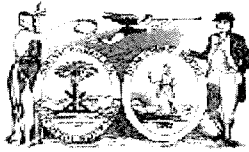


STATE OF SOUTH CAROLINA
State Budget and Control Board
PROCUREMENT SERVICES DIVISION

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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

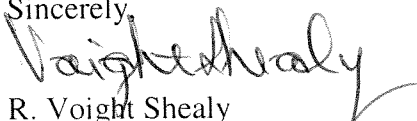
January 7, 2004

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

Dear Delbert:

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 Francis Marion University a three-year certification as noted in the audit report.

Sincerely,


R. Voight Shealy
Materials Management Officer

/jl

**FRANCIS MARION UNIVERSITY
PROCUREMENT AUDIT REPORT
JANUARY 1, 2001 – JUNE 30, 2003**

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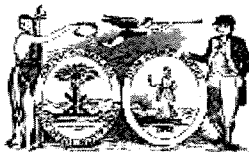
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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

December 1, 2003

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 January 1, 2001 through June 30, 2003. 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 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 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 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 July 3, 2003 through August 26, 2003 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 March 27, 2001, the State Budget and Control Board granted Francis Marion 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
Information Technology	\$100,000 per commitment
Consultant Services	\$ 10,000 per commitment
Construction Services	\$ 100,000 per commitment
Construction 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	\$150,000 per commitment
Information Technology	\$150,000 per commitment
Consultant Services	\$ 50,000 per commitment
Construction Services	\$ 100,000 per commitment
Construction Change Order	\$ 25,000 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 encompassed a detailed analysis of the internal procurement operating procedures of the University and its related policies 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, 2001 through June 30, 2003 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 January 1, 2001 to June 30, 2003
- (2) Procurement transactions from the period July 1, 2001 through June 30, 2003 as follows:
 - a) Ninety-three payments each exceeding \$1,500
 - b) A block sample of five hundred numerical purchase orders
 - c) Fourteen additional solicitations over \$10,000
 - d) Three months of procurement card activity from fiscal year 2002/2003
- (3) Five construction contracts and four professional service contracts for compliance with the Manual for Planning and Execution of State Permanent Improvements
- (4) Minority Business Enterprise Plans and reports
- (5) Information technology plans for the audit period
- (6) Internal operating procurement procedures manual
- (7) Surplus property disposal procedures
- (8) File documentation and evidence of competition

RESULTS OF EXAMINATION

Incorrect Evaluation and Award

Solicitation RFQ-1748 was issued on January 14, 2003 for printed catalogs and opened on February 2, 2003. The solicitation included the cost to convert the current catalog to HTML. Only one vendor responded with the correct conversion cost. Two other vendors that responded on February 2, 2003 underestimated the conversion cost. Rather than making the award based on the responses that opened on February 2, 2003, the University allowed the two other vendors to make verbal changes to their responses, used these revised prices to determine the lowest responsive and responsible offeror, and made the award based on the revised verbal prices. Even with the revised prices, the one vendor that responded with the correct cost was the lowest responsive and responsible offeror. However, the University incorrectly made the award to one of the vendors that was allowed to submit a verbal change for the conversion cost. Section 11-35-1520(7) of the Code states, in part.

Correction or withdrawal of inadvertently erroneous bids before bid opening---After bid opening no changes in bid prices or other provisions of bids prejudicial to the interest of the State or fair competition shall be permitted.

The University should have made the award based on the responses on February 2, 2003 or allowed the vendors to withdraw their bids.

We recommend the University comply with the Code and Regulations when determining the lowest responsive and responsible offeror. We also recommend the University review its procedures to identify the weakness that allowed vendors to revise responses after bid opening.

Unauthorized Procurement

The University issued solicitation IFB-1508 for the printing of the University's magazine. The solicitation and resulting contract was for 1 year with the option to extend up to 4 years. The cost per year was approximately \$30,000 with a total potential value for 5 years for \$150,000, an amount that exceeds the University's certification of \$100,000. Since the contract exceeded the University's certification, it is unauthorized as defined in Regulation 19-445.2015.

We recommend the University consider the total potential of a contract when determining authority. The President or his designee must request ratification of the unauthorized

procurement in accordance with Regulation 19-445.2015 from the Director of the Procurement Services Division.

Incorrect Solicitation Method

The University used an incorrect solicitation method for three procurements.

<u>Reference Number</u>	<u>Description</u>	<u>Total Potential Value</u>	<u>Solicitation Method</u>	<u>Correct Method</u>
RFQ-1707	Recycling services	\$ 25,920	Request for quotation	Sealed bid
FPB-1691	Plumbing services	100,000	Fixed price bidding	Sealed bid for construction
PO05318	Network switches	12,411	Written quotes	Request for quotation

We recommend the University review procurements more carefully to ensure the proper solicitation methods are used.

Procurement Without Competition

Purchase order PO06284 for \$3,495 to purchase video equipment lacked evidence of competition, sole source or emergency determination. Section 11-35-1550(2)(b) of the Code requires solicitation of three verbal quotes for procurements from \$1,500 to \$5,000.

We recommend the University comply with the competitive requirements of the Code.

Procedural Weaknesses

Several weaknesses were noted in the University's procurement system resulting in non-compliance with the Code.

- Unsealed responses accepted
- Responses not opened in front of witnesses
- Intents and statement of awards not posted
- Posting location not addressed in solicitation

We recommend the University implement procedures to ensure compliance with the Code.

Missing Items

We could not find nor could the University provide the following information. Without the responses and the certificates of insurance, we could not determine vendor's responsiveness.

<u>Solicitation</u>	<u>Description</u>	<u>Missing Items</u>
IFB-1508	View magazine	Response from awarded vendor
IFB-1628	Fire alarm inspection	Response from a vendor
IFB-1636	Concrete construction and repair	Certificates of insurance

Solicitation

Description

Missing Items

FPB-1691

Plumbing services

Certificates of insurance

We recommend the University safeguard procurement information to ensure complete and accurate files.

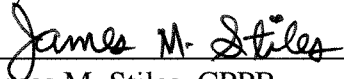
CERTIFICATION RECOMMENDATIONS


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 the University be re-certified 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	*\$150,000 per commitment
Information Technology	*\$150,000 per commitment
Consultant Services	*\$ 50,000 per commitment
Construction Services	\$100,000 per commitment
Construction Change Order	\$ 25,000 per change order
Architect/Engineer Contract Amendment	\$ 25,000 per amendment

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


James M. Stiles, CPPB
Audit Manager


Larry G. Sorrell, Manager
Audit and Certification



FRANCIS MARION UNIVERSITY

Office of Business Affairs -
Purchasing

November 26, 2003

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

Dear Mr. Sorrell:

In response to the Procurement Audit Report for Francis Marion University for the period January 1, 2001 – June 30, 2003, the University accepts the findings and recommendations of the audit as accurate and reasonable. In order to comply with the recommendations we will:

- Review internal policies and procedures to address inconsistencies in evaluation and award, solicitation methods, and records retention to address Incorrect Evaluation and Award, Procurement Without Competition, Incorrect Solicitation Methods, and Missing Items sections, and implement changes necessary to attain full statutory compliance.
- Update solicitation templates, and develop checklists to address Procedural Weaknesses.
- Advise Physical Plant of findings regarding Indefinite Deliverable Contracts to address item two in the Incorrect Solicitation Method section of the report.

In addition, a signed ratification form was completed and sent to Mr. Delbert Singleton, Jr. as required in Unauthorized Procurement section of the report. A copy of that document is enclosed.

We appreciate the professionalism exhibited by Mr. Stiles and Ms. Thurstin during the course of the audit and the opportunity they afford us to improve our operations. Thank you again for your assistance and support.

Sincerely,

A handwritten signature in cursive script that reads "Ronald P. Flowers".

Ronald P. Flowers
Director of Purchasing

cc: Mr. John J. Kispert, V.P. for Business Affairs – FMU

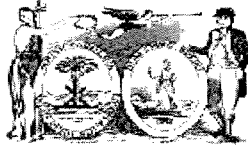
Enclosure

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

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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

January 7, 2004

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 January 1, 2001 – June 30, 2003. 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/jl

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Total Cost	\$2.94