PROCUREMENT
AUDIT AND
CERTIFICATION

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FRANCIS MARION UNIVERSITY
AGENCY

OCTOBER 1, 1994 - JUNE 30, 1997
DATE
Ms. 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 year certification as noted in the audit report.

Sincerely,

R. Voight Shealy
Materials Management Officer
FRANCIS MARION UNIVERSITY
PROCUREMENT AUDIT REPORT
OCTOBER 1, 1994 - JUNE 30, 1997
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**NOTE:** The University’s response to issues noted in the report have been inserted immediately following the issues they refer to.
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 Francis Marion University for the period October 1, 1994 through June 30, 1997. 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 College 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 that 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.

Sincerely,

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 review was conducted August 27 through September 26 1997, 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 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 March 28, 1995, 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>$100,000</td>
</tr>
<tr>
<td>Consultants Services</td>
<td>$ 10,000</td>
</tr>
<tr>
<td>Information Technology in accordance with</td>
<td>$100,000</td>
</tr>
<tr>
<td>the approved Information Technology Plan</td>
<td></td>
</tr>
<tr>
<td>Construction Services</td>
<td>$ 25,000</td>
</tr>
</tbody>
</table>

Our audit was performed primarily to determine if recertification is warranted. Francis Marion University requested to remain at the current certification limits.
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 a judgmental sample for the period October 1, 1994 through June 30, 1997, 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 sales procurements for the period October 1, 1994 through June 30, 1997

(2) Procurement transactions for the period October 1, 1994 through June 30, 1997 as follows:
   a) One hundred twenty-two judgmentally selected procurement transactions
   b) An additional sample of four sealed bids and twelve quotations
   c) A block sample of six hundred purchase orders

(3) Thirty-one construction service contracts and three related professional service selections were reviewed 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 plan and approval for the period 7/1/95-6/30/98

(6) Internal procurement procedures manual

(7) Surplus property disposition procedures

(8) Physical plant work order system

(9) File documentation and evidence of competition
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. President’s House Renovation
   A. Permanent Improvement Process Circumvented
      Our review revealed that $178,693 for the renovation of the President’s house was subject to the permanent improvement approval process of the Commission on Higher Education, Joint Bond Review Committee, and the Budget and Control Board. However, the approvals were not obtained.
   B. Procurement Code Violations On The Renovation Project Of The President’s House
      Our testing of the procurements associated with the renovation project revealed $75,961 in construction contracts were issued to one contractor and not competed. On another procurement, three purchase orders were issued to one vendor for $13,488 which did not have adequate solicitations of competition. Finally, one procurement for Persian rugs for $5,300 was made without competition and was charged to an equipment repair account.

II. General Procurement Exceptions
   A. Procurements Without Competition
      Our testing revealed four procurements that were not supported by competition.
   B. Preferences Not Included In All Bids
      The South Carolina End Product and the United States End Product preferences were not always made available to vendors even though they were entitled to them.
C. Bids and Quotes Not Always Date Stamped

We noticed in our testing that bids and quotes had not been date and time stamped showing that they had been received prior to the openings.

III. Sole Source, Emergency and Trade-In Sale Procurements

A. Inappropriate Sole Source

We noted one inappropriate sole source.

B. Emergencies Without Competition

We noticed that no competition was sought on any of the emergencies reported by the University.

C. Trade-In Sale Not Approved

One trade-in sale was not submitted for approval to the Materials Management Office nor was it reported.

D. Sole Source Reporting Errors

We noted six transactions that were needlessly reported on the quarterly reports of sole source procurements.

IV. Payments

A. Overpayments

Purchase order 21574 was issued for a thirty six month maintenance contract on a copier. The vendor over billed the University $2,301 on four invoices we sampled.

B. Contract Payment Tracking

In questioning how the University tracks expenditures to ensure that the established levels were not exceeded on contracts we learned that no formal system is available to track the payment information beyond a fiscal year.
RESULTS OF EXAMINATION

I. President’s House Renovation

Our sample included a procurement related to the President’s House Renovation. Because of what we believed to be irregularities in the sampled procurement, we expanded our testing which revealed the following exceptions.

A. Permanent Improvement Process Circumvented

The Manual for Planning and Execution of State Permanent Improvements, Part I, defines a permanent improvement project (PIP) among other things as being any work on existing facilities including their renovation, repair, maintenance, alteration or demolition in which the total cost is $100,000 or more. The definition applies regardless of the source of funds. Our audit identified $195,279 of purchase orders issued to renovate the President’s house which we believe was not all inclusive of all costs associated with the renovation. One cost not identified of the PIP was University personnel cost attributed to the renovation. This cost was not available to us because, typically, the cost was not classified by the University. Additionally, all purchase orders associated with the renovation may not have been properly coded allowing us to identify the expenditure as part of the renovation as will be shown later in this report. Permanent improvement projects for colleges and universities must first be approved by the Commission on Higher Education and then submitted to the Joint Bond Review Committee and the Budget and Control Board for review and approval. The University did not submit the project for approval to these agencies.

On the purchase orders that made up the $195,279, we categorized the purchase orders to determine which purchase orders should have been established as a permanent improvement project and which ones should not have been. The review revealed that $178,693 was subject to the permanent improvement approval process of the Commission on Higher Education, Joint Bond Review Committee, and the Budget and Control Board.
We recommend that any project meeting the definition of a permanent improvement project be approved by the Commission on Higher Education, Joint Bond Review Committee, and the Budget and Control Board prior to any contracts being issued.

B. Procurement Code Violations On The Renovation Project Of The President’s House

Our testing of the procurements associated with the renovation project revealed $75,961 in construction contracts were issued to one contractor and were not competed. The University used discretionary funds to pay for the construction costs. However, the exemption as allowed in Section 11-35-710(6) of the Code for discretionary funds states:

“Expenditure of funds at State institutions of higher learning derived wholly from athletic or other student contests, from the activities of student organizations and from the operation of canteens and bookstores, except as such funds are used for the procurement of construction, architect-engineer, construction-management and land surveying services”. (Emphasis added)

Even though discretionary funds were used, Article 9 of the Code which lists the procurement procedures of construction and architect-engineer services still applied. The $75,961 in construction contracts should have been competed.

We recommend any construction contracts, regardless of the source of funds, be competed in accordance to Article 9 of the Code.

On another procurement funded by other than discretionary funds to remove sprayed on ceiling materials, three purchase orders were issued to one vendor in the total amount of $13,488. Competition was solicited but for a level of contracts less than $10,000. Four written solicitations of competition were made whereas five written solicitations and advertisement in the South Carolina Business Opportunities were required. Requisitions should be combined and competition solicited based on the total value of the requisitions.

Finally, we noted one procurement for Persian rugs in the amount of $5,300 was made without competition. The account that this expenditure was charged to identified the rugs as the Wallace Home (President’s House) repair of equipment. Just looking at the accounting records to determine which purchase orders were issued for a renovation project would not have revealed
that this purchase was actually equipment rather than repair of equipment. Expenditures should be properly reflected in the account record.

**UNIVERSITY RESPONSE**

Work began on the Wallace House with intent to complete three distinct projects as follows:
- A project to catch up on deferred maintenance extending over a period of thirteen years
- A project to renovate the master bath, approved by the Office of State Engineer
- A project to renovate the kitchen area, approved as a project by the State Engineer as such

In retrospect, estimates at that point regarding scope of work have been proved inadequate, and at the same time, “maintenance” and “renovation” were prevalent terms versus “construction”. That stated, the University concedes consistent error in interpretation and application of auxiliary generated funds. The University has initiated a review of guidelines for evaluation of projects to reduce the possibility of reoccurrence. In addition, additional review systems have been implemented to determine proper coding of assets. This system involves appropriate personnel from the Financial/Accounting Department to comply with the University’s capitalization policy.

II. General Procurement Exceptions

A. Procurements Without Competition

Our testing revealed four procurements that were not supported by competition.

<table>
<thead>
<tr>
<th>PO/Check</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>17 Purchase orders</td>
<td>Uniform rentals for one year</td>
<td>$ 8,954</td>
</tr>
<tr>
<td>Check 66825</td>
<td>Instructional services</td>
<td>60,949</td>
</tr>
<tr>
<td>6798</td>
<td>Minority brochures</td>
<td>4,765</td>
</tr>
<tr>
<td>11661</td>
<td>Repair services</td>
<td>2,746</td>
</tr>
</tbody>
</table>

During a block sample review where we tested a grouping of purchase orders, we noticed that 17 purchase orders were issued over one fiscal year to one company for uniform rentals. Each purchase order by itself was less than $1,500, the threshold where competition requirements begin. Consequently, no competition was solicited on any of these transactions. However, when all of the uniform rental purchases are viewed over a year, the amount of the expenditure is significant.
Because the uniform rental requirements are predictable and relatively consistent year to year, we recommend the University solicit a contract for this service. The University should consider soliciting a multi-term contract.

For the instructional services, the contract was not routed through the Procurement Office. Because the services were grant funded, it is possible that the contract was exempt from the Code. A determination should have been made in the Procurement Office if the grant funded certification exemption applied. Without the grant funded certification, the contract would be subject to the competitive requirements of the Code. Because we were not provided with the grant funded certification and this procurement was not routed through the Procurement Office, it was unauthorized and requires ratification in accordance to Regulation 19-445.2015.

We recommend contracts such as this one be routed through the Procurement Office and a purchase order issued. A ratification request must be submitted to the President.

For the minority brochures, the University referenced a contract which was established by the Materials Management Office for admissions and recruiting materials at the University. The contract did not include minority brochures and no authorization from the Materials Management Office was obtained to amend the contract. Therefore, no competition was solicited for the brochures. We recommend that competition be solicited in the future on such transactions.

On the last item for the repair services, the original estimate was less than $1,000 requiring no competition. However, once the work began the extent of the damages was more than originally estimated. The University gave the vendor permission to proceed with the repairs.

We recommend, because the total repair bill exceeded the $1,500 threshold, an emergency procurement should have been authorized since competition was not practicable.

**UNIVERSITY RESPONSE**

**Uniform rentals for one year:** These rentals have evolved to the current levels of usage over a period of years, and the University agrees that present usage level reached justifies the recommendation. A sample bid has been obtained from another State agency and has been forwarded to the Physical Plant for evaluation and adaptation to our needs. After determination of need and development of specifications, the Purchasing Department will solicit a multi-term contract to provide that service.
66825 - Instructional Services: In 1994 a S.C. Department of Education grant established a program to increase awareness, participation in, and appreciation for study of the sciences in the Pee Dee region. The Pee Dee Science Hub was established to accomplish this, and the consultant, an FMU employee, was chosen to be director of the effort. As a partner in this effort FMU released a portion of the consultant’s time to serve in this capacity. The payment sampled was FMU’s payment to the consultant for instruction of a course involved in this effort. These payments are presently processed through designated (5) funds as contracts and no longer are a procurement issue. Ratification of unauthorized procurement will be provided.

6798 - Minority Brochures: The University concurs with the recommendation that competition be solicited in the future on such transactions.

11661 - Repair Services: In the future when repairs exceed original estimates of less than $1,500 the University will report such as emergencies, as recommended. In addition, the using department will be required to supply supporting documentation for file attachment.

B. Preferences Not Included In All Bids

Our review of sealed bids revealed that the South Carolina End Product (SCEP) and the United States End Product (USEP) preferences were not always made available to vendors even though they were entitled to them. Regulation 19-446.1000 of the Code of Laws read in part at the time:

It is the policy of the State of South Carolina that governmental bodies including the General Assembly, in performing assigned duties and functions, procure necessary end-products which are made, manufactured, or grown in South Carolina if available, and if the same or substantially similar end-products are not available in South Carolina, then procure the same or substantially similar end-products which are made, manufactured or grown in other states in the United States, before the same or substantially similar foreign-made, manufactured or grown end-products may be procured.

The University responded that not all contracts are subject to the SCEP and USEP preferences such as service contracts including consultant services and construction contracts. We agree to this statement. It was the University’s intention to include the preferences only in bids for which they applied. However, the bids we reviewed should have had provision for the preferences.

We recommend the University make the preferences available when applicable on all bids and quotations where written solicitations are made.
UNIVERSITY RESPONSE
To ensure that procurement personnel more actively evaluate applicability of preferences on all solicitations above $10,000, and include those options as applicable, request for quotation and invitation for bid templates have been modified to include all preference clauses, to be deleted from solicitation packages as necessary, versus addition to as was the practice in the past. The Internal Procurement Procedures manual has been updated to more accurately reflect percentages and applicability.

C. Bids and Quotes Not Always Date Stamped

We noticed that bids and quotes had not been date and time stamped showing that they had been received prior to the openings. The date and time stamp machine is a secure instrument that requires a key to change the settings.

We recommend, as a matter of internal control, that all bids and quotes be date and time stamped to show through an independent means that the tabulated information was indeed received prior to the opening. This procedure helps protect the University and the procurement officers conducting the openings.

UNIVERSITY RESPONSE
The University accepts and will implement the recommendation.

III. Sole Source, Emergency and Trade-In Sale Procurements

We examined the quarterly reports of sole source, emergency, and trade-in sale procurements for the period October 1, 1994 through June 30, 1997. This 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 Code. We found most of these transactions to be correct but did note the following exceptions.

A. Inappropriate Sole Source

We noted one inappropriate sole source. The University issued purchase order 12251 for $2,310 to print admissions recruitment materials. We saw not reason why the service could not have been competed.

Section 11-35-1560 of the Code allows for sole source procurement where there is only one source for a required item, supply or service. Regulation 19-445.2105(B) notes that competition should be solicited in cases of reasonable doubt.
We recommend procurements for this type of service be competitively purchased in accordance with the Code in the future.

**UNIVERSITY RESPONSE**

The procurement in question was for additional quantity of identical materials produced on a recently completed order and was first proposed as an emergency. The University's position was that it was not an emergency but did deserve immediate attention. The vendor had accomplished the previous printing, possessed the negatives, was familiar with the layout, and was basically set up to print exact copy to accommodate immediate need. The University felt that they represented a unique (sole) source considering all factors.

**B. Emergencies Without Competition**

Section 11-35-1570 of the Code states among other things that emergency procurements shall be made with as much competition as is practicable under the circumstances. We noticed in our review of emergency procurements made by the University that no competition was sought on any of the emergencies we tested. All of the emergencies declared by the University were properly justified. But proper justification in itself does not eliminate the requirement for competition.

We remind the University that emergency conditions do not eliminate the requirement for competition. We understand that under certain situations competition might not be reasonable or practicable. However, in most instances informal solicitations made over the telephone can be accomplished in a minimal amount of time. Three informal telephone solicitations requesting that vendors respond in writing would eliminate the need to report emergencies under $10,000 since the normal competition requirements of the Code would be met.

We recommend the University adhere to Section 11-35-1570 of the Code by soliciting competition on emergency procurements when practical.

**UNIVERSITY RESPONSE**

The University agrees and will take steps to advise appropriate campus personnel most active in this area of Code requirements concerning competition, and documentation of such.

**C. Trade-In Sale Not Approved**

One trade-in sale was not submitted for approval to the Materials Management Office nor was it reported by the University. On purchase order 8852, the University traded controllers for
its security system for the purpose of obtaining an upgraded version of the controllers. The credit offered for the old controllers was $53,500. Regulation 19.445-2150(G) states,

Governmental bodies may trade-in personal property, whose original unit purchase price did not exceed $5,000, the trade-in value of which must be applied to the purchase of new items. When the original unit purchase price exceeds $5,000, the governmental body shall refer the matter to the Materials Management Officer, the ITMO, or the designee of either, for disposition. The Materials Management Officer or the ITMO, or the designee of either, shall have the authority to determine whether the property shall be traded in and the value applied to the purchase of new like items or classified as surplus and sold in accordance with the provisions of Section 11-35-3820 of the Procurement Code. When the original purchase price exceeds $100,000, the Materials Management Officer or the ITMO, or the designee of either, shall make a written determination as to its reasonableness and report such trade-in transaction to the Board as information.

Since the University took title to the original equipment, the trade-in procedures were required to be followed. We recommend the University adhere to the trade-in procedures and report these transactions as required under Section 11-35-3830(3) of the Code to the Materials Management Office.

**UNIVERSITY RESPONSE**

The University considered this procurement an upgrade based upon negotiations with the vendor to satisfy unacceptable product performance. The purchase order value represented the difference in cost between old and new revision circuit boards. The older revision was never "valued" as such by either party. The University will more carefully evaluate and document any future similar instances, and approach them as trade-in issues.

**D. Sole Source Reporting Errors**

Six transactions were needlessly reported on the University's quarterly reports to the Office of General Services.

<table>
<thead>
<tr>
<th>PO</th>
<th>Date</th>
<th>DESCRIPTION</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>5988</td>
<td>05/19/95</td>
<td>Educational software</td>
<td>$6,475</td>
</tr>
<tr>
<td>6414</td>
<td>07/07/95</td>
<td>Educational software</td>
<td>$1,796</td>
</tr>
<tr>
<td>9252</td>
<td>05/28/96</td>
<td>Instructional slides</td>
<td>1,991</td>
</tr>
<tr>
<td>21402</td>
<td>12/17/96</td>
<td>Budget and Control Board training</td>
<td>1,680</td>
</tr>
<tr>
<td>21403</td>
<td>12/13/96</td>
<td>Budget and Control Board training</td>
<td>8,100</td>
</tr>
</tbody>
</table>
PO 20472
11/14/96

DESCRIPTION
Software license renewal

AMOUNT
$3,150

All of the items above are exempt from the Code and do not have to be reported as sole source procurements.

We recommend amended reports be filed removing these transactions from the University's quarterly reports.

**UNIVERSITY RESPONSE**
The University concurs and will submit amended reports as recommended. Efforts to increase awareness of interpretation of exempt items will be stressed to appropriate purchasing staff.

**IV. Payments**

Two types of exceptions regarding payments were noted in our testing. The first type was the overpayment on a contract. The second type of exception involves the inability of the University to track contract payments to determine the total expenditures paid out to a vendor under contract when the contract extends beyond a fiscal year. The specific findings are addressed below.

**A. Overpayments**

Purchase order 21574 was issued for a three year maintenance contract on a copier. The vendor incorrectly billed the University on the following four sampled invoices based on this contract.

<table>
<thead>
<tr>
<th>Invoice Number</th>
<th>Date</th>
<th>Amount Billed</th>
<th>Contract Amount</th>
<th>Overpayment</th>
</tr>
</thead>
<tbody>
<tr>
<td>7M40448</td>
<td>09/01/95</td>
<td>$1,646</td>
<td>$1,044</td>
<td>$602</td>
</tr>
<tr>
<td>7M58394</td>
<td>11/01/95</td>
<td>1,646</td>
<td>1,044</td>
<td>602</td>
</tr>
<tr>
<td>7M67462</td>
<td>12/01/95</td>
<td>1,646</td>
<td>1,044</td>
<td>602</td>
</tr>
<tr>
<td>7M76579</td>
<td>01/01/96</td>
<td>1,539</td>
<td>1,044</td>
<td>495</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td></td>
<td><strong>$6,477</strong></td>
<td><strong>$4,176</strong></td>
<td><strong>$2,301</strong></td>
</tr>
</tbody>
</table>

The purchase order stated a monthly rate of $340 per month and $.0064 per copy up to 110,000 copies per month with a no charge volume for the number of copies over 110,000. The vendor invoiced $386 per month and $.0072 per copy for up to 175,000 copies per month. The total overpayment on the four invoices was calculated based on the cost of the copies per the contract.
We recommend any discrepancies between the purchase order and invoice be properly approved and documented before any payment is made. Additionally, we recommend all invoices for this contract be reviewed and a refund requested from the vendor for the overpayments.

**UNIVERSITY RESPONSE**

Evaluation of sampled payments concerning the copier contract by the Purchasing Department and the Office of Accounting reveals that the contract, which is toward the end of its fifth year, has been plagued by billing inconsistencies and error. The University proposes that broader research reveals, that while the sample check folders appeared to be overpayments, they do not represent a continuing trend or pattern but rather reconciliation for unpaid (incorrect) invoices. The end result of our evaluation from June 1995 through June 1997 shows the University owing the vendor $176.84 when payments are applied to contract value. The evaluation did reinforce MMO’s recommendation for payment approval and rectifying discrepancies. The University will implement controls for review of payment in both the using department and in Accounts Payable. Purchase orders will clearly indicate the amount of incremental payment expected on standing approving or processing related invoices for payment if there is a discrepancy.

B. Contract Payment Tracking

We reviewed two contracts that covered a five year period where the total amount of services on each contract was not to exceed $50,000 each over the life of the contracts. In questioning how the University tracks the expenditures to ensure the established levels were not exceeded, we learned that no formal system is available to track the payment information beyond a fiscal year. The Procurement Office has relied upon Department personnel to track the expenditures manually.

We recommend the Procurement Office implement a system to track expenditures to ensure maximum contract expenditure levels are not exceeded. This information would be useful in determining future needs as well as tracking current usage.

**UNIVERSITY RESPONSE**

The University concurs and is in the process of implementing the recommended expenditure tracking system.
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 and ensuing regulations.

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

<table>
<thead>
<tr>
<th>PROCUREMENT AREA</th>
<th>RECOMMENDED CERTIFICATION LEVELS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods and Services</td>
<td>*$100,000</td>
</tr>
<tr>
<td>Consultants Services</td>
<td>*$10,000</td>
</tr>
<tr>
<td>Information Technology</td>
<td>*$100,000</td>
</tr>
<tr>
<td>Construction Services</td>
<td>*$25,000</td>
</tr>
</tbody>
</table>

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

Robert J. Aycock, IV
Audit Manager

Larry G. Sorrell, Manager
Audit and Certification
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 Francis Marion University to our audit report for the period of October 1, 1994 - June 30, 1997. 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 Francis Marion University the certification limits noted in our report for a period of three years.

Sincerely,

Larry G. Sorrell, Manager  
Audit and Certification

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