PROCUREMENT
AUDIT AND
CERTIFICATION

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LANDER COLLEGE
AGENCY

JANUARY 1, 1989 - JUNE 30, 1991
DATE
February 14, 1992

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

Dear Rick:

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

Sincerely,

James J. Forth, Jr.
Assistant Division Director

JLF/jjm

Attachment
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NOTE: The College's responses to issues noted in this report have been inserted immediately following the issues they refer to.
February 13, 1992

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

Dear Jim:

We have examined the procurement policies and procedures of Lander College for the period January 1, 1989 through June 30, 1991. 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 State and internal 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 Lander 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 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 which we believe need correction or improvement.

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

R. Voight Shealy, CFE, 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 Lander College and their 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.

Specifically, our scope for this project included, but was not limited to, the following:

1. All sole source and emergency procurements for the period January 1, 1989 - June 30, 1991
2. A random sample of one hundred forty-seven expenditure transactions, each greater than $500.00 for the period July 1, 1989 - June 30, 1991
3. A special review of fifteen additional sealed bid files
4. A block sample of five hundred purchase orders in numerical sequence
5. Five out of eight permanent improvement contracts for approvals and compliance with the Manual for Planning and Execution of State Permanent Improvements
6. All purchase policies and procedures
7. File documentation and evidence of competition
8. Information Technology Plan approvals
9. Minority Business Enterprise Plan approvals
10. Disposition of Surplus Property
11. Real Property Management Office approvals of leases
12. Property Management and fixed asset procedures
RESULTS OF EXAMINATION

The Office of Audit and Certification performed an examination of the internal procurement operating policies and procedures and related manual of Lander College for the period January 1, 1989 through June 30, 1991.

Our on-site review was conducted October 1 through November 6, 1991, 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 College by the Budget and Control Board is to expire on June 5, 1991. Additionally, the College requested increased certification limits as follows:

- Goods and Services $30,000
- Construction $30,000
- Consultants $30,000
- Information Technology $30,000
- Printing Services $50,000

Since our previous audit in 1989, Lander College has maintained what we consider to be a professional, efficient procurement system. We did note, however, the following areas which should be addressed by management.

I. Compliance - Sole Source

We noted four sole source procurement contracts which were unauthorized due to the contract period beginning before the required approvals. They were as follows:
<table>
<thead>
<tr>
<th>Item#</th>
<th>PO#</th>
<th>Effective Date</th>
<th>Approval Date</th>
<th>Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>19939</td>
<td>11/01/90</td>
<td>11/30/90</td>
<td>$1,200.00</td>
<td>Inmate labor</td>
</tr>
<tr>
<td>2</td>
<td>19982</td>
<td>11/01/90</td>
<td>12/05/90</td>
<td>1,911.00</td>
<td>IT maintenance</td>
</tr>
<tr>
<td>3</td>
<td>21839</td>
<td>2-5/90</td>
<td>06/26/91</td>
<td>3,553.60</td>
<td>IT maintenance</td>
</tr>
<tr>
<td>4</td>
<td>20089</td>
<td>Fall 90</td>
<td>12/14/90</td>
<td>38,400.00</td>
<td>Consortium fees</td>
</tr>
</tbody>
</table>

Item 1 was a contract with the South Carolina Department of Corrections for inmate labor effective November 1, 1990. Due to a hold up in processing the contract, approval as a sole source procurement was not obtained until 30 days after contract was in effect.

Item 2 was a contract effective November 1, 1990 for maintenance of computer displays. Approval as a sole source procurement was not obtained until December 5, 1990, 35 days later.

Item 3 was also for computer maintenance. The purchase order covered contracts started in February, March, April and May of 1991. However, the sole source determination was not approved until June 26, 1991.

Items 1-3 above must be submitted to the College President for ratification in accordance with Regulation 19-445.2015(A)(1).

So that the appropriate action can be taken in sufficient time to ensure these contracts are approved prior to the start of the contract period, we recommend that an internal procedure be implemented to identify expiring maintenance contracts.

Item 4 was for a contract with Piedmont Technical College to provide remedial math instruction for the fall of 1990 for Lander College students.
On December 7, 1990, the College realized this was an unauthorized procurement because the sole source contract had not been approved. This procurement was sent to the College President for ratification. However, Lander's certification and ratification limit is $25,000. Therefore, this unauthorized procurement of $38,400 must be submitted to the Director of General Services for ratification in accordance with Regulation 19-445.2015. We recommend this be done.

COLLEGE RESPONSE

Ratification per Items 1, 2, and 3 noted in the report have been received from President Jackson and ratification of Item #4 has been received from Rick Kelly.

II. Compliance - Consultants

We noted six honorariums paid with appropriated funds that were not bid nor sole sourced. These were as follows:

<table>
<thead>
<tr>
<th>Voucher#</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>60833</td>
<td>$ 750.00</td>
</tr>
<tr>
<td>67980</td>
<td>1,000.00</td>
</tr>
<tr>
<td>61887</td>
<td>1,500.00</td>
</tr>
<tr>
<td>57430</td>
<td>1,033.60</td>
</tr>
<tr>
<td>68008</td>
<td>1,000.00</td>
</tr>
<tr>
<td>51817</td>
<td>1,500.00</td>
</tr>
</tbody>
</table>

The College felt that honorariums were exempt from the Procurement Code, but they are not.

We recommend that the College change its internal procedures to manage honorariums in accordance with the Code.
The College has changed its internal procedures with regard to honorariums. As we discussed, honorariums will now be treated under the Sole Source procedure.

III. Compliance - Real Property Leases

We noted one real property lease for $4,800 annually which the College failed to report to the Division of General Services, Real Property Management Office. Since the annual payment is less than $10,000, Real Property Management's approval is not required, but it must be reported. We recommend this lease be reported to General Services.

The exempt lease referred to in the report has now been reported to the Real Property Management Office along with another exempt lease that was negotiated this past August.

IV. Compliance - Sealed Bids

The College failed to solicit the required number of bids for elevator services awarded at $15,443. Regulation 19-445.2035(A) requires a minimum of ten qualified sources for bids of $10,000 or more. However, bids were solicited from only five vendors. This appeared to be an isolated case and an oversight.

We recommend that the College take care to either solicit the required number of bids or determine in writing that all known sources were solicited for all procurements.
The problem was the result of an extremely low estimate on the original requisition for the services to be provided. Care will be taken to see that better estimates at the requisition stage are provided in the future.

V. Compliance - Surplus Property

The College's property manager needs to expedite the sale of surplus property. Although some vehicles and information technology equipment have been sold through the Surplus Property Management Office (SPMO) in the past year, a warehouse clearance has not been done for approximately two years. Regulation 19-445.2150(B) states in part, "within ninety(90) days from the date property becomes surplus, it must be reported to the SPMO on a turn-in document."

The property manager has already put most of the surplus in lots and is preparing for a sale. We recommend they contact the SPMO and dispose of this property.

Recently a representative from the State Surplus Office went through the warehouse with our property manager and identified the items that should be sent to State Surplus, sold, or disposed of. We are in the process of disposing of those items as indicated.
VI. Discounts Lost

We noted two instances where Accounts Payable neglected to take allowable cash discounts for timely payment of invoices. Both vouchers were paid within ten days and the discounts were allowable. These were as follows:

<table>
<thead>
<tr>
<th>Voucher#</th>
<th>Allowable Discount</th>
</tr>
</thead>
<tbody>
<tr>
<td>69631</td>
<td>$34.04</td>
</tr>
<tr>
<td>50276</td>
<td>50.66</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$84.70</strong></td>
</tr>
</tbody>
</table>

Neither discount was shown in the "terms" block on the invoice but in the body of the invoices.

We recommend that Accounting personnel scan the body of the invoice for allowable discounts offered by the vendor.

We remind Purchasing that where a discount is given as part of a bid, then the discount should be shown on the purchase order.

COLLEGE RESPONSE

Accounts Payable personnel have been instructed to exercise more care in reviewing invoices and to assure that no allowable discounts are lost. Also to assist in this effort the Purchasing Office has implemented the procedure of highlighting the discount terms and dates before forwarding them to Accounts Payable.
CONCLUSION

As enumerated in our transmittal letter, corrective action based on the recommendations described in this report, we believe, will in all material respects place Lander College in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations. The College should take this corrective action prior to February 28, 1992.

Under the authority described in Code Section 11-35-1210, subject to this corrective action, we recommend Lander College 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>Goods and Services</td>
<td>$30,000 per commitment</td>
</tr>
<tr>
<td>Consultants</td>
<td>$30,000 per commitment</td>
</tr>
<tr>
<td>Construction</td>
<td>$30,000 per commitment</td>
</tr>
<tr>
<td>Information Technology</td>
<td>$30,000 per commitment</td>
</tr>
<tr>
<td>Printing Services</td>
<td>$50,000 per commitment</td>
</tr>
</tbody>
</table>

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

James M. Stiles, CPPB
Audit Manager

R. Voight Shealy, CFE, Manager
Audit and Certification
February 13, 1992

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

Dear Jim:

We have reviewed the response to our audit report of Lander College covering the period January 1, 1989 - June 30, 1991. Combined with observations made during our site visit and documentation submitted by the College, this review has satisfied the Office of Audit and Certification that the College has corrected the problem areas found and that internal controls over the procurement system are adequate.

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

Sincerely,

R. Voight Shealy, Manager
Audit and Certification

RVS/jjm