South Carolina
Division of General Services

PROCUREMENT
AUDIT AND
CERTIFICATION

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WINTHROP UNIVERSITY
AGENCY
JULY 1, 1992 - DECEMBER 31, 1994
DATE
September 27, 1995

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

Dear Helen:

I have attached Winthrop University's procurement audit report and recommendations made by the Office of Audit and Certification. I concur and recommend the Budget and Control Board grant the University a three year certification as noted in the audit report.

Sincerely,

Ray L. Grant
Materials Management Officer
WINTHROP UNIVERSITY

PROCUREMENT AUDIT REPORT

JULY 1, 1992 - DECEMBER 31, 1994
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Mr. Ray L. Grant  
Materials Management Officer  
Office of General Services  
1201 Main Street, Suite 600  
Columbia, South Carolina 29201

Dear Ray:

We have examined the procurement policies and procedures of Winthrop University for the period July 1, 1992 through December 31, 1994. As part of our examination, we studied and evaluated the system of internal control over procurement transactions to the extent we considered necessary.

The evaluation was to establish a basis for reliance upon the system of internal control to assure adherence to the Consolidated Procurement Code and University procurement policy. Additionally, the evaluation was used in determining the nature, timing and extent of other auditing procedures necessary for developing an opinion on the adequacy, efficiency and effectiveness of the procurement system.

The administration of the University is responsible for establishing and maintaining a system of internal control over procurement transactions. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurances of the integrity of the procurement process, that affected assets are
safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and are recorded properly.

Because of inherent limitations in any system of internal control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the system of internal control over procurement transactions, as well as our overall examination of procurement policies and procedures, were conducted with professional care. However, because of the nature of audit testing, they would not necessarily disclose all weaknesses in the system.

The examination did, however, disclose conditions enumerated in this report that we believe need correction or improvement.

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

Larry G. Sorrell, Manager
Audit and Certification
SCOPE

We conducted our examination in accordance with Generally Accepted Auditing Standards as they apply to compliance audits. Our examination encompassed a detailed analysis of the internal procurement operating procedures of Winthrop University and its related policies and procedures manual to the extent we deemed necessary to formulate an opinion on the adequacy of the system to properly handle procurement transactions.

We selected a judgmental sample for the period July 1, 1992 through December 31, 1994 of procurement transactions for compliance testing and performed other audit procedures that we considered necessary to formulate this opinion. Specifically, the scope of our audit included, but was not limited to, a review of the following:

1. All sole source, emergency and trade-in sales procurements for the period July 1, 1992 through December 31, 1994
2. Procurement transactions for the period July 1, 1992 through December 31, 1994 as follows:
   a) One hundred and twelve judgmental selected procurement transactions
   b) An additional block sample of thirty-six bids and quotes
   c) A block sample of five hundred purchase orders from selected vendor files from the audit period, reviewed for order splitting and favored vendors
3. Surplus property disposition procedures
4. Minority Business Enterprise Plan and reports for the audit period
5. Information Technology Plans and approvals for fiscal years 92/93 and 93/94
6. Internal procurement procedures manual review
7. Real Property Management Office approvals of leases
8. Blanket purchase order files
9. Five permanent improvement projects and five A & E selections were reviewed for compliance with the Manual for Planning and Execution of State Permanent Improvements
10. File documentation and evidence of competition
RESULTS OF EXAMINATION

The Office of Audit and Certification performed an examination of the internal procurement operating policies and procedures and related manual of Winthrop University for the period July 1, 1992 through December 31, 1994.

Our on-site review was conducted March 18 through April 20, 1995 and was made under the authority as described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code. The audit was performed primarily because the three year certification granted the University by the Budget and Control Board is to expire January 12, 1996. Additionally, the University requested increased certification limits as follows:

- Goods and Services: $50,000
- Consultants: $50,000
- Information Technology: $50,000
- Construction Services: $25,000

Since our previous audit in 1992, Winthrop University has maintained what we consider to a professional, efficient procurement system. We did note, however, the following points that should be addressed by management.

INAPPROPRIATE SOLE SOURCES

The following four sole source procurements do not meet the criteria for a sole source.

<table>
<thead>
<tr>
<th>PO#</th>
<th>DATE</th>
<th>ITEM</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>401086</td>
<td>07-29-93</td>
<td>Consulting</td>
<td>$3,600</td>
</tr>
<tr>
<td>402538</td>
<td>10-11-93</td>
<td>Advertising campaign</td>
<td>3,000</td>
</tr>
<tr>
<td>303382</td>
<td>12-07-92</td>
<td>Sound system &amp; production</td>
<td>750</td>
</tr>
<tr>
<td>303197</td>
<td>11-19-92</td>
<td>Sound system &amp; production</td>
<td>600</td>
</tr>
</tbody>
</table>

The consultant was hired to rewrite a report for 70 associate schools. We saw no clear justification for the use of the sole source procurement method. Competition should have been solicited on this contract.

The justification for the advertising campaign was based on the consultant having education experience. We believe there are other consulting firms available that are qualified and have the experience necessary to have done this advertising campaign.
The sole source procurements for the sound system and production were to the same vendor for two different events at the University. The justification was based on the only source in the local area. The University should not limit the local area when considering a sole source procurement.

**DRUG-FREE WORKPLACE CERTIFICATION**

We noted six sole source procurements that exceeded $50,000 where the University did not obtain the required drug-free workplace certification stating the vendor was in compliance with the South Carolina Drug-Free Workplace Act. They are as follows.

<table>
<thead>
<tr>
<th>PO#</th>
<th>DATE</th>
<th>ITEM</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>301742</td>
<td>08-03-92</td>
<td>Energy Management</td>
<td>$430,000</td>
</tr>
<tr>
<td>403513</td>
<td>12-07-93</td>
<td>Energy Management</td>
<td>99,369</td>
</tr>
<tr>
<td>406229</td>
<td>05-25-94</td>
<td>Computer</td>
<td>50,526</td>
</tr>
<tr>
<td>404936</td>
<td>03-08-94</td>
<td>Hardware</td>
<td>57,645</td>
</tr>
<tr>
<td>500597</td>
<td>07-01-94</td>
<td>Consulting</td>
<td>51,000</td>
</tr>
<tr>
<td>500598</td>
<td>07-01-94</td>
<td>Consulting</td>
<td>50,643</td>
</tr>
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Section 44-107-10 *et seq.* of the South Carolina Code of Laws requires on any resultant contract of $50,000 or more, that a certification be obtained from the recipient stating that the vendor maintains a drug-free workplace. Sole source and emergencies are subject to above stated law.

We recommend the University obtain the drug-free workplace certification on all future contracts exceeding $50,000.

**INSUFFICIENT NUMBER OF BIDS SOLICITED**

Purchase order 300002 was issued on June 24, 1992 for $5,760. The award was based on the responses to sealed bid 72945. The University solicited three bidders rather than the five as required by Regulation 19-445.2035 (A). The Regulation further stated, "if the minimum number of qualified bidder under this Regulation cannot be solicited,...head of a governmental body shall certify in writing that all known sources were solicited".

When the minimum requirements can not be met, we recommend the University prepare a written determination to note that all known vendors were solicited.
MISSING FEDERAL STANDARD FORMS

The University could not provide evidence that Federal Standard Forms 254 and 255 were obtained on the following four architectural/engineering contracts. These forms, required by Section 11-35-3220 of the Code, are used in evaluating the qualifications of A&E firms for projects.

<table>
<thead>
<tr>
<th>PROJECT #</th>
<th>DESCRIPTION</th>
<th>AMOUNT</th>
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<tr>
<td>H47-91NP</td>
<td>Campus Master Plan</td>
<td>$107,437</td>
</tr>
<tr>
<td>H47-9514-CC</td>
<td>Conservatory of Music</td>
<td>151,456</td>
</tr>
<tr>
<td>H47-9508-MP</td>
<td>Johnson Hall Renovation</td>
<td>346,150</td>
</tr>
<tr>
<td>H47-9522-03MT</td>
<td>Infrastructure Modification</td>
<td>136,800</td>
</tr>
</tbody>
</table>

We recommend the University retain these forms for all firms awarded contracts for professional services related to construction.

TIME AND DATE STAMPING OF QUOTATIONS

The Purchasing Office received some responses to quotations and neither the envelopes nor the quotations were date and time stamped. Additionally, the envelopes were not kept to verify timeliness of receipt.

We recommend the Purchasing Office time and date stamp the quotations of each responding vendor so that a timely receipt of response can be verified or keep the original date stamped envelope.
CERTIFICATION RECOMMENDATIONS

As enumerated in our transmittal letter, corrective action based on the recommendations described in this report, we believe, will in all material respects place Winthrop University in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations. Corrective action should be accomplished by September 29, 1995.

Under the authority described in section 11-35-1210 of the Procurement Code and subject to this corrective action, we recommend recertification for three years at the levels below.

<table>
<thead>
<tr>
<th>PROCUREMENT AREA</th>
<th>RECOMMENDED CERTIFICATION LEVELS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Goods and Services</td>
<td>$50,000*</td>
</tr>
<tr>
<td>2. Consultants</td>
<td>$50,000*</td>
</tr>
<tr>
<td>3. Information Technology in accordance with the approved Information Technology Plan</td>
<td>$50,000</td>
</tr>
<tr>
<td>4. Construction Services</td>
<td>$25,000*</td>
</tr>
</tbody>
</table>

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

James M. Stiles, CPPB
Audit Manager

Larry G. Sorrell, Manager
Audit and Certification
September 20, 1995

Mr. Larry Sorrell, Manager
Audit and Certification
State Budget and Control Board
1201 Main Street, Suite 420
Columbia, SC 29201

Dear Larry:

I have reviewed the Procurement Audit Report for Winthrop for the period July 1, 1992 through December 31, 1994. We accept your recommendations and concur with all aspects of the report. Each audit finding has been addressed and corrective measures are now in place.

My thanks to you, Jim Stiles, and David Rawls for the fine professionalism displayed during this audit. If you need any more information or have any questions, please contact me.

Sincerely,

J. P. McKee
Vice President

c: Robert L. Reid, Jr.
   Director of Procurement Services
Mr. Ray L. Grant  
Materials Management Officer  
1201 Main Street, Suite 600  
Columbia, South Carolina 29201  

Dear Ray:  

We have reviewed Winthrop University’s response to our audit report for July 1, 1992 - December 31, 1994. Also, we have followed the University’s correction action during and subsequent to our field work. We are satisfied that the University has corrected the problem areas and the internal controls over the procurement system are adequate.  

Therefore, we recommend that the Budget and Control Board grant Winthrop University the certification limits noted in our report for a period of three years.  

Sincerely,  
Larry G. Sorrell, Manager  
Audit and Certification  

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<td></td>
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<td></td>
<td></td>
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<tr>
<td>AUG 4 1997</td>
<td></td>
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