PROCUREMENT AUDIT AND CERTIFICATION

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CLEMSON UNIVERSITY
AGENCY
MARCH 1, 1984 – SEPTEMBER 30, 1986
DATE
Dear Rick:

Attached is the final Clemson University audit report and recommendations made by the Office of Audit and Certification. I concur and recommend the Budget and Control Board grant Clemson University three years certification as outlined in the report.

Sincerely,

William J. Clement
Assistant Division Director
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January 14, 1987

Mr. William J. Clement
Assistant Division Director
Division of General Services
Columbia, South Carolina  29210

We have examined the procurement policies and procedures of Clemson University for the period March 1, 1984 through September 30, 1986. As a 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 College procurement policy. Additionally, the evaluation was used in determining the nature, timing and extent of other auditing procedures that were necessary for developing an opinion on the adequacy, efficiency and effectiveness of the procurement system.

The administration of Clemson University is responsible for establishing and maintaining a system of internal control over procurement transactions. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. The
objectives of a system are to provide management with reasonable, but not absolute, assurance of the integrity of the procurement process, that affected assets are safeguarded against loss from unauthorized use or disposition, and the 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 Clemson University in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

R. Voight Shealy
Manager
Audit and Certification
RESULTS OF EXAMINATION

The Office of Audit and Certification performed an examination of the internal procurement operating procedures and policies and related manual of Clemson University for the period March 1, 1984 through September 30, 1986.

Our on-site review was conducted November 18 through December 12, 1986, and was made under the authority as described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code. The audit was primarily instituted because the two year certification granted the College by the Budget and Control Board is to expire on June 27, 1987. Additionally, the College requested increased certification limits as follows:

<table>
<thead>
<tr>
<th>Service</th>
<th>Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods and Services</td>
<td>$50,000</td>
</tr>
<tr>
<td>Construction</td>
<td>50,000</td>
</tr>
<tr>
<td>Consultants</td>
<td>50,000</td>
</tr>
<tr>
<td>Information Technology</td>
<td>50,000</td>
</tr>
</tbody>
</table>

Since our previous audit in 1984, Clemson University has maintained what we consider to be a professional, efficient procurement system. We did note, however, the below listed items which should be addressed by management.

1. Five transactions were unnecessarily reported as sole source procurements.

<table>
<thead>
<tr>
<th>P.O. Number</th>
<th>P.O. Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>62067</td>
<td>$ 605.00</td>
<td>Filmstrips - Exempt</td>
</tr>
<tr>
<td>63835</td>
<td>4,588.10</td>
<td>Pamphlets - Exempt</td>
</tr>
<tr>
<td>64439</td>
<td>1,218.00</td>
<td>Films - Exempt</td>
</tr>
<tr>
<td>990294</td>
<td>2,430.00</td>
<td>Software license renewal - Exempt</td>
</tr>
<tr>
<td>64886</td>
<td>4,682.00</td>
<td>Copier maintenance - State contract</td>
</tr>
</tbody>
</table>
The requirements for sole source procurements are waived for those items which have been exempted from the Procurement Code. In addition, the competitive requirements of the Code have been met for those items on State term contracts.

The appropriate quarterly reports of sole source procurements should be amended to delete these transactions. Items exempt from the Procurement Code or procured from state term contract should not be reported as sole source procurements.

2. Purchase order 61762, $6,400.00 for editing services, was documented and reported as a sole source procurement, but did not satisfy the requirements for a sole source procurement as stated in Section 11-35-1560 of the Procurement Code and Section 19-445.2105 of the regulations. Competition should have been solicited.

3. Purchase order 59034, $2,566.17 for a microdistillation oven, indicated F.O.B. Clemson University, however the vendor charged $46.00 for transportation, and the cost was paid by the accounts payable department. This should not have been paid. Accounts payable should adhere to authorized transportation terms as stated on the purchase order.

4. Nine honoraria in excess of $500.00 were paid on direct purchase vouchers thus precluding the necessary procurement action by the purchasing department. At this time, honoraria are not exempt from the Procurement Code. Either competition should have been solicited or sole source determinations should have been prepared through the purchasing department. Honoraria to be paid on direct purchase vouchers should be limited to those for less than $500.00.
5. Check number 578497, $3,000.00 for "costs associated with foreign filings" was not competitively bid or justified as a sole source or emergency procurement. These requirements of the Procurement Code should be followed.

6. Purchase order 993561, $26,531.13 for a custom building, did not state the payment terms offered by the vendor. Clemson could have realized a savings of $451.05 if payment was made within 10 days. However, since discount terms offered on the vendor's bid were not shown on the purchase order nor the resulting invoice the accounts payable department had no way of knowing that a discount was available. Payment terms stated on bids should be consistently transferred to purchase orders.
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 Clemson University in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

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

<table>
<thead>
<tr>
<th>PROCUREMENT AREAS</th>
<th>RECOMMENDED CERTIFICATION LIMITS</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Goods and Services</td>
<td>$50,000 *per purchase commitment</td>
</tr>
<tr>
<td>II. Construction Services</td>
<td>$25,000 *per purchase commitment</td>
</tr>
<tr>
<td>III. Consultants</td>
<td>$50,000 *per purchase commitment</td>
</tr>
<tr>
<td>IV. Information Technology in accordance with the approved Information Technology Plan.</td>
<td>$50,000 *per purchase commitment</td>
</tr>
</tbody>
</table>

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

Marshall B. Williams, Jr
Senior Assistant

R. Voight Shealy, Manager
Audit and Certification
Mr. William J. Clement  
Assistant Division Director  
Division of General Services  
300 Gervais Street  
Columbia, South Carolina 29201

Dear Bill:

We have reviewed the response to our audit report of Clemson University covering the period March 1, 1984 through September 30, 1986. Combined with observations made during our site visit, this review has satisfied the Office of Audit and Certification that the university is correcting the problem areas found and that internal controls over the procurement system are adequate.

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

Sincerely,

R. Voight Shealy, Manager  
Audit and Certification