Mrs. Helen T. Zeigler, Director
Office Of General Services
1201 Main Street, Suite 420
Columbia, South Carolina 29201

Dear Helen:

I have attached Francis Marion 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 (3) year certification as noted in the audit report.

Sincerely,

Voight Shealy
Acting Materials Management Officer
FRANCIS MARION UNIVERSITY
PROCUREMENT AUDIT REPORT
OCTOBER 1, 1991 - SEPTEMBER 30, 1994
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**NOTE:** The University's responses to issues noted in this report have been inserted immediately following the issues they refer to.
February 13, 1995

Mr. R. Voight Shealy
Acting 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 Francis Marion University for the period October 1, 1991 through September 30, 1994. 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 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 Francis Marion 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, assurance 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 which we believe need correction or improvement.

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

Larry G. Sorrell, Manager
Audit and Certification
INTRODUCTION

We conducted an examination of the internal procurement operating policies and procedures of Francis Marion University. Our on-site review was conducted November 15 - December 12, 1994, 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 Consolidated Procurement Code and its ensuing regulations.

Additionally our work was directed toward assisting Francis Marion 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 and 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 Division 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 May 12, 1992, the Budget and Control Board granted Francis Marion University the following procurement certifications:

<table>
<thead>
<tr>
<th>Category</th>
<th>Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods and Services</td>
<td>$60,000 per commitment</td>
</tr>
<tr>
<td>Information Technology in accordance with the approved Information Technology Plan</td>
<td>$60,000 per commitment</td>
</tr>
<tr>
<td>Construction</td>
<td>$25,000 per commitment</td>
</tr>
</tbody>
</table>

Our audit was performed primarily to determine if recertification is warranted. Additionally, Francis Marion University requested the following increased certification limits.

<table>
<thead>
<tr>
<th>Category</th>
<th>Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods and Services</td>
<td>$100,000 per commitment</td>
</tr>
<tr>
<td>Information Technology in accordance with the approved Information Technology Plan</td>
<td>$100,000 per commitment</td>
</tr>
<tr>
<td>Consultants</td>
<td>$10,000 per commitment</td>
</tr>
<tr>
<td>Construction</td>
<td>$25,000 per commitment</td>
</tr>
</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 Francis Marion 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 judgmental samples for the period July 1, 1992 through June 30, 1994 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, review of the following:

(1) All sole source, emergency and trade-in sale procurements for the period October 1, 1991 through September 30, 1994

(2) Procurement transactions for the period July 1, 1992 through June 30, 1994 as follows:
   a) 133 payments, each exceeding $500
   b) A block sample of 200 vendor folders where all purchase orders issued to those vendors over the most recent fiscal year were reviewed

(3) Three professional service contracts and twelve construction contracts for compliance with the Manual for Planning and Execution of State Permanent Improvements

(4) Minority Business Enterprise Plans and reports for the audit period

(5) Information Technology Plans for Fiscal Years 92/93, 93/94 and 94/95

(6) Internal procurement procedures manual

(7) Surplus Property Procedures
SUMMARY OF AUDIT FINDINGS

Our audit of the procurement system of Francis Marion University, hereinafter referred to as the University, produced findings and recommendations as follows:

I. Sole Source Procurements
   A. Unauthorized Sole Sources
      The University failed to have three sole source determinations authorized.
   B. Inappropriate Sole Sources
      Two transactions done as sole sources we believe did not meet the full criteria of a sole source.

II. General Procurement Exceptions
   A. Minimum Solicitation Requirements Not Met
      Four transactions either had no or an insufficient amount of solicitations of competition.
   B. Multi-term Determinations Not Prepared
      The University failed to prepare multi-term determinations on all contracts which had a potential to exceed a fiscal period.
   C. South Carolina Business Opportunities
      The University did not advertise information technology procurements for academics in the South Carolina Business Opportunities.
   D. Split Orders
      We believe two purchase orders should have been combined into one procurement.
RESULTS OF EXAMINATION

I. Sole Source Procurements

We examined the quarterly reports of sole source, emergency and trade-in sale procurements for the period October 1, 1991 through September 30, 1994. The review was performed to determine the appropriateness of the procurement actions taken and the accuracy of the reports submitted to the Office of General Services as required by Section 11-35-2440 of the Consolidated Procurement Code. The following exceptions were noted with sole source procurements.

A. Unauthorized Sole Sources

The University failed to have three sole source determinations signed by an authorized official. The transactions were prepared and reported as sole sources. However, the written determinations justifying and authorizing the sole source procurement actions were never signed. These transactions were as follows:

<table>
<thead>
<tr>
<th>Purchase Order Number</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>17708</td>
<td>Financial Assistance Services</td>
<td>$1,167.25</td>
</tr>
<tr>
<td>81758</td>
<td>Performance</td>
<td>1,100.00</td>
</tr>
<tr>
<td>17608</td>
<td>Window tinting</td>
<td>838.75</td>
</tr>
</tbody>
</table>

Because these determinations were not signed, the sole sources were unauthorized.

We recommend these transactions be submitted to the University President for ratification in accordance with Regulation 19.445-2015.

UNIVERSITY RESPONSE

We agree with your findings and have implemented guidelines to avoid similar re-occurrence.
B. **Inappropriate Sole Source**

Two transactions done as sole sources we believe did not meet the full criteria of a sole source procurement. They were as follows:

<table>
<thead>
<tr>
<th>Purchase Order Number</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>20550</td>
<td>Stone base for statue</td>
<td>$3,390.45</td>
</tr>
<tr>
<td>21048</td>
<td>Repair parts</td>
<td>1,476.41</td>
</tr>
</tbody>
</table>

The stone base for the statue was justified as a sole source on the basis that the stone had to match the existing stone work in this particular area of a building. The University required that the stone come from the same quarry. However, the University failed to justify why the vendor chosen to prepare the stone was a sole source.

The repair parts were bought from the original equipment manufacturer. However, these same parts were available from distributors.

We recommend these transactions be competed in the future. Sole sources must be justified on the basis of a unique item available only from a single source.

**UNIVERSITY RESPONSE**

Stone base for statue. The University concurs. Undue credence was given to information supplied by outside sources involved. We intend to inform all involved, with final responsibility to more closely monitor this resting with the Director of Purchasing. Repairs parts. We were unaware of this availability. This information will be forwarded to Building Maintenance and future procurements adjusted accordingly.

II. **General Procurement Exceptions**

We tested one hundred thirty-three randomly selected transactions as well as performed other tests to determine compliance with the Procurement Code and University policies and procedures. Our findings were as follows:
A. Minimum Solicitation Requirements Not Met

Four transactions were noted in our random samples where the minimum solicitation requirements were not met. These transactions were as follows:

<table>
<thead>
<tr>
<th>Document Reference Number</th>
<th>Description</th>
<th>Purchase Order Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Check 40716</td>
<td>Repair &amp; Installation of phone lines</td>
<td>$18,551.01</td>
</tr>
<tr>
<td>Check 92</td>
<td>Computer processing time</td>
<td>2,663.56</td>
</tr>
<tr>
<td>PO 2685</td>
<td>Personal computer</td>
<td>2,399.84</td>
</tr>
<tr>
<td>PO 2792</td>
<td>Garden plants</td>
<td>2,183.48</td>
</tr>
</tbody>
</table>

Check number 40716 for the repair and installation of phone lines was intended to be processed as an emergency procurement as evidenced by the requisition. However, the transaction was never processed as an emergency, and a purchase order was never issued by the Procurement Office. Further, no evidence of solicitations of competition were provided to us supporting the transaction. After reviewing the scope of work that was performed, we believe that an emergency procurement would have been inappropriate. Regardless, we do not understand why payment was made on this transaction without a purchase order.

On check number 92 for the computer processing time, no solicitations of competition were made because the University did not consider this transaction subject to the Procurement Code. Also, no contract or purchase order was ever issued. These services were subject to the provisions of the Procurement Code. Since the individual responsible for this transaction did not have procurement authority, the transaction was unauthorized and must be ratified by the University President.
The transaction for the personal computer was intended to be processed as a sole source. Because of this type of procurement, no competition would be available and none was obtained. However, the transaction was never processed as a sole source.

The transaction for the garden plants had two verbal solicitations of competition whereas three solicitations were required.

We recommend that either these transactions be competitively bid in accordance to the Procurement Code or the appropriate sole source or emergency determinations be prepared and approved in the future.

UNIVERSITY RESPONSE

Repair and installation of phone lines. The University concurs and intends implementation of stricter controls in this area. Computer processing time. This was never considered by University personnel in terms of being or not being subject to the Procurement Code; it merely evolved. Please review the memorandum to Ron Moore dated 12/03/94 (attached) for explanation and intended rectification. Personal Computer. The University concurs. This is a repetitive type of sole source that should not have been omitted. An amended quarterly report was submitted on 12/12/94 to rectify this. Garden plants. The University concurs.

B. Multi-term Determinations Not Prepared

In our random samples we noted that the University consistently failed to prepare multi-term determinations for those contracts which had the potential to exceed one or more fiscal periods. Per Section 11-35-2030 of the Procurement Code, contracts shall not be entered into for any period of more than one year unless a governmental body determines in writing prior to use that a multi-term contract will in essence best serve the State by promoting competition and economies in procurement.

We recommend the University adhere to Section 11-35-2030 of the Procurement Code on contracts which have the potential to exceed a fiscal period.
UNIVERSITY RESPONSE

We regret cessation of this requirement and have corrected.

C. South Carolina Business Opportunities

The publication, "South Carolina Business Opportunities", is distributed by the Office of General Services which advertises all competitive procurements that exceed $10,000 done by the State of South Carolina. The University failed to include in this publication its information technology procurements which were intended to be used for academic purposes.

We remind the University that all competitive procurements that are anticipated to exceed $10,000 must be included in SCBO.

UNIVERSITY RESPONSE

The University intends and embraces compliance in this regard.

D. Split Orders

We believe two purchase orders should have been combined into one procurement instead of two separate orders. These purchase orders were as follows:

<table>
<thead>
<tr>
<th>Purchase Order Number</th>
<th>Description</th>
<th>Purchase Order Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>3583</td>
<td>12 door hinges &amp; 4 locksets</td>
<td>$ 730.55</td>
</tr>
<tr>
<td>3596</td>
<td>4 metal door frames &amp; 4 doors</td>
<td>1,272.00</td>
</tr>
</tbody>
</table>

For the two items listed above, the same Department prepared two requisitions two days apart for the same project. Because the value of each requisition was less than $1,500.00, the threshold for competition, no competition was solicited. The combined total of those two requisitions required a minimum of three verbal solicitations.
Procurement Code Regulation 19-445.2100 (A) requires that procurements not be artificially divided so as to avoid competition requirements. We recommend the University combine procurements when possible.

UNIVERSITY RESPONSE

Inquiry brings about the following response: Diverse personnel were involved in what may appear as singular projects but were not in reality. The rapidly changing pace of needs and some lack of foresight to visualize all that was necessary attributed to the exception. The University, after careful review, concurs.
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 Francis Marion University in compliance with the South Carolina Consolidated Procurement Code.

Under the authority described in Section 11-35-1210 of the Procurement Code, subject to this corrective action, we recommend Francis Marion University be recertified to make direct agency procurements for three (3) years up to the limits as follows:

<table>
<thead>
<tr>
<th>PROCUREMENT AREAS</th>
<th>RECOMMENDED CERTIFICATION LIMIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Goods and Services</td>
<td>*$100,000 per commitment</td>
</tr>
<tr>
<td>2. Information Technology in accordance</td>
<td>*$100,000 per commitment</td>
</tr>
<tr>
<td>with the approved Information Technology Plan</td>
<td></td>
</tr>
<tr>
<td>3. Consultants</td>
<td>*$10,000 per commitment</td>
</tr>
<tr>
<td>4. Construction</td>
<td>*$25,000 per commitment</td>
</tr>
</tbody>
</table>

*This means the total potential purchase commitment to the State whether single year or multi-term contracts are used.

Robert J. Aycock, IV
Audit Manager

Larry G. Sorrell, Manager
Audit and Certification
February 24, 1995

Mr. R. Voight Shealy
Acting Materials Management Officer
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Voight:

We have reviewed Francis Marion University's response to our audit report for October 1, 1991 - September 30, 1994. 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 that the Budget and Control Board grant Francis Marion University the certification limits noted in our report for a period of three (3) years.

Sincerely,

Larry G. Sorrell, Manager
Audit and Certification

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