



COASTAL CAROLINA UNIVERSITY (CCU)
INDEPENDENT PROCUREMENT AUDIT REPORT
OCTOBER 1, 2012 to MARCH 31, 2018

Division of Procurement Services
Office of Audit & Certification
September 17, 2019

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INTRODUCTION

We conducted an audit of CCU's internal procurement operating policies and procedures, as outlined in their Internal Procurement Operating Procedures Manual under §11-35-1230(1) of the South Carolina Consolidated Procurement Code (Code) and Reg. 19-445.2020 of the accompanying regulations.

The primary objective of our audit was to determine whether, in all material respects, the internal controls of CCU's procurement system were adequate to ensure compliance with the Code and ensuing regulations.

The management of CCU is responsible for the agency's compliance with the Code. Those responsibilities include the following:

- Identifying the agency's procurement activities and understanding and complying with the Code
- Establishing and maintaining effective controls over procurement activities that provide reasonable assurance that the agency administers its procurement programs in compliance with the Code
- Evaluating and monitoring the agency's compliance with the Code
- Taking corrective action when instances of noncompliance are identified, including corrective action on audit findings of this audit

Because of inherent limitations in any system of internal controls, errors or irregularities may occur and not be detected. 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 review and evaluation of the system of internal control over procurement transactions, as well as our overall audit 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.

INTRODUCTION

Our audit was also performed to determine if recertification under SC Code Ann. §11-35-1210 is warranted.

On February 6, 2014 the State Budget and Control Board granted Coastal Carolina University the following procurement certifications:

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Supplies and Services	*\$ 300,000 per commitment
Information Technology	*\$ 50,000 per commitment
Consultant Services	*\$ 200,000 per commitment
Revenue Generating Contracts	*\$1,000,000 per commitment
Construction Contract Award	\$ 200,000 per commitment
Construction Contract Change Order	\$ 150,000 per change order
Architect/Engineer Contract Amendment	\$ 50,000 per amendment

During the audit CCU requested the following increases in its certification limits.

<u>PROCUREMENT AREAS</u>	<u>REQUESTED CERTIFICATION LIMITS</u>
Supplies and Services	*\$ 500,000 per commitment
Information Technology	*\$ 250,000 per commitment
Consultant Services	*\$ 500,000 per commitment
Revenue Generating Contracts	*\$1,500,000 per commitment
Construction Contract Award	\$ 300,000 per commitment
Construction Contract Change Order	\$ 200,000 per change order
Architect/Engineer Contract Amendment	\$ 75,000 per amendment

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

SCOPE

We conducted our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objectives. Our audit included testing, on a sample basis, evidence about CCU's compliance with the Code for the period October 1, 2012 through March 31, 2018, the audit period, and performing other procedures that we considered necessary in the circumstances. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our objectives.

The scope of our audit included, but was not limited to, a review of the following:

- (1) Internal procurement and purchasing card (P-Card) procedure manuals
- (2) All sole source and emergency procurement justifications
- (3) Procurement transactions for the audit period as follows:
 - a) One hundred sixty-seven payments each exceeding \$10,000
 - b) Two hundred eighty-one purchase orders reviewed against the use of order splitting or favored vendors
 - c) Eighty-nine P-Card transactions July, August, and September 2016, and for the period April 1, 2017 through March 31, 2018
- (4) Thirteen construction contracts and nine Architect/Engineer and Related Professional Service Contracts for compliance with the Manual for Planning and Execution of State Permanent Improvements, Part II
- (5) Small and Minority Business utilization plans and reports. The following activity was reported to the Division of Small and Minority Business Contracting and Certification (SMBCC):

<u>Fiscal Year</u>	<u>\$ Goal</u>	<u>\$ Actual</u>
2014	874,773	22,018
2015	1,072,194	78,386
2016	926,421	18,595
2017	899,565	32,192
2018	762,672	16,963 *

* Actual amount represents 1st, 2nd, and 3rd Quarters only

- (6) Information Technology acquisitions under IT Plans
- (7) Surplus property dispositions, and approval of trade-ins in excess of \$5,000

SCOPE

(8) Disposition of unauthorized procurements. The following unauthorized procurement activity was reported to the Division of Procurement Services:

<u>Fiscal Year</u>	<u>Count</u>	<u>\$ Amount</u>
2013	1	29,577
2014	5	1,062,430
2015	-	-0-
2016	5	125,300
2017	3	90,233
2018	-	-0-

RESULTS OF AUDIT

I. Inappropriate Sole Source Procurements

We tested sole source and emergency procurements made pursuant to §11-35-1560 (Sole Source Procurements) and §11-35-1570 (Emergency Procurements) to determine the appropriateness of the procurement actions and the accuracy of the quarterly reports submitted to the chief procurement officers required by §11-35-2440.

We identified the following procurements inappropriately made as sole sources:

<u>PO Number(s)</u>	<u>Date</u>	<u>Description</u>	<u>\$ Amount</u>
36448 & 36449	4/24/14	Carnival services/rides	10,785
9819 & 9820	12/18/14	E-procurement system	370,295
37712	9/11/15	Fitness equipment	11,621
38020	1/29/16	Golf simulator	14,509
38192	4/19/16	Carnival services/rides	14,006
38644	10/21/16	CCU Research Foundation	50,000

SC Code Ann. §11-35-1560(A) states, “A contract may be awarded for a supply, service, information technology, or construction item without competition if, 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, information technology, or construction item.”

Additionally, Reg. 19-445.2105(B) provides guidance on circumstances that may necessitate the sole sourcing of procurement. None of the sole source determinations for the aforementioned procurements set forth appropriate justification that meet the provisions of the Regulation.

Recommendation: We recommend CCU develop and implement management review and approval procedures to ensure that it complies with SC Code Ann. §11-35-1560 and Reg. 19-445.2105 regarding sole source procurements, and the above types of procurements be competed in the future.

Agency Response: CCU’s response is included as an attachment to this report.

CERTIFICATION RECOMMENDATION

We believe corrective action based on the recommendations in this report will place the University in compliance with the South Carolina Procurement Code.

Under the authority granted in SC Code Ann. §11-35-1210, subject to this corrective action(s) by the University, we recommend Coastal Carolina University be certified to make direct agency procurements for three years up to the following limits:

<u>PROCUREMENT AREAS</u>	<u>RECOMMENDED CERTIFICATION LIMITS</u>
Supplies and Services ¹	*\$ 400,000 per commitment
Information Technology ²	*\$ 150,000 per commitment
Revenue Generating Contracts	*\$ 1,500,000 per commitment
Construction Contract Award	\$ 300,000 per commitment
Construction Contract Change Order	\$ 200,000 per change order
Architect/Engineer Contract Amendment	\$ 75,000 per amendment

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



Crawford Milling, CPA, CGMA
Director of Audit & Certification

¹ Supplies and Services includes non-IT consulting services

² Information Technology includes consulting services for any aspect of information technology, systems and networks

Attachment



Office of Procurement

October 14, 2019

Mr. Crawford Milling
Director, Audit and Certification
S.C. Division of Procurement Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Crawford:

The University is in receipt of the Procurement Audit Report dated September 17, 2019 for the audit period of October 1, 2012 to March 31, 2018.

With respect to the exception noted in the report, the University provides the following response:

Inappropriate Sole Source Procurements

Response:

With regards to the six procurements noted, the University understands that such products/services should have been properly competed. The University's policy is to adhere to the requirements of the S.C. Procurement Code with all sole source procurements including the related written determinations necessary to appropriately justify such procurements. The University will continue to conduct a complete review of the merits of all potential sole source procurement scenarios and will solicit competition when there is doubt as to the applicability under the Code, or will ensure sufficient justification is provided with respect to the unique aspects of the products/services being procured.

We trust the above response and planned action will support the certification recommendation stated in the report. Please advise should you need any additional information.

Sincerely,



Dr. David A. DeCenzo
President



Dean P. Hudson
Director of Procurement Services