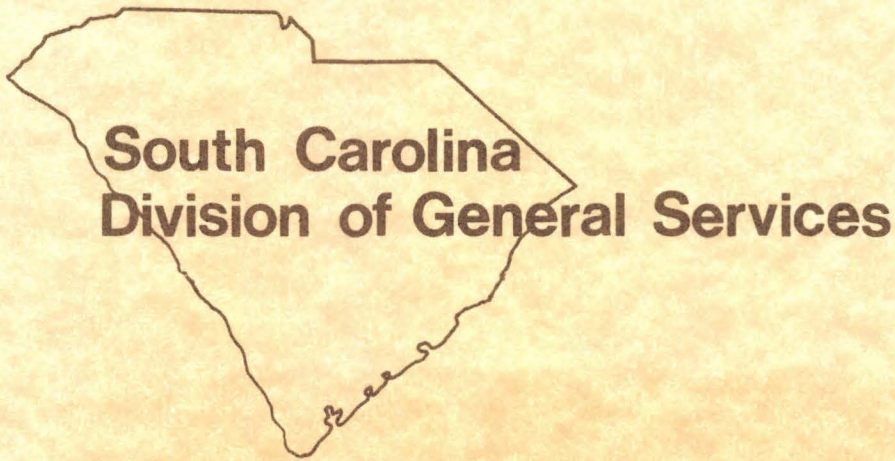


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PROCUREMENT AUDIT AND CERTIFICATION

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CLEMSON UNIVERSITY

AGENCY

JUNE 19, 1984

DATE

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DIVISION OF GENERAL SERVICES
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EXECUTIVE DIRECTOR

RICHARD J. CAMPBELL
ASSISTANT DIVISION DIRECTOR

June 19, 1984

Mr. Tony Ellis
Director
Division of General Services
300 Gervais Street
Columbia, South Carolina 29201

Dear Tony:

After careful review and evaluation of the audit report of Clemson University covering the period December 1, 1981 - February 29, 1984, I conclude that the internal controls over the procurement system are adequate. The University is in compliance with the South Carolina Procurement Code and the ensuing regulations.

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

Respectfully,

A handwritten signature in cursive script that reads "Richard J. Campbell".

Richard J. Campbell
Materials Management Officer

RJC/ra

MATERIALS MANAGEMENT OFFICE

State Supply & Surplus Property Management
Surplus Property Supply, Warehousing & IMS
Boston Avenue 1942 Laurel Street
W. Cola., S.C. 29169 Cola., S.C. 29201
758-2626 758-3246

Training & Research
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State Procurements
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758-6050

Information Technology Management Office
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Suite 150
Cola., S.C. 29210
758-6060

Installment Purchase Program
800 Dutch Sq. Blvd.
Suite 150
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CLEMSON UNIVERSITY

RE-CERTIFICATION RECOMMENDATIONS

May 10, 1984

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COMPTROLLER GENERAL



TONY R. ELLIS
DIVISION DIRECTOR

May 10, 1984

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CHAIRMAN
SENATE FINANCE COMMITTEE

TOM G. MANGUM
CHAIRMAN
HOUSE WAYS AND MEANS COMMITTEE

WILLIAM T. PULNAM
EXECUTIVE DIRECTOR

Mr. Richard J. Campbell
Materials Management Officer
800 Dutch Plaza, Suite 150
Columbia, South Carolina 29210

We have examined the procurement policies and procedures of Clemson University for the period December 1, 1981 - February 29, 1984. 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.

Richard W. Kelly
Director of Agency Services

RESULTS OF EXAMINATION

The Audit and Certification Section performed an examination of the internal procurement operating procedures and policies and related manual of Clemson University for the period December 1, 1981 - February 29, 1983.

Our on-site review was conducted March 12, 1984 through April 20, 1984, 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 University by the Budget and Control Board was to expire on June 16, 1984.

Since our previous audit in 1981, 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.

I. Sole Source and Emergency Reporting

We examined all quarterly reports of sole source and emergency procurements and trade-in sales and supporting documents from the point of our previous audit to March 15, 1984, for the purpose of determining the appropriateness of the procurement actions taken and the accuracy of the reports submitted to the Division of General Services, as required by Section 11-35-2440 of the Consolidated Procurement Code. We found the majority of these transactions to be proper and accurately reported, but we did note; (1) A sole source for

accounting services to assist in preparation of indirect cost rates and computer center charges that is questionable as a single source; (2) An emergency procurement of two food waste disposal units when it appeared only one unit was necessary to cover the emergency; and, (3) Two reporting inaccuracies.

AGENCY RESPONSE

The Procurement Division of Clemson University takes every precaution not to abuse or misuse the sole source and emergency purchasing sections of the Code.

1. The Sole Source Justification referenced involving accounting services was, in our opinion, a sole source. This firm had performed accounting services for Clemson University in the 1960's and had complete records on Clemson. We did not know another company that performed this service. Further, this transaction was approved by the Budget and Control Board on July 14, 1981.

2. The procurement of two food waste disposal units was considered an emergency because of the potential health hazard in not having operable units. Two units were purchased because this dining hall requires two disposals. One of the disposals was completely inoperable and the other unit was very old, had been repeatedly patched and repaired, and was threatening to stop at any time. As you probably noticed, five companies were contacted by phone with four responding. The low bid was accepted.

3. The two reporting inaccuracies noted in your report were made through error. Purchase Order #50120 to Piedmont Harvestore

was included in the sole source file but was not listed on the report, apparently an oversight. The other order to Wannamaker Seed Company should have not been listed as a sole source since three bids had been received.

As previously stated, this area is managed very closely to assure that no abuse or misuse of this system is made. While the references in your report are minor, Clemson University will continue to strive to eliminate all errors in this area.

II. Minority Business Enterprise Utilization Plan

Clemson's Minority Business Enterprise Utilization Plan for fiscal year 1983-84 has not received approval from the Small and Minority Business Assistance Office (SMBAO). We recommend that Clemson contact the SMBAO to work out differences concerning the plan in order to affect compliance with the procurement code.

AGENCY RESPONSE

Recognizing that our Minority Business Enterprises Utilization Plan needs more attention than in the past, James M. Boleman, Jr., John C. Newton, and Frank Mauldin met with John Gadson and Karla Schroeder of the SMBAO and Dr. Milton Kimpson in Columbia on May 24, 1984, for the purpose of reviewing our deficiencies in this area and to develop a corrective plan of action. The meeting was very beneficial; and as a result, a request for establishing a full-time position in the Procurement Division to oversee this important area is being submitted to the State Personnel Division. This position will be responsible for

developing and monitoring the University's MBE plan to encourage and assure that all interested minority and small businesses are provided every opportunity to do business with Clemson University within the rules and regulations of the South Carolina Consolidated Procurement Code.

In the meeting with Mr. Gadson, Mrs. Schroeder, and Dr. Kimpson, it was agreed that while our 1983-84 plan was incomplete, it would not be necessary to resubmit that plan as the 1983-84 fiscal year was nearly over. Submission and approval of a detailed 1984-85 plan will suffice, and that plan is already being prepared and will be submitted in the near future.

III. Direct Purchase Vouchers

Clemson utilizes a direct purchase voucher (D.P.V.) system, whereby departments may make direct procurements without the issuance of a purchase order. These are to be used for small purchases under \$100 and certain other specified transactions up to authorized limits.

We reviewed approximately 300 D.P.V.'s for compliance with the procurement code and internal policy. We found these to be in compliance with the procurement code and generally in compliance with internal policy. However, we did encounter twelve D.P.V.'s that, according to university policy, should have been processed on purchase orders. These have been reported to agency officials for appropriate action to prevent their recurrence.

AGENCY RESPONSE

When Clemson University was initially certified in 1982, the plan for monitoring direct purchase vouchers was through the review of all vouchers by the audit clerks in Financial Management and through a review of a random sample of direct purchase vouchers by the Procurement Division. The Internal Audit Section of Clemson University had a computer program written that randomly selects direct purchase vouchers for review by the Procurement Division. The first sample was pulled in January of 1984 and reviewed by the Procurement Division. While the vast majority of the sample was in full compliance, a small number contained irregularities. The Procurement Division issued a directive to the departments advising them of these irregularities and established corrective procedures. In addition, the Procurement Division has discussed these irregularities with the Financial Management Division and feels confident that tighter control in this area has been established. Random samples at regular intervals will be taken to assure compliance. I will say, as echoed in your report, that the number of irregularities in this area was very small and does not appear to be a problem that our system will not correct.

IV. Procurement Procedures Manual

We reviewed procurement procedures to determine that any changes made since the university was previously certified have been documented in the procedures manual.

Policy statements covering (1) approval of the agency minority business enterprise utilization plan, (2) information technology plan requirements, and (3) the updated procurement code exemption list should be incorporated in the manual.

Procedures for (1) property management, (2) supply and warehousing, and (3) consultant procurement should either be added to the manual or their location referenced.

The manual refers to regulation sections by the old numbers that were changed when the regulations became part of the State Register. These should be updated.

AGENCY RESPONSE

Revisions to the University's procurement procedures have been submitted through the appropriate channels as updates to the manual. The Procurement Division is presently in the process of having the Procurement Procedures Manual converted to our word processing system which will allow updates and changes to be made immediately as needed. Those areas referenced in your report will be addressed and appropriate changes will be made.

I am very pleased with your report, noting that all infractions are relatively minor. Our Procurement Division has done an excellent job in assuring compliance with the South Carolina Consolidated Procurement Code, and we would appreciate further consideration of higher certification limits. I am confident that the Clemson University Procurement Division will assume the additional responsibility and continue to operate in a manner that will be reflective of your high trust and standards.

CERTIFICATION RECOMMENDATIONS

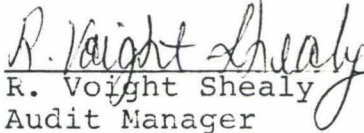
As enumerated in our transmittal letter corrective action based on the recommendations described in the findings contained in the body of this report, we believe, will in all material respects place Clemson University in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

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 a period of three years. This is one year longer than the normal certification period of two years. In our opinion, this extended certification period is appropriate because of the professionalism displayed by the Clemson Procurement and Supply Services Division personnel. The recommended limits are as follows:


<u>PROCUREMENT AREAS</u>	<u>RECOMMENDED CERTIFICATION LIMITS</u>
I. Goods and Services exclusive of printing equipment which must be approved by the Materials Management Office.	\$20,000 per purchase commitment
II. Consultant Services	\$20,000 per purchase commitment

This would result in Clemson University handling 99% of their procurement transactions in these areas.

Certification was not requested in the area of information technology. Certification recommendations in the area of construction and related services are being deferred until completion of statewide procedures in this area.

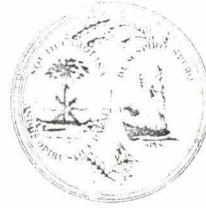


R. Voight Shealy
Audit Manager



Robert W. Wilkes, Jr., CPA
Director, Audit and Certification

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EXECUTIVE DIRECTOR

TONY R. ELLIS
DIVISION DIRECTOR

June 12, 1984

Mr. Richard J. Campbell
Materials Management Officer
800 Dutch Square Boulevard
Suite 150
Columbia, South Carolina 29210

Dear Mr. Campbell:

We have reviewed the response to our audit report of Clemson University covering the period December 1, 1981 - February 29, 1984. Combined with observations made during our site visit, this review has satisfied the Audit and Certification Section that the University is correcting the problem areas found and that internal controls over the procurement system are adequate.

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

Sincerely,

A handwritten signature in cursive script that reads "Richard W. Kelly".

Richard W. Kelly
Director of Agency Services

RWK:kl

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