

COASTAL CAROLINA UNIVERSITY

PROCUREMENT AUDIT REPORT

JULY 1, 2008 – MARCH 31, 2009

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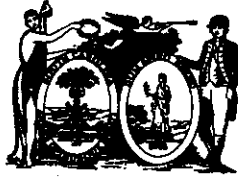
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STATE OF SOUTH CAROLINA
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PROCUREMENT SERVICES DIVISION

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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

May 22, 2009

Mr. R. Voight Shealy
Materials Management Officer
Procurement Services Division
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 July 1, 2008 through March 31, 2009. 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 established a basis for reliance upon the system of internal control to assure adherence to the Consolidated Procurement Code, State regulations, and procurement policy of the University. Additionally, the evaluation determined 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

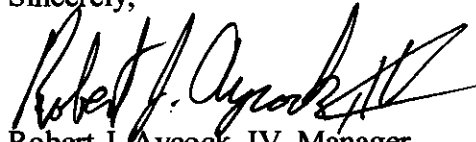
procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance of the integrity of the procurement process, that affected assets are safeguarded against loss from unauthorized use or disposition, and those transactions are executed in accordance with management's authorization and recorded properly.

Because of inherent limitations in any system of internal controls, 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 controls 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 not disclose any conditions which we believe need correction or improvement.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert J. Aycock, IV". The signature is fluid and cursive, with a long horizontal stroke at the end.

Robert J. Aycock, IV, Manager
Audit and Certification

INTRODUCTION

Following our last audit that covered the period July 1, 2004 through June 30, 2007, we recommended to the Budget and Control Board that the procurement certification of Coastal Carolina University be reduced for a period of one year. The Board took that action on May 13, 2008. We conducted this follow-up review of the internal procurement operating policies and procedures of Coastal Carolina University to determine whether the university had taken the necessary steps to correct the exceptions noted during our last audit. Our review, conducted April 13, 2009 through May 8, 2009, was made under Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Section 19-445.2020 of the accompanying regulations.

On May 13, 2008, the State Budget and Control Board granted Coastal Carolina University, hereinafter referred to as the University, the following procurement certifications:

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Goods and Services	\$ 100,000 per commitment
Consultant Services	\$ 50,000 per commitment
Revenue Generating Management Services	\$ 500,000 per commitment
Construction Services	\$ 50,000 per commitment
Construction Contract Change Order	\$ 50,000 per change order
Architect/Engineer Contract Amendment	\$ 7,500 per amendment

Our audit was performed primarily to determine if certification is warranted. Additionally, the University requested an increase in the following certification levels:

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Goods and Services	\$ 200,000 per commitment
Consultant Services	\$ 100,000 per commitment
Revenue Generating Management Services	\$ 1,000,000 per commitment
Construction Services	\$ 150,000 per commitment
Construction Contract Change Order	\$ 150,000 per change order
Architect/Engineer Contract Amendment	\$ 25,000 per amendment

SCOPE

We conducted our examination in accordance with Generally Accepted Auditing Standards as they apply to compliance audits. Our examination was directed primarily toward a determination that the University had corrected the deficiencies noted during our previous audit that covered the period July 1, 2004 through June 30, 2007, but also encompassed a detailed analysis of the internal procurement operating procedures of the 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 samples for the period July 1, 2008 through March 31, 2009 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 July 1, 2008 through March 31, 2009 with no exceptions
- (2) Procurement transactions for the period July 1, 2008 through March 31, 2009 as follows:
 - a) Ninety-six payments each exceeding \$2,500 with no exceptions
 - b) Two hundred twenty-four sequentially filed purchase orders reviewed against the use of order splitting and favored vendors with no exceptions
- (3) Construction contracts for compliance with the Manual for Planning and Execution of State Permanent Improvements, Part II as follows:
 - a) Four major construction contracts with no exceptions
 - b) Five indefinite delivery orders issued from five indefinite delivery construction contracts with no exceptions
 - c) Four Architect/Engineering contracts with no exceptions
- (4) Procurement card transactions for January-March 2009 with no exceptions
- (5) Minority Business Enterprise Utilization Plans and reports for the audit period with no exceptions
- (6) Approval of the most recent Information Technology Plan with no exceptions
- (7) Internal procurement procedures manual and other related manuals with no exceptions
- (8) File documentation and evidence of competition with no exceptions
- (9) Surplus property disposal procedures with no exceptions

RESULTS OF EXAMINATION

No exceptions were noted in the items reviewed.

CERTIFICATION RECOMMENDATIONS

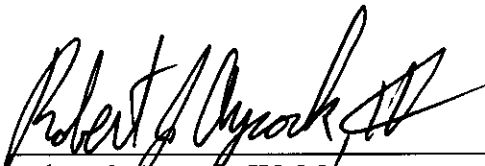
We find that Coastal Carolina University has addressed the deficiencies addressed during our previous audit. Therefore, under the authority described in Section 11-35-1210 of the Procurement Code, we recommend Coastal Carolina University be recertified to make direct agency procurements for three years up to the limits as follows:

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Supplies and Services	*\$ 200,000 per commitment
Consultant Services	*\$ 100,000 per commitment
Revenue Generating Management Services	*\$ 1,000,000 per commitment
Construction Services	\$ 100,000 per commitment
Construction Contract Change Order	\$ 100,000 per change order
Architect/Engineer Contract Amendment	\$ 15,000 per amendment

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



Mac Stiles
Senior Auditor



Robert J. Aycock, IV, Manager
Audit and Certification



COASTAL CAROLINA UNIVERSITY

Procurement

May 27, 2009

Mr. Robert J. Aycock, IV
Manager, Audit and Certification
Materials Management Office
1201 Main Street, Suite 600
Columbia, SC 29201

RE: Procurement Audit Report

Dear Mr. Aycock:

We are in receipt of Coastal Carolina University's Procurement Audit Report for the period of July 1, 2008 through March 31, 2009. The University is certainly pleased to learn there were no exceptions noted during the review. It is satisfying to know that changes implemented since the last audit have established a stronger base for adherence to proper policies and procedures. With respect to the listed recertification levels, your recommendation is greatly appreciated.

Please express our appreciation to Mr. Mac Stiles for the professional manner in which he conducted the audit and for the insight and direction he provided on several procurements that were in process during the time of his visit.

Should you have questions or need any additional information, please give me a call. The University continues to seek ways to refine the efficiency of the procurement area and would welcome suggestions and input from your area at any time.

Thanks again to you and Mr. Stiles.

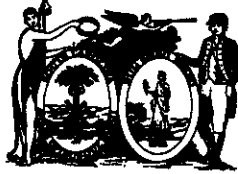
Sincerely,

A handwritten signature in black ink, appearing to read "P. Hudson".

Dean P. Hudson
Director, Procurement and Business Services
Coastal Carolina University

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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

June 1, 2009

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 July 1, 2008 to March 31, 2009. We are satisfied that Coastal Carolina University's 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,

A handwritten signature in black ink, appearing to read "Robert J. Aycock, IV".

Robert J. Aycock, IV, Manager
Audit and Certification

RJA/gs

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