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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

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November 26, 2001

Mr. George N. Dorn, Jr., Director
Office of General Services
1201 Main Street, Suite 420
Columbia, South Carolina 29201

Dear George:

I have attached the South Carolina State 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,

R. Voight Shealy
R. Voight Shealy
Materials Management Officer

/jl

SOUTH CAROLINA STATE UNIVERSITY

PROCUREMENT AUDIT REPORT

APRIL 1, 2001 – SEPTEMBER 30, 2001

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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

October 15, 2001

Mr. R. Voight Shealy
Materials Management Officer
Office of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Voight:

We have examined the procurement policies and procedures and preformed a follow-up audit of South Carolina State University for the period April 1, 2001 through September 30, 2001. 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 regulations, and the University's 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 South Carolina State 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, assurance of the integrity of the procurement process, those affected assets are safeguarded against loss from unauthorized use or disposition and those 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 South Carolina State University in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

Sincerely,



Larry G. Sorrell, Manager
Audit and Certification

INTRODUCTION

We conducted a follow-up audit of the internal procurement operating policies and procedures of South Carolina State University. Our on-site review was conducted October 2-4, 2001 and was made under 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 University 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 contract. The Office of General Services 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.

On February 13, 2001 the Budget and Control Board granted South Carolina State University the following procurement certifications for a one-year period:

<u>PROCUREMENT AREAS</u>	<u>CERTIFICATION LIMITS</u>
Goods and Services	\$25,000
Information Technology	\$25,000
Consultant Services	\$25,000

Our audit was performed primarily to determine if re-certification is warranted. The University did not request increased certification limits.

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 South Carolina State 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 systematically selected a sample from the period June 1, 2001 through September 30, 2001 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 sale procurements from the period April 1, 2001 through June 30, 2001
- (2) Procurement transactions for the period June 1, 2001 through September 30, 2001 as follows:
 - a) Thirty four procurement transactions exceeding \$1,500
 - b) A block sample of two hundred sixty numerical purchase orders reviewed for order splitting and favored vendors
- (3) Credit card purchases for the months June, July and August of 2001
- (4) Blanket purchase agreements for FY 2002

RESULTS OF EXAMINATION

The Office of Audit and Certification performed a follow-up audit of South Carolina State University for the period April 1, 2001 through September 30, 2001.

Since our last compliance audit, South Carolina State University has maintained what we consider to be a professional, efficient procurement system. However, we did note the following two items which should be addressed by management.

Procurement Card Purchase Limit Exceeded

We reviewed the procurement card purchases for June through August 2001. The University has a per call limit of \$500. We noted the following three procurements that exceeded the limit of \$500 per transaction thus making each procurement unauthorized.

<u>Department</u>	<u>Date</u>	<u>Procurement Card Amount</u>	<u>Total Amount</u>
Facilities	6/12/01	\$273.63	
Facilities	6/12/01	273.73	\$547.26
Procurement Office	08/4/01	\$264.99	
Procurement Office	08/4/01	264.99	\$529.98
Grounds/Maintenance	8/10/01	\$250.00	
Grounds/Maintenance	8/10/01	250.00	
Grounds/Maintenance	8/10/01	22.00	\$522.00

Additionally, the Procurement Office allows the Bookstore to exceed the \$500 per call limit for procurements that are exempt from the Code.

The Procurement Office had identified these exceptions and counseled the offenders as the Procurement Office reviews each procurement card transaction monthly.

We recommend the University comply with the call limit of \$500 as defined. The University should consider increasing the limit above the \$500. A ratification request for the three unauthorized procurements must be completed in accordance with Regulation 19-445.2015.

Overpayment

The University issued purchase order P200642 for \$6,612.80 to steam clean carpet plus sales tax of \$396.77 for a total of \$7,009.57. Check 01-021455 was issued for \$7,000.00 per the vendor's invoice that did not include sale tax, thus resulting in an overpayment of \$387.20. The overpayment exceeded the University's tolerance policy of 10% or less than \$50.

We recommend the University review its procedures to identify the reason for the overpayment. We also recommend the University request a refund of the overpayment.

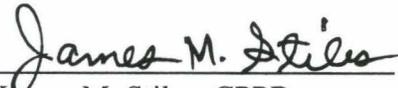
CERTIFICATION RECOMMENDATIONS

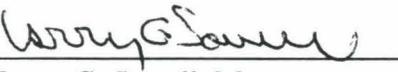
As enumerated in our transmittal letter, corrective action based on the recommendations described in this report, we believe, will in all material respects place South Carolina State University in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

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

<u>PROCUREMENT AREAS</u>	<u>RECOMMENDED CERTIFICATION LIMITS</u>
Goods and Services	*\$25,000 per commitment
Information Technology	*\$25,000 per commitment
Consultant Services	*\$25,000 per commitment

*The 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



South Carolina State University
Post Office Box 7071
300 College Street Northeast
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OFFICE OF PROCUREMENT

FAX: (803) 533-3621

November 12, 2001

Mr. Larry G. Sorrell
Manager, Audit and Certification
Materials Management Office
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Mr. Sorrell:

The University is in receipt of the final exit report submitted by your office. The University concurs with your findings and have taken the necessary steps as recommended. Enclosed is the University written response to the procurement audit for the period April 1, 2001 to September 30, 2001. Documents are enclosed to support the University's response and corrective actions taken to eliminate non-compliance issues. The University accepts the recommended level and length of certification.

The University would like to extend its appreciation and gratitude to your audit staff:

Mrs. Melissa Thurstin
Mr. Jim Stiles

They were very helpful in providing support and expertise in our procurement audit process. We wish to thank your office and look forward to a continued relationship.

Sincerely,

Leon Sanders
Asst. VP Finance and Management

Enclosure
LS/wh

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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

November 26, 2001

Mr. R. Voight Shealy
Materials Management Officer
Materials Management Office
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Voight:

We have reviewed the response from the South Carolina State University to our audit report for the period of April 1, 2001 – September 30, 2001. Also we have followed the University's corrective action during and subsequent to our fieldwork. We are satisfied that the University has corrected the problem areas and the internal controls over the procurement system are adequate.

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

Sincerely,

Handwritten signature of Larry G. Sorrell in cursive.

Larry G. Sorrell, Manager
Audit and Certification

LGS/jl

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