PROCUREMENT AUDIT AND CERTIFICATION

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WINTHROP COLLEGE
AGENCY
MARCH 20, 1984
DATE
Mr. Tony Ellis, Director
Division of General Services
300 Gervais Street
Columbia, South Carolina 29201

Dear Tony:

Attached is the final Winthrop College audit report and recommendations made by the Materials Management Office. I recommend that the Budget and Control Board grant certification limits of $5,000 per purchase commitment for goods and services, exclusive of printing equipment which must be approved by the Materials Management Office, and consulting services for a period of two (2) years.

Certification in the area of Information Technology and Construction and related services shall be deferred until statewide procedures governing these areas are finalized.

Respectfully,

Richard J. Campbell
Materials Management Officer

RJC/ra
Attachment
WINTHROP COLLEGE

AUDIT REPORT

March 20, 1984
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Mr. Richard J. Campbell  
Materials Management Officer  
Columbia, South Carolina

We have examined the procurement policies and procedures of Winthrop College for the period July 31, 1981 - January 31, 1983. As part of our examination, we made a study and evaluation of the system of internal control over procurement transactions to the extent we considered necessary.

The purpose of such 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 Winthrop College procurement policy. Additionally, the evaluation was used in determining the nature, timing and extent of other auditing procedures that were necessary for developing a recommendation for certification above the $2,500 limit.

The administration of Winthrop 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 due professional care. They would not, however, because of the nature of audit testing, necessarily disclose all weaknesses in the system.

The examination did, however, disclose conditions, enumerated in this report which we believe to be subject to correction or improvement.

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

Barbara A. McMillan
Director of Agency Services
INTRODUCTION

The Audit and Certification Section conducted an examination of the internal procurement operating procedures and policies and related manual of Winthrop College.

Our on-site review was conducted March 10, 1983 through May 6, 1983, and was made under the authority as described in 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 procurement system's internal controls 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 its ensuing regulations.

Additionally, our work was directed toward assisting the agency in promoting the underlying purposes and policies of the Code as outlined in Section 11-35-20, which include:

(1) to ensure the fair and equitable treatment of all persons who deal with the procurement system of this State;

(2) to provide increased economy in state procurement activities and to maximize to the fullest extent practicable the purchasing values of funds of the State;

(3) 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.
BACKGROUND

Section 11-35-1210 of the South Carolina Consolidated Procurement Code states:

The Budget and Control Board may assign differential dollar limits below which individual governmental bodies may make direct procurements not under term contracts. The materials management office shall review the respective governmental body's internal procurement operation, shall certify in writing that it is consistent with the provisions of this code and the ensuing regulations, and recommend to the board those dollar limits for the respective governmental body's procurement not under term contract.

On November 5, 1981, Winthrop College requested certification to make procurements with an unlimited dollar value for all categories (i.e., supplies and services, computer and telecommunications technology, as well as architectural and engineering, surveying, construction and construction management).
SCOPE

Our examination encompassed a detailed analysis of the internal procurement operating procedures of Winthrop College and the 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 up to the requested certification limits.

The Audit and Certification team of the Materials Management Office statistically selected random samples for the period July 31, 1981 - January 31, 1983, of procurement transactions for compliance testing and performed other auditing procedures that we considered necessary in the circumstances to formulate this opinion. As specified in the Consolidated Procurement Code and related regulations, our review of the system included, but was not limited to, the following areas:

(1) adherence to provisions of the South Carolina Consolidated Procurement Code and ensuing regulations;
(2) procurement staff and training;
(3) adequate audit trails and purchase order register;
(4) evidences of competition;
(5) small purchase provisions and purchase order confirmations;
(6) emergency and sole source procurements;
(7) source selection;
(8) file documentation of procurements;
(9) reporting of Fiscal Accountability Act;
(10) warehousing, inventory and disposition of surplus property;
(11) economy and efficiency of the procurement process;
(12) analysis of Duplicating Equipment Utilization; and
(13) analysis of Energy Management Program.

At the date of this report, the state plan for the management and use of information technology has not been completed. Additionally, procedures for monitoring construction and related services procurements have not been finalized. Because of this, we feel it would be inappropriate to recommend certification in these areas at this time.

Our examination included a review of these areas so that once the aforementioned plans and procedures are completed we will be able to make recommendations for certification with only a limit follow-up review.
SUMMARY OF AUDIT FINDINGS

Our audit of the procurement system of Winthrop College produced findings and recommendations in the following areas:

I. SOLE SOURCE AND EMERGENCY PROCUREMENTS

We found the majority of the sole source and emergency procurements to be proper and accurately reported. However, we found that a number of them were not sufficiently justified or inaccurately reported to the Division of General Services. Further, many of the sole source determinations and findings were approved after the procurement was made.

II. COMPLIANCE - GOODS AND SERVICES

A. Procurements Not in Compliance with the Code

Our examination of transactions in the area of goods and services determined that some procurements were not made in compliance with the Procurement Code.

B. Blanket Purchase Agreements

A number of blanket purchase agreements do not include all of the terms and conditions required for this method of procurement.
III. COMPLIANCE - CONSULTANT AND CONTRACTUAL SERVICES

A. Procurements Not in Compliance with the Procurement Code

Procurements were made without evidence of competition nor documented as sole sources or emergencies.

B. Open End Contracts for Services

The college currently has service contracts that do not show a specified contract period. These are extended from year to year without soliciting competition.

IV. PROCUREMENT MANAGEMENT

A. Formal Documentation of Purchase Order Changes

Purchase orders are changed without the proper documentation.

B. Construction Purchase Orders

The Director of Purchasing Services is signing purchase orders for construction expenditures without the authority to control the transaction.

C. Small Procurement Procedures

The college has no small order transaction procedures resulting in Purchasing Services being involved in extensive manual processing of small orders.
V. SUPPLY MANAGEMENT

Partially due to insufficient planning in stockroom acquisitions inventory turnover is low.

VI. PROPERTY MANAGEMENT

The dollar value over which an equipment item must be capitalized and accounted for in the equipment inventory system may be too low, creating an unnecessary and burdensome workload.

VII. REVIEW OF THE PROCUREMENT PROCEDURES MANUAL

We found the Policy and Procedures Manual for Purchasing Services to be generally complete and well prepared. We did, however, notice several items that need to be added, expanded or changed.

VIII. FISCAL ACCOUNTABILITY ACT REPORTING

Partially, as a result of lack of clarification as to reporting procedures statewide, Winthrop has failed to fully comply with the requirements of the Fiscal Accountability Act.

IX. MINORITY BUSINESS ENTERPRISE UTILIZATION PLAN

Currently, Winthrop College has not finalized their Minority Business Enterprise Utilization Plan.
X. PRINT SHOP UTILIZATION

As part of our examination, we requested the State Printing Officer evaluate the Print Shop utilization at the college.

XI. ENERGY AUDIT

We requested the Division of General Services' Engineering and Energy Management Coordinator to analyze Winthrop's energy management program.
RESULTS OF EXAMINATION

I. SOLE SOURCE AND EMERGENCY PROCUREMENTS

We examined the quarterly reports of sole source and emergency procurements and all available supporting documents for the period July 30, 1981 - March 31, 1983, for the purpose of determining the appropriateness of the procurement actions taken and the accuracy of the reports submitted to the Division of General Services, as required by Section 11-35-2440 of the Consolidated Procurement Code. We found the majority of these transactions to be proper and accurately reported, but we did encounter the following problems:

1. SOLE SOURCE PROCUREMENTS

<table>
<thead>
<tr>
<th>P.O.#</th>
<th>AMOUNT</th>
<th>EXCEPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>32141</td>
<td>$1,236.00</td>
<td>This procurement for Steelcase furniture should have been made from an authorized dealer on state contract. Additionally, irregardless of the state contract, this is questionable as a sole source.</td>
</tr>
<tr>
<td>33266</td>
<td>$2,597.40</td>
<td>This procurement for pre-recorded filmstrips is an exempted item and should not be reported in the future.</td>
</tr>
</tbody>
</table>
This purchase order for repairs to a transformer was justified as an emergency but reported to MMO as a sole source.

These procurements were made from athletic funds which are exempted and, therefore, should not have been reported.

The justification, in this case for Drop inlet frames and grating stated "Approved by the S. C. Highway Department for highway use." This does not justify that it is the only grating that meets highway specifications. Competition should have been sought from another foundry.

The justification is weak in stating only "Custom trim moulding and selected because found to be superior in quality and available for rapid delivery."

This procurement for storage racks should have been accompanied by another price quotation. It appears to be an open line product.
40490 $ 800.00 This justification for console tables was weak in stating, "To the best of our knowledge items were not available as stock item elsewhere." If in doubt, the Code says the "market should be tested".

39996 $ 3,980.16 Due to the urgency of this transaction and the fact that three (3) informal bids were obtained, this should have been considered an emergency purchase rather than a sole source.

The following sole source procurements (32% of the total reported) were approved improperly after the issuance of the purchase order.

<table>
<thead>
<tr>
<th>P.O.#</th>
<th>P.O. DATE</th>
<th>JUSTIFICATION APPROVAL DATE</th>
<th>AMOUNT</th>
<th>ITEM(S)</th>
</tr>
</thead>
<tbody>
<tr>
<td>35994</td>
<td>4/7/82</td>
<td>12/16/82</td>
<td>$ 2,880.00</td>
<td>I.T. Terminals</td>
</tr>
<tr>
<td>35995</td>
<td>4/7/82</td>
<td>12/16/82</td>
<td>$ 2,076.80</td>
<td>Disk Drive</td>
</tr>
<tr>
<td>38178</td>
<td>9/6/82</td>
<td>9/30/82</td>
<td>$ 954.74</td>
<td>Plants</td>
</tr>
<tr>
<td>37927</td>
<td>8/25/82</td>
<td>8/31/82</td>
<td>$ 544.35</td>
<td>Tape Decks</td>
</tr>
<tr>
<td>39072</td>
<td>10/14/82</td>
<td>12/16/82</td>
<td>$ 720.00</td>
<td>Service for Making Usher's Vests</td>
</tr>
<tr>
<td>39073</td>
<td>10/14/82</td>
<td>12/16/82</td>
<td>$ 851.85</td>
<td>Fabric for Above Vests</td>
</tr>
<tr>
<td>39074</td>
<td>10/14/82</td>
<td>12/16/82</td>
<td>$21,385.00</td>
<td>Nautilus Equipment</td>
</tr>
<tr>
<td>39611</td>
<td>11/8/82</td>
<td>11/30/82</td>
<td>$ 792.00</td>
<td>Computer Equipment</td>
</tr>
<tr>
<td>39656</td>
<td>11/6/82</td>
<td>1/18/83</td>
<td>$3,885.00</td>
<td>Handi-Talkie Radios</td>
</tr>
</tbody>
</table>
Regulation 19-445.2105, Subsection B, states in part:

"Sole source procurement is not permissible unless there is only a single supplier.

...In cases of reasonable doubt, competition should be solicited. Any request by a governmental body that a procurement be restricted to one potential contractor shall be accompanied by an explanation as to why no other will be suitable or acceptable to meet the need."

This has been interpreted by the Materials Management Office as follows:

"The terminology 'only one source' is intended to mean one manufacturer or unique service provider distributing through one distributor channel. If a firm specification for a product or service is requested due to a unique circum-
stance or need only satisfied by the procurement of that specific product/service and there is more than one source of distribution, the procurement is not sole source. Bids should be forwarded to all known distributors to achieve the lowest possible price for the particular service or product."

Further, Section 11-35-710 states in part:

"The following exemptions are hereby granted...

...(f) Expenditures of funds at state institutions of higher learning derived wholly from athletic...contests,..."

This exemption and the others include exemption from sole source and emergency procurement reporting requirements.

2. EMERGENCY PROCUREMENTS

<table>
<thead>
<tr>
<th>P.O.#</th>
<th>AMOUNT</th>
<th>EXCEPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>37612</td>
<td>$6,840.00</td>
<td>This was an emergency procurement of roof repairs. The College prepared technical specifications and obtained a written proposal from one contractor. This being the case, time should have been available to solicit two more proposals.</td>
</tr>
<tr>
<td>34644</td>
<td>$25,384.95</td>
<td>This procurement for #6 fuel oil is an exempted commodity and should no longer be reported.</td>
</tr>
</tbody>
</table>
The justification to support this procurement could not be located during the audit.

Regulation 19-445.2110 requires that, in an emergency situation, "such competition as is practicable shall be obtained."

We recommend that the Purchasing Services section review these exceptions and make a more concerted effort to test the market when there is any question concerning the availability of competition. If none can be found, then the sole source justification should clearly state the circumstances.

Approval should be obtained before the procurement is made, not after the fact.

Finally, the Procurement Code and regulations should be strictly applied to sole source and emergency procurements in the future. Many of the above exceptions occurred shortly after the enactment of the Procurement Code when there was some uncertainty about the requirements for these procurements. This time has passed, however, so there should be little question about these now.

WINTHROP RESPONSE

SECTION I: SOLE SOURCE AND EMERGENCY PROCUREMENTS

We have reviewed the exceptions noted by the auditors and find the errors to have occurred partly because we reported sole-source procurements that were made with student fee funds, which the auditors have advised us are exempt. Several of the items noted by the auditors as being approved after the purchase orders were issued were for the purchase of equipment compatible with equipment owned by Winthrop. The decision to purchase this particular type of equipment has been made earlier and approved by all parties involved.
Our procedures presently call for all sole-source purchases to be approved by the Vice President for Administrative Services before the purchase order is issued. This procedure should eliminate the kinds of errors noted in the report.

II. COMPLIANCE - GOODS AND SERVICES

A. Procurements Not in Compliance with the Code

Our examination of Goods and Services transactions indicated that the following procurements were not made in compliance with the Consolidated Procurement Code and its regulations. They are categorized as follows:

A) Lack of Competition

<table>
<thead>
<tr>
<th>Item Description</th>
<th>Amount</th>
<th>Purchase Order</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Stack Chairs</td>
<td>$ 676.00</td>
<td>34059</td>
</tr>
<tr>
<td>2) Prescription Items</td>
<td>$ 695.63</td>
<td>35080</td>
</tr>
<tr>
<td>3) Hot Water Heater Parts</td>
<td>$ 529.28</td>
<td>33818</td>
</tr>
<tr>
<td>4) Book Binding Services</td>
<td>$1,596.41</td>
<td>Voucher #53694</td>
</tr>
</tbody>
</table>

The above items showed no evidence of competition as required by Regulations 19-445.2000 and 19-445.2100. Also, these were not justified as sole source procurements with a determination and finding as required by Regulation 19-445.2105.
B) Improper Award

<table>
<thead>
<tr>
<th>Item Description</th>
<th>Amount</th>
<th>Purchase Order</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Tamper Proof Stickers</td>
<td>$982.09</td>
<td>35999</td>
</tr>
<tr>
<td>2) Concrete Bumpers</td>
<td>$1,284.78</td>
<td>32873</td>
</tr>
</tbody>
</table>

In Item 1), the award was made to the highest bidder, without Purchasing's approval of the justification for rejecting the two other bidders. Regulation 19-445.2090 states: "The contract shall be awarded to the lowest responsible and responsive bidder whose bid meets the requirements and criteria set forth in the invitation for bids."

The second item was awarded to a bidder on the basis of his written quotation which had not been signed by the offeror, constituting an invalid quote as pointed out in Regulation 19-445.2070, Subsection G, which states in part: "Unsigned bids shall be rejected unless a representative of the company who has the authority to sign is present at the bid opening, and if discovery is made prior to the reading of any bids...."

C) Unauthorized Procurement

<table>
<thead>
<tr>
<th>Item Description</th>
<th>Amount</th>
<th>Purchase Order</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Jacket Loaded Fillers</td>
<td>$1,040.00</td>
<td>35192</td>
</tr>
</tbody>
</table>

This procurement apparently was an unauthorized purchase by a department head as evidenced by the supported documents being prepared out of sequence, i.e.:

a. Invoice date was January 29, 1982.
b. Accounts Payable received the invoice with the department approval for payment on February 1, 1982, and sent it to Purchasing Services.

c. Purchasing apparently notified the department and received a requisition dated February 17, 1982, and subsequently issued a purchase order on February 18, 1982.

d. The invoice was paid February 23, 1982.

The ratification of this unauthorized procurement by Purchasing Services is a violation of Regulation 19-445.2015 which not only prohibits a procurement officer from ratifying such acts, but delegates to the head of the governmental body the responsibility of preparing a written determination as to the facts and circumstances surrounding the act. Additionally, the determination must state corrective action taken against the individual committing the act, what action is being taken to prevent its reoccurrence, and documentation as to the reasonableness of the price paid.

Based on the sampling parameters used, we can state statistically with 95% confidence that up to 22% of all procurements greater than $500 in the Goods and Services area for the audit period may be out of compliance with the Consolidated Procurement Code.

Apparently a certain amount of unfamiliarity with the Code and regulations has resulted in a number of procurements being improperly processed.
We recommend that all future procurements be made within the requirements of the Code and regulations, and, where necessary, procedures be developed to ensure this compliance.

B. Blanket Purchase Agreements

Through inquiry, observation, and a review of some of the blanket agreements established by Winthrop, it has been determined that a number of purchase agreements are out of compliance with the regulations promulgated under the Consolidated Procurement Code. Some examples of these are as follows:

1. P.O. 41298 issued for auto repairs to be completed during the fiscal year. This didn't stipulate the persons authorized to make "calls" against the order.
2. P.O. 36774 for hardware parts, properly listed the persons authorized to make "calls", but didn't indicate the dollar limitation per call.
3. P.O. 41127 and 41004 for communication parts and sharpening services, respectively, were not complete in that call limits and names of individuals authorized to place calls were not contained in the provisions of the agreement.

Winthrop establishes a total commitment and a monthly limit on these, but not a "per call" limit as required by the regulations.
Regulation 19-445.2100, Subsection C, mandates the terms and conditions under which a blanket agreement can be established. This requires:

a) Description of agreement
b) Extent of obligation
c) Individuals authorized to place calls and the dollar limit per call
d) Delivery ticket procedures
e) Invoice procedures

In addition, we were unable to verify that Winthrop reviewed the blanket agreement files on a semi-annual basis to ensure compliance with authorized procedures as required by Regulation 19-445.2100, Subsection G.

We recommend that the following steps be taken to ensure compliance to the Code in the area of blanket purchase agreements:

1. Purchasing Services thoroughly familiarize themselves with the requirements for establishing blanket agreements as stated in Regulation 19-445.2100.

2. The Purchasing Procedures Manual reflect explicitly the regulations governing blanket agreements, including procedures for their semi-annual review.

3. Dollar limits of the various purchase orders be established by Purchasing Services in conjunction with the Physical Plant where pertinent.

4. Written procedures be established for adequate monitoring by the Director of Purchasing, the
Director of Physical Plants, and the Internal Auditor to ensure that the blanket agreement system is not abused.

WINTHROP RESPONSE

SECTION II: COMPLIANCE - GOODS AND SERVICES

We concur with the audit recommendations and we will implement necessary changes. Specifically, we will seek training in procurement methods according to the new S.C. Consolidated Procurement Code for the Purchasing Agent. In addition, any procurement which is other than routine will be reviewed by the Vice President for Administrative Services; in this way, problem procurements can be examined by an officer of the college before the transaction is completed and possible code violations can be avoided.

III. COMPLIANCE - CONSULTANT AND CONTRACTUAL SERVICES

A. Procurements Not in Compliance with the Procurement Code

Our examination of a sample of transactions in the areas of Consultant and Contractual Services revealed that a number of procurements were made without evidence of competition nor documented as sole sources or emergencies. The following exceptions were noted:

1. P.O.'s 36378, 34512, 34106 issued to Kirkland Plastering Co. for $570.15, $1,682.57, $1,705.80, respectively.

2. P.O. 32983 to N.C. Equipment for $1,150.
3. P.O. 34343 to E.T. Mickey for $1,696.
4. P.O. 33011 to Davey Tree for $1,164.
5. P.O. 33585 to Shillinglaw Roofing for $560.

Evaluating the sample evidence of nine (9) compliance errors, we can statistically project with 95% confidence that up to 25% of all transactions greater than $500 in the Consultant/Contractual Services area may be out of compliance.

The Consolidated Procurement Code and its ensuing regulations mandate competitive procedures to be followed in making purchases above $500. Specifically, Regulation 19-445.2100, Subsection B, requires "solicitations of verbal or written quotes from a minimum of two qualified sources of supply", when the purchase ranges from $500.01 to $1,499.99. Further, this regulation requires, "solicitation of written quotations from three qualified sources of supply", when the purchase is between $1,500 and $2,499.99.

The majority of the listed exceptions were for regularly occurring services for which several vendors submit price lists periodically. These are usually good for six months to a year and, apparently, the college felt that using these published price lists from vendors would fulfill any necessary competitive requirements.

The process is not formalized, however. Price lists are obtained but no blanket purchase agreements or other long-term contracting methods are used. The college also must call the vendor to determine if the price schedule is still in effect. Many of the ones we looked at showed old dates and no formal period of applicability.
We recommend that the college establish blanket purchase agreements for those services that are known to be required periodically on an "as needed" basis. For each type of service, prices should be obtained from the required number of vendors for labor rates, etc. Once the lowest rates are determined, blanket purchase orders should be placed with the low bidders for a fiscal year at a time. When the service is needed, it can be obtained from the vendor on contract. This is a simplified method of filling anticipated repetitive needs for services.

B. Open End Contracts for Services

The college currently has contracts with a number of service providers such as:

1. Wachovia Services - provides billing services on student loans for Winthrop.
2. Greenville Hospital - provides dietary instruction to students.
3. Charlotte/Mecklenburg Schools - provides for student teacher supervision.
4. Data Processing Service and Maintenance Agreements. These contracts were entered into prior to the inception of the Consolidated Procurement Code and are basically open end contracts with no specified term. Generally, the institution will "rollover" these contracts from year to year without soliciting new proposals.
Section 11-35-2030 of the Consolidated Procurement Code and Regulation 19-445.2135 address the conditions for the use of multi-term contracts. Specifically, this section of the Code states in part, "Unless otherwise provided by law, a contract for supplies or services shall not be entered into for any period of more than one year unless approved in a manner prescribed by regulation of the board...."

Further, Section 17 of the Appropriations Act for Fiscal Year 1983/84 requires the following:

> Any contract entered into prior to July 30, 1981, by a governmental body as defined in Item (18) of Section 11-35-310 of the 1976 Code and which is proposed to be renewed must be renewed in accordance with the provisions of the South Carolina Consolidated Procurement Code (Chapter 35 of Title 11 of the 1976 Code).

The current contracts should be reviewed to determine if they are truly multi-term agreements. This requires that (1) they were originally solicited as multi-year agreements and all respondents to the solicitation were made aware of this, and (2) the contracts have specific guidelines for establishing charges and rate increases for subsequent years within the life of the agreement. This might be that fee increases will be based on the inflation rate or the consumer price index or that increases could be limited to 5%, 10% or some other agreed upon maximum.

If these contracts do not contain these renewal provisions, they cannot be considered multi-term agreements. Contracts such as this should be resolicited at the end of the current contract year.
Although the college is not out of compliance with the present rules and regulations, it is our recommendation that a structured format be developed to assure the disposition of all open end contracts at the end of each agreement's contract year.

Multi-term contracts awarded in the future must be justified with a multi-term contract determination and finding explaining why a multi-year agreement is preferable over a single year contract. Further, the contracts should contain a "default for lack of funding clause" in case funds are not appropriated for that purpose in succeeding fiscal years.

WINTHROP RESPONSE

SECTION III: COMPLIANCE - CONSULTANT AND CONTRACT SERVICES

We acknowledge that the separation of physical plant procurements from the Purchasing Department in the past have caused services to be procured without proper documentation of competition. In future, the procurement of recurring services will be made in accordance with the recommendations of the audit. Rates will be solicited from the required number of vendors on an annual basis.

In addition, all existing contracts will be reviewed and all which are not true multi-term contracts will be renegotiated and written as one year contracts.

WITH RESPECT TO SECTIONS II & III OF THE AUDIT

We do not agree with the manner in which the statistical data is presented in these two sections.

Section II states the following, "We can state statistically with 95% confidence that up to 22% of all procurements greater than $500 in the Goods and Services area for the audit period may be out of compliance with the Consolidated Procurement Code". This statement implies that 22% of the procurements are out of compliance. The auditors give only the upper limit of the error rate scale, in other words, the very worst it could be. Using the lower limit tables for the same set of data, we find that with the same 95% confidence, the error rate may be as low as 5%.
In performing this test, the auditors advised us that they reviewed a sample of 60 transactions from a total population of 360. The number of exceptions found was 7 or a 12% error rate on the sample.

Similarly, in section III the auditors state, "We can statistically project with 95% confidence that up to 25% of all transactions greater than $500 in the consultant/contractual services area may be out of compliance". The auditors reviewed a sample of 60 transactions out of a total of 149 in the population and found 9 exceptions, or a 15% error rate for the sample. Using the lower limit tables that correspond with the upper limit tables used to project the 25% error rate, we find that the error rate for the total population may be as low as 8%.

In summary, the substantive value to be gained by making a tabular projection of possible error rates eludes us. It is enough to say that the error rate discovered by sampling 60 transactions from a total population of 360 was 12% with respect to Goods and Services procurements over $500 during the period covered by the audit. And, in a sample of 60 transactions from a total population of 149, we found 9 exceptions, or a 15% error rate for the sample.

IV. PROCUREMENT MANAGEMENT

A. Formal Documentation of Purchase Order Changes

During our examination, we noted that purchase order changes were authorized either by a C.A.M. (Commitment Action Memo) or the initials of the purchasing agent on the purchase order. At the time these transactions occurred, there was neither a formal written policy nor a change order document in use by Purchasing Services. Some examples of these were:

1. P.O. 36323 - A procurement for paper products where the original amount of the purchase order was $549 and the invoice was paid in the amount of $604 based on an informal authorization from Purchasing Services.
2. P.O. 34298 - In this case an order was issued for $1,047.60 procuring services for fire extinguishers. An invoice for these services was paid in the amount of $1,072.80. There was no evidence of any authorization to pay this higher amount in the voucher package, resulting in an unclear audit trail.

3. P.O. 31924 - A payment for computer services was made for $1,440 with the original order being for $1,404. This increase, although informally approved by Purchasing, should have been supported with a formal change order.

4. P.O. 33211 - The original order for steam line repair was for $300. The invoice was for $748. No formal change order was used.

A formal purchase order is a binding contract between a vendor and Winthrop College. The vendor agrees to furnish a specific service at an agreed upon price between the two parties. If for any reason the invoice does not match the purchase order, an adequate explanation must be given regardless of the cause for increasing or decreasing the amount of the voucher payment. A formal change order system is the generally accepted procurement method for authorizing changes, and also acts as evidence that internal controls are intact and an audit trail is left behind.

We recognize the attempts by the college to properly authorize all changes to purchase orders in some manner despite a formal document not being offered as evidence. There are occasions
when a small change might result from an internal error and notification to the vendor is not necessary, or situations will occur where the cost of issuing a formal change order exceeds the amount of the change.

However, we recommend that a written policy regarding changes in purchase order quantity and pricing, limits of applicability, and a formal change document be adopted and implemented by Purchasing Services. It is our understanding that recent procedures have been initiated towards this goal.

WINTHROP RESPONSE

SECTION IV: PROCUREMENT MANAGEMENT

A. A policy for documenting the proper approval of changes to purchase orders has been implemented as follows:

The Purchasing Agent shall issue and sign all changes to properly executed purchase orders. Such changes will be made only upon the receipt of a written request for the change issued by the department which issued the original requisition and signed by the department head. Proper documentation should be submitted with the request; such requests and accompanying documentation shall be deposited with the original purchase requisition.

B. Construction Purchase Orders

Our examination revealed that the Director of Purchasing Services is signing purchase orders for construction and related professional services while he has no input into the procurement. An authorized purchase order must be entered into the accounting system to establish a payment document.
The Vice President for Administration handles the details for the acquisition of architect-engineer services. The Assistant to the President handles procurements of construction services. Either the President or the Vice President for Finance and Business signs the contractual agreements between Winthrop and contractors or related professionals.

Good internal control procedures dictate that control documents such as the purchase order not be signed (approved) by an official without his knowledge or control of the procurement process or the validity of the transaction being consummated.

We recommend that Winthrop establish one of the following procedures to correct this situation:

1. Assign the task of purchase order authorization to the same officer that signs the contracts for construction projects. 
OR

2. After the current authorities prepare the specifications and mail the request for bids or proposals, they be opened, evaluated and awarded under the auspices of the Director of Purchasing Services.

Each of these recommendations will establish that informed and responsible parties are signing all documents related to construction projects.

WINTHROP RESPONSE

E. The Vice President for Administrative Services, under a recent re-organization, has been assigned responsibility for
the purchasing and construction functions. This will facilitate coordination between the two functions, and thus we propose to implement the second option given by the auditors in handling the Construction Purchase Orders.

C. Small Procurement Procedures

Using the college's records and the Fiscal Accountability Act data from the Division of General Services, an analysis was made of the quantity of purchase orders issued and their amounts for July 1, 1982 through March 29, 1983. This revealed that 70% of all purchase orders issued were for $200 or less, and the total of these constituted only 3.7% of the total expenditures authorized by purchase orders during this period.

The National Association of Educational Buyer's handbook on "Small Purchase Procedures" identifies a number of universities using systems to control small transactions effectively. Adequate control of small orders reduces the cost of processing purchase orders and results in a measurable cost savings to the procurement section, effectively increasing economy and efficiency.

Winthrop administration, including the Director of Purchasing, is aware of the desirability of small order procedures. Procedural development in this area has been slow, however, because of management's concern that small purchase procedures may result in weakened control over the procurement function.

This concern is based on past experience with a direct expenditure system at the college. College administration was forced
to eliminate the direct expenditure system that was used in the past because of abuses and weaknesses in procedures.

It is our opinion, however, that too high a price is being paid to control a small portion of the funds expended by the college.

In order to improve cost savings in Purchasing Services, we recommend the implementation of a simplified small purchase procedure, whereby properly authorized members of the various departments may place small direct orders with vendors. We feel that adequate monitoring controls can be established by the Director of Purchasing Services to ensure that departments are not circumventing procurement law.

The dollar limits should be established by Purchasing Services after a thorough review. As stated above, it is our opinion that a dollar limit of $200 might be appropriate for all goods and services. Additionally, the following items could be procured in this manner without considering this dollar limitation:

1. Oil company credit card charges for gas, oil and jet fuel;
2. Heat, light and water bills;
3. Telephone and telegraph bills;
4. U.S. Post Office box rentals and postage;
5. Freight and express bills;
6. Contributions and dues;
7. Sales tax paid to the South Carolina Tax Commission;
8. Auto licenses and registrations;
9. Equipment repairs (not to exceed $500);
10. Magazine subscriptions (not to exceed $500); and
11. Payments against properly approved contracts that are on file in Purchasing.

WINTHROP RESPONSE

C. We will make a study of the National Association of Educational Buyer's Handbook on "Small Purchase Procedures" and other sources to attempt to devise a procedure we feel will be beneficial to the College in handling small purchases. We do not wish to reduce the cost to our purchasing department by increasing the cost to the various other departments by a similar or larger amount.

V. SUPPLY MANAGEMENT

Our examination of Winthrop College included an in-depth study of the central supply system. We looked at the overall efficiency and effectiveness of the central supply warehouse with emphasis on inventory turnover, obsolescent and overstocked items and stockouts. For testing purposes, we combined the maintenance and janitorial areas into one test group and reviewed office supplies as a second test group. The results of these tests will be shown separately.
1. **Maintenance and Janitorial Supplies** - Based on our test, we are 95% confident that at least 40% of the items in this area may be overstocked. Examples of these are:

<table>
<thead>
<tr>
<th>ITEM</th>
<th>QUANTITY ON HAND</th>
<th>AVERAGE MONTHLY USAGE*</th>
<th>MONTHS TO USE CURRENT STOCK</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-Soap, Bar</td>
<td>9,410</td>
<td>60.67</td>
<td>155</td>
</tr>
<tr>
<td>2-Window Cleaner</td>
<td>74</td>
<td>0.89</td>
<td>83</td>
</tr>
<tr>
<td>3-Tape, Paper, Sealing</td>
<td>63</td>
<td>0.89</td>
<td>71</td>
</tr>
<tr>
<td>4-Metal Valve Diaphragm</td>
<td>44</td>
<td>0.22</td>
<td>200</td>
</tr>
<tr>
<td>5-Connector</td>
<td>601</td>
<td>1.11</td>
<td>541</td>
</tr>
<tr>
<td>6-Bulb, 100 watt</td>
<td>281</td>
<td>0.22</td>
<td>1,277</td>
</tr>
</tbody>
</table>

*Based on the nine months of 7/1/82 - 3/31/83.

We realize that the slow inventory turnover in the area of maintenance supplies is largely a result of stocking parts for emergency needs, general repair parts of many types and sizes necessary for a campus of the college's size and architectural variety, and the necessity of keeping items needed that are no longer manufactured. The college cannot afford the "lag time" between ordering and delivery on many of its repair needs.

However, our examination determined that "dead" inventory stock has built up.
2. **Office Supplies** - Based on our tests, we are 90% confident that at least 30% and up to 50% of the items in office supplies may be overstocked. Examples of these are:

<table>
<thead>
<tr>
<th>ITEM</th>
<th>QUANTITY ON HAND</th>
<th>AVERAGE MONTHLY USAGE*</th>
<th>MONTHS TO USE CURRENT STOCK</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-Binder</td>
<td>43</td>
<td>0.22</td>
<td>195</td>
</tr>
<tr>
<td>2-Clip Boards</td>
<td>27</td>
<td>0.89</td>
<td>30</td>
</tr>
<tr>
<td>3-Envelopes</td>
<td>1,200</td>
<td>33.33</td>
<td>36</td>
</tr>
<tr>
<td>4-Markers, Broad Felt Tip</td>
<td>437</td>
<td>1.11</td>
<td>393</td>
</tr>
<tr>
<td>5-Rulers</td>
<td>71</td>
<td>0.33</td>
<td>215</td>
</tr>
</tbody>
</table>

*Based on the nine months of 7/1/82 - 3/31/83.

We understand that one contributing factor to the slow turnover in this area was the mandated absorption of excess office supplies by the warehouse from the college bookstore when the central supply operation was implemented. We know, for instance, that this was the case with the rulers above.

Stockouts were evident but not material in the area of maintenance and janitorial supplies but in the area of office supplies we can state with 90% confidence that at least 8% and up to 25% of the items may be out of stock at any given time.

Stockouts may be partially due to the fact that a total dollar limit was placed on the warehouse by the school president. We applaud this attempt to prevent overstocking of items in the warehouse. However, through our tests and discussions with appropriate personnel, we learned that this limit can cause...
stockouts because the warehouse manager cannot order needed supplies if the order puts the total inventory value over the specified limit.

We recommend that the following steps be implemented when economically feasible to improve the overall effectiveness of the supply operation in meeting the needs of the college:

1. All current stock levels and reorder points should be reviewed based on past history so that realistic stock levels can be determined. Based on industry standards, a three month supply may be appropriate in the area of office and janitorial supplies. A longer time period, possibly one year, may be appropriate for maintenance items.

2. Overstocked items should be reduced in quantity to become more in line with industry standards. This could be accomplished by using all or some of the following options:
   a. Reduction of excess inventory through attrition and reduction of new purchases.
   b. Contact with vendors to see if some credit arrangements can be made about the excess inventory. It is our understanding that this is now being done on several types of overstocked items.
   c. Consultation with prime user departments of the excess stock to determine their future needs. If the items are not needed and/or obsolete, they can be written off inventory and transferred to surplus property for disposal.
d. Notification of other state agencies of the availability of excess supplies and, where feasible and practical, transfer supplies at a mutually agreeable price. Approval by the Materials Management Officer or his designee is required.

3. The practicality of implementing an automated inventory control system should be studied. This would allow for better planning and scheduling of future acquisitions through the use of more easily obtainable inventory status reports and stock history reports.

4. Warehouse replenishment funds should be released to facilitate volume buying at larger discounts of those items that are turning over. As stated earlier, the inventory dollar value limit that has been placed on the warehouse may be partially responsible for the "stockout" situations that we noted during our test.

WINTHROP RESPONSE

SECTION V: SUPPLY MANAGEMENT

The summary of findings states the following, "Partially due to insufficient planning in stockroom acquisitions, inventory turnover is low." The text of the report cites a different reason under Part 1; Maintenance and Janitorial Supplies." Here the slow inventory turnover is cited as being "largely a result of stocking parts for emergency needs, general repair parts of many types and sizes necessary for a campus of the College's size and architectural variety and the necessity of keeping items needed that are no longer manufactured." Under Part 2; Office Supplies, a factor for the slow turnover of stock was cited as the "mandated absorption of excess office supplies by the warehouse from the College bookstore when the central supply operation was implemented." We do not believe the text of the report supports the summary finding.
In reviewing the items shown as overstocked in the report, we found several contributing factors as follows:

1. The order of supplies is based upon past usage of the item. Once the purchase was made the needs changed. For example, the 100 watt bulb cited by the auditors was shown to have 1277 "months to use" current inventory. The last order of this item was based on needs of the preceding year and subsequent to the receipt of this order a decision was made to replace the majority of 100 watt bulbs with lesser wattage in order to conserve energy. While the College still uses the 100 watt bulb, the use is less frequent. Similar occurrences resulted in overstocking of the soap and window cleaner noted in the report.

2. Departments request certain items be stocked for special projects or programs and then either the project is dropped or the program needs change. This was the case that resulted in the overstocking of the diaphragms, connectors, envelopes and clipboards noted in the report.

3. Some overstocking results from buying at excess volume in order to take advantage of state contracts or cash discounts.

In lieu of the current warehouse facility at Winthrop College, we do not find that the excess amount of any item in our current inventory has resulted in any significant additional costs to the College.

It will be our continued practice to review stock levels and re-order points based upon past history of needs in controlling inventory levels. We are currently reducing excess inventory through attrition and will seek credit arrangements with vendors when feasible. Automation of the Inventory Control System is in process.

VI. PROPERTY MANAGEMENT

We noted in our review of the property control system that Winthrop capitalizes all equipment with a unit price of $50 or more. Further, equipment valued at less than $50 is capitalized upon request.
In our opinion, this dollar limit may be too low for the college. This creates a massive workload on the operating departments accountable for the equipment as well as the Property Control Section.

We understand the Vice President for Finance and Business is accumulating property inventory statistics for the purpose of evaluating the pros and cons of the $50 limit. We concur with this study and recommend that the results be implemented as soon as practical.

We further recommend that the State Auditor's Office be consulted on this matter before a final decision on the dollar amount is made.

WINTHROP RESPONSE

SECTION VI: PROPERTY MANAGEMENT

On October 28, 1983, President Lader issued a policy memorandum which increased the dollar value for equipment which must be maintained on the equipment inventory from $50.00 to $200.00. Implementation strategy, notification and documentation for this change is being pursued at this time.

VII. REVIEW OF THE PROCUREMENT PROCEDURES MANUAL

As a part of our examination, we reviewed the Policy and Procedures Manual for Purchasing Services. We found the manual to be generally complete and well prepared. We did, however, notice several items that need to be added, expanded or changed. These are as follows:
1. Section 6.220 - Consultant Services - indicated that contracts exceeding $2,500 have to be approved by the Budget and Control Board. Further, they reference the old form used for this - "Report of Consultants".

   This is basically incorrect. Items greater than $2,500 must be procured by the respective chief procurement officers, not approved directly by the Budget and Control Board as in the past.

   This section says nothing about the procurement of these services if done in-house. It should describe the basic procurement procedures to be used and at least indicate that competition is required for these procurements.

2. Section 6.230 - Department Purchases - indicates that purchases can be made from the Bookstore with no competition, to any limit. This should clearly indicate that there is a $500 limit on this. Above this amount competition is required.

3. A Professional Development Section.

4. Determinations and findings, approvals necessary and where kept.

5. Approvals required for legal and auditing services.

6. Tie bids and in-state bidder's preference procedures.

7. Correction or withdrawal of bid procedures.
This list was given to the appropriate personnel during the audit and we understand that they are in the process of making the necessary adjustments.

WINTHROP RESPONSE

SECTION VII: REVIEW OF THE PROCUREMENT PROCEDURES MANUAL

We have made corrections as stipulated by the auditor and will make copies of the corrected Standard Practices available at the follow-up visit.

VIII. FISCAL ACCOUNTABILITY ACT REPORTING

Partially, as a result of lack of clarification as to reporting procedures statewide, the college has failed to fully comply with the requirements of the Fiscal Accountability Act in the following areas:

1. Failed to report to the Comptroller General a statement of all existing contracts for permanent improvements and the status of work pursuant to such contracts.

2. Failed to report to the Division of General Services some procurements that are not handled by Purchasing Services (i.e., library procurements, some consultant/contractual services and some food services).

3. Neglected to reconcile the data collected for Fiscal Accountability Act reporting to General Services with the Financial Management System.
Act 561 of 1976, Section 4 states in part:

The quarterly reports required by this Act shall include the following information current to the end of the last preceding quarter:

... (2) A statement of all existing contracts for permanent or capital improvements and the status of the work pursuant to such contracts....

Additionally, Section 5 states in part:

All agencies, departments and institutions of state government shall...furnish to the Division of General Services of the Budget and Control Board...a statement of all expenditures...for commodities which were not purchased through the Division. Such statements shall be prepared in the commodity code structure and report format established by the Division for reporting commodities purchased through the Division's central purchasing system....

...Expenditures for units under two hundred dollars shall be reported in the aggregate and units in excess of two hundred dollars shall be itemized.

Further, 561 as amended May 30, 1977 states in part:

...it is the intent of the General Assembly that all funds including state, federal, and other agency revenues, and also including any financial transactions covered by the budget code of the Comptroller General's office, be included in the reporting requirements of this Act....

Our examination revealed a lack of knowledge that the reporting of contracts for permanent and capital improvements and progress made on such projects was required. This also was the case on the items not reported to the Division of General Services.
As a result of the aforementioned conditions, approximately 20% of the college procurement activity for July 31, 1981 - August 31, 1982, has not been reported to the Division of General Services. This is a relatively small percentage of the total procurements when compared to other agencies we have audited. However, to comply with the law, the remaining transactions should have been reported.

The Division of General Services is currently working with the Comptroller General's Office on proposals to make major revisions in the reporting requirements of the Fiscal Accountability Act in the near future. These revisions will hopefully make the data reported by agencies more responsive and more cost effective.

Because of the possibility of these major revisions, we cannot recommend that Winthrop expend unnecessary time and money in effecting compliance with this law although we feel compelled to point out the lack of compliance. This lack of compliance, as indicated above, has been discovered in differing degrees at all agencies which we have audited.

WINTHROP RESPONSE

SECTION VIII: FISCAL ACCOUNTABILITY ACT REPORTING

Winthrop College will comply with the requirements of the Fiscal Accountability Act to the best of its understanding and capability.
IX. MINORITY BUSINESS ENTERPRISE UTILIZATION PLAN

Winthrop College has not finalized their Minority Business Enterprise Utilization Plan (MBE Plan). A plan was prepared and submitted to the Small and Minority Business Assistance Office (SMBAO) but it has been rejected because several areas were not addressed.

Section 11-35-5240(2) of the Procurement Code states in part that, "MBE utilization plans shall be submitted to the SMBAO for approval not later than July thirtieth, annually." (Emphasis Added)

We recommend that Winthrop immediately contact the SMBAO to work out any differences concerning the plan in order to effect compliance with the Procurement Code.

WINTHROP RESPONSE

SECTION IX: MINORITY BUSINESS ENTERPRISE UTILIZATION PLAN

Winthrop College will finalize its Minority Business Enterprise Utilization Plan.

X. PRINT SHOP UTILIZATION

As part of our examination, the State Printing Officer analyzed print shop equipment and personnel utilization. The following is his report:
Duplicating Equipment Utilization Analysis

Standards for evaluating efficiency and effectiveness of duplicating equipment in the Winthrop College Print Shop were established in part by the Legislative Audit Council (See Program and Operational Review of Printing, Duplicating and Photocopying Activities of South Carolina State Agencies, November 14, 1978) and the State Printing Manager. The Print Shop is currently operating three (3) separate pieces of equipment. These three are made up of three (3) Offset Duplicators. This analysis is based on the number of impressions produced on each piece of equipment; an impression being defined as a sheet of paper (irrespective of sheet size) passing through the equipment one time.

The criteria for evaluating equipment utilization has generally been established as 50% of the rated machine speed.

A minimum standard for use levels has been developed by allowing three and one-half (3½) hours out of each seven and one-half (7½) hour working day to be used for job set-up time, clean-up time, routine maintenance, breaks and miscellaneous down time. The number of hours equipment is available for operation annually is the same number of hours an operator would be on the job.

\[ \text{HOURS} \]

\[ 37\frac{1}{2} \text{ hours straight time per week } \times 52 \text{ weeks } = 1,950 \]

Less: 15 days annual leave \( = 112.5 \)

15 days sick leave \( = 112.5 \)

11 holidays \( = 82.5 \)

\[ 307.5 \]
1,950 hours available minus 307.5 hours = 1,642.5
1,642.5 divided by 7.5 hours = 219 days

Utilizing the production standards mentioned, 100% utilization would equal four hours per day. The number of working days per month based on 219 days divided by 12 equals 18.25 days.

In this analysis, each piece of duplicating equipment has been evaluated individually and a percentage of utilization calculated. An overall percentage of utilization has also been calculated based on the three pieces of equipment collectively. Man hours have also been analyzed using basically the same criteria established for evaluating equipment utilization.

The equipment utilization percentage and the man hour utilization percentage differentiate because there are three pieces of duplicating equipment being operated by two operators. The percentage of man hours utilized out of the working hours available indicate the overall efficiency of Winthrop's Print Shop. From the standpoint of making a comparison of the efficiency of this Print Shop and others in state government, at this point data is not available to analyze. However, when all data is compiled from each agency printing facility, the results will be published.

EQUIPMENT INVENTORY

NuArc Plate Maker
GBC Electric Punch for Spiral Binding
Davidson 620 Offset Press
Hermes Model ITF Sign Machine and Accessories
Chandler & Price Hydraulic Paper Cutter
Bostitch Heavy Duty Wire Stapler
Bell & Howell Mark I Model 23 Baumfolder
Bindfast Binding Machine
AB Dick 385 Offset Press
ITEK 960 Offset Press
3M Dual Platemaker Model MR-417
Spinit 3-headed Paper Drill
IBM Composer

A.B. Dick 385

Monthly Volume:

<table>
<thead>
<tr>
<th>Month</th>
<th>Year</th>
<th>Impressions</th>
</tr>
</thead>
<tbody>
<tr>
<td>July</td>
<td>1981</td>
<td>62,365</td>
</tr>
<tr>
<td>August</td>
<td>1981</td>
<td>311,504</td>
</tr>
<tr>
<td>September</td>
<td>1981</td>
<td>91,461</td>
</tr>
<tr>
<td>October</td>
<td>1981</td>
<td>211,228</td>
</tr>
<tr>
<td>November</td>
<td>1981</td>
<td>132,056</td>
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<tr>
<td>December</td>
<td>1981</td>
<td>115,315</td>
</tr>
<tr>
<td>January</td>
<td>1982</td>
<td>146,176</td>
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<tr>
<td>February</td>
<td>1982</td>
<td>263,066</td>
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<tr>
<td>March</td>
<td>1982</td>
<td>244,931</td>
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<tr>
<td>April</td>
<td>1982</td>
<td>140,499</td>
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<tr>
<td>May</td>
<td>1982</td>
<td>117,451</td>
</tr>
<tr>
<td>June</td>
<td>1982</td>
<td>258,930</td>
</tr>
</tbody>
</table>

Total Annual Volume - 2,116,982 impressions
Average Monthly Volume - 176,415 impressions

2,116,982 Annual Impressions Divided by 219 working days = 9,667 impressions
9,667 Daily Impressions Divided by 4,000 impressions per hour = 2.42 hours
2.42 hours is 60% of 4 hours (Representing 100% Utilization)

A.B. Dick 385 Utilization - 60%
DAVIDSON 620

Monthly Volume:

<table>
<thead>
<tr>
<th>Month</th>
<th>Year</th>
<th>Impressions</th>
</tr>
</thead>
<tbody>
<tr>
<td>July</td>
<td>1981</td>
<td>70,384</td>
</tr>
<tr>
<td>August</td>
<td>1981</td>
<td>35,525</td>
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<td>September</td>
<td>1981</td>
<td>49,570</td>
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<td>October</td>
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<td>1981</td>
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<td>1982</td>
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<td>February</td>
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<td>14,325</td>
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<td>March</td>
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<td>1982</td>
<td>9,250</td>
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<td>May</td>
<td>1982</td>
<td>12,950</td>
</tr>
<tr>
<td>June</td>
<td>1982</td>
<td>6,500</td>
</tr>
</tbody>
</table>

Total Annual Volume - 345,998 impressions
Average Monthly Volume - 28,833 impressions

345,998 Annual Impressions Divided by 219 working days = 1,580 impressions
1,580 Daily Impressions Divided by 2,500* impressions per hour = .63 hours
.63 hours is 16% of 4 hours (Representing 100% Utilization)

Davidson 620 Utilization - 16%

*The normal production standard for a Davidson 620 Offset Duplicator is 5,000 impressions per hour; however, in this case an allowance has been made due to the age of the equipment, the mechanical condition of the equipment, and the type printing the equipment is used for (strictly envelopes).

ITEK 960

Monthly Volume:

<table>
<thead>
<tr>
<th>Month</th>
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<th>Impressions</th>
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<td>99,387</td>
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<td>1981</td>
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<td>September</td>
<td>1981</td>
<td>100,496</td>
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<td>October</td>
<td>1981</td>
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<tr>
<td>February</td>
<td>1982</td>
<td>127,341</td>
</tr>
<tr>
<td>March</td>
<td>1982</td>
<td>157,024</td>
</tr>
<tr>
<td>April</td>
<td>1982</td>
<td>87,493</td>
</tr>
<tr>
<td>May</td>
<td>1982</td>
<td>72,487</td>
</tr>
<tr>
<td>June</td>
<td>1982</td>
<td>98,480</td>
</tr>
</tbody>
</table>

Total Annual Volume - 1,256,718 impressions
Average Monthly Volume - 104,726 impressions
1,256,718 Annual Impressions Divided by 219 working days = 5,738 impressions
5,738 Daily Impressions Divided by 5,000 impressions per hour = 1.15 hours
1.15 hours is 29% of 4 hours (Representing 100% Utilization)

Itek 960 Utilization - 29%

EQUIPMENT UTILIZATION SYNOPSIS

Total number of impressions produced from July 1, 1982 through June 30, 1982 was 3,719,698.

A. A.B. Dick 350 2,116,982
B. Davidson 620 345,998
C. Itek 960 1,256,716

Utilization Percentages:

A. 60%
B. 16%
C. 29%

Average Equipment Utilization Percentage - 35%

MAN HOUR UTILIZATION ANALYSIS

Number of Employees - Four (4) full time, one (1) part time.

1. Printing Production Manager
2. Printing Equipment Operator II
3. Printing Equipment Operator I
4. Phototypesetter
5. Clerk III, part time

There are two employees (2 and 3 above) directly responsible for duplicating equipment productivity. These employees operate three pieces of duplicating equipment.
Volume Produced Overall - 3,719,698 impressions.
3,719,698 Divided by 219 Working Days = 16,985 impressions per day.
16,985 impressions per day Divided by 2 employees = 8,492 impressions per employee.

8,492 impressions per employee divided by 3,650* impressions = 2.32 hours.
2.32 hours is 58% of 4 hours (Representing 100% Utilization)

Man Hour Utilization - 58%

*3,650 is the average production standard for the three pieces of equipment being analyzed.

100% Equipment Utilization would generate - 10,950,000 impressions.

Actual Equipment Utilization - 3,719,698 impressions

100% Man Hour Utilization - 1,752 hours

Actual Man Hour Utilization - 1,016 hours

RECOMMENDATIONS

All means of removing the Davidson 620 Offset Duplicator from the Print Shop inventory should be investigated. Since there are so few envelopes printed on this equipment, it appears it would be more efficient to utilize the Itek 960 to satisfy this requirement.

We suggest that Winthrop take the above recommendation into consideration. Additionally, we strongly recommend that the college strive to upgrade the overall operational efficiency of the Print Shop by screening all orders for outside printing services to determine if any of the work can be done internally.
WINTHROP RESPONSE

SECTION X: PRINT SHOP UTILIZATION

No response required.

XI. ENERGY AUDIT

As part of our audit, we requested the Division of General Services' Engineering and Energy Management Coordinator to analyze Winthrop's energy management program for the purpose of identifying potential for improving energy efficiency and recommending alternatives and/or corrective action. This analysis was performed not to criticize Winthrop College but for the purpose of providing assistance in this area of cost avoidance.

During the last ten (10) years energy use has become a major expenditure for all state agencies and institutions. Energy costs have taken up funds that once were available to meet other program objectives. The problem has been further complicated by the sagging state economy that has forced state government to reduce agency budgets several times over the past two years.

The results of this study are as follows:

The energy resources at Winthrop are generally managed in a professional manner. The Physical Plant Director and his staff are all energy and cost conscious and should be commended and encouraged to continue their conservation efforts.
This conclusion is based on an analysis of the electric and gas usage for the last three years. All bills were analyzed and the usage pattern indicates an on-going and productive conservation effort.

Some minor refinements were discussed with the Physical Plant Personnel. These refinements included:

1. Identify the peak demand time and attempt to control usage during this period to the yearly average.
2. Investigate the feasibility of using a power line carrier system to control the window A/C units in the dormitories.
3. Investigate the feasibility of using audio activated light switches in classrooms, etc.

Physical Plant personnel expressed interest and were responsive to these ideas.

We suggest that Winthrop continue their conservation efforts. Further, as time and funds permit, we suggest that the above recommendations be considered.

WINTHROP RESPONSE

SECTION XI: ENERGY AUDIT

No response required.
CERTIFICATION RECOMMENDATIONS

As enumerated in our transmittal letter, corrective action based on the recommendations described in the findings contained in the body of this report, we believe, will in all material respects place Winthrop College 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 recommend Winthrop College be certified to make direct agency procurements as follows:

<table>
<thead>
<tr>
<th>PROCUREMENT AREAS</th>
<th>RECOMMENDED CERTIFICATION LIMITS</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Goods and Services exclusive of printing equipment which must be approved by the Materials Management Office.</td>
<td>$5,000 per purchase commitment</td>
</tr>
<tr>
<td>II. Consultant Services</td>
<td>$5,000 per purchase commitment</td>
</tr>
</tbody>
</table>

This would result in Winthrop College handling 99% of their procurement transactions in these areas.

As indicated in the Scope section of our report, certification recommendations in the areas of Information Technology and
Construction and Related Services are being deferred until completion of statewide procedures in these areas.

R. Voight Shealy
Audit Supervisor

Robert W. Wilkes, Jr. CPA
Director, Audit and Certification
March 9, 1984

Mr. Richard J. Campbell
Materials Management Officer
800 Dutch Square Boulevard, Suite 150
Columbia, South Carolina 29210

Dear Richard:

We have returned to Winthrop College to determine the progress made toward implementing the recommendations in our audit report covering the period July 31, 1981 - January 31, 1983. During this visit, we followed up on each recommendation made in the audit report through inquiry, observation and limited testing.

The Audit and Certification Section observed that the college has made substantial progress toward correcting the problem areas found and improving the internal controls over the procurement system.

We, therefore, recommend that the certification limits for Winthrop College, as outlined in the audit report, be granted for a period of two (2) years.

Sincerely,

Barbara A. McMillan
Director of Agency Services

BAM: rms