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**South Carolina
Division of General Services**

PROCUREMENT AUDIT AND CERTIFICATION

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WINTHROP COLLEGE

AGENCY

March 17, 1986

DATE

STATE OF SOUTH CAROLINA
BUDGET AND CONTROL BOARD
DIVISION OF GENERAL SERVICES
300 GFRVAIS STREET
COLUMBIA, SOUTH CAROLINA 29201
(803) 758-3150



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WILLIAM T. PUTNAM
EXECUTIVE DIRECTOR

TONY R. ELLIS
DIVISION DIRECTOR

March 17, 1986

MEMORANDUM

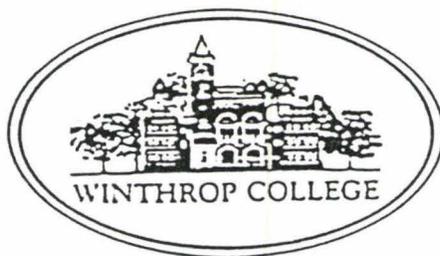
TO: Mr. Bill Putnam
FROM: Mr. Tony R. Ellis *Jon R. Ellis*
SUBJECT: Winthrop College

Pursuant to the enclosed letter received from Mr. John Alan Presto, Vice President for Administration and Planning at Winthrop College, the College is withdrawing its certification request. Therefore their certification will lapse.

TRE:kl

enclosure

CC: Mr. Andy Laurent
Mr. Rick Kelly
Mr. Voight Shealy



Office of Administration and Planning

February 28, 1986

Mr. Rick Kelly, Executive Manager
Division of General Services
300 Gervais Street
Columbia, SC 29201

Dear Mr. Kelly:

When I reviewed the draft of the Winthrop College Procurement Audit Report, I was reminded of a request that I made approximately one year ago for certification at the \$15,000 level for the procurement of printing services. My request was made to Mr. Richard J. Campbell, Materials Management Officer on March 11, 1985. Between that time and this, no action has been taken on the request and the request is no longer relevant for Winthrop College.

By this letter, I withdraw the request for certification in the amount of \$15,000 for the procurement of printing services, furthermore, I hope that this action can be accomplished prior to the issuance of the final audit report so that the request does not complicate the aforementioned report.

Thank you very much for your attention to this matter. I look forward to hearing from you with respect to the withdrawal of my request.

Sincerely,

John Alan Presto
Vice President for
Administration and Planning

JAP:mb

cc: Mr. Voight Shealy

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ASSISTANT DIVISION DIRECTOR

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SENATE FINANCE COMMITTEE

TOM G. MANGUM
CHAIRMAN,
HOUSE WAYS AND MEANS COMMITTEE

WILLIAM T. PUTMAN
EXECUTIVE DIRECTOR

March 17, 1986

Mr. Tony R. Ellis
Division 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 Audit and Certification Office. I concur and recommend that the Budget and Control Board not grant certification.

Sincerely,

A handwritten signature in cursive script that reads "Richard W. Kelly".

Richard W. Kelly
Assistant Division Director

kl

WINTHROP COLLEGE
AUDIT REPORT

February 6, 1986

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WILLIAM T. PUTMAN
EXECUTIVE DIRECTOR

RICHARD W. KELLY
ASSISTANT DIVISION DIRECTOR
February 6, 1986

Mr. Richard W. Kelly
Director
Agency Certification and
Engineering Management
Division of General Services
300 Gervais Street
Columbia, South Carolina 29201

We have examined the procurement policies and procedures of Winthrop College for the period February 1, 1983 - September 30, 1985. 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 internal 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 College 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 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.

R. Voight Shealy
R. Voight Shealy, Manager
Audit and Certification

INTRODUCTION

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

Our on-site review was conducted October 9, 1985, through February 7, 1986, 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 includes:

- (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 verify 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.

Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code states in part:

In procurement audits of governmental bodies thereafter, the auditors from the Materials Management Office shall review the adequacy of the system's internal controls in order to ensure compliance with the requirements of this code and the ensuing regulations.

The current certification limits expire March 15, 1986. Our audit was performed primarily to determine if recertification is warranted.

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 Office of Audit and Certification of the Division of General Services statistically selected random samples for the period July 1, 1984 - September 30, 1985, 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 accompanying regulations;
- (2) procurement staff and training;
- (3) adequate audit trails and purchase order register;
- (4) evidence of competition;
- (5) small purchase provisions and purchase order confirmations;
- (6) emergency and sole source procurements;
- (7) source selections;
- (8) file documentation of procurements;

- (9) warehousing, inventory and disposition of surplus property;
- (10) economy and efficiency of the procurement process; and
- (11) approval of Minority Business Enterprise Plan.

SUMMARY OF AUDIT FINDINGS

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

	<u>PAGE</u>
I. <u>Compliance - Four Procurement Areas</u>	9
Numerous types of exceptions were found in the four procurement areas, i.e., goods and services, consultants and contractual services, construction, and information technology, that were not in compliance with the Code, regulations, and/or the procedures outlined in the operating procedures manual.	
II. <u>Compliance - Sole Source Procurements</u>	24
Procurements were made improperly as sole sources, incorrectly reported to the Division of General services, and did not have the applicable approvals from the Division of Information Resource Management.	
III. <u>Compliance - Emergency Procurements</u>	30
Procurements were made that:	
1. Failed to have a justification to support the emergency; and	
2. The justification and/or the time frame did not indicate an emergency situation.	

	<u>PAGE</u>
IV. <u>Compliance - Goods and Services</u>	32
<p>The low bidders were not awarded the applicable contract on two occasions.</p>	
V. <u>Compliance - Consultants and Contractual Services</u>	33
<p>A. A tie-bid was improperly handled.</p>	
<p>B. Several procurements were made without a purchase order being issued.</p>	
VI. <u>Compliance - Construction</u>	35
<p>Construction procurements were made without the approval of the State Engineer.</p>	
VII. <u>Compliance- Trade-Ins</u>	36
<p>The College failed to obtain the approval of the Materials Management Office to trade in items in an excess of \$500.00.</p>	
VIII. <u>Blanket Purchase Agreements</u>	37
<p>Blanket purchase agreements have been made that were not in compliance with the regulations.</p>	
IX. <u>Rental of State-Owned Property</u>	38
<p>The College has failed to get the approval from the Division of General Services for the rental of State-owned property.</p>	

RESULTS OF EXAMINATION

I. Compliance - Four Procurement Areas

During the audit we noted internal control weaknesses throughout the procurement function at Winthrop College. These weaknesses were not isolated to a particular procurement area but were common to the four areas outlined in the Consolidated Procurement Code, i.e., goods and services, consultant services, construction, and information technology. The internal control weaknesses that apply to all or most of these four procurement areas are categorized as follows:

- A. Lack of Documented Competition
- B. Insufficient Competition
- C. Incorrect Method of Source Selection
- D. Unauthorized Procurements
- E. Splitting of Orders
- F. Procurements Above Certification Limit
- G. Items Solicited Not Identical To Items Procured
- H. Change Orders Not Prepared
- I. Informal Hourly Rates for Services Used As Formal Bid Solicitations
- J. Receiving Reports Not Used
- K. Weak Accounts Payable Function

Our audit of each procurement area included a test of randomly selected transactions and related activity. Additional tests that we considered necessary to evaluate the College's procurement function were also performed.

A. Lack of Documented Competition

The College failed to obtain competition for the procurements listed on Schedule A of the Appendix. The Procurement Code regulations require competition for all transactions that exceed \$500.00. The minimum number of firms to be solicited increases with the dollar amount of the procurement. The College's unexplained failure to obtain competition for these procurements places it out of compliance with not only the basic intent of the Procurement Code but also its specific requirements.

COLLEGE RESPONSE

Procurements cited by the auditors under this section, Schedule A, included the following types of cases:

1. Maintenance agreements on equipment when the agreement was obtained from the manufacturer of the equipment:

#52085
#52086
#53059
#53124
#58086
#60874

In some instances, competition was simply not available since the equipment manufacturer specializes in maintenance of his equipment and no others offer the service.

2. We used hourly rates on file in the Purchasing Office to determine who should receive the job.

#51540
#52263 (also included on Schedule I
of Auditor's Report)
#54156
#55736
#57836
#60620
#61453

We mistakenly thought that rate schedules were acceptable. We have discontinued their use at Winthrop

College until the matter is resolved by the Division of General Services in an unambiguous way.

3. The procurement qualifies as a sole source procurement, but we neglected to attach the sole source justification. There was no other source for competition in these instances:

#55218: (\$1,535) We attempted to locate two other sources for the item purchased, but were advised that there was only one local manufacturer's representative that we could purchase from.

#57810: (\$704) This was payment to Sperry Univac Corporation for the "Relocation and setup of Sperry Systems 80 Mod 4 purchased from Lenoir Rhyne College."

#59049: (\$650) This is payment to the National Credentialing Association for readiness and assessment fees. There is no other organization from which these credentials can be obtained.

#59281: (\$1,440) This is a renewal fee for subscription services of software and microcode used in the Academic Computer Center.

4. Competition was not obtained on purchase order #56901 for \$660 as a result of a misunderstanding on the part of the vendor. The procurement was for piano benches and the Dean of the School of Music commented to the vendor that he would submit a purchase order for the benches. The vendor ordered the benches and had them sent to Winthrop before the purchase order could be processed. Due to the dollar amount involved and the likelihood that this vendor would have received the purchase award anyway, we decided to keep the benches and issue a purchase order to the vendor. This is an exception to our normal procedures rather than a customary practice.
5. Competition was not obtained on purchase order #55889 for \$1,080.09 used to purchase validation stickers for student ID cards. We had two known sources for this type of sticker and had used both sources in prior years. One source's stickers proved to be of very poor quality as documented in a letter on file from the College's head cashier. We therefore opted to buy from the second source without obtaining quotes from both sources.

6. Purchases of software to be used in the Governor's Remediation Initiative program were available only from specific companies that held patents.

#59908 James L. Hartman and Company
#59937 Educational Activities
#60078 Software and So Forth

7. Lack of competition was the result of issuing confirming purchase orders or using hourly rate charts on file in the Purchasing Office. Both of these practices have been prohibited by College procedure, as of February 10, 1986. (See attached memo.)

These instances in which we used hourly rates instead of soliciting competition were cited both for "Lack of Documented Competition" (Schedule A) and for "Unauthorized Procurements" (Schedule D) of the audit report. They include the following:

#54961
#56901
#62081
#62015
#50793
#55735
#53124
#54008
#52263
#54156
#62640
#64314
#66017
#54800
#52086
#52085
#58086

B. Insufficient Competition

The College failed to obtain the required number of competitive quotations or bids for the procurements listed on Schedule B of the Appendix. Competition was sought but not from the number of vendors required by the regulations.

COLLEGE RESPONSE

In the two cases cited by the auditors, we believed at the time the quotations were solicited, that the purchase price would be less than \$1,500. Therefore two written quotes were obtained. Once the quotes were received, the low bid in each case exceeded \$1,500 by a relatively small amount (\$50 in one case and \$174.80 in the other). Due to the small difference over \$1,500, we did not feel it prudent to expend the additional time and resources to obtain a third quote.

C. Incorrect Method of Source Selection

The sealed bid process was not used for two procurements greater than \$2,500, as required by Section 11-35-1520 of the Procurement Code. In two other instances, sealed bidding was used but the invitations were not advertised in the official state government publication, as required by Section 11-35-3020(2)(a) of the Code for procurements of construction and related services, equipment and supplies. See Schedule C.

COLLEGE RESPONSE

We concur with the four cases cited by the auditors. The memo of February 10, 1986, specifically prohibits anyone other than the Purchasing Agent or his designee from making a commitment of college funds for goods or services.

D. Unauthorized Procurements

The procurements listed in Schedule D of the Appendix were made by personnel outside the Purchasing Department who did not have the requisite authority. In every case, the goods or services and the vendor invoices were received before the purchase order was prepared.

The State Auditor, in his management letter for fiscal year 1980/81, criticized the College's use of confirmation purchase orders. In response to this comment, the College stated:

The College has taken steps in years subsequent to the years audited (1980 and 1981) to minimize this practice. College practices will be altered to insure that the Purchasing Department alone is making all College purchases of equipment, supplies and services. All purchases will be monitored for compliance with the State Consolidated Procurement Code and College purchasing regulations.

The Winthrop College Standard Practice Manual, in Section 6.035, Standard Purchasing Procedures, indicates:

The following steps are required in order for a purchase to be paid by Winthrop College:

1. Department personnel completes a purchase requisition.
2. The properly completed and approved purchase requisition is sent to the Purchasing Department for further action.
3. The Purchasing Department completes, approves and distributes the College purchase order and purchases or completes a State of South Carolina Purchasing requisition.
4. The supplies and services are received.
5. Signed receiving report is sent to Accounts Payable Department.
6. Vendor invoices are sent to Accounts Payable.
7. Accounts Payable processes the vendor's payment.

Further, this section indicates: "As a result of the June, 1981, State Audit of Winthrop College, Purchasing and Accounts Payable Departments will no longer process confirming purchases....The employee who makes a purchase and who seeks to have the vendor paid by a 'confirming' purchase requisition will be personally financially responsible for paying the vendor."

Section 19-445.2015 requires that acts obligating the State in a contract by a person without the requisite authority to do so by an appointment or delegation be formally ratified. Ratification authority has been delegated to the College president for those procurements within their certification limits which are \$5,000 for goods and services and consultant services, and \$2,500 for information technology and construction. The procurements above these limits must be ratified by the Materials Management Officer.

In either case, the president of the College must prepare a written determination as to the facts and circumstances surrounding the acts, corrective action being taken to prevent reoccurrence, action taken against the individual committing the act, and documentation that the price paid is fair and reasonable. If the price paid is unreasonable, the individual may be held pecuniarily liable for the difference.

The College should impose its own policy and refuse to make payment.

COLLEGE RESPONSE

Purchases cited by the auditors include the following types of errors:

1. Commitments entered into based upon hourly rates on file in the Purchasing Office. These transactions are also cited by the auditors under "Informal Hourly Rates for Services Used as Formal Bid Solicitations" (Schedule I of the Report). We feel that the error was in using the hourly rates rather than an unauthorized procurement. As was previously mentioned, use of fee schedules has been discontinued.

#52646
#52263
#56164
#57052
#56853
#60517

2. We commit to water treatment services on an annual basis. This service has been used for several years at Winthrop and we did fail to competitively bid the contract for 1985. The Director of Physical Plant acted upon past history of contractual services. This error has been noted under three different sections of this report, but in reality constitutes one error (Schedules A, D and E). Since it was comprised of four quarterly payments, it is noted four times each on Schedules A and D of the report.

#62640
#64314
#58858
#66017

3. This purchase (#53124) represents a maintenance agreement we obtained from the equipment manufacturer.

E. Splitting of Orders

During our audit we found seven incidents where purchases were split. See Schedule E. Section 11-35-1550 of the Code states that procurement requirements shall not be artificially divided. The procurements that had an aggregate amount that exceeded the certification limit of the College require ratification as explained in I.D. above.

COLLEGE RESPONSE

This problem is very difficult to control from the Purchasing Office when multiple purchase requisitions are submitted on different dates. We will make every effort to ensure that the requesting departments understand the necessity to reflect all work to be done on one purchase requisition. We will address this issue with renewed vigilance; further the elimination of the use of rate schedules should impact this problem in a substantial way since most of the split orders were associated with procurements from a rate chart.

F. Procurements Above Certification Limit

Winthrop College made procurements that exceeded their certification limits of \$2,500 for construction and information technology and \$5,000 for goods and services and consultants. Those procurements that exceeded the certification limits were not in compliance with the Code and regulations and, pursuant to Regulation 19-445.2015(A) must be ratified in accordance with the procedure explained in I.D. above. A summary of these procurements appears on Schedule F of the Appendix.

COLLEGE RESPONSE

We concur with the auditor's findings and will make every effort to ensure that future procurement decisions made by Winthrop are within the certification limits. We have noted that several of the procurements noted by the auditors were for maintenance contracts and the renewal of the contract with Wachovia Services for maintenance of NDSL student loan receivables.

The Purchasing Agent has been instructed to strictly observe the \$2,500 authorization limit; we will be careful to ensure that no others make commitments which might exceed the limitation. (See February 10, 1986, memo).

G. Items Solicited Not Identical to Items Procured

Winthrop College solicited bids for specific items but issued purchase orders for other items. Good procurement practice dictates that potential bidders be given the opportunity to bid on the identical items. By failing to solicit bids on identical items, the College has not adhered to a basic procurement principle that affords each bidder an equal opportunity to win the award. See Schedule G.

COLLEGE RESPONSE

We concur with the auditor's findings and will make every effort to see that the error is not repeated in future procurements. Change orders will have to be executed if there is a significant difference between what was ordered and what is delivered.

H. Change Orders Not Prepared

Change orders were not prepared in many cases where invoice amounts differed from the amounts shown on the purchase orders. Payments were made based on the signature approval of the Purchasing Department or the requesting department. See Schedule H.

A formal purchase order is a binding contract between a vendor and Winthrop College. The vendor agrees to furnish a specific good or service at an agreed upon price. 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 pay-

ment. A formal change order system is the generally accepted procurement method for authorizing changes. This insures that internal controls are intact and creates an audit trail.

The College has a formal change order system but it is not utilized uniformly. This system was developed after the last audit was performed by this Office in 1984.

The College's response to this problem in that audit report indicated the following:

The Purchasing Agent shall issue and sign all changes to properly executed purchase orders. Such changes will be made only upon 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.

We recommend that this system be implemented and used consistently.

COLLEGE RESPONSE

The change order procedures as outlined by the procurement auditors are implemented routinely at Winthrop. Exceptions noted by the auditors included changes for shipping or freight charges not included on the original purchase order. We discussed this with the auditors and received contradicting opinions as to whether changes of small amounts or for shipping charges should warrant a change order. We intend to revise our procedures to allow for minor changes (10% of purchase order or \$100, whichever is less) or shipping charge additions without the necessity of preparing a change order.

I. Informal Hourly Rates for Services Used as Formal Bid Solicitations

The College issued purchase orders without competition based on rates from vendors that were on file in the Purchasing Department. These rates applied to vendors that provided services on a rate per hour basis, i.e., electricians, plumbers, welders, backhoe services, tree removal services, plastering services, brick masons, or carpenters. These rates were commonly used for the procurement of these services. See Schedule I.

In our audit report dated March 20, 1984, we made the recommendation that the College, for each type of service, obtain prices from the required number of vendors and establish agency term contracts with the low bidders for a fiscal year at a time. The College concurred with this recommendation and stated, "Rates will be solicited from the required number of vendors on an annual basis." However, the College has not implemented this procedure.

The vendors submit price lists periodically which are usually effective for six months to a year. Apparently, the College felt that using these price lists from vendors would fulfill any necessary competitive requirements.

The process is not formalized however. Price lists are not obtained from many vendors for provision of the same services. No term contracts or blanket purchase agreements are established. In many cases, the College must call the vendors to determine if the price schedules are still in

effect. Many of them show old dates and no formal period of applicability.

The use of these informal price lists to support procurements must be stopped. The informal price lists in no way satisfy the formal competitive requirements of the Procurement Code. Either term contracts must be established for each service line through a formal solicitation or each procurement must be competed separately. Due to the dollar amounts, these must be handled by the Materials Management Office.

COLLEGE RESPONSE

There is some confusion as to the applicability of rate schedules; we believed them to be acceptable for us according to the practices we had established. As a result of the auditor's comments, we have revised our procedures and will no longer use fee rate schedules. If rate schedules are established in future, they will be procured in strict compliance with the Consolidated Procurement Code. We feel that the issue of rate schedules should be addressed specifically by the Division of General Services.

J. Receiving Reports Not Used

College departments do not forward receiving reports to the Accounts Payable Department when items are received. The procedures manual requires that receiving departments forward the receiving report to the Accounts Payable Department indicating receipt of goods or services. This procedure allows for a separation of duties within the procurement and payment process thus affording adequate internal control over expenditures.

The procedures are not being followed routinely as evidenced by our summary of this exception on Schedule J of the Appendix. The College routinely forwards vendor invoices to applicable departments to verify receipt. Signed invoices are used in lieu of the receiving reports.

As a result we found one instance where the College made a duplicate payment for 3,417 gallons of diesel fuel, on vouchers 34327, 34608, 34609, and 34610, resulting in an overpayment of \$3,775.78 to the vendor in July, 1985. The College was not aware of this overpayment until we brought it to their attention in January, 1986. This example clearly indicates the weaknesses in the system.

COLLEGE RESPONSE

Procedures within our Accounts Payable Department during the period under audit required that if a receiving report was not available that the department would have to sign a form "Approval for Payment" in which they acknowledged receipt of the goods or they would sign a photocopy of the invoice acknowledging receipt. A documented record of receipt would have to be on file before payment could be made.

As a result of the auditor's findings, we have revised our procedures to require that the receiving departments forward a signed receiving report to the accounts Payable Office before payment can be made. These procedures are currently in effect. (See February 10, 1986, memo.)

K. Weak Accounts Payable Function

The College used a checklist with seven items as an audit step within the Accounts Payable Department. The items were:

1. Original Invoice Attached
2. Signed Receiving Report Attached
3. Verified with Purchase Order
4. Extensions Checked
5. Proper Discount Taken
6. Use Tax Checked
7. Checked Commitment List

Voucher Prepared by:...

Audited by:...

The purpose of this checklist was to indicate the seven steps that should be completed before payment.

Accounts Payable personnel did not check off for each of the seven items on this list. In some cases Item 2 was changed to indicate that the signed invoice was attached, contrary to the internal procedures as noted in Item I.J. above. In some cases the purchase order did not show sufficient detail, indicating the items or services procured, to allow Accounts Payable to match the purchase order with the invoice and verify amounts to be paid.

Additionally, we found several vouchers on which, in lieu of the handwritten initials of the person who prepared the vouchers, their initials were typed. Sound control procedures require that the person who performed this task initial or sign that he/she did, in fact, perform the function. Handwritten initials are distinctive, typed initials are not. The College has not adhered to proper operating procedures that aid in the provision of adequate internal

control over cash disbursements. The summary on Schedule K of the Appendix reflects these exceptions.

COLLEGE RESPONSE

Procedures within the Accounts Payable Department have been revised to include the following:

1. All items on the voucher audit stamp must be attested to (checked). By checking each item, you are indicating that each item was verified by applicability. Even if one or more items do not apply, they must be checked so that later audits will show that we inquired as to applicability.
2. Employees must handwrite their initials beside "voucher prepared by" and "audited by". Typed initials in these places are not acceptable.

II. Compliance - Sole Source Procurements

We examined the quarterly reports of sole source procurements for the period April 1, 1983 through September 30, 1985. This review was performed to determine 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.

The following problems were noted.

A. Improper Sole Source Procurements

Forty-eight (48) purchase orders totalling \$157,811.48 were not supported by adequate justifications for sole source procurements (see Schedule L).

COLLEGE RESPONSE

We disagree with the auditors in many of the transactions cited in this section. Our disagreement is based on our determination that the procurement was for an item that was "one-of-a-kind" and therefore there was no competition available. This type of procurement included the purchases of tapestry, rugs, postage and mailing systems, custom made furniture, marbleizing services and a bicycle rack manufactured by only one company under a patent. Purchase orders included under this category include the following:

#42370
#42978
#43177
#43288
#43368
#43369
#43382
#43478
#44166
#51344
#51962
#56106
#60512
#60905
#62768
#63244

Other specific justifications that we feel were appropriate are as follows:

- #44951: This was a purchase of a musical instrument made in Japan with only one importer.
- #53901, 53902, 60859, 60928 and 60929: The College adopted a campus wide signage system to ensure uniformity among on-campus signs. All signs purchased after this system was adopted had to be purchased from the vendor selected.
- #43424: The School of Music chose to purchase a Steinway piano. This was submitted to State procurement for bidding, but the State initially rejected bidding only the "Steinway" brand. When we received the purchase request back, we contacted the then Division Director of General Services. He advised us to treat the purchase as a sole source due to the time that had elapsed in the purchasing process.
- #43495: We attempted to locate two other sources from which to solicit bids on this item, and each

time were referred back to the source that we eventually purchased from.

- #43688: This purchase was for repair parts for the Holstead and Mitchell cooling tower unit at Winthrop. There is only one known representative for these parts.
- #56106: This was the purchase of a mail processing system. We chose Pitney Bowes because we were advised by Central State Purchasing that Pitney Bowes had the only fully integrated system on the market and there was only one distributor, which is Pitney Bowes.
- #59486 & 59915: These procurements were for software available from only one source.
- #62059: This purchase was for procurement of Babcock and Wilcox reservoirs that had to be compatible with the Babcock and Wilcox boilers located in the central energy plant. There was only one source for these parts -- Babcock and Wilcox.

In addition, of the 53 sole source procurements questioned by the auditors, only 10 occurred during 1985 and we take exception to the auditors conclusion in every one of these 10 cases. While our procedures for sole source procurements may have been lax in the past, we now feel that our controls are sufficient.

B. Untimely Determinations

Purchase orders were issued prior to determination approval by the authorized individual (see Schedule M). In addition, some procurement actions were initiated prior to justification approval, purchase order preparation, and approval by the Director of Purchasing. The latter transactions represent unauthorized procurements requiring ratification as explained in I.D. above.

COLLEGE RESPONSE

Our procedures require that when a sole source procurement is received in the Purchasing Office, that the purchase order be prepared and forwarded to the Vice President for administration and Planning along with the sole source justification. Therefore in most cases the date of the purchase order will precede the date of the sole source justification approval.

We would also point out that of the 25 instances cited by the auditors, 21 occurred prior to 1985 and 19 of these occurred in 1983. We had taken corrective action prior to the audit to prohibit sole source procurements without timely approval.

C. Unauthorized Sole Source Procurements

Determinations were not prepared for purchase orders designated "Sole Source" and listed on the quarterly sole source reports (see Schedule N). These are unauthorized procurements which must be ratified as explained in I.D. above.

COLLEGE RESPONSE

Every instance cited by the auditors occurred prior to 1985, we feel that this is an indication of our commitment, prior to the audit, to limit the number of items being purchased without competition.

We disagree with the auditors on two of the noted exceptions:

#45785: Rugs were delivered to the President's house for approval of design and color. The actual purchase order was not cut until it was determined that the rugs were suitable on September 21, 1983. Sole source justification was approved on September 19, 1983.

#51457: The purchase of the Optical Mark Reader was approved by the State IT Planning Office in November, 1983. Purchase actually took place June, 1984.

D. State Term Contract Items

Purchase orders for items procured from State term contracts were unnecessarily reported on the quarterly sole source reports (see Schedule O).

COLLEGE RESPONSE

We concur. We should not have reported these items as sole source procurements.

E. Incorrect Amount Reported

The incorrect dollar amount was shown on the quarterly sole source report for six (6) purchase orders resulting in the net over reporting of \$9,174.45 (see Schedule P).

COLLEGE RESPONSE

We concur. We have taken steps to ensure correct reporting.

F. Reporting Errors

Five (5) purchase orders initially reported on the sole source report for the quarter ending March 31, 1984, were erroneously removed from an amended report for that quarter (see Schedule Q).

COLLEGE RESPONSE

We concur. In the area of construction, we removed items purchased with "C" funds from the report. We did this in ignorance of the Code provision which stipulates that such items must be reported as sole source.

G. Justifications Not Signed

Three (3) sole source determinations were prepared but never signed by the authorized individual (see Schedule R). These represent unauthorized sole source procurements and must be ratified as explained in I.D. above.

COLLEGE RESPONSE

We concur.

The lack of exercising internal controls in sole source procurements has resulted in improper procurements, unauthorized procurements, inaccurate quarterly reports, and failure to comply with State policies and procedures.

III. Compliance - Emergency Procurements

Our examination of emergency procurements for the period April 1, 1983, to September 30, 1985, revealed the following emergency procurements that were not made in accordance with the Code.

1. No Determination

The College reported purchase order 59022 for \$864.00 as an emergency but did not prepare a determination to justify the procurement.

2. Improper Emergencies

The time frame on the following procurements indicated that emergency situations, as defined in the Code, did not exist. Additionally, the required emergency procurement determinations were not prepared until after the procurement action was taken.

<u>Purchase Order</u>	<u>Purchase Amount Reported</u>	<u>Amount Date of Justification</u>	<u>Approval to Purchase Date</u>	<u>Description</u>
54327	\$5,643.00	10/10/84	11/02/84	"The vinyl flooring had to be replaced immediately" was stated on the determination dated 10/10/84 with the applicable approval to purchase dated 11/02/84 based on the conditions that were reported 09/20/84.
61551	\$16,160.00	08/19/85	08/15/85	"The generators are to be used to supply hot water to dorms. They are to replace ones which are in poor condition requiring constant repair due to leaks. It was essential that replacements be obtained as soon as possible."
63235	\$3,521.86	08/18/85	09/17/85	"These fittings are required to complete installation of two cemline hot water gener-

ators which are replacing ones which are in poor condition and requiring constant repair to leaks" was stated on the 09/18/85 determination for a procurement within a State Permanent Improvement Project. The College had previously requested a written quotation from one vendor. The quotation was prepared 09/04/85. This indicates time was available to solicit bids.

59843	\$107,716.25	05/21/85	05/28/85	Carrels procured
59844	\$39,951.60	05/21/85	05/28/85	for 73 com-
59845	\$4,986.50	05/21/85	05/28/85	puter labs
59846	\$2,427.65	05/21/85	05/28/85	
59847	\$2,410.65	05/21/85	05/28/85	

The memo to support this justification dated 05/16/85 stated, "The purchase of student carrels has been delayed leaving insufficient time to bid, order, manufacture, deliver and install within the remaining 75 days via the South Carolina purchasing system." These procurements were for 414 carrels, 445 add-on to carrels, 80 back-to-back carrels, and 1019 each of the light fixtures and outlets for electrical plugs. The College submitted requisition number 801 to State Procurements on 02/27/85 for 44 carrels, 43 add-on carrels, 12 back-to-back carrels, and 111 each of the light fixtures and outlets for the plugs, but the bid was rejected on 05/21/85 as the College stated in a 04/10/85, memo that the low bidder's product did not conform to the specifications requested; second low bidder for the same reason; and the third low bidder's carrels had not considered adjustability.

The College prepared requisition 823 on 04/11/85 and requisition 842 on 05/06/85 for the remaining carrels, fixtures, and plugs, with an estimated delivery date of 08/01/85. Since the delivery date of the original requisition (801) was 05/15/85, approximately two and one half months after the requisition was prepared, i.e., 02/27/85, the College would have had ample time to submit requisitions 823 and 842 to State Procurements for processing.

The College failed to adequately process these requisitions with full knowledge that the 73 labs would require a sufficient number of carrels, not just the

items submitted on requisition 801 dated 02/27/85. Poor planning is not a criteria to justify a procurement as an emergency.

COLLEGE RESPONSE

We concur with the findings in this section.

IV. Compliance - Goods and Services

We found two occasions where the low bidder was not awarded the contract. Purchase order 52103 was issued for \$878.40, however another vendor, who was located in North Carolina, submitted a bid of \$877.82. The College applied the 2% preference for the in-state bidder to the \$877.82, thus allowing for the award to be made to the in-state bidder. As specified in Section 11-35-1520(9)(d) of the Code, in-state bidder preference only applies to procurements greater than \$2,500.00. Further, the preference was never requested by the bidder.

The College issued purchase order 54247 for \$2,496.00 even though another vendor quoted a price to \$1,989.00. We could not ascertain any basis for the award not being made to the low bidder. Section 11-35-1520(10) of the Code requires that the award be made with reasonable promptness to the lowest responsible and responsive bidder who meets the requirements and criteria set forth in the invitation for bids unless there is a compelling reason to reject one or more bids. There was no apparent reason for the low bid being rejected.

All future procurements must be made in accordance with the Procurement Code. Awards must be made to the low bidders unless documentation is available to substantiate legitimate reasons for doing otherwise.

COLLEGE RESPONSE

The audit report cites two instances in which the low bidder was not awarded the contract. In the first instance, a North Carolina bidder's bid was 58 cents less than the South Carolina bidder's bid. We awarded the contract to the South Carolina bidder. We feel that the citation of this exception may be technically correct but it is hardly substantial. Our intent was to abide by what we felt would be the intent of the State in making the award to the South Carolina vendor and still believe that our actions were appropriate.

We concur with the auditor's finding in the second instance.

V. Compliance - Consultants and Contractual Services

A. Tie Bids Not Handled Properly

The College submitted a request for quotations to four vendors for rates per hour for an electrician and helper to install smoke detectors. The request for quotations called for an estimated time of 160 hours. The solicitation was sent to three (3) out-of-town firms, the closest of which was located 85 miles away, and one local vendor. Identical bids were received from two (2) vendors, one local and one out-of-town. The College issued purchase order 59705 to the local vendor without justification except that he was local.

Section 11-35-1520(9)(c) of the Code requires that, in the event of a tie bid, the award be made by a flip of a coin in the office of the chief procurement officer or head of a purchasing agency, witnessed by all interested parties. The College did not abide by this requirement of the Code thus rendering this procurement out of compliance. True tie bids cannot be awarded arbitrarily. It must be done in a fair and equitable manner. Both vendors were located in the state, so location was not a justified factor.

COLLEGE RESPONSE

We concur.

B. Items Procured Without Purchase Orders

The College made several procurements via the direct expenditure for personal services procedure that did not require the involvement of the Purchasing Department. These procurements were as follows:

<u>Voucher No.</u>	<u>Amount</u>	<u>Description</u>
2083	\$3,896.00	Plant layout design
40970	\$550.00	Orchestra member
6268	\$1,125.98	Centennial Park Design

These services are subject to the provisions of the Code and must be procured competitively or, if justified, determined to be sole source.

We recommend that the College take immediate action to assure that these types of items are procured in compliance with the Code. The current procedures indicate that the Purchasing Department has authority to make procurements for the College for the items that are subject to the Code. Future procurements of services should be processed through the Purchasing Department so the applicability of the Code can be determined.

COLLEGE RESPONSE

We concur with the auditor's findings and further note that the other exceptions occurred prior to 1985 and these types of procurements are no longer being made. There remains, however, a lingering question on the correct way to procure the services of uniquely talented persons such as the orchestra member cited in #40970.

VI. Compliance - Construction

Many procurements were made without the required approval of the State Engineer. The State Engineer is the sole authority for the procurement of construction services and construction materials and equipment which costs more than \$2,500.00. Contracts for construction related procurements can only be made after the State Engineer has approved either a form SE-380 (Request for Authority to Execute a Construction Contract) or a form SE-520 (Request for Authority to Purchase Equipment and/or Construction Material). This applies to all procurements, even if they

are determined to be sole source or emergencies. See Schedule S for a list of these.

Winthrop must request ratification in accordance with Section 19-445.2015 of the regulations. The process was explained in I.D. of this report.

COLLEGE RESPONSE

Many of the examples cited in the audit report under this section were also noted in other sections. As to those that were also cited as improper sole source procurements, the College has altered its procedure for sole source procurements.

Many of the examples cited relate to the Renovation of Tillman Hall, a project that was carried out largely by the Campus Planning and Design Department at Winthrop College. This department's authority to commit construction funds was rescinded prior to audit; the new procedure calls for all construction funds to be committed only by the Vice President for Administration and Planning. We feel very strongly that this change will obviate any further problem procurements in the construction area.

VII. Compliance - Trade-Ins

We reviewed trade-ins for the period April 1, 1983, through September 30, 1985, to assure compliance with the requirements of the Procurement Code and the accuracy of quarterly reports to the Materials Management Office.

The quarterly reports were accurate and filed timely, however we noted the following two (2) trade-ins in excess of \$500.00 which lacked the approval of the Materials Management Officer.

<u>Description</u>	<u>Purchase Order</u>	<u>Trade-In Amount</u>
Typewriters	55981	\$710.00
Typewriters	56099	\$1,330.00

Section 19-445.2150(E) of the regulations requires disposition by the Materials Management Officer of all trade-ins in excess of \$500.00.

We recommend that Winthrop College adhere to the regulations requiring the approval of the Materials Management Officer for all trade-ins in excess of \$500.00.

VIII. Blanket Purchase Agreements

In our prior audit report dated March 20, 1984, we found that a number of the blanket purchase agreements were not in compliance with the regulations promulgated under the Code. The College responded to the report that they concurred with our audit recommendation and would implement the necessary changes to bring these procurements in compliance with the regulations. This has not been done, therefore we again must address this exception.

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 immediately to ensure compliance to the Code in the area of blanket purchase agreements:

1. Purchasing Department 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 the Purchasing Department 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.

IX. Rental of State-Owned Property

The College receives rental income from several sources for State-owned property. Regulation 19-445.2120(B) requires that the Division of General Services must approve

the rental of State-owned real property. The College is not in compliance with this section of the regulations.

We recommend that the College obtain the approval of the Division of General Services for the rental of State-owned property. The Real Property Management Section of the Division of General Services should be contacted to assure that these transactions are handled in accordance with the regulations.

CONCLUSION

The conditions pointed out in this report indicate major deficiencies in the procurement system at Winthrop College. Problem areas range from management of the procurement function to control over resulting payments. It is evident that the College has not complied with the Consolidated Procurement Code and regulations and its own internal procurement procedures manual.

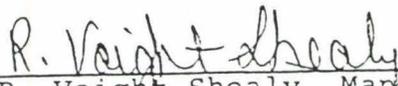
The current procurement certification of \$5,000.00 per purchase commitment for goods and services and consultant services expires March 27, 1986. We find that the noncompliance, as enumerated in this report, is so widespread and numerous that this Office is unable to recommend recertification. Also, the College is not requesting such renewal. Due to the extent of noncompliance and since recertification has not been requested, the College's procurement authority shall return to \$2,500.00 per purchase commitment upon the expiration of the current certificate.

Further, the magnitude of the problems specified herein lead this Office to question the College's capability to properly control procurement actions up to the minimum limit of \$2,500.00, which is allowed all governmental bodies in Section 19-445.2020 of the regulations.

In accordance with Section 11-35-1230(1) of the Procurement Code, corrective action must be taken by June 30, 1986. Prior to this date, the Office of Audit and Certification will perform a

follow-up review to determine the College's progress toward correcting the weaknesses in their procurement system. If substantial improvement is not made, this Office shall recommend further reduction of the College's procurement authority.


Larry G. Sorrell, Audit Manager


R. Voight Shealy, Manager
Audit and Certification

SCHEDULE A

Lack of Documented Competition

Goods and Services

<u>Purchase Order</u>	<u>Amount of Purchase Order</u>
54961	\$535.00
56901	\$660.00
62081	\$911.11
55889	\$1,080.09
54637	\$1,328.00
52816	\$1,333.74
55218	\$1,535.00

Consultant and Contractual Services

<u>Purchase Order</u>	<u>Amount of Purchase Order</u>
62015	\$552.00
59627	\$560.00
59049	\$650.00
58858	\$723.75
50793	\$1,619.00
50799	\$1,008.00
60620	\$1,200.00
55736	\$2,000.00
61453	\$2,310.00
51586	\$2,490.00
53124	\$2,632.44
56102	\$3,000.00
60683	\$3,775.00
59344	\$5,040.00 (includes change order)
54008	\$2,489.85
52284	\$5,400.00
52281	\$14,000.00
53131	\$23,000.00
54156	\$912.07
62640	\$723.75
64314	\$723.75
66017	\$723.75

Construction

<u>Purchase Order</u>	<u>Amount of Purchase Order</u>
51540	\$1,000.00
57836	\$2,450.00
57619	\$569.30 (includes change order)
57772	\$793.00
59889	\$2,475.00
61474	\$2,475.00
54800	\$1,639.06

Information Technology

Purchase Order

Amount of Purchase Order

52086	\$1,146.61
52085	\$17,340.00
53059	\$6,480.00
59281	\$1,440.00
60024	\$636.00
57810	\$704.00
58086	\$876.00
59908	\$2,482.70
60874	\$855.00
59937	\$29,946.88
60078	\$1,980.90

SCHEDULE B

Insufficient Competition

Goods and Services

<u>Purchase Order</u>	<u>Amount of Purchase Order</u>	<u>Quotations Obtained</u>	<u>Required Number</u>
58643	\$1,674.80	2	3

Consultants and Contractual Services

<u>Purchase Order</u>	<u>Amount of Purchase Order</u>	<u>Quotations Obtained</u>	<u>Required Number</u>
53331	\$1,550.00	2	3

SCHEDULE C

Incorrect Method of Source Selection

Consultants and Contractual Services

<u>Purchase Order</u>	<u>Amount of Purchase Order</u>	<u>Methodology Utilized</u>
59705	\$4,160.00	Request for Quotation

Construction

<u>Purchase Order</u>	<u>Amount of Purchase Order</u>	<u>Methodology Utilized</u>
60855	\$2,648.42	Request for Quotation
51569	\$11,295.00	Sealed Bids
57285	\$2,776.12	Sealed Bids

These construction related solicitations should have been advertised in the official state government publication as required by Section 11-35-3020 of the Procurement Code. A formal sealed bid process is required subsequent to this advertisement.

SCHEDULE D

Unauthorized Procurements

Goods and Services

<u>Purchase Order</u>	<u>Amount of Purchase Order</u>	<u>Dates of Invoice</u>	<u>Approval to Purchase Date</u>
54961	\$535.00	10/23/84	10/26/84
56901	\$660.00	01/25/85	01/28/85
62081	\$911.11	07/30/85	08/08/85
61508	\$1,000.00	07/12/85	07/19/85

Consultants and Contractual Services

<u>Purchase Order</u>	<u>Amount of Purchase Order</u>	<u>Dates of Invoice</u>	<u>Approval to Purchase Date</u>
55736	\$2,000.00	10/10/84 (1)	12/03/84
54008	\$4,253.54	08/24/84	09/21/84
53124	\$2,632.44	08/03/84	08/22/84
57052	\$1,995.39	01/25/85	01/29/85
60571	\$3,775.78	06/24/85	07/08/85
52263	\$2,047.56	08/06/84	08/08/84
56853	\$2,400.00	01/26/85 (2)	01/30/85
52646	\$1,450.00	07/27/84	07/31/84
60517	\$712.50	06/28/85	07/11/85
62015	\$552.00	08/06/85	08/09/85
62640	\$723.75	06/29/85 (3)	08/14/85
64314	\$723.75	09/30/85 (3)	10/16/85
58858	\$723.75	03/30/85 (3)	04/10/85
66017	\$723.75	12/31/85 (3)	01/13/86
54156	\$912.07	09/05/84	09/28/84

- (1) Date work started per vendor invoice.
- (2) Work ended 01/26/85 per vendor invoice.
- (3) Ending date for services rendered by vendor.

Construction

<u>Purchase Order</u>	<u>Amount of Purchase Order</u>	<u>Date of Invoice</u>	<u>Approval to Purchase Date</u>
56164	\$2,400.00	12/17/84 (1)	12/19/84
54800	\$1,639.06	10/31/84	12/05/84

- (1) Date work started per vendor invoice.

Information Technology

<u>Purchase Order</u>	<u>Amount of Purchase Order</u>	<u>Date of Invoice</u>	<u>Approval to Purchase Date</u>
52086	\$1,146.61	06/30/84 ¹	07/16/84
52085	\$17,340.00	07/01/84 ¹	07/16/84
52269	\$2,513.98	07/01/84	07/16/84
57054	\$782.25	12/18/84 ¹	01/29/85
58086	\$1,932.00	07/01/84 ¹	03/05/85

¹Beginning date of service period.

SCHEDULE E

Splitting of Orders

Consultants

<u>Purchase Order</u>	<u>Amount of Purchase Order</u>	<u>Description</u>
50793	\$1,619.00	Requisition 38806 used for each purchase order
50799	\$1,008.00	
	<u>\$2,627.00</u>	
52626	\$2,500.00	Plaster repair in Johnson Hall. Vendor invoice of \$3,412.07 exceeded the purchase order (52626) amount by \$912.07. Purchase order 54156 was prepared after-the-fact.
54156	\$912.07	
	<u>\$3,412.07</u>	
51801	\$1,450.00	Cooling tower work for weeks of 07/09/84 - 07/13/84 - P.O. 51801, 07/16/84 - 07/19/84 - P.O. 52082 and 07/23/84 - 07/27/84 per vendor in- voices (P.O. 52413).
52082	\$1,450.00	
52413	\$1,000.00	
	<u>\$3,900.00</u>	
58858	\$723.75	Quarterly billings for water treatment consul- tants for calendar year 1985
62640	\$723.75	
64314	\$723.75	
66017	\$723.75	
	<u>\$2,895.00</u>	
56181	\$2,489.00	Requisition 978 trim trees 12/19/84 & 01/12/85
56471	\$2,487.00	
56853	\$2,400.00	Requisition 977 trim trees 01/19/85 & 01/26/85
	<u>\$7,376.00</u>	

59705	\$4,160.00
60126	\$4,160.00
60893	\$4,160.00
61908	\$4,160.00
	<u>\$16,640.00</u>

Electrician and helper for 160 hours to install smoke detectors with invoices for \$4,160.00 each dated 06/19/85, 07/22/85, 07/22/85 and 09/03/85. Purchase order dates 05/14/85, 06/03/85, 07/11/85 and 08/08/85 respectively.

Construction

<u>Purchase Order</u>	<u>Amount of Purchase Order</u>
59889	\$2,475.00
61474	\$2,475.00
	<u>\$4,950.00</u>

Description

Replacement of twenty-three ceramic tile baths. The original order (P.O. 59889) was for 22 ceramic tile baths for \$2,475.00. The resulting invoice was for 12 baths for \$2,475.00. Then P.O. 61474 was added for 11 baths. This invoice was for 11 baths for \$2,460.00.

SCHEDULE F

Procurements Above Certification Limit

Consultants and Contractual Services

<u>Purchase Order</u>	<u>Amount of Purchase Order</u>
59344	\$5,040.00 (includes change order)
52284	\$5,400.00
52281	\$14,000.00
53131	\$23,000.00

Construction

<u>Purchase Order</u>	<u>Amount of Purchase Order</u>
54632	\$5,000.00
57285	\$2,776.12
57284	\$3,000.00
56097	\$5,000.00
51569	\$11,295.00

Information Technology

<u>Purchase Order</u>	<u>Amount of Purchase Order</u>
52085	\$17,340.00
53059	\$6,480.00
59937	\$29,946.88

SCHEDULE G

Items Solicited Not Identical to Items Procured

Goods and Services

<u>Purchase Order</u>	<u>Amount of Purchase Order</u>	<u>Description</u>
60206	\$1,888.00	Three different requests for quotations were sent to the different vendors on 64 print stands, (1) Acrylic 15" x 12" x 4" with cord rack; (2) M-69344 print stands (3) EPS-3000- 10 Plexiglass.
58643	\$1,674.80	Two different requests for quotations were sent to the different vendors; (1) 8 each, computer stands (30x 48) and chairs (brown 565); (2) 8 each, computer stands 9103 x 30048, chairs 7705-x, and stands B100x. This procurement had two rather than three solicitations as noted in Item B of this section.
55809	\$740.00	Two each cabinets 37" x 25" solicited but the resulting purchasing order was for 2 each 30" x 25" cabinets.

Construction

<u>Purchase Order</u>	<u>Amount of Purchase Order</u>	<u>Description</u>
53418	\$848.24	Solicitations called for material and installation but only material was procured. One of the vendors solicited did not bid. The question arises, did he not bid because of the required installation?

SCHEDULE H

Change Orders Not Prepared

Goods and Services

<u>Purchase Order</u>	<u>Amount of Purchase Order</u>	<u>Total of Voucher(s)</u>	<u>Voucher Numbers</u>
54168	\$379.40	\$548.00	6166
61857	\$1,215.00	\$1,285.66	39748, 39749, 41805, 41806
52816	\$1,333.74	\$1,536.76	2183, 2871, 3677, 4571, 4572, 4782, 4783, 5067, 5229
58945	\$2,183.85	\$2,207.67	40936, 40937
59809	\$2,276.00	\$2,496.00	31140
58917	\$2,750.05	\$2,879.69	40908, 40909 40910, 40911
58952	\$2,750.05	\$2,881.23	40632, 40633, 40634, 40635
58963	\$2,750.05	\$2,881.19	41600, 41601, 41602, 41603

Consultants

<u>Purchase Order</u>	<u>Amount of Purchase Order</u>	<u>Total of Voucher(s)</u>	<u>Voucher Numbers</u>
50464	\$2,475.00	\$2,810.24	100688
55021	\$150.00	\$628.60	15389
52646	\$1,450.00	\$2,207.31	1486, 1900

Construction

<u>Purchase Order</u>	<u>Amount of Purchase Order</u>	<u>Total of Voucher(s)</u>	<u>Voucher Numbers</u>
53418	\$848.24	\$648.24	10485

Information Technology

<u>Purchase Order</u>	<u>Amount of Purchase Order</u>	<u>Total of Voucher(s)</u>	<u>Voucher Numbers</u>
53059	\$6,480.00	\$6,494.41	12646, 12647
52967	\$6,352.00	\$6,399.97	6205, 6206
52269	\$2,513.98	\$2,405.40	12488
53668	\$2,400.00	\$2,215.00 ¹	18461
53806	\$1,248.00	\$1,280.45	5890, 5891, 5892
52473	\$1,385.00	\$1,210.00	5395, 1892
58425	\$13,274.40	\$11,936.00	17067
56631	\$7,002.00	\$7,310.00	12761, 12762, 12763, 12764, 12765, 12766
51961	\$33,930.00	\$27,335.75	3549, 3550

¹Partial payment.

SCHEDULE I

Informal Hourly Rates for Services Used
as Formal Bid Solicitations

Consultants and Contractual Services

<u>Purchase Order</u>	<u>Amount of Purchase Order</u>
50464	\$2,475.00
52626	\$2,500.00
57052	\$1,995.39
52646	\$1,450.00
51801	\$1,450.00
59118	\$4,000.00
59469	\$2,400.00
52263	\$2,047.56
56853	\$2,400.00
49021	\$2,400.00
60517	\$712.50
60126	\$4,160.00
60893	\$4,160.00
61908	\$4,160.00
52082	\$1,450.00
52413	\$1,000.00

Construction

<u>Purchase Order</u>	<u>Amount of Purchase Order</u>
55713	\$2,450.00
54739	\$2,350.00
56097	\$5,000.00
57284	\$3,000.00
56164	\$2,400.00
58563	\$2,288.00
54083	\$1,450.00
60456	\$624.00
61083	\$1,200.00
59551	\$1,520.00
54632	\$5,000.00
55681	\$2,450.00
56611	\$2,495.00

SCHEDULE J

Receiving Reports Not Used

<u>Area</u>	<u>Number of Transactions Tested</u>	<u>Number of Exceptions</u>
Goods and Services	60	27
Consultants and Contractual Services	60	41
Construction	60	26
Information Technology	31	16

SCHEDULE K

Weak Accounts Payable Function

<u>Area</u>	<u>Number of Transactions Tested</u>	<u>Number of Exceptions</u>
Goods and Services	60	49
Consultants and Contractual Services	60	45
Construction	60	49
Information Technology	31	29

SCHEDULE L

Improper Sole Source Procurements

<u>Purchase Order Number</u>	<u>Amount Reported</u>	<u>Items Procured</u>
43369	\$541.86	Rugs
43368	\$7,499.00	Rugs
43382	\$1,600.00	Rugs
43423	\$11,636.00	Piano
43383	\$817.00	Table, Armchair
43318	\$599.40	Table
43177	\$975.00	Marbleizing
42793	\$560.00	Tapestry
42370	\$5,040.00	Chair Frames
43404	\$1,538.00	Furniture
43288	\$1,071.00	Stair Rods, Tapestry
42789	\$1,120.80	Chandelier
43289	\$2,226.15	Brass Hardware
43688	\$1,476.76	Eliminator Blades
43553	\$8,000.00	Elevator Service
43495	\$3,375.00	Fabric
43871	\$509.00	Etagere
43859	\$708.00	Chair, Barstool
43915	\$1,618.62	Lamps
44951	\$3,495.00	Marimba
44166	\$1,884.14	Rug
43858	\$3,400.00	Door Panels
43498	\$1,256.00	Rug, Carpeting
43478	\$1,168.48	Lamps, Vase, Etc.

<u>Purchase Order Number</u>	<u>Amount Reported</u>	<u>Items Procured</u>
47709	\$5,400.00	Elevator Maintenance
49133	\$2,250.00	Light Fixtures
48961	\$3,412.30	Molding
49202	\$2,164.80	Light Fixtures
49203	\$2,838.00	Light Fixtures
49206	\$4,345.55	Light Fixtures
49201	\$3,379.20	Light Fixtures
49674	\$923.74	Molding, Millwork
48188	\$509.60	Fabric
49923	\$636.55	Fabric
51251	\$633.55	Brass Hardware
51057	\$596.75	Grease Trap Treatment
50055	\$2,000.00	Marbleizing
51344	\$2,500.00	Marbleizing
51962	\$4,200.00	Molding
62059	\$1,235.05	Boiler Reservoirs
53901	\$3,311.73	Signage System
53902	\$2,489.16	Signage System
56106	\$20,070.72	Mail Processing System
60512	\$1,305.68	Molding
60859	\$774.30	Signage System
60928	\$1,909.50	Signage System
60929	\$564.20	Signage System
60905	\$836.44	Lamps
63244	\$652.30	Desks
62768	\$506.25	Bicycle Rack
42978	\$5,425.00	Doors

<u>Purchase Order Number</u>	<u>Amount Reported</u>	<u>Items Procured</u>
49915	\$590.40	Fabric
49917	\$3,318.33	Signage System
51053	\$1,915.65	Signage System
59915	\$775.00	Software
59486	<u>\$14,226.52</u>	Software
TOTAL	<u>\$157,811.48</u>	

SCHEDULE M

Untimely Sole Source Determinations

<u>Purchase Order</u>	<u>Amount Reported</u>	<u>Purchase Order Date</u>	<u>Justification Date</u>
41693 ⁽¹⁾	\$1,153.43	(3)	03/31/83
41917	\$1,906.00	04/07/83	04/12/83
42789 ⁽¹⁾	\$1,120.80	(4)	06/08/83
43288	\$1,071.00	06/14/83	06/15/83
43289	\$2,226.15	06/14/83	06/23/83
43404	\$1,538.00	06/20/83	06/23/83
43478	\$1,168.48	06/23/83	08/25/83
43481	\$756.35	06/23/83	08/25/83
43498	\$1,256.00	06/28/83	08/25/83
43857	\$1,250.00	07/08/83	07/20/83
43858 ⁽²⁾	\$3,400.00	07/18/83	07/28/83
43859	\$708.00	07/08/83	07/20/83
43871	\$509.00	07/08/83	07/28/83
43915	\$1,618.62	06/28/83	08/12/83
44082 ⁽²⁾	\$2,540.00	07/19/83	07/20/83
44166	\$1,884.14	07/27/83	08/25/83
44695 ⁽¹⁾	\$717.00	08/01/83	08/12/83
44885 ⁽¹⁾	\$701.06	08/23/83	08/25/83
44951 ⁽²⁾	\$3,495.00	08/19/83	08/25/83
50041	\$1,484.00	04/02/84	04/04/84
54218 ⁽¹⁾	\$2,287.89	(5)	10/10/84
58005 ⁽¹⁾	\$1,925.00	(6)	03/18/85
59438 ⁽²⁾	\$5,214.00	05/01/85	05/03/85
58522 ⁽¹⁾	\$1,851.60	04/03/85	04/05/85
60337 ⁽¹⁾	\$3,143.00	(7)	06/13/85

- (1) Requires ratification by President of Winthrop College
- (2) Requires ratification by Materials Management Officer
- (3) Confirmation order to vendor on 03/25/83
- (4) Items received 05/31/83
- (5) Confirmation order to vendor on 10/09/84
- (6) Confirmation order to vendor on 03/12/84
- (7) Confirmation order to vendor on 06/10/85

SCHEDULE N

Unauthorized Sole Source Procurements

<u>Purchase Order Number</u>	<u>Amount Reported</u>	<u>Quarter Reported</u>
43371 ⁽²⁾	\$3,380.00	06/83
43372 ⁽²⁾	\$5,734.00	06/83
43373 ⁽²⁾	\$4,174.85	06/83
43490 ⁽¹⁾	\$2,355.00	09/83
43491 ⁽²⁾	\$2,520.00	09/83
43889 ⁽³⁾	\$35,000.00	09/83
45785 ⁽¹⁾	\$839.07	09/83
49918 ⁽¹⁾	\$1,850.00	03/84
51457 ⁽³⁾	\$25,190.00	06/84
51152 ⁽¹⁾	\$519.57	06/84
51961 ⁽³⁾	\$33,930.00	09/84

- (1) Requires ratification by President of Winthrop College
(2) Requires ratification by Materials Management Officer
(3) Requires ratification by Director of General Services

SCHEDULE O

Procurements Made From State Term Contracts That
Were Then Reported Improperly As Sole Sources

<u>Purchase Order Number</u>	<u>Amount Reported</u>
43051	\$838.40
51377	\$1,067.20
51379	\$1,279.20
51378	\$1,279.20
51500	\$1,279.20
51502	\$1,279.20
51503	\$1,279.20
51504	\$1,279.20
51501	\$1,289.75
61179	<u>\$4,368.00</u>
TOTAL	<u>\$15,238.55</u>

SCHEDULE P

Sole Source - Incorrect Amounts Reported

<u>Purchase Order Number</u>	<u>Amount Reported</u>	<u>Amount of Purchase Order</u>	<u>Variance (under) over</u>
49201	\$3,379.20	\$4,257.00	(\$877.80)
49464	\$6,710.00	\$6,990.00	(\$280.00)
60416	\$1,483.85	\$1,745.85	(\$262.00)
62620	\$1,190.16	\$1,390.16	(\$200.00)
52135	\$4,200.00	Cancelled	\$4200.00
51961	\$33,930.00	\$27,335.75 ⁽¹⁾	<u>\$6,594.25</u>
		Net Overstatement	<u>\$9,174.45</u>

(1) Net of purchase order after discount

SCHEDULE Q

Sole Source Items Removed from Report Incorrectly

<u>Purchase Order Number</u>	<u>Amount of Purchase Order</u>
49679	\$1,797.10
49680	\$2,881.71
49681	\$5,531.20
49682	\$17,773.25
49683	<u>\$5,122.98</u>
TOTAL	<u>\$33,106.24</u>

SCHEDULE R

Sole Source Justifications Not Signed

<u>Purchase Order Number</u>	<u>Amount Reported</u>
44532	\$587.00
51984	\$904.75
60416	\$1,483.85

SCHEDULE S

Construction Procurements Without the
Approval of the State Engineer

<u>Purchase Order Number</u>	<u>Amount of Purchase Order</u>
60541	\$3,900.00
60855	\$2,648.42
56097	\$5,000.00
57284	\$3,000.00
51569	\$11,295.00
54632	\$5,000.00
57285	\$2,776.12
49133	\$2,250.00 ⁽¹⁾
48961	\$3,412.30 ⁽¹⁾
49202	\$2,164.80 ⁽¹⁾
49203	\$2,838.00 ⁽¹⁾
49206	\$4,345.55 ⁽¹⁾
49201	\$3,379.20 ⁽¹⁾
50055	\$2,000.00 ⁽¹⁾
51962	\$4,200.00 ⁽¹⁾
60859	\$774.30 ⁽¹⁾
61551	\$16,160.00 ⁽²⁾
63235	\$3,521.86 ⁽²⁾

(1) Procured as sole source items

(2) Procured as emergency items

February 10, 1986

MEMORANDUM

TO: Deans and Department Heads
FROM: John Alan Presto
SUBJECT: Supplementary Procurement Regulations

Preliminary findings of a procurement audit at Winthrop College have revealed some weaknesses in our procurement system which have resulted in deviations from good procurement practice, and in some cases, problem procurements. In order to eliminate the possibility of making unauthorized procurements, the following procedures will be implemented immediately in compliance with the financial procedures manual of Winthrop College.

INTERIM PROCUREMENT REGULATIONS

Every purchase requisition will be processed in compliance with the South Carolina Procurement Code. All Winthrop College's procurement procedures will be compatible with the Code. Pursuant to this policy, the following procedures will be implemented:

- a. No purchase orders will be issued verbally on the telephone. Purchase orders will be issued only when a signed requisition has been delivered to the Purchasing Department.
- b. The Winthrop College Purchasing Agent will be the only person at Winthrop College to issue instructions for procurement.
- c. Competition will be sought in compliance with the following schedule:
 1. For procurements under \$500, the Purchasing Agent will obtain fair and reasonable prices.
 2. For procurements from \$500 through \$1,500, a minimum of two quotations will be sought, by the Purchasing Agent. Quotations may be obtained by the Purchasing Agent on the telephone.

Supplementary Procurement Regulations

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3. For procurements between \$1,500 and \$2,500, a minimum of three written requests for quotes will be circulated and written quotes will be received by the Purchasing Agent.
 4. For procurements between \$2,500 and \$5,000, a minimum of three sealed bids will be obtained.
 5. Procurements over \$5,000 in goods and services and over \$2,500 in construction and information technology will be referred to Central State Purchasing.
- d. Procurements will be bid as a single unit except for instances in which blanket purchase orders are on file.
 - e. Blanket purchase orders will be established for procurement of basic services from vendors who serve the college on a regular, continuing basis.
 - f. Fee schedules will not be used. In order to implement this procedure, requisitions must specify descriptions, quantities of work to be completed and locations of work so that prices can be solicited and the work can be inspected by prospective bidders.
 - g. In order to be assured that proper quality control is employed, signed receiving reports will be required prior to payment of an invoice. All invoices will go to Accounts Payable, no invoice will be paid without a signed, validated receiving report which corresponds to the original purchase order. Departments should retain copies of receiving reports for signature and deliver them to Accounts Payable when goods and services have been received in satisfactory condition. Invoices from vendors will be retained in Accounts Payable for comparison with validated receiving reports and purchase orders.

PLEASE RETAIN RECEIVING REPORTS UNTIL GOODS ARE RECEIVED IN SATISFACTORY CONDITION OR WORK IS DONE TO YOUR SATISFACTION; THEN SIGN THE RECEIVING REPORT AND SEND IT TO ACCOUNTS PAYABLE. HERETOFORE, SOME INVOICES WERE PAID WITHOUT A SIGNED RECEIVING REPORT; THE RECEIVING REPORT WILL NOW BE MANDATORY DOCUMENTATION FOR PAYMENT OF AN INVOICE.

