South Carolina
Office of General Services

PROCUREMENT
AUDIT AND
CERTIFICATION

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COASTAL CAROLINA UNIVERSITY
AGENCY
APRIL 1, 1996 - SEPTEMBER 30, 1998
DATE
Ms. Helen T. Zeigler, Director  
Office of General Services  
1201 Main Street, Suite 420  
Columbia, South Carolina 29201

Dear Helen:

I have attached Coastal Carolina University’s procurement audit report and recommendations made by the Office of Audit and Certification. I concur and recommend the Budget and Control Board grant the University a three year certification as noted in the audit report.

Sincerely,

R. Voight Shealy  
Materials Management Officer

April 5, 1999
COASTAL CAROLINA UNIVERSITY
PROCUREMENT AUDIT REPORT
APRIL 1, 1996 - SEPTEMBER 30, 1998
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transmittal Letter</td>
<td>1</td>
</tr>
<tr>
<td>Introduction</td>
<td>3</td>
</tr>
<tr>
<td>Background</td>
<td>4</td>
</tr>
<tr>
<td>Scope</td>
<td>5</td>
</tr>
<tr>
<td>Results of Examination</td>
<td>6</td>
</tr>
<tr>
<td>Certification Recommendation</td>
<td>9</td>
</tr>
<tr>
<td>University Response</td>
<td>10</td>
</tr>
<tr>
<td>Follow-up Letter</td>
<td>11</td>
</tr>
</tbody>
</table>
March 15, 1999

Mr. R. Voight Shealy
Materials Management Officer
Office of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Voight:

We have examined the procurement policies and procedures of Coastal Carolina University for the period April 1, 1996, through September 30, 1998. As part of our examination, we studied and evaluated the system of internal control over procurement transactions to the extent we considered necessary.

The evaluation was to establish a basis for reliance upon the system of internal control to assure adherence to the South Carolina Consolidated Procurement Code and University procurement policy. Additionally, the evaluation was used in determining the nature, timing and extent of other auditing procedures necessary for developing an opinion on the adequacy, efficiency and effectiveness of the procurement system.

The administration of Coastal Carolina University is responsible for establishing and maintaining a system of internal control over procurement transactions. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurances of the integrity of the procurement
process, that affected assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and are recorded properly.

Because of inherent limitations in any system of internal control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the system of internal control over procurement transactions, as well as our overall examination of procurement policies and procedures, were conducted with professional care. However, because of the nature of audit testing, they would not necessarily disclose all weaknesses in the system.

The examination did, however, disclose conditions enumerated in this report that we believe need correction or improvement.

Corrective action based on the recommendations described in these findings will in all material respects place Coastal Carolina University in compliance with the Consolidated Procurement Code and ensuing regulations.

Sincerely,

Larry G. Sorrell, Manager
Audit and Certification
INTRODUCTION

We conducted an examination of the internal procurement operating policies and procedures of Coastal Carolina University. Our review was conducted September 14 through October 1, 1998, and was made under Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Section 19-445.2020 of the accompanying regulations.

The examination was directed principally to determine whether, in all material respects, the procurement system's internal controls were adequate and the procurement procedures, as outlined in the Internal Procurement Operating Procedures Manual, were in compliance with the South Carolina Consolidate Procurement Code and its ensuing regulation.

Additionally, our work was directed toward assisting Coastal Carolina University in promoting the underlying purposes and policies of the Code as outlined in Section 11-35-20 which include:

(1) to ensure the fair equitable treatment of all persons who deal with the procurement system of this State

(2) to provide increased economy in state procurement activities and to maximize to the fullest extent practicable the purchasing values of funds of the State

(3) to provide safeguards for the maintenance of a procurement system of quality and integrity with clearly defined rules for ethical behavior on the part of all persons engaged in the public procurement process
BACKGROUND

Section 11-35-1210 of the South Carolina Consolidated Procurement Code states:

The (Budget and Control) Board may assign differential dollar limits below which individual governmental bodies may make direct procurements not under term contracts. The Office of General Services shall review the respective governmental body's internal procurement operation, shall verify 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.

On July 9, 1996, the Budget and Control Board granted Coastal Carolina University the following procurement certifications.

<table>
<thead>
<tr>
<th>Category</th>
<th>Limit</th>
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<tbody>
<tr>
<td>Goods and Services</td>
<td>$25,000 per commitment</td>
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<tr>
<td>Consultant Services</td>
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<td>$25,000 per commitment</td>
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<tr>
<td>Construction Services</td>
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Our audit was performed primarily to determine if recertification is warranted. Additionally, Coastal Carolina University requested the following increased certification limits.

<table>
<thead>
<tr>
<th>Category</th>
<th>Request Certification Limit</th>
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<tr>
<td>Goods and Services</td>
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</tbody>
</table>
SCOPE

We conducted our examination in accordance with Generally Accepted Auditing Standards as they apply to compliance audits. Our examination encompassed a detailed analysis of the internal procurement operating procedures of Coastal Carolina University and its related policies and procedures manual to the extent we deemed necessary to formulate an opinion on the adequacy of the system to properly handle procurement transactions.

We selected a judgmental sample for the period April 1, 1996 through September 30, 1998, of procurement transactions for compliance testing and performed other audit procedures that we considered necessary to formulate this opinion. Specifically, the scope of our audit included, but was not limited to, a review of the following:

(1) All sole source, emergency and trade-in sale procurements for the period April 1, 1996 through September 30, 1998

(2) Procurement transactions for the audit period as follows:
   a) Eighty judgmentally selected payments each exceeding $1,500
   b) An additional block sample of thirteen formal quotations
   c) A block sample of five hundred sequential purchase orders

(3) Four major construction contracts and two professional services selections reviewed for compliance with the Manual for Planning and Execution of State Permanent Improvements

(4) Surplus property disposition procedures

(5) Minority Business Enterprise Plans and reports

(6) Internal procurement procedures manual review

(7) Real Property Management Office approvals of leases

(8) Blanket purchase order files

(9) Information technology plans for the audit period

(10) File documentation and evidence of competition
RESULTS OF EXAMINATION

I. Sole Source Procurements

A. Unauthorized Sole Source Procurement

The sole source justification on purchase order 9364 for $28,000 for computer software was not signed by the University President. Page 7 of the University’s Procurement Operations Manual states, “The determination for a sole source procurement is made in writing by the Director of Procurement and authorized by the President of the University.” The Vice President signed the President’s name during his absence. Since the Vice President was not authorized by the Procurement Operations Manual, the sole source is unauthorized. Regulation 19-445.2015 defines an unauthorized procurement as an act obligating the State in a contract by any person without the requisite authority.

We recommend a ratification request of the unauthorized procurement be submitted by the President to the Information Technology Management Officer as required by Regulation 19-445.2015(3). The University should consider delegating sole source authority in the President’s absence.

B. Drug-Free Workplace Certification

The University issued purchase order P12323 for $65,904 as a sole source procurement. The University did not obtain the required drug-free workplace certification stating that the vendor was in compliance with the South Carolina Drug-Free Workplace Act. Section 44-107-1 of the South Carolina Code of Laws requires that on any contract of $50,000 or more that a certification be obtained stating that the vendor maintains a drug-free workplace. Sole source procurements are subject to this law.

We recommend the University obtain the drug-free workplace certification on all contracts of $50,000 or greater.
II. Compliance-General

A. Application of Preferences

The University applied a preference against a vendor which resulted in the award being made to another vendor on purchase order 10312 for $13,297. However, the awarded vendor did not request the preference until after the initial award was made and the file contained no evidence of the request in writing.

Regulation 19-446.1000(C)(1) states, in part, "...the bidder has certified in writing in the bid that the end-product was made, manufactured or grown in South Carolina, or in other states of the United States...." Since the vendor did not request the preference in writing in the bid, the preference should not have been applied against the other vendors' quotations.

We recommend the University amend its solicitation documents to include a place for vendors to request the preferences and review the preference section to ensure proper application.

B. Term Contract Exception

The University bought a contract item from a non-contract vendor on purchase order P10312 based on cost savings of 10% or more. Section 11-35-310(33) of the Code states, "If a governmental body is offered goods and services at a price that is at least ten percent less than the term contract price for the same goods or services, it may purchase from the vendor offering the lower price after first offering the vendor holding the term contract the option to meet the lower price." However, the University did not consider the shipping cost when applying the 10% provision. The total term contract price for the monitors was $6,690 less the 10% for a computed total of $6,021. The value for the monitors on the purchase order was $6,000 plus shipping of $178 for a total of $6,178. The University should have compared the total non contract price of $6,178 to the term contract comparison price of $6,021 in determining if the 10% provision applied.

We recommend the University review the application of this section more closely to ensure compliance.
C. **Blanket Purchase Agreement Releases**

We noted several releases paid on checks 65381, 54778, 34406, and 50692 that did not have authorized signatures. The blanket purchase agreements listed the people allowed to make calls or releases against the agreement. Without their signature in the file or on the receipt, we cannot verify that the purchases were authorized.

We recommend that the University review the releases more carefully to ensure that the person or persons listed on the agreements have approved the purchase.

D. **Combining Items For Procurement Purposes**

We noted advertisements for several types of dorm furniture on quote Q077-97-VW. The quotation resulted in purchase order 11851 being issued for $16,260 for bent plywood chairs. Quotations Q078-97-VW for settee and lounge chairs, Q079-97-VW for desks, and Q080-97-VW for three drawer chests were also included in the advertisements. Q078-97-VW was awarded on purchase order 11852 for $12,455 to the same vendor awarded the bent plywood chairs. Both quotations, Q077-97-VW and Q078-97-VW, were sent to the same vendors. Q079-97-VW and Q080-97-VW exceeded the University’s certification and were sent to the Materials Management Office (MMO) to be bid. MMO combined the items and awarded one contract on P800000089 for $49,692. Section 11-35-1550(1) of the Code states:

The following small purchase procedures may be utilized in conducting procurements for governmental bodies that are less than $25,000.00 in actual or potential value.... provided, however, that procurement requirements shall not be artificially divided by governmental bodies so as to constitute a small purchase under this section.

Based on the information in the files, the items should have been combined and competed as one procurement under Section 11-35-1520 for competitive sealed bidding.

We recommend the University review its procedures to ensure that like items are being combined for competitive purposes.
CERTIFICATION RECOMMENDATIONS

As enumerated in our transmittal letter, corrective action based on the recommendations described in this report, we believe, will in all material respects place Coastal Carolina University in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

Under the authority described in Section 11-35-1210 of the Code subject to this corrective action, we will recommend certification for three years at the levels below:

<table>
<thead>
<tr>
<th>PROCUREMENT AREA</th>
<th>RECOMMENDED CERTIFICATION LEVELS</th>
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<tr>
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</tr>
</tbody>
</table>

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

Melissa Rae Thurstin
Senior Auditor

Larry G. Sorrell, Manager
Audit and Certification
Mr. Larry G. Sorrell, Manager  
Audit & Certification  
Materials Management Office  
1201 Main Street, Suite 600  
Columbia, SC 29201

Dear Larry:

After review of your draft procurement audit report, we concur with the audit points in your letter of March 23, 1999. The University has taken action to have the unauthorized sole source procurement ratified and will be more diligent in our efforts to ensure complete compliance with the requirements of the South Carolina Consolidated Procurement Code.

Thanks for your support and assistance.

Sincerely,

[Signature]

Stella F. Cooper  
Director of Campus Services
Mr. R. Voight Shealy  
Materials Management Officer  
Materials Management Office  
1201 Main Street, Suite 600  
Columbia, South Carolina 29201  

Dear Voight:  

We have reviewed the response from Coastal Carolina University to our audit report for the period of April 1, 1996 - September 30, 1998. Also we have followed the University’s corrective action during and subsequent to our field work. We are satisfied that the University has corrected the problem areas and the internal controls over the procurement system are adequate. Therefore, we recommend the Budget and Control Board grant Coastal Carolina University the certification limits noted in our report for a period of three years.

Sincerely,

[Signature]

Larry G. Sorrell, Manager
Audit and Certification

Total Copies Printed - 30  
Unit Cost - .33  
Total Cost - $9.90