PROCUREMENT
AUDIT AND
CERTIFICATION

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CLEMSON UNIVERSITY
AGENCY

OCTOBER 1, 1986 - JUNE 30, 1989
DATE
May 8, 1990

Mr. Richard W. Kelly
Director
Division of General Services
1201 Main Street, Suite 420
Columbia, South Carolina 29201

Dear Rick:

Attached is the final procurement audit report of Clemson University and recommendations made by the Office of Audit and Certification. I concur and recommend the Budget and Control Board grant the University a three (3) year certification as outlined in the audit report.

Sincerely,

James J. Forth, Jr.
Assistant Division Director

/jlj
Attachment
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May 3, 1990

Mr. James J. Forth, Jr.
Assistant Division Director
Division of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

We have examined the procurement policies and procedures of Clemson University for the period October 1, 1986 - June 30, 1989. 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 University 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 that transactions are executed in accordance with management's authorization and are recorded properly.

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

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

The examination did, however, disclose conditions enumerated in this report which we believe to be subject to correction or improvement.
Corrective action based on the recommendations described in these findings will in all material respects place 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 policies and procedures and related manual of Clemson University for the period October 1, 1986 through June 30, 1989.

Our on-site review was conducted September 6 through October 10, 1989, 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 three year certification granted the University by the Budget and Control Board is to expire on June 9, 1990. Additionally, the College requested increased certification limits as follows:

- Goods and Services $100,000
- Construction 100,000
- Consultants 100,000
- Information Technology 100,000

Since our previous audit in 1986, 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) Seven transactions were unnecessarily reported as sole source procurements.

<table>
<thead>
<tr>
<th>PO#</th>
<th>PO Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>990989</td>
<td>$3,019.00</td>
<td>Published books/technical pamphlets</td>
</tr>
<tr>
<td>71888</td>
<td>1,628.10</td>
<td>Published books/technical pamphlets</td>
</tr>
<tr>
<td>991686</td>
<td>3,000.00</td>
<td>License agreements for software</td>
</tr>
<tr>
<td>992674</td>
<td>2,000.00</td>
<td>License agreements for software</td>
</tr>
<tr>
<td>992675</td>
<td>1,000.00</td>
<td>License agreements for software</td>
</tr>
<tr>
<td>992802</td>
<td>3,000.00</td>
<td>License agreements for software</td>
</tr>
<tr>
<td>993095</td>
<td>2,700.00</td>
<td>License agreements for software</td>
</tr>
</tbody>
</table>
The requirements for sole source procurements are waived for those items which have been exempted from the Procurement Code. The appropriate quarterly reports of sole source procurements should be amended to delete these transactions.

(2) The following procurements involved trade-ins that were not reported to the Division of General Services as required by Section 11-35-3830(3) of the Code.

<table>
<thead>
<tr>
<th>PO#</th>
<th>Trade-in Value</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>67304</td>
<td>$ 125.00</td>
<td>Dictation equipment</td>
</tr>
<tr>
<td>67946</td>
<td>1,465.00</td>
<td>DSC Cell</td>
</tr>
<tr>
<td>68567</td>
<td>3,000.00</td>
<td>Monitor, keyboard, mouse</td>
</tr>
<tr>
<td>70782</td>
<td>8,000.00</td>
<td>Trade-in of software</td>
</tr>
<tr>
<td>72006</td>
<td>1,000.00</td>
<td>Fastpath 4 Motherboard</td>
</tr>
</tbody>
</table>

The appropriate quarterly reports of trade-in sales should be amended to reflect the above actions. The University must ensure all trade-in sales are reported to the Division of General Services as required.

(3) Purchase order 66671 for $700.00 for repairs to equipment procured as a sole source was not reported. Also, purchase order 66735 for an honorarium for $2,000 was reported as a sole source of $3,000.00. Purchasing should continually check to ensure all sole sources are reported correctly. These errors should be corrected through an amended report.

(4) An annual contract for $49,000 for painting services for the period May 1, 1989 through June 30, 1990 was issued on purchase order number 6198. The contract had a renewal clause for an additional year of service at the same terms. The potential for this multi-term service contract is $98,000.00. Clemson's certification limit or potential contract limit is $50,000. Even
though the extension clause has not been exercised, the University must consider the total potential before awarding any future multi-term contracts. The new requested certification limits should help in this area of contracting.

(5) The following recommendations are made to tighten bidding procedures of the University.

a) Purchasing should change the name of the boiler plate from "Request for Quotation" to "Sealed Bids" for competitive sealed bids greater then $2,500.00

b) When bids are received, the envelopes are time and date stamped. When the bids are opened, the envelopes are discarded. The purchasing office should either keep the original stamped envelopes in the file or stamp the bids at the opening as evidence the bids were responsive. The latter is recommended.

c) All bids should state how they will be awarded, such as by individual items, complete lots or entire quantity.

d) Bid tabulation sheets should be initialed by the recorder/witness and the buyer.
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. Corrective action should be accomplished by April 30, 1990.

Under the authority described in Section 11-35-1210 of the Procurement Code, subject to this corrective action, we recommend Clemson University be recertified 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>$100,000 per purchase commitment*</td>
</tr>
<tr>
<td>II. Construction Services</td>
<td>100,000 per purchase commitment*</td>
</tr>
<tr>
<td>III. Consultants</td>
<td>100,000 per purchase commitment*</td>
</tr>
<tr>
<td>IV. Information Technology in accordance with the approved Information Technology Plan</td>
<td>100,000 per purchase commitment*</td>
</tr>
</tbody>
</table>

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

James M. Stiles, PPB
Audit Manager

R. Voight Shealy, Manager
Audit and Certification
April 9, 1990

Mr. R. Voight Shealy, Manager
Office of Audit and Certification
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Mr. Shealy:

We have reviewed the findings of the procurement audit for the period October 1, 1986, through June 30, 1989, addressed in your report of January 18, 1990. These findings have been thoroughly discussed with procurement personnel at Clemson University, and action has been taken to comply with your recommendations. Therefore, we do not feel an exit conference is necessary.

We would like for you to reconsider our requested increase in the certification limit for construction services. It is my understanding your recommendation for not increasing the limit in this area resulted from concerns expressed by the state engineer's office regarding the manner in which Clemson University followed the construction regulations in a few previous procurements. Mr. Jack Wilson and several members of his staff met with Mr. Marion Dorsey, state engineer, and feel appropriate action has been taken to correct any deficiencies in that area. Your reconsideration of the $100,000 certification limit in the construction service area will be appreciated.

The fact that Clemson University has a very strong procurement operation was affirmed by this audit report. The excellent job done by you and your staff and the spirit of cooperation in performing the certification audits is greatly appreciated. These audits have proven to be very valuable tools to our procurement personnel. Again, we appreciate the willingness of you and your staff to assist Clemson University in improving its procurement operation.

Sincerely,

David R. Larson
Vice President for Business and Finance
May 3, 1990

Mr. James J. Forth, Jr.
Assistant Division Director
Division of General Services
1201 Main Street, Suite 600
Columbia, South Carolina

Dear Jim:

We have reviewed the response to our audit report of Clemson University covering October 1, 1986 - June 30, 1989. Combined with observations made during our site visit and discussions with agency officials, the review of the response has satisfied us that Clemson University has corrected the problem areas found.

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

/jlj