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Division of General Services**

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**PROCUREMENT  
AUDIT AND  
CERTIFICATION**

WINTHROP COLLEGE

**AGENCY**

OCTOBER 1, 1985 - FEBRUARY 29, 1988

**DATE**

STATE OF SOUTH CAROLINA  
**BUDGET AND CONTROL BOARD**  
DIVISION OF GENERAL SERVICES  
1201 MAIN STREET, SUITE 420  
COLUMBIA, SOUTH CAROLINA 29201  
(803) 737-3880

CARROLL A. CAMPBELL, JR.  
GOVERNOR

GRADY L. PATTERSON, JR.  
STATE TREASURER

EARLE E. MORRIS, JR.  
COMPTROLLER GENERAL



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SENATE FINANCE COMMITTEE

ROBERT N. McLELLAN  
CHAIRMAN,  
HOUSE WAYS AND MEANS COMMITTEE

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

October 26, 1988

Mr. Richard W. Kelly  
Division Director  
Division of General Services  
1201 Main Street, Suite 400  
Columbia, South Carolina 29201

Dear Rick:

Attached is the Winthrop College audit report and recommendations made by the Office of Audit and Certification. Since no certification above the \$2,500.00 allowed by law was requested, and no action is necessary by the Budget and Control Board, I recommend that this report be presented to them for their information.

Sincerely,

James J. Forth, Jr.  
Assistant Division Director

Attachment

WINTHROP COLLEGE

AUDIT REPORT

OCTOBER 1, 1985 - FEBRUARY 29, 1988

TABLE OF CONTENTS

	<u>PAGE</u>
Transmittal Letter.....	1
Introduction.....	4
Scope.....	5
Summary of Audit Findings.....	6
Results of Examination.....	7
Conclusion.....	11
College Response.....	12
Follow-up Review.....	13

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HOUSE WAYS AND MEANS COMMITTEE

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

March 30, 1988

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

We have examined the procurement policies and procedures of Winthrop College for the period October 1, 1985 through February 29, 1988. 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 College 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 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 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 Winthrop College in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

*R. Voight Shealy*  
R. Voight Shealy, Manager  
Audit and Certification

## INTRODUCTION

The Office of Audit and Certification conducted an examination of the internal procurement operating procedures and policies of Winthrop College. Our on-site review was conducted March 1, 1988 through March 22, 1988 and was made under authority as described in 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, that 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 College in promoting the underlying purposes and policies of the Consolidated Procurement Code as outlined in Section 11-35-20, which include:

- (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.

## SCOPE

Our examination 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.

The Office of Audit and Certification selected a sample for the period January 1, 1987 - December 31, 1987, of procurement transactions for compliance testing and performed other audit procedures through February 29, 1988 that we considered necessary in the circumstances to formulate this opinion. Our review of the system included, but was not limited to, the following areas:

- (1) adherence to provisions of the South Carolina Consolidated Procurement Code and accompanying regulations;
- (2) procurement staff and training;
- (3) adequate audit trails and purchase order registers;
- (4) evidences of competition;
- (5) small purchase provisions and purchase order confirmations;
- (6) emergency and sole source procurements;
- (7) source selections;
- (8) file documentation of procurements;
- (9) inventory and disposition of surplus property;
- (10) economy and efficiency of the procurement process, and,
- (11) approval of Minority Business Enterprise Plan.

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>Compliance - General</u>	
A. <u>Procurements Without Competition</u>	7
Eleven procurements were made without competition.	
B. <u>Awards Exceeded Procurement Authority</u>	8
Total awards from a request for quotation exceeded the College's procurement authority.	
II. <u>Compliance - Sole Source Procurements</u>	9
Three procurements did not meet the criteria for a sole source.	

RESULTS OF EXAMINATION

I. Compliance - General

Our test sample consisted of a total of one hundred seventy-five procurement transactions for the period January 1, 1987 through February 29, 1988. We found most of these procurements to be handled properly, however, we did note the following types of exceptions.

A. Procurements Made Without Competition

Eleven procurements were not supported by solicitations of competition.

<u>Purchase Order</u>	<u>Procurement Amount</u>	<u>Description</u>
1. 74608	\$6,000.00	Trash collection
2. 75309	1,400.00	Lunches - workshop
3. 80962	2,400.00	Conference costs
4. 80963	1,200.00	Meeting rooms; banquet
5. 81279	1,670.00	Bus service
6. 83013	2,800.00	Conference costs

<u>Voucher Number</u>	<u>Voucher Amount</u>	<u>Description</u>
7. 38758	\$ 900.29	Evaluation computer science program
8. 40438	584.00	Violin section member
9. 43211	1,300.00	Consultant - Dacus Library
10. 82741	567.00	Viola section member
11. 91325	1,750.00	Directing summer school London

Item 1 was a blanket purchase order for the period January 1, through June 30, 1987 for garbage service on a weekly schedule with each pickup less than \$500.00. Since the contract called for weekly collections over the six month period, the College should have submitted the requisition to the Materials Management Office

as the total exceeded the College's certification limit of \$2,500.00.

The College incorrectly thought that the goods and services being procured on items 2, 3, 4, 5, and 6 were exempt from the procurement code and regulations.

Items 7, 8, 9, 10 and 11 were procured via either direct expenditures for personal services (DEPS) or check request vouchers by personnel who had the authority to make procurements in that manner. The College did not consider the types of services being procured as being subject to the Code and regulations. Since the services were obtained as contractual services the transactions were covered by the Procurement Code.

All future procurements such as these should be made in accordance with the procurement code and regulations. Purchase order 74608 was an unauthorized procurement as the total exceeded the College's certification limit. This ratification must be requested from the Materials Management Officer according to Section 19-445.2015 of the regulations.

B. Awards Exceeded Procurement Authority

The following two awards exceeded the College's certification limit of \$2,500.00.

<u>Purchase Order</u>	<u>Procurement Amount</u>	<u>Solicitation</u>
81098	\$ 839.85	Request for quotation to three vendors based on three requests
81124	<u>2,207.80</u>	
	\$3,047.65	

The purchasing department considered that the certification limit applied to the value of a single purchase order not the total award amount based on the solicitation. On the procurements

noted above, the total resulted from a request of quotations submitted to three vendors for three requisitions.

In the future, all solicitations anticipated to result in awards exceeding the College's procurement certification limit should be forwarded to the Materials Management Office. This includes cases where a single solicitation results in various awards.

## II. Compliance - Sole Source

We examined the quarterly reports of sole source procurements, each determination and the supporting documents for the period October 1, 1985 through December 31, 1987 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 the sole source procurements to be adequately justified and properly reported.

However, the following three procurements were inappropriate as sole sources:

<u>Purchase Order</u>	<u>Procurement Amount</u>	<u>Quarter Reported</u>	<u>Description</u>
64768	1,038.50	12/85	Credenza
77063	1,316.95	6/87	Plotter
79179	4,500.00	9/87	Consultant

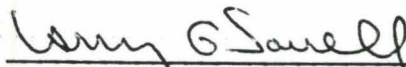
Regulation 19-445.2105 states, "Sole source procurement is not permissible unless there is only a single supplier... In cases of reasonable doubt, competition should be solicited."

We recommend that competition be solicited when there is reason to believe that an item or service may be available from another source.

CONCLUSION

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

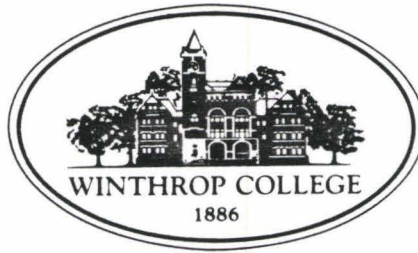
Prior to September 30, 1988 the Office of Audit and Certification will perform a follow-up review to determine if the proposed corrective action has been taken. Subject to this corrective action, and since Winthrop College has not requested procurement certification we recommend that they be allowed to continue procuring all goods and services, consultant services, construction services and information technology up to the basic level of \$2,500.00 as allowed by the Consolidated Procurement Code Regulations.



\_\_\_\_\_  
Larry G. Sorrell  
Audit Manager



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



Office of  
Finance and Business

September 2, 1988

Mr. R. Voight Shealy  
Manager  
Audit and Certification  
BUDGET AND CONTROL BOARD  
1201 Main Street, Suite 420  
Columbia, South Carolina 29201

Dear Voight:

I have received your draft of the audit report which covers the period October 1, 1985 through February 29, 1988. The comments you have made are well received and are very helpful to Winthrop College procurement personnel in conducting business in accordance with the Consolidated Procurement Code of South Carolina.

All corrective procedures that you have recommended have either been implemented or will be implemented within the next thirty days. The ratification required from the Materials Management Office will be requested immediately.

Your continued advice and counsel are appreciated.

Sincerely,

A handwritten signature in cursive script, appearing to read "J. P. McKee".

J. P. McKee  
V. P. Finance and Business  
/ra

Rock Hill, South Carolina 29733  
(803) 323-2205

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EXECUTIVE DIRECTOR

October 26, 1988

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 Winthrop College covering the period October 1, 1985 through February 29, 1988. Combined with observations made during our site visit, this review has satisfied the Office of Audit and Certification that the College is correcting the problem areas found and that internal controls over the procurement system are adequate.

Additional certification was not requested, therefore we recommend that the College be allowed to continue procuring all goods and services, construction, information technology and consulting services up to the basic level as outlined in the Procurement Code.

Sincerely,

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

R. Voight Shealy, Manager  
Audit and Certification



