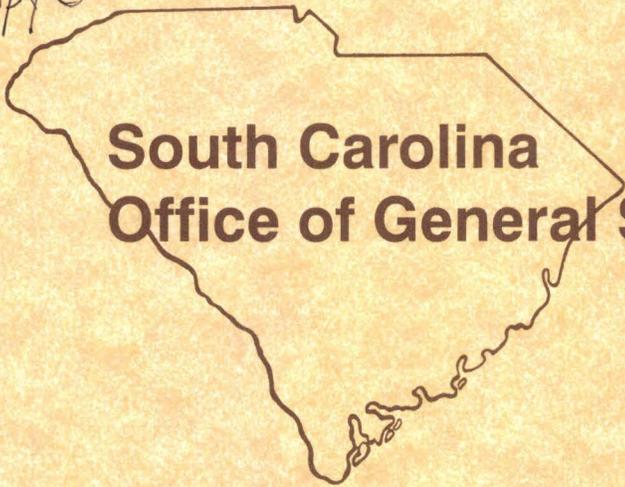


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**South Carolina
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PROCUREMENT AUDIT AND CERTIFICATION

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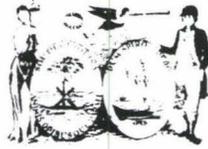
LANDER UNIVERSITY

AGENCY

JULY 1, 1994 - JUNE 30, 1997

DATE

STATE OF SOUTH CAROLINA
State Budget and Control Board
OFFICE OF GENERAL SERVICES



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MATERIALS MANAGEMENT OFFICE
1201 MAIN STREET, SUITE 600
COLUMBIA, SOUTH CAROLINA 29201
(803) 737-0600
Fax (803) 737-0639

VOIGHT SHEALY
ASSISTANT DIRECTOR

January 7, 1998

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

Dear Helen:

I have attached Lander 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 the University a three year certification as noted in the audit report.

Sincerely,

A handwritten signature in cursive script that reads 'Voight Shealy'.

R. Voight Shealy
Materials Management Officer

/tl

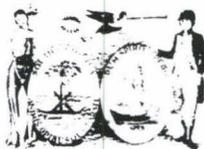
LANDER UNIVERSITY
PROCUREMENT AUDIT REPORT
JULY 1, 1994 - JUNE 30, 1997

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VOIGHT SHEALY
ASSISTANT DIRECTOR

November 21, 1997

Mr. R. Voight Shealy
Materials Management Officer
Office of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Voight:

We have examined the procurement policies and procedures of Lander University for the period July 1, 1994 through June 30, 1997. 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 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 Lander 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 that we believe need correction or improvement.

Corrective action based on the recommendations described in these findings will in all material respects place Lander University in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

Sincerely,



Larry G. Sorrell, 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 Lander 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 from the period July 1, 1994 through June 30, 1997 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 sales procurements for the period July 1, 1994 - June 30, 1997
- (2) Procurement transactions for the period July 1, 1994 to June 30, 1997 as follows:
 - a) Eighty-six judgmental selected procurement transactions and payments
 - b) An additional block sample of twenty-eight informal quotes and bids
 - c) A block sample of four hundred numerical purchase orders from the audit period, reviewed for order splitting and favored vendors
- (3) Three permanent improvement projects and five A & E selections were reviewed for compliance with the Manual for Planning and Execution of State Permanent Improvements
- (4) Minority Business Enterprise Plan and reports for the audit period
- (5) Information technology plan and approvals for fiscal years 95/98
- (6) Internal procurement procedures manual review
- (7) Real Property Management Office approval of leases
- (8) Blanket purchase order files
- (9) Surplus property disposition procedures
- (10) File documentation and evidence of competition

RESULTS OF EXAMINATION

The Office of Audit and Certification performed an examination of the internal procurement operating policies and procedures and related manual of Lander University for the period July 1, 1994 through June 30, 1997. Our on-site reviewed was conducted in October of 1997 and was made under the authority as described in Section 11-35-1230 (1) of the South Carolina Consolidated Procurement Code and Regulation 19-445.2020.

On February 14, 1995, the Budget and Control Board granted Lander University the following certifications:

<u>CATEGORY</u>	<u>LIMIT</u>
Goods and Services	\$50,000 per commitment
Consultants Services	\$50,000 per commitment
Construction Services	\$30,000 per commitment
Information Technology in accordance with the approved Information Technology Plan	\$50,000 per commitment
Printing Services	\$50,000 per commitment

Our audit was performed primarily to determine if recertification is warranted. Lander University requested to remain at the current certification limits.

Since our previous audit in 1994, Lander University has maintained what we consider to a professional, efficient procurement system. We did note, however, the following points which should be addressed by management.

Sole Source Reporting

Four transactions reported as sole sources were exempt and should not have been reported.

<u>PO</u>	<u>DATE</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>
30967	07/11/94	Software maintenance	\$2,300
33363	07/03/95	Software maintenance	2,175
35630	06/20/96	Software maintenance	3,600
35810	07/05/96	Software maintenance	4,549

Software maintenance and licenses are exempt from the Code after such software has been competitively bid. Therefore, subsequent payments do not require a solicitation, an emergency, or sole source determination.

Additionally, we recommend subsequent payments of maintenance on software not be reported as sole sources. Amended reports should be filed with the Materials Management Office to remove these payments.

Incorrect Solicitation Method Used

The University issued quotation Q088/VWS for laboratory repairs based on an estimate of \$14,710. The lowest responsible and responsive quote was \$26,691. The University acknowledged the competitive seal bidding method per Section 11-35-1520 of the Code would apply for contracts greater than \$25,000. However, the University made the award from the quotation based on the fact that most of the requirements for a competitive seal bid were met. The quotation did not contain the protest provision in Section 11-35-4210 of the Code nor was the response to the quotation formally opened as required in Section 11-35-1520(5) of the Code.

When a response to a solicitation exceeds the solicitation method, we recommend a new solicitation be issued to comply with the Code. If time does not permit resoliciting, an emergency procurement would be appropriate.

Bid Tabulations Not Signed Nor Witnessed

Several of the sealed bid tabulation sheets were not signed nor witnessed at the time of bid opening. Section 11-35-1520 (6) of the Code states in part, "Bids shall be opened publicly in the presence of one or more witnesses at the time and place designated.... The amount of each bid... with the name of each bidder shall be tabulated. The tabulation shall be open to public inspection at that time."

We recommend the tabulation sheets be prepared and filed in the bid package. Each tabulation sheet should be signed by the purchasing agent opening the bid and witnessed by the assistant who participated in the bid opening.

Time and Date Stamping of Bids and Quotations Needed

When the purchasing office receives informal quotations and sealed bids, the envelopes are time/date stamped and placed in a secured file until the specified opening. After the opening, the envelopes are discarded leaving the official file without any evidence that the quotes or bids were received timely.

We recommend the purchasing office continue to time and date stamp all bid envelopes when received. The office should either retain the envelopes or time and date stamp the quotes or bids when opened as evidence of timely receipt.

Surplus Property

The University has not evaluated nor reported any surplus property in over a year. While touring the surplus property warehouse, we noted an excessive amount of surplus property. Even though the University has begun tagging items that should be considered excess, we were unable to clearly determine which was junk and which was being held for repair or future use.

Regulation 19-445.2150 (A) states in part..."All governmental bodies must identify surplus items and declare them as such, and report them in writing to the Materials Management Officer or the Information Technology Officer within one hundred and eighty days from the date they become surplus."

We recommend the University inventory and evaluate the stored property and dispose of the property determined to be surplus in accordance with the above regulation.

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 Lander 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 recertified to make direct agency procurements for three years up to the limits as follows:

<u>PROCUREMENT AREA</u>	<u>RECOMMENDED CERTIFICATION LEVELS</u>
Goods and Services	*\$50,000 per commitment
Consultants Services	*\$50,000 per commitment
Construction Services	*\$30,000 per commitment
Information Technology	*\$50,000 per commitment

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



James M. Stiles, CPPB
Audit Manager



Larry G. Sorrell, Manager
Audit and Certification



Vice President for Business and Administration

January 5, 1998

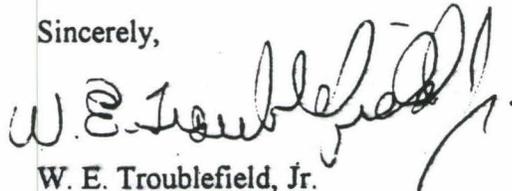
Larry G. Sorrell
Audit and Certification
Office of General Services
1201 Main Street, Suite 600
Columbia, SC 29201

Dear Mr. Sorrell:

I have reviewed the draft procurement audit report of Lander University for the period of July 1, 1994 – June 30, 1997. I am in agreement with the content of the report and its recommendations. We have taken action to implement all of the recommendations for improvements noted in the report.

I thank you and your staff for the professional manner in which the audit was conducted.

Sincerely,

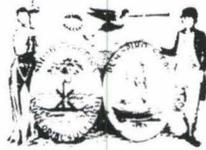


W. E. Troublefield, Jr.
Vice President for Business
and Administration

WETjr:rk

CC: Emily Collier, CPPPO, Director of Procurement

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State Budget and Control Board
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VOIGHT SHEALY
ASSISTANT DIRECTOR

January 7, 1998

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 Lander University to our audit report for the period of July 1, 1994 - June 30, 1997. Also we have followed the University's corrective action during and subsequent to our field work. We are satisfied that the 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 Lander University the certification limits noted in our report for a period of three years.

Sincerely,

A handwritten signature in cursive script that reads "Larry G. Sorrell".

Larry G. Sorrell, Manager
Audit and Certification

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