

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

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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

November 24, 2004

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

Dear Delbert:

I have attached South Carolina State 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 South Carolina State University a three-year certification as noted in the audit report.

Sincerely,

A handwritten signature in black ink that reads "R. Voight Shealy".

R. Voight Shealy
Materials Management Officer

/jl

SOUTH CAROLINA STATE UNIVERSITY
PROCUREMENT AUDIT REPORT
OCTOBER 1, 2001 –JUNE 30, 2004

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

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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

July 8, 2004

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 South Carolina State University for the period October 1, 2001 through June 30, 2004. 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 South Carolina State 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 the findings will in all material respects place South Carolina State University in compliance with the Consolidated Procurement Code and ensuing regulations.

Additionally, a case is pending with the Solicitor's Office based on an investigation by the South Carolina Law Enforcement Division. The case includes procurement transactions managed by the former Procurement Director of the University.

Sincerely,


Larry G. Sorrell, Manager
Audit and Certification

INTRODUCTION

We conducted an examination of the internal procurement operating policies and procedures of the South Carolina State University. Our on-site review was conducted April 5, 2004 to April 28, 2004 and was made under the Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Section 19-445.2020 of the accompanying regulations.

On December 13, 2001, the State Budget and Control granted the South Carolina State University, hereinafter referred to as the University, the following procurement certifications.

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Goods and Services	\$25,000
Information Technology	\$25,000
Consultant Services	\$25,000

Our audit was performed primarily to determine if recertification is warranted. No additional certification over the current limits was requested.

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 a judgmental sample for the period July 1, 2002 through March 31, 2004 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 October 1, 2001 to June 30, 2004
- (2) Procurement transactions from the period July 1, 2002 through March 31, 2004 as follows:
 - a. Eighty-eight payments exceeding \$1,500 each
 - b. A block sample of three hundred purchase orders
 - c. Procurement card activity for the months of January, February, and March of 2004
- (3) Eight construction contracts and three professional services 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 procurement procedures manual
- (7) Surplus property disposal procedures
- (8) File documentation and evidence of competition

RESULTS OF EXAMINATION

Poor Planning Results in Emergency Procurements

Poor planning resulted in emergency procurements in both fiscal years 2002 and 2003 for the purchase of athletic equipment and supplies. The University solicited for these items as request for quotations, per Section 11-35-1550 (2) (d) of the Code, that applies to procurements with a total potential value greater than \$10,000 but less than or equal to \$25,000. The solicitations resulted in the following purchase orders.

<u>Quotation Number/Date</u>	<u>PO</u>	<u>PO Date</u>	<u>Amount</u>
184401-3399-5/24/02	P30071	7/01/02	\$11,385
184401-3399-5/24/02	P30072	7/01/02	<u>34,254</u>
		Total	<u>\$45,639</u>
184411-3399-6/24/03	P400224	7/24/03	\$11,841
184411-3399-6/24/03	P400228	7/24/03	10,945
184411-3399-6/24/03	P400239	7/24/03	<u>39,857</u>
		Total	<u>\$62,643</u>

The University issued purchase orders P30072 and P400239 as emergency procurements due to the total value of each solicitation exceeding its procurement certification of \$25,000 for goods and service. The Purchasing Office should have recognized the total value of each solicitation would exceed their certification limit and forwarded each requisition to the Materials Management Office.

We recommend the University reemphasize that procurement requests should be submitted to the Procurement Department with sufficient time to allow for compliance with the Code.

UNIVERSITY RESPONSE

In the area of emergency procurements, the University has reemphasized to the appropriate staff persons the need to do proper planning to ensure that sufficient lead time is given to the procurement staff in order to do the necessary solicitations.

Inappropriate Emergency Procurement

The University issued purchase order P400112 on July 1, 2003 for \$99,500 as an emergency procurement to improve the front entrance landscaping services. The emergency procurement referenced the campus main entrance improvements on the permanent improvement project H24-9575. The written justification for the emergency procurement stated the following.

Front entrance landscape to campus has created a potential threat to pedestrians both students and general public. Botanical allergens were identified by Director of EHS and removed for health and safety reasons. Also to provide a means to monitor campus traffic for public safety. Availability of contractor presently on-site providing ground maintenance campus wide.

The emergency procurement was for the following items.

<u>Item</u>	<u>Description</u>	<u>Cost</u>
1	Landscape demolition	\$ 5,000
2	Grading and soil mixes	7,500
3	Plant materials (trees, shrubs, sod)	40,000
4	Irrigation	10,000
5	Bulldog statue	10,000
6	Decorative lighting	5,000
7	Decorative retaining wall	5,000
8	Concrete repairs (remove tripping hazards)	<u>2,000</u>
	Subtotal	\$ 84,500
9	Landscape project management fee	<u>15,000</u>
	Total	<u>\$ 99,500</u>

Section 11-35-1570 of the Code allows for emergency procurements including a requirement that as much competition as practicable be obtained. The University did not solicit competition but awarded the emergency procurement to the contractor on site who was providing ground maintenance. Regulation 19-445.2110(B) states in part,

An emergency condition is a situation which creates a threat to public health, welfare, or safety such as may arise by reason of flood, riots, epidemics, equipment failure, fire loss or such other reason....The existence of such conditions must create an immediate and serious need for supplies, services or construction that cannot be met through normal procurements methods and the lack of which would seriously threaten (1) the functioning of State government, (2) the preservation or protection of property, or (3) the health and safety of any person.

The emergency procurement could apply to several but not all of the items, especially items 1, 3, 4, 5, 6, 7, and 9 either partially or totally. Additionally, the University did not report the emergency procurement as required by Section 11-35-2440.

We recommend the University comply with the requirements of the Code and Regulations for emergency procurements.

UNIVERSITY RESPONSE

The University viewed this as an emergency because of the urgent need to have the work performed prior to school opening. We have reemphasized to the appropriate staff personnel the need to do proper planning to ensure that sufficient lead time is given to the procurement staff in order to do the necessary solicitations.

Unauthorized Procurement

Purchase order P400336 totaling \$55,000 for athletic injury insurance was issued on July 30, 2003. The procurement lacked evidence of competition, sole source or emergency determination, or exempt. Since the total value exceeded the University's procurement authority of \$25,000, the procurement is unauthorized as defined in Regulation 19-445.2015.

We recommend the University comply with the requirements of the Code for this type of item. The University must request ratification of the unauthorized procurement to the Materials Management Officer in accordance with Regulation 19-445.2015.

UNIVERSITY RESPONSE

The staff was deficient in not properly procuring the athletic injury insurance. The appropriate staff person has been counseled. The purchase was absolutely essential and the price for the insurance was competitive. Because this is an authorized procurement, the University submitted a ratification request to the Materials Management Office.

Information Technology Plans Not Submitted Timely

The University failed to file the required Information Technology Plans to the Office of the State Chief Information Officer (CIO) for five consecutive fiscal years 2000 through 2004.

The Plans are an essential tool in carrying out the Budget and Control Board's responsibilities with regard to the management of the State's information technology. Full and timely participation by agencies in the planning process is necessary if the CIO is to present an accurate and comprehensive picture regarding the status of information technology utilization within state government.

We recommend the University develop and implement internal procedures to ensure that

~~the University's Information Technology Plans are filed as required by the CIO by the CIO~~

UNIVERSITY RESPONSE

The Director of University Computing and Information Technology has been given the responsibility of filing the information technology plans to Office of the State Chief Information Officer on a timely and consistent basis. We don't expect a reoccurrence of this deficiency.

Surplus Property

The University has twenty-two surplus vehicles. Regulation 19-445.2150 requires that governmental bodies identify surplus items, declare the items as surplus, and report the items in writing to the either the Materials Management Office, Information Technology officer or the designee of either within 180 days from the date the items become surplus. Some of these vehicles exceed the allowable time of 180 days.

We recommend the University comply with the regulations on surplus items. We also recommend the University contact the State Surplus Office at the Division of General Services on the disposal process for the applicable vehicles.

UNIVERSITY RESPONSE

All the surplus vehicles have been properly disposed of and we have a plan in place now to ensure timely disposal of all surplus property.

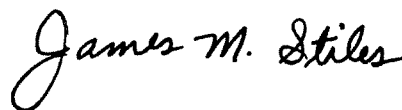
CERTIFICATION RECOMMENDATIONS

As enumerated in our transmittal letter, corrective action based on the recommendations described in this report, will in all material respects place the South Carolina State University in compliance with the 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 South Carolina State 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	*\$25,000 per commitment
Information Technology	*\$25,000 per commitment
Consultant Services	*\$25,000 per commitment

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



James M. Stiles, CPPB
Auditor Manager



Larry G. Sorrell, Manager
Audit and Certification

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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

November 24, 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 South Carolina State University to our audit report for the period of October 1, 2001 – June 30, 2004. Also we have followed the University's corrective action during and subsequent to our fieldwork. We are satisfied that South Carolina State 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 South Carolina State University the certification limits noted in our report for a period of three years.

Sincerely,

A handwritten signature in cursive script, appearing to read "Larry G. Sorrell".

Larry G. Sorrell, Manager
Audit and Certification

LGS/jl

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