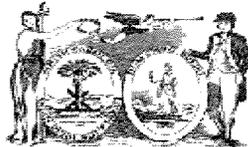


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DIVISION DIRECTOR
(803) 734-2320

MATERIALS MANAGEMENT OFFICE
1201 MAIN STREET, SUITE 600
COLUMBIA, SOUTH CAROLINA 29201
(803) 737-0600
Fax (803) 737-0639

R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

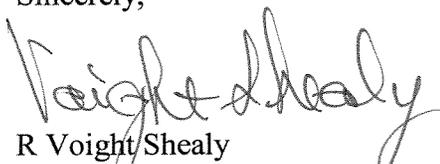
January 17, 2007

Mr. Delbert H. Singleton, Jr.
Director
Procurement Services Division
Wade Hampton Building – 6th Floor
Columbia, South Carolina 29201

Dear Delbert:

I have attached the University's procurement audit report and the recommendation made by the Office of Audit and Certification. I concur and recommend the Budget and Control Board grant the Francis Marion University a three-year certification as noted in the audit report.

Sincerely,


R Voight/Shealy
Materials Management Officer

/gs

FRANCIS MARION UNIVERSITY
PROCUREMENT AUDIT REPORT
JULY 1, 2003 – JUNE 30, 2006

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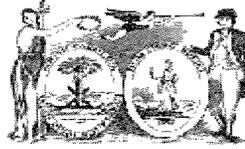
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DELBERT H. SINGLETON, JR.
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(803) 734-2320

MATERIALS MANAGEMENT OFFICE
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COLUMBIA, SOUTH CAROLINA 29201
(803) 737-0600
Fax (803) 737-0639

R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

January 3, 2007

Mr. R. Voight Shealy
Materials Management Officer
Office of Procurement 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 July 1, 2003 through June 30, 2006. 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, State regulations and the procurement policy of the University. 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 those 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 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 on-site review was conducted August 17, 2006 through October 2, 2006 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.

On January 25, 2005, the State Budget and Control Board granted Francis Marion University the following procurement certifications.

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

Our audit was performed primarily to determine if recertification is warranted. Additionally, the University requested the following increased certifications.

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Goods and Services	\$250,000 per commitment
Consultant Services	\$150,000 per commitment
Information Technology	\$150,000 per commitment
Construction Contract Award	\$150,000 per commitment
Construction Contract Change Order	\$ 50,000 per change order
Architect/Engineer Contract Amendment	\$ 50,000 per amendment

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, 2003 through June 30, 2006 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, 2003 through June 30, 2006
- (2) Procurement transactions for the period July 1, 2003 through June 30, 2006 as follows:
 - a) One hundred payments each exceeding \$1,500
 - b) Three hundred fifty purchase orders reviewed for order splitting and favored vendors
 - c) Procurement card transactions for July, August, and September of 2005
- (3) Five construction contracts and five professional service 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) Approval of the most recent Information Technology Plan
- (6) Internal procurement procedures manual
- (7) File documentation and evidence of competition
- (8) Surplus property disposal procedures

SUMMARY OF AUDIT FINDINGS

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

	<u>PAGE</u>
I. <u>Inappropriate Sole Source Procurements</u>	7
Seven sole source procurements were inappropriate.	
II. <u>Inappropriate Emergency Procurements</u>	7
Two emergency procurements were inappropriate.	
III. <u>Emergency Procurements Not Reported</u>	8
Two emergency procurements were not reported.	
IV. <u>Purchase Orders Not Reconcilable to Invoices and Lack of Competition</u>	9
We could not reconcile four purchases with invoices and the purchases were not supported by evidence of competition.	
V. <u>No Competition</u>	10
Two procurements were not supported with solicitation of competition.	
VI. <u>Unauthorized Procurement</u>	10
One procurement was unauthorized as the total value exceeded the amount specified in the solicitation and exceeded the University's procurement authority for information technology.	
VII. <u>Procurement Card Transactions</u>	11
Several procurement card transactions either exceeded \$1,500 or were artificially divided to avoid the transaction limit.	
VIII. <u>Bidder's Right to Protest Not in Solicitations</u>	11
Two solicitations did not contain the bidder's right to protest.	

	<u>PAGE</u>
IX. <u>Preferences Not in Solicitations</u>	12
Three solicitations did not contain the SC/US made and manufactured preferences.	
X. <u>Intents to Award Statements Not Prepared</u>	12
Intents to award statements were not prepared for two awards.	
XI. <u>Overpayment</u>	13
The University overpaid \$274.32 for continuous paper.	

RESULTS OF EXAMINATION

I. Inappropriate Sole Source Procurements

Seven procurements were inappropriately declared sole sources.

<u>PO</u>	<u>Description</u>	<u>Amount</u>
10105	Wind shirts v-neck	\$3,969
10158	Computer workstation	3,090
10223	Media lectern	2,513
10581	Wind shirts v-neck	5,924
11351	Media lectern	2,505
11452	Wind shirts v-neck	2,550
11965	Wind shirts v-neck	3,920

Section 11-35-1560 of the Code states, in part, "A contract may be awarded for a supply, service, or construction item without competition when, under regulations promulgated by the board, the chief procurement officer, the head of a purchasing agency, or a designee of either officer, above the level of the procurement officer, determines in writing that there is only one source for the required supply, service, or construction item." This section further states, "In cases of reasonable doubt, competition must be solicited."

We recommend the University solicit competition in compliance with the Code on these types of items.

II. Inappropriate Emergency Procurements

Two procurements were inappropriately declared emergencies.

<u>PO</u>	<u>Description</u>	<u>Amount</u>
9482	Install gas line	\$15,656
13079	Consultant evaluator	25,000

On purchase order 9482, the University made the decision to install a new gas fired generator on or about September 10, 2003. Proposals for this generator were opened on October 1, 2003. During this time it was discovered the existing gas lines were inadequate and would need to be replaced. On November 7, 2003 the University received one quote for the installation on the new gas line. Based on our review of the time line the University had adequate time for soliciting and awarding the installation of the new gas lines therefore avoiding the need to declare an emergency.

On purchase order 13079, the basis of the consultant evaluator emergency was this vendor had been contacted previously, was recommended and was available to begin services. The University did attempt to hire this individual on a temporary based but was unsuccessful. The University failed to allow adequate time for soliciting and awarding thus having to declare an emergency. Additionally, the contract was signed on April 12, 2006 by a representative of the University who did not have requisite authority to do so thus rendering the contract unauthorized as defined in Regulation 19-445.2015.

We recommend that procurements which do not meet the definition of an emergency be solicited in accordance with the Code. The University must submit a ratification request for the unauthorized procurement to the President or his designee in accordance with Regulation 19-445.2015.

III. Emergency Procurements Not Reported

Two emergency procurements were not reported as required by Section 11-35-2440 of the Code.

<u>PO</u>	<u>Description</u>	<u>Date</u>	<u>Amount</u>
10301	Upgrade planetarium	05/21/04	\$ 157,039
13079	Evaluation services for Center of Excellence	05/16/06	25,000

We recommend the University review its procedures to determine the weakness or weaknesses that resulted in the emergency procurement not being reported and to take the appropriate corrective action.

IV. Purchase Orders Not Reconcilable to Invoices and Lack of Competition

The following purchase orders could not be reconciled to the invoices nor were these items competed in accordance with the Code.

<u>PO</u>	<u>Invoice</u>	<u>Description</u>	<u>Invoice Date</u>	<u>Invoice Amount</u>
11911	19955	Security camera	01/17/06	\$ 1,934
12017	6285	Labor and materials	02/10/06	10,944
12017	6470	Labor and materials	06/21/06	6,309
12017	6100	Labor and materials	11/28/05	19,130

These purchase orders did not have sufficient detail to allow for reconciliation with the invoices. Without such information, the University is at a higher risk of paying incorrect amounts.

Purchase order 11911 referenced solicitation IFB-1631 for maintenance of the campus security system but did not include equipment and supplies.

Purchase order 12017 referenced fixed price solicitation FPB-1775. The solicitation requested pricing on different levels of technical service at an hourly rate but did not include any pricing on supplies and materials.

We recommend purchase orders include sufficient information to allow for reconciliation with invoices. Any discrepancies should be reconciled and adequately documented prior to payment. Also, we recommend any equipment, supplies and materials not included in a solicitation and subsequent award be solicited in accordance with the Code.

V. No Competition

The following two procurements were not supported by solicitations of competition, sole source or emergency determinations, contract references or exemptions.

<u>PO</u>	<u>Description</u>	<u>Amount</u>
9425	Rental contract for mail equipment	\$69,012
12682	IT equipment	1,778

Purchase order 9425 referenced a 36-month extension on an existing contract. However, the University could not provide nor could we determine the original contract. Therefore we can not determine compliance with the Code.

For purchase order 12682, the University could not provide nor could we find documentation to confirm compliance with the Code. Therefore we could not determine compliance to the Code.

We recommend the University adequately document compliance with the Code in sufficient detail to satisfy an audit.

VI. Unauthorized Procurement

The University issued fixed price solicitation FPB-1775 to provide telephone cable and data repairs for a maximum of three years. Page 9 of the solicitation included a provision that the total expenditures would not exceed \$100,000, an amount less than the University's procurement authority of \$150,000 for information technology. Six payments totaling \$26,622 were made against purchase order 10591. Ten payments totaling \$223,025 were made against purchase order 12017. The total of \$249,647 (\$26,622 + \$ 223,025) was unauthorized as defined in Regulation 19-445.2015 due to the amount exceeding University's procurement authority of \$150,000 for information technology

We recommend the University review its procedures to identify the weakness or weaknesses that resulted in the unauthorized procurement and implement the applicable corrective action. The University must submit a ratification request to the Materials Management Officer for the unauthorized procurement in accordance with Regulation 19-445.2015.

VII. Procurement Card Transactions

The following procurement card transactions either exceeded the \$1,500 transaction limit or were artificially divided to avoid that \$1,500 limit thus rendering the procurements unauthorized as defined in Regulation 19-445.2015.

<u>Description</u>	<u>Date</u>	<u>Amount</u>
Tee shirts	07/25/05	<u>\$ 1,507</u>
Clothes	09/22/05	\$1,134
Clothes	09/22/05	<u>715</u>
	Total	<u>\$1,849</u>
Clothes	09/15/05	\$1,298
Clothes	09/15/05	1,298
Clothes	09/16/05	1,462
Clothes	09/16/05	<u>1,462</u>
	Total	<u>\$5,520</u>

We recommend the University comply with the approved policies and procedures for procurement card transactions. The University must submit a ratification request to the President or his designee for the unauthorized procurements in accordance with Regulation 19-445.2015.

VIII. Bidder’s Right to Protest Not in Solicitations

Two invitations for bids procurements did not include the statement of a bidder’s right to protest provision as defined in Section 11-35-1520 (10).

<u>Solicitation</u>	<u>Description</u>	<u>Total Amount</u>
IFB-1805	Printing services 1 year with option for 1 additional year	\$37,177
IFB-1834	Printing services 1 year with option for 3 additional years	93,814

For these procurements, the University anticipated the awards to be less than \$25,000 and did not include the bidder's rights to protest. However, the University failed to consider the total potential value of the multi-term contracts.

We recommend the University factor the total potential value of awards when preparing solicitations and include the applicable protest provisions.

IX. Preferences Not in Solicitations

The University did not provide the SC/US End Product bidders preference information in the following solicitations.

<u>Solicitation</u>	<u>Description</u>	<u>Date</u>
RFQ-1851	Mail room equipment	04/27/05
IFB-1844	Emergency call boxes	03/30/05
IFB-1878	Kitchen equipment & supplies	02/16/06

Section 11-35-1524 of the Code allows preferences for end products made, manufactured or grown in South Carolina or the United States. However, bidders are not being informed of the availability of this preference.

We recommend the preferences found in Section 11-35-1524 be included in the written solicitations.

X. Intents to Award Statements Not Issued

The University did not issue the intents to award statements for two contracts that exceeded \$50,000.

<u>Solicitation</u>	<u>Description</u>	<u>Potential Award Amount</u>
IFB-1795	Asphalt removal and replacement	\$64,825
IFB-1834	Printing services	93,814

A notice of intent to award is required per Section 11-35-1520 (10) of the Code for any award with a value or total potential value greater than \$50,000 and must be sent to each vendor that responded to the solicitation.

We recommend the University comply with the notice of intent to award provisions as defined in the Code.

XI. Overpayment

Purchase order 11303 was issued on 2/2/05 in the amount of \$2,380 for continuous feed paper. The vendor's invoice was for an amount greater than on the purchase order amount that resulted in an overpayment of \$274.32 as noted below.

Cost per sheet per invoice (\$9.77 per thousand)	\$.00977
Cost per sheet per purchase order (\$29.75 per carton 3,500 sheet per carton)	\$.00850
Excess cost per sheet	\$.00127
Total sheets per invoice	216,000
Total overpayment	<u>\$274.32</u>

We recommend the University reconcile amounts on invoices with the purchase orders before processing for payments.

CERTIFICATION RECOMMENDATIONS

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

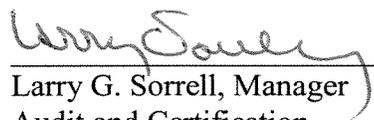
Under the authority described in Section 11-35-1210 of the Procurement Code, subject to this corrective action, we will recommend Francis Marion University be recertified to make direct agency procurements for three years up to the limits as follows:

<u>PROCUREMENT AREAS</u>	<u>RECOMMENDED CERTIFICATION LIMITS</u>
Goods and Services	*\$250,000 per commitment
Consultant Services	*\$150,000 per commitment
Information Technology	*\$150,000 per commitment
Construction Contract Award	\$150,000 per commitment
Construction Contract Change Order	\$ 50,000 per change order
Architect/Engineer Contract Amendment	\$ 50,000 per amendment

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



David E Rawl, CPPB
Audit Manager



Larry G. Sorrell, Manager
Audit and Certification



FRANCIS MARION UNIVERSITY

Office of Business Affairs -
Purchasing

January 17, 2007

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

RECEIVED
PROCUREMENT SUPPORT
2007 JAN 17 PM 2:00

Dear Mr. Sorrell:

In response to the Procurement Audit Report for Francis Marion University for the period July 1, 2003 – June 30, 2006, the University accepts the findings and recommendations of the audit as accurate and reasonable. In order to comply with these recommendations we will:

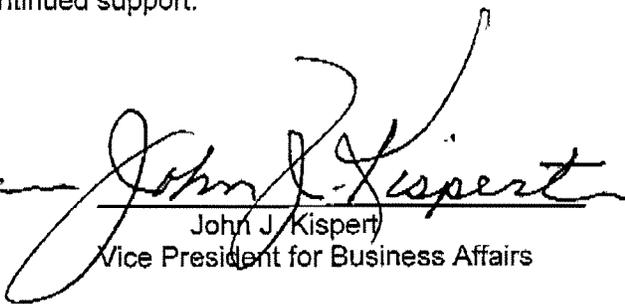
- Solicit competition in cases of reasonable doubt as to the applicability of sole source.
- More closely monitor appropriateness of emergency contracts.
- Determine procedural causes for omission of reporting requirements.
- Modify bid documents to insure compliance with requirements in the Code relevant to competition and include sufficient information on purchase orders to allow reconciliation of invoices.
- Strive to maintain complete records showing evidence of competition.
- Review procedures to identify causes of unauthorized procurements.
- Include all statements and preferences in bid documents as required by the Code.

Additionally, the Ratification of Unauthorized Procurement forms required as a result of the audit are in process and will be forwarded to you.

Thank you again for your assistance and continued support.

Sincerely,


Ronald P. Flowers


John J. Kispert
Vice President for Business Affairs

STATE OF SOUTH CAROLINA
State Budget and Control Board
PROCUREMENT SERVICES DIVISION

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COLUMBIA, SOUTH CAROLINA 29201
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Fax (803) 737-0639

R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

January 17, 2007

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 July 1, 2003 to June 30, 2006. Also we have followed the University's corrective action during and subsequent to our fieldwork. We are satisfied that Francis Marion 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,

Handwritten signature of Larry G. Sorrell in cursive.

Larry G. Sorrell, Manager
Audit and Certification

LGS/gs

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