority by the Agency director per SC Code Ann §11-35-1570 (A).

Recommendation: We recommend that SCVRD develop and implement procedures to ensure that written determinations are prepared and properly authorized for all emergency procurements as required by the Code. We also recommend that SCVRD report all fifteen emergency procurements to DPS in violation of the Procurement Code per Reg 19-445.2015.

Results of Audit

Agency Response

We will establish a protocol over the next six months to ensure that written determinations are reviewed and approved by the appropriate authorities before being finalized. This will include training staff in proper authorization processes. All Procurement office staff and all agency solicitation requesters will be trained and required to utilize the SFAA/SPO procurement process checklist and senior Procurement staff will review all solicitations to ensure compliance. The changes in policy will be documented in the SCVRD Procurement Manual.

V. Construction

We tested construction, architectural/engineer and related professional service contracts for compliance with the Code and the PI Manual.

Certification of Liability Insurance Not Obtained

SCVRD did not obtain certification of liability insurance coverage for two construction projects totaling approximately $100k from the awarded contractors before contract performance per SC Code of Regs 19-445.2145 (L).

Recommendation: We recommend that SCVRD develop and implement procedures to ensure the certificate of liability insurance coverage is obtained for all construction projects prior to contract performance.

Agency Response

We will establish a verification process over the next six months to ensure that all construction projects have the requisite certification of liability insurance before the commencement of any work. This will include revising our project initiation checklist to include mandatory insurance verification.

VI. P-Cards

SCVRD had 161 P-Cards in use during the audit period and spent $3,107,553 in 14,535 transactions. Based on the volume of usage, there is increased risk that misuse or abuse of P-Cards will not be prevented or detected without adequate management oversight.

Program Administration

We reviewed SCVRD's P-Card Policy and Procedures for compliance with the State P-Card Policy and identified weaknesses in program oversight.

Results of Audit

A. Insufficient P-Card Manual

We reviewed the SCVRD's internal P-Card Procedure Manual for compliance with State P-Card Policy and identified areas of non-compliance. The following key areas were omitted from the Agencies' manual.

1) Procedures for obtaining board approval for increasing STLs greater than $2,500.
2) Procedures for supervisors'/managers signing and dating monthly bank statements.
3) Procedures for appropriate hierarchical review and approval of transactions.
4) Procedures for the monitoring of accounts for inactivity and promptly closing cards that are no longer needed.
5) Procedures for obtaining approval to use blocked MCCs in appropriate circumstances.

Recommendation: We recommend SCVRD revise its internal P-Card Manual to document internal control procedures to ensure compliance with key requirements in the State P-Card Policy. Procurement Services' website has a P-Card Manual Checklist that may be of assistance in revising the manual.

Agency Response

We have updated the SCVRD P-Card Policy to meet the auditor's requirements and aligned it with the SFAA P-Card Manual Checklist to meet all state standards.

B. Independent Audit of P-Cards Not Performed Annually

Independent audits of P-Card activity had not been performed annually by the Agency as required by Section (V) (6) of the State P-Card Policy. SCVRD performed an independent audit of P-Card use for calendar year 2023, but not annually. One year after sixteen findings and five observations were reported on the independent P-Card audit report performed by SCVRD internal auditors, nine out of twenty-one correction actions had not been fully implemented. Due to lack of management oversight, seven corrective actions were not effective because the same findings were repeated in this audit.

Recommendation: We recommend SCVRD develop and implement an internal policy for the provision of an annual independent review of all areas of P-Card program administration and transactions.

Agency Response

SCVRD's Internal Audits Manager has begun discussions with SCVRD's Policy and Internal Control Unit to develop and implement an internal policy for an annual audit of SCVRD's P-Card program. We anticipate the manuals and controls will be implemented within four months.

Results of Audit

C. No P-Card Liaisons Roles Assigned

SCVRD had 39 cardholders that were not assigned to a liaison and 18 cardholders that acted as their own liaisons. State P-Card Policy V-A (1) (3) (4) requires appropriate separation of duty between review and approval of transactions and no cardholder may approve his/her own transactions.

Recommendation: We recommend SCVRD assign liaisons in accordance with State P-Card Policy. We further recommend that SCVRD update its internal P-Card Manual to include documented monthly reviews by liaisons. Accepted practice is to use a checklist to document and ensure an effective review of each purchase.

Agency Response

We have assigned liaisons to all cardholders. This assignment is documented on the SCVR 795 Cardholder Agreement form. We updated the SCVRD P-Card policy to a monthly documented review of cardholders' purchases. We have created the SCVRD 797 P-Card Liaison Review Checklist to document this review.

D. Inactive P-Cards Not Cancelled

SCVRD had four P-Cards that had not been used in over a year and three P-Cards that had never been used. State P-Card Policy Section III (A) (1)(a) (xi) requires monitoring for inactive cards and promptly closing accounts and cards that are no longer needed.

Recommendation: We recommend SCVRD perform a documented review for inactive P-Cards annually and promptly close all inactive accounts or document the reason(s) for keeping them open. We further recommend SCVRD revise its internal P-Card Manual to include the annual review requirement.

Agency Response

The identified P-Cards have been cancelled. We have updated the SCVRD P-Card policy to include procedures for reporting inactive P-Cards and an annual review of all P-Cards for inactivity. The SCVRD P-Card Coordinator will diligently monitor P-Card usage to ensure cards that are not used for a maximum of six months are promptly cancelled.

E. STLs Greater Than $2,500 Not Approved

SCVRD had two cardholders with permanent STLs greater than $2,500 for which no governing board or agency head approval was obtained as required by the State P-Card Policy II (D). In addition, 19 cardholders made 75 purchases totaling approximately $235k which exceeded their STLs without prior approval as required by the State P-Card Policy Section II (B) (2).

Recommendation: We recommend SCVRD develop and implement procedures to require that all P-Card transactions exceeding the STL of $2,500 have documented preapproval in accordance with State P-Card Policy and we further recommend that any cardholders with permanent STL greater than $2,500 obtain agency head approval.

Agency Response

We conducted an audit of all P-Card STL. Currently SCVRD does not have active p-cards with an STL of $2,500 or greater. We have updated the SCVRD P-Card policy to include procedures for assigning STL of greater than $2,500. As the monitoring and training is tracked, SCVRD will seek approval for temporary STL from the Agency head, as warranted. In the meantime, we will continue our limit of $2,500.

F. Blocked MCCs

SCVRD made 36 purchases during the audit period totaling approximately $10k using blocked MCCs. SCVRD did not obtain prior approvals from the OCG to unblock MCCs per State P-Card Policy III C (4).

Recommendation: We recommend SCVRD revise its internal P-Card policies to reinforce the prohibition against the use of blocked MCC codes without prior approval. Additionally, we recommend SCVRD retrain cardholders and reviewers to ensure compliance with State and internal P-Card Policy on the importance of adhering to MCC restrictions and the process for obtaining pre-approvals.

Agency Response

It was SCVRD's understanding that purchases made to vendors with blocked MCC would automatically be declined. After reaching out to SFAA for guidance, we were informed that it is SCVRD's responsibility to ensure that Bank of America has the correct MCC blocked in their system. We have updated the SCVRD P-Card policy to include procedures requesting purchases from blocked MCC are thoroughly vetted by the CG's Office.

G. Mandatory State Term Contract Not Used

SCVRD had 54 purchases totaling approximately $10K from non-contract vendors which were available from vendors on mandatory state term contracts per SC Code Ann 11-35-310 (37).

Recommendation: We recommend SCVRD procure all required supplies, services, and information technology through state term contracts whenever possible.

Agency Response

We agree with the finding for the purchase of office supplies from non-contact vendors. We have sent a directive to all P-Card users regarding the usage of SC State Term Contracts as well as addressing this with new employees' (if assigned a P-Card) initial training and set-up, as well as in SCVRD's annual training/recurrency training sessions.

H. Split Transactions

SCVRD had 11 cardholders that split 52 purchases totaling approximately $199k during the audit period to avoid their STL. State P-Card Policy Section IV (C) prohibits splitting transactions to avoid the STL and further provides that doing so may result in revocation of P-Card privileges.

Recommendation: We recommend SCVRD comply with State P-Card Policy Section IV (C), as well as its internal policy, which prohibits split purchases. We further recommend that cardholders receive additional training, and that documented liaison reviews include checking for split purchases.

Agency Response

We have sent a directive to all P-Card users regarding their assigned STL which includes training on "split transactions" during new employees' (if assigned a P-Card) initial training and set-up as well in SCVRD's annual training/recurrency training sessions.

I. Procurement Lacked Required Competition

SCVRD had 438 P-Card transactions and spent approximately $625k on food products with one vendor without competition. One cardholder spent approximately $314k with 148 transactions on this vendor during audit period. This finding was also reported in SCVRD independent P-Card audit. SCVRD has not taken any steps to solicit a food contract as recommended by the independent audit.

Recommendation: We recommend SCVRD solicit a food contract using a competitive method in accordance with § 11-35-1520 and that food purchases not be made with a P-Card.

Agency Response

This audit finding references use of P-Card(s) to purchase food products. The resulting recommendation is for SCVRD to solicit a food contract. Senior Procurement staff will work with the SCVRD departments responsible for food services to determine the scope of what food purchases; needs, requirements, etc. are currently being procured. We will seek assistance from other state agencies (Department of Corrections, DJJ, the Commission for the Blind, DSS, DDSN, etc.) who also procure food services in formulating a Scope of Work and accompanying documentation to forward to SFAA for a solicitation and procurement process(es). We anticipate the market research, collaboration with other state agencies and development of the Scope will take six to nine months prior to forwarding to SFAA. In the meantime, senior Procurement staff will meet with the SCVRD staff responsible for the improperly procured food purchases. We will demand they adhere to the Code requirements and regulations until a contract, or contracts are awarded. They will be advised of the consequences of improper use of the P-Card for such purchases; up to and including cancellation of their P-Card.

P-Card Transaction Testing

We performed tests of P-Card transactions to ensure compliance with State and Agency P-Card policies and procedures. Transaction testing identified two areas of non-compliance, which were not identified by the PCAs or supervisor/approvers during the monthly review and reconciliation of cardholder statements.

A. Supporting Documentation Not Provided

SCVRD did not provide two bank statements of the 25 transactions selected for testing per State P-Card Policy III (D) (1) (i) and III (D) (5).

Recommendation: We recommend SCVRD follow its policies regarding documentation and retention of P-Card transactions.

Agency Response

Effective March 1, 2025, all cardholders are required to upload their P-Card statement and receipts into the P-Card Statement Upload program on SCVRD's Application Menu. We updated the SCVRD P-Card policy to include procedures for uploading monthly P-Card statements into SCVRD's Application Menu.

B. P-Card Not Secured and Misused by Other

SCRVD had one cardholder who made a purchase of $168 which was made by someone other than the cardholder and the items were shipped to the purchaser home address. Use of P-Card by a person other than the cardholder is unauthorized and strictly forbidden by the State P-Card Policy IV (A) and no deliveries are allowed to be made to other than the business address per State P-Card Policy III (C).

Recommendation: We recommend SCVRD develop a liaison monthly P-Card review checklist. This documented review of transactions for compliance with state and agency P-Card Policies should be completed prior to approving the P-Card statement. A sample checklist is available on DPS' website. We further recommend that this P-Card be terminated.

Agency Response

SCRVD had one cardholder who made a purchase of $168 which was made by someone other than the cardholder and the items were shipped to the purchaser home address. Use of P-Card by a person other than the cardholder is unauthorized and strictly forbidden by the State P-Card Policy IV (A) and no deliveries are allowed to be made to other than the business address per State P-Card Policy Ill (C). We updated the SCVRD P-Card policy to include a monthly documented review of cardholders' purchases. We have created the SCVR 797 P-Card Liaison Review Checklist to document this review. We have cancelled that P-Card.

VII. Purchase Orders Generated Outside of SCEIS

South Carolina Purchase Order Policy requires agencies using SCEIS to initiate procurements and obligate funds through SCEIS, issuing POs and maintaining approvals and supporting documentation within SCEIS. SCEIS controls (encumbrances, workflow approvals, three-way match and audit trail) are designed to safeguard public funds and ensure accurate statewide reporting.

During our review of prosthetics procurements for consumers, we found that the Agency procured supplies and services required by consumers using POs created outside of SCEIS. These purchases are then batched and processed as direct payments, by passing critical system controls in SCEIS.

Recommendation: We recommend that SCVRD revise its procedures to recast the numbers generated for acquisition of supplies and services to meet consumer needs as case management order numbers, and that these orders get fulfilled in accordance with the Code. These procedures would document consumer benefit approval and facilitate the agency's Federal reporting requirements by beneficiary. We further recommend that SCVRD draft procedures about how those numbers are controlled and used in fulfilling consumer needs.

Agency Response

SCVRD's internal Case Management System (CMS) programs will be modified to accommodate necessary changes within the Consumer Services workflow. For purchasing items totaling $2,500.00 or less, the current Direct Pay process will remain intact. The CMS system will be modified to automatically load purchases of $2,500.01 or more directly into the SRM/SCEIS platform for review, purchase order creation and payment. A new process will be implemented in CMS to reconcile data records with items created and paid in SRM/SCEIS.

Results of Audit

Footnote

During the Audit period (October 1, 2021, to September 30, 2024) SCVRD experienced significant staff turnover in its Procurement Department. At one point there was only one employee in the Department. On April 2, 2026, two procurement staff (a PM II and a PM I) were hired. One has over 40 years of state government procurement experience and one has 30 years in state/local government and private corporate procurement experience.

Both were aware of this audit prior to their hire. They are committed to maintaining compliance with all applicable Code laws and regulations. They have begun and will continue to monitor all areas addressed in the SFAA Independent Procurement Audit Report to ensure compliance and to prevent recurrence. Both were employed with other state agencies. Their procurement knowledge of the Code & Regs is extensive. However, their knowledge of the SCVRD "mission and consumer services" is a daily ongoing training, observation(s), questioning, and assessments process. The SCVRD has approved an additional staff member which will bring the department to a staff of five. This will enable SCVRD to assign specific roles and responsibilities to ensure the agency's needs are met and performed in a timely, knowledgeable and efficient manner.

Certification Recommendation

SCVRD's controls are inadequate to ensure compliance with the South Carolina Consolidated Procurement Code and ensuing regulations, and based on the deficiencies identified in the report as provided in SC Code Ann. § 11-35-1210, we recommend that the Agency's procurement authority to make direct agency procurements be reduced to the following limits for three years:

PROCUREMENT AREA	**RECOMMENDED CERTIFICATION $ LIMITS**	
Supplies and Services[1]	100,000	per commitment*
Information Technology[2]	100,000	per commitment*
Construction Contract Award	250,000	per commitment*
Construction Contract Change Order	100,000	per change order
Architect/Engineer Contract Amendment	25,000	per amendment

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

We also recommend the Agency reduce active P-Cards by 50% to 54 or less for a year.[3] The Agency shall reduce its active cards to this amount within 30 days of receipt of this report and provide DPS with lists of both cancelled and active cards. In addition, the Agency must revise its P-Card manual and submit it to DPS for approval within 90 days of receipt of this report. Failure to submit a revised P-Card manual to DPS within the required time frame will result in the suspension of all P-Cards until DPS receives the manual.

Edward Welch

Ed Welch
Audit Manager,
Audit & Certification

John St. C. White

John St. C. White
Materials Management Officer

[1] Supplies and Services including non-IT consulting services.
[2] Information Technology includes consulting services for any aspect of information technology, systems and networks
[3] This is a fifty percent reduction from the 104 active P-Cards the University had at the end of the audit period.

SECTION 11-35-1230. Auditing and fiscal reporting.

(1) The Division of Procurement Services, through consultation with the chief procurement officers, shall develop written plans for the auditing of state procurements.

(2) In procurement audits of governmental bodies thereafter, the auditors from the Division of Procurement Services shall review the adequacy of the governmental body's internal controls in order to ensure compliance with the requirement of this code and the ensuing regulations. A noncompliance discovered through audit must be transmitted in management letters to the audited governmental body and the board. The Division of Procurement Services shall provide in writing proposed corrective action to governmental bodies. Based upon audit recommendations, the board may revoke certification as provided in Section 11-35-1210 and require the governmental body to make all procurements through the appropriate chief procurement officer above a dollar limit set by the board, until such time as the board is assured of compliance with this code and its regulations by that governmental body.

SECTION 11-35-1210. Certification.

(1) Authority. In an amount up to fifty thousand dollars in actual or potential value, individual governmental bodies may make direct procurements not under term contracts. Subject to the following and subject to any ensuing regulations:

(a) the board may assign differential dollar limits below which individual governmental bodies may make direct procurements not under term contracts. The Division of Procurement Services shall review the respective governmental body's internal procurement operation, shall certify in writing that it is consistent with the provisions of this code and the ensuing regulations, and recommend to the board those dollar limits for the respective governmental body's procurement not under term contract; and

(b) the Director of the Division of Procurement Services may authorize an individual governmental body to make direct procurements not under term contracts in an amount up to one hundred fifty thousand dollars. All authority granted pursuant to this item must be in writing, and the director shall advise the board in writing of all such authorizations.

(2) Policy. Authorizations granted by the board or the Director of the Division of Procurement Services to a governmental body are subject to the following:

(a) adherence to the provisions of this code and the ensuing regulations, particularly concerning competitive procurement methods;

(b) responsiveness to user needs;

(c) obtaining the best prices for value received.

(3) Adherence to Provisions of the Code. All procurements shall be subject to all the appropriate provisions of this code, especially regarding competitive procurement methods and nonrestrictive specifications.

(4) Subject to subsection (1), the State Board for Technical and Comprehensive Education, in coordination with the appropriate chief procurement officer, may approve a cumulative total of up to fifty thousand dollars in additional procurement authority for technical colleges, provided that the Division of Procurement Services makes no material audit findings concerning procurement. As provided by regulation, any authority granted pursuant to this paragraph is effective when certified in writing by the Division of Procurement Services.