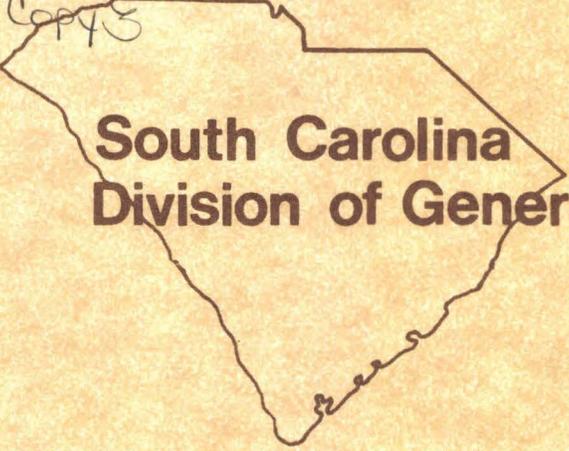


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**South Carolina
Division of General Services**

PROCUREMENT AUDIT AND CERTIFICATION

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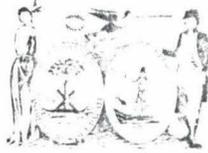
CLEMSON UNIVERSITY

AGENCY

JULY 1, 1989 - SEPTEMBER 30, 1992

DATE

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State Budget and Control Board
DIVISION OF GENERAL SERVICES



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CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER F. CARTER
EXECUTIVE DIRECTOR

May 27, 1993

Mr. Richard W. Kelly
Director
Division of General Services
1201 Main Street, Suite 420
Columbia, South Carolina 29201

Dear Rick:

I have attached the Clemson University procurement audit report and recommendations made by the Office of Audit and Certification. I concur and recommend the Budget and Control Board grant the University a three (3) year certification as outlined in the audit report.

Sincerely,


Helen T. Zeigler

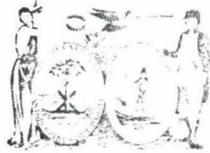
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Attachment

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STATE OF SOUTH CAROLINA
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(803) 737-0600

May 26, 1993

Helen T. Zeigler
Deputy Division Director
Division of General Services
1201 Main Street, Suite 420
Columbia, South Carolina 29201

Dear Helen:

We have examined the procurement policies and procedures of Clemson University for the period July 1, 1989 - September 30, 1992. 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 and State and University procurement policy. 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 Clemson University is responsible for establishing and maintaining a system of internal control over procurement transactions. In fulfilling this responsibility,

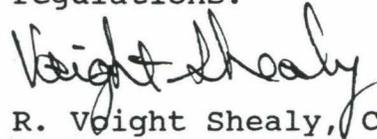
estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance of the integrity of the procurement process, that affected assets are safeguarded 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 Clemson University in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.



R. Voight Shealy, CFE, Manager
Audit and Certification

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 Clemson 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 random samples of procurement transactions for the period July 1, 1990 - June 30, 1992, for compliance testing and performed other audit procedures that we considered necessary to formulate this opinion. Specifically, our review of the system included, but was not limited to, the following areas:

- (1) All sole source and emergency procurements and trade-in sales for the audit period
- (2) Purchase transactions for the audit period as follows:
 - a) 240 systematically selected procurement transactions each exceeding \$500.00
 - b) A random sample of 47 Direct Purchase Vouchers for compliance with internal procurement procedures
 - c) An additional 30 sealed bids issued and awarded from the periods 7/1/89-6/30/90 and 7/1/92-9/30/92
- (3) Twelve permanent improvement projects out of which nine A&E selections and eleven contracts were reviewed for compliance with the Manual for Planning and Execution of State Permanent Improvements
- (4) All real property leases

- (5) The most recent solicitations for the following vending/concessions management procurements: vending machines-drinks and snacks, concessions-novelties, vending machines-restroom, amusement machines, concessions-athletics. Further, we discussed the most recent procurement of radio/television rights for athletics.
- (6) Minority Enterprise Plans and reports
- (7) Information Technology plans
- (8) Procurement Policies and Procedures Manual
- (9) Property management and fixed asset procedures
- (10) Supply Warehouse management procedures
- (11) Physical Plant work orders and blanket purchase agreement files
- (12) Procurement staff and training

RESULTS OF EXAMINATION

The Office of Audit and Certification performed an examination of the internal procurement operating policies and procedures and related manual of Clemson University for the period July 1, 1989 through September 30, 1992.

Our on-site review was conducted October 8 through December 4, 1992, and was made under the authority as described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code. The audit was primarily instituted because the most recent three year certification granted the University by the Budget and Control Board is to expire on June 18, 1993. Additionally, the University requested increased certification limits as follows:

Goods and Services	\$125,000
Construction	100,000
Consultants	100,000
Information Technology	125,000
Vending Management Services	2,500,000

Since our previous audit in 1989, Clemson University has maintained what we consider to be a professional, efficient procurement system. We did note, however, the below listed items which should be addressed by management.

(1) Vending/Concessions Management Contracts - Believing that vending/concessions management agreements were exempt from the Code, the University entered into the following four revenue generating contracts without consideration of compliance:

- a - Vending machines - drinks and snacks
 - exceeded certification - unauthorized
 - no 16 day intent to award
 - no determination to award an RFP

- b - Vending machines - restroom
 - exceeded certification - unauthorized
- c - Amusement Machines
 - exceeded certification - unauthorized
- d - Concessions - Athletics
 - exceeded certification - unauthorized
 - no evaluation committee score sheets
 - no documented bidders list
 - no determinations to do or to award an RFP
 - no list of evaluation factors other than price
 - no Drug-Free Workplace Act certification

Otherwise, we find that these procurements were made openly and competitively. In fact, a concessions-novelties procurement was made in complete compliance with the Code and the vending machines-restroom and amusement machines procurements were in compliance with virtually all of the Code's procedures.

We recommend that future vending, concessions and athletics purchases funded through anticipated future revenues be competed in accordance with the Code.

(2) We noted twenty sole source procurements for \$50,000 or greater where the University did not obtain the required certification from vendors certifying that they were in compliance with the State of South Carolina Drug-Free Workplace Act. A schedule of these purchase orders can be seen at the Exhibit attached. In the future, all sole source procurements greater than \$50,000 must be supported by a certification from the vendor regarding their compliance with the Drug-Free Workplace Act.

(3) We noted the following four unauthorized sole source procurements.

<u>PO#</u>	<u>Amount</u>	<u>Contract Period</u>	<u>Sole Source Approval Date</u>
202464	\$ 2,500.00	09/22/91-09/21/92	11/21/91
201974	1,500.00	09/01/91-09/30/92	10/10/91
201719	1,354.00	09/01/91-06/30/92	10/10/91
200405	16,560.28	07/01/91-06/30/92	07/19/91

The above contracts were all for information technology maintenance. These sole source determinations were not approved by the requisite authority in advance, therefore; they must be considered unauthorized. Ratification of these procurements must be requested from the University President in accordance with Regulation 19-445.2015(1).

(4) Request for Proposal #9931 dated June 11, 1990 for photographic services was not done in compliance with the Code. Exceptions noted in the proposal package are as follows:

- a) Written determination to do a request for proposal was not prepared (Code 11-35-1530,1).
- b) Evaluation factors were not stated as to the relative importance of price to other evaluation factors (Code 11-35-1530,5).
- c) Only the three lowest bidders were invited to make a portfolio presentation to the selection committee.
- d) The proposal package stated that this was a "sealed bid". A sealed bid is awarded on low bid price, not portfolio criteria.

This solicitation package was a combination of a sealed proposal and a sealed bid. Since both are awarded differently, it is imperative that the two not be confused in the bidding and award process.

(5) Direct Purchase Voucher (DPV) 5124-E20012 for \$2,965.96 for office equipment maintenance seems to misquote Clemson's DPV procedures by indicating that the \$500 limit applies "per line item". In fact, the procedure reads "maintenance contracts on office and equipment (not to exceed \$500 annually)." This

procurement should have been supported by competition or a sole source determination. The total cost of the contract, not the cost per line item, must be considered.

(6) Clemson's DPV procedure should be amended as follows:

- a) Procedure reads, maintenance contracts on office and equipment (not to exceed \$500 annually). This should be changed to eliminate the word "annually".
- b) Procedure reads, equipment repairs (not to exceed \$500) unless totally reimbursable by insurance other than insurance reserve fund. The language "unless totally reimbursable by insurance other than insurance reserve fund" should be eliminated.
- c) Procedure reads, insurance premiums (not to exceed \$500 unless involving insurance reserve fund and paid on IDT). The language should be changed to read "Total potential premiums not to exceed \$500 unless involving insurance reserve fund and paid on IDT".

Hopefully, these changes will eliminate any potential misunderstanding of the \$500.00 amount. It applies to the total potential commitment over the life of any contract.

(7) Bid number 200732 for computer equipment had an award value of \$24,425.00. However, the solicitation was sent to only six potential bidders according to the bid folder. Regulation 19-445.2035(A) requires solicitation of bids from a minimum of ten qualified sources if the purchase is \$10,000.00 or more. If the minimum number of qualified bidders cannot be solicited, the head of the governmental body must certify in writing that all known sources were solicited.

(8) We noted in bid number 200489 for the "Demolition of a Building" that this was handled as a goods and services project under Article 5 of the Code rather than as a construction project under Article 9. Section 11-35-2910(2) defines construction as

"the process of building, altering, repairing, remodeling, improving, or demolishing any public structure or building..." (Emphasis Added).

Therefore, this project should have been handled in accordance with Section 11-35-3020, Construction Procurement Procedures, and 11-35-3030, Bond and Security, procedures for construction projects.

(9) We noted a payment on check number 144383, for an honorarium in the amount of \$1,500.00 to a visiting professor, was not supported by competition or a sole source determination. Honorariums are not exempt and must be handled in compliance with the Code and regulations.

(10) Overpayments were noted in two instances during our sample review. First, on purchase order number 202387 for tree shelters and stakes, the vendor bid the items FOB destination at Clemson University. However, a \$250.00 shipping fee was invoiced and paid. A refund should be requested from the vendor for the overpayment.

Second, on purchase order 204930 for computer software, the low bidder gave the University a \$60.00 discount from the total purchase of \$2,149.57. However, Purchasing never reflected the discount on the purchase order and the University paid the full invoice price without taking the discount. All discounts given by a successful vendor should be reflected on the purchase orders and taken by the University.

(11) Purchase order number 200212 for landscape maintenance was for \$13,200. The bid allowed for the contract to be renewed for

one additional year if mutually agreed by both parties. This constitutes a multi-term contract. A multi-term contract may be used when it is determined in writing by the Procurement Officer of the governmental body that the contract serves the best interest of the State. These specific factors for the contract were not stated. In the future, all multi-term contracts must be justified in accordance to Regulation 19-445.2135(D).

(12) Six transactions were unnecessarily reported as sole source procurements.

<u>PO#</u>	<u>PO Amount</u>	<u>Description</u>
200751	\$ 1,360.00	Performing artist approved by SC Arts Commission
997852	22,000.00	University membership fee
203391	12,560.63	License agreements for software
203294	9,474.15	License agreements for software
200245	2,322.60	License agreements for software
100760	11,700.00	License agreements for software

The requirements for sole source procurements are waived for those items which have been exempted from the Procurement Code and therefore, should not be reported.

CERTIFICATION RECOMMENDATIONS

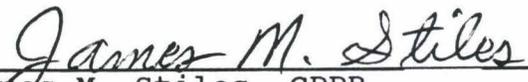
As enumerated in our transmittal letter, corrective action based on the recommendations described in this report, we believe, will in all material respects place Clemson University in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations. Corrective action should be accomplished by May 30, 1993.

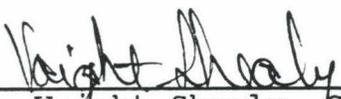
Under the authority described in Section 11-35-1210 of the Procurement code, subject to this corrective action, we recommend Clemson University be recertified to make direct agency procurements for three years up to the limits as follows:

<u>Procurement Areas</u>	<u>Recommended Certification Limits</u>
I. Goods and Services	\$100,000 per purchase commitment*
II. Construction Services	100,000 per purchase commitment*
III. Consultant Services	100,000 per purchase commitment*
IV. Information Technology in accordance with the approved Information Technology Plan	100,000 per purchase commitment*
V. Vending/Concessions Management Services	2,500,000 per purchase commitment*

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

We do not believe that the University's procurement activity warrants its requested increases in certification for goods and services or information technology. Therefore, we are not making that recommendation.


James M. Stiles, CPPB
Audit Manager


R. Voight Shealy, CFE, Manager
Audit and Certification

Clemson University
 Schedule of Sole Source Procurements Not Supported
 By Drug-Free Workplace Certifications
 January 1, 1990 - September 30, 1992

<u>PO#</u>	<u>Amount</u>	<u>Item/Service Description</u>
204570	\$126,671.70	Air jet spinning frame
204567	92,925.00	Tensile testing machine
204368	102,091.50	Laundry center readers and interface units
203318	197,400.00	Computer hardware maintenance
203686	134,400.00	Computer memory upgrade
203739	179,621.88	Computer equipment
203814	50,000.00	Research services
204389	122,171.00	Lease and maintenance for computer equipment
202912	114,537.60	Lasers and generators
201838	78,750.00	Wind test tunnel system
200795	125,700.00	Laser Doppler Anemometer system
201294	1,074,789.20	Computer equipment and maintenance
201297	447,996.45	Lease and maintenance of disk controllers
201302	130,092.00	Computer controllers and maintenance
999349	108,000.00	Laboratory dioxin analysis
999044	59,543.00	Upgrade to ID system
999345	198,000.00	Computer hardware maintenance
78878	100,000.00	Research services
78928	153,104.00	Research services
78929	143,867.00	Research services



CLEMSON
UNIVERSITY

VICE PRESIDENT FOR BUSINESS AND FINANCE

April 2, 1993

Mr. R. Voight Shealy, Manager
Office of Audit and Certification
1201 Main Street, Suite 600
Columbia, SC 29201

Dear Voight:

We have received the results of the procurement audit for the period July 1, 1989 - September 30, 1992, addressed in your report of March 12, 1993. These findings have been thoroughly discussed with procurement personnel at Clemson University. There are two points the procurement staff felt deserved a clarification as to procedures followed.

First, item #7 involved less than the minimum number of qualified bidders being solicited. This was an information technology procurement; and while actually six bidders were initially mailed a bid package, the solicitation was advertised in South Carolina Business Opportunities which generated mailings to fifteen additional bidders. Therefore, we exceeded the required minimum of ten bidders.

Secondly, item #8 involved demolition of a building being handled as goods and services instead of a construction project. Our procurement personnel discussed this with Mr. Flanagan and explained the procedures being followed. It was their understanding that Mr. Flanagan had approved these procedures as indicated in a letter from him included in the package.

Clemson University procurement personnel have taken steps to comply with all your audit recommendations to allow continuation of a strong procurement operation at Clemson University. In view of the audit findings and our understanding of the necessary corrective actions to be taken, I do not feel an exit conference is necessary.

I wish to express Clemson University's appreciation for the excellent job done by you and your staff and the spirit of cooperation in performing the certification audits. These audits have proven to be very valuable tools to our procurement personnel. Again, we appreciate the willingness of you and your staff to assist Clemson University in improving its procurement operation.

Sincerely,

David R. Larson
Vice President for Business and Finance

CC: P. Michael Hughey

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State Budget and Control Board
DIVISION OF GENERAL SERVICES



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(803) 737-0600

May 26, 1993

Ms. Helen T. Zeigler
Deputy Division Director
Division of General Services
1201 Main Street, Suite 420
Columbia, South Carolina 29201

Dear Helen:

We have reviewed Clemson University's response to our audit report covering the period July 1, 1989 - September 30, 1992. Combined with our discussions and correspondence with University officials, we are satisfied that the University has corrected the problem areas we found.

We, therefore, recommend that the certification limit for Clemson University as outlined in the audit report be granted for a period of three (3) years.

Sincerely,

A handwritten signature in cursive script that reads "R. Voight Shealy".

R. Voight Shealy, Manager
Audit and Certification

RVS/jj

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