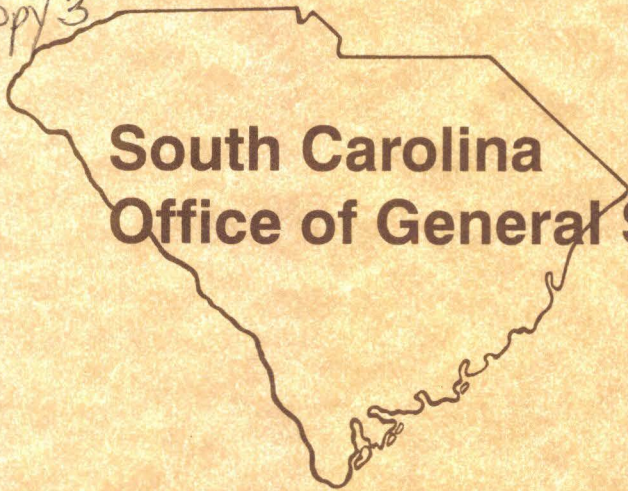


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**South Carolina
Office of General Services**

PROCUREMENT AUDIT AND CERTIFICATION

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WINTHROP UNIVERSITY

AGENCY

JANUARY 1, 1995 - MARCH 31, 1998

DATE

STATE OF SOUTH CAROLINA
State Budget and Control Board
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DIRECTOR

MATERIALS MANAGEMENT OFFICE
1201 MAIN STREET, SUITE 600
COLUMBIA, SOUTH CAROLINA 29201
(803) 737-0600
Fax (803) 737-0639

VOIGHT SHEALY
ASSISTANT DIRECTOR

July 28, 1998

Ms. Helen T. Zeigler, Director
Office of General Services
1201 Main Street, Suite 420
Columbia, South Carolina 29201

Dear Helen:

I have attached Winthrop 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,

A handwritten signature in cursive script that reads "Voight Shealy".

R. Voight Shealy
Materials Management Officer

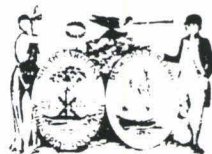
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**WINTHROP UNIVERSITY
PROCUREMENT AUDIT REPORT
JANUARY 1, 1995 - MARCH 31, 1998**

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VOIGHT SHEALY
ASSISTANT DIRECTOR

July 7, 1998

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 of Winthrop University for the period January 1, 1995 through March 31, 1998. 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 South Carolina Consolidated Procurement Code and University 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 Winthrop 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, assurances 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 that we believe need correction or improvement.

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

Sincerely,



Larry G. Sorrell, 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 Winthrop 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 selected a judgmental sample for the period January 1, 1995 through March 31, 1998 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 for the period January 1, 1995 through December 31, 1998
- (2) Procurement transactions for the audit period as follows:
 - a) Ninety-five judgmental selected procurement transactions
 - b) An additional block sample of seven sealed bids
 - c) A block sample of five hundred purchase orders from selected vendor files reviewed for order splitting and favored vendors
 - d) Eight hundred and seventy-five maintenance work orders
- (3) Four permanent improvement projects and four A & E selections reviewed for compliance with the Manual for Planning and Execution of State Permanent Improvements
- (4) Surplus property disposition procedures
- (5) Minority Business Enterprise Plan and reports
- (6) Internal procurement procedures manual review
- (7) Real Property Management Office approvals of leases
- (8) Blanket purchase order files
- (9) File documentation and evidence of competition

RESULTS OF EXAMINATION

The Office of Audit and Certification performed an examination of the internal procurement operating policies and procedures and related manual of Winthrop University, hereinafter referred to as the University, for the period January 1, 1995 through March 31, 1998.

Our on-site review was conducted May 19 - 27, 1998, 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 University by the Budget and Control Board is to expire October 24, 1998. The current certification limits are as follows and no increase in certification was requested.

<u>Category</u>	<u>Limit</u>
Goods and Services	\$50,000 per commitment
Consultant Services	\$50,000 per commitment
Information Technology	\$50,000 per commitment
Construction Services	\$25,000 per commitment

Since our previous audit in 1995, the University has maintained what we consider to be a professional, efficient procurement system. We did note, however, the following points that should be addressed by management.

INAPPROPRIATE SOLE SOURCES

The following three sole source procurements do not meet the criteria for a sole source.

<u>PO</u>	<u>Date</u>	<u>Item</u>	<u>Amount</u>
600960	07/20/95	Teacher workshop	\$3,300
602862	11/21/95	Diversity training	2,800
803036	12/16/97	Liquid gases	3,565

The teacher workshop was selected as a sole source based on how the company addresses issues related to people and processes. Other firms are able to perform this type of service. We saw no clear justification for the use of the sole source procurement method.

The justification for the diversity training was based on the consultant having education experience. We believe other qualified consulting firms are available and have the experience necessary to obtain satisfactory results.

The sole source for the liquid gases was based on the vendor being the only company in the area able to perform. The University should not limit the area when considering a sole source procurement.

We recommend that procurements which do not meet the definition of a sole source be competed in accordance with the Code and regulations.

PREFERENCES MISAPPLIED

While evaluating RFQ 16815JB, the University subtracted the percentage of the preferences for US and South Carolina End Products from the requesting vendor's price for evaluation purposes. The preferences should always be added to the vendors not claiming them. This procedure was outlined in memos from the Material Management Officer dated August 17, 1981 and May 9, 1996. No errors for the award based on the incorrectly applied preferences were identified. However, the potential for an incorrect award exists.

We recommend the University exercise more care when applying bidding preferences. We furnished the Purchasing Office a written procedures guide compiled by Materials Management Office on how to apply the required preferences.

NO COMPETITION

One transaction lacked evidence of competition, sole source or emergency determination.

<u>Voucher</u>	<u>Description</u>	<u>Date</u>	<u>Contract Amount</u>
CPS 6025796	Consulting services	06/05/96	\$2,800

Although approved by the Vice President of Finance and Business, the contract appears to have bypassed the Procurement Office. Therefore the proper procurement process was not taken to ensure compliance to the Code.

We recommend the University solicit the competition required by the Code or declare a sole source or emergency if applicable.

MULTI-TERM DETERMINATIONS NOT PREPARED

The University did not prepare multi-term determinations on the following multiple year contracts.

<u>Award Date</u>	<u>Yearly Contract</u>	<u>Five Year Potential</u>	<u>Description</u>
05/12/97	\$7,785	\$38,925	Fire protection system maintenance
06/19/97	5,191	25,955	Piano tuning services

Section 11-35-2030 of the Code and Regulation 19-445-2135 defines the requirements for the use of multi-term contracts. The regulation requires a written determination by the procurement officer of the governmental body. Since the required determinations were not prepared the options to extend should not be exercised.

We recommend the University prepare a determination to justify each multi-term contract as required by the Code and regulations.

PAYMENT DISCOUNT NOT TAKEN

Purchase order P702375 was issued for \$18,558 for the delivery and installation of stage curtains and drapery tracts on November 12, 1996. The vendor offered a 2% discount if payment was made within 10 days. The Purchasing Office noted on the purchase order. The invoice was dated January 23, 1997 and paid on January 28, 1997 on voucher 7015581, within the discount period. The timely payment discount of \$371 was not taken even though the payment was made within the discount period.

We recommend the Finance Department use more care in reviewing invoices for timely payment discounts and take appropriate discounts when applicable.

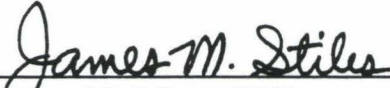
CERTIFICATION RECOMMENDATIONS

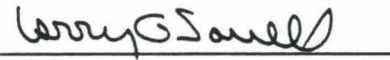
As enumerated in our transmittal letter, corrective action based on the recommendations described in this report, we believe, will in all material respects place Winthrop University in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

Under the authority described in Section 11-35-1210 of the Procurement Code and 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 AREA</u>	<u>RECOMMENDED CERTIFICATION LEVELS</u>
Goods and Services	*\$50,000
Consultant Services	*\$50,000
Information Technology	*\$50,000
Construction Services	*\$25,000

*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



WINTHROP
UNIVERSITY

Office of Finance and Business

July 27, 1998

Mr. Larry G. Sorrell
Office of the State Auditor
1401 Main Street, Suite 1200
Columbia, SC 29201

Larry
Dear ~~Mr. Sorrell~~:

We have received the draft report for the procurement audit covering the period from January 1, 1995 through March 31, 1998 and reviewed the contents of the audit.

After our review of the draft, we find that we agree with your findings and recommendations and have taken the necessary actions required by these recommendations.

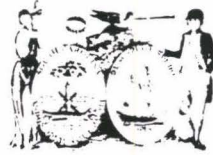
Please thank your audit staff for the efficient service they always provide.

Sincerely,

J.P. McKee
Vice President

/h

STATE OF SOUTH CAROLINA
State Budget and Control Board
OFFICE OF GENERAL SERVICES



DAVID M. BEASLEY, CHAIRMAN
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VOIGHT SHEALY
ASSISTANT DIRECTOR

July 28, 1998

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LUTHER F. CARTER
EXECUTIVE DIRECTOR

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 Winthrop University to our audit report for the period of January 1, 1995 - March 31, 1998. Also we have followed the University's corrective action during the audit. 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 Winthrop University the certification limit noted in our report for a period of three years.

Sincerely,

A handwritten signature in cursive script, appearing to read "Larry G. Sorrell".

Larry G. Sorrell, Manager
Audit and Certification

LGS/tl

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