SOUTH CAROLINA STATE UNIVERSITY

PROCUREMENT AUDIT REPORT

JANUARY 1, 2010 – JUNE 30, 2014

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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.

SC BUDGET AND CONTROL BOARD

THE DIVISION OF PROCUREMENT SERVICES
DELBERT H. SINGLETON, JR.
DIVISION DIRECTOR
(803) 734-2320

JOHN ST. C. WHITE
INTERIM MATERIALS MANAGEMENT OFFICER
(803) 737-0600
FAX (803) 737-0639

May 29, 2015

Mr. John St. C. White
Interim Materials Management Officer
Division of Procurement Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear John:

This report has been delayed in being issued because of ongoing examinations at South Carolina State University by the audit staff such as validating procurements and outstanding invoices that were paid with loan funds authorized by the Budget and Control Board, the results of which have been included herein.

We have examined the procurement policies and procedures of South Carolina State University for the period January 1, 2010 through June 30, 2014. 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 used to establish a basis for reliance upon the system of internal controls to assure adherence to the South Carolina Consolidated Procurement Code, State regulations, and the University's procurement policies. 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 controls 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 recorded properly.

Because of inherent limitations in any system of internal controls, 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 controls 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 South Carolina State University in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

Sincerely,

Robert J. Aycock, IV, Manager
Audit and Certification

INTRODUCTION

We conducted an examination of the internal procurement operating policies and procedures at South Carolina State University. We performed our review under section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and section 19-445.2020 of the accompanying regulations.

The examination was directed principally to determine whether, in all material respects, the internal controls of the procurement system were adequate and the procurement procedures, as outlined in the Internal Procurement Operating Procedures Manual, were in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

Additionally our work was directed toward assisting South Carolina State University in promoting the underlying purposes and policies of the South Carolina Consolidated Procurement Code as outlined in Section 11-35-20, which include in part:

(1) to provide increased economy in state procurement activities and to maximize to the fullest extent practicable the purchasing values of funds while ensuring that procurements are the most advantageous to the State and in compliance with the provisions of the Ethics Government Accountability and Campaign Reform Act;

(2) to foster effective broad-based competition for public procurement within the free enterprise system;

(3) to ensure the fair and equitable treatment of all persons who deal with the procurement system which will promote increased public confidence in the procedures followed in public procurement;

(4) to provide safeguards for the maintenance of a procurement system of quality and integrity with clearly defined rules for ethical behavior on the part of all persons engaged in the public procurement process.

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 at South Carolina State University, hereinafter referred to as 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 judgmental samples of procurement transactions for compliance testing and performed other audit procedures that we considered necessary to formulate this opinion. The scope of our audit included, but was not limited to, a review of the following:

(1) On April 30, 2014, the Budget and Control Board adopted a resolution charging the Division of Procurement Services, among other duties, with validating procurements and invoices prior to payments being made from a loan made by the Board to the University. That review is discussed in Section I of the report.

(2) All sole source, emergency and trade-in sale procurements for the period January 1, 2010 through March 31, 2014 with exceptions noted in Section IV of the report.

(3) Procurement transactions as follows:

a) One hundred and fifteen payments each exceeding $2,500 with exceptions noted in Section III of the report.

b) A block sample of three hundred sequential purchase orders from FY 2013 reviewed against the use of order splitting and favored vendors with no exceptions.

c) Procurement card purchases for February, March, and April 2012 with exceptions noted in Section V of the report.

(4) Three construction contracts and five indefinite delivery contracts for construction and six Architect/Engineer and Related Professional Service Contracts and one indefinite delivery contract for Architect/Engineer services for compliance with the Manual for Planning and Execution of State Permanent Improvements, Part II with exceptions noted in Section II of the report.

(5) Minority Business Enterprise Plans and reports with the following activity reported to the Governor's Office of Small and Minority Business Assistance:

Fiscal Year	Goal	Actual
FY09-10	$1,682,505	$1,441.021
FY10-11	$6,128,039	$1,206,819
FY11-12	$6,767,689	$1,200,762
FY12-13	$4,265,079	Not Available
FY 13-14	Not Provided	Not Provided

Exceptions are noted in Section VI of the report.

(6) Approval of the most recent Information Technology Plan with no exceptions

(7) Internal procurement procedures manual with no exceptions

(8) Surplus property disposition procedures with no exceptions

(9) Ratification of unauthorized procurements with no exceptions

(10) File documentation and evidence of competition with no exceptions

(11) Other tests performed as deemed necessary with no exceptions

SUMMARY OF AUDIT FINDINGS

RESULTS OF EXAMINATION

I. Budget and Control Board Loan Resolution

On April 30, 2014, the Budget and Control Board adopted a resolution charging the Division of Procurement Services, among other duties, with validating procurements and invoices prior to payments being made from a loan to South Carolina State University. The resolution established the following loan priorities:

1. Debt service and other secured obligations
2. Payroll and other critical operating expenses
3. Other accounts payable

While other sections of the Board focused its attention on the University's debt service, other secured obligations and payroll, the Division of Procurement Services focused its attention on other critical operating expenses and accounts payable. The resolution charged the Division of Procurement Services with validating contracts and outstanding invoices before those invoices could be paid with loan funds. Further, the resolution charged the Division of Procurement Services with approving all the University's procurements, amendments, renewals or otherwise extending any contracts until the loan funds were repaid in full.

Among the tasks to qualify for the loan, the University was instructed to develop a detailed listing prioritizing the vendors to be paid with loan funds. The Division of Procurement Services validated those contracts and outstanding invoices to the extent of available loan funds.

The University was behind in its utility bills, to include electricity, water, waste water and natural gas. The City of Orangeburg's Department of Public Utilities provided these utilities. Public utilities regulated by the Public Service Commission were exempt from the Procurement Code. The University was also behind in its computer equipment leases, food services and facilities management services. These three contracts (equipment lease, food services and facilities management services) were procured

through the Division of Procurement Services either as a State Term contract or on behalf of the University. We validated the procurements and invoices for each noting the following:

Utilities

The utilities were deemed critical operating expenses. At the time of our review, the University owed for the month of May and June, 2014. The May invoices totaled $266,717.65 and were beyond the service cut-off date. The June invoices totaled $253,142.86. We validated both invoice statements and recommended them for payment. Loan funds were used to make payment, and we verified the payment with the City of Orangeburg.

Computer Equipment Lease

The computer equipment lease agreement was entered through a State Term contract and showed past due invoices totaling $264,151.41. The University uses this equipment for its administrative services to include accounting, payroll, procurement and accounts payable. We validated all invoices and recommended them for payment with loan funds. We verified with the vendor that payment was received.

Food Services and Facilities Maintenance Services

The Division of Procurement Services procured the food services and facilities management services contracts on behalf of the University. Therefore, we only needed to validate invoices for these services. The amount owed the vendors exceeded the available loan funds remaining so the University expressed a desire to make partial payments on some of these invoices[1].

The food services contract provided for a variety of food service related responsibilities including and most importantly, student meals. The contract period began August 1, 2011 and will end July 31, 2018. We only validated invoices for payment for student meals with loan funds. All validated invoices complied with the contract rates. Total loan funds released for student meal plans were $2,266,092. We verified with the vendor that payment was received.

[1] Both the food service company and the facilities management company have filed contract controversy claims with the Chief Procurement Officer of the Budget and Control Board against South Carolina State University for lack of payment on invoices. As of June 30, 2015, those cases are pending.

The facilities management services contract provided for daily operations of the University's physical plant, grounds maintenance, planning and construction. The Division of Procurement Services issued a change order to this contract at South Carolina State's request on August 29, 2011, reducing the annual contract value beginning July 1, 2011 through June 30, 2015, from $5,208,792 to $4,823,572. Based on this reduction, payments for services were determined by dividing $4,823,572 by 12 months which equaled to $401,964 per month.

During our review we learned that the University entered into an unauthorized informal agreement in October 2013, with the facilities management company to manage the University's fleet operation. We inquired about this agreement with the facilities management company's representative on campus. He said the University's President approached his company for a proposal to add fleet management to the existing contract in October 2013. The company prepared a proposal saying it would add $50,800 annually to the existing facilities management contract. The representative told us nothing had been done beyond the proposal and the contract was not amended to add fleet management services. However, documents[2] we obtained provided information to the contrary. One document, a letter from the President dated October 7, 2013, addressed to the Director of Fleet Management informed him he was being reassigned to facilities management and he was to report to the facilities management company's representative regarding his new assignment. The representative, the same person who told us nothing had been done beyond the proposal and he was not managing fleet management, was copied on the letter. There was other correspondence to this effect as well. An e-mail from the University's General Counsel formally requested the company to take over the fleet management responsibilities on behalf of the University and acknowledged that the company had been informally managing the fleet management department since October 2013.

As a part of that informal agreement, the company provided a vehicle for the University President's use. This informal agreement by the University on a contract issued by the Division of Procurement

[2] We attached these documents as Attachment A to this report.

Services was not authorized by the Division. We did not find nor did the University provide any invoices for payment for additional services of the fleet management operation or the President's vehicle but the services were rendered.

The invoices for facilities management presented for payment with loan funds were for the months of October, November, and December 2013, the oldest outstanding invoices. The validated invoices complied with the contract and did not include the fleet management operation or the President's vehicle. Total loan funds released for facilities management services were $1,000,000. We verified with the vendor that payment was received.

UNIVERSITY RESPONSE

The University continues to submit all expenditures that exceed $2,500 to the Division of Procurement Services for approval. In addition, the Board provided the University instructions on the specific invoices/expenses that were to be paid from the loan funds received from the Board. Once the payments were issued the University provided the Board with the supporting documentation that the loan funds were expended as instructed.

II. IDC Activity Not Reported to the State Engineer

Our audit of the University included a review of construction and architectural/engineering (A/E) services Indefinite Delivery Contracts (IDC). Our review identified that the University did not report any IDC activity to the State Engineer's Office (OSE) even though IDCs were being used. All IDC activity must be reported to the OSE on a quarterly basis. As a corrective measure, the University submitted an accumulative report to the OSE. However, four delivery orders issued against IDCs we selected to review were not included in this report but should have been. Section 9.3.8 of the Manual for Planning and Execution of State Permanent Improvements, Part II (2011), requires that quarterly reports of IDC activity be submitted to the OSE. These reports are a key internal control to ensure that these contracts were properly authorized and used appropriately.

We recommend the University submit quarterly reports of all IDC activity to the OSE in a timely manner.

Reports were submitted to State Engineer's Office for Indefinite Delivery Contract activity.

III. No Written Certifications for Grant Exemptions

The University improperly utilized an exemption for grant specified equipment or services. The Budget and Control Board, in accordance with Code Section 11-35-710, exempted procurements made by a requesting agency for the purchase of grant-specified and approved major equipment, subcontracts,and consultants that the agency determined to be essential to the successful completion of the grant-funded project if those procurements are made in accordance with procedures approved by the Office of General Services on an agency-by-agency basis. General Services approved procedures for the University in November 1997. When we asked for a copy of the approved procedures to conduct the audit, the University could not produce them. However, the University utilized the exemption anyway.

For the exemption to apply, the procedures include that the University must make written certifications stating why specified equipment or services were essential to the successful completion of the grant-funded project during the grant application process. The grant applications, with the required certifications, must be approved at the time the grant applications are prepared in order for the exemption to apply. No written certifications were provided for the following procurements.

PO #	PO Date	Description	PO Amount
P1200353	07/26/11	Consulting Services	$ 4,000
P1003849	06/30/10	Sample Analysis Service	$ 7,950
P1200889	08/31/11	Bio-Mass/Energy Research	$171,012
P1102133	12/20/10	SCAMP Sub Agreement	$ 51,184
P1102134	12/20/10	SCAMP Sub Agreement	$143,234
P1202143	12/21/10	SCAMP Sub Agreement II	$ 67,957
P1203092	05/16/12	Nuclear Power Plant Research	$ 70,000

PO #	PO Date	Description	PO Amount
P1200716	08/19/11	USDA 1890 Research FY10	$ 11,201
P1200571	07/01/11	Management and Security of Orphan and Disused Sources	$ 77,100
P1002162	12/14/09	Lectures-Water/Health Disparity	$ 45,000

We should note that the University submitted updated Grant Specified Exemption Procedures to our office which have since been approved. See Attachment B. These procedures include the submission of a written certification justifying the procurement during the grant application process.

We recommend that the University ensure these approved procedures are followed when applying the grant-specified exemption.

UNIVERSITY RESPONSE

The University will follow and use the approved form and procedures when utilizing the grant-specified exemption.

IV. Sole Source and Emergency Procurements

A. Sole Source Determination Documents Not Dated

Twenty-one sole source determination documents used to authorize sole source procurements were not dated. Regulation 19-445.2105(C), requires "The determination must be authorized prior to contract execution." The University's failure to date determination documents used to authorize sole source procurements prevented us from being able to confirm that these sole sources were approved prior to the execution of the contracts.

We recommend that the University ensure sole source determination documents are signed and dated prior to the execution of sole source contracts.

UNIVERSITY RESPONSE

Sole source approved documents are dated by the authorized University designee.

B. Inappropriate Sole Sources

Purchase order P1200798 dated August 24, 2011, for an extremity system which measures body fat and fat-free mass issued in the amount of $49,725 was processed as a sole source based on this being the vendor's machine and that the software's precision is superior. The University's justification that this is the 'vendor's machine' and its 'superiority' suggest there are other sources for this equipment. Internet research confirmed that this equipment is available from other vendors.

Purchase order P1100474 dated July 30, 2010, for a mailing machine maintenance system upgrade issued in the amount of $19,524 was processed as a sole source based on this being the only vendor with certified trained personnel to perform the maintenance and upgrade. The vendor described this procurement as a 'Brand New Arrival System'. Internet research identified other vendors that offered tracking systems. This procurement should have been competed to allow other vendors the opportunity to bid on similar tracking equipment.

Section 11-35-1560 of the South Carolina Consolidated Procurement Code 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 the 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."

We recommend that the University solicit competition for this equipment in the future.

UNIVERSITY RESPONSE

Prior to approval of sole source, an internet search is performed and an advertisement of intent to sole source is published in the SC Business Opportunities.

V. Procurement Cards

A. Inactive Procurement Cards

Fifty-five procurement cards were identified as having no activity during the 12 month period ending March 15, 2013. Per Section III of the South Carolina Purchasing Card Policies and Procedures Manual, cardholder accounts should be monitored for inactivity and promptly closed when no longer needed.

To help reduce risk, we recommend the University identify and close procurement card accounts that had no purchasing activity for a twelve month period unless the cardholder can justify why that card needed to remain active. This review should be done annually.

UNIVERSITY RESPONSE

Due to restrictions in spending, the University placed procurement cards in suspended status. The University agrees with the recommendation to identify and close procurement card accounts that had no purchasing activity for a twelve month period unless the cardholder can justify why that card needs to remain active, and will perform it on an annual basis.

B. No Written Approval of Transactions

Persons assigned the responsibility of reviewing cardholder transactions were not signing cardholder activity statements. Per Section III of the South Carolina Purchasing Card Policies and Procedures Manual, supervisor responsibilities include signing the cardholder activity statements signifying review and approval of charges for payment.

We recommend that the University ensure those persons reviewing procurement card activity sign and date activity statements confirming approval of charges and payment.

UNIVERSITY RESPONSE

The University agrees with the recommendation that each supervisor/designee are to review the procurement card statement confirming approval of charges and payment, and effective July 1, 2015 will ensure cardholder activity statements are signed and dated by a supervisor/designee.

C. No Cardholder or Liaison Training

Due to a lack of documentation, we were unable to confirm procurement card training being provided to cardholders and were informed that those individuals assigned liaison responsibilities do not receive procurement card training. Per Section III of the South Carolina Purchasing Card Policies and Procedures Manual, Level 1 training is required for all cardholders prior to the issuance of a procurement card. Supervisor responsibilities or other persons assigned the responsibility of reviewing cardholder transactions include attending Level 1 and Level II training if supervising a cardholder with Level II authority.

We recommend that the University ensure adequate training is provided to cardholders and supervisors possessing oversight responsibilities. All training needs to be properly documented to include training dates and attendee names.

UNIVERSITY RESPONSE

The University will document training for both cardholders and their supervisors, as recommended.

VI. Untimely Reporting of Minority Business Enterprise Annual Plans and Quarterly Reports

We reviewed all Minority Business Enterprise (MBE) annual utilization plans and supporting quarterly activity reports for the fiscal year ending 2010 though the fiscal year ending 2014. We determined that no annual plans had been submitted in a timely manner to the Office of Small and Minority Business Assistance (OSMBA) for any of the fiscal years reviewed. Additionally, ten of the quarterly activity reports reviewed were either untimely or not reported to OSMBA. Per Section 11-35-5240 of the South Carolina Consolidated Procurement Code, annual MBE utilization plans should be submitted to the Small and Minority Business Assistance Office no later than July thirtieth annually and quarterly progress reports should be submitted no later than 30 days following the end of each quarter.

We recommend that the University implement steps to ensure annual MBE plans and quarterly activity reports are submitted to OSMBA in a timely manner as required by the South Carolina Consolidated Procurement Code.

UNIVERSITY RESPONSE

The University will comply in submission of the annual plan and quarterly progress reports as recommended.

CONCLUSION

As enumerated in our transmittal letter, corrective action based on the recommendations described in this report, we believe, will in all material respects place South Carolina State University in compliance with the South Carolina Consolidated Procurement Code.

As a condition of the loan, the Budget and Control Board required that until South Carolina State University has fully repaid the loan, the University shall not post a solicitation or execute, amend, renew, or otherwise extend a contract without the prior approval of the Division of Procurement Services. The Division of Procurement Services continues to monitor all such activity in accordance with the Board's loan condition.

J. Lane Warren, CFE, CBM
Audit Manager

Robert J. Aycock, IV, Manager
Audit and Certification

Attachment A

South Carolina State University

OFFICE OF THE PRESIDENT (803) 536-7013

October 7, 2013

PERSONAL & CONFIDENTIAL
Mr. Derrick Green
Director of Fleet Management
Campus P. O. Box 7134
Orangeburg, South Carolina 29117

Dear Mr. Green:

Effective immediately, you are being reassigned laterally to Facilities Management/Planning & Construction–UGL Services at your current salary. In addition, your dual employment assignment with the Department of Athletics is hereby terminated. Please report to Mr. Ken Davis, Program Director, regarding your new assignment.

If you have any questions related to your reassignment, you may contact Mr. Davis or Ms. Doris Gathers-Dantzler, Human Resources Director.

Sincerely,

Thomas J. Elzey
President

cc: Mr. Ken Davis
Ms. Doris Gathers-Dantzler

RECEIVED
OCT - 7 2013
SC STATE UNIVERSITY
OFFICE OF THE PRESIDENT

300 College Street, Northeast • Post Office Box 7088 • Orangeburg, South Carolina 29117-0001 • Fax (803) 533-3622

From: Favor, Jessica [mailto:jfavor@scsu.edu]
Sent: Friday, March 28, 2014 2:23 PM
To: Overcash, Caroline
Subject: FW: Request to manage Fleet Management

Forwarding email as request.

From: Burgess, Craig E
Sent: Friday, March 28, 2014 11:35 AM
To: Ken Davis (ken.davis@dtz.com)
Cc: Favor, Jessica
Subject: Request to manage Fleet Management

Ken,
-This e-mail is a formal request for DTZ/Unicco to take over Fleet Management responsibilities on behalf of South Carolina State University. Please submit a proposal detailing the manner in which the management of Fleet Management will take place and your proposed costs to manage same. Please also identify any costs savings and any improved processes that DTZ/Unicco intends to implement. Once we receive this information from you, we will submit a Change Order to State Procurement Office for approval of this assignment.

We understand that DTZ/Unicco has been informally managing the Fleet Management department since October 2013 and that a Change Order should have been submitted at that time.

Craig

Craig Burgess, Esq.
General Counsel & Interim VP of Operations
South Carolina State University
300 College St. NE
Orangeburg, SC 29117
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T 803.536.7084
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Attachment B

BCB

SC BUDGET AND CONTROL BOARD

THE DIVISION OF PROCUREMENT SERVICES
DELBERT H. SINGLETON, JR.
DIVISION DIRECTOR
(803) 734-2320

R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER
(803) 737-0600
FAX (803) 737-0639

April 19, 2012

Ms. Patricia Holmes
Procurement Director
South Carolina State University
Office of Procurement
300 College Street Northeast
Orangeburg, South Carolina 29117

Dear Ms. Holmes:

We completed our review of your proposed Grant Specified Exemption Procedures for South Carolina State University submitted to our office April 17, 2012. The State Budget and Control passed an exemption on March 22, 1994, to the competitive requirements of the South Carolina Procurement Code that states:

> In accordance with Code Section 11-35-710, exempted procurements made by a requesting agency for the purchase of grant-specified and approved major equipment, subcontracts, and consultants the agency determines to be essential to the successful completion of the grant-funded project if those procurements are made in accordance with procedures approved by the Office of General Services on an agency-by-agency basis.

In my opinion, the proposed procedures meet the criteria established in the exemption and are therefore approved.

Please contact me if additional information or is needed.

Sincerely,

Robert J. Aycock, Manager
Audit and Certification

C: R. Voight Shealy, Materials Management Officer
Lane Warren, Senior Auditor

South Carolina State University
Post Office Box 7071
300 College Street Northeast
ORANGEBURG, SOUTH CAROLINA 29117
(803) 536-8198

OFFICE OF PROCUREMENT SERVICES

FAX: (803) 533-3621

R. Voight Shealy
Chief Procurement Officer
Materials Management Office
1201 Main Street, Suite 600
Columbia, SC 29201

Dear Mr. Shealy,

South Carolina State University requests an exemption to the South Carolina Consolidated Procurement Code for the Procurement of grant specified and approved major equipment, subcontracts and consultant services. If approved, the University will update the Procurement Procedures Manual with the attached procedures. We will use this exemption judiciously and only after careful review of the appropriateness of its use.

South Carolina State University was granted this exemption in March of 1994; however, I cannot find record of the grant specified exemption procedures, so I am respectfully requesting approval again.

If you have questions or need additional information, please call me at (803) 536-8199. As always thanks for all you do, and for your consideration/response in this matter.

Sincerely,

Patricia S. Holmes
Interim Director of Procurement

South Carolina State University

GRANT SPECIFIED EXEMPTION PROCDURES

The following procedures have been established to monitor and control specified grand exemptions for approved major equipment contract, subcontractors and consultants' services essential to the successful completion of a grant project. The University plans to use this exemption for these types of procurements providing the following criteria and conditions are met.

1. The University has a policy that requires competition in accordance with the South Carolina Consolidated Procurement Code. South Carolina State University's Procurement Procedures Manual clearly states that competitive procurement is the University's required method of procurements.
2. The grant specified exemption is limited to major equipment, sub-contractors, consultants, etc. that are specified and justified in the proposal documentation as being an essential component to the overall grant project by the Principal Investigator/University's Project Manager.
3. The Principal Investigator/Project Manager will complete a written justification as to why a particular specified piece of equipment or services are essential and critical to the successful completion of the grant-funded project. This is done with the understanding that the Principal Investigator/Project Manager is best able to determine the needs of his/her project. If the written justification is not provided and approved prior to the submittal of the grant request, The University will require all equipment/services be procured in accordance with the South Carolina Consolidated Procurement Code & Regulations.
4. Prior to acceptance of a certification for exemption, each Principal Investigator/Project Manager must have had their project proposal reviewed and approved by their: Dean/Department Head, Director of Sponsored Programs, Vice President for Finance, University President or his/her designee and the Procurement Office.
5. As a final review, the Director of Procurement will insure that major equipment, subcontractors, and consultants identified as essential to the successful completion of the grant are closely examined. Only those instances where the outcome of the grant project is critically affected shall be exempt from the SC Consolidated Procurement Code.
6. Any subsequent contract associated with this process will be approved by The University's General Counsel and all changes shall be documents and updates to the original contract with a copy to the Office of Procurement Services.
7. Transactions will be available for audit by the State of South Carolina Office of General Services to ensure compliance with these procedures and to determine if this exemption should be continued.

NOTE: This exemption was developed to target those "single source" or "best source" items and services essential for research success. **After a grant is approved, an exemption request cannot be considered.**

South Carolina State University
Post Office Box 7071
300 College Street Northeast
ORANGEBURG, SOUTH CAROLINA 29117
(803) 536-8198

SECTION A – TO BE COMPLETED BY THE PRINCIPAL INVESTIGATOR/PROJECT MANAGER

OFFICE OF PROCUREMENT SERVICES FAX: (803) 533-3621

I, _____, hereby certify that the □major equipment, □subcontractor(s), □consultant(s), etc., herein specified by particular brand, vendor, institutions or individuals are essential and critical to the successful completion of this externally grant-funded project for the following reason(s):

_____
_____
_____
_____
_____
_____
_____
_____

□ Is/Are specifically identified in the proposal

□ Is/Are not specifically identified in the proposal, therefore the University procurement procedures will be followed for this acquisition. I.e. Bidding

After a grant is approved, an exemption request cannot be considered. Additionally, I further attest that no collusion, favoritism or conflict of interest exists.

_____ _____
Signature **Date**

SECTION B – FINANCIAL INFORMATION & CONTRACT PERIOD TO BE COMPLETED BY THE PRINCIPAL INVESTIGATOR

Amount of Acquisition _____ Contract Period _____to_____

Signature:_____ Date:_____
Principal Investigator/Project Manager

Note: Any changes to the information residing in this section Procurement Services must be notified and the contract amended to reflect said change.

SECTION C – APPROVAL SECTION

_____ _____
Dean/Department Head Date

_____ _____
Director of Sponsored Programs Date

_____ _____
Vice President for Finance Date

_____ _____
University President or his/her designee Date

_____ _____
General Counsel (if applicable) Date

_____ _____
Procurement Director Date

THE DIVISION OF PROCUREMENT SERVICES
DELBERT H. SINGLETON, JR.
DIVISION DIRECTOR
(803) 734-8018

JOHN ST. C. WHITE
MATERIALS MANAGEMENT OFFICE
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October 5, 2015

Mr. John St. C. White
Interim Materials Management Officer
Division of Procurement Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear John:

We have reviewed the response from South Carolina State University to our audit report for the period of January 1, 2010 through June 30, 2014. We have followed-up on South Carolina State University's corrective action during and subsequent to our fieldwork.

In our opinion, South Carolina State University complies with the South Carolina Consolidated Procurement Code, State regulations, and the University's procurement policies and procedures in all material respects and the internal procurement operating procedures are adequate to properly handle procurement transactions. The Division of Procurement Services will continue to monitor all solicitation and contract awards in accordance with the loan resolution.

Sincerely,

Robert J. Aycock, IV, Manager
Audit and Certification

Total Copies Printed	11
Unit Cost	$ 1.01
Total Cost	$11.11