
COASTAL CAROLINA UNIVERSITY

PROCUREMENT AUDIT REPORT

JULY 1, 2004 – JUNE 30, 2007

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NOTE: The University’s responses to issues noted in the report have been inserted immediately following the items they refer to.

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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

February 5, 2008

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, 2004 through June 30, 2007. 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 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 Coastal Carolina 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 Coastal Carolina University. Our review, conducted July 23, 2007 through August 30, 2007, 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 December 14, 2004, 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	\$ 200,000 per commitment
Consultant Services	\$ 100,000 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
Revenue Generating Management Services	\$1,000,000 per commitment

Our audit was performed primarily to determine if recertification is warranted. The University requested to remain at its current certification levels.

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 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, 2005 through June 30, 2007 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, 2004 through June 30, 2007
- (2) Procurement transactions for the period July 1, 2005 through June 30, 2007 as follows:
 - a) One hundred seven payments each exceeding \$1,500
 - b) Two hundred fifty sequentially filed purchase orders reviewed against the use of order splitting and favored vendors
- (3) Construction contracts for compliance with the Manual for Planning and Execution of State Permanent Improvements as follows:
 - a) Eight major construction projects
 - b) Four indefinite delivery orders issued from four indefinite delivery construction contracts
 - c) One Architect/Engineering contract
 - d) One indefinite delivery order from one Architect/Engineering contract
- (4) Procurement card transactions for October and November 2006
- (5) Minority Business Enterprise Plans and reports for the audit period
- (6) Approval of the most recent Information Technology Plan
- (7) Internal procurement procedures manual
- (8) File documentation and evidence of competition
- (9) Surplus property disposal procedures

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SUMMARY OF AUDIT FINDINGS

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beginning on January 8, 2004 totaling \$357,584.25. We noted invoices paid with duplicate days billed, hours worked not stated, two conferences attended costing the University \$5,680 and most invoices included advanced billings.

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Two procurement card transactions were artificially divided circumventing the maximum per purchase card limits. One required solicitations of competition. 15

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The University did not have evidence of competition for a credit card acceptance fee contract.

RESULTS OF EXAMINATION

I. Procurements Incorrectly Considered Exempt from the Code

A. Fund Source 15 - Board Designated Student Fees Subject to the Code

The University procured the following items as exempt from the South Carolina Consolidated Procurement Code, hereinafter referred to as the Code, using fund source 15.

<u>Date</u>	<u>Voucher</u>	<u>Description</u>	<u>Amount</u>
08/11/05	V0272707	Musical instruments	\$ 26,100
07/17/06	V0305168	Medical equipment	13,475
01/04/07	V0321075	Transportation services	236,000

According to University personnel, fund source 15 includes funds generated by activities of student organizations, athletic contests, and "Board designated funds collected from Board designated student fees." The University considers all funds in fund source 15 to be exempt from the Code. Pursuant to Section 11-35-710, the relevant exemption applies only to the "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, [unless the funds] are used for the procurement of construction, architect engineer, construction management, and land surveying services." Accordingly, funds collected from student fees are not exempt from the Code. Our review reflects that the University is unable to distinguish exempt funds from non-exempt funds within fund source 15.

We recommend the University restructure fund source 15 to distinguish exempt funds from non-exempt funds and apply the Code accordingly.

UNIVERSITY RESPONSE

The University agrees with the recommendation and will restructure fund source 15 to distinguish exempt funds from non-exempt funds and apply the Code accordingly.

B. Student Housing at University Place

We have reviewed two agreements to determine the applicability of the Consolidated Procurement Code:

(a) a Student Housing Project Support Agreement dated October 1, 2005 between Coastal Carolina University, Coastal Housing Foundation, LLC, and Coastal Carolina University Student Housing Development Foundation, and (b) a Management Agreement between Coastal Housing Foundation, LLC and Coastal Carolina University dated October 1, 2005.

In general, contracts between state agencies and their foundations are not exempt from the competitive requirements of the Code. Under Section 11-35-40(2) of the Code, the procurement code applies "to every expenditure of funds by this State under contract acting through a governmental body as herein defined irrespective of the source of the funds" Both of these agreements require the University to expend public funds in order to meet contractual obligations. For example, the Support Agreement obligates the University to "provide to students residing in the Project equal internet and intranet services and campus life programs it provides to students in its own housing facilities" The Management Agreement obligates the University to "manage, maintain, and collect rent for the Project" Taken together, these agreements are governed by the Code. Because the University failed to use one of the source selection methods allowed by Section 11-35-1510, or otherwise comply with the Code, these contracts were entered in violation of the Code.

The management agreement called for the University to manage University Place to include contracting with independent contractors for maintenance and repairs of University Place. As a governmental body, the University is subject to the Code in the expenditure of all funds regardless of the source that are not expressly exempt from the Code per Section 11-35-40. The revenues generated by the University to manage University Place were not expressly exempt from the Code. Therefore, contracts between the University and third parties for the benefit of the University Place are also subject to the Code.

We recommend the University comply with the Code for all these types of contracts.

UNIVERSITY RESPONSE

The University received advice and formal opinions from outside counsel that indicated that the contract between the Student Housing Foundation and the University was not subject to the Code. The rent collected for the Foundation was transferred to the Foundation's bank and the expenditures for University Place were considered non-agency funds and not subject to the Code. However, the University accepts the finding that the Code applies to every expenditure of funds through the University that are not expressly exempt from the Code, irrespective of the source of funds. The University will comply with the Code for all these types of contracts.

II. Construction Services

A. Construction Contracts Made Without Competition

The following two construction contracts were entered into in violation of the procurement code.

<u>Date</u>	<u>Voucher</u>	<u>Description</u>	<u>Amount</u>
01/12/06	V0286986	Conversion of three spans of overhead primary cable to underground at highway 544 entrance	\$112,403
02/21/07	V0327935	Elvington Alumni House mitigation & construction	21,655

The conversion of overhead primary cable to underground cable applied to electrical lines. The University incorrectly procured this service under an exemption granted on April 27, 1982 by the State Budget and Control Board for “Invoices for gas and electricity, water and sewer services provided by public utilities subject to rate regulation by the Public Service Commission.” Clearly, this transaction was not for the procurement of electricity. Further, the procurement exceeded the University’s \$100,000 construction certification.

The Alumni House mitigation and construction was not authorized by any person with procurement authority.

We recommend construction procurements be made in accordance with Article 9 of the Code and properly authorized. The University must submit a ratification request to the President or his designee in accordance with Regulation 19-445.2015 for the procurement on voucher V0327935. A ratification request must be submitted to the Materials Management Officer for the procurement on voucher V0286986 as the value exceeded the University certification limit of \$100,000 for construction.

UNIVERSITY RESPONSE

Voucher V0286986

Facilities Management has been counseled that the State utility exemption is for electricity only. A ratification request is being prepared and will be submitted to the Materials Management Officer.

Voucher V0327935

Since an insurance claim was involved, the University’s Risk Management Office assumed that it was appropriate to deal directly with the contractor for the repairs. They have been counseled that they do not have procurement authority and in the future competition will be sought in accordance with the Code. A ratification request is being prepared and will be submitted to the Vice President for Business Affairs.

B. Indefinite Delivery Contracts

We noted the following deficiencies with the University's Indefinite Delivery Contracts (IDCs) on projects H17-D021-MJ, H17-D023-MJ, H17-024-MJ, and H17-D026-MJ for construction services.

- i. Delivery orders not priced in accordance with vendor multipliers
- ii. Performance bonds and labor and material payment bonds not obtained on delivery orders that exceeded \$50,000
- iii. Quarterly reports of IDC activity not submitted to the Office of the State Engineer
- iv. Contractors' certificates of insurance not in files
- v. Bid security not obtained during the bidding process

We noted the following deficiencies with the University's Indefinite Delivery Contracts (IDCs) on project H17-D031-MJ for architect/engineering services.

- Quarterly reports of IDC activity not submitted to the Office of the State Engineer
- Vendor's cost proposals and invoices not based on agreed upon hourly rate schedule

Chapter 6 and Appendix E of the Manual for Planning and Execution of State Permanent Improvements contain the requirements for Indefinite Delivery Contracts.

We recommend the University comply with these sections of the Manual for Indefinite Delivery Contracts.

UNIVERSITY RESPONSE

IDC Projects H17-D021-MJ, H17-D023-MJ, H17-024-MJ, H17-D026-MJ

- i. Facilities Management has been in consultation with the Office of the State Engineer and is revising their IDC bids to ensure future delivery orders are priced in accordance with vendor multipliers.
- ii. This was an oversight by Facilities Management and bonds will be obtained on all future projects over \$50,000.
- iii. Since September of 2007, Facilities Management has submitted quarterly reports to the Office of the State Engineer and will continue to do so.
- iv. Facilities Management is in the process of getting certificates of insurance for all IDC contractors, not already on file.
- v. In the past, Facilities Management did not maintain a copy of the bid security once a signed contract was in hand. Prior practice was to return the bid security to the contractor once the contract was signed. A copy was sent to the Office of the State Engineer along with the SE-380. In the future, Facilities Management will keep a copy of each bid security in their file.

IDC Project H17-D0310MJ

Since September 2007, Facilities Management has been submitting quarterly reports to the Office of the State Engineer and will continue to do so. In the future, vendors cost proposals and invoices will be based on an agreed hourly rate schedule.

C. Retention Exceeded Maximum Limits

The University withheld 10% retention on two construction contracts procured on purchase order 5708 and purchase order 5843. Section 11-35-3030 (4)(a) states in part, "...the retained amount of each progress payment or installment must be no more than three and one-half percent."

We recommend the University limit the amount of retention to no more than 3.5% allowed by the Code.

UNIVERSITY RESPONSE

Facilities Management has been counseled and retention will be limited to 3.5% in the future.

D. Deficiencies in Two Contracts for Construction Services

The contract for Campus Development/Infrastructure Improvements - Milling and Asphalt Resurfacing on project H17-9551-MJ-A in the amount of \$162,521 was not supported by the contractor's certificate of insurance. The contract for pool refurbishment on project H17-WBP1 in the amount of \$47,096 was not authorized by a formal Notice to Proceed (SE-390) by the University. The Manual for Planning and Execution of State Permanent Improvements, sections 6.20 and 6.23, requires contractors to submit certificates of insurance on all construction projects in order to protect the state from loss and requires that contractors not start construction before receiving a Notice to Proceed (form SE 390) issued by the procuring authority.

We recommend the University comply with sections 6.20 and 6.23 of the Manual for Planning and Execution of State Permanent Improvements.

UNIVERSITY RESPONSE

Facilities Management will carefully review all future contracts to obtain certificates of insurance. The Department maintains that a Notice to Proceed (SE 390) was provided to the pool contractor with a substantial completion date of January 7, 2006 as noted and signed on the SE 480 change order form. However, they cannot locate a copy of the SE 390. In the future, they will make sure that a copy is kept for all projects.

III. Management Consultant Contract

Services performed by a management consultant have come under close scrutiny by the University's external auditors, state officials, and the press recently. The South Carolina Budget and Control Board's Materials Management Office (MMO) awarded the most recent contract on behalf of the University under contract number 04-S6210-A10287 on December 8, 2003. Previous contracts existed for these services. Because of a variety of questions surrounding the contract, we requested all payments on contract 04-S6210-A10287 for testing to determine that the payments were within the scope and terms of MMO's contract beginning on January 8, 2004 totaling \$357,584.25 and noted the following issues.

The consultant double billed for the same dates of service on two separate invoices. The invoice dated May 3, 2005 paid on voucher V0267198 stated the following: "Professional Consulting Services: Principal (Apr 4-8, 18-22 on campus and Apr 12, 13, 26, 27, 28 in Pendleton office) Note: Not billing for 3 days." The invoice dated May 31, 2005 paid on voucher V0268162 stated the following: Professional Consulting Services: Principal (Apr 3-6, 10-13, 15-20 on Campus & Apr 23-24 in Pendleton office) Note 2 days not billed." (We could not determine which days were not billed on each invoice.) Therefore, the duplicate days of April 4, 5, & 6 of 2005, April 12 & 13 of 2005 and April 18, 19 & 20 of 2005 on voucher V0268162 were not proper and should not have been paid.

The consultant invoiced services for August 31, 2004 on two separate invoices creating a duplicate billing for this day. Voucher V0246583 paid an invoice dated September 2, 2004 that stated as follows: "Principal (12 Days@ \$600/ day) – Aug. 1-6 & Aug. 15-20 on site; Aug 26, 27, 30 and 31 in Pendleton office [Note: Not billing for 4 days]." (We could not determine which days were not billed.)

Voucher V0249459 paid an invoice that was not dated, but received by the University on October 2, 2004 that stated the following: "Professional Consulting Services: Principal (12 days @ \$600/ day) – Aug 31- Sept 3, Sept 6-10, Sept 14-15 (on Campus & travel) and Aug 21 – 23 (Pendleton office)." Both invoices included a billing for August 31, 2004. Further, one invoice indicated the consultant was on campus August 31 and the second invoice indicated the consultant worked from his Pendleton office that same day. The duplicate day of August 31, 2004 paid on voucher V0249459 was not proper and should not have been paid.

We recommend the University reconcile the days of actual services to eliminate duplicate payments and require identification of days not billed.

UNIVERSITY RESPONSE

The University has revised the payment process and in the future will require the Department to certify that the invoice does not duplicate any prior dates and require identification for day(s) billed. The University is in the process of recouping billing for three of these days.

The contract states the principal's fee as \$75 per hour or \$600 per day. The consultant billed at \$600 per day which equates to \$75 per hour for 8 hours of service. None of the invoices had supporting documentation to show that 8 hours of services were rendered for each day invoiced. Additionally, several of the invoices referred to travel but we could not determine the travel days or if the consultant was paid a fee of \$600 for days of travel between Pendleton and Conway.

We recommend the University define the payment policy as a rate of \$75 per hour up to \$600 per day as stated in the contract award from the Materials Management Office.

UNIVERSITY RESPONSE

In the future, the University's payment policy for these types of contracts will require that the contractor be paid at the hourly contract rate up to the contract daily rate. If invoiced at the daily rate, the invoice must state the number of hours worked.

Two invoices included travel expenses for public safety project CCU-05-02 by the management consultant. An invoice dated June 28, 2005 on voucher V0270469 included travel expenses for a conference to Atlanta costing \$1,673.80. Another invoice dated November 29, 2005 paid on voucher V0285108 included conference travel expenses for the consultant from South Carolina to Nashville, Tennessee for a CALEA conference. Total cost invoiced by the consultant for the trip was \$4,006.53 plus unspecified mileage billed to and from the airport.

<u>Voucher</u>	<u>Invoice Date</u>	<u>Invoice Amount</u>	<u>Description</u>
V0270469	June 28, 2005	\$12,437.89	Trip to Kennesaw State University on June 14-15 in Atlanta: Consulting fee \$1,200.00; Hotel \$77.50; Mileage of 316 miles \$127.98; Meals 2 days \$50.00; Plus 15% mark-up for Indirect Expenses \$218.32; Total cost \$1,673.80
V0285108	November 29, 2005	\$16,632.07	Trip to Nashville Tennessee: Four days of Consulting Fees \$2,400; Airfare \$358.30; Airport parking \$33; Shuttle \$27; Porter/Bellman \$25; Hotel \$512.64; Meals \$128; Plus 15% mark-up for Indirect Expenses \$522.59; Total cost \$4,006.53 plus unspecified automobile mileage to and from the airport.

UNIVERSITY RESPONSE

The University assumes these were approved expenses but cannot confirm as the former administrators relative to these projects are no longer employed at the University.

The following invoices included days not yet worked, i.e. billed in advanced. Advanced billings were not included in the contract and were therefore, not proper.

<u>Voucher</u>	<u>Invoice Date</u>	<u>Dates Billed in Advance</u>
V0254856	12/15/04	December 16-17, December 19-23
V0264542	03/31/05	April 1-2
V0270469	06/28/05	June 29-30
V0272145	07/28/05	July 29
V0276313	08/30/05	August 31, September 1-3
V0279827	09/29/05	September 30
V0282593	10/26/05	October 27
V0285108	11/29/05	November 30, December 1-2
V0286086	12/19/05	December 20
V0291375	01/26/06	January 27-28
V0293853	02/28/06	March 1-3
V0297076	03/30/06	March 31
V0299097	04/26/06	April 27-28
V0302307	05/31/06	June 1-2

We recommend the University not pay for services in advance.

UNIVERSITY RESPONSE

The University accepts your recommendation and will not pay for these type services in advance.

Two invoices during our period of review failed to detail days worked. This occurred on voucher V0320295 dated December 13, 2006 and on voucher V0237352 dated May 24, 2004. The invoice on voucher V0320295 noted the period as November 9 through December 13 for a total of 10.5 days. The invoice on voucher V0237352 noted "Principal (8Days, @ \$600/Day) - Various times during March, April & May that equal 8 days." Without more information such as the specific days worked and number of hours worked each day, we could not determine which days accounted for the days worked.

We recommend the University require that invoices identify the days of service and the number of hours worked.

UNIVERSITY RESPONSE

The University has revised our payment process and in the future will require that invoices specify the days of service and number of hours worked if the contract is on an hourly basis.

On a final note, information came to our attention that the University paid the consultant to hire a subcontractor in 1998 to do a curriculum study relating to tourism. This resulted in approximately one hundred thousand dollars being paid by the University as pass through to that consulting firm. A provision in the current consultant's contract allows for the consultant to contract with subcontractors within the scope of services of the consultant. We reviewed all vouchers paid to this consultant since December 2003. No information came to our attention through testing, observation or inquiry to indicate abuses occurred by the University hiring subcontractors by utilizing the consulting contract.

UNIVERSITY RESPONSE

In the future, the University will closely monitor contracts and ensure that any subcontracts are in accordance with the contract terms.

IV. Procurement Card Transactions

The following three invoices represented a single purchase that exceeded the maximum limit per charge of \$2,500.

<u>Date</u>	<u>Number</u>	<u>Description</u>	<u>Amount</u>
10/11/06	90651	Assorted prints (10)	\$1,143
10/11/06	90652	Assorted prints (10)	1,143
10/11/06	90653	Assorted prints (9)	<u>1,140</u>
		Total	<u>\$3,426</u>

While these transactions represented 3 separate charges, they were actually one procurement. Since the transaction exceeded the maximum limit per charge of \$2,500, it was unauthorized as defined in Regulation 19-445.2015.

The following transaction supported by one invoice was artificially divided into two charges. The total transaction exceeded the maximum limit per charge of \$2,500.

<u>Date</u>	<u>Number</u>	<u>Description</u>	<u>Amount</u>
09/16/06	10613	Cello with attachments	\$2,616

Since this transaction exceeded the maximum limit per charge of \$2,500, it was unauthorized as defined in Regulation 19-445.2015. Also, there was no evidence of the cardholder seeking competition.

We recommend the University not allow procurement card charges to exceed the maximum limits per charge established for each card. Procurement card charges should be carefully audited every month to ensure compliance with the state contract. For the transactions listed above, the University must submit ratification requests for the unauthorized procurements to the President or his designee in accordance with Regulation 19-445.2015.

UNIVERSITY RESPONSE

Assorted prints

Since this purchase was from Prison Industries and exempt from the Code, the Department assumed there was no problem splitting the payments. The Department has been counseled that purchases that exceed \$2,500 cannot be split to make payments with the procurement card.

Cello with attachments

This transaction was processed as exempt from fund source 15 which includes funds generated by student organizations and athletic contests. Because of the source of funding, the Department assumed the separate payments were acceptable. The Department has been counseled that purchases that exceed \$2,500 cannot be split for payment with the procurement card. As stated earlier, the University is restructuring fund source 15 to distinguish exempt funds from non-exempt funds and the Code will be applied accordingly.

For both transactions, ratification requests are being prepared and submitted to the Vice President for Business Affairs.

V. Other Audit Exceptions

A. Multi-Term Procurements Not in Compliance

Two contracts procured as multi-terms, i.e. contracts that extend or have a potential to extend beyond 12 months, were not in compliance with the Code.

<u>PO</u>	<u>Date</u>	<u>Description</u>	<u>Value</u>
P0027970	05/01/06	Director and officer liability insurance	\$90,933
5582	04/01/05	Bookcases	49,600

The contract for director and officer liability insurance was a three year contract. The University prepared a written multi-term determination to justify the use of such a contract. However, the justification was not sufficient. Regulation 19-445.2135(D)(3) states, “The determination must contain sufficient factual grounds and reasoning to provide an informed objective explanation for the decision.” The University listed reasons enumerated in the Regulation for multi-term contracts without explaining how these reasons applied to this solicitation.

The University established a contract for bookcases on solicitation IFB 2435-05-VM. The solicitation identified the contract period to be the date of award and continuing through one full year. The University issued a blanket purchase order allowing orders to be placed over a period of time. Purchase order 5362 was issued to cover the initial period of 4/1/05 - 6/30/05. Subsequently, purchase order 5582 was issued to cover the period 7/1/05 - 6/30/06. Because the purchase order period began 4/1/05 and ended 6/30/06, the contract exceeded 12 months, the maximum amount of time allowed by the contract. Furthermore, since the contract exceeded 12 months, the provisions in Section 11-35-2030 and Regulation 19-445.2135 regarding multi-term contracts should have been applied. Also, because the statement of award was not dated, vendors could not determine when their protest rights began. Finally, the statement of award failed to inform vendors of their protest rights as required in Section 11-35-1520(10).

We recommend the University comply with the multi-term provisions and the award posting requirements of the Code and regulations.

UNIVERSITY RESPONSE

PO P0027970 and PO 5582

In the future, the University will explain how multi-term reasons apply to each solicitation

Solicitation IFB 2435-05-VM

Per the solicitation, the contract period was for one year only. Due to an oversight, the purchase order was renewed for a period that exceeded 12 months and the statement of award was not dated. The University will more closely review the purchase order renewals to ensure that they comply with the original solicitation and that award postings comply with the Code and Regulations.

B. Inadequate Determinations for Emergency and Sole Source Procurements

Two emergency procurements and two sole source procurements did not have written determinations with sufficient information supporting the transactions.

<u>PO</u>	<u>Date</u>	<u>Description</u>	<u>Amount</u>
25732	08/31/04	Student shuttle service-emergency	\$159,120
DEV	04/25/05	Directors and officers liability insurance-emergency	29,591
26427	04/04/05	Bed ends and springs-sole source	12,577
DEV	09/08/05	Bus transportation service-sole source	6,310

The emergency determination for the student shuttle service failed to address what caused the emergency condition. The determination stated that the University did not have time to advertise and solicit bids but did not explain why. The same situation applied to the emergency determination for directors and officers liability insurance. The determination stated that the University did not have time to obtain quotes because the current policy was expiring. The cause of the emergency was not addressed.

The sole source determination for bed ends and springs was not adequate. The determination did not address that the items being procured, which according to the justification had to be compatible with existing items, were only available from a single source. The sole source determination for bus service was based on the service being grant specified. The documents attached to the sole source did not support that the procurement was grant specified. Besides, most often, grantor agencies merely approve grant requests initiated by the grantee; they don't normally direct the grantee to specific vendors.

Regulation 19-445.2105(C) for sole source procurements and Regulation 19-445.2110(F), for emergency procurements require that written determinations must contain sufficient factual grounds and reasoning to provide an informed, objective explanation for the decision.

We recommend written determinations have sufficient factual grounds and reasoning to provide an informed, objective explanation for each decision.

UNIVERSITY RESPONSE

In the future, the University will more fully document the determinations with facts and reasons for emergency and sole source procurements.

C. No Evidence of Competition

The University paid \$7,745 on voucher V0278960 dated 9/26/05 for a credit card acceptance fee. Section 11-5-280 allows the State Treasurer to enter contracts allowing agencies to accept credit cards. The State Treasurer has an agreement with another company to process all credit cards for agencies and higher education. This agreement does not apply to the vendor paid on the voucher cited above.

We recommend the University use the contract established by the State Treasurer's Office.

UNIVERSITY RESPONSE

The University will use the contract established by the Office of the State Treasurer in February of 2008 that includes the vendor paid on voucher V0278960.

CERTIFICATION RECOMMENDATIONS

We are concerned over the number and variety of audit exceptions noted herein. Nevertheless, as enumerated in our transmittal letter, corrective actions based on the recommendations, described in this report, we believe, will in all materials respects place Coastal Carolina University in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

Subject to completion of all corrective action and verification by this office through a follow up review, under the authority described in Section 11-35-1210 of the Code, we will recommend Coastal Carolina University be re-certified to make direct agency procurements for three years at their current level of certification.

PROCUREMENT AREAS

RECOMMENDED CERTIFICATION LIMITS

Goods and Services	*\$ 100,000 per commitment
Consultant Services	*\$ 50,000 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
Revenue Generating Management Services	*\$ 500,000 per commitment

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



Robert J. Aycock, IV
Audit Manager



Larry G. Sorrell, Manager
Audit and Certification

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

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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

April 23, 2008

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, 2004 to June 30, 2007.

We recommend the Budget and Control Board grant Coastal Carolina University the certification limits noted in our report for a period of one year.

Sincerely,

A handwritten signature in blue ink that reads "Larry G. Sorrell".

Larry G. Sorrell, Manager
Audit and Certification

LGS/gs

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