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**South Carolina  
Division of General Services**

# PROCUREMENT AUDIT AND CERTIFICATION

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WINTHROP COLLEGE

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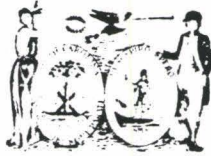
**AGENCY**

JULY 1, 1988 - JUNE 30, 1990

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**DATE**

STATE OF SOUTH CAROLINA  
*State Budget and Control Board*  
DIVISION OF GENERAL SERVICES



CARROLL A. CAMPBELL, JR., CHAIRMAN  
GOVERNOR

GRADY L. PATTERSON, JR.  
STATE TREASURER

EARLE E. MORRIS, JR.  
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RICHARD W. KELLY  
DIVISION DIRECTOR

MATERIALS MANAGEMENT OFFICE  
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JAMES J. FORTH, JR.  
ASSISTANT DIVISION DIRECTOR

JAMES M. WADDELL, JR.  
CHAIRMAN, SENATE FINANCE COMMITTEE

WILLIAM D. BOAN  
CHAIRMAN, WAYS AND MEANS COMMITTEE

JESSE A. COLES, JR., Ph.D.  
EXECUTIVE DIRECTOR

January 31, 1991

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

Dear Rick:

I have attached the Winthrop College procurement 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 two (2) year certification as outlined in the audit report.

Sincerely,

A handwritten signature in cursive script, appearing to read "James J. Forth, Jr.", written in dark ink.

James J. Forth, Jr.  
Assistant Division Director

JJF/jjm

Attachment

WINTHROP COLLEGE  
PROCUREMENT AUDIT REPORT

JULY 1, 1988 - JUNE 30, 1990

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Note: Winthrop College's responses to specific issues noted in this report have been inserted immediately following the items they refer to.

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*State Budget and Control Board*  
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EXECUTIVE DIRECTOR

January 31, 1991

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 Winthrop College for the period July 1, 1988 - June 30, 1990. 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 College 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 College is responsible for establishing and maintaining a system of internal control over procurement transactions. In fulfilling this responsibility,

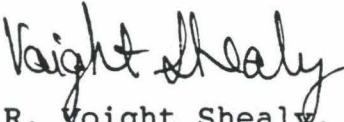
estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance of the integrity of the procurement process, that affected assets are safeguarded 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 should place Winthrop College in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

  
R. Voight Shealy, Manager  
Audit and Certification

## INTRODUCTION

We conducted an examination of the internal procurement operating procedures and policies and related manual of Winthrop College. Our on-site review was conducted June 19 through July 13, 1990, and was made under the authority as described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code.

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 College's 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 College 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 contracts. The Division 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.

Our audit was performed primarily to determine if certification is warranted. The College requested the certification limits below:

<u>Category</u>	<u>Requested Limit</u>
1. Goods and Services	\$15,000
2. Information Technology	\$15,000
3. Construction	\$25,000

## SCOPE

Our examination was performed in accordance with Generally Accepted Auditing Standards as they apply to compliance audits. It encompassed a detailed analysis of the internal procurement operating procedures of Winthrop College and the 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 statistically selected random samples of procurement transactions for the period July 1, 1988 - June 30, 1990, for compliance testing and performed other audit procedures that we considered necessary to formulate this opinion. Our review of the system included, but was not limited to, the following areas:

- (1) All sole source and emergency procurements and trade-ins (7/1/88 - 6/30/90)
- (2) Random samples of two hundred fifty-seven procurements each exceeding \$500.00
- (3) Three hundred purchase orders in sequential order
- (4) Eleven rent/lease transactions
- (5) Property records procedures
- (6) Minority Business Enterprise Plan
- (7) Permanent Improvement Plan
- (8) Professional development of procurement employees

SUMMARY OF AUDIT FINDINGS

Our audit of the procurement system of Winthrop College produced findings and recommendations in the following areas:

	<u>PAGE</u>
I. <u>Unauthorized Procurements</u>	7
Thirty-two procurements were made without the approval of the purchasing department and without competition.	
II. <u>Compliance - Procurements</u>	8
Three procurements lacked the competition required by the Code and regulations.	
III. <u>Compliance - Sole Source and Emergency Procurements</u>	9
Three procurements were made without authorized approvals.	

## RESULTS OF EXAMINATION

### I. Unauthorized Procurements

We noted the following thirty-two payments that were made without the required approval of the purchasing department.

<u>Voucher #</u>	<u>Description</u>	<u>Amount</u>
1. 89015	Consultant-Faculty Workshop	\$ 589.00
2. 93608	Poetry Speaker-Maymester Literary Test	1,500.00
3. 64279	Consultant-"Introduction to Preschool Handicapped"	1,677.42
4. 83993	Rehearsal Accompanist-Winthrop Opera Workshop	600.00
5. 89643	Evaluation of Office of Assessment	1,000.00
6. 109289	Consultant-Marketing Strategy	1,000.00
7. 115983	Lecturer for International Week	1,000.00
8. 87105	Conduct Workshop on Early Intervention	667.20
9. 64898	Consultant-Team Building	1,102.20
10. 62756	Consulting-LEAD Giant Workshops	700.00
11. 116608	Critical Issues Symposium Speaker	916.00
12. 104629	Guest Clinician for Band Clinic	1,200.00
13. 89009	Evaluation of the Office of Assessment	1,000.00
14. 102682	Speaker-"The American Professoriate in Transition"	700.00
15. 070330	Guest Speaker-Irish Studies Course	950.00
16. 94127	Consultant-Advanced Placement H.S. Teachers	1,018.00
17. 0112518	Speaker-Driver License Requirements	1,018.65
18. 111620	Evaluation of Olde English Consortium	1,000.00
19. 115143	Workshop with Faculty	1,000.00
20. 64278	Consultant-"Introduction to Preschool Handicapped"	504.50
21. 76334	Concert-Mariney Duo	650.00
22. 78004	Lecture for Martin Luther King, Jr. Celebration	750.00
23. 79172	Speaker-Egyptian Lecture Series	1,500.00
24. 92172	Presenter-Train the Trainers Conference	605.50
25. 087116	Presenter - SCHEA Conference	1,574.18
26. 087115	Presenter - SCHEA Conference	1,140.95
27. 062755	Presenter - FITS Cluster	1,054.00
28. 090282	Presenter - SCHEA Conference	918.00
29. 087117	Presenter - SCHEA Conference	1,369.92
30. 090281	Presenter - SCHEA Conference	918.00
31. 112512	Presenter - SCHEA Conference	900.00
32. 112520	Presenter - SCHEA Conference	600.00

These purchases were not handled by purchasing nor contained in the exceptions allowed in Section 6.038 of Winthrop's Internal

Procurement Operating Procedures Manual. Since the procurements were made by persons without requisite authority, they are unauthorized.

Appropriate competition was not solicited for any of these procurements.

We recommend that the College submit these procurements for ratification in accordance with Regulation 19-445.2015. To prevent recurrence, we recommend that the College develop policies and procedures allowing direct expenditures for purchases less than \$500 or exempt from the Consolidated Procurement Code, but restricting their use to those transactions.

COLLEGE RESPONSE

We concur that thirty-two payments were made without proper approval. These procurements have been ratified by the President of Winthrop College in accordance with State Procurement Code Regulation 19-445.2015, Subsection A.

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II. Compliance - Procurements

The College failed to solicit the required amount of competition on the following procurements.

<u>PO#</u>	<u>Amount</u>	<u>Required Solicitations</u>	<u>Vendors Solicited</u>
005520	\$1,500.00	3 written	3 verbal
001776	\$ 995.41	2 verbal	1 verbal
V65098	\$1,107.59	2 verbal	1 verbal

The College should ensure that the minimum requirements of the Code are adhered to.

COLLEGE RESPONSE

- A. We concur with the findings on purchase order 005520, in which three verbal bids were accepted instead of the required three written bids. In the future we will comply with the procurement procedures and obtain three written bids for orders over \$1,500.00.
- B. We concur with the findings on purchase order 001776, in which one verbal quote was accepted instead of the required two verbal quotes. In the future we will comply with the procurement procedures and obtain two verbal quotes on orders between \$500.00 and \$1,500.00.
- C. We concur with the findings on voucher 65098, in which the library used a special library purchase order to purchase binding services. The special library purchase order is used for purchasing books, which are exempt from the Procurement Code. The library staff has been notified to procure binding services through the Purchasing Office.

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III. Compliance - Sole Source and Emergency Procurements

The following sole source and emergency procurements were made without authorized approval.

<u>PO#</u>	<u>Amount</u>	<u>Description</u>
1716	\$ 585.00	Copier Maintenance
1605	815.00	Electrical Motors
8027	522.00	Postage Meter

The Code requires prior approval of sole source and emergency purchases from requisite authorities.

We recommend that the College adhere to the guidelines established in the Code for sole source and emergency procurements. As the above procurements are unauthorized, ratification by the College President is required.

COLLEGE RESPONSE

1. We concur with the findings in which two sole source procurements were made without prior approval from requisite authorities. These purchases have been ratified in accordance with State Procurement Code Regulation 19-445.2015, Subsection A.
  2. We concur with the finding of one emergency procurement made without prior approval from requisite authorities. This purchase has been ratified.
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CERTIFICATION RECOMMENDATIONS


As enumerated in our transmittal letter corrective action based on the recommendations described in this report should place Winthrop College in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

The College should complete corrective action in the exception areas by January 31, 1991. We will perform a follow-up review at that time to determine if this has occurred.

Under the authority described in Section 11-35-1210 of the Procurement Code, subject to this corrective action, we recommend the Budget and Control Board certify Winthrop College to make direct agency procurements for 2 years up to the limits as follows:

<u>PROCUREMENT AREAS</u>	<u>RECOMMENDED CERTIFICATION LIMITS</u>
I. Goods and Services	*\$15,000 per purchase commitment
II. Information Technology in accordance with the approved Information Technology Plan	*\$15,000 per purchase commitment
III. Construction	*\$10,000 per purchase commitment

\*Total commitment whether single year or multi-term contracts are used.

  
\_\_\_\_\_  
Marshall B. Williams, Jr.  
Supervisor, Audit and Certification

  
\_\_\_\_\_  
R. Voight Shealy, Manager  
Audit and Certification

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**State Budget and Control Board**  
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JESSE A. COLES, JR., Ph.D.  
EXECUTIVE DIRECTOR

January 28, 1991

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

Dear Jim:

Through correspondence, we have determined that Winthrop College has corrected the problem areas noted herein. We confirmed that the unauthorized procurements have been ratified and that procedures have been implemented to prevent these in the future.

Since Winthrop College has taken appropriate corrective action, we recommend that the Budget and Control Board grant the College procurement certification as noted in the report.

Sincerely,

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

R. Voight Shealy, Manager  
Audit and Certification

RVS/jjm

